



**AUDIT REPORT
ON
THE ACCOUNTS OF
FEDERAL BOARD OF REVENUE
(INLAND REVENUE)
AUDIT YEAR 2013-2014**

AUDITOR-GENERAL OF PAKISTAN

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ABBREVIATIONS & ACRONYMS

AGP	Auditor-General of Pakistan
AGPR	Accountant General Pakistan Revenue
ADIA	Additional Director Internal Audit
AOP	Association of Persons
APPM	Accounting Policies & Procedures Manual
ATIR	Appellate Tribunal Inland Revenue
ACIR	Assistant Commissioner Inland Revenue
ACL	Audit Command Language
BCA	Bank Credit Advice
BOD	Board of Directors
BTB	Broadening of Tax Base
CAATs	Computer Assisted Audit Techniques
CAO	Chief Accounts Officer
CAP	Collection Automation Process
CBR	Central Board of Revenue
CGA	Controller General of Accounts
CIR	Commissioner Inland Revenue
CNG	Compressed Natural Gas
CPF	Contributory Provident Fund
CPLA	Civil Petition for Leave to Appeal
CPR	Computerized Payment Receipt
CREST	Computerized Risk Based Evaluation of Sales Tax
CSTRO	Centralized Sales Tax Refund Office
DAC	Departmental Accounts Committee
DAO	District Accounts Office
DCIR	Deputy Commissioner Inland Revenue
DP	Draft Para
DPC	Data Processing Centre
DR	Departmental Representative
DR&S	Director Research & Statistics
DTRE	Duty and Tax Remission for Exports
ECC	Economic Coordination Committee
E&D Rules	Efficiency & Disciplinary Rules

ERS	Expeditious Refund System
FATA	Federally Administered Tribal Area
FBR	Federal Board of Revenue
FED	Federal Excise Duty
FMR	Financial Management Report
FTO	Federal Treasury Officer
FY	Financial Year
GD	Goods Declaration
GDP	Gross Domestic Product
GFR	General Financial Rules
GoP	Government of Pakistan
GST	General Sales Tax
HQ	Headquarter
HRM	Human Resource Management
I&I	Intelligence and Investigation
IDA	International Development Agency
IJP	Internal Job Posting
IR	Inland Revenue
IRS	Inland Revenue Service
KIBOR	Karachi Inter Bank Offered Rate
LTU	Large Taxpayers Unit
MAC	Monitoring Audit Cell
MFDAC	Memorandum for Departmental Accounts Committee
MPR	Monthly Performance Report
MR	Management Report
NBP	National Bank of Pakistan
NHA	National Highway Authority
NTN	National Tax Number
OIO	Order in Original
PaCCS	Pakistan Automated Customs Clearance System
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PATA	Provincially Administered Tribal Area
PCT	Pakistan Customs Tariff
PECHS	Pakistan Employees Cooperative Housing Society

PMU	Project Management Unit
POL	Petroleum, Oil & Lubricants
PRAL	Pakistan Revenue Automation Limited
PTR	Presumptive Tax Regime
PPRA	Public Procurement Regulatory Authority
RPO	Refund/Rebate Payment Order
RTO	Regional Tax Office
SAP	System Applications & Products
SBP	State Bank of Pakistan
SED	Special Excise Duty
SOP	Standard Operating Procedures
SRO	Statutory Regulatory Order
STARR	Sales Tax Automated Refund Repository
TARP	Tax Administration Reforms Project
TEVTA	Technical Education and Vocational Training Authority
TFC	Tax Facilitation Centre
VAT	Value Added Tax
WHT	Withholding Tax
WWF	Workers Welfare Fund

Preface

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973 read with sections 8 and 12 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 require the Auditor-General of Pakistan to conduct audit of expenditure and receipts of Government of Pakistan.

The report is based on audit of receipts and expenditure of the Federal Board of Revenue relating to inland revenues for the financial year 2012-13. It also includes observations pertaining to previous years as well. The Directorates General Audit Inland Revenue (North and South) conducted audit during the audit year 2013-14 on test check basis with a view to reporting significant findings to the stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings carrying value of Rs 1 million or more. Relatively less significant issues are listed in the Annexure-I of the Audit Report which shall be pursued with the Principal Accounting Officer at the DAC level and in all cases where the PAO does not initiate appropriate action, the Audit observation will be brought to the notice of the Public Accounts Committee through the next year's Audit Report.

Audit findings indicate the need for adherence to regularity framework besides instituting and strengthening internal controls to avoid recurrence of violations and irregularities.

Audit observations included in this report have been finalized in the light of departmental response, where received, and discussions in DAC meetings.

The Audit Report is submitted to the President of Pakistan in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan 1973, for causing it to be laid before the both houses of Majlis-e-Shoora [Parliament].

Dated: 14 March 2014

Muhammad Akhtar Buland Rana
Auditor-General of Pakistan

EXECUTIVE SUMMARY

The Directorates General of Audit Inland Revenue (North & South) carry out audit of Federal Receipts on account of inland revenues i.e. Income Tax, Sales Tax & Federal Excise and expenditure under four Grants i.e Revenue Division, Federal Board of Revenue, Inland Revenue and Development Expenditure of Revenue Division. The Directors General Audit Inland Revenue have a human resource of 146 officers and staff with 36,354 mandays and annual budget of Rs 142.79 million. The Directorates are mandated to conduct regularity audit (financial audit and compliance with authority audit) and performance/sectoral audit of FBR. Regularity audit of 131 formations was conducted during first half of audit year 2013-14 and 2nd half of audit year 2012-13 by utilizing planned mandays, incurring an expenditure of Rs 139.45 million.

a. Scope of Audit

FBR collected inland revenue of Rs 1,685,051 million against revised target of Rs 1,765,800 million for the FY 2012-13. It paid refund on account of income tax, sales tax and federal excise duty aggregating to Rs 49,928 million. The Directorates General of Audit Inland Revenue conducted audit of receipts of Rs 806,235 million relating to income tax, refund of sales tax and federal excise duty, since FBR did not provide assessment record of sales tax and federal excise duty. However, Audit selected sample of income tax, sales tax refund and federal excise duty on the basis of partial data/record provided by field formations. The expenditure of Rs 11,291 million was incurred against final grant of Rs 11,436 million and audit of expenditure of Rs 9,598 million was also conducted. The total outlays audited are 48% of total population of Rs 1,696,342 million pertaining to FBR.

b. Recoveries at the instance of Audit

Audit pointed out recovery of Rs 143,569 million in this report. The FBR reported recovery of Rs 4,465 million from Jan to Dec, 2013 which was verified by Audit. Out of the total recovery of Rs 4,465 million, an amount of Rs 4,446 million was not in the notice of the executive before audit.

c. Audit Methodology

The desk audit methods/techniques were applied using SAP/R3 data maintained by AGPR for audit of expenditure relating to Revenue Division, Federal Board of Revenue, Inland Revenue and Development Expenditure Grants. Initial accounts of receipts are maintained by FBR's treasuries and are automated by PRAL. The FBR did not provide access to soft or hard data of receipts despite repeated requests by Audit. This constrained it to rely upon limited soft data acquired through field audit teams for desk audit and sample selection. For sampling, this office used Audit Command Language (ACL) and Computer Assisted Audit Techniques (CAATs). This facilitated, to some extent, in understanding the system, procedures and environment of FBR and identification of high risk areas for substantive testing in the field.

d. Audit Impact

Audit identified 217 tax payers in nine field offices of FBR which were liable to be registered under the Sales Tax Act, 1990 having revenue implication of Rs 2,043.87 million. On Audit recommendation the department initiated registration of taxpayers to bring them in the sales tax regime by strengthening internal control mechanism.

e. Comments on Internal Control and Internal Audit Department

Internal controls of the FBR were found weak and ineffective as various control lapses were identified including incomplete reporting of receipts, inadequate monitoring of withholding agents, lack of seriousness towards pursuance of amount detected by Directorate of Internal Audit. Audit emphasizes proper implementation of financial reporting mechanism and enforcement of laws and regulations to improve internal controls of the department.

f. The key audit findings of the report

This report includes audit observations of Rs 170,031 million in respect of compliance with authority audit of receipts and expenditure relating to inland revenue for the FY 2012-13, audited from July to Dec, 2013. It also includes audit for FY 2011-12, audited from Jan to June 2013. The observations include cases of non/short assessment of taxes, grant of inadmissible exemptions, excess

carry forward and set off of losses, non levy of default surcharge, delay in adjudication proceedings, non recovery of adjudged revenue, inadmissible input tax adjustment, sanction of inadmissible refunds etc. Systemic deficiencies are also identified with recommendations for preventing recurrence of irregularities in the future.

The key findings are as under:

- i) Non provision of soft data of tax receipts and record of assessment/refund of sales tax and federal excise duty for audit by FBR.¹
- ii) Excess reporting of income tax collection due to incorrect accounting of WWF against income tax - Rs 229.30 million.²
- iii) Non/short-realization of sales tax and federal excise duty amounting to Rs 6,505.66 million.³
- iv) Non-recovery of adjudged dues/arrears - Rs 49,669.59 million.⁴
- v) Short realization of sales tax due to inadmissible adjustment of input tax - Rs 5,623.96 million.⁵
- vi) Non/short-realization of withholding tax - Rs 26,799.17 million.⁶
- vii) Loss of public revenue due to issuance of SROs conflicting with Acts - Rs 13,239.35 million.⁷
- viii) Excess/unlawful sanction of refund of sales tax and special excise duty - Rs 7,553.29 million.⁸
- ix) Non levy of minimum tax on the income of certain persons - Rs 4,309.54 million.⁹
- x) Short levy of tax due to non-allocation of proportionate expenses - Rs 2,418.41 million.¹⁰
- xi) Non levy of tax on unexplained income and assets - Rs 6,651.66 million.¹¹
- xii) Short levy of tax due to inadmissible deductions - Rs 1,094.37 million.¹²
- xiii) Unjustified expenditure on account of payment of performance allowance- Rs 50.61 million.¹³
- xiv) Non recovery of receivable amount from NHA - Rs 22.29 million.¹⁴

¹ Para	1.1, 3.1.1, 3.1.2
² Para	1.3
³ Para	4.1.1
⁴ Para	4.1.6, 4.3.3, 4.4.23,
⁵ Para	4.1.7
⁶ Para	4.1.10, 4.4.9
⁷ Para	4.1.16
⁸ Para	4.2.2, 4.2.3, 4.2.5
⁹ Para	4.4.1
¹⁰ Para	4.4.3
¹¹ Para	4.4.4
¹² Para	4.4.7
¹³ Para	4.7.1
¹⁴ Para	4.7.2

- xv) Irregular payment of cash reward - Rs 10.48 million.¹⁵
- xvi) Deferred liabilities of sales tax refund causing over statement of receipts - Rs 981.16 million.¹⁶

Recommendations

FBR is required to:

- i) ensure timely production of auditable data/ record and those hindering the audit activity be proceeded against under the rules,
- ii) ensure correct reporting of WWF to depict true and fair picture of tax receipts in financial statements,
- iii) invoke provisions of laws holistically for recovery of duty and taxes,
- iv) devise a mechanism to detect and deter tax evasion by enforcing legal provisions against defaulters,
- v) strengthen mechanism for adjustment/ issuance of refund of tax,
- vi) upgrade the existing internal controls in the department to avoid recurrence of similar irregularities year after year,
- vii) improve monitoring of withholding tax as it constitutes a major portion of revenue collection of income tax,
- viii) issue SROs in conformity with provisions of the Acts besides fixing of responsibility,
- ix) improve financial management for making expenditure according to financial rules.

g. Memorandum for Departmental Accounts Committee (MFDAC)

Audit observations of Rs 14,548.71 million are included in MFDAC Annexure-1. In view of cost effectiveness it was decided that paras involving amount less than one million will be pursued with the PAO at the DAC level. The FBR and its field formations need to accord priority to the disposal of audit observations embodied therein through gearing up DAC.

The compliance of audit observations involving Rs 237.23 million, including recovery of Rs 4.385 million, out of pointed out amount of Rs 10,693.42 million was reported by the Principal Accounting Officer pertaining to MFDAC of previous year 2012-13 as given in Annexure-1A and no response was given on audit observations involving Rs 10,456.19 million by the department.

¹⁵Para 4.7.5

¹⁶

SUMMARY TABLES

SUMMARY TABLES

Table 1: Audit Work Statistics

(Rs in million)

Sr. No.	Description	No.	Actual	
			Receipts	Expenditure
1	Total Entities (Ministries/PAOs) in Audit Jurisdiction	1	1,685,051.70	11,291.50
2	Total formations in audit jurisdiction	159	1,685,051.70	11,291.50
3	Total Entities (Ministries/PAOs) Audited	1	806,235	9,597.80
4	Total Formations Audited	131	806,235	9,597.80
5	Audit & Inspection Reports	131	-	-
6	Performance Audit Reports	-	-	-

Table 2: Audit Observations Regarding Financial Management

(Rs in million)

Sr. No.	Description	Amount Placed under Audit Observations
1	Unsound Asset Management	-
2	Weak Financial Management	164,127
3	Weak Internal Controls Relating to Financial Management	5,904
4	Others	-
	Total	170,031

Table 3: Outcome Statistics

(Rs in million)

Sr. No.	Description	Receipts	Expenditure	Audit Year 2013-14	Audit Year 2012-13
1	Outlays Audited	806,235	9,597.80	815,832.80	1,161,927
2	Monetary value of audit observations	169,867	164	170,031	151,933
3	Recoveries pointed out by Audit	143,512	57	143,569	138,517
4	Recoveries accepted/ established at the instance of Audit	110,538	3.40	110,541.40	31,979
5	Recoveries realized at the instance of Audit	4,463.50	1.80	4,465.30	2,878.73

Table 4: Table of irregularities pointed out*(Rs in million)*

Sr. No.	Description	Amount Placed under Audit Observation
1	Violation of rules and regulations and violation of principles of propriety and probity in public operations.	53,585
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	-
3	Accounting Errors (excess reporting of income tax due to incorrect accountal of WWF)	229
4	Weaknesses of internal control systems.	5,904
5	Recoveries and overpayments, representing cases of established overpayment or misappropriations of public money.	110,541.40
6	Non-production of record.	1188 Cases
7	Others, including cases of accidents, negligence etc.	-

Table 5: Cost-Benefit Analysis*(Rs in million)*

Sr. No.	Description	Audit Year		
		2013-14	2012-13	2011-12
1	Outlays Audited (Items 1 of Table 3)*	815,832.80	1,161,927	1,234,769
2	Expenditure on Audit	139.45	69.60	118
3	Recoveries realised at the instance of Audit	4,465.41	2,878.73	2,833
4	Cost-Benefit ratio	1:32	1:41	1:24

*Including amount of receipt Rs 806,235 million & expenditure Rs 9,597.80 million.

**PUBLIC FINANCIAL
MANAGEMENT ISSUES**

CHAPTER-1 PUBLIC FINANCIAL MANAGEMENT ISSUES

1.1 Non provision of soft data of tax receipts for audit by FBR

Risk Categorisation: High

Criteria

According to Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan, 1973 (as amended by 18th amendment) “The Audit of the accounts of Federal and of the Provincial Governments and the accounts of any authority or body established by or under the control of Federal or a Provincial Governments shall be conducted by the Auditor General, who shall determine the extent and nature of such audit”. Further, Section 12 of the Auditor-General’s Ordinance, 2001, empowers the Auditor-General of Pakistan to conduct audit of receipts. Under section 14 of the Ordinance *ibid*, he shall have authority to inspect any office of accounts including treasuries and such offices responsible for the keeping of initial or subsidiary accounts and to require that any accounts, books, papers and other documents which deal with, or form, the basis of or otherwise relevant to the transactions to which his duties in respect of audit extend, shall be sent to such place as he may direct for his inspection.

Observation

Audit requisitioned soft data/information relating to taxpayers’ profiles, tax receipts and refunds etc from FBR/PRAL for risk analysis and sample selection for financial attest and compliance with authority audit for FY 2012-13. Despite repeated pursuance by Audit even at the level of the Chairman FBR, the data was not made available although commitments were made in various meetings. The Chairman FBR also directed in writing on 28th Jan, 2012 that “***we must allow access to all the records to the Auditor General***”. Due to non provision of data, Audit could not select samples for financial attest as well as for compliance with authority audit. Moreover, PAC in its meeting held in Sep, 2012, directed ***that FBR should provide all the relevant record, except those individual cases covered by the various decisions of the Higher Courts, to the Audit for the purpose of audit. The PAC further directed that in case of default in production of record to the Audit, all the concerned officers of the FBR be proceeded against under disciplinary rules.***

Non compliance towards production of soft data/information by the field formations as well as FBR is not only a hindrance in the constitutional role of the Auditor-General of Pakistan but also a clear defiance of PAC's directives.

Implication

The lapse resulted in hindrance in performing constitutional role of the Auditor General of Pakistan and avoidance from accountability process.

Management Reply

The matter was repeatedly reported to the concerned quarters during July to Nov, 2013 but no reply was given by the department.

DAC's Recommendations

DAC meeting not yet convened till finalization of the report.

Audit Comments

Since the soft data of tax receipts of inland revenue was not provided to the audit teams, the matter needs attention at appropriate level for resolution.

[Para 1 of MR-FBR]

1.2 Non-carrying out of bank reconciliation with NBP/SBP and with respective DAOs by FBR treasuries

Risk Categorisation: High

Criteria

According to 3.4.2.12 of Manual of Accounting Principles, at the close of each month, the entity will reconcile its books of accounts with the bank records. This reconciliation is to be performed in accordance with the policies and procedures set out in the Accounting Policies & Procedures Manual, GFR and Federal / Provincial Treasury Rules.

Observation

During scrutiny of auditable record relating to reconciliation of revenue receipts figures by the FBR treasuries with sub-offices of AGPR for FY 2012-2013, it was observed that FBR treasuries were not conducting the requisite bank reconciliation at micro level. Further, FBR treasuries are finalizing the reconciliation of revenue figures with sub-offices of AGPR

without prior bank reconciliation with respective link/main branches in case of 'A' category of NBP branches and with respective regional office of SBP.

Similarly, in case of revenue receipts collected by B & C branches, FBR treasuries were not conducting reconciliation with the chest branches of NBP and NBP Head Office, Karachi. Moreover, FBR treasuries were not carrying out the requisite reconciliation with accounting offices at remote areas i.e. DAOs in respect of collection of B & C branches falling under their respective jurisdiction. It was observed that collection of certain NBP (B&C) branches stood at Rs 17,721.48 million while the respective DAOs reported collection of Rs 16,506.94 million (which is used by FBR treasuries only for the macro level reconciliation) showing variance of Rs 1,214.54 million which remained unexplained due to non carrying out of the requisite reconciliation.

Implication

Non-reconciliation thereof is tantamount to non-compliance of provisions of Manual of Accounting Principles.

The variance mentioned above may impair the accuracy of the accounts of Federal Government.

Management Reply

The matter was discussed with AGPR and DR&S (FBR) in meetings held on 25 & 26.11.2013. AGPR agreed with the observation. FBR stated that treasuries have certain limitations for carrying out reconciliation with DAOs and NBP (B&C branches). It was decided in meeting that instructions will be issued to FBR treasuries to first reconcile figures with DAOs & NBP/SBP and then with AGPR sub-offices. Further progress is awaited.

DAC's Recommendations

DAC meeting not yet convened till finalization of the report.

Audit Comments

Proper arrangements are required to be made by FBR for carrying out the requisite bank reconciliation both at micro level by nominating the coordinator treasury for the purpose of reconciliation with respective NBP/SBP regional office. Similarly, at macro level, such reconciliation with NBP/SBP head offices may be carried out by consolidating the bank reconciliation statements of field

offices on the pattern of reconciliation with AGPR. Further, AGPR authorities are requested to ensure the prior bank reconciliation with respective NBP/SBP branches or regional offices before finalizing the reconciliation with any FBR treasury.

[Para 8 of MR-FBR]

1.3 Excess reporting of Income Tax collection due to incorrect accounting of WWF against Income Tax targets - Rs 229.30 million

Risk Categorisation: High

Criteria

Workers Welfare Fund is levied under section 4 of Workers Welfare Fund Ordinance, 1971 and the fund shall be credited into government treasuries in the Federal Section of Accounts directly into WWF Trust Account under the head of account “G-06304 Workers Welfare Fund”.

The management and administration of the fund has been entrusted to the Ministry of Labour & Manpower. It means WWF is collection of the Ministry of Labour & Manpower which is payable by the FBR to the said ministry. Hence FBR cannot account for the said collection against income tax.

Observation

During the course of financial attest for the financial year 2012-13, it was observed that Income tax to the extent of Rs 229.30 million had been shown overstated as it was the collection/adjustment of WWF against income tax. The amount was misclassified in the head of account “Income Tax B-01131” instead of the head of account “Workers Welfare Fund G-06304” as in following cases.

(Rs in million)

FY 2012-13	RTO Faisalabad	RTO Multan	RTO, Abbottabad	RTO, Gujranwala	Total
WWF	60.45	134.99	31.68	2.18	229.30

Implication

As a result of this misclassification, WWF had been understated and income tax collection has been overstated; thus compromising the reliability and authenticity of accounting record. This may affect the divisible pool as well.

Management Reply

Reply from management is awaited.

DAC's Recommendations

DAC meeting not yet convened till finalization of the report.

Audit Comments

The management should rectify existing misclassification as pointed out by Audit and ensure that such misclassification does not occur in future.

[Para 12 of MR-FBR, D.P. No. 14158-IT]

CHAPTER-2 FEDERAL BOARD OF REVENUE

2.1 Introduction

The Central Board of Revenue (CBR) was created on April 01, 1924 through enactment of the CBR Act, 1924. In the wake of restructuring of its functions through a new Act, CBR was renamed as Federal Board of Revenue (FBR) in July, 2007. The Chairman FBR is the executive head of the Board.

In order to remove impediments in the exercise of administrative powers of a secretary to the government, and effective formulation and implementation of fiscal policy measures, a new division i.e. Revenue Division was established in 1991. In Jan, 1995, Revenue Division was abolished and CBR reverted back to the pre-1991 position. However, Revenue Division was, once again, established on 1st Dec, 1998 and it continues as a Division under the Ministry of Finance and Revenue.

The Chairman FBR, being the executive head of the Board as well as Secretary of the Revenue Division, is responsible for formulation and administration of fiscal policies, levy and collection of federal duties & taxes and quasi-judicial function of hearing of appeals.

*The Chairman FBR/Secretary Revenue Division is assisted by two Operational Members i.e. Member Customs (Ex-Officio Additional Secretary Revenue Division) and Member Inland Revenue (Ex-Officio Additional Secretary Revenue Division), four Functional Members i.e. Member Facilitation and Taxpayer Education (FATE), Member Accounting, Member Enforcement & Withholding and Member Taxpayers Audit, four Support Members i.e. Member Strategic Planning and Research & Statistics (SPR&S), Member HRM, Member Legal and Member Administration. Besides the ten members, the Chairman, FBR has the support of six Directors General, four for operational wings and two for IRS i.e. DG IR Operations North and South.

* FBR's website (www.fbr.gov.pk)

Inland Revenue Wing consists of twenty one field offices, i.e. three Large Taxpayer Units (LTUs) at Karachi, Lahore, and Islamabad and eighteen Regional Taxpayer Offices (RTOs) at Karachi (three), Hyderabad, Sukkur, Quetta, Lahore (two), Multan, Bahawalpur, Faisalabad, Sarghoda, Gujranwala, Sialkot, Rawalpindi, Islamabad, Abbotabad and Peshawar. Each office headed by Chief Commissioner is established to provide efficient services to taxpayers.

2.2 Comments on Budget and Accounts

This report deals with direct and indirect taxes (excluding customs duty) collected by the FBR and its expenditure.

Audit analyzed the performance of FBR. The objectives of this analysis were to identify grey areas of tax collection and to give recommendations for improving tax collection mechanism. In order to perform this analysis, Audit used various analytical tools including tabular and graphical analysis.

After conducting current audit activity, Audit is of the view that FBR needs to improve its compliance with tax laws besides strengthening its operational efficiency by way of achieving at least revised revenue targets.

RECEIPTS

2.2.1 Revenue Collection vs Targets

A comparison between estimated and actual receipts for the FY 2012-13 is as follows:

TABLE 2.2.1

(Rs in million)

Tax	Budget Estimates ¹	Revised Estimates ²	AGPR Financial Statement ³	Excess (+) / Shortfall (-) With respect to	
				Budget estimates (4-2)	Revised estimates (4-3)
1	2	3	4	5	6
Direct Taxes	932,000	779,100	721,558	(210,442)	(57,542)
Sales Tax	1,076,500	864,500	842,529	(233,971)	(21,971)
Federal Excise	125,000	122,200	120,964	(4,036)	(1,236)
Total Inland Revenue	2,133,500	1,765,800	1,685,051	(448,449)	(80,749)

¹ Explanatory Memorandum of Federal Receipts 2012-2013

² ibid

³ AGPR Financial Statement 2013

The FBR collected Rs 1,685,051 million during FY 2012-13 as against the revised targets of Rs 1,765,800 million. There is an overall shortfall of Rs 448,449 million as compared to actual budget estimates and Rs 80,749 million with reference to revised estimates of receipts for FY 2012-13.

2.2.2 Variance analysis of Revenue Collection in FY 2012-13 and 2011-12

A comparison of net collection in FY 2012-13 vs 2011-12 is tabulated below:

(Rs in million)

Tax Heads	Collection		Difference	
	FY: 2012-13	FY: 2011-12	Absolute	Percentage
Direct Taxes	721,558	719,962	1,596	0.22
Sales Tax	842,529	804,860	37,669	4.68
Federal Excise Duty	120,964	122,506	-1,542	(1.26)
Total	1,685,051	1,647,328	37,723	2.29

FBR's collection for the FY 2012-13 (Rs 1,685,051 million) depicted an increase of Rs 37,723 million or 2.29% over Rs 1,647,328 million for FY 2011-12. Collection of Direct Taxes and Sales Tax exhibited increase of 0.22 % and 4.68 %, however, there is decrease in collection of Federal Excise Duty of 1.26 %.

Sales Tax emerged as the main source of revenue generation. It constituted 50 % of total collection of federal taxes of Rs 1,685,051 million excluding Customs Duty. Last year it constituted 48.9 % of total collection of Rs 1,647,329 million of federal taxes excluding Customs Duty.

Direct Taxes constituted 42.8 % of total collection of federal taxes. Last year it constituted 43.7 % of total collection.

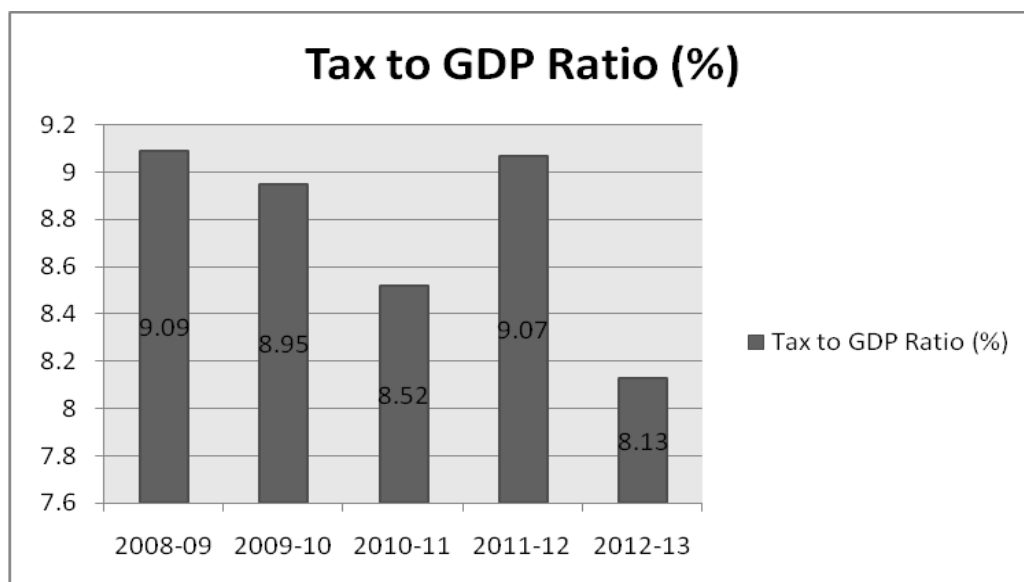
Federal Excise Duty constituted 7.2 % of the total federal taxes excluding Customs Duty in FY 2012-13. Last year it constituted 7.4% of total collection.

2.2.3 Tax to GDP Ratio from FY 2008-09 to 2012-2013

TABLE 2.2.3

(Rs in million)

Financial Years	Actual Total Tax Collection (including Customs) ¹	GDP at market price ²	Tax to GDP Ratio
	A	B	C (A/B X 100)
2008-09	1,157,100	12,724,000	9.09
2009-10	1,327,700	14,837,000	8.95
2010-11	1,538,200	18,063,000	8.52
2011-12	1,864,300	20,547,000	9.07
2012-13	1,924,500	23,655,000	8.13



2.2.4 Low Tax to GDP Ratio

Tax to GDP ratio has decreased in 2012-13 as compared to previous years. Comparative analysis of the statistics regarding this ratio in the recent past has disclosed disappointing results. From 2009 to 2011, there was a steep fall

¹ Financial Statements 2008-2009 to 2012-2013

² Economic Survey of Pakistan 2008-2009 to 2012-2013, Table 4.4

and the ratio declined to 8.52 % of GDP. There was some increase in 2011-12 up to 9.07% while in 2012-13 it again decreased to 8.13%. It is worth mentioning that FBR initiated TARP in 2005, one of the main objectives of which was to improve tax to GDP ratio. When the project ended in 2011 the tax to GDP ratio reached at its lowest level in more than two decades. It is also relevant to mention that as long back as in 1998-99, this ratio was 12.6 % ever highest in the history and, at that time, there was no concept of reforms agenda like TARP in FBR.

Audit suggests that FBR may explain the reasons for decline in tax to GDP ratio despite implementation of comprehensive reform package. FBR should take following measures to increase tax to GDP ratio:

- 1) broadening of tax base,
- 2) rationalizing wide spread tax exemptions, and
- 3) ensuring enforcement and compliance of tax laws.

EXPENDITURE

2.2.5 Overview of Appropriation Accounts

***TABLE 2.2.5**

(Rs in million)

Demand/ Grant No	Original Grant	Suppl. Grant/(re- appropriation)	Final Grant	Actual Exp.	Excess/ (Savings)
37-Revenue Division	211.81	0.02	211.83	243.09	31.26
38-FBR	2,420.48	88.01	2,508.49	2,432.58	(75.91)
40-Inland Revenue	7,452.64	1,045.05	8,497.69	8,403.97	(93.72)
123- Development Expenditure of Revenue Division	806.77	(588.53)	218.24	211.86	(6.48)
Total	10,891.70	545.55	11,436.25	11,291.50	(144.85)

*As Per Appropriation Accounts prepared by AGPR, Islamabad

Grant No. 37- There is an excess expenditure of Rs 31.26 million.

Grant No. 38- Supplementary grant of Rs 88.01 million was taken for which there was no justification as the

- FBR utilized only an amount of Rs 12.10 million out of it. There is saving of Rs 75.91 million.
- Grant No. 40- Supplementary grant of Rs 1,045.05 million out of which expenditure of Rs 951.32 million was made leaving a balance of Rs 93.72 million.
- Grant No. 123- An amount of Rs 806.77 million was got in the original budget grant out of which an amount of Rs 588.53 million was got re-appropriated leaving Rs 218.24 million as final grant. Out of such reduced grant an amount of Rs 6.48 million was still left un-expended.

The above analysis shows unrealistic budgeting and weak budgetary controls which needs effective financial management by the FBR.

2.3 Brief comments on the Status of Compliance with PAC Directives

Direct Taxes

Sr. No.	Audit Report Year	Total outstanding paras	Compliance received	Compliance not received	Percentage of compliance
1	1987-88	14	02	12	14
2	1988-89	39	03	36	08
3	1989-90	35	09	26	26
4	1990-91	47	32	15	68
5	1991-92	53	13	40	25
6	1992-93	64	35	29	55
7	1993-94	87	15	72	17
8	1994-95	61	12	49	20
9	1995-96	96	35	61	36
10	1996-97	65	14	51	22
11	1997-98	107	29	78	27
12	1998-99	68	05	63	07
13	1999-00	69	17	52	25
14	2000-01	88	49	39	56
15	2001-02	72	10	62	14
16	2002-03	49	-	49	-
17	2003-04	31	-	31	-
18	2004-05	36	10	26	28
19	2005-06	30	07	23	23
20	2006-07	29	02	27	07
21	2007-08	31	-	31	-
22	2008-09	52	10	42	19
23	2009-10	39	Not yet discussed in PAC		
24	2010-11	41	Not yet discussed in PAC		
25	2011-12	47	Not yet discussed in PAC		
26	2012-13	31	Not yet discussed in PAC		

(Continued)

Indirect Taxes

Sr. No.	Audit Report Year	Total outstanding paras	Compliance received	Compliance not received	Percentage of compliance
27	1985-86	44	38	06	86
28	1986-87	55	25	30	45
29	1987-88	43	10	33	23
30	1988-89	32	27	05	84
31	1989-90	217	147	70	68
32	1990-91	67	49	18	73
33	1991-92	45	42	03	93
34	1992-93	99	44	45	44
35	1993-94	77	30	47	39
36	1994-95	72	15	04	21
37	1995-96	83	44	39	53
38	1996-97	98	76	22	78
39	1997-98	108	96	26	89
40	1998-99	96	50	46	52
41	1999-00	171	48	123	28
42	2000-01	135	52	46	39
43	2001-02	111	72	39	65
44	2002-03	84	11	73	13
45	2003-04	53	33	20	62
46	2004-05	36	14	22	39
47	2005-06	90	43	47	48
48	2006-07	45	24	21	53
49	2007-08	140	34	106	24
50	2008-09	171	54	117	32
51	2009-10	145	Not yet discussed in PAC		
52	2010-11	86	Not yet discussed in PAC		
53	2011-12	83	Not yet discussed in PAC		
54	2012-13	73	Not yet discussed in PAC		

By taking aggregate mean from the above table, only 38 % compliance of the of PAC directives has been observed. This reflects lack of seriousness by Federal Board of Revenue. Resultantly audit observations involving substantial public revenue are accumulating year after year and there is a little action on the part of the FBR to attend them. The situation is alarming as chances of recovery of public revenue diminish with the passage of time.

**COMPLIANCE WITH
AUTHORITY AUDIT
(AUDIT PARAS)**

CHAPTER-3 NON-PRODUCTION OF RECORD

3.1 According to Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan, 1973 (as amended by 18th amendment) “The Audit of the accounts of Federal and of the Provincial Governments and the accounts of any authority or body established by or under the control of Federal or a Provincial Governments shall be conducted by the Auditor General, who shall determine the extent and nature of such audit”.

Section 12 of the Auditor-General’s Ordinance, 2001, empowers the Auditor-General of Pakistan to conduct audit of Receipts. Under section 14 of the Ordinance *ibid*, he shall have authority to inspect any office of accounts including treasuries and such offices responsible for the keeping of initial or subsidiary accounts and to require that any accounts, books, papers and other documents which deal with, or form, the basis of or otherwise relevant to the transactions to which his duties in respect of audit extend, shall be sent to such place as he may direct for his inspection. Further, the officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition. Any person or authority hindering the auditorial function of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules.

In violation of above constitutional / parliamentary mandate, the Audit faced non cooperation rather hindrance from the FBR authorities in the matter of production of record, rendering it unable to discharge its constitutional role. A few instances of the nature are discussed in the succeeding paragraphs.

3.1.1 Non-production of record of assessment of sales tax and federal excise duty

Audit selected 1188 out of 31438 registered persons through Desk Audit for detailed audit for the financial year 2012-13 but eight field formations of FBR did not produce auditable record, even in a single case, despite pursuance by Audit.

LTU/RTO-wise break up is as follows:

Sr. No.	Office	Total Population (registered persons)	Sample selected (registered persons)
1	LTU Islamabad	285	55
2	RTO Islamabad	3,394	200
3	RTO Faisalabad	7,560	263
4	RTO Rawalpindi	5,176	200
5	RTO Abbottabad	692	210
6	LTU Lahore	303	50
7	RTO-I Lahore	13,678	175
8	LTU Karachi	350	35
Total		31,438	1,188

Non-production of record is a serious violation of law and hindrance in performance of auditorial functions of the Auditor-General of Pakistan. The matter was repeatedly pointed out to the concerned quarters during July to Dec, 2013 but no reply was given by the department. In the DAC meetings held in Jan 2014, the department replied that the matter was subjudice before the Honourable Supreme Court of Pakistan and further deliberation will be made as and when the judgment is passed by the Apex Court. The DAC deferred the para.

Audit is of the view that the plea of the department about the matter being subjudice before the Apex Court is not tenable being based upon judgement of the Honourable Peshawar High Court dated 18th Sep, 2008 which was result of misrepresentation of facts to the Court. This judgement was passed in a case under tax laws which were repealed and were no more operative. Moreover, it was in a specific case having no general application. Subsequently, on the basis of this judgement, three registered persons of RTO, Islamabad challenged the mandate of the Auditor-General of Pakistan before the Honourable Lahore High Court, Rawalpindi Bench. The Honourable Lahore High Court did not accept the plea of the petitioners and held that the *Auditor-General's Department had the mandate to ask the FBR and its subordinate offices to summon the sales tax record maintained by the registered persons under the Sales Tax Act, 1990*. Consequent upon the judgement of the Lahore High Court, surprisingly the FBR filed three CPLAs although neither the

Federation nor the FBR was an aggrieved party. The aggrieved party in this judgement were the registered persons. Thus the FBR filed CPLAs at expense of the government to protect interest of the registered persons, making the Audit and its own RTOs as proforma respondents. The action of protecting the interest of the registered persons against the interest of the Federation that too at the government expense shows malafide intent.

Further, the Rules of Business of the Federal Government require that inter-ministerial disputes be resolved through the Law and Justice Division. The Law Division had already clarified the matter on 19th May, 2008 and 14th Feb, 2011. In spite of this FBR again approached Law Division for four point clarification which was categorically and comprehensively clarified on 20th Sep 2012, that *in view of the judgement of the Hon'ble Apex Court dated 21st July, 2011, the FBR's officers are obliged to summon the record of sales tax of a registered persons for the examination and satisfaction of AGP or his subordinate officers.*

The stance of the Audit as confirmed by the Law and Justice Division was fully endorsed by the PAC in its meeting held in Sep, 2012 by directing *that FBR should provide all the relevant record, except those individual cases covered by the various decisions of the Higher Courts, to the Audit for the purpose of audit. The PAC further directed that in case of default in production/access of/to record to the Audit, all the concerned officers of the FBR be proceeded against under disciplinary rules.* It is worth mentioning that various judicial fora including Federal Tax Ombudsman and Appellate Tribunal Customs, Sales Tax and Federal Excise have also upheld the mandate of Auditor-General of Pakistan.

In compliance of PAC directives dated 03.11.2010 and 26.09.2012 a series of meetings were convened between Audit and FBR authorities wherein the matter was discussed in two parts i.e.

- i) Provision of record of sales tax maintained by the registered persons to Audit.
- ii) Access to soft data of FBR to Audit.

About the matter at (i) above, it was decided that as the issue is subjudice in the superior court, it was mutually agreed to wait for final verdict of the Apex court.

As regards the issue (ii) relating to access to soft data of FBR, it was decided in the meetings held on 16.08.2012, 03.12.2012 and 19.03.2013 that the FBR shall provide access to soft data available with FBR through AGP menu. In this regard Requirement Specification Document (RSD) prepared by PRAL was provided to Audit and after necessary need based amendments the same was sent to FBR for finalization. In the last meeting held on 02.10.2013, FBR declined to providing access to soft data through AGP menu as decided in earlier meetings.

Keeping in view the foregoing facts, the PAC may like to:

- know reasons for creating hindrances in discharging constitutional obligation of the Auditor-General's department which deprived the government of cash recoveries at the instance of Audit.
- ask the FBR for reasons of defiance from directives of the Parliament (PAC).

[Annexure-3]

3.1.2 Non-production of auditable record maintained by and available with tax authorities

Audit planned to conduct scrutiny of various functions performed by field formations of FBR i.e. refund of sales tax and income tax, recovery of arrears, internal audit reports, quasi judicial proceedings, BTB cases, MAC and assessment of income tax. Auditable record pertaining to above mentioned functions for the financial year 2012-13 was requisitioned by field audit teams but sixteen (16) field offices of the FBR did not produce the same despite pursuance by Audit. The requisite record was being maintained by and available with the functionaries of FBR. The non-production of record was not only a serious violation of law but also hindrance in performance of auditorial function of the Auditor-General of Pakistan.

The matter was pointed out to the FBR during July to Dec, 2013 but no reply was given by the department. In the DAC meetings held in Jan 2014, RTO-III Karachi informed that matter was referred to FBR for clarification, whereas all other field formations of FBR replied that auditable record will be

made available to next visiting teams. The DAC directed the RTO-III Karachi to approach FBR for early clarification and directed the all other field formations of FBR to produce auditable record to the next visiting teams without fail. Further progress was awaited till finalization of the report.

Audit is of the view that non production of auditable record available with the field formations had become a normal habit/routine matter. Audit is a time bound activity and cannot be kept open for an indefinite period for the convenience of the auditee formations. The responsibility for preventing audit offices from discharging their constitutional duties by not providing the requisite record be fixed and those responsible, be proceeded against under relevant disciplinary rules as required under section 14 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001.

[Annexure-4]

CHAPTER-4 IRREGULARITIES AND NON-COMPLIANCE

4.1 Sales Tax

4.1.1 Non/short-realization of sales tax and federal excise duty - Rs 6,505.66 million

According to section 11A of the Sales Tax Act, 1990 read with sections 8 and 19 of the Federal Excise Act, 2005, where a registered person pays the amount of tax/duty less than the tax due as indicated in his return, the short paid amount of tax/duty along with default surcharge and penalty shall be recovered from such person by stopping removal of any goods from his business premises and through attachment of his business bank accounts, without giving him a show cause notice.

Ten offices of FBR did not take action against six hundred and thirty three (633) registered persons who either did not pay or paid short amount of tax/duty actual payable while filing their sales tax returns. Under the law, tax authorities should have enforced recovery proceedings without giving the show cause notice. This resulted in non/short realization of Rs 6,505.66 million on account of sales tax and federal excise duty. In addition to above default surcharge and penalty leviable under the law may also be recovered.

The irregularity was pointed out to the department during July to Dec, 2013 but no reply was given by the department. In the DAC meetings held in Jan 2014, the department reported that an amount of Rs 4.86 million was recovered, Rs 204.92 million under recovery, Rs 4.66 million under adjudication, Rs 122.41 million subjudice, Rs 4,688.46 million under examination, Rs 16.16 million not due, Rs 549.86 million not responded, whereas an amount of Rs 914.33 million was contested on various grounds. The DAC directed the department to expedite recovery/adjudication, pursue subjudice cases, furnish comprehensive reply and get the position verified from audit in contested cases and recovered/not due amount by 31.01.2014 and 15.02.2014. Further progress was awaited till finalization of the report.

Audit emphasizes:

- expeditious recovery of the amount pointed out,
- strengthening of monitoring mechanism to ensure complete payment of tax due at the time of acceptance of returns by the system.

[Annexure-5]

4.1.2 Non-imposition of penalty on registered persons failing to file sales tax returns - Rs 295.91 million

Under section 26(1) of Sales Tax Act, 1990, every registered person shall furnish not later than the due date, a correct return in the prescribed form to a designated bank specified by the Board (FBR), indicating the purchases and the supplies made during a tax period, the tax due and paid and such other information, as may be described. Further, under section 33 (1) of the Act, *ibid* where any person fails to furnish a return within the due date; such person shall pay a penalty of five thousand rupees for each default return.

Desk Audit of tax profiles of 13,893 registered persons of eight RTOs revealed that they did not file their sales tax returns during FY 2012-13. The department neither pursued the taxpayers for regular filing of their returns nor imposed penalty leviable under the law amounting to Rs 295.91 million.

The matter was pointed out to the department during July to Dec, 2013 but no reply was given by the department. In the DAC meetings held in Jan, 2014 the department informed that an amount of Rs 69.65 million under recovery, Rs 37.05 million under adjudication, cases of Rs 139.88 million referred to FBR for clarification, cases of Rs 49.27 million awaiting action, Rs 0.03 million was recovered/vacated/not due, whereas an amount of 0.03 million was contested by the department. The DAC settled the para to the extent of amount recovered/vacated/not due subject to verification by Audit and directed the department to expedite recovery, adjudication process, get clarification from FBR, complete legal action and get the position verified from Audit by 31.01.2014 and 15.02.2014. Further progress was awaited till finalization of the report.

Audit emphasizes:

- recovery of due amount of mandatory penalty from non filers,
- effective functioning of enforcement and monitoring wing.

[Annexure-6]

4.1.3 Non deduction/realization of sales tax from government suppliers/vendors and DDOs - Rs 170.57 million

According to Rule-2(2) of the Sales Tax Special Procedure (Withholding) Rules 2007, a withholding agent shall deduct an amount equal to 1/5th of the total sales tax shown in the sales tax invoice issued by a registered suppliers. Further rule 3(2) of the rules ibid provides that, the registered supplier shall file monthly return and shall adjust total input tax against output tax under sections 7, 8 and 8B of the Sales Tax Act, 1990, taking due credit of the sales tax deducted by the withholding agent in the manner prescribed in the return under Sales Tax Rules, 2006.

Audit identified 184 DDOs pertaining to RTO-I & II, Lahore who either partially withheld or not withheld 1/5th of sales tax from the claims of the certain suppliers. When verified from the “Tax-sys” of the FBR, it was confirmed that the suppliers of these withholding agents also had neither paid 4/5th of sales tax nor had filed their sales tax returns. Resultantly 1/5th of sales tax was either partially withheld or not withheld by the withholding agents, and the remaining 4/5th amount of sales tax was also not deposited by the suppliers in the public exchequer. This resulted in non deduction/realization of sales tax amounting to Rs 170.57 million for the years 2010-11 and 2011-12 attracting penalty and default surcharge leviable under the Act ibid.

The matter was pointed out to the department during June and Sep, 2012 but no reply was given by the department. The DAC in its meeting held in April, 2013 directed the department to examine the cases, furnish reply and report progress to Audit and FBR by 31st May, 2013. The DAC in its meeting held in Jan, 2014, reiterated compliance of its earlier directives by 31.01.2014. Further progress was not received till finalization of the report.

Audit emphasises:

- expeditious recovery of amount pointed out,
- developing a mechanism for effective coordination between FBR and withholding agents for proper monitoring of tax due.

[Annexure-7]

4.1.4 Non/short-realization of sales tax and federal excise duty - Rs 1,434.60 million

Section 3 (1) (a) of the Sales Tax Act, 1990 provides that there shall be charged, levied and paid sales tax @ 16% of the value of taxable supplies made by a registered person and section 3(1) (a) of the Federal Excise Act, 2005 provides that there shall be levied and collected federal excise duty on goods produced or manufactured in Pakistan. In case of default, penalty and default surcharge is also recoverable in addition to the due amount of tax/duty.

Seven field offices of FBR did not take any action against 166 registered persons, who either did not pay the due amount of tax/duty or paid less than the amount due from them. The irregularity resulted in non/short realization of sales tax/federal excise duty amounting Rs 1,434.60 million. In addition to above default surcharge and penalty leviable under the law also needs to be recovered. The detail is as follows.

(Rs in million)

Sr. No.	Office	No. of cases	Amount
1	RTO-II Lahore	3	124.20
2	LTU Islamabad	9	303.46
3	RTO-I Lahore	139	137.49
4	RTO Multan	10	851.98
5	RTO Islamabad	2	5.29
6	RTO Peshawar	1	2.91
7	RTO Faisalabad	2	9.27
Total		166	1,434.60

The matter was pointed out during July to Dec, 2013 but no reply was given by the department. In the DAC meeting held in Jan, 2014 the department informed that an amount of Rs 6.33 million under recovery, Rs 466.64 million under adjudication Rs 690.00 million subjudice, an amount of Rs 3.95 million

was not due, Rs 249.39 million contested whereas an amount of 18.29 million was pending for action by the department. The DAC settled the para to the extent of amount not due subject to verification by Audit and directed the department to expedite recovery, adjudication process, pursue subjudice cases, complete legal action and get the position of contested and not due cases verified from Audit by 31.01.2014. Further progress was not intimated till finalization of the report.

Audit emphasises:

- expeditious recovery of amount pointed out, besides, evolving a comprehensive and effective mechanism of monitoring,
- timely completion of legal action.

[Annexure-8]

4.1.5 Short realization of sales tax due to application of incorrect rate - Rs 336.02 million

According to section 3(1) (a) of the Sales Tax Act 1990 (as amended vide Finance Act, 2013) there shall be charged, levied and paid sales tax at the rate of seventeen per cent of the value of taxable supplies made by a registered person in the course or furtherance of any taxable activity carried on by him.

Eight offices of FBR did not take action against 348 registered persons who made taxable supplies at the rate of sixteen percent instead of applicable rate of seventeen percent on or after 13.06.2013. The irregularity resulted in short realization of sales tax amounting to Rs 336.02 million during 2012-13 attracting penalty and default surcharge under the law. The detail is given below.

(Rs in million)

Sr. No.	Office	No. of cases	Amount
1	RTO Gujranwala	37	50.03
2	LTU Islamabad	30	121.97
3	RTO-I Lahore	3	1.52
4	RTO Islamabad	40	4.40
5	LTU Lahore	48	142.47
6	RTO Rawalpindi	75	8.82
7	RTO Hyderabad	5	1.45
8	RTO Sukkur	110	5.36
Total		348	336.02

The irregularity was pointed out to the department in July to Dec, 2013. No reply was given by the department. In the DAC meetings held in Jan, 2014, the department informed that an amount of Rs 10.51 million under recovery, Rs 149.26 million under adjudication, Rs 5.6 million subjudice, Rs 5.35 million was not responded, Rs 0.94 million under process of action and Rs 0.48 million was recovered, Rs 139.54 million not due, whereas an amount of Rs 24.34 million was contested. The DAC settled the para to the extent of amount recovered and not due subject to verification by Audit and directed the department to expedite recovery, adjudication process, furnish comprehensive reply, pursue subjudice cases, complete legal action and get the position of contested cases and recovered /not due amount verified from Audit by 31.01.2014 and 15.02.2014. Further progress was awaited till finalization of the report.

Audit requires:

- expeditious recovery of amount pointed out,
- evolving a comprehensive and effective mechanism of monitoring,
- timely completion of legal action.

[Annexure-9]

4.1.6 Non-recovery of adjudged dues/arrears - Rs 42,549.10 million

Section 48 of the Sales Tax Act, 1990 read with Sales Tax Rules, 2006 provides that sales tax due from any person may be recovered by sales tax officers in accordance with the procedures laid down therein.

Test check of recovery record pertaining to eleven field offices of FBR revealed that tax collecting authorities did not take adequate measures for recovery of adjudged government dues resulting in non recovery of Rs 42,549.10 million in 316 cases during FY 2012-13 are as follows:

(Rs in million)

Sr. No.	Offices	No. of Cases	Amount
1	LTU Islamabad	81	38,805.05
2	RTO Bahawalpur	25	7.00
3	RTO I Lahore	MPR	1,311.78
4	RTO-II Lahore	7	6.56
5	RTO Rawalpindi	3	0.23
6	RTO Faisalabad	137	612.71
7	RTO Abbottabad	2	0.56
8	RTO Multan	19	6.25
9	RTO Quetta	7	902.64
10	RTO-II Karachi	18	647.99
11	RTO-I Karachi	17	248.33
Total		316	42,549.10

The matter was pointed out to FBR during July to Dec, 2013 but no reply was given by the department. In the DAC meetings held in Jan 2014, the department reported that an amount of Rs 3,953.78 million was recovered, Rs 2,190.22 million under recovery, Rs 32,765.97 million under adjudication Rs 105.61 million not due, Rs 59.29 million vacated whereas an amount of Rs 3,474.22 million was subjudice. The DAC settled the para to the extent of recovered, vacated and not due amount subject to verification by Audit and directed the department to expedite recovery, adjudication process, pursue subjudice cases at appropriate level and get position verified from Audit by 31.01.2014 and 15.02.2014. Further progress was awaited till finalization of the report.

Audit requires:

- expeditious recovery of adjudged amount,
- justification of inaction by the concerned.

[Annexure-10]

4.1.7 Short realization of sales tax due to inadmissible adjustment of input tax - Rs 5,623.96 million

The Sales Tax Act, 1990 and relevant SROs issued by FBR require adjustment of input tax subject to fulfilment of certain conditions/requirements.

Ten field offices of FBR did not take action against sixty three (63) registered persons who claimed inadmissible adjustment of input tax in violation of the law mentioned below.

(Rs in million)

Sr. No.	Formations	Cases	Amount	Law/rule violated
1	LTU/RTO-II Lahore	2	113.54	Section 8(2) of the Sales Tax Act, 1990
2	RTO Multan	9	837.25	Section 8(1)(a) &(2) of the Sales Tax Act, 1990.
3	RTO Abbottabad	1	0.27	Section 7(2) (1) of the Sales Tax Act, 1990.
4	LTU Islamabad	19	3,772.89	Section 8(1)(a)(b) &(2) of the Sales Tax Act 1990, SRO 490(I)2004 dated 12.06.2004 and SRO 450(I)2013 dated 27.05.2013
5	RTO Faisalabad	6	1.34	-do-
6	RTO Islamabad	4	7.92	Section 8(2) of the Sales Tax Act, 1990
7	LTU Lahore	10	651.33	Section 8(1)(d) of the Sales Tax Act, 1990
8	RTO-II Lahore	8	10.90	-do-
9	LTU Karachi	3	228.27	Section 73 of Sales Tax Act, 1990
10	RTO Sukkur	1	0.25	-do-
Total		63	5,623.96	

This resulted in short realization of sales tax due to inadmissible adjustment of input tax amounting to Rs 5,623.96 million.

The matter was pointed out to the department during July to Dec, 2013 but no reply was given by the department. In the DAC meetings held in Jan 2014, the department reported that an amount of Rs 93.36 million under recovery, Rs 3,799.61 million under adjudication, Rs 865.75 million awaiting action, Rs 0.26 million was recovered, Rs 413.09 million not due whereas an amount of Rs 451.89 million was contested. The DAC settled the para to the extent of recovered and not due amount subject to verification by Audit and directed the department to expedite recovery, adjudication process, complete legal action and get position verified from Audit by 31.01.2014 and 15.02.2014. Further progress was awaited till finalization of the report.

Audit emphasizes:

- recovery of the amount pointed out,
- proper monitoring for assessment and payment of tax due.

[Annexure-11]

4.1.8 Non-realization of sales tax due to non-registration of taxpayers under Sales Tax Act, 1990 - Rs 2,043.87 million

According to section 14 & 2(5AB) of Sales Tax Act 1990, read with rules 4 & 6 of Sales Tax Rules, 2006, any manufacturer having annual turnover of taxable supplies more than five million or utilities bills more than seven hundred thousand rupees (700,000) per annum is liable for compulsory registration and section 3 read with section 26 of the Act *ibid* provides that, any person making taxable supplies shall pay sales tax at prescribed rate and shall furnish true and correct information about his taxable activity while filling his sales tax return. Further, section 170(3)(b&c) of the Income Tax Ordinance, 2001 requires that, where the Commissioner is satisfied that tax has been overpaid, the Commissioner shall apply the balance of the excess, if any, in reduction of any outstanding liability of the taxpayer to pay other taxes; and refund the remainder, if any, to the taxpayer.

Two hundred and seventeen (217) taxpayers of nine offices of FBR deriving income from manufacturing/supply of various goods were paid refund of income tax during 2012-13. Tax deducted on their electricity bills showed that their utility bills were more than seven hundred thousand rupees or their annual turnover was more than five million rupees. They were required to be registered

under the Sales Tax Act, 1990 and to pay sales tax on their supplies. As per soft data of FBR, they were not registered with sales tax department and not paying sales tax. Refund sanctioning authorities paid refund of income tax without getting them registered in sales tax regime and did not recover sales tax on taxable supplies. This resulted in not only inadmissible refund of income tax but also non-realization of sales tax of Rs 2,043.87 million which also attracts default surcharge and penalty under the law.

The irregularity was pointed out to the department during May to Dec, 2013 but no reply was given by the department. In the DAC meetings held in Jan 2014, the department reported that an amount of Rs 105.84 million was under recovery, Rs 461.38 million awaiting action, Rs 2.45 million was recovered, Rs 94.62 million was not due, Rs 0.19 million not responded whereas an amount of Rs 1,379.39 million was under adjudication. The DAC settled the para to the extent of recovered and not due amount subject to verification by Audit and directed the department to expedite recovery, adjudication process, complete legal action and furnish comprehensive reply by 31.01.2014 and 15.02.2014. Further progress was awaited till finalization of the report.

Audit emphasizes:

- expeditious recovery of the amount pointed out,
- necessary measures towards broadening of tax base through registration of taxpayers under the Sales Tax Act,1990,
- justification of the matter and fixing of responsibility for negligence.

[Annexure-12]

4.1.9 Blockage of revenue due to non-finalization of quasi judicial proceedings within prescribed period - Rs 8.32 million

Sections 11 and 36 of the Sales Tax Act, 1990 provide that the orders regarding assessment of tax shall be made by Inland Revenue Officer within one hundred and twenty days of issuance of show cause notice or within such extended period as the Commissioner may, for reasons to be recorded in writing, fix, provided that such extended period shall in no case exceed sixty days.

In RTO Multan, 24 cases were found pending for finalization of assessment despite lapse of stipulated period. The cases were pending for adjudication ranging from 30 to 90 days till DAC meeting. This resulted in blockage of government revenue amounting to Rs 8.32 million during 2012-13.

The matter was pointed out during July to Dec, 2013 but no reply was given by the department. In the DAC meeting held in Jan, 2014, the RTO, Multan informed that an amount of Rs 1.13 million was under recovery, Rs 1.60 million vacated and balance amount of Rs 5.59 million was under adjudication. The DAC directed the RTO to expedite recovery, adjudication proceeding and settled the Para subject to verification of the amount vacated dated 31.01.2014

Audit emphasizes:

- timely completion of legal process for early recovery of potential revenue,
- fixing of responsibility against the responsible(s) for inordinate delay.

[DP No. 14532-ST]

4.1.10 Non/short-realization of withholding sales tax - Rs 2,647.57 million

According to rule 2(2), 2(3) & (3A) of the Sales Tax Special Procedure (Withholding) Rules, 2007 read with SRO 603(1)/2009 dated 25th June, 2009, a withholding agent, other than a person in the jurisdiction of Large Taxpayers Unit and a recipient of advertisement services, shall deduct an amount equal to one fifth of the total sales tax shown in the sales tax invoice issued by a registered person and make payment of the balance amount to him and on purchase of taxable goods from unregistered person, shall deduct sales tax at the applicable rate of the value of taxable supplies made to him from the payment due to the supplier. Further a person in LTU, who receives advertisement services, provided or rendered by a person based in Pakistan or abroad, shall deduct the amount of sales tax as mentioned in the invoice issued by the service provider from the payment due to the service provider.

Seven RTOs of FBR did not take cognizance in case of 815 registered persons who made purchases from registered/unregistered persons. Moreover, two hundred and five (205) registered person of LTU, Islamabad and Karachi

received advertisement services but withholding sales tax was either not deducted or short deducted/paid through relevant sales tax returns. This resulted in non/short realization of withholding sales tax of Rs 2,647.57 million in one thousand twenty cases during FYs 2010-2011 to 2012-13.

The matter was pointed out to the department during June, 2011 to Dec, 2013 but no reply was given by the department. In the DAC meetings held in Jan 2014, the department reported that an amount of Rs 122.73 million was under adjudication, Rs 1,332.58 million was pending for legal action and cases of Rs 28.91 million were contested. The department did not submit reply in cases of Rs 1,135.35 million, whereas cases of Rs 28.00 million pertaining to performance report on withholding tax could not be discussed in the DAC meeting due to non submission of working papers by the department. The DAC directed the department to complete adjudication process/legal action within stipulated period and furnish comprehensive reply by 15.01.2014 and 15.02.2014. Further progress was awaited till finalization of the report.

Audit emphasizes:

- recovery of amount pointed out,
- proper monitoring of withholding tax to prevent recurrence of such instances in future,
- fixing of responsibility for inaction by the concerned.

[Annexure-13]

4.1.11 Non realization of sales tax - Rs 238.18 million

SRO No.1125 (I)/2011 dated 31st Dec, 2011 provides a list of specified goods falling under chapters 50 to 63 of the Pakistan Customs Tariff in respect of which the government has extended the facility of lower rate of sales tax i.e. @ 5% on certain goods specified in the table with the conditions that the benefit of this notification shall be available to every such person doing business in textile (including jute), carpets, leather, sports and surgical goods sectors, who is registered as manufacturer, importer, exporter and wholesaler. The supplies of these goods to unregistered persons and retailers (both registered and unregistered) shall be charged to sales tax at the rate of 5% *ad val.*

Four field offices of FBR did not realize sales tax from thirteen registered persons who supplied the above mentioned goods to unregistered persons but neither charged nor paid sales tax as leviable under the law. This resulted in non realization of sales tax amounting to Rs 238.18 million during FYs 2011-12 and 2012-13.

The lapse was pointed out to the department in March to Nov, 2013 but no reply was given by the department. In the DAC meetings held in Jan 2014, the department reported that an amount of Rs 1.11 million was subjudice, Rs 208.70 million under adjudication whereas legal action was pending in cases of Rs 28.37 million. The DAC directed the department to pursue the subjudice cases and expedite adjudication process/legal action within stipulated period and report progress to Audit and FBR by 31.01.2014 and 28.02.2014. Further progress was awaited till finalization of the report.

Audit emphasizes:

- expeditious recovery of amount pointed out,
- justification of inaction by the department.

[Annexure-14]

4.1.12 Short realization of sales tax due to excess adjustment of input tax - Rs 115.18 million

According to section 8(B) of the Sales Tax Act, 1990 read with SRO 647(I)/2007 dated 7th June, 2007, a registered person shall not be allowed to adjust input tax in excess of ninety percent of the output tax for the tax period as per conditions laid down therein.

RTO, Multan did not take care of the matter that a registered person adjusted input tax in excess of the admissible. This resulted in short realization of sales tax amounting to Rs 115.18 million during the FY 2012-13.

The lapse was pointed out to the department in July to Dec, 2013 but no reply was given by the department. In the DAC meeting held in Jan, 2014, the RTO, Multan informed that show cause notice had been issued to the registered person on 08.01.2014. The DAC directed the RTO to expedite the adjudication proceedings. Further progress was not received till finalization of the report.

Audit emphasizes:

- immediate recovery of the amount pointed out,
- fixing of responsibility against the concerned for not taking action on the matter as per law.

[DP No.14510-ST]

4.1.13 Non realization of sales tax due to inadmissible zero rating of goods - Rs 242.00 million

According to section 4 of the sales Tax Act, 1990 read with various SROs, supply of certain goods shall be charged to sales tax at the rate of zero percent subject to fulfilment of certain conditions/requirements laid therein.

Five field offices of FBR did not realize sales tax from six registered persons who supplied cotton seed oil, wires & cables, good milk chaika, plastic goods and nestle cerelac claiming them as zero rated without fulfilling conditions of law mentioned as follow:

(Rs in million)

Sr. No.	Formations	Cases	Amount	Law violated
1	LTU Lahore	1	73.23	SRO 549(I)2008 dated 11.06.2008 & 68(I)2009 dated 27.01.2009
2	RTO-II Lahore	2	111.66	SRO 549(I)2008 dated 11.06.2008
3	RTO Peshawar	1	3.50	SRO 646(I)2005 dated 30.06.2005
4	RTO Multan	1	1.26	SRO 549(I)2008 dated 11.06.2008
5	LTU Karachi	1	52.35	SRO 549(I)2008 dated 11.06.2008
Total		6	242.00	

This resulted in non realization of sales tax due to inadmissible zero rating of goods amounting to Rs 242.00 million.

The matter was pointed out to the department in March to Dec, 2013 but no reply was given by the department. In the DAC meetings held in Jan, 2014, the department replied that an amount of Rs 116.42 million was under adjudication whereas cases of Rs 125.58 million were pending for action by the

department. The DAC directed the department to complete adjudication within stipulated period and complete legal action by 31.01.2014 and 28.02.2014. Further progress was awaited till finalization of the report.

Audit emphasizes:

- expeditious recovery of amount pointed out,
- appropriate action against responsible person(s).

[Annexure-15]

4.1.14 Non realization of sales tax - Rs 230.72 million

SRO 283(I)/2011 dated 1st April, 2011 provides that the sale of certain specified goods to un-registered persons shall be charged to sales tax at the rate of 4% of the value of taxable supply by the registered manufacturer of textile sector.

Six field offices of FBR did not realize sales tax at the rate of 4% from fifty four (54) registered persons who supplied specified goods to un-registered persons during the FYs 2011-12 and 2012-13. This resulted in non realization of sales tax amounting to Rs 230.72 million.

The matter was pointed out in March to Dec, 2013 but no reply was given by the department. In the DAC meetings held in Jan 2014, the department reported that an amount of Rs 51.73 million under recovery, Rs 101.71 million under adjudication whereas an amount of Rs 77.28 million was contested by the department. The DAC directed the department to expedite recovery, adjudication process and get position of contested cases verified from Audit by 31.01.2014. Further progress was not received till finalization of the report.

Audit emphasizes:

- expeditious recovery of government revenue,
- appropriate action against the persons at fault.

[Annexure-16]

4.1.15 Non realization of further tax - Rs 254.29 million

According to section 3(1)(a) of the Sales Tax Act, 1990, where taxable supplies are made to un-registered persons, there shall be charged, levied and

paid a further tax at the rate of one per cent of the value in addition to the rate specified w.e.f 13.06.2013.

Four field formations of FBR did not take action against eighty one (81) registered persons who made taxable supplies to the un-registered persons during June, 2013. The registered persons did not collect and pay further tax at the rate of one percent of the value in addition to the specified rate in respect of taxable supplies made to the un-registered persons w.e.f 13.06.2013. This resulted in non realization of further tax amounting to Rs 254.29 million.

The lapse was pointed out to the department in July to Dec, 2013. No reply was given by the department. In the DAC meeting held in Jan 2014, the department reported that an amount of Rs 151.92 million under adjudication, Rs 0.76 million was recovered/not due, Rs 0.61 million under recovery, whereas an amount of Rs 101.00 million was contested. The DAC settled the para to the extent of recovered and not due amount subject to verification by Audit and directed the department to expedite recovery, adjudication process and get position of contested cases and recovered/not due amount verified from Audit by 31.01.2014. Further progress was awaited till finalization of the report.

Audit requires:

- immediate recovery of the amount pointed out,
- proper monitoring of the taxpayers to implement provisions of law in letter and spirit to provide safeguard to public exchequer.

[Annexure-17]

4.1.16 Loss of public revenue due to issuance of SROs conflicting with Acts - Rs 13,239.35 million

Section 2(46) of the Sales Tax Act, 1990 provides that value of supply means the consideration in money including all federal and provincial duties and taxes, if any, which the supplier receives from the recipient for that supply but excluding the amount of sales tax and in case of imported goods, the value determined under section 25 of the Customs Act including the amount of customs duties and federal excise duty levied thereon. Further, section 148(9) of

the Income Tax Ordinance, 2001 provides that value of goods means the value as determined under Customs Act, 1969, as if the goods were subject to ad-valorem increased by customs duty, federal excise duty and sales tax, if any, payable on the import of the goods.

Contrary to the above, Part 2 (iii) under the heading Conditions and restrictions of SRO 655(1)/2007 dated 29.06.2007 issued under section 16(2) of the Federal Excise Act, 2005 states that the amount of special excise duty (SED) shall not be part of value for the purpose of assessment of custom duty, federal excise duty, sales tax or advance income tax in case of imported or locally manufactured goods.

Audit is of the view that the SRO issued under section 16(2) of the Federal Excise Act, 2005 cannot change the value of supply / goods as defined under Sales Tax Act, 1990 and Income Tax Ordinance, 2001. When the value of supply / goods has been determined by an Act of Parliament then any change in it would require an Act of Parliament to do so.

Exclusion of amount of SED from value of supply/goods for assessment of sales tax and income tax through SRO conflicting with the definition of value as explained in Sales Tax Act, 1990 and Income Tax Ordinance, 2001 caused loss to public exchequer to the tune of Rs 13,239.35 million during 2007-08 to 2011-12.

The lapse was pointed out to FBR in Oct, 2013. However no reply was received. In the DAC meeting held in Jan, 2014, the issue of exclusion of SED from value of supply as defined under Sales Tax Act, 1990 and Income Tax Ordinance, 2001 was discussed in detail. The DAC directed the FBR to refer the matter to the Law & Justice Division for opinion as pointed out by the Audit and report compliance to Audit by 31.01.2014. Further progress was awaited till finalization of the report.

Audit emphasizes:

- issuance of SROs conflicting with the provisions of Act should be reviewed,

- SROs pertaining to exemptions / concessions, issued during Financial Years should be placed before parliament for approval,
- fixing of responsibility for issuance of SROs conflicting with substantive laws.

[DP No.14236 Report on Tax to GDP ratio]

4.1.17 Short realization of sales tax due to inadmissible adjustment of input tax - Rs 1,424.38 million

According to sections 8 (1) (ca) read with Section 7 (2) of the Sales Tax Act, 1990, a registered person shall not be entitled to reclaim or deduct input tax paid on the goods in respect of which sales tax has not been deposited in the government treasury by the respective suppliers.

Five field formations of FBR allowed adjustment of input tax to 1,633 registered persons without fulfilling the requirements of law as evident from declarations of buyers and suppliers of tax payers. This resulted in short realization of government revenue amounting to Rs 1,424.38 million due to inadmissible adjustment of input tax during FY 2012-13.

The matter was pointed out to FBR in April to Nov, 2013 but no reply was given by the department. In the DAC meetings held in Jan, 2014, the department replied that the Honourable Lahore High Court ordered in the W.P. No. 3515/2012 for deletion of section 8(1)(ca) of the Sales Tax Act, 1990. FBR has filed an appeal in the Honourable Supreme Court of Pakistan against the decision but still no stay has been granted by Appex Court. As the para relates solely to the above mentioned section, therefore, any proceedings under the aforesaid section will be violation of the orders of the Honourable Lahore High Court Lahore. Therefore, the proceedings have been stopped till the decision of the Apex Court. The DAC deferred the discussion on para till decision of Apex Court. However, DAC directed the RTO to identify suppliers in these cases to ensure that they are not on active taxpayer list. Further recovery action against such identified suppliers should be initiated. Further progress was awaited till finalization of the report.

Audit emphasizes:

- pursuance of the case with the Apex Court at appropriate level,
- strengthening the online validation checks in e-filing system to ensure due payment of tax by the taxpayers.

[Annexure-18]

4.1.18 Non realization of sales tax - Rs 1,194.38 million

Section 3B of the Sales Tax Act, 1990 provides that any person who has collected or collects any tax or charge, whether under misapprehension of any provision of this Act or otherwise, which was not payable as tax or charge or which is in excess of the tax or charge actually payable and the incidence of which has been passed on to the consumer, shall pay the amount of tax or charge so collected to the Federal Government. Further, as per rule 20 (2)(c) of the Sales Tax Special Procedure Rules, 2007 all the CNG stations shall pay sales tax @ 26% on gas bill but are not entitled to adjust input tax against purchases and can not issue sales tax invoices against sales.

RTO-II, Lahore did not realize sales tax from three taxpayers who were running CNG Stations and Petrol Pumps. As per law the taxpayers were not supposed to charge the tax and issue sales tax invoices there-against but the taxpayers charged sales tax from buyers as evident from their sales tax returns/summary. As the tax was collected under misapprehension and the incidence of same had also been passed on to the consumer, so it should have been deposited in public exchequer but the same was not realized till pointation by Audit. The lapse caused loss of revenue amounting to Rs 1,194.38 million attracting penalty and default surcharge leviable under the law.

The irregularity was pointed out to the department in March, 2013 but no reply was received from the department. In the DAC meeting held in Jan, 2014, the DAC directed the RTO to confront the taxpayers about audit observation and complete legal action by 20.02.2014. Further progress was awaited till finalization of the report.

Audit requires:

- expeditious recovery of amount pointed out,
- completion of legal proceedings,
- fixing of responsibility against the persons at fault.

[DP No.13862-ST]

4.1.19 Non realization of sales tax - Rs 7.45 million

SRO 221(I)/2013 dated 19th March, 2013 provides, a taxpayer involved in production of five mentioned sectors shall charge and pay the sales tax at reduce rate of 2% of value of supplies whether sold to registered person or un-registered person.

RTO, Multan did not realize sales tax from a registered person who made supplies to its sister concern during 2012-13. This resulted in non realization of sales tax amounting to Rs 7.45 million attracting penalty and default surcharge under the law.

The matter was pointed out to the department in Oct and Nov, 2013 but no reply was received from the department. In the DAC meeting held in Jan, 2014, the RTO Multan replied that audit observation had been communicated to the tax payer and reply is awaited. The DAC directed the RTO to expedite legal action and report progress to Audit and FBR by 28.02.2014. Further progress was awaited till finalization of the report.

Audit emphasizes:

- expeditious recovery of amount pointed out,
- appropriate action against the persons at fault.

[DP No 14504-ST]

4.1.20 Non realization of sales tax - Rs 4,161.24 million

According to rule 20 (2) (c) of the Sales Tax Special Procedure Rules 2007, issued vide SRO 480(I)/2007 dated 09.06.2007, the gas transmission and distribution company shall charge sales tax at the rate of twenty-five per cent of the value of supply of natural gas to CNG stations and rule 58 H of the rules ibid, the electric supply company shall charge and pay sales tax at the rate of six

rupees per unit of electricity consumed by the steel melter, re-rollers and composite units.

Two field offices of FBR did not realize amount of sales tax relating to CNG stations and steel melters collected by three registered companies which was adjusted against their input liability depriving the government of its revenue amounting to Rs 4,161.24 million for the years 2010-2011 and 2011-12 as tabulated below:

(Rs in million)

S#	Name of office	Name of companies	Name of consumers	Amount of sales tax
1	LTU Karachi	M/S SSGC	CNG stations	2,850.60
		M/S KESC	Steel Melters	1191.46
2	RTO Quetta	M/S QESCO	Steel Melters	119.18
Total				4,161.24

The matter was pointed out to the department in April, 2013 to Dec, 2013 but no reply was given by the department. In the DAC meeting held in Jan, 2014, the department reported that an amount of Rs 38.38 million was recovered, Rs 80.80 million under recovery whereas Rs 4,042.06 million was communicated to the tax payers. The DAC settled the para to the extent of amount recovered subject to verification by Audit and directed the department to expedite recovery, complete legal action and get position of recovered amount verified from Audit by 10.02.2014. Further progress was awaited till finalization of the report.

Audit emphasizes:

- early recovery of government revenue,
- fixing of responsibility against the departmental officials for non demanding of government revenue.

[DP-5557, 5774 & 5589-ST/K]

4.1.21 Non payment of sales tax - Rs 1,255.15 million

According to rule 58H (4) of Sales Tax Special Procedures Rules 2007 issued vide SRO 480(I)/2007 dated 09.06.2007, ship breakers shall pay sales tax

@ Rs 4,848 per M.T. (till 31.05.2012) which was revised as Rs 6,700 (w.e.f. 01.06.2012) per metric ton on re-rollable scrap supplied by them. The sales tax liability shall be discharged by ship-breakers either on completion of clearance of goods obtained from breaking of vessel or within the maximum time period allowed, whichever is earlier.

Ten registered persons of RTO Quetta imported 33 vessels/floating ships for breaking purposes weighing 367,236.56 MT during 2011-12. Imported ships were assessed by customs authorities at Custom House Gaddani, and sales tax amounting to Rs 1,255.15 million was declared recoverable upto 15.12.2012 but no sales tax was paid till date. The non payment also attracts default surcharge and penalty leviable under Sections 33 and 34 of the Sales Tax Act, 1990.

The matter was pointed out to the department in March, 2013 but no reply was given by the department. In the DAC meeting held in Jan, 2014, the RTO informed that legal action for recovery had been initiated. The DAC directed the RTO to expedite the legal proceedings and report progress to Audit and FBR by 28.02.2014. Further progress was awaited till finalization of the report.

Audit requires:

- expeditious recovery of government dues,
- fixing of responsibility against the persons at fault.

[DP-5457-ST/K]

4.1.22 Short realization of sales tax by electric supply company - Rs 23.22 million

Section 3 (1) (a) of the Sales Tax Act, 1990 provides that there shall be charged, levied and paid sales tax @ 16% of the value of taxable supplies made by a registered person. Moreover, according to Special Procedure Rule 2007, electric supply company shall charge and pay sales tax at the rate of seven rupees per unit of electricity consumed by the steel melter, re-rollers and composite units of steel melting and rerolling.

RTO Quetta did not realize sales tax from two registered persons who charged sales tax on consumption of electricity units but did not deposit the due

amount of tax in government exchequer during 2011-2012. This resulted into short realization of sales tax of Rs 23.22 million.

The matter was pointed out to the department in Nov, 2013 but no reply was given by the department. In the DAC meeting held in Jan, 2014, the department informed that an amount of Rs 21.28 million was recovered and Rs 1.94 million under recovery. The DAC directed the RTO to expedite recovery and get the recovered amount verified from Audit by 31.01.2014. Further progress was awaited till finalization of the report.

Audit emphasizes:

- expeditious recovery of government dues,
- fixing of responsibility against the defaulters.

[DP-5591-ST/K]

4.1.23 Potential loss of revenue due to non pursuance by the department - Rs 39.68 million

According to section 46 & 47 of the Sales Tax Act 1990, the department aggrieved by an order may prefer an appeal /application in Appellate Tribunal or in High Court. Sales Tax General Order 3/2004 requires that input tax can not be claimed on the sales tax invoices issued by the suspended/black listed registered persons.

LTU Karachi allowed input tax adjustment to a registered person through an Order in Original against sales tax invoices issued by the black listed and suspended registered persons. Since the order-in-original (OIO) passed was contrary to the law and the department was required to prefer an appeal at higher forum against the OIO. The department did not file any appeal. The inaction by the department resulted in potential loss of government revenue amounting to Rs 39.68 million.

The matter was pointed out to the department in August, 2013 but no reply was given by the department. In the DAC meeting held in Jan, 2014, the LTU informed that audit observation was communicated to the tax payer. The DAC directed the LTU to expedite legal action for recovery and submit comprehensive

report to the Audit and FBR by 10.02.2014. Further progress was awaited till finalization of the report.

Audit emphasizes:

- justification for non filing of appeal,
- early recovery of government dues,
- fixing of responsibility against the defaulters.

[DP-5783-ST/K]

4.1.24 Non realization of default surcharge - Rs 2.07 million

According to section 34 of the Sales Tax Act 1990, if a registered person does not pay sales tax due or part thereof in time, he shall in addition to the tax due pay default surcharge at the rate of KIBOR plus three percent per annum of the tax due.

LTU Karachi did not recover the amount of default surcharge leviable under the law from a registered person who paid sales tax later than the due date for the tax period of July, 2012 and Feb, 2013. This resulted in non realization of default surcharge of Rs 2.07 million.

The matter was pointed out to the department in August, 2013 but no reply was given by the department. In the DAC meeting held in Jan, 2014, the LTU informed that audit observation was communicated to the tax payer and reply is awaited. The DAC directed the LTU to expedite legal action for recovery and submit comprehensive report to the Audit and FBR by 10.02.2014. Further progress was awaited till finalization of the report.

Audit emphasizes:

- early recovery of government dues,
- fixing of responsibility against the persons at fault.

[DP-5789-ST/K]

4.1.25 Unlawful adjustment of input tax - Rs 8.91 million

According to SRO 488(I)/2004 dated 12th June, 2004, the registered persons shall not be entitled to reclaim or deduct input tax in case of supplies of filter rods to un-registered persons. The FBR disallowed sale of filter rods to

un-registered persons vide SRO 61(I)/2010 dated 4th Feb, 2010 by rescinding its earlier SRO dated 12th June, 2004.

A registered person of RTO Quetta made taxable supplies of filter rods to unregistered persons valuing Rs 106.57 million which is 17 % of the total supplies and claimed input tax adjustment of entire amount of Rs 53.93 million during the FY 2012-13. The department neither disallowed the input tax adjustment nor stopped the sales of filter rod to the un-registered persons. The inaction by the department resulted in unlawful adjustment of input tax amounting to Rs 8.91 million.

The irregularity was pointed out in Nov, 2013 but no reply was given by the department. In the DAC meeting held in Jan, 2014, the RTO Quetta informed that legal action had been initiated. The DAC directed the RTO Quetta to complete legal action for recovery and report progress to Audit and FBR by 15.02.2014. Further progress was awaited till finalization of the report.

Audit emphasizes:

- investigation of the matter for fixing the responsibility,
- clarification of the matter from FBR to avoid such recurrences.

[DP No. 5634-ST/K]

4.1.26 Short realization of sales tax due to under assessment of sales tax - Rs 3.45 million

According to section 2(46)(a) of the Sales Tax Act, 1990, the value of taxable supply means consideration in money including all federal and provincial duties and taxes which the supplier receives from the recipient in respect of that supply.

LTU Karachi did not realize sales tax from a registered person who failed to include the amount of federal excise duty in the value taken for the purpose of calculation of sales tax during the year 2012-13. This resulted in short realization of sales tax amounting to Rs 3.45 million which also attracts penalty and default surcharge under the law.

The matter was pointed out to the department during June to Dec, 2013 but no reply was given by the department. In the DAC meeting held in Jan, 2014, the LTU informed that audit observation was communicated to the tax payer and reply is awaited. The DAC directed the LTU to expedite legal action for recovery and submit comprehensive report to the Audit and FBR by 10.02.2014. Further progress was awaited till finalization of the report.

Audit emphasizes:

- early recovery of government dues.
- fixing of responsibility against the person at default

[DP-5826-ST/K]

4.2 Refund of Sales Tax

4.2.1 Inadmissible refund of sales tax - Rs 32.75 million

Sales Tax Act, 1990 read with Sales Tax Rules, 2006 and various SROs/instructions issued by FBR, allow payment of refund subject to fulfilment of certain requirements laid therein.

Four field offices of FBR allowed refund of sales tax Rs 32.75 million in nine (09) cases, in violation of various provisions of law attracting penalty and default surcharge under the law as detailed below:

(Rs in million)

Sr. No.	Offices	No. of cases	Amount pointed out	Law violated
1	RTO Peshawar	2	18.42	Chapter 2 of Special Procedure Rules 2007
2	RTO Lahore	2	1.08	SRO 308(I)/2008 dated 24.03.2008 read with Special Procedure Rules, 2007 and Sales Tax Rules, 2006
3	RTO Lahore-II	4	10.00	Section 10 of Sale Tax Act, 1990 read with rule 36 & 38 of Sales Tax Rules, 2006
4	LTU Islamabad	1	3.25	Section 8(1) (ca) of Sales Tax Act, 1990 read with rule 25 of Sales Tax Rules, 2006.
Total		9	32.75	

The matter was pointed out to the department during March to Oct, 2013 but no reply was given by the department. In the DAC meeting held in Jan 2014, the department reported that an amount of Rs 0.36 million was under recovery, Rs 22.76 million under adjudication, Rs 9.20 million under post refund audit whereas an amount of Rs 0.43 million was contested by the department. The DAC directed the department to expedite recovery, adjudication proceedings and complete post refund audit by 28.02.2014. Further progress was not intimated till finalization of the report.

Audit emphasizes:

- early recovery of amount pointed out,
- fixing of responsibility against the persons at fault.

[Annexure-19]

4.2.2 Unlawful sanction of sales tax refund - Rs 34.99 million

According to rule 28 of the Sales Tax Refund Rules 2006, no refund claim shall be entertained if the claimant fails to furnish the claim on Refund Claim Preparation Software along with supportive documents within the prescribed period of 60 days (till 30.06.2008) or within 120 days (w.e.f. 01.07.2008) of the filing of return. In case of a commercial exporter, the period of 60/120 days shall be reckoned from the date when the Bank Credit Advice (BCA) is issued by the concerned bank.

RTO Lahore and LTU Islamabad sanctioned refund in 15 cases which were time barred. This resulted in unlawful sanction of refund of sales tax amounting to Rs 34.99 million during FY 2011-12 which is recoverable along with penalty and default surcharge leviable under the law.

The matter was pointed out to the department in July to Dec, 2013 but no reply was given by the department. In the DAC meetings held in Jan, 2014, the department reported that an amount of Rs 34.41 million was under adjudication whereas an amount of Rs 0.58 million was contested by the department. The DAC directed the department to expedite adjudication process and get position of contested cases verified from Audit by 31.01.2014. Further progress was not intimated till finalization of the report.

Audit emphasizes:

- amount pointed out be made good from the claimants,
- in case of non recovery from the claimants, recovery may be affected from the salaries of refund sanctioning authorities.

[Annexure-20]

4.2.3 Excess payment of sales tax refund - Rs 306.16 million

Sales Tax Act, 1990 read with Sales Tax Rules, 2006 and various SROs issued by FBR allow payment of refund subject to fulfilment of certain requirements.

Eleven field formations of FBR paid refund of sales tax of Rs 306.16 million in forty one (41) cases in excess of refund due in violation of various provisions of law as follows:

(Rs in million)

Sr. No.	Offices	No. of cases	Amount	Law/rule violated
1	RTO Lahore	9	106.78	Section 10(1) of Sales Tax Act, 1990, Rule 33 of Sales Tax Rules, 2006
2	RTO Lahore-II	1	4.23	Section 10(1) of Sales Tax Act, 1990, Rule 33 of Sales Tax Rules, 2006
3	RTO Faisalabad	12	21.78	Section 10(1) of Sales Tax Act, Rule 33 of Sales Tax Rules, 2006, SRO 644(I)/2007 dated 27-06-2007
4	RTO Peshawar	1	0.86	Section 10(2) of Sales Tax Act, 1990, Rule 33 of Sales Tax Rules, 2006
5	RTO Multan	2	3.44	Rule 33 of Sales Tax Rules, 2006
6	LTU Islamabad	8	154.41	Section 10(1)(2) of Sales Tax Act, Rule 34(2) of Sales Tax Rules, 2006, 38(1) of Sales Tax Special Procedures Rule, 2007
7	RTO Abbottabad	3	1.48	Section 10(2) of Sales Tax Act, 1990
8	RTO Gujranwala	1	0.10	Section 10(1) of Sales Tax Act, 1990, Rule 33 of Sales Tax Rules, 2006
9	RTO Hyderabad	1	0.29	Section 7(2) of the Sales Tax Act, 1990
10	RTO Sukkur	1	0.23	Section 7(2) of the Sales Tax Act, 1990
11	RTO Quetta	2	12.56	Rule 33&38 of Sales Tax Rules, 2006
Total		41	306.16	

The matter was pointed out to the department during July to Dec, 2013 but no reply was given by the department. In the DAC meetings held in Jan 2014, the department reported that an amount of Rs 8.06 million under recovery, Rs 159.95 million under adjudication, Rs 13.08 million were pending for action by the department, Rs 8.17 million was vacated whereas an amount of Rs 116.90 million was contested by the department. The DAC settled the para to the extent of vacated amount subject to verification by Audit and directed the department to expedite recovery, legal action, adjudication process and get recovered amount and contested cases verified from Audit by 31.01.2014 and 15.02.2014. Further progress was awaited till finalization of the report.

Audit emphasizes:

- expeditious recovery of amount pointed out,
- fixing of responsibility against the persons at fault.

[Annexure-21]

4.2.4 Unlawful refund of sales tax - Rs 60.63 million

According to SRO 179(I)/2013 dated 7th March, 2013, Federal Government directed that all registered persons who claimed zero rating on supplies made by them under SROs 283,1058 & 1125(1)/2011 during the period from 01.04.2011 to 28.02.2013 may, with respect to all or part of such supplies on which due tax has not been paid and irrespective of the past or present registration status of the buyers, pay sales tax at the rate of 2% of the value of such supplies through special sales tax return, alongwith details of all sales tax invoices against which such payment is being made, without any default surcharge and penalty, provided such payment is made on or before 31.03.2013; this notification shall not entitled any person to claim refund or adjustment against any sales tax paid on such supplies at a higher rate.

RTO, Multan did not take action in case of two registered persons who deposited tax at the rate of 2% under the above mentioned SRO and claimed refund on the supplies declared to have been made to the registered persons but the same were not actually received by the respective buyers. Due to non confirmation of supplies to registered buyers, status of zero rating could not be

established, hence refund of sales tax amounting to Rs 60.63 million is held unlawful during the FY 2012-13.

The matter was pointed out to the department in March to Dec, 2013 but no reply was given by the department. In the DAC meeting held in Jan, 2014, the RTO, Multan informed that audit observation has been communicated to the taxpayer and reply is awaited. The DAC directed the RTO Multan to expedite legal proceedings and report progress to Audit and FBR by 28.02.2014. Further progress was awaited till finalization of the report.

Audit emphasizes:

- recovery of amount pointed out,
- appropriate action against the persons at fault.

[DP No. 14503-STR]

4.2.5 Refund of sales tax and special excise duty against exempt supplies - Rs 7,212.14 million

a) As provided in section 13(1) read with 6th schedule of the Sales Tax Act, 1990, the supply of tractors have been exempted from the chargeability of sales tax.

Conflicting with the above provision of the law, FBR issued SRO 706 (I) /2010 dated 2nd August 2010 by exercising its powers under section 13(2) of the law *ibid* wherein the input tax on agriculture tractors was exempted to the tractor manufacturers by way of refund subject to the condition that “*manufacturer shall sell exempt agricultural tractors against proper tax invoice with zero sales tax at the price agreed with federal government*”. The condition “at the price agreed with the Federal Government” was also deleted on 28.04.2007. Audit is of the view that through said SRO, supply of tractors have been turned zero rated whereas it was an exempt commodity as contained in the 6th schedule to the Act *ibid*. The refund of input tax against supply of tractors by treating them as zero rated through a SRO was in conflict with the basic provisions of the Act. Hence refund sanctioned in this way was unlawful causing a loss of government revenue to the tune of Rs 7,069.311 million during 66 tax periods in case of one manufacturer only as per information available to Audit.

This was pointed out in June, 2013 and referred to FBR in Oct, 2013. In Nov, 2013, the LTU, Lahore informed that refund of sales tax was allowed as per existing law/rules/instructions of FBR. As per sections 72 and 42 of the Sales Tax Act, 1990 and Federal Excise Act, 2005, the field officers were bound by such law/rules/instructions of FBR. As such no loss occurred on the part of officers of LTU. Audit is of the view that administrative officers were bound to comply with the provisions of the Act of the parliament in public interest rather to blindly follow the instructions of FBR while sanctioning of such refunds. Hence, the reply given by the department is irrelevant and not tenable.

b) Special excise duty was levied under section 3A of the Federal Excise Act, 2005 on goods specified in SRO 655(1)/2007 dated 29-06-2007. Later on special excise duty was exempted vide SRO 675 (1)/2011 dated 01.07.2011 issued under section 16(2) of the Act *ibid*, effective from 01.07.2007 by way of refund to the purchaser i.e. manufacturer of tractors.

After issuance of SRO of 2007, vendors of agriculture tractors kept on charging this duty and the same was also being paid by the tractor manufacturers while making taxable supplies. Tax authorities of FBR allowed a refund of special excise duty (SED) to M/s Millat Tractors (Pvt.) Ltd. by giving the benefit of SRO dated 01.07.2011 from back date i.e 01.07.11 to the taxpayer. Audit is of the view that section 16(2) of the Federal Excise Act, 2005 does not empower the Federal Government to exempt duty from retrospective effect as specifically allowed in case of sales tax under section 13(4) of the Sales Tax Act, 1990. Hence refund of SED of Rs 242.826 million to Millat Tractors (Pvt.) Ltd. allowed during July 2007 to May 2011 was unlawful. Moreover, the amount of special excise duty became part of the price of tractor and was passed on to consumers / farmers. In this way, tractor manufacturers enjoyed double benefit i.e higher prices of product and refund from retrospective date. To ascertain the facts, FBR authorities were requested to provide procedure and policy/correspondence files of issuance of SROs which were not provided by FBR despite repeated verbal and written requests.

The issue was pointed out to the department in June, 2013 and referred to FBR in Oct, 2013. In Nov, 2013, the LTU, Lahore informed, that officers of LTU allowed refund of special excise duty as per sections 72 and 42 of Sales

Tax Act, 1990 and Federal Excise Act, 2005. The reply was irrelevant and not addressing the issue.

In the DAC meeting held in Jan, 2014, the FBR replied that Federal Government decided to exempt the sales tax on supply of agricultural tractors to farmers at affordable price to enhance agricultural output. FBR implemented the decision of the Federal Government in letter and spirit to reduce the prices of tractors but evidence to this effect was not produced to Audit. The DAC directed FBR to provide an explanation as to whether the SRO issued was in conflict with the law of the Sales Tax Act or not. Audit further observed from the study of the document provided by the FBR that the SRO was not in consonance with the decision taken by the Federal Government.

Audit emphasizes:

- expeditious recovery of government dues,
- issuance of SROs conflicting with Acts of the Parliament needs justification,
- SROs pertaining to exemptions, concessions and zero rating of supplies, issued during a financial year should be placed before Parliament for approval,
- the benefit of SROs should be extended on merit but SRO should not defeat the intention of the Act of Parliament. Public interest should be kept in view while issuing SROs / clarifications,
- fixing of responsibility for issuance of SROs conflicting with Acts.

[DP No.14231- Report on Mega Issue]

4.3 Federal Excise Duty

4.3.1 Non/short payment of the federal excise duty - Rs 3,886.74 million

- a) According to Section 3(1) d of the Federal Excise Act, 2005 read with rules 43A (2), 44, & 47 of the Federal Excise Rules, 2005, the duty shall be paid by the franchisee, or as the case may be, the head office of the franchisee at the rate of 10% of the value of taxable services, which shall be the gross amount or the franchise fee or the deemed franchise fee or technical fee or royalty charged by the franchiser from the franchisee for using the right to deal with the goods or services of the franchiser.

LTU, Islamabad did not realize federal excise duty from eleven (11) registered persons who paid royalty, franchise fee, management fee, management charges and technical assistance fee to their holding companies during the FYs 2007-2013. The issue of same nature had already been upheld for recovery in quasi judicial process. This resulted in non realization of federal excise duty of Rs 3,551.41 million which also attracts levy of default surcharge and penalty under the law.

[DP No 13871-FED]

- b) Section 3(1)(a) of the Federal Excise Act, 2005 provides that, there shall be levied and collected federal excise duty on the goods produced or manufactured in Pakistan at the rate specified in first schedule to the Act *ibid*.
- i) LTU Islamabad did not realize federal excise duty from a registered person who declared value of excisable goods of Rs 15,828.79 million in sales tax returns for the FYs 2009-10, 2010-11 & 2011-12. While comparison of his income tax returns filed for the same period, it transpired that the registered person had declared sales worth of Rs 16,697.86 million which were on the higher side to the tune of Rs 869.064 million. This resulted in short-realization of federal excise duty of Rs 67.89 million due to suppression of sales. The lapse also attracts penalty and default surcharge leviable under the law.

[DP No 13889-FED]

- ii) RTO, Multan did not realize federal excise duty on supply of ghee manufactured from locally produced oil. This resulted in non payment of federal excise duty of Rs 267.44 million which also attracts penalty and default surcharge leviable under the law.

[DP No 14253-FED]

The matter was pointed out to the department during March to Dec, 2013 but no reply was given by the department. In the DAC meeting held in Jan, 2014, LTU, Islamabad informed that an amount of Rs 19.47 million had been recovered, Rs 54.07 million was under adjudication, Rs 9.67 million was under recovery and about Rs 3,536.09 million, it was informed that legal action was already initiated. The RTO, Multan informed that audit observation involving amount of Rs 267.44 million has been communicated to the taxpayer and reply is awaited. The DAC directed the LTU, Islamabad to get the position verified from Audit and expedite recovery/adjudication proceedings by 31.01.2014 and directed the RTO, Multan to expedite legal proceedings and report progress to Audit and FBR by 28.02.2014. Further progress was not received till finalization of the report.

Audit emphasizes:

- expeditious recovery and adjudication process,
- strengthening of internal controls to avoid recurrence in future,
- fixing of responsibility against the responsible(s).

4.3.2 Non/short-payment of special excise duty - Rs 12.34 million

Under section 3A of the Federal Excise Act, 2005 read with SRO 655(I)/2007 dated 29th June, 2007, there shall be levied, collected and paid special excise duty at the rate of 1% of the value of the specified goods produced, manufactured or imported in Pakistan except the goods excluded in the said SRO. Non/short/late-payment of duty also attracts levy of penalty and default surcharge under sections 8 and 19 of the Act *ibid*.

Four offices of FBR did not realize special excise duty from forty four (44) registered persons on the goods manufactured during the year 2010-11. The

omission caused non/short payment of special excise duty Rs 12.34 million attracting penalty and default surcharge under the law.

The lapse was pointed out to the department during July to Dec, 2013. In the DAC meetings held in Jan 2014, the department reported that an amount of Rs 9.01 million was under recovery whereas an amount of Rs 3.33 million was under adjudication. The DAC directed the department to expedite recovery by 31.01.2014 and complete adjudication within stipulated period. Further progress was awaited till the finalization of the audit report.

Audit emphasizes:

- expeditious recovery of amount pointed out,
- justification of inaction by the department.

[Annexure-22]

4.3.3 Non recovery of adjudged amount of federal excise duty - Rs 48.86 million

According to section 14(3) of Federal Excise Act, 2005, where any amount of duty levied and penalty imposed or any other amount payable under this Act is due from any person, such amount or sum shall be recovered in such manner as is prescribed under this Act or rules made there under.

LTU, Islamabad did not recover adjudged amount of federal excise duty from a registered person in the financial year 2011-12 despite lapse of stipulated period of time. This resulted in undue delay in recovery of government dues amounting Rs 48.86 million.

The lapse was pointed out to the department in April, 2013, but no reply was given by the department. In the DAC meetings held in Jan, 2014, the LTU Islamabad informed that amount is under recovery. The DAC directed the LTU to expedite recovery and report progress to Audit and FBR by 31.01.2014. Further progress was awaited till finalization of the report.

Audit requires:

- expeditious recovery of adjudged amount,

- justification for inaction by the concerned.

[DP No.13886-ST]

4.3.4 Short realization of federal excise duty - Rs 82.72 million

According to SRO 77(I)/2013 dated 07.02.2013, the Federal Government specify the rate of duty @ 0.5 percent instead of 8 percent on local supply of white crystal sugar equivalent to quantity exported as per quota allotted by ECC.

RTO Sukkur did not realize federal excise duty from four registered persons who charged concessionary rate of FED @ 0.5 % on the value of local supply of crystal white sugar during February to June, 2013 without proof of export of sugar required to avail the concessionary rate of duty as per quota approved by the ECC. This resulted into short payment of federal excise duty of Rs 82.72 million.

The matter was pointed out to the department during Oct to Dec, 2013 but no reply was received from department. In the DAC meetings held in Jan, 2014, the RTO Sukkur informed that one case of Rs 45.92 million pertains to LTU Karachi and remaining three cases of Rs 36.80 million were under examination. The DAC directed the RTO Sukkur to transfer the para to LTU Karachi, obtain incorporation certificate from LTU Karachi and expedite legal action for recovery in remaining cases under intimation to Audit and FBR by 15.02.2014. Further progress was awaited till finalization of the report.

Audit emphasizes:

- expeditious recovery of government dues.
- fixing of responsibility against the persons at fault.

[DP-5594 & 5601-ST/K]

4.3.5 Non realization of federal excise duty - Rs 22.40 million

According to Duty and Tax Remission for Export Rules (DTRE), applicant/user is required to make an application, specification, specifying the quantity, value and description etc. of the goods intended to be exported, to be fed in PaCCS and after export the user/registered person to submit a reconciliation statement, in prescribed form, to the regulatory collector to avail the DTRE.

LTU, Karachi allowed exemption of duty to a registered person on export of goods under DTRE scheme during the year 2011-12 without documentary evidence like reconciliation statement, bills of export and DTRE approval for availing remission. The inaction on the part of the department resulted in non realization of duty of Rs 22.40 million attracting penalty and default surcharge under the law.

The matter was pointed out to the department during April to July, 2013 but no reply was given by the department. In the DAC meetings held in Jan, 2014, the LTU Karachi informed that audit observation was communicated to the tax payer and reply is awaited. The DAC directed the LTU Karachi to expedite legal action for recovery of government dues and submit comprehensive report to the Audit and FBR by 10.02.2014. Further progress was awaited till finalization of the report.

Audit emphasizes:

- production of the requisite documents as proof of export.
- fixing of responsibility against the responsible.

[DP-5469-ST/K]

4.3.6 Short realization of federal excise duty on air tickets-Rs 23.33 million

According to first schedule to the Federal Excise Act 2005 as amended vide SRO 47(I)/2012 dated 20.01.2012, the rate of duty on international travelling service falling under heading 9803.1100(b) (i) (ii) was enhanced from Rs 3240/4240 to Rs 3340 / 4340 respectively per each air ticket.

LTU, Karachi did not realize the federal excise duty on international air tickets from three airlines at the enhanced rates issued during the tax period Jan, and Feb, 2012. This resulted in loss of government revenue amounting to Rs 23.33 million attracting penalty and default surcharge under the law.

The matter was pointed out to the department in August, 2013 but no reply was given by the LTU Karachi. In the DAC meetings held in Jan, 2014, the LTU Karachi informed that audit observation was communicated to the tax payer and reply is awaited. The DAC directed the LTU to expedite legal action for recovery of government dues and submit comprehensive report to the Audit and FBR by 10.02.2014. Further progress was awaited till finalization of the report.

Audit emphasizes:

- expeditious recovery of government dues,
- fixing of responsibility against the defaulters.

[DP-5786-ST/K]

4.4 Income Tax

4.4.1 Non levy of minimum tax on the income of certain persons - Rs 4,309.56 million

Under section 113 of the Income Tax Ordinance 2001, minimum tax is chargeable at the applicable rates in case of resident company on turnover declared from all sources. Further, association of persons and an individual having turnover of fifty million or above are also chargeable to minimum tax.

In eighteen field formations of FBR, the minimum tax was not charged in 455 cases where, for any reason, no tax was payable due to loss or tax paid was less than the minimum tax payable. This resulted in non/short levy of tax amounting to Rs 4,309.56 million.

The irregularity was pointed out during March to Nov, 2013. The department replied that an amount of Rs 6.04 million has been recovered and verified by Audit. An amount of Rs 63.38 million was charged but not yet recovered. The cases of Rs 3,552.86 million were reported as under process. Record was not provided in the cases involving Rs 388.73 million. Cases involving Rs 154.86 million were reported as subjudice. No reply was furnished for the cases involving Rs 143.69 million. The DAC in its meetings held in Jan, 2014, directed the department to expedite recovery of the charged amount for Rs 63.38 million, finalize the proceedings in pending cases, pursue subjudice cases, provide record and furnish reply by 31th Jan, 2014. Further progress was not reported till finalization of the report.

Audit emphasizes:

- recovery of the amount involved,
- finalization of the proceedings in under process cases,
- pursuance of subjudice cases at appropriate fora,
- production of record to audit for verification,
- taking of appropriate action against persons responsible for providing undue benefit to the taxpayers.

[Annexure-23]

4.4.2 Short levy of tax due to incorrect computation of taxable income - Rs 245.91 million

According to section 221 of the Income Tax Ordinance, 2001 any income tax authority may amend any order passed by him to rectify any mistake apparent from record on his own motion or any mistake brought to his notice by a taxpayer.

In four field formations of FBR, taxable income of fifteen taxpayers was under assessed due to calculation mistakes which were not rectified according to the above provisions of law. This resulted in short levy of tax Rs 245.91 million.

The irregularity was pointed out during March to Nov, 2013. The department reported that an amount of Rs 245.91 million was under process. The DAC in its meetings held in Jan, 2014, directed the department to finalize the proceedings and furnish reply by 31th Jan, 2014. Further progress was not reported till finalization of the report.

Audit emphasizes:

- finalization of the proceedings in under process cases,
- taking of appropriate action against persons responsible for providing undue benefit to the taxpayers.

[Annexure-24]

4.4.3 Short levy of tax due to non-allocation of proportionate expenses - Rs 2,418.42 million

Section 67 of the Income Tax Ordinance, 2001 read with rule 13 of the Income Tax Rules, 2002 provides for apportionment of expenses amongst various types of business activities carried out by a taxpayer to arrive at taxable income.

In nine field formations of FBR, expenses claimed in trading and profit and loss accounts were not apportioned as per law among various types of business activities carried out by the taxpayers which resulted in short levy of tax for Rs 2,418.42 million in 51 cases.

The irregularity was pointed out during March to Nov, 2013. The department reported that cases of Rs 2,029.27 million were under process. Record was not provided in the cases involving Rs 253.98 million. No reply was furnished for the cases involving Rs 135.17 million. The DAC in its meetings held in Jan, 2014, directed the department to finalize the proceedings in pending cases, provide record and furnish reply by 31th Jan, 2014. Further progress was not reported till finalization of the report.

Audit emphasizes:

- finalization of the proceedings in under process cases,
- production of record and reply to Audit for verification,
- taking of appropriate action against persons responsible for providing undue benefit to the taxpayers.

[Annexure-25]

4.4.4 Non levy of tax on unexplained income or assets - Rs 6,651.69 million

According to section 111 of the Income Tax Ordinance 2001, where a person has credited any amount in the books of accounts, or has made any investment or is the owner of any moveable or valuable article and such person offers no explanation about source of the amount not adequately explained shall be chargeable to tax.

In twelve field formations of FBR, un-explained income or assets were not probed in violation of the above provision of law which resulted in non levy of tax amounting to Rs 6,651.69 million in 41 cases.

The irregularity was pointed out during March to Nov, 2013. The Department reported that the cases of Rs 4,454.54 million were under process. Record was not provided in the cases involving Rs 2,197.15 million. The DAC in its meetings held in Jan, 2014, directed the department to finalize the proceedings in pending cases, provide record and furnish reply by 31th Jan, 2014. Further progress was not reported till finalization of the report.

Audit emphasizes:

- finalization of the proceedings in under process cases,
- production of record/reply to audit for verification,

- taking of appropriate action against persons responsible for providing undue benefit to the taxpayers.

[Annexure-26]

4.4.5 Short levy of tax due to non-taxation of income received under the head “Income from Other Sources” - Rs 3,415.43 million

According to section 39 of the Income Tax Ordinance, 2001 income of any kind received by a person in a tax year, if it is not included in any other head other than income exempt from tax under this Ordinance, shall be chargeable to tax in that year under the head “Income from Other Sources”.

In five field formations of FBR, taxable income was under assessed due to non-accountal of interest income earned from profit on debt, loan waived off etc, which was chargeable to tax under above provision of law. The department did not charge tax on such income, resulting in short levy of tax amounting to Rs 3,415.43 million in 22 cases.

The irregularity was pointed out during March to Nov, 2013. The department reported that cases of Rs 575.01 million were under process. Record was not provided in the cases involving Rs 1,974.15 million. Cases involving Rs 866.27 million were reported as subjudice. The DAC in its meetings held in Jan, 2014, directed the department to finalize the proceedings in pending cases, pursue subjudice cases and provide record by 31th Jan, 2014. Further progress was not reported till finalization of the report.

Audit emphasizes:

- finalization of the proceedings in under process cases,
- pursuance of subjudice cases at appropriate fora,
- production of record to audit for verification,
- taking of appropriate action against persons responsible for providing undue benefit to the taxpayers.

[Annexure-27]

4.4.6 Short levy of tax due to incorrect application of tax rates - Rs 2,078.62 million

Tax liability of taxpayers is determined according to rates specified in the First Schedule to the Income Tax Ordinance, 2001.

In seven field formations of FBR, income tax of Rs 2,078.62 million was short levied in 15 cases due to incorrect application of tax rates on assessed income of the taxpayers.

The irregularity was pointed out during March to Nov, 2013. The department replied that an amount of Rs 0.41 million was charged but not yet recovered. The cases of Rs 2,023.26 million were reported as under process. Record was not provided in the cases involving Rs 54.95 million. The DAC in its meetings held in Jan, 2014, directed the department to expedite recovery of the charged amount for Rs 0.41 million, finalize the proceedings in pending cases and provide record by 31th Jan, 2014. Further progress was not reported till finalization of the report.

Audit emphasizes:

- recovery of the amount involved,
- finalization of the proceedings in under process cases,
- production of record to audit for verification,
- taking of appropriate action against persons responsible for providing undue benefit to the taxpayers.

[Annexure-28]

4.4.7 Short levy of tax due to inadmissible deductions-Rs 1,094.38 million

According to section 21 of the Income Tax Ordinance, 2001 certain deductions are inadmissible to a taxpayer while calculating income earned under the head “Income from Business” assessable under section 18 *ibid*.

In ten field formations of FBR, inadmissible deduction such as, personal expenses of taxpayers, expenses where no withholding tax was made by the taxpayer, expenses where payments were made other than banking channel were allowed to the taxpayers while calculating taxable income. This resulted in under

assessment of income causing short levy of tax of Rs 1,094.38 million in 43 cases.

The irregularity was pointed out during March to Nov, 2013. The department reported that the cases of Rs 1,071.82 million were under process. Record was not provided in the cases involving Rs 4.18 million. No reply was furnished in cases involving Rs 18.38 million. The DAC in its meetings held in Jan, 2014, directed the department to finalize the proceedings in pending cases, provide record and furnish reply by 31th Jan, 2014. Further progress was not reported till finalization of the report.

Audit emphasizes:

- finalization of the proceedings in under process cases,
- production of record/reply to audit for verification,
- taking of appropriate action against persons responsible for providing undue benefit to the taxpayers.

[Annexure-29]

4.4.8 Short realization of tax due to grant of excess advance tax deductions - Rs 109.77 million

Advance tax deducted at source as withholding tax under sections 148, 153, 233, 235, 236 and payment of tax as advance tax under section 147 of the Income Tax Ordinance, 2001, is allowable to a taxpayer while computing the tax liability of the taxpayer.

In three field formations of FBR, excess credit of advance tax payments was allowed in 06 cases. This resulted in short realization of tax amounting to Rs 109.77 million.

The irregularity was pointed out during March to Nov, 2013. The department reported that cases of Rs 66.52 million were under process. Record was not provided in the cases involving Rs 43.25 million. The DAC in its meetings held in Jan, 2014, directed the department to finalize the proceedings in pending cases and provide record by 31th Jan, 2014. Further progress was not reported till finalization of the report.

Audit emphasizes:

- finalization of the proceedings in under process cases,
- production of record to audit for verification,
- taking of appropriate action against persons responsible for providing undue benefit to the taxpayers.

[Annexure-30]

4.4.9 Non-realization of withholding tax - Rs 24,151.60 million

Section 161 of the Income Tax Ordinance, 2001 provides that a person who fails to deduct or having deducted fails to pay the withholding tax deducted, is personally liable to pay the amount of tax along with default surcharges under section 205 of the Ordinance for the period of default.

In sixteen field formations of FBR, five hundred and fourteen withholding agents did not deduct tax while making payments. The irregularity required legal action which was not initiated by the department which deprived the government of revenue amounting to Rs 24,151.60 million.

The department replied that an amount of Rs 213.28 million has been recovered and verified by Audit. An amount of Rs 8.06 million was charged but not yet recovered. The cases of Rs 19,362.98 million were reported as under process. Record was not provided in the cases involving Rs 3,817.94 million. Cases involving Rs 1.74 million were reported as subjudice. No reply was furnished in the cases involving Rs 747.60 million. The DAC in its meetings held in Jan, 2014, directed the department to expedite recovery of the charged amount for Rs 8.06 million, finalize the proceedings in pending cases, pursue subjudice cases, provide record and furnish reply by 31th Jan, 2014. Further progress was not reported till finalization of the report.

Audit emphasizes:

- recovery of the amount involved,
- finalization of the proceedings in under process cases,
- pursuance of subjudice cases at appropriate fora,
- production of record/reply to audit for verification,

- taking of appropriate action against persons responsible for providing undue benefit to the taxpayers.

[Annexure-31]

4.4.10 Loss of revenue for non-treating the tax collected or deducted as a final tax - Rs 740.19 million

According to section 169(3) of the Income Tax Ordinance 2001, where the income derived by a person in a tax year on account of contracts, supplies, commercial imports etc, is subject to final taxation, an assessment in such cases shall be treated to have been made by filing statement under section 115 (4) instead of furnishing return under section 114 of the Ordinance.

In six field formations of FBR, income of twenty taxpayers were assessed under normal tax regime by considering the final tax liability as adjustable instead of treating the amount as final taxation as per above provision of the law. This resulted in loss of revenue amounting to Rs 740.19 million.

The irregularity was pointed out during March to Nov, 2013. The department reported that cases of Rs 59.21 million were under process. Record was not provided in the cases involving Rs 315.07 million. No reply was furnished for the cases involving Rs 365.91 million. The DAC in its meetings held in Jan, 2014, directed the department to finalize the proceedings in pending cases, provide record and furnish reply by 31th Jan, 2014. Further progress was not reported till finalization of the report.

Audit emphasizes:

- finalization of the assessment proceedings in under process cases,
- production of record/reply to audit for verification,
- taking of appropriate action against persons responsible for providing undue benefit to the taxpayers.

[Annexure-32]

4.4.11 Non-levy of default surcharge for late payment of assessed tax / penalty - Rs 714.78 million

According to section 205 (1) of the Income Tax Ordinance, 2001 where a person fails to pay any tax or penalty on or before the due date of payment shall be liable for default surcharge at the rate equal to KIBOR plus three percent per quarter on the tax, and penalty or other amount unpaid.

In twelve field formations of FBR, one thousand nine hundred and thirty three taxpayers did not pay the due tax within the specified time but the default surcharge as per above provisions of law was not levied resulting non realization of default surcharge amounting to Rs 714.78 million.

The irregularity was pointed out during March to Nov, 2013. The department replied that an amount of Rs 0.28 million has been recovered and verified by Audit. An amount of Rs 0.66 million was charged but not yet recovered. The cases of Rs 712.54 million were reported as under process. Record was not provided in the cases involving Rs 1.30 million. The DAC in its meetings held in Jan, 2014, directed the department to expedite recovery of the charged amount for Rs 0.66 million, finalize the proceedings in pending cases, provide record and furnish reply by 31th Jan, 2014. Further progress was not reported till finalization of the report.

Audit emphasizes:

- recovery of the amount involved,
- finalization of the assessment proceedings in under process cases,
- production of record/reply to audit for verification,
- taking of appropriate action against persons responsible for providing undue benefit to the taxpayers.

[Annexure-33]

4.4.12 Non / short levy of tax due to incorrect adjustment of brought forward losses - Rs 542.82 million

Under section 57 of the Income Tax Ordinance, 2001, where a taxpayer sustained a loss in any tax year under the head income from business, this loss

could be carried forward to the following six tax years and set-off against profit and gains of such business.

In five field formations of FBR, income of six taxpayers was assessed at losses, and the said losses were incorrectly carried forward and set off against business income chargeable to tax. This resulted in non/short levy of tax of Rs 542.82 million.

The irregularity was pointed out during March to Nov, 2013. The department reported that cases of Rs 459.25 million were under process. No reply was furnished in the cases involving Rs 83.57 million. The DAC in its meetings held in Jan, 2014, directed the department to finalize the proceedings in pending cases and furnish reply by 31th Jan, 2014. Further progress was not reported till finalization of the report.

Audit emphasizes:

- finalization of the proceedings in under process cases,
- furnishing of reply to audit for verification,
- taking of appropriate action against persons responsible for providing undue benefit to the taxpayers.

[Annexure-34]

4.4.13 Non levy of tax due to incorrect grant of exemption-Rs 583.89 million

According to section 53 of the Income Tax Ordinance, 2001, income or classes of income, or persons or classes of persons, specified in the Second Schedule shall be exempt from tax subject to the condition and to the extent specified therein.

Eight taxpayers under the jurisdiction of three field formation of FBR claimed exemption which was also allowed by the Department without fulfilling the conditions such as non submission of annual accounts, statement of income, donation received, money paid, list of donees and beneficiaries etc. This resulted in non realization of tax amounting to Rs 583.89 million

The irregularity was pointed out during March to Nov, 2013. The department reported that cases of Rs 580.46 million were under process. Cases

involving Rs 3.43 million were reported as subjudice. The DAC in its meetings held in Jan, 2014, directed the department to finalize the proceedings in pending cases and pursue subjudice cases. Further progress was not reported till finalization of the report.

Audit emphasizes:

- finalization of the proceedings in under process cases,
- pursuance of subjudice cases at appropriate for a,
- taking of appropriate action against persons responsible for providing undue benefit to the taxpayers.

[Annexure- 35]

4.4.14 Non payment of tax along with return - Rs 1,208.34 million

According to section 137 of the Income Tax Ordinance, 2001 tax payable by a taxpayer on his taxable income (including the tax payable under section 113 or 113A) for a tax year shall be due on the due date for furnishing the taxpayer's return of income for that year.

Two hundred and forty five taxpayers under the jurisdiction of seven field formations of FBR did not pay admitted tax liability along with return as per above provision of law. The Department did not initiate the legal proceedings for recovery of due tax, which deprived the government of revenue amounting to Rs 1,208.34 million.

The irregularity was pointed out during March to Nov, 2013. The department replied that an amount of Rs 78.05 million has been recovered and verified by audit. Cases of Rs 1,130.29 million were under process. The DAC in its meetings held in Jan, 2014, directed the department to finalize the proceedings in pending cases and furnish reply by 31th Jan, 2014. Further progress was not reported till finalization of the report.

Audit emphasizes:

- finalization of the proceedings in under process cases,
- taking of appropriate action against persons responsible for providing undue benefit to the taxpayers.

[Annexure-36]

4.4.15 Short recovery of tax due to incorrect computation of tax - Rs 269.62 million

According to section 11 of the Income Tax Ordinance 2001, the computation of total income under the heads, salary, income from property, income from business, capital gain and income from other sources are made for imposition of tax.

In fifty five cases assessed under the jurisdiction of eight field formations of FBR, the tax liability was not calculated according to above provision of law resulting in short recovery of tax amounting to Rs 269.62 million.

The irregularity was pointed out during March to Nov, 2013. The department replied that an amount of Rs 2.84 million has been recovered and verified by audit. An amount of Rs 15.82 million was charged but not yet recovered. The cases of Rs 250.32 million were reported as under process. No reply was furnished in the cases involving Rs 0.64 million. The DAC in its meetings held in Jan, 2014, directed the department to expedite recovery of the charged amount for Rs 15.82 million, finalize the proceedings in pending cases and furnish reply by 31th Jan, 2014. Further progress was not reported till finalization of the report.

Audit emphasizes:

- recovery of the amount involved,
- finalization of the proceedings in under process cases.
- furnishing of reply to audit for verification.
- taking of appropriate action against persons responsible for providing undue benefit to the taxpayers.

[Annexure-37]

4.4.16 Improper pursuance / pleading of subjudice cases - Rs 1,096.11 million

According to section 131 of the Income Tax Ordinance, 2001, where the taxpayer or Commissioner objects to an order passed by the Commissioner (Appeals), the taxpayer or Commissioner, may appeal to the Appellate Tribunal against such order. Further, according to section 133 the aggrieved person or the

Commissioner, may file a reference application to High Court within ninety days of the order of the Appellate Tribunal.

In four field formations of FBR, in 46 cases the appellate authorities passed the order against the department on grounds such as, the taxpayer was not communicated on the specific issue, show cause notice was not properly served upon the taxpayer and impugned assessment orders passed by the assessing officers/authorities suffers from legal and factual infirmities. Further, the reference application was not filed in the High Court by the department in the cases where question of law was involved. Due to non pleading of the cases the government sustained revenue loss amounting to Rs 1,096.11 million.

The irregularity was pointed out during March to Nov, 2013. Similar lapses were also pointed out in Audit Report 2011-12. The department reported that reassessment proceedings in cases of Rs 1,037.25 million were under process. Cases involving Rs 58.86 million were reported as subjudice. The DAC in its meetings held in Jan, 2014, directed the department to finalize the proceedings in pending cases and pursue subjudice cases by 31th Jan, 2014. Further progress was not reported till finalization of the report.

Audit emphasizes:

- finalization of the proceedings in under process cases,
- pursuance of subjudice cases at appropriate fora,
- taking of appropriate action against persons responsible for providing undue benefit to the taxpayers.

[Annexure-38]

4.4.17 Short levy of tax due to grant of inadmissible depreciation allowance -Rs 43.66 million

According to section 22 of the Income Tax Ordinance 2001 a person shall be allowed a deduction for the depreciation of the persons depreciable assets used in the business of the person in the tax year. The depreciation deduction shall be computed by applying the rates specified in the Third Schedule against the written down value of assets.

Seven taxpayers under the jurisdiction of three field formations of FBR, either claimed excess depreciation on written down value or claimed accounting

depreciation which is not allowable as per law. The excess allowance of depreciation resulted in short assessment of income and consequent loss of revenue amounting to Rs. 43.66 million.

The irregularity was pointed out during March to Nov, 2013. The department replied that an amount of Rs 3.42 million has been charged but not yet recovered. Cases of Rs 40.24 million were reported as under process. The DAC in its meetings held in Jan, 2014, directed the department to recover the charged amount and finalize the proceedings in pending cases by 31th Jan, 2014. Further progress was not reported till finalization of the report.

Audit emphasizes:

- recovery of the amount involved,
- finalization of the proceedings in under process cases,
- taking of appropriate action against persons responsible for providing undue benefit to the taxpayers.

[Annexure-39]

4.4.18 Incorrect adjustment of tax on services - Rs 1,412.93 million

According to sub section 3 (b) of section 153 (1) (b) of the Income Tax Ordinance, 2001 tax deducted for rendering of or providing of services shall be minimum. As such, no refund is allowable to the taxpayer on account of tax deductions on services.

Ninety one taxpayers of seven field formations of FBR claimed inadmissible refund despite the fact that the tax deductions on services rendered was minimum tax of the tax liability and no refund was allowable to the taxpayer. This resulted into incorrect adjustment of tax amounting to Rs 1,412.93 million.

The irregularity was pointed out during March to Nov, 2013. The department reported that cases of Rs 1,412.79 million were under process. Record was not provided in the cases involving Rs 0.14 million. The DAC in its meetings held in Jan, 2014, directed the department to finalize the assessment proceedings in pending cases and provide record by 31th Jan, 2014. Further progress was not reported till finalization of the report.

Audit emphasizes:

- finalization of the proceedings in under process cases,
- production of record to audit for verification,
- taking of appropriate action against persons responsible for providing undue benefit to the taxpayers.

[Annexure-40]

4.4.19 Short levy of tax on locally produced edible oil - Rs 127.01 million

According to clause (13C) of part II of Second Schedule to the Income Tax Ordinance 2001, the rate of income tax on purchase of locally produced edible oil shall be 2% of the purchase price in respect of manufacturer of cooking oil or vegetable ghee or both. The tax deducted shall be final discharge of tax liability of taxpayer.

Eighteen taxpayers of five field formations of FBR purchased locally produced edible oil where tax at the prescribed rate was not levied by the department as per law. This resulted in short levy of tax of Rs 127.01 million.

The irregularity was pointed out during March to Nov, 2013. The department reported that cases of Rs 63.38 million were under process. Record was not provided in the cases involving Rs 57.79 million. No reply was furnished for the cases involving Rs 5.84 million. The DAC in its meetings held in Jan, 2014, directed the department to finalize the proceedings in pending cases, provide record and furnish reply by 31th Jan, 2014. Further progress was not reported till finalization of the report.

Audit emphasizes:

- finalization of the proceedings in under process cases,
- production of record to audit for verification,
- taking of appropriate action against persons responsible for providing undue benefit to the taxpayers.

[Annexure-41]

4.4.20 Non-levy of tax due to lack of vigilance by the department - Rs 16.21 million

Rule 73(2)(c) of the Income Tax Rules, 2002 provides that electronic filing of income tax returns shall be mandatory from the first day of July, 2009.

Four taxpayers assessed under the jurisdiction of two field formations of FBR were registered for sales tax but did not furnish income tax returns electronically nor paid due income tax. The lack of vigilance by the department resulted in loss of government revenue worth Rs 16.21 million.

The irregularity was pointed out during March to Nov, 2013. The department reported that all the cases of Rs 16.21 million were under process. The DAC in its meetings held in Jan, 2014, directed the department to finalize the assessment proceedings by 31th Jan, 2014. Further progress was not reported till finalization of the report.

Audit emphasizes:

- finalization of the proceedings in under process cases,
- taking of appropriate action against persons responsible for providing undue benefit to the taxpayers.

[Annexure-42]

4.4.21 Non-realization of (flood) surcharge - Rs 11.65 million

According to section 4A of the Income Tax Ordinance 2001, read with Circular 11 of 2011, the flood surcharge at the rate of 15 % is chargeable on all taxpayers on their tax liability for the tax year 2011.

In one field formations of FBR, thirty four withholding agents did not deduct surcharge at source while making payments which resulted in non realization of government revenue of Rs 11.65 million.

The irregularity was pointed out during March to Nov, 2013. The department reported that all the cases of Rs 11.65 million were under process. The DAC in its meetings held in Jan, 2014, directed the department to finalize

the proceedings by 31th Jan, 2014. Further progress was not reported till finalization of the report.

Audit emphasizes:

- finalization of the proceedings in under process cases,
- taking of appropriate action against persons responsible for providing undue benefit to the taxpayers.

[Annexure-43]

4.4.22 Short realization of Internally Displaced Persons (IDP) Tax - Rs 1.36 million

Clause I of Division-I of First schedule to the Income Tax Ordinance 2001 provides that Internally Displaced Persons Tax (IDPT) @ 5 % was to be treated as Income Tax on the taxable income of rupees one million or more, for tax year 2009.

Two taxpayers of RTO-II Karachi did not deposit the IDP tax according to the above provision of the law. This resulted into non realization of IDP tax amounting to Rs 1.36 million.

The irregularity was pointed out during March to Nov, 2013. The department reported that both the cases were under process. The DAC in its meetings held in Jan, 2014, directed the department to finalize the proceedings by 31th Jan, 2014. Further progress was not reported till finalization of the report.

Audit emphasizes:

- finalization of the proceedings in under process cases,
- taking of appropriate action against persons responsible for providing undue benefit to the taxpayers.

[DP No.320/K]

4.4.23 Non recovery of Arrears Demand - Rs 7,071.63 million

According to section 138 of the Income Tax Ordinance 2001, for the purpose of recovering any tax due by a taxpayer, the Commissioner may serve upon the taxpayer a notice in the prescribed form requiring him to pay the said

amount within such time as may be specified in the notice. If the amount referred to in the notice issued under sub-section (1) is not paid within the time specified therein or within the further time, if any, allowed by the Commissioner, the Commissioner may proceed to recover from the taxpayer said amount by one or more of the following modes, namely:

- (a) attachment and sale of any movable or immovable property of the taxpayer;
- (b) appointment of a receiver for the management of the moveable or immovable property of the taxpayer; and
- (c) arrest of the taxpayer and his detention in prison for a period not exceeding six months.

In seven field formations of FBR, an amount of Rs 7,071.63 million was lying outstanding from 2007 to 2012 in 1,707 cases.

The irregularities were pointed out during July to Nov, 2013. The department replied that an amount of Rs 602.94 million was charged but not yet recovered. The cases of Rs 3,750.34 million were reported as under process. Record was not provided in the cases involving Rs 2,378.42 million. Cases involving Rs 140.26 million were reported as subjudice. No reply was furnished for the cases involving Rs 199.67 million. The DAC in its meetings held in Jan, 2014, directed the department to expedite recovery of the charged amount for Rs 602.94 million, finalize the proceedings in pending cases, pursue subjudice cases, provide record and furnish reply by 31th Jan, 2014. Further progress was not reported till finalization of the report.

Audit emphasizes:

- expeditious recovery of the amount involved,
- taking of appropriate action against persons responsible for providing undue benefit to the taxpayers.

[Annexure-44]

4.5 Refund of Income Tax

4.5.1 Unlawful issuance of refund - Rs 2,151.28 million

According to section 170 of the Income Tax Ordinance, 2001 read with FBR circular No.5 of 2003, a taxpayer is entitled to a refund of tax where the tax paid is in excess of the amount of tax due, after adjustment of the outstanding liabilities of the taxpayer.

In violation of the above provisions, sixteen field formations of FBR, issued refund to three hundred and fifty six taxpayers where the excess amount was not adjusted against outstanding demand, the credit of final tax was wrongly given and verification of tax overpaid was also not made. This resulted unlawful refund of Rs 2,151.28 million.

The irregularity was pointed out during March to Nov, 2013. The department replied that an amount of Rs 1.57 million has been recovered and verified by Audit. An amount of Rs 15.54 million was charged but not yet recovered. The cases of Rs 574.01 million were reported as under process. Record was not provided in the cases involving Rs 320.88 million. Cases involving Rs 588.78 million were reported as subjudice and Rs 10.72 million were time barred. No reply was furnished for the cases involving Rs 639.78 million. The DAC in its meetings held in Jan, 2014, directed the department to expedite recovery of the charged amount for Rs 15.54 million, finalize the proceedings in pending cases, pursue subjudice cases, fix responsibility in time barred cases, provide record and furnish reply by 31th Jan, 2014. Further progress was not reported till finalization of the report.

Audit emphasizes:

- recovery of the amount involved,
- finalization of the proceedings in under process cases,
- pursuance of subjudice cases at appropriate fora,
- production of record/reply to audit for verification,
- taking of appropriate action against persons responsible for providing undue benefit to the taxpayers.

[Annexure-45]

4.5.2 Excess determination of refund - Rs 3,963.06 million

According to section 170 of the Income Tax Ordinance, 2001, a taxpayer who has paid tax in excess of the amount which the taxpayer is properly chargeable under this Ordinance may apply to the Commissioner for a refund of the excess.

In eleven field formations of FBR, tax liability of one hundred and five taxpayers was short assessed which resulted in excess determination of refund amounting to Rs 3,963.06 million.

The irregularity was pointed out during March to Nov, 2013. The department replied that an amount of Rs 2.93 million was charged but not yet recovered. The cases of Rs 3,741.07 million were reported as under process. Record was not provided in the cases involving Rs 22.86 million. No reply was furnished for the cases involving Rs 196.20 million. The DAC in its meetings held in Jan, 2014, directed the department to expedite recovery of the charged amount for Rs 2.93 million, finalize the proceedings in pending cases, provide record and furnish reply by 31th Jan, 2014. Further progress was not reported till finalization of the report.

Audit emphasizes:

- recovery of the amount involved,
- finalization of the proceedings in under process cases,
- production of record/reply to audit for verification,
- taking of appropriate action against persons responsible for providing undue benefit to the taxpayers.

[Annexure-46]

4.6 Workers Welfare Fund

4.6.1 Non-realization of Workers Welfare Fund - Rs 3,727.37 million

Under section 4 of the Workers Welfare Fund Ordinance 1971, every industrial establishment whose total annual income exceeds a statutory threshold is required to pay Workers Welfare Fund @ 2 percent of its total income.

In nineteen field formations of FBR, Workers Welfare Fund (WWF) was not paid by six hundred and ninety four taxpayers for the tax year 2010 to 2012 and the concerned assessing authorities did not take action to recover the amount which resulted in non realization of WWF amounting to Rs 3,727.37 million.

The irregularity was pointed out during March to Nov, 2013. The department replied that an amount of Rs 23.46 million has been recovered and verified by audit. An amount of Rs 209.77 million was charged but not yet recovered. The cases of Rs 2,470.60 million were reported as under process. Record was not provided in the cases involving Rs 539.76 million. Cases involving Rs 426.10 million were reported as subjudice. No reply was furnished in the cases involving Rs 57.68 million. The DAC in its meetings held in Jan, 2014, directed the department to expedite recovery of the charged amount for Rs 209.77 million, finalize the proceedings in pending cases, pursue subjudice cases, provide record and furnish reply by 31th Jan, 2014. Further progress was not reported till finalization of the report.

Audit emphasizes:

- recovery of the amount involved,
- finalization of the proceedings in under process cases,
- pursuance of subjudice cases at appropriate fora,
- production of record/reply to audit for verification,
- taking of appropriate action against persons responsible for providing undue benefit to the taxpayers.

[Annexure-47]

4.6.2 Non production of evidence in support of payment of Workers Welfare Fund - Rs 27.98 million

Section 60A of the Income Tax Ordinance, 2001 provides that a person shall be entitled to a deductible allowance for the amount of any Workers Welfare Fund paid by the person in tax year under the Workers Welfare Fund Ordinance, 1971.

In two field formations of FBR, twenty five taxpayers claimed payment of WWF as an expense amounting to Rs 27.98 million according to above provision of law without any documentary evidence of payment of WWF.

The irregularity was pointed out during March to Nov, 2013. The department reported that all the cases of Rs 27.98 million were under process. The DAC in its meetings held in Jan, 2014, directed the department to finalize the proceedings by 31th Jan, 2014. Further progress was not reported till finalization of the report.

Audit emphasizes:

- finalization of the proceedings in under process cases,
- taking of appropriate action against persons responsible for providing undue benefit to the taxpayers.

[Annexure-48]

4.7 Expenditure

4.7.1 Unjustified expenditure on account of payment of performance allowance - Rs 50.61 million

Circular No.1 regarding “Guideline for Performance Allowance 2012”, issued by the Federal Board of Revenue vide No.1(4)M (HRM)/2012 dated 23rd July, 2012, taking effect from 20.04.2012, laid down the condition in para 7 that the employee whose performance is not up to the mark will be de-notified for performance allowance.

Large Taxpayers Unit, Islamabad incurred expenditure on account of performance allowance amounting to Rs 50.61 million during the year 2012-13 which was unjustified due to the following reasons:

- i) The department failed to achieve the revenue target of Rs 457,287 million fixed for the year 2012-13 as the department collected revenue of Rs 319,326 million resulting in 30% decline of the fixed target which showed low performance by the LTU.
- ii) The audit activities of the formation had remained limited due to litigation etc. and no extraordinary duties were performed.
- iii) The conditions of performance allowance were not reviewed periodically by the Revenue Division / GoP and never disseminated to all concerned for strict adherence/follow-up action.
- iv) Automation of revenue collection systems, introduction of self assessment scheme and tax collection under withholding regime has minimized human involvement.

This caused unjustified expenditure on account of payment of performance allowance amounting to Rs 50.61 million.

The lapse was pointed out in Sep, 2013. In the DAC meeting held in Jan, 2014, the department informed that review of performance of all field formations from time to time is the ambit of FBR but the same position was not got verified from Audit. The DAC directed the department to get verified the stated position from Audit. Further progress is awaited till finalization of the audit report.

Audit emphasizes to:

- justify the payment of performance allowance despite non achievement of budgetary targets,
- evolve a mechanism for payment of performance allowance on efficacy basis.

[DP No.14400-Exp]

4.7.2 Non recovery of receivable amount from NHA - Rs 22.29 million

According to contract between PRAL and NHA, former would provide services to NHA in connection with operation and management of automated toll collection system at different projects like M-I, M-2 and M-3. PRAL in relation thereto was required to issue invoices to NHA covering salary cost and admin and logistics expenses.

Contrary to the above, an amount of Rs 22.29 million receivable from NHA (a regular customer of PRAL) on account of services provided to them was shown as “considered doubtful” in their final accounts for the F.Y 2012-13 (ending on 30.06.2013).

The matter was pointed out to PRAL in Nov, 2013. In the DAC meeting held in Jan, 2014, the department replied that amount pointed out by Audit were long outstanding from NHA and PRAL was pursuing the recovery. The DAC directed the department to take concrete measures for recovery of the outstanding dues from NHA and report progress to Audit and FBR by 31.01.2014. Further progress is awaited till finalization of the audit report.

Audit emphasizes:

- expeditious reconciliation and recovery of the amount involved,
- fixing responsibility against the persons at fault.

[DP No.14584-Exp]

4.7.3 Irregular expenditure on POL/CNG and repair/maintenance of vehicles - Rs 29.22 million

Staff Car Rules, 1980, read with GFR-11 define the duties of user of official vehicles, officer in-charge transport, vehicles drivers, Head of office and Audit etc. along with the procedure for maintenance of log books, movement registers, POL consumption record, repair and maintenance of vehicles, requisition slips and charging of private journey etc. for effective control on expenditure of official vehicles.

Thirteen (13) offices of FBR incurred an irregular expenditure of Rs 29.22 million on POL/CNG, repair and maintenance of one hundred and ninety five (195) official vehicles alongwith twenty (20) motor cycles which were under the personal use of officers/officials. These staff cars/motor cycles were also in use without maintaining the necessary record and fulfilling the necessary requisites of Staff Car Rules during the year 2012-13.

The irregularity was pointed out by Audit during July to Nov, 2013. In the DAC meeting held in Jan, 2014, the department replied that requisite record for fulfilling the mandatory/necessary requirements of Staff Car Rules has been prepared and was ready for verification. The DAC directed the department to get the position verified from Audit by 15.02.2014. The Directorates of I&I / Internal Audit neither submitted working papers nor attended the DAC meeting. In case of RTO, Abbottabad, the DAC could not discuss the para due to non submission of working papers. The DAC conveyed displeasure to the Chief Commissioner and recalled that the same situation was faced in the last meeting. Further progress is awaited till finalization of the audit report.

Audit emphasizes:

- recovery of dues against misuse of vehicles,
- investigation of the matter and action taken as per provisions of the Staff Car Rules,
- verification as per DAC directives.

[Annexure-49]

4.7.4 Non recovery of loans and advances - Rs 13.70 million

According to Rule 257(3), 257 (12) (VI) of GFR Vol-I, recovery of loans and advances shall be made in specified installments and the first installment shall commence after advance is drawn. Further according to rule 258 (3) of GFR Vol-I, the recovery of interest will commence from the month following which the whole of the principal amount has been repaid.

Five (5) field offices of FBR sanctioned different kinds of loans and advances to sixty three (63) officers/officials but recovery of installments was not initiated from their salaries despite lapse of grace period of six months. Furthermore, recovery of interest was not initiated on repayment of principal amount of loans and advances in certain cases. The omission resulted in non recovery of the loans, advances and interest accrued thereon amounting to Rs 13.70 million.

The irregularity was pointed out to the department during July to Nov, 2013. In the DAC meeting held in Jan, 2014, the department informed that an amount of Rs 0.59 million has been recovered from concerned and remaining is under process. The DAC settled the para to the extent of amount recovered subject to verification and directed the department to ensure the recovery of balance amount. Further progress is awaited till finalization of the audit report.

Audit emphasizes:

- expeditious recovery of the amount involved,
- fixing responsibility on the officers/officials at fault.

[Annexure-50]

4.7.5 Irregular payment of cash reward - Rs 10.48 million

According to rule 39 to 43 of the General Financial Rules, on behalf of President of Pakistan, the Ministry of Finance is competent to frame rules pertaining to the financial matters. Sanction and payment of cash rewards is a financial matter pertaining to the disbursing of money from the Federal Consolidated Fund. Due to this nature, issuance of reward rules or the reward order is the subject matter of the Finance Division of Federal Government.

Five (05) field formations of FBR sanctioned reward of Rs 10.48 million to officers/officials under Unified Reward Rules, 2006 during the year 2011-12 and 2012-13. The Unified Reward Rules, 2006 have been issued by the Revenue Division but not approved and notified by the Finance Division which was a pre-requisite for payment.

The irregularity was pointed out during Feb to Aug, 2013. In the DAC meeting held in Jan, 2014, the department informed that the sanction of reward has been made in accordance with the Delegation of Powers vide Finance Division's O.M. No 3(2)Exp-II/2006, dated 13.09.2006 (Sl. No 37 of Annexure-1). Audit required rates and scales duly approved by the Finance Division as mentioned against Sl. No. 37. The DAC directed the department to get verified the contention from Audit by 31.01.2014. In one case the Directorate of I&I, IR, Faisalabad neither furnished working papers nor attended the DAC meeting. Further progress is awaited till finalization of the audit report.

Audit emphasizes to:

- provide rates and scales duly approved by the Finance Division,
- provide concurrence of issuance of Unified Reward Rules, 2006 from the Ministry of Finance,
- recover the irregular payment of reward.

[Annexure-51]

4.7.6 Un-authorized payment of special allowance (IJP) and conveyance allowance/charges during leave period - Rs 4.42 million

According to rule 7-A of Supplementary Rules, conveyance allowance is not admissible during leave or temporary transfer and as per provisions of Staff Car Rules, 1980, an officer cannot use the staff car for private purposes without payment of conveyance charges. Further, FBR's Circular No. 01(1)/Member (Admin)/06 dated 31st Oct 2006, and Circular No.1 (4)SS/ (HRM)/2010/165129-R dated 17th Dec 2010, provide that the Special Allowance will be admissible upto the period of 48 days leave in a calendar year whether availed together or separately. Moreover, as per circular No.1(3)M(HRM)/07 dated 06th July 2007,

the special allowance was to lapse after two years subject to review in the light of performance and adherence to above mentioned rules for further continuation.

- (a) Nine (09) offices of FBR did not deduct conveyance allowance of Rs 3.69 million in 229 cases from the salary of the officers/officials who remained on leave or used the staff cars/official vehicles for private purposes.
- (b) Two (02) field offices of FBR did not deduct special allowance of Rs 0.73 million in 28 cases from the salary of those officers/officials who availed leave beyond the specified period for which the allowance was not admissible.

This resulted in non deduction of special/conveyance allowance amounting to Rs 4.42 million during the year 2012-13.

The irregularity was pointed out to the department during July to Nov, 2013. In the DAC meeting held in Jan, 2014, the department reported that an amount of Rs 0.74 million has been recovered and balance amount is in process of recovery. The DAC settled the para to the extent of amount recovered subject to verification, directed the department to expedite the recovery of balance amount and further directed the RTO, Multan to submit comprehensive reply. In case of RTO, Abbottabad, the DAC could not discuss the para due to non submission of working papers. The DAC conveyed displeasure to the Chief Commissioner and recalled that the same situation was faced in the last meeting. Further progress is awaited till finalization of the audit report.

Audit emphasizes:

- expeditious recovery of the amount involved,
- fixing of responsibility against the persons at fault.

[Annexure-52]

4.7.7 Un-authorized expenditure incurred due to posting of officers in excess of sanction strength - Rs 6.23 million

According to para 5(b) of System of Financial Control & Budgeting, the Principal Accounting Officer shall ensure that the funds allotted to a Ministry / Division, etc. are spent for the purpose for which these are allotted. The

expenditure in excess of the amount of Grant or Appropriation as well as the expenditure not falling within the scope or intention of any Grant or Appropriation, unless regularized by a Supplementary Grant or a Technical Supplementary Grant, shall be treated unauthorized.

RTO Hyderabad, a field formation of FBR made payment of pay and allowances to five (05) officers posted in excess of RTO's sanctioned strength in different cadres. This resulted in unauthorized expenditure of Rs 6.23 million during the year 2012-13.

The matter was pointed out by Audit in August, 2013, but no reply was received. In the DAC meeting held in Jan 2014, the RTO informed that FBR had accorded the sanctioned of five (05) posts w.e.f 27.02.2013 and 01.07.2013. The DAC directed the RTO to get the expenditure regularized by the competent authority and furnish report to Audit & FBR by 15.02.2014. Further progress is awaited till finalization of the audit report.

Audit requires to:

- get the expenditure regularized,
- take administrative action to bring the number of officers within the sanctioned strength of the RTO.

[DP No.169-Exp/K]

4.7.8 Irregular expenditure due to non observance of PPRA and General Financial Rules - Rs 4.81 million

According to Rule-9 read with Rule-12(1) of Public Procurement Rules, 2004, procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The annual requirements thus determined would be advertised in advance on the Authority's website as well as on the website of the procuring agency in case the procuring agency has its own website.

Six (6) field offices of the FBR purchased stationery items, hard/software, repair of furniture & fixture, generators, gas heater and consumable items without fulfilling the pre-requisites regarding procurement.

The irregular procurement of inventory resulted in irregular expenditure of Rs 4.81 million.

The matter was pointed out by Audit during Feb to Sep, 2013 but no reply was furnished by the department. In the DAC meeting held in Jan, 2014, the department informed that all the purchases have been made after fulfilling all codal requirements followed by PPRA Rules. The DAC directed the department to get the position verified from Audit by 31.01.2014. The Director, I&I, IR, Faisalabad and Assistant Director Internal Audit, IR, Hyderabad neither submitted working papers nor attended the DAC meeting. In case of RTO, Abbottabad, the DAC could not discuss the para due to non submission of working papers. The DAC conveyed displeasure to the Chief Commissioner and recalled that the same situation was faced in the last meeting. Further progress is awaited till finalization of the audit report.

Audit requires to:

- justify the violation of PPRA rules,
- get regularized the unauthorized expenditure by competent authority,
- fix responsibility on the persons at fault.

[Annexure-53]

4.7.9 Excess and inadmissible payment of pay and allowances during leave period - Rs 3.54 million

According to Revised Leave Rules, 1980 read with Fundamental Rule 84, study leave is to be granted to government servants to enable them to study scientific, technical, or similar problems or to undergo special courses of instructions. The maximum period of study leave should not exceed two (2) years. During study leave a study allowance at the prescribed rates is granted for the period spent in pursuing a definite course of study at a recognized institute. Further, a Government servant on half pay leave is entitled to draw leave salary at half of the basic pay. Rule 7-A of Supplementary Rules, specifies that conveyance allowance is not admissible during leave or temporary transfer and Performance Guide Lines, 2012 states that Performance Allowance shall be admissible for a total number of (48) days earned leave in a calendar year including medical leave, whether availed together or separately.

Six (6) field formations under FBR made excess and inadmissible payment on account of pay and allowances amounting to Rs 3.54 million by allowing full pay and allowances during the leave period in all categories of leave i.e. study leave, leave on half pay, leave on full pay and medical leave to the employees.

The irregularity was pointed out during July to Nov, 2013. In the DAC meeting held in Jan, 2014, the department reported that an amount of Rs 0.56 million has been recovered and balance amount was in the process of recovery. The DAC settled the para to the extent of amount recovered/verified by Audit, directed the department to expedite the recovery of the balance amount and furnish progress to Audit by 31.01.2014. The Director I&I, IR, Faisalabad neither submitted working papers nor attended the DAC meeting held in Jan, 2014. Further progress is awaited till finalization of the audit report.

Audit emphasizes:

- expeditious recovery of outstanding amount,
- fixing of responsibility on the persons at fault.

[Annexure-54]

4.7.10 Non/short deduction of income tax - Rs 2.73 million

According to section 4 of the Income Tax Ordinance, 2001, every person is required to pay income tax on taxable income for the year at the rate of tax specified in Part-I of the First Schedule. Further according to section 9 read with sections 10, 11 and 12 of the Ordinance *ibid*, taxable income of a person for a year includes any salary received by an employee in a tax year which is comprised of any amount received by an employee from any employment including any pay, overtime payment, bonus, any allowance (for cost of living, subsistence, rent, utilities, education, entertainment etc.) gratuity or work condition supplements and any perquisite whether convertible to money or not and paid or provided by the employer.

Three (3) field offices under FBR did not deduct income tax from the arrears of pay and allowances paid to their employees, and rent of buildings paid to the owners. Moreover, the applicable slab rate was not taken into account

while paying arrears of pay and allowances. In this way, the department failed to deduct or less deducted an amount of Rs 2.73 million from the seventy eight (78) employees and the owners of building during the financial year 2012-13.

The matter was pointed out to the department during March to Nov, 2013. The Additional Director-III, Internal Audit, Multan neither submitted working papers nor attended the DAC meeting held in Jan, 2014. The LTU, Islamabad informed that an amount of Rs 0.02 million was recoverable whereas the remaining amount of Rs 0.04 million was not recoverable due to the petty purchase. The DAC directed the LTU, Islamabad to get the stated position verified from Audit. PRAL replied that items mentioned in the para did not fall in the category of taxable income because these were provided for discharging of official duties which was not taxable income. The DAC further directed the department to refer the matter to Member, IR Policy Wing for clarification on the taxation of the items mentioned in the subject para. Further progress is awaited till finalization of the audit report.

Audit emphasizes:

- expeditious recovery of the amount involved,
- fixing of responsibility against the persons at fault.

[Annexure-55]

4.7.11 Blockage of government revenue due to non disposal of unserviceable vehicles/stores - Rs 1.67 million

According to para 167 of the General Financial Rules (Vol-I), vehicles which are reported to be obsolete/condemned, surplus or unserviceable may be disposed off by sale or auction or otherwise under the orders of the competent authority. Moreover, life and mileage for condemnation of various vehicles has been prescribed in Staff Car Rules, 1980 prescribed.

LTU, Islamabad did not dispose off unserviceable/off road official vehicles (Jeeps and Motor Cycles), un-serviceable stores and stock kept with them for more than two years which resulted in blockage of government revenue of Rs 1.67 million.

The lapse was pointed out to the department in Aug, 2013. In the DAC meeting held in Jan, 2014, the department replied that vehicles were serviceable/working condition and a procedure had to be followed to declare them condemned. The DAC directed the department to take action as per audit pointation. Further progress is awaited till finalization of the audit report.

Audit requires:

- early disposal of condemned vehicles through public auction,
- fixing of responsibility for inordinate delay.

[DP No. 14403-Exp]

4.7.12 Non-recovery/re-imburement of expenses incurred by PRAL on behalf of NHA - Rs 3.69 million

According to contract between NHA and PRAL, former would provide services to NHA in connection with operation and management of automated toll collection system at different projects of NHA like M-1, M-2 & M-3. Para 1.2(L) of the contract defines that “Contract Price” means the price to be paid for performance of services subject to such additions thereto or deductions therefore as may be made under the provisions thereafter contained. PRAL in relation thereto was required to issue invoices to NHA covering salary cost and admin & logistics expenses. Rest of the expenditure on purchase of papers and other allied items was required to be incurred by NHA.

Contrary to the above provisions, PRAL incurred expenditure of Rs 5.24 million on purchase of thermal roll paper on behalf of NHA during the financial year 2011-12 & 2012-13 but NHA paid an amount of Rs 1.55 million only. An amount of Rs 3.69 million was still outstanding.

The matter was pointed out to the department in Nov, 2013. In the DAC meeting held in Jan, 2014, the department informed that an amount of Rs 1.54 million further had been recovered and PRAL was pursuing the recovery of the balance amount. The DAC directed to get the recovery verified from Audit within seven (7) days and pursue the recovery of the balance amount expeditiously. Further progress is awaited till finalization of the audit report.

Audit emphasizes:

- expeditious recovery of the balance amount ,

- fixing of responsibility for incurring expenditure without any lawful authority.

[DP No. 14585-Exp]

4.7.13 Non-deduction of house rent allowance and 5% house rent charges - Rs 4.59 million

According to rule 26 of the Accommodation Allocation Rules, 2002, unless entitled to rent free accommodation the allottee of an accommodation shall be charged normal rent at the rate of 5% of the emoluments as defined in rule 2(d) of the rules *ibid* or as the “Government” may decide from time to time for the purpose of calculating normal rent. Further according to Finance Division O.M. No. F-3(8)Gaz-IMP/73, dated 10th January, 1974, house rent allowance will be admissible subject to the condition that government accommodation has not been made available to the employee concerned.

Nine (9) field formations of the FBR neither deducted 5% house rent charges nor stopped the house rent allowance of the officers/officials who were allotted government accommodation/hired accommodation. The omission resulted in non/short deduction of house rent charges and house rent allowance of Rs 4.59 million.

The irregularity was pointed out by Audit during July to Nov, 2013. In the DAC meeting held in Jan, 2014, the department reported the recovery of Rs 0.52 million which was yet to be verified. In case of RTO, Abbottabad, the DAC could not discuss the para due to non submission of working papers. The DAC conveyed displeasure to the Chief Commissioner. The DAC recalled that similar situation was faced in the last meeting. The DR&S informed that house rent deduction @ 5% is exempt in respect of adhoc allowances and deduction is only made on basic pay. Audit accepted the contention of DR&S to the extent of adhoc allowances applicable and desired recovery on remaining emoluments as defined under Accommodation Allocation Rules, 2002 dated 30.10.2002. The DAC directed the DR&S to examine the issue in consultation with Ministry of Housing and Works and proceed as per rules. The RTO, Islamabad informed that an amount of Rs 0.02 million had already been recovered and in remaining cases neither the government accommodation was provided to the officers/officials nor house hiring was given. The DAC directed the RTO to refer the para to the

Board for clarification and get the position verified from Audit. Further progress is awaited till finalization of the audit report.

Audit requires:

- expeditious recovery of government dues and
- fixing responsibility against defaulters.

[Annexure-56]

4.7.14 Irregular expenditure on internet connections/devices provided to employees - Rs 2.78 million

Company rules (Service Rules and Delegation of Powers) approved by the Board of Directors of PRAL in the year 1998 did not cover the expenditure incurred on internet connections/devices (USB-EVO/NITRO/Wi-Tribe etc) provided to employees of PRAL.

Contrary to above, M/s PRAL was incurring huge expenditure not only on purchase of EVO/NITRO/Wi-Tribe etc. but also on payment of monthly bills thereof without approval of Board of Directors, whereas all the offices of PRAL including head office were well equipped with latest high speed internet connections. This resulted in irregular expenditure of Rs 2.78 million during the FY 2012-13.

The lapse was pointed out to PRAL management in Nov, 2013. In the DAC meeting held in Jan, 2014, the department replied that internet connections/devices being provided to company employees working remotely during/after office hours and holidays were covered under clause 12 & 13 of PRAL Delegation of Admin & Financial Powers, 1998. Departmental reply was not correct as above said clauses cover approval of installation of telephones as well as payment of their bills only and do not cover purchase / payment of internet connections / devices. The DAC directed the department to revisit the reply in the light of audit view point. Further progress is awaited till finalization of the audit report.

Audit emphasizes:

- recovery/or regularization of the expenditure already incurred,

- approval of the provisions covering the expenditure on this account in future from Board of Directors.

[D.P. No. 14586-Exp]

4.7.15 Un-justified expenditure on account of rent paid for office building at Karachi - Rs 1.59 million

According to S. No.3 of appendix-B to the contract between PRAL and FBR made at the start of the financial year 2012-13, FBR agreed to provide a congenial working environment inclusive of furnished offices and utilities at its installations where manpower resources are deployed / required to be deployed by PRAL in order to support FBR operations.

PRAL, Islamabad, in disregard of above, hired a building at Karachi in April, 2010 for the staff deployed to facilitate FBR regarding a project relating to customs in view of the renovation work of Custom House Karachi as there was no working space available for them. Keeping in view the circumstances, Board of Management of PRAL approved the hiring of a banglow at PECH Society Karachi. Later, renovation work of Custom House was completed during 2011-12 but the office building hired on this plea was not vacated by the management. This resulted in unjustified expenditure of Rs 1.59 million during 2012-13 going on till date.

The irregularity was pointed out to PRAL in Nov, 2013. In the DAC meeting held in Jan, 2014, the department replied that the building at Karachi was hired for PRAL computer professionals assigned development tasks related to FBR and commercial projects. However, operational staff of PRAL was posted at Custom House Karachi and RTO buildings at Karachi. Departmental reply was not correct as this staff was already working at Custom House Karachi and was shifted to the hired building due to renovation work at Custom House Karachi. DAC directed PRAL to submit the detailed reply to Audit justifying the retention of rental accommodation even after the completion of renovation work at Custom House Karachi. Further progress is awaited till finalization of the audit report.

Audit emphasizes to fix responsibility for un-justified expenditure made on payment of rent.

[DP No. 14588-Exp]

4.7.16 Illegal payment of pay and allowances - Rs 1.63 million

Rule-11 of General Financial Rules Vol-I states that the head of the department and subordinate disbursing officers are responsible for enforcing financial order and strict economy at every step. They should ensure that all financial rules are strictly adhered to.

The post of the Chief Accounts Officer had been transferred from RTO, Lahore to Model Customs Collectorate, Gawadar alongwith budget/ establishment charges whereas, the salary was being drawn by the officer from the budget of RTO, Lahore. The omission caused illegal withdrawal of pay and allowances amounting to Rs 1.63 million.

The irregularity was pointed out to the department in July, 2013. In the DAC meeting held in Jan, 2014, the department informed that matter has been taken up with FBR. The DAC directed the RTO to pursue the matter with FBR and furnish progress to Audit by 31.01.2014. Further progress is awaited till finalization of the audit report.

Audit emphasizes:

- recovery of amount pointed out,
- fixing responsibility for irregular expenditure.

[DP No. 14486-Exp]

CHAPTER-5 INTERNAL CONTROL WEAKNESSES

5.1 Internal Control-Introduction

Internal control is defined as a process affected by an organization's structure, work and authority flows, people and management information systems, designed to help the organization accomplish specific goals or objectives. By means of internal control, an organization's resources are directed, monitored, and measured. It plays an important role in detecting and preventing fraud and protecting the organization's resources.

At the organizational level, internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations. At the specific transaction level, internal control refers to the actions taken to achieve a specific objective. Internal control procedures reduce process variation, leading to more predictable outcomes.

5.2 Components of Internal Control

Internal control consists of five interrelated components¹:

- **Control Environment:** sets the tone for the organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control.
- **Risk Assessment:** the identification and analysis of relevant risks to the achievement of objectives, forming a basis for how the risks should be managed.
- **Information and Communication:** systems or processes that support the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.
- **Control Activities:** the policies and procedures that help ensure management directives are carried out.
- **Monitoring processes:** used to assess the quality of internal control performance over time.

¹ INTOSAI GOV 9100 Guidelines for internal controls for public sector Pg 13

5.3 Internal Control Weaknesses

Internal control environment of FBR and its field formations was evaluated while conducting regularity audit for the year 2012-13. Weaknesses of internal control observed are given in succeeding paragraphs:

5.4 Indirect Taxes

5.4.1 Deferred liabilities of sales tax refund causing over statement of receipts - Rs 981.16 million

According to section 10 (1) of the Sales Tax Act, 1990 if the input tax paid by a registered person on taxable purchases made during a tax period exceeds the output tax, the excess amount of input tax shall be refunded to the registered person not later than forty-five days of filing of refund claim. Further, according to Sales Tax Rules, 2006 relating to refund “where the claim or any part thereof is found inadmissible or unverified, the officer-in-charge shall, at the time of issuing RPO, issue a notice requiring the claimant to show cause as to why the claim or as the case may be, part thereof should not be rejected and as to why the claimant should not be proceeded against under the relevant provisions of the Act.

Three field offices of FBR kept the refund claims pending within a range of seven to twenty months till the date of DAC, for processing or rejection wholly or partially as pointed out through desk audit of soft data of refund of sales tax in 74 refund claims involving Rs 981.16 million. The reasons for pending refund were not given in the provided data. The implications of such accumulated pending refund claims are as follow:

- Refund is minus receipt which creates a liability on public exchequer against the consolidated fund;
- The figures of net receipts are overstated thus distorting the factual position of receipts;
- The refunds might have been regulated and processed at discretion with apparent motive to keep the net receipts on higher side;

Audit is of the opinion that such huge pendency of refund claims without any valid reason is not logical as according to law, the refund cases are either required to be processed for sanction or rejection after adjudication. Further, there has been no monitoring system for timely disposal of pending refund claims and the provisions of law regarding adjudication were also not resorted to at the time of deferment/rejection of refund claims.

The matter was pointed out by Audit during March to Nov, 2013 but no reply was given by the department. In the DAC meeting held in Jan, 2013 the department informed that in 68 cases involving Rs 22.21 million, the legal proceedings have been initiated. The remaining six cases involving Rs 958.95 million could not be discussed in the DAC due to non submission of working papers by the RTO Peshawar. The DAC directed to finalize the legal proceedings in cases of Rs 22.21 million. Further progress was not intimated till the finalization of the report.

[Annexure-57]

5.4.2 Inadmissible sanction of refund due to non submission of supporting documents - Rs 3.37 million

According to 38 of Sales Tax Rules 2006 issued Vide SRO 555(1)/2006 dated 5th June, 2006, the refund claimant shall submit the refund claim in computer diskette in the prescribed format or software along with the supporting documents namely (a) input tax invoices or as the case may be, goods declaration for import in respect of which refund is being Claimed (b) output tax invoices and summary of invoices for local zero-rated goods, consumption statement showing quantity and weight.

RTO Faisalabad sanctioned refund to three registered persons who filed their refund claims without supporting documents i.e. input tax invoices, output tax invoices, summary of invoices for local zero-rated goods and consumption statement showing quantity and weight of material consumed. Sanctioning of refund without supporting documents by the tax authorities showed that even normal control procedure was not being followed. This led to inadmissible sanctioning of refund worth Rs 3.37 million.

The irregularity was pointed out during July to Nov, 2013 with request to recover the amount from the concerned registered person. In the DAC meeting held in Jan, 2014, RTO informed that the entire amount of Rs 3.375 million is under adjudication. The DAC directed the RTO to expedite adjudication and report progress to Audit and FBR by 31.01.2014. Further progress was not intimated till finalization of the report.

[DP No.14341-ST]

5.4.3 Irregular / excess sanction of carry forward due to weak internal controls - Rs 28.23 million

According to rule 33 of the Sales Tax Rules, 2006, refund to the claimants under these rules shall be paid to the extent of the input tax paid on purchases or imports that are actually consumed in manufacturing of goods which have been exported or supplied at the rate of zero per cent and the balance of input tax unconsumed will be allowed to carry forward.

RTO-II, Lahore and RTO, Gujranwala allowed excess amounts to be carried forward while sanctioning of refund claims in 16 cases without considering the fact that there were huge differences between three sets of accounts i.e. inventory available with the department as per analysis sheet, inventory submitted by the taxpayer and the amount allowed to be carried forward as per RPOs. Excess carry forward ultimately increases the quantum of refund and decreases the tax liability against taxpayers in the succeeding months. This resulted in excess carry forward of Rs 28.23 million.

The irregularity was pointed out to the department in July to Nov, 2013 but no reply was given by the department. In the DAC meeting held in Jan, 2014 the department replied that legal proceedings were initiated. The DAC directed the RTOs to expedite the legal proceedings and report progress to Audit. Further progress was not reported till finalization of the report.

[DP Nos.13941&14103-ST]

5.4.4 Non finalization of admissibility/legitimacy of refund of sales tax – Rs 2,172.18 million

Rule 36 (1) of the Sales Tax Rules 2006, provides that after disposing off the refund claim, the officer-in-charge shall forward the relevant file to the Post Refund Audit Division for post sanction audit and scrutiny, which inter alia include verification of input tax payments by respective suppliers being several and joint liability under Section 8A of the Sales Tax Act, 1990 and compliance of Section 73 of the Act *ibid*, regarding payment against certain purchases through banking channel.

The refund sanctioning authorities in eleven (10) field offices of FBR processed the claims and sanctioned refund in 516 cases without verification of payment of tax by suppliers, payment to suppliers through banking channel and checking the stock consumption which made the sanction orders provisional and conditional. The refund divisions either did not send cases to post refund audit division to ascertain admissibility of amounts already paid or post refund audit was not conducted. The lack of action on the part of tax authorities rendered payment of Rs 2,172.18 million as doubtful during 2012-2013.

The irregularity was pointed out to FBR in July to Nov, 2013. In the DAC meetings held in Jan, 2014, the department informed that cases of Rs 2,053.09 million were under process whereas the department did not furnish reply in cases of Rs 119.43 million. The DAC directed the department to expedite legal action, furnish comprehensive reply and report progress to Audit and FBR by 31.01.2014 and 15.02.2014. Further progress was not intimated till finalization of the report.

[Annexure-58]

5.4.5 Inadmissible sanction of sales tax refund due to non-observance of codal formalities - Rs 143.09 million

According to provisions of section-73 of Sales Tax Act, 1990, payment of the amount for a transaction exceeding value of fifty thousand rupees shall be made through a banking instruments showing transfer of the amount of the sales tax invoice in favour of the supplier from the business bank account of the buyer within one hundred and eighty days of issuance of the tax invoice. Sub-section

(2) of the section *ibid* provides that the buyer shall not be entitled to claim refund of tax if the payment for the amount is made otherwise than in the manner prescribed therein.

Four field offices of the FBR sanctioned refund to thirty nine (39) refund claimants against the invoices exceeding fifty thousand rupees without verifying the proof of payments through banking channel in support of refund claims. The refund sanctioning authorities allowed refund against such invoices despite the fact that stipulated period of 180 days was already elapsed. The lapse resulted in inadmissible sanction of sales tax refund of Rs 143.09 million during the period 2012-13 also attracting penalty and default surcharge under the law.

The irregularity was pointed out to the department during Sep and Oct, 2013. In the DAC meetings held in Jan, 2014, the department informed that cases of Rs 64.33 million were under adjudication and Rs78.76 million were under process. The DAC directed the department to expedite adjudication process, complete legal action and report progress to Audit by 31.01.2014. Further progress was not intimated till finalization of the report.

[Annexure-59]

5.4.6 Non recovery of sales tax due to ineffective monitoring of blacklisted/blocked registered persons - Rs 1,966.51 million

According to section 21 of the Sales Tax Act 1990 read with rule 12 of the Sales Tax Rules 2006, where the Commissioner is satisfied that a registered person is found to have issued fake invoices or has otherwise committed tax fraud, he is required to conduct inquiry and in case of confirmation of the offence, inquiry may extend to suppliers and buyers to ascertain whether any inadmissible inputs or refunds have been taken by them.

LTU Karachi and RTO-I Karachi did not conduct inquiry against the suppliers and buyers of 75 registered persons who were shown as blacklisted, blocked, suspended or non active as per soft data of FBR. Inaction by the department resulted in non ascertainment and non recovery of inadmissible input tax adjustment/ refund of Rs 1,960.72 million given to above mentioned taxpayers during 2012-13.

The irregularity was pointed out to FBR during July to Dec, 2013 but no reply was given by the department. In the DAC meetings held in Jan, 2014, the department informed that cases of Rs 40.60 million were subjudice whereas cases of Rs1, 925.91 million were pending for action. The DAC directed the department to pursue subjudice cases at appropriate level, complete legal action and report progress to Audit by 15.02.2014. Further progress was not intimated till finalization of the report.

[Annexure-60]

5.4.7 Non suspension of registration of persons for not filing sales tax returns

According to section 21 of the Sales Tax Act 1990 read with Sales Tax General Order No.35 of 2012, a registered person who does not file sales tax returns for consecutive six months, the sales tax registration of that registered person shall be suspended by the system without any notice.

RTO-I Karachi did not take action against four hundred and nine (409) registered persons who failed to file sales tax returns for consecutive six months during the financial year 2012-13. The inaction resulted in non suspension of registration of registered persons by the department.

The matter was pointed out to the department in Sep, 2013 but no reply was received from the department. In the DAC meeting held in Jan, 2014, the RTO-I Karachi informed that issue is under active examination and further progress will be reported later on. The DAC directed the RTO to furnish progress report to Audit and FBR by 15.02.2014. Further progress was awaited till finalization of report.

[DP-5558/ST/K]

5.4.8 Potential loss of government revenue due to non-initiating the proceedings/ pursuance by the department - Rs 56.81 million

According to sections 11 and 36 of the Sales Tax Act, 1990, orders regarding assessment of tax shall be made by Inland Revenue Officer within 120 days of issuance of show cause notice or within such extended period as the

Commissioner, for reasons to be recorded in writing, fixes provided that such extended period shall in no case exceed 60 days.

RTO, Gujranwala did not take action on twenty three (23) cases annulled/set aside by the Commissioner (Appeals), Gujranwala with the directions either to obtain verification from the concerned suppliers or initiate fresh proceedings to re-examine the cases to calculate the exact tax liability. But no action was taken by the RTO, Gujranwala in compliance of directions of Appellant Authority. The inaction by the department resulted in potential loss of revenue of Rs 56.81 million due to non-initiating the proceedings on annulled/set aside cases during 2012-13.

The lapse was pointed out to the department during August to Nov, 2013 but no reply was given by the department. In the DAC meeting held in Jan 2014, RTO Gujranwala informed that two cases were subjudice with ATIR and the remaining cases were under process. The DAC directed the department to expedite legal action, pursue subjudice cases and get verified the position from Audit by 31.1.2014. Further progress was awaited till finalization of the report.

[DP No.14099 & 14106-STR]

5.5 Direct Taxes

5.5.1 Non-levy due to penalty on late/non filing of returns - Rs 552.51 million

According to section 114 of the Income Tax Ordinance, 2001 every person who has obtained National Tax Number is required to furnish a return of income for a tax year and the person whose taxable income for the year exceeds the maximum amount that is not chargeable to tax under this Ordinance for the year. Further, section 182 ibid provides for levy of penalty at applicable rates, where a taxpayer, fails to furnish or late furnish the return of total income.

Contrary to the above provision of the law 53,258 taxpayers being assessed in fifteen (15) field formations under the FBR did not file income tax returns despite the fact that the taxpayers had been allotted National Tax Numbers meaning thereby they have to compulsorily file income tax return. No remedial action was initiated by the department to enforce the filing of the

returns besides imposition of penalty calculated at Rs 552.51 million plus applicable tax chargeable on the basis of the returns. The audit observed that there was no effective internal control system in place in the department which enforces the filing of the returns and imposition of the penalty.

The irregularity was pointed out during July to Nov, 2013. In the DAC held in Jan, 2014 the department replied that action has been initiated for imposing penalty in respect of all cases. No further progress was reported by the department till finalization of the report.

[Annexure-61]

5.6 Comments on Internal Audit Department

In FBR, the Directorate General of Internal Audit (Inland Revenue) is responsible to exercise over all supervision of execution and application of Income Tax, Sales Tax and Federal Excise Duty Laws. The Directorate is headed by a BS-21 Officer assisted by three Directors, sixteen additional Directors, twenty three Deputy / Assistant Directors supported with a staff of around 242 personnel. It is pertinent to mention here that it was one of the objectives of TARP to make internal audit more effective especially after introduction of self-assessment scheme by FBR. As envisioned, audit function was to be strengthened and also substantial funds from TARP were consumed on hiring of Audit Consultants (both local and international).

The Revenue Receipts Audit Wing of AGP's office, being a conscientious stakeholder of Government of Pakistan, realized that there is a need for a continuous review of the working of the Internal Audit (Inland Revenue) of FBR so as to see whether the results of the said separately organized setup for internal audit have been useful and fruitful to contribute in plugging the loopholes of tax evasion. For the purpose, Audit requisitioned annual audit report of the Directorate of Internal Audit for the year 2012-13 which was not made available to Audit. However, a cursory review of annual audit report of the Directorate of internal audit for the year 2011-12 has revealed that audit of around 424 units / tax payers was conducted during the year and an amount of Rs 108,672 million was detected out of which Rs 12,427 million were reported as recovered at the instance of audit showing that either the irregularities

detected by the internal audit lack proper evidence or the same are not being pursued properly for appropriate action.

It came to notice that the DG I&I (IR), a field formation of FBR, has unearthed a tax evasion in 26 cases relating to various sectors/taxpayers involving sales tax and federal excise duty amounting to Rs 20,000 million which also includes a case of issuance of fake computerized payment receipts numbers (CPRNs) in connivance with bank officials. In another formation (RTO Rawalpindi), a tax fraud involving a country-wide network of dummy buyers and suppliers misused VAT supply chain and claimed illegal input adjustment against fake/flying invoices.

The former matter was referred to FBR during Nov, 2012 to Dec, 2013 but no response was received till finalization of the report. Audit is constrained to offer its comments on the matter in the absence of any report issued by DG I&I (IR). However, in the light of Audit Reports issued from time to time, Audit pointed out irregularities of similar nature, which proves that there is a lack of vigilance/monitoring by the field formations of FBR.

5.7 Conclusion

A summary of internal control weaknesses identified during audit is given below:

- Deferred liabilities of sales tax refunds causing over statement of receipts
- Inadmissible refund of sales tax without obtaining supporting documents
- Irregular / excess sanction and carry forward of sales tax refund due to weak internal controls
- Non finalization of admissibility / legitimacy of refund of sales tax
- In-admissible sanction of sales tax refund due to non-observance of codal formalities
- Non monitoring of blacklisted/blocked registered persons resulting in non recovery of sales tax
- Non suspension of registration of registered persons due to non filing of returns

- Potential loss of government revenue of Rs 56.81 million due to non-initiating the proceedings/ pursuance by the department
- Non-enforcing of the filing of the returns as well as non-imposition of the penalty
- Non reporting of cases relating to loss of public money/tax frauds

In light of the above mentioned internal control weaknesses Audit suggests:

- effective monitoring system for speedy disposal of refund claims
- refund claims submitted without supporting documents as required under the law should not be entertained
- carry forward of input/refund should be allowed after ensuring the proper verification of unconsumed inventory
- post refund audit be ensured according to the provisions of law
- refund should be sanctioned after fulfilment of codal formalities
- non filers should be suspended
- to strengthen the monitoring mechanism of the tax payers for regular filing of the returns
- decisions of quasi judicial forum should be implemented in letter and spirit
- to ensure reporting of loss of public money/tax fraud as required under Para-20 of GFR Volume-I.

Implementation of recommendations offered by Audit can help improving internal control mechanism to avoid losses of revenue.

ANNEXURES

Annexure-I**Detail of MFDAC for the year 2013-14***(Rs in million)*

Sr#	Name of formation	No. of Para/ DP.No.	Title of para	Amount of Audit Observation				Nature of Audit Observation
				Direct Tax	Indirect Tax	Expenditure	Total	
1.	Commissioner Zone-I, RTO, Multan.	14095-IT	Inadmissible grant of approval of NPO	0	0	0	0	Rule 213(I) of Income Tax Rules2002
2.	Commissioner Zone-I, RTO, Multan.	14093-IT	Non e-filing of IT returns, audited accounts and statements	0	0	0	0	Rule 217(I) of Income Tax Rules2002
3.	Addl. Dir-III, Internal Audit, Mtn	13813	Excess claim of hotel charges	0	0	0.02	0.02	Violation of Law / Rules
4.	DDO I&I (Inland Revenue) Fsd.	13945	Irregular Exp on a/c secret service Fund	0	0	0.20	0.20	Violation of Law / Rules
5.	DDO I&I (Inland Revenue) Fsd	13946	Loss of Govt. assets due to non return of lap top & computers on transfer	0	0	0.40	0.40	Violation of Law / Rules
6.	Addl Director Internal Audit, Fsd	13952	Excess/unauthorised Exp over and above the budget grant	0	0	1.98	1.98	Violation of Law / Rules
7.	CC, IR, RTO, A/bad	14077	Non recovery of accommodation charges and utility bills	0	0	0.38	0.38	Violation of Law / Rules
8.	CC, IR, RTO, A/bad	14080	Short deduction of B.F. resulting excess payment on account of salary	0	0	0.12	0.12	Violation of Law / Rules
9.	CC, IR, RTO, A/bad	14082	Incorrect drawl of Additional charge allowance	0	0	0.09	0.09	Violation of Law / Rules

10.	CC, IR, RTO, A/bad	14086	Non recovery of accommodation charges/rent from officers residing in T. Accommodation	0	0	0.11	0.11	Violation of Law / Rules
11.	CC, IR, RTO, A/bad	14087	Un authorized approval of T. Accommodation as camp office causing mis use	0	0	0.67	0.67	Violation of Law / Rules
12.	CC, IR, RTO, Fsd	14124	In-admissible payment of Special Allowance	0	0	0.60	0.60	Violation of Law / Rules
13.	CC, IR, RTO, Fsd	14126	Irregular sanction of medical claim	0	0	0.15	0.15	Violation of Law / Rules
14.	CC, IR, RTO, Rwp	14137	Extravagant Exp of Janitorial Services	0	0	1.50	1.50	Violation of Law / Rules
15.	CC, IR, RTO, Rwp	14138	Short deduction of Benevolent Fund	0	0	0.77	0.77	Violation of Law / Rules
16.	CC, IR, RTO, Rwp	14140	Loss of revenue against the doubtful payment	0	0	0.17	0.17	Violation of Law / Rules
17.	CC, IR, RTO, Rwp	14141	Un-authorized payment	0	0	0.15	0.15	Violation of Law / Rules
18.	CC, IR, RTO, Psh	14142	Short deduction of Benevolent Fund	0	0	1.07	1.07	Violation of Law / Rules
19.	CC, IR, RTO, Psh	14143	Excess payment of rent of residential accommodation	0	0	0.32	0.32	Violation of Law / Rules
20.	CC, IR, RTO, Psh	14145	In-admissible payment of TA/DA and transfer grant	0	0	0.17	0.17	Violation of Law / Rules
21.	CC, IR, RTO, Grw	14170	Short deduction of Benevolent Fund	0	0	0.51	0.51	Violation of Law / Rules
22.	CC, IR, RTO, Grw	14172	Excess payment of House Rent Allowance	0	0	0.25	0.25	Violation of Law / Rules

23.	CC, IR, RTO-I, LHR	14214	Non deduction of Group Insurance from the monthly bills	0	0	0.27	0.27	Violation of Law / Rules
24.	CC, IR, RTO-I, LHR	14215	Excessive payment of HRA	0	0	0.25	0.25	Violation of Law / Rules
25.	CC, IR, RTO-I, LHR	14218	Non deduction of GPF	0	0	0.07	0.07	Violation of Law / Rules
26.	CC, IR, RTO-I, LHR	14219	Excess payment of Ad hoc allowance 2010	0	0	0.06	0.06	Violation of Law / Rules
27.	CC, IR, RTO, Isd	14280	Non recovery motor vehicle instalments owned by officers availing transport	0	0	0.50	0.50	Violation of Law / Rules
28.	CC, IR, RTO, Isd	14281	Short deduction of Benevolent Fund	0	0	0.49	0.49	Violation of Law / Rules
29.	CC, IR, RTO, Isd	14282	Irregular payment on account of medical charges	0	0	0.43	0.43	Violation of Law / Rules
30.	CC, IR, RTO, Isd	14283	Un-authorized payment of TA on transfer	0	0	0.35	0.35	Violation of Law / Rules
31.	CC, IR, RTO, Isd	14288	In-admissible payment involving in different paras	0	0	0.22	0.22	Violation of Law / Rules
32.	LTU, Isd	14397	Non production of record	0	0	0.00	0.00	Violation of Law / Rules
33.	LTU, Isd	14398	Un-necessary Exp on pay and allowances for the post of Notice Server	0	0	3.54	3.54	Violation of Law / Rules
34.	LTU, Isd	14399	Un authorized Exp on over and above grant	0	0	39.31	39.31	Violation of Law / Rules
35.	LTU, Isd	14401	Irregular/un- authorized Exp at the end of Financial year	0	0	8.42	8.42	Violation of Law / Rules

36.	LTU, Isd	14402	Improper estimation of Funds	0	0	46.02	46.02	Violation of Law / Rules
37.	LTU, Isd	14405	Irregular advance payment and excess payment of electricity bills	0	0	0.22	0.22	Violation of Law / Rules
38.	LTU, Isd	14407	Un-authorized Exp	0	0	0.14	0.14	Violation of Law / Rules
39.	LTU, Isd	14413	Short deduction B.F due to incorrect rate	0	0	0.64	0.64	Violation of Law / Rules
40.	CC, IR, RTO, Mtn	14432	Excessive payment of HRA	0	0	0.39	0.39	Violation of Law / Rules
41.	CC, IR, RTO, Mtn	14516	Irregular payment of law charges to advocates	0	0	1.48	1.48	Violation of Law / Rules
42.	CC, IR, RTO, Mtn	14517	Improper reconciliation of Exp	0	0	0.84	0.84	Violation of Law / Rules
43.	Deputy Director, DPU, Mtn	14522	Irregular Exp on electricity used for Tax Bar Association	0	0	0.60	0.60	Violation of Law / Rules
44.	LTU, Isd	14573	Un-authorized retention of Govt. Assets /Vehicles	0	0	0.21	0.21	Violation of Law / Rules
45.	DDO, DRS, FBR, Isd	14583	Short deduction of benevolent fund from the pay of officers & officials	0	0	0.10	0.10	Violation of Law / Rules
46.	PRAL, Isd	14589	Un-justified / un-warranted expenditure of diesel, telephone, internet charges	0	0	3.53	3.53	Violation of Law / Rules
47.	PRAL, Isd	14590	Irregular operation of 62 impress account including 06 at PRAL HQ	0	0	0.00	0.00	Violation of Law / Rules
48.	PRAL, Isd	14591	Irregular re-hiring of employees due to non-implementation of PRAL promotion	0	0	0.00	0.00	Violation of Law / Rules

49.	PRAL, Isd	14592	Irregular/un-justified purchase of computer and electronics equipment	0	0	0.27	0.27	Violation of Law / Rules
50.	PRAL, Isd	14593	Loss of company fund due to theft of two laptops	0	0	0.17	0.17	Violation of Law / Rules
51.	Comm. Zone-XI, RTO-II, LHR	13799	Excess payment of ST refund	0	4.69	0	4.69	Violation of Law / Rules
52.	Comm. Zone-V, RTO-I, LHR	13838	In-admissible deferment of sales tax refund	0	52.16	0	52.16	Violation of Law / Rules
53.	Commissioner Zone-III, RTO, Peshawar	14221	Mis use of raw material due to mis declaration of closing stock	0	0.00	0	0.00	Violation of Law / Rules
54.	PAR Mega Issue, FBR, Isd	14233	Amnesty scheme causing loss of public exchequer	0	0.00	0	0.00	Violation of Law / Rules
55.	PAR Mega Issue, FBR, Isd	14234	Conflicting and inconsistent policies of FBR	0	0.00	0	0.00	Violation of Law / Rules
56.	PAR Mega Issue, FBR, Isd	14235	Inconsistent policy of FBR for tractor manufacturing sector	0	0.00	0	0.00	Violation of Law / Rules
57.	LTU, LHR	14316	Un-lawful refund/adjustment of input tax against supplies made to un-registered	0	19.48	0	19.48	Violation of Law / Rules
58.	Comm. Zone-II, RTO, Mtn	14508	Excess payment of refund of FED	0	0.28	0	0.28	Violation of Law / Rules
59.	PAR mega issues LTU, LHR	14530	In-admissible refund	0	0.57	0	0.57	Violation of Law / Rules
60.	Comm. Zone-III, RTO, Isd	14539	Non realization of further tax	0	0.47	0	0.47	Violation of Law / Rules
61.	CCIR(Exp), RTO, Islamabad (2012-13)	1	Irregular payment of hiring charges	0	0	0.09	0.09	Rule 15(5) (b) of the Accommodation Allocation Rules 2002

62.	Commissioner Zone-I,RTO Islamabad (2012-13)	3	Irregularities of less significant	458.05	0	0	458.05	Violation of Law / Rules
63.	Commissioner Zone-II,RTO Islamabad (2012-13)	1	Non-Levy of Default Surcharge	0.07	0	0	0.07	Section205 (1) (a) of ITO 2001
64.	Commissioner Zone-III,RTO Islamabad (2012-13)	2	Irregularities of less significant	0.68	0	0	0.68	Violation of Law / Rules
65.	Commissioner Zone-II, LTU, Islamabad (2012-13)	1	Cases assessed and under recovery of billions	0	0	0	0	Violation of Law / Rules
66.	Commissioner Zone-III, LTU, Islamabad (2012-13)	1	Irregularities of less significant	13.23	0	0	13.23	Violation of Law / Rules
67.	Commissioner Zone-II,LTU, Islamabad (2011 12)	1	Unjustified claim of tax deducted at source	0.77	0	0	0.77	Section 168 of ITO, 2001
68.	Commissioner Zone-III,LTU, Islamabad (2011-12)	1	Non- realization of Tax on dividend by treating the same as normal tax	355.57	0	0	355.57	Section 5 of ITO, 2001
69.	Dite: of Training & Research IR ,Isd Expenditure Audit 2011-12	11	Irregularities of less significant	0	0	0.46	0.46	Violation of Law / Rules
70.	Commissioner Appeals-I (IR) ,Isd Expenditure Audit (2011- 12)	7	Irregularities of less significant	0	0	0.15	0.15	Violation of Law / Rules
71.	Commissioner Appeals-II (IR) ,Isd Expenditure Audit (2011-12)	9	Irregularities of less significant	0	0	0.54	0.54	Violation of Law / Rules
72.	Commissioner Appeals-III (IR) ,Isd Expenditure Audit (2011-12)	7	Irregularities of less significant	0	0	0.24	0.24	Violation of Law / Rules

73.	Dite: of Internal Audit (NR), IR, Isd. Expenditure Audit (2011-12)	15	Irregularities of less significant	0	0	2.75	2.75	Violation of Law / Rules
74.	Chief Computer Coordinator Computer Wing, IR, Isd. Expenditure Audit (2011-12)	16	Irregularities of less significant	0	0	1.20	1.20	Violation of Law / Rules
75.	DG, I & I, IR, Isd. Expenditure Audit (2011-12)	13	Irregularities of less significant	0	0	2.78	2.78	Violation of Law / Rules
76.	DRS (IR) Expenditure Audit, FBR, Islamabad (2012-13)	8	Irregularities of less significant	0	0	4.44	4.44	Violation of Law / Rules
77.	PRAL, Expenditure Audit FBR, Islamabad (2012-13)	6	Irregularities of less significant	0	0	2.99	2.99	Violation of Law / Rules
78.	CCIR, Expenditure Audit LTU, Lahore (2012-13)	8	Irregularities of less significant	0	0	1.27	1.27	Violation of Law / Rules
79.	CCIR, Expenditure Audit RTO-I, Lahore (2012-13)	2	Irregularities of less significant	0	0	0.02	0.02	Violation of Law / Rules
80.	Commissioner Zone-I, RTO-I, Lahore (2012-13)	2	Irregularities of less significant	0.01	0	0	0.01	Violation of Law / Rules
81.	Performance Audit Report RTO, Lahore. (2011-12)	3	Irregularities of less significant	0	0	0	0	Violation of Law / Rules
82.	Commissioner IR Zone-IX, RTO-II, Lahore (2011-12)	4	Irregularities of less significant	1.80	89.12	0	90.92	Violation of Law / Rules
83.	Commissioner, IR Zone-X, RTO-II, Lahore (2011-12)	4	Irregularities of less significant	967.60	5.43	0	973.034	Violation of Law / Rules

84.	Commissioner Zone-XI, RTO-II, Lahore (2011-12)	2	Irregularities of less significant	1,159.35	6.656	0	1,166.01	Violation of Law / Rules
85.	Commissioner Zone-XII, RTO-II, Lahore (2011-12)	3	Irregularities of less significant	1,159.59	0	0	1,159.59	Violation of Law / Rules
86.	CCIR, Expenditure Audit Abbottabad (2012-13)	9	Irregularities of less significant	0	0	1.02	1.02	Violation of Law / Rules
87.	Commissioner IR Zone-II, RTO, Abbottabad (2011-13)	2	Irregularities of less significant	3.71	1.37	0	5.08	Violation of Law / Rules
88.	Commissioner Zone-I, RTO, Faisalabad (2012-13)	4	Irregularities of less significant	0	0.77	0	0.77	Violation of Law / Rules
89.	Commissioner Zone-II, RTO, Faisalabad (2012-13)	2	Irregularities of less significant	3.95	0.03	0	3.98	Violation of Law / Rules
90.	CCIR Expenditure Audit, RTO, Faisalabad (2012-13)	7	Irregularities of less significant	0	0	0.04	0.04	Violation of Law / Rules
91.	Commissioner Zone-III, RTO, Faisalabad (2011-12)	6	Irregularities of less significant	18.49	0	0	18.49	Violation of Law / Rules
92.	Additional Director, Internal Audit Expenditure Audit, Fsd (2011-12)	12	Irregularities of less significant	0	0	1.22	1.22	Violation of Law / Rules
93.	Commissioner Appeals (IR) Expenditure Audit, Fsd (2011-12)	6	Irregularities of less significant	0	0	0.01	0.01	Violation of Law / Rules
94.	Directorate of I & I (IR) Expenditure Audit, Fsd. (2011-12)	7	Irregularities of less significant	0	0	0.24	0.24	Violation of Law / Rules
95.	DPU, IR Expenditure Audit, RTO, Gujranwala (2012-13)	9	Irregularities of less significant	0	0	0.33	0.33.	Violation of Law / Rules

96.	CCIR, Expenditure Audit RTO, Gujranwala (2012-13)	10	Irregularities of less significant	0	0	2.89	2.89	Violation of Law / Rules
97.	Commissioner Zone-I, RTO, Gujranwala (2012-13)	7	Irregularities of less significant	33.83	0.29	0	34.12	Violation of Law / Rules
	Commissioner Zone-II, RTO, Gujranwala (2012-13)	1	Irregularities of less significant	0	0.03	0	0.03	Violation of Law / Rules
99.	Commissioner Appeals (IR) Expenditure Audit, Gujranwala (2011-12)	3	Irregularities of less significant	0	0	0.06	0.06	Violation of Law / Rules
100.	DPU, IR Expenditure Audit, RTO, Peshawar (2012-13)	5	Irregularities of less significant	0	0	0.12	0.12	Violation of Law / Rules
101.	CCIR, Expenditure Audit RTO, Peshawar (2012-13)	11	Irregularities of less significant	0	0	0.76	0.76	Violation of Law / Rules
102.	Commissioner Zone-I, RTO, Peshawar (2012-13)	2	Irregularities of less significant	3.08	0	0	3.08	Violation of Law / Rules
103.	Commissioner Zone-II (IR) RTO, Rawalpindi (2012-13)	1	Irregularities of less significant	2.18	0	0	2.18	Violation of Law / Rules
104.	CC (IR) Expenditure Audit, RTO, Rawalpindi (2012-13)	6	Irregularities of less significant	0	0	0.95	0.95	Violation of Law / Rules
105.	Commissioner , Appeals, Expenditure Audit RTO, Multan (2011- 12)	5	Irregularities of less significant	0	0	0.02	0.02	Violation of Law / Rules
106.	Internal Audit,(IR) Expenditure Audit , Multan (2011-12)	5	Irregularities of less significant	0	0	0.19	0.19	Violation of Law / Rules
107.	Commissioner Sahiwal Zone RTO, Multan (2011-12)	6	Irregularities of less significant	12.51	0	0	12.51	Violation of Law / Rules

108.	CC (IR) Expenditure Audit, RTO, Multan (2012-13)	11	Irregularities of less significant	0	0	0.04	0.04	Violation of Law / Rules
109.	DPU (IR) Expenditure Audit, Multan (2012-13)	9	Irregularities of less significant	0	0	0.21	0.21	Violation of Law / Rules
110.	Commissioner Zone-I (IR)RTO, Multan (2012-13)	6	Irregularities of less significant	0	130.25	0	130.25	Violation of Law / Rules
111.	Commissioner Zone-II (IR)RTO, Multan (2012-13)	13	Irregularities of less significant	70.11	15.98	0	86.09	Violation of Law / Rules
112.	Commissioner Zone-II (IR)RTO, Multan (2012-13)	9	Irregularities of less significant	33.00	1.200	0	34.20	Violation of Law / Rules
113.	Performance Audit on issuance and adjustment of refund RTO Multan & Faisalabad	1	Irregular issuance of refund of income tax	186.67	0	0	186.67	Violation of Law / Rules
114.	Report on Mega issues Tax-GDP Ratio 2013-14	2	Irregular issuance of refund of income tax	0	0	0	0	Violation of Law / Rules
115.	Performance/ Sectoral Audit Report Dec, 2013	1	Non invoking the provision of section 3B of the Sales Tax Act,1990	0	962.87	0	962.87	section 3B of the Sales Tax Act,1990
116.	Report on Withholding Tax	1	Non deduction of withholding sales tax	0	2.29	0	2.029	
Total LHR (North)				4,484.25	1293.94	143.20	5,921.39	

DG, AIR (South) Karachi

117.	RTO-I Karachi	147- Exp/K	Inadmissible Expenditure over & above budget grant	0	0	1.32	1.32	Para 12 & 89 of GFR
118.	RTO-I Karachi	23	Irregularities of less significant	0	4646.68	0.003	4646.68	Violation of Law / Rules
119.	RTO-I Karachi	146- Exp/K	Non surrendering of saving	0	0	19.37	19.37	Violation of Law / Rules

120.	DPC Karachi	184-Exp/K	Non surrendering of saving	0	0	0.20	0.20	Violation of Law / Rules
121.	RTO-I Karachi	148-Exp/K	Irregularities of less significant	0	0	0.25	0.25	Violation of Law / Rules
122.	RTO-II Karachi	151-Exp/K	Inadmissible Expenditure over & above budget grant	0	0	0.179	0.179	Para 12 & 89 of GFR
123.	RTO-II Karachi	149-Exp/K	Non surrendering of saving	0	0	21.53	21.53	Para 12 & 89 of GFR
124.	RTO-II Karachi	150-Exp/k	Inadmissible Expenditure over & above budget grant	0	0	0.27	0.27	Para 12 & 89 of GFR
125.	RTO-II Karachi	5630-ST/K	Non realization of default surcharge	0	0.096	0	0.096	Section 34 of the STA 1990
126.	RTO –II Karachi	10	Irregularities of less significant	0	0	0.003	0.003	Violation of Law / Rules
127.	LTU Karachi	20	Irregularities of less significant	0	2494.57	112.26	2606.83	Violation of Law / Rules
128.	Additional Director, Internal Audit IR Karachi	153-Exp/K	Inadmissible Expenditure over & above budget grant	0	0	2.08	2.08	Para 12 & 89 of GFR
129.	Additional Director, Internal Audit IR Karachi	154-Exp/K	Non surrendering of saving	0	0	0.85	0.85	Para 12 & 89 of GFR
130.	Director Input Out put CO-efficient unit Karachi	05	Irregularities of less significant	0	0	0.030	0.030	Violation of Law / Rules
131.	Commissioner Appeal RTO-III Karachi	04	Irregularities of less significant	0	0	0.006	0.006	Violation of Law / Rules
132.	DPC (DDO) Karachi	04	Irregularities of less significant	0	0	0.010	0.010	Violation of Law / Rules
133.	FTO (RTO) Karachi	04	Irregularities of less significant	0	0	0.008	0.008	Violation of Law / Rules
134.	Commissioner Appeal RTO-II Karachi	04	Irregularities of less significant	0	0	0.006	0.006	Violation of Law / Rules
135.	Commissioner Appeal-I LTU Karachi	05	Irregularities of less significant	0	0	0.040	0.040	Violation of Law / Rules

136.	RTO Quetta	09	Irregularities of less significant	0	0	0.012	0.012	Violation of Law / Rules
137.	RTO Quetta	155-Exp/K	Irregularities of less significant	0	0	0.06	0.06	Violation of Law / Rules
138.	A D Training Karachi	10	Irregularities of less significant	0	0	0.01	0.01	Violation of Law / Rules
139.	Director I & I Karachi	09	Irregularities of less significant	0	0	0	0	Violation of Law / Rules
140.	Director I & I Karachi	152-Exp/K	Irregular expenditure over & above	0	0	1.01	1.01	Violation of Law / Rules
141.	Director Internal Audit Karachi	09	Irregularities of less significant	0	0	0	0	Violation of Law / Rules
142.	Additional Director Internal Audit Sukkur	10	Irregularities of less significant	0	0	0.11	0.11	Violation of Law / Rules
143.	Additional Director Internal Audit Sukkur	166-Exp/K	Irregular withdrawal of govt money	0	0	0	0	Rule 295 of Federal Treasury Rule
144.	A.D Internal Audit Hyderabad	05	Irregularities of less significant	0	0	0	0	Violation of Law / Rules
145.	A.D Internal Audit Hyderabad	163-Exp/K	Irregularities of less significant	0	0	0.11	0.11	Violation of Law / Rules
146.	A.D Internal Audit Hyderabad	162-Exp/K	Irregularities of less significant	0	0	0.46	0.46	Violation of Law / Rules
147.	A.D Internal Audit Hyderabad	159-Exp/K	Excess expenditure over and above	0	0	2.21	2.21	Para 12 & 89 of GFR
148.	RTO Sukkur	09	Irregularities of less significant	0	0	4.16	4.16	Violation of Law / Rules
149.	RTO Sukkur	179-Exp/K	Irregularities of less significant	0	0	0.33	0.33	Violation of Law / Rules
150.	RTO Sukkur	178-Exp/K	Non surrendering of saving	0	0	0.96	0.96	Para 12 & 89 of GFR
151.	AD Internal Audit Sukkur	165-Exp/K	Non surrendering of saving	0	0	0.22	0.22	Para 12 & 89 of GFR
152.	DPU Hyderabad	05	Irregularities of less significant	0	0	0.05	0.05	Violation of Law / Rules

153.	DPU Hyderabad	157- Exp/K	Non surrendering of saving	0	0	0.18	0.18	Para 12 & 89 of GFR
154.	FTO Hyderabad	06	Irregularities of less significant	0	0	0.01	0.01	Violation of Law / Rules
155.	FTO Hyderabad	158- Exp/K	Excess expenditure over and above	0	0	0.15	0.15	Para 12 & 89 of GFR
156.	RTO Hyderabad	19	Irregularities of less significant	1032.05	276.17	3.99	1312.21	Violation of Law / Rules
157.	RTO Hyderabad	167- Exp/K	Non surrendering of saving	0	0	2.62	2.62	Violation of Law / Rules
158.	RTO Hyderabad	174- Exp/K	Irregularities of less significant	0	0	0.05	0.05	Violation of Law / Rules
159.	RTO Hyderabad	172- Exp/K	Irregularities of less significant	0	0	0.07	0.07	Violation of Law / Rules
160.	RTO Hyderabad	171- Exp/K	Irregularities of less significant	0	0	0.20	0.20	Violation of Law / Rules
161.	AD Internal Audit IR Hyderabad	159- Exp/K	Irregular exp over & above	0	0	2.21	2.21	Violation of Law / Rules
162.	RTO Hyderabad	173- Exp/K	Excess claim of TA/DA	0	0	0.07	0.07	GFR 10
163.	DPU Quetta	03	Irregularities of less significant	0	0	0	0	Violation of Law / Rules
164.	AD Internal Audi Quetta	03	Irregularities of less significant	0	0	0	0	Violation of Law / Rules
165.	RTO Quetta	5592- ST/K	Non realization of DSC	0	0.09	0	0.09	Section 34 of the STA, 1990
Total Karachi (South)				1,032.05	7,417.61	177.66	8,627.32	
Total LHR (North)				4,484.25	1,293.94	143.20	5,921.39	
G. Total				5,516.30	8,711.55	320.86	14,548.71	

Annexure-I A**Compliance of MFDAC for the year 2012-13***(Rs in million)*

Sr #	Name of formation	No. of Para/ DP.No.	Title of para	Amount of Audit Observation				Compliance	Non-compliance
				Direct Tax	Indirect Tax	Expenditure	Total		
1	LTU Lahore	13770	Unlawful adjustment of input tax against the supplies to black listed units	0.00	0.69	0.00	0.69	0	0.69
2	RTO, Islamabad	13729	Non recovery on account of conveyance allowance	0.00	0.00	0.54	0.54	0	0.54
3	RTO, Multan.	13424	Irregular/unauthorized payment of electricity charges	0.00	0.00	0.25	0.25	0	0.25
4	RTO, Islamabad	13728	Theft of vehicles along with registration books	0.00	0.00	0.20	0.2	0	0.2
5	FBR (HQ), Islamabad.	13247	Excess payment of TA/DA on Account of Foreign Tours	0.00	0.00	0.45	0.45	0	0.45
6	RTO, Multan.	13258	Irregular payment of TA (Transfer Grant)	0.00	0.00	0.11	0.11	0	0.11
7	PRAL, Islamabad.	13681	In-admissible payment on account of TA/DA	0.00	0.00	0.10	0.1	0	0.1
8	RTO, Rawalpindi	13396	Excess payment of rent as arrear of self hiring	0.00	0.00	0.17	0.17	0	0.17

9	RTO, Rawalpindi	13398	Excess payment of rent of residential building	0.00	0.00	0.10	0.1	0	0.1
10	PRAL, Islamabad.	13680	Un-justified payment on account of UAN services Bill/charges	0.00	0.00	0.26	0.26	0	0.26
11	FBR (HQ), Islamabad.	13281	Retention of vehicle in excess of authorized strength	0.00	0.00	0.00	0	0	0
12	FBR (HQ), Islamabad.	13282	Payment of efficiency/sp ecial honorarium exceeding one month pay	0.00	0.00	0.30	0.3	0	0.3
13	RTO, Abbotabad.	13745	Un-justified use of operational vehicles causing loss to Govt. exchequer	0.00	0.00	0.98	0.98	0	0.98
14	FBR (HQ), Islamabad.	13417	Illegal retention of surplus project vehicles	0.00	0.00	0.00	0	0	0
15	RTO, Multan.	13724	Irregular/un- authorized expenditure	0.00	0.00	0.80	0.8	0	0.8
16	FBR (HQ), Islamabad.	13279	Excess sanction of law charges	0.00	0.00	0.89	0.89	0	0.89
17	FBR (HQ), Islamabad.	13280	Illegal retention of vehicle by retired officer	0.00	0.00	0.00	0	0	0
18	FBR (HQ), Islamabad.	13546	Sanction of efficiency Honorarium twice to the employee	0.00	0.00	0.10	0.1	0	0.1

19	FBR (HQ), Islamabad.	13772	Non provision of information regarding assessment of vehicles	0.00	0.00	0.00	0	0	0
20	Zone-I, RTO, Multan	13443	Non finalization of assessment proceedings due to lack of internal controls	37.22	0.00	0.00	37.22	Para printed in AR 2013-14	37.22
21	Zone-II, RTO, Multan	13456	Loss of revenue due to lack of internal controls	3568.55	0.00	0.00	3568.55	Para printed in AR 2013-14	3568.55
22	LTU, Islamabad	13416	Short payment of sales tax due to adjustment of inadmissible input tax	0.00	2.41	0.00	2.41	0	2.41
23	FBR (HQ)	13773	Non demand of mortgage of plot of land and house/car	0.00	0.00	4.51	4.514	0	4.514
24	RTO Abbottabad	13538	Non execution of mortgage deed regarding HBA	0.00	0.00	2.27	2.27	1.745	0.525
25	RTO Sialkot	13600	Irregular/un-authorized expenditure over and above the budget grant.	0.00	0.00	9.76	9.76	0	9.76
26	Zone-I RTO, Gujranwala	13278	Non/short payment of sales tax	0.00	0.30	0.00	0.3	0	0.3
27	-do-	13366	Excess payment of refund of sales tax	0.00	0.11	0.00	0.11	0.11	0

28	Zone-II RTO, Gujranwala	13377	Inadmissible payment of refund due to acceptance of time barred claim	0.00	1.18	0.00	1.18	0	1.18
29	LTU, Lahore	13781	Irregular sanction of refund of sales tax due to time barred claim	0.00	12.76	0.00	12.76	0	12.76
30	Internal Audit Lahore	13641	Irregular payment of pay and allowances	0.00	0.00	7.86	7.86	0	7.86
31	Zone-I RTO I, Lahore	13607	Inadmissible sales tax refund	0.00	2.44	0.00	2.44	0	2.44
32	RTO-II Lahore	13576	Non imposition/ realization of penalty on rejection of refund claims	0.00	0.22	0.00	0.22	0	0.22
33	RTO Sargodha	13640	Irregular/una uthorized expenditure over and above the budget grant	0.00	0.00	7.76	7.76	0	7.76
34	-do-	13304	Inadmissible conveyance allowance	0.00	0.00	0.34	0.34	0	0.34
35	-do-	13559	Short recovery of 5% house rent charges	0.00	0.00	0.13	0.13	0	0.13
36	RTO Faisalabad	13240	Inadmissible sanction of sales tax refund on zero rated raw material	0.00	1.13	0.00	1.13	1.13	0
37	-do-	13254	Excess payment of sales tax refund due to non consumption of raw material	0.00	0.22	0.00	0.22	0.22	0

38	-do-	13241	Excess payment of refund due to adjustment of excess opening stock	0.00	0.10	0.00	0.1	0	0.1
39	-do-	13244	Excess sanction of sales tax refund	0.00	0.52	0.00	0.52	0.52	0
40	Zone-I, RTO Faisalabad	13374	Excess sanction of sales tax refund	0.00	7.83	0.00	7.83	7.83	0
41	RTO, Multan	13715	Inadmissible sanction of refund due to non consumption of raw material	0.00	0.07	0.00	0.07	0	0.07
42	Zone-II, RTO Multan	13716	Blockage of govt revenue due to non finalization of adjudication proceedings	0.00	3.68	0.00	3.68	0	3.68
43	RTO Bahawalpur	13670	Unauthorized expenditure over and above the budget grant	0.00	0.00	4.49	4.49	0	4.49
44	RTO, Lahore	13754	Unlawful payment of cash reward Rs 0.89 million against unrealized deposit of Rs 44.46 m	0.00	0.00	44.46	44.46	0	44.46
45	LTU, Islamabad.	12	Irregularities of less significant	541.06	0.50	0.21	541.77	0.005	541.765
46	D.G Internal Audit, Islamabad.	7	Irregularities of less significant	0.00	0.00	0.14	0.14	0	0.14
47	RTO Islamabad	11	Irregularities of less significant	0.00	0.00	2.12	2.12	0	2.12

48	Zone-I RTO Islamabad	6	Irregularities of less significant	105.34	1.10	0.00	106.44	0	106.44
49	Zone-II RTO Islamabad	4	Irregularities of less significant	73.93	0.09	0.00	74.02	0	74.02
50	FBR (HQ), Islamabad.	5	Irregularities of less significant	0.00	0.00	0.96	0.96	0	0.96
51	Directorate of Project Monitoring & Evaluation, Islamabad	10	Irregularities of less significant	0.00	0.00	0.25	0.25	0	0.25
52	RTO, Rawalpindi	7	Irregularities of less significant	0.00	0.00	3.40	3.4	0.053	3.347
53	RTO, Rawalpindi (Zone-I)	1	Irregularities of less significant	0.00	0.27	0.00	0.27	0	0.27
54	RTO, Rawalpindi (Zone-II)	1	Irregularities of less significant	184.00	0.00	0.00	184	184.00	0
55	Additional Director, Internal Audit, Rawalpindi	13	Irregularities of less significant	0.00	0.00	2.03	2.03	0	2.03
56	DPC, Rawalpindi	7	Irregularities of less significant	0.00	0.00	2.59	2.59	0	2.59
57	DRS, Islamabad.	11	Irregularities of less significant	0.00	0.00	0.93	0.93	0	0.93
58	RTO, Peshawar	12	Irregularities of less significant	0.00	0.00	11.97	11.97	0.017	11.953
59	Additional Director, Internal Audit, Inland Revenue, Peshawar.	6	Irregularities of less significant	0.00	0.00	0.05	0.05	0	0.05
60	Commissioner, Inland Revenue (Appeals), Peshawar.	8	Irregularities of less significant	0.00	0.00	0.49	0.49	0	0.49
61	Data Processing Unit, Peshawar	4	Irregularities of less significant	0.00	0.00	0.12	0.12	0	0.12
62	RTO, Abbotabad.	16	Irregularities of less significant	11.17	0.00	1.38	12.55	0.013	12.537

63	A.D. Internal Audit, A.abad	4	Irregularities of less significant	0.00	0.00	0.12	0.12	0	0.12
64	RTO Sialkot	10	Irregularities of less significant	0.00	0.00	0.31	0.31	0	0.31
65	Commissioner Zone-I RTO, Sialkot	5	Irregularities of less significant	15.37	7.32	0.00	22.69	0	22.69
66	Commissioner Zone-II RTO, Sialkot	2	Irregularities of less significant	0.07	25.76	0.00	25.83	0	25.83
67	RTO, Gujranwala	15	Irregularities of less significant	0.00	0.00	6.19	6.19	5.792	0.398
68	Commissioner Zone-I RTO, Gujranwala	3	Irregularities of less significant	0.07	0.41	0.00	0.48	0	0.48
69	Commissioner Zone-II RTO, Gujranwala	3	Irregularities of less significant	0.10	2.03	0.00	2.13	0	2.13
70	Internal Audit, Gujranwala	9	Irregularities of less significant	0.00	0.00	0.26	0.26	0	0.26
71	DPU, Gujranwala	9	Irregularities of less significant	0.00	0.00	0.79	0.79	0.003	0.787
72	DOT, Lahore.	11	Irregularities of less significant	0.00	0.00	5.34	5.34	0	5.34
73	Director I & I, Lahore	2	Irregularities of less significant	0.00	0.00	0.01	0.01	0	0.01
74	LTU, Lahore.	15	Irregularities of less significant	0.00	0.00	3.01	3.01	0.106	2.904
75	LTU, Lahore (2010-11)	2	Irregularities of less significant	0.00	0.22	0.00	0.22	0	0.22
76	Zone-I LTU, Lahore.	1	Irregularities of less significant	0.00	0.00	0.00	0	0	0
77	Internal Audit, Lahore	7	Irregularities of less significant	0.00	0.00	3.74	3.74	0	3.74
78	DPC, Lahore.	11	Irregularities of less significant	0.00	0.00	0.35	0.35	0.051	0.299
79	RTO I Lahore	8	Irregularities of less significant	0.00	0.00	1.40	1.4	0	1.4

80	Zone- I RTO I Lahore	9	Irregularities of less significant	888.65	52.11	0.00	940.76	1.984	938.776
81	Zone- II RTO I Lahore	6	Irregularities of less significant	32.19	0.04	0.00	32.23	0	32.23
82	Zone- III RTO I Lahore	3	Irregularities of less significant	0.00	0.00	0.00	0	0	0
83	Zone- IV RTO I Lahore	8	Irregularities of less significant	39.48	0.00	0.00	39.48	0	39.48
84	RTO II Lahore	5	Irregularities of less significant	0.00	0.00	1.99	1.99	0	1.99
85	RTO I Lahore (2010-11) (NPR)	10	Irregularities of less significant	12.97	10.88	0.00	23.85	0	23.85
86	RTO II Lahore (2010-11) NPR	13	Irregularities of less significant	1.04	34.51	0.00	35.55	0	35.55
87	Zone-VII RTO II Lahore.	3	Irregularities of less significant	50.50	0.03	0.00	50.53	0	50.53
88	RTO, Sargodha.	7	Irregularities of less significant	0.00	0.00	0.18	0.18	0.034	0.146
89	Zone-I RTO, Sargodha.	2	Irregularities of less significant	0.00	0.70	0.00	0.7	0.7	0
90	Zone-II RTO, Sargodha.	3	Irregularities of less significant	11.92	0.00	0.00	11.92	0	11.92
91	RTO, Faisalabad	15	Irregularities of less significant	22.22	1.16	0.13	23.51	0.021	23.489
92	RTO, Faisalabad (2010-11)	7	Irregularities of less significant	0.00	0.00	4.60	4.6	0	4.6
93	Zone-II RTO, Faisalabad.	2	Irregularities of less significant	0.39	0.00	0.00	0.39	0	0.39
94	Data Processing Unit, Faisalabad	6	Irregularities of less significant	0.00	0.00	0.04	0.04	0	0.04
95	RTO, Multan.	11	Irregularities of less significant	0.00	0.00	7.09	7.09	0.015	7.075
96	Zone-I RTO, Multan.	5	Irregularities of less significant	14.04	0.00	0.00	14.04	0	14.04

97	Zone-II RTO, Multan.	13	Irregularities of less significant	53.28	0.92	0.00	54.2	32.858	21.342
98	DPU, Multan	10	Irregularities of less significant	0.00	0.00	0.19	0.19	0	0.19
99	RTO, Bahawalpur	3	Irregularities of less significant	0.00	0.00	0.23	0.23	0	0.23
100	PRAL, Islamabad	6	Irregularities of less significant	0.00	0.00	0.03	0.03	0.021	0.009
Total (North)				5663.55	171.75	149.46	5984.76	237.228	5747.532
101	Director, input output co- efficient organization	143-K	Improper Budgeting and incurring Expenditure over and Above budget grant	0.00	0.00	0.46	0.46	0	0.46
102	Director I & I Inland Revenue Karachi	140-K	Irregular Expenditure due to unauthorized use of Vehicles	0.00	0.00	1.58	1.58	0	1.58
103	Coordinator Data Processing Unit Hyderabad	117-K	Improper Budgeting and incurring Expenditure over and Above budget grant	0.00	0.00	0.04	0.04	0	0.04
104	Add. Director Internal Audit Hyderabad	112-K	Improper Budgeting and incurring Expenditure over and Above budget grant	0.00	0.00	3.98	3.98	0	3.98
105	Asstt. Director Internal Audit Sukkur	115-K	Improper Budgeting and incurring Expenditure over and Above budget grant	0.00	0.00	0.29	0.29	0	0.29

106	Chief Commissioner, RTO Karachi	103-K	Improper Budgeting and incurring Expenditure over and Above budget grant	0.00	0.00	38.47	38.47	0	38.47
107	Chief Commissioner, RTO Hyderabad	118-K	Improper Budgeting and incurring Expenditure over and Above budget grant	0.00	0.00	6.24	6.24	0	6.24
108	Federal Treasury officer Hyderabad	127-K	Improper Budgeting and incurring Expenditure over and Above budget grant	0.00	0.00	0.07	0.07	0	0.07
109	RTO-II Karachi	111-K	Recovery of House Rent Allowance	0.00	0.00	0.16	0.16	0	0.16
110	Additional Director Internal Audit Quetta	134-K	Non Conducting of Physical verification of Store/ Stock	0.00	0.00	0.00	0	0	0
111	RTO Quetta	135-K	Excess Expenditure on A/c of Cash Reward	0.00	0.00	0.02	0.02	0	0.02
112	RTO Quetta	136-K	-do-	0.00	0.00	0.05	0.05	0	0.05
113	RTO Sukkur	5392-K	Non Production of Record for Checking Authentication of output Tax	0.00	4202.45	0.00	4202.45	0	4202.45
114	RTO Sukkur	5391-K	Non Production of Record for Checking Authentication of input Tax	0.00	309.11	0.00	309.11	0	309.11
115	Additional Commissioner (IR) Hub Quetta	2	Irregularities of less significant	0.02	0.02	0.00	0.04	0	0.04

116	Additional Director Internal Audit Hyderabad	12	Irregularities of less significant	0.00	0.00	0.08	0.08	0	0.08
117	Additional Director Internal Audit Quetta	3	Irregularities of less significant	0.00	0.00	0.00	0	0	0
118	Additional Director Internal Audit Sukkur	15	Irregularities of less significant	0.00	0.00	0.27	0.27	0	0.27
119	Chief Commissioner (IR) LTU Karachi	8	Irregularities of less significant	124.96	0.00	0.00	124.96	0	124.96
120	Chief Commissioner (IR) RTO-I Karachi	8	Irregularities of less significant	7.45	0.00	0.00	7.45	0	7.45
121	Chief Commissioner (IR)RTO Sukkur	13	Irregularities of less significant	0.00	0.00	0.11	0.11	0	0.11
122	Chief Commissioner RTO Hyderabad	16	Irregularities of less significant	6.66	0.00	0.28	6.94	0	6.94
123	Chief Commissioner RTO- II Karachi	12	Irregularities of less significant	0.00	0.00	0.27	0.27	0	0.27
124	Chief Commissioner RTO-III, Karachi	11	Irregularities of less significant	0.00	0.00	3.27	3.27	0	3.27
125	Co Efficient Organization Karachi	7	Irregularities of less significant	0.00	0.00	0.04	0.04	0	0.04
126	Commissioner Appeal II RTO Karachi	2	Irregularities of less significant	0.00	0.00	0.00	0	0	0
127	Commissioner Appeal III RTO Karachi	3	Irregularities of less significant	0.00	0.00	0.00	0	0	0
128	Commissioner Appeal Hyderabad	1	Irregularities of less significant	0.00	0.00	0.02	0.02	0	0.02
129	Commissioner Appeal-I LTU Karachi	4	Irregularities of less significant	0.00	0.00	0.04	0.04	0	0.04

130	Co-Ordination Data Processing Unit Hyderabad	11	Irregularities of less significant	0.00	0.00	0.01	0.01	0	0.01
131	Data processing Centre Karachi	7	Irregularities of less significant	0.00	0.00	1.21	1.21	0	1.21
132	Data Processing Unit RTO Quetta	4	Irregularities of less significant	0.00	0.00	0.00	0	0	0
133	Director Internal audit Southern Region Karachi	5	Irregularities of less significant	0.00	0.00	0.82	0.82	0	0.82
134	Director Training RTO Karachi	6	Irregularities of less significant	0.00	0.00	0.18	0.18	0	0.18
135	Federal Treasury Hyderabad	13	Irregularities of less significant	0.00	0.00	0.03	0.03	0	0.03
136	Federal Treasury Office RTO Karachi	5	Irregularities of less significant	0.00	0.00	0.04	0.04	0	0.04
Total (South)				139.08	4511.57	58.01	4708.66	0	4708.66
Grand Total (North)+(South)				5802.63	4683.32	207.47	10693.42	237.23	10456.19

Annexure-2

Audit Impact Summary

Sr. No.	Change in Rules/System/Procedure	Audit Impact
1	While conducting audit of income tax refund cases, Audit identified two hundred and seventeen (217) tax payers who were liable to be registered under The Sales Tax Act, 1990 in nine field offices of FBR.	Audit contributed towards broadening of tax base for the economy and pointed out revenue implication of Rs 2,043.87 million in 217 cases pertaining to the period 2011-12 and 2012-13. In the DAC meeting held in Jan, 2014, the department informed that legal action has been initiated to bring the taxpayers in sales tax net for recovery of the government dues.
2	An amount of Rs 4,465 million was recovered during the period Jan to Dec, 2013 on pointation by Audit.	Amount recovered at the instance of audit was escaped from tax authorities while making assessment of tax. Audit provided deterrence against leakage of government revenue which ultimately helped FBR in achieving revenue targets.

Annexure-3
(Para 3.1.1)

Non-production of record of assessment of sales tax and federal excise duty

Sr. No.	Offices	DP No./Ref.	Total Population (registered persons)	Sample selected (registered persons)
1	LTU Islamabad	14055	285	55
2	RTO Islamabad	14542	3,394	200
3	RTO Faisalabad	13869	7,560	263
4	RTO Rawalpindi	14205	5,176	200
5	RTO Abbottabad	14009	692	210
6	LTU Lahore	14320	303	50
7	RTO-I Lahore	14563,14564, 14565	13,678	175
8	LTU Karachi	5746-ST/K	350	35
Total			31,438	1,188

Annexure-4
(Para 3.1.2)

Non-production of auditable record maintained by and available with tax authorities

(Rs in million)

Sr. No.	Offices	DP No.	No. of cases	Amount
A-Sales Tax Refund				
1	LTU Lahore	14320-NPR	150	3,123.950
		13919	complete record not provided	Amount could not be ascertained due to non availability of record
2	RTO Islamabad	14542-NPR	-do-	-do-
3	RTO Faisalabad	14527-NPR	65	23.113
		14362-NPR	193	91.805
		14347-NPR	195	Amount could not be ascertained due to non availability of record
		13869-NPR	complete record not provided	-do-
4	RTO-II Lahore	13936	-do-	-do-
		13852	-do-	-do-
5	RTO Rawalpindi	13914-NPR	01	9.755
6	RTO-I Lahore	14563,14564,14565,1438114380/NPR	complete record not provided	Amount could not be ascertained due to non availability of record
7	RTO Multan	14511-NPR	65	35.127
		14506-NPR	complete record not provided	Amount could not be ascertained due to non availability of record
8	LTU Islamabad	14485-NPR	10	-do-
9	RTO-I Karachi	5509-ST/K	complete record not provided	-do-

		5572-ST/K	150	82.97
		5582-ST/K	150	176.08
		5791-ST/K	complete record not provided	Amount could not be ascertained due to non availability of record
10	RTO-II Karachi	5525-ST/K	-do-	-do-
		5556-ST/K	-do-	-do-
11	RTO-III Karachi	5555-ST/K	-do-	-do-
12	LTU Karachi	5746-ST/K	35	-do-
		5792-ST/K	complete record not provided	-do-
		5794-ST/K	-do-	-do-
13	RTO Sukkar	5793-ST/K	67	-do-
14	RTO Quetta	5620-ST/K	15	-do-
B-Income Tax Refund/Adjustment				
1	RTO-I Lahore	14563-NPR	complete record not provided	Amount could not be ascertained due to non availability of record
		14564-NPR	-do-	-do-
		14565-NPR	-do-	-do-
2	RTO Faisalabad	14372-NPR	38	-do-
		14357-NPR	101	-do-
3	RTO Islamabad	14542-NPR	complete record not provided	-do-
		14313-NPR	-do-	-do-
		14306-NPR	-do-	-do-
4	RTO Rawalpindi	14044-NPR	-do-	-do-
5	RTO-II Lahore	13933-NPR	17	9.918
6	LTU Islamabad	14485-NPR	4	Amount could not be ascertained due to non availability of record
		14055-NPR	complete record not provided	-do-

7	LTU Lahore	14320-NPR	150	11,922.934
		13919-NPR	complete record not provided	Amount could not be ascertained due to non availability of record
8	RTO-I Karachi	362-K	-do-	-do-
		389-K	-do-	-do-
		390-K	-do-	-do-
		398-K	-do-	-do-
		602-K to 606-K	-do-	-do-
		5573-ST/K	-do-	-do-
		5583-ST/K	-do-	-do-
9	RTO-II Karachi	385-K	-do-	-do-
10	RTO-I,II,III-Karachi	641-K	complete record of performance audit not provided	-do-
11	RTO Hyderabad	495-K	complete record of income tax refund adjustment not provided	-do-
12	RTO Sukkar	473-K	-do-	-do-
13	RTO-III Karachi	412-K to 413-K	-do-	-do-
C- Income Tax Assessment				
1	RTO Rawalpindi	14044	complete record not provided	Amount could not be ascertained due to non availability of record
2	LTU Islamabad	14005	-do-	-do-
3	RTO-I Lahore	14563	-do-	-do-
4	RTO-I Karachi	607-K to 610-K	-do-	Amount could not be ascertained due to non availability of record
		5575-ST/K	-do-	-do-
		5585-ST/K	-do-	-do-
5	RTO-II Karachi	403-K	-do-	-do-
		428-K	-do-	-do-

6	RTO-III Karachi	457-K	complete record not provided	Amount could not be ascertained due to non availability of record
		546-K	-do-	-do-
		414-K to 416-K	-do-	-do-
7	LTU Karachi	665-K	-do-	-do-
8	RTO Sukkar	483-K	-do-	-do-
9	RTO Hyderabad	506-K	-do-	-do-
D- Adjudication Cases				
1	RTO Islamabad	14542/NPR	complete record not provided	Amount could not be ascertained due to non availability of record
		14313/NPR	-do-	-do-
		14306/NPR	-do-	-do-
2	RTO Faisalabad	13869/NPR	-do-	-do-
3	RTO-I Karachi	5512-ST/K	-do-	-do-
		5577-ST/K	-do-	-do-
		5587-ST/K	-do-	-do-
4	RTO-II Karachi	5528-ST/K	-do-	-do-
E- BTB cases				
1	RTO Faisalabad	14373/NPR	complete record not provided	Amount could not be ascertained due to non availability of record
2	RTO Islamabad	14542/NPR	-do-	-do-
		14313/NPR	-do-	-do-
		14306/NPR	-do-	-do-
F- Record of Recovery Cell				
1	RTO Islamabad	14542/NPR	complete record not provided	Amount could not be ascertained due to non availability of record
		14313/NPR	-do-	-do-
		14306/NPR	-do-	-do-
2	RTO Faisalabad	13869/NPR	-do-	-do-
3	RTO-I Karachi	5510-ST/K	-do-	-do-
		5574-ST/K	-do-	-do-

		5584-ST/K	-do-	-do-
4	RTO-II Karachi	5526-ST/K	-do-	-do-
G- MAC (Monitoring and Audit of Withholding Taxes Cell)				
1	RTO Islamabad	14542-NPR	complete record not provided	Amount could not be ascertained due to non availability of record
		14313-NPR	-do-	-do-
		14306-NPR	-do-	-do-
2	RTO Multan	13456	131	3,568.559
3	RTO-I Karachi	5648-ST/K	complete record not provided	Amount could not be ascertained due to non availability of record
4	RTO-III Karachi	5795-ST/K	-do-	-do-
5	LTU Karachi	5797-ST/K	-do-	-do-
H- Internal Audit Reports				
1	RTO-I Karachi	5511-ST/K	complete record not provided	Amount could not be ascertained due to non availability of record
		5576-ST/K	-do-	-do-
		5586-ST/K	-do-	-do-
2	RTO-II Karachi	5527-ST/K	-do-	-do-
J-Expenditure				
1	LTU Islamabad	14397-Exp	Partial record	Amount could not be ascertained due to non availability of record
K-Tax to GDP Ratio				
1	FBR(HQ)	14531	Partial record	Amount could not be ascertained due to non availability of record

Annexure-5

(Para 4.1.1)

**Non/short-realization of sales tax and federal excise duty
- Rs 6,505.66 million***(Rs in million)*

Sr. No.	Office	DP No.	No. of cases	Amount
1	LTU Islamabad	14550-ST	5	914.33
2	RTO Rawalpindi	14209-ST	7	3.66
		14204-ST	8	10.83
		14190-ST	15	1.87
3	LTU Lahore	14321-ST	1	122.41
4	RTO Islamabad	14291-ST	64	6.78
5	RTO-I Karachi	5513-ST/K	8	9.72
		5514-ST/K	13	5.51
		5515-ST/K	10	2.45
		5516-ST/K	15	1.79
		5517-ST/K	4	1.43
		5518-ST/K	5	1.36
		5519-ST/K	9	1.27
		5520-ST/K	5	0.94
		5521-ST/K	4	0.19
		5522-ST/K	4	0.47
		5524-ST/K	6	0.09
		5579-ST/K	1	40.53
5580-ST/K	1	1.79		
6	RTO-II Karachi	5479-ST/K	16	337.69
		5529-ST/k	18	14.94
		5530-ST/K	27	6.42
		5531-ST/K	20	2.62
		5532-ST/K	42	2.62
		5533-ST/K	39	1.43
		5534-ST/K	18	1.14
		5535-ST/K	11	0.59

		5536-ST/K	11	0.57
		5537-ST/K	10	0.54
		5539-ST/K	09	0.32
		5540-ST/K	13	0.33
		5541-ST/K	15	0.32
		5629-ST/K	5	72.31
		5632-ST/K	1	21.40
7	RTO-III Karachi	5542-ST/K	7	66.49
		5543-ST/K	16	65.99
		5544-ST/K	6	64.91
		5545-ST/K	5	61.47
		5546-ST/K	6	56.50
		5547-ST/K	10	45.75
		5548-ST/K	21	36.07
		5549-ST/K	4	30.13
		5550-ST/K	6	23.36
		5551-ST/K	9	23.21
		5552-ST/K	12	14.31
		5553-ST/K	22	3.84
		5456-ST/K	2	6.93
5588-ST/K	6	1.65		
8	LTU Karachi	5468-ST/K	1	25.56
		5747-ST/K	1	161.46
		5749-ST/K	1	110.84
		5750-ST/K	1	84.30
		5752-ST/K	1	72.64
		5753-ST/K	1	62.66
		5754-ST/K	1	58.43
		5756-ST/K	1	39.79
		5757-ST/K	1	11.78
		5475-ST/K	1	4.94
		5760-ST/K	1	0.82
5759-ST/K	1	6.64		

		5758-ST/K	1	11.58
		5677-ST/K	1	34.31
		5683-ST/K	1	14.69
		5821-ST/K	1	688.88
		5775-ST/K	1	952.92
		5776-ST/K	1	321.47
		5777-ST/K	1	334.58
		5788-ST/K	1	2.63
		5819-ST/K	1	1,328.15
		5779-ST/K	1	56.93
9	RTO Hyderabad	5610-ST/K	1	2.25
		5623-ST/K	21	0.96
		5639-ST/K	3	2.41
		5615-ST/K	3	6.56
10	RTO Sukkur	5603-ST/K	2	15.60
		5604-ST/K	7	0.51
		5600-ST/K	2	0.10
Total			633	6,505.66

Annexure-6

(Para 4.1.2)

Non-imposition of penalty on registered persons failing to file sales tax returns - Rs 295.91 million*(Rs in million)*

Sr. No.	Office	DP No.	No. of cases	Amount
1	RTO Rawalpindi	14206-STR	460	23.73
		14201-STR	896	45.92
		14186-STR	658	33.32
2	RTO Multan	14534-STR	2	1.59
		14421-STR	20	2.13
3	RTO Gujranwala	14108-STR	12	0.06
4	RTO-I Karachi	5523-ST/K	100	0.50
		5567-ST/K	412	2.06
		5568-ST/K	408	2.04
		5569-ST/K	407	2.04
		5570-ST/K	403	2.02
		5571-ST/K	400	2.00
		5581-ST/K	412	2.02
		5669-ST/K	479	2.40
		5670-ST/K	423	2.12
		5671-ST/K	590	2.95
		5672-ST/K	495	2.48
		5673-ST/K	450	2.23
		5674-ST/K	518	2.59
5676-ST/K	173	1.73		
5	RTO-II Karachi	5538-ST/K	100	0.50
6	RTO-III Karachi	5454-ST/K	506	11.63
		5455-ST/K	1856	111.36
		5459-ST/K	4	0.07
		5460-ST/K	300	14.32
		5461-ST/K	300	1.50
		5554-ST/K	200	1.00
7	RTO Sukkar	5596-ST/K	164	3.53
		5597-ST/K	525	2.63
		5608-ST/K	1	1.21
		5599-ST/K	1	0.15
8	RTO Hyderabad	5611-ST/K	230	1.15
		5614-ST/K	1373	6.86
		5622-ST/K	219	1.09
		5625-ST/K	396	2.98
Total			13,893	295.91

Annexure-7
(Para 4.1.3)

**Non realization of sales tax from government vendors/suppliers and DDOs
- Rs 170.57 million**

(Rs in million)

Sr. No.	Office	DP No.	No. of DDOs	Amount
1	RTO-II, Lahore	14469/ST	16	38.88
		14468/ST	53	24.37
		14467/ST	21	18.30
		14471/ST	16	18.07
		14470/ST	77	70.84
2	RTO Rawalpindi	Para 4.16 of Draft PAR on WHT 2013-14	1	0.11
Total			184	170.57

Annexure-8

(Para 4.1.4)

**Non/short-realization of sales tax and federal excise duty
- Rs 1,434.60 million***(Rs in million)*

Sr. No.	Offices	DP No.	No. of cases	Amount
1	RTO-II Lahore	13823-ST	1	111.20
		13798-ST	1	2.03
		13825-ST	1	10.97
2	LTU Islamabad	14537-ST	4	149.91
		13884-ST	4	11.05
		13880-ST	1	142.50
3	RTO-I Lahore	14576-ST	136	98.52
		14379-ST	1	0.29
		13841-ST	1	2.67
		14578-ST	1	36.01
4	RTO Multan	14515-ST	1	11.61
		14512-ST	1	690.00
		14505-ST	2	55.20
		14428-ST	1	11.43
		14431-ST	1	45.80
		14430-ST	1	5.22
		14429-ST	1	5.09
		14424-ST	1	4.45
14422-ST	1	23.18		
5	RTO Islamabad	14546-ST	2	5.29
6	RTO Peshawar	14223-ST	1	2.91
7	RTO Faisalabad	13795-ST	1	7.61
		13790-ST	1	1.66
Total			166	1,434.60

Annexure-9
(Para 4.1.5)

**Short realization of sales tax due to application of incorrect rate
- Rs 336.02million**

(Rs in million)

Sr. No.	Offices	DP No.	No. of cases	Amount
1	RTO Gujranwala	14112-ST	29	1.86
		14100-ST	8	48.17
2	LTU Islamabad	14553-ST	18	24.34
		14476-ST	1	3.23
		13996-ST	11	94.40
3	RTO-I Lahore	14580-ST	1	0.47
		14569-ST	1	0.49
		14570-ST	1	0.56
4	RTO Islamabad	14538-ST	6	3.15
		14296-ST	17	0.45
		14292-ST	17	0.80
5	LTU Lahore	14314-ST	48	142.47
6	RTO Rawalpindi	14203-ST	24	3.06
		14188-ST	51	5.76
7	RTO Hyderabad	5626-STK	3	0.49
		5617-STK	2	0.96
8	RTO Sukkur	5593-STK	110	5.36
Total			348	336.02

Annexure-10
(Para 4.1.6)

Non-recovery of adjudged dues/arrears - Rs 42,549.10 million

(Rs in million)

Sr. No.	Offices	DP No.	No of cases	Amount pointed out
1	LTU Islamabad	14481-ST	23	29,015.11
		14472-ST	19	1457.96
		13874-ST	10	2155.32
		13836-ST	29	6176.66
2	RTO Bahawalpur	13814-ST	25	7.00
3	RTO-I Lahore	14571-ST	MPR	1311.78
4	RTO-II Lahore	13929-ST	7	6.56
5	RTO Rawalpindi	13906-ST	3	0.22
6	RTO Faisalabad	14523-ST	15	54.60
		14358-ST	35	61.22
		14337-ST	49	180.57
		14182-ST	2	1.15
		13870-ST	36	315.17
7	RTO Abbottabad	14007-ST	2	0.56
8	RTO Multan	14533-ST	19	6.25
9	RTO-II Karachi	5462-ST/K	1	29.98
		5463-ST/K	1	23.94
		5464-ST/K	1	386.30
		5465-ST/K	1	33.76
		5466-ST/K	1	31.19
		5478-ST/K	1	22.82
		5479-ST/K	1	22.36
		5480-ST/K	1	16.04
		5481-ST/K	1	15.76
		5482-ST/K	1	14.19
		5483-ST/K	1	12.74
		5484-ST/K	1	9.10

		5485-ST/K	1	8.56
		5486-ST/K	1	7.67
		5487-ST/K	1	4.19
		5488-ST/K	1	4.04
		5489-ST/K	1	3.15
		5490-ST/K	1	2.20
10	RTO-I Karachi	5652-ST/K	1	70.14
		5653-ST/K	1	39.74
		5654-ST/K	1	30.41
		5655-ST/K	1	26.84
		5656-ST/K	1	21.83
		5657-ST/K	1	20.42
		5658-ST/K	1	12.63
		5659-ST/K	1	7.08
		5660-ST/K	1	2.68
		5661-ST/K	1	1.38
		5662-ST/K	1	3.88
		5663-ST/K	1	2.87
		5664-ST/K	1	5.53
		5665-ST/K	1	1.43
		5666-ST/K	1	0.20
		5667-ST/K	1	0.51
5668-ST/K	1	0.77		
11	RTO Quetta	5628-ST/K	7	902.64
Total			316	42,549.10

Annexure-11
(Para 4.1.7)

**Short realization of sales tax due to inadmissible adjustment of input tax
- Rs 5,623.96 million**

(Rs in million)

Sr. No.	Offices	DP No.	No. of cases	Amount
1	LTU/RTO-II Lahore	14488-ST	2	113.54
2	RTO Multan	13968-ST	1	382.32
		13973-ST	1	98.40
		14425-ST	3	73.55
		14507-ST	1	1.07
		14513-ST	3	281.91
3	RTO Abbottabad	14008-ST	1	0.27
4	LTU Islamabad	14072-ST	2	12.86
		14473-ST	7	3,755.37
		14480-ST	6	2.22
		14560-ST	4	2.44
5	RTO Faisalabad	14396-ST	6	1.34
6	RTO Islamabad	14544-ST	2	7.81
		14298-ST	2	0.11
7	LTU Lahore	14318-ST	5	24.19
		14319-ST	3	575.45
		14315-ST	2	51.69
8	RTO-II Lahore	13930-ST	5	9.56
		13854-ST	2	0.29
		14228-ST	1	1.050
9	LTU Karachi	5748-ST/K	1	140.04
		5751-ST/K	1	85.55
		5780-ST/K	1	2.68
10	RTO Sukkur	5602-ST/K	1	0.25
Total			63	5,623.96

Annexure-12

(Para 4.1.8)

Non-realization of sales tax due to non-registration of taxpayers under Sales Tax Act, 1990 - Rs 2,043.87 million*(Rs in million)*

Sr. No.	Offices	DP No.	No. of cases	Amount pointed out
1	RTO Lahore	13894-ST	6	593.53
		14382-ST	31	80.36
		14378-ST	3	5.83
		13840-ST	8	14.24
		14577-ST	1	474.30
2	RTO Peshawar	14220-ST	1	35.37
3	RTO Rawalpindi	14187-ST	12	8.13
		13917-ST	25	48.00
		13916-ST	1	14.07
4	RTO Multan	14419-ST	24	51.48
		13974-ST	1	20.59
		13971-ST	1	7.98
		14514-ST	4	18.45
5	RTO Gujranwala	14110-ST	18	29.59
		14109-ST	27	47.87
		14101-ST	14	26.45
6	RTO Faisalabad	13794-ST	6	8.72
7	LTU Karachi	5470-ST/K	1	10.20
		5471-ST/K	1	6.38
		5472-ST/K	1	5.86
		5473-ST/K	1	5.83
		5474-ST/K	1	4.94
		5477-ST/K	1	2.32
8	RTO-I Karachi	5578-ST/K	10	215.83
9	RTO Quetta	5590-ST/K	6	97.53
		5633-ST/K	12	210.02
Total			217	2,043.87

Annexure-13

(Para 4.1.10)

Non/short-realization of withholding sales tax - Rs 2,647.57 million*(Rs in million)*

Sr. No	Office	DP No.	No. of cases	Amount pointed out
1	LTU Islamabad	14477-ST	1	14.06
2	RTO Peshawar	14225-ST	2	4.57
3	RTO Faisalabad	14338-ST	5	85.83
4	RTO Rawalpindi	Para 4.11 & 4.12 of Draft PAR on WHT 2013-14	2	27.360
		Para 4.14 of Draft PAR on WHT 2013-14	5	0.42
		Para 4.15 of Draft PAR on WHT 2013-14	3	0.22
5	RTO Hyderabad	5559-ST/K	1	18.27
		5560-ST/K	1	3.70
		5561-ST/K	8	3.15
		5562-ST/K	1	2.49
		5563-ST/K	1	2.12
		5564-ST/K	1	1.31
		5565-ST/K	3	1.17
		5566-ST/K	1	0.71
6	RTO Sukkur	5640-ST/K	1	58.99
		5643-ST/K	1	1.89
		5644-ST/K	1	1.24
		5645-ST/K	1	1.18
		5646-ST/K	1	0.76
		5647-ST/K	1	28.15

7	RTO-I Karachi	5649-ST/K	45	9.90
		5761-ST/K	1	105.08
		5763-ST/K	1	343.13
		5764-ST/K	410	64.17
		5765-ST/K	1	14.07
		5799-ST/K	3	132.79
		5800-ST/K	1	27.73
		5801-ST/K	1	16.09
		5802-ST/K	1	13.12
		5804-ST/K	1	1.21
		5805-ST/K	1	1.18
		5806-ST/K	1	0.27
		5807-ST/K	1	0.19
		5808-ST/K	1	4.75
8	RTO-II Karachi	5650-ST/K	187	448.02
		5651-ST/K	119	66.79
9	LTU Karachi	5685-ST/K	17	10.05
		5803-ST/K	1	4.12
		5766-ST/K	1	541.98
		5767-ST/K	1	12.59
		5768-ST/K	180	408.92
		5769-ST/K	1	10.20
		5770-ST/K	1	28.22
		5771-ST/K	1	120.13
		5773-ST/K	1	5.28
Total			1020	2,647.57

Annexure-14
(Para 4.1.11)

Non realization of sales tax - Rs 238.18 million

(Rs in million)

Sr. No.	Offices	DP No.	No. of cases	Amount
1	RTO Multan	13972-ST	1	16.98
		14427-ST	1	5.85
2	RTO Faisalabad	14374-ST	3	47.43
		14375-ST	1	116.30
		14340-ST	1	19.88
		14360/ST	1	0.48
		14361-ST	1	0.40
		14524-ST	1	0.99
		14526-ST	1	0.39
3	RTO Quetta	5636-ST/K	1	28.37
4	RTO-II Karachi	5458-ST/K	1	1.11
Total			13	238.18

Annexure-15
(Para 4.1.13)

**Non realization of sales tax due to inadmissible zero rating of goods
- Rs 242.00 million**

(Rs in million)

Sr. No.	Office	DP No.	No. of cases	Amount
1	LTU Lahore	14529-ST	1	73.23
2	RTO-II Lahore	14232-ST	1	8.84
		13853-ST	1	102.82
3	RTO Peshawar	14224-ST	1	3.50
4	RTO Multan	14420-ST	1	1.26
5	LTU Karachi	5781-ST/K	1	52.35
Total			6	242.00

Annexure-16
(Para 4.1.14)

Non realization of sales tax - Rs 230.72 million

(Rs in million)

Sr. No.	Offices	DP No.	No. of cases	Amount
1	RTO-I Lahore	13893-STR	9	35.23
		14377-ST	11	43.03
		14384-ST	7	47.69
		13839-STR	3	19.21
		13891-STR	1	1.19
2	LTU Islamabad	14073-ST	1	22.76
3	RTO Faisalabad	14345-ST	1	1.89
		13796-ST	8	3.83
4	LTU Lahore	14317-ST	6	49.51
5	RTO Multan	13970-ST	6	4.16
6	RTO-II Lahore	14229-ST	1	2.22
Total			54	230.72

Annexure-17
(Para 4.1.15)

Non realization of further tax - Rs 254.29 million

(Rs in million)

Sr. No.	Office	DP No.	No. of cases	Amount
1	RTO-I Lahore	14575-ST	1	0.09
		14568-ST	1	2.52
		14566-ST	1	2.41
		14567-ST	1	40.40
		14572-ST	1	101.00
2	RTO Islamabad	14297-ST	8	0.42
		14293-ST	10	0.70
3	LTU Islamabad	14483-ST	3	0.56
		13999-ST	2	97.57
		14555-ST	24	7.43
4	RTO Gujranwala	14105-ST	29	1.19
Total			81	254.29

Annexure-18
(Para 4.1.17)

**Short realization of sales tax due to inadmissible adjustment of input tax
- Rs 1,424.38 million**

(Rs in million)

Sr. No.	Offices	DP No.	No. of cases	Amount
1	RTO-Lahore I	14579-ST	1,162	1,116.47
2	RTO Rawalpindi	14207-ST	3	3.58
		14202-ST	5	19.53
		14191-ST	6	15.82
3	RTO Islamabad	14543-ST	172	80.71
		14294-ST	122	52.26
		14290-ST	159	119.91
4	LTU Islamabad	13888-ST	3	12.64
5	LTU Karachi	5476-STK	1	3.46
Total			1,633	1,424.38

Annexure-19

(Para 4.2.1)

Inadmissible refund of sales tax - Rs 32.75 million*(Rs in million)*

Sr. No.	Offices	DP No.	No. of cases	Amount pointed out
1	RTO Lahore	13842-ST	1	0.60
		13843-ST	1	0.48
2	RTO Lahore-II	13861-ST	1	9.20
		13932-ST	1	0.15
		13931-ST	1	0.21
		14528-ST	1	0.43
3	LTU Islamabad	14479-ST	1	3.25
4	RTO Peshawar	14222-ST	2	18.43
Total			9	32.75

Annexure-20
(Para 4.2.2)

Unlawful sanction of sales tax refund - Rs 34.99 million

(Rs in million)

Sr. No.	Offices	DP No.	No. of cases	Amount pointed out
1	RTO Lahore	13846-ST	1	0.11
		13892-ST	12	12.77
2	LTU Islamabad	14482-ST	1	0.58
		13998-ST	1	21.53
Total			15	34.99

Annexure-21

(Para 4.2.3)

Excess payment of sales tax refund - Rs 306.16 million*(Rs in million)*

Sr. No.	Offices	DP No.	No. of cases	Amount pointed out
1	RTO Lahore	13845-ST	2	0.19
		14376-ST	4	58.67
		14383-ST	3	47.92
2	RTO Lahore-II	14230-ST	1	4.23
3	RTO Faisalabad	14183-ST	1	0.37
		14184-ST	1	0.18
		14185-ST	1	0.17
		14343-ST	1	1.96
		14344-ST	1	1.25
		14346-ST	1	0.90
		14525-ST	1	0.41
		14395-ST	1	2.99
		14181-ST	4	13.54
4	RTO Peshawar	14226-ST	1	0.86
5	RTO Multan	13969-ST	1	0.68
		14423-ST	1	2.76
6	LTU Islamabad	13997-ST	1	93.73
		14475-ST	1	21.61
		14478-ST	3	6.43
		14474-ST	1	32.54
		14484-ST	2	0.10
7	RTO Abbottabad	14010-ST	3	1.48
8	RTO Gujranwala	14107-ST	1	0.11
9	RTO Hyderabad	5627-ST/K	1	0.29
10	RTO Sukkur	5605-ST/K	1	0.23
11	RTO Quetta	5637-ST/K	1	2.77
		5638-ST/K	1	9.79
Total			41	306.16

Annexure-22
(Para 4.3.2)

Non/short-payment of special excise duty - Rs 12.34 million

(Rs in million)

Sr. No.	Offices	DP No.	No. of cases	Amount pointed out
1	RTO Multan	14426-SED	1	0.25
		14509-SED	3	2.31
2	RTO Rawalpindi	14189-SED	12	0.51
		13910-SED	25	2.94
3	RTO-I Lahore	13844-SED	2	0.26
4	LTU Islamabad	13881-SED	1	6.07
Total			44	12.34

Annexure-23
(Para 4.4.1)

Non levy of minimum tax u/s 113 on the income of certain persons

(DGAIR (N) Lahore)

(Rs in million)

Sr. No.	Offices	DP No.	Tax Year	No of cases	Amount involved (Rs)	Amount Recovered	Latest Position
1	RTO Peshawar	14440	2011	01	1.87	-	Record not produced
2		14457	2011 & 2012	02	5.75	-	Under process
3	RTO-II Lahore	14461	2011	01	2.39	-	Record not produced
4		13855	2010 & 2011	11	90.50	-	Under process
5		13943	2011 & 2012	43	126.25	-	Under process
6	RTO Islamabad	14312	2012	01	0.48	-	Under process
7		14540	2012	04	7.41	-	Under process
8		14299	2010 to 2012	04	52.11	-	Under Process
9	RTO Gujranwala	14324	2011 & 2012	44	45.30	1.12	Under process Rs.44.18
10		14329	2012	07	42.97	-	Under process
11		14365	2012	14	11.97	-	Charged recovery awaited Rs.1.34, Under process Rs 10.48, Record not produced Rs. 0.15
12	RTO Faisalabad	14349	2012	24	30.13	-	Under Process Rs. 27.93 Record not Produced Rs. 2.20
13		13986	2008-2010	02	2.95	-	Record not produced
14		13789	2011	11	10.13	-	Under Process Rs. 9.63 Record not produced Rs.0.50
15	RTO Multan	14490	2011 & 2012	01	2.49	-	under Process
16		14495	2011	01	9.62	-	Under Process
17		14496	2010-2012	-	248.90	-	Under Process
18		14162	2007 to 2010	01	4.63	-	Under Process
19		14167	2012	01	1.07	-	Under process

20		14091	2011	11	3.39	-	Under Process
21		13961	2011	01	233.24	-	Under process
22		13979	2009 & 2010	03	72.62	-	No reply
23		13801	2011 & 2012	02	5.84	-	Under process Rs. 5.56 No reply Rs. 0.28
24	LTU Islamabad	14551	2012	03	93.27	-	Under process
25		14552	2012	13	27.65	-	Under process
26		14115	2011 & 2012	08	38.15	-	Recovery awaited Rs.7.83 Record not produced Rs.3.39 under process Rs.26.93
27		14003	2011 & 2012	08	3.58	-	Under process
28		13828	2009 to 2011	09	419.78	-	Under process
29		13872	2009 to 2011	08	127.11	-	Recovery awaited Rs 1.71 Under process Rs.125.40
30		RTO-I Lahore	14268	2011 & 2012	02	22.34	-
31	14269		2011 & 2012	04	23.25	-	Record not produced Rs. 1.37, under process Rs. 21.88
32	14246		2010 to 2012	07	22.80	-	Recovery awaited Rs. 0.72 Record not produced Rs. 20.45 under process Rs. 1.63
33	14248		2012	01	0.49	0.43	under Process 0.06
34	14255		2012	01	3.19	-	Under Process
35	14385		2010-2012	25	85.66	-	Under process Rs.82.20 Record not Produced Rs. 3.46

36	LTU Lahore	14128	2012	20	632.98	0.10	Charged and recovery awaited Rs.30.73, Subjudice Rs.154.86, Under process Rs.447.29
37		13921	2010	03	104.34	-	Under process
38		13927	2011	40	741.56	-	Under Process Rs. 407.34 Record not produced Rs. 334.22
39	RTO	14023	2010 to 2012	19	38.32	-	No reply
40	Abbottabad	14056	2010 & 2011	15	24.50	-	No reply
41	RTO Rawalpindi	14027	2012	06	13.08	-	Recovery in progress Rs.7.76, Under process Rs. 5.28 Record not produced Rs. 0.04
42		13913	2011	08	8.31	0.74	Recovery awaited Rs. 0.77 under process Rs. 5.75 No reply Rs 1.05
43	RTO Bahawal-pur	13817	2011	-	0.66	0.27	Under process Rs.0.39
44	Para 4.3 of Sectoral Audit of KPK				576.14	-	Under process
Total				392	4,019.17	2.66	

(DGAIR(S), Karachi)

Sr. No.	Offices	DP No	Tax Year	No of cases	Amount involved (Rs)	Amount Recovered	Latest Position
45	LTU Karachi	627	2011	1	29.56	-	Under process
46		629	2005 & 2006	2	1.77	-	Under process
47		634	2012	1	14.52	-	Under process
48	RTO-I	355	2011	1	120.48	-	Under process
49	Karachi	354	2011	1	1.75	-	Under process

50		316	2011	12	8.26	-	Under process
51	RTO-II Karachi	367	2011	3	11.95	-	Charged & Recovery awaited Rs.3.28 under process Rs. 8.67
52		422	2011	10	29.37	3.38	Charged & Recovery awaited Rs.9.24 under Process Rs.16.75
53	RTO-III Karachi	333	2011	2	6.14	-	Under process
54		336	2011	1	0.26	-	Under process
55		447	2011	1	0.17	-	Under process
56		448	2011	1	0.14	-	Under process
57		450	2011	1	0.12	-	Under process
58		452	2011	1	0.10	-	Under process
59		453	2011	1	0.09	-	Under process
60		541	2012	5	2.80	-	Under process
61		455	2011	1	0.07	-	Under process
62		456	2011	1	0.05	-	Under process
63	RTO Sukkur	462	2012	4	17.36	-	Under process
64		469	2012	2	2.40	-	Under process
65		477	2012	2	1.54	-	Under process
66	RTO Hyderabad	487	2012	1	4.85	-	Under process
67		491	2012	1	24.09	-	Under process
68		492	2012	3	4.34	-	Under process
69		499	2012	1	2.98	-	Under process
70		502	2012	1	0.68	-	Under process
71	503	2012	2	4.55	-	Under process	
Total				63	290.39	3.38	

G. Total	455	4309.56 (million)
Amount recovered and Verified Rs. 6.04 , Charged and recovery awaited Rs.63.38, Under Process Rs. 3,552.86, Record Not Produced Rs.388.73, Subjudice Rs.154.86, No reply Rs.143.69		

Annexure-24

(Para 4.4.2)

Short levy of tax due to incorrect computation of taxable income*(DGAIR (N) Lahore)**(Rs in million)*

Sr. No.	Offices	DP No.	Tax Year	No of cases	Amount involved (Rs)	Latest Position
1	RTO Faisalabad	14327	2012	01	233.39	Under Process
2	RTO-I Lahore	14259	2012	01	1.75	Under Process
Total				02	235.14	

(DGAIR(S), Karachi)

Sr. No.	Offices	DP No	Tax Year	No of cases	Amount involved (Rs)	Latest Position
3	LTU Karachi	628	2011	1	0.85	Under process
4		633	2008	1	4.57	Under process
5	RTO-II Karachi	434	2011	11	5.35	Under process
Total				13	10.77	

G. Total	15	245.91 (million)
Cases under process Rs.245.91		

Annexure-25

(Para 4.4.3)

Short levy of tax due to non-allocation of proportionate expenses*(DGAIR (N) Lahore)**(Rs in million)*

Sr. No.	Offices	DP No.	Tax Year	No of cases	Amount involved (Rs)	Latest Position
1	RTO Multan	14417	2010 & 2012	03	3.04	Under Process
2		13963	2012	01	1.31	Under process
3		13802	2012	06	3.11	Under process
4	RTO Islamabad	14311	2012	01	1.21	Under process
5		14305	2012	01	1.72	Under process
6	LTU Islamabad	14556	2012	02	7.42	Under process
7		14117	2012	02	6.47	Under process
8		13883	2010 & 2011	01	2.16	Under process
9	RTO-I Lahore	14242	2012	01	1.04	Under Process
10	LTU Lahore	14135		02	886.47	Under process
11		13923	2011	06	357.29	Under Process Rs.105.07, Record not produced Rs. 252.22
12	RTO Abbottabad	14024	2010 to 2012	01	83.28	No reply
13		14053	2011	01	51.89	No reply
14	RTO Rawalpindi	14031	2012	01	1.89	Under process
15		14038	2012	01	1.75	Record not produced
16		14041	2012	01	1.77	Under process
Total				31	1,411.82	

(DGAIR(S), Karachi)

Sr. No.	Offices	DP No	Tax Year	No of cases	Amount involved (Rs)	Latest Position
17	RTO-II Karachi	319	2011	7	277.84	Under process
18		417	2011	3	486.09	Under process
19		440	2011	8	220.00	Under process
20	RTO Quetta	532	2012	1	1.63	Under process
21		533	2012	1	21.04	Under process
Total				20	1,006.60	

G. Total	51	2,418.42 (million)
Under process Rs 2029.27 , Record not produced Rs 253.98, No reply Rs 135.17		

Annexure-26
(Para 4.4.4)

Non levy of tax on unexplained income u/s 111

(DGAIR (N) Lahore)

(Rs in million)

Sr. No.	Offices	DP No.	Tax Year	No of cases	Amount involved (Rs)	Latest Position
1	RTO Multan	14418	2012	-	2,392.21	Under Process
2		14164		-	76.24	Under Process
3		13962	2011	01	41.70	Under process
4		13965	2012	-	64.58	Under process
5		13800	2001 & 2012	03	47.99	Under process
6		14089	2009	01	185.95	Under Process
7	RTO Peshawar	14456	2011 & 2012	01	6.25	Under Process
8	RTO Faisalabad	14335	2012	01	2.50	Under Process
9		14350	2007 to 2009	01	18.57	Under Process
10		14353	2009 to 2012	01	4.12	Under Process
11		13793	2011	01	0.23	Under Process
12		13791	2009 & 2011	01	1.14	Record not produced
13		14354	2012	01	0.73	Under process
14	14332	2012	01	10.51	Under process	
15	RTO-I Lahore	14261	2012	01	26.75	Under Process
16		14267	2012	01	87.66	Under Process
17		14251	2012	01	5.40	Under Process
18		13850	2010	02	1.74	Record not Produced
19		13900	2012	-	44.85	Under Process Rs. 41.35 Record not Produced Rs 3.50
20		14388	2009 to 2012	03	1,921.61	Under Process Rs 14.59, Record not produced Rs. 1907.02
21		13903	2012	01	32.24	Under Process
22		13904	2007 to 2012	01	42.18	Under Process
23		13905	2010 & 2011	01	8.95	Under process
24		14387	2011 & 2012	02	43.62	Under Process Rs 31.13, Record not Produced Rs 12.49
25	14274	2012	02	249.22	Record not produced Rs.248.59, under process Rs. 0.63	

26	RTO-II Lahore	13940	2009 & 2010	01	13.81	Under process
27	RTO Gujranwala	14157	2010	01	16.29	Under process
28	LTU Lahore	14133	2012	-	1,243.25	Under process
29	LTU Islamabad	13830	2011	01	22.64	Record not produced
30	RTO Rawalpindi	13912	2011	01	8.09	Under process
31		13915	2011	02	12.56	Under process
Total				34	6,633.58	

(DGAIR(S), Karachi

Sr. No.	Offices	DP No.	Tax Year	No of cases	Amount involved (Rs)	Latest Position
32	LTU Karachi	635	2008	1	-	Under process
33	RTO Quetta	578	2012	2	7.99	Under process
34		539	2012	1	0.11	Under process
35	RTO-II Karachi	571	2012	1	5.93	Under process
36		363	2011	1	4.08	Under process
Total				6	18.11	

G. Total	41	6651.69 (million)
Under process Rs 4,454.54, Record not produced Rs 2,197.15		

Annexure -27

(Para 4.4.5)

**Short levy of tax due to non taxation of income received under the head
“Income from Other Sources”***(DGAIR (N) Lahore)**(Rs in million)*

Sr. No.	Offices	DP No.	Tax Year	No of cases	Amount involved (Rs)	Latest Position
1	RTO Multan	14163	2009 & 2010	01	2.71	Under Process
2		13808	2012	01	2.00	Under process
3	RTO Lahore	14393	2009 to 2012	01	54.32	Under process
4	LTU Lahore	14132		02	928.85	Subjudice Rs. 866.27, Record not produced Rs. 62.57
5		13925	2011	08	2018.51	Under Process Rs. 111.33 record not produced Rs. 1,907.18
6	RTO Rawalpindi	14035	2012	01	0.87	Under process
7	LTU Islamabad	14002	2012	01	12.29	Under process
8		13834	2010 & 2011	01	304.98	Under process
9		13877	2011	05	62.56	Under process Rs 58.16, Record not produced RS.4.39
10		14114	2012	01	28.35	Under process
Total				22	3,415.43	

G. Total	22	3,415.43 (million)
Under process Rs 575.01, Record not produced Rs 1,974.15, Subjudice Rs 866.27		

Annexure-28

(Para 4.4.6)

Short levy of tax due to incorrect application of tax rates*(DG AIR (N) Lahore)**(Rs in million)*

Sr. No.	Offices	DP No.	Tax Year	No of cases	Amount involved (Rs)	Latest Position
1	RTO Peshawar	14438	2012	01	10.49	Record not produced
2	RTO Faisalabad	14333	2012	01	10.49	Under process
3	RTO Islamabad	14307	2012	01	676.72	Under process
		Para 4.1 of PAR WHT	2009	01	277.42	Under process
4	LTU Lahore	14134	2012	01	44.47	Record not produced
5	RTO Rawalpindi	14028	2012	01	489.20	Under process
6		14033	2012	01	240.46	Under process
7		13907	2010	02	0.40	Recovery awaited
8	RTO Lahore	14391	2011	03	145.74	Under process
Total				12	1,895.39	

(DG AIR (S) Karachi)

Sr. No.	Offices	DP No.	Tax Year	No of cases	Amount involved (Rs)	Latest Position
9	LTU Karachi & Sukkar	Para 4.2 of PAR WHT	-	03	183.23	Under process
Total				03	183.23	

G. Total				15	2,078.62 (million)	
Under process Rs.2,023.26, Record not produced Rs. 54.95, Recovery awaited Rs. 0.41						

Annexure-29

(Para 4.4.7)

Short levy of tax due to Inadmissible Deductions/Expenses*(DGAIR (N) Lahore)**(Rs in million)*

Sr. No.	Offices	DP No.	Tax Year	No of cases	Amount involved (Rs)	Latest Position
1	RTO Multan	14415	2012	01	19.01	Under Process
2	RTO Peshawar	14441	2012	01	1.26	Record not produced
3	RTO-II, Lahore	14463	2010	01	0.92	Under process
4	RTO Islamabad	14536	2010	01	0.47	Under process
5	RTO-I Lahore	14237	2012	30	11.46	Record not Produced Rs. 0.65 under process Rs. 10.81
6		14241	2011 & 2012	01	3.50	Under Process
7		13895	2010 to 2012	01	612.31	Under process
8		13897	2010& 2012	01	2.28	Record not Produced
9	RTO Faisalabad	14193	2010	01	3.00	Under Process
10	RTO Rawalpindi	14029	2012	01	0.29	Under process
11	RTO Abbottabad	14054	2011 & 2012	01	17.83	No reply
12	LTU Islamabad	14001	2012	01	418.34	Under process
13		13851	2011	01	0.54	No reply
Total				42	1,091.21	

(DGAIR (S) Karachi)

Sr. No.	Offices	DP No.	Tax Year	No of cases	Amount involved (Rs)	Latest Position
14	LTU, Karachi	630	2009	01	3.17	Under process
Total				01	3.17	

G. Total	43	1,094.38 (million)
Under process Rs. 1,071.82, No reply Rs.18.38, Record not produced Rs.4.18		

Annexure-30
(Para 4.4.8)

Short realization of tax due to grant of excess of advance tax deductions

(DGAIR (N) Lahore)

(Rs in million)

Sr. No.	Offices	DP No.	Tax Year	No of cases	Amount involved (Rs)	Latest Position
1	RTO-II Lahore	14462		01	2.98	Under process
2		13826	2011	01	58.98	Under process
3		13939	2011	01	13.30	Record not produced
4	RTO-I Lahore	14271	2012	01	4.66	Record not produced
5		14390	2008	01	25.28	Record not Produced
6	LTU Islamabad	13885	2010	01	4.57	Under process
Total				6	109.77	

G. Total	06	109.77 (million)
Under process Rs.66.52, Record not produced Rs.43.25		

Annexure-31
(Para 4.4.9)

Non-realization of withholding tax u/s 161

(DGAIR (N) Lahore)

(Rs in million)

Sr. No.	Offices	DP No.	Tax Year	No of cases	Amount involved (Rs)	Amount Recovered	Latest Position
1	RTO Faisalabad	14325	2012	03	3,320.87	-	Under Process Rs. 5.70 Record not produced Rs 3,315.18
2		14330	2012	06	42.53	-	Under process
3		14363	2012	01	14.86	-	Record not produced
4		14366	2012	01	11.72	-	Under process
5		14370	2009 & 2010	01	1.74	-	Subjudice in High Court
6		13792	2011	01	0.98	-	Under process
7	RTO Multan	14498	2011	01	7.37	-	Under Process
8		14502		0	1.15	-	Under Process
9		14165	2009 to 2012	0	55.36	-	Under Process
10		14094		01	0.18	-	Under Process
11		13967	2012	01	11.99	-	Under process
12		13959	2012	01	36.78	-	Under process
13		13443	2011	09	37.23	-	No reply
14		14492	2011	01	0.82	-	Under Process
15	RTO-I Lahore	14264	2012	01	0.49	-	Record not Produced
16		14275	2011 & 2012	01	13.82	-	Under Process
17		14243	2012	01	0.74	-	Under Process
18		14229	2010 to 2012	05	152.53	-	No reply
19		14257	2012	02	23.93	-	Under Process
20		14098		01	3.59	-	No reply
21		14069	2008 to 2010	0	247.14	-	Record not produced
22		13847	2009 to 2012	05	202.01	-	Record not Produced
23		14097	2012	01	34.88	-	Record not produced
24		13899	2010	0	106.65	-	Under process

25	RTO Islamabad	14304	2012	01	3.14	-	Record not produced
26	RTO Gujranwala	14155	2012	09	26.87	-	Under process
27	RTO-II Lahore	14070		01	304.62	-	No reply
28	RTO Abbottabad	14025	2009 to 2012	01	229.89	-	No reply
29		14057	2010 to 2012	01	15.78	-	No reply
30		14015	2009 to 2011	01	3.96	-	No reply
31	RTO Rawalpindi	14032	2012	04	11.79	-	Under process
32		14037	2012	04	61.89	-	Under process
33		14042	2012	04	248.70	-	Under process
34	LTU Islamabad	13882	2010	01	0.25	-	Record not produced
35	PAR- WHT	Para 4.2,4.3, 4.5, 4.6,4.7, 4.8,4.9, 4.10	-	14	1037.33	-	Under process
Total				85	6,273.58	-	

(DG AIR(S), Karachi)

Sr. No.	Offices	DP No	Tax Year	No of cases	Amount involved (Rs)	Amount Recovered	Latest Position
36	LTU Karachi	508	2007 to 2010	8	1,580.78	-	Under process
37		509	2010 & 2011	29	869.10	-	Under process
38		510	2008 to 2011	4	447.48	-	Under process
39		511	2010 & 2011	2	8.74	-	Under process
40		512	2010	1	595.19	-	Under process
41		513	2010 & 2011	2	8.76	-	Under process
42		514	2010 & 2011	1	127.59	-	Under process

43	RTO-I	658	2012	1	3.18	3.18	-
44	Karachi	659	2012	1	2.32	-	Under process
45	RTO-II Karachi	317	2011	6	78.57	-	Under process
46		386	2011	1	10.36	-	Under process
47		387	2011	1	12.24	-	Under process
48		388	2011	1	3.37	3.37	-
49		418	2011	6	17.84	-	Under process
50		439	2011	8	44.08	-	Under process
51		444	2011	1	0.57	-	Under process
52		566	2010 to 2012	16	118.30	-	Under process
53		660	2012	62	245.88	-	Under process
54		661	2012	10	39.19	-	Under process
55	RTO-III Karachi	652	2010 to 2012	22	382.32	-	Under process
56		656	2010 to 2012	23	604.48	-	Under process
58	RTO Sukkur	584	2012	1	203.88	202.65	Charged & Recovery awaited Rs.1.23
59		585	2012	1	6.85	-	Charged & Recovery awaited Rs.2.87 Under process Rs.3.98
60		586	2012	1	2.08	2.08	-
61		587	2012	1	1.07	-	Under process
62		588	2012	1	5.96	2.00	Charged & Recovery awaited Rs.3.96
63		517	2011	1	120.03	-	Under process
64		518	2010 & 2011	29	662.75	-	Under process
65		519	2009 & 2010	1	1.17	-	Under process
66	RTO Hyderabad	484	2012	2	70.79	-	Under process
67		496	2012	2	14.01	-	Under process
68		521	2012	8	232.75	-	Under process
69		528	2012	1	9.88	-	Under process

70		529	2012	1	9.38	-	Under process
71		530	2012	3	8.09	-	Under process
72		515	2011	1	18.38	-	Under process
73		516	2010 & 2011	29	271.98	-	Under process
74	RTO Quetta	534	2012	8	46.70	-	Under process
75		574	2012	2	2.61	-	Under process
76	PAR- WHT	4.1	2012	58	6,812.54	-	Under process
77		4.3	2008 to 2012	66	1,737.00	-	Under process
78		4.4	2012	4	218.91	-	Under process
79		4.5	2012	1	119.41	-	Under process
80		4.6	2012 & 2013	1	2,101.46	-	Under process
Total				429	17,878.02	213.28	

G. Total	514	24,151.60 (million)
Recovered Rs.213.28, Charged and Recovery awaited Rs.8.06, Under process Rs.19,362.98 , Subjudice Rs. 1.74, No reply Rs.747.60, Record not produced Rs.3,817.94 (million)		

Annexure-32
(Para 4.4.10)

**Loss of revenue for non-treating the tax collected or deducted
as final tax u/s 169**

(DGAIR (N) Lahore)

(Rs in million)

Sr. No.	Offices	DP No.	Tax Year	No of cases	Amount involved (Rs)	Latest Position
1	RTO Multan	14497	2012	01	5.08	Under Process
2		14500	2012	01	49.87	Under Process
3	RTO Peshawar	14441	2012	01	1.26	Record not produced
4	RTO-I Lahore	14263	2010 to 2012	01	1.13	Under Process
5		14389	2010 to 2011	01	2.81	Record not Produced
6	RTO-II Lahore	13937	2011	01	0.72	Under process
7	LTU Lahore	14136	2012	01	0.77	Under process
8		13922	2011	02	1.64	Under process
9		14130	2012	01	311.00	Record not produced
10	RTO Abbottabad	14014	2011	02	16.82	No reply
11	Subject Study withholding taxes	14068	2010 & 2011	06	341.36	No reply
12		14071	2008 & 2010	02	7.73	No reply
Total				20	740.19	

G. Total	20	740.19 (million)
Under process Rs.59.21, No reply Rs.365.91, Record not produced Rs 315.07		

Annexure-33
(Para 4.4.11)

Non-levy of default surcharge u/s 205

(DGAIR (N) Lahore)

(Rs in million)

Sr. No.	Offices	DP No.	Tax Year	No of cases	Amount involved (Rs)	Amount Recovered	Latest Position
1	RTO Islamabad	14303	2012	09	3.26	-	Under process Rs. 2.28 Record not produced Rs. 0.99
2	RTO-I Lahore	14250	2012	02	1.00	-	Under process Rs.0.74, recovery awaited Rs.0.27,
3		14258	2012	01	1.71	-	Under Process
4	LTU Islamabad	14120	2012	07	0.93	-	Recovery Awaited Rs.0.40 Under process Rs.0.53
5	LTU Lahore	14129	2012	02	2.27	0.28	under process Rs.1.99
6	RTO Multan	13804	2012	02	0.32	-	Record not produced
Total				23	9.49	0.28	

(DGAIR(S), Karachi)

Sr. No.	Offices	DP No	Tax Year	No of cases	Amount involved (Rs)	Amount Recovered	Latest Position
7	LTU Karachi	643	2011	1	7.52	-	Under process
8		644	2010 & 2011	3	5.04	-	Under process
9		648	2012	1	0.46	-	Under process
10		649	2007 to 2012	17	0.76	-	Under process

11	RTO-I Karachi	395	2011	1	2.99	-	Under process
12	RTO-II Karachi	313	2011	6	32.19	-	Under process
13		322	2011	3	0.43	-	Under process
14		339	2011	135	70.61	-	Under process
15		366	2011	5	1.79	-	Under process
16		420	2011	6	6.29	-	Under process
17		426	2011	13	9.24	-	Under process
18		427	2011	1	0.08	-	Under process
19		432	2011	10	1.37	-	Under process
20		435	2011	8	22.28	-	Under process
21		436	2011	3	10.29	-	Under process
22		581	2011 & 2012	30	65.68	-	Under process
23		311	2010 to 2012	32	5.65	-	Under process
24		437	2010 & 2011	16	2.55	-	Under process
25		664	2012	22	1.94	-	Under process
26	RTO-III Karachi	653	2012	22	131.04	-	Under process
27		325	2012	1	0.06	-	Under process
28		326	2012	1	3.22	-	Under process
29		327	2011 & 2012	36	0.18	-	Under process
30		328	2012	1	0.17	-	Under process
31		335	2011 & 2012	11	5.20	-	Under process
32		337	2012	50	0.25	-	Under process
33		340	2010	1	4.80	-	Under process
34		341	2011	1	3.44	-	Under process
35		342	2011	1	16.19	-	Under process
36		343	2011	1	5.17	-	Under process
37		344	2012	1	3.68	-	Under process
38		451	2011	1	0.11	-	Under process
39		454	2011	1	0.07	-	Under process
40	543	2011 & 2012	4	3.93	-	Under process	
41	545	2012	150	0.75	-	Under process	
42	RTO Sukkur	458	2012	2	2.38	-	Under process
43		459	2012	3	4.24	-	Under process
44		465	2012	11	0.70	-	Under process
45		474	2012	12	0.71	-	Under process

46		466	2012	5	5.21	-	Under process
47		475	2012	4	3.45	-	Under process
48		582	2012 & 2013	181	10.86	-	Under process
49		583	2012 & 2013	50	0.25	-	Under process
50		460	2012	2	0.50	-	Under process
51		481	2011 & 2012	503	3.66	-	Under process
52	RTO Hyderabad	486	2012	1	0.58	-	Under process
53		498	2012	3	3.31	-	Under process
54		642	2012	2	14.91	-	Under process
55		488	2012	250	1.25	-	Under process
56		489	2012	4	3.33	-	Under process
57		500	2012	13	1.22	-	Under process
58		501	2012	188	0.94	-	Under process
59		505	2012	4	2.58	-	Under process
60	RTO Quetta	535	2012	14	12.14	-	Under process
61		573	2011 & 2012	5	1.17	-	Under process
62		657	2012	23	183.08	-	Under process
63		536	2011 & 2012	10	7.36	-	Under process
64		568	2009 to 2012	21	13.60	-	Under process
65		580	2012	3	2.45	-	Under process
Total				1,910	705.3	-	Under process

G. Total	1,933	714.78 (million)
Recovered Rs 0.28, Recovery awaited Rs 0.66, Under process Rs 712.54, Record not produced Rs 1.30		

Annexure-34
(Para 4.4.12)

Non/short-levy of tax due to incorrect adjustment of brought forward losses

(DGAIR (N) Lahore)

(Rs in million)

Sr. No.	Offices	DP No.	Tax Year	No of cases	Amount involved (Rs)	Latest Position
1	RTO Rawalpindi	14034	2012	01	17.55	Under process
2	RTO Abbottabad	14051	2012	01	83.57	No reply
3	LTU Lahore	13924	2011	01	318.62	Under process
	Total			3	419.73	

(DGAIR(S), Karachi)

Sr. No.	Offices	DP No.	Tax Year	No of cases	Amount involved (Rs)	Latest Position
4	RTO-II Karachi	315	2011	1	21.40	Under process
5		438	2011	1	28.08	Under process
6	RTO Quetta	576	2011	1	73.61	Under process
	Total			3	123.09	

G. Total	6	542.82 (million)
Under process Rs.459.25, No reply Rs.83.57		

Annexure-35
(Para 4.4.13)

Incorrect grant of exemptions

(DGAIR (N) Lahore)

(Rs in million)

Sr. No.	Offices	DP No.	Tax Year	No of cases	Amount involved (Rs)	Latest Position
1	RTO Peshawar	14458	2011 & 2012	01	3.84	Under Process
2		14459	2011 & 2012	01	3.43	Subjudice
3	RTO-I Lahore	14265	2012	01	505.93	Under process
4		13898	2007 to 2012	01	16.55	Under Process
5	RTO Multan	13960	2012	01	3.18	Under process
6		14088	2011 & 2012	01	1.05	Under process
7		13966	2012	01	49.92	Under process
8		14092	2008 to 2012	01	0	Under Process
Total				8	583.89	

G. Total	08	583.89 (million)
Under process Rs. 580.46, Subjudice Rs. 3.43		

Annexure-36
(Para 4.4.14)

Non-payment of tax alongwith return

(DGAIR (N) Lahore)

(Rs in millions)

Sr. No.	Offices	DP No.	Tax Year	No of cases	Amount involved (Rs)	Amount Recovered	Latest Position
1	RTO Faisalabad	14336	2012	01	1.27	-	Under process
2	LTU Islamabad	14118	2012	02	9.46	-	Under process
3	RTO Rawalpindi	14040	2012	01	0.45	-	Under process
Total				4	11.17	-	

(DGAIR(S), Karachi)

Sr. No.	Offices	DP No.	Tax Year	No of cases	Amount involved (Rs)	Amount Recovered	Latest Position
4	LTU Karachi	368	2011	1	419.45	-	Under process
5		369	2011	1	250.68	-	Under process
6		370	2011	1	78.04	78.04	-
7	RTO-I Karachi	397	2011	3	0.29	-	Under process
8		356	2011	1	0.67	-	Under process
9		391	2011	99	44.37	-	Under process
10		394	2011	23	1.44	-	Under process
11		396	2011	7	0.55	-	Under process
12		547	2011	1	0.53	-	Under process
13		548	2011	1	0.75	-	Under process
14		549	2011	1	1.17	-	Under process
15		550	2010	1	19.92	-	Under process
16		551	2010	1	4.46	-	Under process
17		552	2010	1	3.72	-	Under process
18		553	2010	1	3.03	-	Under process
19		554	2010	1	1.48	-	Under process
20		555	2010	1	120.48	-	Under process
21		556	2010	1	2.04	-	Under process
22		557	2010	1	1.66	-	Under process
23		558	2010	1	19.29	-	Under process
24		559	2011	1	0.56	-	Under process
25		560	2010	1	1.45	-	Under process
26		561	2010	1	3.19	-	Under process
27		562	2008	1	30.41	-	Under process
28		563	2007	1	33.14	-	Under process
29		564	2012	1	3.63	-	Under process
30		565	2010	1	1.00	-	Under process
31		589	2011	1	4.33	-	Under process

32		590	2011	1	3.24	-	Under process
33		591	2011	1	4.33	-	Under process
34		592	2012	1	5.01	-	Under process
35		593	2008	1	1.30	-	Under process
36		594	2012	1	5.72	-	Under process
37		595	2012	1	10.96	-	Under process
38		596	2010	1	1.48	-	Under process
39		597	2011	1	4.86	-	Under process
40		598	2010	1	2.19	-	Under process
41		599	2009	1	5.46	-	Under process
42		600	2011	1	11.28	-	Under process
43		601	2011	1	5.84	-	Under process
44	RTO-II Karachi	401	2011	18	2.20	-	Under process
45		569	2009 to 2012	28	77.81		Under process
46		402	2011	7	1.36	-	Under process
47	RTO Sukkur	472	2012	9	0.51	-	Under process
48		479	2012	11	1.88	-	Under process
Total				241	1,197.16	78.04	

G. Total	245	1,208.34 (million)
Recovered Rs 78.05, Under process Rs 1,130.29		

Annexure-37
(Para 4.4.15)

**Short recovery of tax due to incorrect
computation of tax**

(DGAIR (N) Lahore) *(Rs in million)*

Sr. No.	Offices	DP No.	Tax Year	No of cases	Amount involved (Rs)	Amount Recovered	Latest Position
1	RTO Multan	14491	2012	01	5.64	-	Under Process
2	RTO Islamabad	14545	2012	01	3.70	-	Under process
3	LTU Islamabad	14559	2012	01	2.69	-	Recovery awaited
4	RTO-I	14240	2010	01	13.13	-	Under process
5	Lahore	13849	2011	01	6.43	-	Under Process
6	RTO Abbottabad	14022	2012	01	0.64	-	No reply
Total				6	32.21	-	

(DGAIR(S), Karachi)

Sr. No.	Offices	DP No	Tax Year	No of cases	Amount involved (Rs)	Amount Recovered	Latest Position
7	RTO-I Karachi	358	2011	1	0.22	-	Under process
8	RTO-II Karachi	323	2011	2	0.32	-	Under process
9		572	2010 to 2012	31	85.88		Under process
10	RTO Quetta	531	2011 & 2012	10	146.64	2.84	Under process Rs.143.80
11		579	2011 & 2012	5	4.35		Under process
Total				49	237.41	2.84	

G. Total	55	269.62 (million)
Recovered Rs.2.84, Recovery awaited Rs.15.82, Under process Rs.250.32, No reply Rs.0.64		

Annexure-38
(Para 4.4.16)

Incorrect pursuance of subjudice cases

(DGAIR (N) Lahore)

(Rs in million)

Sr. No.	Offices	DP No.	Tax Year	No of cases	Amount involved (Rs)	Latest Position
1	RTO Gujranwala	14156	2009	01	22.78	Subjudice
2		14159	2008	02	2.00	Under process
3		14153	2005 to 2010	39	154.70	Under Process
4	RTO-II Lahore	14464	2009	01	6.56	Under process
5	RTO-I Lahore	14238	2010 to 2012	01	36.08	Subjudice
Total				44	222.12	

(DGAIR (S) Karachi)

Sr. No.	Offices	DP No.	Tax Year	No of cases	Amount involved (Rs)	Latest Position
6	LTU Karachi	645	2003 to 2005	01	873.99	Under process
7		636	2011	1	0	Under process
Total				02	873.99	

G. Total	46	1,096.11 (million)
Under process Rs.1,037.25, Subjudice Rs. 58.86		

Annexure-39
(Para 4.4.17)

Short levy of tax due to inadmissible depreciation allowance

(DGAIR (N) Lahore)

(Rs in million)

Sr. No.	Offices	DP No.	Tax Year	No of cases	Amount involved (Rs)	Amount Recovered	Latest Position
1	RTO-I Lahore	14272	2011	01	2.14	-	Under process
2	RTO Rawalpindi	14030	2012	01	3.42	-	Recovery awaited
3	LTU Islamabad	13887	2011	01	24.49	-	Under process
4		13833	2010 & 2011	02	1.01	-	Under process
5		14116	2012	01	4.37	-	Under process
6		14004	2012	01	8.23	-	Under process
Total				7	43.66	-	

G. Total	7	43.66 (million)
Recovery awaited Rs. 3.42, Under process Rs. 40.24		

Annexure-40
(Para 4.4.18)

Incorrect adjustment of tax on services

(DGAIR (N) Lahore)

(Rs in million)

Sr. No.	Offices	DP No.	Tax Year	No of cases	Amount involved (Rs)	Latest Position
1	RTO Multan	13805	2012	02	0.14	Record not produced
2		14096	2011&2012	01	0.35	Under Process
3	RTO Islamabad	14308	2012	06	56.92	Under process
Total				09	57.41	

(DGAIR(S), Karachi)

Sr. No.	Offices	DP No.	Tax Year	No of cases	Amount involved (Rs)	Latest Position
4	RTO-I Karachi	392	2011	1	8.65	Under Process
5		393	2011	1	7.58	Under process
6	RTO-II Karachi	318	2011	7	57.36	Under process
7		419	2011	7	166.41	Under process
8		433	2011	1	1.37	Under process
9		399	2011	1	8.14	Under process
10		400	2011	1	7.26	Under process
11		662	2012	1	33.05	Under process
12		663	2012	1	14.11	Under process
13		RTO-III Karachi	331	2011	1	7.95
14	332		2011	1	9.53	Under process
15	404		2011	1	7.99	Under process
16	405		2011	1	7.41	Under process
17	406		2011	1	6.82	Under process
18	407		2011	1	6.31	Under process
19	408		2011	1	4.15	Under process
20	409		2011	1	2.80	Under process
21	410		2011	1	2.42	Under process
22	411		2011	1	2.24	Under process
23	441		2011	1	7.80	Under process
24	442		2011	1	1.09	Under process
25	443		2011	1	0.75	Under process
26	446		2011	1	0.20	Under process
27	540	2012	1	9.23	Under process	

28	RTO Sukkur	461	2012	1	7.24	Under process
29		467	2012	6	14.28	Under process
30		476	2012	1	27.19	Under process
31	RTO Hyderabad	490	2012	1	0.55	Under process
32		494	2012	1	2.61	Under process
33		520	2012	1	609.23	Under process
34		522	2012	1	92.84	Under process
35		523	2012	8	78.23	Under process
36		524	2012	12	58.32	Under process
37		525	2012	1	39.86	Under process
38		526	2012	1	24.73	Under process
39		527	2012	12	19.82	Under process
Total				82	1,355.52	

G. Total	91	1,412.93 (million)
Under process Rs.1,412.79, Record not produced Rs. 0.14		

Annexure-41
(Para 4.4.19)

Short levy of tax on locally produced edible oil

(DGAIR (N) Lahore)

(Rs in million)

Sr. No.	Offices	DP No.	Tax Year	No of cases	Amount involved (Rs)	Latest Position
1	RTO-I Lahore	14260	2012	1	26.78	Under Process
2	LTU Lahore	13918	2011	1	23.95	Record not produced
3	RTO Abbottabad	14063	2011 & 2012	1	5.84	No reply
4	LTU Islamabad	13890	2010 & 2011	1	8.46	Record not produced
5		13876	2010 & 2011	1	25.39	Record not produced
Total				5	90.41	

(DGAIR (S) Karachi)

Sr. No.	Offices	DP No.	Tax Year	No of cases	Amount involved (Rs)	Latest Position
6	RTO Sukkur	463	2012	4	6.74	Under process
7		470	2012	5	22.58	Under process
8		478	2012	4	7.28	Under process
Total				13	36.60	

G. Total	18	127.01 (million)
Under process Rs.63.38 No reply Rs. 5.84, Record not produced Rs. 57.79		

Annexure-42
(Para 4.4.20)

Non levy of income tax due to lack of vigilance by the department

(DGAIR (N) Lahore)

(Rs in million)

Sr. No.	Offices	DP No.	Tax Year	No of cases	Amount involved (Rs)	Latest Position
1	RTO Multan	14252	2012	01	3.46	Under process
2		14416	2012	01	8.78	Under Process
3	RTO Faisalabad	14369	2012	01	1.83	Under process
4		14352	2012	01	2.14	Under process
Total				04	16.21	

G. Total	4	16.21 (million)
Under process Rs. 16.21		

Annexure-43

(Para 4.4.21)

Non-realization of flood surcharge*(DG AIR(S), Karachi)**(Rs in million)*

Sr. No.	Offices	DP No	Tax Year	No of cases	Amount involved (Rs)	Latest Position
1	RTO-II Karachi	321	2011	5	1.32	Under process
2		353	2011	1	0.17	Under process
3		425	2011	10	4.30	Under process
4		429	2011	18	5.86	Under process
Total				34	11.65	

G. Total	34	11.65 (million)
Under process Rs. 11.65		

Annexure-44
(Para 4.4.23)

Non-recovery of arrear demand

(DGAIR (N) Lahore)

(Rs in million)

Sr. No.	Offices	DP No.	Tax Year	No of cases	Amount involved (Rs)	Latest Position
1	RTO Faisalabad	14326	2012	64	292.219	Under process
2		14364	2012	16	42.547	Recovery awaited Rs. 42.547
3		14348	2012	10	43.424	Recovery awaited Rs. 43.424
4		13788	2012	102	69.063	Recovery awaited Rs. 18.402 Under process Rs. 39.303 Record not produced Rs. 11.358
5		13864	2012	217	112.564	Under process
6		13865	2012	20	11.372	Recovery awaited Rs. 5.204 Record not produced Rs. 6.168
7	LTU Islamabad	14561	2012	45	3445.373	Recovery awaited Rs. 38.236, Under Process Rs.3369.181 Record not produced Rs.37.956
8		14122	2012	12	593.980	Recovery awaited Rs.39.413, under process Rs.224.008, subjudice Rs.140.260, record not produced Rs.190.299
9		13832	2012	0	1,996.225	Record not produced
10	RTO Gujranwala	14150	2012	21	5.077	Recovery awaited
11		14154	2006 to 2011	23	44.323	Recovery awaited
12	RTO Abbottabad	14052	2006 to 2012	470	55.334	No reply
13		14020	2007 to 2012	222	17.608	No reply
14		14021	2007 to 2012	449	126.732	No reply

15	RTO Multan	13806	2012	0	80.131	Record not produced
16	RTO Bahawalpur	13816	2012	0	16.887	Record not produced
17	RTO-II Lahore	13856	2012	36	6.853	Recovery awaited
18		13934		0	9.665	Recovery awaited Rs.6.299 Record not produced Rs. 3.366
19		13942	2011 & 2012	0	102.250	Recovery awaited Rs.60.944 Under process Rs. 5.296 record not produced Rs. 36.010
Total				1,707	7,071.627	

G. Total	1,707	7,071.6 (million)
Recovery awaited Rs. 602.94, Under process Rs.3,750.34, No reply Rs. 199.67, Subjudice Rs. 140.26 Record not produced Rs. 2,378.42		

Annexure-45

(Para 4.5.1)

Unlawful issuance of refund*(DG AIR (N) Lahore)**(Rs in million)*

Sr. No.	Offices	DP No.	Tax Year	No of cases	Amount involved (Rs)	Latest Position
1	RTO Peshawar	14434	2010 to 2012	03	38.56	Subjudice
2		14435	2012	01	38.12	Subjudice
3		14436	2010 & 2011	01	13.94	Subjudice
4		13437	2012	05	13.08	Subjudice
5		14439	2012	01	5.48	Subjudice
6		14442	2012	01	1.51	Subjudice
7		14443	2012	05	35.83	Subjudice
8		14446	2012	01	1.51	Record not produced
9		14448	2012	11	102.79	Subjudice
10		14449	2012	24	77.58	Subjudice
11		14450	2012	18	70.19	Subjudice
12		14451	2012	17	57.16	Subjudice
13		14452	2012	14	41.74	Subjudice
14		14453	2012	13	41.69	Subjudice
15		14454	2012	12	33.13	Subjudice
16		14455	2012	06	14.21	Subjudice
17		13975	2011	11	217.03	Under process Rs. 91.39 Record not produced Rs.31.22 No reply Rs. 94.44
18		13977	2011	01	2.97	Under Process
19		13978	2011	04	71.20	Under process Rs. 63.76 Record not produced Rs. 3.70, Subjudice Rs. 3.79
20	RTO-II Lahore	14465	2011	01	2.60	Under process
21		14466	2012	01	3.26	Record not produced
22		13827	2011	05	21.31	Record not produced
23		13858	2011	02	0.13	Under process
24		13859	2012	02	0.13	Under process
25		13860	2011	18	5.37	Record not produced

26		13863	2010 to 2012	01	10.46	Record not produced	
27		13944	2008 & 2010	02	3.09	Record not produced	
28		13935	2011	0	20.54	Record not produced	
29	RTO Gujranwala	14323	2009	01	1.21	Under process	
30		14160	2010 & 2011	01	0.91	Under process	
31		14151	2009 & 2011	03	0.97	Under process	
32		13990	2011	06	30.84	Recovery awaited Rs. 5.85 Under Process Rs. 10.77 Time barred RS. 10.72 Record not produced RS.3.49	
33		13991	2011	11	42.17	Record not produced	
34		13993	2011	07	44.32	Recovery awaited Rs. 1.21 Under Process Rs.16.61 Record not Produced Rs. 26.50	
35		13994	2011	01	9.28	Record not Produced	
36		13995	2011	01	1.49	Recovered	
37		RTO Multan	14493	2012	01	0.23	Under Process
38			14501	2012	0	8.25	Under Process
39	14168		2012	0	0.46	Under process	
40	14090		2012	02	0.60	Under Process	
41	13980		2011	07	57.33	No reply	
42	13983		2011	02	56.19	No reply	
43	14166		2012		0.17	Under process	
44	13807		2012	02	3.72	Under process	
45	14562		2011	01	0.99	Under Process	
46	14494		2012	0	4.93	Under Process	
47	RTO-I Lahore	14239	2011	01	29.57	Under Process	
48		14244	2009	01	0.21	Under Process	
49		13848	2010	03	37.66	Record not Produced	
50		13896	2005 to 2009	01	78.02	Record not Produced	
51		13902	2012	02	13.34	Under process	
52		14394	2010	01	10.14	Under process	
53		13901	2011	01	20.31	Under Process	

54	RTO Abbottabad	14064	2009 & 2010	01	3.23	No reply	
55	RTO Faisalabad	14067	2011	01	0.40	No reply	
56		14049	2009 to 2012	01	250.45	No reply	
57		14050	2012	06	89.36	No reply	
58		14055	2009 to 2012	01	43.43	No reply	
59		14058	2010 to 2012	10	11.63	No reply	
60		14061	2009 to 2012	03	6.34	No reply	
61		14019	2010 to 2012	13	26.97	No reply	
62		13987	2011	07	5.13	Record not produced	
63		13988	2004	01	18.94	Under Process	
64		13989	2007	01	68.67	Under process	
65		13866	2009 to 2012	16	1.23	Under Process Rs 0.18 Record not produced Rs. 1.05	
66		RTO Bahawalpur	13818	2012	01	1.19	Under process
67			13821	2010	01	0.09	Under process
68			13822	2009	01	0.07	Recovered Rs. 0.07
69	RTO Rawalpindi	13911	2012	26	4.71	Under process	
70	LTU Lahore	13920	2011	03	25.66	Recovery awaited Rs. 8.48 record not produced Rs. 17.18	
Total				330	1,955.39		

(DGAIR(S), Karachi)

Sr. No.	Offices	DP No	Tax Year	No of cases	Amount involved (Rs)	Latest Position
71	LTU Karachi	637	2012	1	43.23	Under process
72		651	2008 to 2011	4	2.04	Under process
73	RTO-I Karachi	357	2011	1	0.31	Under process
74	RTO Sukkur	468	2012	2	3.36	Under process
75	RTO Quetta	538	2012	14	106.52	Under process
		575	2011 & 2012	2	6.27	Under process
76	Study Report (Refund Karachi)	Para 4.1	2011	1	23.00	Under process
77		Para 4.3	2010	1	11.16	Under process
Total				26	195.89	

G. Total	356	2,151.28 (million)
Recovered Rs. 1.57, Recovery awaited Rs. 15.54, Under process Rs.574.01, Subjudice Rs. 588.78, No reply Rs.639.78, Record not produced Rs.320.88, Time barred Rs. 10.72		

Annexure-46
(Para 4.5.2)

Excess determination of refund

(DGAIR (N) Lahore)

(Rs in million)

Sr. No.	Offices	DP No.	Tax Year	No of cases	Amount involved (Rs)	Latest Position
1	RTO Peshawar	14444	2011	01	4.33	Record not produced
2		14445	2011 & 2012	01	2.85	Record not produced
3		14487	2011	01	4.96	Under process
4		13976		03	10.19	Under Process Rs 2.25 record not produced Rs 7.94
5	RTO Islamabad	14305	2012	06	56.92	Under process
6		14541	2012	06	60.51	Under process
7		14547	2012	03	191.38	Under process
8		14549	2012	01	4.06	Under process
9		14302	2012	02	7.90	Under process
10	RTO Gujranwala	14322	2012	0	15.85	Under Process
11	RTO Multan	14489	2010 & 2012	01	48.18	Under process
12		13981	2011	02	6.64	No reply
13		13982	2011	03	188.25	No reply
14	RTO- I, Lahore	14262	2011	02	3.45	Recovery awaited Rs 2.93 Under process Rs 0.52
15		14273	2011 & 2012	01	0.90	Under Process
16	LTU Islamabad	14119	2012	01	18.94	Under process
17	RTO Faisalabad	13984	2010 & 2011	01	7.75	Record not produced
18		13985	2008 & 2009	03	7.84	Under process
19	RTO Abbottabad	14017	2011	01	1.30	No reply
Total				39	642.2	

(DGAIR(S), Karachi)

Sr. No.	Offices	DP No	Tax Year	No of cases	Amount involved (Rs)	Latest Position
20	LTU Karachi	638 (Ref study)	2008	1	17.51	Under process
21		646	2008	1	1151.23	Under process
22		639 (Ref study)	2003 to 2008	28	1986.15	Under process
23		640 (Ref study)	1991-92 & 2001-02	1	4.54	Under process
24	RTO-II Karachi	570	2010	1	2.01	Under process
25	RTO-III Karachi	310	2012	1	0.62	Under process
26	Study Report (Refund Karachi)	Para 4.2	2010 & 2011	33	125.15	Under process
27		Para 4.4	2010	-	33.65	Under process
Total				66	3,320.86	

G. Total	105	3,963.06 (million)
Recovery Awaited Rs. 2.93, Under process Rs. 3,741.07, Record not produced Rs 22.86, No reply Rs.196.20		

Annexure-47
(Para 4.6.1)

Non-realization of Workers Welfare Fund

(DGAIR (N) Lahore)

(Rs in million)

Sr. No.	Offices	DP No.	Tax Year	No of cases	Amount involved (Rs)	Amount Recovered	Latest Position
1	RTO Peshawar	14433	2010 to 2012	02	107.36		Record not produced
2		14447	2010	01	0.72		Record not produced
3		14460	2011 & 2012	02	1.58		Recovery awaited Rs 0.31 Under process Rs 1.28
4	RTO Islamabad	14310	2012	08	3.27		Under process
5		14535	2011 & 2012	08	11.62		Under process
6		14301	2012	09	10.31		Under process
7	RTO Faisalabad	14328	2012	34	102.35	1.12	Under process Rs.41.85 recovery awaited Rs.60.50
8		14331	2012	09	26.00		Under process
9		14367	2012	04	1.97		Under process
10		14368	2012	15	1.86		Under process Rs. 1.71 Record not produced Rs 0.15
11		14351	2012	24	2.29		under process
12		14355	2012	01	0.49		Under process
13		13867	2009 & 2010	01	0.41		No reply
14		RTO Multan	14499	2012	0	391.16	
15	14169		2012	0	10.88		Under process
16	13964		2012	0	149.97		Recovery awaited Rs 11.03 Under process Rs. 10.2, No reply 125.28 record not produced Rs. 3.46

17	LTU Islamabad	14557	2012	03	5.07		Recovery awaited
18		14558	2012	04	3.86		Under process
19		14113	2011 & 2012	0	246.18	0.46	Recovery awaited Rs.9.96 Under process Rs.2.13 Subjudice Rs.62.91 Record not produced Rs.170.71
20		14000	2011 & 2012	0	699.78		Under Process
21		13829	2011	11	11.41		No reply
22		13873	2010 & 2011	14	319.17	0.17	Under process Rs. 118.00 No reply Rs. 201.00
23	RTO-I Lahore	14266	2011 & 2012	04	32.24		Subjudice Rs 2.29 Under process Rs. 29.96
24		14245	2011 to 2012	04	21.56		Under Process Rs 2.02 Subjudice Rs. 19.54
25		14254	2011 & 2012	05	8.82		Under Process Rs. 3.25 Record not produced Rs. 5.58
26		14386	2011 & 2012	18	24.69		Under process
27	LTU Lahore	14127	2012	0	112.23	9.91	Under process Rs. 11.50 subjudice Rs. 90.82 No reply Rs. 9.91
28		13928	2011	75	520.54		Under process Rs 0.02 Recovery awaited Rs 0.003 record not produced Rs 251.77 subjudice Rs. 250.43 No reply Rs.18.32

29	RTO Rawalpindi	14026	2012	07	2.55		Recover awaited Rs.0.85 under process Rs.1.69
30		14036	2012	05	0.75		Recovery awaited Rs. 0.14 Under process Rs. 0.61
31		14043	2012	03	2.95		Under process
32		13908	2011	06	0.43	0.03	Recovery awaited Rs.0.17 Under process Rs. 0.24 No reply Rs. 0.03
33	RTO Abbottabad	14059	2011 & 2012	10	10.79		No reply
34		14018	2011 & 2012	17	16.72		No reply
35	RTO Bahawalpur	13820	2010 & 2011	04	0.11		Subjudice
36	RTO-II Lahore	13857	2011	05	6.58		Under process
37	RTO Gujranwala	14158	2009 to 2011	11	2.18		Under process
38	Para 4.4 of Sectoral Audit of KPK			-	522.78		Under process
Total				324	3393.63		

(DG AIR(S), Karachi)

Sr. No.	Offices	DP No	Tax Year	No of cases	Amount involved (Rs)	Amount Recovered	Latest Position
39	LTU Karachi	631	2008	1	9.30	-	Under process
40		632	2012	8	47.72	-	Under process
41		647	2012	9	76.04	-	Under process
42		650	2009 to 2012	3	0.32		Under process
43	RTO-I Karachi	359	2011	1	2.51	-	Under process
44		361	2011	4	3.90	-	Under process

45	RTO-II Karachi	314	2011	23	17.55	-	Charged and Recovery awaited Rs.0.77 Under process Rs.16.78
46		365	2011	2	3.65	3.76	-
47		371	2011	1	0.06	0.06	-
48		372	2011	1	0.17	0.17	-
49		373	2011	1	0.14	0.14	-
50		374	2011	1	0.31	-	Under process
51		375	2011	1	0.20	0.20	-
52		376	2011	1	1.15	1.15	-
53		377	2011	1	0.32	0.32	-
54		378	2011	1	0.31	0.31	-
55		379	2011	1	0.46	0.46	-
56		421	2011	29	55.53	14.81	Charged and Recovery awaited Rs.2.53 Under process Rs.38.19
57		431	2011	24	22.17	-	Under process
58		567	2010 to 2012	13	12.59	-	Under process
59		RTO-III Karachi	330	2011	1	8.59	-
60	334		2011	22	5.35	1.42	Charged and Recovery awaited Rs.0.18 Under process Rs.3.75
61	445		2011	1	0.25	-	Under process
62	449		2011	1	0.13	-	Under process
63	RTO Sukkur	542	2012	10	0.25	-	Under process
64		464	2012	59	14.34	-	Under process
65		471	2012	13	5.08	-	Under process
66		480	2012	13	6.50	-	Under process
67		482	2012	12	0.66	0.03	Under process Rs 0.63
68	RTO Hyderabad	485	2012	30	7.15	-	Under process
69		493	2012	11	3.12	-	Under process
70		497	2012	35	3.36	-	Under process
71		504	2012	22	3.51	-	Under process

72	RTO Quetta	537	2012	6	19.21	-	Charged and Recovery awaited Rs.0.26 Under process Rs.18.95
73		577	2011 & 2012	8	1.84	-	Under process
Total				370	333.74	22.83	

G. Total	694	3,727.37 (million)
Recovered Rs. 23.46, Recovery awaited Rs. 209.77, Under process Rs. 2,470.60 Subjudice Rs. 426.10, Record not produced Rs. 539.76, No reply Rs 57.68		

Annexure-48

(Para 4.6.2)

**Non production of evidence in support of payment of
Workers Welfare Fund***(DGAIR(S), Karachi)**(Rs in million)*

Sr. No.	Offices	DP No	Asstt/Tax Year	No of cases	Amount involved	Amount Recovered	Latest Position
1	RTO-II Karachi	424	2009 to 2012	7	8.87	-	Under process
2		430	2011	9	8.74	-	Under process
3		312	2010 & 2011	7	2.34	-	Under process
4	RTO-III Karachi	324	2011	1	0.08	-	Under process
5		329	2011	1	7.95	-	Under process
Total				25	27.98		

G. Total	25	27.98 (million)
Under process Rs.27.98		

Annexure-49

(Para 4.7.3)

**Irregular expenditure on POL/CNG, repair and maintenance of vehicles
- Rs 29.22 million***(Rs in million)*

Sr. No.	Office	No. of cars	DP No.	Amount pointed out
1	LTU Islamabad	38	14574-Exp	0.24
			14414-Exp	4.49
		20 M.cycles	14406-Exp	0.23
2	RTO Islamabad	39	14284-Exp	0.26
			14277-Exp	1.24
			14276-Exp	1.94
3	RTO Rawalpindi	40	14200-Exp	6.27
4	LTU Lahore	01	14196-Exp	0.16
5	RTO Abbottabad	17	14078-Exp	0.29
			14076-Exp	0.60
			14074-Exp	1.42
6	Additional Director (Internal Audit) IR, Faisalabad	01	13951-Exp	0.12
7	Directorate of I & I, IR, Faisalabad	01	13949-Exp	0.13
8	Commissioner, IR (Appeals) Multan	01	13810-Exp	0.08
			13809-Exp	0.08
9	RTO Sukkar	17	176-Exp/K	6.00
			177-Exp/K	1.20
10	RTO Hyderabad	32	160-Exp/K	0.13
11	Director Internal Audit Hyderabad	01	164-Exp/K	0.05
12	DPC RTO Karachi	02	182-Exp/K	3.34
13	Director IOCO Karachi	05	185-Exp/K	0.36
			186-Exp/K	0.59
Total		195		29.22

Annexure-50
(Para 4.7.4)

Non recovery of loans and advances - Rs 13.70 million

(Rs in million)

Sr. No.	Office	DP No.	No. of cases	Amount pointed out
1	RTO Peshawar	14148-Exp	04	0.23
2	RTO Gujranwala	14175-Exp	02	0.24
		14177-Exp	03	0.04
3	RTO Faisalabad	14123-Exp	24	5.87
		14194-Exp	04	1.48
4	RTO Islamabad	14286-Exp	03	0.21
5	RTO Multan	14520-Exp	13	5.41
		14519-Exp	10	0.22
Total			63	13.70

Annexure-51
(Para 4.7.5)

Irregular payment of cash rewards - Rs 10.48 million

(Rs in million)

Sr. No.	Office	DP No.	Amount
1	LTU Lahore	14198-Exp	2.44
2	RTO Faisalabad	14125-Exp	7.05
3	Commissioner (Appeals), IR Faisalabad	13954-Exp	0.40
4	Directorate of I&I, IR, Faisalabad	13947-Exp	0.30
5	Commissioner (Appeals), IR Gujranwala	13953-Exp	0.29
Total			10.48

Annexure-52

(Para 4.7.6)

Un-authorized payment of special allowance (IJP) and conveyance allowance during leave period - Rs 4.42 million*(Rs in million)*

Sr. No.	Office	DP No.	No. of cases	Amount pointed out		
				Special Allowance	Conveyance allowance	Total recoverable
1	RTO Abbottabad	14079-Exp	03	-	0.24	0.24
		14075-Exp	101	-	0.97	0.97
		14081-Exp	01	-	0.11	0.11
		14083-Exp	03	-	0.09	0.09
		14085-Exp	08	-	0.03	0.03
2	RTO Multan	14518-Exp	11	-	0.16	0.16
3	RTO Peshawar	14146-Exp	36	-	0.18	0.18
4	RTO Faisalabad	14195-Exp	34	-	0.16	0.16
6	LTU Islamabad	14412-Exp	19	-	1.02	1.02
7	RTO Islamabad	14279-Exp	24	0.57	0.20	0.77
8	RTO Lahore	14216-Exp	04	0.16	0.05	0.21
		14213-Exp	14	-	0.46	0.46
9	RTO Hyderabad	175-Exp/K	01	-	0.02	0.02
Total			259	0.73	3.69	4.42

Annexure-53
(Para 4.7.8)

**Irregular payment due to non observance of PPRA rules and GFR rules
- Rs 4.81 million**

(Rs in million)

Sr. No.	Office	DP No.	No. of cases	Amount pointed out	Items purchased
1	Director I & I (IR) Faisalabad	13950-Exp	11	0.15	Stationary
		13955-Exp	03	0.20	Software
		13956-Exp	08	1.01	Furniture Fixture/ Plant & Machinery
		13957-Exp	01	0.43	Generator
		13958-Exp	01	0.15	Consumable items
		14581-Exp	01	0.10	Advertisement
2	LTU Islamabad	14410-Exp	01	0.36	Repair of Fur & Fixture
3	RTO Islamabad	14287-Exp	01	0.18	Gas Heater
4	RTO Hyderabad	170-Exp/K	01	0.50	Stationary
		168-Exp/K	01	1.33	Stationary
5	RTO Sukkur	180-Exp/K	01	0.20	Stationary
		181-Exp/K	01	0.10	Stationary
6	A.D. Internal Audit Hyderabad	161-Exp/K	01	0.10	Stationary
Total			32	4.81	

Annexure-54

(Para 4.7.9)

**Excess and inadmissible payment of pay and allowances during leave
- Rs 3.54 million***(Rs in million)*

Sr. No.	Office	DP No.	No. of cases	Amount pointed out
1	Director I & I, (IR) Faisalabad	13948-Exp	01	0.11
2.	RTO Gujranwala	14174-Exp	01	0.20
3	LTU Lahore	14199-Exp	02	0.14
		14197-Exp	05	0.58
4	RTO Lahore	14210-Exp	07	1.14
		14211-Exp	01	1.08
5	LTU Islamabad	14409-Exp	03	0.15
6	RTO Peshawar	14147-Exp	03	0.14
Total			23	3.54

Annexure-55
(Para 4.7.10)

Non/short deduction of income tax - Rs 2.73 million

(Rs in million)

Sr. No.	Office	DP No.	No. of cases	Amount
1	Addl. Director-III, IR (Internal Audit) Multan	13811-Exp	01	0.03
		13812-Exp	02	0.03
2	LTU Islamabad	14404-Exp	17	0.06
3	PRAL Islamabad	14587-Exp	58	2.61
Total			78	2.73

Annexure-56
(Para 4.7.13)

**Non deduction of house rent allowance and house rent charges
- Rs 4.59 million**

(Rs in million)

Sr. No.	Office	DP No.	No. of cases	Amount pointed out
1	D R & S (FBR) Islamabad	14582-Exp	17	0.40
2	RTO Islamabad	14278-Exp	67	1.19
		14285-Exp	14	0.29
3	LTU Islamabad	14411-Exp	38	1.01
		14408-Exp	03	0.14
4	RTO Peshawar	14144-Exp	06	0.38
5	RTO Gujranwala	14171-Exp	03	0.11
6	RTO Lahore	14212-Exp	04	0.63
		14217-Exp	02	0.14
7	RTO Rawalpindi	14149-Exp	01	0.03
		14139-Exp	01	0.17
8	RTO Abbottabad	14084-Exp	01	0.04
9	RTO Quetta	156-Exp/K	07	0.06
Total			164	4.59

Annexure-57
(Para 5.4.1)

**Deferred liabilities of sales tax refund causing over statement
of receipts**

(Rs in million)

Sr. No.	Office	DP No.	No. of cases	Amount pointed out
1	LTU Islamabad	13879-ST	02	6.12
2	RTO Gujranwala	14102-ST	31	7.29
		14111-ST	35	8.80
3	RTO Peshawar	Para 4.2 of PAR Tax Exemptions in KPK	06	958.95
Total			74	981.16

Annexure-58
(Para 5.4.4)

Non finalization of admissibility/legitimacy of refund of sales tax

(Rs in million)

Sr. No.	Office	DP No.	No. of cases	Amount pointed out
1	LTU Islamabad	13878-ST	36	168.94
2	RTO Islamabad	14295-ST	01	0.71
		14289-ST	17	11.05
3	RTO Rawalpindi	14208-ST	08	2.15
		14192-ST	02	1.33
4	RTO-II Lahore	13938-ST	31	20.64
		13824-ST	83	75.40
5	RTO Abbottabad	14011-ST	36	113.05
6	RTO Bahawalpur	13815-ST	18	4.66
7	RTO Faisalabad	13797-ST	16	12.58
		14339-ST	15	50.83
8	RTO Sukkur	5618-ST/K	24	26.55
		5606-ST/K	01	0.34
9	RTO Quetta	5631-ST/K	184	119.43
10	LTU Karachi	5704-ST/K	01	222.65
		5705-ST/K	01	1.13
		5706-ST/K	01	63.09
		5707-ST/K	01	53.78
		5708-ST/K	01	49.23
		5709-ST/K	01	43.98
		5710-ST/K	01	40.21
		5711-ST/K	01	36.12
		5712-ST/K	01	31.96
		5713-ST/K	01	30.29
		5714-ST/K	01	29.85
		5715-ST/K	01	25.76
		5716-ST/K	01	23.09
5717-ST/K	01	22.98		
5718-ST/K	01	22.96		

	5719-ST/K	01	21.84
	5720-ST/K	01	20.88
	5721-ST/K	01	18.32
	5722-ST/K	01	18.12
	5723-ST/K	01	17.45
	5724-ST/K	01	15.77
	5725-ST/K	01	15.28
	5726-ST/K	01	14.52
	5727-ST/K	01	13.12
	5728-ST/K	01	12.35
	5729-ST/K	01	11.79
	5730-ST/K	01	9.50
	5731-ST/K	01	8.40
	5732-ST/K	01	8.24
	5733-ST/K	01	6.65
	5734-ST/K	01	5.51
	5735-ST/K	01	5.26
	5736-ST/K	01	4.46
	5737-ST/K	01	4.01
	5738-ST/K	01	3.74
	5739-ST/K	01	3.16
	5740-ST/K	01	2.26
	5741-ST/K	01	0.98
	5742-ST/K	01	0.55
	5743-ST/K	01	0.55
	5744-ST/K	01	0.55
	5745-ST/K	01	2.82
	5702-ST/K	01	398.72
	5703-ST/K	01	222.64
	Total	516	2,172.18

Annexure-59
(Para 5.4.5)

In-admissible sanction of sales tax refund due to non-observance of codal formalities - Rs 143.09 million

(Rs in million)

Sr. No.	Office	DP No.	No. of cases	Amount pointed out
1	RTO Faisalabad	14342-ST	01	2.63
		14359-ST	01	1.08
2	RTO Hyderabad	5609-ST/K	13	9.73
		5612-ST/K	01	0.11
		5613-ST/K	06	57.28
		5616-ST/K	01	5.96
		5621-ST/K	09	3.34
		5624-ST/K	03	59.74
3	RTO Quetta	5619-ST/K	01	1.83
4	RTO Sukkar	5595-ST/K	03	1.39
Total			39	143.09

Annexure-60

(Para 5.4.6)

Non monitoring of blacklisted/blocked registered persons resulting into non recovery of sales tax - Rs 1,966.51 million*(Rs in million)*

Sr. No.	Office	DP No.	No. of cases	Amount pointed out
1	LTU Karachi	5755-ST/K	01	40.60
		5678-ST/K	01	25.45
		5679-ST/K	01	19.46
		5680-ST/K	01	17.44
		5681-ST/K	01	16.84
		5682-ST/K	01	15.94
		5684-ST/K	01	14.59
		5686-ST/K	01	9.16
		5687-ST/K	01	7.10
		5688-ST/K	01	6.60
		5689-ST/K	01	6.25
		5690-ST/K	01	5.05
		5691-ST/K	01	4.59
		5692-ST/K	01	4.48
		5693-ST/K	01	4.32
		5694-ST/K	01	4.04
		5695-ST/K	01	3.31
		5696-ST/K	01	2.78
		5697-ST/K	01	2.65
		5698-ST/K	01	1.59
		5699-ST/K	01	1.26
		5700-ST/K	01	0.43
		5701-ST/K	01	0.36
		5778-ST/K	01	111.50
		5822-ST/K	01	18.64
		5823-ST/K	01	12.47
5824-ST/K	01	6.17		
5825-ST/K	01	4.31		
5827-ST/K	01	3.40		

		5828-ST/K	01	2.98
		5829-ST/K	01	2.26
		5830-ST/K	01	2.15
		5831-ST/K	01	1.94
		5832-ST/K	01	1.87
		5772-ST/K	01	16.59
		5782-ST/K	01	48.06
		5784-ST/K	01	37.74
		5785-ST/K	01	29.86
		5790-ST/K	01	5.79
		5809-ST/K	01	11.25
		5810-ST/K	01	9.94
		5811-ST/K	01	9.94
		5812-ST/K	01	3.83
		5813-ST/K	01	3.83
		5814-ST/K	01	3.43
		5815-ST/K	01	2.94
		5816-ST/K	01	1.89
		5817-ST/K	01	1.73
		5818-ST/K	01	1.45
2	RTO-I Karachi	5762-ST/K	26	1,396.26
Total			75	1,966.51

Annexure-61

(Para 5.5.1)

Non levy of penalty for non/late filing of returns u/s 182*(DGAIR (N) Lahore)**(Rs in millions)*

Sr. No.	Offices	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	RTO Faisalabad	14371	2012	03	1.00	Under process
2		14334	2012	14	4.46	Under process
3		14356	2012	04	0.43	Under process
4		13868	2011	07	0.17	Record not produced
5	RTO Islamabad	14309	2012	5757	30.75	Under Process
6		14548	2012	19046	96.17	Under process
7		14300	2012	23076	120.35	Under process
8	LTU Islamabad	14554	2012	20	7.95	Recovery awaited Rs 3.93 Under process Rs 4.02
9		14121	2012	10	4.33	Recovery awaited Rs 1.25 Under process Rs 3.08
10		13831	2010 & 2011	03	0.89	Recovery awaited Rs 0.08 Under Process Rs 0.81
11		13835	2011	02	51.27	Recovery awaited Rs 0.21, Under Process 51.06
12		13875	2011	02	13.31	Under process
13	RTO-I Lahore	14270	2011 & 2012	02	4.43	Under process
14		14247	2011 & 2012	03	1.18	Record not produced
15		14256	2012	02	7.73	Under process
16	RTO Gujranwala	14152	2009 to 2012	35	0.51	Under process
17		14161	2009 to 2012	18	0.36	Under process

18	RTO	14065	2012	07	2.04	No reply
19	Abbottabad	14066	2012	98	0.49	No reply
20		14060	2012	1314	6.57	No reply
21		14062	2012	28	6.14	No reply
22		14016	2012	15	2.53	No reply
23		RTO	14039	2012	48	0.24
24	Rawalpindi	13909	2011	01	1.07	Under process
25	LTU Lahore	13926	2011	16	15.98	Under process Rs. 8.34 Record not produced Rs 7.64
Total				49531	380.35	

(DGAIR(S), Karachi)

Sr. No.	Offices	DP No	Tax Year	No of cases	Amount involved (Rs)	Latest Position
1	LTU Karachi	360	2011	1	0.02	No reply
2	RTO-I Karachi	649	2007 to 2011	7	0.76	No reply
3	RTO-II Karachi	311	2011	32	5.65	No reply
4		340	2011	1	4.80	No reply
5		341	2011	1	3.44	No reply
6		342	2011	1	16.19	No reply
7		343	2011	1	5.15	No reply
8		344	2011	1	3.67	No reply
9		345	2011	1	0.32	No reply
10		346	2011	1	4.40	No reply
11		347	2011	22	0.11	No reply
12		348	2011	450	2.25	No reply
13		349	2011	513	2.56	No reply
14		350	2011	435	0.58	No reply
15		351	2011	83	0.42	No reply
16		352	2011	566	2.83	No reply
17		364	2011	3	4.08	No reply
18		380	2011	1	0.08	No reply
19		381	2011	1	0.19	No reply
20		382	2011	1	0.12	No reply
21		383	2011	1	0.16	No reply
22		384	2011	1	0.28	No reply
23		423	2011	21	7.13	No reply
24		437	2011	16	2.55	No reply
25		664 (Z-WH)	2012	22	1.94	No reply
26		568	2010 to 2012	21	13.60	No reply

27	RTO-III Karachi	325	2011	1	0.06	No reply
28		326	2011	1	3.22	No reply
29		327	2011	136	0.18	No reply
30		328	2011	1	0.17	No reply
31		335	2011	11	5.19	No reply
32		337	2011	1	0.25	No reply
33		338	2011	135	40.43	No reply
34		451	2011	1	0.11	No reply
35		454	2011	1	0.07	No reply
36		455	2011	1	0.07	No reply
37		456	2011	1	0.05	No reply
38		543	2012	4	3.93	No reply
39		545	2012	50	0.75	No reply
40		RTO Sukkur	460	2012	2	0.49
41	481		2012	504	3.66	No reply
42	582(Z-WH)		2012	181	10.86	No reply
44	583(Z-WH)		2012	20	0.25	No reply
45	RTO Hyderabad	488	2012	250	1.25	No reply
48		489	2012	4	3.33	No reply
49		500	2012	13	1.22	No reply
50		501	2012	188	0.94	No reply
51		505	2012	4	2.58	No reply
52	RTO Quetta	536	2012	10	7.36	No reply
53		580	2012	3	2.45	No reply
Total				3727	172.16	

G. Total	53258	552.51 (Million)
Recovery awaited Rs. 5.48 Under process Rs.348.11, No reply Rs.189.94 Record not produced Rs. 8.98		