

Ref : KTBA/06.2023/060

Date : June 26, 2023

**Mr. Asim Ahmad,**  
Chairman,  
Federal Board of Revenue,  
Islamabad

Dear Sir

## **RESTRICTION ON FBR PORTAL TO INCORPORATE CREDIT NOTES**

With reference to the above subject we would like to draw your urgent attention to the issue, which has become a matter of concern and requires it's immediate redressal.

2.1- It is to apprise your office that during the process of filing of sales tax returns for the tax period of May 2023, IRIS portal stopped to incorporate credit notes in Annexure-C of the monthly sales tax return. Based on an understanding that it might relate to some technical error, we contacted the FBR helpline via call for its resolution in response to which it was informed that the FBR portal was being updated to restrict incorporation of these credit notes directly in Annexure C. It was informed that credit notes would be accepted in the Sales Tax Return only once after the goods recipient i.e. purchaser would raise a corresponding debit note in his Annexure-A. In the absence of such a debit note from purchaser of goods, the seller cannot incorporate/declare the credit note in the return on his own.

3- Earlier, no such condition was ever imposed to creation of credit note by the seller.

4- The above change in the system has given birth to lots of issues in issuing/declaring the credit notes under Section 9 of the Sales Tax Act, 1990. These are being highlighted hereunder for your information and prompt resolution:

### **a- BUYER BEING A REGISTERED PERSON DOES NOT CLAIM INPUT TAX**

In case where the sales is made to a purchaser who is registered with FBR and the purchaser does not claim related input tax in its Annexure A, which may be due to the reason that input tax is inadmissible for him or that the supplies made by him (purchaser) are exempt from tax. In such a case, since the purchaser of goods would not claim the input tax in the first place, naturally he would never raise a debit note.



## **b- BUYER IS AN UNREGISTERED PERSON**

If the purchaser i.e., goods recipient is not registered with FBR, he in no way can create debit note against the respective invoice issued by the seller. Whereas, in Rule 22 of Chapter 3 "Credit and Debit Notes and Destruction of Goods" of the Sales Tax Rules, 2006 it has been mentioned that in case of return of supplies by unregistered person, the adjustment can be made against the credit note.

## **c- BUYER IS A SERVICE PROVIDER, NOT A GOOD SELLER**

If the purchaser i.e. good recipient is the service industry, which is not liable to be registered under Sales Tax Act with FBR, therefore, he in no way can create debit note against the respective invoice issued by the seller.

5- It appears that while imposing the above restriction on the FBR portal, it has been assumed that seller and purchaser both would be registered with FBR and claim related input tax on taxable supplies, which practically cannot be the ONLY case.

6- You would also recall that similar changes were made on the portal quite some time ago specifically in case where buyer is an unregistered person. However, after intervention of the Federal Tax Ombudsman the matter was resolved and FBR issued directions, not very long ago, to allow credit notes vide clarification C.No. 5(17) ST-L & P/CN/2021/81632-R on 11 April 2022. Resurfacing of the same restriction and that too merely after one month, is completely unwarranted. The taxpayer is ceased with the problem that the restriction has impeded the process of filing of STR for the tax period of May 2023.

7- In view of the above, it is suggested that as an immediate recourse, the undesired change made on FBR portal is reversed to enable the taxpayers to pay for only their due liability of sales tax and file the 'correct' STRs. Meanwhile, the due date of filing of STR for the tax period of May 2023 should also be extended till the resolution of the issue.

We at KTBA would be more than willing to offer any assistance where the same is required.

Regards,

**(Zafar Ahmed)**

President

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C.C to :

- i. **Mr. Afaq Ahmed Qureshi**, Member (Inland Revenue - Policy), FBR, Islamabad.
- ii. **Malik Amjad Zubair Tiwana**, Member-IR (Operations), FBR, Islamabad.
- iii. **Mr. Asim Amjad Khan**, Member (Legal-IR), FBR, Islamabad.
- iv. **Mr. Nasir Khan**, Member (Information Technology), FBR, Islamabad
- v. **Mr. Rana Munir Hussain**, President, Pakistan Tax Bar Association.
- vi. **Press Media**