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## **FBR debars credit notes against unregistered supplies**

KARACHI: The Federal Board of Revenue (FBR) has disallowed ‘credit or debit note against unregistered sales and purchase’, a move tax practitioners slammed as the current laws duly allowed it.

“The adjustment of output tax resulting due to return of goods or cancellation of supply made to unregistered persons has been unilaterally suspended in Annexure-I of the Sales Tax Return,” said Zeeshan Merchant, President Karachi Tax Bar Association (KTBA).

“It is in contrast to legal provisions provided in Section 9 of Sales Tax Act, 1990 (Act), read with Rule 20(3) and Rule 22(3) of the Sales Tax Rules, 2006 (Rules).”

Explaining it further, Merchant said previously if sales of goods were returned by unregistered buyers, sellers were able to claim back the tax they paid on it;

however, they had been unable to do it since the beginning of the current fiscal year.

“This adjustment of output tax was available under Annexure-I of the Sales Tax Return till Tax Period June 2021,” he said.

According to Merchant, now the sales tax return procedure with the FBR disallows such adjustment of output tax in such cases with remarks ‘please enter valid invoice’ albeit no amendment is brought in the Act or the Rules in post June 2021 scenario.

“It is also very unfortunate to note that the FBR Support Team on the query raised by taxpayers is replying via email that ‘As per instructions of FBR Credit/Debit note is not allowed against unregistered Sales/Purchase’,” Merchant said.

KTBA has sent a grievance letter to the FBR, asked for clarity on this issue.

Former Karachi Chamber of Commerce and Industry (KCCI) Chairman Mufassar Atta Malik says the FBR is doing it in a bid to document businesses but it would only backfire.

“They [FBR] want to document the economy from the comfort of their offices,” he said.

“There is a huge segment of the economy, which is undocumented. Such actions would only make people averse to getting into the tax net because it is affecting those traders directly, which are sharing details of their sales with the FBR.”

Malik explained that this would reduce ease of doing business and the taxmen shouldn't impede business and trade. They should go for individual people, who were amassing wealth without paying their taxes properly, he added.

“Documenting economy is a long-term process. You just can't document the economy by putting restrictions in the process of taxation. Because it will only make life miserable for people already in the tax net,” Malik said. The FBR officials were unavailable to comment on this development.