

## Question No. 1

Tristar limited is a registered manufacturer. Data regarding its business for the month of August, 2018 is as follows:

1.	Total sales during the month	Rs. 28,00,000
2.	Sales include supplies to export processing zone	200,000
3.	Sales include zero rated supplies	300,000
4.	Sales include supplies to non-registered persons	400,000
5.	Exempt sales	200,000
6.	Supplies to wholesaler cum-retailer	800,000
7.	Purchase of taxable goods	20,00,000
8.	Purchases include Rs. 12,00,000 in respect of which tax invoices are not available	
9.	Exempt purchases used in exempt supplies	120,000
10.	Taxable goods imported	16,00,000
11.	Sales tax paid on telephone bill	20,000
12.	Electricity bill	14,000

**Required:** Calculate sales tax payable in case National Tax Number is printed on bills.

### Solution:

<u>Local Taxable Supplies:</u>	(Rs.)	(Rs.)
(i) To registered persons (*)	19,00,000	
(ii) To wholesaler cum-retailer	800,000	27,00,000
(iii) To non-registered persons		400,000
		31,00,000
<b>Total sales during the month</b>		28,00,000
<b>Less:</b> Supplies to export processing zone	200,000	
Zero-rated supplies	300,000	
Supplies to non-registered persons	400,000	900,000
(*) Supplies to registered persons (Balance)		19,00,000

**Computation of Input Tax:**

(i)	Purchases for which invoices are available (20,00,000 – 12,00,000 × 17/100)		136,000
(ii)	Exempt purchases	<u>120,000</u>	–
(iii)	Taxable goods imported (16,00,000 × 17/100)		272,000
(iv)	Sales tax paid on telephone bills		20,000
(v)	Electricity bill (14,000 × 17/100)		2,380
			<u>430,380</u>

**Apportionment of Input Tax:**

	<u>Supplies</u>	<u>Input Tax</u>
• Local taxable	31,00,000	370,605 (w-1)
• Exempted (Note)	–	–
• Exported and to EPZ	<u>500,000</u>	<u>59,775 (w-2)</u>
	<u>36,00,000</u>	<u>430,380</u>

$$\text{Apportionment} = \frac{\text{Input tax}}{\text{Total sales}} \times \text{Type of sales}$$

$$w-1 = \frac{430,380}{36,00,000} \times 31,00,000 = \text{Rs. } 370,605$$

$$w-2 = \frac{430,380}{36,00,000} \times 500,000 = \text{Rs. } 59,775$$

**Tristar Limited (Registered Manufacturer)**

CNIC No. -----

NTN: -----

**For the Month of August, 2018****Computation of Sales Tax Payable**

	(Rs.)	(Rs.)
<b>Output Tax:</b>		
On local taxable supplies (31,00,000 × 17/100)		527,000
<b>Less: Input Tax:</b>		
Paid against such supplies	370,605	
	(OR)	
	474,300	
90% of output tax (527,000 × 90/100)		370,605
Whichever is lower, so		156,395
		12,000
<b>Add: Further tax @ 3% of Rs. 400,000</b>		
Sales tax payable with return		168,395

Tax paid Rs. 59,775 against exports and supplies to EPZ is refundable.

**Note:** Exempted sales Rs. 200,000 are exclusively made from exempted purchases on which no input tax paid so it shall not be used in the apportionment of input tax.

## Question No. 2

Moon Frozen Products is a registered manufacturer and data regarding his business for the month of August, 2018 is given below:

1.	Supplies of ice cream to registered persons	Rs. 600,000
2.	Supplies of milky drinks to associated persons (market price Rs. 200,000)	150,000
3.	Supplies of beverages to consumers (inclusive of sales tax)	500,000
4.	Supplies of fruit juices to university students (during factory visits)	80,000
5.	Supplies of goods specified in 3 <sup>rd</sup> schedule (retail price Rs. 600,000)	400,000
6.	Supplies to diplomats and privileged persons	700,000
7.	Purchase of milk without brand names	160,000
8.	Purchase of cream from non-registered person	180,000
9.	Ice-cream flavour imported	140,000
10.	Purchases of syrups and fruit sauces from wholesaler	56,000
11.	Purchase of vegetables and fruits	50,000
12.	Purchases from registered retailers	75,000
13.	Sales tax paid on utility bills (NTN is printed)	24,000
14.	Arrears and penalty payable	8,000

**Required:** Calculate sales tax payable.

**Solution:****Local Taxable Supplies:**

	(Rs.)	(Rs.)
(i) To registered persons (Ice cream)		600,000
(ii) To associated persons (Milky drinks)		200,000
(iii) To consumers (Beverages)		
	(500,000 - 500,000 × 17/117)	427,350
(iv) Specified in 3 <sup>rd</sup> schedule		600,000
		<u>18,27,350</u>

**Computation of Input Tax:**

(i) Purchase of milk without brand names	160,000	—
(ii) Purchase of cream from non-registered person	180,000	—
(iii) Ice cream flavour imported		
	(140,000 × 17/100)	23,800
(iv) Purchase of cereals and syrups		
	(56,000 × 17/100)	9,520
(v) Purchase of vegetables and fruits	50,000	—
(vi) Purchases from registered retailers	75,000	—
(vii) Sales tax paid on utility bills		24,000
		<u>57,320</u>

**Apportionment of Input Tax:**

	<u>Supplies</u>	<u>Input Tax</u>
Local taxable	18,27,350	40,172 (w-1)
To university students (not taxable)	80,000	1,759 (w-2)
To diplomats (zero-rated)	700,000	15,389 (w-3)
	<u>26,07,350</u>	<u>57,320</u>

$$w-1 = \frac{57,320}{26,07,350} \times 18,27,350 = 40,172$$

$$w-2 = \frac{57,320}{26,07,350} \times 80,000 = 1,759$$

$$w-3 = \frac{57,320}{26,07,350} \times 700,000 = 15,389$$

# Moon Frozen Products

CNIC No. -----

NTN: -----

## For the Month of August, 2018 Computation of Sales Tax Payable

	(Rs.)	(Rs.)
<b>Output Tax:</b>		
On local taxable supplies (18,27,350 × 17/100)		310,650
<b>Less: Input Tax:</b>		
Allowed against such supplies	40,172	
90% of output tax (310,650 × 90/100)	(OR)	
Whichever is lower, so	279,585	
<b>Add: WHT from unregistered person</b>		40,172
1% of (160,000 + 180,000 × 100/117)		270,478
<b>Add: Arrears and penalty payable</b>		2,906
Sales tax payable with return		273,384
		8,000
		281,384

Tax paid Rs. 15,389 against zero-rated supplies is refundable.

### Notes:

- (i) 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.
- (ii) Registered retailers cannot issue tax invoice for supply made by them.
- (iii) In case of supplies of goods specified in Third Schedule, retail price shall be taken for tax purpose.

### **Question No. 3**

Raja Store is a distributor of certain items. During the month of August 2018, his purchases and sales during the month are as under:

1.	Taxable supplies to registered persons	Rs. 37,00,000
2.	Taxable supplies to non-registered persons	300,000
3.	Supplies to government hospital (Consists of less than 50 beds)	500,000
4.	Supplies to government hospital (Consists of more than 50 beds)	400,000
5.	Supplies to private hospitals	720,000
6.	Supplies to teaching hospitals of statutory universities (consists of more than 200 beds)	600,000
7.	Supplies to teaching hospitals of statutory universities (Consists of less than 200 beds)	800,000
8.	Taxable supplies at 15% discount (Discount on such supplies is a normal/routine business practice)	260,000
9.	Advance received from customers during the month	250,000
10.	Taxable purchases for which discrepancy is indicated by CREST	150,000
11.	Goods and services acquired for personal consumption	280,000
12.	Taxable purchases from registered persons (Tax invoices available of Rs. 15,00,000)	17,00,000
13.	Taxable goods imported	400,000
14.	Advance paid to supplier during the month	200,000
15.	Water charges paid	15,000

**Required:** Determine the amount of sales tax liability.

**Solution:****Local Taxable Supplies:**

	(Rs.)	(Rs.)
(i) To registered persons	37,00,000	
(ii) To government hospital (less than 50 beds)	500,000	
(iii) To private hospitals	720,000	
(iv) To teaching hospitals (less than 200 beds)	800,000	
(v) At discount @ 15%	260,000	
(vi) Advance received for sale	250,000	62,30,000
(vii) To non-registered person		300,000
		<u>65,30,000</u>

**Exempted Supplies:**

(i) Supplies to government hospitals (more than 50 beds)	400,000	
(ii) Supplies to teaching hospitals (more than 200 beds)	600,000	10,00,000

**Computation of Input Tax:**

(i) Purchases for which invoices are available (15,00,000 × 17/100)		255,000
(ii) Goods imported (400,000 × 17/100)		68,000
(iii) Advance paid for purchases (200,000 × 17/100)		34,000
(iv) Taxable purchases	<u>150,000</u>	—
(Discrepancy is indicated by CREST)		
(v) Goods and services for personal consumption	<u>280,000</u>	—
		<u>357,000</u>

**Raja Store (A distributor)**

**CNIC No. -----**

**NTN: -----**

**For the Month of August, 2018  
Computation of Sales Tax Payable**

	(Rs.)	(Rs.)
<b><u>Output Tax:</u></b>		
On local taxable supplies (65,30,000 × 17/100)		11,10,100
<b>Less: <u>Input Tax:</u></b>		
Allowed against such supplies (working)		309,590
		800,510
<b>Add: Further tax @ 3% of Rs. 300,000</b>		9,000
<b>Sales tax payable with return</b>		809,510

**WORKING:**

**Apportionment of Input Tax:**

	<u>Supplies</u>	<u>Input Tax</u>
Local taxable	65,30,000	309,590 (w-1)
Exempted	10,00,000	47,410 (w-2)
	<u>75,30,000</u>	<u>357,000</u>

$$w-1 = \frac{357,000}{75,30,000} \times 65,30,000 = 309,590$$

$$w-2 = \frac{357,000}{75,30,000} \times 10,00,000 = 47,410$$

**(OR)**

**Input Tax Allowed:**

$$= \frac{\text{Input tax}}{\text{Total supplies}} \times \text{Taxable supplies}$$

$$= \frac{357,000}{75,30,000} \times 65,30,000 = 309,590$$



**Notes:**

- (i) Section 8B(1) is not applicable in case of a distributor.**
- (ii) Input tax cannot be claimed in case of discrepancy is indicated by CREST (Computerized Risk-based Evaluation of Sales Tax).**
- (iii) Sales tax paid on goods and services for personal consumption is not allowed.**
- (iv) Water charges are not allowed under Sales Tax Act.**

## Question No. 4

Mr. Sarwar is registered manufacturer and his data regarding business is given below. Compute his sales tax liability for the month of August, 2018.

1.	Taxable turnover to registered persons	Rs. 42,00,000
2.	Taxable turnover to non-registered persons	350,000
3.	Supply to EPZ	250,000
4.	Zero rated supply	200,000
5.	Supplies made for personal use (inclusive of sales tax)	160,000
6.	Supplies donated	350,000
7.	Credit notes issued for taxable supplies to registered persons	60,000
8.	Taxable purchases for which sales tax has not been deposited in govt. treasury by respective supplier	375,000
9.	Taxable purchases from registered person	900,000
10.	Purchase of raw material from wholesaler	300,000
11.	Purchase of fixed asset on credit basis	300,000
12.	Taxable purchase against commercial invoices	400,000
13.	Manufacturing expenses for producing goods	470,000
14.	Carry forward of input tax from previous month	5,000
15.	Sales tax paid on electricity bills	25,000
16.	Sales tax paid on telephone bills	8,000

(Sales tax registration number is printed on bills)

### Solution:

<u>Local Taxable Turnover:</u>	(Rs.)	(Rs.)
(i) To registered persons	42,00,000	
(ii) For personal use		
= 160,000 - (160,000 × 17/117)	136,752	
	43,36,752	
(-) Amount of credit note	60,000	42,76,752
(iii) To non-registered persons		350,000
		46,26,752

### Computation of Input Tax:

(i)	Purchases for which sales tax not deposited by supplier	375,000	—
(ii)	Purchases from registered person (900,000 × 17/100)		153,000
(iii)	Purchases from wholesaler (300,000 × 17/100)		51,000
(iv)	Purchases against commercial invoice	400,000	—
(v)	Sales tax paid on electricity bills		25,000
(vi)	Sales tax paid on telephone bills		8,000
			<u>237,000</u>
(vii)	Purchase of fixed asset (300,000 × 17/100)		<u>51,000</u>

### Apportionment of Input Tax:

	<u>Turnover</u>	<u>Input Tax</u> (On Purchases)	<u>Input Tax</u> (On Fixed Assets)
• Local taxable	46,26,752	202,062 (w-1)	43,482 (w-4)
• Zero-rated and to EPZ	450,000	19,653 (w-2)	4,229 (w-5)
• Donated—not taxable	350,000	15,285 (w-3)	3,289 (w-6)
	<u>54,26,752</u>	<u>237,000</u>	<u>51,000</u>

$$\text{Apportionment} = \frac{\text{Input tax}}{\text{Total turnover}} \times \text{Type of turnover}$$

$$w-1 = \frac{237,000}{54,26,752} \times 46,26,752 = 202,062$$

$$w-2 = \frac{237,000}{54,26,752} \times 450,000 = 19,653$$

$$w-3 = \frac{237,000}{54,26,752} \times 350,000 = 15,285$$

$$w-4 = \frac{51,000}{54,26,752} \times 46,26,752 = 43,482$$

$$w-5 = \frac{51,000}{54,26,752} \times 450,000 = 4,229$$

$$w-6 = \frac{51,000}{54,26,752} \times 350,000 = 3,289$$

**Mr. Sarwar**

**CNIC No. -----**

**NTN: -----**

**For the Month of August, 2018**

	(Rs.)	(Rs.)
<b>Output Tax:</b>		
On local taxable turnover (46,26,752 × 17/100)		786,548
<b>Less: Input Tax:</b>		
Paid against such supplies	202,062	
90% of output tax (786,548 × 90/100)	(OR) 707,893	
Whichever is lower		202,062
<b>Less: Carry forward input tax from previous month</b>		584,786
		5,000
<b>Less: Tax paid on purchase of fixed asset</b>		579,486
		43,482
<b>Add: Further tax @ 3% of Rs. 350,000</b>		536,004
		10,500
<b>Add: WHT against commercial invoices</b>		546,504
1% of (400,000 × 100/117)		3,419
<b>Sales tax payable with return</b>		549,923

Tax paid Rs. 19,653 + 4,229 = Rs. 23,882 against zero-rated turnover is refundable.

**Notes:**

- (i) According to Sales Tax Law, there is no treatment of manufacturing expenses for producing goods.
- (ii) Input tax cannot be claimed on such purchases where sales tax has not been deposited by the respective supplier in government treasury.

## Question No. 5

Mr. Ahmed is a registered manufacturer and his data regarding business is given below. Compute his sales tax liability for the month of August, 2018.

1.	Taxable supplies to registered person	Rs. 60,00,000
2.	Taxable supplies to non-registered person	700,000
3.	Supplies exported	300,000
4.	Supplies to DTRE registered person	100,000
5.	Supplies made to consumer (inclusive of sales tax)	240,000
6.	Supplies given as free samples	50,000
7.	Taxable purchases from registered person	20,00,000
8.	Raw material imported	270,000
9.	Purchase of fixed asset from registered person	800,000
10.	Sales tax credit	10,000
11.	Exempt purchases	80,000
12.	Taxable purchases for which tax invoices are not available	175,000
13.	Purchase of stationary for office use	30,000
14.	Sales tax paid on electricity bill	40,000
15.	Sales tax paid on gas bill	43,000
	(Sales tax registration number is printed on bills)	
6.	Sales tax paid on lunch provided to staff	18,000

### Solution:

<u>Local Taxable Supplies:</u>	(Rs.)	(Rs.)
(i) To registered persons	60,00,000	
(ii) To consumers		
= 240,000 – 240,000 × 17/117	205,128	62,05,128
(iii) To non-registered persons		700,000
		69,05,128

### Computation of Input Tax:

(i)	Purchases from registered persons (20,00,000 × 17/100)		340,000
(ii)	Raw material imported (270,000 × 17/100)		45,900
(iii)	Purchases for which invoices not available	175,000	-
(iv)	Exempt purchases	80,000	-
(v)	Purchase of office stationary (300,000 × 17/100)		5,100
(vi)	Sales tax paid on electricity bill		40,000
(vii)	Sales tax paid on gas bill		43,000
(viii)	Sales tax paid on lunch to staff	18,000	-
			<u>474,000</u>
(ix)	Tax paid on purchase of fixed asset (800,000 × 17/100)		136,000

### Apportionment of Input Tax:

	<u>Supplies</u>	<u>Input Tax</u> (On Purchases)	<u>Input Tax</u> (On Fixed Assets)
• Local taxable	69,05,128	445,000 (w-1)	127,679 (w-4)
• Exported and to DTRE persons	400,000	25,778 (w-2)	7,396 (w-5)
• Free samples	50,000	3,222 (w-3)	925 (w-6)
	<u>73,55,128</u>	<u>474,000</u>	<u>136,000</u>

Apportionment =  $\frac{\text{Input tax}}{\text{Total supplies}} \times \text{Type of supply}$

$$w-1 = \frac{474,000}{73,55,128} \times 69,05,128 = 445,000$$

$$w-2 = \frac{474,000}{73,55,128} \times 400,000 = 25,778$$

$$w-3 = \frac{474,000}{73,55,128} \times 50,000 = 3,222$$

$$w-4 = \frac{136,000}{73,55,128} \times 69,05,128 = 127,679$$

$$w-5 = \frac{136,000}{73,55,128} \times 400,000 = 7,396$$

$$w-6 = \frac{136,000}{73,55,128} \times 50,000 = 925$$

**Mr. Ahmed**

**CNIC No. -----**

**NTN: -----**

**For the Month of August, 2018  
Computation of Sales Tax Payable**

<b><u>Output Tax:</u></b>	<b>(Rs.)</b>	<b>(Rs.)</b>
On local taxable supplies (69,05,128 × 17/100)		11,73,872
<b>Less: <u>Input Tax:</u></b>		
Paid against such supplies	445,000	
	(OR)	
90% of output tax (11,73,872 × 90/100)	10,56,485	
Whichever is lower, so		445,000
		728,872
<b>Less: Sales tax credit</b>		10,000
		718,872
<b>Less: Paid against fixed asset</b>		127,679
		591,193
<b>Add: Further tax @ 3% of Rs. 700,000</b>		21,000
<b>Sales tax payable with return</b>		612,193

**Tax paid Rs. 25,778 + 7,396 = Rs. 33,174 against supplies exported and to DTRE person is refundable.**