

Sales Tax Presentation

PDP 9th Session – Records, Refund & Sales Tax Withholding

07 November 2013

Presented by:

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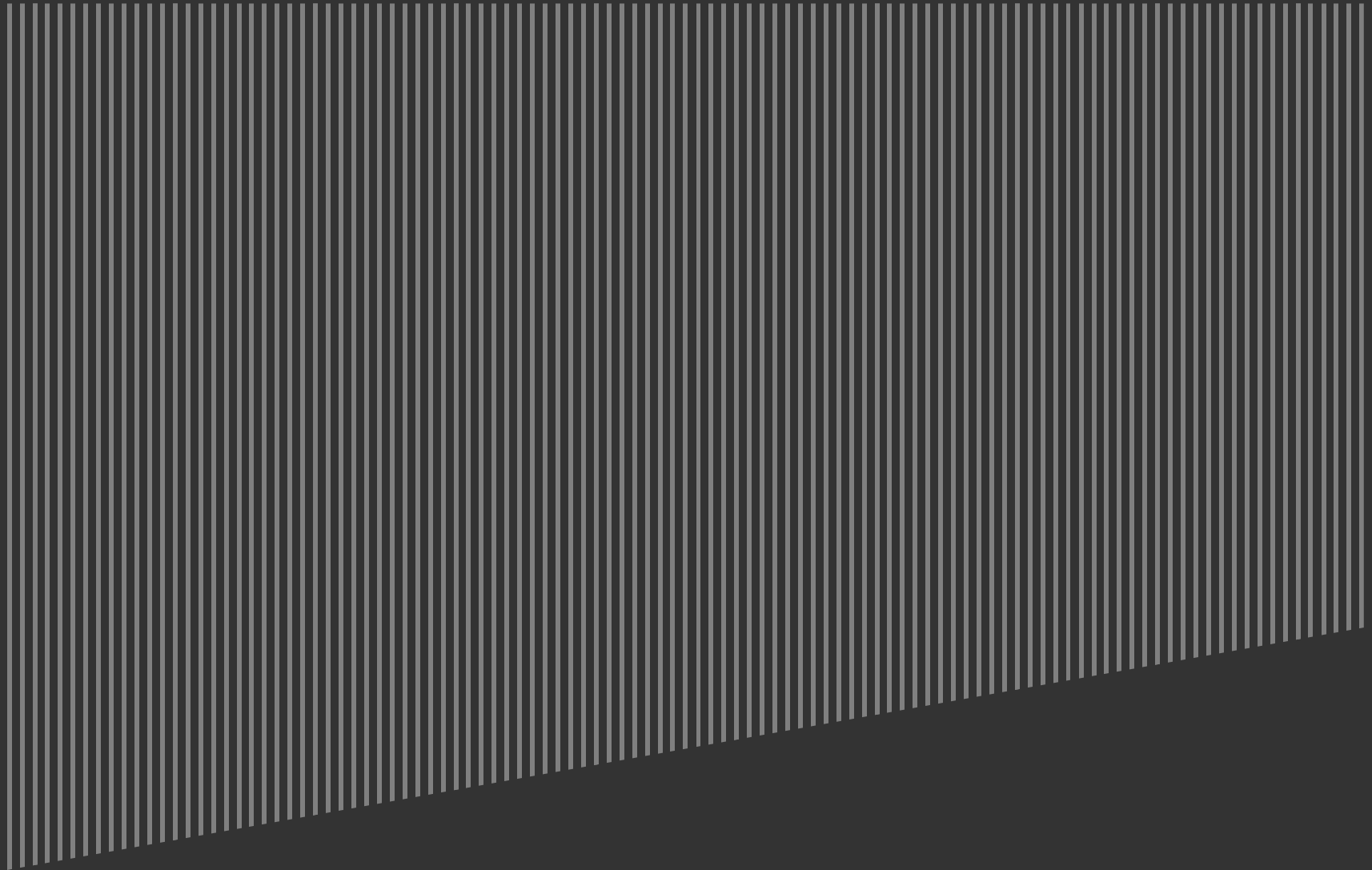
Records

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Refund

Sales Tax Withholding

Records



Records

Requirements

- ▶ Section 22 of the Sales Tax Act, 1990 (hereinafter “ST Act”) outlines the requirements of record-keeping for registered persons.

- ▶ Sub-section 1 of section 22 of the ST Act envisages that;

*“A registered person making taxable supplies shall **maintain** and keep at his business premises or registered office in English or Urdu language the following **records of goods purchased, imported and supplied** (including zero-rated and exempt supplies) made by him or by his agent acting on his behalf in such form and manner as would permit ready ascertainment of his tax liability during a tax period.”*

Records

Requirements – cont'd

Records of **supplies made** shall indicate the **description, quantity and value** of goods, **name and address of the person** to whom supplies were made and the **amount of the tax** charged;

Records of **goods purchased** shall show the **description, quantity and value** of goods, **name, address and registration number** of the supplier and the **amount of the tax** on purchases;

Records of **goods imported** shall show the **description, quantity and value** of goods and the **amount of tax** paid on imports;

Records of **zero-rated and exempt supplies**;

Records

Requirements – cont'd

Double entry **sales tax accounts**;

Invoices, credit notes, debit notes, bank statements, **banking instruments** in terms of section 73, **inventory records**, utility bills, salary and labour bills, rental agreements, sale-purchase agreements and lease agreements; and

Such other records as may be specified by the Board:

Provided that the persons paying retail tax shall keep such record as may be specified by the Board.

Records

Approval of keeping records on computers

- ▶ The Federal Board of Revenue (hereinafter “FBR”) through Notification No. S.R.O. 697(I)/96 dated 22 August 1996 has authorised the use of record-keeping on computers provided that the registered persons shall:
 - ▶ Provide free access to the authorised officer to the computer for the purpose of examining the records;
 - ▶ Generate such statements and make the same available to an authorised officer as may be specified;
 - ▶ Generate hard copies of the business records for every tax period and produce the same as and when required by an authorised officer; and
 - ▶ Keep backup of the records on the electronic media.

Records

Offences and penalties

As per section 33 of the ST Act, any person who **fails to maintain records** required under this Act or the rules made thereunder, such person shall pay a **penalty of Rs. 10,000 or 5% of the amount of tax** involved, whichever is higher.

Invoices

Requirements

- ▶ Section 23 of the ST Act lays down the requirements of tax invoices. Typically, tax invoices should be **serially numbered** and contain the following particulars:
 - ▶ Name, address and registration number of the supplier;
 - ▶ Name, address and registration number of the recipient;
 - ▶ Date of issue of the invoice;
 - ▶ Description and quantity of goods;
 - ▶ Value exclusive of tax;
 - ▶ Amount of sales tax; and
 - ▶ Value inclusive of tax

Invoices

Offences and penalties

As per section 33 of the ST Act, any person who **fails to issue an invoice** when required under this Act, such person shall pay a **penalty of Rs. 5,000 or 3% of the amount of tax** involved, whichever is higher.

Furthermore, any person who **un-authorizedly issues an invoice** in which an amount of tax is specified, such person shall pay a **penalty of Rs. 10,000 or 5% of the amount of the tax** involved, which is higher.

Credit and Debit Notes

Requirements

- ▶ Chapter III of the Sales Tax Rules, 2006 (hereinafter “ST Rules”) specifies the requirements for issuance for credit and debit notes.
- ▶ Rule 20 of the ST Rules highlights that where a registered person has made a **supply**, and such supply or part thereof is **cancelled or returned, the buyer or the recipient shall issue a Debit note** (in duplicate) in respect of such supply or part thereof, indicating;
 - The quantity being returned or the supply of which has been cancelled ;
 - Its value determined on the basis of the value of supply as shown in the tax invoice issued by the supplier; and
 - The amount of related sales tax paid thereon.

Credit and Debit Notes

Requirements – cont'd

In addition to the above, Rule 20 of the ST Rules further requires that the following are also indicated on the debit note.

- Name and National Tax Number of the recipient;
- Name and National Tax Number of the supplier;
- Number and date of the original sales tax invoice;
- The reason of issuance of the Debit Note; and
- Signature and seal of the authorized person issuing the note.

Credit and Debit Notes

Requirements – cont'd

- ▶ Rule 21 of the ST Rules provides that where for any valid reason the **value of supply or the amount of sales tax** mentioned in the invoice issued has **increased**, the **supplier shall issue a Debit Note** (in duplicate) .
- ▶ However, in case where for any valid reason, the **value of supply or the amount of sales tax** mentioned in the invoice issued has **decreased**, the **supplier shall issue a Credit Note** (in duplicate).
- ▶ For **both of the above** instances, the respective credit / debit notes should consist of the **following particulars**:

Credit and Debit Notes

Requirements – cont'd

Name and
National Tax
Number of the
supplier;

Name and
National Tax
Number of the
recipient;

Number and date
of the original
sales tax invoice

The original value
and sales tax as
in original
invoice;

The revised value
and sales tax;

The difference of
value and sales
tax adjustable;

The reason for
revision of value;
and

Signature and
seal of the
authorized person
issuing the note.

Credit and Debit Notes

Adjustment of relevant amount of tax

- ▶ Rule 22 of the ST Rules outline the requirements for adjustment of input and output tax, consequent to issuance of credit and debit notes.
- ▶ Sub-rule 1 of Rule 22 specifies that **the buyer shall not be entitled to claim input tax** in respect of the **supply which has been cancelled or returned to the supplier** or in respect of which the amount of **tax was reduced**.
- ▶ In case **where the buyer has already claimed input tax credit** in respect of such supplies, he shall **reduce or increase the amount of input tax** by the corresponding amount as mentioned in the **Debit Note or Credit Note**, as the case may be, in the return of the period in which the respective note was issued.

Credit and Debit Notes

Adjustment of relevant amount of tax – cont'd

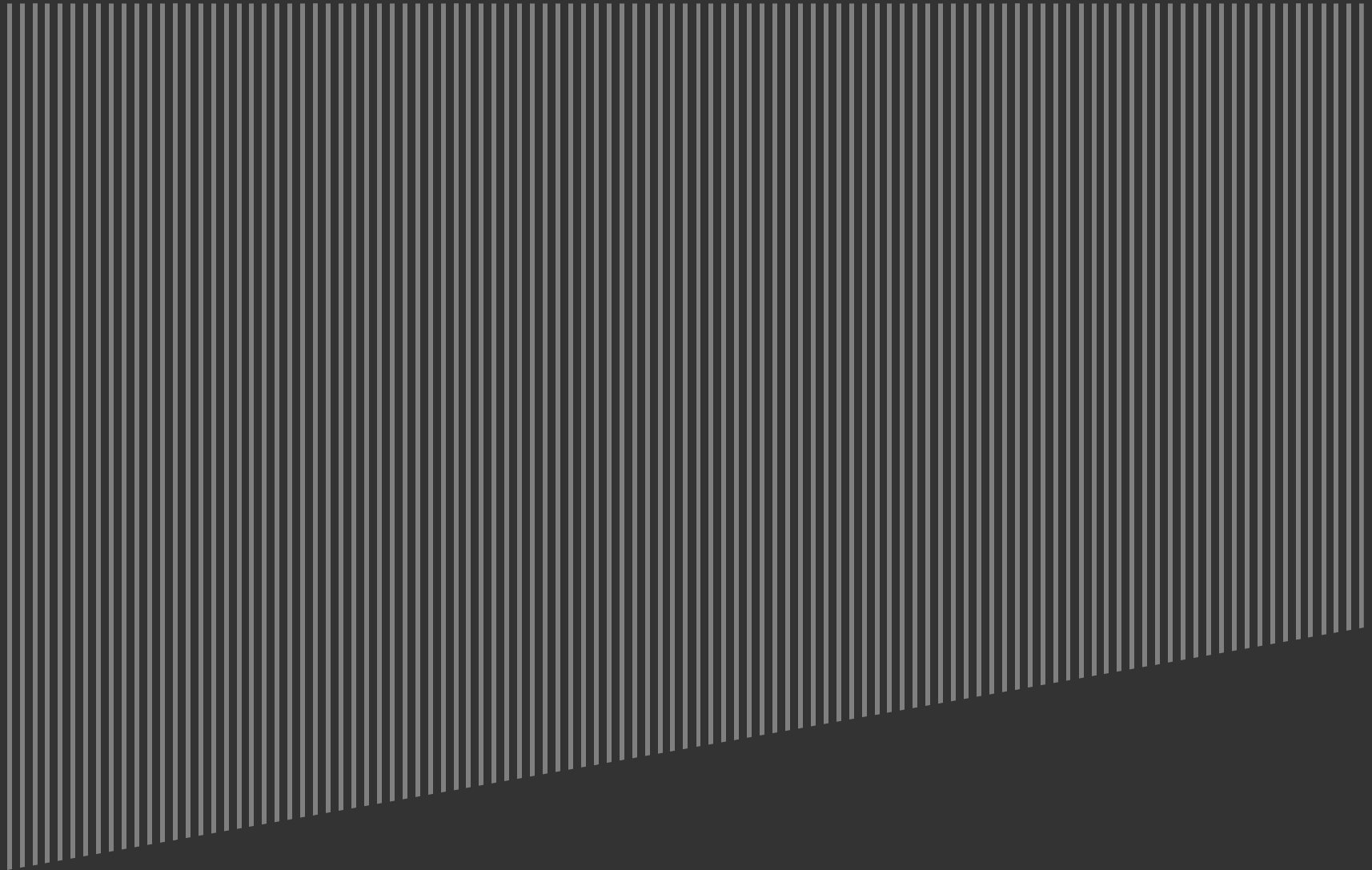
- ▶ Sub-rule 3 of Rule 22 further states that **where the supplier has already accounted for the output tax** in the sales tax return for the supplies against which Debit was issued subsequently, he may **increase or reduce the amount of output tax** by the corresponding amount as mentioned in the Debit Note in the return for the period in which the respective note was issued.
- ▶ Moreover, the **adjustments which lead to reduction in output tax or increase in input tax** can only be made if the corresponding **Debit Note or Credit Note is issued within 180 days** of the relevant supply.
 - Provided that the Commissioner Inland Revenue may, at the request of the supplier, in specific cases, by giving reasons in writing, **extend the period** of 180 days **by a further 180 days**.

Retention of record and documents

Records, invoices, credit and debit notes, etc.

As per section 24 of the ST Act, a **person** who is required to maintain any record or documents under this Act, **shall retain the record** and documents **for a period of 6 years** after the end of the tax period to which such record or documents relate **or till such further period the final decision in any proceedings** for assessment, appeal, revision, reference, petition and any proceedings before an Alternative Dispute Resolution Committee **is finalized**.

Refund



Refund

Requirements

- ▶ Section 10 of the ST Act envisages that **such amount of input tax** paid by a registered person on taxable purchases **which exceeds the output tax** on account of **zero-rated local supplies or export**, shall be refunded to the registered person not later than 45 days of filing of refund claim.
- ▶ However, in case of **excess input tax** against supplies **other than zero-rated or exports**, such excess input tax may be **carried forward to the next period**, together-with the input tax as is not adjustable in terms of sub-section (1) of section 8B of the Act, which would be **treated as input tax for that period**.

Refund

Requirements – cont'd

- ▶ Section 66 of the ST Act particularly states that **no refund of tax** claimed to have been paid or over paid through inadvertence, error or misconception or refund on account of input adjustment not claimed within the relevant tax period **shall be allowed, unless the claim is made within 1 year** of the date of payment.
- ▶ However, as per para 28 of the Sales Tax General Order No. 3 of 2004 dated 12 June 2004, the **period of claiming refund** under section 66 of the ST Act (i.e. **1 year**) is not applicable in **matters pending with judicial or quasi-judicial fora.**
- ▶ Furthermore, in case the **incidence of tax** has been **passed directly or indirectly** to the consumer, then **no refund** is admissible under section 66 of the ST Act.

Refund

Processing of claims

- ▶ Rule 26A of the ST Rules illustrates the procedure for processing and payment of refund claims.
- ▶ Registered persons claiming **refund** are required to **submit** refund claim **only electronically** in requisite data **in RCPS format** through FBR web portal by using the user-id, password and pin code allotted to them at the time of e-Enrollment.
- ▶ As per Rule 28 of the ST Rules, **monthly sales tax return** filed by a claimant would be **treated as a refund claim** once all the **supportive documents** including the requisite **data in the format or software (RCPS)** has been received.

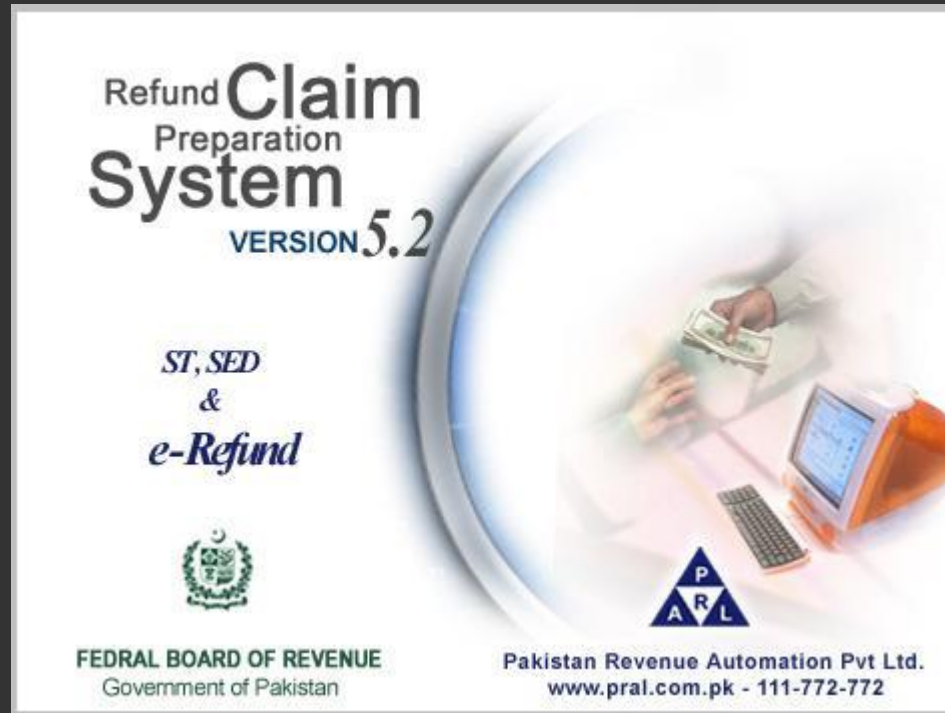
Refund

Processing of claims – cont'd

- ▶ Provided that no refund claim would be entertained if the claimant fails to furnish the claim on the prescribed software (RCPS) along-with the supportive documents within 120 days of the filing of the return.
- ▶ However, in cases where such supportive documents are not submitted within the stipulated time, the Commissioner Inland Revenue having jurisdiction may, on a written request of the claimant justifying the reasons for delay in submission of such documents or data on RCPS, extend the time limit for a further 60 days.

Refund

Processing of claims – cont'd



- ▶ **RCPS software** is available for **download at the FBR website** under the tab Inland Revenue > Sales Tax > Downloadable Software.

Refund

Supportive documents

Rule 38 of the ST Rules specify the following as supportive documents for refund claims:

Input tax invoices, goods declaration for import	Output tax invoices, summary for local zero-rated goods	Goods declaration for export	Copy of house and master bill of lading	Statement of tax paid inputs
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Refund

Supportive documents – cont'd

- ▶ In addition to the above documents, the following may also be required for:

Commercial exporters

- Bank credit advice
- Copy of duty drawback order

Refund claim under section 66 of the ST Act

- Proof of payment of input tax claimed as refund
- Copy of relevant order on the basis of which refund is filed
- CREST validation also required.

Refund

LTU-registered persons

- ▶ Rule 39A of the ST Rules outlines the requirements for refund claims specifically in respect of LTU-registered claimants.
- ▶ In this aspect, the LTU-registered claimant is required to file a refund application to the Commissioner Inland Revenue having jurisdiction along-with the following documents, namely:
 - An undertaking affirming the accuracy and genuineness of refund; and
 - A revolving bank guarantee valid for at least 120 days issued by a scheduled bank, to the satisfaction of the Commissioner Inland Revenue (LTU), of an amount not less than amount of refund claimed.

Refund

LTU-registered persons – cont'd

- ▶ The refund claim would then be processed as follows:

Commissioner IR shall process and allow 50% of the refund



Within 15 days, the claimant shall file a complete refund claim along-with supportive documents

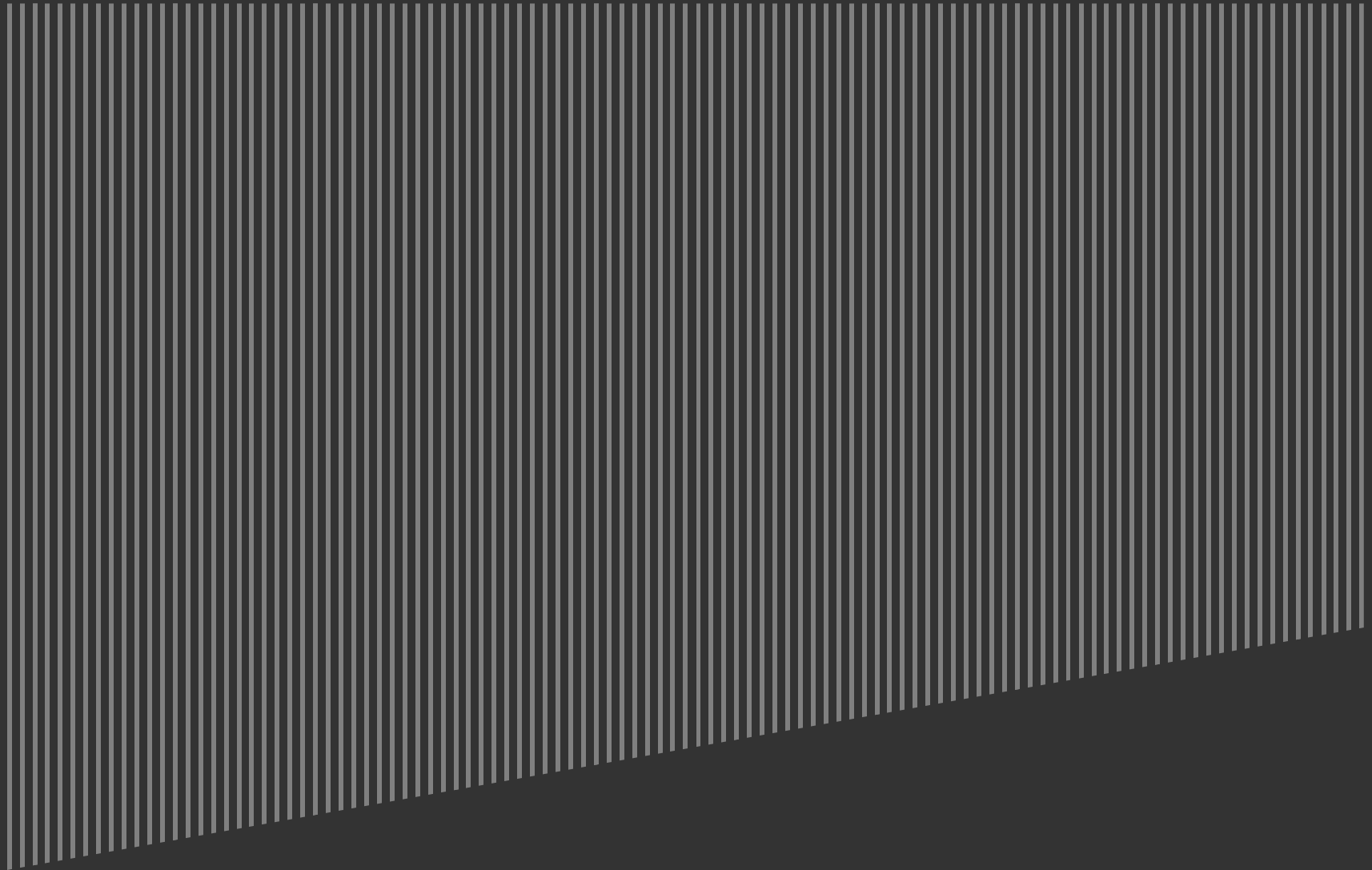


Commissioner IR may also request an extension in the bank guarantee for any unverified input credit related to the refund



The refund claim shall be finalized within 15 days of filing of complete refund claim

Sales Tax Withholding



Sales Tax Withholding

Legislation

Sales Tax Withholding in Pakistan

**ST Special
Procedure
(Withholding)
Rules, 2007
[Federal WHT]**



**Issued by
FBR**

**Sindh Sales
Tax Special
Procedure
(Withholding)
Rules, 2011
[Sindh WHT]**



**Issued by
SRB**

**Punjab Sales
Tax on
Services
(Withholding)
Rules, 2012
[Punjab WHT]**



**Issued by
PRA**

Sales Tax Withholding

Withholding Agents

Federal WHT

- **Federal and Provincial govt.** departments
- Autonomous bodies
- Public sector org.
- **All companies as defined under the IT Ordinance, registered for ST, FED or income tax purposes.**
- **Persons registered as exporters.**
- Recipient of **advertisement** services, who are registered for sales tax.

Sindh WHT

- **Federal and Provincial, local Govt** departments, .
- Autonomous bodies
- Public sector org.
- Organizations funded by federal provincial govt.
- **Taxpayers as fall in the jurisdiction of LTU of FBR for sales tax, FED or income tax**
- Recipient **advertisement** services, who are registered for sales tax on goods or for Sindh sales tax on services

Punjab WHT

- **Federal and Provincial, local Govt** departments, .
- Autonomous bodies
- Public sector org.
- Organizations funded by federal provincial govt.
- **Taxpayers as fall in the jurisdiction of LTU of FBR for sales tax, FED or income tax**
- Recipient **advertisement** services, who are registered for sales tax on goods or for Punjab sales tax on services

Sales Tax Withholding

General concepts

- ▶ Sales tax is required to be withheld at the applicable rates from the payments being made to suppliers / service providers.
- ▶ Sales tax withholding can be categorized into 3 types;
 - on invoices of advertisement services;
 - on invoices of taxable goods; and
 - on invoices of taxable services.
- ▶ Invoices for advertisement services almost always attract sales tax withholding at the rate of 16%. Hence the total amount of sales tax on advertisement services is required to be withheld by the registered person from the payments being made to the respective service provider against such invoices.

Sales Tax Withholding

As per the Federal WHT

- ▶ All 'companies' as defined under the Income Tax Ordinance, 2001 and 'persons' registered as exporters are considered as withholding agents.
- ▶ Withholding agents, on purchases of taxable supplies from registered persons, are required to withhold $1/5^{\text{th}}$ (i.e. 20%) of the sales tax amount as mentioned on the invoice.
- ▶ In case such taxable supplies are acquired from registered wholesalers, distributors or dealers then sales tax is required to be withheld @ $1/10^{\text{th}}$ (i.e. 10%) of the sales tax amount as mentioned on the invoice.
- ▶ However, in case taxable supplies have been acquired from unregistered persons (excluding cottage industries) then sales tax is required to be withheld @ 1% of the value of supply.

Sales Tax Withholding

As per the Sindh WHT

- ▶ Service providers falling in the jurisdiction of LTU are considered as withholding agents.
- ▶ Withholding agents, on acquiring taxable services from non LTU-based service providers, are required to withhold 1% of the value of services as mentioned on the invoice.
- ▶ In case of advertisement services, applicable amount of sales tax (i.e. 16%) is required to be withheld .
- ▶ Additionally, in case taxable services have been acquired from unregistered service providers then applicable amount of sales tax (i.e. 16%) is required to be withheld.

Sales Tax Withholding

As per the Punjab WHT

- ▶ Service providers falling in the jurisdiction of LTU are considered as withholding agents.
- ▶ Withholding agents, on acquiring taxable services from non LTU, non-corporate service providers, are required to withhold applicable amount of sales tax (i.e. 16%) from the payment mentioned on the invoice.
- ▶ In case of advertisement services, applicable amount of sales tax (i.e. 16%) is required to be withheld .
- ▶ Additionally, in case taxable services have been acquired from unregistered service providers then applicable amount of sales tax (i.e. 16%) is required to be withheld.

Sales Tax Withholding

Exemption for goods

The following taxable goods supplied by the respective persons, are exempt from the purview of sales tax withholding:

- Electrical energy
- Natural gas
- Petroleum products as supplied by petroleum production and exploration companies, oil refineries and oil marketing companies
- Mild steel products
- Products made from sheets of iron or non-steel alloy, stainless steel or other alloy steel, such as pipes, almirahs, trunks etc.
- Paper, in rolls or sheets
- Plastic products including pipes
- Vegetable ghee and cooking oil
- Goods specified in the Third Schedule to the Sales Tax Act, 1990
- Supplies made by commercial importers who paid value addition tax on such goods at the time of import as prescribed under Chapter X of the Sales Tax Special Procedure Rules, 2007.

Sales Tax Withholding

Exemption for services

- The following taxable services provided or rendered by the respective persons, are exempt from the purview of sales tax withholding;

Federal WHT

- Telecommunication

Sindh WHT


- Telecommunication
- Banking Company
- Financial Institution
- Port Operator
- Airport Operator
- Terminal Operator
- Airport Ground Service Provider

Punjab WHT

- Telecommunication
- Banking
- Courier
- Insurance
- Services (other than advertisement services) provided by corporate sector persons registered with PRA.

Sales Tax Withholding

E-Filing of Withholding Statement



Taxpayer Facilitation Portal
 (e.fbr.gov.pk)

[Home](#) | [Administration ▶](#) | [Registration ▶](#) | [Declaration ▶](#) | [Requests ▶](#) | [e-Payments ▶](#) | [e-Folder](#) | [CREST](#) | [Logout](#)

WHT Statements Control Centre

Please select one option from each of the following and click Go button; a new screen will be displayed on the right hand side for working:

1) Calendar Year 2013 ▼

2) Year Ending Date ...Year Ending Date... ▼

3) Frequency Monthly Jul ▼

4) Statement Type
 ☒ Sales Tax Return Statement

4) Data Type
 ☒ Online Data Entry
 ☐ Excel File Attachment

Help & Guideline

No Download Link Available

(RTO-I KARACHI)

Monthly Sales Tax Return for Withholding Agents

Particulars of Withholding Agent / Tax Payer / Collector

NTN / FTN		Name	
Tax Period	31/07/2013	Address	

Sales Tax Return Statement

Status: Submitted

Statement Submission Information

Submitted by:	
Submission Date:	19/8/2013
Number of records:	4
Amount of tax deducted:	16,719

Statement Records - Attached Files

File Name	Records	Taxable Amount	Tax Amount	Deposited Amount
Monthly S. Tax Return Statement-Jul-13.xls	4	0	83,595	16,719
	4	0	83,595	16,719

Statement Records - Online Entry

Sr.	NTN	CNIC	Name	Type	Invoices	S/Tax Charged	S/Tax Deducted
1				Supplies	1	1130	226
2				Services	1	9860	1972
3				Supplies	1	17435	3487
4				Supplies	1	55170	11034
Total					4	83595	16719

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Head of Account

(NAMCode)	Description	Amount

**Questions?
Please feel free to ask.**

Thank You