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KTBA highlights glitches in debit, credit notes reporting at SRB web portal

KARACHI: Karachi Tax Bar Association (KTBA) on Monday highlighted hiccups at Sindh Revenue Board (SRB) web portal in reporting of debit/credit notes, adding the glitches were hindering timely compliance of e-filing of sales tax returns.

In a letter written to SRB chairman Wasif Ali Memon, the association said a recent change in reporting criteria of debit/credit notes in the monthly sales tax return in Annexure C from February 2023 was creating some hindrances in filing returns.

“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 letter read. The letter explained that in case where the service provider, renders services at standard rate to the service recipient who though registered with the 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, according to KTBA. In that situation the service recipient might not be registered with the SRB and would claim the related input tax on his Federal Board of Revenue (FBR) portal, which would not reflect in the web portal, the letter added.

Accordingly, it continued, the debit note could not be raised in the SRB portal. Hence, the service provider in SRB would not be able incorporate a credit note in his return. It further highlighted that if service recipient

was not registered with the SRB, he in no way could 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, according to the association.

“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 letter added.

KTBA demanded that the change made on the 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,” KTBA urged.

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," the association said.