

# FORMAT FOR COMPUTATION OF SALES TAX PAYABLE

Name of Tax Payer -----

CNIC No. -----

NTN: -----

For the Month of -----

## Computation of Sales Tax Payable

	(Rs.)	(Rs.)
<b><u>Output Tax:</u></b>		
On local taxable supplies to registered and unregistered persons @ 17%	XXXX	
(+) Sales tax debit	XXXX	XXXX
<b>Less: <u>Input Tax:</u></b>		
Tax paid against supplies	XXXX	
90% of output tax (Section 8B)	(OR) XXXX	
Whichever is lower, so		XXXX
(-) Sales tax credit		XXXX
(-) Tax paid against the purchase of fixed asset from registered person		XXXX
Add: Further tax @ 3% on supplies to unregistered persons		XXXX
Add: WHT from unregistered persons 1% of (value of supply × 100/117)		XXXX
Add: Penalty and arrears of tax		XXXX
Sales tax payable with return		XXXX

## **RESTRICTION ON INPUT TAX (SECTION 8B):**

A registered person shall not be allowed to adjust input tax in excess of 90% of the output tax for a particular tax period. Therefore, in case of lower profit margin he is required to pay 10% of his output tax to the sales tax department.

### **Exceptions:**

This restriction of 90% is not applicable in the following cases:

- (1) Persons registered in electrical energy sector.
- (2) Oil marketing companies and petroleum refineries.
- (3) Fertilizers manufacturers.
- (4) Distributors (excluding wholesalers).
- (5) Commercial importers provided that the value of imports subjected to 3% value addition tax exceeds 50% of value of all taxable purchases in a tax period.
- (6) Persons making zero rated supplies, provided that the value of such supplies exceeds 50% of value of all taxable supplies during a tax period.

### **SALES TAX DEBIT:**

It is the unpaid amount of output tax of previous period(s) and it is added in the output tax of current month.

### **SALES TAX CREDIT:**

It is the unadjusted amount of input tax of previous period(s) and it is added in the input tax of current month or deducted from the output tax of current month.

## **RULES OF OUTPUT TAX**

### **Local taxable supplies @ 17%:**

- (i) To registered persons.
- (ii) To registered retailers.
- (iii) To wholesalers.
- (iv) To distributors.
- (v) To consumers.

- (vi) To employees or staff or security guards.
- (vii) To govt. or charitable hospitals (less than 50 beds).
- (viii) To teaching hospitals of statutory universities (less than 200 beds).
- (ix) To private hospitals.
- (x) For personal use.
- (xi) Against international tender.
- (xii) Advance received from customer for supplies.
- (xiii) To associated persons (Note-iii).
- (xiv) To customers on installments (Note-iv).

**Notes:** (i) *Where supplies are made to unregistered persons, a further tax @ 3% shall be levied in addition to 17% i.e.,  $17\% + 3\% = 20\%$ . However, further tax shall not become part of output tax and it is payable to the FBR as a bottom line figure.*

(ii) *Where the supplies are inclusive of sales tax, the amount of sales tax is computed by tax fraction i.e., @  $17/117$  in case of supplies to registered person and @  $20/120$  in case of supplies to non-registered persons.*

(iii) *In case of supplies to associated persons, value as in normal case or open market value excluding sales tax whichever is higher shall be taken for tax purpose.*

(iv) *In case of supplies to consumers on installment basis and the price includes markup or surcharge then market value excluding mark up shall be taken for tax purpose.*

● **Zero-rated supplies @ 0%:**

(i) To DTRE registered persons.

(DTRE = Duty Tax Remission Export)

(ii) To duty free shops.

(iii) To special economic zone (SEZ) – Gawadar.

(iv) To export processing zone (EPZ).

(v) To other countries (exports).

(vi) To diplomats and privileged persons.

## **Not taxable supplies or supplies not included in taxable activity:**

- (i) Exempted supplies.
- (ii) Free samples.
- (iii) Supplies donated.
- (iv) To govt. or charitable hospitals (50 or more beds).
- (v) To teaching hospitals of statutory universities (200 or more beds).
- (vi) Supplies to China Overseas Ports Holding Company Limited Gawadar.

## **RULES OF INPUT TAX**

- (i) Taxable purchases (goods and fixed asset) from registered person @ 17%.
- (ii) Taxable goods and fixed asset imported @ 17%.
- (iii) Taxable purchases from wholesaler and distributor @ 17%.
- (iv) Taxable purchases against tax invoices @ 17%.
- (v) Taxable purchases (goods and fixed asset) from unregistered persons (no input tax).
- (vi) Taxable purchases (goods and fixed asset) against commercial invoices (no input tax).
- (vii) Taxable purchases (goods and fixed asset) from cottage industry (no input tax).
- (viii) Taxable purchases (goods and fixed asset) against fake invoices or for which tax invoices are not available (input tax not allowed).
- (ix) Taxable purchases for which discrepancy indicated by CREST (input tax not allowed).
- (x) Taxable purchases for which sales tax has not been deposited by respective supplier in govt. treasury (input tax not allowed).
- (xi) Goods and services acquired for personal consumption (input tax not allowed).
- (xii) Exempted purchases or purchases from retailers or purchase of fruits and vegetables (not taxable).

- (xiii) Purchase of motor vehicle, furniture & fixtures and office equipments / crockery etc. (input tax not allowed).
- (xiv) Sales tax paid on utility bills (allowed as input tax).
- (xv) Sales tax paid on utility bills of residential colonies (not allowed).
- (xvi) Water charges (not allowed).
- (xvii) Advance paid to supplier for the purchase of goods @ 17%.

**Notes:**

- (i) *Utility bills include gas, electricity and telephone bills. Tax paid on such bills is allowed as input tax only to manufacturers if national tax number is printed on bills.*
- (ii) *CREST means Computerized Risk-based Evaluation of Sales Tax.*
- (iii) *Adjustment of input tax against purchases on credit or on account is admissible in the relevant month. Subject to payment to creditors within following 180 days otherwise it shall be reversed after the expiry of said period.*
- (iv) *No input tax in case of cash payment or payment through bearer cheque for a transaction.*
- (v) *No input tax adjustment is allowed in case payment made through crossed cheque but deposited into other than business bank account.*

**MORE IMPORTANT POINTS FOR NUMERICAL**

- (i) Purchase of items / goods in ninth schedules. (No treatment)
- (ii) Input tax paid in previous month not claimed in relevant month. (Adjustable / allowed in current month)
- (iii) Goods pledged with bank, disposed of by bank for recovery of its debts. (Taxable supplies at higher price @ 17%)
- (iv) Free replacement of defective / faulty parts under warranty. (No treatment)
- (v) Purchases include invoice(s) issued in the name of a friend. (Not allowed)
- (vi) Purchase of electric fittings / cables and wires in renovation of factory building. (Not allowed)
- (vii) Purchase of gifts / diaries / calendars / garments for staff and customers. (Not allowed)

- (viii) Purchase of cables and wires use for plant and machinery. (Allowed @ 17%)
- (ix) Purchase of agricultural machinery. (Not allowed)
- (x) Purchase of electronic cash registered. (Allowed @ 17%)
- (xi) Purchase of pre-fabricated building. (Allowed @ 17%)
- (xii) Purchase of immovable property. (No treatment)
- (xiii) Purchase from black listed person. (Not allowed)
- (xiv) Purchase of raw material from cotton industry. (Not allowed)
- (xv) Sales tax paid on bills consumed in factory canteen. (Allowed)
- (xvi) Sales tax paid on goods / items use for entertainment of employees. (Not allowed)
- (xvii) Purchase of mobile phone for staff. (Not allowed)
- (xviii) Sales tax paid on material used for goods manufactured but lost by fire. (Not allowed)

## **SALES TAX WITHHOLDING RULES**

The agent shall deduct sales tax i.e., withholding tax (WHT) on purchase of taxable goods at the prescribed rates as under:

<b>Purchaser as WHT Agent</b>	<b>Supplier</b>	<b>Rate of WHT</b>
(a) Government departments / autonomous bodies / public sector organizations	Unregistered person (liable to the registered)	100% of the amount of sales tax on gross value of taxable supply
(b) The agent other than (a) above The registered agent shall not claim input tax of WHT and shall pay to the FBR as a bottom line figure	Unregistered person (liable to be registered)	1% of the value of taxable supply
(c) Every agent	Registered supplier not included in ATL	20% of the amount of sales tax (10% in case of wholesaler, dealer or distributor)

**Notes:** (i) *After the change in the Finance Act 2017, WHT shall not be deducted in case of purchases from a registered person included in ATL. However, 100% sales tax shall be withheld in case of advertisement services.*

(ii) *It would be worthwhile to note here that input tax cannot be claimed in case of purchases from a non-active taxpayer (refer para for ATL).*

(iii) *Suspended or blacklisted person is excluded from ATL and therefore purchase from a suspended or blacklisted person is also subject to WHT.*

(iv) *Working of WHT @ 1% in case of purchase from unregistered person shall be as under:*

- *1% of (value of supply  $\times$  100/117)*
- *Suppose value of supply from unregistered person is Rs. 100,000, so WHT shall be:*

$$1\% \text{ of } (100,000 \times 100/117) = \text{Rs. } 855$$

A registered agent shall deposit WHT along with the return of sales tax of the period in which the purchase has been made. Where the agent is not registered for sales tax or FED purposes but holds NTN under the Income Tax Ordinance, he shall file the return electronically and deposit WHT.

An unregistered agent including government departments having Free Tax Number shall deposit WHT by 15<sup>th</sup> of the month following the month during which purchase has been made.

A certificate showing WHT shall be issued to the supplier by the agent specifying the name and NTN of supplier, description of goods and the amount of WHT.

**Punjab University B.Com Part 2**

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