

Sales tax refunds for exporters to be paid within 72 hours, claims FBR

ISLAMABAD: The Federal Board of Revenue (FBR) is claiming that it will now pay sales tax refunds through the newly installed Fully Automated Sales Tax e-Refund (FASTER) system to exporters of five sectors within 72 hours of submission of refund claims.

FBR Sales Tax Chief Hamid Memon announced in a news briefing on Thursday that in the next couple of days, the FBR will start paying sales tax refunds in the range of Rs15 billion to Rs20bn a month to the five export-oriented sectors through the FASTER system.

Hamid clarified that the new system will only process current claims of sales tax refunds. Earlier, the FBR issued sales tax refunds in the range of Rs4-5bn per month to the export-oriented sectors before the government abolished their zero-rated status.

The government in the budget 2019-20 changed the zero-rated system for five export-oriented sectors in a bid to ensure that it is not misused for sales in the local market instead. The step was met with fierce resistance from exporters, who argued the decision will lead to further accumulation of unpaid sales tax refund claims.

To cool down exporters, the government held out an assurance to them to come up with a speedy payment system for sales tax refunds.

Asked about the total amount of held up sales tax refunds, the Hamid said the total refunds stuck with the FBR are around Rs170bn inclusive of current claims.

Answering a question on the clearance of past liabilities, the chief said that government has already introduced the concept of bonds to clear past sales tax refund liabilities. "We have issued almost Rs23bn worth of bonds," he added.

Hamid said the FASTER will issue sales tax refunds to exporters electronically by communicating refund payment orders (RPO) to the State Bank of Pakistan (SBP).

The SBP will then forward the advice to commercial banks for claimants' bank account within 72 hours. He said the facilitation is part of the government's assurances to exporters to remove human involvement in the processing of refunds to exporters.

Under the new system, the exporters will have to file Annexure-H (stock statement) along with the sales tax returns for claiming of refunds through the FASTER system. The chief said the FBR has relaxed the condition of late filing of Annexure-H for exporters even after submission of sales tax returns. As soon as exporters submit the annexure, the system will then process the request for refund payments.

Hamid further said the new system will discourage to a large extent the practice of flying invoices. However, he also clarified that the issue of fake invoices has been controlled through the new automated system.

As per refund rules notified by the FBR, total amount of refunds paid against claims filed and processed will not exceed ceiling determined by the board, in terms of percentage of value, or amount per unit of quantity, of goods exported, as deemed appropriate.

After submission of refund claims, the same will be processed by Risk Management System (RMS). Based on the parameters in RMS, a refund claim will be routed to the processing module referred to as 'FASTER'. The claims that do not fulfil RMS parameters for processing through 'FASTER' module will be routed for processing.

The FBR said the data provided in the monthly return will be treated as being in support of refund claim and no separate electronic data will be sought from exporters. The amount specified in Column 29 of the return, as prescribed in the form STR-7, will be considered as amount claimed once the return has been submitted along with all prescribed annexes thereof.

Under the system, he said some inherent benchmarks have been introduced to determine the genuineness of refund claims. He said the system will correlate taxable purchases with refund claims.

Answering another question, Hamid said the FBR will also carry out post-refund payment audit to identify any anomalies.

The data in the refund claims shall be scrutinised and verified by the system and payable refund amount shall be determined on the basis of input consumed in exports or supplies.