AUDIT REPORT
ON
THE ACCOUNTS OF
FEDERAL BOARD OF REVENUE
(INLAND REVENUE)
AUDIT YEAR 2017-2018

AUDITOR-GENERAL OF PAKISTAN

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ABBREVIATIONS & ACRONYMS

ACIR	Assistant Commissioner Inland Revenue
ACL	Audit Command Language
ACT	Alternative Corporate Tax
AGP	Auditor General of Pakistan
AGPR	Accountant General Pakistan Revenue
AOP	Association of Persons
ATIR	Appellate Tribunal Inland Revenue
ATL	Active Taxpayer List
BPS	Basic Pay Scale
BTB	Broadening of Tax Base
CAO	Chief Accounts Officer
CAAT	Computer Assisted Audit Techniques
CBR	Central Board of Revenue
CGA	Controller General of Accounts
CIR	Commissioner Inland Revenue
CIR(A)	Commissioner Inland Revenue (Appeal)
CNG	Compressed Natural Gas
CPR	Computerized Payment Receipt
CSTRO	Centralized Sales Tax Refund Office
CRTO	Corporate Tax Office
DAC	Departmental Accounts Committee
DAO	District Accounts Office
DCIR	Deputy Commissioner Inland Revenue
DDO	Drawing & Disbursing Officer
DG	Director General
DP	Draft Para
DPC	Data Processing Centre
DR&S	Director Research & Statistics
DSC	Departmental Selection Committee
DTRE	Duty & Taxes Remission for Exports
E&D	Efficiency & Disciplinary
ERS	Expeditious Refund System
FATE	Facilitation and Taxpayer Education
FBR	Federal Board of Revenue

FED	Federal Excise Duty
FESCO	Faisalabad Electric Supply Company
FGEHF	Federal Government Employees Housing Foundation
FTO	Federal Treasury Officer/Federal Tax Ombudsman
FTR	Final Tax Regime
FY	Financial Year
GD	Goods Declaration
GDP	Gross Domestic Product
GFR	General Financial Rules
GST	General Sales Tax
HESCO	Hyderabad Electric Supply Company
HQ	Headquarter
HRM	Human Resource Management
I&I	Intelligence and Investigation
IPP	Independent Power Producer
IR	Inland Revenue
KIBOR	Karachi Inter Bank Offer Rate
LESCO	Lahore Electric Supply Company
LIEDA	Lasbela Industrial Estate Development Authority
LPG	Liquefied Petroleum Gas
LTU	Large Taxpayers Unit
MEPCO	Multan Electric Power Company
MFDAC	Memorandum for Departmental Accounts Committee
MPR	Monthly Performance Report
MR	Management Report
MS	Mild Steel
NBP	National Bank of Pakistan
NAM	New Accounting Model
NFMC	National Fiscal Monitoring Committee
NHA	National Highway Authority
NOC	No Objection Certificate
NTDC	National Transmission and Despatch Company
NTN	National Tax Number
NTR	Normal Tax Regime
OGDCL	Oil and Gas Development Company Ltd.
OGRA	Oil and Gas Regulatory Authority

OIO	Order-in-Original
OPD	Out Door Patient Department
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PESCO	Peshawar Electric Supply Company
POL	Petroleum Oil Lubricants
PPRA	Public Procurement Regulatory Authority
PRA	Post Refund Audit
PRAL	Pakistan Revenue Automation Limited
PTR	Presumption Tax Regime
QESCO	Quetta Electric Supply Company
Pvt	Private
RPO	Refund Payment Order
RTO	Regional Tax Office
SAP/R3	System Application Product
SBP	State Bank of Pakistan
SECP	Security and Exchange Commission of Pakistan
SED	Special Excise Duty
SEPCO	Sukkur Electric Power Company
SMEDA	Small and Medium Enterprises Development Authority
SNGPL	Sui Northern Gas Pipelines Limited
SPR&S	Strategic Planning and Research & Statistics
SRO	Statutory Regulatory Order
SSGCL	Sui Southern Gas Company Limited
STARR	Sales Tax Automated Refund Repository
STRN	Sales Tax Registration Number
TARP	Tax Administration Reforms Project
TFC	Tax Facilitation Centre
UFG	Unaccounted for Gas
WAPDA	Water and Power Development Authority
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 compliance with authority audit of Inland Revenue and Expenditure of the Federal Board of Revenue for the Financial Year 2016-17. The Report also includes observations relating to previous years. The Directorates General Audit Inland Revenue (North and South) conducted audit during the audit year 2017-18 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 rupees one 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 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].

Javaid Jehangir
Dated: 23 February 2018 **Auditor-General of Pakistan**

EXECUTIVE SUMMARY

The Directorates General of Audit Inland Revenue (North & South) carry out audit of Federal Receipts of Inland Revenues i.e. Income Tax, Sales Tax, Federal Excise Duty 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 145 officers and staff with 10,876 mandays and Annual Budget of Rs.180.89 million (FY 2017-18). The Directorates are mandated to conduct Regularity Audit (Financial Audit and Compliance with Authority Audit) and Performance/Sectoral Audit of FBR. Regularity Audit of 138 formations was conducted during second half of the Audit Year 2016-17 and first half of the Audit Year 2017-18 by utilizing planned mandays, incurring an expenditure of Rs. 212.38 million.

a. Scope of Audit

FBR collected Inland Revenue of Rs. 2,807,541 million against revised target of Rs. 3,017,305 million for the FY 2016-17 and paid refund of Rs. 63,314.04 million. The Directorates General of Audit Inland Revenue (North & South) conducted audit of receipts (including refunds) of Rs. 2,526,786 million. The FBR incurred expenditure of Rs. 16,642 million against final grant of Rs. 16,675 million for which audit of Rs. 15,760 million was also conducted. The total outlays audited were 86 % of the total formations under audit jurisdiction.

b. Recoveries at the Instance of Audit

Audit pointed out recovery of Rs. 319,054.60 million in this report. The FBR reported recovery of Rs. 4,608.46 million on pointation of Audit from March, 2017 to February, 2018 which was verified by 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 automated by PRAL. The FBR provided data containing three fields which was insufficient for risk analysis. This constrained Audit to rely upon limited soft data for desk audit and sample selection. The sample was selected randomly rather than on criteria basis. This office used Audit Command Language (ACL) and Computer Assisted Audit Techniques (CAATs) for sampling. 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 contributed towards the amount recovered at the instance of Audit which had escaped from Tax authorities while making assessment of tax. Audit provided deterrence against leakage of government revenue which ultimately helped FBR in achieving the revenue targets.

e. Comments on Internal Control and Internal Audit

While conducting Compliance with Authority Audit, internal controls of the FBR were found weak and ineffective as various control lapses were identified repeatedly for several years by Audit. These shortcomings included excess reporting of receipts, non/short realization of Sales Tax, Federal Excise Duty, default surcharge and penalty etc. Moreover, some instances of non-recovery of arrears, inadmissible zero rating, irregular claim of exemption, inadmissible/excess payment of refund, non/short realization of minimum tax, incorrect computation of taxable income, non-apportionment of Input Tax and expenses were also pointed out. Audit also observed that there was inadequate monitoring of withholding agents and lack of seriousness on the part of Tax authorities.

Recurrence of the above irregularities indicated that the internal controls were not functioning effectively. FBR was not taking necessary measures to rectify the lapses to improve internal controls which resulted in revenue loss of billions of rupees. Had FBR taken appropriate measures and showed compliance to Audit's observations and the PAC/DAC's directives, the department would never have had to revise its revenue generation targets and would have been able to at least achieve the revenue targets.

This office required internal audit reports to evaluate performance of Internal Audit of FBR. However, nothing was provided despite repeated written and verbal requests. In the absence of Internal Audit reports, this office was unable to comment on the performance of FBR.

Audit recommends timely completion of internal audit reports by FBR and provision of the same to Audit. Moreover, internal controls need to be strengthened by continuous review and by taking measures to stop recurrence of lapses in future.

f. Key Audit Findings of the Report

This report includes audit observations of Rs. 319,054.60 million in respect of compliance with authority audit of receipts and expenditure relating to Inland Revenue for the FY 2015-16 and the FY 2016-17, audited from January to November 2017. The observations include cases of non/short assessment of taxes, grant of incorrect exemptions, wrong adjustment of brought forward losses, non-levy of default surcharge, non-recovery of adjudged revenue, inadmissible adjustment of Input Tax, incorrect sanction of refunds etc. Systemic deficiencies are also identified with recommendations for preventing recurrence thereof in future.

The key findings were as under:

i) Non-production of auditable record/data/documents to Audit.[1]

ii) Non/short-realization of Sales Tax due to difference of sales declared in Income / Sales Tax Returns - Rs. 45,124.81 million.[2]

iii) Non-recovery of adjudged dues/arrears of Rs. 41,506.26 million.[3]

iv) Inadmissible claim of Sales Tax exemption - Rs. 12,494.96 million.[4]

v) Loss due to non-implementation of statutory provisions / SROs resulting in inadmissible adjustment of Input Tax - Rs. 12,315.68 million.[5]

vi) Inadmissible adjustment of Input Tax against exempt supplies of Rs. 563.48 million.[6]

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[1]Para 3.1; [2]Para 4.1.1; [3]Para 4.1.2; [4]Para 4.1.3; [5]Para 4.1.4; [6]Para 4.1.12;

vii) Non-levy of Minimum Tax on the income amounting to Rs. 2,132.43 million.[7]

viii) Loss of revenue due to concealment of income or assets amounting Rs. 56,472.01 million.[8]

ix) Short levy of Super Tax for rehabilitation of temporarily displaced persons - Rs. 13,152.41 million.[9]

x) Non-treatment of Withholding Tax as final and Minimum Tax - Rs. 2,933.52 million.[10]

xi) Non-recovery of loans / advances and interest from the officers/ officials - Rs. 37.25 million.[11]

xii) Irregular expenditure due to non-observance of PPRA and General Financial Rules - Rs. 18.07 million.[12]

Recommendations

FBR needs to:

i) devise a mechanism to detect and deter tax evasion by enforcing legal provisions against defaulters;

ii) ensure timely production of auditable data/record and initiate strict and appropriate disciplinary and other action under the law against those causing hindrance in the discharge of constitutional functions of the Auditor General of Pakistan being exercised directly or through sub-ordinates;

iii) invoke provisions of laws holistically for recovery of Duty and Taxes;

iv) strengthen mechanism for adjustment/issuance of refund of Tax;

upgrade the existing internal controls to ensure non-recurrence of similar irregularities;

v) improve monitoring of Withholding Tax which constitutes a major portion of Income Tax; and

vi) improve financial management for incurring expenditure according to financial rules.

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[7]Para 4.4.1; [8]Para 4.4.2; [9]Para 4.4.4; [10]Para 4.4.14; [11]Para 4.8.4; [12]Para 4.8.6

g. Memorandum for Departmental Accounts Committee (MFDAC)

Audit observations of Rs. 4,829.02 million were included in MFDAC Annexure-1. In view of the strategy of cost effectiveness it was decided that paras involving amount less than one million would 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.17.49 million out of pointed out amount of Rs.13,765.09 million was reported by the Principal Accounting Officer pertaining to MFDAC of previous year (2016-17) as given in Annexure-1A, however, no response was given for audit observations involving Rs. 13,747.60 million.

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SUMMARY TABLES

SUMMARY TABLES

Table 1: Audit Work Statistics

(Rs. in million)

S. No.	Description	No.	Actual	
			Receipts	Expenditure
1	Total Entities (Ministries/PAOs) in Audit Jurisdiction	1	2,807,541	16,642
2	Total formations in audit jurisdiction	160	2,807,541	16,642
3	Total Entities (Ministries/PAOs) Audited	1	2,526,786	15,760
4	Total Formations Audited	138	2,526,786	15,760
5	Audit & Inspection Reports	138	500,677	963
6	Performance Audit Reports	-	-	-

Table 2: Audit Observations Classified by Categories

(Rs. in million)

S. No.	Description	Amount Placed under Audit Observations
1	Unsound Asset Management	-
2	Weak Financial Management	482,503.16
3	Weak Internal Controls Relating to Financial Management	19,136.84
4	Others	-
	Total	**501,640.00**

Table 3: Outcome Statistics

(Rs. in million)

S. No.	Description	Receipts	Expenditure	Audit Year 2017-18	Audit Year 2016-17
1	Outlays Audited	2,526,786.00	15,760.00	2,542,546.00	2,521,746.00
2	Monetary value of audit observations	500,677.00	963.00	501,640.00	341,287.00
3	Recoveries pointed out by Audit	318,684.74	369.86	319,054.60	275,557.50
4	Recoveries accepted/ established at the instance of Audit	24,016.47	64.26	24,080.73	14,104.91
5	Recoveries realized at the instance of Audit	4,581.13	27.33	4,608.46	21,371.63

Table 4: Irregularities Pointed Out

(Rs. in million)

S. No.	Description	Amount Placed under Audit Observation	
		2017-18	2016-17
1	Violation of rules and regulations and violation of principles of propriety and probity in public operations.	458,422.43	313,239.87
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	-	2,407.71
3	Accounting Errors	-	-
4	Weaknesses of internal control systems.	19,136.84	11,534.51
5	Recoveries and overpayments, representing cases of established overpayment or misappropriations of public money.	24,080.73	14,104.91
6	Non-production of record.	395 cases	4,909 cases
7	Others, including cases of accidents, negligence etc.	-	-

Table 5: Cost-Benefit Analysis

(Rs. in million)

S. No.	Description	Audit Year		
		2017-18	2016-17	2015-16
1	Outlays Audited (Items 1 of Table 3)*	2,542,546	2,521,746	2,123,056
2	Expenditure on Audit	212.38	187.65	180.96
3	Recoveries realised at the instance of Audit	4,608.46	21,371.63	10,248.51
4	Cost-Benefit ratio	1:22	1:114	1:57

*Including amount of receipt Rs. 2,526,786 million & expenditure Rs. 15,760 million.

PUBLIC FINANCIAL MANAGEMENT ISSUES

CHAPTER-1 PUBLIC FINANCIAL MANAGEMENT ISSUES

1.1 Variation in figures of tax receipts (net) direct & indirect taxes between FBR and SBP - Rs. 35,539 million

According to Para 3.4.2.12 of the Manual of Accounting Principles each entity was required to reconcile its books of accounts with the bank record, at the close of each month. This reconciliation was to be performed in accordance with the policies and procedures set out in the Accounting Policies and Procedures Manual, GFR and Federal Treasury Rules.

Scrutiny of record of SBP maintained by Main Office, Karachi and DR&S FBR as per reconciliation statement at macro level for and up to the month of June (Final) 2017 revealed that there was a variation of Rs. 35,539 million between FBR reconciled figures and SBP figures as summarized below:

(Rs in million)

S. No.	Head of Account	Collection figures of FBR (NET) *	Collection figures of SBP**	Variation (3-4)
1	**2**	**3**	**4**	**5**
1	Taxes on Income	1,323,722	1,313,086	10,636
3	Sales Tax	1,313,960	1,289,668	24,292
4	Federal Excise Duty	197,911	197,300	611
	Total Taxes	**2,835,593**	**2,800,054**	**35,539**

* Source: Figures of DR&S FBR as per reconciliation statement with AGPR for and up to June (Final) 2017.

** Source: Record of SBP provided to Audit for FY 2016-17.

Implication

This may impair true and fair presentation of financial statements because the revenue receipts figures from external sources i.e. SBP are on lower side.

Management Response

The Department replied that the case was taken up with SBP, the bank replied that SBP had no role in executing reconciliation. The observations relating to previous year 2010-11 was settled on recommendation of DAC. During DAC for 2014-15 it was directed by DAC to take up the matter with Finance Division to adopt proper mechanism for reconciliation of revenue receipts with SBP at Macro Level.

DAC Decision

The DAC meeting was not convened by the Department till finalization of the Report.

Audit Recommendations

The variation with reference to monthly reports received from SBP need to be sorted out by DR&S to reconcile revenue figures. The status of mentioned reference to Finance Division and decision thereon may be communicated.

[Para-02 of MR-FBR 2016-17]

1.2 Variation in FBR's Figures of Refund of Tax Receipts and those of SBP- Rs. 671.49 million

According to Para 3.4.2.12 of Manual of Accounting Principles, each entity was required to reconcile its books of accounts with the bank records at the close of each month. This reconciliation was to be performed in accordance with the policies and procedures set out in the Accounting Policies and Procedure Manual, GFR and Federal Treasury Rules.

Scrutiny of FBR's and SBP's record of refund of direct & indirect taxes revealed variation of Rs. 671.49 million in figures of refunds. SBP's total was lower than that of FBR as detailed below: -

(Rs in million)

Refund	Figures of FBR*	Figures of SBP **	Variation
Income Tax	19,672.739	18,990.276	682.463
Sales Tax	43,820.502	43,763.785	56.717
Federal Excise	34.662	102.347	(67.685)
Total	**63,527.903**	**62,856.408**	**671.495**

*Source: Figures from Reconciliation Statements of FBR treasuries June (Final), 2017

** Source: Record of SBP provided to Audit for FY 2016-17

Implication

Variation in figures of refund of tax receipts may impair true and fair presentation of financial statements.

Management Response

The Department replied that the case was taken up with SBP, the bank replied that SBP had no role in executing reconciliation. The observations relating to previous year 2010-11 was settled on recommendation of DAC. During DAC for 2014-15 it was directed by DAC to take up the matter with Finance Division to adopt proper mechanism for reconciliation of refund with SBP at Macro Level.

DAC Decision

The DAC meeting was not convened by the Department till finalization of the Report.

Audit Recommendations

The variation with reference to monthly reports received from SBP need to be sorted out by DR&S to reconcile refund of revenue figures. The status of mentioned reference to Finance Division and decision thereon may be communicated.

[Para-04 of MR-FBR 2016-17]

1.3 Excess Reporting of Figures on Account of tax Receipts (Direct & Indirect Tax) to Finance Division - Rs. 15,836 million

According to the Financial Reporting and Budgeting System read with Finance Division instructions vide FD (PF Wing) letter No. (5)(2)PF-I/2009-1286 dated 28th September, 2009 circulating minutes of meeting of National Fiscal Monitoring Committee (NFMC) that the figures of revenue receipts were required to be reported to Finance Division (Provincial Finance Wing) twice a month on fortnightly basis.

During scrutiny of reconciliation statements of tax receipts with AGPR, Islamabad at macro level by the Director (Research & Statistics), FBR for the FY 2016-17, it was observed that DR&S had reported excessive amount of Sale Tax to Ministry of Finance as detailed follows:

(Rs in million)

S. No.	Head of Account	FBR's Figures reported to Finance Division *	FBR's Figures reconciled with AGPR **	Variation Excess/ (Less) Reported
1.	B023-Sales Tax	1,326,908	1,311,072	15,836
	Total	**1,326,908**	**1,311,072**	**15,836**

* FBR's figures reported to Finance Division for June (final), 2017 (copy of detail enclosed)

** FBR's figures reconciled with AGPR, Islamabad for the month of June (Final), 2017

Implication

This excess reporting of taxes to Provincial Finance Wing of Finance Division resulted in less distribution of shares assigned to Provinces and straight transfers.

Management Response

The Department replied that the difference was due to issuance of refund cheques for Rs. 17,893 million by CSTRO Islamabad which were actually cleared in 2016-17 and Rs. 2,057 million related to Sales Tax on Services in Capital Area Islamabad.

DAC Decision

The DAC meeting was not convened by the Department till finalization of the Report.

Audit Recommendations

Position in this regard needs to be justified at the earliest.

[Para-06 of MR-FBR 2016-17]

1.4 Excess Reporting of Income Tax Collection due to Non-Reporting of Income Tax Refunds - Rs. 360.10 million

According to New Accounting Model (NAM), tax receipts are classified under their proper heads of account. Further, Para 5 (d) of the System of Financial Reporting and Budgeting, 2006 provided that the Principal Accounting

Officer was required to ensure that the accounts of receipts are maintained properly and reconciled on monthly basis.

During financial attest for the financial year 2016-17 in respect of Data Processing Unit, Inland Revenue Peshawar, it was observed that an amount of Rs.360.10 million in the head of Income Tax refund through adjustment was reflected in the Monthly Performance Report of the RTO, Peshawar, which was subsequently reported to FBR, whereas the same figure of refund was not appearing in the reconciliation statements with AGPR and SBP. As the Income Tax Refund was a minus receipt and decreases the revenue receipts, non-reporting of Income Tax refund to AGPR and SBP resulted in over reporting of Income Tax had been occurred.

Implication

This resulted in excess reporting of revenue due to non-reporting of Income Tax refund through adjustment of Rs. 360.10 million during the financial year 2016-17.

Management Response

Management Response is awaited.

DAC Decision

The DAC meeting was not convened by the Department till finalization of the Report.

Audit Recommendations

It was requested that position may please be justified under intimation to Audit

[Para-12 of MR-FBR 2016-17]

CHAPTER-2 FEDERAL BOARD OF REVENUE

2.1 Introduction

The Central Board of Revenue (CBR) was established 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 was designated as the executive head of the Board.

In order to remove impediments in the exercise of administrative powers of a Secretary to the Government, and for effective formulation and implementation of fiscal policy measures, a new division i.e. Revenue Division was established in 1991. In January 1995, Revenue Division was abolished and CBR reverted back to the pre-1991 position. However, Revenue Division was once again established on 1st December 1998 and it is continuing as a Division under the Ministry of Finance and Revenue. It is a Federal Government entity with centralized accounting system.

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;
- collection of federal duties and taxes; and
- hearing of appeals.

Responsibilities of the Chairman also include interaction with the offices of the President, the Prime Minister, all economic Ministries as well as trade and industry.

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), five Functional Members, i.e. Member Facilitation and Taxpayer Education (FATE), Member Accounting, Member Enforcement, Member Taxpayer Audit and Member HRM, six Support Members, i.e. Member

Strategic Planning and Research & Statistics (SPR&S), Member Legal, Member Administration, Member Inland Revenue (Policy), Member Information Technology and Member Training. In addition to thirteen members, the Chairman, FBR has the support of seven Directors General (Source: FBR's website www.fbr.gov.pk).

Inland Revenue Wing consists of twenty-three field offices, i.e. four Large Taxpayer Units (LTUs) at Karachi (two), Lahore and Islamabad and nineteen Regional Taxpayer Offices (RTOs) at Karachi (three), Hyderabad, Sukkur, Quetta, Lahore (two), Multan, Bahawalpur, Faisalabad, Sargodha, Gujranwala, Sialkot, Rawalpindi, Islamabad, Abbottabad, Peshawar and Sahiwal. Each office is headed by a Chief Commissioner who is responsible to provide services to the 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, the Audit was of the view that FBR required to improve compliance of tax laws and strengthen its operational efficiency to achieve revenue targets.

RECEIPTS

2.2.1 Revenue Collection vs Targets

A comparison between estimated and actual receipts for the FY 2016-17 is as follows:

TABLE 2.2.1

(Rs. in million)

Tax	[1]Budget Estimates	[2]Revised Estimates	[3]AGPR Financial Statement	Excess (+) / Shortfall (-) With respect to	
				Budget estimates (4-2)	Revised estimates (4-3)
1	2	3	4	5	6
Direct Taxes	1,541,053	1,366,199	1,298,558	-242,495	-67,641
Sales Tax	1,437,000	1,444,962	1,311,072	-125,928	-133,890
Federal Excise	213,000	206,144	197,911	-15,089	-8,233
Total Inland Revenue	**3,191,053**	**3,017,305**	**2,807,541**	**-383,512**	**-209,764**

[1]Explanatory Memorandum of Federal Receipts 2017-2018
[2]Ibid
[3]AGPR Financial Statement 2016-2017

The FBR collected Inland Revenue Rs. 2,807,541 million during FY 2016-17 as compared to revised targets of Rs. 3,017,305 million. There was an overall shortfall of Rs. 383,512 million as compared to estimates of receipts and Rs. 209,764 million with reference to revised reduced estimates of receipts for FY 2016-17.

2.2.2 Variance analysis of revenue collection in FY 2016-17 and 2015-16

A comparison of net collection in FY 2016-17 vs 2015-16 is tabulated below:

(Rs. in million)

Tax Heads	Collection		Difference	
	FY: 2016-17	FY: 2015-16	Absolute	Percentage
Direct Tax	1,298,558	1,195,205	103,353	8.65%
Sales Tax	1,311,072	1,320,264	-9,192	-0.70%
Federal Excise Duty	197,911	188,055	9,856	5.24%
Total	**2,807,541**	**2,703,524**	**104,017**	**3.85%**

FBR's collection for the FY 2016-17 (Rs. 2,807,541 million) depicted an increase of Rs. 104,017 million (3.85%) as compared to Financial Year 2015-16. Collection of Direct Taxes, Federal Excise Duty and Sales Tax exhibited increase of 8.65%, 5.24 % and decrease of 0.70 % respectively.

Sales Tax emerged as the main source of revenue generation. It constituted 46.70 % of total collection of Federal taxes of Rs. 2,807,541 million excluding Customs Duty. Last year it constituted 48.83 % of total collection of Rs. 2,703,524 million of Federal taxes excluding Customs Duty.

Direct Taxes constituted 46.25 % of total collection of Federal taxes in FY 2016-17. Last year it constituted 44.21 % of total collection.

Federal Excise Duty constituted 7.05 % of the total Federal taxes excluding Customs Duty in FY 2016-17. Last year it constituted 6.96 % of total collection.

2.2.3 Tax to GDP Ratio from FY 2012-13 to 2016-17

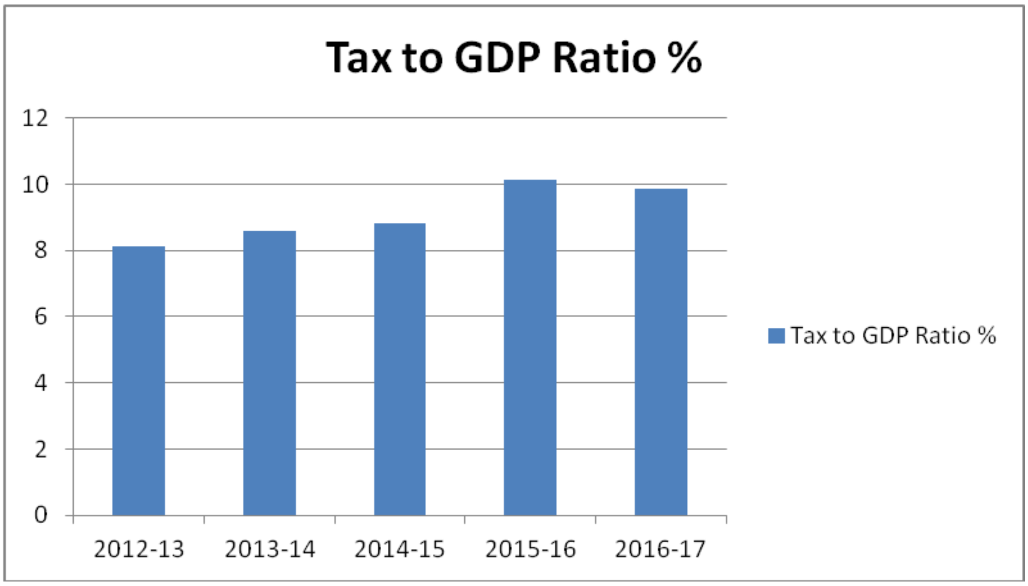
TABLE 2.2.3

(Rs. in billion)

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)
2012-13	1,924.50	23,655	8.13
2013-14	2,230.63	26,001	8.58
2014-15	2,564.10	29,078	8.82
2015-16	3,108.10	30,672	10.13
2016-17	3,304.32	33,509	9.86

[1]Financial Statements 2012-2013 to 2016-2017

[2]Economic Survey of Pakistan 2012-2013 to 2016-2017, Table 4.4



2.2.4 Low Tax to GDP Ratio

Pakistan is one of those countries which have the lowest Tax-GDP ratio in the world. Tax-GDP ratio had slightly increased from 2012-13 to 2015-16 but slightly decreased in 2016-17. It is also relevant to mention here that back in 1998-99 this ratio was 12.6 % which was ever highest in the history.

2.2.5 Reasons for Low Tax to GDP Ratio

Tax-GDP ratio was one of the primary indicators used to gauge the health of a country's economy. Several possible reasons for the low tax to GDP ratio in Pakistan included:

a) A narrow tax base;
b) Large undocumented informal sectors;
c) Small contribution in taxes from major sectors, i.e. business, trading, influential segments of agriculture (big land lords) and services as compared to their share in GDP;
d) Low tax compliance;
e) Exemptions, Concessions, Allowances and Credits. The estimated tax expenditure on these components in respect of direct taxes and sales tax exemption during last four years indicated fluctuating and growing adverse effect on direct tax collection as follows:

(Rs. in Billion)

Economic Survey's Year	Direct Taxes	Sales Tax	Total
2013-14	96.63	249.00	345.63
2014-15	83.60	225.40	309.00
2015-16	67.30	207.30	274.60
2016-17	14.01	250.06	264.07

f) Absence of efficient tax system;
g) Structural deficiencies in tax administration system;
h) Energy Crisis, i.e. Electricity and Gas shortages, and
i) Weak internal audit and enforcement functions of the FBR.

Audit suggests FBR to contribute increase the tax to GDP ratio by broadening its tax base and ensuring enforcement and compliance of law.

EXPENDITURE

2.2.6 Overview of Appropriation Accounts (FBR Grants only)

TABLE 2.2.6

(Rs. in million)

		As Per Appropriation Accounts prepared by AGPR, Islamabad					
Demand/ Grant No	**Original Grant**	**Suppl. Grant**	**Re-app**	**Surrender**	**Final Grant**	**Actual Exp.**	**Excess/ (Savings)**
40- Revenue Division	334.604	0.014	35.423	-	334.643	354.806	20.163
41- FBR	3,693.402	0	660.545	53.793	4,335.293	4,324.097	-31.195
43- Inland Revenue	11,179.189	296.720	2720.644	-	11,599.905	11,593.907	-5.997
120-Development Grant of Revenue Division	687.304	0.004	52.571	281.642	405.665	369.825	-35.840
Total	**15,894.5**	**296.738**	**3,469.18**	**335.435**	**16,675.5**	**16,642.6**	**-52.869**

Grant No. 40, 41, 43 & 118	There was saving in all heads aggregating Rs.52.869 million which showed unrealistic budgeting and weak budgetary controls.

2.3 Brief comments on the status of compliance with PAC directives

By taking aggregate mean from the table given below, only 33.59 % compliance of the of PAC directives was observed. This reflected lack of seriousness by Federal Board of Revenue. Resultantly audit observations involving substantial revenue were piling up year after year and there was little action on the part of the FBR to address these. The situation was alarming as chances of recovery of revenue diminish with the passage of time.

Direct Taxes

S. No.	Audit Report Year	Total paras	Compliance received	Compliance not received	Percentage of Compliance (%)
1	1987-88	14	12	02	85.71
2	1988-89	39	27	12	69.23
3	1989-90	32	09	23	28.12
4	1990-91	41	18	23	43.90
5	1991-92	50	13	37	26.00
6	1992-93	64	35	29	54.69
7	1993-94	74	12	62	16.22
8	1994-95	46	07	39	15.22
9	1995-96	94	41	53	43.62
10	1996-97	71	21	50	29.58
11	1997-98	108	41	67	37.96
12	1998-99	64	08	56	12.50
13	1999-00	69	17	52	24.64
14	2000-01	88	49	39	55.68
15	2001-02	72	10	62	13.89
16	2002-03	49	12	37	75.51

17	2003-04	21	03	18	14.28
18	2004-05	36	10	26	27.78
19	2005-06	30	04	26	13.33
20	2006-07	29	02	27	6.90
21	2007-08	37	07	30	18.92
22	2008-09	54	16	38	29.63
23	2009-10	39	05	34	12.82
24	2010-11	34	13	21	38.23
25	2011-12	50	Not yet discussed in PAC	50	-
26	2012-13	31	Not yet discussed in PAC	31	-
27	2013-14	27	1	26	3.70
28	2104-15	58	Not yet discussed in PAC	58	-
29	2015-16	38	Not yet discussed in PAC	38	-
30	2016-17	42	Not yet discussed in PAC	42	-

Indirect Taxes& Expenditure

S. No.	Audit Report Year	Total paras	Compliance received	Compliance not received	Percentage of Compliance (%)
31	1985-86	44	38	6	86.36
32	1986-87	55	25	30	45.45
33	1987-88	43	10	33	23.26
34	1988-89	32	27	5	84.38
35	1989-90	217	147	70	67.74
36	1990-91	67	49	18	73.13
37	1991-92	45	42	3	93.33
38	1992-93	99	44	55	44.44
39	1993-94	77	40	32	38.96
40	1994-95	72	15	57	55.56
41	1995-96	83	44	39	53.01
42	1996-97	79	70	09	88.61
43	1997-98	83	60	23	72.29
44	1998-99	106	64	42	60.37
45	1999-00	71	18	53	25.35
46	2000-01	89	42	47	47.19
47	2001-02	78	40	38	51.28
48	2002-03	84	20	64	23.81
49	2003-04	47	18	29	38.30
50	2004-05	36	13	23	36.11
51	2005-06	45	08	37	17.78
52	2006-07	63	25	38	39.68

53	2007-08	130	36	94	27.69
54	2008-09	149	62	87	41.61
55	2009-10	142	45	97	31.69
56	2010-11	87	11	76	12.64
57	2011-12	83	Not yet discussed in PAC		
58	2012-13	72	Not yet discussed in PAC		
59	2013-14	69	3	66	4.35
60	2014-15	159	Not yet discussed in PAC		
61	2015-16	69	Not yet discussed in PAC		
62	2016-17	72	Not yet discussed in PAC		

COMPLIANCE WITH AUTHORITY AUDIT

(AUDIT PARAS)

CHAPTER-3 NON-PRODUCTION OF RECORD

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

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 the Provincial Governments and the accounts of any authority or body established by or under the control of Federal or a Provincial Government was required to be conducted by the Auditor General, who would determine the extent and nature of such audit".

Section 12 of the Auditor-General's Ordinance, 2001 empowered the Auditor-General of Pakistan to conduct audit of Receipts. Under Section 14 of the Ordinance, he has the 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 in-charge of any office or the Department was obliged to 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 is to be subject to disciplinary action under relevant Efficiency and Discipline Rules.

Four (04) field formations of FBR did not provide the auditable record of 395 cases requisitioned by audit teams. Non-production of record was a serious violation of law, as it created hindrance in discharging constitutional role of the Auditor-General's Department. It also deprived the Government of cash recoveries effected at the instance of Audit. Following record was not provided:

i) record of tax refunds issued during the year 2016-17

ii) record of direct & indirect taxes by CRTO, Lahore (Soft/Hard format).

iii) Sales Tax assessment record

Management Response

The Department informed that requisite record is available with the Department and will be provided to next visiting team, however the record of the taxpayers is not available with Department and the matter is Subjudice before Honorable Supreme Court of Pakistan.

DAC Decision

DAC in its meetings held in February, 2018 directed the Department to provide the requisite record to next visiting team.

Audit Recommendations

- In view of the provisions contained in Section 56B of the Sales Tax Act, 1990 whereby Section 216 of the Income Tax Ordinance, 2001 has been made applicable to the cases of Sales Tax, there is no justification for non-production of record requisitioned by Audit. Production of auditable record thus may be ensured and disciplinary proceedings may be initiated where incidences of violation take place.

[Annexure-3]

CHAPTER-4 IRREGULARITIES AND NON-COMPLIANCE

4.1 Sales Tax

4.1.1 Non/short-realization of Sales Tax due to difference of sales declared in Income / Sales Tax Returns - Rs. 45,124.81 million

According to Section 3(1) of the Sales Tax Act, 1990, “there shall be charged, levied and paid Sales Tax at the prescribed rate of the value of taxable supplies made by a registered person in the course or furtherance of any taxable activity carried on by him. Further, Section 26 of the Act ibid provides that every registered person is required to furnish not later than the due date a true and correct return in the prescribed form. In case of non-compliance, penalty and default surcharge is also recoverable under Sections 33 and 34 of the Act ibid”.

Sixty-four (64) taxpayers registered with fifteen (15) field offices of FBR had declared two different figures of sales in their Sales Tax profiles/sales register and Income Tax Returns/purchase register/annual accounts during the years 2013-14 to 2015-16. The sales shown in Income Tax returns were on higher side as compared to those declared in Sales Tax profile which implied that the registered persons had suppressed their sales to evade payment of Sales Tax. This resulted in non/short-realization of Sales Tax amounting to Rs. 45,124.81 million. The non-payment also attracted default surcharge and penalty. Some examples of major taxpayers are given as under:

1. M/s Milestone Icon, bearing NTN 4276936 registered with RTO, Rawalpindi carried out business of production and supply of “BITUMEN”. Examination of final accounts for the Tax Years 2015 & 2016 filed along with Income Tax Return revealed that taxpayer made taxable supplies of bitumen and other sales. However, Sales Tax record showed that the taxpayer did not declare taxable activity during the years 2014-15 & 2015-16 meaning thereby that taxpayer concealed the taxable supply of bitumen. The lapse resulted in to non-realization of Sales Tax amounting to Rs.74.86 million (DP No.17212-ST).

2. M/s Metro Guards (Pvt.) Limited registered with RTO, Islamabad declared excess sales in Income Tax returns as compared to sales declared in Sales Tax returns for the tax period from July, 2105 to

June, 2016. This means that the taxpayers concealed/reduced sales to that extent thereby escaping from chargeability of Sales Tax. This eventually resulted into short realization of Sales Tax amounting to Rs.62.20 million (DP No.17128 -ST).

3. M/s Pakistan State Oil Company Limited (NTN 0711554-7), registered with LTU, Karachi declared sales of Rs. 557,850.59 million in Sales Tax returns as against the sales declared in Income Tax return was Rs. 677,966.88 million in Tax Year 2016. Thus, Rs.120,116.29 million sales have been suppressed involving Sales Tax of Rs. 40,839.54 million (DP No.6296-ST/K).

4. M/s Johnsons Pakistan (Private) Limited (NTN 0700920-8) registered with LTU, Karachi declared sales of Rs. 1,617.42 million in Sales Tax returns as against the sales declared in Income Tax return Rs. 2,490.84 million in Tax Year 2016. Thus, Rs. 873.41 million sales had been suppressed involving Sales Tax of Rs. 296.96 million (DP No.6296-ST/K).

Management Response

The Department replied that: (a) an amount of Rs. 0.31 million was recovered; (b) Rs. 1.30 million vacated; (c) Rs. 0.12 million under recovery; (d) Rs. 42.09 million subjudice; (e) Rs. 99.84 million contested (f) Rs. 2,308.88 million under adjudication; (g) cases of Rs. 1,150.63 million were awaiting action by the Department whereas; (h) cases of Rs. 10.12 million were not responded and (i) cases of Rs. 41,511.52 million were confronted to the taxpayers with the audit observation.

DAC Decision

DAC in its meetings held in February, 2018 settled the para to the extent of amount recovered and vacated Rs. 1.61 million and directed the Department to expedite recovery/legal/adjudication proceedings, pursue subjudice cases at appropriate level, furnish updated reply in non-responded cases and get the contention verified from audit and submit updated status to Audit and FBR by 15.03.2018.

Audit Recommendations

- Expeditious recovery/adjudication/legal proceedings.

- Pursue subjudice cases at appropriate level.
- Furnish reply in non-responded cases.
- Monitoring of sales declaration by the taxpayers in Sales Tax and Income Tax returns for due payment of tax.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-4]

4.1.2 Non-recovery of adjudged dues/arrears - Rs. 41,506.26 million

According to Section 48 of the Sales Tax Act, 1990 read with Sales Tax Rules, 2006, "Sales Tax due from any person shall be recovered by Sales Tax officers in accordance with the procedures laid down therein".

Tax collecting authorities of nine (09) field offices of FBR did not take prescribed measures for recovery of adjudged government dues which resulted in non-recovery of Rs. 41,506.26 million in two hundred ninety-nine (299) cases during financial year 2016-17. Some examples of major taxpayers are given as under:

1. LTU, Islamabad did not recover Sales Tax dues adjudged by the adjudicating authorities as recoverable from M/s MOL Pakistan (Pvt.) Limited (NTN 1938929-9) during the year 2016-2017. This resulted in non-recovery of arrears of Sales Tax amounting to Rs. 503.72 million (DP No.16936-ST).

2. RTO, Rawalpindi did not take adequate measures for the recovery of government dues adjudged by the adjudicating authorities against M/s Pakistan Ordnance Factories Board (P.O.F Board) during the year 2016-17. This resulted in non-recovery of adjudged government dues of Sales Tax of Rs.821.91 million (DP No.17208-ST).

3. M/s Gul Ahmed (NTN 0698283) registered with LTU, Karachi did not pay assessed amount of Sales Tax of Rs. 716.78 million as adjudged vide Order-in-Original No.07/2014 dated 12th February, 2015 (DP No.6246-ST/K).

Management Response

The Department replied that: (a) an amount of Rs. 8.25 million was recovered; (b) Rs. 419 million not due; (c) Rs. 1,114.33 million vacated (c) Rs. 10,793.26 million under recovery; (d) Rs. 146.96 million under adjudication; (e) Rs. 155.74 million subjudice; (f) cases of Rs. 8,586.21 million were awaiting action by the Department whereas (f) cases of Rs.99.60 million had been confronted to the taxpayers with the audit observations and (e) Rs.20,182.91 million were duplicated which needs verification by Audit.

DAC Decision

DAC in its meetings held in February, 2018 settled the para to the extent of amount recovered, not due and vacated Rs.1,541.58 million and directed the Department to expedite recovery/legal/adjudication proceedings, pursue subjudice cases at appropriate level and get verified duplicated amount from Audit and submit updated status to Audit and FBR by 15.03.2018.

Audit Recommendations

- Expeditious recovery/adjudication/legal proceedings.
- Pursuance of subjudice cases at appropriate level.
- Verification of duplicate amount.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-5]

4.1.3 Inadmissible claim of Sales Tax exemption - Rs. 12,494.96 million

According to Sales Tax Act, 1990 and relevant SROs issued by FBR, “exemption of Sales Tax is allowed on import/supply of different goods subject to fulfillment of various conditions”.

Seventeen (17) taxpayers registered with nine (09) field offices of FBR claimed exemption of Sales Tax on import/supply of re-meltable iron and scrap, meat and edible meat offal, fertilizer, chocolates, footwear, gaiters, electric lighting & wiring apparatus, auto parts and confectionery items during the year 2015-16 and 2016-17 which were not covered under the law ibid but the Department did not take action against them. This resulted into non-realization of Sales Tax of Rs. 12,494.96 million which is summarized as follows:

(Rs. in million)

S. No.	Office	Cases	Amount	Law/Rule violated
1	CRTO Lahore	01	7.07	Section 5 and 6th Schedule of the Sales Tax Act, 1990
2	RTO Abbottabad	01	27.74	SRO 573(I)2014 dated 26th June, 2014
3	RTO Peshawar	01	1.09	SRO 573(I)2014 dated 26th June, 2014 and SRO 326(I)2008 dated 26th March, 2008
4	RTO Gujranwala	01	5.94	Rule 58H (2B) of the Sales Tax Special Procedure Rules, 2007
5	RTO Sialkot	01	1.03	SRO 573(I)2014 dated 26th June, 2014
6	RTO Quetta	03	11,047.17	Sr. No. 110 of 6th schedule of Sales Tax Act, 1990
7	RTO Hyderabad	04	10.14	SRO 213 (I)/2013 Dated: 15.03.2013, SRO 525 (I) 2008 dt 11.06.2008
8	RTO Sukkur	01	10.40	DTRE Rules
9	LTU Karachi	04	1,384.38	Chapter XIII of the Sales Tax Special Procedure 2007, Entry No. 10, 21, 24 of Table -2 of 6th Schedule of Sales Tax Act, 1990
	Total	**17**	**12,494.96**	

Some examples of major taxpayers are given as under:

1. Scrutiny of Sales Tax Returns filed by M/s Shezan Bakers & Confectioners Pvt. Ltd (NTN-2585048) registered with CRTO Lahore, a large manufacturer and supplier of biscuits and confectionery items etc. during the year 2015-16 revealed that from July 2015 to April, 2016, the taxpayer has duly charged Sales Tax and rightly reflected in its Tax Returns. However, while filing Tax Returns for the tax period May and June, 2016, the taxpayer had

shown large portion of its supplies as exempt whereas such supplies were liable to Sales Tax at standard rate. The tax authorities did not take notice of this omission. The lapse resulted in non-realization of Sales Tax Rs. 7.065 million (DP No.16755-ST).

2. M/s Taj Cutlery Works (NTN-2836483) registered with RTO, Sialkot declared the taxable supplies of goods as exempt under SRO 551(I)/2008 dated 11th June, 2008. The same SRO was rescinded vide SRO 573(I)/2014 dated 26th June, 2014 and the goods (Article of Iron and Steel) were liable to Sales Tax @17%. This omission resulted into non-realization of Sales Tax amounting to Rs.1.03 million during the years 2015-16 & 2016-17 (DP No.16968 -ST).

3. M/s Euro Industries (Pvt.) Ltd. (NTN 2277803-9) registered with RTO, Peshawar made exempt supplies of "Meat & Edible Meat Offal" by availing the facility under SRO 501(I)/2013 dated 12th June, 2013. The said SRO was rescinded vide SRO 573(I)/2014 dated 26th June, 2014 and the supplies made by the taxpayer were also not covered under 6th Schedule of the Sales Tax Act, 1990 meaning thereby the supplies were liable to Sales Tax at the standard rate. Neither Department recovered nor the taxpayer deposited due amount of tax in public exchequer. This resulted into non-realization of Sales Tax Rs. 24.35 million during 2016-17 (DP No. 17058-ST).

4. M/s Syed Muhammad & Brothers (NTN 4256863-3) made taxable supply of household electric appliance and miscellaneous electrical machinery equipment valuing Rs. 58,553.14 million during July, 2014 to May, 2017 to unregistered person and claimed exemption under Sr. No.110 of 6th Schedule of the Sales Tax Act, 1990 which was not covered under said Schedule. This resulted into irregular claim of exemption of Rs.9,954.03 million (DP No.6216-ST/K)

Management Response

The Department replied that: (a) an amount of Rs.1.09 million was under recovery; (b) Rs. 38.91 million under adjudication (c) cases of Rs. 12,447.89 million were awaiting action by the Department; and (d) an amount of Rs. 7.07 million was vacated which needs verification.

DAC Decision

DAC in its meetings held in February, 2018 directed the Department to expedite adjudication proceedings, expedite legal proceedings and get verified the vacated amount from audit and submit updated status to Audit and FBR by 15.03.2018.

Audit Recommendations

- Prompt recovery/adjudication and completion of legal action.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-6]

4.1.4 Loss due to non-implementation of statutory provisions / SROs resulting in inadmissible adjustment of Input Tax - Rs. 12,315.68 million

According to Sales Tax Act, 1990 and relevant SROs issued by FBR, "adjustment of Input Tax is allowed subject to fulfilment of certain conditions".

One hundred twenty-nine (129) taxpayers registered with seventeen (17) field offices of FBR claimed adjustment of Input Tax without fulfilling the conditions of law but the Department did not take action against them during the year 2016-17. Summarized as below:

(Rs. in million)

S. No.	Office	Cases	Amount	Law/Rule violated
1	RTO Sargodha	01	1.96	Section 8(1)(a)(f)(g)(h) & (i) of the Sales Tax Act, 1990.
2	CRTO Lahore	03	2.34	Section 8(1) (h) & (i) of the Sales Tax Act, 1990 &SRO 490(I) 2004 dated 12.06.2004.
3	RTO Abbottabad	04	21.28	Section 8(1)(a)(g)(h) & (i) of the Sales Tax Act, 1990. SRO 490(I) 2004 dt 12.06.2004 & SRO 450(I) 2013 dt. 27.05.2013.
4	LTU Islamabad	08	50.55	Sections 8(1) (a) (g)(h) & (i) of the Sales Tax Act, 1990. SRO 490(I) 2004 dated 12.06.2004 & SRO 450(I) 2013 dated 27.05.2013.
5	RTO Peshawar	05	42.78	Section 8(1)(a) of the Sales Tax Act, 1990.
6	RTO Multan	06	3.97	Section 8(1)(a) of the Sales Tax Act, 1990, SRO 490(I)2004 dated 12.06.2004.

7	RTO Islamabad	16	21.57	Section 8(1) (h)& (i) of the Sales Tax Act, 1990 & SRO 490(I)2004 dated 12.06.2004 and Rule 58H of Special Procedures Rules 2007.
8	RTO Faisalabad	16	61.30	Section 8(1)(a)(f)(g) &(i) of the Sales Tax Act, 1990.
9	RTO Gujranwala	07	10.29	Section 8(1)(a) of the Sales Tax Act, 1990.
10	LTU Karachi	13	11,241.14	Section 8(1) (a), (f) to (i) of the Sales Tax Act, 1990
11	LTU-II Karachi	16	593.98	Section 7 (2) and 8 (1) of the Sales Tax Act, 1990
12	RTO-II Karachi	03	81.14	Section 7 (2), 8 (1) (l) & 73 of the Sales Tax Act, 1990
13	RTO Hyderabad	11	82.43	Section 8 (1) (a), (f) & (i) of the Sales Tax Act, 1990.
14	RTO Quetta	01	0.24	Section 8 (1) (i) of the Sales Tax Act, 1990
15	RTO Sukkur	05	8.61	Section 8 (1) (a) of the Sales Tax Act, 1990
16	CRTO Karachi	13	82.44	Section 7 (2) of the Sales Tax Act, 1990
17	RTO-III Karachi	01	9.66	Section 8 (d) of the Sales Tax Act, 1990
	Total	**129**	**12,315.68**	

This resulted in short-realization of Sales Tax amounting to Rs.12,315.68 million due to inadmissible adjustment of Input Tax. Some examples of major taxpayers are given as under:

1. M/s Fauji Foods Limited (NTN-0786271-7) registered with RTO, Sargodha adjusted Input Tax against Output Tax on purchase of inadmissible items i.e. building material, wire, cables, furniture, vehicles and parts, electricity items, hotel and restaurants etc. which were not related to the taxable supplies of the registered persons. The tax authorities did not take any remedial action to safeguard the government revenue. The irregularity resulted in inadmissible adjustment of Input Tax amounting to Rs. 1.96 million during the financial year 2015-16 (DP No.16731-ST).

2. M/s Taibah Steel Re-Rolling Mills (Pvt.) Ltd. (NTN 4435967-5) registered with RTO, Islamabad engaged in melting and re-rolling of steel products claimed tax credit of Input Tax paid on electricity/purchases whereas as per Sales Tax Special Procedures

Rules, 2007 the taxpayer was required to pay Sales Tax @ Rs. 9 per unit of electricity consumed and that was its final discharge of Sales Tax liability. Hence the taxpayer was not entitled to claim credit of Input Tax paid on electricity as he was operating under Special Procedure Rules. The irregularity caused inadmissible claim of tax credit amounting to Rs. 15.17 million during 2016-17 (DP No.17132-ST).

3. M/s Oil and Gas Development Company Limited (OGDCL) (NTN 0787223-2) and M/s OMV (Pakistan) Exploration (NTN 0786911) registered with LTU, Islamabad claimed Input Tax adjustment credit against the purchase of natural water, aerated water, fruit Juices, copper wires, paint, vehicles, auto parts, house hold articles, construction material and furniture etc. which were not used for the purpose of taxable supplies made by him. This resulted into inadmissible adjustment of Input Tax of Rs. 42.80 million during the year 2016-17 (DP No.16929-ST).

4. M/s United Energy Pakistan Ltd (NTN 3792746-9) registered with LTU Karachi claimed Input Tax of Rs. 611.51 million on purchase of construction material and services during the Tax Year 2015-16 & 2016-17. The adjustment was not admissible under Section 8 (1) (h) Sales Tax Act, 1990. This resulted in loss of government revenue of Rs. 611.51 million (DP No.6247-ST/K).

Management Response

The Department replied that: (a) an amount of Rs. 2.16 million was recovered (b) Rs. 11.71 million vacated (c) Rs. 806.61 million under adjudication; (d) Rs.2.45 million under recovery (e) cases of Rs. 908.95 million were awaiting action by the Department; (f) input tax in cases of Rs.64.46 million was correctly adjusted which need verification from Audit; and (g) case of Rs.10,519.34 million were subjudice.

DAC Decision

DAC in its meetings held in February, 2018 settled the para to the extent of amounts recovered and vacated Rs. 13.89 million and directed the Department to expedite recovery/adjudication/legal proceedings, pursue subjudice cases at appropriate level and get verify cases of Rs. 64.46 million and submit updated status to Audit and FBR by 15.03.2018.

Audit Recommendations

- Expeditious recovery/adjudication/legal proceedings.
- Pursue subjudice cases at appropriate level.
- Improvement in the monitoring process of Input Tax adjustment.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-7]

4.1.5 Short-realization of Sales Tax on subsidy received by MEPCO - Rs. 3,591.74 million

According to Section 2 (46) (a) of the Sales Tax Act 1990, "value of supply" means in respect of a taxable supply, 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 tax".

M/s Multan Electric Power Company Limited (NTN 3011207) registered with RTO, Multan received subsidy from Government of Pakistan on sale of electricity during Tax Year 2016 but Sales Tax was not paid thereon. The subsidy is basically the portion of value of supply which is paid by Government on behalf of consumers. Income Tax was being paid on subsidy received by the taxpayer. Therefore, the same was also liable to Sales Tax being part of value of supply. But neither Department recovered nor did the taxpayer itself deposited due amount of tax in public exchequer. This resulted in short realization of Sales Tax of Rs. 3,591.74 million

Management Response

RTO, Multan replied that Show Cause Notice has been issued to the registered person and the case was under adjudication.

DAC Decision

DAC meeting held in February, 2018 directed the Department to expedite adjudication and submit updated status to Audit and FBR by 15.03.2018.

Audit Recommendations

- Adjudication proceedings be completed in time.
- Holding of inquiry to fix responsibility against the person (s) at fault.

[DP No.17080-ST]

4.1.6 Non-realization of Sales Tax from steel melters/re-rollers - Rs. 1,915.51 million

According to Rule 58H of Chapter XI of Sales Tax Special Procedure Rules, 2007, "every steel-melter, steel re-roller and composite unit of steel melting and re-rolling (having a single electricity meter)**,** shall pay Sales Tax at specified rate per unit of electricity consumed for the production of steel billets, ingots and mild steel (MS) products which will be considered as their final discharge of sales tax liability".

Five (05) taxpayers registered with LTU Lahore, RTO Quetta and RTO Hyderabad used electricity for production of mild steel (MS) products and they had to pay Sales Tax at the prescribed rate of Rs.9 per unit of electricity consumed. But as per LESCO, QESCO and HESCO record Tax was either short paid or entirely not paid by the taxpayers whereas on the other hand they were taking credit of Sales Tax in their relevant Sales Tax Returns. Department did not care of the matter that whether due amount of tax was paid or not as per Rules ibid. This inaction on the part of Department resulted in non-realization of Sales Tax of Rs. 1,915.51 million during the year 2016-17.

Management Response

The Department informed that (a) an amount of Rs.4.34 million was under adjudication (b) Rs.741.47 million not due as the adjustment certificate were issued by the CIR RTO, Quetta in the light of STGO 18/2016 dated 09.02.2016 read with sub Rule 2(C) of the Rule 58 (H) of the Sales Tax Special Procedure Rules, 2007 and an amount of Rs. 1,169.70 million was contested by the Department.

DAC Decision

DAC in its meetings held in February, 2018 directed the Department to expedite adjudication proceedings and get the contested and not due amount verified from Audit and submit updated status to Audit and FBR by 15.03.2018.

Audit Recommendations

- Expeditious adjudication proceedings of the cases.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[DP No.16854-ST, 6217-ST/K & 6233-ST/K]

4.1.7 Potential loss of Sales Tax due to non-enforcing of Sales Tax returns - Rs. 1,701.55 million

According to Section 26(1) of the Sales Tax Act, 1990, “every registered person shall furnish not later than the due date a true and correct return in the prescribed form to a designated bank or any other office specified by the Board, indicating the purchases and the supplies made during a tax period, the tax due and paid and such other information”. Further as per Section-3(1) of the Act ibid, “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”.

M/s Kreative Cosmetics (Pvt) Ltd (NTN-4008899) registered with RTO, Rawalpindi carried out taxable activity of manufacturing cosmetics, soaps and massage oil under the brand name “DUE” but not file Sales Tax returns, however, taxpayer was regular filer of Income Tax return since 2012. Tax authorities also visited business premises of the taxpayer and took possession of record/computers for verification which revealed that taxpayer made huge sale of Rs. 4,160.01 million from July 2012 to August 2017 but did not charge and paid Sales Tax. It is pertinent to mention here that taxpayer instead of showing actual sales figures presented fabricated receipts figures in Income Tax record. The concealment of supplies is a clear-cut fraud which deprived the Government from the legitimate revenue on account of Sales Tax amounting to Rs.1,701.55 million.

Management Response

RTO, Rawalpindi replied that the case was under adjudication.

DAC Decision

DAC in its meeting held in February, 2018 directed the Department to expedite adjudication and submit updated status to Audit and FBR by 15.03.2018.

Audit Recommendations

- Expeditious completion of adjudication proceedings.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[DP No. 17190-ST]

4.1.8 Non-realization of Sales Tax on disposal of fixed assets/waste/scrap - Rs. 1,280.34 million

According to Section 3 of the Sales Tax Act, 1990, “there shall be charged, levied and paid Sales Tax at the prescribed rate of the value of taxable supplies made by a registered person in the course or furtherance of any taxable activity carried on by him. Moreover Section 2(35) of the Sales Tax Act, 1990 provides that disposal of fixed assets is taxable supply if not otherwise exempted under Sr. No 6 of Table II of Sixth Schedule of the Act”.

Thirty-six (36) taxpayers registered with eight (08) field offices of FBR supplied fixed assets, waste & scrap which were liable to Sales Tax but neither tax was paid by the taxpayers nor realized by the tax authorities during the years 2013-2014 to 2016-2017. This resulted in non-realization of Sales Tax amounting to Rs. 1,280.34 million which also attracted penalty and default surcharge leviable under the law. Some examples of major taxpayers are given as under:

1. M/s Power Construction Corporation of China Limited (NTN 4207650) and M/s TF Pipes Limited registered with RTO, Islamabad disposed of their fixed assets and derived income from the sale proceeds of fixed assets during the period 2015-16. As per law, the registered persons were required to pay the Sales Tax on sale proceeds of fixed assets but neither the taxpayers paid nor the Department demanded from them. The lapse resulted in non-realization of Sales Tax amounting to Rs. 6.50 million (DP No.17149-ST).

2. M/s Oil and Gas Development Company Limited (OGDCL) (NTN 0787223-2) registered with LTU, Islamabad made disposal of fixed assets and scrap during the years 2014-15 to 2016-17 and were required to pay Sales Tax on such goods on which Input Tax had been claimed by the taxpayer but the same was not done. Non-levy of

sales tax on disposal of scrap and by products resulted in loss of Rs.747.20 million (DP No.16919-ST).

3. M/s Toyota Multan Motors (Pvt.) Ltd. (NTN 2531120) registered with RTO, Multan claimed Input Tax adjustment on purchase of consumable items in different tax periods. But concealed the sales of scrap of replaced items against those consumable parts. Resultantly Output Tax on sale of scrap was not paid. This resulted in to non-realization of Sales Tax of Rs. 12.39 million (DP No.17102-ST).

Management Response

The Department replied that: (a) an amount of Rs. 0.22 million was recovered; (b) Rs. 0.07 million under recovery; (c) cases of Rs. 153.16 million were awaiting action by the Department; (d) cases of Rs. 1,087.79 million were under adjudication and; (e) cases of Rs. 34.10 million were contested by the Department and (f) and an amount of Rs. 5.00 million needs verification from Audit.

DAC Decision

DAC in its meeting held in February, 2018 settled the para to the extent of recovered amount and directed the Department to expedite recovery/ adjudication/legal proceedings and get the contention verified from Audit and submit updated status to Audit and FBR by 15.03.2018.

Audit Recommendations

- Expeditious recovery/adjudication and completion of legal action.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-8]

4.1.9 Short-realization of Sales Tax due to under valuation of taxable supplies - Rs. 993.92 million

According to Section 3 read with Section 2(46) of the Sales Tax Act, 1990, "there shall be charged, levied and paid Sales Tax at the prescribed rate of the value of taxable supplies made by a registered person in the course or furtherance of any taxable activity carried on by him. And value of supply in respect of a taxable supply means, the consideration in money including all

Federal and Provincial duties and taxes, if any, which the supplier received from the recipient for that supply but excluding the amount of tax".

Four (04) taxpayers registered with RTO, Gujranwala and LTU, Islamabad did not include the amount of Federal Excise Duty in the value of taxable supplies of beverages and cement and one (1) taxpayer of RTO, Peshawar applied incorrect rate instead of fixed rate per kilogram for sugar valuation to levy Sales Tax during the years 2015-16 and 2016-17. This resulted in short realization of Sales Tax amounting to Rs. 993.92 million.

Management Response

RTO, Gujranwala informed that the case of Rs. 236.12 million was subjudice before the Apex Court. RTO, Peshawar replied that case of Rs. 36.60 million was under adjudication whereas LTU, Islamabad reported contested an amount of Rs. 541.56 million and Rs. 179.64 million was under process.

DAC Decision

DAC in its meeting held in February, 2018 directed the Department to expedite adjudication/legal proceedings, pursue subjudice cases at appropriate level and get the contested amount verified from Audit and submit updated status to Audit and FBR by 15.03.2018.

Audit Recommendations

- Pursue subjudice cases at appropriate level.
- Expeditious completion of adjudication/legal proceedings.
- Holding of inquiry to fix responsibility against person(s) at fault.

[DPs No. 16849, 17057 &17405 -ST]

4.1.10 Short-realization of Sales Tax due to concealment of purchases, raw material and stocks - Rs. 934.69 million

According to Section 3 read with Section 26 of the Sales Tax Act, 1990, "there shall be charged, levied and paid Sales Tax at the prescribed rate of the value of taxable supplies made by a registered person in the course or furtherance of any taxable activity carried on by him and every registered person is required to furnish not later than the due date a true and correct return in the prescribed form.

Sixty-five (65) taxpayers registered with thirteen (13) field offices of FBR had shown different figures of purchases, imports and stocks in various sets of accounts i.e. Sales Tax profiles, Income Tax Returns, Audited Accounts and stock statements etc which depicted that the taxpayers had concealed their purchases, imports and stocks leading to less production and sales. This resulted in short realization of Sales Tax Rs. 934.69 million during the Year 2014-15 to 2016-2017. Some examples of major taxpayers are given as under:

1. RTO, Peshawar did not recover Sales Tax from M/s Hattar Textile Mills (Pvt.) Ltd. (NTN 0804253-5), who declared closing stocks of Rs.315.22 million during the tax period February, 2016. The closing stocks carried forward must be brought forward to the next tax periods or Sales Tax against the supply of the said stocks may be deposited into government treasury. On scrutiny, it revealed that the registered person neither brought forwarded the stocks in next tax period nor deposited the Sales Tax against the disposal of such stocks in the subsequent tax periods meaning thereby that the taxpayer concealed the closing stocks as well as supplies which led to evasion of tax. The omission resulted in non-realization of Sales Tax Rs. 9.46 million (DP No.17059-ST).
2. M/s Haier Pakistan (Pvt.) Ltd. (NTN 1263331) registered with LTU, Lahore had declared closing stocks of Rs. 566.95 million as per Income Tax Return for the Tax Year 2016. On the other hand, Annexure-F of Sales Tax Return for the month of June, 2016 reflected the closing stock figure of Rs.734.61 million meaning thereby overstating the value of closing stock worth Rs.167.66 million in Sales Tax record due to which sales had been concealed to the extent of Rs.167.66 million and escaped chargeability of Sales Tax. This eventually resulted into short realization of Sales Tax amounting to Rs. 28.50 million (DP No.16847 -ST).
3. M/s Unique Food (Private) Limited (NTN 1363811) registered with CRTO, Karachi concealed its domestic sales valuing Rs. 445.80 million for the Tax Year 2016. This resulted into loss of government revenue due to concealment amounting to Rs. 75.79 million (DP No.6325-ST/K).

4. M/s Diamond Super Market (NTN 3562157-5) registered with LTU-II, Karachi, concealed its domestic sales valuing Rs. 70.27 million for the Tax Year 2016. This resulted into loss of government revenue due to concealment amounting to Rs. 11.95 million (DP No.6317-ST/K).

Management Response

The Department replied that: (a) an amount of Rs. 305.68 million was under adjudication; (b) Rs. 20.19 not due; (c) cases of Rs. 570.86 million were awaiting action by the Department; (c) Rs. 9.46 million under recovery and; (d) cases of Rs. 28.50 were contested by the Department.

DAC Decision

DAC in its meetings held in February, 2018 settled the para to the extent of not due amount and directed the Department to expedite recovery/ adjudication/legal proceedings and get the contention verified from Audit and submit updated status to Audit and FBR by 15.03.2018.

Audit Recommendations

- Expeditious recovery/adjudication/legal proceedings of the cases.
- Internal controls needed to be strengthened to avoid recurrence of such irregularities in future.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-9]

4.1.11 Loss due to inadmissible zero rating of Sales Tax - Rs. 912.85 million

According to Section 4(a) of the Sales Tax Act, 1990, "goods exported or goods specified in the Fifth Schedule shall be charged to tax at the rate of zero per cent. According to Sr. No. 12 of the Fifth Schedule to the Sales Tax Act, 1990 zero rating is allowed on milk of PCT heading 04.01."

Two taxpayers of RTOs Sargodha and Bahawalpur made supplies of Tea Whiteners, dairy drink and sweets and charged Sales Tax at the rate of zero per cent instead of standard rate of tax as the goods were not covered under the above law. This resulted in inadmissible zero rating of Sales Tax of Rs. 912.85 million.

Management Response

RTO, Sargodha replied that case has been decided against the taxpayer vide Assessment Order 99 dated 26th May, 2017 through which entire amount of Rs. 909.93 million along with default surcharge of Rs. 225.17 million and 100% penalty of the amount of tax involved was held recoverable. Subsequently Commissioner Inland Revenue Appeals, Sargodha deleted an amount of Rs. 79.60 million being time barred. Currently the case was subjudice with Appellate Tribunal Inland Revenue (ATIR). RTO, Bahawalpur reported that the case had been decided against the registered person vide OIO No. 83 dated 5th October, 2017 and amount was under recovery.

DAC Decision

DAC in its meeting held in February, 2018 directed the Department to expedite recovery and pursue the case at appropriate level and submit updated status to Audit and FBR by 15.03.2018.

Audit Recommendations

- Pursue the subjudice case at appropriate level.
- Expeditious recovery of the upheld amount.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[DPs No.16733 & 16832-ST]

4.1.12 Inadmissible adjustment of Input Tax against exempt supplies - Rs. 563.48 million

According to Section 8(2) of the Sales Tax Act, 1990 read with Rule 25 of the Sales Tax Rules, 2006, "if a registered person deals in taxable and non-taxable supplies, he can reclaim only such proportion of Input Tax as is attributable to taxable supplies. Input Tax paid on raw materials relating wholly to the taxable supplies is admissible and Input Tax paid on raw materials relating wholly to exempt supplies is not admissible".

Thirty (30) taxpayers registered with seven (07) field offices of FBR made taxable as well as exempt supplies and adjusted Input Tax against both the supplies made during the Financial Years 2015-16 & 2016-17. They were required to make apportionment of Input Tax incurred against taxable supplies for the purpose of adjustment but the same was not done. This resulted in inadmissible adjustment of Input Tax amounting to Rs. 563.48 million. Some examples of major taxpayers are given as under:

1. M/s Kitchen Cuisine (Private) Limited (NTN 1005473) registered with RTO, Islamabad made taxable as well as exempt supplies during the period July, 2016 to June, 2017 but did not apportion the Input Tax attributable to taxable supplies and non-taxable supplies. The lapse resulted in inadmissible adjustment of Input Tax amounting to Rs. 10.53 million. The irregularity also attracts penalty and default surcharge leviable under the law (DP No.17125-ST).
2. M/s Fine Industries (Private) Limited (STRN 240350000173) registered with RTO, Faisalabad made taxable as well as exempt supplies but did not make apportionment of the Input Tax between taxable and exempt supplies during the Financial Year 2016-17. This resulted in inadmissible adjustment of Input Tax against exempt supplies amounting to Rs. 0.56 million (DP No.17290-ST).
3. M/s Sayyed Engineers Limited (NTN 0305759-3) registered with RTO, Gujranwala made taxable (including exports) as well as exempt supplies and adjusted entire amount of Input Tax instead of Input Tax attributable to taxable supplies during the year 2016-17. This resulted in inadmissible adjustment of Input Tax against exempt supplies due to incorrect apportionment amounting to Rs. 0.11 million (DP No.17435-ST).

Management Response

The Department replied that: (a) an amount of Rs. 0.07 million was recovered; (b) an amount of Rs. 27.47 million was being recovered (c) cases of Rs. 499.06 million were under adjudication and (d) cases of Rs. 36.88 million were awaiting action by the Department.

DAC Decision

DAC in its meeting held in February, 2018 settled the para to the extent of recovered amount and directed the Department to expedite recovery/ adjudication/legal proceedings and submit updated status to Audit and FBR by 15.03.2018.

Audit Recommendations

- Expeditious recovery /adjudication/legal proceedings of the cases.
- Improvement in the monitoring process of Input Tax adjustment.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-10]

4.1.13 Non-realization of Further Tax and Extra Tax due to non-implementation of statutory provisions / SROs - Rs. 498.04 million

According to Section 3(1A) of the Sales Tax Act, 1990, "in case of supply of taxable goods made to non-registered persons, Further Tax at the rate of one/two per cent of the value shall be charged in addition to the rate specified in Section 3(1) w.e.f. 13th June 2013 and 29th June, 2015. Further SRO 896(I) 2013 dated 4th October, 2013 and Rule 58 S & 58T of Sales Tax Special Procedure Rules, 2007 provide that extra Sales Tax @ 2% shall be levied and collected on supply of specified goods and according to SRO 509(I)/2013 dated 12th June 2013, Extra Tax is chargeable at the rate of 5% of the total billed amount of electricity and natural gas to the persons having industrial or commercial connection and whose bill in any month exceeded rupees fifteen thousand but who have neither obtained Sales Tax registration number nor exists on Active Taxpayers List (ATL) maintained by FBR".

One hundred thirty (130) taxpayers registered with fifteen (15) field offices of FBR made taxable supplies to the registered and non-registered persons during the year 2014-15 to 2016-17 but did not collect and pay Further Tax and Extra Tax as leviable under the law. This resulted in non-realization of Further Tax and Extra Tax amounting to Rs. 498.04 million. Some examples of major taxpayers are given as under:

1. M/s Shezan Bakers & Confectioners Pvt. Ltd (NTN-2585048) registered with CRTO, Lahore made supplies of biscuits and confectionery items but did not charge and paid extra tax @ 2 % as provided in the above law. The tax authorities also did not take notice of this omission. The lapse resulted in non-realization of Extra Tax of Rs. 3.89 million (DP No. 16765-ST).

2. RTO, Faisalabad did not recover Further Tax from M/s Hafiz Muhammad Atif (NTN 3100037-1) who made supplies of plastic packing material to un-registered persons during the years 2015, 2016 and 2017. The lapse resulted in to non-realization of Further Tax of Rs. 1.11 million (DP No. 17282-ST).
3. M/s National Glass House (NTN 1281984-7) registered with RTO, Islamabad made taxable supplies to unregistered persons during the tax period October, 2016 bud did not charge and paid Further Tax as per Sales Tax law. This resulted in non-realization of Further Tax amounting to Rs. 0.59 million (DP No. 17168-ST).
4. M/s Premier Systems (Private) Limited (NTN 0676280-8) registered with LTU, Karachi made taxable supply of specified goods but Extra Tax was not charged during 2015-16 to 2016-17. This resulted into non-payment of Sales Tax of Rs.86.75 million (DP No.6257-ST/K).

Management Response

The Department replied that: (a) an amount of Rs.13.27 million was recovered; (b) Rs. 0.65 million reconciled; (c) cases of Rs.17.40 million vacated; (d) Rs.51.77 million under recovery (e) Rs. 127.41 million under adjudication; (f) an amount of Rs. 19.04 needs verification (g) cases of Rs. 184.99 million were awaiting action by the Department; (h) cases of Rs.3.32 million were regularized; (i) cases of Rs. 1.25 million were contested and: (j) Rs.78.94 million were not responded by the Department.

DAC Decision

DAC in its meetings held in February, 2018 settled the para to the extent of recovered/reconciled/vacated amount of Rs.31.32 million and directed the Department to expedite recovery/adjudication/legal proceedings, furnish reply in non-responded cases and get verified contested and regularized amount from Audit and submit updated status to Audit and FBR by 15.03.2018.

Audit Recommendations

- Expeditious recovery/adjudication/legal proceedings of the dues.
- Furnish updated reply in non-responded cases.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-11]

4.1.14 Non-registration of taxpayers in Sales Tax regime resulting in potential loss of Sales Tax- Rs. 430.28 million

According to Sections 14 & 2(5AB) of the Sales Tax Act, 1990 read with Rules 4 & 6 of Sales Tax Rules, 2006, "any manufacturer having annual turnover of taxable supplies of more than five million rupees or utilities bills of more than seven / eight hundred thousand rupees per annum is liable for compulsory registration. Further, Section 3 read with Section 26 of the Act ibid provide 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 filing his Sales Tax Return. 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 is to 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".

Seventy (70) taxpayers registered with seven (07) offices of FBR deriving income from manufacturing/supply of various taxable goods either claimed refund of Income Tax/filed Income Tax returns or made adjustment of Tax deducted on their utility bills in the Tax Years 2013-14 to 2015-16. Tax deducted on their electricity bills showed that either their utility bills were more than seven/eight hundred thousand rupees or annual turnover was more than five million rupees. They were required to be registered under the Sales Tax Act, 1990 and pay Sales Tax on their taxable supplies. As per soft data of FBR, they were not registered with Sales Tax Department and were 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 potential loss of Sales Tax amounting to Rs. 430.28 million. Some examples of major taxpayers are given as under:

1. M/s Awan Traders (NTN 3154479-7) registered with RTO, Multan was granted Income Tax refund of Rs. 0.29 million on 20th December, 2016 for the Tax Years 2014 and 2015. The taxpayer was engaged in manufacturing of Egg-Trays and Tax deducted on his electricity bills showed that either utility bills were more than seven/eight hundred thousand rupees or annual turnover was more than five million rupees and he was liable for Sales Tax registration but the Refund sanctioning authority sanctioned refund of Income

Tax without getting him registered in Sales Tax regime and recovery of Sales Tax. This resulted into non-realization of government dues amounting to Rs. 6.14 million during the Financial Years 2013-14, 2014-15 & 2015-16 (DP No.17103-ST).

2. M/s Al-Jannat Traders (NTN 3192936-2) registered with RTO, Peshawar made taxable supplies to different un-registered buyers during the Financial Years 2015-16 and 2016-17. On scrutiny, it was observed that twenty-six (26) un-registered persons were dealing with taxable supplies (taxable purchases from registered persons) and according to the transactions, the buyers were liable to be registered in Sales Tax regime as the purchases were more than threshold declared for Sales Tax registration. The tax authorities did not get them registered in Sales Tax regime and recovered the government dues. The omission resulted into non-realization of Sales Tax of Rs. 76.28 million (DP No.17036 -ST).
3. Mr. Ashraf (NTN-1634327) registered with RTO, Sialkot as manufacturer of goods was liable to be registered under the Sales Tax Act, 1990 as his annual electricity bills during the last twelve months exceeded eight hundred thousand rupees as evident from his Income Tax Return for the Tax Year 2016. The tax authorities did not take action for Sales Tax registration of the taxpayer and recovery of Sales Tax leviable under the law. This resulted into non-realization of Sales Tax and Further Tax aggregating Rs.9.96 million (DP No.16999-ST).
4. M/s Rehman apparel (NTN 3653570-2) registered with RTO-III, Karachi as manufacturer of knitted and crocheted fabrics, the taxpayer should be registered under Sales Tax Law. This non-registration under Sales Tax law resulted in potential loss of government revenue amounting to Rs. 4.20 million (DP No.6334-ST/K).

Management Response

The Department replied that; (a) an amount of Rs. 46.11 million was under adjudication; (b) Rs. 51.57 under recovery; (c) cases of Rs. 327.33 million were awaiting action; and (d) cases of Rs. 5.27 million were not responded by the Department.

DAC Decision

DAC in its meetings held in February, 2018 directed the Department to expedite recovery/adjudication/legal proceedings and furnish updated reply in non-responded cases and submit updated status to Audit and FBR by 15.03.2018.

Audit Recommendations

- Expeditious recovery/adjudication/legal proceedings of cases.
- Early submission of updated reply in non-responded cases.
- Get the taxpayers registered in Sales Tax regime under intimation to Audit.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-12]

4.1.15 Loss due to concealment of actual sales resulting in short-realization of Sales Tax - Rs. 234.65 million

According to Section 3(1)(a) read with Section 2(46) of the Sales Tax Act, 1990, "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. Further, lapse also attracts penalty under Section-33 (11) (c) of the Act ibid which also needs to be recovered".

Three (03) taxpayers registered with LTU, Islamabad declared value of supplies on face of Sales Tax Return which did not match with the total Sales value of Sales Tax invoices declared in Annexure-C of the Sales Tax Return of the same tax period which is meant for declaration of invoice wise value of supplies. This reflected that the registered person had concealed its sales during the year 2016-2017. This resulted in short realization of Sales Tax of Rs.234.65 million.

Management Response

LTU, Islamabad contested the para on the plea that there is no difference in the value of supplies in the Sales Tax Returns and STWH invoices of the registered person.

DAC Decision

DAC in its meeting held in February, 2018 directed the LTU to get the contention verified from Audit along-with STWH invoices and Sales Tax invoices of the corresponding period under intimation to Audit and FBR on 28.02.2018.

Audit Recommends that the contention may be got verified from Audit.

[DPs No. 16896 & 16911-ST]

4.1.16 Inadmissible adjustment of Input Tax and non-payment of Further Tax due to supply of sugar to un-registered wholesalers/dealers - Rs.146.50 million

According to Clause (ba) of SRO 488(I)/2004 dated 12th June, 2004 read with SRO 314(I)/2005 dated 15th April, 2005, "sugar shall not be supplied to any person (supply to wholesalers and dealers) who is not registered under the Sales Tax Act, 1990 and if such supply is made, the registered person shall not be entitled to claim or deduct Input Tax in respect of that supply. Moreover, if supplies are made to unregistered person Further Tax @ 2% under Section 3 (1A) of the Act ibid is also leviable".

M/s Sheikhoo Sugar Mills Ltd. (NTN 0225964-8) registered with RTO, Multan made supplies of sugar to unregistered wholesalers and dealers and claimed Input Tax credit against them and Further Tax was also not paid in violation of above law. This resulted in inadmissible adjustment of Input Tax and non-payment of further tax aggregating Rs. 146.50 million during 2016-17.

Management Response

RTO, Multan replied that Show Cause Notice has been issued to the registered person vide C. Nos. 450 & 499 dated 1st January, 2018 and the case was under adjudication.

DAC Decision

DAC in its meeting held in February, 2018 directed the RTO to expedite the adjudication and submit progress to Audit and FBR by 28.02.2018.

Audit Recommendations

- Expeditious adjudication proceedings of the case.

- Holding of inquiry to fix responsibility against the person(s) at fault

[DP No.17098-ST]

4.1.17 Non/short-realization of Sales Tax by giving undue benefit to non-registered persons - Rs. 130.51 million

The benefit of SRO 1125 (I)/2011 dated 31st December, 2011 shall be available to every such person doing business in textile (including jute), carpets, leather, sports and surgical goods sectors and are registered as manufacturer, importer, exporter and wholesaler under the Sales Tax Act 1990 and appear on the Active Taxpayer List (ATL) on the website of FBR.

M/s Abrar Textile Factory (NTN 1258978-7) registered with RTO-III, Karachi made supplies of the above-mentioned goods to non-registered persons and retailers and was required to charge and pay Sales Tax which was neither paid by the taxpayer nor realized by the Department. This resulted in non/short-realization of Sales Tax amounting to Rs. 130.51 million during the Year 2016-17.

Management Response

The Department replied that entire amount of Rs. 130.51 million was under process/examination by the Department.

DAC Decision

DAC in its meeting held in February, 2018 directed the Department to take appropriate action and submit updated status to Audit and FBR by 28.02.2018.

Audit Recommendations

- Expeditious legal proceedings of government dues.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[DP No.6339-ST/K&DP No.6338-ST/K]

4.1.18 Non-payment of value addition tax at import stage and Further Tax on sales to unregistered persons - Rs. 65.52 million

According to Rule 58B (1) of The Sales Tax Special Procedure Rules 2007, "the Sales Tax on account of minimum value addition shall be levied and collected at import stage on the goods as specified as aforesaid at the rate of three percent of the value of goods in addition to the tax chargeable u/s 3 of The Sales Tax Act, provided that value addition tax shall not be charged on the goods as imported by a manufacturer for in house consumption. As per Section 3 (1A) of the Sales Tax Act 1990, Further Tax at the rate of two percent shall be charged if the supplies are made to unregistered persons".

M/s Jameel Akbar (STR 3630252461883) and Abdul Hannan (STR 3650147330297) were registered as manufacturer, exporter, Importers and Service Provider with Regional Tax Office, Multan whereas manufacturing was otherwise not proved from the tax records of the taxpayers. They neither purchased Electricity nor Diesel etc. or Sui Gas which are an integral part of manufacturing process. In fact, they imported raw material in disguise and supplied to the unregistered persons in the same state without any further processing. They were, therefore, liable to pay value addition tax at import stage and Further Tax on sales to unregistered persons. But neither Department recovered nor did the taxpayer itself deposited due amount Sales Tax in public exchequer. This resulted in non-payment of value addition tax at import stage and Further Tax on sales to unregistered persons aggregating Rs. 65.52 million during 2016-17.

Management Response

RTO, Multan informed that the Show Cause Notice has been issued, however, the registered person has filed a writ petition before the Hon'ble Lahore High Court, Lahore and the court had granted stay against the proceedings.

DAC Decision

DAC in its meeting held in February, 2018 directed the RTO to pursue the subjudice case and submit progress to Audit and FBR by 28.02.2018.

Audit Recommendations

- Expeditious adjudication proceedings of the case.
- Pursue the subjudice case at appropriate level.
- Holding of inquiry to fix responsibility against the persons(s) at fault.

[DP No.17082-ST]

4.1.19 Short-realization of Sales Tax due to concealment of production - Rs. 61.73 million

According to Section-3(1) of the Sales Tax Act, 1990, "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. Moreover, according to Section-33(11)(c) of the Act ibid, any person who Knowingly or fraudulently makes false statement, false declaration, false representation, false personification, gives any false information or issues or uses a document which is forged or false. Such person shall pay a penalty of twenty-five thousand rupees or one hundred *per cent* of the amount of tax involved, whichever is higher".

M/s Zahid Jee Textile Mills Ltd. (NTN 0804274-8) registered with RTO, Faisalabad declared more production of yarn as per Note-36 of Annual Accounts of Tax Year 2016 whereas on the other hand less production of yarn was declared in Annexure-J to the Sales Tax returns 2015-16. This act on the part of taxpayer led to concealment of production of yarn but the Department did not initiate legal action to safeguard public revenue. This resulted in concealment of production which led to short-realization of Sales Tax of Rs. 37.04 million and Further Tax of Rs. 24.69 million, aggregating to Rs.61.73 million.

Management Response

RTO, Faisalabad informed that the para pertains to M/s Zahid Jee Textile Mills Ltd and its jurisdiction had been transferred to CRTO, Lahore.

DAC Decision

DAC in its meeting held in February, 2018 directed the RTO to obtain incorporation certificate from CRTO, Lahore under intimation to Audit and FBR by 28.02.2018.

Audit Recommendations

- Expeditious legal action and furnish updated reply of the case.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[DP No. 17296-ST]

4.1.20 Non-realization of Sales Tax on services - Rs. 41.18 million

According to Section 3 of Islamabad Capital Territory (Tax on Services) Ordinance, 2001, "a tax known as Sales Tax shall be charged, levied and paid at rates specified in column (4) of the Schedule to the Ordinance of the value of the taxable services specified in Column (2) of the Schedule to the ibid Ordinance, rendered or provided in the Islamabad Capital Territory, in the same manner and at the same time, as if it is Sales Tax leviable under Sections 3, 3A or 3AA, as the case may be of the Sales Tax Act, 1990. Further Clause 11C of Section 33 of Sales Tax Act, 1990 provides that any person who knowingly or fraudulently made false statement, false declaration, false representation, false personification, gave any false information or issued or used a document which is forged or false, shall pay a penalty of twenty-five thousand rupees or one hundred per cent of the amount of Tax involved, whichever is higher".

Seven (07) taxpayers registered as services provider with RTO and LTU, Islamabad provided taxable services to various withholding agents as evident from their Income Tax returns/audited accounts but did not charge Sales Tax on these services. The lapse resulted in non-realization of Sales Tax on services amounting to Rs. 41.18 million during 2015-16 and 2016-17. Some examples of major taxpayers are given as under:

1. M/s Bestway Cement Limited (NTN 0656656) registered with LTU, Islamabad received management consultancy fee disclosed as 'management fee from related party vide note 30 & 37 of the audited accounts Tax Year 2016. The taxpayer did not charge and pay Sales Tax on services @ 16% leviable under the law. The Department did not take notice of the matter which resulted in non-realization of Sales Tax amounting to Rs. 29.58 million (DP No.16913-ST).
2. M/s Azeem Motors (NTN 0347126) registered with RTO, Islamabad provided services regarding specialized workshops/auto workshops and was required to pay Sales Tax @5% of the value of services provided in workshop subject to the condition that no Input Tax adjustment or refund shall be admissible. But the taxpayer charged Sales Tax @ 5% on auto workshop services but adjusted the same against Input Tax paid on purchases which was not admissible as per law. This resulted in non-realization of Sales Tax amounting to Rs. 2.88 million during the financial year 2016-17 (DP No.17156 -ST).

Management Response

The Department replied that cases of Rs. 11.22 million were under adjudication whereas cases of Rs. 29.96 million were awaiting action by the Department.

DAC Decision

DAC meeting held in February, 2018 directed the Department to expedite adjudication and legal proceedings and submit updated status to Audit and FBR by 15.03.2018.

Audit Recommendations

- Expeditious adjudication/legal proceedings of the cases.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-13]

4.1.21 Excess adjustment of Input Tax resulting in short-realization of Sales Tax - Rs. 30.36 million

According to Section 8(B) of the Sales Tax Act, 1990, "a registered person shall not be allowed to adjust Input Tax in excess of ninety percent of the Output Tax for the tax period for which the return was filed".

Ten (10) taxpayers registered with six (6) field offices of FBR adjusted whole amount of Input Tax instead of 90% of the Output Tax as allowed under the above law. This resulted in short-realization of Sales Tax of Rs. 30.36 million due to excess adjustment of Input Tax during the years 2015-16 and 2016-17. Some examples of major taxpayers are given as under:

1. M/s Jameel Akhtar (NTN 3630252461883) registered with RTO, Multan adjusted whole amount of Input Tax instead of 90% of the Output Tax as allowed under the above law. This resulted in non-realization of Sales Tax of Rs. 16.78 million due to excess adjustment of Input Tax during the years 2014-15 and 2015-16 (DP No.17083-ST).
2. M/s Hafiz Muhammad Atif (NTN 3100037-1) registered with RTO, Faisalabad manufacturers of packaging material adjusted whole amount of Input Tax against Output Tax instead of 90% of Output

Tax which was allowed as per law. The lapse resulted in short realization of Sales Tax amounting to Rs.6.49 million during the years 2014-15 to 2016-17 (DP No.17281-ST).

Management Response

The Department replied that: (a) an amount of Rs. 1.57 million was recovered; (b) Rs. 7.63 million under adjudication; (c) Rs. 3.15 million under recovery; (d) cases of Rs. 1.06 million were awaiting action and; (e) cases of Rs. 16.95 million were not responded by the Department.

DAC Decision

DAC in its meeting held in February, 2018 settled the para to extent of recovered amount of Rs. 1.57 million and directed the Department to expedite recovery/adjudication/legal proceedings and furnish updated reply in non-responded cases and submit updated status to Audit and FBR by 15.03.2018.

Audit Recommendations

- Expeditious recovery/ adjudication/legal proceedings of the cases
- Early submission of updated reply of the cases.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-14]

4.1.22 Non-payment of Sales Tax by Motorcycle Dealers - Rs. 26.43 million

According to Rule 48 of Sales Tax Special Procedure Rules, 2007 (read with rescinded Sales Tax Special Procedure Rules, 2006), “each manufacturer or as the case may be, importer of vehicles shall declare to the Commissioner of Sales Tax having jurisdiction, the rates of commission payable to his dealers in case of each category, make and model of vehicle. Any change or alteration made therein shall be communicated to the Commissioner within seven days. Commissioner can ascertain or verify the accuracy of the declared rates or amounts of commissions and other information supplied under any of the provisions of this chapter”.

One hundred and thirty-eight (138) motorcycle dealers registered with RTO, Multan were not paying the due tax even on minimum value addition of

4% which was standard of the industry. This resulted in non-payment of Sales Tax by the motorcycle dealers amounting to Rs.26.43 million during 2016-2017.

Management Response

RTO, Multan informed that the case is under process / examination.

DAC Decision

DAC in its meeting held in February, 2018 directed the RTO to finalize the legal proceedings and submit progress to Audit and FBR by 28.02.2018.

Audit Recommendations

- Expeditious legal action and early submission of updated reply of the case.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[DP No. 17101-ST]

4.1.23 Non-realization of Sales Tax from retailers - Rs. 25.83 million

According to Section 3(1) of the Sales Tax Act, 1990, "there shall be charged, levied and paid Sales Tax at prescribed rate of the value of taxable supplies made by a registered person in the course or furtherance of any taxable activity carried on by him. Rule 6 of the Sales Tax Special Procedures Rules, 2007 as amended vide SRO 608(I)/2014 dated 2nd July 2014 provides that the retailers not falling in the categories specified in Sub-Rule (1) of Rule 5, shall be charged Sales Tax through their electricity bills by the persons making supplies of electric power, at the rate of five percent where the monthly bill amount did not exceed rupees twenty thousand and at the rate of seven and half percent where the monthly bill amount exceeded rupees twenty thousand as specified in Sub-Section (9) of Section 3 of the Sales Tax Act, 1990 in the manner as specified hereunder, which was to be in addition to the Tax charged on supply of electricity under Sub-Sections (1), (1A) and (5) of Section 3 of the Act ibid".

Two (02) field offices of FBR did not recover Sales Tax from M/s SEPCO, QESCO & LIEDA against supply of electricity to retailers whose electricity bills were twenty thousand rupees or more during the month nor levied statutory Sales Tax at the rate of 7.5% on electricity supplied to retailers during 2016-17. This resulted in non-realization of Sales Tax from retailers amounting to Rs. 25.83 million as follows:

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Sales Tax
1	RTO Sukkur	6215-ST/K	1	8.53
2	RTO Quetta	6279-ST/K	1	8.11
		6276-ST/K	1	9.19
		Total	**3**	**25.83**

Management Response

The Department replied that entire amount of Rs.25.83 million was under process/examination by the Department.

DAC Decision

DAC in its meeting held in February, 2018 directed the Department to take appropriate action and submit updated status to Audit and FBR by 28.02.2018.

Audit Recommendations

- Expeditious legal action of government dues.
- Furnish comprehensive reply.
- Holding of inquiry to fix responsibility against person(s) at fault.

4.1.24 Excess adjustment of Input Tax by buyers as compared with Output Tax declared by their suppliers - Rs. 7.30 million

According to Section 8 (1)(ca) 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".

M/s National Radio Telecom Corporation (NTN 0009815) registered with RTO, Abbottabad adjusted Input Tax which was in excess of that declared by the respective suppliers. This resulted in excess adjustment of Input Tax which led to non/short-realization of Sales Tax amounting to Rs. 7.30 million during the year 2015-16.

Management Response

RTO, Abbottabad informed that the Show Cause Notices have been issued and the entire amount of Rs.7.30 million was under adjudication.

DAC Decision

DAC in its meeting held in February, 2018 directed the RTO to expedite the adjudication and submit progress to Audit and FBR by 28.02.2018.

Audit Recommendations

- Expeditious adjudication proceedings of the cases.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[DP No. 16791-ST]

4.1.25 Non-realization of Sales Tax collected by taxpayers - Rs.5.23 million

According to Section 3B of the Sales Tax Act, 1990, "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. The burden of proof that the incidence of tax or charge had been or had not been passed on to the consumer shall be on the person collecting the tax or charge".

M/s Mirza Khan (NTN 3912664) and MJA Arkhetects (STRN 3277876127759) registered with Regional Tax Offices, Peshawar and Islamabad supplied taxable goods, issued invoices and charged Sales Tax against such supplies during the year 2016-17. But neither the taxpayers deposited nor the Department recovered the tax so collected by the taxpayers from the buyers. This resulted in non-realization of Sales Tax of Rs. 5.23 million.

Management Response

RTO, Peshawar informed that the case was adjudicated and an amount of Rs. 5.09 million was under recovery whereas RTO, Islamabad replied that the Show Cause Notice has been issued and the entire amount of Rs.0.14 million was under adjudication.

DAC Decision

DAC in its meeting held in February, 2018 directed the RTO, Islamabad to expedite the adjudication and RTO, Peshawar to expedite recovery submit progress to Audit and FBR by 28.02.2018.

Audit Recommendations

- Expeditious recovery and adjudication proceedings of the cases.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[DPs No. 17020& 17170-ST]

4.1.26 Non-realization of Sales Tax on cotton seed- Rs. 5.16 million

According to SRO 188(I) 2015 dated 5th March 2015, "the Sales Tax on supply of cotton seed shall be levied and collected at the rate of Rs. 6 per 40 Kg at the time of supply of cotton seed by cotton ginners for in-house consumption, or to any other registered or unregistered person for the purpose of oil extraction or expelling. Further this notification was effective from 1st July, 2014".

Thirteen (13) taxpayers registered with RTO, Sargodha supplied cotton seed but did not pay Sales Tax under the above Law. This resulted in non-realization of Sales Tax amounting to Rs. 5.16 million during the year 2015-16.

Management Response

RTO, Sargodha informed that out of total amount of Rs. 5.16 million, an amount of Rs.0.13 million had been recovered whereas the balance amount of Rs.5.03 million was under adjudication.

DAC Decision

DAC in its meeting held in February, 2018 settled the para to the extent of Rs.0.13 million and directed the RTO to expedite the adjudication by 28.02.2018 under intimation to Audit and FBR.

Audit Recommendations

- Expeditious adjudication proceedings of the case.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[DP No.16735-ST]

4.1.27 Short-realization of Sales Tax due to incorrect application of reduced rate of Sales Tax - Rs. 4.25 million

According to Serial No.30 of Eighth Schedule to the Sales Tax Act, 1990, "reduced rate of Sales Tax @ 7% is applicable to Post Harvest handling and processing & miscellaneous machinery (i) Vegetables and fruit cleaning and sorting or grading equipment of HS code 8437-1000 (ii) Fodder and feed cube maker equipment of HS code 8433-4000".

M/s Abdullah Haseeb Agro Chemicals (NTN 1315387) registered with RTO, Multan made supplies of HS Code 98-17-TESTING MEDICAL and 98-18-SECURITY SERVICES and applied reduced rate of Sales Tax @ 7% instead of standard rate of tax @ 17% as the subject goods were not covered under Serial No. 30 of the above law. This resulted in short realization of Sales Tax Rs. 4.25 million during 2016-17.

Management Response

RTO, Multan informed that the Show Cause Notices have been issued and the adjudication proceedings were underway.

DAC Decision

DAC in its meeting held in February, 2018 directed the RTO to expedite the adjudication and submit progress to Audit and FBR by 28.02.2018.

Audit Recommendations

- Expeditious adjudication proceedings of the case.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[DP No. 17104-ST]

4.1.28 Non-payment of Sales Tax by cotton ginners - Rs. 2.65 million

According to Section 3(2)(aa) of Sales Tax Act 1990, "goods specified in Eighth Schedule shall be charged to tax at such rates and subject to such conditions and limitation as specified therein".

M/s New Shahanshah Cotton Factory and Oil Mills (NTN 2509214-6) registered with RTO, Sukkur supplied oil cakes valuing Rs. 52.97 million to un-registered persons but did not pay Sales Tax @ 5% of the value of supplies during the period 2016-17. This resulted into non-payment of Sales Tax of Rs. 2.65 million as detailed below:

(Rs. in million)

S. No.	Tax Period	Value of Supplies	Amount
1	October, 2016	35.47	1.77
2	November, 2016	16.76	0.84
3	December, 2016	0.74	0.04
	Total	**52.97**	**2.65**

Management Response

The Department replied that entire amount of Rs. 2.65 million was under process/examination by the Department.

DAC Decision

DAC in its meeting held in February, 2018 directed the Department to take appropriate action and submit updated status to Audit and FBR by 28.02.2018.

Audit Recommendations

- Expeditious adjudication of the cases.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[DP No.6268-ST/K]

4.1.29 Non-realization of Sales Tax due to suppression of sales - Rs. 2.22 million

As per Section 3 (1) and 3 (1A) of the Sales Tax Act, 1990, "there shall be charged, levied and paid a tax known as Sales Tax and further tax at the rate of seventeen per cent and two percent respectively of the value of taxable supplies made by a registered person in the course or furtherance of any taxable activity carried on by him and according to Section 26 (1) of the Act ibid, a registered person shall furnish not later than the due date a true and correct return in the prescribed form to a designated bank or any other office specified by the

Board, indicating the purchases and the supplies made during a tax period, the tax due and paid and such other information, as may be prescribed".

M/s Roomi Enterprises (Pvt) Limited (NTN 1417351) registered with RTO, Multan submitted Income Tax Returns for Tax Years 2014, 2015 and 2016. The entire normal income was derived from rent of property. On the other hand, the taxpayer claimed adjustment of withholding tax u/s 235 of Income Tax Ordinance, 2001 against electricity bills involving huge portion of electricity cost. There is no use of electricity in rented property by the taxpayer. It revealed that the taxpayer purchased the electricity and either supplied the same to the tenants or consumed in some other business activity. As the electricity is a taxable supply and its further supply was also liable to tax with value addition but neither the Department recovered nor did the taxpayer itself paid due amount of tax. This resulted in non-realization of Sale Tax of Rs. 2.22 million.

Management Response

RTO, Multan informed that the Show Cause Notices have been issued and the adjudication proceedings were underway.

DAC Decision

DAC in its meeting held in February, 2018 directed the RTO to expedite the adjudication and submit progress to Audit and FBR by 28.02.2018.

Audit Recommendations

- Expeditious adjudication proceedings of the cases.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[DP No. 17106-ST]

4.1.30 Evasion of Sales Tax due to issuance of fake supplies - Rs. 2.10 million

According to Section 3(1) of the Sales Tax Act 1990, "Sales Tax shall be charged, levied and paid 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. Further, the lapse also attracts penalty under Section-33(14) of the Sales Tax Act, 1990".

M/s Kabir Traders (NTN 4357323-1) registered with RTO, Peshawar supplied taxable goods to two registered persons during September and November, 2015 and availed the benefit of reduced rate of tax under SRO 1125(I)/2011 dated 31st December, 2011. One of the buyers did not show purchases from the above taxpayer and the other was blacklisted. Hence, the supplies were fake. The irregularities resulted in evasion of Sales Tax of Rs. 2.10 million.

Management Response

RTO, Peshawar informed that the case was under recovery.

DAC Decision

DAC in its meeting held in February, 2018 directed the RTO to expedite the recovery and submit progress to Audit and FBR by 28.02.2018.

Audit Recommendations

- Expeditious recovery of government revenue.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[DP No. 17023-ST]

4.2 Refund of Sales Tax

4.2.1 Inadmissible payment of Sales Tax refund - Rs. 2.41 million

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

Refund of Sales Tax of Rs. 2.41 million was sanctioned and paid by two (02) field offices of FBR in eleven (11) cases in excess of the due amount and in violation of provisions of law as detailed below:

(Rs. in million)

S. No.	Office	No. of cases	Amount	Law/Rule violated
1	RTO Faisalabad	10	1.01	Section 10(1) of Sales Tax Act, 1990
2	RTO Sialkot	01	1.40	Section 8(1)(h) &(I) of Sales Tax Act, 1990
Total		**11**	**2.41**	

This resulted in excess payment of Sales Tax refund of Rs. 2.41 million.

Management Response

The Department replied that an amount of Rs. 2.41 million was under adjudication/process.

DAC Decision

DAC in its meeting held in February, 2018 directed the Department to finalize the adjudication proceedings.

Audit Recommendations

- Expeditious recovery/adjudication of the cases.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[DP No.16967 & 17285-ST]

4.2.2 Inadmissible sanction of Sales Tax Refund due to non-observance of codal formalities - Rs. 9.42 million

According to Section 73 of Sales Tax Act 1990, "payment of the amount for a transaction exceeding fifty thousand rupees shall be made through 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 of the law 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".

RTO, Abbottabad sanctioned refund of Sales Tax to M/s Heavy Electrical Complex (Pvt) Ltd. (NTN 00003107) and Silver Lake Foods Products (Pvt.) Ltd. (NTN 1316107-3) without verifying the proof of payments through banking channels. The refund sanctioning authorities allowed refund against such invoices despite the fact that stipulated period of 180 days had already been elapsed. This resulted in inadmissible sanction of Sales Tax refund of Rs. 9.42 million during the year 2016-17.

Management Response

The Department replied that an amount of Rs. 9.42 million was under adjudication.

DAC Decision

DAC in its meeting held in February, 2018 directed the Department to finalize the adjudication proceedings.

Audit Recommendations

- Expeditious adjudication/legal proceedings of the cases.
- Compliance of Section 73 of the Sales Tax Act, 1990.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[DP No.16793-ST]

4.2.3 Loss of revenue due to sanction of refund to black-listed registered persons - Rs. 7.14 million

According to Rule 12(b)(ii) of the Sales Tax Rules 2006, issued vide SRO 555(I)/2006 dated 5th June, 2006, "the order of blacklisting shall contain the reasons for blacklisting and the time period for which any refund or Input Tax claimed by such person. Further, refund claimed by any other registered person on the strength of invoices issued by him from the date of his registration will be inadmissible".

RTO-III, Karachi allowed Sales Tax refund to four (04) registered persons, who were blacklisted by the Department. According to above mentioned law, the refunded amount was required to be recovered, which was not done. This resulted in loss of government revenue amounting to Rs. 7.14 during the year 2016.17.

Management Response

The Department replied that cases of Rs. 7.14 million were under process/examination by the Department.

DAC Decision

DAC in its meeting held on February, 2018 directed the Department to take appropriate action in cases of Rs. 7.14 million and submit updated status to Audit and FBR by 28.02.2018.

Audit Recommendations

- Holding of inquiry to fix responsibility against the person(s) at fault.
- Expeditious recovery of refunded amount of Sales Tax.

[DP No.6342-ST/K]

4.2.4 Inadmissible claim of Sales Tax refund amounting to Rs. 15.49 million

According to Rule 58H of the Special Procedure Rules, 2007, "for payment of Sales Tax by Steel Melters, Re-Rollers and Ship Breakers, every Steel Melter, Steel Re-Roller (Composite unit of melting, re-rolling and MS coiled drawing and composite unit of steel melting and re-rolling (having a single electricity meter excluding units operated by sugar mills or other persons using self-generated electricity) shall pay Sales Tax at the rate of nine rupees per unit of electricity consumed for the production of steel billets, ingots and milled steel products excluding stainless steel, which will be considered as their final discharge of Sales Tax liability".

M/s Potohar Steel Industries (NTN 1421481-4) falling under the jurisdiction of RTO, Islamabad engaged in melting and re-rolling of steel products under Special Procedure Rules for payment of Sales Tax by steel melters, re-rollers and ship barkers. The registered person was required to pay Sales Tax on its consumption of electricity at @ Rs. 9/KWH and that was its final discharge of Sales Tax liability. The registered person claimed tax credit of his Input Tax paid on electricity/purchases. As per law the registered person was not entitled to claim credit of Input Tax as he was operating under special procedure. This resulted in inadmissible Sales Tax refund of Rs. 15.49 million during 2016-17.

Management Response

The Department replied that an amount of Rs. 15.49 million was under adjudication.

DAC Decision

DAC in its meeting held in February, 2018 directed the Department to finalize the adjudication proceedings.

Audit Recommendations

- Expeditious recovery/legal proceedings of the case.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[DP No.17155-ST]

4.3 Federal Excise Duty

4.3.1 Non/short-realization of the Federal Excise Duty on Royalty, Technical Services Fee and Franchise Fee - Rs. 529.74 million

According to Sections 3(d)&3(1)(d) of the Federal Excise Act, 2005 read with Rules 43A (2), 44, 47 of the Federal Excise Rules, 2005 and Federal Excise General Order No.5/2006, "the duty shall be paid by the franchisee on the value of excisable services, or as the case may be, the head office of the franchisee at the prescribed rate 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".

Two (02) field offices of FBR did not realize Federal Excise Duty from fifteen (15) registered persons who paid Royalty, Technical Services Fee and Franchise Fee to their associated companies during the Tax Years 2015-2017. The issue of same nature had already been upheld for recovery in quasi-judicial process. This resulted in non/short-realization of Federal Excise Duty of Rs. 529.74 million which also attracted levy of default surcharge and penalty. Some examples of major taxpayers are given as under:

1. M/s ORACLE System Pakistan (Pvt) Ltd (NTN 2907581) registered with LTU, Islamabad did not pay Federal Excise Duty on account of Franchise/Licence Fee to non-resident for the Tax Year 2016. This resulted in non-realization of Federal Excise Duty of Rs.316.86 million (DP No.16937-ST).
2. M/s Spud Energy (Pvt) Ltd. (NTN 2725780) registered with RTO, Islamabad paid Licence/Royalty Fee to their principal companies in Tax Year 2015 & 2016 but did not charged and deposit the Federal Excise Duty leviable thereon. This resulted in loss of government revenue of Rs. 16.54 million (DP No.17129-FED).

Management Response

The Department replied that an amount of Rs. 3.88 million was under recovery, an amount of Rs. 337.26 million under adjudication/appeal, an amount of Rs. 75.71 million under examination whereas no response was submitted by the Department in cases involving amount of Rs. 112.89 million.

DAC Decision

The DAC in its meeting held in February, 2018 directed the Department to expedite the recovery/adjudication proceedings and furnish reply in remaining cases.

Audit Recommendations

- Expeditious recovery/adjudication of the cases.
- Furnish the reply in remaining cases.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-15]

4.3.2 Non-payment of Federal Excise Duty on cotton seed - Rs. 146.66 million

According to Section 3(1) read with serial No.54 of the table 1 of the Federal Excise Act, 2005, "FED was levied @ forty paisa per kg on oil seeds (Respective Heading) through Finance Act, 2013".

Regional Tax Office Multan did not recover Federal Excise Duty of Rs. 146.66 million from one hundred seventy-six (176) registered persons who made taxable supplies of cotton seed. The Department was required to recover the government dues. This resulted in non-realization of Federal Excise Duty of Rs. 146.66 million.

Management Response

The Department contested the amount of Rs. 146.66 million on the plea that Federal Excise Duty on oil seeds @40 paisa per kg was levied at import stage vide SRO 508(1)/2013 dated 12/06/2018, whereas Audit is of the view that SRO 508(1)/2013 specifically relates to levy of FED on oilseeds at import stage where as FED levied on oilseed through Serial No.54 of the First Schedule of the Federal Excise Act, 2005 was in general.

DAC Decision

DAC in its meeting held in February, 2018 directed the Department to submit comprehensive reply.

Audit Recommendations

- Expeditious proceedings of the case.

- Holding of inquiry to fix responsibility against the person(s) at fault.

[DP No.17097-ST]

4.3.3 Non-realization of Federal Excise Duty by the Airline - Rs. 7,482.03 million

According to Rule 41 A of the Federal Excise Rules, 2005 read with Table II of First Schedule of the Federal Excise Act 2005, "Federal Excise Duty on services provided by air craft operators in respect of travel by air passengers within Pakistan and international air travel of passengers embarking from Pakistan for abroad is payable by air line by the 15th day of the following second month".

M/s Pakistan International Air Line Corporation (PIAC) (NTN 0803450-8) registered with LTU, Karachi did not deposit the Federal Excise Duty amounting to Rs.7,482.03 million on taxable supply made during the tax period from October, 2016 to June, 2017. Department failed to take recovery measures against the taxpayers which resulted in non-realization of Federal Excise Duty as under:

(Rs in million)

Head of account	Amount paid during December, 2015	Period of default	Amount to be recovered
Federal Excise Duty	777.60	October, 2016 to June, 2017	7,482.03

Management Response

The Department informed that Rs. 5,947.95 million has been recovered and verified by Audit and remaining amount of Rs. 1,534.08 million is under recovery.

DAC Decision

DAC in its meeting held in February, 2018 settle the para to the extent of Rs 5,947.95 million and directed the Department to expedite recovery proceedings in remaining government dues of Rs 1,534.08 million by 28.02.2018.

Audit Recommendations

- Expeditious recovery/legal proceedings for Rs 1,534.08 million.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[DP No.6245-ST/K]

4.3.4 Short payment of Federal Excise Duty due to wrong application of prescribed rate - Rs. 5.86 million

Under Section 3 of the Federal Excise Act 2005, "there shall be levied and collected in such manner as may be prescribed duties of excise on goods produced or manufactured in Pakistan at the rate specified in the First Schedule. As per amendment through Finance Act, 2015 in First Schedule "Aerated water" falling under heading 2201.1010 and 2201.1020 was chargeable to Federal Excise Duty @ 11.50 per cent of the retail price. Under Section 2(46) of the Sales Tax Act, 1990, value of supply means in respect of a taxable supply, 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 tax".

M/s Sukkur Beverages (NTN 0495668-7) registered with RTO, Sukkur made supply of aerated water and paid Federal Excise Duty @10.5% of the retail price instead of 11.50%. This resulted in short payment of Federal Excise Duty Rs. 5.86 million as under:

(Rs in million)

Name of Registered Person	NTN	FED Charged	FED to be Charged	Amount recoverable
M/s Sukkur Beverages	0495668-7	61.49	67.34	5.86

Management Response

The Department informed that there is no amount of FED is payable against the registered person as the registered person has paid 9 % of the retail price instead of 10 % during the tax period of July 2016.

DAC Decision

DAC in its meeting held in February, 2018 directed the Department to re-examine the case and get the position verified by Audit.

Audit Recommendations

- Expeditious recovery proceedings for government dues.

[DP No.6213-ST/K]

4.4 Income Tax

4.4.1 Non-levy of Minimum Tax on the income - Rs. 2,132.43 million

Section 113 of the Income Tax Ordinance, 2001 provides that Minimum Tax on the turnover of the taxpayers at prescribed rate is payable, if no tax is payable due to any reason, including assessment of losses or allowing any tax credit, or the tax payable is less than the Minimum Tax. This provision of the law is applicable to the resident company, association of persons and individuals having turnover of rupees fifty million or above.

In nineteen (19) field formations of FBR, one hundred and fifty-nine (159) taxpayers did not pay Minimum Tax as required under the aforesaid provisions of law. This resulted in loss of revenue amounting to Rs. 2,132.43 million during Tax Years 2010 to 2016. Some examples of major taxpayers are given as under:

1. M/s Consolidated Marketing (0666082-7), an individual driving income from other personal activities and distribution, filed Income Tax return for the Tax Years 2010, 2011, 2012, 2014 and 2015 but did not pay Minimum Tax. Commissioner Zone-II, RTO-II, Lahore did not initiate any legal proceedings to charge the tax. Due to this the government sustained loss of Rs. 32.41 million (DP No.17468-IT).
2. M/s Naz Rice Mills (AOP), Arifwala Road, Sahiwal bearing (NTN-2297301), assessed under the jurisdiction of RTO, Multan deriving income from running a Rice Mills did not pay Minimum Tax during the Tax Year 2016 as required under the law. This resulted into loss of revenue amounting to Rs. 0.19 million (DP No.17070-IT).

Management Response

The Department replied that: (a) tax of Rs.6.78 million was charged and recovered: (b) amount of Rs.19.69 million has been charged but recovery was awaited; and (c) legal proceedings for charging tax of Rs. 2,105.96 million have been initiated but not yet finalized.

DAC Decision

DAC meetings held in February, 2018 directed the Department to recover the charged amount and finalize the legal proceedings by 20.02.2018.

Audit Recommendations

- Non-recovery of Minimum Tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-16]

4.4.2 Loss of revenue due to concealment of income or assets - Rs. 56,472.01 million

Section 111 of the Income Tax Ordinance, 2001 provides for taxation of concealed income which is not offered for tax. According to the provisions, where a person is the owner of any money or valuable article or has made any investment or credited any amount in the books of accounts, the amount is to be chargeable to tax if not adequately explained by the taxpayer.

In twenty (20) field formations of FBR, the taxpayers in their Sales Tax returns declared sales but the quantum of sales did not match with the figures given in Income Tax returns. Further, taxpayers created assets as per their wealth statements but did not explain their sources of investment i.e. concealed their income or filed inaccurate particulars. The omissions remained undetected despite tax returns and wealth statements were finalized by the same assessing authorities. This resulted in non-levy of tax amounting to Rs. 56,472.01 million in 860 cases. Some examples of major taxpayers are given as under:

1. M/s Loud and Clear (Private) Limited bearing (NTN-4217686) engaged in taxable activity falling under the jurisdiction of CIR Corporate Zone RTO, Islamabad, submitted Income Tax return for the Tax Year 2016 declaring turnover Rs. 17,936.39 million. On the other hand, Sales Tax returns for the same period i.e. July, 2015 to June, 2016 reflected the figure of total turnover Rs.119,575.93 million meaning thereby the taxpayer suppressed the total sales/turnover Rs.101,639.54 million due to which taxable income was concealed/reduced to that extent consequently escaping from chargeability of Income Tax. This resulted in short assessment of Income Tax amounting to Rs. 32.53 million (DP No.17136-IT).

2. Mushtaq Hussain Hamadi (NTN-4108791-7) assessed under the jurisdiction of RTO-II Lahore declared total wealth as on 30.06.2012 at Rs. 97.13 million which was increased to Rs. 124.99 million as on 30.06.2013 resulting accretion in net wealth amounting to Rs. 27.86 million. On the other hand, the taxpayer declared income of Rs. 2.91 million only which means that the taxpayer concealed taxable income of Rs. 24.95 million. The assessing authorities did not initiate the assessment proceedings to probe the concealed income of the taxpayer which resulted loss of Rs. 7.484 million (DP No.17483-IT).
3. M/s Syed Muhammad & Brothers (NTN 4256863-3) under the jurisdiction of RTO, Quetta made supplies from unexplained sources and did not included in his Income Tax return for the Tax Year 2016 which was contrary to the above provision of law and required to be added in the total income of the taxpayer and taxed accordingly. This resulted in non-realization of tax of Rs. 31,956.55 million (DP No.1256-IT/K).
4. M/s Chevron Pakistan Pvt. Ltd. (NTN 4250625) under the jurisdiction of LTU-II Karachi, for Tax Year 2016 (July 2015 to December, 2015 (06 Months Return) declared sales revenue (excluding Sales Tax & FED) amounting to Rs.7,322.27 million, whereas sales value as per Sales Tax return is Rs. 7,723.05 million (excluding Sales Tax & FED). The difference of sales value amounting Rs. 400.78 million had been concealed by the taxpayer. The incorrect computation of income/tax resulted into a loss amounting to Rs. 41.275 million (DP No.1442-IT/K)

Management Response

The Department replied that: (a) tax of Rs.2.30 million was charged and recovered: (b) amount of Rs.92.32 million has been charged but recovery was awaited (c) amount of Rs.32.63 million is subjudice (d) legal proceedings for charging tax of Rs. 56,344.76 million have been initiated but not yet finalized.

DAC Decision

DAC meetings held in February 2018 directed the Department to recover the charged amount, pursue the subjudice cases at appropriate fora and finalize the legal proceedings by 20.02.2018.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-17]

4.4.3 Short-levy of tax due to non-treating of tax deduction on services as Minimum Tax - Rs. 162.97 million

Section 153(1)(b) of Income Tax Ordinance, 2001 provides that every prescribed person making a payment in full or part including a payment by way of advance to a resident person for the rendering of or providing of services is required to, at the time of making the payment, deduct tax from the gross amount payable at the rate specified in the First Schedule. Sub-Section (3) provides that the tax deductible shall be a Minimum Tax on transactions referred to in clause (b) of sub-Section (1) of the Ordinance.

Contrary to the above four (04) field formations of FBR allowed adjustment of tax deducted on services to fifteen (15) companies providing or rendering services, without observing the above provisions of the Ordinance. This resulted in loss of revenue amounting to Rs. 162.97 million.

Management Response

The Department replied that: legal proceedings for charging tax of Rs.162.97 million have been initiated but not yet finalized.

DAC Decision

DAC meeting held in February, 2018 directed the Department to finalize the legal proceedings by 20.02.2018.

Audit Recommendations

- Finalization of proceedings within the stipulated time period.
- Initiating appropriate action against the person(s) responsible for the lapse.

[Annexure-18]

4.4.4 Short levy of Super Tax for rehabilitation of temporarily displaced persons - Rs. 13,152.41 million

According to Section 4B of the Income Tax Ordinance 2001, a Super Tax shall be imposed for rehabilitation of temporarily displaced persons, for the Tax Years 2015 and 2016, on the income of every banking company at the rate of four percent and persons other than a banking company having income equal to or exceeding Rs.500 million at the rate of three percent of the income as specified in Division IIA of the First Schedule to the Ordinance.

In thirteen (13) field formations of FBR, the Super Tax on income of the persons was not paid by one hundred eleven (111) taxpayers. The Department did not initiate any legal proceedings to levy the Super Tax. This resulted in loss of revenue amounting to Rs. 13,152.41 million. Some examples of major taxpayers are given as under:

1. M/s Khushhali Bank Limited, (NTN-2187058), falling under the jurisdiction of LTU, Islamabad filed return for Tax Year 2016. Super tax leviable under the aforesaid provisions of law was not charged by the Department. The omission resulted in short-realization of Super Tax amounting to Rs 109.01 million (DP No. 16906-IT).
2. M/s Mahmood Textile Mills Limited (NTN 0133340) falling under the jurisdiction of the RTO Multan, filed returns for Tax Years 2015 and 2016. Super Tax leviable under the aforesaid provisions of law was not charged by the Department. The omission resulted in short-realization of Super Tax amounting to Rs. 48.04 million. (DP No. 17090-IT).
3. M/s K-Electric Limited (NTN 1543137) under the jurisdiction of LTU-II Karachi, made short payment of Super Tax amounting to Rs. 777.05 million for the Tax Year 2016. This resulted loss to government revenue amounting to Rs. 777.05 million. (DP No.1448-IT/K)
4. M/s Habib Bank Ltd (NTN 0698187) did not pay Super Tax for Tax Year 2016 despite the fact that their total income exceeded the prescribed limit. This resulted in loss of Rs. 2,173.63 million. (PDP No.1422-IT/K).

Management Response

The Department replied that: (a) amount of Rs.19.14 million has been charged, recovered and verified (b) amount of Rs.1,150.13 million has been charged but recovery was awaited (c) amount of Rs.382.68 million is subjudice (d) legal proceedings for charging tax of Rs.11,600.46 million have been initiated but not yet finalized.

DAC Decision

DAC meetings held in February, 2018 directed the Department to recover the charged amount, pursue the subjudice cases at appropriate fora and finalize the legal proceedings by 20.02.2018.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-19]

4.4.5 Loss of revenue due to non-apportionment of expenses between final and normal tax regimes - Rs. 1,248.34 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 business activities carried out by a taxpayer under final tax regime and normal tax regime.

Seventeen (17) taxpayers registered with eight (08) field formations of FBR carried out business under final and normal tax regimes. The expenses under both tax regimes were not apportioned accordingly. The Department did not take remedial legal action for assessment of income as per law. This resulted in short assessment of income and consequent loss of revenue amounting to Rs. 1,248.34 million in the Tax Years 2015 and 2016. Some examples of major taxpayers are as follows:

1. M/s Shaheen Foundation, a company, falling under the jurisdiction of LTU, Islamabad derives income from business and other services. Tax record and audited accounts reveals that the taxpayer income

consists of normal income, exempt income and income taxable under final tax regime. The assessing authorities did not apportion expenses amongst various classes of income. The incorrect apportionment of expenses resulted in short levy of tax Rs.80.19 million. (DP No. 16927-IT).

2. M/s Genome Pharmaceuticals (Private) Limited, (NTN-2979629-6), assessed in Regional Tax Office Rawalpindi, it was noticed that company derived income from Final Tax Regime and income under normal law for Tax Years 2015 and 2016. The tax payer incurred expense of Rs. 2,121,248 and Rs. 2,663,367 in Tax Years 2015 & 2016 respectively on account of “export expenses” and apportioned these expenses to final as well as normal income. As these expenses are incurred exclusively on exports and cannot be apportioned to normal sales. Incorrect apportionment of expenses resulted in loss of Rs.1.22 million (DP No. 17199-IT).
3. M/s Popular Food Industries (Private) Limited (NTN 711686) claimed expenses in manufacturing/trading, profit and loss accounts and income were not prorated between NTR and PTR/FTR for Tax Years 2014 to 2016, which resulted in loss of Rs.124.14 million. (PDP No.1305-IT/K)
4. M/s. Al-Makkah Flour & General Mills (NTN 2195643) under jurisdiction of RTO Sukkur, did not make apportionment of expenses between NTR & PTR during the Tax Year 2016. This resulted into short realization of tax amounting to Rs.14.81 million. (PDP No.1337-IT/K)

Management Response

The Department replied that: (a) amount of Rs.38.08 million has been charged but recovery was awaited (b) legal proceedings for charging tax of Rs. 1,210.26 million have been initiated but not yet finalized.

DAC Decision

DAC meetings held in February, 2018 directed the Department to recover the charged amount and finalize the legal proceedings by 20.02.2018.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-20]

4.4.6 Non-levy of default surcharge on payment of Tax after due date - Rs. 10,201.42 million

According to Section 205 of the Income Tax Ordinance, 2001 where a taxpayer fails to discharge his tax liability on or before the due date of payment is required to pay default surcharge at the prescribed rate in addition to the original tax liability.

In thirteen (13) field formations of FBR, two hundred and eighty-eight (288) taxpayers did not pay the due tax within the specified time for the Tax Years 2015 and 2016. The Department failed to discharge its statutory obligation to levy and recover the default surcharge as per above provisions of law. This resulted in loss of revenue amounting to Rs. 10,201.42 million. Some examples of major taxpayers are given as under:

1. M/s NAT SYS Private Limited Company, (NTN 3413647) falling in the jurisdiction of CIR Corporate Zone, RTO Islamabad, Perusal of tax records for Tax Year 2016 disclosed that the taxpayer failed to discharge his tax liability on or before the due date of payment. Department also failed to charge default surcharge leviable under the aforesaid provisions of law. The omission resulted in non-realization of default surcharge amounting to Rs. 2.36 million (DP No. 17141-IT).
2. M/s Sukkur Electric Power Co. (NTN3801689) under the jurisdiction of RTO, Sukkur failed to levy and recover the default surcharge amounting to Rs. 80.84 million on late filing of return, which resulted into non-deposit of default surcharge (PDP No.1252-IT/K).
3. M/s Habibullah Coastal Power Company (Private) Limited (NTN 0816960) under the jurisdiction of LTU, Karachi, did not pay the penalty on admitted tax liability on time for the Tax Years 2015 &

2016. The Department also failed to levy the default surcharge, resulting into loss of revenue amounting to Rs. 467.50 million (PDP No.1412-IT/K).

Management Response

The Department replied that: (a) tax of Rs.2.01 million has been charged and recovered: (b) amount of Rs.81.29 million has been charged but recovery was awaited (c) legal proceedings for charging tax of Rs. 10,118.12 million have been initiated but not yet finalized.

DAC Decision

DAC meetings held in February, 2018 directed the Department to recover the charged amount and finalize the legal proceedings by 20.02.2018.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-21]

4.4.7 Short levy of tax due to allowing inadmissible expenses - Rs. 1,026.12 million

Section 21 of the Income Tax Ordinance, 2001 provides that various expenses were not admissible to taxpayers who earn income from business under the law in a Tax Year and these expenses are calculated at the time of assessment of taxable income and tax liability.

In four (04) field formations of FBR, inadmissible expenses, such as, expenses where no Withholding Tax was deducted and where payments were made other than banking channel, were allowed to twenty-three (23) taxpayers while calculating taxable income, thereby, causing short assessment of taxable income. This resulted in under assessment of income causing short levy of tax of Rs. 1,026.12 million. Some examples of major taxpayers are given as under:

1. Fauji Fertilizer Company Limited, a public Company, (NTN 1435809), falling in the jurisdiction of LTU, Islamabad, is engaged in production and distribution of fertilizer. Perusal of record disclosed

that the taxpayer claimed inadmissible deductions for catalyst expenditure of Rs. 95.85 million and net actuarial gains and losses on re-measurement of defined benefit plan at Rs. 234.65 million. Further the taxpayer charged an amount of Rs. 916.74 million on account of marketing expenses on behalf of associated company. The expenses incurred on behalf of others are not an allowable expense under the law. Audit holds that the aforesaid deductions/expenses claimed by taxpayer are not allowable deductions and required to be disallowed but needful was not done. The omission resulted in short realization of tax of Rs. 399.12 million for Tax Year 2016 (DP No.16900-IT).

2. M/s Vicky Trading (Private) Limited, (NTN-4283242), assessed under the jurisdiction of RTO, Rawalpindi claimed Rs. 10.47 million as Workers Profit Participation Fund from the taxable income of the company in Tax Year 2016. The said deduction was inadmissible as company was neither industrial undertaking nor had employee in Tax Year 2016. As such, inadmissible expenses resulted in loss of Rs.19.50 million (DP No.17196-IT).

Management Response

The Department replied that an amount of Rs. 20.72 million has been charged but recovery was awaited and legal proceedings for charging tax of Rs. 1,005.40 million have been initiated but not yet finalized.

DAC Decision

DAC meeting held in February, 2018 directed the Department to recover the charged amount and finalize the legal proceedings by 20.02.2018.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-22]

4.4.8 Loss of revenue due to non-taxation of income from other sources - Rs. 2,005.65 million

Section 39 of the Income Tax Ordinance, 2001 provides that income of every kind received by a taxpayer in a Tax Year was to be chargeable to tax in that year under the head Income from Other Sources, if it was not included in any other head specified in the Ordinance.

Fifteen taxpayers (15) of seven (07) field formations of FBR, earned income from other sources and incorrectly charged profit & loss expenses against the declared income. The Department did not levy tax on such income which resulted in loss of revenue amounting to Rs. 2,005.65 million. Some examples of major taxpayers are given as under:

1. Syed Adnan Hassan Hamdani (NTN-3042646-4) declared an amount of Rs. 10.00 million as gift in his wealth statement filed for Tax Year 2016. On the other hand, no bank account was declared by the taxpayer in his wealth statement meaning thereby that the gift amount was not received through banking channel, therefore, the amount was required to be treated as income of the taxpayer for that tax year, but no remedial action was taken by the Commissioner Zone-II, RTO-II Lahore which resulted loss of Rs. 3.00 million (DP No.17484-IT).
2. M/s Uni Tech Carpet Industries (NTN 0862803) a private limited company under the jurisdiction of CIR Corporate Zone, RTO Islamabad, while filing tax return for Tax Year 2016 declared net profit of Rs. 8,936,908 which was set off against brought forwarded loss, therefore, no tax was payable. Scrutiny of the assessment record revealed that the taxpayer earned other income assessable u/s 39 of the law ibid at Rs. 9,700,223 which could not be set off against brought forwarded business loss as per above provision of the law, but the tax payer did not offer the amount for taxation for the Tax Year 2016. No remedial action was also taken by the Department to amend the orders so that due tax could be collected from the taxpayer. Due to this government sustained loss of revenue amounting to Rs. 3.10 million (DP No.17140-IT).
3. M/s. Habibullah Coastal Power Company (Private) Limited (NTN 0816960) under the jurisdiction of LTU, Karachi, taxpayer received

capacity purchase price, interest of delayed payments, interest income on bank deposit and saving accounts, reversal of accrued agency fee and gain on termination of contract during the Tax Year 2015 & 2016, therefore, required to be taxed as other source of income under Section 39 of income Tax Ordinance 2001, as these incomes were not covered under exempt clause of 2nd Schedule as noted above. The taxpayer incorrectly claimed these incomes as exempt. This resulted in short recovery of tax amounting to Rs. 1,396.16 million. (PDP No.1408-IT/K).

4. M/s JS Global Capital Limited (NTN 1558280) under the jurisdiction of LTU-II Karachi, taxpayer claimed Rs.10.066 million under the head profit on debt under Section 151 from bank. However, a sum of Rs. 9.35 million was declared as profit on debt. According to tax deduction claimed in return against profit on debt the interest income comes to Rs.100.67 million whereas taxpayer decaled interest income amounting to Rs. 9.35 million i.e. declared less interest income to the tune of Rs. 91.32 million which is required to be taxed accordingly (PDP No.1500-IT/K).

Management Response

The Department replied that legal proceedings for charging tax have been initiated but not yet finalized involving Rs. 2,005.65 million.

DAC Decision

DAC meetings held in February, 2018 directed the Department to finalize the legal proceedings by 20.02.2018.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-23]

4.4.9 Loss of revenue due to incorrect adjustment of brought forward losses - Rs. 2,915.32 million

Section 57 of the Income Tax Ordinance, 2001 provides that if a taxpayer sustained a loss in business for a Tax Year, the loss would be carried forward to the six following Tax Years and would be adjusted only against profit and gains of such business.

In five (05) field formations of FBR, income of eight (08) taxpayers was assessed at loss. These losses were either assessed incorrectly or carried forward erroneously and set off against business income beyond the prescribed limit. This resulted in potential tax effect of Rs. 2,915.32 million for Tax Year 2016 & 2017. Some examples of major taxpayers are given as under:

1. M/s Islam Medical College (Pvt.) Ltd. bearing (NTN-3612171) assessed under the jurisdiction of RTO, Sialkot brought forward business loss Rs. 193.22 million from Tax Year 2015 and sustained business loss Rs. 17.81 million for the Tax Year 2016. In this way the taxpayer was required to carry forward accumulated losses Rs. 211.02 million whereas the taxpayer carried forward loss Rs. 213.645 million to the Tax Year 2017. This resulted in excessive carry forward of loss Rs. 2.63 million and resulting in potential tax effect of Rs. 0.84 million for Tax Year 2017. (DP No.16990-IT)
2. M/s. Sukkur Electric Power Co. (NTN 3801689) under the jurisdiction of RTO, Sukkur, made incorrect computation of tax / income excess losses carry forward amounting to Rs. 6,538.85 million resulting notional loss of Rs. 2,092,431 million. (PDP No.1258-IT/K)
3. M/s. Jamshoro Power Company Limited (NTN3012686) under the jurisdiction of RTO, Hyderabad incorrectly carry forward losses and set-off against profit and gains of such business, but the Department did not initiate any legal proceedings to rectify the same and create tax demand, due to this excess carry forward loss amounting to Rs.2,329.30 million resulted a notional loss amounting to Rs.745.38 million (PDP No.1301-IT/K).

Management Response

The Department replied that legal proceedings for charging tax of Rs. 2,915.32 million have been initiated but not yet finalized.

DAC Decision

DAC meetings held in February, 2018 directed the Department to finalize the legal proceedings by 20.02.2018.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-24]

4.4.10 Non/short-payment of Tax along with return - Rs. 72.19 million

Section 137 of the Income Tax Ordinance, 2001 provides that the tax liability, calculated by a taxpayer on his Taxable Income for a Tax Year, is required to be discharged in full at the time of furnishing of Tax Return.

In two (02) field formations of FBR, five (05) taxpayers did not pay the tax liability along with the Tax Return. The Department did not initiate the legal proceedings against the taxpayers who did not pay the tax within due dates. This resulted in non-payment of tax amounting to Rs. 72.19 million. Some examples of major taxpayers are given as under:

1. M/s Al-Ghafoor Construction (NTN-7132486) assessed under the jurisdiction of the Regional Tax Office-II, Lahore claimed advance tax payments of Rs. 13.81 million in his return for the Tax Year 2016 whereas advance tax of Rs. 3.08 was verified from the E-portal system of the FBR, therefore, the balance amount of Rs. 10.73 million was required to be paid by the taxpayer along with the return but the needful was not done. This resulted in loss to the public exchequer amounting to Rs. 1.73 million (DP. No.17489-IT).
2. M/s Pak Poly Industries (NTN-2639366-2) assessed under the jurisdiction of the Regional Tax Office-II, Lahore claimed advance tax payments of Rs. 7.03 million for the Tax Year 2015, whereas,

advance payment of Rs.1.88 million u/s 148 could only be verified against the claimed withholding tax deduction u/s 148 of the Income Tax Ordinance, 2001. Therefore, the taxpayer was required to deposit the balance amount along with the return but the needful was not done which resulted loss to the public exchequer amounting to Rs. 3.66 million (DP No.17500-IT).

Management Response

The Department replied that legal proceedings for charging tax of Rs. 72.19 million have been initiated but not yet finalized.

DAC Decision

DAC meeting held in February, 2018 directed the Department to finalize the legal proceedings by 20.02.2018.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-25]

4.4.11 Loss of revenue due to incorrect assessment of tax under respective heads of income - Rs. 14,333.42 million

According to Section 4 read with Section 11 of the Income Tax Ordinance, 2001 total income is to be computed for charging of tax under the heads, Income from Salary, Income from Property, Income from Business, Income from Capital Gain and Income from Other Sources.

In eleven (11) field formations of FBR, tax liability in one hundred forty-two (142) cases was incorrectly computed under respective heads of income. The Department did not initiate legal action under the relevant provisions of law for correct levy of tax. This resulted in short recovery of tax amounting to Rs.14,333.42 million. Some examples of major taxpayers are given as under:

1. M/s Consolidated Marketing (0666082-7), an individual driving income from other personal activities/distribution, filed return of income for the Tax Year 2016 and declared taxable income

amounting to Rs. 844.62 million along with tax liability of Rs. 294.84 million. After adjustment of the Minimum Tax paid in previous year at Rs. 1.69 million net income tax liability of Rs. 293.15 million was required to be paid along with the return but no such tax was paid by the taxpayer. The assessing authorities were required to recover the tax liability but remedial action was not taken by the RTO-II Lahore, which resulted in loss to the public exchequer at Rs. 330.22 million along with default surcharge. (DP No.17471-IT).

2. M/s Anwar Khawaja Industries (Pvt.) Ltd. (NTN-0388099) falling under the jurisdiction of RTO, Sialkot derived income from manufacturing and sales of sports goods, property income and income from other sources etc. The taxpayer declared total of other revenues amounting to Rs. 18.39 million but offered only Rs. 4.59 million for taxation without any reason. As such, non-taxation of income from all sources resulted in short computation of income amounting to Rs. 13.79 million with consequential tax loss of Rs. 4.41 million for the Tax Year 2016 (DP No.17970-IT).

3. M/s United Bank Limited (NTN 0815065) under the jurisdiction of LTU, Karachi, failed to comply with the above provisions of law and under assessed the income while computing the total income and the tax liability during the Tax Year 2015, resulting into loss of revenue amounting to Rs. 243.33 million (PDP No.1427-IT/K).

4. M/s Development Holdings Asia Limited (NTN 7222135) under the jurisdiction of CRTO Karachi, according to return for Tax Year 2016 an amount of Rs.716.10 million was deducted @ 17.5% being non-filer but at the time of filing of return tax payer worked out tax @ 12.5% which was however not correct as at the time of deduction of tax on dividend, tax payer was treated as non-filer therefore tax @ 17.5% was rightly deducted/applied. The taxpayer incorrectly applied the rate @ 12.5% which resulted into creation of refund of Rs.204.60 million (PDP No.1520-IT/K).

Management Response

The Department replied that legal proceedings for charging tax of Rs.14, 333.42 million has been initiated but not yet finalized.

DAC Decision

DAC meetings held in February, 2018 directed the Department to finalize the legal proceedings by 20.02.2018.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-26]

4.4.12 Short-levy of tax due to inadmissible depreciation allowance on fixed assets - Rs. 1,012.04 million

Section 22, 23 read with Section 76(10) of the Income Tax Ordinance, 2001 provides that a taxpayer would be allowed depreciation allowance in a Tax Year at prescribed rates against taxable income. This allowance would only be allowed if the depreciable assets were used in the business of the taxpayer.

In five (05) field formations of FBR, seven (07) taxpayers claimed inadmissible depreciation allowance which resulted in revenue loss of Rs. 1,012.04 million. Some examples of major taxpayers are given as under:

1. M/s Askari Cement Limited, (NTN 0712595), assessed under the jurisdiction of LTU, Islamabad made additions to assets which differ significantly from additions claimed as per Income Tax returns. As such, the taxpayer claimed excess additions in operating fixed assets in the Income Tax returns resulting in incorrect claim of depreciation allowance for Tax Years 2015 & 2016. This resulted in loss of revenue amounting to Rs. 46.43 for Tax Years 2015 & 2016. (DP No.16899-IT).
2. M/s Well Serve Oil Services (Private) Limited, NTN 4226841, assessed under the jurisdiction RTO, Islamabad filed Income Tax return for the Tax Year 2016 declaring total value of plant and

machinery carry forwarded from previous year 2015 amounting to Rs. 150,908,359 but comparison of the previous year tax record revealed that taxpayer had written down value of plant and machinery worth Rs 10,503,611 only. As such, excessive carry forward of written down value of plant and machinery resulted in excess claim of depreciation allowance in Tax Year 2016 causing loss of revenue Rs. 6.74 million (DP.No.17138-IT).

Management Response

The Department replied that legal proceedings for charging tax of Rs. 1,012.04 million have been initiated but not yet finalized.

DAC Decision

DAC meeting held in February, 2018 directed the Department to finalize the legal proceedings by 20.02.2018.

Audit Recommendations

- Expedite the legal proceeding for recovery of tax.
- Loss of government revenue be made good under intimation to Audit.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-27]

4.4.13 Short-levy of tax due to claim of undetermined expenses / liabilities Rs. 2,245.75 million

According to Section 34 (1) & (3) of the Income Tax Ordinance, 2001 a person accounting for income chargeable to tax under the head "Income from Business" on an accrual basis is required to derive income when it is due to the person and is required to incur expenditure when it is payable by the person. An amount is to be payable by a person when all the events that determine liability has occurred and the amount of the liability can be determined with reasonable accuracy.

In five (05) field formations of FBR, sixteen (16) taxpayers claimed provisions for stores, spares, loose tools, exchange loss, and provisions of staff gratuity etc, which were not admissible. This resulted in short assessment of taxable income and consequently resulted in loss of revenue amounting to Rs. 2,245.75 million. Some examples of major taxpayers are given as under:

1. M/s Shaheen Foundation, (NTN 1170154-4) falling under the jurisdiction of LTU, Islamabad derived income from business and other services during Tax Years 2014 and 2015. The taxpayer claimed unrealized loss on investment as admissible expenses. The unrealized loss on investment was not admissible expense as it was notional in nature. The inadmissible claim of expense was required to be disallowed. The omission resulted in short levy of tax of Rs. 35.47 million (DP No. 16930-IT).
2. M/s Kohat Cement Company Limited (NTN 1758919), assessed under the jurisdiction of the Large Taxpayers Unit, Lahore, it was observed that the taxpayer while making adjustments of admissible and inadmissible expenses, made short addition on account of inadmissible expenses for the Tax Year 2016. This resulted in short assessment of income and consequent loss of revenue of Rs.94.19 million (DP No. 16876-IT).

Management Response

The Department replied that: (a) amount of Rs. 4.80 million has been charged but recovery was awaited; and (c) legal proceedings for charging tax of Rs.2,240.95 million have been initiated but not yet finalized.

DAC Decision

DAC meeting held in February, 2018 directed the Department to recover the charged amount and finalize the legal proceedings by 20.02.2018.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-28]

4.4.14 Non-treatment of Withholding Tax as final and Minimum Tax - Rs. 2,933.52 million

Section 148(7) of the Income Tax Ordinance, 2001 provides that Withholding Tax collected by the custom authorities at the time of import would be treated as final tax. Further as per Section 148(8), ibid, the tax required to be collected from a person on the import of edible oil for a Tax Year shall be Minimum Tax if the tax liability of the taxpayer is less than the tax collected on imports under normal tax regime.

In eleven (11) field formations of FBR, Withholding Tax collected on imports was treated as adjustable instead of final or Minimum Tax in eighty-eight (88) cases. The Department did not take remedial action to recover loss of revenue amounting to Rs. 2,933.52 million. Some examples of major taxpayers are given as under:

1. M/s Terada Pakistan (Pvt) Ltd. (NTN-2931381) & M/s Shaheen Foundation (NTN-1170154), falling under the jurisdiction of LTU, Islamabad were engaged in services providing activity. Tax deducted on imports in the cases of service providers was final discharge of tax liability. The taxpayer companies incorrectly adjusted tax final tax against normal tax liability which resulted in loss of revenue amounting to Rs. 50.15 million (DP No. 16928-IT).
2. M/s Trans World Infrastructure Services (Private) Limited falling under the jurisdiction RTO, Islamabad claimed adjustment of Rs. 19.547 million on account of tax deducted on import u/s 148 of the Income Tax Ordinance, 2001. Audit observed that the adjustment of tax paid at import stage was not admissible as the taxpayer was not covered under the definition of industrial undertaking, hence tax deducted u/s 148(7) was the final tax liability of the taxpayer. The inadmissible adjustment final tax against normal tax liability resulted in loss of revenue amounting to Rs.19.55 million (DP No. 17135-IT).
3. M/s. Sui Southern Gas Company limited (NTN 0712242) under the jurisdiction of LTU, Karachi, was a distribution and transmission company and did not fall within the definition and scope of manufacturer category, as such the tax deduction u/s 148 of Income Tax Ordinance, 2001 was required to be assessed as Final Tax under

the Final Tax Regime. However, taxpayer himself declared in note 1.1 of its audited accounts that he was engaged in transmission and distribution of natural gas and liquefied petroleum gas in Sindh and Baluchistan. However, the taxpayer claimed tax deducted u/s 148 amounting Rs.917.090 million as adjustable tax. Its act of claiming inadmissible adjustment of tax u/s 148 which was allowed by the Department as adjustable Tax, the public exchequer sustained a loss of Rs.917.09 million (PDP No.1409-IT/K)

4. M/s. Quetta Electric Supply Company Limited (NTN 3044052) the jurisdiction of RTO, Quetta either did not pay the tax liability at import stage or claimed excess tax credit against the admitted tax liability for the year 2016 which resulting into loss of revenue amounting to Rs.45.59 million (PDP No.1264-IT/K).

Management Responses

The Department replied that (a) amount of Rs.5.77 million has been recovered and verified (b) amount of Rs.120.52 charged but recovery awaited (c) legal proceedings for charging tax of Rs. 2,807.23 million have been initiated but not yet finalized

DAC Decision

DAC meetings held in February, 2018 directed the Department to recover the charged amount and finalize the legal proceedings by 20.02.2018.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-29]

4.4.15 Non/short-realization of Withholding Tax on technical services -Rs. 18.63 million

According to Section 6 read with Section 152 of the Income Tax Ordinance, 2001 a tax is to be imposed, at the rate specified in Division IV of

Part I of the First Schedule, on every non-resident person who received any Pakistan-source fee for technical services.

M/s Fauji Fertilizer Company Limited (NTN-1435809) assessed under the jurisdiction of the Large Taxpayers Unit, Islamabad made payments to non-residents for fee for engineering/technical services during Tax Year 2016. The taxpayer was under legal obligation to deduct withholding tax while making payments to non-residents but failed to discharge his legal obligation as withholding agents. This resulted in non-realization of withholding tax u/s 152 amounting to Rs.18.63 million.

Management Response

The Department replied that Show Cause Notice has been issued to the taxpayer but legal proceedings for charging the tax were not finalized.

DAC Decision

DAC meeting held in February, 2018 directed the Department to finalize the legal proceedings by 20.02.2018.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Holding an inquiry to fix responsibility against the person(s) at fault.

[DP No. 16905-IT]

4.4.16 Loss of revenue due to non-levy of Alternative Corporate Tax - Rs. 227.55 million

Section 113C of the Income Tax Ordinance, 2001 provides that the tax payable by a company is to be higher of the Corporate Tax or Alternative Corporate Tax at a rate of seventeen per cent of accounting profit before tax for the tax year, as disclosed in the financial statements after making necessary adjustment.

In seven (07) cases of three (03) field formations of FBR, Corporate Tax was paid, whereas, Alternative Corporate Tax (ACT) was higher than that charged under normal law for the Tax Years 2015 and 2016. The taxpayers were obliged under the above provisions of law to pay the ACT. This resulted in loss of revenue amounting to Rs. 227.55 million. Some examples of major taxpayers are given as under:

1. M/s Web Solutions Plus (SMC) (Pvt) Ltd. bearing (NTN-4180430) assessed under jurisdiction of Commissioner IR, Corporate Zone, Regional Tax Office, Peshawar, failed to charge and pay the Alternative Corporate Tax leviable under the above provision of law. This resulted into non realization of Income Tax of Rs. 1.45 million during the Tax Year 2016 (DP No. 17052-IT).
2. M/s Uni Tech Private Limited bearing (NTN-0862803) assessed under jurisdiction of Regional Tax Office, Islamabad, failed to charge and pay the Alternative Corporate Tax leviable under the above provision of law. This resulted into non realization of Income Tax of Rs. 1.52 million during the Tax Year 2016 (DP No. 17139-IT).

Management Response

The Department replied that an amount of Rs.102.28 million is subjudice (b) legal proceedings for charging tax of Rs.125.27 million has been initiated but not yet finalized.

DAC Decision

DAC meeting held in February, 2018 directed the Department to pursue the subjudice case at appropriate fora and finalize the legal proceedings by 20.02.2018.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-30]

4.4.17 Non-recovery of arrears of Tax demand - Rs. 7,792.07 million

Section 138 of the Income Tax Ordinance, 2001 provides that Income Tax due from any person is to be recovered by tax authorities in accordance with the procedures laid down therein.

Eight (08) field formations of FBR did not recover the arrears of tax demand of Rs. 7,792.07 million of Tax Years 2009 to 2016 from seven hundred and thirty-one (731) taxpayers despite the fact that the tax was levied by the Department on factual as well as on legal grounds.

Management Response

The Department replied that: (a) an amount of Rs.3.27 million has been charged and recovered; (b) amount of Rs.2, 665.46 million charged but recovery awaited (c) legal proceedings for charging tax of Rs. 5,123.10 million have been initiated but not yet finalized (d) Amount of Rs. 0.24 is subjudice

DAC Decision

DAC meetings held in February, 2018 directed the Department to recover the charged amount, pursue the subjudice cases at appropriate level and finalize the legal proceedings by 20.02.2018.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-31]

4.4.18 Short levy of tax due to application of incorrect tax rates - Rs. 190.31 million

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

In three (03) cases of two (02) field formations of FBR, Income Tax of Rs. 190.31 million was short levied for the Tax Year 2016 due to application of incorrect tax rates on assessed income of the taxpayers.

Management Response

The Department replied that: (a) amount of Rs. 65.07 million charged and recovered (b) legal proceedings for charging tax of Rs. 125.24 million have been initiated but not yet finalized.

DAC Decision

DAC meeting held in February, 2018 directed the Department to recover the charged amount and finalize the legal proceedings by 20.02.2018.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[DP Nos.16878 & 17122-IT]

4.4.19 Non-taxation of recouped expenditure - Rs. 10.13 million

Section 70 of the Income Tax Ordinance 2001 provides that where a taxpayer has been allowed expenditure in a Tax Year and subsequently the person has received such expenditure, the amount so received shall be included in the income chargeable under that head for the Tax Year in which it is received.

M/s D.G. Khan Cement Company Limited (NTN-1213275) assessed in Large Taxpayers Unit Lahore, received insurance claim amounting to Rs. 31.65 million for Tax Year 2016. The taxpayer was required to declare the said recouped expenditure as other income but the needful was not done. This resulted in short levy of tax amounting to Rs. 10.13 million.

Management Response

The Department replied that taxpayer had not incurred expenses on insurance, hence question of taxation of recouped income did not arise. The Departmental contention is not acceptable as insurance claim received by the taxpayer is taxable as other income under Section 39 of the Income Tax Ordinance, 2001.

DAC Decision

DAC meeting held in February, 2018 directed the Department to revisit the case and finalize the legal proceedings by 20.02.2018.

Audit Recommendations

- Non-recovery of tax may be justified.

- Loss of government revenue be made good under intimation to Audit.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[DP No.16867-IT]

4.4.20 Non-levy of Capital Gain Tax - Rs 4.44 million

Section 37 of the Income Tax Ordinance, 2001 provides that a gain arising on the disposal of a capital asset by a person in a tax year, other than a gain that is exempt from tax under this Ordinance, shall be chargeable to tax in that year under the head “Capital Gains”. Further, gain arising on the disposal of immovable property by a person in a tax year, shall be chargeable to tax in that year under the head Capital Gains at the rate of ten percent where holding period of immovable property is up to five years.

Four (04) taxpayers of RTO-II, Lahore declared capital gain on immoveable property but no tax was paid on the gain despite the facts that the holding period of the property was less than five years. This resulted in loss of Rs. 4.44 million. Some examples of major taxpayers are given as under:

1. Ali Fraz Syed (NTN-1028118-5) an individual, declared capital gain on immoveable property at Rs. 14.00 million for the Tax Year 2016, but no tax was paid on the gain despite the facts that the holding period of the property was less than five years. Remedial action under the law was required to be taken by the Commissioner Zone-II, RTO-II Lahore but the needful was not done which resulted loss of Rs. 1.40 million (DP No.17487-IT).
2. Awais Yousaf (NTN-1456517-0) an individual, declared capital gain on immoveable property at Rs. 7.47 million for the Tax Year 2016, but no tax was paid on the gain despite the facts that the holding period of the property was less than five years. Remedial action under the law was required to be taken by the Commissioner Zone-II, RTO-II, Lahore but the needful was not done which resulted loss of Rs. 0.75 million (DPNo.17490-IT).

Management Response

The Department replied legal proceedings for charging of penalty Rs.4.44 million has been initiated but not yet finalized.

DAC Decision

DAC meeting held in February, 2018 directed the Department to finalize the legal proceedings by 20.02.2018.

Audit recommendations

Audit emphasized that FBR should develop a system which ensure levy of penalty at the closing date of the filing of the return so that non/late filer could be penalized as per law.

[Annexure-32]

4.4.21 Incorrect claim of tax credit - Rs. 864.55 million

According to Section 65 of the Income Tax Ordinance, 2001, "every manufacturer, registered under the Sales Tax Act, 1990, shall be entitled to a tax credit of three per cent of tax payable for a Tax Year, if ninety per cent of his sales are to the person who is registered under the aforesaid Act during the said Tax Year. Further, where a taxpayer being a company invests any amount in the purchase of plant and machinery, for the purposes of extension, expansion, balancing, modernization and replacement of the plant and machinery, already installed therein, in an industrial undertaking set up in Pakistan and owned by it, credit equal to ten per cent of the amount so invested shall be allowed against the tax payable, including on account of Minimum Tax and final taxes payable under any of the provisions of this Ordinance. The provisions of this Section shall mutatis mutandis apply to a company setup in Pakistan before the first day of July, 2011, which makes investment, through hundred per cent new equity, during first day of July, 2011 and 30th day of June, 2016".

Seventeen (17) taxpayers of six (06) field formations of FBR, incorrectly claimed tax credit during Tax Years 2015 and 2016 as the taxpayers did not fulfil the conditions as laid down under the aforesaid provisions of law which resulted in loss of Rs. 864.55 million. Some examples of major taxpayers are given as under:

1. M/s Multan Chemicals Limited Multan (a company) NTN 1283414 falling under the jurisdiction of RTO, Multan established new industrial undertaking in Faisalabad by splitting the industrial establishment and started business on 01.12.2016. The company was initially established on 07.08.2001. The taxpayer submitted Income

Tax return for TY 2016 and claimed 100 percent Tax credit u/s 65D. The benefit was not admissible as the company was not a newly established company. Moreover, equity raised through issuance of new shares was also less than 70% of investments. This resulted into inadmissible credit of Income Tax of Rs.5.81 million. (DP No. 17094-IT).

2. M/s Roomi Fabrics Limited (a Company) NTN 1417359 falling under the jurisdiction of RTO, Multan deriving income from manufacturing and sale of textile goods claimed tax credit u/s 65B for purchase of plant and machinery during Tax Years 2015 and 2016. On other hand, a minor increase was declared in plant and machinery as compared with the tax credit claim. This resulted into incorrect claim of Tax Credit amounting to Rs. 80.33 million (DP No. 17089-IT).

3. M/s. Hm Extraction Ghee & Oil Industries (Pvt) Limited (NTN 4161756) under the jurisdiction of CRTO, Karachi claimed tax credit Rs.47.49 and Rs.292.52 million u/s 65D relating to Tax Years 2015 & 2016 respectively. No depreciation schedule was attached with return to verify the tax credit. Further there were also certain conditions u/s 65D which required to be fulfilled before claiming of tax credit but all these could not be verified due to non-availability of depreciation schedule (PDP No.1516-IT/K).

4. M/s Unicol Limited (NTN 1886997) under the jurisdiction of RTO, Hyderabad, incorrectly claimed tax credit against non-equity investment contrary to the requirements of above provision of law for Tax Years 2015 & 2016. The Department did not take any action to rectify the same. This resulted into loss of Rs.332.35 million (PDP No.1302-IT/K).

Management Response

The Department replied that: (a) an amount of Rs.27.23 million has been charged but recovery awaited (b) legal proceedings for charging tax of Rs.837.32 million has been initiated but not yet finalized.

DAC Decision

DAC meetings held in February, 2018 directed the Department to recover the charged amount and finalize the legal proceedings by 20.02.2018.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-33]

4.4.22 Incorrect adjustment of tax credits / payments - Rs. 464.47 million

According to Section 168 where an amount of tax has been collected from a person under Division II of this Part or Chapter XII or deducted from a payment made to a person under Division III of this Part or Chapter XII, the person shall be allowed a tax credit for that tax in computing the tax due by the person on the taxable income of the person for the tax year in which the tax was collected or deducted.

In eleven (11) cases of seven (07) field formations of FBR, the assessing authorities while giving tax credit of advance tax deductions allowed excessive tax credit of Rs.464.47 million. Either the tax deductions claimed were not verified from Integrated Tax Management System (ITMS) or not admissible under the law. This resulted in loss of revenue amounting to Rs. 464.47 million during Tax Years 2014 to 2016. Some examples of major taxpayers are given as under:

1. M/s Bismillah Welfare Trust assessed under the jurisdiction of RTO, Islamabad filed Income Tax return for the Tax Year 2016 declaring income of Rs. 19,810,636 and claim tax credit of Rs. 6,339,404. The return was filed without annexing the annual accounts and withholding statements required under above provisions of the law. Incomplete return could not be treated as assessment orders under Section 120 ibid. Keeping in view the above legal position and due to invalid returns tax credits could not be allowed. Department did not look into the matter accordingly, due to which government sustained loss of Rs. 6.34 million (DP No.17142-IT).
2. M/s Bestway Cement Limited, falling under the jurisdiction of LTU, Islamabad, filed return for Tax Year 2014 which was deemed assessment u/s 120 ibid. The assessment was amended u/s 122(5)

vide DCR 03/02 dated 29th April, 2017 and further rectified u/s 221 dated 25th May, 2017. The Department while amending the assessment u/s 122(5) allowed excess tax credit/payments/ adjustments (subject to verification) of Rs. 2,160.37 million than available tax credits. This resulted in incorrect tax credits/adjustments amounting to Rs. 275.99 million (DP No.16902-IT).

Management Response

The Department replied that legal proceedings for charging tax of Rs. 464.47 million has been initiated but not yet finalized.

DAC Decision

DAC meeting held in February, 2018 directed the Department to finalize the legal proceedings by 20.02.2018.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-34]

4.4.23 Loss of revenue due to inadmissible claim of depletion allowance - Rs 2,107.39 million

According to Rule 3 of Fifth Schedule of the Income Tax Ordinance 2001, in determining the income of such undertaking for any year ending after the date on which commercial production has commenced, an allowance for depletion shall be made equal to fifteen per cent of the gross receipts representing the well-head value of the production, but not exceed fifty per cent of the profits or gains of such undertaking before the deduction of such allowance.

Two taxpayers falling under the Jurisdiction of LTU, Islamabad engaged in exploration, drilling and production of crude oil and gas, filed returns for Tax Years 2014 to 2016. The company worked out depletion allowance on the basis of gross receipts inclusive of the amount of royalty. Royalty represents the consideration of the government for granting lease right to the petroleum/gas exploration companies. Thus, the payment representing royalty @12.5% of the wellhead value of production belongs to the government and the remainder 87.5% of the total production belongs to the taxpayer. The depletion allowance was required to be calculated @15% of the gross receipts representing well head value, exclusive of the amount of royalty paid to the government. The taxpayer computed incorrect depletion allowance on gross receipts which resulted in short realization of tax amounting to Rs. 2,107.39 million.

Management Response

The Department replied that: (a) an amount of Rs. 54.41 million has been charged but recovery awaited (b) legal proceedings for charging tax of Rs. 2,052.98 million have been initiated but not yet finalized.

DAC Decision

DAC meeting held in February, 2018 directed the Department to recover the charged amount and finalize the legal proceedings by 20.02.2018.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[DP No. 16917-IT]

4.4.24 Non-payment of Tax on undistributed reserves - Rs. 436.65 million

According to Section 5A read with Section 8(d) of The Income Tax Ordinance 2001, a tax shall be imposed at the rate of ten percent, on every public company other than a scheduled bank or a modaraba, that derives profits for a tax year but does not distribute cash dividends within six months of the end of the said tax year or distributes dividends to such an extent that its reserves, after such distribution, are in excess of hundred percent of its paid up capital, so much of its reserves as exceed hundred per cent of its paid up capital shall be treated as income of the said company which shall be a final tax".

Mahmood Textile Mills Limited, a Public Company (NTN-0133340) assessed under the jurisdiction of RTO, Multan declared un-appropriated profit amounting to Rs.4,308,552,078 for Tax Year 2016 whereas, its paid-up capital was Rs. 150,000,000 as per financial statements filed with the return. Audit observed that the taxpayer did not pay cash dividend as required under the law. Therefore, the taxpayer was liable to pay Income Tax on undistributed reserves exceeding prescribed threshold. The assessing authorities did not recover the due tax which resulted in loss of Rs. 436.65 million.

Management Response

The Department replied that legal proceedings for charging tax have been initiated but not yet finalized

DAC Decision

DAC meeting held in February, 2018 directed the Department to finalize the legal proceedings by 20.02.2018.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[DP No. 17086-IT]

4.4.25 Loss of revenue due to incorrect adjustment of Minimum Tax paid in previous tax years amounting to Rs. 9.89 million

According to Section 113(2)(C) of the Income Tax Ordinance 2001, where tax paid under sub section (1) exceeds the actual tax payable under Part-I, Clause(1) of Division I or Division II of the First Schedule the excess amount of tax paid shall be carried forward for adjustment against tax liability under the aforesaid Part of the subsequent tax year provided that the amount under this Clause shall be carried forward and adjusted against tax liability for five tax years immediately succeeding the tax year for which the tax amount was paid.

M/s DANCOM Pakistan (Private) Limited (NTN 0944545) falling under the jurisdiction of RTO, Islamabad claimed adjustment of Minimum Tax paid in last five years amounting to Rs. 9,885,580 against normal income tax liability worked out Rs 22,601,454. Perusal of the assessment record for the Tax Years 2011 to 2015 revealed that no assessed Minimum Tax u/s 113 was available for adjustment against tax liability for succeeding Tax Years. Therefore, due to incorrect adjustment of Minimum Tax against demand of Tax Year 2016 resulted in loss of revenue amounting to Rs. 9.89 million.

Management Response

The Department replied that legal proceedings for charging tax of Rs. 9.89 million has been initiated but not yet finalized.

DAC Decision

DAC meeting held in February, 2018 directed the Department to finalize the legal proceedings by 20.02.2018.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[DP No.17144-IT]

4.4.26 Short-levy of tax due to excess claim of initial allowance -Rs. 503.03 million

Sections 23 read with Section 76(10) of the Income Tax Ordinance, 2001 provides that "a person who places an eligible depreciable asset into service in Pakistan for the first time in a tax year shall be allowed a deduction computed in accordance with sub-Section 2 provided the asset is used by the person for the purpose of his business for the first time or the tax year in which commercial production is commenced, which-ever is latter. The amount of initial allowance of a person shall be computed by applying the rate specified in Part-II of the Third Schedule against the cost of assets."

M/s Chashma Sugar Mills Limited (NTN-1158077-1) under jurisdiction of Commissioner Inland Revenue, Corporate Zone, Regional Tax Office, Peshawar, declared addition in fixed assets in tax returns for Tax Years 2015 and 2016 and claimed initial allowance against such additions. On scrutiny of Final Accounts of the taxpayer it was deduced that the additions in assets claimed in tax returns were not in accordance with additions in accounts. The taxpayer claimed excess addition and initial allowance which ultimately reduced the tax liability. This resulted into short levy of tax due to excess claim of initial allowance amounting to Rs. 503.03 million.

Management Response

The Department replied that legal proceedings for charging tax of Rs. 503.03 million has been initiated but not yet finalized.

DAC Decision

DAC meeting held in February, 2018 directed the Department to finalize the legal proceedings by 20.02.2018.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[DP No. 17042-IT]

4.5 Refund of Income Tax

4.5.1 Unlawful issuance of refund without fulfilling of codal formalities - Rs. 3,277.26 million

According to Section 170 of the Income Tax Ordinance, 2001 read with FBR Circular No.5 of 2003, a taxpayer was entitled to a refund if the tax paid was more than the tax due after adjustment of outstanding liabilities.

In sixteen (16) field formations of FBR, refund was issued to one hundred forty (140) taxpayers without adjustment of outstanding liabilities, credit of tax payments given without verification of challans and final tax was incorrectly adjusted against normal tax demand. The Department did not take corrective action to recover the unlawful refund. The irregularities resulted in unlawful issuance of refund amounting to Rs. 3,277.26 million. Some examples of major taxpayers are given as under:

1. M/s Continental Cibus (Pvt.) Ltd. (NTN 3657520) falling under the jurisdiction of RTO, Sialkot was a manufacturer of juices, imported some packing material and claimed refund of Income Tax paid at import stage for packing material as per evidence of GDs for the Tax Years 2013 & 2015, which was sanctioned vide voucher No70313/1514 & 70313/1074, dated 11th August, 2016. The income tax at import stage on packing material was a Minimum Tax under the above provision of law. The tax authority sanctioned the refund of Income Tax in favour of the taxpayer contrary to the above provision of law. This resulted inadmissible sanctioning of refund amounting to Rs.1.56 million for the Tax Year 2017 (DP No. 16969-IT).
2. M/s I Care Enterprises (NTN-3537472) an AOP, driving income from imports, exporter and wholesaler, filed return for the Tax Year 2011 by declaring taxable income of Rs. 0.45 million only. The taxpayer also declared import of Rs. 41.32 million with tax deduction of Rs. 2.07 million by declaring it as final tax liability. Scrutiny of the assessment record of the taxpayer revealed that the taxpayer had been issued refund amounting to Rs. 4.62 million and Rs. 25.99 million dated 26th October, 2016. On the other hand, neither the taxpayer made excess payment of tax nor the refund had been claimed by the

taxpayer in the Tax Year 2011 which means that the refund for the tax year had been issued without any legal justification by the Commissioner Zone-II, RTO-II Lahore which resulted loss of Rs. 30.61 million (DPNo.17486-IT).

3. M/s. Habib Bank Limited bearing (NTN 0698187) under the jurisdiction of LTU, Karachi, reduced the taxable income by allowing Workers Welfare Fund in Tax Year 2009 & 2010 Therefore, WWF is not leviable in case of above named taxpayer. Therefore, it is required to amend the order to add the reduction of Taxable income against Workers Welfare Fund amounting to Rs.403,339,431 & Rs.489,047,822 for Tax Years 2009 & 2010 and taxed accordingly. This resulted in loss of revenue due to incorrect computation amounting to Rs.312.34 million (PDP No.1428-IT/K).

4. K-Electric Limited (NTN 1543137) under the jurisdiction of LTU-II Karachi filed incomplete return for the Tax Year 2016 and did not declare sales, purchases and other related information necessary to be reflected in the income tax return. The taxpayer claimed adjustments of advance taxes paid amounting to Rs. 564.15 million. The omission resulted irregular claim of refund amounting to Rs. 564.15 million (PDP No.1450-IT/K).

Management Response

The Department replied that: (a) tax of Rs.8.90 million was charged and recovered: (b) amount of Rs.0.34 million has been charged but recovery awaited; and (c) legal proceedings for charging tax of Rs. 3,268.02 million have been initiated but not yet finalized.

DAC Decision

DAC meetings held in February, 2018 directed the Department to recover the charged amount and finalize the legal proceedings by 20.02.2018.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-35]

4.6 Workers Welfare Fund

4.6.1 Non-realization of Workers Welfare Fund - Rs. 2,375.83 million

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

In eighteen (18) field formations of FBR, Workers Welfare Fund was not paid by two thousand three hundred and fifty-four (2,354) taxpayers for the Tax Years 2015 and 2016. The Department did not take action to recover the amount. This resulted in non-realization of Workers Welfare Fund amounting to Rs. 2,375.83 million.

Management Response

The Department replied that: (a) tax of Rs.21.04 million has been charged and recovered; (b) amount of Rs.23.60 million has been charged but recovery was awaited; and (c) legal proceedings for charging tax of Rs. 2,331.19 million have been initiated but not yet finalized.

DAC Decision

DAC meetings held in February, 2018 directed the Department to recover the charged amount and finalize the legal proceedings by 20.02.2018.

Audit Recommendations

- Expedite the legal proceeding for recovery.
- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-36]

4.7 Withholding Taxes

Sales Tax

4.7.1 Non-deduction/realization of withholding Sales Tax on purchases from registered/non-registered persons - Rs. 2,162.02 million

According to Rule 2(2) and 2(3) (i) of the Sales Tax Special Procedure (Withholding) Rules, 2007, “a withholding agent was required to deduct an amount equal to one fifth of the total Sales Tax shown in the Sales Tax invoice issued by a registered person and on purchase of taxable goods from non-registered person, was required to deduct Sales Tax at the applicable rate of the value of taxable supplies made to him from the payment due to the supplier”.

One hundred eight (108) taxpayers acting as withholding agents registered with eight (08) field offices of FBR made taxable purchases from registered/un-registered persons but did not deduct the Sales Tax at the prescribed rates while making payment to the suppliers. No legal action was taken by the Department. This resulted in non-realization of Sales Tax of Rs. 2,162.02 million during the financial years 2015-16 & 2016-17.

Management Response

The Department replied that an amount of Rs. 0.03 million has been recovered, Rs. 0.33 million under recovery, Rs. 555.80 million under adjudication and cases of Rs. 1,605.86 million were awaiting action by the Department.

DAC Decision

The DAC in its meetings held in February, 2018 directed the Department to expedite adjudication/recovery/legal proceedings and submit updated status to Audit and FBR.

Audit Recommendations

- Expeditious recovery/adjudication and completion of legal proceedings.
- Furnish reply in non-responded cases.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-37]

4.7.2 Non-realization of 4/5th and 9/10th Sales Tax from Government suppliers / vendors - Rs. 1.27 million

According to Rule-2(2) of the Sales Tax Special Procedure (Withholding) Rules, 2007, "a withholding agent was required to deduct an amount equal to 1/5th and 1/10th of the total Sales Tax shown in the Sales Tax invoice issued by a registered person. Further Rule 3(2) provided that the registered supplier was required to file monthly return and was required to 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. Furthermore non/short payment of tax also attracted penalty and default surcharge leviable under Sections 33 and 34 of the Sales Tax Act, 1990".

Four (04) taxpayers (suppliers) registered with two (02) field offices of FBR made taxable supplies/services to four suppliers/vendors who withheld 1/5th and 1/10th portion of Sales Tax while making payments to the suppliers. But the respective suppliers/vendors did not deposit the remaining 4/5th and 9/10th portion of Sales Tax in the government treasury when verified from the "e-Portal" of the FBR. No legal action was taken by the Department to recover the remaining portion of Sales Tax from the suppliers/vendors. This resulted in non-realization of Sales Tax amounting to Rs.1.27 million for the year 2016-17 besides penalty and default surcharge.

Management Response

The Department replied that an amount of Rs. 0.29 million under adjudication, an amount of Rs. 0.54 million under examination and no reply was furnished by the Department in cases involving amount of Rs. 0.44 million.

DAC Decision

The DAC in its meeting held in February, 2018 directed the Department to expedite the recovery/legal proceedings.

Audit Recommendations

- Expeditious adjudication/examination proceedings.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-38]

4.7.3 Non-realization of Withholding Sales Tax from payment made against advertisement services - Rs. 2,269.07 million

According to Rule 3A of the Sales Tax Special Procedure (Withholding) Rules 2007, a person mentioned in Clause (e) of sub-Rule (2) of Rule 1, who received 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. In case the Sales Tax amount was not indicated on the invoice, the recipient shall deduct Sales Tax at the applicable rate of the value of taxable services.

Three hundred thirty-eight (338) taxpayers registered with ten (10) field offices of FBR received advertisement services and were required to deduct whole amount of Sales Tax mentioned in the invoices issued by the service providers while making payment to the service providers but neither the taxpayers deducted/deposited nor the Department recovered the amount of Sales Tax. This resulted in non-realization of withholding Sales Tax amounting to Rs. 2,269.07 million. Some examples of major taxpayers are given as under:

1. M/s Pakistan Television (NTN 0711560) registered with LTU, Islamabad obtained advertisement services but failed to deduct/deposit Sales Tax while making payment for Tax Year 2016, which resulted in loss of Rs. 46.12 million (DP No.16892-ST).
2. M/s Fauji Foods Ltd (NTN 0786271-7) registered with RTO, Sargodha had received advertisement services but failed to deduct Sales Tax while making payment to the service provider for Tax Year 2015-16, which resulted in loss of Rs. 16.53 million (DP No.16730-ST).

Management Response

The Department replied that an amount of Rs. 14.70 million under recovery, Rs. 1,572.89 million under examination, Rs. 661.37 million under adjudication, Rs. 16.53 million subjudice before court of law and Rs.3.58 million was regularised.

DAC Decision

The DAC in its meetings held in February 2018 directed the Department to expedite recovery/adjudication/legal proceedings.

Audit Recommendations

- Prompt completion of legal/adjudication proceedings.
- Expedite the recovery proceedings.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-39]

4.7.4 Inadmissible/excess adjustment of Sales Tax not deducted by withholding Agents - Rs. 526.21 million

According to Rule 3(2) of the Sales Tax Special Procedure (Withholding) Rules, 2007 the registered supplier shall file monthly return as prescribed in the Sales Tax Rules, 2006 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 as prescribed in the return under Chapter II of the Sales Tax Rules, 2006.

Sixteen (16) taxpayers registered with three (03) field offices of FBR either adjusted Sales Tax which was not withheld by the buyers or adjusted excess amount of Sales Tax than actually withheld by the buyers during the years 2015-16 and 2016-17. The Department did not initiate action against the taxpayers to safeguard public exchequer. This resulted in inadmissible/excess adjustment of Sales Tax withheld by the buyers amounting to Rs. 526.21 million. Some examples of major taxpayers are given as under:

1. M/s Oil & Gas Development Co Ltd (NTN 0787223) registered with LTU, Islamabad claimed adjustment of Rs.4.29 million but the corresponding buyer showed no amount of Sales Tax withheld for Tax Year 2015, which resulted in loss of Rs.4.29 million (DP No.16933-ST).
2. The buyers of M/s Brothers Metal Works Ltd (NTN 3049505-9), registered with RTO, Gujranwala deducted 100% Sales Tax instead 1/5th amount of Sales Tax and the registered person being withholding agent adjusted the said amount against Output Tax

without any payment proof of tax paid for Tax Year 2016-17, which resulted in loss of Rs. 9.38 million (DP No.17415-ST).

Management Response

The Department replied that an amount of Rs. 151.00 million under recovery, Rs. 367.74 million under examination and Rs. 7.47 million was under adjudication.

DAC Decision

The DAC in its meeting held in February, 2018 directed the Department to expedite the recovery/legal proceedings.

Audit Recommendations

- Expeditious recovery/legal proceedings of the government revenue.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-40]

4.7.5 Non-deduction/realization of Sales Tax from government suppliers/ vendors and DDOs - Rs. 27.24 million

According to Rule-2(2) of the Sales Tax Special Procedure (Withholding) Rules 2007, "a withholding agent shall deduct an amount equal to $1/5^{th}$ of the total Sales Tax shown in the Sales Tax invoice issued by a registered person. Further Rule 3(2) of the rules 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. Furthermore non/short payment of tax also attracted penalty and default surcharge leviable under Sections 33 and 34 of the Sales Tax Act 1990".

Fifteen (15) DDOs/Vendors of five (05) field offices of FBR who either partially withheld or did not withhold $1/5^{th}$ Sales Tax from the claims of certain suppliers while making payments. This resulted in non-realization of Sales Tax amounting to Rs. 27.24 million for the years 2014-15 to 2016-17 besides penalty and default surcharge. An example of major taxpayer is given as under:

1. M/s Sarhad Rural Support Programme (NTN 0801716), made taxable purchases under the head of Stationery, printing, photocopies, and

office supplies in Income Tax Returns but failed to deduct one fifth Sales Tax or at the applicable rate of Sales Tax from the payments for Tax Year 2016-17, which resulted in loss of Rs. 1.32 million (DP No.17062-ST).

Management Reply

The Department replied that an amount of Rs. 13.00 million was under recovery, an amount of Rs. 4.82 million under adjudication, an amount of Rs.9.17 million under examination and an amount of Rs. 0.25 million was regularized.

DAC's Recommendations

The DAC in its meeting held in February, 2018 directed the Department to expedite the recovery/legal proceedings.

Audit Recommendations

- Expeditious recovery and adjudication proceedings.
- Proper monitoring of withholding agents for timely filing of returns and payment of tax.

[Annexure-41]

Income Tax

4.7.6 Non-realization of Withholding Tax on salary - Rs. 484.89 million

According to Section 149 (1) read with Section 161 of the Income Tax Ordinance, 2001 every employer paying salary to an employee is required to deduct tax from the amount of salary at the time of payment. The deduction is to be made at average rate of tax computed at the rates specified in Division-I Part-I to the First Schedule.

In eight (08) field formations of FBR, Withholding Tax on salary income of eighty-five (85) taxpayers was not correctly deducted by the withholding agents at the time of making payments. The assessing authorities also did not take remedial action under the law to recover such tax. This resulted in non-realization of tax amounting to Rs. 484.89 million.

Management Response

The Department replied that: (a) tax of Rs.1.15 million has been charged and recovered and (b) legal proceedings for charging tax of Rs. 483.74 million have been initiated but not yet finalized.

DAC Decision

DAC meetings held in February, 2018 directed the Department to finalize the legal proceedings by 20.02.2018.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-42]

4.7.7 Non-realization of Withholding Tax on dividend - Rs. 598.51 million

Section 150 read with Section 161 of the Income Tax Ordinance, 2001 provides that every person paying a dividend is required to deduct tax from the gross amount of dividend at the rate as specified in Division III Part I to the First Schedule.

In two (02) field formations of FBR, withholding agents while making payments of dividend failed to deduct tax in five (05) cases for the Tax Years 2015 and 2016. The Department did not take legal action to collect the tax from the taxpayers. This resulted in non-realization of tax amounting to Rs. 598.51 million.

Management Response

The Department replied legal proceedings for charging of tax have been initiated but not yet finalized.

DAC Decision

DAC meeting held in February, 2018 directed the Department to finalize the legal proceedings by 20.02.2018.

Audit Recommendations

- Non-recovery of tax may be justified.
- Internal controls may be strengthened to avoid recurrence of such irregularities in future.
- Loss of government revenue be made good under intimation to Audit.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-43]

4.7.8 Non-levy of Withholding Tax on brokerage and commission - Rs. 123.19 million

Section 233 read with Section 161 of the Income Tax Ordinance, 2001 provides that withholding agent is required to deduct tax at prescribed rate while making payment of brokerage or commission. The tax so deducted is to be the final tax on the income of such taxpayer.

In eight (08) field formations of FBR, forty-one (41) taxpayers either did not deduct or the tax deducted was less than the prescribed rate of tax on brokerage and commission. The Department did not take remedial action under the law to recover the revenue loss. This resulted in short-levy of tax amounting to Rs. 123.19 million.

Management Response

The Department replied legal proceedings for charging tax of Rs.123.19 million have been initiated but not yet finalized.

DAC Decision

DAC meetings held in February, 2018 directed the Department to finalize the legal proceedings by 20.02.2018.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-44]

4.7.9 Non-recovery of Withholding Tax on income from property - Rs. 982.18 million

According to Section 155 of the Income Tax Ordinance, 2001 every prescribed person while making a payment in full or part, including a payment by way of advance, to any person of rent of immovable property is required to deduct tax from the gross amount of rent paid at the rate specified in Division-V of Part-III to the First Schedule.

In seven (07) field formations of FBR, twenty-seven (27) withholding agents did not deduct Withholding Tax while making payment of rent of property. The Department did not take remedial action to recover the government revenue. This resulted in non-levy of tax amounting to Rs. 982.18 million.

Management Response

The Department replied that legal proceedings for charging tax of Rs.982.18 million have been initiated but not yet finalized.

DAC Decision

DAC meeting held in February, 2018 directed the Department to finalize the legal proceedings by 20.02.2018.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-45]

4.7.10 Non-collection of advance tax - Rs. 1,138.03 million

Section 236 of the Income Tax Ordinance 2001, provides for collection of advance tax from purchasers who purchase goods or property through auction, and every manufacturer, distributor, dealer, wholesaler or commercial importer of electronics, sugar, cement, iron and steel products, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector, at the time of sale to retailers, or distributor, shall collect advance tax at prescribed rates, from the aforesaid person to whom such sales have been made.

In seventeen (17) field formations of FBR, four hundred and thirteen (413) tax collecting agents did not collect advance tax from retailers, persons who used industrial, commercial, and scientific equipment/plant & machinery. Further, advance tax on air tickets was also not collected by from passengers while preparing air tickets. The Department did not take remedial action to recover the government revenue. This resulted in non-levy of tax amounting to Rs. 1,138.03 million. Some examples of major taxpayers are given as under:

1. M/s Air Blue, NTN 1751747, was engaged in domestic and international air transport business. The taxpayer being a withholding agent was liable to collect tax u/s 236B of the Income Tax Ordinance, 2001 on purchase of domestic air tickets @5% of the gross amount of tickets. But failed to collect such tax which resulted in loss of Rs.69.69 million (DP No.16880-IT).
2. M/s Distribution Services (Private) Limited (NTN 0710242) under the jurisdiction of LTU, Karachi being withholding agent taxpayer was liable to pay the withholding tax liability under Section 236H of Income Tax Ordinance, 2001 on time. The Department also did not take any legal proceedings to rectify the same, resulting into loss of revenue amounting to Rs.100.25 million for Tax Year 2015 & 2016 (PDP No.1430-IT/K).
3. M/s Mehran University of Engineering & Technology, Jamshoro under the jurisdiction of RTO, Hyderabad failed to deduct and deposit an amount of Rs. 20.58 million on account of advance tax @5% on Educational Fees. The Department did not take action for the recovery which resulted loss to government revenue amounting to Rs.20.58 million (PDP No.1280-IT/K).

Management Response

The Department replied that (a) an amount of Rs.53.04 million has been recovered and verified (b) an amount of Rs.1.69 million has been charged but recovery awaited (c) an amount involving Rs.1.12 million is subjudice and (d) legal proceedings for charging tax of Rs. 1,082.18 million have been initiated but not yet finalized.

DAC Decision

DAC meetings held in February, 2018 directed the Department to recover the charged amount, pursue the subjudice the cases at appropriate fora and finalize the legal proceedings by 20.02.2018.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-46]

4.7.11 Short/non-deduction of Withholding Tax - Rs. 29,784.96 million

According to Section 153 read with 161 of the Income Tax Ordinance, 2001, "every prescribed person making a payment in full or part including a payment by way of advance to a resident person or permanent establishment in Pakistan of a non-resident person for supply of goods and on the execution of a contract, other than a contract for the sale of goods or the rendering of or providing services, shall, at the time of making the payment, deduct tax from the gross amount payable (including Sales Tax, if any) at the rate specified in Division-III of Part-III of the First Schedule to the Income Tax Ordinance, 2001".

In nineteen (19) field formations of FBR, three hundred and three (303) Withholding agents did not deduct due tax while making payments to suppliers and contractors. The Department did not take remedial action for retrieval of government revenue. This resulted in loss of revenue amounting to Rs. 29,784.96 million. Some examples of major taxpayers are given as under:

1. M/s TNB Remaco Pakistan (Pvt) Ltd. Hubco Power Plant (NTN-3555581-5) falling under the jurisdiction of RTO, Sialkot derived income from contractual receipts through operations and maintenance activities during the Tax Year 2015. The withholding agent was required to deduct tax at the rate of 7% amounting to Rs. 47,833,100 on contractual receipts of Rs. 683,330,000, whereas, tax Rs. 39,420,658 was deducted by the withholding agent. This resulted

into short levy of tax amounting to Rs. 8.41 million. (DP No.19684-IT).

2. M/s Ijaz Ahmed, NTN-4011581 assessed under the jurisdiction of Rawalpindi, made payment for the purchase of Rs. 135,450,471 during the period relevant to the Tax Year 2016, but no withholding tax was deducted by the taxpayer. This resulted in loss of Rs. 6.10 million.

Management Response

The Department replied that an amount of Rs. 29.82 million has been recovered and verified (b) amount of Rs.803.04 million had been charged but recovery was awaited; and (c) legal proceedings for charging tax of Rs. 28,952.10 million had been initiated but not yet finalized.

DAC Decision

DAC meetings held in February, 2018 directed the Department to recover the charged amount and finalize the legal proceedings by 20.02.2018.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-47]

4.8 Expenditure

4.8.1 Irregular Payment of Gratuity to the Serving Officials of PRAL - Rs. 102.45 million

According to Rule 2 & 3 of the Pakistan Revenue Automation (Pvt) Ltd, Employees Gratuity Fund, the object of the Fund is to accumulate certain sums for benefit of the employees of the Company and their families in the event of employees leaving service of the Company, due to but not limited to, termination of service, resignation, retirement, or death. These Rules shall become effective from 1stday of July, 2006 and notwithstanding the date on which fund is recognized by the Commissioner of Income Tax. The policy was discontinued vide PRAL Rules, 2014 with the verdict "no gratuity shall accrue to an employee after 30th June, 2014. However, accumulated balance to the credit of an employee as on 30th June, 2014 shall remain payable, subject to repealed Rules". The Pakistan Revenue Automation (Pvt) Ltd, Employees Gratuity Fund were reinstated in 2016.

Pakistan Revenue Automation (Pvt) Limited Company made payment to its serving employees under the head of gratuity before the event of employees leaving the company after the discontinuation of the policy which had been reinstated again by the Board of Directors of PRAL. The violation of the Rule resulted into irregular payment of Gratuity to the serving officials of Rs. 102.45 million.

Management Response

The PRAL reported that at present the sum of total amount of gratuity presently serving employee is Rs. 10.729 million instead of Rs. 102.459 million and recovery has been started.

DAC Decision

The DAC in its meeting held in February, 2018 directed the PRAL to get the stated position verified and reconciled the figures with Audit.

Audit Recommendation

- Reconciliation of figures in compliance of DAC directives.
- Expeditious recovery of the Government dues.

[DP No.17299-Exp]

4.8.2 Un-justified payment on account of cash reward - Rs. 58.90 million

According to Inland Revenue Reward Rules, 2016 issued vide SRO 398(1)/2016 dated 05th May, 2016, read with FBR's C.No.6(21)S(IR-Operations)/2016, dated 13th June, 2016, the amount of reward in cases of exhibiting meritorious conduct relating to detection, assessment and recovery of tax evaded shall be admissible to the extent mentioned in Tables. The amount of rewards shall be sanctioned after realization of the whole amount of the tax involved. In cases of meritorious conduct, the amount of reward shall be determined by the sanctioning authority provided that the total amount of reward paid to an officer or official during one financial year shall not exceed three months basic pay.

Seven field offices of FBR made payments of cash reward to their officers and staff members in violation of the reward rules. The reward was payable on the basis of extra ordinary contribution, detection, assessment and recovery of evaded amount of tax. The cash reward was allowed to the officers and staff members who were not involved in detection, assessment, recovery of evaded tax. They also received Honorarium on the basis of extra ordinary efforts. This resulted into un-justified payment of cash reward amounting to Rs. 58.90 million during the years 2015-16 and 2016-17.

Management Response

The Department replied that cash reward was sanctioned in terms of sub clause (iii) of clause (d) of the SRO No.398(I)/2016 dated 05.05.2016 after completing the all requirements as per rules with the approval of the competent authorities. However, the cash reward to the officers was awarded after approval of Board according to the criteria laid down by FBR and as per performance of officers/ officials during the year 2016-17. Audit holds that cash reward was to be allowed on the basis of actually detection/ assessment and recovery of taxes evaded as laid down in clause (d)(i) of SRO 398(I)/2016 dated 05.05.2016.

DAC Decision

The DAC in its meetings held in February, 2018 directed the Department to refer the case to FBR for clarification.

Audit Recommendation

- Compliance of DAC directives be made.

- Expeditious recovery of the Government dues.

[Annexure-48]

4.8.3 Irregular expenditure due to misuse of official vehicles and monetization of transport facility - Rs. 55.85 million

According to Cabinet Division's Notification No.6/7/2011-CPC, Islamabad dated 12th December, 2011 regarding monetization of the transport facility for civil servants, Ministries/Divisions/Departments needing operational vehicles were required to get their authorization of such vehicles fixed from the Vehicle Committee constituted with a representative each from Cabinet Division, Finance Division and the respective Ministry/Division/Department. Further, Rule 15 of Staff Car Rules, 1980 provided that proper record i.e. log book, movement registers and requisition slips shall be maintained in respect of all government vehicles for effective control on expenditure on POL and repair & maintenance of official vehicles.

Nine (09) field offices of FBR incurred expenditure on POL/CNG, repair & maintenance of vehicles, however, the authorization of such vehicles as "operational vehicles" was not obtained from Committee of the Cabinet Division. These vehicles were being misused by the officers as they were also drawing monthly conveyance/ monetization allowance. The official vehicles in some cases were even used on gazetted holidays (Saturdays & Sundays) without maintaining the requisite record i.e. log books, movement registers and requisition slips. Thus, use of such vehicles was un-authorized and expenditure of Rs. 55.85 million incurred on POL/CNG and repair & maintenance was found irregular during the year 2016-17.

Management Response

The Department informed that all operational vehicles were authorized and purchased before the enforcement of rules/policy for monetization of the transport facility. According to the Cabinet Division notification No. 6/7/2011-CPC, Islamabad dated 12th December, 2011, for monetization of the transport facility for civil servants, Ministries / Divisions / Departments needing operational vehicles (means new vehicles after the enforcement of rules/policy for monetization of the transport facility) shall get their authorization of such vehicles fixed from the Vehicle Committee constituted with a representative each from Cabinet Division, Finance Division and the respective Ministry/Division/ Department. It does not include the vehicles which were authorized and purchased before the enforcement of rules/policy for monetization of the transport facility. LTU, Lahore informed that case has been submitted to the Cabinet Division through FBR (HQ) for all the vehicles of the organization.

DAC Decision

The DAC in its meetings held in February 2018, directed the Department to pursue the case with the Board, report progress and get the position verified from Audit.

Audit Recommendations

- Withdrawal of vehicles from allottees and submission of case to Cabinet Division for authorization of vehicles.
- Recovery of un-authorized expenditure from the concerned.

[Annexure-49]

4.8.4 Non-recovery of loans / advances and interest from the officers/ officials - Rs. 37.25 million

According to Rule 256, 257(3), 257 (12) (VI) of GFR Vol-I, recovery of loans and advances is to be made in specified instalments and the first instalment is to commence after advance is drawn. Further, according to Rules 243 & 258 (3) of GFR Vol-I, the recovery of interest will commence from the month following the month in which the whole principal amount has been repaid.

Nine (09) field offices of FBR sanctioned different kinds of loans and advances to two hundred and sixty-two officers/officials but recovery of instalments was not initiated from their salaries. Further, recovery of interest was not initiated on repayment of principal amount of loans and advances in certain cases. The omission resulted into non-recovery of loans, advances and interest amounting to Rs. 37.25 million during the years 2015-16 and 2016-17.

Management Response

The Department informed that an amount of Rs. 0.76 million has been recovered and balance amount of Rs. 36.49 million under recovery.

DAC Decision

The DAC in its meeting held in February, 2018 directed the Department to expedite the recovery and report progress to Audit.

Audit Recommendation

- Expeditious recovery of the Government dues.

[Annexure-50]

4.8.5 Un-authorized payment of Performance Allowance - Rs.19.84 million

According to Para 2 of Federal Board of Revenue's Policy Guidelines for IJP process Circular No.1 of 2015 dated 06th March, 2015, the approval of Competent Authority for Performance Allowance shall be sought after receipt of completion certificate from the Admn wing in respect of the required codal formalities i.e. Declaration of Assets and liabilities (up to date) and Income Tax Returns for the last year.

Five field offices of FBR did not stop the Performance Allowance of seventy-six officers/officials despite the fact that the officers failed to file their Income Tax Returns for the last year and the names of these officers were not available in the Active Taxpayers List (ATL). Three officers of RTO, Islamabad were recommended for de-notification for IJP Allowance due to their substandard performance and non-serious attitude towards discharge of their duties. In spite of clear recommendations for de-notification, the officers remained in receipt of performance allowance. This resulted into un-authorized payment of Performance Allowance of Rs. 19.84 million during the year 2016-17.

Management Response

The Department reported the recovery of Rs.0.04 million and intimated to the Officers/Officials for filling of returns, some officers had already filled their Income Tax Returns for the year 2016. The RTO, Islamabad informed that the performance allowance of the officer has not been notified that's why the performance could not be stopped/ recovered. The Audit is of the view that in action on part of Chief commission may be justified despite the lapse of considerable period. The matter may be examined in the light of FBR guidelines towards performance allowance.

DAC Decision

The DAC in its meetings held in February, 2018 recommended the para for settlement to the extent of Rs.0.04 million, directed the Department to provide proof of filing of returns of the concerned officers, expedite final outcome and get it verified from Audit.

Audit Recommendation

- To provide the Income Tax returns filed by the officers/officials.
- Expeditious recovery of the Government dues.

[Annexure-51]

4.8.6 Irregular expenditure due to non-observance of PPRA and General Financial Rules - Rs. 18.07 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.

Five (05) field formations of FBR purchased office stationery, computer stationery, uniform, courier & pilot services, hardware, IT equipment and repair & maintenance of various items by splitting the sanction orders and without fulfilling the pre-requisites regarding procurement. The irregular procurement of inventory resulted into irregular expenditure of Rs.18.07 million during the year 2016-17.

Management Response

Department informed that repair work was done on needs basis as and when it was required. It was done by obtaining quotation. Transport repair is made in emergency; in such a situation tender was not viable procedure. Copies of the head wise expenditure enclosed which reflect that all expenditure were small amount.

DAC Decision

The DAC in its meeting held in February, 2018 directed the Department to furnish comprehensive reply to Audit within fifteen days.

Audit Recommendations

- Justification for violation of PPRA Rules.
- Holding of inquiry to fix responsibility against the person(s) at fault.

[Annexure-52]

4.8.7 Excess payment to staff working beyond sanctioned strength - Rs. 18.38 million

According to Para 5(b) of System of Financial Control & Budgeting, the Principal Accounting Officer is to 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.

Four field offices of FBR made payment of pay and allowances to twenty (29) Officers/Officials posted in excess of sanctioned strength in different cadres. This resulted into excess payment of pay and allowances to the tune of Rs. 18.38 million to staff working beyond the sanctioned strength during the year 2016-17.

Management Response

Department informed that cases of Rs 7.01 million were under process and in remaining cases, no excess payment had been made as there was ample sanction strength in different cadres and the pay of said officers/officials paid against vacant posts. The stance taken by the Department was without documentary evidence. Audit holds that proper orders of the competent authority to utilize vacant posts for adjustment of staff from the other cadres were required.

DAC Decision

DAC in its meetings held in February, 2018 directed the Department to furnish comprehensive reply and to provide proper orders for adjustment by the Competent Authority to utilize vacant posts against other cadres. Further to take up matter with FBR and report progress to Audit.

Audit Recommendation

- Expedite the legal proceedings for regularization of the adjustment of staff against other cadres.

[Annexure-53]

4.8.8 Excess and inadmissible expenditure of pay and allowances - Rs. 8.40 million

According to the Revised Leave Rules, 1980 and Rule 7-A of Supplementary Rules, any employee proceeding on leave is not entitled to draw conveyance allowance. In case of extra ordinary leave, no pay and allowance are admissible to government servants. Further, FBR's Circular No. 01(4)/M(HRM)/ 2012 dated 23rd July 2012 and Circular No.01 of 2015 dated 6th March, 2015, provided that the Performance Allowance will be admissible up to the period of 48 days earned leave whether availed together or separately in a calendar year. As per Rule 5(9) of the Staff Car Rules, 1980, the use of staff car / official vehicle is not allowed to an officer/official who is in receipt of conveyance allowance. Further, Cabinet Division's policy vide No.3(30)T&M/2015-RA-IV dated 15th April, 2016 provided that the mobile phone charges will be admissible to entitled regular employees working only in Ministries/Divisions in BPS 17 to 22 w.e.f. 01st April, 2016 at specified rates.

Sixteen (16) formations including FBR (HQ) Islamabad paid excess and inadmissible pay and allowances of Rs. 8.40 million to 150 officers/officials during different kinds of leave, absence from duty, transfer, deputation and retirement. These also included fixed FBR incentive allowance, transport monetization allowance, instructional allowance, performance allowance, conveyance allowance, integrated allowance, mobile card charges, driver facility charges, honorarium and recovery of overpayment in different cases. This resulted in excess and inadmissible payments of pay and allowances of Rs. 8.40 million during the financial years 2015-16 & 2016-17.

Management Response

The Department reported the recovery of Rs.0.38 million and informed that the remaining cases were under process of recovery.

DAC Decision

The DAC in its meetings held in February, 2018 recommended the para for settlement to the extent of Rs.0.38 million and directed the Department to expedite recovery of the remaining amount under intimation to Audit.

Audit Recommendation

- Expeditious recovery of the Government dues.

[Annexure-54]

4.8.9 Irregular payment on account of Law Charges - Rs. 10.87 million

According to the instructions of Law, Justice & Human Rights Division issued vide U.No.1/2/2006-LA dated 22nd March, 2006, advance payment of 50% of the total fee payable is allowed to the lawyers available at the panel of FBR. The fee structure according to nature and forum of law involved has been prescribed by the Division's instructions issued vide U.O.No.1/2/2005-LA dated 19th July, 2011. Further, according to Ministry of Law, Justice & Human Rights, Islamabad vide No. F1(2)/2002-SS.I.II dated May, 2005 directed all Ministries/ Divisions and Departments not to file suits/ appeals without the consultation of Law and Justice Division.

FBR (HQ) and its five field formations either made payments to lawyers as special professional fee in addition to the normal fee already paid to them or incurred expenditure on account of law charges without prior approval of the Ministry of Law & Justice. Any kind of fee other than normal fee, as prescribed in the Rule, was not allowed. This resulted in irregular payment of Rs. 10.87 million to the lawyers on account of law charges during the year 2016-17.

Management Response

The Department informed that expenditure on law charges was incurred in according to U.O No. 1/2/2005-LA dated 12-09-2005 issued by Ministry of Law, Justice and Human Rights in which Ministry agrees professional fee of advocates for conducting cases on behalf of the Revenue Division/FBR before various courts of law. Moreover, Law and Justice Division clarify vide U.O No.1/2/2005-LA dated 25.02.2009 that the cases relating to FBR the professional fee of their counsel will be dealt though Ministry letter Dated 12.09.2005. Later on, professional fee structure for advocates were revised by Law and Justice Division vide letter No. 1/2/2005-LA dated 19.07.2011. Further, the Department replied that special professional fee was paid in exceptional circumstances after approval from the Chairman FBR and the appeal/suits were being filed through a panel of advocates approved by the Ministry of Law.

DAC Decision

The DAC in its meetings held in February, 2018, directed the Department to provide relevant documents for verification from Audit.

Audit Recommendations

- Compliance of Law and Justice Division directives.
- Expeditious recovery of Government dues.

[Annexure-55]

4.8.10 Non/short-deduction of house rent allowance and 5% house rent charges - Rs. 5.19 million

According to Rule 26 of the Accommodation Allocation Rules, 2002, unless entitled to rent free accommodation, the allottees of an accommodation is to 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, as per 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. Furthermore, according to Para-7 of the Basic Pay Scales, 1983 all employees not provided with Government accommodation are entitled to house rent allowance @ 45% of the minimum of the basic pay scales at the specified stations whereas at all other stations, this allowance will be allowed @30% of the minimum of basic pay scale.

Nine (09) field formations including FBR (HQ) neither deducted 5% house rent charges nor stopped the house rent allowance of the officers/officials who were allotted Government accommodation or hired accommodation. Further, the house rent allowance @45% instead of 30% was paid to the officers/officials posted in remote areas. The omission resulted in non/short deduction of house rent allowance and 5% house rent charges amounting to Rs. 5.19 million during the years 2015-16 and 2016-17.

Management Response

The Department informed that an amount of Rs. 0.44 million has been recovered and balance amount was under recovery process.

DAC Decision

The DAC in its meeting held in February, 2018 recommended the para to the extent of Rs.0.44 million and directed the Department to expedite the complete progress of recovery under intimation to Audit.

Audit Recommendation

- Expeditious recovery of the Government dues.
- Justification for the excess payment of HRA.

[Annexure-56]

4.8.11 Non-deduction of withholding Sales Tax on services - Rs. 7.65 million

According to Punjab Sales Tax on Services Act, 2012 read with Rules, 5, 6 & 8 of Punjab Sales Tax on Services (Withholding) Rules, 2015 and Section 8 of Sindh Sales Tax on Services Act, 2011, the withholding agent shall, for the purposes of acquiring and receiving taxable services indicate in any documents made or given for the purpose, Sales Tax to the extent as provided in the rules shall be deducted and withheld from the payment to be made to the service provider for depositing with Government of the Punjab. If taxable services are received by the Federal Government, the DDO (Authorized Officer) preparing bill for the Accounting office, shall indicate the amount of Sales Tax withheld as per law, and the office of AGPR shall count for and transfer the amount deducted at source during a month to the Government through cheque in the name of Authority by credit to the relevant head of account and send to the Authority by 15th day of the following month.

Six field offices of FBR did not deduct the amount of Sales Tax on services at the time of making payments on account of law charges/legal practitioners & consultants, courier & pilot services and janitorial services. This resulted in non-deduction of Sales Tax of Rs. 7.65 million during the Financial Year 2016-17.

Management Response

The Department reported that letters have been issued to concerned contractors and further progress will be intimated as and when received. In respect of services of legal practitioners, the Tax Bar Associations had challenged the levy of Sales Tax under the Punjab Sales Tax on Services Act, 2012 and Sindh Sales Tax on Services Act, 2011 and the cases are subjudice before Honourable Lahore and Sindh High Courts.

The CRTO informed that matter is under Honorable Lahore High Court. The DAC directed the CRTO to pursue the case vigorously and report progress to Audit.

DAC Decision

The DAC in its meetings held in February, 2018 directed the Department to pursue the case vigorously, expedite final outcome of recovery and get it verified from Audit.

Audit Recommendation

- Expeditious recovery of the Government dues.

[Annexure-57]

4.8.12 Non/short-deduction of Income Tax on salaries and miscellaneous expenses - Rs. 4.12 million

According to Section 12(2)(a) read with Sections 149 & 155 of the Income Tax Ordinance, 2001, any pay, wages or other remuneration provided to an employee is to be chargeable to tax in that year under the head salary at the prescribed rates. Every prescribed person, making a payment in full or part to any person of rent of immoveable property and purchase of goods or services is required to deduct Advance Tax from the gross amount at the prescribed rates. Further, according to Clause 26 of Part-II of the Second Schedule to the Income Tax Ordinance, 2001, the Income Tax @5% shall be charged on payment under the compulsory Monetization of Transport Facility for Civil Servants in BPS-20 to BPS-22.

Six (06) formations including FBR (HQ) did not deduct or short deducted the amount of Income Tax at the time of making payments of hiring of residential accommodations, transport monetization, cash reward and arrears of salaries paid to the employees. This resulted in non/short-realization of Income

Tax amounting to Rs. 4.12 million during the financial years 2015-16 to 2016-17.

Management Response

The Department informed that action for recovery has been initiated and contested the para in one case on the plea that Income Tax had already been deducted at prescribed rates and all the officers submitted their Income Tax returns along with the due amount of tax. Audit did not agree with the Department as no document was provided in support of the reply.

DAC Decision

The DAC in its meetings held in February, 2018 directed the Department to expedite recovery proceedings and report progress to Audit.

Audit Recommendations

- Expeditious recovery of the Government dues.

[Annexure-58]

4.8.13 Excess and inadmissible expenditure - Rs. 6.15 million

According to Para 10 of General Financial Rules, every public officer authorized to incur expenditure from the public funds shall observe the high standards of financial propriety and is expected to exercise the same vigilance in respect of expenditure from public money, as a person of ordinary prudence will exercise in respect of expenditure of his own money. Similarly, Rule-11 of General Financial Rules Vol-I provided that the head of the Department and subordinate disbursing officers are responsible for enforcing financial order and strict economy at every step.

Eleven (11) field offices of FBR incurred excess and inadmissible expenditure in different heads. The payments were made on account of printing & publication, purchase of machinery, repair & maintenance of garden, cable facility at residence, entertainment charges, arrears of janitorial services and Sales Tax charged on exempt/zero rated goods. This resulted into excess and inadmissible expenditure amounting to Rs. 6.15 million during the year 2015-16 to 2016-17.

Management Response

The Department reported that the recovery efforts have been initiated from concerned except in four cases which were contested on the grounds that the serving of official lunches/ dinner were restricted not banned. The expenditure was incurred as day to day need basis in emergency due to different meetings but failed to provide any documentary evidence in support of the reply. The case of printing and publication contested on the plea that powers had been delegated to the Chief Commissioner to incur the expenditure. Audit did not agree with Department as the powers cannot be delegated according to System of Financial Control & Budgeting 2006.

DAC Decision

The DAC in its meetings held in February, 2018 directed the Department to provide documentary evidence to Audit for verification and expedite recovery efforts under intimation to Audit.

Audit Recommendations

- Expeditious recovery of the amount.
- Justification of excess and inadmissible expenditure.

[Annexure-59]

4.8.14 Irregular expenditure by PRAL on behalf of FBR - Rs. 4.85 million

According to Appendix-A & B of the contract between PRAL and FBR, PRAL shall provide all technical and operational support to FBR and FBR will provide a congenial working environment inclusive of complete furnished offices and utilities. Further Rule 10 of PRAL Rules 2014 also prohibits PRAL from procurement of assets for FBR.

PRAL Islamabad made payments on purchase of computer systems and headphone sets for FBR which were installed at call centre located at FBR headquarter. Further, the company also made expenditure for repair & maintenance of assets installed at FBR headquarter and its filed offices and no record were maintained either by PRAL or by FBR. The payment made on behalf of FBR was irregular and against the provisions of the PRAL Rules, 2014. This resulted in irregular expenditure of Rs. 4.85 million during the year 2016-17.

Management Response

PRAL informed that the computer systems and headphone sets were purchased for call centre being operated by PRAL with the approval of BOD.

DAC Decision

The DAC in its meeting held in February, 2018 directed the PRAL to get the stated position verified and its relevant clauses of agreement from Audit.

Audit Recommendations

- Justification of the payments made on behalf of FBR.
- Regularization of payments made by PRAL.

[Annexure-60]

4.8.15 Blockage of Government revenue due to non-disposal of unserviceable vehicles/motor cycles - Rs. 4.30 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 of 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.

Fourteen (14) vehicles and twenty-nine (29) motor cycles were declared condemned by the condemnation committee of the Regional Tax Office, Peshawar but were not disposed of by the Authority. The delay in disposal may result in further deterioration of vehicles/motor cycles causing loss of expected revenue equal to the approximate value of unserviceable vehicles/motor cycles amounting to Rs. 4.30 million during the financial year 2016-17.

Management Response

RTO informed that the condemnation committee had recommended the vehicles for condemnation and RTO was waiting for orders from FBR.

DAC Decision

The DAC in its meeting held in February, 2018 directed the RTO to expedite recovery and report progress to Audit and FBR up to 15.03.2018.

Audit Recommendation

- Expeditious auction of condemned vehicles.

[DP No.17000-Exp]

4.8.16 Non/short-recovery of monthly contribution of benevolent fund and group insurance fund - Rs. 2.97 million

As per Para (ii) of Establishment Division's Office Memo No.18-22/Act-Amdt/Plan/2002, dated 23rd November, 2012, the rate of monthly contribution of Benevolent Fund had been raised from 2% to 2.40% of the Basic Pay without maximum limit as per column (4) of the Sixth Schedule with effect from 01st September, 2012. Further, according to Establishment Division's Office Memorandum No.18-22/Act-Amdt/Plan/2013 dated 16th December 2013, every employee is required to make a monthly payment of Group Insurance Fund at the revised specified rates w.e.f. 01st December, 2013.

FBR (HQ) and its three field formations either did not deduct amount of contribution of benevolent fund and group insurance fund or deducted less amount than the enhanced applicable rates. This resulted into non/short recovery of monthly contribution of benevolent fund and group insurance fund of Rs. 2.97 million during the year 2016-17.

Management Response

The Department reported partial recovery of Rs. 0.04 million in one case and informed that the recovery proceedings in remaining cases have been initiated.

DAC Decision

The DAC in its meeting held in February, 2018 recommended the para for settlement to the extent of Rs. 0.04 and directed the Department to expedite the recovery in remaining cases and report progress to Audit.

Audit Recommendation

- Expeditious recovery of the Government dues.

[Annexure-61]

4.8.17 Inadmissible payment of hired residential accommodations - Rs. 2.20 million

According to Ministry of Housing and Works letter No.F.2(3)/2003-Policy dated 31st July, 2004, the employee of the Department was required to locate a house according to his entitlement and submit an application to his office along with requisite documents for permission to occupy the house. Scale wise rental ceiling, covered area had been specified as an annexure for assessment of rent. If covered area was less than the required, in such case assessment was made according to covered area i.e. assessment of such houses was to be calculated one step below for the purpose of rent. Further, according to Para 8(10) & 15(5) of Accommodation Allocation Rules, 2002, a hired or requisitioned house was to be allotted at the station of posting of the Federal Government servant.

Three (03) field offices of FBR allowed hiring in four cases in violation of the above rules. RTO, Sargodha sanctioned and paid the rent of transit accommodation which was used for private purpose as residence of the officers. There is no provision for hiring of building as Transit Accommodation or hostel for officers and the expense incurred on this account found illegal. In another case the payment of hired accommodation was made other than the owner of the house. The assessment in two cases was finalized on less covered area than the prescribed under the law. This resulted into inadmissible payment of hired residential accommodation of Rs. 2.20 million during the year 2016-17.

Management Response

The Department informed that two cases were under process and final position awaited. RTO, Sargodha contested the para on the plea that FBR had granted approval for payment of rent of Transit Accommodation from the head "Rent of Office Building". Audit emphasized that there is no provision in the law to hire residential accommodation for stay of officers and to pay rent from the budget of the office. Moreover, FBR had no lawful authority to pay the rent of building which was being used for private purpose.

DAC Decision

The DAC in its meeting held in February, 2018 directed the RTO, Sargodha to stop residential/transit utilization of a private hired accommodation in future and recover the amount ab-initio and report progress to Audit. The

DAC further directed the other RTOs to expedite recovery proceedings under intimation to Audit.

Audit Recommendation

- Expeditious recovery of the Government dues.

[Annexure-62]

4.8.18 Irregular payment of Travelling Allowance and Transfer Grant - Rs. 1.16 million

According to Finance Division's O.M. No.F.1(2)-Reg. 10/2005, dated 10th September, 2005, Transfer TA is admissible where change of residence is involved in consequence of change of headquarters. Transfer grant is admissible only where breaking up of the house hold establishment at the old station and setting up of the house hold establishment at new station takes place, and a certificate to this effect is recorded on the Transfer TA bill by the Government servant concerned duly countersigned by the controlling officer. Rule 11 of General Financial Rules Vol-I provides that all heads of the departments 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.

Five (05) field offices of FBR made payments to seventy (70) officers/ officials on account of travelling allowance and transfer grant in excess of the admissible claims. The officers claimed transfer grant against the transfer from one office to another office at the same station or from one station to another station but the officers possessed Government accommodation at the station of posting. In some cases, the travelling allowance was allowed at the higher rates instead of the admissible lower rates. This resulted into irregular payment of travelling allowance and transfer grant amounting to Rs. 1.16 million during the year 2016-17.

Management Response

The Department reported partial recovery of Rs. 0.01 million in one case and contested in one case on the plea that the officers travelled with the approval of the controlling officer but failed to produce documentary evidence in support of the reply. In another case RTO, Bahawalpur replied that as per Finance Division's letter dated 10th September, 2015, the transfer grant was admissible where the breaking up of the house hold establishment at old station and setting up of the house hold establishment at new station takes place. Audit did not agree with the Department as transfer means the movement of a Government servant from one headquarters station to another station either to take up duties of the new post or in consequence of change of his headquarters. In these cases, the transfer/posting made within the jurisdiction of the same RTO/DDO. The remaining cases were under recovery.

DAC Decision

The DAC in its meeting held in February, 2018 recommended the para for settlement to the extent of Rs. 0.01 million, directed the RTO Bahawalpur to get clarification from Finance Division and pursue recovery in remaining cases under intimation to Audit.

Audit Recommendation

- Compliance of DAC directives.
- Expeditious recovery of the Government dues.

[Annexure-63]

4.8.19 Excess payment on account of repair of furniture & purchase of stationery - Rs. 1.26 million

According to Para-23 GFR Vol-I, every government officer should realize fully and clearly that he would be held personally responsible for any loss sustained by Government through fraud or negligence on his part, and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other government officer to the extent which it may be shown that he contributed to the loss by his own action or negligence.

The Chief Commissioner, Regional Tax Office, Quetta sanctioned an amount of Rs. 1.280 million in heads of account repair of furniture and purchase of stationery whereas an amount of Rs.2.54 million was paid to the supplier making an excess payment of Rs.1.26 million against the due amount.

Management Response

Department informed that the payment made was not in excess but within the sanctioned amount the evidence of June reconciliation with the AG office illustrating the disbursed amount and actual grant was produced for evidence.

DAC Decision

The DAC in its meeting held in February, 2018 directed the RTO to provide the documentary evidence to Audit for verification within fifteen days.

Audit Recommendations

- Justification for excess payment and expedite the recovery.
- Fixation of the responsibility on the person (s) at fault.

[DP No.397-Exp/K]

4.8.20 Irregular appointment through deviation from guidelines for recruitment

According to guidelines of Cabinet Wing of Establishment Division Islamabad issued vide No.53/I/2008-SP dated 22nd October, 2014 and 16th January, 2015 for selection of a candidate 70% marks were specified for written test by Department through a testing agency and 30% marks for interview. Out of candidates declared successful in written test, top five candidates would be short listed for interview for each post. Moreover, according to S.No.1 of the Annexure-I to the System of Financial Control & Budgeting issued by the Finance Division Islamabad, the post remaining vacant for 3 years shall be deemed to have been abolished.

Revenue Division Islamabad selected one Naib Qasid against a vacant post out of forty registered applicants by inviting 11 candidates instead of top 5 having marks in written test ranging 14.5 to 17. The selected candidate Mr. Muhammad Junaid CNIC No. 61101-1207540-9 was at Sr. No 11 who obtained 14 marks in test and was granted 18 marks in interview by ignoring the candidate at S. No 1 Mr. Reham Nawaz CNIC No 61101-4036331-9 obtained 17 marks in written exam and 16 marks in interview made him highest in 1st five. The above narrated situation depicted the irregular appointment of the candidate who was not even due for interview. Moreover, process of recruitment of 5 steno typists had not been finalized without any valid justification. These posts were lying vacant from the date of creation on temporary basis, which deemed to be abolished after 3 years whereas four of the mentioned posts had irregularly been converted into permanent posts as is evident from Budget Order 2015-16.

Management Response

The Department admitted that for Naib Qasid call letters to top eleven candidates instead of top five candidates were issued for interview on the direction of Departmental Selection Committee (DSC). Moreover, a second test of eleven candidates from 1st test by testing agency was ordered by DSC and Mr. Muhammad Junaid being the highest scorer in second test and interview was selected for appointment. Subsequently the Department changed stance that according to the amendment in guidelines for recruitment dated 3rd March, 2015, the 1st test for short listing by testing agency was not required in case of Naib Qasid.

Audit was of the view that the Department accepted short listing of 11 candidates for second test out of 41 candidates appearing in 1st test but considered 1st test illegitimate for interview by DSC. Moreover, the Department had not provided the reasons regarding non-completion of recruitment process against temporary posts of Steno Typist lying vacant for years.

DAC Decision

Para could not be discussed in the DAC meeting due to non-submission of working papers by the Department.

Audit Recommendations

- Justify the irregular appointment of Naib Qasid or otherwise fix the responsibility against the persons involved in the process.
- Justify the non-completion of recruitment process of Steno Typists and irregular conversion of vacant temporary posts to the permanent posts.

[DP No.16716-Exp]

CHAPTER-5 INTERNAL CONTROL WEAKNESSES

5.1 Introduction[1]

Internal control is an integral process that is affected by an entity's management and personnel and is designed to address risks and to provide reasonable assurance that in pursuit of the entity's mission, the following general objectives are being achieved:

- executing orderly, ethical, economical, efficient and effective operations
- fulfilling accountability obligations
- complying with applicable laws and regulations
- safeguarding resources against loss, misuse and damage

Internal control is a dynamic process that is continuously adapting to the changes an organization is facing. Management and personnel at all levels have to be involved in this process to address risks and to provide reasonable assurance of the achievement of the entity's mission and general objectives.

5.2 Components of internal control[2]

Internal control consists of five interrelated components:

- Control environment
- Risk assessment process
- Control activities
- Information and communications
- Monitoring

5.3 Internal Control Weaknesses

Audit of Inland Revenue for the year 2016-17 revealed the following internal control weaknesses:

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[1] INTOSAI GOV 9100 Guidelines for internal controls for public sector Pg 6

[2] INTOSAI GOV 9100 Guidelines for internal controls for public sector Pg 13

5.4 Direct Taxes

5.4.1 Acceptance of incomplete/invalid returns due to non-provision of validation checks in web-portal

According to Section 114 (2) read with Section 120 (2) of the Income Tax Ordinance 2001, "a return of income shall be taken to be complete if filed in prescribed form, accompanied by such annexures, statements or documents as may be prescribed stating all the relevant particulars or information as specified in the form of return. Where the return of income is not complete, the Commissioner shall issue notice to the taxpayer informing him of the deficiencies directing him to provide such information failing which the return shall be treated as an invalid return as if it had not been furnished".

Eighteen (18) taxpayers falling under the jurisdiction of three (03) field formations of FBR did not furnish the annual audited accounts, wealth statements and other required documents while filing their returns. The returns filed by the taxpayers without the required documents became invalid in the eyes of the above provision of the law. Legal notices, therefore, were required to be served upon the taxpayers to get the requisite accounts but the needful was not done which showed deficient internal control system employed by the Department. No remedial action was taken by the Department to legalize the matter so that correct amount of tax could be recovered from the taxpayers. Audit intimated FBR about the irregularity during July to November, 2017 and again through draft para in December, 2017.

Management Response

The Department reported that legal proceedings have been initiated.

DAC Decision

DAC in its meeting held in February, 2018 directed the Department to finalize the proceedings and report final compliance by 20.02.2018.

[DP No. 17211, 17166 &17509- IT]

5.4.2 Non-enforcement of Income Tax returns - Rs. 53.69 million

According to Section 114 of the Income Tax Ordinance, 2001, "every company and every person (other than a company) whose taxable income for the year exceeds the maximum amount that is not chargeable to tax under this Ordinance for the year are required to furnish a return of income for a tax year.

Contrary to the above, a taxpayer under the jurisdiction RTO, Faisalabad did not file Income Tax returns for the Tax Years 2015 and 2016, despite the facts that the taxpayers made taxable supplies duly shown in the Sales tax returns for that period. Necessary notices under the Income Tax Ordinance were required to be issued but the needful was not done. This showed ineffective internal control system employed in the Department which resulted loss to the public exchequer amounting to Rs. 53.69 million. Audit pointed out the FBR about the irregularity during July to November, 2017.

Management Response

The Department reported that legal proceedings have been initiated.

DAC Decision

DAC in its meeting held in February, 2018 directed the Department to finalize the proceedings and report final compliance by 20.02.2018.

[DP No. 17265-IT]

5.4.3 Non-imposition of penalty for non/late filing the returns - Rs. 9,516.62 million

According to Section 182 of the Income Tax Ordinance, 2001, "where any person fails to furnish a return of income as required under Section 114 of the Ordinance *ibid* within the due date, such person shall pay a minimum penalty of twenty thousand rupees".

Thirty thousand eight hundred forty-four (30,844) taxpayers being assessed under the jurisdiction of sixteen field formations of FBR either did not file or late filed returns of income for the Tax Years 2015 and 2016 as prescribed under Section 114 *ibid*, but contrary to above provision of the law, the Department did not levy penalty amounting of Rs. 9,516.62 million. Non-initiating any legal action against the defaulter depicted weak internal controls systems in the Department. Audit pointed out the FBR about the irregularity during July to November, 2017 and again through draft para in December, 2017.

Management Response

The Department reported that legal proceedings have been initiated.

DAC Decision

DAC in its meetings held in February, 2018 directed the Department to finalize the proceedings and report final compliance by 20.02.2018.

[Annexure-64]

5.4.4 Excess claim of tax credit - Rs. 27.85 million

According to Section 120 read with Section 137 of the Income Tax Ordinance 2001, "where a taxpayer has furnished a complete return of income for a tax year, the Commissioner shall be taken to have made an assessment of taxable income for that tax year, and the tax due thereon, equal to those respective amounts specified in the return. Further, the tax payable by a taxpayer on the taxable income of the taxpayer for a tax year shall be due on the due date for furnishing the taxpayer's return of income for that year".

Contrary to the above, nine (09) taxpayers being assessed in RTO, Faisalabad and Multan claimed excess credit of withholding tax in the Income Tax returns despite the fact that withholding tax claimed in the returns did not match with the amounts of withholding tax appearing in the e-portal system of FBR. This showed that the internal controls employed in this regard had some defects which required to be addressed but the needful was not done. This resulted in excess withholding tax credit of Rs. 27.85 million.

Audit pointed out the FBR about the irregularity during July to November, 2017 and again through draft para in December, 2017.

Management Response

The Department reported that legal proceedings have been initiated.

DAC Decision

DAC in its meeting held in February, 2018 directed the Department to finalize the proceedings and report final compliance by 20.02.2018.

[DP No. 17077 &17274-IT]

5.5 Indirect Taxes

5.5.1 Non-recovery of government revenue from blacklisted/suspended taxpayers - Rs. 5,275.60 million

According to Section 21 of the Sales Tax Act, 1990, read with Chapter -1 of Sales Tax Rules, 2006, "where a Commissioner is satisfied that a registered person has issued fake invoices, evaded tax or committed tax fraud, he may suspend the registration of that registered person. A Show Cause Notice is to be issued within seven days and proceeding to be completed within 90 days. In case of no response the registered person will be blacklisted. The government revenue determined by the Commissioner is to be recovered as per law. Similar action is to be taken against suppliers and buyers of suspended and blacklisted registered person".

Five hundred and ninety (590) registered persons falling under four (04) field formations of FBR were declared as suspended/black listed who claimed Input Tax adjustments on purchases and issued Sales Tax invoices which were used for Input Tax adjustment/refund. The Department determined their Sales Tax liability of Rs. 5,275.60 million but did not take legal action against the suppliers and buyers. The Department was required to recover determined liability and initiate legal proceedings against the suppliers and buyers which were not done. This resulted in loss of government revenue of Rs. 5,275.604 million during 2013-14 to 2016-17.

Management Response

The Department replied that: (a) an amount of Rs. 12.60 million are under recovery; (b) cases of Rs. 3,437.61 million were awaiting action by the Department; (c) cases of Rs. 301.984 million has been confronted to the taxpayers with the audit observation (d) cases of Rs 1,523.41 million has not been responded by the Department.

DAC Decision

The DAC in its meetings held in February, 2018 directed the Department to expedite recovery proceedings in cases of Rs 12.60 million, take appropriate action in cases of Rs. 3,437.61 million, expedite legal proceedings in cases of Rs. 301.984 million and furnish comprehensive reply in cases of Rs.1,523.41 million and submit updated status to Audit and FBR by 28.02.2018.

[Annexure-65]

5.5.2 Non-finalization of admissibility of refund of Sales Tax - Rs. 3,653.80 million

The Rule 36 (1) of the Sales Tax Rules 2006 provides that, "after disposing of 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 payment 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".

Sales Tax refunds in nineteen hundred forty-eight cases (1948) were either sanctioned by the RTO or through ERS. The refund sanctioning authorities processed the claims and sanctioned refund 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. The Refund Divisions/ERS neither send cases to Post Refund Audit Division nor was any refund case selected for post refund audit. The lack of action on the part of tax authorities rendered payment of Rs. 3,653.80 million as doubtful. The lapse was pointed out to Department in December, 2017 with emphasized that refund of tax being grey area needs to be post audited under intimation to Audit.

Management Response

(a) RTO, Faisalabad contested an amount of 1051.96 on the plea that Post Refund Audit of refund claims was conducted under the Rule, 36 of Sales Tax Refund Rules, 2006 notified which have been subsequently amended through SRO 494(I)/2015 dated 30.06.2015 in which Post Refund Audit is modified to Post Refund Scrutiny through Risk-based selection by FBR therefore, RTO is not authorized to call for any record from refund claimants / registered persons. However, the matter has been taken up with the Board

(b) Cases of Rs.2,601.84 million were awaiting action by the Department.

DAC Decision

DAC in its meeting held in February, 2018 directed the Department to pursue the matter with the Board and take appropriate action in cases of Rs. 2,601.84 million and submit updated status to Audit and FBR by 28.02.2018.

[DP No. 17284-ST, 6331 & 6237-ST/K]

5.5.3 Non-imposition of penalty and default surcharge on non/late filing of Sales Tax Returns - Rs. 579.92 million

According to Section-33 of the Sales Tax Act, 1990, “where any person fails to furnish a return within the due date or such person shall pay a penalty of five thousand rupees. Further as per Section-34 of the Act ibid, if a registered person does not pay the tax due or any part thereof, whether willfully or otherwise, in time or in the manner specified under this Act, the person shall pay default surcharge at the rate of KIBOR plus three per cent per annum, of the amount of tax due”.

Contrary to the above, one thousand five hundred and two (1502) registered persons falling under the eight (08) field formations of FBR failed to furnish the Sales Tax Returns timely during the year 2015-16 & 2016-17. Departmental authorities did not initiate any legal action to impose the penalty & default surcharge against the defaulters. Non-initiating of legal action depicted weak internal controls system in the Department. The lapse resulted in non-imposition/recovery of penalty and default surcharge of Rs. 579.92 million. The lapse was pointed out during August to December, 2017 with the request impose penalty and default surcharge on non/late filers and ensure regular filing of the returns under intimation to Audit.

Management Response

The Department replied that: (a) an amount of Rs. 3.20 million has been recovered (b) cases of Rs.1.168 million was not due; (c) cases of Rs 44.78 million was under recovery;(d) cases of Rs. 13.55 million were under adjudication;(e) cases of Rs. 44.65 million were awaiting action by the Department; (f) cases of Rs.470.452 million had been confronted to the taxpayers with the audit observations (g) no response was furnished by the Department in cases of Rs.2.11million.

DAC Decision

DAC in its meetings held in February, 2018 settle the para to the extent of Rs.4.37 million due to recovery and not due amount and directed the Department to expedite recovery proceedings in cases of Rs. 44.78 million, expedite adjudication proceedings in cases of Rs 13.55 million, take appropriate action in cases of Rs. 44.65 million, and expedite legal proceedings in cases of Rs. 470.452 million and furnish comprehensive reply in cases of Rs. 2.11 million and submit updated status to Audit and FBR by 28.02.2018.

[Annexure-66]

5.6 Expenditure

5.6.1 Improper budgeting and incurring of expenditure over and above budget grant - Rs 11.73 million

Paras 12, 88 and 106 of GFR Vol-I read with Para 5(b) of System of Financial Control and Budgeting, 2006 provide that, "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, Bahawalpur & Commissioner Appeal-IV Lahore made payment on account of pay and allowances over and above the sanctioned strength and expenditure exceeded over and above budget grant during FY 2014-16. This resulted in un-authorized payment of Rs. 11.73 million. The lapse was pointed out to the Department during February and August, 2017.

Management Response

RTO, Bahawalpur informed that letter has been issued to FBR on 25.02.2018 for regularization, whereas no reply was furnished by Commissioner Appeal-IV Lahore.

DAC Decision

The DAC in its meeting held in February, 2018 directed the RTO, Bahawalpur to pursue the case and report progress to Audit up to 15.03.2018. The para relating Commissioner Appeal-IV Lahore could not be discussed in DAC meeting due to non-submission of working paper.

[DP No. 16774 &16837 -Exp]

5.6.2 Non-surrendering of unspent balances - Rs 17.627 million

In terms of Para 95 of General Financial Rules Volume-I, “all anticipated savings shall be surrendered to government immediately they are foreseen but not later than 15th May of each year in any case, unless they are required to meet excesses under some other unit or units which are definitely foreseen at the time. However, savings accruing from funds provided through Supplementary Grant after 15th May shall be surrendered to Government immediately these are foreseen but not later than 30thJune of each year. No savings shall be held in reserve for possible future excesses.”

Three offices under FBR did not surrender unspent balances of sanctioned budget grant of Rs. 17.627 million during FY 2015-16 & 2016-17. This resulted into lapse of Rs. 17.627 million at the part of controlling authority. The lapse was pointed out to the Department during February, 2017 & August to November, 2017.

Management Response

The Department informed that letter has been issued to FBR for regularization.

DAC Decision

DAC in its meeting held in February, 2018 directed the Department to pursue the case and report progress to Audit up to 15.03.2018.

[DP No. 16773, 16954, 17445 -Exp]

5.6 Comments on Internal Audit Department

Internal Audit is an appraisal activity established within an entity as a service to the entity. Its functions include, amongst other things, examining, evaluating and monitoring the adequacy and effectiveness of internal control. Internal Audit is an integral part of internal controls, good financial management, and accountability structure.

The Directorate General (Inspection and Audit) is responsible for internal audit besides inspection of Inland Revenue cases and offices and investigation of cases involving leakage of revenue or evasion of taxes. The Directorate General’s office is headed by a Grade 21 officer. He is assisted by Directors, Deputy Directors and Assistant Directors erstwhile superintendent, deputy superintendent, inspectors of Inland Revenue.

Audit enquired from the FBR internal audit reports for financial year 2016-17. The purpose of obtaining these reports was to perform a critical evaluation of the performance of Internal Audit Department of the FBR with respect to the following areas:

- Coverage of the Department with respect to audits conducted
- Professional competence and capacity building
- Ability of Department to identify key areas of audit
- Ability of Department to come up with recommendations relevant to their objections
- Impact of the audit during the year especially with regard to recoveries pointed out or improvements in internal controls suggested
- Overall comparison of performance of the Internal Audit Department with statutory audit.

FBR did not produce internal audit reports on requisition to Audit. In this situation, Audit surveyed ten offices on random selection basis to ascertain whether internal audit of those offices was performed or not. The survey revealed that internal audit was not conducted even in a single office out of the ten offices.

Therefore, Audit is unable to perform a critical evaluation on internal audit function and offer comments in this respect.

5.7 Conclusion

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

- Acceptance of incomplete/invalid returns on web-portal
- Non-enforcement of returns from eligible persons
- Irregular refund credit on invalid return
- Excess claim of tax credit due to weak controls in system
- Non-finalization of admissibility/ legitimacy of refund of Sales Tax
- Non-monitoring of blacklisted/blocked registered persons resulting in non-recovery of Sales Tax
- Non-imposition of penalty and default surcharge from late/non-filers of sale tax returns
- Over and excess utilization of budget
- Non-surrendering of unspent budget

In light of the above internal control weaknesses identified Audit gave following recommendations:

- Inclusion of data validation checks on web-portal to ensure that only complete returns are accepted
- The FBR web-portal should have a mechanism whereby non-filer are properly monitored
- System control should be strengthened so that taxpayers can only claim such portion of tax credit which was validated by system
- Validation checks in the e-filing system of Sales Tax returns to prevent inadmissible adjustment of Input Tax against invoices issued by blacklisted/non-active units
- Refund claims should be disposed of in a timely manner to avoid risk of payment of compensation (penalty) in case of late refund payments

- Ensure regular filling of Sales Tax return by prompt imposition of penalty and default surcharge
- Budgetary control needs to be strengthened to ensure budgeting is more realistic and achievable
- Conducting of Internal audit and physical verification is an integral part of the internal control system. There is a need to develop an effective internal control i.e. regular physical stock taking and conducting of internal audit to provide safeguard to the public assets

It can be seen from the above picture that the internal controls of the Department are weak and ineffective. Internal controls need significant improvement. Implementation of recommendations offered by Audit can help in improving internal control mechanism which would help in avoiding loss of revenue to the government.

ANNEXURES

Annexure-1

Details of MFDAC for the year 2017-18

DGAIR (North) Lahore (Rs. in million)

S. No.	Name of Formation	No of Paras/ DP No	Title of Para	Amount of Audit Observations			Total Amount	Nature of Audit Observation
				Direct Taxes	Indirect Taxes	Expenditure		
1	RTO Abbottabad	16698	Non-realization of performance and conveyance allowances	0	0	0.64	0.64	Violation of Law / Rules
2	RTO, Abbotabad	16702	Non/ Short deduction of HB Advance	0	0	0.21	0.21	Violation of Law / Rules
3	RTO Islamabad	16721	Non recovery of arrear demand WHT	968.02	0	0	968.02	Violation of Law / Rules
4	RTO Sargodha	16726	Non-recovery of HB Advance	0	0	0.89	0.89	Violation of Law / Rules
5	RTO Sargodha	16734	Non-realization of ST on taxable supplies	0	5.60	0	5.60	Violation of Law / Rules
6	RTO Sargodha	16742	Non Levy of IT due to non filling of IT Return	10.28	0	0	10.28	Violation of Law / Rules
7	RTO, Bahawalpur	16777	Non recovery of Interest	0	0	0.36	0.36	Violation of Law / Rules
8	RTO, Bahawalpur	16818	Unlawful issuance of Income Tax refund due to non assuring	4.87	0	0	4.87	Violation of Law / Rules
9	RTO, Bahawalpur	16820	Short assessment of Income Tax	1.99	0	0	1.99	Violation of Law / Rules
10	RTO, Bahawalpur	16822	Non realization of further tax on supplies made to un-Reg	0	1.63	0	1.63	Violation of Law / Rules

11	RTO, Bahawalpur	16836	Non realization of further tax on supplies made to un-Reg	0	1.09	0	1.09	Violation of Law / Rules
12	LTU Lahore	16841	Unauthorized Payment on account of POL/CNG in the official vehicles	0	0	0.25	0.25	Violation of Law / Rules
13	LTU Lahore	16844	Un-authorized Payment of Conveyance Allowance	0	0	0.13	0.13	Violation of Law / Rules
14	LTU Lahore	16845	Un-Authorized Payment of Performance Allowance	0	0	3.91	3.91	Violation of Law / Rules
15	LTU Islamabad	16945	Non-deduction of Performance allowance on accounts of leave salary from pay of employees	0	0	0.20	0.20	Violation of Law / Rules
16	LTU, Islamabad	16950	Non / Short deduction of Conveyance Allowance	0	0	0.09	0.09	Violation of Law / Rules
17	LTU, Islamabad	16951	Inadmissible payment of HRA	0	0	0.06	0.06	Violation of Law / Rules
18	LTU, Islamabad	16952	Inadmissible payment of Pay & allowance	0	0	0.05	0.05	Violation of Law / Rules
19	LTU, Islamabad	16953	Irregular payment of Medical Charges	0	0	0.29	0.29	Violation of Law / Rules
20	RTO, Sialkot	16971	Loss of revenue due to allowing inadmissible deduction	0.88	0	0	0.88	Violation of Law / Rules

21	RTO, Sialkot	16988	Non realization of Withholding tax	0.33	0	0	0.33	Violation of Law / Rules
21	RTO, Peshawar	17002	Inadmissible payment of pay & Allowances	0	0	0.46	0.46	Violation of Law / Rules
22	RTO, Peshawar	17003	Irregular expenditure on POL	0	0	0.37	0.37	Violation of Law / Rules
23	RTO, Peshawar	17004	Non/Short deduction of house Rent Allowance & 5% house Rent Charges	0	0	0.47	0.47	Violation of Law / Rules
24	Commissioner IR (Appeals), Peshawar	17007	Misclassification of Expenditure	0	0	0.10	0.10	Violation of Law / Rules
25	Additional Commissioner IR Internal Audit, Peshawar	17008	Non-recovery of pay & allowances Rs. 1.210 million	0	0	1.21	1.21	Violation of Law / Rules
26	RTO, Peshawar	17028	In-admissible adjustment of input tax credit	0	0.42	0	0.42	Violation of Law / Rules
27	FBR (HQ) Islamabad	17111	Non-recovery of pay & allowances	0	0	0.25	0.25	Violation of Law / Rules
28	FBR (HQ) Islamabad	17113	Inadmissible payment of Pay & Allowance	0	0	0.07	0.07	Violation of Law / Rules
29	DG, Internal Audit (IR) Islamabad	17115	Over payment of pay & allowances	0	0	0.28	0.28	Violation of Law / Rules
30	DG, Internal Audit (IR) Islamabad	17117	Inadmissible payment of mobile cards charges	0	0	0.04	0.04	Violation of Law / Rules

31	RTO, Islamabad	17164	Inadmissible claim of Sales Tax Refund	0	22.67	0	22.67	Violation of Law / Rules
32	RTO, Islamabad	17175	Non/ Short deduction of Conveyance Allowance	0	0	0.54	0.54	Violation of Law / Rules
33	RTO, Islamabad	17176	Irregular payment on A/c of Medical Charges	0	0	0.29	0.29	Violation of Law / Rules
34	RTO Islamabad	17182	Inadmissible payment of house rent allowance to officer occupying government accommodati on –Rs 0.068 million	0	0	0.07	0.07	Violation of Law / Rules
35	RTO Islamabad	17184	Irregular payment of Instructional Allowance	0	0	0.05	0.05	Violation of Law / Rules
36	RTO, Rawalpindi	17246	Irregular Expenditure on A/c of POL Charges	0	0	3.95	3.95	Violation of Law / Rules
37	RTO, Rawalpindi	17249	Overpayment of pay & Allowances	0	0	0.23	0.23	Violation of Law / Rules
38	RTO, Faisalabad	17256	Irregular Expenditure due to misclassificati on	0	0	0.66	0.66	Violation of Law / Rules
39	PRAL	17297	Short-realization of income tax	0	0	0.88	0.88	Violation of Law / Rules
40	CRTO, Lahore	17375	Inadmissible payment of Medical Charges	0	0	0.52	0.52	Violation of Law / Rules

41	CRTO Lahore	17380	Inadmissible payment/reimbursement of medical charges	0	0	0.54	0.54	Violation of Law / Rules
42	CRTO Lahore	17381	Excess/Un-authorized payment of different allowances	0	0	0.33	0.33	Violation of Law / Rules
43	CRTO Lahore	17382	Excess/Inadmissible payment of TA/DA	0	0	0.18	0.18	Violation of Law / Rules
44	CRTO Lahore	17385	Non /Short deduction of withholding tax (income tax) on account of rent of Hiring	0	0	0.14	0.14	Violation of Law / Rules
45	CRTO Lahore	17387	In-admissible payment on account of integrated allowance & washing allowance	0	0	0.11	0.11	Violation of Law / Rules
46	RTO Gujranwala	17389	Non / short recovery of Group Insurance from Gazetted Officers	0	0	0.55	0.55	Violation of Law / Rules
47	RTO Gujranwala	17391	Non / short deduction of Benevolent Fund	0	0	0.35	0.35	Violation of Law / Rules
48	RTO Gujranwala	17397	Excess / Double payment of Pay and Allowances	0	0	0.08	0.08	Violation of Law / Rules
49	RTO Gujranwala	17398	Non recovery of Interest	0	0	0.07	0.07	Violation of Law / Rules
50	RTO-II, Lahore	17446	Incorrect showing of Medical Charges	0	0	1.61	1.61	Violation of Law / Rules

51	RTO-II, Lahore	17448	Incorrect showing of Medical Charges	0	0	0.75	0.75	Violation of Law / Rules
52	RTO-II, Lahore	17449	Incorrect showing of Medical Charges	0	0	0.53	0.53	Violation of Law / Rules
53	RTO-II Lahore	17450	Unlawful drawing Full pay and Allowance	0	0	0.43	0.43	Violation of Law / Rules
54	RTO-II Lahore	17452	Unlawful drawing Fixed FBR Allowance	0	0	0.23	0.23	Violation of Law / Rules
55	RTO-II, Lahore	17456	Incorrect showing of Medical Charges	0	0	0.13	0.13	Violation of Law / Rules
56	Chief Commissioner (IR) Large Taxpayers Unit, Lahore F-4306	02	Irregularities of lesser significance	0	0	0	0	Violation of Law / Rules
57	Chief Commissioner (IR), RTO, Bahawalpur F-4281 (2nd Phase 2015-16)	16	Irregularities of lesser significance	0	0	77.73	77.73	Violation of Law / Rules
58	Commissioner (IR), Zone-I RTO Bahawalpur F-4282 (2nd Phase 2015-16)	08	Irregularities of lesser significance	1.47	1.67	0	3.13	Violation of Law / Rules
59	Commissioner (IR), Zone-I, RTO Bahawalpur F-4283 (2nd Phase 2015-16)	01	Irregularities of lesser significance	6.60	-	-	6.60	Violation of Law / Rules
60	Commissioner (IR), Appeals, Gujranwala	06	Irregularities of lesser significance	0	0	0.03	0.03	Violation of Law / Rules

	F 4308							
61	Data Processing Unit (IR) Gujranwala F-4310	06	Irregularities of lesser significance	0	0	0.04	0.04	Violation of Law / Rules
62	Additional Director Internal Audit (IR), Gujranwala F-4309	06	Irregularities of lesser significance	0	0	0.05	0.05	Violation of Law / Rules
63	Chief Commissioner (IR), RTO, Gujranwala F-4307	05	Irregularities of lesser significance	0	0	3.45	3.45	Violation of Law / Rules
64	Commissioner (IR), Zone-I, RTO, Gujranwala F-4344	05	Irregularities of lesser significance	0.20	0	0	0.20	Violation of Law / Rules
65	Chief Commissioner IR RTO Abbotabad F-4276 (2nd Phase 2015-16)	11	Irregularities of lesser significance	0	0	0.34	0.34	Violation of Law / Rules
66	Commissioner (IR), ZONE-II, RTO Abbotabad F-4290 (2nd Phase 2015-16)	04	Irregularities of lesser significance	0.12	0.17	0	0.29	Violation of Law / Rules
67	Commissioner (IR), Zone-I, RTO Peshawar F-4365	01	Irregularities of lesser significance	0	0.16	0	0.16	Violation of Law / Rules
68	Commissioner (IR), Zone-II, RTO, Peshawar F-4366	03	Irregularities of lesser significance	0.87	1.20	0	2.07	Violation of Law / Rules
69	Commissioner (IR), Zone-III, RTO, Peshawar F-4367	03	Irregularities of lesser significance	0.30	0.29	0	0.59	Violation of Law / Rules

70	Chief Commissioner (IR) RTO Peshawar F-4294	08	Irregularities of lesser significance	0	0	1.65	1.65	Violation of Law / Rules
71	Commissioner (IR) Appeal, RTO Peshawar F-4295	10	Irregularities of lesser significance	0	0	0.22	0.22	Violation of Law / Rules
72	Additional Director (IR), Internal Audit, Peshawar F-4296	08	Irregularities of lesser significance	0	0	2.92	2.92	Violation of Law / Rules
73	Data Processing Unit IR, Peshawar F 4297	10	Irregularities of lesser significance	0	0	0.09	0.09	Violation of Law / Rules
74	Director I&I, IR, Peshawar F-4346	08	Irregularities of lesser significance	0	0	0.69	0.69	Violation of Law / Rules
75	Chief Commissioner (IR) CRTO, Lahore F-4313	04	Irregularities of lesser significance	0	0	0.21	0.21	Violation of Law / Rules
76	Commissioner (IR), Zone-II, CRTO, Lahore F-4378	01	Irregularities of lesser significance	0.31	0	0	0.31	Violation of Law / Rules
77	Commissioner (IR), Zone-III, CRTO, Lahore F-4379	02	Irregularities of lesser significance	7.98	0	0	7.98	Violation of Law / Rules
78	Commissioner IR Zone-I (Corporate) RTO, Faisalabad F-4384	04	Irregularities of lesser significance	0	10.58	0	10.58	Violation of Law / Rules
79	Commissioner IR Zone-II (Chenab & Lyallpur Zone) F-4385	04	Irregularities of lesser significance	0	0.02	0	0.02	Violation of Law / Rules
80	Commissioner IR Zone-III (Withholding & Jhang Zone) F-4386	03	Irregularities of lesser significance	21.34	0.08	0	21.42	Violation of Law / Rules

81	Chief Commissioner (IR) RTO, Faisalabad F-4347	07	Irregularities of lesser significance	0	0	0.16	0.16	Violation of Law / Rules
82	Commissioner IR (Appeal), Faisalabad F-4348	04	Irregularities of lesser significance	0	0	0.37	0.37	Violation of Law / Rules
83	Deputy Director (DPU), Faisalabad F-4349	07	Irregularities of lesser significance	0	0	0.58	0.58	Violation of Law / Rules
84	Addl. Director Internal Audit, Faisalabad F-4350	06	Irregularities of lesser significance	0	0	9.05	9.05	Violation of Law / Rules
85	Director I&I, Faisalabad F-4351	14	Irregularities of lesser significance	0	0	0.31	0.31	Violation of Law / Rules
86	Commissioner, Inland Revenue, Appeals-III, Rawalpindi F-4300	06	Irregularities of lesser significance	0	0	0.26	0.26	Violation of Law / Rules
87	Commissioner, Inland Revenue, Appeals-IV, Rawalpindi F-4301	05	Irregularities of lesser significance	0	0	1.49	1.49	Violation of Law / Rules
88	Chief Commissioner (IR), RTO Rawalpindi F-4341	04	Irregularities of lesser significance	0	0	0.13	0.13	Violation of Law / Rules
89	Additional Director Data Processing Centre, Inland Revenue Rawalpindi F- 4303	07	Irregularities of lesser significance	0	0	0.65	0.65	Violation of Law / Rules
90	Additional Director Internal Audit, Inland Revenue Rawalpindi F-4302	06	Irregularities of lesser significance	0	0	0.81	0.81	Violation of Law / Rules

91	Director Internal Audit (IR), Lahore F-4293 2nd Phase	05	Irregularities of lesser significance	0	0	0.68	0.68	Violation of Law / Rules
92	Director Intelligence & Investigation (IR), Lahore F-4292 (2nd Phase 2015-16)	08	Irregularities of lesser significance	0	0	0.27	0.27	Violation of Law / Rules
93	Commissioner (IR), Sialkot Zone, RTO, Sialkot F-4343	28	Irregularities of lesser significance	343.56	245.89	0	589.45	Violation of Law / Rules
94	Commissioner (IR), Gujrat Zone, RTO, Sialkot F-4354	01	Irregularities of lesser significance	0	0.78	0	0.78	Violation of Law / Rules
95	Commissioner Zone-1, LTU Islamabad F-4356	02	Irregularities of lesser significance	0	0.07	0	0.07	Violation of Law / Rules
96	Commissioner Zone-II, LTU Islamabad F-4357	01	Irregularities of lesser significance	0	0.26	0	0.26	Violation of Law / Rules
97	Commissioner Zone-III, LTU Islamabad F-4358	05	Irregularities of lesser significance	6.54	0	0	6.54	Violation of Law / Rules
98	Chief Commissioner (IR), LTU Islamabad F-4355	03	Irregularities of lesser significance	0	0	0.62	0.62	Violation of Law / Rules
99	Commissioner Appeal-1 (IR), LTU Islamabad F-4305	06	Irregularities of lesser significance	0	0	0.64	0.64	Violation of Law / Rules
100	Chief Commissioner (IR) Regional Tax Office, Islamabad F- 4328	06	Irregularities of lesser significance	0	0	0.24	0.24	Violation of Law / Rules
101	Directorate of Training (IR) FBR, Islamabad F-4326	07	Irregularities of lesser significance	0	0	0.68	0.68	Violation of Law / Rules

102	Director Internal Audit (IR), Islamabad F-4325	10	Irregularities of lesser significance	0	0	1.83	1.83	Violation of Law / Rules
103	Pakistan Revenue Automation Limited, Islamabad F-4324	03	Irregularities of lesser significance	0	0	1.24	1.24	Violation of Law / Rules
104	Director Research & Statistic, FBR, Islamabad F-4314	11	Irregularities of lesser significance	0	0	0.65	0.65	Violation of Law / Rules
105	Director Intelligence & Investigation (IR), Multan F-4316	08	Irregularities of lesser significance	0	0	0.10	0.10	Violation of Law / Rules
106	Additional Directorate of Internal Audit (IR), Multan F-4317	07	Irregularities of lesser significance	0	0	0.21	0.21	Violation of Law / Rules
107	Commissione r (IR), Appeals, Multan F-4318	07	Irregularities of lesser significance	0	0	0.02	0.02	Violation of Law / Rules
108	Deputy Director, Data Processing Unit, Multan F-4319	09	Irregularities of lesser significance	0	0	0.07	0.07	Violation of Law / Rules
109	Chief Commissioner (IR), Regional Tax Office, Multan F-4320	14	Irregularities of lesser significance	0	0	0.79	0.79	Violation of Law / Rules
110	Commissioner (IR), Zone-I, Regional Tax Office, Multan F-4362	05	Irregularities of lesser significance	24.18	0	0	24.18	Violation of Law / Rules
111	Commissioner (IR), Zone-III, Regional Tax Office, Multan F-4364	10	Irregularities of lesser significance	191.91	206.59		398.50	Violation of Law / Rules

112	Chief Commissioner (IR) RTO, Sargodha F-4277 (2nd Phase 2015-16)	05	Irregularities of lesser significance	0	0	1.82	1.82	Violation of Law / Rules
113	Commissioner IR, Zone-I, RTO Sargodha F-4278 (2nd Phase 2015-16)	03	Irregularities of lesser significance	0.13	2.18	0	2.31	Violation of Law / Rules
114	Commissioner IR, Zone-II, RTO Sargodha F-4279 (2nd Phase 2015-16)	10	Irregularities of lesser significance	12.65	2.13	0	14.78	Violation of Law / Rules
115	Recruitment in FBR and field formations F-4288 (2nd Phase 2015-16)	01	Irregularities of lesser significance	0	0	0	0	Violation of Law / Rules
116	FBR Hq (Expenditure) Islamabad F-4369	39	Irregularities of lesser significance	0	0	37.38	37.38	Violation of Law / Rules
117	Director General Internal Audit IR (Expenditure) Islamabad F-4370	06	Irregularities of lesser significance	0	0	5.26	5.26	Violation of Law / Rules
118	Secretary Project Monitoring & Evaluation Cell (Expenditure) Islamabad F-4371	07	Irregularities of lesser significance	0	0	1.79	1.79	Violation of Law / Rules
119	Project Director, Development of Integrated Transit Trade Management System, Islamabad F-4372	07	Irregularities of lesser significance	0	0	221.07	221.07	Violation of Law / Rules

120	Revenue Division (FBR) Islamabad (Expenditure) Islamabad F-4373	08	Irregularities of lesser significance	0	0	0.74	0.74	Violation of Law / Rules
121	Director General Intelligence & Investigation IR Islamabad F-4374	13	Irregularities of lesser significance	0	0	6.51	6.51	Violation of Law / Rules
122	Chief Coordinator, Computer Wing Inland Revenue Islamabad	06	Irregularities of lesser significance	0	0	0.47	0.47	Violation of Law / Rules
123	DPC (Inland Revenue), Lahore F-4336	07	Irregularities of lesser significance	0	0	0.05	0.05	Violation of Law / Rules
124	Chief Commissioner (IR) RTO-II, Lahore F-4335	02	Irregularities of lesser significance	0	0	0.03	0.03	Violation of Law / Rules
125	DG IR DOT, Lahore F-4284	10	Irregularities of lesser significance	0	0	20.54	20.54	Violation of Law / Rules
126	LTU, Islamabad	16882	Non-levy of default surcharge	37.56	0	0	37.56	Violation of Law / Rules
			Total	**1,642.09**	**503.48**	**428.48**	**2,575.05**	

DGAIR (South) Karachi (Rs. in million)

S. No.	Name of Office	No. of Para	Title of Para	Amount of Audit Observation				Nature of Audit Observation
				Direct Tax	Indirect Tax	Expenditure	Total	
1	LTU Karachi	9	Irregularities of lesser significant	0	0	26.71	26.71	Violation of Law/Rules
		399-Exp	Non-deduction of advance tax from supplier	0	0	0.09	0.09	Violation of Law/Rules
		403-Exp	Irregular expenditure on account of security services	0	0	0.98	0.98	Violation of Law/Rules
2	LTU-II Karachi	20	Irregularities of lesser significant	1,157.59	453.68	3.86	1,615.13	Violation of Law/Rules
3	CRTO Karachi	16	Irregularities of lesser significant	4.61	0	32.17	36.78	Violation of Law/Rules
		409-Exp	Irregular expenditure on account of janitorial services	0	0	3.69	3.69	Violation of Law/Rules
		407-Exp/K	Irregular expenditure on account of assistance packages for families of died persons	0	0	16.00	16.00	Cabinet Division Notification No.8/24/2016-E-2 dated 22.06.2016
4	RTO-II Karachi	10	Irregularities of lesser significant	0	0	3.95	3.95	Violation of Law/Rules
5	RTO-III Karachi	31	Irregularities of lesser significant	115.31	0	2.92	118.225	Violation of Law/Rules
		385-Exp	Irregular expenditure on account of janitorial services	0	0	3.53	3.53	Violation of Law/Rules
6	RTO Hyderabad	25	Irregularities of lesser significant	0	0	15.605	15.605	Violation of Law/Rules

		363-Exp	Splitting of expenditure to avoid tenders	0	0	0.81	0.81	Violation of Law/Rules
		365-Exp	Irregular expenditure due to non-invitation of open tender	0	0	1.19	1.19	Violation of Law/Rules
7	RTO Hyderabad	368-Exp	Irregular drawl of POL/CNG against officially condemned declared vehicle	0	0	1.35	1.35	Violation of Law/Rules
		371-Exp	Non-recovery of government dues	0	0	20.66	20.66	Violation of Law/Rules
8	RTO Sukkur	27	Irregularities of lesser significant	321.46	54.01	1.73	377.2	Violation of Law/Rules
		372-Exp	Irregular expenditure on law charges	0	0	0.80	0.80	Violation of Law/Rules
		376-Exp	Irregular award of tender on account of purchases	0	0	4.67	4.67	Violation of Law/Rules
		377-Exp/K	Irregular payment on account of medical re-imbursement	0	0	0.81	0.81	Finance Division Regulation Office memorandum No.F-6(1)R-10/2010-171-2011dated 24.03.2011
9	RTO Quetta	15	Irregularities of lesser significant	0.10	0.06	1.73	1.89	Violation of Law/Rules
10	Commissioner Appeals-I Karachi	4	Irregularities of lesser significant	0	0	0.03	0.03	Violation of Law/Rules
11	Director IOCO Karachi	9	Irregularities of lesser significant	0	0	0.50	0.50	Violation of Law/Rules

12	Director I & I Karachi	5	Irregularities of lesser significant	0	0	0.06	0.06	Violation of Law/Rules
13	Director Internal Audit Inland Revenue Karachi	7	Irregularities of lesser significant	0	0	2.12	2.12	Violation of Law/Rules
14	DOT Karachi	7	Irregularities of lesser significant	0	0	2.19	2.19	Violation of Law/Rules
Total –Karachi Total				**1,599.07**	**507.75**	**148.16**	**2,254.97**	
Total-Lahore				**1,642.09**	**503.48**	**428.48**	**2,574.05**	
Grand Total				**3,241.16**	**1,011.23**	**576.64**	**4,829.02**	

Annexure-1A

Details of MFDAC for the year 2016-17

DGAIR (North) Lahore (Rs. in million)

S. No.	Name of Formation	No of Paras	Title of Para	Amount of Audit Observations			Total Amount	Compliance	Non-Compliance
				Direct Taxes	Indirect Taxes	Expenditure			
1	Chief Commissioner (IR) RTO Abbottabad	15936	Irregular / unauthorized payment in the head Cost of Others"	0.00	0.00	0.56	0.56	0	0.56
2	Chief Commissioner (IR) RTO Abbottabad	15938	Non-recovery of pay & allowances during LHP	0.00	0.00	0.34	0.34	0	0.34
3	Chief Commissioner (IR) RTO Abbottabad	15939	Irregular / unauthorized payment in the head of account A-03902 "Printing & Publication"	0.00	0.00	0.33	0.33	0	0.33
4	Chief Commissioner (IR) RTO Abbottabad	15944	Short recovery of Benevolent Fund and GP Fund	0.00	0.00	0.07	0.07	0	0.07
5	Chief Commissioner (IR) RTO Abbottabad	15943	Irregular payment of overtime allowance	0.00	0.00	0.07	0.07	0	0.07
6	Chief Commissioner (IR) RTO Abbottabad	15942	Irregular/ Un-authorized expenditure	0.00	0.00	0.19	0.19	0	0.19
7	Director Internal Audit (IR) Lahore	15975	Non-deduction of Income Tax from hiring bills	0.00	0.00	0.14	0.14	0	0.14

8	Chief Commissioner (IR) RTO Peshawar	15993	Loss due to non-recovery of value addition tax at import stage	0.00	278.74	0.00	278.74	0	278.74
9	Chief Commissioner (IR) RTO Peshawar	16323	Non-levy of penalty	571.48	0.00	0.00	571.48	0	571.48
10	Chief Commissioner (IR) LTU Islamabad	16078	Non-recovery of default surcharges and penalty on late payment of Franchise	0.00	390.69	0.00	390.69	0	390.69
11	Chief Commissioner (IR) LTU Islamabad	16363	Non-treatmen of withholding tax as final and minimum tax	6,997.10	0.00	0.00	6,997.12	0	6,997.12
12	Commissioner (IR) Abbottabad	16120	Loss of revenue due to non-initiating the proceedings of annulled assessments	234.30	0.00	0.00	234.30	0	234.30
13	Commissioner IR RTO-I Lahore	16178	Non-payment of Penalty	8.98	0.00	0.00	8.98	0	8.98
14	Chief Commissioner (IR) RTO Peshawar	16202	Concealment of government dues	0.00	0.17	0.00	0.17	0	0.17
15	Chief Commissioner (IR) RTO, Peshawar	16212	Concealment of government dues	0.00	1.86	0.00	1.86	0	1.86
16	Chief Commissioner (IR) RTO Peshawar	16213	Non-Realization of Sales Tax and further Tax	0.00	2.99	0.00	2.99	0	2.99

17	Chief Commissioner (IR) RTO Gujranwala	16247	Wrong issuance of exemption Certificate u/s 148 of Income Tax Ordinance	0.00	0.00	0.00	0.00	0	0.00
18	Chief Commissioner (IR) RTO Gujranwala	16229	Short recovery of GP Fund	0.00	0.00	0.78	0.78	0	0.78
19	Chief Commissioner (IR) RTO Gujranwala	16248	Wrong issuance of exemption Certificate u/s 148 of Income Tax Ordinance	0.00	0.00	0.00	0.00	0	0.00
20	Chief Commissioner (IR) RTO Sialkot	16262	Non/Short deduction of group insurance	0.00	0.00	0.45	0.45	0	0.45
21	Chief Commissioner (IR) RTO Sialkot	16260	Non/Short deduction of Benevolent Fund/ GP Fund	0.00	0.00	0.28	0.28	0	0.28
22	Chief Commissioner (IR) RTO Sialkot	16261	Non/Short deduction of Benevolent Fund/ GP Fund	0.00	0.00	1.18	1.18	0	1.18
23	Chief Commissioner RTO-II Lahore	16286	Payment of inadmissible salary during EOL	0.00	0.00	1.72	1.72	0	1.72
24	Chief Commissioner RTO-II Lahore	16316	Incorrect payment of House Rent allowance	0.00	0.00	0.18	0.18	0	0.18
25	Chief Commissioner RTO-II Lahore	16315	Irregular expenditure on POL/CNG	0.00	0.00	5.80	5.80	0	5.80
26	Chief Commissioner Corporate RTO-I Lahore	16377	Inadmissibl e payment of conveyance allowance	0.00	0.00	0.17	0.17	0	0.17

27	Chief Commissioner Corporate RTO-I Lahore	16378	Inadmissible payment of House rent allowance	0.00	0.00	0.07	0.07	0	0.07
28	Commissioner Corporate RTO-I Lahore	16380	Inadmissible payment of pay& allowances	0.00	0.00	0.17	0.17	0	0.17
29	Chief Commissioner RTO Multan	16411	Non-recovery of Interest on motor car and motor cycle advances	0.00	0.00	0.39	0.39	0	0.39
30	Chief Commissioner RTO Multan	16412	Irregular payment of pay& allowances	0.00	0.00	0.20	0.20	0	0.20
31	Chief Commissioner RTO Multan	16416	Irregular payment of pay& allowances	0.00	0.00	0.05	0.05	0	0.05
32	Commissioner IR Multan Zone Multan	16423	Loss of revenue due to non-initiating the proceeding s of annulled assessment s	23.44	0.00	0.00	23.44	0	23.44
33	Commissioner IR Sahiwal Zone Multan	16452	Loss of revenue due to non-initiating the proceeding s of annulled assessment s	0.97	0.00	0.00	0.97	0	0.97
34	Chief Commissioner (IR) RTO Faisalabad	16503	In-admissible expenditure on uniform & livery items	0.00	0.00	0.25	0.25	0	0.25
35	Chief Commissioner (IR) RTO Faisalabad	16487	Inadmissibl e payment of cash reward	0.00	0.00	0.18	0.18	0	0.18

36	Chief Commissioner (IR) RTO Faisalabad	16495	Irregular expenditure on POL/CNG	0.00	0.00	3.90	3.90	0	3.90
37	Chief Commissioner (IR) RTO Faisalabad	16496	Irregular expenditure on POL/CNG	0.00	0.00	0.39	0.39	0	0.39
38	Chief Commissioner (IR) RTO Faisalabad	16497	Irregular expenditure on POL/CNG	0.00	0.00	0.15	0.15	0	0.15
39	Chief Commissioner (IR) RTO Faisalabad	16493	Non-recovery of rent	0.00	0.00	0.35	0.35	0	0.35
40	Chief Commissioner (IR) LTU Lahore	16312	Irregular expenditure on POL/CNG	0.00	0.00	6.50	6.50	0	6.50
41	Director I&I Faisalabad	16504	In-admissible expenditure on uniform & livery items	0.00	0.00	0.11	0.11	0	0.11
42	FBR (HQ) Islamabad	16528	Doubtful/wasteful expenditure	0.00	0.00	4.03	4.03	0	4.03
43	FBR (HQ) Islamabad	16550	In-admissible payment of conveyance allowance during leave period	0.00	0.00	0.18	0.18	0	0.18
44	DG I&I Islamabad	16555	Non-deduction of Income tax against services	0.00	0.00	0.05	0.05	0	0.05
45	DG Internal Audit (IR) Islamabad	16557	Short deduction of Income tax from the payment of cash reward	0.00	0.00	0.04	0.04	0	0.04

45	DG Internal Audit (IR) Islamabad	16558	Excess payment of pay &Allowances during leave	0.00	0.00	0.02	0.02	0	0.02
46	Chief Commissioner (IR) RTO Islamabad	16658	Over payment of pay & Allowances due to grant of annual increment to probationers who failed to pass their FOPE	0.00	0.00	0.06	0.06	0	0.06
47	Chief Commissioner (IR) RTO Islamabad	16659	In-admissible payment of House Rent allowance	0.00	0.00	0.04	0.04	0	0.04
48	Chief Commissioner (IR) RTO Islamabad	16660	Irregular payment of medical charges	0.00	0.00	0.03	0.03	0	0.03
49	Chief Commissioner (IR) RTO Islamabad	16661	Unjustified payment of Performance Allowance to Probationers before completing probation period	0.00	0.00	0.35	0.35	0	0.35
50	Chief Commissioner (IR) RTO Islamabad	16662	Short deduction of income tax due to non-inclusion of rent paid into the salaries of the officers	0.00	0.00	0.33	0.33	0	0.33
51	Chief Commissioner (IR) RTO Islamabad	16653	Splitting of expenditure	0.00	0.00	0.52	0.52	0	0.52

52	Chief Commissioner (IR) RTO Islamabad	16651	Excess payment of TA/DA	0.00	0.00	0.03	0.03	0	0.03
53	Chief Commissioner (IR) RTO Islamabad	16656	Over payment of residential building	0.00	0.00	0.16	0.16	0	0.16
54	PRAL Islamabad	16667	Non-recovery of outstanding advances	0.00	0.00	0.17	0.17	0	0.17
55	PARAL Islamabad	16673	Non-finalization of long outstanding liabilities	0.00	0.00	7.07	7.07	0	7.07
56	Commissioner IR Corporate Zone Multan	16679	Loss of revenue due to non-initiating the proceeding s of annulled assessment s	5.57	0.00	0.00	5.57	0	5.57
57	Chief Commissioner (IR) RTO Rawalpindi	16620	Irregular/ excess payment of cash reward	0.00	0.00	1.43	1.43	0	1.43
58	Chief Commissioner (IR) RTO Rawalpindi	16618	Irregular payment of hiring	0.00	0.00	1.27	1.27	0	1.27
59	Chief Commissioner (IR) RTO Rawalpindi	16619	Irregular payment of hiring	0.00	0.00	0.31	0.31	0	0.31
60	Revenue Division, FBR Islamabad	16541	Inadmissibl e/Excess deputation allowance	0.00	0.00	0.09	0.09	0.09	-
61	Special Refund Study 2011-15 RTO Faisalabad) F-4185	4	Irregularities of lesser significance	3.20	1.55	0.00	4.75	1.60	3.15

62	Special Refund Study 2011-15 (LTU Lahore) F-4203	7	Irregularities of lesser significance	6,454.79	0.00	0.00	6,454.79	0	6454.79
63	Special Refund Study 2011-15 (RTO Multan) F-4202	1	Irregularities of lesser significance	57.39	0.00	0.00	57.39	0	57.39
64	Special Refund Study 2011-15 (RTO Gujranwala) F-4178	8	Irregularities of lesser significance	2.12	6.60	0.00	8.72	6.60	2.12
65	Special Refund Study 2011-15 (RTO Sialkot) F-4179	1	Irregularities of lesser significance	0.00	0.05	0.00	0.05	0	0.05
66	Chief Commissioner (IR) RTO Faisalabad F-4222	8	Irregularities of lesser significance	0.00	0.00	22.75	22.75	0	22.75
67	I&I Faisalabad F-4226	11	Irregularities of lesser significance	0.00	0.00	8.97	8.97	0	8.97
68	DPU Islamabad F-4224	4	Irregularities of lesser significance	0.00	0.00	0.27	0.27	0	0.27
69	Commissioner (IR) Zone-I RTO Faisalabad F-4233	8	Irregularities of lesser significance	140.85	0.05	0.00	140.90	0	140.90
70	Commissioner (IR) Zone-II RTO Faisalabad F-4234	3	Irregularities of lesser significance	1.46	0.00	0.00	1.46	0	1.46
71	Commissioner (IR) Zone-III RTO Faisalabad F-4235	2	Irregularities of lesser significance	2.25	0.00	0.00	2.25	0	2.25
72	Chief Commissioner (IR) RTO Multan F-4205	9	Irregularities of lesser significance	0.00	0.00	21.48	21.48	0	21.48

73	DPU IR Multan F-4248	8	Irregularities of lesser significance	0.00	0.00	0.04	0.04	0	0.04
74	Commissioner (IR) Multan Zone RTO Multan F-4264	3	Irregularities of lesser significance	0.00	0.32	0.00	0.32	0	0.32
75	Commissioner (IR)Sahiwal Zone RTO Multan F-4266	1	Irregularities of lesser significance	0.00	0.07	0.00	0.07	0	0.07
76	Commissioner (IR) Corporate Zone RTO Multan F-4265	3	Irregularities of lesser significance	0.00	5.74	0.00	5.74	0	5.74
77	Chief Commissioner (IR) RTO Abbottabad F-4187	4	Irregularities of lesser significance	0.00	0.00	0.00	0.00	0	0.00
78	Commissioner (IR), Zone-II RTO Abbottabad F-4193	1	Irregularities of lesser significance	0.03	0.00	0.00	0.03	0	0.03
79	Chief Commissioner (IR) RTO Gujranwala F-4242	7	Irregularities of lesser significance	0.00	0.00	6.21	6.21	0.389	5.820
80	Commissioner (IR) Zone-I RTO Gujranwala F-4243	2	Irregularities of lesser significance	0.72	5.10	0.00	5.82	5.103	0.717
81	Commissioner (IR) Zone-II RTO Gujranwala F-4247	2	Irregularities of lesser significance	125.39	2.05	0.00	127.44	2.051	125.388
82	Data Processing Unit RTO Gujranwala F-4244	4	Irregularities of lesser significance	0.00	0.00	0.00	0.00	00	00

83	Chief Commissioner (IR) RTO Rawalpindi F-4238	8	Irregularities of lesser significance	0.00	0.00	0.25	0.25	.025	0
84	Data Processing Center (IR) Rawalpindi F-4239	5	Irregularities of lesser significance	0.00	0.00	0.27	0.27	0.27	0
85	Commissioner (IR) Cantt. Zone RTO Rawalpindi F-4241	3	Irregularities of lesser significance	11.26	0.00	0.00	11.26	0	11.260
86	Commissioner (IR) District. Zone RTO Rawalpindi F-4268	3	Irregularities of lesser significance	3.56	0.28	0.00	3.84	0	3.84
87	Chief Commissioner (IR)RTO Sialkot F-4237	9	Irregularities of lesser significance	0.00	0.00	1.25	1.25	0	1.25
88	Commissioner (IR) Sialkot Zone RTO Sialkot F-4236	17	Irregularities of lesser significance	3.93	2.87	0.00	6.80	0	6.80
89	Commissioner (IR) (Gujrat Zone) RTO, Sialkot F-4235A	7	Irregularities of lesser significance	4.96	0.72	0.00	5.68	00	5.68
90	Commissioner (IR) Zone-III, LTU Islamabad F-4254	1	Irregularities of lesser significance	0.04	0.00	0.00	0.04	0	0.04
91	Chief Commissioner (IR) LTU Islamabad F-4206	7	Irregularities of lesser significance	0.00	0.00	1.39	1.39	0	1.39
92	DG DOT&R Lahore F-4180	13	Irregularities of lesser significance	0.00	0.00	19.90	19.90	0	19.90

93	DPC Lahore F-4181	13	Irregularities of lesser significance	0.00	0.00	0.13	0.13	0	0.13
94	Commissioner (IR) Zone-III RTO, Lahore F-4198	7	Irregularities of lesser significance	0.12	332.30	0.00	332.42	0	332.42
95	Commissioner (IR) Zone-V RTO, Lahore F-4199	3	Irregularities of lesser significance	21.91	0.03	0.00	21.94	0	21.94
96	Commissioner (IR) Zone-VI RTO, Lahore F-4200	18	Irregularities of lesser significance	32.23	54.05	0.00	86.28	0	86.28
97	Chief Commissioner (IR) RTO Peshawar F-4255	14	Irregularities of lesser significance	0.00	0.00	14.35	14.35	0	14.35
98	DPC IR, Peshawar F-4259	3	Irregularities of lesser significance	0.00	0.00	0.05	0.05	0	0.05
99	Commissioner (IR) Zone-I RTO Peshawar F-4256	3	Irregularities of lesser significance	0.00	602.86	0.00	602.86	0	602.86
100	Commissioner (IR) Zone-II RTO Peshawar F-4257	3	Irregularities of lesser significance	0.00	0.09	0.00	0.09	0	0.09
101	Commissioner (IR) Zone-III RTO Peshawar F-4260	11	Irregularities of lesser significance	294.12	167.77	0.00	461.89	0	461.89
102	Chief Commissioner (IR) RTO Islamabad F-4227	10	Irregularities of lesser significance	0.00	0.00	1.47	1.47	0	1.47
103	Commissioner (IR)Zone RTO Islamabad F-4229	3	Irregularities of lesser significance	6.42	0.00	0.00	6.42	0	6.42
104	Computer Wing FBR Islamabad F-4221	9	Irregularities of lesser significance	0.00	0.00	0.74	0.74	0	0.74

105	DG I&I Islamabad F-4220	8	Irregularities of lesser significance	0.00	0.00	2.69	2.69	0	2.69
106	FBR(HQ) Islamabad F-4216	11	Irregularities of lesser significance	0.00	0.00	862.84	862.84	0	862.84
107	Internal Audit, Islamabad F-4212	8	Irregularities of lesser significance	0.00	0.00	1.98	1.98	0.052	1.928
108	Revenue Division, FBR Islamabad F-4215	5	Irregularities of lesser significance	0.00	0.00	1.50	1.50	1.311	0.189
109	Chief Commissioner (IR) RTO-I Lahore F-4204	4	Irregularities of lesser significance	0.00	0.00	0.10	0.10	0	0.10
110	Chief Commissioner (IR) LTU, Lahore F-4208	5	Irregularities of lesser significance	0.00	0.00	0.01	0.01	0	0.01
111	Chief Commissioner (IR) RTO-II Lahore F-4207	6	Irregularities of lesser significance	0.00	0.00	0.20	0.20	0	0.20
112	Commissioner (IR) Zone-I LTU, Lahore F-4249	1	Irregularities of lesser significance	59.64	0.00	0.00	59.64	0	59.64
113	PRAL Islamabad F-4231	1	Non-recovery of outstanding advances	0.00	0.00	1.32	1.32	0	1.32
114	Internal Audit Lahore F-4190	1	Non-maintenance of GP Fund register/Ledger of Class-IV servants	0.00	0.00	0.00	0.00	0	0.00
115	I & I (IR) Lahore F-4191	8	Irregularities of lesser significance	0.00	0.00	1.25	1.25	0	1.25
116	Study on Legal Cases	3.7	Non-existence of provisions of time limitation	0.00	0.00	0.00	0.00	0	0.00

			for completion of re-assessment in remand back cases						
117	Study on Legal Cases	3.10	Unnecessary filing of appeals.	0.00	0.00	0.00	0.00	0	0.00
Total (Lahore)				**9,613.15**	**1,856.95**	**1,012.28**	**12,482.38**	**17.49**	**12,464.89**

DGAIR (South) Karachi

(Rs. in million)

S. No.	Name of office	No. of Para/ DP	Title of para	Amount of Audit Observation				Compliance	Non-Compliance
				Direct Tax	Indirect Tax	Expenditure	Total		
1	RTO-II Karachi	7	Irregularities of lesser significant	0	0	0.40	0.40	0	0.40
		319-Exp/K	Non-maintenance of POL/CNG record	0	0	3.50	3.50	0	3.50
		297-Exp/K	Irregular award of tender	0	0	22.47	22.47	0	22.47
		310-Exp/K	Non-submission of performance guarantee	0	0	1.03	1.03	0	1.03
		316-Exp/K	Irregular expenditure on POL/CNG	0	0	4.78	4.78	0	4.78
		309-Exp/K	Irregular expenditure on janitorial services	0	0	1.45	1.45	0	1.45
		320-Exp/K	Irregular expenditure on janitorial services	0	0	1.466	1.466	0	1.466
		299-Exp/K	Irregular cash reward	0	0	25.00	25.00	0	25.00
2	RTO-I Karachi	344-Exp/K	Irregular cash reward	0	0	30.47	30.47	0	30.47
		345-Exp/K	Irregular expenditure on POL/CNG	0	0	6.25	6.25	0	6.25
		309-Exp/K	Irregular expenditure on janitorial services	0	0	9.30	9.30	0	9.30

3	CRTO Karachi	5	Irregularities of lesser significant	0	0	39.29	39.29	0	39.29
4	LTU-I Karachi	21	Irregularities of lesser significant	221.69	3.69	15.49	240.87	0	240.87
		306-Exp/K	Non-maintenance of POL/CNG record	0	0	9.01	9.01	0	9.01
		305-Exp/K	Irregular award of tender	0	0	10.29	10.29	0	10.29
		299-Exp/K	Non-submission of performance guarantee	0	0	2.25	2.25	0	2.25
		309-Exp/K	Irregular expenditure on janitorial services	0	0	1.56	1.56	0	1.56
		304-Exp/K	Irregular expenditure on POL/CNG	0	0	11.00	11.00	0	11.00
		312-Exp/K	Irregular expenditure on entertainment & gifts	0	0	0.80	0.80	0	0.80
		302-Exp/K	Irregular cash reward	0	0	24.65	24.65	0	24.65
5	RTO-III Karachi	13	Irregularities of lesser significant	0	0	50.53	50.53	0	50.53
		354-Exp/K	Irregular payment of performance allowance	0	0	3.40	3.40	0	3.40
		352-Exp/K	Irregular expenditure on POL/CNG	0	0	6.34	6.34	0	6.34
		350-Exp/K	Irregular cash reward.	0	0	2.35	2.35	0	2.35

6	RTO Quetta	16	Irregularities of lesser significant	329.19	0	3.13	332.32	0	332.32
		343-Exp/K	Irregular withdrawal of cash in the name of DDO	0	0	0.47	0.47	0	0.47
		339-Exp/K	Irregular cash reward.	0	0	5.99	5.99	0	5.99
		340-Exp/K	Irregular expenditure on POL/CNG	0	0	1.73	1.73	0	1.73
7	LTU-II Karachi	16	Irregularities of lesser significant	0	0	13.68	13.68	0	13.68
		311-Exp/K	Irregular withdrawal of cash in the name of DDO	0	0	1.02	1.02	0	1.02
		289-Exp/K	Non-accountal of store articles	0	0	14.99	14.99	0	14.99
		296-Exp/K	Irregular expenditure on POl/CNG	0	0	0.79	0.79	0	0.79
		301-Exp/K	Irregular expenditure on janitorial services	0	0	1.13	1.13	0	1.13
		295-Exp/K	Irregular cash reward	0	0	17.00	17.00	0	17.00
8	Director I & I Karachi	10	Irregularities of lesser significant	0	0	1.14	1.14	0	1.14
		358-Exp/K	Non-maintenance of POL/CNG record	0	0	2.38	2.38	0	2.38
9	Commissioner Appeals-I Karachi	10	Irregularities of lesser significant	0	0	3.55	3.55	0	3.55

10	DOT Karachi	11	Irregularities of lesser significant	0	0	1.91	1.91	0	1.91
		356-Exp/K	Irregular payment of performance allowance	0	0	4.06	4.06	0	4.06
11	RTO Hyderabad	24	Irregularities of lesser significant	1.12	1.56	149.90	152.58	0	152.58
		333-Exp/K	Irregular payment of performance allowance	0	0	110.74	110.74	0	110.74
		331-Exp/K	Irregular payment of performance allowance	0	0	5.62	5.62	0	5.62
		329-Exp/K	Irregular expenditure on POl/CNG	0	0	13.28	13.28	0	13.28
		334-Exp/K	Irregular award of tenders	0	0	5.81	5.81	0	5.81
		335-Exp/K	Non-disposal of condemned vehicles	0	0	2.54	2.54	0	2.54
		6130-ST/K	Non-payment of sales tax charged by steel sector	0	0.87	0	0.87	0	0.87
		328-Exp/K	Irregular cash reward.	0	0	16.00	16.00	0	16.00
12	Director I & I Hyderabad	8	Irregularities of lesser significant	0	0	4.38	4.38	0	4.38

		324-Exp/K	Irregular payment of performance allowance	0	0	0.98	0.98	0	0.98
13	RTO Sukkur	326-Exp/K	Irregular award of tenders	0	0	1.63	1.63	0	1.63
		323-Exp/K	Irregular cash reward.	0	0	7.04	7.04	0	7.04
		325-Exp/K	Irregular expenditure on POL/CNG	0	0	6.11	6.11	0	6.11
		05	Irregularities of lesser significant	0	0	17.30	17.30	0	17.30
14	Director Internal Audit Inland Revenue Karachi	6	Irregularities of lesser significant	0	0	5.48	5.48	0	5.48
		359-Exp/K	Irregular expenditure on POL/CNG	0	0	0.48	0.48	0	0.48
15	Director IOCO Karachi	5	Irregularities of lesser significant	0	0	19.90	19. 90	0	19. 90
		361-Exp/K	Irregular expenditure on POL/CNG	0	0	1.35	1.35	0	1.35
Grand Total (Karachi)				**552.00**	**6.12**	**724.59**	**1,282.71**	**0**	**1,282.71**
Grand Total (Lahore)				**9,613.15**	**1,856.95**	**1,012.28**	**12,482.38**	**17.49**	**12,464.89**
Grand Total (Karachi + Lahore)				**10,165.15**	**1,863.07**	**1,736.87**	**13,765.09**	**17.49**	**13,747.60**

<u>Annexure-2</u>

S. No.	Change in Rules/System/Procedure	Audit Impact
1.	While conducting audit of Income Tax refund cases, Audit identified seventy (70) taxpayers who were liable to be registered under The Sales Tax Act, 1990, in ten field offices of FBR.	Audit contributed towards broadening of tax base for the economy and pointed out revenue implication of Rs. 430.28 million during the year 2016-17. On recommendation by Audit, the Department initiated registration of taxpayers to bring them in the Sales Tax regime.
2.	An amount of Rs. 4,608.46 million was recovered on pointation by Audit during the period March, 2017 to February, 2018.	Amount recovered at the instance of Audit had escaped from tax authorities while making assessment of tax. Audit provided deterrence against leakage of government revenue which ultimately helped FBR in achieving the revenue targets.

Annexure-3
(Para 3.1)

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

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
A-	**Income Tax-Sales Tax Refund/Adjustment**			
1	RTO Faisalabad	17292-ST	160	Amount could not be ascertained due to non-availability of record
B- Income/Sales Tax Assessment				
2	CRTO Lahore	17373-IT/ST	Soft Data	Amount could not be ascertained due to non-availability of record.
3	LTU Karachi	6265-ST/K	45	-do-
4	RTO II Karachi	6315-ST/K	190	-do-
		Total	**395**	

Annexure-4
(Para 4.1.1)

Non/short-realization of Sales Tax due to difference of sales declared in Income / Sales Tax returns - Rs. 45,124.81 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO Sargodha	16732-ST	04	2.57
2	RTO Abbottabad	16795-ST	03	1,504.19
3	RTO Bahawalpur	16829-ST	01	7.64
		16834-ST	02	2.48
4	LTU Lahore	16848-ST	03	180.19
		16855-ST	04	110.64
5	RTO Sialkot	16981-ST	04	6.80
6	RTO Peshawar	17039-ST	01	4.03
		17054-ST	01	117.50
		17061-ST	02	2.15
7	RTO Multan	17081-ST	04	274.71
		17100-ST	02	51.32
8	RTO Islamabad	17128-ST	11	225.52
9	RTO Rawalpindi	17201-ST	01	0.56
		17212-ST	01	74.86
		17213-ST	01	3.16
10	RTO Faisalabad	17293-ST	02	0.79

11	RTO Gujranwala	17407-ST	04	67.88
		17441-ST	02	4.11
12	LTU Karachi	6296-ST/K	02	41,136.50
		6292-ST/K	01	375.02
13	RTO Hyderabad	6236-ST/K	03	236.29
14	RTO Sukkur	6270-ST/K	01	3.76
		6208-ST/K	01	251.55
15	RTO Quetta	6274-ST/K	01	388.04
		6218-ST/K	01	90.57
		6275-ST/K	01	1.98
		Total	**64**	**45,124.81**

Annexure-5
(Para 4.1.2)

Non-recovery of adjudged dues/arrears - Rs. 41,506.26 million

(Rs. in million)

S. No.	Office	DP No.	No of cases	Amount
1	LTU Islamabad	16897-ST	03	2,575.54
		16914-ST	04	277.92
		16916-ST	15	4,045.06
		16936-ST	06	2,563.03
2	RTO Islamabad	17160-ST	14	106.42
3	RTO Rawalpindi	17208-ST	17	927.00
		17226-ST	56	86.19
		17239-ST	51	87.60
4	RTO Faisalabad	17286-ST	08	469.40
5	CRTO Lahore	17356-ST	10	352.96
6	LTU Karachi	6246-ST/K	02	1,096.49
		6305-ST/K	01	99.60
		6289-ST/K	53	25,606.56
7	RTO Sukkur	6271-ST/K	03	676.25
		6320-ST/K	02	9.93
8	RTO Hyderabad	6227-ST/K	25	84.29
9	RTO-III Karachi	6330-ST/K	12	2,026.27
		6337-ST/K	04	87.90
		6280-ST/K	13	327.85
		Total	**299**	**41,506.26**

Annexure-6
(Para 4.1.3)

Inadmissible claim of exemption resulting in non/short-realization of Sales Tax - Rs. 12,494.96 million

(Rs in million)

S. No.	Name of office	PDP No.	No. of cases	Amount
1	CRTO Lahore	16755-ST	01	7.07
2	RTO Abbottabad	16796-ST	01	27.74
3	RTO Peshawar	17026-ST	01	1.09
4	RTO Gujranwala	17440-ST	01	5.94
5	RTO Sialkot	16968-ST	01	1.03
6	RTO Quetta	6216-ST/K	03	11,047.17
7	RTO Hyderabad	6239-ST/K	03	8.56
		6242-ST/K	01	1.58
8	RTO Sukkur	6214-ST/K	01	10.40
9	LTU Karachi	6262-ST/K	01	1,126.32
		6260-ST/K	01	52.40
		6254-ST/K	01	11.72
		6259-ST/K	01	193.94
		Total	**17**	**12,494.96**

Annexure-7
(Para 4.1.4)

Loss due to non-implementation of statutory provisions / SROs resulting in inadmissible adjustment of Input Tax - Rs. 12,315.68 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO Sargodha	16731-ST	01	1.96
2	CRTO Lahore	16766-ST	02	2.04
		16768-ST	01	0.30
3	RTO Abbottabad	16794-ST	04	21.28
4	LTU Islamabad	16893-ST	04	6.63
		16929-ST	02	42.80
		16943-ST	02	1.12
5	RTO Peshawar	17055-ST	05	42.79
6	RTO Multan	17073-ST	03	0.97
		17105-ST	03	3.00
7	RTO Islamabad	17127-ST	09	4.40
		17132-ST	01	15.17
		17159-ST	01	0.14
		17163-ST	04	1.72
		17171-ST	01	0.14
8	RTO Faisalabad	17289-ST	16	61.30
9	RTO Gujranwala	17416-ST	07	10.29
10	LTU Karachi	6252-ST/K	01	50.36
		6255-ST/K	01	7.52

		6256-ST/K	01	4.63
		6247-ST/K	01	611.51
		6263-ST/K	02	10.80
		6297-ST/K	03	12.33
		6294-ST/K	03	25.22
		6290-ST/K	01	10,518.77
11	LTU-II Karachi	6284-ST/K	03	7.29
		6318-ST/K	11	557.84
		6328-ST/K	01	6.16
		6329-ST/K	01	22.69
12	RTO-II Karachi	6306-ST/K	01	62.58
		6309-ST/K	01	18.46
		6314-ST/K	01	0.10
13	RTO Hyderabad	6241-ST/K	05	4.06
		6228-ST/K	06	78.37
14	RTO Quetta	6278-ST/K	01	0.24
15	RTO Sukkur	6210-ST/K	05	8.61
16	CRTO Karachi	6323-ST/K	13	82.44
17	RTO-III Karachi	6341-ST/K	01	9.66
		Total	**129**	**12,315.68**

Annexure-8
(Para 4.1.8)

Non-realization of Sales Tax on disposal of fixed assets/waste/scrap - Rs. 1,280.34 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO Sargodha	16750-ST	01	0.48
2	LTU Lahore	16851-ST	08	290.05
3	LTU Islamabad	16891-ST	01	32.95
		16912-ST	09	101.77
		16919-ST	04	820.03
		16942-ST	01	1.18
4	RTO Islamabad	17149-ST	02	6.50
5	RTO Peshawar	17060-ST	02	2.46
6	RTO Multan	17085-ST	02	6.98
		17102-ST	03	14.87
7	RTO Rawalpindi	17207-ST	01	0.12
		17219-ST	01	0.54
8	RTO Gujranwala	17425-ST	01	2.41
		Total	**36**	**1,280.34**

<u>Annexure-9</u>
(Para 4.1.10)

Short-realization of Sales Tax Rs. 934.69 million due to concealment of purchases/raw material/Stocks

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Sales Tax
1	RTO Bahawalpur	16806-ST	02	56.79
2	LTU Lahore	16846-ST	01	20.45
		16847-ST	01	28.50
3	RTO Peshawar	17040-ST	01	2.69
		17059-ST	01	9.46
4	RTO Faisalabad	17294-ST	01	1.05
		17295-ST	02	2.74
5	CRTO Lahore	17368-ST	02	8.58
6	RTO Gujranwala	17437-ST	01	60.71
		17402-ST	07	481.25
7	RTO Sialkot	16972-ST	01	4.21
8	RTO Sukkur	6267-ST/K	01	1.71
9	RTO-II Karachi	6272-ST/K	01	0.58
		6288-ST/K	06	1.37
10	RTO Quetta	6219-ST/K	01	27.23
		6225-ST/K	01	0.24
		6226-ST/K	01	0.12
11	LTU Karachi	6264-ST/K	01	1.70
		6266-ST/K	01	0.60

12	LTU-II Karachi	6281-ST/K	11	7.16
		6317-ST/K	03	47.27
13	CRTO Karachi	6325-ST/K	09	165.39
		6344-ST/K	01	1.91
		6343-ST/K	01	1.07
		6285-ST/K	07	1.91
		Total	**65**	**934.69**

<u>Annexure-10</u>
(Para 4.1.12)

Inadmissible adjustment of Input Tax against exempt supplies
Rs. 563.48 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO Abbottabad	16792-ST	02	14.31
2	RTO Bahawalpur	16810-ST	03	24.18
		16826-ST	06	16.67
3	RTO Peshawar	17021-ST	04	3.32
		17038-ST	02	37.89
		17053-ST	02	176.91
4	RTO Multan	17096-ST	03	242.17
5	RTO Islamabad	17125-ST	01	10.53
6	RTO Faisalabad	17290-ST	01	0.56
7	RTO Gujranwala	17435-ST	01	0.11
		17438-ST	05	36.83
		Total	**30**	**563.48**

Annexure-11
(Para 4.1.13)

Non-realization of Further Tax and Extra Tax due to non-implementation of statutory provisions / SROs - Rs. 498.04 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	CRTO Lahore	16765-ST	01	3.89
		16767-ST	02	22.72
2	RTO Sialkot	16975-ST	03	10.86
		16979-ST	05	8.87
		16997-ST	03	12.47
		16998-ST	02	7.13
3	RTO Gujranwala	17411-ST	09	25.44
		17413-ST	11	25.12
		17420-ST	17	11.91
		17434-ST	01	0.20
4	RTO Abbottabad	16800-ST	04	1.52
5	RTO Peshawar	17022-ST	05	2.64
		17037-ST	03	43.63
		17056-ST	06	40.43
6	RTO Multan	17072-ST	03	0.98
		17099-ST	04	85.52
7	RTO Islamabad	17148-ST	01	0.30
		17168-ST	01	0.59
8	RTO Faisalabad	17282-ST	01	1.11
9	RTO Sukkur	6209-ST/K	01	9.19

		6211-ST/K	02	5.61
		6212-ST/K	01	5.76
		6269-ST/K	04	3.54
10	RTO Quetta	6221-ST/K	03	8.97
		6223-ST/K	01	0.34
		6224-ST/K	01	0.32
11	RTO Hyderabad	6231-ST/K	02	15.35
		6232-ST/K	01	8.87
		6234-ST/K	01	1.25
12	LTU Karachi	6257-ST/K	01	86.75
13	RTO-II Karachi	6312-ST/K	01	3.32
		6313-ST/K	01	0.23
14	LTU-II Karachi	6283-ST/K	01	18.57
15	CRTO Karachi	6322-ST/K	27	24.64
		Total	**130**	**498.04**

<u>Annexure-12</u>
(Para 4.1.14)

Non-registration of taxpayers in Sales Tax regime resulting in potential loss of Sales Tax -Rs. 430.28 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO Abbottabad	16790-ST	18	30.84
2	RTO Bahawalpur	16819-ST	01	3.02
		16830-ST	01	5.27
3	RTO Sialkot	16982-ST	02	3.51
		16999-ST	01	9.96
4	RTO Peshawar	17019-ST	02	35.95
		17036-ST	01	76.28
5	RTO Multan	17103-ST	01	6.14
6	RTO Faisalabad	17273-ST	10	13.91
7	RTO-III Karachi	6334-ST/K	33	245.40
		Total	**70**	**430.28**

Annexure-13
(Para 4.1.20)

Non-realization of Sales Tax on services - Rs. 41.18 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	LTU Islamabad	16913-ST	01	29.58
2	RTO Islamabad	17153-ST	03	8.34
		17156-ST	01	2.88
		17169-ST	02	0.38
		Total	**07**	**41.18**

<u>Annexure-14</u>
(Para 4.1.21)

Excess adjustment of input tax resulting in short realization of Sales Tax -Rs. 30.36 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO Abbottabad	16797-ST	01	0.30
2	LTU Islamabad	16894-ST	02	2.29
3	RTO Peshawar	17029-ST	01	0.25
4	RTO Faisalabad	17281-ST	02	7.08
5	RTO Gujranwala	17444-ST	01	1.06
6	RTO Multan	17071-ST	01	2.43
		17083-ST	02	16.95
		Total	**10**	**30.36**

Annexure-15
(Para 4.3.1)

Non/short-realization of Federal Excise Duty on Royalty, Technical Services Fee and Franchise Fee - Rs. 529.74 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	LTU Islamabad	16890-FED	01	48.54
		16909-FED	04	32.94
		16924-ST	05	112.89
		16937-ST	01	316.86
2	RTO Islamabad	17129-FED	03	16.54
		17145-FED	01	1.97
		Total	**15**	**529.74**

Annexure-16
(Para 4.4.1)

Non-levy of Minimum Tax on the Income - Rs. 2,132.43 million

DGAIR (N) Lahore (Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Recovered	Latest Position
1	RTO Rawalpindi	17229	2016	18	14.17	3.79	Recovery awaited Rs. 10.38
		17214	2016	6	2.83	-	Under process
		17191	2016	5	2.58	-	Under process Rs. 2.07 Recovery awaited Rs. 0.51
2	RTO Islamabad	17162	2016	4	7.86	-	Under process
		17152	2016	2	6.60	-	Under process
		17131	2016	5	14.88	-	Under process
		17143	2015& 2016	1	1.22	-	Under process
3	RTO Faisalabad	17264	2016	1	1,034.62	-	Under process
		17261	2016	6	16.24	-	Under process
4	RTO Multan	17091	2016	4	42.56	-	Under process
		17070	2016	1	0.20	-	Under process

		17075	2012&2014 to 2016	3	8.40	-	Under process
5	RTO Abbottabad	16788	2015 & 2016	1	2.83	-	Under process
6	CRTO Lahore	17360	2016	2	1.80	-	Recovery awaited Rs 0.10 Under process Rs.1.70
		16764	2015	2	3.94	-	Recovery awaited Rs.0.58 Under process Rs.3.36
7	RTO-II Lahore	17468	2010 to 2012 & 2014 to 2015	1	32.41	-	Under process
		17511	2012	1	0.06	-	Under process
8	LTU Lahore	16863	2016	2	430.93	-	Under process
9	LTU Islamabad	16922	2016	1	195.62	-	Under process
10	RTO Peshawar	17051	2016	1	3.50	-	Under process
11	RTO Sialkot	16995	2014 to 2016	23	39.41	2.33	Under process Rs. 32.33, Recovery awaited Rs. 4.75
		16980	2015 &2016	17	28.04	-	Under process

12	RTO Sargodha	16748	2011 to 2014	1	2.40	-	Under process
		16743	2015	13	9.11	0.66	Under process Rs.7.66 Recovery awaited Rs. 0.79
		16737	2014 to 2016	2	5.75	-	Under process Rs. 4.43 Recovery awaited Rs. 1.32
			Total	**123**	**1907.96**	**6.78**	

DGAIR (S) Karachi

(Rs in million)

S. No.	Offices	DP No	Tax Year	No. of cases	Amount	Recovered	Latest Position
13	LTU Karachi	1417	2016	2	0.61	-	Under Process
14	LTU-II Karachi	1494	2016	1	0.86	-	Under Process
		1383	2016	8	10.84	-	Under Process
15	CRTO	1468	2016	1	1.15	-	Under Process
	Karachi	1515	2016	1	0.07	-	Under Process
16	RTO-II Karachi	1404	2016	1	0.66	-	Rs.0.07 recovery awaited Under Process Rs.0.06
17	RTO-III	1322	2016	4	2.38	-	Under Process

	Karachi	1332	2016	5	4.04	-	Under Process
18	RTO	1282	2016	7	2.97	-	Under Process
	Hyderabad	1300	2016	3	2.51	-	Rs.1.20 recovery awaited Under Process Rs.1.31
		1314	2016	1	14.59	-	Under Process
19	RTO-Quetta	1262	2016	1	183.5	-	Under Process
		1269	2016	1	0.29	-	Under Process
			Total	**36**	**224.47**		
			Grand Total	**159**	**2,132.43**	**6.78**	

Recovered & verified Rs. 6.78 Recovery awaited Rs. 19.69,
Under process Rs. 2,105.96

Annexure-17
(Para 4.4.2)

Loss of revenue due to concealment of income or assets - Rs. 56,472.01 million

DGAIR (N) Lahore (Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Amount Recovered	Latest Position
1	LTU Lahore	16872	2016	4	1,289.02	-	Under process
		16866	2016	2	643.22	-	Under process
		16833	2015	1	2.88	-	Under process
2	RTO Bahawal-pur	16828	2015	1	7.80	-	Under process
		16827	2015	1	11.58	-	Under process
		16824	2015	1	27.42	-	Under process
		16817	2016	1	5.23	-	Under process
		16813	2015	1	18.78	-	Under process
		16805	2015	3	73.37	-	Under process
		16804	2015	3	99.92	-	Under process
		16803	2015	1	360.74	-	Under process
		16802	2015	1	588.68	-	Under process
3	RTO Faisalabad	17279	2016	1	9.83	-	Under process
		17266	2016	5	189.42	-	Under process

		17528	2015	36	642.35	2.3	Recovery Awaited Rs.5.48 Under process Rs.634.57
		17529	2016	236	2,695.36	-	Under process
		17530	2013 to 2015	356	2,149.32	-	Under process
		17531	2015	1	14.52	-	Under process
		17532	2014 & 2015	1	10.73	-	Under process
4	CRTO Lahore	17367	2015	1	2.54	-	Under process
		16760	2011 to 2016	1	809.59	-	Under process
		16758	2015 & 2016	2	54.83	-	Under process
		16754	2015	1	745.03	-	Under process
		17366	2016	1	172.68	-	Under process
		17364	2015 & 2016	2	307.43	-	Under process
		17358	2017	19	0.38	-	Under process

5	RTO Multan	17093	2015 & 2016	1	7.75	-	Under process
		17087	2014 to 2016	12	625.71	-	Under process
		17074	2016	2	3,296.86	-	Under process
		17068	2014 & 2015	2	1.40	-	Under process
		17067	2015	1	51.87	-	Under process
6	RTO Islamabad	17173	2016	1	2.60	-	Under process
		17161	2015 & 2016	8	302.69	-	Under process
		17136	2016	1	32.53	-	Under process
7	RTO Rawalpindi	17232	2016	1	215.69	-	Under process
		17230	2015	1	7.43	-	Under process
		17215	2014	1	9.58	-	Under process
		17193	2015	2	106.44	-	Under process
		17187	2013 to 2016	1	910.00	-	Under process
8	RTO Peshawar	17049	2014	2	11.31	-	Under process
		17046	2015 & 2016	1	68.49	-	Under process

		17031	2016	2	86.03	-	Under process
		17014	2015 to 2017	1	64.44	-	Under process
		17012	2016	2	86.84	-	Recovery awaited Rs. 86.84
9	RTO Gujranwala	17428	2016	1	1.72	-	Under process
		17426	2013	1	2.38	-	Under process
		17414	2016	4	11.14	-	Under process
		17410	2016	3	28.20	-	Under process
		17409	2015 & 2016	1	31.31	-	Under process
		17408	2015	1	39.60	-	Under process
		17404	2016	10	330.68	-	Under process
		17401	2016	4	1,300.76	-	Under process
		17400	2016	1	1,356.73	-	Under process
10	RTO Sialkot	16996	2015 & 2016	5	373.27	-	Under process
		16983	2015 & 2016	5	110.46	-	Under process
11	RTO Abbottabad	16785	2015	1	1.50	-	Under process

		17498	2014	1	0.47	-	Under process
		17501	2016	1	30.12	-	Under process
		17494	2010 to 2013	1	1.08	-	Under process
		17493	2014 to 2016	1	10.12	-	Under process
		17492	2016	1	3.69	-	Under process
12	RTO-II Lahore	17488	2016	1	3.69	-	Under process
		17485	2016	1	2.98	-	Under process
		17483	2013	1	7.48	-	Under process
		17481	2015	1	7.10	-	Under process
		17480	2015	1	3.66	-	Under process
		17479	2016	1	17.45	-	Under process
		17477	2015	1	12.21	-	Under process
		17476	2015	1	2.41	-	Under process
		17475	2015	1	13.97	-	Under process
		17474	2010	1	2.03	-	Under process
		17473	2012	1	13.50	-	Under process
		17472	2016	1	47.07	-	Under process

		17469	2013	1	3.03	-	Under process
		17504	2013	1	4.61	-	Under process
		17505	2012 to 2015	1	31.34	-	Under process
		17507	2012	1	0.46	-	Under process
		17508	2015	1	0.56	-	Under process
		17512	2012	1	0.40	-	Under process
		17513	2012	1	0.29	-	Under process
		17519	2016	1	9.41	-	Under process
		17520	2013	1	5.80	-	Under process
		17521	2015	1	75.00	-	Under process
		17522	2013	1	1.66	-	Under process
		17523	2013	1	1.56	-	Under process
		17524	2014	1	0.84	-	Under process
		17525	2015	1	2.40	-	Under process
		17526	2015	1	1.20	-	Under process
		17515	2016	1	12.00	-	Under process
		17497	2012 to 2016	1	4.72	-	Under process

		17506	2011	1	19.30	-	Under process
13	RTO Sargodha	16741	2016	1	1.76	-	Under process
		16745	2013 &2014	1	32.63	-	Subjudice
		16738	2014 &2015	3	18.82	-	Under process
			Total	**804**	**20,814.88**	**2.30**	

DGAIR (S) Karachi

(Rs in million)

S. No.	Offices	DP No	Tax Year	No. of Taxpayer	Amount	Latest Position
14	LTU-II, Karachi	1442	2016	1	41.28	Under Process
15	CRTO, Karachi	1392	2016	15	948.02	Under Process
16	RTO-III Karachi	1319	2016	6	35.17	Under Process
		1320	2016	1	19.24	Under Process
		1324	2016	1	5.34	Under Process
17	RTO-II Karachi	1326	2016	1	2.01	Under Process
18	RTO Hyderabad	1288	2016	21	763.44	Under Process
		1303	2016	2	358.66	Under Process
19	RTO Sukkur	1335	2016	1	72.97	Under Process

20	RTO Quetta	1261	2016	2	31,956.55	Under Process
		1350	2016	4	1,445.00	Under Process
		1355	2016	1	9.47	Under Process
Total				**56**	**35,657.13**	
Grand Total				**860**	**56,472.01**	

Recovered and verified Rs.2.30, Recovery awaited Rs.92.32, Subjudice Rs.32.63, Under process Rs.56,344.76

<u>Annexure-18</u>
(Para 4.4.3)

Short levy of tax due to non-treating of tax deduction on services as Minimum Tax - Rs.162.97 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	RTO Islamabad	17124	2016	9	75.02	Under process
2	RTO Multan	17076	2015	1	2.17	Under process
3	RTO Peshawar	17048	2016	1	36.00	Under process
4	RTO Rawalpindi	17195	2015 & 2016	3	18.58	Under process
		16939	2016	1	31.20	Under process
			Total	**15**	**162.97**	

Under process Rs.162.97

Annexure-19
(Para 4.4.4)

Short levy of Super Tax for rehabilitation of temporarily displaced persons - Rs. 13,152.41million

DGAIR (N) Lahore (Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Recovered	Latest Position
1	CRTO Lahore	17369	2016	16	289.06	-	Under process
2	RTO Islamabad	17123	2015 & 2016	2	80.11	-	Under process
3	LTU Islamabad	16938	2016	2	111.89	-	Under process
		16916	2016	14	2,518.49	-	Under process Rs. 1600.88, Recovery awaited Rs. 643.96, Subjudice Rs. 273.67
		16906	2016	1	109.01	-	Subjudice
		16898	2016	6	788.14	0.16	Under process Rs.704.39, Recovery awaited Rs. 83.59
		16877	2016	1	357.50	-	Recovery awaited
4	RTO Rawalpindi	17188	2015 & 2016	2	54.16	-	Under process

5	RTO Multan	17090	2015 & 2016	2	65.08	-	Recovery awaited
6	LTU Lahore	16865	2015 & 2016	3	1,498.87	-	Under process
7	RTO Bahawalpur	16812	2016	1	18.98	18.98	Recovered & verified
			Total	**50**	**5,891.29**	**19.14**	

DGAIR (S) Karachi

(Rs in million)

S. No.	Offices	DP No	Tax Year	No of cases	Amount involved	Latest Position
8	LTU Karachi	1414	2016	3	266.073	Under Process
		1422	2016	35	5,255.16	Under Process
9	LTU-II Karachi	1448	2016	1	777.05	Under Process
		1495	2016	1	34.93	Under Process
10	CRTO Karachi	1514	2016	4	177.94	Under Process
11	RTO Hyderabad	1289	2016	7	267.45	Under Process
		1306	2016	6	231.76	Under Process
12	RTO Sukkur	1259	2016	1	136.99	Under Process
		1336	2016	1	26.92	Under Process
13	RTO Quetta	1263	2016	2	86.85	Under Process
			Total	**61**	**7,261.12**	
			Grand Total	**111**	**13,152.41**	

Recovered & verified Rs.19.14, Recovery awaited Rs.1,150.13
Subjudice Rs.382.68 Under process Rs. 11,600.46

<u>Annexure-20</u>
(Para 4.4.5)

Loss of revenue due to non-apportionment of expenses between final and normal tax regimes - Rs. 1,248.34 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	RTO Rawalpindi	17199	2015 & 2016	1	1.22	Under process
2	RTO Faisalabad	17269	2016	1	41.38	Under process
3	RTO Islamabad	17126	2016	2	6.31	Under process
4	RTO Sialkot	16991	2015	1	1.96	Under process
5	LTU Islamabad	16927	2016	1	80.19	Under process
6	LTU Lahore	16856	2016	2	781.20	Under process Rs. 754.02, Recovery awaited Rs. 27.18
6	LTU Lahore	16859	2016	1	34.90	Under process
			Total	**9**	**947.16**	

DGAIR (S) Karachi

(Rs in million)

S. No.	Offices	DP No	Tax Year	No. of cases	Amount Involved	Latest Position
7	RTO Hyderabad	1296	2016	03	47.00	Recovery awaited Rs.10.90 Under Process Rs.36.10
		1305	2016	04	238.45	Under Process
8	RTO Sukkur	1337	2016	01	15.73	Under Process
			Total	**08**	**301.18**	
			Grand Total	**17**	**1,248.34**	

Recovery awaited Rs.38.08, Under process Rs. 1,210.26

<u>Annexure-21</u>
(Para 4.4.6)

Non-levy of default surcharge on payment of tax after due date - Rs. 10,201.42 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Amount recovered	Latest Position
1	RTO Rawalpindi	17225	2016	3	0.16	-	Under process
2	RTO Islamabad	17141	2016	1	2.36	-	Under process
3	LTU Islamabad	16904	2015	2	29.53	-	Under process Rs. 10.29 Recovery awaited Rs. 19.25
4	LTU Lahore	16864	2015& 2016	13	251.31	-	Under process
5	CRTO Lahore	17359	2011 to 2015	32	1,473.75	2.01	Under process Rs.1471.74
Total				**51**	**1,757.11**	2.01	

DGAIR (S) Karachi

(Rs in million)

S. No.	Offices	DP No	Tax Year	No of cases	Amount Involved	Latest Position
6	LTU Karachi	1407	2016	67	2,482.10	Under Process
		1412	2016	4	467.67	Under Process
		1423	2016	60	5,124.37	Under Process

7	LTU-II Karachi	1376	2016	13	5.08	Under Process
		1491	2016	5	4.23	Under Process
8	CRTO Karachi	1394	2016	4	1.19	Under Process
		1461	2016	2	1.3	Under Process
		1512	2016	4	5.42	Under Process
9	RTO-II Karachi	1342	2016	1	0.61	Under Process
		1402	2016	3	0.23	Under Process
10	RTO-III Karachi	1386	2016	24	12.53	Under Process
		1483	2016	15	17.56	Under Process
		1330	2016	13	6.35	Under Process
11	RTO Hyderabad	1276	2016	7	148.81	Recovery awaited Rs.61.90 Under process Rs. 86.91
		1295	2016	7	65.5	Recovery awaited Rs.0.15 Under process Rs.65.35
		1315	2016	4	7.01	Under Process
12	RTO Sukkur	1255	2016	1	80.84	Under Process
13	RTO Quetta	1347	2016	1	1.46	Under Process
		1352	2016	1	12.05	Under Process
				Total	**236**	**8,444.31**	
				Grand Total	**287**	**10,201.42**	

Recovered and verified Rs.2.01, Recovery awaited Rs.81.29, Under process Rs.10,118.12

Annexure-22
(Para 4.4.7)

Short levy of tax due to allowing inadmissible expenses - Rs. 1,026.12

DGAIR(N), Lahore (Rs in million)

S. No.	Offices	DP No	Tax Year	No of cases	Amount involved	Latest Position
1	RTO Rawalpindi	17196	2015& 2016	02	40.55	Under process
		17197	2016	02	3.35	Under process
2	LTU Islamabad	16900	2015 & 2016	02	644.46	Under process
3	RTO Sialkot	16974	2015& 2016	08	52.81	Under process
		16993	2015& 2016	02	126.78	Under process
4	LTU Lahore	16817	2015& 2016	01	45.60	Under process
		16873	2015& 2016	05	66.97	Under process Rs. 46.25 Recovery awaited Rs. 20.72
		16857	2015 & 2016	01	45.60	Under process
			Total	**23**	**1,026.12**	

Under process Rs. 1,005.40 Recovery awaited Rs.20.72

<u>Annexure-23</u>
(Para 4.4.8)

Loss of revenue due to non-taxation of income from other sources -Rs 2,005.65 million

DGAIR(N), Lahore (Rs in million)

S. No.	Offices	DP No	Tax Year	No of cases	Amount involved	Latest Position
1	RTO Rawalpindi	17192	2014 to 2016	2	479.55	Under process
2	RTO-II Lahore	17484	2016	1	3.00	Under process
		17482	2014	1	3.75	Under process
			Total	**4**	**486.3**	

DGAIR (S) Karachi

(Rs in million)

S. No.	Offices	DP No	Tax Year	No of cases	Amount	Latest Position
3	LTU Karachi	1408	2016	1	1,396.16	Under Process
4	LTU-II Karachi	1500	2016	1	91.32	Under Process
5	CRTO Karachi	1519	2016	1	1.81	Under Process
6	RTO-III Karachi	1487	2016	8	30.06	Under Process
			Total	**11**	**1,519.35**	
			Grand Total	**15**	**2,005.65**	

Under process Rs.2,005.65

<u>Annexure-24</u>
(Para 4.4.9)

Loss of revenue due to incorrect adjustment of brought forward losses - Rs. 2,915.32 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	RTO Sialkot	16990	2017	01	0.84	Under process
			Total	**01**	**0.84**	

DGAIR (S) Karachi

(Rs in million)

S. No.	Offices	DP No	Tax Year	No of cases	Amount	Latest Position
2	LTU-II, Karachi	1496	2016	01	18.76	Under Process
		1497	2016	01	19.36	Under Process
3	CRTO Karachi	1510	2016	01	28.01	Under Process
		1523	2016	01	0.17	Under Process
4	RTO Hyderabad	1299	2016	01	10.37	Under Process
		1301	2016	01	745.38	Under Process
5	RTO Sukkur	1258	2016	01	2,092.43	Under Process
			Total	**07**	**2,914.48**	
			Grand Total	**08**	**2,915.32**	

Under process-Rs. 2,915.32

Annexure-25
(Para 4.4.10)

Non/short payment of tax along with return - Rs.72.19 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	RTO-II Lahore	17489	2016	01	10.73	Under process
		17500	2015	01	3.66	Under process
		17499	2014	01	3.37	Under process
		17496	2015	01	10.07	Under process
2	CRTO Lahore	17365	2016	01	44.36	Under process
			Total	**05**	**72.19**	

Under process Rs. 72.19

Annexure-26
(Para 4.4.11)

Loss of revenue due to incorrect assessment of tax under respective heads of income - Rs. 14,333.42 million

DGAIR (N) Lahore

(Rs in million)

S. No.	Offices	DP No	Tax Year	No of cases	Amount involved	Latest Position
1	RTO Sialkot	16970	2016	01	4.41	Under process
2	RTO Peshawar	17050	2016	01	6.22	Under process
3	RTO Rawalpindi	17189	2016	02	17.46	Under process
4	RTO-II Lahore	17471	2016	01	330.21	Under process
		17478	2015	01	2.08	Under process
		17517	2013	01	2.85	Under process
		17518	2013	01	2.85	Under process
			Total	**08**	**366.08**	

DGAIR (S) Karachi

(Rs in million)

S. No.	Offices	DP No	Tax Year	No of cases	Amount	Latest Position
5	LTU Karachi	1405	2016	16	8,494.96	Under Process
		1419	2016	2	5.76	Under Process
		1424	2016	1	2,463.73	Under Process
		1427	2016	4	432.11	Under Process
6	LTU-II-Karachi	1367	2016	1	4.53	Under Process
		1369	2016	1	0.97	Under Process
		1372	2016	1	59.05	Under Process

		1373	2016	1	16.65	Under Process
		1374	2016	1	0.10	Under Process
		1380	2016	1	4.15	Under Process
		1381	2016	1	111.13	Under Process
		1438	2016	1	31.77	Under Process
		1439	2016	4	128.49	Under Process
		1498	2016	1	35.43	Under Process
		1502	2016	1	0.29	Under Process
7	CRTO-Karachi	1398	2016	3	5.31	Under Process
		1464	2016	13	53.64	Under Process
		1467	2016	8	484.76	Under Process
		1469	2016	5	514.05	Under Process
		1474	2016	1	7.67	Under Process
		1478	2016	1	19.04	Under Process
		1505	2016	1	1.64	Under Process
		1506	2016	1	0.18	Under Process
		1520	2016	1	204.60	Under Process

		1521	2016	1	6.41	Under Process
		1522	2016	1	0.20	Under Process
		1524	2016	1	20.33	Under Process
		1525	2016	1	0.12	Under Process
		1528	2016	1	15.47	Under Process
8	RTO-II-Karachi	1341	2016	1	4.95	Under Process
9	RTO-Hyderabad	1290	2016	10	238.36	Under Process
		1292	2016	3	169.89	Under Process
		1307	2016	38	206.47	Under Process
		1310	2016	2	46.29	Under Process
10	RTO-Sukkur	1334	2016	1	164.72	Under Process
11	RTO-Quetta	1266	2016	1	5.57	Under Process
		1271	2016	1	0.87	Under Process
		1356	2016	1	7.68	Under Process
Total				**134**	**13,967.34**	
Grand Total				**142**	**14,333.42**	

Under process Rs. 14,333.42

Annexure-27
(Para 4.4.12)

Short-levy of tax due to inadmissible depreciation allowance on fixed assets - Rs. 1,012.04 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount	Latest Position
1	LTU Islamabad	16899	2015 & 2016	01	46.43	Under process
		16920	2014to2016	02	778.58	Under process
2	RTO Peshawar	17043	2015 & 2016	01	173.68	Under process
3	RTO Islamabad	17138	2016	01	6.74	Under process
4	RTO Rawalpindi	17220	2013 & 2014	01	0.41	Under process
5	RTO II Lahore	17527	2015	01	6.20	Under process
			Total	**7**	**1,012.04**	

Under process-Rs. 1,012.04 million

<u>Annexure-28</u>

(Para 4.4.13)

Short levy of tax due to inadmissible claim of undetermined expenses / liabilities -Rs 2,245.75 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount	Latest Position
1	LTU Islamabad	16930	2014 & 2015	01	35.47	Under process
		16918	2015	01	2,087.97	Under process
2	CRTO Lahore	16761	2013to 2015	09	13.98	Under process
3	LTU Lahore	16876	2016	01	94.19	Under process
		16869	2016	01	4.80	Recovery awaited
4	RTO Rawalpindi	17223	2016	01	7.79	Under process
		17200	2014& 2016	01	0.72	Under process
5	RTO Islamabad	17147	2016	01	0.83	Under process
			Total	**16**	**2,245.75**	

Under process Rs. 2,240.95, Recovery awaited Rs. 4.80

Annexure-29
(Para 4.4.14)

Non-treatment of Withholding Tax as Final and Minimum Tax – Rs. 2,933.52 million

DGAIR (N) Lahore

(Rs in million)

S. No.	Offices	DP No	Tax Year	No of cases	Amount	Recovered	Latest Position
1	LTU Islamabad	16928	2016	02	50.15	-	Under process
		16879	2016	02	126.29	5.77	Recovery awaited Rs. 120.53
		16941	2016	01	7.68	-	Under process
2	RTO Islamabad	17135	2015	01	19.55	-	Under process
		17137	2015	01	23.06	-	Under process
3	LTU Lahore	16858	2016	01	1,135.10	-	Under process
		16868	2016	01	101.13	-	Under process
4	CRTO Lahore	17370	2016	01	3.07	-	Under process
		16752	2013 to 2016	06	60.43	-	Under process
5	RTO Faisalabad	17270	2016	01	78.74	-	Under process
			Total	**17**	**1,605.2**	**5.77**	

DGAIR (S) Karachi

(Rs in million)

S. No.	Offices	DP No	Tax Year	No of cases	Amount	Latest Position
6	LTU-Karachi	1409	2016	1	917.09	Under Process
7	LTU-II, Karachi	1444	2016	1	28.60	Under Process
		1492	2016	3	33.41	Under Process
8	CRTO-Karachi	1455	2016	2	5.40	Under Process

		1476	2016	12	10.06	Under Process
		1479	2016	19	20.69	Under Process
		1526	2016	1	8.49	Under Process
9	RTO-III, Karachi	1482	2016	2	1.44	Under Process
10	RTO-Hyderabad	1294	2016	9	73.99	Under Process
		1309	2016	15	104.99	Under Process
		1312	2016	1	32.65	Under Process
11	RTO-Quetta	1264	2016	3	84.84	Under Process
		1357	2016	1	4.19	Under Process
		1363	2016	1	2.48	Under Process
				Total	**71**	**1,328.32**	
				Grand Total	**88**	**2,933.52**	

Recovered & verified Rs.5.77, Recovery awaited Rs.120.53, Under process Rs. 2,807.23

Annexure-30
(Para 4.4.16)

Loss of revenue due to non-levy of Alternate Corporate Tax - Rs. 227.55 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount	Latest Position
1	RTO Peshawar	17052	2016	01	1.44	Under process
2	RTO Islamabad	17139	2016	05	123.83	Under process
3	LTU Lahore	16860	2015	01	102.28	Subjudice
			Total	**7**	**227.55**	

Subjudice Rs.102.28, Under process Rs.125.27

Annexure-31
(Para 4.4.17)

Non-recovery of arrears of tax demand – Rs. 7,792.07 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	RTO Rawalpindi	17209	2016	24	1,007.58	Under process
		17242	2016	9	1,247.50	Under process
		17227	2016	60	437.37	Under process
		17240	2016	26	30.42	Recovery awaited
2	RTO Islamabad	17174	2008 to 2015	17	126.04	Under process
3	RTO Faisalabad	17272	2016	15	771.63	Under process
4	RTO-II Lahore	17510	2009 & 2010	01	0.48	Under process
			Total	**152**	**3,621.02**	

DGAIR (S) Karachi

(Rs in million)

S. No.	Offices	DP No	Tax Year	No of cases	Amount Involved	Amount recovered	Latest Position
5	LTU-II Karachi	1436	2016	04	2.89	-	Under Process
		1440	2016	08	877.92	-	Under Process
		1441	2016	03	19.35	-	Under Process
6	RTO-III Karachi	1321	2016	01	2.67	-	Under Process
		1387	2016	07	58.95	-	Under Process
		1503	2016	20	13.48	-	Under Process
7	RTO Hyderabad	1284	2016	515	492.82	-	Under Process

8	RTO Sukkur	1260	2016	13	105.54	2.90	Recovery awaited Rs.38.21 Under process Rs. 64.43
		1338	2016	07	3.43	0.37	Recovery awaited Rs.2.83 Subjudice Rs.0.24
		1454	2016	01	2,594.00	-	Recovery awaited
Total				**579**	**4,171.05**	**3.27**	
Grand total				**731**	**7,792.07**	**3.27**	

Recovered & verified Rs.3.27, Recovery awaited Rs. 2,665.46, Subjudice Rs.0.24, Under process Rs. 5,123.10

Annexure-32
(Para 4.4.20)

Non-levy of Capital Gain Tax - Rs. 4.44 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount	Latest Position
1	RTO-II Lahore	17495	2016	01	1.54	Under process
		17487	2016	01	1.40	Under process
		17490	2016	01	0.75	Under process
		17491	2016	01	0.75	Under process
			Total	**4**	**4.44**	

Under process-Rs.4.44

Annexure-33
(Para 4.4.21)

Incorrect claim of tax credits - Rs. 864.55 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount	Latest Position
1	LTU Islamabad	16925	2016	01	27.23	Recovery awaited
2	RTO Gujranwala	17429	2016	01	1.08	Under Process
3	RTO Multan	17094	2016	01	5.81	Under Process
		17089	2015 & 2016	02	120.47	Under Process
			Total	**05**	**154.59**	

DGAIR (S) Karachi

(Rs in million)

S. No.	Offices	DP No	Tax Year	No. of cases	Amount	Latest Position
4	LTU-II, Karachi	1382	2014	01	0.64	Under Process
5	CRTO Karachi	1507	2015	01	2.55	Under Process
		1516	2014	01	340.01	Under Process
		1518	2015	01	0.06	Under Process
6	RTO Hyderabad	1302	2015	08	366.70	Under Process
			Total	**12**	**709.96**	
			Grand Total	**17**	**864.55**	

Recovery awaited Rs. 27.23, Under process Rs. 837.32

Annexure-34
(Para 4.4.22)

Incorrect adjustment of tax credit / payments – Rs. 464.47 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount	Latest Position
1	RTO Gujranwala	17417	2016	01	7.62	Under process
2	RTO Islamabad	17142	2016	01	6.34	Under process
		17134	2016	02	123.37	Under process
3	CRTO Lahore	17372	2014 to 2016	01	3.43	Under process
4	RTO Peshawar	17047	2015 &2016	01	37.14	Under process
5	LTU Lahore	16862	2015 & 2016	03	6.14	Under process
6	LTU Islamabad	16902	2014	01	275.99	Under process
7	RTO-II Lahore	17516	2014 to 2016	01	4.44	Under process
			Total	**11**	**464.47**	

Under process Rs.464.47

Annexure-35
(Para 4.5.1)

Unlawful issuance of refund without fulfilling of codal formalities – Rs. 3,277.26 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount	Amount recovered	Latest Position
1	CRTO Lahore	16759	2015	1	8.90	8.90	Under process
2	RTO Rawalpindi	17231	2015 & 2016	3	8.89	-	Under process
		17216	2015 & 2016	4	2.34	-	Under process
		17204	2016	1	0.44	-	Under process
		17202	2015 & 2016	1	1.36	-	Under process
3	RTO Abbottabad	16780	2016	1	3.07	-	Under process
4	RTO Sialkot	16969	2013 & 2015	1	1.56	-	Under process
5	RTO Gujranwala	17433	2014 & 2015	1	0.75	-	Under process
		17427	2015	1	2.08	-	Under process
		17430	2016	2	1.01	-	Under process
		17412	2016	3	23.60	-	Under process
6	LTU Islamabad	16940	2008	1	17.50	-	Under process
		16903	2014 & 2015	1	981.44	-	Under process

7	RTO Multan	17088	2014-2016	3	129.06	-	Under process
		17079	2014	1	0.32	-	Under process
8	RTO II Lahore	17486	2011	1	30.61	-	Under process
9	LTU Lahore	16870	2015	1	0.05	-	Under process
		16871	2015	1	0.46	-	Under process
10	RTO Islamabad	17154	2016	1	7.66	-	Under process
			Total	**29**	**1221.1**	**8.90**	

DGAIR (S) Karachi

(Rs in million)

S. No.	Offices	DP No	Tax Year	No of cases	Amount	Latest Position
11	LTU Karachi	1411	2016	12	469.11	Under Process
		1428	2016	1	312.34	Under Process
12	LTU-II Karachi	1368	2016	3	84.2	Under Process
		1379	2016	4	92.77	Under Process
		1437	2016	2	98.95	Under Process
		1450	2016	1	564.15	Under Process
		1493	2016	4	8.65	Under Process
13	CRTO Karachi	1397	2016	4	4.33	Under Process
		1472	2016	10	2.95	Under Process

		1508	2016	2	3.46	Under Process
		1517	2016	2	1.98	Under Process
14	RTO-II Karachi	1339	2016	3	5.4	Under Process
		1400	2016	5	11.67	Under Process
15	RTO Hyderabad	1291	2016	33	202.96	Recovery awaited Rs.0.34 Under Process Rs.202.62
		1308	2016	23	185.89	Under Process
16	RTO Quetta	1272	2016	2	7.35	Under Process
Total				**111**	**2,056.16**	
Grand Total				**140**	**3,277.26**	

Recovered and verified Rs.8.90, Recovery awaited Rs.0.34, Under process Rs. 3,268.02

Annexure-36
(Para 4.6.1)

Non-realization of Workers Welfare Fund - Rs. 2,375.83 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Amount recovered	Latest Position
1	RTO Islamabad	17158	2015& 2016	1	0.19	-	Under process
		17146	2015	3	0.66	-	Under process
2	RTO Faisalabad	17268	2016	11	1.68	-	Under process Rs.1.44 Recovery awaited Rs. 0.24
3	RTO Rawalpindi	17235	2016	9	1.58	0.19	Under process Rs. 1.39
		17221	2016	7	2.01	-	Under process
		17205	2016	3	1.14	-	Under process
4	RTO Multan	17092	2015& 2016	13	8.32	-	Recovery awaited RS. 3.92 Under process Rs. 4.40
		17069	2016	9	0.42	0.25	Under Process Rs. 0.17
5	CRTO Lahore	17371	2016	11	1.66	0.82	Recovery awaited Rs.0.40 Under process Rs.0.44
6	LTU Islamabad	16907	2016	2	520.43	-	Under process
		16926	2016	1	81.35	-	Under process
7	RTO Sialkot	16994	2015& 2016	2	1.12	-	Under process
		16978	2016	7	1.00	-	Under process

8	LTU Lahore	16861	2015& 2016	6	416.45	-	Under process
9	RTO Gujranwala	17423	2016	15	3.30	-	Recovery awaited
		17421	2016	8	3.80	-	Recovery awaited
10	RTO Sargodha	16814	2015	9	11.94	-	Recovery awaited
		16744	2015	13	0.58	0.06	Under process Rs. 0.52
		16809	2015	5	28.49	-	Under process
			Total	**135**	**1,086.12**	**1.13**	

DGAIR (S) Karachi

(Rs in million)

S. No	Offices	DP No	Tax Year	No of cases	Amount	Amount recovered	Latest Position
11	LTU Karachi	1420	2016	3	2.49	-	Under Process
		1426	2016	26	917.55	-	Under Process
12	LTU-II Karachi	1370	2016	4	10.72	7.14	Under process Rs.3.58
		1377	2016	1	7.58	-	Under Process
		1447	2016	10	62.69	-	Under Process
		1490	2016	9	14.61	-	Under Process
13	CRTO Karachi	1396	2016	8	4.08	0.9	Under process Rs.3.17
		1477	2016	28	11.15	-	Under Process

		1509	2016	1	0.51	-	Under Process
		1513	2016	7	10.94	-	Under Process
14	RTO-II Karachi	1343	2016	1	0.56	-	Under Process
		1401	2016	10	4.81	-	Under Process
15	RTO-III Karachi	1331	2016	17	13.77	-	Under Process
		1389	2016	6	1.47	-	Under Process
16	RTO Hyderabad	1293	2016	1856	159.17	-	Under Process
		1311	2016	20	41.79	7.53	Under process Rs.34.26
17	RTO Sukkur	1256	2016	31	6.49	4.34	Under process Rs.2.15
18	RTO Quetta	1265	2016	176	16.57	-	Under Process
		1358	2016	5	2.76	-	Under Process
Total				**2,219**	**1,289.71**	**19.91**	
Grand Total				**2,354**	**2,375.83**	**21.04**	

Recovered & verified Rs. 21.04, Recovery awaited Rs.23.60,
Under process Rs.2,331.19

Annexure-37
(Para 4.7.1)

Non-deduction/realization of withholding Sales Tax on purchases from unregistered persons - Rs.2,162.02 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO Hyderabad	6243-ST/K	01	1.10
2	LTU Karachi	6249-ST/K	01	165.34
		6250-ST/K	01	75.54
		6251-ST/K	01	93.14
		6258-ST/K	01	117.98
3	LTU-II Karachi	6282-ST/K	02	102.40
4	RTO Quetta	6273-ST/K	01	3.25
5	CRTO Karachi	6324-ST/K	91	1,600.59
6	RTO Abbottabad	16799-ST	03	0.32
7	CRTO Lahore	16771-ST	02	1.38
8	RTO Gujranwala	17431-ST	04	0.98
		Total	**108**	**2,162.02**

Annexure-38
(Para 4.7.2)

Non-realization of 4/5th and 9/10th Sales Tax from Government suppliers / vendors - Rs. 1.27 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO Islamabad	17172-ST	01	0.29
		17177-ST	01	0.44
2	RTO Rawalpindi	17224- ST	01	0.26
		17250-ST	01	0.28
		Total	**04**	**1.27**

Annexure-39
(Para 4.7.3)

Non-withholding/realization of Sales Tax from payment made against advertisement services - Rs.2,269.07 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO Sargodha	16730- ST	01	16.53
2	CRTO Lahore	16769- ST	02	28.54
3	RTO Bahawalpur	16811- ST	01	19.41
		16823-ST	01	1.40
4	LTU Islamabad	16892-ST	01	46.12
		16935-ST	01	2.53
5	RTO Rawalpindi	17194-ST	01	12.33
6	RTO Gujranwala	17418-ST	05	6.52
7	LTU Karachi	6253-ST/K	01	38.20
		6291-ST/K	01	536.18
8	RTO-II Karachi	6310-ST/K	01	14.70
9	RTO-III Karachi	6316-ST/K	138	17.29
10	CRTO Karachi	6321-ST/K	33	55.13
		6327-ST/K	251	1474.19
		Total	**438**	**2269.07**

<u>Annexure-40</u>
(Para 4.7.4)

Inadmissible/excess adjustment of Sales Tax not deducted by withholding Agents - Rs. 526.21 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	LTU Islamabad	16889- ST	06	502.01
		16910-ST	03	6.44
		16933-ST	01	4.30
		16944-ST	02	1.03
2	RTO Peshawar	17024-ST	01	1.22
3	RTO Gujranwala	17415-ST	01	9.38
		17443-ST	02	1.83
		Total	**16**	**526.21**

<u>Annexure-41</u>
(Para 4.7.5)

Non-deduction/realization of sales tax from government suppliers / vendors and DDOs - Rs. 27.24 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO Islamabad	17167- ST	01	0.19
		17133-ST	05	15.00
2	RTO Peshawar	17062- ST	01	1.32
3	LTU Islamabad	16895- ST	02	1.31
4	LTU Lahore	16852- ST	03	3.31
5	CRTO Lahore	16770-ST	03	6.11
		Total	**15**	**27.24**

Annexure-42
(Para 4.7.6)

Non-realization of Withholding Tax on salary - Rs. 484.89 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Amount recovered	Latest Position
1	RTO Rawalpindi	17203	2016	1	0.49	-	Under process
2	RTO Islamabad	17130	2016	2	13.82	-	Under process
3	CRTO Lahore	17355	2010	1	0.71	-	Under process
		16762	2015&2016	6	45.80	1.15	Under process Rs.44.65
4	RTO Peshawar	17016	2016	1	9.65	-	Under process
		17011	2015&2016	6	172.04	-	Under process
5	RTO Sialkot	16987	2015&2016	3	5.95	-	Under process
		16973	2016	3	5.10	-	Under process
6	RTO Bahawalpur	16831	2014&2015	6	4.34	-	Under process
7	RTO Abbottabad	16783	2016	5	74.07	-	Under process
		16782	2016	9	63.85	-	Under process
			Total	**43**	**395.82**	**1.15**	

DGAIR (S) Karachi

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Latest Position
8	CRTO-Karachi	1458	2016	28	64.70	Under Process
		1463	2016	14	24.37	Under Process
			Total	**42**	**89.07**	
			Grand Total	**85**	**484.89**	

Recovered and verified Rs.1.15 Under process Rs.483.74

<u>Annexure-43</u>
(Para 4.7.7)

Non-realization of withholding tax on dividend - Rs. 598.51 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount	Latest Position
1	LTU Islamabad	16923	2015 & 2016	02	139.35	Under process
		16901	2015 & 2016	02	458.67	Under process
2	RTO Peshawar	17017	2015	01	0.49	Under process
			Total	**5**	**598.51**	

Under process Rs. **598.51**

Annexure-44
(Para 4.7.8)

Non-levy of Withholding Tax on brokerage and commission Rs.123.19 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount	Latest Position
1	RTO Faisalabad	17280	2016	01	0.19	Under process
2	RTO Sargodha	16740	2015	04	1.91	Under process
3	RTO Rawalpindi	17237	2014	01	0.79	Under process
4	LTU Islamabad	16884	2014 to 2016	01	13.48	Under process
			Total	**7**	**16.37**	

DGAIR (S) Karachi

(Rs. in million)

S. No.	Offices	DP No	Tax Year	No of cases	Amount involved	Latest Position
5	LTU-II Karachi	1375	2016	01	0.10	Under Process
6	CRTO Karachi	1459	2016	17	84.14	Under Process
7	RTO-III Karachi	1318	2016	14	14.13	Under Process
8	RTO Hyderabad	1283	2016	02	8.45	Under Process
			Total	**34**	**106.82**	
			Grand Total	**41**	**123.19**	

Under process Rs.123.19

Annexure-45
(Para 4.7.9)

Non-recovery of Withholding Tax on income from property - Rs. 982.18 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount	Latest Position
1	RTO Peshawar	17041	2014 to 2017	08	553.79	Under process
		17045	2014 & 2015	01	70.67	Under process
		17030	2015 to 2017	09	329.10	Under process
2	RTO Multan	17095	2016	01	0.37	Under process
3	LTU Islamabad	16934	2016	01	3.21	Under process
4	RTO Islamabad	17157	2016	01	1.58	Under process
5	RTO Rawalpindi	17198	2015 & 2016	02	18.00	Under process
6	RTO Abbotabad	16786	2016	03	5.07	Under process
7	RTO Sialkot	16992	2016	01	0.39	Under process
			Total	**27**	**982.18**	

Under process Rs.982.18

Annxure-46
(Para 4.7.10)

Non collection of advance tax - Rs. 1,138.03 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Offices	DP No.	Tax Year	No of cases	Amount involved	Recovered	Latest Position
1	RTO Faisalabad	17262	2015& 2016	19	42.84	7.97	Under Process Rs.34.87
2	RTO Rawalpindi	17233	2015& 2016	3	15.59	1.68	Under process Rs. 13.91
		17217	2016	4	17.03	5.82	Under process Rs. 11.21
3	RTO Islamabad	17151	2106	3	19.45	-	Under process
4	RTO Peshawar	17044	2014 to 2017	6	71.42	-	Under process
		17035	2014 to 2017	2	2.40	-	Under process
		17033	2014 to 2017	12	14.25	-	Under process
		17018	2017	1	0.48	-	Under process
		17015	2016 & 2017	4	19.83	-	Under process
5	RTO Sialkot	16986	2015& 2016	35	23.33	1.08	Under process Rs. 19.44, Recovery awaited Rs. 1.69 Subjudice Rs. 1.12
		16977	2015& 2016	2	0.77	-	Under process
		16976	2015& 2016	12	32.30	-	Under process
6	RTO Bahawalpur	16835	2016	1	2.46	-	Under process

		16825	2015& 2016	42	19.01	2.19	Under process Rs. 16.82
		16815	2015& 2016	1	1.93	-	Under process
		16807	2015& 2016	7	43.50	11.65	Under process Rs 31.85
7	RTO Sargodha	16736	2015& 2016	72	149.07	3.23	Under process Rs. 145.84
		16739	2015	2	18.67	18.66	Recovered & verified
8	RTO Abbottabad	16781	2014 to 2016	8	43.36	-	Under process
		16787	2014 to 2016	15	4.54	-	Under process
		16789	2015	2	18.18	-	Under process
9	LTU Islamabad	16881	2014	1	8.46	-	Under process
		16887	2016	1	0.76	0.76	Recovered & verified
		16875	2016	1	23.83	-	Under process
		16932	2016	1	21.24	-	Under process
10	RTO Gujranwala	17442	2015	1	3.08	-	Under process
			Total	**258**	**617.78**	**53.04**	

DGAIR (S) Karachi

(Rs in million)

S. No.	Offices	DP No	Tax Year	No of case	Amount	Latest Position
11	LTU-Karachi	1415	2016	10	193.60	**Under Process**
		1418	2016	24	31.86	Under Process
		1430	2016	10	140.00	Under Process
		1431	2016	14	55.57	Under Process
12	LTU-II, Karachi	1443	2016	8	17.01	Under Process
		1499	2016	1	6.94	Under Process
		1501	2016	1	7.21	Under Process

13	CRTO-Karachi	1470	2016	3	2.16	Under Process
		1471	2016	15	2.00	Under Process
		1475	2016	54	8.18	Under Process
14	RTO-II-Karachi	1403	2016	2	0.22	Under Process
15	RTO-III, Karachi	1486	2016	1	1.33	Under Process
16	RTO-Hyderabad	1275	2016	5	11.30	Under Process
		1280	2016	2	34.08	Under Process
		1286	2016	1	1.65	Under Process
17	RTO-Quetta	1360	2016	2	5.91	Under Process
		1361	2016	2	1.23	Under Process
			Total	**155**	**520.25**	
			Grand Total	**413**	**1,138.03**	

Recovered & verified Rs.53.04 Recovery awaited Rs.1.69, Under process Rs.1,082.18, Subjudice Rs.1.12

Annexure-47
(Para 4.7.11)

Short/non-deduction of withholding tax - Rs. 29,784.96 million

DGAIR (N) Lahore (Rs. in million)

S. No.	Offices	DP No	Tax Year	No of cases	Amount involved	Recovered	Latest Position
1	RTO Sialkot	16989	2016	4	18.71	-	Under process
		16985	2015 & 2016	3	5.25	-	Under process
		16984	2015	1	8.41	-	Under process
2	LTU Islamabad	16883	2015 & 2016	2	74.85	4.06	Under process Rs. 70.52
		16921	2016	2	215.22	-	Under process
3	RTO Abbotabad	16784	2016	10	28.19	0.02	Under process Rs.28.17
4	CRTO Lahore	16751	2015 & 2016	1	852.74	-	Recovery awaited Rs.803.04 Under process Rs.49.70
		16756	2014 & 2015	3	25.61	-	Under process
		17363	2016	7	41.78	22.80	Under process Rs.18.98
5	RTO Sargodha	16747	2014 & 2015	4	6.42	-	Under process
		16746	2015 & 2016	2	8.15	-	Under process
6	RTO Peshawar	17032	2016	1	31.70	-	Under process
		17013	2016 & 2017	7	82.47	-	Under process

7	RTO Rawalpindi	17218	2016	1	6.10	-	Under process
		17234	2015 & 2016	1	1.96	-	Under process
		17238	2016	1	0.54	-	Under process
8	RTO Faisalabad	17275	2016	7	237.70	-	Under process
		17276	2016	1	30.65	-	Under process
		17278	2015 & 2016	1	0.85	-	Under process
9	RTO Gujranwala	17406	2016	10	153.72	-	Under process
		17422	2016	14	204.22	-	Under process
10	RTO-II Lahore	17470	2013	1	4.05	-	Under process
11	RTO Islamabad	17150	2016	1	26.00	-	Under process
			Total	**85**	**2,065.29**	**26.86**	

DGAIR (S) Karachi

(Rs in million)

S. No	Offices	DP No	Tax Year	No of cases	Amount	Amount recovered	Latest Position
12	LTU Karachi	1406	2016	30	6,704.90	-	Under Process
		1413	2016	3	405.52	-	Under Process
		1421	2016	30	17,175.13	-	Under Process
		1432	2016	1	18.94	-	Under Process
13	LTU-II Karachi	1451	2016	15	571.02	-	Under Process
14	CRTO Karachi	1466	2016	18	152.80	-	Under Process
		1527	2016	1	0.08	-	Under Process
		1462	2016	25	339.09	-	Under Process
15	RTO-II Karachi	1267	2016	9	108.60	2.96	Under Process Rs.105.64
16	RTO-III Karachi	1485	2016	13	161.03	-	Under Process
		1316	2016	5	12.71	-	Under Process

		1333	2016	9	39.03	-	Under Process
		1391	2016	21	128.19	-	Under Process
		1434	2016	11	139.19	-	Under Process
17	RTO Hyderabad	1274	2016	1	98.49	-	Under Process
		1279	2016	2	10.81	-	Under Process
		1281	2016	1	152.17	-	Under Process
		1278	2016	7	307.12	-	Under Process
		1285	2016	1	2.45	-	Under Process
18	RTO	1257	2016	1	173.71	-	Under Process
	Sukkur	1453	2016	6	937.64	-	Under Process
19	RTO Quetta	1345	2016	4	11.41	-	Under Process
		1344	2016	2	2.99	-	Under Process
		1346	2016	1	7.20	-	Under Process
		1351	2016	1	59.45	-	Under Process
			Total	**218**	**27,719.67**	**2.96**	
			Grand Total	**303**	**29,784.96**	**29.82**	

Recovered and verified Rs.29.82, Recovery awaited Rs.803.04, Under process Rs.28,952.10

Annexure-48
(Para 4.8.2)

Un-justified payment on account of cash reward - Rs. 58.90 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO Gujranwala	17399-Exp	02	0.09
2	RTO Faisalabad	17259-Exp	02	12.10
3	Commissioner Appeals (IR) Peshawar	17006-Exp	01	0.40
4	RTO Bahawalpur	16772-Exp	05	9.50
5	RTO Hyderabad	366-Exp/K	01	9.50
6	LTU-II Karachi	380-Exp/K	01	14.02
7	RTO-II Karachi	391-Exp/K	01	13.29
		Total	**13**	**58.90**

<u>Annexure-49</u>
(Para 4.8.3)

Irregular expenditure due to misuse of official vehicles and monetization of transport facility - Rs. 55.85 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	LTU Islamabad	16955-Exp	06	0.28
		16956-Exp	12	0.92
2	LTU Lahore	16838-Exp	98	0.20
		16840-Exp	61	6.67
3	RTO Sukkur	375-Exp/K	19	4.70
		373-Exp/K	01	6.47
4	LTU-II, Karachi	379-Exp/K	01	4.50
5	RTO Hyderabad	367-Exp/K	01	8.95
6	LTU Karachi	401-Exp/K	01	4.08
7	RTO-III Karachi	386-Exp/K	01	6.51
8	RTO-II Karachi	392-Exp/K	01	5.67
9	CRTO Karachi	405-Exp/K	01	6.90
		Total	**203**	**55.85**

Annexure-50
(Para 4.8.4)

Non-recovery of loans / advances and interest from the officers / officials - Rs. 37.25 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount pointed out	Amount recovered	Balance amount
1	LTU Islamabad	16948-Exp	15	0.85	0	0.85
2	RTO Abbottabad	16701-Exp	01	0.56	0	0.56
3	RTO Peshawar	17001-Exp	15	4.62	0.28	4.34
4	Addl. Dir (IR) Internal Audit Peshawar	17009-Exp	01	0.20	0	0.20
5	RTO Multan	17063-Exp	11	3.34	0.21	3.130
		17064-Exp	50	1.27	0	1.27
6	RTO Rawalpindi	17244-Exp	48	4.71	0	4.71
7	RTO Faisalabad	17252-Exp	25	9.79	0.27	9.52
		17255-Exp	12	0.64	0	0.64
8	DOT Lahore	16801-Exp	31	0.47	0	0.47
9	RTO Sialkot	16960-Exp	09	7.61	0	7.61
		16961-Exp	04	1.80	0	1.80
		16962-Exp	14	1.05	0	1.05
		16965-Exp	26	0.34	0	0.34
		Total	**262**	**37.25**	**0.76**	**36.49**

Annexure-51
(Para 4.8.5)

Non-deduction of Performance Allowance - Rs. 19.84 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount pointed out	Amount recovered	Balance amount
1	LTU Islamabad	16959-Exp	05	2.97	0	2.97
2	CRTO Lahore	17374-Exp	12	3.41	0	3.41
3	RTO Islamabad	17178-Exp	03	1.25	0	1.25
4	RTO Gujranwala	17388-Exp	06	0.57	0.04	0.53
5	RTO Hyderabad	369-EXP/K	50	11.64	0	11.64
		Total	**76**	**19.84**	**0.04**	**19.80**

Annexure-52
(Para 4.8.6)

Irregular expenditure due to non-observance of PPRA and General Financial Rules - Rs. 18.07 million

(Rs. in million)

S. No.	Office	PDP No.	No. of cases	Amount
1	RTO-III Karachi	390-Exp/K	01	3.40
2	RTO-II Karachi	396-Exp/K	01	2.84
3	LTU Karachi	400-Exp/K	01	4.10
4	CRTO Karachi	410-Exp/K	01	6.15
		411-Exp/K	01	1.28
5	LTU-II Karachi	383-Exp/K	01	0.30
		Total	**06**	**18.07**

Annexure-53
(Para 4.8.7)

Excess payment to staff working beyond sanctioned strength - Rs. 18.38 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	LTU Islamabad	16949-Exp	03	0.80
2	RTO Rawalpindi	17245-Exp	09	2.06
3	RTO Faisalabad	17257-Exp	09	9.31
4	RTO Sukkur	374-Exp/K	08	6.21
		Total	**29**	**18.38**

Annexure-54
(Para 4.8.8)

Excess and inadmissible expenditure on pay and allowances - Rs. 8.40 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount pointed out	Amount recovered	Balance amount
1	FBR (HQ) Islamabad	17110-Exp	10	0.09	0	0.09
2	D.G I&I (IR) Islamabad	17121-Exp	01	0.05	0	0.05
3	RTO Rawalpindi	17251-Exp	01	0.48	0	0.48
		17248-Exp	02	0.30	0	0.30
4	RTO Islamabad	17185-Exp	01	0.12	0	0.12
		17179-Exp	13	0.78	0	0.78
5	CRTO Lahore	17383-Exp	01	0.34	0.03	0.31
		17384-Exp	01	0.35	0.15	0.20
6	RTO-II Lahore	17447-Exp	01	1.29	0	1.29
		17455-Exp	01	0.18	0	0.18
		17466-Exp	01	0.02	0	0.02
		17451-Exp	01	0.37	0.10	0.27
		17453-Exp	01	0.22	0	0.22
		17454-Exp	01	0.21	0	0.21
		17462-Exp	01	0.05	0	0.05
		17464-Exp	01	0.03	0	0.03
7	Data Processing Centre (IR) Lahore	17467-Exp	01	0.09	0	0.09
8	LTU Islamabad	16957-Exp	21	0.84	0	0.84
		16947-Exp	06	0.07	0	0.07
9	RTO Sialkot	16966-Exp	8	0.11	0	0.11
10	RTO Gujranwala	17392-Exp	2	0.24	0	0.24
		17394-Exp	3	0.16	0.05	0.11

		17395-Exp	1	0.12	0	0.12
		17396-Exp	1	0.08	0.01	0.07
11	RTO Sargodha	16728-Exp	1	0.35	0	0.35
		16729-Exp	17	0.19	0.04	0.15
12	RTO Abbottabad	16699-Exp	1	0.57	0	0.57
13	RTO Faisalabad	17253-Exp	2	0.16	0	0.16
		17254-Exp	37	0.16	0	0.16
14	RTO-III Karachi	387-Exp/K	01	0.10	0	0.10
15	RTO-II Karachi	395-Exp/K	01	0.02	0	0.02
16	RTO Sukkur	378-Exp/K	09	0.26	0	0.26
		Total	**150**	**8.40**	**0.38**	**8.02**

<u>Annexure-55</u>
(Para 4.8.9)

Excess payment on account of Law Charges - Rs. 10.87 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	FBR (HQ) Islamabad	17109-Exp	01	1.04
2	RTO Hyderabad	364-Exp	01	1.68
3	LTU-II Karachi	382-Exp	01	1.66
4	RTO-III Karachi	388-Exp	01	0.55
5	RTO-II Karachi	393-Exp	01	1.00
6	CRTO Karachi	404-Exp	01	4.94
		Total	**06**	**10.87**

Annexure-56
(Para 4.8.10)

Non/short deduction of house rent allowance and 5% house rent charges - Rs. 5.19 million

(Rs. in million)

S. No.	Office	DP No.	No. of Cases	Amount pointed out	Amount recovered	Balance amount
1	FBR (HQ) Islamabad	17114-Exp	01	0.06	0	0.06
2	RTO Multan	17065-Exp	03	0.20	0.01	0.19
3	RTO Bahawalpur	16775-Exp	246	1.92	0	1.92
4	RTO Islamabad	17180-Exp	08	0.10	0	0.10
5	RTO Rawalpindi	17247-Exp	14	0.34	0.04	0.30
6	RTO Faisalabad	17260-Exp	126	0.16	0	0.16
7	CRTO Lahore	17376-Exp	09	0.56	0.27	0.29
		17379-Exp	13	0.81	0.05	0.76
8	RTO Gujranwala	17393-Exp	10	0.22	0.07	0.15
9	RTO Hyderabad	370-Exp/K	01	0.82	0	0.82
		Total	**431**	**5.19**	**0.44**	**4.75**

<u>Annexure-57</u>
(Para 4.8.11)

Non-deduction of withholding Sales Tax on services - Rs. 7.65 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	LTU Lahore	16843-Exp	01	1.76
2	CRTO Lahore	17378-Exp	01	0.72
3	LTU-II, Karachi	381-Exp/K	01	0.84
4	RTO-II, Karachi	394-Exp/K	01	0.61
5	LTU, Karachi	402-Exp/K	01	2.66
6	CRTO, Karachi	408-Exp/K	01	1.06
		Total	**06**	**7.65**

Annexure-58
(Para 4.8.12)

Non / short-withholding of Income Tax - Rs. 4.12 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	FBR (HQ) Islamabad	17112-Exp	04	0.07
2	D.G I & I (IR) Islamabad	17120-Exp	01	0.05
3	LTU Islamabad	16946-Exp	96	1.09
4	RTO Bahawalpur	16779-Exp	12	0.12
5	LTU Karachi	398-Exp/K	01	2.66
6	CRTO Karachi	412-Exp/K	01	0.13
		Total	**115**	**4.12**

Annexure-59
(Para 4.8.13)

Excess and inadmissible expenditure - Rs. 6.15 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO Abbottabad	16700-Exp	21	0.44
2	RTO Bahawalpur	16776-Exp	01	0.48
3	PRAL Islamabad	17303-Exp	01	0.24
		17304-Exp	10	0.67
4	DG Internal Audit (IR) Islamabad	17118-Exp	01	0.07
5	DG I&I (IR) Islamabad		01	0.05
6	Chief Coordinator Computer Wing (IR) Islamabad		01	0.02
7	DG I&I (IR) Islamabad	17119-Exp	10	0.04
8	RTO Islamabad	17181-Exp	01	0.08
		17183-Exp	06	0.06
9	LTU-II Karachi	384-Exp/K	01	0.60
10	RTO-III Karachi	389-Exp/K	01	2.30
11	CRTO Karachi	406-Exp/K	01	1.10
		Total	**56**	**6.15**

Annexure-60
(Para 4.8.14)

Irregular expenditure by PRAL on behalf of FBR - Rs. 4.85 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	PRAL Islamabad	17298-Exp	01	3.45
		17300-Exp	01	0.45
		17302-Exp	14	0.95
		Total	**16**	**4.85**

<u>Annexure-61</u>
(Para 4.8.16)

Non/short recovery of monthly contribution of Benevolent Fund and Group Insurance Fund - Rs. 2.97 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount pointed out	Amount recovered	Balance amount
1	FBR (HQ) Islamabad	17108-Exp	98	0.90	0	0.90
2	RTO Sialkot	16963-Exp	322	1.05	0	1.05
		16964-Exp	83	0.55	0	0.55
3	RTO Faisalabad	17258-Exp	91	0.35	0	0.35
4	CRTO Lahore	17386-Exp	23	0.12	0.04	0.08
		Total	**617**	**2.97**	**0.04**	**2.93**

Annexure-62
(Para 4.8.17)

In-admissible payment of hired residential accommodations - Rs. 2.20 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO Sargodha	16727-Exp	01	0.60
2	LTU Islamabad	16958-Exp	02	1.02
3	CRTO Lahore	17377-Exp	01	0.58
		Total	**04**	**2.20**

Annexure-63
(Para 4.8.18)

Excess and inadmissible payment of TA/DA and Transfer Grant - Rs. 1.16 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount pointed out	Amount recovered	Balance amount
1	LTU Lahore	16839-Exp	21	0.15	0	0.15
2	RTO Abbottabad	16703-Exp	18	0.12	0	0.12
3	RTO Bahawalpur	16778-Exp	21	0.33	0	0.33
4	RTO Peshawar	17005-Exp	03	0.17	0.01	0.16
5	RTO-II Lahore	17457-Exp	01	0.08	0	0.08
		17458-Exp	01	0.07	0	0.07
		17459-Exp	01	0.07	0	0.07
		17460-Exp	01	0.06	0	0.06
		17461-Exp	01	0.05	0	0.05
		17463-Exp	01	0.04	0	0.04
		17465-Exp	01	0.02	0	0.02
		Total	**70**	**1.16**	**0.01**	**1.15**

Annexure-64
(Para 5.4.3)

Non-levy of penalty for non/late filing of returns - Rs. 9,516.62 million

DGAIR (N) Lahore

(Rs in million)

S. No.	Offices	DP No.	Tax Year	No of cases	Amount	Latest Position
1	RTO Rawalpindi	17241	2016	172	3.44	Under process
2		17228	2014&2015	322	6.44	Under process
3		17236	2016	01	0.39	Under process
4		17243	2016	183	3.66	Under process
5		17222	2016	03	1.42	Under process
6		17206	2016	01	0.23	Under process
7		17210	2016	2422	48.44	Under process
8	LTU Lahore	16874	2016	26	9.65	Under process
9	RTO Bahawalpur	16821	2015	83	1.66	Under process
10	LTU Islamabad	16931	2016	01	25.09	Under process
11		16908	2015&2016	01	76.79	Under process
12	RTO Islamabad	17165	2016	218	4.36	Under process
13	RTO Faisalabad	17271	2016	150	3.00	Under process
14	RTO II Lahore	17277	2015&2016	01	0.24	Under process
15		17502	2016	193	3.94	Under process
16		17503	2013 to 2016	01	0.08	Under process
17		17514	2016	1770	35.40	Under process
18	CRTO Lahore	17362	2014 to 2016	2354	122.28	Under process
19	LTU-Karachi	1410	2016	66	718.99	Under Process
20		1416	2016	35	156.66	Under Process
21		1425	2016	60	1,760.53	Under Process
22		1429	2016	46	297.92	Under Process
23		1371	2016	8	7.81	Recovery awaited Rs.1.462 Under process Rs.6.351
24	LTU-II-Karachi	1378	2016	7	12.73	Under Process
25		1384	2016	3	2,240.99	Under Process

26		1445	2016	1	5.96	Under Process
27		1446	2016	15	57.10	Under Process
28		1449	2016	7	1,530.73	Under Process
29		1489	2016	11	37.61	Under Process
30	CRTO-Karachi	1395	2016	12	1.01	Under Process
31		1456	2016	350	7.00	Under Process
32		1457	2016	84	22.96	Under Process
33		1460	2016	53	40.37	Under Process
34		1465	2016	32	17.71	Under Process
35		1473	2016	191	3.82	Under Process
36		1480	2016	112	23.28	Under Process
37		1504	2016	7	2.77	Under Process
38		1511	2016	12	112.56	Under Process
39	RTO-II-Karachi	1364	2016	147	134.13	Under Process
40		1366	2016	9	10.86	Under Process
41		1399	2016	234	44.13	Under Process
42	RTO-III-Karachi	1323	2016	42	2.14	Under Process
43		1325	2016	20792	415.84	Under Process
44		1329	2016	19	11.34	Under Process
45		1340	2016	117	16.61	Under Process
46		1385	2016	21	12.81	Under Process
47		1390	2016	22	1.60	Under Process
48		1433	2016	17	9.55	Under Process
49		1435	2016	40	0.80	Under Process
50		1484	2016	4	0.50	Under Process
51		1488	2016	13	16.10	Under Process
52	RTO-Hyderabad	1273	2016	17	3.34	Under Process
53		1277	2016	5	87.46	Under Process
54		1287	2016	18	839.70	Under Process
55		1297	2016	43	25.55	Under Process
56		1304	2016	6	329.18	Under Process
57		1313	2016	48	16.38	Recovery awaited Rs.0.908 Under Process Rs.15.476
58	RTO-Sukkur	1254	2016	1	17.37	Under Process

59	RTO-Quetta	1268	2016	11	6.12	Under Process
60		1270	2016	191	3.82	Under Process
61		1348	2016	1	0.72	Under Process
62		1349	2016	4	27.62	Under Process
63		1353	2016	1	5.94	Under Process
64		1354	2016	2	64.16	Under Process
65		1359	2016	3	7.24	Under Process
66		1362	2016	2	0.59	Under Process
			Total	**30844**	**9516.62**	

<u>Annexure-65</u>
(Para 5.5.1)

Non-recovery of government revenue from blacklisted/non-active taxpayers - Rs. 5,275.60 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO-II Karachi	6300-ST/K	507	2,535.00
		6301-ST/K	1	535.92
		6302-ST/K	1	517.84
		6303-ST/K	1	231.43
		6304-ST/K	1	154.73
		6307-ST/K	1	42.72
		6308-ST/K	1	40.77
		6311-ST/K	1	12.60
2	LTU Karachi	6261-ST/K	1	301.23
3	RTO-III Karachi	6332-ST/K	1	405.56
		6333-ST/K	18	254.30
		6335-ST/K	50	204.00
		6336-ST/K	1	12.82
		6340-ST/K	4	25.93
4	RTO-Abbotabad	16798-ST	1	0.75
		Total	**590**	**5,275.60**

Annexure-66
(Para 5.5.3)

Non-imposition of penalty and default surcharge on non/late filing of Sales Tax Returns – Rs. 579.92 million

(Rs in million)

S. No.	Offices	DP No.	Tax Year	No of cases	Amount	Amount recovered	Latest Position
1	RTO Peshawar	17027	2016-17	08	0.64	-	Under process
2	RTO Multan	17084	2015-16	01	8.01	-	Under process
3		17107	2015-17	08	0.71	-	Under process
4	RTO Faisalabad	17283	2016-17	01	0.31	-	Under process
5		17287	2016-17	230	11.81	-	Under process
6		17288	2015-17	08	2.04	-	Under process
7	RTO Quetta	6220-ST/K	2014-17	8	12.26	0.188	Under process
8		6222-ST/K	2014-17	200	7.84	-	Under process
9		6277-ST/K	2014-17	2	8.32	-	Under process
10	RTO Hyderabad	6229-ST/K	2014-17	557	25.88	-	Under process
11		6230-ST/K	2014-17	3	17.62	-	Under process
12		6235-ST/K	2014-17	26	0.38	-	Under process
13		6238-ST/K	2014-17	2	13.06	1.013	Under process
14		6240-ST/K	2014-17	157	7.69	-	Under process
15		6244-ST/K	2014-17	26	0.39	-	Under process
16		6293-ST/K	2014-17	6	162.16	-	Under process
17		6295-ST/K	2014-17	105	0.53	-	Under process
18		6298-ST/K	2014-17	2	12.22	-	Under process

19		6299-ST/K	2014-17	91	0.46	-	Under process
20	LTU Karachi	6248-ST/K	2014-17	1	271.57	-	Under process
21	CRTO Karachi	6286-ST/K	2014-17	12	0.070	-	Under process
22		6287-ST/K	2014-17	12	0.15	-	Under process
23		6326-ST/K	2014-17	28	2.25	-	Under process
24	LTU-II Karachi	6319-ST/K	2014-17	8	13.55	-	Under process
			Total	**1502**	**579.92**	**1.201**	