

July 9th, 2024.

Member IR – Operations
Federal Board of Revenue
FBR House, Constitution Avenue G-5
Islamabad

Dear Sir,

INSTRUCTIONS FOR RESOLVING ISSUES FACED BY THE TAXPAYERS IN FILING SALES TAX RETURNS

We would like to draw your attention to the significant issues being faced by sales tax registered persons following the issuance of SRO 350(I)/2024 dated March 7, 2024 (the “**Notification**”) by the Federal Board of Revenue.

As a result of recent amendments to the Sales Tax Rules, 2006 through the Notification, the sales tax return filed by the buyer of taxable goods for a tax period is considered provisional in the IRIS until the respective seller files his return for the same tax period by the due date for the relevant month, for which the return is being filed.

If the supplier fails to either file a return by the end of the month or files an invalid or incomplete return, then the provisional return is automatically finalized, and the respective input tax entries for purchase invoices issued by the non-compliant supplier are automatically deleted from the buyer's return. Following this, the IRIS recomputes the sales tax liability of the buyer after deleting those invoices from Annexure A of the return.

This disallowance of input tax places significant financial strain on the buyer, impacting his working capital and operational capabilities by forcing him into a payable position and disrupting his financial position. This is creating serious issues for compliant taxpayers due to no fault of theirs.

It has been observed that the FBR portal restricts any adjustment in any of the annexures including that in the Annexure A & F to the provisional return. After the end of month, the unsubmitted purchase invoices are automatically removed from Annexure-A. Consequently, the value of purchases and its input tax adjustment are automatically reduced in Annexure F as well. As a result, the net value of purchases reduces to negative in Annexure-F while value of consumption/sold remains same. It is due to the above technical issue, IRIS is not allowing submission of final returns and shows a pop-up message reproduced as under, while submitting the final return:

“NSTR-Negative Value(s) are not allowed in Annex F or Annex G Or Return”

As you may appreciate, this is an unjust position to be in and exacerbates the difficulty to do business in the ongoing macroeconomic climate. It is pertinent to highlight that non-submission or invalid submission by one entity is having a cascading effect on the sales tax returns filed by all associated parties, and thereby adversely affecting the entire supply chain.



We urgently request your immediate intervention to resolve this issue at the earliest. Compliant taxpayers are suffering due to non-compliance by others, which contradicts the provision of any law and the spirit of justice.

Your Sincerely

Samir S Amir
(DIRECTOR RESEARCH)

Cc:
Member IR – Policy, Federal Board of Revenue
Member IT – Federal Board of Revenue