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Malik Amjad Zubair Tiwana
Chairman
Federal Board of Revenue
Islamabad

Dr. Wasif Ali Memon
Chairman
Sindh Revenue Board
Karachi

Dear Tiwana Sahib and Wasif Sahib, AOA

CREDIT/DEBIT NOTES ISSUED ON PROVINCIAL RETURNS NOT CHANGEABLE

We wish to draw your attention to an important matter concerning the alignment of credit and debit notes issued on provincial returns in the context of our Federal tax system.

2- As you are aware, the tax structure in our country allows for sales tax paid under a Provincial law to be recognised as input tax for a Sales Tax taxpayer under the Federal Sales Tax law, and conversely, sales tax paid under Federal law is also recognised as input tax for a provincial sales taxpayer under the respective Provincial sales tax law.

4- However, we have observed a discrepancy in this process. While base invoices correctly appear in the respective portals, the related debit and credit notes do not seem to align appropriately. This misalignment results in a potential loss of tax revenue for the Federal Board of Revenue, along with the unintended disallowance of legitimate input tax for federal sales taxpayers.

ILLUSTRATION

5.1- To illustrate, consider a scenario where a federal sales taxpayer claims input tax for services provided. If, for any reason, the service provider issues a credit note, and the services are reversed, the federal sales taxpayer is unable to adjust the input tax claimed. This is due to the fact that the credit note issued on the Provincial portal does not reflect in the Federal portal. Consequently, the taxpayer effectively ends up claiming excess input tax from the FBR.

5.2- This issue can occur in reverse as well, affecting the provincial sales taxpayers. It is imperative to address this misalignment and ensure that credit and debit notes from Provincial portals are synchronized and reflected correctly in each other's portals.

6- In view of the above, it is essential that credit / debit notes from Provincial portals are also aligned and reflected in each other portals. This alignment is critical to maintain the integrity of our tax system and to prevent any implications for taxpayers from unintended non-compliance.

Your necessary attention and prompt direction for bringing correction to the system would be greatly appreciated.

Warm regards

(Syed Zafar Ahmed)

President

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C.C. to:

- i. **Mr. Afaque Ahmed Qureshi**, Member (Inland Revenue - Policy), FBR, Islamabad.
- ii. **Mir Badshah Khan Wazir**, Member-IR (Operations), FBR, Islamabad.
- iii. **Mr. Nasir Khan**, Member (Information Technology), FBR, Islamabad.
- iv. **Dr. Muhammad Amir Malik**, Chief Executive Officer / Chairman BOM, PRAL, Islamabad.
- v. **Mr. Rana Munir Hussain**, President, Pakistan Tax Bar Association.
- vi. **Press Media**