NEW SALES TAX RETURN SALES TAX REAL–TIME INVOICE VERIFICATION (STRIVe)

By:

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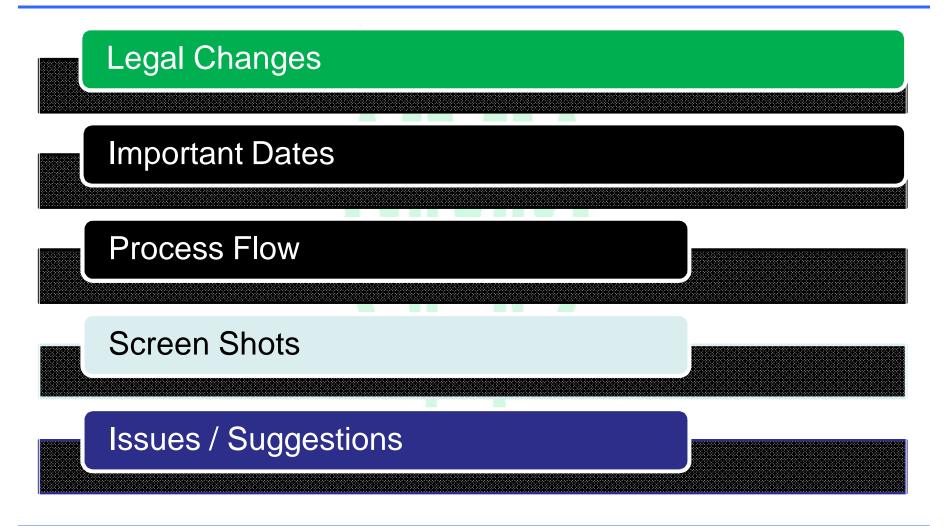**Off: I. I. Chundrigar Road, Karachi.**
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Sales Tax Real-time
Invoice Verification

SCOPE OF PRESENTATION:

Legal Changes

Important Dates

Process Flow

Screen Shots

Issues / Suggestions

Legal Provisions:

Amendments made:

- The Sales Tax Act, 1990

- The Federal Excise Act, 2005

- The Sales Tax Rules, 2006

Legal Provisions:

❑ <u>The Sales Tax Act, 1990:</u>

➢ **<u>Clause (9) of Section 2 – Date of Filing of Sales Tax Return:</u>**

"**due date**" in relation to the furnishing of a return [under section 26], means the **<u>[15th] day of the month following the end of the tax period</u>**, or such other date as the [Board] may, by notification in the official Gazette, specify;

"and different dates may be specified for furnishing of different parts or annexures of the return;"

Legal Provisions:

> ## Section 7 Clause (2) Sub-Clause (i) – Determination of tax liability:

(2) A registered person shall not be entitled to deduct input tax from output tax unless,-

(i) in case of a claim for input tax in respect of a taxable supply made, he holds a tax invoice [in his name and bearing his registration number] in respect of such supply for which a return is furnished;

"Provided that from the date to be notified by the Board in this respect, in addition to above, if the supplier has not declared such supply in his return or he has not paid amount of tax due as indicated in his return;"

Legal Provisions:

➢ **Section 8 Sub-Section (1) Clause (l) – Tax Credit Not Allowed:**

(1) **Notwithstanding anything contained in this Act, <u>a registered person shall not be entitled to reclaim or deduct input tax</u> paid on**

(l) "from the date to be notified by the Board, such goods and services which, at the time of filing of return by the buyer, have not been declared by the supplier in his return **or he has not paid amount of tax due as indicated in his return.**"

Legal Provisions:

❑ **The Federal Excise Act, 2005:**

➢ **Sub-Section (2A) of Section 6:**

"From the date to be notified by the Board, adjustment of duty of excise under sub-section (1) **shall be admissible only if the supplier of input goods and services has declared such supply in his return and he has paid amount of tax due** as indicated in his return."

Legal Provisions:

➢ **Sub-Section (13) of Section 19:**

"Any person who contravenes any provision of this Act or rules made thereunder for which no penalty has specifically been provided in this section shall be liable to pay a penalty of five thousand rupees or three percent of the amount of duty involved, whichever is higher."

Legal Provisions:

❑ <u>The Sales Tax Rules, 2006:</u>

➢ <u>Sub - Rule (2) of Rule 18 - Amended through SRO 493(I)/2016 dated 01-07-2016</u>

"(2) The proviso to clause (i) of sub-section (2) of section 7 and clause (l) of sub-section (1) of Section 8 of the Sales Tax Act, 1990 and sub-section (2A) of section 6 of the Federal Excise Act, 2005 <u>shall be applicable for sales tax and federal excise returns for the tax periods from July, 2016 and onwards.</u>"

Important Dates:

STRIVe — Sales Tax Real-time Invoice Verification

SALES TAX RETURN FILING SCHEDULES DATES ARE:

Annex-C	Payment	Filing
10	15	18

FBR HELPLINE

www.fbr.gov.pk   Tax Domain: 042-99214161   helpline@fbr.gov.pk   051-111 772 772 from 8:00 to 24:00 hrs.

Process Flow:

First Step:
- Entry in Annexure - C and Annexure - I.

Second Step:
- Submission of Annexure - C and Annexure - I **by 10th** before submission of return **by the Supplier**.

Third Step:
- Availability of data to respective buyer in "Purchase Data" and "Debit and Credit Note Data" **PURCHASE DATA AVAILABLE ONLY AFTER SUBMISSION OF SALES DATA I.E. ANNEXURE C.**

Process Flow:

Fourth Step:
- Loading of data in Annexure - A and Annexure - I from "Purchase Data" and "Debit and Credit Note Data" **by the Buyer.**

Fifth Step:
- Manual entry of the invoices of the unregistered person and the registered person allowed by the Board. This also includes entry by Registered Persons falling under Special Procedure Rules.

Sixth Step:
- **Intimation to the buyer** if all suppliers have filed their returns.

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Process Flow:

- **If the SUPPLIER <u>does not</u> file Sales Tax Return:**

<u>The Buyer</u> shall be allowed <u>Provisional Input Tax</u> adjustment till the 10th day of the next month with the following message:

- ➢ In case of non-filing, Recovery of Input Tax through **Column 7a**

- ➢ In case of filing, Adjustment shall be allowed through **Column 7b**

- ➢ The balance shall appear in **Column 7c**
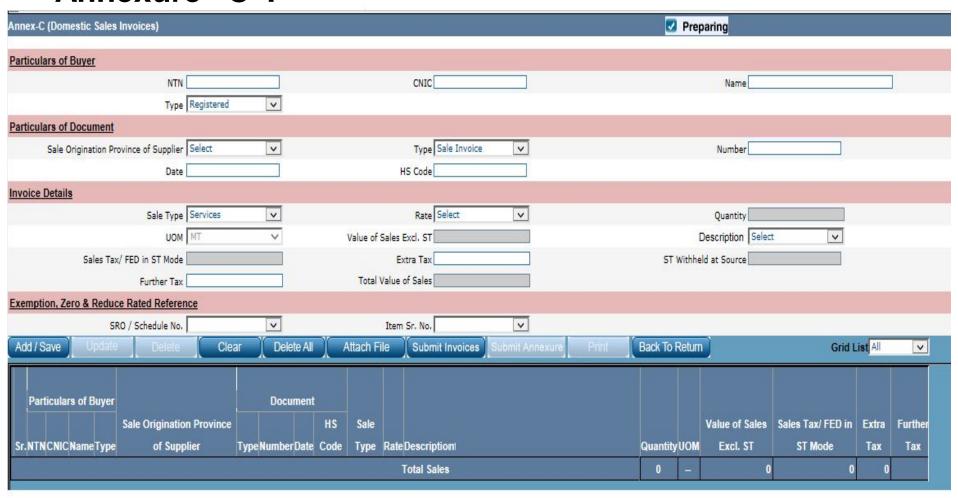
Process Flow:

- **If the BUYER <u>does not</u> accept the Credit Note:**

<u>The Supplier</u> shall be allowed Provisional Reduction in output tax till the 10th day of the next month with the following message:
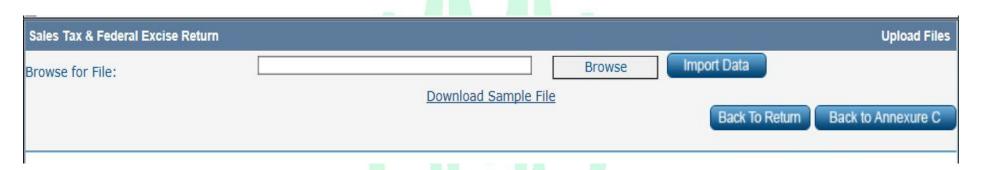
- ➢ In case of non-acceptance, Recovery of Input Tax through **Column 7a**

- ➢ In case of acceptance, Adjustment shall be allowed through **Column 7b**

- ➢ The balance shall appear in **Column 7c**

<u>The BUYER</u> shall be intimated on every status change, and on removal of all objections.

Screen Shots:

• Annexure "C":

Screen Shots:

- ## Annexure "C" – Uploading of File for Multiple Entries:

PLEASE NOTE:

DO NOT CHANGE – SAMPLE FILE FORMAT – otherwise file will not be uploaded.

When we Print Annexure – C after submission, there should be indication on the printout that the Annexure is submitted.

Screen Shots:

- **Annexure "C":**

Submit Invoices

Submit Annexure

Real-Time Status

Submit Invoices   Submit Annexure   Grid List

All
Online
From File
Un-Claimed
Claimed
Rejected

Real-Time Status of your Submitted Invoices:
1. *Claimed by Buyers (Locked)*
2. *Unclaimed (editable)*
3. *Rejected*

Submitted Sale Invoices will be available to buyers for claim
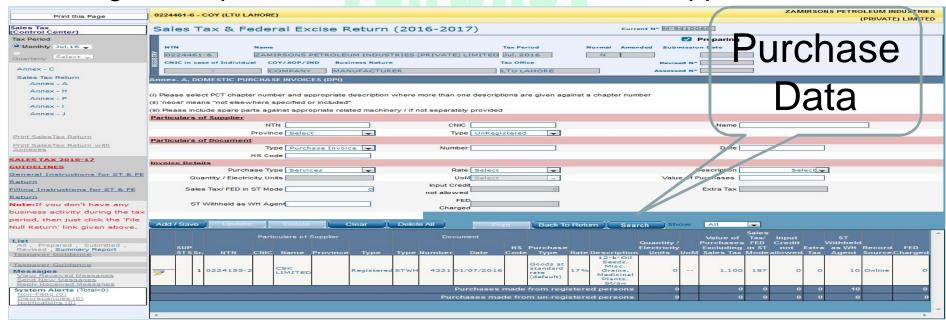
Screen Shots:

- **Annexure "C" – New Column Added – <u>Invoice Status</u>:**

- **Un-Claimed:** Until the invoice is not claimed by the buyer.
- **Claimed:** As soon as the buyer claims the invoice in "Annex-A".
- **Rejected:** Incase buyer rejected the invoice the status of the invoice will change to rejected, Supplier cannot perform any action on the rejected invoice.

| Total Value of Sales | Exemption, Zero & Reduce Rated Reference | | Item Sr No. | Invoice Status |
	ST Withheld at Source	SRO / Schedule No.		
0	100			Claimed
0	0			Rejected
0	0			Claimed

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Screen Shots:

- ## Annexure "A":

Description		Gross Value	Taxable Value
1.	Domestic Purchases from Registered Persons (excluding fixed assets)	Annex-A & I	0	0
2.	Domestic Purchases from Un-registered Persons	Annex-A & I	0	
3.	Imports excluding fixed assets (Includes value addition tax on commercial Imports)	Annex-B	0	0
4.	Capital Goods / Fixed Assets (Domestic Purchases & Imports)	Annex-A, I & B	0	0
5.	Input for the month = (1 + 3 + 4)			

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Screen Shots:

- **Annexure "A" – Uploading of Purchase Data :**

- Press purchase data for selection of invoices submitted by suppliers

- For **permissible categories of registered persons** or directly enter invoice data of unregistered persons or prescribed categories of registered persons search as DISCOs, AJK Suppliers etc.
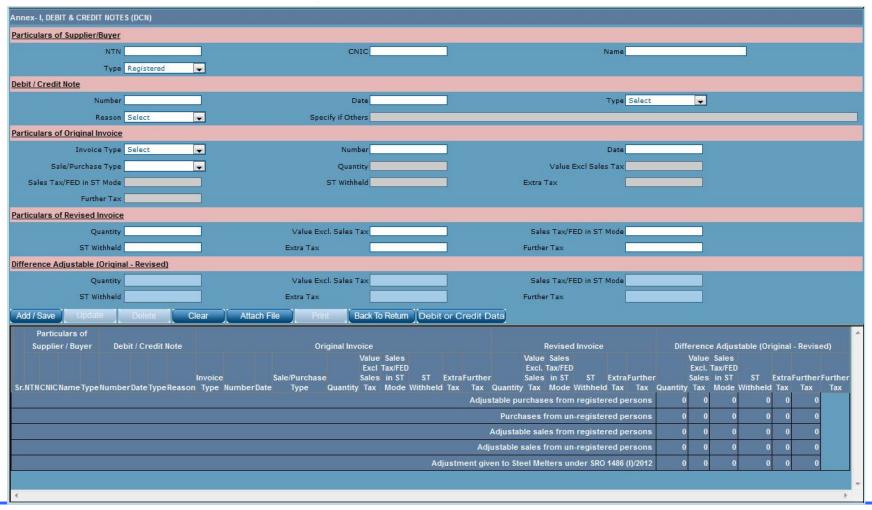
Screen Shots:

- **Annexure "A" – Uploading of Purchase Data :**

Screen Shots:

• Annexure "I" – Debt / Credit Notes:

Annex- I, DEBIT & CREDIT NOTES (DCN)

Particulars of Supplier/Buyer

NTN _____   CNIC _____   Name _____

Type [Registered ▼]

Debit / Credit Note

Number _____   Date _____   Type [Select ▼]

Reason [Select ▼]   Specify if Others _____

Particulars of Original Invoice

Invoice Type [Select ▼]   Number _____   Date _____

Sale/Purchase Type [▼]   Quantity _____   Value Excl Sales Tax _____

Sales Tax/FED in ST Mode _____   ST Withheld _____   Extra Tax _____

Further Tax _____

Particulars of Revised Invoice

Quantity _____   Value Excl. Sales Tax _____   Sales Tax/FED in ST Mode _____

ST Withheld _____   Extra Tax _____   Further Tax _____

Difference Adjustable (Original - Revised)

Quantity _____   Value Excl. Sales Tax _____   Sales Tax/FED in ST Mode _____

ST Withheld _____   Extra Tax _____   Further Tax _____

[Add / Save] [Update] [Delete] [Clear] [Attach File] [Print] [Back To Return] [Debit or Credit Data]

Particulars of Supplier / Buyer					Debit / Credit Note					Original Invoice									Revised Invoice							Difference Adjustable (Original - Revised)						
Sr.	NTN	CNIC	Name	Type	Number	Date	Type	Reason	Invoice Type	Number	Date	Sale/Purchase Type	Quantity	Value Excl Sales	Sales Tax/FED in ST Mode	ST Withheld	Extra Tax	Further Tax	Quantity	Value Excl Sales	Sales Tax/FED in ST Mode	ST Withheld	Extra Tax	Further Tax	Quantity	Value Excl Sales	Sales Tax/FED in ST Mode	ST Withheld	Extra Tax	Further Tax	Further Tax
								Adjustable purchases from registered persons																	0	0	0	0	0	0	
								Purchases from un-registered persons																	0	0	0	0	0	0	
								Adjustable sales from registered persons																	0	0	0	0	0	0	
								Adjustable sales from un-registered persons																	0	0	0	0	0	0	
								Adjustment given to Steel Melters under SRO 1486 (I)/2012																	0	0	0	0	0	0	

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Screen Shots:

- **Annexure "I" – Debt / Credit Notes – Uploading Data:**

Screen Shots:

- ## New Rows Inserted in the Return:

Screen Shots:

- **New Rows Inserted in the Return:**

7a	Inadmissible input tax credit in terms of section 7(2)(i) read with section 8(1)(l) of the Sales Tax Act, 1990 and disallowance of reduction in output tax in respect of withholding of sales tax/Credit Notes.
7b	Allowance of input tax credit and reduction of output tax out of previous return column 7c
7c	Balance of earlier disallowed input tax credit and disallowed reduction of output tax through column 7a

Screen Shots:

- # MIS Reports:

Recovery/adjustment of provisionally allowed input tax credit

Your following suppliers have not so far declared your following purchases in their sales tax and federal excise returns, however, you were allowed provisional adjustment of input tax against their invoices but they have failed to file their returns by the 10th day of the next month, therefore, your said inadmissible input tax credit is adjusted/recovered in terms of proviso to section 7(2)(i) read with section 8(1)(l) of the Sales Tax Act, 1990. You are, therefore, advised to contact the said suppliers and persuade them to declared your said purchases and file their returns so that you could get input tax credit of the said purchases.

Name of the Supplier	NTN	Tax Period	Sales tax claimed on purchases
No Records Found			

Recovery/adjustment of provisionally allowed reduction in output tax

Your following buyers have not so far declared sales tax withheld amount in their monthly sales tax and federal excise return, however, you were allowed provisional reduction in your output tax against the said amount but they have failed to declare the said withheld amount of sales tax by the 10th day of the next month in their monthly sales tax and federal excise return, therefore, your said reduction in output tax is adjusted/recovered. You are, therefore, advised to contact the said buyers and persuade them to declare the said withheld amount of sales tax in their monthly sales tax and federal excise return so that you could get benefit of reduction of output tax.

Name of the Buyer	NTN	Tax Period	Sales tax withheld and to be paid by the buyer
No Records Found			

Recovery/adjustment of provisionally allowed reduction in output tax

Your following buyers have not so far accepted the Credit Note issued by you, however, you were allowed provisional reduction in your output tax against the said Credit Note but they have failed to accept the said Credit Note by the 10th day of the next month, therefore, said reduction in output tax is adjusted/recovered. You are, therefore, advised to contact the said buyers and persuade them to accept the said Credit Note so that you could get benefit of reduction of output tax.

Name of the Buyer	NTN	Tax Period	Output tax reduced through Credit Note which shall result into reduction in input tax credit by the buyer
No Records Found			

Screen Shots:

- **New Rows Inserted in the Return:**

12a	Electricity supplied to **Marble / Granite industry** (Non Adjustable)	KWH	Annexure - C
18a	Turnover Tax payable by retailers @ 2%		Turnover

Issues / Suggestions:

<u>Issues:</u>

➢ The Sale invoices **<u>are not being updated on Real Time Basis</u>** in the return of Buyers which is causing hardship to the Supplier and resulting in delay in filing of return.

➢ The Supplier has to constantly check if each invoice issued is claimed or not.

➢ Registered Persons <u>falling under</u> **Special Procedures**, timely filing of Annexure-C is impracticable.

Issues / Suggestions:

Issues:

➢ **The Supplier** has to separately enter the Data of Sales Tax Withholding (STWH) which is duplication of Work.

➢ The Supplier / Buyer has to load Data for **Annexure I** causing un-necessary wastage of time and resources.

➢ When **the BUYER** loads the Purchase data and wants to check the same, there is no option of printing **Annexure A** unless the return is verified.

➢ Utility Input Tax is not available on Real-Time Basis.

Issues / Suggestions:

Issues:

➤ **The Supplier** has to claim STWH in the same month of issuance of Invoice. <u>This is a HARSH Step and needs review as the responsibility to check if the BUYER is STWH or not is also shifted to the Supplier</u>.

➤ The Supplier / Buyer will not be able to file Sales Tax Returns for the subsequent tax period if either of the Supplier / Buyer has not filed the Return UNLESS the Supplier / Buyer makes the payment of Sales Tax. <u>**HOW THIS WOULD BE DONE WITHOUT PASSING AN ORDER OR CREATING DEMAND???**</u>

Issues / Suggestions:

Issues:

➢ Double Taxation if the Supplier does not file the Sales Tax Return, the Buyer has to again make the payment if the Supplier does not file the return.

➢ The concept of Real Time Invoice entry is STILL NOT ENABLED which will again result in delay in filing of Annexure C for the tax period of August 2016.

Issues / Suggestions:

Suggestions:

➢ **Withholding Tax Provisions** should now be done away with between the Registered Persons and restrict the withholding provisions from un-registered persons only and that too at the time of making payment and not on the basis of accrual.

➢ **RCPS should be withdrawn** when the verification of transactions is made on real time basis.

➢ **CREST** System should be suitably modified as cross matching of invoices is done of real time basis.

Issues / Suggestions:

Suggestions:

➢ Summary for Annexure C should be available in order to avoid constant checking of invoice status.

➢ Following Clauses should be deleted as the responsibility to pay Sales Tax is now shared by both Supplier and Buyer:
  • Section 8 (1) (ca)
  • Section 8 (1) (caa)
  • Section 8 (1) (d)
  • Section 8A

Thank you

Presentation by:

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AT

Karachi Tax Bar Chamber

AUGUST 16, 2016