

Ref : KTBA/03.2023/004

Date : March 27, 2023

Dr. Wasif Ali Memon

Chairman

Sindh Revenue Board (SRB)

2nd floor, Shaheen Complex

M.R Kiyani Road

Karachi.

Dear Sir,

RESTRICTION ON DEBIT/CREDIT NOTES REPORTING MONTHLY SALES TAX RETURN AT SRB WEB PORTAL

As you must be aware of the fact that reporting criteria of debit/credit notes in the monthly sales tax return has been changed in Annexure C, from the month of February 2023, we, in this connection, would like to bring your knowledge that the subject change has not only created unnecessary hindrance and hiccups in ensuring timely compliance but also has caused delay in e-filing returns owing to which, you would acknowledge, the date of e-filing returns for the tax period February 2023 has to be extended up to 22nd March 2023.

The change in reporting criteria is premised on the condition of declaration of Debit note by the other party i.e. service recipient in his respective Sales Tax Return.

2. We through this letter, feel it imminent to identify certain impracticalities besides the sheer absence of legality in introducing the change, which are being encountered by our members in respect of debit/credit notes reporting after the above referred change has taken place at SRB web portal. The same are being narrated hereunder in the ensuing paragraphs:

2.1- REGISTERED SERVICE RECIPIENTS WITH REDUCED RATE DO NOT CLAIM INPUT TAX

In case where the service provider, renders services at standard rate to the service recipient who though registered with SRB but at a reduced rate, owing to which he won't claim the related input tax in his Annexure A due to the reason that any input tax would be inadmissible for him. Consequently, he would not raise a debit note. Hence the right to claim the credit note by the Service Provider who raised the standard rate invoice is jeopardized.

2.2- SERVICE RECIPIENT CLAIMS INPUT TAX IN FEDERAL BOARD OF REVENUE ("FBR")

In this situation the service recipient may not be registered with SRB and would claim the related input tax on his FBR portal, which would not reflect in the web portal. Accordingly, the debit note could not be raised in SRB portal. Hence, the service provider in SRB would not be able incorporate a credit note in his return.

2.3- SERVICE RECIPIENT IS AN UNREGISTERED PERSON

If service recipient is not registered with SRB, he in no way can create debit note against the respective sales tax invoice issued by the service provider, which only means to surrender one's right to claim the credit note.



The situations mentioned above are very common and understandable in scheme of Sales Tax debit and credit note mechanism and, therefore, cannot possibly be missed out. It, however, appears that while imposing the above restriction on the SRB portal, it was assumed that service provider and service recipient both are registered with SRB and claims related input tax.

3- NO TAB AVAILABLE

In addition to the above, even one chooses to ignore any eventuality narrated above, it will still not be possible for one to claim/declare the debit note raised by the service recipient in Annexure C as there is no tab available at the SRB web portal for claim/visibility of the respective debit notes, in the first place. This lack of visibility to the service provider, needless to mention, would also trigger reconciliation issues.

4- WAY FORWARD:

In view of the above, it is suggested as follows –

4.1- As an immediate recourse, the change made on SRB portal should be reversed so as to enable the taxpayers to discharge the sales tax liability and to file the SSTRs timely.

4.2- Going forward, SRB may follow the similar process of declaring debit/credit notes as currently in force by FBR where debit /credit notes reporting is allowed on provisional basis and the same are reverted if corresponding debit/credit notes are not endorsed by either person in his returns. It may be noted that the FBR system also has various exceptions to be above rule e.g., for services provided to unregistered person etc. Therefore, possible situations may also be kept in sight before implementing any change on SRB portal.

Your prompt response and directions to the commissioner offices towards resolving the aforesaid issues would be highly appreciated. We expect that your office will consider the request and will provide a solution to avoid any dead lock. Lastly a meeting with a delegation from the KTBA should not be ruled out whereby we can deliberate for the resolution of issue to any desired detail.

Yours sincerely,

(Zafar Ahmed)

President

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C.C to :

- i. **Mr. Abdul Hameed Memon**, Senior Member (IT and Operations), SRB, Karachi.
- ii. **Mr. Muhammad Iqbal Lakho**, Commissioner - II & V, SRB, Karachi.
- iii. **Ms. Mona Mehfooz**, Commissioner- I, SRB, Karachi.
- iv. **Mr. Aamir Ali Shaikh**, Commissioner- III, SRB, Karachi.
- v. **Mr. Mohsin Ali Shah**, Commissioner-IV, SRB, Karachi.
- vi. **Mr. Rana Munir Hussain**, President, Pakistan Tax Bar Association.
- vii. **Press and Media**