

Parliamentarians approached for resolving sales tax issues

ISLAMABAD: Exporters on Wednesday approached the parliamentarians to intervene and direct the Federal Board of Revenue (FBR) for resolving major sales tax issues of the exporters including cross-adjustment of sales tax on goods and services levied by the federal and the provincial governments.

Muhammad Jawed Bilwani, central chairman, Pakistan Hosiery Manufacturers and Exporters Association (PHMA) on Wednesday informed the National Standing Committee on Finance to take action for addressing several sales tax-related issues through a technical committee comprising FBR officials and exporters.

Bilwani informed that the FBR, Sindh Revenue Board (SRB) and the Punjab Revenue Authority (PRA) had signed memorandum of understandings (MoUs) on the cross-adjustment of sales tax on goods, and services levied by the federal and provincial governments in 2014.

It was committed that with the signing of these MoUs, a long outstanding issue regarding cross-adjustment of sales tax on goods and services levied by the federal and the provincial governments would be resolved, but the exporters had yet not been issued refunds/adjustments in that regard, he added.

He stated that the sales tax return form for the month of July 2020 was uploaded quite late even after expiry of the filing of its annex "C" (i.e. on August 10, 2020) on the FBR's web portal due to some updates of budgetary measure.

Since the delay was at the FBR's end they were morally and legally required to timely notify an extension for filing date of sales tax return.

However, the board did not issue any extension creating unnecessary chaos among the business community.

He said that the sales tax refund had always been a chronic issue.

The FBR in spite their all-out efforts have not been able to fully address the issue.

Some of the claimants though received refunds smoothly through FASTER, the refund deferred by the system are not yet paid.

The huge amount is now accumulated on account of deferred refund since July 2019 after inception of 17 percent ST on export-oriented sectors.

It is observed that FASTER has some serious technical flaw. If the once refund claim of any exporter is stuck up in the system all his subsequent refund claims are going to stuck, since the FASTER does not have provision to carry forward the tax credit amount of that particular claim into the next month's claim.

Due to this technical glitch, upon any technical problem in one claim, all the subsequent claims stand stuck.

Furthermore, in the absence of any immediate back-end support capability the problem once arises, takes a long time to be resolved.

The FBR has a number of claims, which are yet pending since July 2019, and, therefore, extension was granted for filing of annex "H" for such claimants.

The central chairman PHMA stated that the number of exporters had served notices from the field formation particularly, from the RTO-III, Karachi for processing excessive refund payment by the FASTER.

We understand, if the field formation has any objection/observation for incorrect processing of refund they should contact the concerned authorities in the FBR, so that the system should be corrected or in case of incorrect observation the same may be clarified by the in-charge FASTER.

The issuance of notice and tax demand by the field formation without referring the matter to the FBR to exporters, are legally incorrect and are causing undue litigation.