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KTBA dubs Single Sales Tax Return as ‘illegal’

KARACHI: Playing up some critical flaws in Single Sales Tax Return (SSTR) on IRIS, Karachi Tax Bar Association (KTBA) on Monday called into question the legality of the newly-launched filing facility, which, they said ran counter to existing rules.

“Seemingly, the SSTR as launched on the strength of Office Memo dated December 24, 2021 without amending SRO dated June 05, 2006, ... is in direct conflict with Rule 14...,” wrote Muhammad Zeeshan Merchant, President KTBA, in a letter to Chairman FBR Dr Muhammad Ashfaq Ahmed. “We, therefore, expect that the FBR will cater to this aspect religiously at the earliest.”

According to Merchant, as a part of automation in tax services vis-à-vis to ensure facilitation/ease of doing business to the taxpayers, the FBR has launched SSTR (for goods and services) on IRIS Portal per Office Memo dated December 24, 2021 and has made it operational from the Tax Period December 2021 and onwards.

“While we at Karachi Tax Bar Association (KTBA) earnestly acknowledge and appreciate the FBR’s efforts on the subject, it is however, equally important to follow the legal norms and comprehend and resolve the practical intricacies in the episode passionately,” the KTBA chief wrote in the letter. He said the procedure to prescribe and file monthly Sales Tax Return under the Sales Tax Act, 1990 (Act), were sourced via Rule 14 and SRO 555(I)/2006 dated June 05, 2006 which had been amended from time to time; where a monthly Sales Tax Return (for goods) under Form STR-7 was prescribed and was intact as of today.

Without prejudice to above legal conundrum, the KTBA had identified some of the anomalies/glitches in SSTR, the KTBA president said. Here are some of the key glitches detected by the tax bar officials.

According to the KTBA letter, one such anomaly is that at present, the IRIS Portal is not opening SSTR for the Tax Period of December 2021, where any previous Sales Tax Return is pending and/or not filed.

The portal is also not opening SSTR for the tax period of December 2021 where previously Quarterly Sales Tax Returns are filed. Moreover, currently, unclaimed input tax of goods and/or services is not available in the SSTR, which is against the provisions of law.

Also, at present, where, for any reason Sales Tax Returns for the Tax Period of November 2021 or earlier tax periods are not filed on timely basis on eFBR; input tax of previous months are not appearing in the SSTR. Though as per proviso to section 7(1) read with rule 14(3) input tax for previous six periods is available for adjustment which is creating problems in working current tax

period liability. Under ICT, where a registered person is providing services to Non-resident Person (NRP), there is no option to enter NRP's credentials as IRIS Portal only accepts NTN and/or CNIC.

At present, in some of the cases, under Row 6a of SSTR, portion of input tax is being disallowed by default. However, there is no default of section 8(1)(m) of the Act (for failure to provide CNIC/NTN). This needs urgent and immediate resolution.

Option of exclusion from section 8b of the Act is currently not available to listed companies on IRIS based SSTR. Right now, SSTR is not calculating admissible credit correctly. "Having said above, we trust that the FBR will resolve the above issues at the earliest and in the meantime will allow reasonable time to taxpayers to file SSTR harmoniously," Merchant said.