

PRACTICAL PROBLEM

PROBLEM 1

The following information is extracted from the records of Blue Light Enterprises (Pvt.)Ltd. The information pertains to the month of August, 2023:

Supplies to registered person	Rs. 60,00,000
Supplies to non-registered person (Include sale of Rs. 100,000 to end consumer)	3,10,00,000
Supplies to retailers	800,000
Credit notes issued for taxable supplies	400,000
Purchases from registered suppliers	950,000
(included goods worth 100,000 purchased in cash)	
Purchases from non-registered suppliers	500,000

Required. Determine the amount of sales tax liability.

Solution

Blue Light Enterprises (Pvt.)Ltd
 National Tax No.
 Sales Tax Registration No.
 For the Month of August 2023
 Computation of Sales Tax Payable

Output Tax

Supplies to registered person (Rs. 60,00,000 @ 18%)	Rs. 10,80,000
Supplies to non-registered person (Rs. 10,00,000 @ 18%)	180,000
Supplies to retailers (Rs. 800,000 @ 18%)	<u>144,000</u>
Total output tax	14,04,000
Less Credit note adjustment in respect of sales returns (Rs. 400,000 @ 18%)	<u>72,000</u>
	13,32,000

Input Tax Adjustment

Purchases from registered suppliers (Rs. 950,000 - 100,000 = 850,000 @ 18%)	Rs. 153,000
* Purchases from non-registered suppliers (No input tax) <u>Rs. 500,000</u>	<u>—</u>
Restricted upto 90% of output tax	<u>153,000</u>
(Rs. 13,32,000 × $\frac{90}{100}$)	<u>11,98,800</u>
Input tax well within this limit, so allowed	<u>153,000</u>
	11,79,000

Add: Further tax in case of supplies to

non-registered person @ 4% (1000000 - 100000) of Rs. 9.00.000	<u>36,000</u>
:WHT @ 5 % in case of purchases from	<u>12,15,000</u>
Un-registered persons 5% of (500,000 x 100/118)	<u>21.186</u>
Total sales tax payable	<u>12,36,186</u>

Notes:

1. Credit note is issued by the supplier when the goods supplied are returned to him by the original buyer on the grounds that goods are damaged or sub-standard quality or change in the nature of supply. The tax charge against such note should be deducted from output tax or from total supplies.

2. According to the Finance Act, 2023 rate of further tax increased from 3 % to 4 % on the supplies made to non-registered persons, so total rate of sales tax to non-registered persons @ 22% (18% + 4% further tax). However, further tax shall not become the part of output tax and its is payable to the FBR as a bottom line figure
3. An unregistered person cannot issue tax invoice under the law, so no input tax adjustment. However, withholding tax @ 5 % in case purchasers from the non-registered person shall be withheld by withholding agent.
4. No further tax @ 4 % in case end consumers)
5. No Input tax adjustment in case payment of transaction through cash.

PROBLEM 2

Mr. Haroon Rashid is engaged in manufacturing business. He is registered with sales tax as manufacturer. Data regarding his business during August 2023 is given below:

Local taxable supplies to registered persons ✓	Rs.45,00,000
Local taxable supplies to non-registered persons ✓ (include sale of Rs. 150,000 to end consumers)	10,00,000
Exempt supplies ✓	750,000
Local purchases from registered persons ✓	13,00,000
Local purchases from non-registered persons ✓	500,000
Debit notes issued for taxable purchases ✓	350,000

Required:- Compute the sales tax liability for the month.

Solution

Mr. Haroon Rashid (Registered Manufacturer)

CNIC No.

National Tax No.

Sales Tax Registration No.

For the Month of August 2023

Computation of Sales Tax Payable

Output

	Rs.
Local taxable supplies to registered persons	45,00,000
Local taxable suppliers to non-registered persons	<u>10,00,000</u>
	55,00,000
Exempt supplies	<u>750,000</u>
Total output	<u>62,50,000</u>

Input Tax

	Rs.
Local purchases from registered persons (Rs. 13,00,000 @ 18%)	234,000
Local purchases from non-registered persons <u>500,000</u>	—
(No input tax adjustment)	234,000

<i>Less</i> Debit note adjustment in respect of purchases return (Rs. 350,000 @ 18%)	<u>63,000</u>	<u>171,000</u>
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Apportionment of Input Tax

	Turnover	Input Tax
Local taxable supplies(4500000+1000000)	55,00,000	150,480
Exempt supplies	<u>750,000</u>	<u>20,520</u>
	<u>62,50,000</u>	<u>171,000</u>

Sales Tax Liability

Output Tax	Rs.
Total taxable supplies Rs.55,00,000 @ 18%	990,000
Less Input tax against local taxable supplies	150,480
(Restricted upto 90% of output tax (Rs. 990,000 @ 90% = Rs. 891,000)	
Input tax is well within the limits, so allowed	
	839,520
Add Further tax in case of supplies to non-registered person @ 4% of (Rs. 10,00,000-150,000)	34,000
Sales tax payable	<u>873,520</u>

Notes

- | | | |
|----|--|----------------|
| 1. | $\frac{171000}{6250000} \times 55,00,000$ | 150,480 |
| 2. | $\frac{171000}{6250000} \times 750,000$ | <u>20,520</u> |
| | | <u>171,000</u> |
| 3. | Section 8B(1) shall apply in this case (input tax is restricted upto 90% of output tax). | |
| 4. | Total turnover = Rs. 45,00,000 + 10,00,000 + 750,000 = Rs. 62,50,000.
Supplies used in taxable activity = Rs.62,50,000 - 750,000 = Rs. 55,00,000. | |
| 5. | Debit note is issued by the buyer when the goods are returned by him on the ground that the same are unfit for consumptions. The tax paid against such note should be deducted from input tax. | |
| 6. | After the change in the Finance Act, 2017 WHT shall not be deducted in case of purchases from Registered persons included in Active Tax Payer list. | |
| 7. | An unregistered person cannot issue tax invoice under the law, so no input tax adjustment. | |

8. No WHT is deducted in case of purchases from non-registered person, as Mr. Haroon Rashid is not withholding agent being an individual.
9. No further tax @ 4% in case end consumers

PROBLEM 3

1. From the following data of Mr. Muhammad Irfan a registered manufacturer, calculate his liability of sales tax for August 2023

Local taxable supplies ✓	Rs. 26,00,000
Export sales ✓	450,000
Zero-rated Supplies ✓	200,000
Taxable purchases ✓	900,000
Exempt purchases ✓	10,00,000
Sales tax credit ✓	180,000
2. Also calculate his sales tax payable if local supplies are made to non-registered persons and purchases are also made from non-registered persons.

Solution 1

Supplies made to registered persons and purchases from registered persons.

Mr. Muhammad Irfan (Registered Manufacturer)

CNIC No.

National Tax No.

Sales Tax Registration No.

For the Month of August 2023

Computation of Sales Tax Payable

Output

	Rs.	Rs.
Local taxable supplies to registered persons	26,00,000	
Export sales	450,000	
Zero-rated supplies	<u>200,000</u>	<u>650,000</u>
Total output		<u>32,50,000</u>

Input Tax

Taxable purchases from registered persons (Rs.900,000 @ 18%)	162,000
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Exempt purchases Rs. 10,00,000

162,000

Sales tax credit

180,000

Apportionment of Input Tax

	Turnover	Input Tax
Local taxable supplies	26,00,000	N1 129,600
Export sales and zero-rated	<u>650,000</u>	N2 <u>32,400</u>
	<u>32,50,000</u>	<u>162,000</u>

Sales Tax Liability

	Rs.
Output tax Rs. 26,00,000 @ 18%	468,000
Less Input tax against local taxable supplies	<u>129,600</u>
Restricted upto 90% of output tax	468,000 @ 90% = Rs. 421,200
Input tax is well with the limits	
So allowed	338,400
Less Sales Tax Credit	<u>180,000</u>
Total Sales tax payable	<u>158,400</u>

Refund of Input Tax Against Export and zero-rated Rs. 32,400

Notes

$$1. \frac{162000}{32,50,000} \times 26,00,000 = 129,600$$

$$2. \frac{162000}{32,50,000} \times 650,000 = 32,400$$

162,000

3. In case of zero-rated /export sales, no output tax shall be charged but input tax, if leviable, can be reclaimed/refund according to the following formula:

$$\frac{\text{Input Tax}}{\text{Total Turnover}} \times \text{Value of zero - rated/Export Sales}$$

Solution 2

Purchases from non-registered persons and supplies made to non-registered persons.

Output

	Rs.	Rs.
Local taxable supplies to non-registered persons		26,00,000
Export sales:	450,000	
Zero-rated supplies	<u>200,000</u>	<u>650,000</u>
Total output tax		<u>32,50,000</u>

Output Tax

Local taxable supplies to non-registered persons (Rs. 26,00,000 @ 18%)	468,000
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Input Tax Adjustment

Taxable purchases from non-registered persons (No input tax adjustment)	Rs. <u>900,000</u>	—
Exempt purchases	Rs. <u>10,00,000</u>	—
		468,000
<i>Less</i> Sales tax credit		<u>180,000</u>
		288,000

Add : Further tax in case of supplies to non-registered

Person @ 4% of Rs. 26,00,000. 104,000

Total sales tax payable 392,000

Notes

1. There will be no input tax on purchases from non-registered persons.
2. Rate of sales tax to non-registered persons @ 22% (18% + 4% further tax). However, further tax shall not become the part of output tax and its is payable to the FBR as a bottom line figure. According to the Finance Act, 2023 further tax increased from 3 % to 4 %..
3. Sales Tax Credit means credit carried forward from previous tax periods.
4. No WHT is deducted in case of purchases from non-registered person as Mr. Muhammad Irfan is not withholding agent being an individual.

PROBLEM 4 ✓

From the following data of Mr. Muhammad Adnan , a registered manufacturer, calculate his liability of sales tax for September 2023:

Taxable supplies to registered person	Rs. 55,00,000
(10 % of these goods were returned by customers)	
Exempt supplies to registered persons	25,00,000
Purchases from registered persons	70,00,000
(20 % of these goods were returned to suppliers)	
Exempt goods	18,00,000
Purchases fixed assets from registered persons (used for taxable supplies only)	40,00,000

Solution

Mr. Muhammad Adnan (Registered manufacturer)

CNIC No.

National Tax No.

Sales Tax Registration No.

For the Month of September 2023

Computation of Sales Tax Payable

<i>Output</i>	<i>Rs.</i>
Supplies to registered persons <u>55,00,000</u>	49,50,000
(10 % goods returned by customers)	
55,00,000 @ 90 %	
Exempt supplies to registered person	<u>25,00,000</u>
Total out put	<u>74,50,000</u>

Input tax

Taxable purchases from registered person <u>70,00,000</u>	10,08000
(20 % these goods were returned by supplier	
(70,00,000 x 80/100)	<u>56,00,000</u>
(56,00,000 @ 18 %)	
Exempt purchases	<u>18,00,000</u>
	<u>10,08,000</u>

Fixed assets purchases from registered
Person used in taxable supplies only
(40,00,000 @ 18 %) 720,000

Sales tax liability

Tax supplies (49,50,000 @ 18%)	<u>891,000</u>
Less input tax	<u>10,08,000</u>
Restricted to 90 % of output tax	
(891,000 @ 90 %)	<u>801,900</u>
Whichever is lower so	<u>801,900</u>
	89,100
Less input tax on fixed assets	<u>720,000</u>
Excess of input tax over output tax	<u>(630,900)</u>
Sales tax to be carried forward	
206100 (100,8000 – 1008000)+630,900	<u>837,000</u>

PROBLEM 5

Following information has been extracted from the records of Ms Ayesha Faheem, a registered manufacturer, calculate her tax liability for the month of August 2023:

Taxable supplies to unregistered distributor ✓	Rs. 20,00,000
Exempt supplies to registered persons	18,00,000
Zero rated suppliers	14,00,000
Taxable purchases from unregistered persons	17,00,000
Purchase of electrical and sanitary fitting (55 % used in factory building and 45 % used in office building)	600,000
Purchase fixed assets from registered person (used for exempt as well as zero rated supplies)	13,00,000

Solution

Ms Ayesha Faheem CNIC No.

National Tax No.

Sales Tax Registration No.

For the Month of September 2023

Computation of Sales Tax Payable

Output

	<i>Rs.</i>
Taxable supplies to unregistered distributor	20,00,000
Exempt supplies to registered person	18,00,000
Zero rated supplies	<u>14,00,000</u>
Total out put	<u>52,00,000</u>

Input tax

Purchase of electrical and sanitary fittings

Used in office and factory building

(no input tax) 600,000Taxable purchases from unregistered person 17,00,000

Fixed assets purchases from registered Person

used in(exempt as well as zero rated supplies) 234,000

(13,00,000 @ 18 %)

Apportionment of input tax

	<u>Turn over</u>	<u>input tax on Fixed assets</u>
Taxable supplies	20,00,000	--
Exempted supplies	18,00,000	NI- 131,625
Zero rated supplies	<u>14,00,000</u>	<u>N-2 102,375</u>
	<u>52,00,000</u>	<u>234,000</u>

Sales tax liability

Tax supplies (20,00,000 @ 18%)	360,000
Add further tax @ 4 % on un registered distributor (20,00,000 @ 4 %)	<u>80,000</u>
Sales tax payable	<u>80,000</u>
Sales tax refundable (zero rated supplies)	<u>440,000</u>
	<u>102,375</u>

Notes:

1.	$\frac{1800000}{3200000} \times 234,000$	131,625
2.	$\frac{1400000}{3200,000} \times 234,000$	<u>102,375</u>

3. For apportionment of input tax, total turnover=Rs. 32,00,000
(18,00,000+14,00,000)
 4. No withholding tax is deducted in case of purchases from unregistered persons as Ayesha Faheem is not withholding agent being an individual.
 5. There is no effect whether purchases of electrical and sanitary fittings used in office or factory building
 6. 4 % further tax in case of unregistered distributors w.e.f. 1st July 2023.

PROBLEM 6

Calculate Sales Tax liability of Mr. Hassam Muazzam being a registered manufacturer from the following data for the month of September 2023:

Taxable supplies to registered person ✓	Rs. 25,00,000
Taxable supplies to Government Department ✓	800,000
Taxable supplies to non-registered person ✓	600,000
Taxable supplies to registered retailer on two months	
Credit (inclusive of 4 % mark up)	447,200
Supply for personal use (inclusive of sales tax)	150,000
Credit Note issued for taxable supplies to non registered person	180,000
Taxable goods used in business meeting held for promotion of business	135,000
Sales tax debit ✓	120,000
Zero rated supplies	230,000
Exempted supplies	165,000
Taxable purchases from registered persons	400,000
Included furniture of Rs. 75,000 used in the office of marketing manager	
Taxable purchases from non-registered persons	300,000

SALES TAX

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Purchases of office equipment	200,000
Acquisition of fixed assets from registered persons	14,00,000
Sales tax credit	130,000
Debit note issued for taxable purchases	165,000

Note:

Taxable supplies to registered person include an invoice issued to Hassam Muazzam erroneously for Rs. 69000 whereas the correct amount of invoice was Rs. 96000.

Solution

Mr. Hassam Muazzam (Registered manufacturer)

CNIC No.

National Tax No.

Sales Tax Registration No.

For the Month of September 2023

Computation of Sales Tax Payable

<i>Output</i>	<i>Rs.</i>
Taxable supplies to registered person	25,00,000
Taxable supplies to Govt. Department	800,000
Taxable supplies to registered retailer	
Inclusive mark up Rs. <u>447,200</u>	430,000
(inclusive of mark up $447200 \times 4/104$ <u>17,200</u> (447200-17200)	
Supply for personal use inclusive of Sales tax <u>150,000</u> $(150,000 \times 18/118) = \text{Rs. } 22881. (150,000 - 22881)$	127,119
Taxable supplies goods used for business promotion	135,000
Amount of local taxable supplies invoice	
Issue to registered person short recorded(96000-69000)	
Taxable supply to non-registered person	<u>27,000</u>
Less Credit note issued for taxable supplies	600,000
Supplies to non-registered person	<u>180,000</u>
Exempted supplies to non registered person	44,39,119
Zero rated	165,000
Total output	<u>230,000</u> <u>48,34,119</u>

Input tax adjustment

Purchases from registered person	<u>400,000</u>	
included Furniture of Rs. 75,000 use in the office.		
Rs. 75,000 used in the office		
(400,000-75,000) 325,000		
(325,000 x 18/100)		58,500
Purchases from non-registered person	<u>300,000</u>	-
Purchases office equipment	<u>200,000</u>	-
Less: debit note adjustment in respect of		58,500
Purchases return (165,000 x 18/100)		29,700
		<u>28,800</u>
Sales tax credit		130,000
Sales tax on fixed asset (14,00,000 x 18/100)		<u>252,000</u>

Apportionment of Input Tax

	<u>Turnover</u>	<u>Input Tax</u>	<u>Input tax on Fixed Assets</u>
Taxable supplies	44,39,119	26,447	231,409
Exempt supplies	165,000	983	8,601
Zero Rated supplies	<u>230,000</u>	<u>1,370</u>	<u>11,990</u>
	<u>48,34,119</u>	<u>28,800</u>	<u>252,000</u>

Sales Tax Liability**Output Tax:**

Taxable supplies (4439119 x 18/100)	799,041
Add: Sales Tax debt	<u>120,000</u>
	919,041

Less Input tax adjustment as calculated 26,447

Restricted up to 90% of output tax
(90/100 x 799041) 719,137

Whichever is less 26,447

Less: input tax on Fixed Assets 892,594

Less: Sales tax credit 231,409

Add; further tax on supplies to non- registered @ 4 % 661,185

(420,000 x 4/100) 130,000
547,985

Sales tax payable

Refund of input tax against
zero rated supplies : = (1370+11990)= Rs.13,360

Working of Apportionment

Rs.

Input Tax

Taxable supplies	$\frac{28800}{4834119} \times 4439119$	26,447
Exempt supplies	$\frac{28800}{4834119} \times 165000$	983
Zero rated supplies	$\frac{28800}{4834119} \times 230000$	1,370
		<u>28,800</u>

Input Tax on Fixed Asset

Taxable supplies	$\frac{252000}{4834119} \times 4439119$	231,409
Exempt supplies	$\frac{252000}{4834119} \times 165000$	8,601
Zero rated supplies	$\frac{252000}{4834119} \times 230000$	11,990
		<u>252,000</u>

Notes:

1. Section 8B(1) shall apply in this case (input tax is restricted up to 90 % of output tax).
2. Debit note is issued by the buyer when goods are returned by him on the ground that the same are unfit for consumption . The tax paid against such note should be deducted from input tax.
3. After the change in the Finance Act, 2017 WHT shall not be deducted in case of purchases from Registered persons in Active Tax Payer list.
4. An unregistered person cannot issue tax invoice under the law, so No input tax adjustment..
5. Credit note is issued by the supplier when the goods supplied are returned to him by the original buyer on the grounds that goods are damaged or sub-standard quality or change in the nature of supply.

Purchases of raw materials
 Used in taxable and exempted supplies
 $(250,000 @ 18\%)$ 45,000

Acquisition of fixed assets from non-
 registered person (no input tax)

700,000

Apportionment of input tax

	<u>Turnover</u>	<u>Input Tax</u> W-1	<u>Input tax on</u> <u>Raw Material</u> <u>W-2</u>
Taxable supplies	44,10,000	199,099	41,560
Free Samples	190,000	-	1,791
Export Sales	<u>175,000</u>	<u>7,901</u>	<u>1,649</u>
	<u>47,75,000</u>	<u>207,000</u>	<u>45,000</u>

Sales Tax Liability

Output tax :

Taxable supplies (44,10,000 @ 18 %) 793,800

Less Input tax adjustment as calculated
 $(199099 + 41560)$

240,659

Restricted up to 90 % of output tax
 $(90/100 \times 793800)$

714,420

Whichever is less

240,659
553,141

Add : WHT @ 5 % purchases from non-registered

Person and registered retailer
 $(820,000 \times 100/118 @ 5\%)$ 34,746
587,887

Sales tax payable

Refund of input tax against

Export sale : = $7901 + 1649 = \text{Rs. } 9550$

Less penalty and arrears Rs. 6000

Net Refund 3550

Working of Apportionment

		Rs.
Input Tax(w-1)		
Taxable supplies	$\frac{207000}{4585000} \times 4410000$	199,099
Export Sales	$\frac{207000}{4585000} \times 175000$	<u>7,901</u> <u>207,000</u>

Input tax on Raw material Tax(w-2)

Taxable supplies	$\frac{45000}{4775000} \times 4410000$	41,560
Free samples	$\frac{45000}{4775000} \times 190000$	1,791
Export sales	$\frac{45000}{4775000} \times 175000$	1,649
		<u>45,000</u>

Notes:

1. Total turnover for normal input tax =(taxable supplies + Export Sales , $4410000 + 175000 = \text{Rs. } 4585000$).
2. Total turnover for input tax on raw material =(taxable supplies +free samples+ Export sales , $4410000+190000+175000 = \text{Rs. } 4775000$).
3. Section 8B(1) shall apply in this case.
4. An unregistered person and registered retailer cannot issue tax invoice under the law, so no input tax adjustment. However, withholding tax @ 5 % in case purchases from the non-registered person and registered retailer shall be withheld by withholding agent.
5. The Finance Act, 2021 has changes the definition of time of supply and now advance against sales and purchases is not subject to sales tax.
6. Discount can be claimed if it is a normal business practice and has been shown on tax invoice. Since the amount of discount has not been shown on tax invoice, it shall be chargeable to tax at gross amount.

PROBLEM 8

Bestway International, an importer, has paid sales tax. Data regarding its business for September Quarter 2023 is as under:

Imported taxable goods	Rs. 12,00,000
Purchases exempt goods	<u>800,000</u>
	<u>20,00,000</u>

Sales during the month are as under:

Registered persons	Rs. 900,000
Non-registered persons	850,000
Registered wholesaler	<u>300,000</u>
	<u>20,50,000</u>

Required. Calculate sales tax payable.

Solution

Bestway International (Importer)

CNIC No.

National Tax No.

Sales Tax Registration No.

For September Quarter 2023

Computation of Sales Tax Payable

Output

Sales to:	Rs.	Rs.
Registered persons	900,000	
Non-registered persons	850,000	
Registered wholesalers	<u>300,000</u>	
Total output	<u>20,50,000</u>	

Output Tax

Total taxable supplies (Rs. 20,50,000 @ 18%)	369,000
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Input Tax Adjustment

Imported taxable goods Rs. 12,00,000 @ 18%	216,000
Tax paid at import stage (Rs. 12,00,000 @ 3%)	36,000
Purchases exempt goods Rs. <u>800,000</u>	<u>—</u>

Add: Further tax in case of un-registered person

@ 4% of Rs. 850,000

Sales tax payable

34,000

151,000

Notes

1. In case of importers, total amount of sales tax paid at import stage, i.e. 3% plus 18% under normal tax rate.
2. Section 8B(1) shall not apply in case of commercial importer.

PROBLEM 9

Mr. Habib Ullah is a wholesaler of LCDs. Data regarding his business for the month of August 2023 is as follows:

1. 69 LCDs purchased from a registered manufacturer @ Rs. 23,000 per LCD
2. 64 LCDs were sold to registered persons @ Rs. 25,000 per LCD
3. One LCD kept for personal use (free sample)
4. One LCD donated to recognized educational institution
5. 3 LCDs were sold to non-registered persons @ Rs. 25,000 per LCD

Required. Compute the amount of sales tax payable.

Solution

Mr. Habib Ullah(Wholesaler)
 CNIC No.
 National Tax No.
 Sales Tax Registration No.
 For the Month of August 2023
 Computation of Sales Tax Payable

<i>Output</i>	Rs.	Rs.
64 LCDs sales to registered persons (Rs. 25,000 × 64)		16,00,000
3 LCDs sales to non-registered persons (Rs. 25,000 × 3)		75,000
2 LCDs not used for taxable supplies(25,000 × 2)	<u>50,000</u>	
Output		<u>17,25,000</u>

Input Tax

69 LCDs Purchase from registered persons
 (Rs. 23,000 × 69 × $\frac{18}{100}$)

285,660

Apportionment of Input Tax

	Turnover	Input Tax
Taxable supplies (Rs. 16,00,000 + 75,000)	16,75,000	N1 277,380
Free sample and donated	<u>50,000</u>	N2 <u>8,280</u>
	<u>17,25,000</u>	<u>285,660</u>

Sales Tax Liability

Taxable supplies (Rs. 16,75,000 @ 18%)	301,500
Less Input tax against taxable supplies [Restricted upto 90% of output tax (Rs. 301500 @ 90% = Rs. 271350)]	
Input tax <u>277380</u> whichever is less so]	271,350
	<u>30,150</u>
Add Further tax @ 4% of Rs. 75,000	<u>3,000</u>
Sales tax payable with return	<u>33,150</u>

Notes

1. $\frac{285660}{17,25,000} \times 16,75,000$ Rs. 277,380
2. $\frac{285660}{17,25,000} \times 50,000$ 8,280
285,660
3. No sales tax is chargeable on free sample/donated supplies.
4. Rate of sales tax to non-registered persons @ 22% (18% + 4% further tax). However, further tax shall not become the part of output tax and is payable to the FBR as a bottom line figure.
5. Section 8B(1) shall apply in this case.
6. Input tax disallowed ($277380 - 271350 = \text{Rs. } 6030$) . the amount of input tax disallowed shall be carried forward to the next tax period and treated as input tax of that period. If the input tax is not adjusted in the next periods through C/F situation then unadjusted input tax may be refunded by the FBR subject to certain conditions.

PROBLEM 10

Ms Zoya Hassam is engaged in manufacturing business. He is registered with sales tax as manufacturer. Data regarding his business during August 2023 is given below. During the period Ms Zoya Hassam makes some transaction, of purchases and supplies, on credit basis.

Sales to registered persons	Rs. 36,00,000
Supplies to public sector organization	400,000
Sales to non-registered persons (including the amount of sales tax)	150,000
Supplies made for personal use (including the amount of sales tax)	500,000
Supplies donated to charitable institutions	250,000
Zero-rated supplies	165,000
Advance payment received in August 2023 for the supply to be made in September 2023	170,000
Taxable purchases from registered persons (on credit basis) Ali traders	900,000
Purchases from wholesaler	200,000
Purchase office equipment's	750,000
Acquisition of fixed assets from registered persons (Fixed assets put into operation during August 2023)	15,00,000
Debit notes issued for taxable purchases	180,000
Sales tax debit	120,000

Input Tax amounting to Rs. 120,000 was paid

In July 2023 but inadvertently not claimed

In the return for July 2022.

Note: 1) Goods worth Rs. 100,000 purchased from Ali Traders. The supplier did not disclose the sale of these goods in its tax return for the month of August 2023

2) Due to damage of consignment insurance claim received Rs. 150,000 after surrendering the right of disposal of consignment in favour of insurance company.

Required. Compute the sales tax liability for the month of August 2023.

Solution
 Ms Zoya Hassam (Registered Manufacturer)
 CNIC No.
 National Tax No.
 Sales Tax Registration No.
 For the Month of August 2023
 Computation of Sales Tax Payable

<i>Output</i>	Rs.	Rs.
Sales to registered persons		36,00,000
Supplies to public sector organization		400,000
Insurance claim considered as value of supply		150,000
Advance payment received in respect of taxable supply	<u>170,000</u>	--
(see note No.16)		
Supplies made for personal use including the amount of sales tax		
(Rs. 500,000 × $\frac{18}{118}$)		<u>423,729</u>
Rs. 500,000 – 76271)		45,73,729
Sales to non-registered persons (including the amount of sales tax)		
(Rs. 150,000 × $\frac{22}{122}$)		<u>122,951</u>
Rs. 150,000 – 27049)		46,96,680
Supplies donated		250,000
Zero-rated supplies		<u>165,000</u>
		<u>51,11,680</u>

<i>Input Tax</i>	
Taxable purchases from Ali Traders registered persons on credit basis	900,000
Less goods purchase from Ali traders	<u>100,000</u>
Not declared in its return	
(Rs. 800,000 @ 18%)	144,000
Input tax not claimed for the tax period of July 2023	120,000
Purchases from wholesaler	
(Rs. 200,000 @ 18%)	36,000

Purchase of office equipment	<u>750,000</u>	
Less Debit note adjustment in respect of purchase return (Rs. 180,000 @ 18%)		<u>32,400</u>
		<u>267,600</u>

Acquisition of fixed assets from registered persons (Rs. 15,00,000 @ 18%)	<u>270,000</u>
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Apportionment of Input Tax

	Turnover	Input Tax	Input Tax on Fixed Assets
Taxable supplies (4573729+122951)	4696680	N1 245874	N4 248080
Zero-rated supplies	165000	N2 8638	N5 8715
Supplies donated	<u>250000</u>	N3 <u>13088</u>	N6 <u>13205</u>
	<u>5111680</u>	<u>267600</u>	<u>270000</u>

Sales Tax Liability

Output Tax	Rs.
Taxable supplies (Rs. 4696680 @ 18%)	845,402
Add Sales tax debit	<u>120,000</u>
	965,402
Less Input tax against such supplies [Restricted upto 90% of output tax (Rs. 845402 @ 90% = Rs. 760862) Input tax is well within limits, so allowed]	245,874
	719,528
Less Input tax on fixed assets	<u>248,080</u>
	471,448
Add Further tax in case of non registered person @ 4% of Rs. 122,951	<u>4,918</u>
Sales tax payable	<u>476,366</u>
Refund of input tax against zero-rated (Rs. 8638 + 8715) = Rs. <u>17,353</u>	
1. $\frac{267600}{5111680} \times 4696680$	Rs. 245,874

2.	$\frac{267600}{5111680} \times 165000$	8638
3.	$\frac{267600}{5111680} \times 250000$	<u>13088</u>
<u>267600</u>		
4.	$\frac{270000}{5111680} \times 4696680$	248080
5.	$\frac{270000}{5111680} \times 165000$	8715
6.	$\frac{270000}{5111680} \times 250000$	<u>13205</u>
<u>270000</u>		

7. Section 8B(1) shall apply in this case (input tax is restricted upto 90% of output tax).
8. There is no effect whether purchases or supplies are made on credit or on account admissible.
9. Input tax cannot be claimed in case of purchase of office equipment.
10. Whenever supplies are made including the amount of sales tax, there is a formula given in law, i.e. tax fraction formula, to calculate the amount of sales tax:
11. Debit note is issued by the buyer when goods purchased are returned by him on the ground that goods are unfit for consumption . The tax paid against such note should be deducted from input tax..
12. Rate of sales tax to non-registered persons @ 22% (18% + 4% further tax). However, further tax shall not become the part of out put tax and is payable to the FBR as a bottom line figure. According to the Finance Act, 2023 further tax increased from 3 % to 4 %.
13. In this question it is specifically mentioned that the supplies are made to public sector organization (i.e. withholding agent). According to Finance Act 2017, no withholding tax is deducted from supplies made /received from any withholding agent i.e. public sector organization.

14. Input tax paid on acquisition of fixed asset shall be adjusted against output tax in normal manner without any restriction. However, any excess input tax due to this claim shall be carried forward to the next tax period.
15. The Finance Act, 2021 has changes the definition of time of supply and now advance against sales and purchases is not subject to sales tax
16. Insurance claim against damaged goods is treated as supply the right of disposal of consignment has been transferred to the insurance co.

PROBLEM 11

Ch. Enterprises Pvt. Ltd. is engaged in manufacturing business. He is registered with sales tax as manufacturer. During the period Ch. Enterprises Pvt. Ltd makes some transaction, of purchases and supplies, on credit basis. Data regarding his business during September 2023 is given below.

Sales to registered persons on credit basis	Rs. 40,00,000
Sales to non-registered persons	300,000
Taxable supplies to Government department	180,000
Supplies made for personal use (exclusive of sales tax)	200,000
Exempt supplies	250,000
Zero-rated Supplies	185,000
Advance payment received in respect of taxable supply	360,000
Goods pledged with a bank were disposed of by Bank in action for satisfaction of debt (normal selling price of these goods were Rs. 450,000)	425,000
Taxable purchases from registered persons (tax invoices available of Rs. 700,000)	800,000
Purchases of raw material (used in taxable and exempt supplies)	350,000
Purchases of furniture and fixtures for office use	175,000
Acquisition of fixed assets from non-registered persons	14,00,000
Imported taxed goods (bill of entry is not available)	130,000
Purchase of Office printed stationery from registered suppliers	120,000
Sales tax paid on goods manufactured lost by fire	100,000
New parts of Rs. 450,000 were issued free of cost to replace the defective parts under warranty.	

Note: Own manufactured equipment worth Rs. 400,000 was used for internal testing purposes in Research and Development department.

Required.

Compute the sales tax liability for the month of September 2023.

Solution

Moon Enterprises Pvt. Ltd (Registered Manufacturer)

National Tax No.

Sales Tax Registration No.

For the Month of September 2023

Computation of Sales Tax Payable

Output

	Rs.	Rs.
Sales to registered persons on credit basis	40,00,000	
Advance payment received <u>360,000</u> (see note No.15)		
Own manufactured equipment used for Research & Development department for internal testing (see note No. 17). <u>400,000</u>		
Pledged Goods disposed by bank	450,000	
Taxable supplies to Govt. Department	180,000	
Supplies made for personal use (exclusive of sales tax) <u>200,000</u>	48,30,000	
Sales to non-registered persons	<u>300,000</u>	
	51,30,000	
Exempt supplies	250,000	
Zero-rated Supplies	<u>185,000</u>	
Total output	<u>55,65,000</u>	

Input Tax

Taxable purchases from registered persons (Tax invoices available of Rs. 700,000 × 18%)	<u>800,000</u>	
	126,000	

Purchase of office printed stationery			
From supplier (120,000 @ 18 %)	21,600		
Replacement of defective parts under warranty	<u>450,000</u>		
Imported taxed goods (bill of entry is not available)	<u>130,000</u>	--	
Purchases of furniture and fixture for office use	<u>175,000</u>	--	
Sales tax paid goods lost by fire	<u>100,000</u>	--	
Purchases of raw materials used (common use) in taxable and exempt supplies	<u>350,000</u>		<u>147,600</u>
(Rs. 350,000 @ 18%)	<u>63,000</u>		
Acquisition of fixed assets from non-registered persons	Rs. <u>14,00,000</u>		

Apportionment of Input Tax

	Turnover	Input Tax (Taxable Supplies)	Input Tax on (Exempt + Taxable Supplies)
Taxable supplies			
(Rs. 48,30,000 + 300,000)	51,30,000	N1 142,462	N3 58,076
Exempt supplies	250,000	-	N4 2,830
Zero-rated Supplies	<u>185,000</u>	N2 <u>5,138</u>	N5 <u>2,094</u>
	<u>55,65,000</u>	<u>147,600</u>	<u>63,000</u>

*Sales Tax Liability**Output Tax*

Taxable supplies (Rs. 51,30,000 @ 18%)	
Less Input tax against such supplies (Rs. 142462 + 58076)	923,400

[Restricted upto 90% of output tax
(Rs 923400 @ 90% = Rs. 831060)]

Input tax is well within limits, so allowed]

Add: Further tax @ 4% in case of non
Registered person of Rs. 300,000

12,000
734,862

:WHT @ 5 % purchases from unregistered

$$\text{Person } (14,00,000 \times \frac{100}{118} @ 5\%) \quad \underline{59,322}$$

Sales tax payable with return 794,184

Refund of input tax against zero-rated (Rs. 5138 + 2094) Rs. 7,232

Notes

1.	$\frac{147600}{5315000} \times 5130000$	Rs. 142,462
2.	$\frac{147600}{5315000} \times 185000$	<u>5,138</u>
		<u>147,600</u>
3.	$\frac{63000}{5565000} \times 5130000$	58,076
4.	$\frac{63000}{5565000} \times 250000$	2,830
5.	$\frac{63000}{5565000} \times 185000$	<u>2,094</u>
		<u>63,000</u>

6. Section 8B(1) shall apply in this case.
7. There is no effect whether purchases or supplies are made on credit or on account is admissible.
8. There will be no input tax on purchase of fixed assets from non-registered persons and purchase of office furniture and fixture.
9. purchase of raw material for common use means used in taxable and exempted supplies.
10. For apportionment of input tax, taxable supplies = taxable supplies + Zero-rated (Rs. 51,30,000 + 185,000 = Rs. 53,15,000).
11. According to the Finance Act 2017, under special procedure (withholding) Rules 2007 no withholding tax is deducted from supplies made /received from any withholding agent if supplier and receipt are both registered persons.
12. These will be no input tax on purchases from non-registered persons. However withholding tax (WHT) @ 5 % shall be withheld and added in tax liability.

13. An unregistered person cannot issue tax invoice under the law, so no input tax adjustment. However, withholding tax @ 5 % in case purchases from the non-registered person shall be withheld by withholding agent.
14. No input tax adjustment in case of sales tax paid on good manufactured lost by fire.
15. The Finance Act, 2021 has changes the definition of time of supply and now advance against sales and purchases is not subject to sales tax.
16. No Sales Tax should be charged on replacement free of charge of defective parts under warranty.
17. Own manufactured equipment used for Research and Development is not subject to output tax

PROBLEM 12

From the following data of Gold Star Pvt Ltd., a registered manufacturer, calculate his liability of sales tax for August 2023:

Supplies to registered persons	Rs. 35,00,000
Supplies to registered retailers (on two months credit inclusive)	700,000
Supplies to the needy person	260,000
Taxable supplies @ 20% discount (Normal business practice)	175,000
Export sales	300,000
Exempt supplies	280,000
Taxable supplies to associated persons (Open market price Rs. 190,000)	130,000
Free provision of taxable goods to the company's CEO as per term of his employment (open market price Rs. 500,000)	400,000
Purchases from registered persons (Tax invoice include of Rs. 500,000 issued in the name of Gold Star friend)	15,00,000
Free replacement of faulty parts On request from customer under warranty	150,000
Purchase of Electrical fittings in renovation of factory building	100,000
Purchase of office stationery	

From registered suppliers (Not includes in ATL)	165,000
Purchase of Gift items for customers	175,000
Purchases from un-registered persons	450,000
Unsold stock purchased 30 days before the application of registration	190,000
Acquisition of fixed assets for the month of July 2023	14,00,000

Solution

Gold Star Pvt Ltd

Sales Tax Registration No.

For the Month of August 2023

Computation of Sales Tax Payable

Output

Taxable supplies:	Rs.	Rs.
To registered persons	35,00,000	
To registered retailers	700,000	
To company CEO (market price)	500,000	
To associated persons	190,000	
To needy person	260,000	
Supplies @ 20% discount (normal business practice)	<u>175,000</u>	53,25,000
Export sales		300,000
Exempt supplies		<u>280,000</u>
Total output		<u>59,05,000</u>

Input Tax

Purchases from registered persons (Rs. 15,00,000 – 500,000)	<u>15,00,000</u>	
Rs. 10,00,000 @ 18%		180,000
Free replacement of faulty parts	<u>150,000</u>	
Purchase of office stationery		
Not allowed (see note 11)	<u>165,000</u>	---
Purchase of electrical Fittings		

SALES TAX

180

In renovation of factory building	<u>100,000</u>
Purchases from un-registered persons	<u>450,000</u>
Purchase of gift items for customers	<u>175,000</u>
Unsold stock purchased 30 days before Application of registration (190,000 @ 18%)	/
Acquisition of fixed assets for the month of July 2023 (see note 5)	<u>14,00,000</u>
	<u>34,200</u>
	<u>214,200</u>
	/

Apportionment of Input Tax

	Turnover	Input Tax
Taxable supplies	53,25,000	N1 193,161
Export sales	300,000	N2 10,882
Exempt supplies	<u>280,000</u>	N3 <u>10,157</u>
	<u>59,05,000</u>	<u>214,200</u>

Sales Tax Liability

Output Tax

Supplies to registered persons (Rs. 53,25,000 @ 18%)	958,500
<i>Less</i> Input tax against such supplies	<u>193,161</u>
	765,339

Restricted upto 90% of output tax
(Rs. 958500 @ 90%) Rs. 862650
or actual input tax Rs. 193161
whichever is less, so Rs. 193,161

Add : WHT @ 5 % purchases from un-registered person

(450,000 x 100/118 @ 5 %) 19,068

784,407

: WHT @ 20% from non-active person

(165,000 x 18% x 20%) 5,940

Tax payable with return

790,347

Refund of input tax against export sales Rs. 10,882

Notes

<u>5325000</u>	<u>× 214200</u>	<u>Rs. 193,161</u>
<u>5905000</u>		
<u>300000</u>	<u>× 214200</u>	<u>10,882</u>
<u>5905000</u>		
<u>280000</u>	<u>× 214200</u>	<u>10,157</u>
<u>5905000</u>		
		<u>214,200</u>

4. Section 8B(1) shall apply in this case.
5. Sales tax paid on acquisition of fixed assets has been adjusted in the return of relevant tax period, i.e. in the month of July 2023.
6. No input tax is allowed on gift items for customers.
7. There will be no impact of discount @ 20% in case of normal business practice.
8. In case of associated persons, open market value should be taken for tax purpose.
9. Credit of input tax is allowed in case of unsold stock. If he hold tax invoice and such goods constitute verifiable unsold stock on the date of registration.
10. No input tax is allowed on replacement of faulty parts.
11. No input tax is allowed on purchase of office printed stationery, being purchase from non-active tax payer. Withholding Tax deducted @ 20% from non Active Tax payer.
12. There will be no input tax on purchases from non-registered persons. However, withholding tax (WHT) @ 5 % shall be withheld and added in tax liability.
13. There is no effect whether purchases or supplies are made on credit or on account is admissible.
14. Free supply to the company CEO, in case of supply tax @ 18 % on open market price of these goods.

PROBLEM 13

Mughal Associates is a registered manufacturer. Data regarding its business for the month of September 2023 is as follows:

1.	Total turnover during the month	Rs. 42,00,000
2.	Sales include exports goods supplies	800,000
3.	Sales include zero rated supplies	700,000
4.	Sales include sales to non-registered retailer	350,000
5.	Taxable supplies @ 15% discount (not normal business practice)	150,000
6.	Supplies to consumer on instalment basis (Open market price Rs. 260,000) Supplies to consumer under hire agreement (price in open market prince 85,000)	275,000 100,000
7.	Exempted supplies	250,000
8.	Sales against international tender	300,000
9.	In May, 2023 Mughal Associates inadvertently charges Sales Tax of Rs. 59,000 instead of Rs. 95,000 on supply of goods	
10.	Purchases taxable goods Purchases include Rs. 900,000 in respect of which tax invoices are available	980,000
11.	Purchase of cables and wires used for Installation of plant and Machinery	250,000
12.	Purchases of dairies and calender for customers	55,000
13.	Purchased taxable goods from registered persons (discrepancy is indicated by CREST)	280,000
14.	Fixed assets to be used for exempt products	10,00,000
15.	Import of building material	170,000
16.	Goods imported	13,00,000
17.	Sales tax paid on telephone bill	160,000
18.	Stock of unsold goods (purchased at the time of filing monthly return).	95,000
19.	Purchase from wholesaler	300,000
20.	Taxable purchases from Register Person in June 2023 Unclaimed	140,000

Required. Calculate sales tax payable in case Sales Tax Number is printed on bill.

Solution

Mughal Associates (Registered Manufacturer)

National Tax No.

Sales Tax Registration No.

For the Month of September 2023

Computation of Sales Tax Payable

	Rs.	Rs.
Total turnover during the month		42,00,000
<i>Less</i>		
Goods exported	800,000	
Zero-rated supplies	700,000	
Sales to non-registered person	<u>350,000</u>	<u>18,50,000</u>
Taxable turnover to registered persons		<u>23,50,000</u>

Output**Taxable supplies:**

During the month	23,50,000	
Supplies @ 15% discount (not normal business practice)		
Rs. 150,000 × $\frac{100}{85}$	176,471	
International tender	300,000	
Supplies to consumers under hire purchased Agreement		
(open market price) <u>100,000</u>	85,000	
Supplies to consumers on installment basis	<u>Rs. 275,000</u>	
(Open market price)	<u>260,000</u>	31,71,471
Non-registered retailers		<u>350,000</u>
		35,21,471
Goods exported	800,000	
Zero-rated	<u>700,000</u>	15,00,000
Exempt supplies		<u>250,000</u>
Total output		<u>52,71,471</u>
<i>Input Tax Adjustment</i>		
Taxable purchases	Rs. <u>980,000</u>	
Tax invoices available		

(Rs. 900,000 @ 18%)	162,000
Purchase from wholesaler (300,000 @ 18 %)	54,000
Stock of unsold goods at the time of Filing monthly return	<u>95,000</u> --
Import of building material	<u>170,000</u> --
Purchased taxable goods (discre- pancy is indicated by CREST) Rs. <u>280,000</u>	--
Purchases in June 2023 (unclaimed 140000@ 18%)	25,200
Purchase of cables and wire used for installation of Machinery and plant in the factory building 250,000@ 18%	45,000
Purchases of dairies and calendars for customers	<u>55,000</u> --
Sales tax paid on telephone bill	160,000
Imported goods (Rs. 13,00,000 @ 18%)	<u>234,000</u>
Total input tax	<u>680,200</u>
Fixed assets used for exempt products	Rs. <u>10,00,000</u> --
<i>Apportionment of Input Tax</i>	
	Turnover Input Tax
Taxable supplies to registered, non- registered person and international tender (3171471+350000)	35,21,471 N1 454,390
Goods exported and zero-rated	15,00,000 N2 193,551
Exempt supplies	<u>250,000</u> N3 <u>32,259</u>
	<u>52,71,471</u> <u>680,200</u>
<i>Sales Tax Liability</i>	
<i>Output Tax:</i>	
Taxable supplies (Rs. 35,21,471 @ 18%)	633,865
Less Input tax against such supplies	454,390
	<u>454,390</u>
Restricted upto 90% of output tax (Rs. 633,865 × $\frac{90}{100}$)	<u>570,479</u>
whichever is lower, so	<u>454,390</u>

Add: short payment of sales tax in May 2023	179,475
(95,000 – 59,000)	<u>36,000</u>
	215,475

Add Further tax @ 4% in case of

<i>Non register person of Rs. 350,000</i>	<u>14,000</u>
<i>Sales tax payable</i>	<u>229,475</u>

Refund of Input Tax Against export and Zero-Rated 193,551

Notes

1.	$\frac{3521471}{5271471} \times 680200$	Rs. 454,390
2.	$\frac{1500000}{5271471} \times 680200$	193,551
3.	$\frac{250000}{5271471} \times 680200$	<u>32,259</u>
		<u>680,200</u>

4. No input tax is allowed on import of building material .
5. No input tax is allowed on gift items for customers.
6. Input tax adjustment in case of telephone bill is allowed.
7. No treatment in case of fixed assets to be used for exempt products.
8. Section 8B(1) shall apply in case of manufacturer (input tax restricted upto 90% of output tax).
9. No output tax shall be charged on both zero-rated/export but input tax, if leviable, can be reclaimed/refund only in respect of zero-rated supplies only according to the following formula:

$$\frac{\text{Input Tax}}{\text{Total Turnover}} \times \text{Value of Export}$$

10. Where a registered person is making both taxable as well as exempt supplies, the credit of input tax is allowed in respect of taxable supplies only according to the following formula:

$$\frac{\text{Input Tax}}{\text{Total Turnover}} \times \text{Value of Taxable Supplies}$$

11. According to Finance Act, 2013 supplies against international tender are subject to sales tax.
12. In case of supplies to consumers on installment basis, and under hire purchase agreement open market value should be taken for tax purpose.
13. Input tax cannot be claimed in case of discrepancy (tax not verifiable in supply chain) is indicated by CREST (Computerized Risk-based Evaluation of Sales Tax).
14. No tax treatment of unsold stock under the Sales Tax Law purchased at the time of filing monthly return.
15. Input tax adjustment in case of cables and wire used for installation of Machinery and Plant.
16. Any unclaimed input tax can be claimed in the six subsequent tax period.

PROBLEM 14

Tristar Associates is a distributor of certain chemicals. During the month of August 2023, its purchases and sales as per return are as under:

1. Taxable turnover to registered persons	Rs. 45,00,000
2. Taxable turnover to non-registered persons	500,000
3. Taxable turnover to registered retailers(Retail price)	325,000
4. Supplies of goods specified in 3 rd Schedule (Retail price Rs. 200,000)	180,000
5. supplies of goods specified in 5 th schedule	240,000
6. Supplies to non profit making Educational Institutions	375,000
7. Supplies to government hospital (Consists of more than 50 beds or more)	300,000
8. Supplies to private hospital	270,000
9. Taxable supplies at discounted price @ 10% (normal business practice) Due to relation- ship special discount allowed @ 15%	175,000
10. Taxable purchases from registered persons	750,000
11. Taxable purchases against commercial invoices	120,000
12. Taxable purchases against tax invoices	350,000
13. Purchase of pre fabricated building	700,000
12. Imported taxed goods	600,000
13. General sales tax paid on electricity bill	68,000

14. Purchases from un-registered persons (used for making taxable supplies)	265,000
15. Purchases of office equipment	280,000
16. Replacement of defective parts free Of cost under warranty	75,000
17. Purchase of immovable property	13,00,000
18. Purchase from register person (blacklisted during the period)	250,000
19. Purchase of raw material from cottage industry	160,000
20. Input Tax on lunch provided to the staff	95,000

Required. Calculate sales tax chargeable.

Solution

Tristar Associates (Chemicals Distributor)

National Tax No.

For the Month of August 2023

Computation of Sales Tax Payable

Output	Rs.	Rs.
Taxable turnover to registered persons		45,00,000
Taxable turnover to registered retailers(Retail Price)		325,000
Value of taxable supplies <u>175,000</u>		
Special discount @ 15% (Rs. 175,000 × $\frac{100}{85}$)	205,882	
<i>Less</i> Normal discount @ 10% (Rs. 205,882 × $\frac{10}{100}$)	<u>20,588</u>	185,294
Supplies of goods specified in 3 rd Schedule(retail price)		200,000
Supplies to private hospital		<u>270,000</u>
Taxable turnover to non-registered persons		54,80,294
Zero rated supplies		<u>500,000</u>
Supplies of goods specified in 5 th schedule		240,000
Exempt supplies:		59,80,294

Supplies to government hospital more than 50 beds or more	300,000
Supplies to non profit making educational institutions	<u>375,000</u>
Total output	<u>68,95,294</u>

Input Tax Adjustment

Taxable purchases from registered persons (Rs. 750,000 @ 18%)	135,000
Replacement of defective parts	<u>75,000</u>
Purchase of immovable property	<u>13,00,000</u>
Purchase of raw material from Cottage industry	<u>160,000</u>
Purchases from unregistered persons (used for making taxable supplies)	Rs. <u>265,000</u>
Purchase of pre-fabricated building (700,000 @ 18%)	126,000
Purchase from registered person (Blacklisted during the period) <u>Rs. 250,000</u>	--
Input tax on lunch provided to the staff <u>95,000</u>	--
Taxable purchases against commercial invoices (No input tax adjustment)	Rs. <u>120,000</u>
Taxable purchases against tax invoices (Rs. 350,000 @ 18%)	63,000
Imported taxed goods (Rs. 600,000 @ 18%)	108,000
Purchases of office equipment (input tax not allowed) <u>Rs. 280,000</u>	--
Total input tax	<u>432,000</u>

Apportionment of Input Tax

	Turnover	Input Tax
Taxable supplies (Rs. 5480294 + 500000)	59,80,294	374,674
Zero Rated supplies	240,000	15,036
Exempted supplies	<u>675,000</u>	<u>42,290</u>
	68,95,294	432,000

Sales Tax Liability

Output tax (Rs. 5980294 @ 18%)	10,76,453
Less Input tax against taxable supplies	<u>374,674</u>
	701,779

Add :Further tax @ 4% in case of

non registered person of Rs. 500,000@ 4%

Sales tax payable 721,779

200

$$1. \quad \frac{432000}{6895294} \times 5980294 \quad \text{Rs. } 374.674$$

$$2. \quad \frac{432000}{6895294} \times 240000 \quad 15,036$$

$$3. \quad \frac{432000}{6895294} \times 675000 \quad \underline{42,290}$$

4. In case of supplies of goods specified in Third Schedule, retail price should be taken for tax purpose. Retail price means the price inclusive of all charges and taxes (other than Sales Tax).
 5. No Sales Tax should be charged on replacement free of charge of defective parts under warranty.
 6. Input tax cannot be claimed in case of purchases of office equipment and purchase of raw material from cottage industry.
 7. Input tax cannot be claimed on purchases from non- registered persons.
 8. Section 8B(1) shall not apply in case of distributor. No WHT is deducted as he is not withholding Agent.
 9. No input tax adjustment is allowed in case of sales tax paid on bills. It is allowed only in case of manufacturers.

10. Supplies to government hospital 50 beds or more and non profit Educational Institutions are exempted w.e.f. 1st July 2022.
11. Purchase or import of pre-fabricated building shall be allowed as input tax(Finance Act, 2015).
12. Immovable property is not subject to Sales tax.
13. No input tax adjustable in case registered person is blacklist during the period.

PROBLEM 15

Mr. Falak Shan is dealing in wholesale business. During the month of August 2023, his purchases and sales as per return are as under:

Taxable turnover to registered persons	Rs. 55,00,000
Taxable turnover to wholesalers (Value fixed by the Board Rs. 360,000)	400,000
Supplies to consumer on installment basis (open market price (Rs. 280,000)	300,000
Supplies to charitable hospital (consists of 50 beds or more)	690,000
Supplies to non-profit making research institution	360,000
Supplies to donated to charitable institutions	250,000
Supply of goods given in the 5 th schedule	270,000
Advance receive from customers during the period not yet adjusted	200,000
Free samples to customers	280,000
Credit notes issued for taxable supplies	325,000
Taxable goods supply to cottage industry	175,000
Supplies to Gwadar free zone company ltd.	390,000
Taxable purchases from registered persons (Tax invoices available of Rs. 850,000)	10,00,000
Purchase of raw material from registered suppliers (paid cash directly into business account of the suppliers)	210,000
Imported taxed goods	800,000
Purchases from registered persons (Sales tax has not been deposited by respective supplier in govt. treasury)	285,000
Purchase of uniform for security guards	160,000

Goods and services acquired for personal consumption	385,000
verifiable unsold stock	265,000
Amount paid to courier company for delivering free samples to customers (excluding the amount of sales tax)	185,000
Sales tax paid on electricity bills(STN printed on bills)	120,000

Required. Determine the amount of sales tax liability in case National Tax Number is printed on bill.

Solution

Mr. Falak shan (Wholesaler)

CNIC No.

National Tax No.

For the Month of August 2023

Computation of Sales Tax Payable

Output	Rs.	Rs.
Taxable turnover to registered persons	55,00,000	
Taxable turnover to wholesalers	400,000	
Advance received from customers during Period not yet adjusted	<u>Rs. 200,000</u>	--
Supplies to consumer on installment basis (open market price)	<u>280,000</u>	61,80,000
Supply to cottage industry	<u>175,000</u>	63,55,000
<i>Less</i> Credit notes issued for taxable supplies	<u>325,000</u>	60,30,000
Zero rated supplies (supply of goods given in 5 th schedule)	270,000	
Exempt supplies:	Rs.	
Supplies to Gwadar free zone company ltd.	390,000	
Supply donated to charitable institutions	250,000	
Free Samples to customers	280,000	
Supplies to non profit making research Inst.	360,000	
Supplies to charitable hospital (Consists of more than 50 beds)	<u>690,000</u>	<u>19,70,000</u>
Total Output		<u>82,70,000</u>

Input Tax Adjustment

Taxable purchases from registered persons (Sales tax has not been deposited)	<u>285,000</u>	-
Purchase of raw material from Registered supplier (paid cash)	<u>210,000</u>	--
Goods and services acquired for personal consumption	<u>385,000</u>	-
Purchase of uniforms for Security guards	<u>160,000</u>	
Taxable purchases from registered persons	<u>10,00,000</u>	-
Tax invoices available of Rs. 850,000 @ 18%	153,000	
verifiable unsold stock (265,000@ 18%)	47,700	
Amount paid to courier company for delivering free samples to Customers, (excluding the amount of Sales tax (185,000 x 18%))	33,300	
Sales tax paid on electricity Rs. <u>120,000</u> bills (Input tax not allowed)		-
Imported taxed goods (Rs. 800,000 @ 18%)	<u>144,000</u>	
	<u>378,000</u>	

Apportionment of Input Tax

	Turnover	Input Tax
Taxable supplies(6180000-325000+175,000)	60,30,000	N1 275,615
Zero rated supplies		
(supply of goods given in 5 th schedule)	270,000	N2 12,341
Exempted supplies	<u>19,70,000</u>	N3 <u>90,044</u>
	<u>82,70,000</u>	<u>378,000</u>

Sales Tax Liability

Output tax Rs. 60,30,000 @ 18%	10,85,400
Less Input tax against taxable supplies	275,615

[Input tax restricted upto 90% of output tax (Rs. 1085400 @ 90%)	<u>976.860</u>
Input tax is well within this limit, so allowed]	<u>275.615</u>
Sales tax payable with return	<u>809.785</u>
Add: Further tax @ 4% in case of cottage industry	
(175,000 @ 4 %)	<u>7.000</u>
Sales tax payable	<u>816.785</u>

Notes

1. $\frac{378.000}{82.70.000} \times 60,30000$ Rs. 275.615

2. $\frac{378.000}{82.78.000} \times 270.000$ 12.341

3. $\frac{378000}{8270000} \times 1970000$ 90.044
378.000

4. Credit note is issued by the supplier when the goods supplied are returned to him by the original buyer on any reason.
5. Section 8B(1) shall apply.
6. Supplies to non profit making research institution and diplomats is exempted.
7. Supplies to donated to charitable intuitions is exempted.
8. Input tax cannot be claimed on such purchases where sales tax has not been deposited by the respective supplier in government treasury.
9. In case taxable supply and the value is higher than the value fixed by the Board, the value of goods shall be the value at which the import are supply is made.
10. There is no treatment of sales tax paid on goods and services for personal consumption.
11. Sales tax paid on utility bills is not allowed in case of wholesaler.
12. Input tax adjustment is allowed in case of sales tax paid on courier service and variable unsold stock.

13. Taxable goods to cottage industry allowed output tax @ 18% and further tax @ 4%.
14. No input tax in case payment of transaction through cash.
15. The Finance Act, 2021 has changes the definition of time of supply and now advance against sales and purchases is not subject to sales tax.

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PROBLEM 16

Compute the sales tax liability of Mr. Pervaiz Awan, a registered manufacturer, for the month of August 2023 with the help of following details: