

## **Karachi Tax Bar highlights issues in input tax adjustment on provincial invoices**

KARACHI: Karachi Tax Bar Association (KTBA) on Wednesday wrote a letter to chairman of the Federal Board of Revenue (FBR) highlighting issues faced by taxpayers on disallowance of input adjustment against entry of provincial invoices.

The tax bar said: this is with reference to above cited subject and the following intimation uploaded on the web portal of Federal Board of Revenue:

“Manual entry of provincial invoices for input tax credit of services in Annex A is disallowed from 01 April 2021 for the tax period from March 2021, Taxpayers as buyers will get monthly input tax credit based on submission of sales invoices and Return in respective tax authority for which the data is made available in Purchase Data Tab. For previous data please contact at [helpline@fbr.gov.pk](mailto:helpline@fbr.gov.pk) subject Services data.”

KTBA highlighted the following issues which the Members of KTBA in general and Taxpayers in particular are facing due to the sudden change made through intimation on the web portal:

Till the filing of this letter, the data/invoices of all provinces are not synchronized and are not readily available automatically; this is not only creating problems for the Taxpayers to claim the Provincial Input Tax (Services Input Tax), but the Taxpayers would not be able to submit their monthly Sales Tax Returns for the Tax Period of March 2021 (last date of e-filing April 18, 2021) due to non-availability of Service Input Tax.

In most of cases, the KTBA observed that Service Input Tax data prior to Tax Period March 2021 is not available; due to which the Taxpayers are unable to claim Service Input Tax for tax periods prior to tax period March 2021.

At present, banks and other businesses such as courier services etc., as a routine deposit Provincial Sales Tax (Service Tax) as a bulk entry instead of depositing the same against each Taxpayer which is affecting in claiming the Service Input Tax.

At present, Service Input Tax of only those Taxpayers is being retrieved who have e-filed / submitted their returns which is unnecessarily delaying the filing of Sales Tax Returns as Service Input Tax is not available.

Our Members have informed that in certain cases, Taxpayers in some cases are unable to claim Service Input Tax in the Sales Tax Returns though the same is available under Annexure A.

Apart from above, there are other teething issues which are practically creating issues for the Taxpayers and Members of KTBA alike which are including but not limited to withholding tax on Service Tax showing as payable, Service Input Tax entries once deleted are not uploaded again and deferment of Service Input Tax, etc.

In view of above, the KTBA highlighted the following for your kind perusal and ready action:

Till the time this new system is fully functional; KTBA suggest to use both old as well as new system for claim of Service Input Tax to allow taxpayers to claim genuine Service Tax paid by them;

Old system of claim of Service Input Tax should be phased out in gradually instead of sudden disallowance;

Once the system is fully functional, KTBA suggests providing an option to claim Service Input Tax manually, which for any reason is not available up by the system, through manual entry with the option to upload the Service Tax Invoice not uploaded automatically. Such entry should then be checked and if found otherwise be routed through S. No. 7 (a) (b) (c) of the Sales Tax Return;

Ensure invoice wise entry by all Taxpayers ensuring entry against NTN / STRN of each Taxpayer in order not only to streamline the process but to proper claim of Input Tax both Federal and Provincial;

Claim of Service Input Tax be allowed instead of marking the same is “input tax not claimable”;

Field relating to Withholding tax on provincial sales tax should be removed from the Federal Sales Tax return; and

Feature of re-uploading of Service Input Tax be made available.

Although, KTBA feels that use of IT based technology/digitalization of records is the only way to resolve the multi-faceted complex issues vis-à-vis to address the issues of flying / fake input tax; however, sudden implementation of new scheme in the midst of MOU signed by the Federation and the Provinces to develop one Sales Tax Return is likely to create chaos and disorder for the Taxpayers.

In view of above submissions, KTBA feels that appropriate measures including but not limited to extension of date for the Tax Period of March 2021 for filing of Sales Tax Return and resolution of above highlighted issued be addressed forthwith to ease the pressure of the Taxpayers and Members of KTBA alike.