

KTBA highlights irritants in declaring debit, credit notes on SRB portal

Karachi Tax Bar Association (KTBA) has highlighted irritants in declaring debit and credit notes on the portal of Sindh Revenue Board (SRB).

In a letter sent to the SRB on Monday, Ahmed KTBA President Zafar Ahmed pointed out that reporting criteria of debit/credit notes in the monthly sales tax return has been changed in Annexure C, from the month of February 2023.

The change has not only created unnecessary hindrance and hiccups in ensuring timely compliance but also has caused delay in e-filing returns owing to which, you would acknowledge, the date of e-filing returns for the tax period February 2023 has to be extended up to March 22, 2023.

The change in reporting criteria is premised on the condition of declaration of debit note by the other party i.e. service recipient in his respective Sales Tax Return.

The KTBA through the instant letter identified difficulties besides the sheer absence of legality in introducing the change, which are being encountered by our members in respect of debit/credit notes reporting after the above referred change has taken place at SRB web portal.

The tax bar stated that in case where the service provider, renders services at standard rate to the service recipient who though registered with SRB but at a reduced rate, owing to which he won't claim the related input tax in his Annexure A due to the reason that any input tax would be inadmissible for him. Consequently, he would not raise a debit note. Hence the right to claim the credit note by the Service Provider who raised the standard rate invoice is jeopardized.

In this situation the service recipient may not be registered with SRB and would claim the related input tax on his FBR portal, which would not reflect in the web portal. Accordingly, the debit note could not be raised in SRB portal. Hence, the service provider in SRB would not be able incorporate a credit note in his return.

If service recipient is not registered with SRB, he in no way can create debit note against the respective sales tax invoice issued by the service provider, which only means to surrender one's right to claim the credit note.

The situations mentioned above are very common and understandable in scheme of Sales Tax debit and credit note mechanism and, therefore, cannot possibly be missed out. It, however, appears that while imposing the above restriction on the SRB portal, it was assumed that service provider and service recipient both are registered with SRB and claims related input tax.

In addition to the above, even one chooses to ignore any eventuality narrated above, it will still not be possible for one to claim/declare the debit note raised by the service recipient in Annexure C as there is no tab available at the SRB web portal for claim/visibility of the respective debit notes, in the first place. This lack of visibility to the service provider, needless to mention, would also trigger reconciliation issues.

The KTBA suggested that as an immediate recourse, the change made on SRB portal should be reversed so as to enable the taxpayers to discharge the sales tax liability and to file the SSTRs timely.

Going forward, SRB may follow the similar process of declaring debit/credit notes as currently in force by FBR where debit /credit notes reporting is allowed on provisional basis and the same are reverted if corresponding debit/credit notes are not endorsed by either person in his returns. It may be noted that the FBR system also has various exceptions to be above rule e.g., for services provided to unregistered person etc. Therefore, possible situations may also be kept in sight before implementing any change on SRB portal.