

RECORDER REPORT

IR Faisalabad conducts raids on two manufacturing units

ISLAMABAD: The Directorate of Intelligence & Investigation (IR) Faisalabad on Monday conducted raids on the business premises of two manufacturing units allegedly involved in multimillion rupees sales tax fraud.

On the basis of credible information of alleged sales tax evasion by two auto companies/suppliers situated at Mandi Bahauddin, the Directorate of Intelligence & Investigation (IR) Faisalabad conducted action under section 38 of the Sales Tax Act, 1990.

These businesses have been involved in manufacturing and making of taxable supplies of body parts used in the assembly of auto mobiles without getting registration under the Sales Tax Act, 1990 despite the fact that both these businesses are liable to be registered for the purpose of sales tax. Making taxable supplies without registration is a criminal offence under section 2(37) of the Sales Tax Act, 1990 and persons committing such an offence are liable to prosecution under section 37A of the Sales Tax Act, 1990.

The authorized team completed raids under the supervision of Amir Aslam, Deputy Director and resumed substantive records, including sales/bill books, computers, laptops, sales ledgers, purchase ledgers, cash books, gate passes, inventory record, cheque books, etc. The record resumed is under scrutiny. Apparently, these are cases of massive sales tax evasion and may also result in detection of considerable income tax evasion.

It is worth mentioning to mention here that the registered businesses find it difficult to better compete in the market due to higher prices inclusive of sales tax as non-registered suppliers commonly offer inputs of similar quality for lower tax-exclusive prices.

Therefore, unregistered businesses discourage registered persons to operate under sales tax net. The businesses intentionally keep turnover below mandatory sales tax registration threshold. This could be the possible reason for extremely narrow sales tax base in the country and sales tax evasion and tax fraud leading to sizeable sales tax gap.