

## **KTBA says ‘IRIS’ has stopped incorporating credit notes**

**KARACHI:** The FBR portal ‘IRIS’ has stopped incorporating credit notes during the process of filing of sales tax returns for the tax period of May 2023, raising concerns among taxpayers.

The issue was brought to light by the Karachi Tax Bar Association (KTBA), which promptly addressed the matter in a letter sent to the chairman of the Federal Board of Revenue (FBR).

The problem emerged when taxpayers attempted to file their sales tax returns for the month of May 2023. Currently, the IRIS portal is not incorporating credit notes in Annexure-C of the monthly sales tax return. Initially assuming it as technical glitch, the KTBA reached out to the FBR helpline.

‘Anomaly’ in FBR’s IRIS system perturbs taxpayers

To their surprise, they were informed that the FBR portal had been updated to restrict the direct inclusion of credit notes in Annexure-C. Under the new system, credit notes can now only be accepted in the sales tax return if the purchaser of goods issues a corresponding debit note in their Annexure-A.

This change means that sellers are no longer able to incorporate or declare credit notes in their returns without a debit note from the goods recipient. The introduction of this recent change has presented several issues concerning the creation and declaration of credit notes as stipulated in Section 9 of the Sales Tax Act, 1990. The KTBA has expressed several concerns regarding the impact of this amendment:

- a) Registered purchasers who do not claim input tax: In cases where a registered purchaser does not claim input tax in their Annexure-A due to inadmissibility or tax-exempt supplies, they would not raise a debit note.
- b) Unregistered purchasers: Unregistered purchasers are unable to generate debit notes for the invoices issued by the seller. This contradicts Rule 22 of Chapter 3, “Credit and Debit Notes and Destruction of Goods,” in the Sales Tax Rules, 2006, which permits adjustments to be made against credit notes in the event of returns by unregistered individuals.
- c) Service providers as recipients: Service providers who are not required to be registered under the Sales Tax Act with the FBR also face difficulties in creating debit notes against invoices issued by the seller.