

Government of Pakistan
Revenue Division
Federal Board of Revenue
Inland Revenue

C.No. 4(1) ST-LP&E/Misc/2019

Islamabad, the 04 August, 2020

Sales Tax Circular No. 01 of 2020 / IR-Operations

Subject: Standard Procedure for Over-Ruling the STARR Objections on Sales Tax Refund Claims

For the purposes of over-ruling of objections raised by STARR/Risk Management System (RMS) while processing the Sales Tax Refund claims, multiple instructions, SOPs, and guidelines are in field. The gaps, contradictions, and variance in the implementation of these instructions & SOPs produced below par outcomes. In order to bring uniformity into the system, and avoid discretion and delays in the processing of refunds there is need to issue rules for the purpose at the national level.

2. Accordingly, in supersession of all previous instructions, SOPs and guidelines on the matter, it is hereby laid down that henceforth an officer not below the rank of Additional Commissioner-IR shall over-rule the objections raised by the electronic system mentioned in column (2) of Table I, II & III below, after completion of all legal formalities and scrutiny of record as mentioned in corresponding column (3) of each objection at column (2) of the Table I, II & III. Evidence and reasons shall be duly recorded in the database, or as the case may be, on the note-sheet side of the relevant file.

Table-I
STARR Objections Relating to Sales Tax Invoices

#	Objections	Procedure for Over-Ruling
(1)	(2)	(3)
1	(i) Non-Filer (ii) Nil-Filer (iii) Does not exist	Sales tax return of the Supplier may be fed in to database if verified by the RTO/LTU concerned and will be replicated with STARR OR May be over-ruled – (i) Upon production of electronic copy of sales tax return of the supplier duly verified by both Supplier and Claimant (ii) Verification of status of Supplier from computer profile be also done, provided output tax of return is greater than refund claimed and due tax is paid (iii) In case Supplier is registered with Azad Jammu & Kashmir (AJK), the objection

		<p>will be over-ruled on the basis of manual verification from the concerned LTU/RTOs</p> <p>(iv) By verifying purchases from invoice summary of the Supplier, provided that the Supplier is not included in negative / suspected list.</p> <p>(v) By checking compliance of section 73 of the Sales Tax Act, 1990 and sales tax invoices.</p>
2	<p>(i) Exceeds declared sales to the Claimant in summary.</p> <p>(ii) Exceeds Declared output</p>	<p>May be over-ruled –</p> <p>(i) Upon production of invoice summary duly attested by the RTO/LTU concerned and stamped by the Supplier as well as the Claimant, sales register and sales tax return of the Supplier</p> <p>(ii) If the invoice exists in the invoice summary and valid and due tax is paid</p> <p>(iii) If compliance of section 73 of the Sales Tax Act, 1990 has been made.</p> <p>(iv) If recovery is initiated against the R/Ps whose invoices are not included in the invoice summary and claimed refund against excess / duplicate invoices as per law.</p>
3	<p>(i) Invoice Summary not submitted</p> <p>(ii) No sales to the Claimant shown in summary / return</p> <p>(iii) Wrong tax period</p>	<p>On submission of verified / attested invoice summary from the RTO/LTU concerned, the same may be sent to computer section for uploading in system and will be replicated.</p> <p>OR</p> <p>May be over-ruled –</p> <p>(i) Upon production of invoice summary duly attested by the RTO/LTU concerned and stamped by the Supplier as well as the Claimant subject to inclusion of invoice in summary and due tax is paid</p> <p>(ii) If the input tax invoice claimed within 6 months (other than carry forward cases) and is admissible under section 7 of the Sales Tax Act, 1990</p> <p>(iii) If compliance of section 73 of the Sales Tax Act, 1990 has been made.</p>
4	Duplicate Invoice.	<p>Correction may be done by editing of wrongly fed data of the Supplier or Claimant and will be replicated.</p> <p>OR</p>

		<p>May be over-ruled –</p> <ul style="list-style-type: none"> (i) Upon production of invoice summery duly verified by the RTO/LTU concerned and stamped by the Supplier as well as the Claimant, and sales register, and sales tax returns of the Supplier (ii) Invoice may be verified from the invoice summary properly included by the Supplier and due tax is deposited (iii) If compliance of section 73 of the Sales Tax Act, 1990 has been made (iv) Action against the R/P has been initiated as per law who claimed invoice wrongly.
5	<p>Scrutiny for verification of input tax.</p> <ul style="list-style-type: none"> (i) Continuous carry forward. (ii) Abnormal tax profile, etc. 	<p>May be over-ruled –</p> <ul style="list-style-type: none"> (i) If Suppliers having valid business reasons for not depositing the usual proportion of sales tax (ii) To the extent cleared by input tax verification software (iii) If Supplier is a manufacture-cum-exporter and is regularly filing returns (iv) If Supplier is a commercial importer registered at least one year and is regularly filing returns (v) If the Claimant produced audit report of the Supplier wherein payment of output tax has been verified by the department and covering the tax period relevant to the invoice (vi) If compliance of section 73 of the Sales Tax Act, 1990 has been made
6	Telephone, Electricity and Gas Bills	<p>May be over-ruled if –</p> <ul style="list-style-type: none"> (i) The bills are in the name of the refund Claimant and/or his registration number is mentioned therein (ii) Telephone and meters are installed at the business premises and are being used for the taxable activity
7	<p>Unit is</p> <ul style="list-style-type: none"> (i) De-registered (ii) Blocked (iii) Suspended (iv) Closed (v) Suspicious (vi) Not active 	<p>May be over-ruled –</p> <ul style="list-style-type: none"> (i) Upon submission of invoices and confirmation that they pertain to the period prior to de-registration / closure of said Suppliers (ii) Upon verification of invoices from invoice summary of the Supplier subject to the condition that the sales tax return is submitted under section 26 and due tax is paid for the relevant tax period (iii) If the RP submitted evidence of current active status of the person along with letter of

		withdrawal issued by the RTO/LTU concerned and duly verified from system (iv) If compliance of section 73 of the Sales Tax Act, 1990 has been made.
8	Multiple Returns	May be over-ruled – (i) If return revised for genuine reasons duly approved by the competent authority (ii) If verified from the system
9	Invoices relating to services provided by taxpayers registered with Provincial Revenue Authorities. Invoices issued by Suppliers registered in AJK	May be over-ruled on submission of invoices of services, sales tax return and proof of payment subject to verification from the relevant Provincial Revenue Authorities and AJK Tax Office

Table-II

STARR Objections Relating to Goods Declaration (GD) for Export

#	Objections	Procedure for Over-Ruling
(1)	(2)	(3)
1	NTN Mismatch	May be over-ruled on production of original NTN certificate and export GD by the Claimant.
2	(i) Mate Receipt (MR) No. and date mismatch (ii) Does not Exist (iii) Computer data not available	May be over-ruled on production of – (i) Original GD for export to verify the MR No and date only for export through the sea route (ii) Verification of rebate payment order indicating GD No and date (iii) PRC (Proceed realization certificate)
3	Duplicate GD	May be over-ruled on production of – (i) Original GD for export to verify the MR No. and date (ii) Verification of rebate payment order indicating GD No. and date (iii) PRC (Proceed realization certificate) (iv) Action against the R/P has been initiated as per law who claimed GD wrongly.
4	Wrong Tax Period	(i) Original GD for export or the rebate payment order indicating GD for export No. and date: and (ii) PRC (Proceed Realization Certificate)
5	Under objection by Customs and Cancelled.	May be over-ruled upon production of NOC from concerned Customs Collectorate.

Table-III

STARR Objections Relating to Goods Declaration for Import

#	Objections	Procedure for Over-Ruling
(1)	(2)	(3)
1	NTN Mismatch	May be over-ruled on production of original NTN certificate and import GD by the Claimant
2	Sales Tax Amount Mismatch	May be overruled after examination of original import GD to verify the amount of sales tax paid
3	Does not Exist	May be over-ruled on production of original import GD and proof of payment of the sales tax
4	Computer data not available	May be over-ruled on production of original GD and proof of payment of the sales tax
5	Duplicate GD	May be over-ruled on production of original GD by the Claimant and proof of payment of sales tax and simultaneously action against the R/P has been initiated as per law who claimed GD wrongly.
6	Wrong Tax Period	May be over-ruled if input tax is claimed within 6 months (other than carry forward cases) and is admissible under section 7 of the Sales Tax Act, 1990

3. The refund Claimant shall furnish soft copies of all the scanned documents which are under dispute requiring over-ruling. These scanned documents shall be loaded in the system by the DBA as annexures to a particular refund claim. Board shall create a tab in STARR System to upload scanned documents for over-ruling of the objections. Till the creation of tab in STARR System, scanned documents may be saved as per existing practice and over-ruling may be done as per the above guidelines.

Refund Claims Refused by FASTER/ERS

4. Whereas, result of automated processing of refund claims through FASTER or ERS, the Claimants are not satisfied with the outcome of automated processing including calculation of refunds or carry forward amounts or amounts deferred, the Claimant may apply to the Board through concerned Chief Commissioner for reprocessing of the refund claim or revision of Annex-H mentioning therein the reasons. After scrutiny of the written request of the Claimant, the Chief (Projects & Refunds) may allow reprocessing of the claim or revision of Annex-H for necessary corrections.

5. The procedures for over-ruling shall become applicable with effect from 01.08.2020.


(SHAFIQUE ANWAR KHAN)
 Second Secretary (ST-L&P)