



**AUDIT REPORT
ON
THE ACCOUNTS OF
FEDERAL BOARD OF REVENUE
(INLAND REVENUE)
AUDIT YEAR 2015-2016**

AUDITOR-GENERAL OF PAKISTAN

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ABBREVIATIONS & ACRONYMS

ACIR	Assistant Commissioner Inland Revenue
ACL	Audit Command Language
AGP	Auditor General of Pakistan
AGPR	Accountant General Pakistan Revenue
AOP	Association of Persons
APPM	Accounting Policies & Procedures Manual
ATIR	Appellate Tribunal Inland Revenue
ATL	Active Taxpayer List
BKO	Bricks Kiln Owners
BMR	Balancing Modernization and Replacement
BPS	Basic Pay Scale
CAATs	Computer Assisted Audit Techniques
CAO	Chief Accounts Officer
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
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	Departmental Representative
DR&S	Director Research & Statistics
DTRE	Duty and Tax Remission for Exports
E&D	Efficiency & Disciplinary
ECC	Economic Coordination Committee
ERS	Expeditious Refund System
FATE	Facilitation and Taxpayer Education
FBR	Federal Board of Revenue

FED	Federal Excise Duty
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
INTOSAI	International Organisation of Supreme Audit Institutions
IPP	Independent Power Producer
IR	Inland Revenue
KIBOR	Karachi Inter Bank Offer Rate
LPG	Liquefied Petroleum Gas
LTU	Large Taxpayers Unit
MAG	Military Accountant General
MCC	Model Customs Collectorate
MEPCO	Multan Electric Power Company
MFDAC	Memorandum for Departmental Accounts Committee
MPR	Monthly Performance Report
MR	Management Report
NBP	National Bank of Pakistan
NESPAK	National Engineering Services Pakistan (Pvt) Limited.
NHA	National Highway Authority
NTDC	National Transmission and Despatch Company
NTN	National Tax Number
NTR	Normal Tax Regime
OIO	Order-in-Original
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
POL	Petroleum Oil Lubricants
PPRA	Public Procurement Regulatory Authority
PRA	Post Refund Audit

PRAL	Pakistan Revenue Automation Limited
QESCO	Quetta Electric Supply Company
Pvt	Private
RPO	Refund Payment Order
RTO	Regional Tax Office
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
SRO	Statutory Regulatory Order
STARR	Sales Tax Automated Refund Repository
STRN	Sales Tax Registration Number
TARP	Tax Administration Reforms Project
TFC	Tax Facilitation Centre
VAT	Value Added Tax
WHT	Withholding Tax
WWF	Workers Welfare Fund

Preface

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

The Report is based on compliance with authority audit of Inland Revenue and Expenditure of the Federal Board of Revenue for the Financial Year 2014-15. The Report also includes observations relating to previous years. The Directorates General Audit Inland Revenue (North and South) conducted audit during the audit year 2015-16 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 the next year's Audit Report.

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

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

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

Dated: 02 June 2016

Rana Assad Amin
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 146 officers and staff with 36,886 mandays and Annual Budget of Rs. 172.61 million (FY 2015-16). The Directorates are mandated to conduct Regularity Audit (Financial Audit and Compliance with Authority Audit) and Performance/Sectoral Audit of FBR. Regularity Audit of 113 formations was conducted during second half of Audit Year 2014-15 and first half of Audit Year 2015-16 by utilizing planned mandays, incurring an expenditure of Rs. 180.96 million.

a. Scope of Audit

FBR collected Inland Revenue of Rs. 2,257,884 million against revised target of Rs. 2,350,000 million for the FY 2014-15 and paid refund of Rs. 58,948.12 million. The Directorates General of Audit Inland Revenue conducted audit of receipts (including refunds) of Rs. 2,114,595 million. Since the FBR did not provide assessment record of Sales Tax and Federal Excise Duty, Audit had to rely upon the available soft data pertaining to the returns of Sales Tax and Federal Excise Duty. The FBR incurred expenditure of Rs. 13,221 million against final grant of Rs. 13,330 million for which audit of Rs. 8,461 million was also conducted. The total outlays audited were 67 % of total formations under jurisdiction.

b. Recoveries at the Instance of Audit

Audit pointed out recovery of Rs. 182,491.20 million in this report. The FBR reported recovery of Rs. 10,248.51 million on pointation of Audit from January to December 2015 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

Levy of Tax/Duty is prerogative of legislature and cannot be levied through SROs by the department. Audit had time and again pointed out the misuse of SROs/clarifications issued by the FBR in its Annual Audit Reports. Short levy of tax of Rs. 1,136.05 million was pointed out due to unauthorized issuance of SRO No. 1003(I)/2011 dated 31.10.2011 in the Audit Report 2014-15. The Federal Government through Finance Act, 2015 omitted Clause 79 in Part IV of Second Schedule of the Income Tax Ordinance, 2001.

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 part of tax authorities.

Recurrence of the above irregularities showed that internal controls were not functioning effectively. FBR was not taking necessary measures to rectify the lapses to improve the internal controls which resulted in revenue loss of billions of rupees. Had the FBR taken appropriate measures and shown compliance to Audit's observations and the PAC/DAC's directives, the

department would never have to revise its targets and would have been able to exceed 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 the FBR.

Audit recommends timely completion of internal audit reports by FBR and provision of the same to Audit. Moreover, internal controls may be strengthened by continuous review and recurring lapses be avoided in future.

f. Key Audit Findings of the Report

This report includes audit observations of Rs. 182,491.20 million in respect of compliance with authority audit of receipts and expenditure relating to Inland Revenue for the FY 2013-14 and the FY 2014-15, audited from January to November 2015. 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) Inadmissible adjustment of Input Tax against exempt supplies of Rs 6,175.26 million.²
- iii) Non-realization of Sales Tax on certain goods by illegally treating them as zero rated supplies - Rs. 5,273.50 million.³
- iv) Non/short-realization of Sales Tax by giving undue benefit to non-registered persons amounting Rs. 4,123.30 million.⁴
- v) Non-recovery of adjudged dues/arrears of Rs. 27,406.98 million.⁵

¹Para 3.1, 3.1.1

²Para 4.1.1

³Para 4.1.2

⁴Para 4.1.4

⁵Para 4.1.6

- vi) Loss due to non-implementation of statutory provisions / SROs resulting in inadmissible adjustment of Input Tax of Rs. 2,836.21 million.⁶
- vii) Excess sanction of Sales Tax refund through expeditious refund system (ERS) amounting Rs. 81.77 million.⁷
- viii) Non-levy of minimum tax on the income of certain persons amounting Rs. 2,744.23 million.⁸
- ix) Short-levy of tax due to allowing inadmissible expenses amounting Rs. 1,567.62 million.⁹
- x) Non-levy of tax on concealment of income or assets amounting Rs. 36,213.33 million.¹⁰
- xi) Non-deduction/realization of withholding Sales Tax on purchases from registered/unregistered persons amounting Rs. 400.86 million.¹¹
- xii) Irregular expenditure due to non observance of PPRA and General Financial Rules amounting Rs. 134.15 million.¹²
- xiii) Non/short-realization of Sales Tax from suppliers of FBR amounting Rs. 10.37 million.¹³

Recommendations

FBR needs to:

- i) 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 subordinates;
- ii) invoke provisions of laws holistically for recovery of Duty and Taxes,
- iii) devise a mechanism to detect and deter tax evasion by enforcing legal provisions against defaulters;
- iv) strengthen mechanism for adjustment/issuance of refund of Tax;

⁶Para 4.1.8

⁷Para 4.2.2

⁸Para 4.4.1

⁹Para 4.4.3

¹⁰Para 4.4.5

¹¹Para 4.7.1

¹²Para 4.8.1

¹³Para 4.8.8

- v) upgrade the existing internal controls to ensure non-recurrence of similar irregularities;
- vi) improve monitoring of Withholding Tax which constitutes a major portion of Income Tax; and
- vii) improve financial management for incurring expenditure according to financial rules.

g. Memorandum for Departmental Accounts Committee (MFDAC)

Audit observations of Rs. 89,262.11 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. 1.64 million out of pointed out amount of Rs. 61,974.01 million was reported by the Principal Accounting Officer pertaining to MFDAC of previous year (2014-15) as given in Annexure-1A, however, no response was given for audit observations involving Rs. 61,972.37 million.

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	2,257,884	13,221
2	Total formations in audit jurisdiction	169	2,257,884	13,221
3	Total Entities (Ministries/PAOs) Audited	1	2,114,595	8,461
4	Total Formations Audited	113	2,114,595	8,461
5	Audit & Inspection Reports	113	283,237	1,715
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	284,241.86
3	Weak Internal Controls Relating to Financial Management	710.14
4	Others	-
Total		284,952.00

Table 3: Outcome Statistics

(Rs. in million)

S. No.	Description	Receipts	Expenditure	Audit Year 2015-16	Audit Year 2014-15
1	Outlays Audited	2,114,595.00	8,461.00	2,123,056.00	964,297.00
2	Monetary value of audit observations	283,237.00	1,715.00	284,952.00	540,687.15
3	Recoveries pointed out by Audit	182,042.70	448.50	182,491.20	444,452.06
4	Recoveries accepted/ established at the instance of Audit	113,532.55	434.82	113,967.37	240,232.25
5	Recoveries realized at the instance of Audit	10,165.82	82.69	10,248.51	7,656.39

Table 4: Irregularities Pointed Out*(Rs. in million)*

S. No.	Description	Amount Placed under Audit Observation
1	Violation of rules and regulations and violation of principles of propriety and probity in public operations.	170,274.49
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	-
3	Accounting Errors	-
4	Weaknesses of internal control systems.	710.14
5	Recoveries and overpayments, representing cases of established overpayment or misappropriations of public money.	113,967.37
6	Non-production of record.	2,149 cases
7	Others, including cases of accidents, negligence etc.	-

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

S. No.	Description	Audit Year		
		2015-16	2014-15	2013-14
1	Outlays Audited (Items 1 of Table 3)*	2,123,056	964,297	815,832.80
2	Expenditure on Audit	180.96	155.14	139.45
3	Recoveries realised at the instance of Audit	10,248.51	7,656.39	4,465.41
4	Cost-Benefit ratio	1:57	1:49	1:32

*Including amount of receipt Rs. 2,114,595 million & expenditure Rs. 8,461 million.

**PUBLIC FINANCIAL
MANAGEMENT ISSUES**

1.1 Wrong consolidation of figures of tax receipts by Director Research & Statistics (DR&S), FBR for the purpose of reconciliation with AGPR Islamabad - Rs. 300.99 million

Criteria

According to Para 5 (d) of System of Financial Reporting and Budgeting, 2006 each Principal Accounting Officer (PAO) was required to make sure that the accounts of receipts were maintained properly and reconciled on monthly basis.

Facts

Scrutiny of reconciliation statement of tax receipts with AGPR, Islamabad by Director Research and Statistics (DR&S), FBR Islamabad revealed that while consolidating figures of tax receipts, the DR&S adopted AGPR's figures for reconciliation purpose instead of Departmental figures which were reconciled by the FBR Treasuries. This resulted in variation (excess/less) of Rs. 300.99 million between the figures taken by DR&S and the actual figures of FBR and the same is summarized below:

(Rs. in million)

S. No.	Name of Treasury	Head of Account	**Figures reconciled by DR&S with AGPR, Islamabad	*Actual Figures of FBR (as per Reconciliation Certificates)	Variation Excess taken/(Less taken)
1	MCC Gilgit	B011-Income Tax	195.49	178.24	17.25
2	MAG Rawalpindi	B011-Income Tax	9,614.10	9,602.42	11.68
3	RTO Sukkur	B023- Sale Tax	1,146.10	1,078.03	68.07
4	RTO Hyderabad	B023-Sale Tax	2,569.40	2,967.39	(397.99)
Total			13,525.09	13,826.08	(300.99)

* Figures from reconciliation statement of FBR Treasuries for June (Final) 2015.

** Figures reconciled by DR&S with AGPR Islamabad June (Final) 2015.

Implications

The aforementioned position showed a variation of Rs. 300.99 million between the adopted and actual figures of Tax receipts of FBR in the Financial Year (FY) 2014-15. This impaired presentation of true and fair picture of tax receipts, also affecting the distribution of shares among the provinces and further indicated that the Directorate, Research and Statistics, FBR had not carried out a meaningful reconciliation rather had accepted figures of AGPR just to show the fulfilment of the formality of reconciliation.

Management Reply

The Director Research & Statistics FBR replied that the variation occurred due to deposit of tax receipts pertaining to various RTOs/LTUs in the jurisdiction of other RTOs/LTUs.

DAC Decision

DAC meeting was not held till finalization of the Report.

Audit Recommendations

Director Research & Statistics, FBR should adopt Departmental figures instead of AGPR's figures for the purpose of reconciliation so that real picture of revenue collection could be presented to the stakeholders.

[Para-01 of MR-FBR 2014-15]

1.2 Variation in figures of receipts reported by field offices of FBR - Rs. 55,424.23 million

Criteria

According to Para 5 (d) of System of Financial Reporting and Budgeting, 2006 every Principal Accounting Officer (PAO) was required to ensure that the accounts of receipts were maintained properly and reconciled on monthly basis.

Facts

During the course of financial attest for the Financial Year 2014-15, it was observed that five field offices of FBR reported figures to FBR on account of receipts and refunds through MPRs that were different from what they had actually reconciled with AGPR. This further revealed that the internal reconciliation between the Treasuries and the RTOs was not carried out prior to financial reporting to the AGPR and FBR. The same was a gross violation of accounting procedures.

Implications

The lapse resulted in variation of Rs. 55,424.23 million pertaining to receipts.

Management Reply

No reply was furnished by the Management.

DAC Decision

DAC meeting was not held till finalization of the Report.

Audit Recommendations

- FBR Treasuries and field offices should carry out internal reconciliation prior to reporting of receipt figures to AGPR and FBR; and
- responsibility for wrong reporting should be fixed and those found responsible be proceeded against under relevant disciplinary Rules.

[Para-09 of MR-FBR 2014-15, Annexure-3]

1.3 Non-carrying out of reconciliation with NBP/SBP and with respective DAOs by FBR Treasuries

Criteria

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

Facts

Scrutiny of FBR record relating to reconciliation of figures of revenue receipts with AGPR revealed that FBR Treasuries reconciled the revenue figures with AGPR without prior reconciliation with respective branches of the NBP/SBP. Moreover, FBR Treasuries were also not carrying out the requisite reconciliation with DAOs for receipts collected by B & C category branches.

Implications

Non-reconciliation impaired the true and fair presentation of revenue figures to the stake holders.

Management Reply

The DR&S replied that reconciliation of revenue receipt figures by FBR with AGPR/DAOs should not be finalized without prior reconciliation with NBP/SBP.

DAC Decision

DAC meeting was not held till finalization of the Report.

Audit Recommendations

- proper arrangements were required to be made by FBR for carrying out the requisite bank reconciliation by nominating the coordinating treasury for the purpose of reconciliation with respective NBP/SBP regional offices. Similarly, such reconciliation with NBP/SBP

head offices may be carried out by consolidating the bank reconciliation statements of field offices on the pattern of reconciliation with AGPR; and

- disciplinary proceedings may be initiated against the persons responsible for the lapse.

[Para-6 of MR-FBR 2014-15]

1.4 Variation in figures of tax receipts (net) direct & indirect taxes between FBR and SBP - Rs. 14,347.4 million

Criteria

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 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 Procedure Manual, General Financial Rules (GFR) and Federal Treasury Rules.

Facts

Scrutiny of record of SBP maintained by Main Office, Karachi and DR&S, FBR as per reconciliation statement at macro level for and upto the month of June (Final) 2015 revealed that there was a variation Rs. 14,347.4 million between FBR reconciled figures and SBP figures as summarized below:

(Rs. in million)

S. No.	Head of Account	Collection figures of SBP (NET) *	Collection figures of FBR **	Variation (4-3)
1	2	3	4	5
1	Taxes on Income	1,008,497.9	1,007,846.0	(651.9)
2	Sales Tax	1,070,257.4	1,087,790.0	17,532.6
3	Federal Excise Duty	164,781.3	162,248.0	(2,533.3)
Total Taxes		2,243,536.6	2,257,884.0	14,347.4

* As per record of SBP provided to Audit for FY 2014-15.

** Figures of DR&S FBR as per reconciliation statement with AGPR for June (Final) 2015.

Implications

This impaired true and fair presentation of financial statements as the figures of revenue receipts from external sources, i.e., SBP were on higher side.

Management Reply

The DR&S replied that it was not possible to match the FBR's figures with those of SBP, Karachi. However, DR&S was fully extending its cooperation to AGPR to streamline this issue.

DAC Decision

DAC meeting was not held till finalization of the Report.

Audit Recommendations

The DR&S should carry out reconciliation at national level with SBP (Head Office), Karachi so that real picture of revenue collection could be presented to the stakeholders.

[Para-02 of MR-FBR 2014-15]

1.5 Reconciliation of accounting figures with SBP, AGPR & FBR without having post of Chief Accounts Officer

Criteria

According to Sales Tax Treasury Procedure, 1996 issued by Finance Division vide No F.2 (10) IF-III/96-402 dated 22.08.1996, the Chief Accounts Officers (CAO) were responsible for compilation and reconciliation of accounts of receipts with AGPR, SBP and DR&S on monthly basis.

Facts

Scrutiny of revenue accounts in respect of Indirect Taxes maintained by Regional Tax Office, Lahore for the FY 2014-15, revealed that FBR had transferred the post of Chief Accounts Officer from RTO, Lahore to Model Customs Collectorate Gwadar on 12.01.2012 and after that event one Assistant Audit Officer (AAO) posted in the office of Chief Accounts Officer reconciled

collection figures of Indirect Taxes with SBP, AGPR and FBR at his own level and under his own signatures using stamp of Chief Accounts Officer.

Implication

In the absence of a Chief Accounts Officer the reconciliation made by the Assistant Audit Officer was invalid.

Management Reply

No reply was furnished by the Department.

DAC Decision

DAC meeting was not held till finalization of the Report.

Audit Recommendations

Justification may be provided for functioning of Treasury Office without having a post of Chief Accounts.

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 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 one field offices, i.e. three Large Taxpayer Units (LTUs) at Karachi, Lahore and Islamabad and eighteen Regional Taxpayer Offices (RTOs) at Karachi (three), Hyderabad, Sukkur, Quetta, Lahore (two), Multan, Bahawalpur, Faisalabad, Sargodha, Gujranwala, Sialkot, Rawalpindi, Islamabad, Abbotabad and Peshawar. 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 2014-15 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	1,180,000	1,109,000	1,007,846	-172,154	-101,154
Sales Tax	1,171,000	1,082,000	1,087,790	-83,210	5,790
Federal Excise	178,000	159,000	162,248	-15,752	3,248
Total Inland Revenue	2,529,000	2,350,000	2,257,884	-271,116	-92,116

¹Explanatory Memorandum of Federal Receipts 2015-2016²Ibid³AGPR Financial Statement 2014-2015

The FBR collected Rs. 2,257,884 million during FY 2014-15 as compared to revised targets of Rs. 2,350,000 million. There was an overall shortfall of Rs. 271,116 million as compared to estimates of receipts and Rs. 92,116 million with reference to revised estimates of receipts for FY 2014-15.

2.2.2 Variance analysis of revenue collection in FY 2014-15 and 2013-14

A comparison of net collection in FY 2014-15 vs 2013-14 is tabulated below:

(Rs. in million)

Tax Heads	Collection		Difference	
	FY: 2014-15	FY: 2013-14	Absolute	Percentage
Direct Tax	1,007,846	853,353	154,493	15.32 %
Sales Tax	1,087,790	996,389	91,401	8.40 %
Federal Excise Duty	162,248	138,084	24,164	14.89 %
Total	2,257,884	1,987,826	270,058	11.96 %

FBR's collection for the FY 2014-15 (Rs. 2,257,884 million) depicted an increase of Rs. 270,058 million (11.96 %) as compared to Financial Year 2013-14. Collection of Direct Taxes, Sales Tax and Federal Excise Duty exhibited increase of 15.32 %, 8.40 % and 14.89 % respectively.

Sales Tax emerged as the main source of revenue generation. It constituted 48.18 % of total collection of Federal taxes of Rs. 2,257,884 million excluding Customs Duty. Last year it constituted 50.12 % of total collection of Rs. 1,987,826 million of Federal taxes excluding Customs Duty.

Direct Taxes constituted 44.64 % of total collection of Federal taxes in FY 2014-15. Last year it constituted 42.93 % of total collection.

Federal Excise Duty constituted 7.18 % of the total Federal taxes excluding Customs Duty in FY 2014-15. Last year it constituted 6.95 % of total collection.

2.2.3 Tax to GDP Ratio from FY 2010-11 to 2014-2015

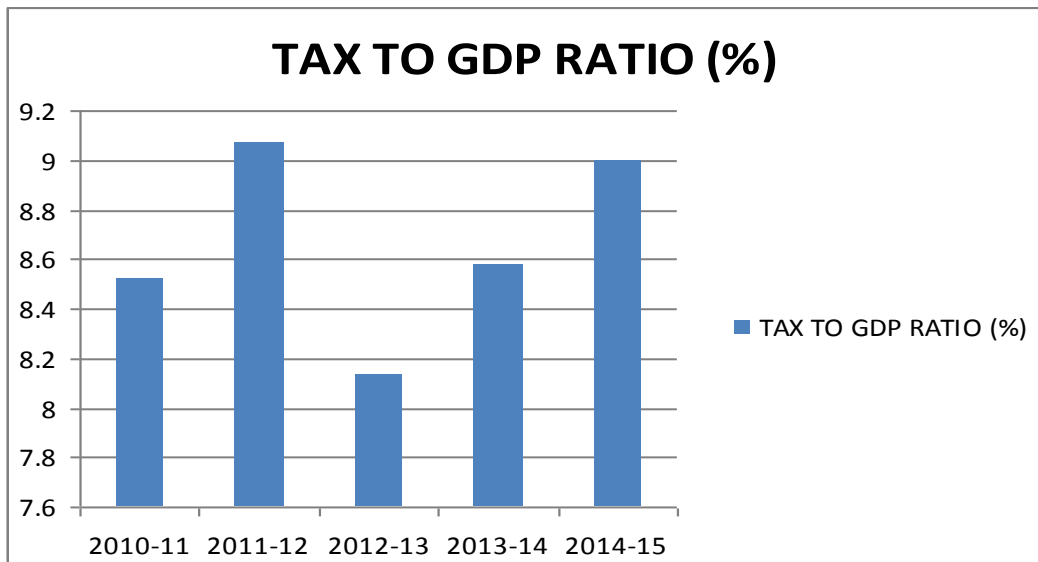
TABLE 2.2.3

(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)
2010-11	1,538.20	18,063.00	8.52
2011-12	1,864.30	20,547.00	9.07
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

¹Financial Statements 2010-2011 to 2014-2015

²Economic Survey of Pakistan 2010-2011 to 2014-2015, 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 in 2014-15 as compared to 2013-14. Comparative analysis of the statistics regarding this ratio in the recent past showed disappointing results. From 2010 to 2011 there was a steep fall and the ratio declined to 8.52 % of GDP. There was some increase in 2011-12 up to 9.07% while in 2014-15 it again decreased to 8.82%. It was worth mentioning that FBR initiated TARP in 2005, one of the main objectives of which was to improve tax to GDP ratio. When the project ended in 2011 the tax to GDP ratio reached its lowest level in more than two decades. It is also relevant to mention here that back in 1998-99 this ratio was 12.6 % which was ever highest in the history and at that time there was no concept of reforms agenda like TARP in FBR.

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;
- f) Absence of efficient tax system;
- g) Structural deficiencies in tax administration system; and
- h) Weak audit and enforcement functions of the FBR.

Audit suggests FBR to 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)

Demand/Grant No	As Per Appropriation Accounts prepared by AGPR, Islamabad					
	Original Grant	Suppl. Grant	Surrender	Final Grant	Actual Exp.	Excess/ (Savings)
40- Revenue Division	297.09	12.63	0.90	308.82	299.87	(8.95)
41- FBR	3,023.75	292.90	19.43	3,297.22	3,294.29	(2.93)
43- Inland Revenue	9,789.83	0.05	250.85	9,539.03	9,489.02	(50.01)
119-Development Grant of Revenue Division	152.50	95.00	62.24	185.26	137.51	(47.75)
Total	13,263.17	400.58	333.42	13,330.33	13,220.69	(109.64)

Grant No. 40, 41, 43 & 119

There was saving in all heads aggregating Rs. 109.64 million which showed unrealistic budgeting and weak budgetary control.

2.3 Brief comments on the status of compliance with PAC directives

By taking aggregate mean from the table given below, only 38% 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 diminished 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	-	49	-
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	31	Not yet discussed in PAC		
24	2010-11	34	13	21	38.23
25	2011-12	50	Not yet discussed in PAC		
26	2012-13	31	Not yet discussed in PAC		
27	2013-14	27	Not yet discussed in PAC		
28	2104-15	34	Not yet discussed in PAC		

Indirect Taxes & Expenditure

S. No.	Audit Report Year	Total paras	Compliance received	Compliance not received	Percentage of Compliance (%)
29	1985-86	44	38	6	86.36
30	1986-87	55	25	30	45.45
31	1987-88	43	10	33	23.26
32	1988-89	32	27	5	84.38
33	1989-90	217	147	70	67.74
34	1990-91	67	49	18	73.13
35	1991-92	76	46	30	60.53
36	1992-93	99	44	55	44.44
37	1993-94	77	30	47	38.96
38	1994-95	72	40	32	55.56
39	1995-96	83	44	39	53.01
40	1996-97	79	70	09	88.61
41	1997-98	83	60	23	72.29
42	1998-99	106	64	42	60.37
43	1999-00	71	18	53	25.35
44	2000-01	89	42	47	47.19

45	2001-02	78	40	38	51.28
46	2002-03	84	20	64	23.81
47	2003-04	47	18	29	38.30
48	2004-05	36	13	23	36.11
49	2005-06	45	08	37	17.78
50	2006-07	63	25	38	39.68
51	2007-08	130	36	94	27.69
52	2008-09	149	62	87	41.61
53	2009-10	137	Not yet discussed in PAC		
54	2010-11	87	11	76	12.64
55	2011-12	83	Not yet discussed in PAC		
56	2012-13	72	Not yet discussed in PAC		
57	2013-14	69	Not yet discussed in PAC		
58	2014-15	125	Not yet discussed in PAC		

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

CHAPTER-3 NON-PRODUCTION OF RECORD

3.1 Non-production of record and resultant violation of Articles 169, 170 & 171 of the Constitution of the Islamic Republic of Pakistan, 1973 read with provisions of Sections 12 & 14 of the Auditor-General's Ordinance, 2001, Section 216(1) of the Income Tax Ordinance, 2001 and directives of the Honourable Apex Court.

In 1973, Constitution of the Islamic Republic of Pakistan was unanimously approved wherein a conscious effort was made to empower the Auditor-General of Pakistan (AGP). Subsequently AGP's Ordinance, 2001 was promulgated wherein provisions were made to further clarify the powers of AGP in Section 12 read with Section 14 *ibid*.

According to the provisions of Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan, 1973 (as amended by 18th amendment) "The Audit of the accounts of Federal and of the Provincial Governments and the accounts of any authority or body established by or under the control of Federal or a Provincial Governments 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 read with Section 14 *ibid* empowered the Auditor-General of Pakistan to conduct audit of receipts and had 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, be sent to such place as he may direct for his inspection.

As per Section 216(1) of The Income Tax Ordinance, 2001 "All particulars contained in any statement made, return furnished, or accounts or documents produced under the provisions of this Ordinance; any evidence given, or affidavit or deposition made, in the course of any proceedings under this Ordinance; any record of any assessment proceedings or any proceedings relating to the recovery of a demand, shall be confidential and no public servant

save as provided in this Ordinance may disclose any such particulars”. Section 216(3) provided that nothing contained in Sub Section (1) shall preclude the disclosure of any such particulars to the Auditor-General of Pakistan and any officer appointed by the Auditor-General of Pakistan for the purpose to discharge his functions under the Constitution.

The Honourable Supreme Court of Pakistan in its judgment given in case titled Hamid Mir Vs Federation of Pakistan & others (Constitutional Petition No. 105/2012) had clearly directed that no organization under Federal or a Provincial control has the authority to refuse the Auditor-General of Pakistan access to their records.

In violation of the stated provisions of the Constitution of the Islamic Republic of Pakistan, 1973 read with the provisions contained in Sections 12 and 14 of the Auditor-General’s Ordinance, 2001 and Section 216(1) of The Income Tax Ordinance, 2001 and above all despite clear orders of the Honourable Apex Court, the FBR authorities with visible ulterior motives refused to produce auditable record/data/documents to the authorized representatives of the Auditor-General of Pakistan, thereby causing likely colossal financial loss to the public exchequer.

The matter was repeatedly brought to notice of the Departmental authorities during the course of audit but no material reply was given by them. Subsequent thereto the FBR, vide letter dated 14.12.2015 refused to provide auditable record to the Audit under one pretext or the other raising vague and unjustified arguments which were visibly tainted with ulterior motives besides were aimed at thwarting efforts of Audit towards recommending steps and actions for increasing tax revenue of the State of Pakistan.

Thus the aforesaid actions of the FBR and its authorities were unjustified, illegal, violation of the Constitution of the Islamic Republic of Pakistan, 1973 and other stated provisions of the law and of the directives of the Honorable Apex Court, which were likely to cause serious financial loss to the State of Pakistan and to its exchequer. It was thus required that PAO/FBR immediately:

1. Initiate disciplinary and/other actions under the law against the defaulters;

2. Withdraw letter dated 14.12.2015 issued by Member Accounting (FBR); and
3. Instruct and direct all of its field and other formations not to refuse in future the production of auditable records as demanded by the authorized representatives of the Auditor-General of Pakistan.

Management Reply

No reply was submitted by the Department.

DAC Decision

The para could not be discussed in the DAC meeting held on 26th to 28th January 2016 due to non submission of working papers by the Department.

Audit Recommendations

- timely production of auditable record during the course of audit; and
- fixing of responsibility against the officials responsible for the default.

[DP No. 15932, Annexure-4]

3.1.1 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 “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 incharge 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.

a) Seven field formations of FBR did not provide the auditable record of 969 taxpayers requisitioned by audit teams despite repeated reminders. 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 2014;
- ii) cases of exemptions issued by the Department during the tax year 2014;
- iii) record of assessment orders passed during the year 2014;
- iv) record of cases selected for audit by the Board/Commissioner during the year 2014;
- v) withholding Statements (Sales Tax & Income Tax);
- vi) audited accounts of taxpayers for the year 2014; and
- vii) list of cases under recovery.

Furthermore, access to following record was totally denied to audit teams by all RTOs, though it was requisitioned in selected cases;

- i) Income Tax and Sales Tax Returns;
- ii) purchase/sales invoices;
- iii) Bank statements to check compliance of Section 73 of the Sales Tax Act, 1990; and
- iv) GDs/Shipping bills in case of import/export.

Management Reply

No reply was furnished by the Department.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the Department to produce the requisite record to Audit under intimation to Accounting Wing of FBR.

Audit Recommendations

- early production of auditable record; and
- fixing of responsibility for causing hindrance in constitutional function of the office of the Auditor-General of Pakistan.

[Annexure-5]

b) Ten field offices of the FBR did not provide the auditable record which was requisitioned by the field audit teams during the course of audit despite pursuance. The requisite record was being maintained by and available with the functionaries of FBR. The non-production of record was not only a serious violation of law but it was also a hindrance in performance of audit.

Management Reply

No reply was furnished by the Department.

DAC Decision

The DAC in its meeting held on 19th to 21st January 2016 took a serious view of the situation as to why the record was not produced despite the explicit instructions of the FBR and directed the Department to provide the same to Audit.

Audit Recommendations

- timely production of auditable record to Audit; and
- fixing of responsibility against the personnel responsible for the lapse.

[Annexure-6]

CHAPTER-4 IRREGULARITIES AND NON-COMPLIANCE

4.1 Sales Tax

4.1.1 Inadmissible adjustment of Input Tax against exempt supplies - Rs. 6,175.26 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 dealt in taxable and non-taxable supplies, he could reclaim only such proportion of Input Tax as was attributable to taxable supplies. Input Tax paid on raw materials relating wholly to the taxable supplies was to be admissible and Input Tax paid on raw materials relating wholly to exempt supplies was not admissible.

During the Financial Years 2012-15, ten taxpayers registered with four field offices of FBR made taxable as well as exempt supplies and adjusted Input Tax against both the supplies. They were required to make apportionment of Input Tax incurred against taxable supplies for the purpose of adjustment. This resulted in inadmissible adjustment of Input Tax amounting to Rs. 6,175.26 million.

Management Reply

The Department replied that an amount of Rs. 5,888.75 million was under adjudication and the cases of Rs. 286.51 million were awaiting action by the Department.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the Department to expedite the adjudication and legal proceedings and report progress by 31st March 2016.

Audit recommends expeditious adjudication and legal proceedings.

[Annexure-7]

4.1.2 Non-realization of Sales Tax on certain goods by illegally treating them as zero rated supplies - Rs. 5,273.50 million

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

Seven taxpayers registered with five field offices of FBR supplied taxable goods but did not charge and pay Sales Tax during the year 2011-15. They claimed the supplies as zero rated without fulfilling the conditions of law summarized as follows:

(Rs. in million)

S. No.	Office	Cases	Amount	Law violated
1	LTU Lahore	01	255.42	Section 3 of Sales Tax Act, 1990 SRO 217(I)2005 dated 07.03.2005
2	RTO Peshawar	01	0.70	Section 4(b) of the Sales Tax Act, 1990
3	RTO-II Karachi	02	76.37	Serial No. 24 of the 6 th schedule to the Sales Tax Act 1990, Section 4 (b) of the Sales Tax Act, 1990
4	RTO-III Karachi	01	74.57	
5	LTU Karachi	02	4,866.43	Duty and Tax Remission for Exports (DTRE) Rules 2001 & Section 4(b) of the Sales Tax Act 1990 read with section 24 of the Customs Act, 1969
Total		07	5,273.50	

This resulted in non-realization of Sales Tax amounting to Rs. 5,273.50 million.

Management Reply

The Department replied that an amount of Rs. 77.07 million was under adjudication, Rs. 4,858.44 million *sub judice* and Rs. 329.99 million under scrutiny. No response was given in cases of the balance amount of Rs. 8.00 million.

DAC Decision

The DAC in its meetings held on 19th to 21st and 26th to 28th January 2016 directed the Department to expedite the adjudication and legal proceedings by 31st March 2016, pursue the *sub judice* cases at appropriate forum and furnish updated reply in non-responded cases by 15th February 2016.

Audit Recommendations

- expeditious adjudication and legal proceedings;
- pursuance of *sub judice* cases at appropriate fora;
- furnishing of reply in non-responded cases; and
- fixing of responsibility against the person(s) responsible for the lapse.

[Annexure-8]

4.1.3 Non-payment of Sales Tax in VAT mode - Rs. 5,237.30 million

According to Rule 58H of Sales Tax Special Procedures Rules 2007, every steel melter, steel re-roller, composite units of melting, re-rolling etc. was to pay Sales Tax at the rate of four rupees (up to May 2014) and seven rupees (from June 2014) per unit of electricity consumed for the production of steel billets and Mild Steel (MS) products excluding stainless steel which was to be considered as their final discharge of Sales Tax liability. The payment of Sales Tax by steel melter, steel re-roller, composite units of melting, re-rolling etc. was to be made through electricity bills along with electricity charges. Accordingly, the furnaces of the companies were required to be operated by electricity only and not any other source like Liquefied Petroleum Gas (LPG) and natural gas. The LPG and natural gas was required to be used for self generation of electricity and not for direct heating of furnaces.

Twenty eight taxpayers registered with four field offices of FBR were engaged in manufacturing of mild steel and paid Sales Tax under special procedure Rules. These registered persons were using natural gas and LPG as energy in addition to electricity for manufacturing process in violation of above Rules. As such, they were liable to pay Sales Tax under VAT mode instead of Special Procedure Rules, 2007. This resulted in loss of Rs. 5,237.30 million as detailed below:

(Rs. in million)

S. No.	Name of office	No of taxpayers	Amount of tax under VAT mode	Sales Tax paid through electricity bills	Net loss of revenue
1	LTU Karachi	07	3,826.99	975.20	2,851.80
2	RTO-II Karachi	15	2,947.97	849.31	2,098.65
3	RTO Quetta	05	187.86	27.36	160.50
4	RTO-I Karachi	01	297.62	171.27	126.35
Total		28	7,260.44	2,023.14	5,237.30

Management Reply

The Department replied that an amount of Rs. 2,098.65 million was under adjudication and no response was given in cases of Rs. 3,138.65 million.

DAC Decision

The DAC in its meeting held on 19th to 21st January 2016 directed the Department to expedite adjudication proceedings and furnish updated reply in non-responded cases by 15th February 2016.

Audit Recommendations

- expeditious adjudication proceedings; and
- furnishing of reply in non-responded cases.

[DP No.5981-ST/K]

4.1.4 Non/short-realization of Sales Tax by giving undue benefit to non-registered persons - Rs. 4,123.30 million

SRO 1125 (I)/2011 dated 31st December 2011 provided that the government had extended the facility of lower rate of Sales Tax i.e. @ 2 - 3 % on supply of certain goods specified in the table with the conditions that the benefit of this lower rate of tax was to be available to every such person doing business in textile (including jute), carpets, leather, sports and surgical goods sectors and was registered as manufacturer, importer, exporter and wholesaler.

Twenty six taxpayers registered with eight field offices of FBR made supplies of the above mentioned goods to non-registered persons and were required to charge and pay Sales Tax which was neither paid by the taxpayers nor realized by the Department. This resulted in non/short-realization of Sales Tax amounting to Rs. 4,123.30 million during the years 2011-2015.

Management Reply

The Department replied that an amount of Rs. 63.15 million was under adjudication; cases involving Rs. 38.86 million were awaiting action/decision by the Department. An amount of Rs. 948.10 million was contested whereas no progress was reported in remaining cases of Rs. 3,073.19 million.

DAC Decision

The DAC in its meetings held on 19th to 21st and 26th to 28th January 2016 directed the Department to expedite the adjudication and legal proceedings by 31st March 2016 and furnish updated reply in non-responded cases by 15th February 2016. The DAC further directed to get the position verified from Audit in contested cases.

Audit Recommendations

- expeditious adjudication, legal proceedings and recovery where established;
- furnishing of reply in non-responded cases; and
- fixing of responsibility against the person(s) responsible for the lapse.

[Annexure-9]

4.1.5 Potential loss of Sales Tax caused by bricks kiln owners - Rs. 3,830.17 million

According to section 3 of the Sales Tax Act, 1990 there was to 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. Section 3B of the Act *ibid* provided that any person who had collected or collects any tax or charge, and the incidence of which had been passed on to the consumer, was to pay the amount of tax or charge so collected to the Federal Government.

Sales Tax on bricks was levied through Finance Act in July 2011. FBR was required to enforce the law through registration of the Brick Kiln Owners (BKO) under the Sales Tax Act, 1990. FBR did not take any action for registration, levy and collection of tax from 1039 Brick Kiln Owners (BKO) pertaining to RTO Sialkot during the year 2013-14 & 2014-15. The BKOs (whether registered or not in Sales Tax regime) increased the price of bricks from Rs. 4,000 to Rs. 6,000 per thousand due to levy of Sales Tax. As the incidence of tax had been passed on to the consumers, it was the duty of the Department to realize the tax from the BKOs which was not done. The inaction by the Department resulted in potential loss of Sales Tax amounting to Rs. 3,830.17 million during tax years 2014 & 2015. The revenue loss was calculated by taking the minimum production and market price of bricks in illustrative cases only. The inaction prevailed in Brick Kiln Industry all over the country.

Management Reply

The RTO Sialkot informed that the para was framed against 1039 BKO owners who were not registered in Sales Tax department and the BKOs sector was generally non compliant sector. Federal Government had also exempted this sector from levy of Sales Tax from July 2015 to June 2018. Further, majority of these BKOs were not traceable at their given addresses, therefore compulsory Sales Tax registration of BKOs was an exercise in futility. Audit was of the view that these BKOs were liable to be registered for recovery of Sales Tax on Bricks and this irregularity was also pointed out during last year.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the RTO to examine 10 BKOs from each enforcement unit of the RTO on sample basis and furnish report to Audit and FBR by 28th February 2016.

Audit Recommendations

- submission of compliance report as directed by the DAC by 28th February 2016;
- strengthening the enforcement policy against the BKOs for recovery of government revenue;
- withdrawal of exemption of Sales Tax given to BKOs in line with the overall tax policy of Government.

[DP No. 15285-ST]

4.1.6 Non-recovery of adjudged dues/arrears - Rs. 27,406.98 million

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

Tax collecting authorities of seven field offices of FBR did not take prescribed measures for recovery of adjudged government dues which resulted in non recovery of Rs. 27,406.98 million in 403 cases during financial years 2012-13 to 2014-15.

Management Reply

The Department replied that an amount of Rs. 5.66 million was recovered, Rs. 2,323.57 million was under recovery, Rs. 5.49 million was recovered but needs verification and cases involving Rs. 1,373.16 were awaiting action by the Department. An amount of Rs. 23,669.16 million was *sub judice* whereas Rs. 29.94 million was vacated in adjudication and verified by Audit.

DAC Decision

The DAC in its meetings held on 19th to 21st and 26th to 28th January 2016 directed the Department to expedite the recovery, adjudication and legal proceedings by 31st March 2016 and get the recovered amount verified from Audit by 15th February 2016. The DAC settled the para to the extent of recovered and vacated amount and further directed to pursue the *sub judice* cases at appropriate forum.

Audit Recommendations

- expeditious recovery/adjudication/legal proceedings;
- verification of the recovered amount; and
- pursuance of *sub judice* cases at appropriate level.

[Annexure-10]

4.1.7 Non-realization of Sales Tax from Sui Southern Gas Company Limited on supply of gas to CNG stations - Rs. 3,684.63 million

According to Section 3(8) of the Sales Tax Act, 1990 in case of supply of natural gas to CNG stations, the Gas Transmission and Distributors Company was to charge Sales Tax from CNG stations at the rate of seventeen percent of the value of supply to the CNG consumers, as notified by the Board from time to time as provided in Section 2(46) of the Act *ibid*.

M/s Sui Southern Gas Company Limited (SSGCL) registered with LTU Karachi, charged Sales Tax of Rs. 8,016.42 million on supply of gas to CNG stations from April 2014 to June 2015. However, on the plea of stay granted by

the Honourable Sindh High Court, the company collected only Rs 4,331.79 million leaving the balance of Rs. 3,684.63 million pending for recovery till the final judgment of the Court. Subsequently, the petition was dismissed on 12.10.2015 and the balance amount became recoverable which was not recovered. This resulted in non realization of Sales Tax Rs. 3,684.63 million.

Management Reply

The LTU informed that the concerned registered person was asked to clarify the position. On the receipt of the reply, the legal action would be taken accordingly.

DAC Decision

The DAC in its meeting held on 19th to 21st January 2016 directed the LTU to initiate necessary action under the law and submit progress to Audit and FBR by 15th February 2016.

Audit recommends expeditious legal action for recovery of dues.

[DP No.6021-ST/K]

4.1.8 Loss due to non-implementation of statutory provisions / SROs resulting in inadmissible adjustment of Input Tax - Rs. 2,836.21 million

The Sales Tax Act 1990 and relevant SROs issued by FBR provided that adjustment of Input Tax was allowed subject to fulfilment of certain conditions.

One hundred and four taxpayers registered with eleven field offices of FBR claimed adjustment of Input Tax without fulfilling the conditions of law but the Department did not take action against them, summarized as follows.

(Rs. in million)

S. No.	Office	Cases	Amount	Law/Rule violated
1	RTO Peshawar	05	32.91	Section 8(1) (a) of the Sales Tax Act, 1990 & SRO 490(I)2004 dated 12.06.2004 and Sales Tax Special Withholding Rules 2007
2	RTO Multan	12	27.43	Section 8(1)(a)(f)(g)(i) of the Sales Tax Act 1990, SRO 490(I)2004 dated 12.06.2004 and SRO 450(I)2013 dated 27.05.2013.
3	RTO-1 Lahore	07	12.41	Section 7(2) & 8(1)(a)(h) of the Sales Tax Act 1990
4	RTO Gujranwala	04	89.57	Sections 7(2), 8(1)(a) of the Sales Tax Act 1990. SRO 490(I)2004 dated 12.06.2004 & SRO 450(I)2013 dated 27.05.2013.
5	RTO Faisalabad	17	140.47	Section 8(1)(a) of the Sales Tax Act 1990 & SRO 490(I)2004 dated 12.06.2004 SRO 450(I)2013 dated 27.05.2013.
6	RTO-II Lahore	02	3.15	Section 8(1)(a) of the Sales Tax Act 1990 & SRO 490(I)2004 dated 12.06.2004 and Section 9 of the Sales Tax Act 1990.
7	LTU Karachi	38	2,392.93	Sections 7(2), 8(1)(a)(ca)(h),8(2)(a), 21(3)(4) & 73 of the Sales Tax Act 1990, SRO 490(I)/2004 read with SRO 450(I)/2013 dated 27.05.2013
8	RTO Sukkur	3	26.49	SRO 490(I)/2004 read with SRO 450(I)/2013 dated 27.05.2013
9	RTO Quetta	5	24.37	SRO 490(I)/2004 & SRO 488(I)/2004 dated 12.06.2014 read with SRO 61(I)/2010 dated 04.02.2010.
10	RTO Hyderabad	05	4.39	SRO 490(I)/2004 read with SRO 450(I)/2013 dated 27.05.2013
11	RTO-III Karachi	06	82.09	Section 73 of the Sales Tax Act 1990
Total		104	2,836.21	

This resulted in short realization of Sales Tax amounting to Rs. 2,836.21 million due to inadmissible adjustment of Input tax.

Management Reply

The Department reported that cases of: (i) Rs. 35.00 million had been finalized and the amounts had been recovered; (ii) Rs. 75.39 million were under recovery; (iii) Rs. 171.65 million were under adjudication; (iv) Rs. 23.33 million were *sub judice*; (v) Rs. 2,355.80 million were under examination ; and (vi) Rs. 1.52 million reconciled. However, cases of Rs. 2.73 million were contested and cases of Rs. 118.75 million were referred to FBR for clarification whereas no progress was replied in remaining cases of Rs. 52.04 million.

DAC Decision

The DAC in its meetings held on 19th to 21st and 26th to 28th January 2016 directed the Department to expedite the recovery, adjudication and legal proceedings, pursue *sub judice* cases at appropriate forum, get verified contested cases from Audit and get the referred cases clarified from FBR and furnish updated reply in non-responded cases by 31th March 2016. The DAC settled the para to the extent of amount recovered and reconciled with Audit.

Audit Recommendations

- expeditious recovery/adjudication/legal proceedings;
- improvement in the monitoring process of Input Tax adjustment;
- furnishing of reply in non-responded cases;
- pursue *sub judice* cases at appropriate fora; and
- get clarification from FBR in referred cases.

[Annexure-11]

4.1.9 Evasion of Sales Tax due to concealment of stocks - Rs. 1,668 million

According to Rule 20 of the General Financial Rules, any loss of public money, departmental revenue or receipts was required to be reported

immediately by the officer concerned to his immediate superiors and to Audit, even if the loss had been made good by the party responsible for it.

Audit verified a news item published in daily "Jang" dated 21.11.2015 that during physical verification of stocks of two manufacturers of fertilizer by tax authorities of RTO Multan, it was detected that the taxpayers had concealed their stocks and were not paying Sales Tax according to their supplies. Further it was observed that these companies had more than one hundred (100) godowns in the provinces of Punjab and Sindh which had not been declared to the FBR. The fertilizer manufactured by these companies was being stored and sold through these undeclared godowns. Both companies M/s Pak Arab Fertilizers and M/s Fatima Fertilizers Company had concealed a stock weighing 264,443.50 (138,188.50 by M/s Pak Arab and 126,255 by M/s Fatima Fertilizer) metric tons respectively and committed Sales Tax fraud of Rs. 1,668 (by M/s Pak Arab Rs. 909.11 and by M/s Fatima Fertilizer Rs. 759.22) million.

Management Reply

No reply was given by the Department.

DAC Decision

The para could not be discussed in the DAC meeting held on 26th to 28th January 2016 due to non submission of working papers by the Department.

Audit Recommendations

- justification of non reporting of the case and non furnishing of reply to Audit after lapse of a considerable period;
- expeditious recovery of public revenue; and
- fixing of responsibility against the person(s) responsible for the lapse.

[DP No.15897-ST]

4.1.10 Loss due to non/short-realization of Sales Tax and Special Excise Duty on taxable supplies - Rs. 1,084.17 million

Section 3 (1)(a) of the Sales Tax Act, 1990 provided that there was to be charged, levied and paid Sales Tax at the prescribed rate of the value of taxable supplies made by a registered person. In case of late payment, penalty and default surcharge was also recoverable under section 33 and 34 of the Act. Further under SRO 655(I)/2007 dated 29th June 2007, special excise duty @1% of the value of supply was levied up to June 2011.

One hundred and three taxpayers registered with twelve field offices of FBR made taxable supplies of various goods but either did not declare or short declared their sales in Sales Tax Returns. Resultantly, due amount of Sales Tax was either not paid or paid less than the amount due from them. This resulted in non/short realization of Sales Tax of Rs. 1,083.76 million and Federal excise duty of Rs. 0.41 million (aggregating Rs. 1,084.17 million) during FYs 2011 to 2015. The non/short payment also attracted default surcharge and penalty.

Management Reply

The Department replied that (i) an amount of Rs. 114.85 million was under adjudication; (ii) Rs. 64.88 million under examination; and (iii) an amount of Rs. 14.32 million was contested. No progress was replied in remaining cases of Rs. 890.12 million.

DAC Decision

The DAC in its meetings held on 19th to 21st and 26th to 28th January 2016 directed the Department to expedite the adjudication and legal proceedings, furnish updated reply in non-responded cases and get verified the position of contested amount from Audit by 31st March 2016.

Audit Recommendations

- expeditious adjudication and legal proceedings of the cases;
- furnishing of reply in non-responded cases; and
- fixing of responsibility against the person(s) responsible for the lapse.

[Annexure-12]

4.1.11 Loss due to concealment of actual sales resulting in short-payment of Sales Tax - Rs. 928.65 million

According to Section 3(1)(a) read with Section 2(46) of the Sales Tax Act, 1990 there was to 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, under Section-33(11)(c) of the Act *ibid*, 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 was forged or false. Such person was to pay a penalty of twenty five thousand rupees or one hundred *per cent* of the amount of tax involved, whichever was higher.

Contrary to above, the following instances involving aggregated amount of Rs. 928.65 million were observed: -

- a) Two taxpayers registered with RTO Sukkur and Multan purchased electricity of Rs. 66,953.06 million from different IPPs and NTDC. Against these purchases of electricity, registered persons had shown sales of electricity of Rs. 61,965.09 million. Electricity cannot be stored and registered persons had concealed their sales of Rs. 4,987.97 million which resulted in short-realization of Sales Tax of Rs. 847.96 million during the tax period 2014-15.

[DP No.15900-ST & 5984-ST/K]

- b) M/s Northern Power Generation Company Limited (NTN 3049717-5) registered with RTO Multan had declared less supplies of electricity to M/s NTDC as compared to electricity purchased by the NTDC in its Sales Tax Returns. The position reflected that registered person had concealed its sales in certain tax periods which led to concealment of sales and ultimately resulted in short-realization of Sales Tax of Rs. 80.69 million for the period 2014-15.

[DP No.15892 -ST]

Management Reply

The RTO Sukkur replied that audit observation had been examined and it was found that there were 40% losses during the supply of electricity to the end consumers. However, the contention of the RTO was not accepted by the DAC. The RTO Multan replied that the case was under adjudication.

DAC Decision

The DAC in its meetings held on 19th to 21st and 26th to 28th January 2016 directed the RTO Sukkur to conduct the investigative audit of the registered person on queries raised by Audit specially focusing on non-accounting and short accounting of electricity purchased from various suppliers under intimation to Accounting Wing of FBR and directed the RTO Multan to expedite adjudication by 31st March 2016.

Audit Recommendations

- expeditious compliance of DAC directives; and
- recovery of government dues after investigative audit.

4.1.12 Non-realization of further tax and extra tax due to non implementation of statutory provisions / SROs - Rs. 613.83 million

According to Section 3(A) 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 per cent of the value was to be charged in addition to the rate specified w.e.f. 13th June 2013. Further SRO 896(I) 2013 dated 4th October 2013 and Rule 58S of Sales Tax Special Procedure Rules, 2007 provided that extra Sales Tax @ 2% was to be levied and collected on supply of specified goods and according to SRO 509(I)/2013 dated 12th June 2013, extra Tax was 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 had neither obtained Sales Tax registration number nor was existed on Active Taxpayers List (ATL) maintained by FBR.

Fifty one Taxpayers registered with eight field offices of FBR made taxable supplies to the registered and non-registered persons during the year

2013-14 and 2014-15 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. 613.83 million.

Management Reply

The Department replied an amount of Rs. 0.056 million as recovered, Rs. 28.12 million reconciled, Rs. 68.89 million under adjudication, Rs. 7.53 million under recovery, Rs. 381.93 million under examination and the cases involving Rs. 35.18 million were referred to FBR for clarification. The Department contested an amount of Rs. 11.67 million and also replied recovery of Rs. 7.45 million which needs verification whereas no progress was replied in remaining cases involving Rs. 73.01 million.

DAC Decision

The DAC in its meetings held on 19th to 21st and 26th to 28th January 2016 directed the Department to expedite the recovery/adjudication/legal proceedings, get clarification from FBR, get verified the position of contested cases and recovered amount from Audit and furnish updated reply in non-responded cases by 31st March 2016. The DAC settled the para to the extent of amount recovered and reconciled with Audit.

Audit Recommendations

- expeditious recovery/adjudication/legal proceedings of the dues;
- get clarification from FBR in referred cases;
- verification of contested cases and recovered amount by Audit;
- furnishing of reply in non-responded cases; and
- fixing of responsibility against the person(s) responsible for the lapse.

[Annexure-13]

4.1.13 Non-registration of taxpayers in Sales Tax regime resulting in potential loss of Sales Tax - Rs. 536.64 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 hundred thousand rupees (Rs.700,000) per annum was liable for compulsory registration. Further, Section 3 read with Section 26 of the Act *ibid* provided that any person making taxable supplies was to pay Sales Tax at prescribed rate and was to 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 required that where the Commissioner was satisfied that tax had been overpaid, the Commissioner was 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.

Ninety three taxpayers registered with ten offices of FBR deriving income from manufacturing/supply of various taxable goods either claimed refund of Income Tax or adjustment of deducted Tax on their utility bills in the tax years 2009-2015. Tax deducted on their electricity bills showed that either their utility bills were more than seven 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. 536.64 million.

Management Reply

The Department replied cases of Rs. 219.88 million were under adjudication and cases of Rs. 315.66 million were under examination whereas no reply was furnished in remaining cases of Rs. 1.10 million.

DAC Decision

The DAC in its meetings held on 19th to 21st and 26th to 28th January 2016 directed the Department to expedite adjudication and legal proceedings by 31st March 2016 and furnish updated position in non responded cases by 31st January 2016.

Audit Recommendations

- expeditious adjudication and legal proceedings of the dues;
- furnishing of updated reply in non responded cases; and
- fixing of responsibility against the person(s) responsible for the lapse.

[Annexure-14]

4.1.14 Loss of revenue due to un-authentic sales/purchase of goods involving duty/taxes - Rs. 529.29 million

Purchase of domestic or imported goods and supply of taxable goods at the rate of zero percent either exported by the registered person himself or supplied to other persons under Duty Tax Remission on Export (DTRE) scheme was governed under relevant provisions of the relevant statutes i.e. Federal Excise, Sales Tax and Customs Act. The compliance of the statutory provisions by the registered persons was required to be checked/verified by the Tax collectors through examination of relevant documents i.e. sale/purchase invoices, Goods Declaration and necessary approval for supply of goods under DTRE scheme.

Fifty one taxpayers registered with LTU Karachi made adjustment of Input Tax against Output Tax and supplied taxable goods at the rate of zero percent for export either by themselves or through other registered persons under DTRE scheme. However, relevant documents i.e. sale/purchase invoices, Bank statement, Goods Declaration, and compliance of DTRE conditions were not available on record to substantiate taxpayers claim. In absence of above mentioned record, adjustment of Input Tax of Rs. 529.29 million and supply of goods at the rate of zero percent could not be admitted in Audit.

(Rs. in million)

S. No.	Name of formation	No. of cases	Value of Purchase/Sales	Amount involved/ input adjusted	Non-compliance of relevant provisions
1	Commissioner Zone-II LTU Karachi	14	653.99	52.32	Condition No.7 of the Fifth Schedule of the Sales Tax Act,1990 read with Rules 299 sub Rules (3) and (4) of Customs Rules and Customs General Order No.6 of 2001.
		15	2,768.85	221.51	Section 5(1) of the Federal Excise Act, 2005.
		20	719.88	113.86	Section 7 of the Sales Tax Act, 1990 along with the provision of Section 73 of the Act ibid.
2	Commissioner Zone-I LTU Karachi	2	893.19	141.60	Section 7 of the Sales Tax Act, 1990 along with the provision of Section 73 of the Act ibid.
Total		51	5,035.91	529.29	

Management Reply

Reply was not furnished by the Department.

DAC Decision

Para could not be discussed in the DAC meeting held on 19th to 21st January 2016 due to non-submission of working papers by the Department.

Audit Recommendations

- furnishing of updated reply of the cases; and
- fixing of responsibility against the person(s) responsible for the lapse.

[DP No.6091-ST/K]

4.1.15 Non-realization of Sales Tax on supplies made to un-registered persons - Rs. 475.71 million

According to Section 3(1) read with section 2(35) of the Sales Tax Act, 1990 there was to be charged levied and paid Sales Tax @ 17 % 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 Multan Electric Power Company Limited (NTN 3011207-9) registered with RTO Multan had supplied electricity to un-registered persons without payment of Sales Tax leviable thereon. The Tax authorities did not take any action to recover the government dues. The irregularity resulted in non-realization of Sales Tax of Rs. 475.71 million on supplies made to un-registered persons during the year 2014-15.

Management Reply

The RTO Multan informed that entire amount of Rs. 475.71 million was under adjudication.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the RTO to expedite adjudication by 31st March 2016.

Audit recommends expeditious adjudication of the case.

[DP No.15894-ST]

4.1.16 Non/short-realization of Sales Tax due to difference of sales declared in Income / Sales Tax Returns - Rs 462.33 million

According to Section 3 of the Sales Tax Act, 1990 there was to 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* provided that every registered person was 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 was also recoverable under Sections 33 and 34 of the Act *ibid*.

Twenty two taxpayers registered with six field offices of FBR had declared two different figures of sales in their Sales Tax profiles and Income Tax Returns/annual accounts during the year 2013-14 & 2014-15. 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. 462.33 million. The non-payment also attracted default surcharge and penalty.

Management Reply

The Department replied that cases of Rs. 148.24 million were under adjudication, cases of Rs. 123.35 million under examination and cases of Rs. 166.65 million was under recovery. An amount of Rs. 18.20 million was reconciled and an amount of Rs. 3.76 million was contested whereas Rs. 2.13 million was vacated which needs verification.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the Department to expedite recovery, adjudication and legal proceedings and get the contested and vacated amount verified from Audit by 31st March 2016. The DAC settled the para to the extent of reconciled amount.

Audit Recommendations

- expeditious recovery, adjudication and legal proceedings of the dues;
- verification of contested and vacated amount; and
- fixing of responsibility against the person(s) responsible for the lapse.

[Annexure-15]

4.1.17 Short-realization of Sales Tax due to concealment of sales made to steel melters - Rs. 232.52 million

According to Section 3(1) read with Section 2(35) of the Sales Tax Act, 1990 there was to be charged levied and paid Sales Tax @ 17 % of the value of taxable supplies made by a registered person in the course or furtherance of any taxable activity carried on by him.

Four electricity distribution companies registered with five field offices of FBR supplied electricity to thirteen steel melters/re-rollers but declared lesser quantity of electricity sold to buyers as evident from the declarations of buyers in Annex-A of their Sales Tax Returns. The buyers had shown more purchases of electricity as compared with sales declared by the distribution companies for the same Tax periods. This lead to concealment of sales which resulted in short

realization of Sales Tax of Rs. 232.52 million during the financial years 2011-12 to 2014-15.

Management Reply

The Department replied that cases of Rs. 219.00 million were under adjudication whereas no progress was replied in remaining cases of Rs. 13.52 million.

DAC Decision

The DAC in its meetings held on 19th to 21st and 26th to 28th January 2016 directed the Department to expedite the adjudication proceedings and furnish updated reply in non-responded cases by 15th February 2016.

Audit Recommendations

- expeditious adjudication proceedings of the dues;
- furnish reply in non-responded cases; and
- fixing of responsibility against the person(s) for the lapse.

[Annexure-16]

4.1.18 Loss due to irregular claim of Sales Tax exemption - Rs. 232.37 million

Various SROs issued by FBR provided exemption of Sales Tax subject to fulfillment of certain conditions/requirements.

Five taxpayers registered with three field offices of FBR claimed exemption of Sales Tax during the year 2014-15 which was allowed in violation of Laws/Rules. This resulted in non-realization of Sales Tax of Rs. 232.37 million as detailed below:

(Rs. in million)

S. No.	Office	No. of cases	Amount	Law/Rule violated
1	RTO Hyderabad	03	95.79	SRO 539(I)/2008 dated 11.06.2008, SRO 727(I)/2011 dated 01.08.2011 and SRO1125(I)/2011 read with 420(I)/2014 dated 04.06.2014
2	RTO Sukkur	01	8.30	S. No. 2 of 6 th Schedule of the Sales Tax Act, 1990
3	LTU Karachi	01	128.28	Section 13 of the Sales Tax Act, 1990
Total		05	232.37	

Management Reply

The Department replied that cases of Rs. 95.79 million were under adjudication and cases of Rs. 136.58 million under examination.

DAC Decision

The DAC in its meetings held on 19th to 21st and 26th to 28th January 2016 directed the Department to expedite the adjudication and legal proceedings by 15th February 2016.

Audit Recommendations

- expeditious adjudication and legal proceedings; and
- furnishing of updated recovery position of the dues.

[Annexure-17]

4.1.19 Short-realization of Sales Tax on services - Rs. 192.69 million

According to Section 3 of Islamabad Capital Territory (Tax on Services) Ordinance, 2001 a tax known as Sales Tax was to 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 was 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 provided 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 was forged or false, was to pay a penalty of twenty five thousand rupees or one hundred per cent of the amount of Tax involved, whichever was higher.

Three taxpayers registered with RTO, Islamabad registered as services provider did not file Sales Tax Returns w.e.f. July, 2012 to June, 2014 as per registration profile available on web portal. Income Tax Returns of the taxpayer for the Tax years 2012, 2013, 2014 revealed that the taxpayer rendered services of aggregated value of Rs. 601.76 million. The lapse resulted in non-payment of

Sales Tax amounting to Rs. 96.35 million which also attracted 100% penalty of Rs. 96.35 million aggregating Rs. 192.69 million.

Management Reply

RTO Islamabad replied that an amount of Rs. 2.20 million was under adjudication and balance amount of Rs. 190.49 million was under examination.

DAC Decision

The DAC in its meeting held in 26th to 28th January 2016 directed the RTO to expedite the adjudication by 31st March 2016 and complete the process of examination by 31st January 2016.

Audit recommends expeditious adjudication and completion of the examination of the dues.

[DP No.15469-ST]

4.1.20 Non-realization of Sales Tax on disposal of fixed assets - Rs. 159.49 million

According to Section 3 read with Section 2(35) of the Sales Tax Act, 1990 disposal of fixed assets was taxable supply if not otherwise exempted under Sr. No 6 of Table II of Sixth Schedule of the Act.

Twenty six taxpayers registered with five field formations of FBR supplied fixed assets which were liable to Sales Tax but neither Tax was paid by the taxpayers nor realized by the Tax authorities during the years 2012-2015. This resulted in non-realization of Sales Tax amounting to Rs. 159.49 million which also attracted penalty and default surcharge leviable under the law.

Management Reply

The Department replied that cases of Rs. 6.93 million were under adjudication, cases of Rs. 129.52 million were under examination and cases of Rs. 2.55 million were reconciled, whereas an amount of Rs. 20.47 million contested and Rs. 0.02 million was recovered.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the Department to expedite adjudication and legal proceedings and get verified the contested amount from Audit by 31st March 2016. The DAC settled the para to the extent of amount recovered and reconciled with Audit.

Audit Recommendations

- expeditious adjudication and legal proceedings of the dues;
- verification of contested amount; and
- fixing of responsibility against the person(s) responsible for the lapse.

[Annexure-18]

4.1.21 Non-payment of Sales Tax on supply of electricity - Rs. 131.85 million

According to Section 3 (1) of the Sales Tax Act, 1990 read with Rule 12 of the Special Procedure for Collection and Payment of Sales Tax on Electric Power Rules, 2007 there was to be charged, levied and paid a tax known as Sales Tax at the rate of sixteen 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.

A taxpayer registered with RTO-I, Lahore charged a huge expense of electricity single meter bill to profit and loss account which was up to 41.62% of net sales in TY 2011. The bill indicated the address of M/s Park Lane Towers Ltd 172-Tufail Road Lahore Cantt. The premises were only an office and the maximum use of electricity in one office could not be more than 5 percent of net sales as compared with other industry of the sector. The construction process of buildings did not take place on the address given on bill. Therefore, the expense on electricity was not justified which was communicated to the RTO with the request that matter be investigated through I & I and Income Tax short paid amount of Rs. 131.85 million be recovered along with penalty and default surcharge.

Management Reply

In response the RTO informed that the taxpayer was engaged in the business of (i) buying and selling of electricity after value addition (ii) and also supplying electricity generated through its own generators. It was further replied that the case was under adjudication.

DAC Decision

The DAC in its meeting held in 26th to 28th January 2016 directed the RTO to finalize the adjudication and submit compliance report to Audit and FBR by 31st March 2016.

Audit recommends expeditious adjudication of the case.

[DP No.15406-ST]

4.1.22 Non-realization of Sales Tax on sale of waste and scrape - Rs. 118.08 million

According to Section 3 of the Sales Tax Act, 1990 there was to 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.

Sixty five taxpayers registered with five field offices of FBR supplied waste and scrape which were liable to Sales Tax but Sales Tax was neither paid by the taxpayers nor realized by the Tax authorities during the years 2012-2015. This resulted in non-realization of Sales Tax amounting to Rs. 118.08 million which also attracted penalty and default surcharge leviable under the law.

Management Reply

The Department replied that cases of Rs. 10.80 million were under adjudication, cases of Rs. 92.52 million under examination whereas cases of Rs. 13.77 million were reconciled. Further an amount of Rs. 0.98 million was under recovery and Rs. 0.01 million recovered.

DAC Decision

The DAC in its meeting held in 26th to 28th January 2016 directed the Department to expedite recovery, adjudication and legal proceedings by 31st March 2016 and settled the para to the extent of amount recovered and reconciled by Audit.

Audit Recommendations

- expeditious recovery, adjudication and legal proceedings of the dues; and
- fixing of responsibility against the person(s) responsible for the lapse.

[Annexure-19]

4.1.23 Excess adjustment of Input Tax resulting in short realization of Sales Tax - Rs. 93.64 million

According to Section 8(B) of the Sales Tax Act, 1990 a registered person was not to 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.

Twenty five taxpayers registered with five field offices of FBR adjusted whole amount 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. 93.64 million due to excess adjustment of Input Tax during the years 2009-2015.

Management Reply

The Department replied that cases of Rs. 11.23 million were under recovery, cases of Rs. 24.29 million under adjudication and cases of Rs. 18.17 million under examination. No reply was furnished in remaining cases of Rs. 39.95 million.

DAC Decision

The DAC in its meeting held on 19th to 21st and 26th to 28th January 2016 directed the Department to expedite recovery, adjudication and to complete

examination of cases by 31st March 2016. The DAC further directed to submit comprehensive reply containing the updated position to Audit and FBR by 31st January 2016.

Audit Recommendations

- expeditious recovery, adjudication and examination of the cases;
- furnishing of reply in non responded cases; and
- fixing of responsibility against the person(s) responsible for the lapse.

[Annexure-20]

**4.1.24 Non-realization of penalty and default surcharge on non/late-filers
- Rs. 77.57 million**

According to Sections 33 & 34 of the Sales Tax Act 1990, if a registered person did not pay Sales Tax due or part thereof in time or failed to file Sales Tax Return, he was to, in addition to the Tax due, pay penalty at the prescribed rates and default surcharge at the rate of KIBOR plus three percent per annum of the Tax due.

Seven field offices of FBR did not recover the amount of penalty and default surcharge from one hundred and eighty one registered persons who either did not file Sales Tax Returns or paid Sales Tax after due date during the year 2013-14 and 2014-15. This resulted in non-realization of default surcharge and penalty amounting to Rs. 77.57 million.

Management Reply

The Department replied that cases of Rs. 13.74 million under adjudication, Rs. 42.46 million under examination whereas no progress was replied in remaining cases of Rs. 21.37 million.

DAC Decision

The DAC in its meetings held on 19th to 21st and 26th to 28th January 2016 directed the Department to expedite the adjudication proceedings, complete

examination of the cases by 31st March 2016 and furnish updated reply in non-responded cases by 15th February 2016.

Audit Recommendations

- expeditious adjudication and completion of examination of the cases;
- furnishing of reply in non-responded cases; and
- fixing of responsibility against the person(s) responsible for the lapse.

[Annexure-21]

**4.1.25 Non/short-payment of Sales Tax due to concealment of production
- Rs. 75.58 million**

According to Section 26 (1) of the Sales Tax Act, 1990 read with Section 3 of the Act *ibid*, every registered person was to 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 and there was to be charged, levied and paid a Tax known as Sales Tax at the rate specified from time to time.

Two taxpayers registered with RTO-I Lahore deriving income from manufacturing of corrugated paper and paperboard concealed their production as the electricity consumption cost was maximum 20% of the sales price prevailing in the sector which means that one Rupee of electricity produces supplies of Rs 5. Audit point of view was also supported by para 8.2 and 9.1 of “Pre-Feasibility Study” conducted by SMEDA in respect of paperboard manufacturing unit in 2006. Thus registered persons had concealed production which resulted into non/short payment of Sales Tax of Rs. 75.58 million.

Thus registered persons had concealed production which resulted into short payment of Sales Tax of Rs. 75.58 million

Management Reply

The RTO-I Lahore replied that in the light of the audit observations, the audit of both the registered persons under section 25 of the Sales Tax Act, 1990 had been selected and the outcome would be communicated accordingly.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the RTO to finalize audit exercise and submit compliance report to Audit and FBR by 31st March 2016.

Audit recommends timely completion of audit exercise and recovery of revenue.

[DP No.15405-ST]

4.1.26 Non-realization of Sales Tax from retailers - Rs. 63.12 million

According to Rule 6 of the Sales Tax Special Procedures Rules, 2007 as amended vide SRO 608(I)/2014 dated 2nd July 2014, the retailers not falling in the categories specified in Sub-Rule (1) of Rule 5, were to 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*. The Tax paid through electricity bill by a retailer as prescribed in Rule 6, was to be construed as the discharge of final Tax liability for the purpose of Sales Tax and he was not to be entitled for any Input Tax adjustment or refund there from.

Three electricity distribution companies registered with three field offices of FBR made supplies of electricity to retailers whose electricity bills were twenty thousand rupees or more during the year 2014-15 but did not charge and pay Sales Tax as per above Rule. The Department neither initiated the recovery action nor was Sales Tax deposited by the taxpayers. This resulted in non-realization of Sales Tax from retailers amounting to Rs. 63.12 million (average amount-worked out on the basis of tax charged in the other tax periods of 2014-2015) as detailed follows:

(Rs. in million)

S. No.	Office	DP No.	Name of Electric Company	No. of cases	Amount
1	RTO Multan	15896-ST	MEPCO	01	44.55
2	RTO Hyderabad	5999-ST/K	HESCO	01	14.81
3	RTO Quetta	6033-ST/K	QESCO	01	3.76
Total				03	63.12

Management Reply

The Department replied that cases of Rs. 37.09 million were under adjudication and cases of Rs. 22.27 million were under examination. Cases of Rs. 3.76 million were confronted to the taxpayer and legal action would be taken on receipt of reply.

DAC Decision

The DAC in its meetings held on 19th to 21st and 26th to 28th January 2016 directed the Department to expedite the adjudication and legal proceedings by 31st March 2106 and submit a comprehensive reply containing the updated position to Audit and FBR by 31st January 2016.

Audit Recommendations

- expeditious adjudication and legal proceedings of the dues;
- furnishing updated reply in confronted cases; and
- fixing of responsibility against the person(s) responsible for the lapse.

4.1.27 Short-realization of Sales Tax due to under valuation of taxable supplies - Rs. 47.80 million

According to Section 3 read with Section 2(46) of the Sales Tax Act, 1990 there was to be charged, levied and paid Sales Tax at the specified 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 means that in respect of a taxable supply, 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.

A taxpayer registered with RTO Peshawar did not include the amount of Federal Excise Duty in the value of taxable supplies of cement for the purpose of levy of Sales Tax during the year 2014-15. This resulted in short realization of Sales Tax amounting to Rs. 47.80 million.

Management Reply

The RTO informed that the show cause notice had been issued and the case was under adjudication.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the RTO to expedite adjudication by 31st March 2016.

Audit recommends expeditious adjudication and recovery of the cases.

[DP No.15599-ST]

4.1.28 Short-realization of Sales Tax due to concealment of purchases and stocks - Rs. 40.59 million

According to Section 3 read with Section 26 of the Sales Tax Act, 1990 there was to 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 was required to furnish not later than the due date a true and correct return in the prescribed form. Moreover, as per Section 33(11)(c) of the Act *ibid*, any person who knowingly or fraudulently made false statement etc was required to pay a penalty of twenty five thousand rupees or one hundred *per cent* of the amount of tax involved, whichever was higher.

Nine taxpayers registered with four 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 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 of Rs. 40.59 million during the tax year 2012-2015.

Management Reply

The Department replied that cases of Rs. 22.59 million were under adjudication and cases of Rs. 17.99 million were under examination.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the Department to expedite adjudication and legal proceedings by 31st March 2016.

Audit recommends expeditious adjudication and legal proceedings.

[Annexure-22]

4.1.29 Short-realization of Sales Tax due to application of incorrect Tax rate - Rs. 30.50 million

According to Rule 58H, Chapter IX of the Sales Tax Special Procedures Rules, 2007 every steel-melter, steel re-roller and composite unit of steel melting and re-rolling (having a single electricity meter), was required to pay Sales Tax at the rate of seven rupees per unit of electricity consumed for the production of steel billets, ingots and mild steel (MS) products which would be considered as their final discharge of Sales Tax liability.

A taxpayer (steel melter and re-roller) registered with RTO Islamabad paid Sales Tax on electricity consumed at the rate of Rs. 4 per unit instead of correct rate of Rs. 7 per unit for Tax years 2013 and 2014. The omission resulted in short realization of Sales Tax Rs. 30.50 million. The Tax authorities also did not take notice of this omission. The lapse also attracts penalty and default surcharge leviable under the law.

Management Reply

RTO Islamabad informed that the case was under adjudication.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the RTO to expedite the adjudication and informed progress to Audit and FBR by 31st March 2016.

Audit recommends expeditious adjudication and recovery of the dues.

[DP No.15456-ST]

4.1.30 Excess adjustment of Input Tax by buyers as compared with Output Tax declared by their suppliers - Rs. 6.21 million

According to Section 8 (1)(ca) of the Sales Tax Act, 1990 a registered person was not to be entitled to reclaim or deduct Input Tax paid on the goods in respect of which Sales Tax had not been deposited in the government treasury by the respective suppliers.

Four taxpayers registered with RTO Multan adjusted Input Tax which was in excess of that declared by the respective suppliers. This resulted in inadmissible adjustment of Input Tax which led to non/short realization of Sales Tax amounting to Rs. 6.21 million during the year 2014-15.

Management Reply

RTO Multan informed that the cases were under examination.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the RTO to expedite legal proceedings and submit progress report to Audit and FBR by 31st March 2016

Audit recommends prompt completion of legal proceedings as directed by the DAC.

[DPs No.15912 & 15905-ST]

4.2 Refund of Sales Tax

4.2.1 Non-implementation of Rules/SROs causing inadmissible payment of Sales Tax refund - Rs. 308.23 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. 308.23 million was sanctioned and paid by six field formations of FBR in thirteen cases in excess of the due amount in violation of various provisions of law as detailed below:

(Rs. in million)

S. No.	Office	No. of cases	Amount	Law/Rule violated
1	RTO I Lahore	1	6.24	Section 2(14)(d) of Sales Tax Act 1990
		1	102.04	SRO 190 dated 02.04.2002, SRO No.308(I)/2008, Export policy order 2009
2	LTU Lahore	1	11.96	Rule 26A read with SRO 211(I)/2010 dated 29.03.2010 of Sales Tax Act 1990 and Sales Tax Rules 2006
		1	26.45	Rule 37 of the Sales Tax Rules 2006.
		2	150.43	Section 10 & 48 of Sales Tax Act, 1990
3	RTO Gujranwala	2	0.25	Section 7, 8(1)(b) of Sales Tax Act 1990 and SRO 490 dated 09.06.2014.
		1	8.13	SRO 1125(I)/2011 dated 31.12.2012 & SRO 221(I)/2013 dated 18.03.2013, SRO 898(I)/2013 dated 04.10.2013
4	RTO Sialkot	1	0.47	SRO 490(I)/2004 dated 12.06.2004
5	RTO Rawalpindi	1	0.38	Section 10 read with 11(5) of Sales Tax Act, 1990
6	RTO Faisalabad	1	0.90	SRO 1125(I)/2011 dated 31.12.2012 and SRO No.221(I)/2013 dated 19.03.2013
		1	0.98	Sub Rule-5 of the Sales Tax Special Procedure(Withholding) Rules-2007
Total		13	308.23	

This resulted in excess payment of Sales Tax refund of Rs. 308.23 million.

Management Reply

The Department informed that an amount of Rs. 0.12 million had been recovered, Rs. 6.12 million was under recovery and Rs. 301.99 million was under adjudication / legal proceedings.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed to expedite recovery and adjudication proceedings and settled the para to the extent of amount recovered.

Audit Recommendations

- expeditious recovery/adjudication of amount pointed out; and
- fixing of responsibility against the person(s) responsible for the lapse.

[Annexure-23]

4.2.2 Excess sanction of Sales Tax refund through expeditious refund system (ERS) - Rs. 81.77 million

According to Section 10(1) read with Section 11(5) of the Sales Tax Act, 1990 if the Input tax paid by a registered person on taxable purchases made during a tax period exceeded the Output Tax on zero rated local supplies or export made during that tax period, the excess amount of Input tax was to be refunded to the registered person.

Refund was sanctioned in two hundred ninety seven cases by the tax authority of RTO Faisalabad through expeditious refund system (ERS). Analysis of refund data revealed that the system after deducting deferred and rejected amount had sanctioned excess amount of Sales Tax as compared to refund claim by the taxpayers. This resulted into excess sanction of Sales Tax refund of Rs. 81.77 million during the year 2013-14.

Management Reply

The Department informed that Rs. 1.18 million had been recovered, Rs. 15.14 million were under adjudication and cases involving Rs. 65.45 million were under legal proceedings.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed to expedite the legal proceedings, timely completion of adjudication and settled the para to the extent of amount recovered.

Audit Recommendations

- expeditious recovery/adjudication of amount pointed out; and
- fixing of responsibility against the person(s) responsible for the lapse.

[DP No.15770, 15772, 15776 & 15779-ST]

4.2.3 Excess refund of Sales Tax on short accountal of raw material - Rs. 4.89 million

According to Rule 33 of the Sales Tax Rule, 2006 refund to the registered claimants was to be paid to the extent of Input Tax paid on purchases or imports that were actually consumed in the manufacture of goods exported or supplied at the rate of zero percent.

RTO Gujranwala sanctioned refund of Sales Tax in twelve cases in excess of the raw material actually consumed in zero rated/exported goods. This resulted in excess sanction of Sales Tax refund of Rs. 4.89 million during the year 2013-14.

Management Reply

The RTO informed that Rs. 0.30 million was under recovery whereas an amount of Rs. 4.58 million was under adjudication.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed to expedite the recovery/adjudication proceedings.

Audit Recommendations

- expeditious recovery/adjudication of amount pointed out; and
- fixing of responsibility against the person(s) responsible for the lapse.

[DP No.15416-ST & 15434-ST]

4.2.4 Inadmissible sanction of Sales Tax refund on goods not used in taxable supplies - Rs. 3.60 million

According to Section 8(I)(a), (h) & (i) of the Sales Tax Act, 1990 a registered person was not entitled to deduct or reclaim Input Tax paid on goods used for any purposes other than taxable supply. Input Tax claimed on vehicles spare parts, building & construction material etc was not admissible.

Refund was sanctioned in six cases by RTO Gujranwala & Faisalabad on raw materials without ascertaining their use in production of taxable supplies. This resulted in inadmissible sanction of Sales Tax refund of Rs. 3.60 million during the year 2014-15.

Management Reply

The Department informed that cases involving Rs. 3.16 million were under adjudication and cases involving Rs. 0.35 million under legal proceedings whereas Rs. 0.02 million had been recovered and Rs. 0.07 million was reconciled.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed to expedite the legal proceedings, timely completion of adjudication. The DAC settled the para to the extent of amount recovered / reconciled.

Audit Recommendations

- expeditious recovery/adjudication of amount pointed out; and
- fixing of responsibility against the person(s) responsible for the lapse.

[DP No. 15438-ST, 15775-ST]

4.2.5 Irregular sanction of Sales Tax refund due to non compliance of Export Policy Order - Rs. 3.06 million

According to Para 7(2) (C-i) of Export Policy Order, 2013 issued vide SRO 192(I)/2013 dated 8th March 2013, zero rating of Sales Tax on taxable goods was allowed on exports to Afghanistan subject to the condition that the goods exported from Pakistan had reached Afghanistan were required to be verified on the basis of copy of import clearance documents by Afghanistan Customs Authorities across the border.

Two taxpayers registered with RTO Gujranwala filed refund claims against exports to Afghanistan. The copies of import clearance documents by Afghan Customs Authorities across the border were neither provided by the refund claimants nor were the same demanded by the Department while processing the refund claims for June 2013 and August 2014. This resulted in irregular Sales Tax refund of Rs. 3.06 million.

Management Reply

The Department informed that Rs. 2.43 million was under legal proceedings and Rs. 0.63 million was reconciled.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed to expedite the legal proceedings in cases of Rs. 2.43 million and settled the para to the extent of reconciled amount.

Audit Recommendations

- expeditious proceedings of under process cases; and
- fixing of responsibility against the person(s) responsible for the lapse.

[DP No.15432-ST]

4.3 Federal Excise Duty

4.3.1 Non-realization of the Federal excise duty on royalty, technical services fee and franchise fee - Rs. 3,158.28 million

According to Sections 3(1)(d), 8,14 & 19 of the Federal Excise Act, 2005 read with Rules 43A (2), 44, & 47 of the Federal Excise Rules, 2005 the duty was to be paid by the franchisee on the value of excisable services, or as the case might be, the head office of the franchisee at the prescribed rate of the value of taxable services, which was to 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.

Six field formations of FBR did not realize Federal Excise Duty from twenty eight registered persons who paid royalty, technical services fee and franchise fee to their associated companies during the tax years 2009-2014. The issue of same nature had already been upheld for recovery in quasi judicial process. This resulted in non-realization of Federal Excise Duty of Rs. 3,158.28 million which also attracted levy of default surcharge and penalty.

Management Reply

The Department informed that cases of Rs. 1,279.62 million were under adjudication, cases involving Rs. 809.25 million under process and cases of Rs. 469.55 million were reconciled. No reply was furnished in cases involving Rs. 599.86 million.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed to expedite the under process/adjudication proceedings, settled the para to the extent of amount not due and directed the Department to furnish reply in no response cases.

Audit Recommendations

- expeditious adjudication of amount pointed out;

- expeditious proceedings of under process cases;
- furnishing of updated replies in non-responded cases; and
- fixing of responsibility against the person(s) responsible for the lapse.

[Annexure-24]

4.3.2 Short-realization of Federal Excise Duty due to non provision of export documents - Rs. 21.08 million

According to SRO 77(I)/2013 dated 7th February 2013, the Federal Government specified the rate of duty @ 0.5 percent instead of 8 percent on the value of local supply of white crystalline sugar equivalent to quantity exported as per quota allotted by Economic Coordination Committee (ECC).

Two taxpayers registered with RTO-I Lahore had not shown any export in their Income Tax Return for the tax year 2013, therefore, Federal Excise Duty @8% was leviable on local sale of sugar. This resulted in short realization of Federal Excise Duty of Rs. 21.08 million.

Management Reply

The RTO informed that the jurisdiction of both the registered persons had been transferred to the LTU Lahore.

DAC Decision

The DAC in its meetings held on 19th to 21st and 26th to 28th January 2016 directed the RTO to obtain incorporation certificate from the LTU Lahore. The DAC further directed the LTU Lahore to submit comprehensive reply containing the updated position to Audit and FBR.

Audit Recommendations

- furnishing of updated reply; and
- fixing of responsibility against the person(s) responsible for the lapse.

[DP No.15731-FED]

4.3.3 Non-payment of Federal Excise Duty due to non filing of returns - Rs. 3,760.00 million

Under Section 3 of the Federal Excise Act, 2005 read with Rule 41 A of the Federal Excise Rules, 2005 Federal Excise Duty chargeable on services provided / supply made by the air craft operators in respect of passengers, for each month, was required to be paid by 15th of the following second month.

A taxpayer registered with LTU Karachi did not pay Federal Excise Duty on services provided for the tax period from November 2014 to June 2015. Since the taxpayer did not file Tax Return for the same period, the amount of Federal Excise Duty payable was worked out on the basis of average duty paid by the tax payer during last five months of the tax period which comes to Rs. 3,760.00 million.

Management Reply

The LTU informed that the concerned registered person was asked to clarify his position. On the receipt of the reply, the legal action would be taken accordingly.

DAC Decision

The DAC in its meeting held on 19th to 21st January 2016 directed the LTU to initiate necessary action under the law and submit progress to Audit and FBR by 15th February 2016.

Audit recommends expeditious recovery of government dues.

[DP No.6010-FE/K]

4.3.4 Non/short-payment of Federal Excise Duty on supply of cement/ LPG/LNG - Rs. 725.71 million

Under Section 3 of the Federal Excise Act, 2005 read with First Schedule thereof, Federal Excise Duty was chargeable on cement at the rate of five percent of the retail price.

A taxpayer registered with LTU Karachi either did not pay or short paid Federal Excise Duty on supply of cement and LPG/LNG for the year 2014-15. This resulted in non/short-payment of Federal Excise Duty of Rs. 725.71 million.

Management Reply

The LTU informed that discrepancy had been pointed out against M/s. Jamshoro Joint Venture Ltd. NTN 1508133 whose jurisdiction falls under LTU, Lahore.

DAC Decision

The DAC in its meeting held on 19th to 21st January 2016 directed the LTU Karachi to transfer the said draft para to LTU Lahore under intimation to Audit and FBR.

Audit recommends expeditious recovery of government dues.

[DP No.6026 - FED/K]

4.3.5 Non-imposition of default surcharge on late payment of Federal Excise Duty - Rs. 756.20 million

According to Section 8 of the Federal Excise Act, 2005 if a registered person did not pay duty due or any part thereof within the prescribed time, he was required to, in addition to the duty due, pay default surcharge at the rate of KIBOR plus three percent per annum of the duty due.

Six taxpayers registered with LTU Karachi deposited the Federal Excise Duty for the tax period from April 2013 to October 2014 after due date. This rendered the taxpayer liable for the payment of default surcharge. However, the Department did not take action for recovery of default surcharge on late payment of duty. This resulted into non-realization of default surcharge of Rs. 756.20 million as follows:

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	LTU Karachi	6090-FE/K	02	659.82
		6019-FE/K	01	93.45
		6017-FE/K	01	2.81
		6088-FE/K	02	0.12
Total			06	756.20

Management Reply

The Department replied that an amount of Rs. 96.26 million was under scrutiny whereas no response was given in cases of remaining amount of Rs. 659.94 million.

DAC Decision

The DAC in its meeting held on 19th to 21st January 2016 directed the Department to furnish updated reply in non-responded cases by 15th February 2016.

Audit Recommendations

- furnishing of updated replies in non-responded cases,
- fixing of responsibility against the person(s) responsible for the lapse.

[DP No.6017, 6019, 6088 & 6090- FED/K]

4.3.6 Short-payment of Federal Excise Duty due to export of sugar via land route to Afghanistan - Rs. 51.92 million

Under SRO 77(I)/2013 dated 7th February 2013 as amended by SRO 1072(I)/2013 dated 27th December 2013, Federal Excise Duty on local supply was chargeable at the rate of 0.5% ad vol instead of 8% ad vol on the supply of

sugar equivalent to the quantity actually exported by the sugar manufacturers. The benefit of this notification was not to be admissible in respect of export by land route to Afghanistan and Central Asian Republics.

Three taxpayers registered with LTU Karachi had made local supply of sugar as declared in Annexure-C of the Sales Tax Return and charged Federal Excise Duty @ 0.5% instead of 8% during 2014-15. The export was made through land route to Afghanistan against which concession was not admissible on local supplies. This resulted in short payment of Federal Excise Duty of Rs. 51.92 million.

Management Reply

Reply was not furnished by the Department.

DAC Decision

Para could not be discussed in the DAC meeting held on 19th to 21st January 2016 due to non submission of working papers.

Audit recommends expeditious recovery proceedings of the dues.

[DP No.6092-ST/K]

4.4 Income Tax

4.4.1 Non-levy of minimum tax on the income of certain persons - Rs. 2,744.23 million

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

In fifteen field formations of FBR, the minimum tax on declared turnover was not paid by 196 taxpayers. The Department did not initiate any legal proceedings to retrieve the loss of Government revenue. This resulted in loss of revenue amounting to Rs. 2,744.23 million.

Management Reply

The Department replied that the tax of Rs. 6.99 million was charged and recovered whereas an amount of Rs. 145.99 million was charged but recovery was awaited. The Department replied that legal proceedings for charging tax of Rs. 2,591.25 million had been initiated but not yet finalized.

DAC Decision

The DAC in its meetings held on 19th to 21st and 26th to 28th January 2016 directed the Department to recover the charged amount and finalize the assessment proceedings by 15th February 2016.

Audit Recommendations

- finalization of proceedings within stipulated time period; and
- initiating appropriate against the person(s) responsible for the lapse.

[Annexure-25]

4.4.2 Short-levy of tax due to issuance of SRO without approval of the Parliament - Rs. 1,101.39 million

Section 53(3) of the Income Tax Ordinance, 2001 provided that the Federal Government was required to place before the National Assembly all amendments made by it to the Second Schedule in a financial year. Section 153(1)(b) to the Ordinance *ibid* provided 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 was required to, at the time of making the payment, deduct tax from the gross amount payable at the rate specified. Further as per Section 153(3), such tax was to be a minimum tax.

Contrary to above, the Federal Board of Revenue, however, allowed adjustment of tax deducted by the prescribed persons while making payment to companies providing or rendering services by inserting Clause 79 in Part-IV of the Second Schedule to the Ordinance vide a Notification No.1003(I) / 2011 dated 31st October, 2011. In view of the said SROs, fifty three taxpayers registered with seven field formations of FBR claimed tax deducted on services as adjustable in the tax years 2011 to 2014 despite the fact that the tax deducted on rendering or providing of services was minimum tax liability. Similarly, SRO 947/2008 was also not approved by the Parliament. This resulted in loss of revenue amounting to Rs. 1,101.39 million.

Management Reply

The Department contested the para on the ground that the said SRO had been placed before the parliament as required under section 53(3) of the Income Tax Ordinance 2001.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the Department to seek clarification from FBR regarding authentication of placement of SRO 1003 (I)/2011 before Parliament, and insertion of the same in official Gazette as required under section 53(2) and 53(3) of the Income Tax Ordinance, 2001.

Audit Recommendations

- finalization of proceedings within the stipulated time period; and
- initiating appropriate action against the person(s) responsible for the lapse.

[Annexure-26]

4.4.3 Short-levy of tax due to allowing inadmissible expenses - Rs. 1,567.62 million

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

In nine field formations of FBR, inadmissible expenses, such as, expenses where no Withholding Tax was deducted and payments were made other than banking channel, were allowed to thirty eight 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. 1,567.62 million.

Management Reply

The Department replied that an amount of Rs. 0.04 million was charged and recovered whereas legal proceedings for charging tax of Rs. 1,567.58 million had been initiated but not yet finalized.

DAC Decision

The DAC in its meeting held on 19th to 21st and 26th to 28th January 2016 directed the Department to finalize the assessment proceedings by 15th February 2016.

Audit Recommendations

- finalization of proceedings within stipulated time period; and
- initiating appropriate action against the person(s) responsible for the lapse.

[Annexure-27]

4.4.4 Non-treatment of Withholding Tax as a final tax - Rs. 232.75 million

Section 153 (a) & (c) read with Section 169 of the Income Tax Ordinance, 2001 provided that Withholding Tax deduction of a taxpayer on supplies of goods and contracts would be treated as final discharge of tax liability for that tax year. This tax was not adjustable against any other tax liability.

In six field formations of FBR, Withholding Tax deductions of thirty six taxpayers were not treated as final discharge of tax liability and it was adjusted against normal tax liabilities of the taxpayers incorrectly. The Department did not take remedial action for retrieval of government revenue. This resulted in loss of revenue amounting to Rs. 232.75 million.

Management Reply

The Department replied that the legal proceedings as per law had been initiated but not yet finalized.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the Department to finalize the assessment proceedings by 15th February 2016.

Audit Recommendations

- finalization of proceedings within stipulated time period; and
- initiating appropriate action against the person(s) responsible for the lapse.

[Annexure-28]

4.4.5 Non-levy of tax on concealment of income or assets - Rs. 36,213.33 million

Section 111 of the Income Tax Ordinance, 2001 provided for taxation of concealed income which was not offered for tax. According to the provisions, where a person was the owner of any money or valuable article or had made any

investment or credited any amount in the books of accounts, the amount was to be chargeable to tax if not adequately explained by the taxpayer.

In sixteen field formations of FBR, the assessing officers did not investigate the cases of 129 taxpayers in view of the above provisions of the law despite of the fact that the taxpayers concealed the income to avoid incidence of proper taxation. This resulted in non-levy of tax amounting to Rs. 3,6213.33 million.

Management Reply

The Department replied that legal proceedings for charging the tax had been initiated but not yet finalized.

DAC Decision

The DAC in its meetings held on 19th to 21st and 26th to 28th January 2016 directed the Department to finalize the assessment proceedings by 15th February 2016.

Audit Recommendations

- finalization of proceedings within stipulated time period; and
- initiating appropriate action against the person(s) responsible for the lapse.

[Annexure-29]

4.4.6 Loss of revenue due to non-taxation of income from other sources - Rs. 4.20 million

Section 39 of the Income Tax Ordinance, 2001 provided 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.

Five taxpayers registered with RTO Bahawalpur earned income from other sources and incorrectly charged profit & loss expenses against declared income. The Department did not levy tax on such income which resulted in loss of revenue amounting to Rs. 4.20 million.

Management Reply

The Department replied that the legal proceedings as per law had been initiated and not yet finalized.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the Department to finalize the assessment proceedings by 15th February 2016.

Audit Recommendations

- finalization of proceedings within stipulated time period; and
- initiating appropriate action against the person(s) responsible for the lapse.

[DP No.15679-IT]

4.4.7 Non-treatment of Withholding Tax on exports as a final tax - Rs. 1,416.44 million

According to Section 154 read with Section 169 of the Income Tax Ordinance, 2001 every authorized dealer in foreign exchange was required to, at the time of realization of foreign exchange proceeds on export of goods by an exporter, deduct tax from the proceeds at the rates specified in Division IV of Part III of First Schedule to the Ordinance. The tax deducted on exports was to be final discharge of tax liability.

In eleven field formations of FBR, Withholding Tax deductions of seventy six taxpayers were not treated as final discharge of tax liability. The tax authorities adjusted the final tax against other tax liabilities of the taxpayers incorrectly. The Department did not take remedial action for retrieval of government revenue. This resulted in loss of revenue amounting to Rs. 1,416.44 million.

Management Reply

The Department replied that legal proceedings for charging the tax had been initiated but not yet finalized.

DAC Decision

The DAC in its meetings held on 19th to 21st and 26th to 28th January 2016 directed the Department to finalize the assessment proceedings by 15th February 2016.

Audit Recommendations

- finalization of proceedings within stipulated time period; and
- initiating appropriate action against the person(s) responsible for the lapse.

[Annexure-30]

4.4.8 Non-levy of default surcharge on payment of tax after due date - Rs. 71.86 million

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

In eight field formations of FBR, one hundred twenty five taxpayers did not pay the due tax within the specified time. 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. 71.86 million.

Management Reply

The Department replied that legal proceedings for charging the tax had been initiated but not yet finalized.

DAC Decision

The DAC in its meetings held on 19th to 21st and 26th to 28th January 2016 directed the Department to finalize the assessment proceedings by 15th February 2016.

Audit Recommendations

- finalization of proceedings within stipulated time period; and
- initiating appropriate action against the person(s) responsible for the lapse.

[Annexure-31]

4.4.9 Loss of tax due to incorrect adjustment of brought forward losses - Rs. 1,646.00 million

Section 57 of the Income Tax Ordinance, 2001 provided 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 eight field formations of FBR, income of twenty two 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 non-levy of tax amounting to Rs. 1,646.00 million.

Management Reply

The Department replied that an amount of Rs. 7.44 million had been charged but recovery was awaited whereas legal proceedings for charging the tax of Rs. 1,638.56 million had been initiated but not yet finalized.

DAC Decision

The DAC in its meetings held on 19th to 21st and 26th to 28th January 2016 directed the Department to finalize the assessment proceedings by 15th February 2016.

Audit Recommendations

- finalization of proceedings within stipulated time period; and
- initiating appropriate action against the person(s) responsible for the lapse.

[Annexure-32]

4.4.10 Non-payment of tax along with return - Rs. 99.87 million

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

In five field formations of FBR, fourteen 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. 99.87 million.

Management Reply

The Department replied that an amount of Rs. 56.40 million had been charged and recovered whereas legal proceedings for charging the tax of Rs. 43.47 million had been initiated but not yet finalized.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the Department to finalize the assessment proceedings by 15th February 2016.

Audit Recommendations

- finalization of proceedings within stipulated time period; and
- initiating appropriate action against the person(s) responsible for the lapse.

[Annexure-33]

4.4.11 Loss of revenue due to incorrect assessment of tax under respective heads of income - Rs. 875.98 million

According to Section 4 read with Section 11 of the Income Tax Ordinance, 2001 total income was 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 eight field formations of FBR, tax liability in 793 cases was not correctly 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. 875.98 million.

Management Reply

The Department replied that an amount of Rs. 325.34 million had been charged but recovery was awaited whereas legal proceedings for charging the tax of Rs. 550.64 million had been initiated but not yet finalized.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the Department to recover the charged amount and finalize the assessment proceedings by 15th February 2016.

Audit Recommendations

- finalization of proceedings within stipulated time period; and
- initiating appropriate action against the person(s) responsible for the lapse.

[Annexure-34]

4.4.12 Short-levy of tax due to inadmissible depreciation allowance on fixed assets - Rs. 96.01 million

Section 22 of the Income Tax Ordinance, 2001 provided 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 that tax year.

In three field formations of FBR, four taxpayers either claimed excess depreciation on written down value or claimed accounting depreciation which was inadmissible. The Department did not take remedial action to retrieve the revenue loss. The excess depreciation allowance resulted in short assessment of income and consequent loss of revenue amounting to Rs. 96.01 million.

Management Reply

The Department replied that an amount of Rs. 0.05 million had been charged and recovered whereas legal proceedings for charging the tax of Rs. 95.96 million had been initiated but not yet finalized.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the Department to finalize the assessment proceedings by 15th February 2016.

Audit Recommendations

- finalization of proceedings within stipulated time period; and
- initiating appropriate action against the person(s) responsible for the lapse.

[Annexure-35]

4.4.13 Short-levy of tax due to inadmissible claim of provisions such as stores, spares, loose tools, exchange loss and staff gratuity etc - Rs. 944.15 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 was required to derive income when it was due to the person and was required to incur expenditure when it was payable by the person. An amount was to be payable by a person when all the events that determine liability had occurred and the amount of the liability could be determined with reasonable accuracy.

In five field formations of FBR, twenty 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. 944.15 million.

Management Reply

The Department replied that an amount of Rs. 76.22 million had been charged but recovery was awaited whereas legal proceedings for charging the tax of Rs. 867.93 million had been initiated but not yet finalized.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the Department to recover the charged amount and finalize the assessment proceedings by 15th February 2016.

Audit Recommendations

- finalization of proceedings within stipulated time period; and
- initiating appropriate action against the person(s) responsible for the lapse.

[Annexure-36]

4.4.14 Loss of revenue due to inadmissible deduction of lease finance charges - Rs. 1.12 million

According to Section 28(1) (b) of the Income Tax Ordinance 2001, a deduction was allowed for a tax year for any lease rental incurred by a person in the tax year to a scheduled bank, financial institution or an approved leasing company.

In one field formation of FBR, a taxpayer claimed deduction of Rs. 3,286,065 on lease finance charges in the tax year 2014. The lease finance charges being inadmissible expense were required to be added back in the taxable income. This resulted in loss of revenue amounting to Rs. 1.12 million.

Management Reply

The Department replied that the legal action had been initiated and not yet finalized.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the Department to finalize the assessment proceedings by 15th February 2016.

Audit Recommendations

- finalization of proceedings within stipulated time period; and
- initiating appropriate action against the person(s) responsible for the lapse.

[DP No. 15511-IT]

4.4.15 Non-treatment of Withholding Tax on import of edible oil and packing material as minimum tax - Rs. 400.65 million

Section 148 of the Income Tax Ordinance, 2001 provided that Withholding Tax collected by the custom authorities at the time of import of edible oil and packing material would be treated as minimum tax if the tax liability of the taxpayer was less than the tax collected on imports under normal tax regime.

In thirteen cases of seven field formations of FBR, Withholding Tax collected on import of edible oil and packing material was treated as adjustable instead of minimum tax. The Department did not take remedial action to recover loss of revenue amounting to Rs. 400.65 million.

Management Reply

The Department replied that the legal action as per law had been initiated but not yet finalized.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the Department to finalize the assessment proceedings by 15th February 2016.

Audit Recommendations

- finalization of proceedings within stipulated time period; and
- initiating appropriate action against the person(s) responsible for the lapse.

[Annexure-37]

4.4.16 Loss of revenue due to incorrect taxation of gain on sale of fixed assets - Rs. 21.00 million

Section 22 of the Income Tax Ordinance, 2001 provided that if the consideration received exceeded the written down value of the asset at the time of disposal, the excess was to be chargeable to tax in that year.

Three field formations of FBR did not recover tax on declared gain on sale of fixed assets from three taxpayers. This resulted in loss of revenue amounting to Rs. 21.00 million.

Management Reply

The Department replied that the legal action as per law had been initiated but not yet finalized.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the Department to finalize the assessment proceedings by 15th February 2016.

Audit Recommendations

- finalization of proceedings within stipulated time period; and
- initiating appropriate action against the person(s) responsible for the lapse.

[Annexure-38]

4.4.17 Loss of revenue due to claim of inadmissible tax credit - Rs. 212.55 million

Section 65(B) of the Income Tax Ordinance, 2001 provided that a tax credit was to be allowed against the tax payable at prescribed rate if the taxpayer purchased plant and machinery through hundred per cent new equity. The credit was to be allowed in the year in which the plant and machinery was installed.

Further, tax credit on balancing modernization and replacement of plant and machinery (BMR) was also admissible to the taxpayers.

Five field formations of FBR, allowed tax credit to five taxpayers despite the fact that new equity was not introduced in the relevant tax years. The Department did not take remedial action under the law for retrieval of revenue. This resulted in short recovery of tax amounting to Rs. 212.55 million.

Management Reply

The Department replied that legal proceedings for charging the tax had been initiated but not yet finalized.

DAC Decision

The DAC in its meetings held on 19th to 21st and 26th to 28th January 2016 directed the Department to finalize the assessment proceedings by 15th February 2016.

Audit Recommendations

- finalization of proceedings within stipulated time period; and
- initiating appropriate action against the person(s) responsible for the lapse.

[Annexure-39]

4.4.18 Loss of revenue due to non-apportionment of expenses between final and normal tax regimes - Rs. 5,069.17 million

Section 67 of the Income Tax Ordinance, 2001 read with Rule 13 of the Income Tax Rules, 2002 provided for apportionment of expenses amongst various business activities carried out by a taxpayer under final tax regime and normal tax regime.

One hundred forty three taxpayers registered with fifteen 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. 5,069.17 million in the tax years 2011 to 2014.

Management Reply

The Department replied that an amount of Rs. 0.95 million had been charged and recovered whereas legal proceedings for charging the tax of Rs. 5,068.22 million had been initiated but not yet finalized.

DAC Decision

The DAC in its meetings held on 19th to 21st and 26th to 28th January 2016 directed the Department to finalize the assessment proceedings by 15th February 2016.

Audit Recommendations

- finalization of proceedings within stipulated time period; and
- initiating appropriate action against the person(s) responsible for the lapse.

[Annexure-40]

4.4.19 Loss of revenue due to discrepancies in issuance of exemption certificates - Rs. 20.47 million

The provisions of Sections 148, 152 and 153 and of Income Tax Ordinance, 2001 provided that withholding agent would deduct tax at the time of making payment to the taxpayer and custom authority would collect tax at the time of import. However, the Commissioner had the authority, under Section 159, to issue exemption certificate by stating that the Withholding Tax would not be deducted or deducted at lower rate, after being satisfied that no tax was pending against the taxpayer and other legal formalities had also been fulfilled.

In three field formations of FBR, the commissioner, while issuing exemption certificates did not observe the legal formalities as tax liability was outstanding against the eight taxpayers. The issuance of invalid exemption certificates resulted in short realization of tax amounting to Rs. 20.47 million.

Management Reply

The Department replied that the legal proceedings as per law had been initiated but not yet finalized.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the Department to finalize the assessment proceedings by 15th February 2016.

Audit Recommendations

- finalization of proceedings within stipulated time period; and
- initiating appropriate action against the person(s) responsible for the lapse.

[Annexure-41]

4.4.20 Non/short-realization of Withholding Tax on royalty - Rs. 101.29 million

According to Section 6 read with Section 152 of the Income Tax Ordinance, 2001 a tax was 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 royalty or fee for technical services.

A taxpayer registered with Regional Tax Office, Multan had neither paid tax on royalty received nor was it deducted by withholding agent as evident from the withholding statements. This resulted in short-realization of Withholding Tax amounting to Rs. 101.29 million from tax years 2009 to 2014.

Management Reply

The Department replied that the legal proceedings as per law had been initiated but not yet finalized.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the Department to finalize the assessment proceedings by 15th February 2016.

Audit Recommendations

- finalization of proceedings within stipulated time period; and
- initiating appropriate action against the person(s) responsible for the lapse.

[DP No.15916-IT]

4.4.21 Loss of revenue due to non-invoking the provision of section 113C - Rs. 557.69 million

Section 113C of the Income Tax Ordinance, 2001 provided that the tax payable by a company was 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 six field formations of FBR, twenty taxpayers paid Corporate Tax, whereas, Alternative Corporate Tax (ACT) was higher than that charged under normal law. The taxpayers were obliged under the above provisions of law to pay the ACT. The Department did not initiate any legal proceedings for retrieval of revenue loss. This resulted in loss of revenue amounting to Rs. 557.69 million.

Management Reply

The Department replied that an amount of Rs. 35.00 million had been charged and recovered. Cases involving Rs. 154.69 were replied as *sub judice* whereas legal proceedings for charging the tax of Rs. 368.00 million had been initiated but not yet finalized.

DAC Decision

The DAC in its meeting held on 19th to 28th January 2016 directed the Department to finalize the assessment proceedings by 15th February 2016 and peruse the *sub judice* cases at appropriate appellate fora.

Audit Recommendations

- finalization of proceedings within stipulated time period; and
- initiating appropriate action against the person(s) responsible for the lapse.

[Annexure-42]

4.4.22 Non-recovery of arrears of tax demand - Rs. 1,483.98 million

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

Seven field formations of FBR did not recover the arrears of tax demand of Rs. 1,483.98 million of tax years 2013 and 2014 from 1,165 taxpayers despite the fact that the tax was levied by the Department on factual as well as on legal grounds.

Management Reply

The Department replied that an amount of Rs. 27.86 million had been charged and recovered whereas recovery of Rs. 542.30 million was awaited. Cases involving Rs. 95.10 million were replied as *sub judice* and legal proceedings to recover the tax of Rs. 818.72 million had been initiated but not yet finalized.

DAC Decision

The DAC in its meetings held on 19th to 21st and 26th to 28th January 2016 directed the Department to finalize the assessment proceedings by 15th February 2016, to recover the charged amount, and peruse the *sub judice* cases at appropriate appellate fora.

Audit Recommendations

- finalization of proceedings within stipulated time period; and
- initiating appropriate action against the person(s) responsible for the lapse.

[Annexure-43]

4.4.23 Non taxation of un-paid trading liability - Rs. 9,883.96 million

Section 34 (5) of the Income Tax Ordinance, 2001 provided that where a person had been allowed any expenditure in deriving income and the person had not paid the liability within three years of the end of the tax year in which the deduction was allowed, the unpaid amount of the liability was to be chargeable to tax under the head “Income from Business” in the first tax year following the end of the three years.

Two taxpayers registered with LTU Islamabad did not pay their trading liabilities within stipulated period of time. The Department did not initiate legal proceedings for assessment and levy of tax on such unpaid liability. This resulted in loss of revenue amounting to Rs. 9,883.96 million.

Management Reply

The Department replied that the legal proceedings as per law had been initiated but not yet finalized.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the Department to finalize the assessment proceedings by 15th February 2016.

Audit Recommendations

- finalization of proceedings within stipulated time period; and
- initiating appropriate action against the person(s) responsible for the lapse.

[DP No. 15639 & 15631-IT]

4.4.24 Non taxation of contract receipt on percentage basis - Rs. 14,644.45 million

According to Section 36 of Income Tax Ordinance, 2001 a person accounting for income chargeable to tax under the head “Income from Business” on an accrual basis was required to compute such income arising for a tax year under a long-term contract on the basis of the percentage of completion method.

The percentage of completion of a long-term contract in a tax year was to be determined by comparing the total costs allocated to the contract and incurred before the end of the year with the estimated total contract costs as determined at the commencement of the contract.

In RTO-II Karachi, a taxpayer filed return of income for tax year 2012 declaring “NIL” Income. The taxpayer declared that “Harbour Front” project was completed on 30.06.2008 and “Dolmen Mall” was completed on 30.12.2011. On the other hand, no sale proceeds of the project were declared by the taxpayer on percentage basis.

The Department finalized assessment for tax year 2012 only instead of consolidated assessment for completed projects from tax year 2008 to 2012 on the basis of percentage of completion method. As per requirement of SECP, valuation of the projects was carried out by NESPAK. On the basis of NESPAK assessment, Audit had worked out the sale proceeds of the completed projects and revenue loss to the tune of Rs. 14,644.45 million.

Management Reply

The Departmental reply was awaited.

DAC Decision

The para was not discussed in the DAC meeting held on 19th to 21st January 2016.

Audit Recommendations

- initiation of proceedings for recovery of Government dues; and
- initiating appropriate action against the person(s) responsible for the lapse.

[DP No.1035-IT/K]

4.5 Refund of Income Tax

4.5.1 Unlawful issuance of refund without fulfilling of codal formalities - Rs. 127.17 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 eight field formations of FBR, refund was issued to forty 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. 127.17 million.

Management Reply

The Department replied that an amount of Rs. 0.42 million had been charged but recovery was awaited whereas legal proceedings for charging the tax of Rs. 126.75 million had been initiated but not yet finalized.

DAC Decision

The DAC in its meeting held on 19th to 28th January 2016 directed the Department to recover the charged amount and finalize the assessment proceedings by 15th February 2016.

Audit Recommendations

- finalization of proceedings within stipulated time period; and
- initiating appropriate action against the person(s) responsible for the lapse.

[Annexure-44]

4.5.2 Unjustified payment of compensation due to delayed refund Rs. 13.08 million

As per Section 171 of Income Tax Ordinance, 2001 where a refund due to a taxpayer was not paid within three months of the date on which it became due, the Commissioner was required to pay to the taxpayer a further amount by way of compensation at the rate of fifteen per annum of the amount of the refund computed for the period commencing at the end of the three month period and ending on the date on which it was paid.

M/s Pakistan Cricket Board Private Limited bearing NTN 2819245-1 registered with RTO-II Lahore was assessed u/s 161/205 for the tax year 2005 & 2006 creating a demand of Rs. 7.17 million and Rs. 168.07 million respectively, and an amount of Rs. 103.95 million was recovered from the taxpayer through attachment of bank accounts of the taxpayer. The demand was finally deleted by the Appellate Tribunal Inland Revenue on 17th October, 2012.

The taxpayer applied for issuance of refund after the appellate order on 13.11.2012 and also approached Honourable FTO who recommended the issuance of refund and compensation on 12.07.2013. The Department issued refund amounting to Rs. 103,849,389 vide voucher no. 56 dated 17th Feb 2014. The taxpayer applied for compensation on delayed issuance of refund whereas the assessing authority rejected the claim of compensation on the plea that the refund was issued on the date of order u/s 170(4). The commissioner IR Zone-VII, amended the order under section 122 (5A) and allowed the compensation amounting to Rs. 13.08 million.

Audit was of the view that the Department delayed the refund by one year of order passed by the ATIR and later on recommended by the worthy FTO. As a result huge amount of compensation was paid from the Government exchequer.

Management Reply

The Department replied that the legal proceedings as per law had been initiated but not yet finalized.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the Department to finalize the assessment proceedings by 15th February 2016.

Audit Recommendations

- finalization of proceedings within stipulated time period;
- justification of inordinate delay in issuance of refund; and
- fixing of responsibility against the person(s) responsible for the lapse.

[DP No 15563-IT]

4.5.3 Illegal adjustment of Refund - Rs. 21.16 million

Section 170 of the Income Tax Ordinance, 2001 provided that a taxpayer who had paid excess tax may apply to the Commissioner for a refund of the excess amount and the Commissioner was required to issue the refund after adjustment in reduction of any outstanding liability of the taxpayer to pay other taxes. Further, the concerned taxpayer was entitled to adjust a refund against any liability of Customs Duty, Federal Excise Duty, Sales Tax and Income Tax, if was sanctioned/approved by a competent authority as had been clarified by FBR's General Order C. No. 3(6)ST-L & P/2002 dated 24.04.2007.

Two taxpayers registered with RTO-I Lahore submitted applications requesting that their Income Tax refunds may be adjusted against Sales Tax demand pertaining to other taxpayers. The Department adjusted the refund against the demands of other taxpayers contrary to the above provisions of law.

Audit observed that the action of the Department was illegal because no law or regulation permitted the Department to make such inter taxpayer tax adjustments, which meant that the Department went beyond their legal jurisdiction while making the aforesaid adjustment. Further, in one case, credit of Rs. 18.17 million was allowed for the Tax Years 2009, 2010 and 2012 but no assessment orders of these Tax Years and CPRs of adjusted amount of Sales Tax were provided to Audit.

Management Reply

The RTO informed that the case was under examination.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016, directed the RTO to expedite recovery of wrongly adjusted amount of refund against Sales Tax demand and intimate progress to Audit and FBR by 31.03.2016. Audit however, recommended that besides above action, disciplinary proceedings may also be initiated against the officers/officials involved in the matter.

Audit Recommendations

- expeditious recovery of wrongly adjusted amount of refund; and
- fixing of responsibility against the officers/officials involved in the matter.

[DP No. 15726-ST]

4.6 Workers Welfare Fund

4.6.1 Non-realization of workers welfare fund - Rs. 4,067.21 million

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

In nineteen field formations of FBR, Workers Welfare Fund was not paid by 747 taxpayers for the tax years 2013 and 2014. The Department did not take action to recover the amount. This resulted in non-realization of workers welfare fund amounting to Rs. 4,067.21 million.

Management Reply

The Department replied that an amount of Rs. 5.82 million had been charged and recovered whereas recovery in cases involving Rs. 30.24 million was awaited. Cases involving Rs. 575.32 million were replied as *sub judice* and legal proceedings for charging the tax of Rs. 3,455.83 million had been initiated but not yet finalized.

DAC Decision

The DAC in its meetings held on 19th to 21st and 26th to 28th January 2016 directed the Department to finalize the assessment proceedings by 15th February 2016, to recover the charged amount, and peruse the *sub judice* cases at appropriate appellate fora.

Audit Recommendations

- finalization of proceedings within stipulated time period; and
- initiating appropriate action against the person(s) responsible for the lapse.

[Annexure-45]

4.7 Withholding Taxes

Sales Tax

4.7.1 Non-deduction/realization of withholding Sales Tax on purchases from registered/unregistered persons - Rs. 400.86 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.

Thirty two taxpayers acting as withholding agents registered with nine field offices of FBR made taxable purchases from registered and non-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. 400.86 million during the financial years 2013-14 and 2014-15.

Management Reply

The Department replied that an amount of Rs. 1.19 million was recovered, Rs. 19.37 million reconciled and Rs. 330.73 million under adjudication. Cases of Rs. 47.01 million were under examination whereas an amount Rs. 2.20 million was contested. No reply was furnished in cases of Rs. 0.360 million.

DAC Decision

The DAC in its meetings held on 19th to 21st and 26th to 28th January 2016 directed the Department to expedite the adjudication and legal proceedings by 31st March 2106 and get the contested amount verified from Audit and submit updated reply by 31st January 2016. The DAC settled the para to the extent of amount recovered and reconciled with Audit.

Audit Recommendations

- expeditious adjudication and legal proceedings of the dues;
- furnishing of reply in non-responded cases; and
- fixing of responsibility against the person(s) responsible for the lapse.

[Annexure-46]

4.7.2 Non-realization of 4/5th Sales Tax from Government suppliers/vendors - Rs. 39.88 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 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.

Twenty eight taxpayers (suppliers) registered with seven field offices of FBR made taxable supplies/services to three (03) DDOs who withheld 1/5th portion of Sales Tax while making payments to the suppliers. But the respective suppliers/vendors did not deposit the remaining 4/5th 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. 39.88 million for the years 2013-14 and 2014-15 besides penalty and default surcharge.

Management Reply

The Department replied that an amount of Rs. 12.13 million was under recovery, Rs. 22.56 million was under adjudication whereas Rs. 5.19 million was under examination.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the Department to expedite the recovery, adjudication and legal proceedings by 31st March 2106 and submit updated reply by 31st January 2016.

Audit Recommendations

- expeditious adjudication and legal proceedings of the dues;
- furnishing of reply in non-responded cases; and
- fixing of responsibility against the person(s) responsible for the lapse.

[Annexure-47]

Income Tax

4.7.3 Non-realization of Withholding Tax from withholding agents - Rs. 21,745.24 million

According to Section 161 of the Income Tax Ordinance, 2001 where a withholding agent failed to deduct tax or did not deposit the deducted tax he was personally liable to pay the amount of tax.

In fourteen field formations of FBR, one thousand four hundred and four withholding agents did not deduct tax while making payments on purchase of goods. It was the statutory obligation of the Department to collect the tax from the taxpayers, however no such action was taken by the Department. The irregularity resulted in non-realization of tax amounting to Rs. 21,745.24 million.

Management Reply

The Department replied that an amount of Rs. 8.54 million had been recovered whereas recovery in cases involving Rs. 30.70 was awaited. Cases involving Rs. 43.60 million were replied as *sub judice* and legal proceedings for charging the tax of Rs. 21,662.40 million had been initiated but not yet finalized.

DAC Decision

The DAC in its meetings held on 19th to 21st and 26th to 28th January 2016 directed the Department to finalize the assessment proceedings by 15th February 2016, to recover the charged amount, and peruse the *sub judice* cases at appropriate appellate fora.

Audit Recommendations

- finalization of proceedings within stipulated time period; and
- initiating appropriate action against the person(s) responsible for the lapse.

[Annexure-48]

4.7.4 Non-realization of Withholding Tax on salary - Rs. 51.28 million

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

In three field formations of FBR, Withholding Tax on salary income of fifteen 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. 51.28 million.

Management Reply

The Department replied that the legal proceedings as per law had been initiated but not yet finalized.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the Department to finalize the assessment proceedings by 15th February 2016.

Audit Recommendations

- finalization of proceedings within stipulated time period; and
- initiating appropriate action against the person(s) responsible for the lapse.

[DP No. 15498, 15515 & 15670-IT]

4.7.5 Non-realization of Withholding Tax on dividend - Rs. 143.90 million

Section 150 read with Section 161 of the Income Tax Ordinance, 2001 provided that every person paying a dividend was 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 field formations of FBR, withholding agents while making payments of dividend failed to deduct tax in four cases. The Department did not take legal action to collect the tax from the taxpayers. This resulted in non-realization of tax amounting to Rs. 143.90 million.

Management Reply

The Department replied that the legal proceedings had been initiated but not yet finalized.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the Department to finalize the assessment proceedings by 15th February 2016.

Audit Recommendations

- finalization of proceedings within stipulated time period; and
- initiating appropriate action against the person(s) responsible for the lapse.

[DP No.15641, 15270-IT]

4.7.6 Non-levy of Withholding Tax on brokerage and commission - Rs. 1.26 million

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

In two field formations of FBR, three taxpayers either not deducted 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. 1.26 million.

Management Reply

The Department replied that the legal action had been initiated but not yet finalized.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the Department to finalize the assessment proceedings by 15th February 2016.

Audit Recommendations

- finalization of proceedings within stipulated time period; and
- initiating appropriate action against the person(s) responsible for the lapse.

[DP No.15513 & 15671-IT]

4.7.7 Non-recovery of Withholding Tax on income from property - Rs. 12.79 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 was 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 two field formations of FBR, four 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. 12.79 million.

Management Reply

The Department replied that the legal proceedings had been initiated but not yet finalized.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the Department to finalize the assessment proceedings by 15th February 2016.

Audit Recommendations

- finalization of proceedings within stipulated time period; and
- initiating appropriate action against the person(s) responsible for the lapse.

[DP No.15661, 15836 & 15848-IT]

4.7.8 Non levy of Withholding Tax on services - Rs. 55.85 million

According to the provisions of Section 236 of the Income Tax Ordinance, 2001 every prescribed person was required to collect Advance Tax at the rate specified in Division X & XI of Part IV of the First Schedule on the total amount of transfer of immovable property, the bill from a person arranging or holding a function in a marriage hall, marquee, hotel, restaurant, commercial lawn, club, a community place or any other place used for such purpose etc. Where the food service or any other facility was provided by any other person, the prescribed person was required to also collect Advance Tax on the payment for such food, service or facility at the rate specified in Division XI of Part IV of the First Schedule from the person arranging or holding the function.

In four field formations of FBR, one hundred and thirty seven taxpayers failed to deduct the Withholding Tax on transfer of property, functions and gatherings arranged by them. The Department did not take remedial action for retrieval of government revenue. This resulted in non-levy of tax of Rs. 55.85 million.

Management Reply

The Department replied that the legal action had been initiated but not yet finalized.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the Department to finalize the assessment proceedings by 15th February 2016.

Audit Recommendations

- finalization of proceedings within stipulated time period;
- initiating appropriate action against the person(s) responsible for the lapse.

[Annexure-49]

4.8 Expenditure

4.8.1 Irregular expenditure due to non observance of PPRA and General Financial Rules - Rs. 134.15 million

According to Rule-9 read with Rule-12(1) of Public Procurement Rules, 2004, procuring agency was required to announce in an appropriate manner all proposed procurements for each financial year and was required to 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 had its own website.

FBR (HQ) and four field offices of the FBR purchased stationery items, hardware, software, repair and maintenance of building and consumable items without fulfilling the pre-requisites regarding procurement. The irregular procurement of inventory resulted in irregular expenditure of Rs. 134.15 million during the years 2013-14 and 2014-15.

Management Reply

The Department replied that the expenditure was incurred throughout the year as per requirement. The tenders were not invited as each section was accorded below rupees one lac. The reply of management was not satisfactory as huge expenditure was incurred on repair of machinery/hardware in violation of PPRA Rules.

DAC Decision

The DAC in its meetings held on 19th to 21st and 26th to 28th January 2016 directed the FBR to observe the PPRA Rules while making all kind of purchases, to provide all the relevant documents and directed the Department to submit comprehensive reply to Audit for verification by 15.03.2016. The DAC further directed the Department to provide approval of concerned authority to Audit regarding completion of the building and to regularize the excess expenditure from concerned authority.

Audit recommends the compliance of DAC directives under intimation to Audit.

[Annexure-50]

4.8.2 Irregular expenditure due to misuse of official vehicles - Rs. 39.92 million

According to 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 was 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.

Six field formations of FBR incurred an expenditure of Rs. 39.92 million during the year 2014-15 on POL/CNG, repair & maintenance of vehicles. However the authorization of these vehicles as “operational vehicles” was not obtained from Committee of the Cabinet Division. These vehicles were being misused by the officers (BS-18 to BS-20) as they were also drawing monthly monetization / conveyance allowance. Thus use of these vehicles was unauthorized and expenditure incurred on POL / CNG and repair and maintenance could not be admitted in Audit.

Management Reply

The Department admitted that required approval from the Vehicle Committee of Cabinet division was not obtained. However, all RTOs informed that they have written to FBR for seeking necessary authorization regarding operational vehicles at their disposal.

DAC Decision

The DAC in its meeting held on 19th to 21st January 2016 expressed serious concern over the irregularity for the last 4 years and directed all RTOs to seek the authorization for operational vehicles within three months.

Audit Recommendations

- fixing of responsibility against the person(s) responsible for the lapse; and
- compliance of DAC directives within given time line.

[Annexure-51]

4.8.3 Inadmissible payment of hired residential accommodations - Rs. 2.47 million

According to Ministry of Housing and Works letter No.F.2(3)/2003-Policy dated 31.07.2004, the employee of the Department was required to locate a house according to his entitlement and submit an application to his Office alongwith 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 Paras 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. Federal Government servant might retain accommodation for a maximum period of one year during all kinds of leave.

FBR (HQ) and its four field formations allowed hiring to twenty three employees at places other than their place of posting i.e. in rural areas where hiring was not admissible. In some cases hiring was allowed prior to the date of submission of application. In other cases the covered area was less than the prescribed area. This resulted into inadmissible/excess payment of hired residential accommodation aggregating to Rs. 2.47 million during the years 2013-14 and 2014-15.

Management Reply

The Department replied that proceedings towards recovery of government dues had been initiated.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the Department to take action towards recovery of government dues in the light of Audit pointation.

Audit recommends expeditious recovery of the dues.

[Annexure-52]

4.8.4 Accumulation of receivables due to non-reconciliation with NHA - Rs. 153.04 million

According to Article 7.2.1 of the contract documents for operation and management of automated toll collection system on Motorways (M-1, M-2 & M-3) the Operator was required to invoice the monthly payment as specified herein and NHA had to clear all the payables by him within one month.

Pakistan Revenue Automation Limited (PRAL) receivables were pending for more than five years with NHA under three different heads such as bills for services rendered, purchase of spares, equipments and supplies procured and bills for maintenance of weigh stations. No serious efforts were made by the company to recover/reconcile the figures of receivables from NHA. Due to negligence of the management, the company's receivables amount from NHA had accumulated to the tune of Rs. 153.04 million during the year 2014-15.

Management Reply

The Department informed that serious efforts were being made to recover the outstanding amount.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the PRAL to provide the breakdown of amount of Rs 37.355 million cleared/adjusted against the total receivables to Audit for verification with the further directions to expedite the recovery of the remaining amount.

Audit recommends expeditious recovery of amount from the NHA.

[DP No.15340-Exp]

4.8.5 Excess and inadmissible expenditure - Rs. 27.38 million

According to Para 10 of General Financial Rules, every public officer authorized to incur expenditure from the public funds should observe the high standards of financial propriety and was expected to exercise the same vigilance in respect of expenditure from public money, as a person of ordinary prudence would exercise in respect of expenditure of his own money. Similarly, Rule-11 of General Financial Rules Vol-I states that the head of the Department and subordinate disbursing officers were responsible for enforcing financial order and strict economy at every step. They should ensure that all Financial Rules were strictly adhered to.

FBR (HQ) and its two field offices incurred excess expenditure on purchases. The invoice values were found less than actual expense value. Purchase Invoices were not supported by the declaration of the supplier's Sales Tax Returns. Goods/assets which were not required were also purchased. Irregular expenditure on POL, inadmissible payment on transit accommodation and excess payment of leave encashment were also included which resulted into excess and inadmissible expenditure amounting to Rs. 27.38 million during the year 2014-15.

Management Reply

The Department replied that assets were purchased with the authorization of competent authority and were provided for operation requirements.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the Department to ask the supplier to provide the evidence for proper depositing of Sales Tax through his sales returns and report progress to Audit by 15.02.2016. The DAC further directed the Department to expedite the recovery and to get the stated position verified by Audit.

Audit recommends expeditious recovery of the amount.

[Annexure-53]

4.8.6 Irregular sanction of meal charges without vouchers - Rs. 27.07 million

According to Para 10 of General Financial Rules, every public officer authorized to incur expenditure from the public funds should observe the high standards of financial propriety and was expected to exercise the same vigilance in respect of expenditure from public money, as a person of ordinary prudence would exercise in respect of expenditure of his own money. Similarly, according to the Revenue Division' letter No.5(2)S&M/ADMN/09-10 dated 10th May, 2010 approval had been granted with conditionally that the meal charges would be given based on their actual attendance and who were required to sit late till night and even on closed holidays in connection with pre-budget exercise only.

FBR (HQ) Islamabad incurred expenditure of Rs. 27.07 million under the head (A06301- Entertainment & Gift) on meal charges which were sanctioned without vouchers. The cash had been drawn and disbursed to officers / officials who were not legible to draw the meal charges in cash mode without any proof in support of expenditure. This resulted into irregular sanction of meal charges without vouchers and inadmissible payment in cash amounting to Rs. 27.07 million during the years 2013-14 and 2014-15.

Management Reply

The Department contested the para on the ground that payment to officers/officials was made on the recommendation of the concerned members (BPS-21) and the payment was made correctly. Audit did not agree with the Department view point because no proof of late sitting orders as well as attendance of the persons were provided.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the FBR to provide proof of late sitting orders as well attendance of the persons for the period claimed for meal charges.

Audit recommends production of bio metric attendance report of officers/officials alongwith their contribution in budget exercise.

[DP Nos. 14801 & 15325-Exp]

4.8.7 Irregular expenditure on POL/CNG and repair/ maintenance of vehicles - Rs. 18.56 million

According to Rules 5, 8, 9, 15 & 18(12) of the Staff Car Rules, 1980 proper record i.e. Log Books, Movement Registers and Requisition Slips were required to be maintained in respect of all government vehicles for effective control on expenditure on POL and Repair & Maintenance of the official vehicles. These Rules provided regulations for the use of staff car which included that staff car might be used for official business. An officer might use the staff car for journey from office to his residence if this was performed after working in the office for not less than two hours beyond the normal office hours after fulfilling the laid down conditions.

Five offices of FBR incurred expenditure on POL/CNG and repair/maintenance of 94 official vehicles without maintaining necessary record under Staff Car Rules, 1980. In some cases the fuel filling was shown in excess of maximum fuel tank capacity of vehicles and in some cases the expense was incurred on condemned vehicles which were lying in open yard of the office in reckless condition without tyres and batteries. This resulted in irregular expenditure of Rs. 18.56 million during the financial year 2013-14 and 2014-15.

Management Reply

The Department contested that the expenditure had correctly been incurred on POL/CNG, repair and maintenance of vehicles. The contention of the Department was not tenable as no evidence of compliance with Staff Car Rules was produced to Audit. Further in some cases, the Department informed that the Log Books / Movement registers had been maintained and copies were available for verification purpose.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the RTO to provide the log books, movement register along with supporting documents to Audit for verification under the intimation to Accounting Wing of FBR. In case of LTU, Islamabad, the DAC observed that the reply is against the facts of the case, therefore, the DAC directed the Chief Commissioner to look

into the mater personally and furnish a comprehensive report to Audit and FBR by 15.02.2016.

Audit Recommendations

- recovery of amount from the concerned; and
- fixing of responsibility against the person(s) responsible for the lapse.

[Annexure-54]

**4.8.8 Non/short-realization of Sales Tax from suppliers of FBR
- Rs. 10.37 million**

According to Rules 2(2) and 3A of the Sales Tax Special Procedure (Withholding) Rules, 2007 the DDOs being withholding agents were responsible to deduct the 1/5th amount of Sales Tax in case of registered person and seventeen percent in case of un-registered person. A person who received advertisement services was required to deduct the amount of Sales Tax as mentioned in the invoice. In case the Sales Tax amount was not indicated on the invoice, the recipient was required to deduct Sales Tax at the applicable rate against the value of taxable services.

FBR (HQ) did not deduct or short deducted the amount of Sales Tax at the time of making payment of advertisement, consultancy and telecommunication services. This resulted in non/short-realization of Sales Tax of Rs. 10.37 million during the financial year 2014-15.

Management Reply

The Department informed that in two cases, the Sales Tax at the rate of 1/10th had already been withheld from the invoices and the remaining amount was required to be deposited by the vendors. Therefore, vendors were being requested to provide the evidence of deposit challans of remaining amount.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the FBR (HQ) to provide the evidence of recovery to Audit and to get the stated position verified by Audit.

Audit recommends expeditious recovery of the dues.

[DP Nos.15305 & 15323-Exp]

4.8.9 Non recovery of loans / advances and interest from the officers/ officials - Rs. 9.18 million

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

FBR (HQ) and six field offices of FBR sanctioned different kinds of loans and advances to eighty one officers/officials but recovery of instalments were not initiated from their salaries. Furthermore, recovery of interest was not initiated on repayment of principal amount of loans and advances in certain cases where principal amount had already been paid. The omission resulted in non recovery of loans, advances and interest amounting to Rs. 9.18 million during the years 2013-14 and 2014-15.

Management Reply

The Department informed that an amount of Rs. 0.72 million had been recovered and the balance amount was under recovery.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 recommended the para for settlement to the extent of amount recovered and directed the Department to pursue the recovery of remaining cases.

Audit recommends expeditious recovery of the dues.

[Annexure-55]

**4.8.10 Non/short-deduction of Income Tax on salaries and misc. expenses
- Rs. 7.19 million**

According to Section 12(2)(a) read with Section 153 & 155 of the Income Tax Ordinance, 2001 any pay, wages or other remuneration provided to an employee was 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 immovable property and purchase of goods or services was required to deduct Advance Tax from the gross amount at the prescribed rates.

Eight field formations of FBR did not deduct or short deducted the amount of Income Tax at the time of making payments of rent of residential/office buildings, transport monetization, cash reward, services rendered, salaries paid to the employees and purchase of fixed assets. This resulted in non/short realization of Income Tax amounting to Rs. 7.19 million during the financial years 2013-14 & 2014-15.

Management Reply

The Department in its reply informed that an amount of Rs. 0.13 million had been recovered and proceedings towards remaining recovery of government dues had been initiated.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 settled the para to the extent of amount recovered and directed the Department to pursue the recovery of remaining cases.

Audit recommends expeditious recovery of the dues.

[Annexure-56]

**4.8.11 Excess and inadmissible expenditure on pay and allowances
- Rs. 6.83 million**

According to Revised Leave Rules, 1980 and Rule 7-A of Supplementary Rules, any employee proceeding on leave for more than 120 days was entitled to

half pay only and conveyance allowance was not admissible during leave period. In case of extra ordinary leave, no pay and allowance were admissible to government servants. Further, FBR's Circular No. 01(4)/M(HRM)/2012 dated 23rd July 2012, provided that the Performance Allowance would 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 was not to be allowed to an officer/official who was in receipt of conveyance allowance. Further, according to Finance Division's U.O. No. F.1(4)R-3/2013-677 dated 18.12.2013 regular employees of the Prime Minister's Office who had been placed on surplus pool, were allowed fuel and electricity subsidy, president house allowance and facility of rent free accommodation, unless and until they were finally absorbed in other Ministries/Divisions/ Departments where more favourable perks and allowances were granted.

Contrary to the above, the FBR (HQ) and its nine field formations paid inadmissible pay and allowances of Rs 6.83 million to 343 officers/officials due to continuity of pay and conveyance allowance during different kinds of leave. These include deputation allowance, presidency allowance and fuel/electricity subsidy allowance even after permanent absorption in FBR. This resulted in excess and inadmissible payments of pay and allowances of Rs. 6.83 million during the financial years 2013-14 & 2014-15.

Management Reply

The Department replied that a recovery of Rs. 0.79 million had been made from concerned. Further, FBR (HQ) replied that the pay of officers was fixed by AGPR. The AGPR's offices had been requested to revise the pay slips accordingly so that the overpaid amount could be recovered. In remaining cases, the recovery had been initiated and progress would be communicated to Audit in due course off time.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 settled the para to the extent of amount recovered and verified by Audit and directed the Department to expedite the recovery in remaining cases under intimation to Audit.

Audit Recommendations

- recovery of inadmissible paid amount;
- rectification of pay fixation from AGPR; and
- discontinuation of the inadmissible allowances.

[Annexure-57]

4.8.12 Irregular payment of cash reward – Rs. 5.18 million

According to Rule-5 of Unified Reward Rules, 2006 the officials (BPS-1 to 16) recommended for reward should not exceed 40% of the total working strength of the concerned department and approved by the concerned Regional Commissioner Income Tax / Directors General / Collectors personally. Further, the recommended 40% officials might further be bifurcated into two categories at ratio of 50:50 for grant of reward equal to two and one month pay respectively, in a financial year.

Two field offices of FBR sanctioned irregular cash reward. In one case cash reward was sanctioned to 194 out of 241 officials (BPS-1 to 16) whereas, the reward was admissible to only 96 officials being 40%. Further, out of 96, double salary was admissible to 48 officials and single salary was admissible to the remaining 48 officials. Further, double salary was also given as reward to 98 officials without any legal justification. In another case the cash reward was awarded to an officer who was on leave for a period of 145 days during the financial year. This resulted in irregular payment of cash reward of Rs. 5.18 million during the year 2014-15.

Management Reply

LTU Islamabad contested the para on the plea that due to extraordinary efforts made by staff to meet the budgetary targets, the cash reward was sanctioned duly recommended by Reward Committee.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 observed that the reply was against the facts of the case, therefore the DAC directed the Chief Commissioner to look into the matter personally and furnish a comprehensive report to Audit and FBR by 15.02.2016.

Audit Recommendations

- fixing responsibility against the officer who sanction the reward;
- recovery of the reward from the officials; and
- strengthening of internal controls.

[DP No. 15550 & 15622-Exp]

4.8.13 Irregular withdrawal of government funds in the name of drawing & disbursing officer - Rs. 3.31 million

According to Para 2.3.2.8 of Accounting Policies and Procedures Manual (APPM) under New Accounting Model (NAM) that to minimize the risk of fraud and corruption besides other internal controls the payments was to be made through direct bank transfer and cheques.

In two field formations of FBR, an amount of Rs. 3.31 million was drawn in the name of DDO for payment to contractors for various works, which was not admissible under the Rules. Further, acknowledgment receipts of these payments by the contractors were not available on the record. This resulted into irregular drawal of funds of Rs. 3.31 million as detailed below:

(Rs. in million)

S. No.	Office	DP No.	Title of Account	Amount
1	RTO Hyderabad	233-Exp/K	DDO Account RTO Hyderabad	1.65
2	RTO-II Quetta	241-Exp/K	DDO Account RTO Quetta	1.66
Total				3.31

Management Reply

No working paper was furnished by the Department.

DAC Decision

The DAC in its meeting held on 19th to 21st January 2016 directed the respective RTOs to hold inquiry and submit finding to FBR and Audit by 31st March 2016.

Audit Recommendations

- justification for placing contactors payment in DDO account; and
- compliance of DAC directives within given time line.

[DP No.233-Exp/K & 241-Exp/K]

4.8.14 Non/short-deduction of house rent allowance and 5% house rent charges - Rs. 2.72 million

According to Rule 26 of the Accommodation Allocation Rules, 2002 unless entitled to rent free accommodation the allottee of an accommodation was 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 according to Finance Division O.M. No. F-3(8)Gaz-IMP/73, dated 10th January, 1974 house rent allowance would be admissible subject to the condition that Government accommodation had 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 were to be 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 would be allowed @30% of minimum of basic pay.

FBR (HQ) and five field formations of the FBR neither deducted 5% house rent charges nor stopped the house rent allowance of the officers/officials who were allotted Government accommodation/hired accommodation. Further, the RTO Sargodha paid house rent allowance @45% instead of 30% to the officers/official posted in remote areas. The omission resulted in non/short

deduction of house rent allowance and 5 % house rent charges amounting to Rs. 2.72 million during the years 2013-14 and 2014-15.

Management Reply

The RTO Faisalabad informed that occupancy period in respect of officers residing in the transit accommodation was extended by the committee based on the circumstances. Further the Department informed that an amount of Rs 0.08 million had been recovered and the balance was under recovery.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the RTO Faisalabad to take up the case with FBR for regularization of the extended period and pursue recovery in remaining cases. Further DAC settled the para to the extent of Rs 0.08 million recovered and verified.

Audit recommends expeditious recovery of the dues.

[Annexure-58]

4.8.15 Non/short-recovery of monthly contribution of benevolent fund and group insurance fund - Rs. 1.13 million

As per Para (ii) of Establishment Division Office Memo No.18-22/Act-Amdt/Plan/2002, dated 23.11.2012, the rate of monthly contribution of Benevolent Fund had been raised from 2% to 2.40% of Basic Pay without maximum limit as per column (4) of the Sixth Schedule with effect from 01.09.2012. Further according to Establishment Division's office memorandum No.18-22/Act-Amdt/Plan/2013 dated 16.12.2013, every employee was required to make a monthly payment of Group Insurance Fund at the revised specified rates w.e.f. 01.12.2013.

Three (03) field formations of FBR 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. 1.13 million during the financial years 2013-14 & 2014-15.

Management Reply

The Department in its reply informed that the recovery proceedings were under way.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the Department to expedite the recovery and inform progress to Audit and FBR by 31.03.2016.

Audit recommends expeditious recovery of the amount from the concerned officers/officials.

[Annexure-59]

CHAPTER-5 INTERNAL CONTROL WEAKNESSES

5.1 Introduction

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

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

5.2 Components of Internal Controls

Internal controls consisted of five interrelated components¹:

- Controls Environment: set the tone for the organization, influencing the control consciousness of its people. It was the foundation for all other components of internal controls.
- Risk Assessment: the identification and analysis of relevant risks to the achievement of objectives, forming a basis for how the risks could be managed.
- Information and Communication: systems or processes that supported the identification, capture, and exchange of information in a form and time frame that enables people to carry out their responsibilities.

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

- Control Activities: the policies and procedures that helped to ensure management directives were carried out.
- Monitoring processes: used to assess the quality of internal control performance over time.

5.3 Responsibility for Maintaining Internal Controls

Entity management was responsible for ensuring whether a proper internal control structure was instituted, reviewed, and updated to keep it effective. It was then the responsibility of everyone in the entity to ensure that the internal controls structure functions had been employed as it could be.

5.4 Internal Control Weaknesses

Internal control environment of FBR and its field formations was evaluated while conducting regularity audit for the year 2014-15. Weaknesses of internal controls observed are given in succeeding paragraphs.

Sales Tax

5.4.1 Non-finalization of admissibility/legitimacy of refund of Sales Tax - Rs. 444.96 million

Rule 36 (1) of the Sales Tax Rules, 2006 provided 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 payments by respective suppliers being several and joint liability under section 8A of the Sales Tax Act, 1990 and compliance of Section 73 of the Act *ibid*, regarding payment against certain purchases through banking channel.

The refund sanctioning authorities in five field offices of FBR processed the claims and sanctioned refund in 240 cases without verification of payment of tax by suppliers, payment to suppliers through banking channel and checking the stock consumption which made the sanction orders provisional. The Refund Divisions either did not send cases to Audit Division or post refund audit was not

conducted of the cases pointed out by Audit. The lack of action repeatedly on the part of tax authorities rendered payment of Rs. 444.96 million as doubtful.

Management Reply

The Department replied that Post Refund Audit had been conducted to the tune of Rs. 2.288 million and the balance amount was under examination

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 settled the para to the extent of regularized amount and directed the RTO to expedite the legal proceedings in the remaining cases by 31.03.2016.

[Annexure-60]

5.4.2 Inadmissible sanction of Sales Tax refund due to non-observance of codal formalities - Rs. 257.42 million

According to provisions of Section-73 of the Sales Tax Act, 1990 payment of the amount for a transaction exceeding fifty thousand rupees was required to be made through a banking instruments showing transfer of the amount of the Sales Tax invoice in favour of the supplier from the business bank account of the buyer within one hundred and eighty days of issuance of the tax invoice. Sub-Section (2) of the Section provided that the buyer would not be entitled to claim refund of tax if the payment for the amount was made otherwise than in the manner prescribed therein.

Twenty four taxpayers registered with three field formations of FBR adjusted Input Tax credit on Sales Tax invoices exceeding fifty thousand rupees but either the payment in respect of such invoices were not made through banking channel or department not able to produce the proof of payment through banking channel from the bank accounts of the buyers within 180 days of the issuance of invoices. This resulted in inadmissible adjustment of Input Tax /sanction of Sales Tax refund of Rs. 257.42 million during the year 2014-15.

Management Reply

The RTO Gujranwala informed that legal action had been initiated. RTO-I Lahore contested the para on the plea that the opening of letter of credit and payment through bank was not mandatory as per law. However, Audit desired the proof of payment of duty and taxes at the time of import. Further RTO Multan informed that para was general in nature as the record neither been examined by Audit nor by the Department.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the RTO Gujranwala to expedite legal proceedings and for RTO Multan and Lahore settle the para subject to verification from Audit by 31.03.2016.

[DP No.15433, 15723 & 15735-ST]

5.4.3 Deferred liabilities of Sales Tax Refund causing over statement of receipts - Rs. 3.53 million

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

One field office of FBR kept the refund claims pending due to STARR objections and did not issue proper show cause notices in 17 refund claims involving Rs. 3.53million. The reasons for pending refund were not given in the provided data. The implications of such accumulated pending refund claims were as follow:

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

Audit was of the view that such pendency of refund claims without any valid reason was not according to law. The refund cases were either required to be processed for sanction or rejection after adjudication. Further, there was no monitoring system for timely disposal of pending refund claims.

Management Reply

The RTO informed that an amount of Rs 1.01 million had been regularized/verified by Audit and the balance amount was under examination. The DAC settled the para to the extent of regularized amount and directed the RTO to expedite the legal proceedings in the remaining cases by 31.03.2016.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 settled the para to the extent of regularized amount of Rs 1.01 million and directed the RTO to expedite the legal proceedings in the remaining cases by 31.03.2016.

[DP Nos. 15698 & 15699-ST]

5.4.4 Inadmissible adjustment of Input Tax against invoices issued by the blacklisted/non-active units - Rs. 4.23 million

According to Section 21(3) of the Sales Tax Act, 1990 during the period of suspension of registration, the invoices issued by such person would not be entertained for the purposes of Sales Tax refund or Input Tax credit, and once such person was blacklisted, the refund or Input Tax credit claimed against the invoices issued by him, whether prior or after such blacklisting, should be

rejected through a self-speaking appealable order and after affording an opportunity of being heard to such person.

Four taxpayers registered with RTO Peshawar and Lahore claimed Input Tax adjustment against the invoices issued by the blacklisted/suspended or non-active taxpayers which was not admissible as per law. Further, there were no validation checks in the e-filing system of returns that could block adjustment of Input Tax in case of incomplete return at the time of filing the return. Audit was of the view that in the absence of internal control, taxpayer could exploit the loopholes and claim inadmissible Input Tax which ultimately resulted in short payment of tax due. The weakness of internal control resulted in inadmissible adjustment of Input Tax of Rs. 4.23 million.

Management Reply

The RTO informed the Show Cause Notices had been issued to concerned taxpayers.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the RTO to expedite adjudication by 31st March 2016.

[DP Nos.15588, 15608 & 15734-ST]

5.4.5 Non-imposition of penalty due to non-compliance of Sales Tax Special Procedure Rules

Under Rules 58I and 58J of the Sales Tax Special Procedure Rules, 2007 Sales Tax record was to be maintained and Sales Tax invoices were to be issued by the registered person.

An individual having NTN 0296277-2 registered with RTO-II, Karachi, filed Sales Tax Returns for the period from July 2013 to December 2014 as NULL activity, whereas the data of K-electric showed that the taxpayer consumed 4,893,281 units of electricity involving Sales Tax of Rs. 34.253 million during the same period. This showed that the registered person was engaged in manufacturing process and was required to file Sales Tax Return

alongwith the details of sales, import, Output Tax, purchases and issue Sales Tax invoices accordingly. The registered person was also required to maintain record under Section 22 of the Sales Tax Act, 1990 read with Rule 58J of the Rules *ibid*. The lapse resulted into non imposition of penalty of Rs. 34.25 million.

Management Reply

The Department replied that Show Cause Notice had been issued to the registered person and outcome would be reported in due course of time.

DAC Decision

The DAC in its meeting held on 19th to 21st January 2016 directed the RTO to expedite the adjudication proceedings and submit progress report to Audit and FBR by 31st March 2016.

[DP No.5983-ST/K]

Income Tax

5.4.6 Non-imposition of penalty for non/late filing of Income Tax Returns

Section 182 of the Income Tax Ordinance, 2001 provided penal action against taxpayer for non/late filing of Income Tax Return under Section 114 *ibid*.

One thousand six hundred sixty five (1665) taxpayers registered with fifteen RTOs either did not file or late filed returns of income for the tax year 2014 as prescribed under Section 114 *ibid*, but contrary to the above, the Department did not penalize the taxpayers for an amount of Rs. 6,062.57 million. Non-initiating any legal action against the defaulter depicted weak internal controls system in the Department.

Management Reply

The Department replied that an amount of Rs. 2.14 million had been charged, out of which an amount of Rs. 1.98 million had also been recovered. The Department further reported that legal proceedings for charging the tax of Rs. 6,060.43 million had been initiated but not yet finalized.

DAC Decision

The DAC in its meetings held on 19th to 21st and 26th to 28th January 2016 directed the Department to recover the charged amount, finalize the assessment proceedings by 15th March 2016.

[Annexure-61]

5.4.7 Invalid assessment due to filing of incomplete Tax Returns

Section 114 read with Section 120 of the Income Tax Ordinance, 2001 provided that a complete return of income filed under Section 114 *ibid* was required to be taken to be an assessment order under Section 120 *ibid* as issued by the Commissioner. Complete return had further been defined, if accompanied with annexures, statements and all prescribed documents.

One hundred and seventy taxpayers registered with three RTOs did not file statutory documents in the shape of Annual Accounts alongwith with the return. Therefore, the returns filed were legally invalid. Further, there were no lawful assessment orders issued by the Commissioner. Non-abiding of the statutory provisions of the law on the part of the taxpayers and non-initiating legal action on the part of the Department transpired that there were no affective internal controls systems employed in the Department.

Management Reply

Department replied that legal proceedings had been initiated against the taxpayers.

DAC Decision

The DAC in its meeting held on 26th to 28th January 2016 directed the Department to finalize the assessment proceedings by 15th March 2016.

[Annexure-62]

5.5 Comments on Internal Audit

Internal audit is an integral part of internal controls. It means and includes the function by which the managers of an entity receive assurance from internal sources that the processes for which they are accountable are operating in a manner which will minimize the probability of the occurrence of fraud, errors, compliance with authority violation, internal control deviations or inefficient and uneconomic practices.

The Federal Board of Revenue has a Directorate General of Internal Audit (Inland Revenue) which is responsible to exercise over all supervision of execution and application of Income Tax, Sales Tax and Federal Excise Duty Laws. The Directorate is headed by a BS-21 Officer assisted by three Directors, sixteen additional Directors, twenty three Deputy / Assistant Directors supported with ample supporting staff.

Audit requisitioned annual audit report of the Directorate of Internal Audit for the year 2014-15 which was not provided despite written as well as verbal requests. In the absence of the said report, Audit was unable to offer any comments on it. However, Audit has been pointing out irregularities of identical nature on frequent basis each year as elaborated in chapter 4 of this report, which lead to conclude that there was a lack of vigilance/monitoring in the field formations of FBR.

5.6 Conclusions

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

- Non-finalization of admissibility / legitimacy of refund of Sales Tax;
- Non-monitoring of blacklisted/blocked registered persons resulting in non-recovery of Sales Tax;
- Deferred liabilities of Sales Tax refunds causing overstatement of receipts;

- Non-enforcing of filing of returns as well as non-imposition of penalty; and
- Invalid assessment due to filing of incomplete Income Tax Returns.

Audit recommendations:

- refund of tax being grey area needs to be post refund audited thoroughly;
- 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;
- vigorous pursuance of non-filers;
- imposition of penalty on non/late filers to ensure regular filing of the returns; and
- validation checks in e-filing system of Income Tax Returns to ensure attachments / completion of return.

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

ANNEXURES

Annexure-1**Details of MFDAC for the year 2015-16****DGAIR (North) Lahore***(Rs in million)*

S. No.	Name of formation	No. of Para/PDP	Title of para	Amount of Audit Observation				Nature of Audit Observation
				Direct Tax	Indirect Tax	Expenditure	Total	
1	RTO Islamabad	14464	Irregularities of lesser significance	0	0	0.34	0.34	Violation of Law / Rules
2	RTO Sialkot	15284	Irregularities of lesser significance	0	0	0.03	0.03	Violation of Law / Rules
3	RTO Gujranwala	15289	Irregularities of lesser significance	0	0	0.18	0.18	Violation of Law / Rules
4	RTO Gujranwala	15291	Irregularities of lesser significance	0	0	0.05	0.05	Violation of Law / Rules
5	RTO Gujranwala	15293	Irregularities of lesser significance	0	0	0.49	0.49	Violation of Law / Rules
6	RTO Gujranwala	15294	Irregularities of lesser significance	0	0	0.03	0.03	Violation of Law / Rules
7	FBR(HQ) Islamabad	15312	Irregularities of lesser significance	0	0	0.45	0.45	Violation of Law / Rules
8	FBR (HQ) Islamabad	15326	Irregularities of lesser significance	0	0	0.73	0.73	Violation of Law / Rules
9	PRAL Islamabad	15327	Violation of Principles of contracts as provided in GFR	0	0	0	0	Violation of Law / Rules
10	FBR(HQ) Islamabad	15328	Irregularities of lesser significance	0	0	92.36	92.36	Violation of Law / Rules
11	RTO Sialkot	15338	Non recovery of Sales Tax	0	0.72	0	0.72	Violation of Law / Rules
12	PRAL Islamabad	15339	Huge expenses under head of office rent	0	0	0	0	Violation of Law / Rules

13	PRAL Islamabad	15343	Irregularities of lesser significance	0	0	0.92	0.92	Violation of Law / Rules
14	PRAL Islamabad	15351	Non deduction of withholding tax	0.46	0	0	0.46	Violation of Law / Rules
15	PRAL Islamabad	15353	Irregularities of lesser significance	0	0	0.88	0.88	Violation of Law / Rules
16	PRAL Islamabad	15355	Non-Payment of insurance	0	0	4.65	4.65	Violation of Law / Rules
17	RTO Peshawar	15362	Irregularities of lesser significance	0	0	0.12	0.12	Violation of Law / Rules
18	RTO Multan	15365	Irregularities of lesser significance	0	0	0.62	0.62	Violation of Law / Rules
19	RTO Multan	15369	Irregularities of lesser significance	0	0	0.87	0.87	Violation of Law / Rules
20	RTO Lahore	15371	Irregularities of lesser significance	0	0	0.07	0.07	Violation of Law / Rules
21	RTO Lahore	15376	Irregularities of lesser significance	0	0	0.26	0.26	Violation of Law / Rules
22	RTO Lahore	15380	Irregularities of lesser significance	0	0	0.13	0.13	Violation of Law / Rules
23	RTO Lahore	15382	Irregularities of lesser significance	0	0	0.06	0.06	Violation of Law / Rules
24	RTO Lahore	15384	Irregularities of lesser significance	0	0	0.05	0.05	Violation of Law / Rules
25	RTO Gujranwala	15431	Non-imposition of penalty for late filing	0	0.22	0	0.22	Violation of Law / Rules
26	RTO Islamabad	15465	Doubtful expenditure due to double sanction	0	0	0.02	0.02	Violation of Law / Rules
27	RTO Islamabad	15466	Irregularities of lesser significance	0	0	1.96	1.96	Violation of Law / Rules

28	RTO Islamabad	15467	Irregularities of lesser significance	0	0	3.07	3.07	Violation of Law / Rules
29	RTO Islamabad	15476	Non realization of sales tax on scrap sales	0	9.51	0	9.51	Violation of Law / Rules
30	RTO Sargodha	15501	Irregularities of lesser significance	0	0	5.12	5.12	Violation of Law / Rules
31	RTO Sargodha	15503	Irregularities of lesser significance	0	0	41.8	41.8	Violation of Law / Rules
32	RTO Sargodha	15503	Irregularities of lesser significance	0	0	41.8	41.8	Violation of Law / Rules
33	RTO Sargodha	15540	Inadmissible sales tax refund	0	5.08	0	5.08	Violation of Law / Rules
34	RTO-II Lahore	15547	Irregularities of lesser significance	0	0	0.09	0.09	Violation of Law / Rules
35	LTU Islamabad	15619	Irregularities of lesser significance	0	0	0.39	0.39	Violation of Law / Rules
36	RTO Rawalpindi	15662	Irregularities of lesser significance	0	0	0.31	0.31	Violation of Law / Rules
37	RTO Bahawalpur	15751	Irregularities of lesser significance	0	0	0.19	0.19	Violation of Law / Rules
38	RTO Bahawalpur	15753	Irregularities of lesser significance	0	0	0.72	0.72	Violation of Law / Rules
39	RTO Bahawalpur	15754	Irregularities of lesser significance	0	0	0.07	0.07	Violation of Law / Rules
40	RTO Faisalabad	15756	Irregularities of lesser significance	0	0	0.42	0.42	Violation of Law / Rules
41	RTO Faisalabad	15758	Irregularities of lesser significance	0	0	0.41	0.41	Violation of Law / Rules
42	RTO Faisalabad	15763	Irregularities of lesser significance	0	0	0.25	0.25	Violation of Law / Rules

43	RTO Faisalabad	15767	Irregularities of lesser significance	0	0	4.26	4.26	Violation of Law / Rules
44	RTO Faisalabad	15768	Irregularities of lesser significance	0	0	0.2	0.2	Violation of Law / Rules
45	LTU Lahore	15816	Irregularities of lesser significance	0	0	0.11	0.11	Violation of Law / Rules
46	RTO Sialkot	15887	Nonpayment of sales tax due to concealment	0	1.27	0	1.27	Violation of Law / Rules
47	RTO Sialkot	15415	Non-recovery of income support levy	0.118	0	0	0.118	Violation of Law / Rules
48	PRAL Islamabad F-4164	4	Irregularities of lesser significance	0	0	0	0	Violation of Law / Rules
49	FBR (HQ) Islamabad F-4123	09	Irregularities of lesser significance	0	0	0.65	0.65	Violation of Law / Rules
50	RTO Lahore F-4116	01	Irregularities of lesser significance	0	0	0.01	0.01	Violation of Law / Rules
51	RTO-II Lahore F-4121	08	Irregularities of lesser significance	0	0	5.43	5.43	Violation of Law / Rules
52	RTO Faisalabad F-4124	02	Irregularities of lesser significance	0	0	1.30	1.30	Violation of Law / Rules
53	RTO Peshawar F-4118	09	Irregularities of lesser significance	0	0	3.23	3.23	Violation of Law / Rules
54	RTO Multan F-4147	05	Irregularities of lesser significance	0	0	10.03	10.03	Violation of Law / Rules
55	RTO Rawalpindi F-4143	06	Irregularities of lesser significance	0	0	0.05	0.05	Violation of Law / Rules
56	RTO Gujranwala F-4112	08	Irregularities of lesser significance	0	0	0.83	0.83	Violation of Law / Rules
57	RTO Islamabad F-4129	07	Irregularities of lesser significance	0	0	0.02	0.02	Violation of Law / Rules

58	RTO Sialkot F-4122	05	Irregularities of lesser significance	0	0	3.48	3.48	Violation of Law / Rules
59	RTO Bahawalpur F-4111	08	Irregularities of lesser significance	0	0	0.06	0.06	Violation of Law / Rules
60	RTO Sargodha F- 4135	07	Irregularities of lesser significance	0	0	0.08	0.08	Violation of Law / Rules
61	LTU Lahore F-4115	07	Irregularities of lesser significance	0	0	0.13	0.13	Violation of Law / Rules
62	LTU Islamabad F-4151	10	Irregularities of lesser significance	0	0	0.98	0.98	Violation of Law / Rules
63	Revenue Division Islamabad F-4131	07	Irregularities of lesser significance	0	0	1.79	1.79	Violation of Law / Rules
64	Directorate of Research & Statistics Islamabad F- 4117	08	Irregularities of lesser significance	0	0	0.97	0.97	Violation of Law / Rules
65	Director General Intelligence & Investigation (Inland Revenue) Islamabad F- 4130	08	Irregularities of lesser significance	0	0	0.44	0.44	Violation of Law / Rules
66	LTU Lahore F-4109	01	Non- imposition of penalty for filling late sales tax returns	0	0.02	0	0.02	Violation of Law / Rules
67	RTO-I Lahore F-4110	42	Irregularities of lesser significance	961.79	897.15	0	1,858.94	Violation of Law / Rules
68	RTO-I Commissioner (Zone-I) Lahore F-4165	2	Irregularities of lesser significance	1.10	0.91	0	2.01	Violation of Law / Rules
69	RTO-II Commissioner (Zone-VIII) Lahore F-4155	03	Irregularities of lesser significance.	0.23	0.39	0	0.62	Violation of Law / Rules

70	Commissioner (Zone-I) G/wala F-4168	03	Irregularities of lesser significance	1.51	0.04	0	1.55	Violation of Law / Rules
71	Commissioner (Zone-II) G/wala F-4169	09	Irregularities of lesser significance	0.08	5.37	0	5.45	Violation of Law / Rules
72	Commissioner (Zone-I) Sialkot F-4132	06	Irregularities of lesser significance	11.00	0.26	0	11.26	Violation of Law / Rules
73	Commissioner (Zone-II)Sialkot F-4174	24	Irregularities of lesser significance	64.25	3,076.98	0	3,141.23	Violation of Law / Rules
74	Commissioner (Zone-I) R/pindi F-4144	01	Irregularities of lesser significance	0.10	0	0	0.10	Violation of Law / Rules
75	Commissioner (Zone-II)R/pindi F-4145	01	Irregularities of lesser significance	0.08	0	0	0.08	Violation of Law / Rules
76	Commissioner (Zone -III) R/pindi F-4146	02	Irregularities of lesser significance	0.08	3.57	0	3.65	Violation of Law / Rules
77	RTO Commissioner (Zone-I) Isd F-4175	02	Irregularities of lesser significance	0.00	595.22	0	595.22	Violation of Law / Rules
78	RTO Commissioner (Zone-II) Isd F-4176	01	Irregularities of lesser significance	2.48	0	0	2.48	Violation of Law / Rules
79	Commissioner (Zone-I) Fsd F-4177	04	Irregularities of lesser significance	1.94	11.14	0	13.08	Violation of Law / Rules
80	Commissioner (Zone-II) Fsd F-4140	02	Irregularities of lesser significance	0.24	0.50	0	0.73	Violation of Law / Rules
81	Commissioner (Zone -III) Fsd F-4141	03	Irregularities of lesser significance	20.37	2.33	0	22.71	Violation of Law / Rules
82	Commissioner (Zone-I) Sargodha F-4162	02	Irregularities of lesser significance	0.08	0.05	0	0.13	Violation of Law / Rules
83	Commissioner (Zone-II) Sargodha F-4163	02	Irregularities of lesser significance	0.21	0	0	0.21	Violation of Law / Rules

84	Commissioner (Zone-I) Multan Special Zone F-4171	03	Irregularities of lesser significance	0.00	26.71	0	26.71	Violation of Law / Rules
85	Commissioner (Zone-II) Multan Multan Zone F-4172	01	Non-filing of return of income	0	0	0	0	Violation of Law / Rules
86	Commissioner (Zone -III) Multan Sahiwal Zone F-4173	01	Non-imposition of penalty for non filing of monthly sales tax returns	0	0.06	0	0.06	Violation of Law / Rules
Total (Lahore)				1,066.12	4,637.50	233.96	5,937.58	

DGAIR (South) Karachi

S. No.	Name of office	No. of Para/DP	Title of para	Amount of Audit Observation				Nature of Audit Observation
				Direct Tax	Indirect Tax	Expenditure	Total	
1	LTU Karachi	941-IT/K	Non-payment of income tax	25,165.73	0.00	0.00	25,165.73	Section 127(2), 137(5) of ITO 2001
		942-IT/K	Non-payment of income tax	9,838.00	0.00	0.00	9,838.00	Section 127(2), 137(5) of ITO 2001
		943-IT/K	Non-payment of income tax	9,765.07	0.00	0.00	9,765.07	Section 127(2), 137(5) of ITO 2001
		944-IT/K	Non-payment of income tax	54.59	0.00	0.00	54.59	Section 21(1) of ITO 2001
		945-IT/K	Non-payment of income tax	972.00	0.00	0.00	972.00	Section 127(2) of ITO 2001
		1004-IT/K	Short-payment of income tax	1,177.83	0.00	0.00	1,177.83	Section 21 of ITO 2001

		6028-ST/K	Non finalization of suspension of registration of and non recovery of government dues from blacklisted registered persons	0.00	0.00	0.00	0.00	Section 21 of the STA 1990
		6013-ST/K	In admissible adjustment of sales tax	0.00	13.26	0.00	13.26	Section 8 (1)(a) of the STA 1990
		6027-ST/K	In admissible adjustment of sales tax	0.00	24.79	0.00	24.79	
		6014-ST/K	Non payment of Federal Excise Duty	0.00	28.13	0.00	28.13	Section 3 of FED 2005
		6022-ST/K	Non- payment of Federal Excise Duty	0.00	18,592.12	0.00	18,592.12	
		6018-ST/K	Non- payment of sales tax	0.00	16,979.12	0.00	16,979.12	Section 48 of the STA 1990
		6034-ST/K	Non realization of sales tax	0.00	0.36	0.00	0.36	Section 3 of the STA 1990
2	RTO Sukkur	17	Irregularities of lesser significance	0.05	498.54	0.50	499.09	Violation of Law / Rules
		927-IT/K	Non recovery of tax demand	41.12	0.00	0.00	41.12	Section 138 of ITO 2001
		5992-ST/K	In admissible adjustment of input tax	0.00	1.38	0.00	1.38	Section 8(1)(ca) of STA 1990

		5986-ST/K	In admissible adjustment of input tax	0.00	11.71	0.00	11.71	Section 8(1)(ca) of STA 1990
		5985-ST/K	Non payment of sales tax	0.00	2.56	0.00	2.56	Section 3 of the STA 1990
		5993-ST/K	Non imposition of penalty on non filer of sales tax returns	0.00	1.00	0.00	1.00	Section 33 of the STA 1990
		6008-ST/K	Non- payment of sales tax by cotton ginner	0.00	0.00	0.00	0.00	Special procedure of Sales Tax 2007
3	RTO-III Karachi	6060-ST/K	Irregular adjustment of Sales Tax	0.00	0.13	0.00	0.13	Section 8B(1) of STA 1990
4	RTO-II Karachi	980-IT/K	Non-recovery of arrears of income tax	155.17	0.00	0.00	155.17	Section 161 of ITO 2001
		15302-ST/K	Non-payment of 4/5 th portion of withholding tax	0.00	1.37	0.00	1.37	Rule 3 of the Withholding Tax Rules (Sales Tax) 2007
Total (Karachi)				47,169.56	36,154.47	0.5	83,324.53	

Total (Lahore)				1,066.12	4,637.50	233.96	5,937.58	
Total (Karachi)				47,169.56	36,154.47	0.5	83,324.53	
Grand Total (Karachi + Lahore)				48,235.68	40,791.97	234.46	89,262.11	

Annexure-1A**Compliance of MFDAC for the year 2014-15****DGAIR (North) Lahore***(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	FBR (HQ) Islamabad	14595	Payment of salaries through DDO	0.00	0.00	3.58	3.58	0.00	3.58
2	FBR(HQ) Islamabad	14596	Excess/irregular payment of TA/DA	0.00	0.00	0.18	0.18	0.00	0.18
3	FBR(HQ) Islamabad	14601	Excess payment of occupancy cost on hiring of residential houses	0.00	0.00	0.74	0.74	0.00	0.74
4	FBR(HQ) Islamabad	14602	Non surrendering of balances/savings	0.00	0.00	72.55	72.55	0.00	72.55
5	RTO Faisalabad	14604	Non/short realization of income tax from cash reward and arrears of pay	0.00	0.00	0.43	0.43	0.00	0.43
6	FBR(HQ) Islamabad	14605	Non-deduction of income tax on rent of residential building	0.00	0.00	0.45	0.45	0.00	0.45
7	FBR(HQ) Islamabad	14606	Excess/irregular payment of TA/DA	0.00	0.00	0.22	0.22	0.00	0.22
8	FBR(HQ) Islamabad	14607	Inadmissible payment of transport monetization	0.00	0.00	0.68	0.68	0.00	0.68
9	FBR(HQ) Islamabad	14608	Inadmissible payment on account of medical charges	0.00	0.00	0.61	0.61	0.00	0.61
10	FBR(HQ) Islamabad	14610	Non deduction of driver facility charges	0.00	0.00	0.10	0.10	0.00	0.10

11	RTO Sargodha	14623	Inadmissible payment of integrated allowance	0.00	0.00	0.11	0.11	0.00	0.11
12	I) DG I&I Computer Wing, Islamabad II) Internal Audit Northern Region (IR) Islamabad	14625	Non disposal of obsolete vehicles/stores	0.00	0.00	1.28	1.28	0.00	1.28
13	Chief Coordinator Computer Wing (IR) Islamabad	14628	Inadmissible payment of deputation allowance	0.00	0.00	0.24	0.24	0.00	0.24
14	Combined DP of six field formations	14631	Excess payment of rent of residential building	0.00	0.00	0.33	0.33	0.00	0.33
15	FBR (HQ) Islamabad	14632	Abandoned civil works of development project	0.00	0.00	1,983.10	1,983.10	0.00	1,983.10
16	FBR (HQ) Islamabad	14633	Irregular expenditure on account of repair and maintenance of building	0.00	0.00	1.51	1.51	0.00	1.51
17	RTO Bahawalpur	14637	Irregular payment of I.J.P & Conveyance Allowance	0.00	0.00	0.07	0.07	0.00	0.07
18	RTO (Zone-I) Bahawalpur	14654	Loss of revenue due to non invoking the provisions of section 162	13.58	0.00	0.00	13.58	0.00	13.58
19	RTO Sargodha	14682	Short realization of sales tax	0.00	1.82	0.00	1.82	0.00	1.82
20	RTO Sargodha	14687	Non imposition of penalty on submitting false statement	0.00	0.60	0.00	0.60	0.00	0.60
21	RTO Sargodha	14688	Inadmissible sanction of sales tax refund.	0.00	5.51	0.00	5.51	0.00	5.51
22	RTO Sialkot	14718	Inadmissible payment of fixed conveyance, Medical & TA/DA	0.00	0.00	0.29	0.29	0.00	0.29

23	RTO Sialkot	14720	Inadmissible payment of pay and allowances	0.00	0.00	0.19	0.19	0.00	0.19
24	RTO Sialkot	14721	Non deduction of Income Tax from payment made to suppliers	0.00	0.00	0.08	0.08	0.00	0.08
25	RTO Sialkot	14723	Inadmissible payment of house rent allowance	0.00	0.00	0.19	0.19	0.00	0.19
26	RTO Sialkot	14724	Non recovery of pay and allowances during leave period	0.00	0.00	0.17	0.17	0.00	0.17
27	RTO Sargodha	14729	Unlawful expenditure on hired transit accommodation	0.00	0.00	0.55	0.55	0.00	0.55
28	FBR (HQ) Islamabad	14752	Use of vehicles in excess of authorized strength	0.00	0.00	0.00	0.00	0.00	0.00
29	RTO-I Lahore	14754	Inadmissible payment of house rent allowance	0.00	0.00	1.01	1.01	0.45	0.56
30	RTO-I Lahore	14755	Unlawful payment of conveyance allowance	0.00	0.00	0.61	0.61	0.55	0.06
31	RTO-I Lahore	14757	Non-deduction of income tax on rent of residential building	0.00	0.00	0.11	0.11	0.047	0.06
32	RTO-I Lahore	14758	Non-deduction of income tax on rent of residential building	0.00	0.00	0.06	0.06	0.02	0.04
33	RTO Multan	14762	Excess payment of medical allowance	0.00	0.00	0.18	0.18	0.00	0.18
34	RTO Multan	14763	Irregular payment of I. J. P, CA & HR Charges	0.00	0.00	0.12	0.12	0.00	0.12
35	RTO Multan	14764	Irregular payment of rent for office building	0.00	0.00	0.14	0.14	0.00	0.14
36	RTO Peshawar	14767	Excess/inadmissible payment of house rent allowance	0.00	0.00	0.22	0.22	0.00	0.22
37	RTO Peshawar	14769	Excess/inadmissible payment of house rent allowance	0.00	0.00	0.38	0.38	0.00	0.38

38	FBR (HQ) Islamabad	14770	Inadmissible payment on account of hiring of residential accommodation	0.00	0.00	0.20	0.20	0.00	0.20
39	FBR (HQ) Islamabad	14771	Excess payment in respect of House Rental Ceiling	0.00	0.00	0.29	0.29	0.00	0.29
40	Revenue Division FBR Islamabad	14774	Inadmissible payment of pay and allowance	0.00	0.00	0.11	0.11	0.00	0.11
41	Revenue Division FBR Islamabad	14775	Inadmissible payment of pay & allowances	0.00	0.00	0.78	0.78	0.00	0.78
42	I- Computer Wing (IR) Islamabad II- Training & Research(IR) Islamabad	14776	Non/short deduction 5% HR Charges	0.00	0.00	0.67	0.67	0.00	0.67
43	Directorate of I & I (IR) Faisalabad	14779	Irregular payment due to miscellaneous irregularities	0.00	0.00	0.16	0.16	0.00	0.16
44	RTO Faisalabad	14780	Irregular payment due to miscellaneous irregularities	0.00	0.00	0.83	0.83	0.00	0.83
45	RTO Faisalabad	14782	Excess/irregular payment of TA/DA	0.00	0.00	0.57	0.57	0.00	0.57
46	RTO Faisalabad	14786	Transfer of salaries to officials even after superannuation	0.00	0.00	0.20	0.20	0.00	0.20
47	RTO Faisalabad	14788	Non/short realization of income tax from cash reward and arrear of pay	0.00	0.00	0.20	0.20	0.00	0.20
48	RTO Faisalabad	14789	Double payment of ad-hoc relief and medical allowance	0.00	0.00	0.26	0.26	0.00	0.26
49	RTO Faisalabad	14791	Irregular payment due to miscellaneous irregularities.	0.00	0.00	0.35	0.35	0.00	0.35
50	RTO Gujranwala	14792	Non recovery of loan and advances	0.00	0.00	0.17	0.17	0.00	0.17

51	RTO Gujranwala	14794	Non/short deduction of I.J.P allowance	0.00	0.00	0.20	0.20	0.00	0.20
52	RTO Gujranwala	14795	Loss of public exchequer due to theft of car	0.00	0.00	0.40	0.40	0.00	0.40
53	RTO Gujranwala	14798	Excess/inadmissibl e payment of house rent allowance	0.00	0.00	0.09	0.09	0.00	0.09
54	FBR (HQ) Islamabad	14801	Inadmissible payment in cash and irregular sanction without voucher and expenditure on account of meal charges	0.00	0.00	13.44	13.44	0.00	13.44
55	FBR (HQ) Islamabad	14811	Excess/irregular payment of TA/DA	0.00	0.00	0.17	0.17	0.00	0.17
56	FBR (HQ) Islamabad	14814	Inadmissible payments	0.00	0.00	0.34	0.34	0.00	0.34
57	LTU Islamabad	14839	Non disposal of obsolete vehicles/stores	0.00	0.00	2.31	2.31	0.00	2.31
58	LTU Islamabad	14843	Non deduction of conveyance allowance	0.00	0.00	0.07	0.07	0.00	0.07
59	LTU Islamabad	14849	Short levy of income tax	152.32	0.00	0.00	152.32	0.00	152.32
60	LTU Islamabad	14862	Double adjustment of refund	1.76	0.00	0.00	1.76	0.00	1.76
61	LTU Islamabad	14865	Excess credit of advance tax payments	4.05	0.00	0.00	4.05	0.00	4.05
62	LTU Zone-III Islamabad	14886	Undue benefit to power generation companies	5,157.50	0.00	0.00	5,157.50	0.00	5,157.50
63	RTO-I (Zone-I) Lahore	14908	In admissible sanction of refund	1.16	0.00	0.00	1.16	0.00	1.16
64	Directorate of Internal Audit (IR) Lahore	14946	Miscellaneous irregularities	0.00	0.00	0.17	0.17	0.00	0.17
65	RTO-II Lahore	14948	Non-deduction of income tax on rent of residential building	0.00	0.00	0.66	0.66	0.00	0.66

66	RTO-II Lahore	14950	Excess/ inadmissible payment of house rent allowance	0.00	0.00	2.26	2.26	0.00	2.26
67	RTO-II Lahore	14955	Miscellaneous irregularities	0.00	0.00	0.17	0.17	0.00	0.17
68	RTO-II Lahore	14962	Loss of revenue due to non taxation of income under PTR	503.21	0.00	0.00	503.21	0.00	503.21
69	RTO-II (Zone- II) Lahore	14966	Un authorized payment of refund	1.42	0.00	0.00	1.42	0.00	1.42
70	LTU Islamabad	14971	Short levy of income tax	807.44	0.00	0.00	807.44	0.00	807.44
71	RTO Faisalabad	14986	Unlawful payment of income tax	1.46	0.00	0.00	1.46	0.00	1.46
72	RTO-I (Zone-I & II) Lahore	15008	Non recovery of assessed govt. revenue	2,473.91	0.00	0.00	2,473.91	0.00	2,473.91
73	RTO Multan	15048	short payment of sales tax	0.00	461.29	0.00	461.29	0.00	461.29
74	RTO Multan	15109	Excess reporting of income tax due to misclassification of WWF	18.42	0.00	0.00	18.42	0.00	18.42
75	RTO (Zone-II) Multan	15049	Short payment of sales tax	0.00	816.53	0.00	816.53	0.00	816.53
76	RTO (Zone-II) Gujranwala	15090	Short realization of withholding tax	192.15	0.00	0.00	192.15	0.00	192.15
77	RTO Zone-I&II Sargodha	15096	Non recovery of arrears of IT	311.56	0.00	0.00	311.56	0.00	311.56
78	RTO Zone-I Multan	15102	inadmissible adjustment of input tax	0.00	1.66	0.00	1.66	0.00	1.66
79	RTO Zone-III Multan	15110	Non finalization of proceeding u/s 122c	0.77	0.00	0.00	0.77	0.00	0.77
80	LTU Lahore	15139	Unjustified payments	0.00	0.00	0.56	0.56	0.00	0.56

81	RTO Zone-I Sargodha	15144	Non filing of IT return	7.76	0.00	0.00	7.76	0.00	7.76
82	LTU Lahore	15154	Non taxation of services income	109.81	0.00	0.00	109.81	0.00	109.81
83	RTO Islamabad	15157	Irregular payment of integrated allowance	0.00	0.00	0.06	0.06	0.00	0.06
84	RTO-II Zone-VIII Lahore	15182	Irregular refund of sales tax	0.00	3.85	0.00	3.85	0.00	3.85
85	RTO-II Zone-VII & VIII Lahore	15197	inadmissible refund/adjustment	0.00	8.33	0.00	8.33	0.00	8.33
86	Director Internal Audit Central Region Lahore	15211	Mis-procurement of office stationery	0.00	0.00	0.35	0.35	0.00	0.35
87	FBR (HQ) Islamabad	15212	Non finalization of disciplinary proceedings in cases	0.00	0.00	0.00	0.00	0.00	0.00
88	RTO-II (Zone-X) Lahore	15213	Non recovery of adjudged govt. dues	105.17	0.00	0.00	105.17	0.00	105.17
89	DOT (IR) Lahore	15223	Irregular expenditure on repair of transport	0.00	0.00	1.05	1.05	0.00	1.05
90	LTU Islamabad	15247	Non observance of principles of financial propriety	0.00	0.00	0.57	0.57	0.00	0.57
91	FBR (HQ) Islamabad	14803	Non /short deduction of 5% house rent charges	0	0	1.99	1.99	0.00	1.99
92	FBR (HQ) Islamabad	14598	Non /short deduction of 5% house rent charges	0	0	0.33	0.33	0.00	0.33
93	FBR (HQ) Islamabad	14776	Non /short deduction of 5% house rent charges	0	0	0.68	0.68	0.00	0.68
94	RTO Faisalabad	14787	Non /short deduction of 5% house rent charges	0	0	0.12	0.12	0.00	0.12
95	RTO-II Lahore	14947	Non /short deduction of 5% house rent charges	0	0	0.12	0.12	0.00	0.12

96	LTU Islamabad	14841	Non /short deduction of 5% house rent charges	0	0	0.25	0.25	0.00	0.25
97	RTO Peshawar	14766	Non recovery of loans, advances and interest	0	0	0.34	0.34	0.00	0.34
98	RTO Faisalabad	14781	Non recovery of loans, advances and interest	0	0	0.66	0.66	0.00	0.66
99	RTO Sargodha	14621	Non recovery of loans, advances and interest	0	0	0.32	0.32	0.00	0.32
100	RTO Multan	15071	Non recovery of loans, advances and interest	0	0	2.05	2.05	0.00	2.05
101	FBR (HQ) Islamabad	14772	Non recovery of loans, advances and interest	0	0	0.78	0.78	0.00	0.78
102	RTO Multan	14761	Non recovery of loans, advances and interest	0	0	0.40	0.40	0.00	0.40
103	Computer wing, Internal Audit & I & I (IR) Islamabad	14777	Non recovery of loans, advances and interest	0	0	0.13	0.13	0.00	0.13
104	RTO Sargodha	14620	Non/short recovery of B. Fund and Group Insurance	0	0	0.44	0.44	0.00	0.44
105	Chief Coordinator Computer Wing, Islamabad	14627	Non/short recovery of B. Fund and Group Insurance	0	0	0.41	0.41	0.00	0.41
106	RTO Bahawalpur	14639	Non/short recovery of B. Fund and Group Insurance	0	0	0.56	0.56	0.00	0.56
107	RTO Sialkot	14719	Non/short recovery of B. Fund and Group Insurance	0	0	0.44	0.44	0.00	0.44
108	RTO Gujranwala	14796	Non/short recovery of B. Fund and Group Insurance	0	0	0.19	0.19	0.00	0.19
109	RTO Gujranwala	14797	Non/short recovery of B. Fund and Group Insurance	0	0	0.54	0.54	0.00	0.54
110	RTO Islamabad	15158	Non/short recovery of B. Fund and Group Insurance	0	0	0.07	0.07	0.00	0.07

111	RTO-II Lahore	14945	Non/short recovery of B. Fund and Group Insurance	0	0	0.95	0.95	0.00	0.95
112	Directorate of I & I, Lahore	15222	Non/short recovery of B. Fund and Group Insurance	0	0	0.14	0.14	0.14	0.00
113	RTO-I Lahore	15248	Non/short recovery of B. Fund and Group Insurance	0	0	0.63	0.63	0.02	0.61
114	LTU Islamabad	14866	Short levy of tax / undue creation of refund on account of payments of contracts to non residents	733.26	0	0	733.26	0.00	733.26
115	LTU Islamabad	14888	Short levy of tax / undue creation of refund on account of payments of contracts to non residents	417.78	0	0	417.78	0.00	417.78
116	Secretary Revenue Division Islamabad (2013-14) F 4037	7	Irregularities of lesser significance	0.00	0.00	22.26	22.26	0.00	22.26
117	Additional Director Training & Research (IR) Islamabad (2013-14) F-4039	6	Irregularities of lesser significance	0.00	0.00	0.31	0.31	0.00	0.31
118	DG Internal Audit (IR) Islamabad (2013-14) F-4040	9	Irregularities of lesser significance	0.00	0.00	4.27	4.27	0.00	4.27
119	Chief Computer Coordinator Computer Wing, (IR) Islamabad (2013-14) F-4041	5	Irregularities of lesser significance	0.00	0.00	0.76	0.76	0.00	0.76
120	FBR (HQ) Islamabad (2013-14) F-4054	7	Irregularities of lesser significance	0.00	0.00	10.21	10.21	0.00	10.21

121	DG I&I (IR) Islamabad (2013-14) F-4092	7	Irregularities of lesser significance	0.00	0.00	0.13	0.13	0.00	0.13
122	Project (PPF) RMP FBR (HQ) Islamabad (2013-14) F-4105	4	Irregularities of lesser significance	0.00	0.00	58.78	58.78	0.00	58.78
123	RTO-I Lahore Commissioner Zone-IV (2013- 14) F-4083	9	Irregularities of lesser significance	2617.14	634.42	0.00	3251.56	0.00	3251.5 6
124	RTO-I Lahore Commissioner Zone-V (2013-14) F-4084	3	Irregularities of lesser significance	1062.71	0.00	0.00	1062.71	0.00	1062.7 1
125	RTO-I Lahore Commissioner Zone-VI (2013-14) F-4106	1	Irregularities of lesser significance	0.00	0.00	0.00	0.00	0.00	0.00
126	RTO-II Lahore Commissioner Zone-VIII (2012-13) F-4027	8	Irregularities of lesser significance	204.55	1.40	0.00	205.96	0.00	205.96
127	RTO-II Lahore Commissioner Zone-IX (2012-13) F-4033	4	Irregularities of lesser significance	0.69	3.54	0.00	4.22	0.00	4.22
128	RTO-II Lahore Commissioner Zone-X (2012-13) F-4034	7	Irregularities of lesser significance	4.60	18.38	0.00	22.98	0.00	22.98
129	RTO-II Lahore Commissioner Zone-XI (2012-13) F-4035	18	Irregularities of lesser significance	160.56	47.38	0.00	207.94	0.00	207.94
130	RTO Peshawar (2013-14) F-4055	9	Irregularities of lesser significance	0.00	0.00	1.64	1.64	0.00	1.64
131	RTO Peshawar Commissioner Zone-I, (2013-14) F-4056	1	Irregularities of lesser significance	5.52	0.00	0.00	5.52	0.00	5.52

132	RTO Peshawar Commissioner Zone-II, (2013-14) F-4059	3	Irregularities of lesser significance	0.80	0.01	0.00	0.81	0.00	0.81
133	RTO-II Lahore Commissioner Zone-VII (2012-13) F-4014	5	Irregularities of lesser significance	36.36	0.03	0.00	36.39	0.00	36.39
134	RTO, II, Lahore (2012-13) F-4015	10	Irregularities of lesser significance	0.00	0.00	6.70	6.70	0.00	6.70
135	RTO Sargodha (2012-13) F-4012	7	Irregularities of lesser significance	0.00	0.00	9.99	9.99	0.00	9.99
136	RTO Sargodha Commissioner Zone-I (2012-13) F-4013	6	Irregularities of lesser significance	40.62	3.14	0.00	43.76	0.00	43.76
137	RTO Sargodha Commissioner Zone-II (2012-13) F-4018	2	Irregularities of lesser significance	0.38	0.00	0.00	0.38	0.00	0.38
138	LTU Lahore (2012-13 NPR)F-4032	2	Irregularities of lesser significance	8.62	0.00	0.00	8.62	0.00	8.62
139	RTO Gujranwala (2013-14) F-4052	8	Irregularities of lesser significance	0.00	0.00	0.17	0.17	0.00	0.17
140	RTO Gujranwala Commissioner Zone-I (2013- 14) F-4068	4	Irregularities of lesser significance	729.32	0.00	0.00	729.32	0.00	729.32
141	DG DOT (IR) Lahore (2013-14) F-4050	15	Irregularities of lesser significance	1.76	0.00	0.00	1.76	0.00	1.76
142	Director I &I (IR) Lahore (2013-14) F-4051	4	Irregularities of lesser significance	0.00	0.00	0.71	0.71	0.00	0.71
143	RTO Bahawalpur (2012-13) F-4024	10	Irregularities of lesser significance	0.00	0.00	2.45	2.45	0.09	2.36

144	RTO Bahawalpur Commissioner Zone-I (2012-13) F-4025	10	Irregularities of lesser significance	599.07	0.00	0.00	599.07	0.00	599.07
145	RTO Bahawalpur Commissioner Zone-II (2012-13) F-4026	2	Irregularities of lesser significance	0.28	0.00	0.00	0.28	0.00	0.28
146	Project Preparation Facility FBR (HQ) Islamabad (2012-13) F-4005	8	Irregularities of lesser significance	0.00	0.00	0.20	0.20	0.00	0.20
147	Director Research & Statistic (IR) Islamabad (2013-14) F-4080	9	Irregularities of lesser significance	0.00	0.00	0.20	0.20	0.00	0.20
148	RTO-II Lahore Commissioner Zone-VIII (2013-14) F-4096	1	Irregularities of lesser significance	0.00	0.05	0.00	0.05	0.00	0.05
149	RTO-II Lahore Commissioner Zone-IX (2013-14) F-4104	2	Irregularities of lesser significance	0.00	0.16	0.00	0.16	0.00	0.16
150	LTU Islamabad (2013-14) F-4076	7	Irregularities of lesser significance	0.00	0.00	0.28	0.28	0.00	0.28
151	LTU Islamabad Commissioner Zone-I 2013-14 F-4077	9	Irregularities of lesser significance	2,263.77	24,432.73	0.00	26,696.49	0.00	26,696.49
152	LTU Islamabad Commissioner Zone-II (2013-14) F-4078	1	Irregularities of lesser significance	0.00	0.00	0.00	0.00	0.00	0.00
153	RTO Faisalabad (2013-14) F-4070	9	Irregularities of lesser significance	0.00	0.00	2.01	2.01	0.00	2.01
154	RTO Faisalabad Commissioner Zone-II (2013-14) F-4073	3	Irregularities of lesser significance	0.41	32.02	0.00	32.43	0.00	32.43

155	DG I &I (IR) Faisalabad (2013-14) F-4074)	7	Irregularities of lesser significance	0.00	0.00	0.20	0.20	0.00	0.20
156	RTO Faisalabad Commissioner Zone-III (2013-14) F-4075	4	Irregularities of lesser significance	0.13	15.24	0.00	15.37	0.00	15.37
157	RTO Faisalabad Commissioner Zone-I (2013- 14) F-4085	11	Irregularities of lesser significance	299.24	442.96	0.00	742.20	0.00	742.20
158	DG DOT (IR) Lahore (2012- 13) F-4003	14	Irregularities of lesser significance	0.00	0.00	4.22	4.22	0.00	4.22
159	Director I &I (IR) Lahore (2012-13) F-4004	5	Irregularities of lesser significance	0.00	0.00	0.05	0.05	0.03	0.02
160	Director I &I (IR) Faisalabad (2012-13) F-4020	11	Irregularities of lesser significance	0.00	0.00	21.65	21.65	0.00	21.65
161	Director Internal Audit (IR) Lahore (2012-13) F-4021	11	Irregularities of lesser significance	0.00	0.00	0.61	0.61	0.00	0.61
162	Additional Director Internal Audit (IR) Faisalabad (2012-13) F-4022	10	Irregularities of lesser significance	0.00	0.00	0.49	0.49	0.00	0.49
163	RTO-II Lahore Commissioner Zone-XII (2012-13) F-4031	1	Irregularities of lesser significance	393.07	0.00	0.00	393.07	0.00	393.07
164	LTU Lahore (2013-14) F-4043	8	Irregularities of lesser significance	0.00	0.00	0.08	0.080	0.00	0.080
165	LTU Lahore Commissioner Zone-I (2013- 14) F-4093	1	Irregularities of lesser significance	0.00	16.86	0.00	16.86	0.00	16.86
166	LTU Lahore Commissioner Zone-II (2013- 14) F-4094	2	Irregularities of lesser significance	0.00	518.47	0.00	518.47	0.00	518.47

167	LTU Lahore Commissioner Zone-III (2013- 14) F-4095	1	Irregularities of lesser significance	0.00	103.55	0.00	103.55	0.00	103.55
168	RTO Sialkot Commissioner Zone-I (2012- 13) F-4029	8	Irregularities of lesser significance	53.75	0.02	0.00	53.77	0.00	53.77
169	RTO Sialkot Commissioner Zone-II (2012- 13) F-4030	2	Irregularities of lesser significance	17.81	0.00	0.00	17.81	0.00	17.81
170	RTO Sialkot (2012-13) F-4032	5	Irregularities of lesser significance	0.00	0.00	0.80	0.80	0.00	0.80
171	RTO Multan (2013-14) F-4044	10	Irregularities of lesser significance	0.00	0.00	2.47	2.47	0.00	2.47
172	RTO Multan Commissioner Zone-I (2013- 14) F-4097	4	Irregularities of lesser significance	15.98	0.00	0.00	15.98	0.00	15.98
173	RTO Multan Commissioner Special Zone (2013-14) F-4098	7	Irregularities of lesser significance	11.44	392.66	0.00	404.09	0.00	404.09
174	RTO Multan (Sahiwal Zone) 2013-14 F-4099	1	Irregularities of lesser significance	3.25	0.00	0.00	3.25	0.00	3.25
175	RTO-II Lahore Commissioner Zone-X (2013- 14) F-4100	2	Irregularities of lesser significance	2.76	0.00	0.00	2.76	0.00	2.76
176	RTO-II Lahore Commissioner Zone-XI (2013-14) F-4101	5	Irregularities of lesser significance	10.74	0.00	0.00	10.74	0.00	10.74
177	RTO-II Lahore Commissioner Zone-XII (2013-14) F-4102	3	Irregularities of lesser significance	37.75	0.00	0.00	37.75	0.00	37.75
178	RTO Islamabad (2013-14) F-4061	7	Irregularities of lesser significance	0.00	0.00	0.11	0.11	0.00	0.11

179	Secretary Revenue Division Islamabad (2012-13) F-4011	9	Irregularities of lesser significance	0.00	0.00	14.95	14.95	0.00	14.95
180	Additional Director (DPC) Rawalpindi (2012-13) F-4016	7	Irregularities of lesser significance	0.00	0.00	0.18	0.18	.03	0.15
181	Additional Director Internal Audit (IR) Rawalpindi (2012-13) F-4017	8	Irregularities of lesser significance	0.00	0.00	3.53	3.53	0.00	3.53
182	Project (DPMIE) FBR (HQ) Islamabad (2012-13) F-4019	12	Irregularities of lesser significance	0.00	0.00	1.04	1.04	0.00	1.04
183	FBR (HQ) Islamabad (2012-13) F-4028	14	Irregularities of lesser significance	0.00	0.00	6.61	6.61	0.26	6.35
184	DG I & I (IR) Islamabad (2012-13) F-4006	11	Irregularities of lesser significance	0.00	0.00	1.58	1.58	0.00	1.58
185	DG Internal Audit (IR) Islamabad (2012-13) F-4007	14	Irregularities of lesser significance	0.00	0.00	9.61	9.61	0.00	9.61
186	Director Internal Audit Northern Region (IR) Islamabad (2012-13) F-4008	14	Irregularities of lesser significance	0.00	0.00	3.24	3.24	0.00	3.24
187	Additional Director Training & Research (IR) Islamabad (2012-13) F-4009	8	Irregularities of lesser significance	0.00	0.00	1.55	1.55	0.00	1.55
188	Chief Computer Coordinator Computer Wing IR Islamabad (2012-13) F-4010	13	Irregularities of lesser significance	0.00	0.00	1.04	1.04	0.00	1.04

189	RTO-I Lahore 2013-14 F-4047	4	Irregularities of lesser significance	0.00	0.00	0.01	0.01	0.00	0.01
190	RTO-I Lahore Commissioner Zone-I (2013- 14) F-4089	3	Irregularities of lesser significance	2.51	0.00	0.00	2.51	0.00	2.51
191	RTO-II Lahore Commissioner (Zone-I 2013- 14) F-4090	1	Irregularities of lesser significance	3.97	0.00	0.00	3.97	0.00	3.97
192	LTU Islamabad (Telecom Sector) 2013-14	3	Irregularities of lesser significance	966.82	0.00	0.00	966.82	0.00	966.82
193	RTO Faisalabad Refund of Sales Tax sanctioned through ERS (2012-13)	10	Irregularities of lesser significance	0.00	6.20	0.00	6.20	0.00	6.20
Total (Lahore)				20,570.87	27,968.81	2,305.77	50,845.43	1.64	50,843.79

DGAIR (South) Karachi

S. No.	Name of office		Title of para	Amount of Audit Observation	Compliance	Non-Compliance
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		No. of Para/ DP		Direct Tax	Indirect Tax	Expenditure	Total		
1	RTO-II Karachi	5847-ST/K	Non imposition of penalty	0	2.46	0	2.46	0	2.46
2	RTO-II Karachi	5856-ST/K	Non imposition of penalty	0	0.19	0	0.19	0	0.19
3	RTO-III Karachi	5837-ST/K	Non imposition of penalty	0	4.50	0	4.50	0	4.50
4	RTO Quetta	5895-ST/K	Non imposition of penalty	0	0.19	0	0.19	0	0.19
5	RTO Quetta	5879-ST/K	Non imposition of penalty	0	19.76	0	19.76	0	19.76
6	RTO Sukkur	5889-ST/K	Non imposition of penalty	0	1.56	0	1.56	0	1.56
7	RTO Hyderabad	5934-ST/K	Non imposition of penalty	0	4.17	0	4.17	0	4.17
8	RTO Hyderabad	5942-ST/K	Non imposition of penalty	0	1.02	0	1.02	0	1.02
9	RTO Sukkur	11	Short payment of Sales Tax and non-payment of further Tax	0	2.39	0	2.39	0	2.39
10	RTO Sukkur	13	non imposition of penalty on non filling of ST return	0	1.56	0	1.56	0	1.56
11	RTO Sukkur	19	Non assessment of Sales Tax	0	0	0	0	0	0
12	RTO Quetta	22	non imposition of penalty on non filing of ST return	0	0.18	0	0.18	0	0.18
13	RTO -II Karachi	3	non imposition of penalty on non filing of ST return	0	0.19	0	0.19	0	0.19

14	LTU Karachi	4	Non imposition of penalty on non filing of ST return	0	5.30	0	5.30	0	5.30
15	RTO Sukkur	12	Non payment of WHT	0	4.35	0	4.35	0	4.35
16	RTO Sukkur	13	Non payment of Further Tax	0	1.32	0	1.32	0	1.32
17	RTO Sukkur	16	Non payment of Sales tax	0	27.53	0	27.53	0	27.53
18	RTO Sukkur	21	Irregular adjustment of input Tax	0	1.82	0	1.82	0	1.82
19	RTO Sukkur	22	Short payment of Sales Tax due to excess adjustment of Input Tax	0	461.30	0	461.30	0	461.30
20	RTO -I Karachi	15	Non Realization of penalty and default surcharge	0	0.11	0	0.11	0	0.11
21	RTO Quetta	9	Non imposition of penalty on non filing of ST return	0	19.58	0	19.58	0	19.58
22	RTO Hyderabad	1	Non Filers of Sales Tax Return	0	1.02	0	1.02	0	1.02
23	RTO Hyderabad	2	Late filer of Sales Tax Return	0	1.49	0	1.49	0	1.49
24	RTO Hyderabad	15	Non-compliance of Rule 36/2006 involving Refund	0	1.34	0	1.34	0	1.34
25	RTO Hyderabad	1	Non imposition of penalty on non-filing of ST return	0	5.63	0	5.63	0	5.63

26	RTO Hyderabad	19	In admissible issuance of Sales Tax Return	0	0.99	0	0.99	0	0.99
27	LTU Karachi	27	In admissible claim of Input Tax	0	6.58	0	6.58	0	6.58
28	LTU Karachi	29	Non payment of FED	0	1.56	0	1.56	0	1.56
29	LTU Karachi	33	Non Registration of persons making taxable supplies	0	0	0	0	0	0
30	RTO-II Karachi	1	Non imposition of penalty on non filing of ST return	0	300.48	0	300.48	0	300.48
31	RTO-II Karachi	7	non imposition of penalty on non filing of ST return	0	2.46	0	2.46	0	2.46
32	RTO-III Karachi	4	Non Realization of Sales Tax	0	5.10	0	5.10	0	5.10
33	RTO-III Karachi	13	non imposition of penalty on non-filing of ST return	0	4.50	0	4.50	0	4.50
34	RTO-I Karachi	746-IT/K	Non-recovery of arrear demand	9.98	0	0	9.98	0	9.98
35	RTO Hyderabad	791-IT/K	Non-recovery of arrear demand	584.66	0	0	584.66	0	584.66
36	RTO-II Karachi	8	Irregularities of lesser significance	38.86	0	0	38.86	0	38.86
37	RTO-II Karachi	8	Short Realization of tax u/s.113	0.02	0	0	0.02	0	0.02
38	RTO-II Karachi	27	Incorrect Tax Credit Allowed	3.49	0	0	3.49	0	3.49
39	RTO-III Karachi	3	Non Realization of default surcharge	0.02	0	0	0.02	0	0.02

40	RTO Sukkur	6	Non imposition of penalty	18.45	0	0	18.45	0	18.45
41	RTO Sukkur	17	Un law full adjustment of Income Tax	1.28	0	0	1.28	0	1.28
42	RTO-I Karachi	9	Excess Refund Issued	0.01	0	0	0.01	0	0.01
43	RTO Hyderabad	16	Inadmissible issuance of income tax refund	0.31	0	0	0.31	0	0.31
44	RTO Quetta	11	Irregularities of lesser significance	4.20	0	0	4.20	0	4.20
45	RTO Quetta	12	Irregularities of lesser significance	4.31	0	0	4.31	0	4.31
46	RTO Karachi	188-Exp/K	Irregular/excess payment to petrol station on account of service charges	0	0	0.18	0.18	0	0.18
47	RTO-I Karachi	189-Exp/K	Non- recovery of performance allowance	0	0	0.22	0.22	0	0.22
48	RTO-I Karachi	193-Exp/K	Irregular expenditure on POL	0	0	5.05	5.05	0	5.05
49	RTO-II Karachi	197-Exp/K	Irregular expenditure on POL	0	0	3.41	3.41	0	3.41
50	RTO-II Karachi	200-Exp/K	Non- recovery of performance allowance	0	0	0.26	0.26	0	0.26
51	RTO-II Karachi	201-Exp/K	Irregular/excess payment to petrol station on account of service charges	0	0	0.11	0.105	0	0.105
52	RTO-III Karachi	213-Exp/K	Non- recovery of performance allowance	0	0	0.18	0.184	0	0.184
53	RTO-III Karachi	215-Exp/K	Unauthorized printing from private firm	0	0	1.40	1.400	0	1.400
54	RTO-III Karachi	218-Exp/K	Irregular/excess payment to petrol station on account of service charges	0	0	0.15	0.146	0	0.146

55	RTO Sukkur	203-Exp/K	Non- recovery of performance allowance	0	0	1.58	1.584	0	1.584
56	RTO Sukkur	204-Exp/K	Short deduction of group insurance	0	0	1.01	1.01	0	1.01
57	RTO Sukkur	208-Exp/K	Unauthorized printing from private firm	0	0	0.52	0.52	0	0.52
58	RTO Quetta	211-Exp/K	Non- recovery of performance allowance	0	0	0.58	0.58	0	0.58
59	LTU Karachi	221-Exp/K	Irregular expenditure on POL	0	0	4.90	4.90	0	4.90
60	LTU Karachi	224-Exp/K	Irregular expenditure on purchase of stationery items	0	0	1.15	1.15	0	1.15
61	LTU Karachi	228-Exp/K	Irregular/excess payment to petrol station on account of service charges	0	0	0.14	0.14	0	0.14
62	RTO Hyderabad	231-Exp/K	Un-authorized payment of integrated allowance	0	0	0.09	0.09	0	0.09
63	Assistant Director Hyderabad	237-Exp/K	Non- recovery of performance allowance	0	0	0.91	0.91	0	0.91
64	Additional Director (Internal Audit) Hyderabad	4	Irregularities of lesser significance	0	0	1.18	1.18	0	1.18
65	RTO-Hyderabad	11	Irregularities of lesser significance	0	0	4.95	4.95	0	4.95
66	RTO Quetta	14		0	0	2.18	2.175	0	2.175

			Irregularities of lesser significance						
67	RTO Sukkur	13	Irregularities of lesser significance	0	0	4.92	4.92	0	4.92
68	RTO-I Karachi	12	Irregularities of lesser significance	0	0	93.23	93.23	0	93.23
69	RTO-II Karachi	16	Irregularities of lesser significance	0	0	7.99	7.99	0	7.99
70	RTO-III Karachi	11	Irregularities of lesser significance	0	0	10.21	10.21	0	10.21
71	LTU Karachi	19	Irregularities of lesser significance	0	0	15.24	15.24	0	15.24
72	Director Internal Audit, Karachi	10	Irregularities of lesser significance	0	0	1.30	1.30	0	1.30
73	Director Intelligence & Investigation Karachi	11	Irregularities of lesser significance	0	0	3.59	3.59	0	3.59
74	Commissioner Appeal-I Karachi	8	Irregularities of lesser significance	0	0	0.22	0.22	0	0.22
75	Commissioner Appeal-II Karachi	7	Irregularities of lesser significance	0	0	0.08	0.08	0	0.08
76	Commissioner Appeals Hyderabad	6	Irregularities of lesser significance	0	0	0.21	0.21	0	0.21
77	Additional Director (Internal Audit) Sukkur	6	Irregularities of lesser significance	0	0	0.03	0.03	0	0.03
78	Deputy Director (DPU) Hyderabad	6	Irregularities of lesser significance	0	0	2.16	2.16	0	2.16
79	Director Input output coefficient	6		0	0	1.99	1.99	0	1.99

	organization (IOCO) Karachi		Irregularities of lesser significance						
80	Data Processing Unit Quetta	11	Irregularities of lesser significance	0	0	0.23	0.23	0	0.23
81	Additional Director (Internal Audit) Quetta	9	Irregularities of lesser significance	0	0	0.19	0.19	0	0.19
82	FTO Hyderabad	5	Irregularities of lesser significance	0	0	1.79	1.79	0	1.79
83	Joint Director DPC Karachi	15	Irregularities of lesser significance	0	0	0.56	0.56	0	0.56
84	FTO Karachi	7	Irregularities of lesser significance	0	0	0	0	0	0
85	Commissioner Appeal-III Karachi	13	Irregularities of lesser significance	0	0	0.27	0.27	0	0.27
86	DOT Karachi	9	Irregularities of lesser significance	0	0	0	0	0	0
87	LTU Karachi	5974-ST/K	Non payment of sales tax	0	26.58	0	26.58	0	26.58
88	LTU Karachi	5967-ST/K	Inadmissible adjustment of input tax	0	6,290.72	0	6,290.72	0	6,290.72
89	LTU Karachi	5963-ST/K	Inadmissible adjustment of input tax	0	409.62	0	409.62	0	409.62
90	LTU Karachi	5918-ST/K	Inadmissible adjustment of input tax	0	233.33	0	233.33	0	233.33
91	LTU Karachi	5957-ST/K	Under valuation of taxable supply	0	10.81	0	10.81	0	10.81
92	LTU Karachi	5951-ST/K	Non-registration of persons liable for registration	0	0	0	0	0	0

93	LTU Karachi	5950-ST/K	Non-realization of sales tax	0	0	0	0	0	0
94	LTU Karachi	5964-FE/K	Non -payment of FED	0	1,111.47	0	1,111.47	0	1,111.47
95	LTU Karachi	5962-FE/K	Non -payment of FED	0	408.03	0	408.03	0	408.03
96	LTU Karachi	5943-ST/K	Non- payment of FED	0	1.56	0	1.56	0	1.56
97	LTU Karachi	5954-ST/K	Non -payment of FED	0	288.07	0	288.07	0	288.07
98	LTU Karachi	Para 4.7/AO 05 (Joint Audit of PIAC)	Short realization of sales tax on excess claim of UFG by SSGC	0	26.58	0	26.58	0	26.58
99	RTO Quetta	5877-ST/K	Non-realization of further & extra tax	0	52.30	0	52.30	0	52.30
100	LTU Karachi	225-Exp/K	Un-authorized deposit in DDO account	0	0	0.49	0.49	0	0.49
101	LTU Karachi	222-Exp/K	Excess expenditure of POL charges	0	0	2.71	2.71	0	2.71
102	RTO-I Karachi	191-Exp/K	Un-authorized deposit in DDO account	0	0	1.58	1.58	0	1.58
103	RTO Hyderabad	234-Exp/K	Un-authorized deposit in DDO account	0	0	0.48	0.48	0	0.48
104	RTO Hyderabad	233-Exp/K	Un-authorized deposit in DDO account	0	0	1.65	1.65	0	1.65
105	RTO-II Karachi	196-Exp/K	Irregular payment of cash reward	0	0	4.34	4.34	0	4.34
106	RTO Sukkur	206-Exp/K	Purchase of goods from black listed	0	0	0.64	0.64	0	0.64
107	RTO-II Karachi	713-IT/K	Adjudged arrear	494.63	0	0	494.63	0	494.63

108	LTU Karachi	227-Exp/K	Irregular Expenditure on gift & entertainment	0	0	0.35	0.35	0	0.35
109	RTO Sukkur	207-Exp/K	Irregular expenditure on repair of furniture	0	0	0.35	0.35	0	0.35
110	LTU Karachi	223-Exp /K	Splitting of expenditure to avoid tender	0	0	1.61	1.61	0	1.61
111	RTO-I Karachi	195-Exp/K	Splitting of expenditure to avoid tender	0	0	6.92	6.92	0	6.92
112	RTO-I Karachi	190-Exp/K	Splitting of expenditure to avoid tender	0	0	1.26	1.26	0	1.26
113	RTO-II Karachi	198-Exp/K	Splitting of expenditure to avoid tender	0	0	1.37	1.37	0	1.37
114	RTO-II Karachi	199-Exp/K	Splitting of expenditure to avoid tender	0	0	0.91	0.91	0	0.91
115	RTO Sukkur	205-Exp/K	Splitting of expenditure to avoid tender	0	0	2.15	2.15	0	2.15
116	RTO-III Karachi	216-Exp/K	Mis-classification	0	0	0.58	0.58	0	0.58
117	RTO Hyderabad	232-Exp/K	Non/short realization of income tax from cash reward and arrear of pay	0.00	0.00	0.52	0.52	0	0.52
118	RTO Sukkur	209-Exp/K	Non/short realization of income tax from cash reward and arrear of pay	0.00	0.00	0.37	0.37	0	0.37
119	RTO Hyderabad	230-Exp/K	Non recovery of loans, advances and interest	0.00	0.00	14.39	14.39	0	14.39
120	Additional Director Internal Audit Hyderabad.	236-Exp/K	Non recovery of loans, advances and interest	0.00	0.00	1.64	1.64	0	1.64
	Total Karachi office		Total	1,160.22	9,749.70	218.67	11,128.58	0	11,128.58
	Total Lahore office		Total	20,570.87	27,968.81	2,305.77	50,845.43	1.64	50,843.79
Grand Total				21,731.09	37,718.51	2,524.44	61,974.01	1.64	61,972.37

Annexure-2

S. No.	Change in Rules/System/Procedure	Audit Impact
1.	The Federal Government through Finance Act, 2015 omitted clause 79 in Part IV of Second Schedule of the Income Tax Ordinance, 2001.	Audit had time and again raised the issue of misusing of SROs/clarifications issued by the tax collecting authorities in its Annual Audit Reports. It was reported that levy of tax/duty is prerogative of legislature and cannot be levied through SROs issued by FBR. In Audit Report for the year 2014-15 short levy of tax of Rs. 1,136.05 million was pointed out due to unauthorized issuance of SRO No.1003(I)/2011 dated 31.10.2011.

2.	While conducting audit of income tax refund cases, Audit identified ninety three (93) 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. 536.64 million during the year 2014-15. On recommendation by Audit, the department initiated registration of taxpayers to bring them in the Sales Tax regime.
2.	An amount of Rs. 10,248.51 million was recovered on pointation by Audit during the period January to December 2015.	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 1.2)

**Variation in figures due to wrong reporting of Receipts by field offices of
FBR - Rs. 55,424.23 million**

(Rs. in million)

S. No.	Name of Formation	MPR	AGPR	Difference
Income Tax				
1	DPC Peshawar	29,316.62	17,373.42	11,943.20
2	DPC Gujranwala	7,974.68	7,962.68	12.00
3	DPC Multan	31,071.77	15,215.15	15,856.62
4	DPC Rawalpindi	35,581.34	22,578.59	13,002.75
5	DPC Faisalabad	16,804.07	15,567.96	1,236.12
	Sub-Total	120,748.48	78,697.79	42,050.68
Workers Welfare Fund				
6	DPC Peshawar	57.62	15.78	41.84
7	DPC Multan	282.77	0	282.77
	Sub-Total	340.39	15.78	324.60
Sales Tax				
8	CAO Peshawar	8972.94	4451.30	4,521.64
9	CAO Gujranwala	7815.14	8110.15	(295.01)
10	CAO Multan	36867.23	39892.43	(3,025.19)
	Sub-Total	53,655.31	52,453.88	1,201.43
Federal Excise				
11	CAO Peshawar	2946.27	811.62	2,134.65
12	CAO Gujranwala	13.03	18.24	(5.20)
13	CAO Multan	1731.27	1104.07	627.20
	Sub-Total	4,690.57	1,933.92	2,756.65
	Total (A)	179,434.73	133,101.37	46,333.60

S. No.	Name of formation	Figure reconciled with SBP, (FTO DPU)	Departmental figure reported to FBR (as per MPR)	Variation
1	DPC Peshawar	140.90	126.10	14.79
2	DPC Gujranwala	178.49	177.58	0.91
Total (B)		319.39	303.68	15.7

S. No.	Name of formation	Head of Account	Departmental figure reported to FBR (as per MPR)	Figure reconciled with AGPR	Variation
1	DPC Rawalpindi	Income	53.31	-	53.31
2	DPC Faisalabad	Tax	143.94	147.72	(3.79)
3	DPC Gujranwala	Refund	193.52	196.33	(2.81)
Total (C)			390.76	344.05	46.71

S. No.	RTO	Revenue Head	Departmental figures (as per MPR)	State Bank of Pakistan Reconciled figures	Variation
1	DPC Faisalabad	B011-Income tax	15,567.96	14,726.87	841.09
2	CAO Peshawar	B023-Sales Tax	8,972.94	3,762.07	5,210.87
3	CAO Peshawar	B024-FED	2,946.27	6.55	2,939.72
4	CAO Gujranwala	B023-Sale tax	6,771.77	6,724.31	47.46
5	CAO Gujranwala	B023-FED	3.95	3.94	0.01
6	CAO Faisalabad	B023-Sales Tax	11,978.65	12,730.42	989.3
Total (D)					9,028.45

Grand Total (A+B+C+D)=46,333.36+15.71+46.71+9,028.45= 55,424.23 million

Statement showing formation wise details of non-production of record causing loss to public exchequer

S. No.	Name of formation	Requisitioned	Not Provided	Partially Provided
1	RTO-I Lahore	100	50	50
2	RTO-II Lahore	100	75	25
3	RTO Gujranwala	100	0	100
4	RTO Islamabad	100	76	24
5	RTO Faisalabad	100	100	0
6	RTO Multan	100	59	41
7	RTO Bahawalpur	100	0	100
8	RTO Sialkot	100	0	100
9	RTO Rawalpindi	100	11	89
10	RTO Peshawar	100	52	48
11	RTO Sargodha	100	0	100
12	LTU Islamabad	100	0	100
13	LTU Lahore	100	0	100
Total		1300	423	877

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

S. No.	ZONE	RTO/LTU	No. of taxpayers	Remarks
1	Zone-I	RTO-I Karachi	49	Details of 969 taxpayers attached with DP No.6009-ST/K
2	Zone-II		50	
3	Zone-III		25	
4	Zone-IV		50	
5	Zone-I	RTO-II Karachi	53	
6	Zone-II		50	
7	Zone-III		43	
8	Zone-IV		25	
9	Zone-I	RTO-III Karachi	50	
10	Zone-II		30	
11	Zone-III		50	
12	Zone-IV		35	
13	Zone-I	LTU Karachi	58	
14	Zone-II		66	
15	Zone-III		61	
16	Zone-IV		38	
17	Zone-I	RTO Hyderabad	45	
18	Zone-II		33	
19	Zone-I	RTO Sukkur	28	
20	Zone-II		30	
21	Zone-I	RTO Quetta	50	
22	Zone-II		50	
Total			969	

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

S. No.	Office	DP No.	No. of cases	Amount
A-Sales Tax Refund				
1	LTU Lahore	15831-ST	188	Amount could not be ascertained due to non availability of record
2	RTO-I Lahore	15728-ST	01	-do-
3	RTO Faisalabad	15784-ST 15785-ST 15786-ST	73 67 95	-do-
B-Income Tax Refund /Adjustment				
1	RTO Sialkot	15872-IT/NPR	90	Amount could not be ascertained due to non availability of record
2	RTO Faisalabad	15787-IT/NPR	100	-do-
C- Income / Sales Tax Assessment				
1	RTO Rawalpindi	15648-IT/ST	157	Amount could not be ascertained due to non availability of record.
2	RTO Peshawar	15611-IT/ST	53	-do-
3	RTO Islamabad	15457-IT/ST	153	-do-
4	RTO-II Lahore	15867-IT/ST	137	-do-
5	RTO Peshawar	15593-IT/ST	03	-do-
6	LTU Islamabad	15823-IT/ST	57	-do-

D- BTB Cases				
1	RTO Peshawar	15574-NPR	05	Amount could not be ascertained due to non availability of record
E-Expenditure				
1	LTU Islamabad	15624-Exp	01	Amount could not be ascertained due to non availability of record
Total			1,180	

Annexure-7
(Para 4.1.1)

Inadmissible adjustment of input tax against exempt supplies
Rs. 6,175.26 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO-I Lahore	15409-ST	01	3.90
2	RTO Multan	15899-ST	01	885.52
		15890-ST	01	0.21
3	RTO Bahawalpur	15697-ST	02	204.96
		15696-ST	01	77.44
4	RTO Peshawar	15607-ST	02	1.13
		15584-ST	02	5,002.10
Total			10	6,175.26

Annexure-8
(Para 4.1.2)

**Non-realization of Sales Tax on certain goods by illegally treating them as
zero rated supplies - Rs. 5,273.50 million**

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	LTU Lahore	15268-ST	01	255.42
2	RTO Peshawar	15591-ST	01	0.70
3	RTO-II Karachi	6054-ST/K	01	4.75
		6055-ST/K	01	71.62
4	RTO-III Karachi	6057-ST/K	01	74.57
5	LTU Karachi	6072-ST/K	01	8.00
		6012-ST/K	01	4,858.44
Total			07	5,273.50

Annexure-9
(Para 4.1.4)

**Non/short-realization of Sales Tax by giving undue benefit to
non-registered persons - Rs. 4,123.30 million**

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	LTU Lahore	15274-ST	01	15.00
		15275-ST	01	12.48
		15279-ST	03	261.14
		15391-ST	05	671.88
		15392-ST	01	21.35
2	RTO-II Lahore	15386-ST	01	2.61
3	RTO Faisalabad	15782-ST	01	0.13
4	RTO Multan	15902-ST	02	52.76
5	RTO Gujranwala	15430-ST	01	0.790
6	RTO Sargodha	15538-ST	01	2.51
7	LTU Karachi	6061-ST/K	01	2,943.09
		6066-ST/K	07	130.10
8	RTO-I Karachi	6047-ST/K	01	9.46
Total			26	4,123.30

Annexure-10

(Para 4.1.6)

Non-recovery of adjudged dues/arrears - Rs. 27,406.98 million*(Rs. in million)*

S. No.	Office	DP No.	No of cases	Amount
1	RTO Gujranwala	15500-ST	01	4.39
2	RTO Sargodha	15534-ST	148	19.18
		15541-ST	183	53.05
3	RTO Faisalabad	15773-ST	MPR	606.83
		15783-ST	MPR	1,230.67
		15777-ST	MPR	381.75
4	RTO Multan	15906-ST	03	0.44
		15898-ST	44	1,368.33
5	RTO Islamabad	15494-ST	01	23,669.16
6	RTO Quetta	6042-ST/K	17	67.07
7	RTO-I Karachi	6048-ST/K	06	6.11
Total			403	27,406.98

Annexure-11

(Para 4.1.8)

Loss due to non-implementation of statutory provisions / SROs resulting in inadmissible adjustment of input tax - Rs. 2,836.21 million*(Rs. in million)*

S. No.	Office	DP No.	No. of cases	Amount
1	RTO Peshawar	15587-ST	02	18.35
		15601-ST	03	14.56
2	RTO Faisalabad	15781-ST	02	59.85
		15771-ST	02	22.44
		15769-ST	13	58.18
3	RTO Multan	15738-ST	12	27.43
4	RTO-I Lahore	15408-ST	01	2.24
		15732-ST	01	0.34
		15724-ST	05	9.83
5	RTO Gujranwala	15420-ST	01	10.33
		15419-ST	03	79.24
6	RTO-II Lahore	15862-ST	01	0.42
		15569-ST	01	2.73
7	LTU Karachi	6015-ST/K	01	15.15
		6011-ST/K	01	24.59
		5980-ST/K	01	1.84
		5977(A)-ST/K	04	9.16
		6023-ST/K	09	169.77
		6025-SR/K	01	2,048.20
		6063-ST/K	04	4.29
		6085-ST/K	12	115.92
		6087-ST/K	03	2.84
		15769-ST/K	02	1.17

8	RTO Sukkur	6007-ST/K	01	22.72
		5991-ST/K	01	1.88
		5989-ST/K	01	1.89
9	RTO Quetta	6031-ST/K	04	1.04
		6044-ST/K	01	23.33
10	RTO Hyderabad	6053-ST/K	05	4.39
11	RTO-III Karachi	6058-ST/K	03	48.02
		6059-ST/K	01	24.58
		6077-ST/K	01	5.48
		6078-ST/K	01	4.01
Total			104	2,836.21

Annexure-12

(Para 4.1.10)

Loss due to non/short-realization of Sales Tax and Special Excise Duty on taxable supplies - Rs. 1,084.17 million*(Rs. in million)*

S. No.	Office	DP No.	No. of cases	Sales tax	FED	Total amount recoverable
1	RTO Bahawalpur	15702-ST	08	7.65	0	7.65
2	RTO Multan	15737-ST	23	7.93	0	7.93
		15915-ST	01	0.13	0	0.13
		15911-ST	02	0.95	0	0.95
3	RTO-I Lahore	15733-ST	01	0.19	0	0.19
4	RTO-II Lahore	15860-ST	01	4.03	0.41	4.44
5	RTO Gujranwala	15428-ST	09	14.32	0	14.32
6	RTO Peshawar	15600-ST	01	25.22	0	25.22
		15572-ST	01	61.22	0	61.22
7	RTO Quetta	6036-ST/K	05	6.03	0	6.03
8	RTO-I Karachi	6056-ST/K	07	1.32	0	1.32
9	RTO-III Karachi	6076-ST/K	01	15.17	0	15.17
10	LTU Karachi	6069-ST/K	09	11.94	0	11.94
		6080-ST/K	20	857.28	0	857.28
		6086-ST/K	09	5.62	0	5.62
		6016-ST/K	01	15.16	0	15.16
11	RTO Sukkur	5987-ST/K	01	22.72	0	22.72
12	RTO Hyderabad	6002-ST/K	01	5.89	0	5.89
		5998-ST/K	01	20.99	0	20.99
Total			102	1,083.76	0.41	1,084.17

Annexure-13
(Para 4.1.12)

**Non-realization of further tax and extra tax due to non implementation of
statutory provisions - Rs. 613.83 million**

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO Multan	15736-ST	05	1.08
		15908-ST	02	0.81
2	LTU Lahore	15280-ST	02	85.25
3	RTO Gujranwala	15436-ST	02	11.67
4	RTO Faisalabad	15780-ST	01	0.19
5	RTO Peshawar	15606-ST	02	0.80
		15586-ST	02	58.63
		15573-ST	02	0.18
		15602-ST	02	8.26
		15590-ST	01	0.77
6	RTO Quetta	6032-ST/K	01	96.29
		6041-ST/K	01	14.98
		6035-ST/K	4	25.58
		6040-ST/K	8	35.18

7	LTU Karachi	6071-ST/K	02	71.34
		6081-ST/K	02	127.17
		6064-ST/K	08	37.76
		6074-ST/K	01	0.72
		6082-ST/K	01	36.06
		6084-ST/K	01	0.95
8	RTO Sukkur	5994-ST/K	01	0.16
Total			51	613.83

Annexure-14
(Para 4.1.13)

**Non-registration of taxpayers in Sales Tax regime resulting in potential loss
of Sales Tax - Rs. 536.64 million**

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO Sialkot	15886-ST	29	153.51
2	RTO Multan	15907-ST	11	28.49
		15901-ST	04	6.88
3	RTO Peshawar	15598-ST	03	80.66
		15597-ST	01	189.23
		15589-ST	01	1.24
4	RTO Faisalabad	15774-ST	01	3.18
5	RTO Islamabad	15478-ST	01	29.42
6	RTO Gujranwala	15435-ST	06	0
7	RTO Sukkur	5988-ST/K	01	3.10
8	RTO Quetta	6045-ST/K	08	24.57
9	RTO-III Karachi	6075-ST/K	03	2.66
10	LTU Karachi	6068-ST/K	24	13.70
Total			93	536.64

Annexure-15
(Para 4.1.16)

**Non/short-realization of Sales Tax due to difference of sales declared in
income / Sales Tax returns - Rs. 462.33 million**

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO Islamabad	15473-ST	04	121.60
		15471-ST	01	45.05
2	LTU Lahore	15393-ST	01	2.79
3	RTO Multan	15903-ST	06	174.21
4	RTO-I Lahore	15411-ST	03	23.44
		15730-ST	02	32.67
		15729-ST	01	3.76
5	RTO Sargodha	15539-ST	02	4.89
6	RTO-II Lahore	15571-ST	02	53.92
Total			22	462.33

Annexure-16
(Para 4.1.17)

**Short-realization of Sales Tax due to concealment of sales made to steel
melters - Rs. 232.52 million**

(Rs. in million)

S. No.	Name of Office	DP No.	Name of Electric Company	No. of cases	Amount
1	RTO Multan	15895-ST	MEPCO	03	199.20
2	RTO Hyderabad	5982,6003-ST/K	HESCO	05	7.10
3	LTU Karachi	5982-ST/K	K-Electric	01	8.90
4	RTO-II Karachi		K-Electric	02	12.70
5	RTO Quetta		LIEDA and K-Electric	02	4.62
Total				13	232.52

Annexure-17
(Para 4.1.18)

**Loss due to irregular claim of Sales Tax exemption - Rs. 232.37
million**

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO Hyderabad	5996-ST/K	01	51.47
		5997-ST/K	01	32.98
		6001-ST/K	01	11.34
2	RTO Sukkur	6006-ST/K	01	8.30
3	LTU Karachi	6062-ST/K	01	128.28
Total			05	232.37

Annexure-18
(Para 4.1.20)

Non-realization of Sales Tax on disposal of fixed assets - Rs. 159.49 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO-II Lahore	15570-ST	01	6.60
2	RTO Sargodha	15542-ST	01	4.49
3	LTU Lahore	15390-ST	09	41.18
		15267-ST	01	10.83
		15830-ST	01	9.20
		15829-ST	02	8.73
		15826-ST	03	55.54
4	LTU Islamabad	15755-ST	06	21.82
5	RTO Peshawar	15605-ST	02	1.10
Total			26	159.49

Annexure-19
(Para 4.1.22)

Non-realization of Sales Tax on sale of waste and scrape - Rs. 118.08 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO Gujranwala	15437-ST	01	0.50
		15429-ST	52	0.99
2	RTO Multan	15909-ST	05	14.34
3	LTU Lahore	15828-ST	02	86.84
		15827-ST	03	11.49
4	RTO Sargodha	15537-ST	01	1.67
5	RTO-II Lahore	15861-ST	01	2.25
Total			65	118.08

Annexure-20
(Para 4.1.23)

**Excess adjustment of input tax resulting in short realization of Sales Tax -
Rs. 93.64 million**

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO Sargodha	15533-ST	14	11.22
2	RTO-I Lahore	15407-ST	01	1.94
3	RTO Multan	15910-ST	08	39.98
4	RTO Peshawar	15609-ST	01	0.55
5	LTU Karachi	6067-ST/K	01	39.95
Total			25	93.64

Annexure-21
(Para 4.1.24)

**Non-realization of penalty and default surcharge on non/late-filers
- Rs. 77.57 million**

(Rs. in million)

S. No.	Office	PDP No.	No. of cases	Amount
1	RTO Multan	15889-ST	01	12.03
2	RTO Peshawar	15610-ST	02	0.27
3	RTO Bahawalpur	15700-ST	157	0.75
4	RTO Hyderabad	6004-ST/K	01	1.44
5	RTO Quetta	6030-ST/K	07	9.43
		6038-ST/K	03	5.89
6	LTU Karachi	6065-ST/K	03	1.43
		6070-ST/K	02	2.24
		6073-ST/K	03	6.920
		6089-ST/K	01	14.45
7	RTO Sukkur	5990-ST/K	01	22.72
Total			181	77.57

Annexure-22
(Para 4.1.28)

**Short-realization of Sales Tax due to concealment of purchases
and stocks - Rs. 40.59 million**

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO Gujranwala	15427-ST	01	0.30
		15426-ST	01	12.30
2	RTO Multan	15888-ST	02	6.08
		15893-ST	01	8.70
3	RTO Islamabad	15474-ST	02	9.99
4	RTO-II Lahore	15258-ST	01	1.75
		15568-ST	01	1.47
Total			09	40.59

Annexure-23

(Para 4.2.1)

Non-implementation of rules/SROs causing inadmissible payment of Sales Tax refund - Rs. 308.23 million*(Rs. in million)*

S. No.	Office	DP No.	No. of cases	Amount
1	RTO-I Lahore	15410-ST	01	6.24
		15727-ST	01	102.04
2	LTU Lahore	15265-ST	01	11.96
		15283-ST	01	26.45
		15282-ST	02	150.43
3	RTO Gujranwala	15424-ST	02	0.25
		15421-ST	01	8.13
4	RTO Sialkot	15885-ST	01	0.47
5	RTO Faisalabad	15778-ST	01	0.90
		15797-ST	01	0.98
6	RTO Rawalpindi	15650-ST	01	0.38
Total			13	308.23

Annexure-24

(Para 4.3.1)

Non-realization of the Federal excise duty on royalty, technical services fee and franchise fee - Rs. 3,151.28 million*(Rs. in million)*

S. No.	Office	DP No.	No. of cases	Amount pointed out	Amount not due	Balance Amount
1	RTO Islamabad	15480-FED	08	43.75	0	43.75
		15470-FED	02	76.95	0	76.95
		15477-FED	05	1,188.87	0	1,188.87
2	RTO II Lahore	15558-FED	01	13.80	0	13.80
		15557-FED	01	0.91	0	0.91
		15863-FED	01	0.34	0	0.34
3	RTO-II Lahore	15264-FED	01	0.06	0	0.06
4	LTU Lahore	15278-FED	06	599.86	0	599.86
5	RTO Multan	15914-FED	01	67.53	0	67.53
6	LTU Islamabad	15637-FED	02	1,159.21	469.55	689.66
Total			28	3,151.28	469.55	2,681.73

Annexure-25

(Para 4.4.1)

**Non-levy of minimum tax on the income of certain persons -
Rs. 2,744.23 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	15655	2013& 2014	01	194.78	0.65	Recovery awaited Rs.0.40 Under process Rs.193.73
		15652	2010 to 2013	01	2.95	-	Under process
2	RTO Islamabad	15482	2010 to 2013	01	3.39	-	Under process
3	RTO Faisalabad	15805	2011 to 2014	02	3.97	-	Under process
		15803	2013& 2014	07	4.35	-	Under process
		15799	2013& 2014	02	1.50	0.20	Under process Rs.1.30
		15868	2013& 2014	09	2.46	-	Under process
		15807	2013	03	2.92	-	Under process
		15789	2012 to 2014	03	15.14	-	Under process
4	RTO Multan	15926	2014	04	16.30	-	Under process
5	LTU Islamabad	15632	2011 to 2013	03	1730.94	-	Under process Rs.1624.65 Recovery awaited Rs.106.29

		15628	2009 & 2010, 2012	03	82.96	-	Under process
		15626	2012 to 2014	02	5.28	-	Under process
		15644	2010, 2012 & 2013	01	59.56	-	Under process
		15635	2012	01	5.47	-	Under process
6	RTO-I Lahore	15401	2012 & 2013	02	1.77	-	Under process
		15707	2011 to 2014	11	40.35	-	Recovery awaited Rs.38.79 Under process Rs.1.56
7	RTO-II Lahore	15554	2014	01	2.66	-	Under process
8	RTO Sialkot	15876	2014	25	72.01	-	Under process
9	RTO Bahawalpur	15691	2013& 2014	08	5.63	-	Under process
		15675	2014	01	0.45	-	Under process
		15694	2014	01	0.37	-	Under process
10	RTO Sargodha	15512	2013	63	90.40	-	Under process
Total				155	2,345.61	0.85	

DGAIR(S), Karachi

(Rs. in million)

S. No.	Office	DP No	Tax Year	No. of cases	Amount involved	Amount recovered	Latest position
1	LTU Karachi	1009	2014	02	32.52	-	Under process
		1015	2014	03	281.01	-	Under process
		1049	2014	10	19.11	-	Under process

2	RTO-I Karachi	884	2013	01	1.68	-	Under process
		958	2014	05	0.34	-	Under process
		1000	2013 & 2014	04	6.04	-	Under process
3	RTO-II Karachi	901	2014	01	0.04	-	Under process
		954	2013	02	6.94	-	Under process
		979	2014	04	15.38	6.14	Rs.0.51 charged but recovery awaited Rs.8.73 Under process
		981	2014	01	13.48	-	Under process
4	RTO-III Karachi	922	2013	01	0.17	-	Under process
		923	2014	01	3.58	-	Under process
		1002	2014	03	1.01	-	Under process
5	RTO Quetta	948	2014	02	16.24	-	Under process
		954	2013	01	1.08	-	Under process
Total				41	398.62	6.14	
Grand Total				196	2,744.23		
Recovered-Rs.6.99, Recovery awaited-Rs.145.99, Under process-Rs.2,591.25							

Annexure-26

(Para 4.4.2)

**Short-levy of tax due to unauthorized issuance of SRO
- Rs. in million 1,101.39 million****DGAIR (N) Lahore***(Rs. in million)*

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	RTO Bahawalpur	15677	2013& 2014	02	5.28	Under process
2	RTO Rawalpindi	15651	2013	20	96.57	Under Process
		15658	2013	01	2.28	Under Process
3	RTO-I Lahore	15721	2013& 2014	03	5.53	Under Process
		15712	2014	08	-	Under Process
		15720	2014	04	-	Under Process
4	RTO Faisalabad	15804	2012	01	1.35	Under Process
5	RTO Islamabad	15497	2013 & 2014	05	137.67	Under Process
6	RTO Sialkot	15880	2010 & 2011	01	1.73	Under Process
7	LTU Lahore	15832	2011 to 2014	05	737.63	Under Process
		15838	2012 to 2014	01	106.06	Under Process
		15835	2014	02	7.29	Under Process
Total				53	1,101.39	
Under process-Rs.1,101.39						

Annexure-27

(Para 4.4.3)

**Short-levy of tax due to allowing inadmissible expenses
- Rs. 1,567.62 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	15659	2013	03	41.31	0.04	Under Process Rs.41.27
		15663	2013	01	1.88	-	Under Process
		15657	2013	01	0.40	-	Under Process
2	RTO-I Lahore	15717	2013	02	10.81	-	Under Process
3	LTU Islamabad	15819	2014	01	9.75	-	Under Process
Total				8	64.15	0.04	

DGAIR(S) Karachi*(Rs. in million)*

S. No.	Office	DP No	Tax Year	No of cases	Amount involved	Latest position
1	LTU Karachi	878	2013	01	0.60	Under Process
		908	2014	01	152.82	Under Process
		910	2014	01	72.00	Under Process
		1024	2014	01	10.70	Under Process
		1045	2014	01	42.55	Under Process
2	RTO-I Karachi	878	2013	02	7.54	Under Process
		881	2013	07	429.66	Under Process
		996	2014	03	18.28	Under Process
3	RTO-II Karachi	978	2014	02	20.31	Under Process
		1031	2014	05	377.68	Under Process
		1033	2014	02	271.25	Under Process
4	RTO Sukkur	878	2013	01	17.14	Under Process

5	RTO Quetta	878	2013	01	81.73	Under Process
6	RTO Hyderabad	895	2013 & 2014	02	1.21	Under Process
Total				30	1,503.47	
Grand Total				38	1,567.62	
Recovered Rs.0.04, Under process-Rs.1,567.58						

Annexure-28

(Para 4.4.4)

Non-treatment of withholding tax as a final tax - Rs. 232.75 million**DG AIR (N) Lahore***(Rs. in million)*

S. No.	Offices	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	RTO Islamabad	15488	2013 & 2014	08	48.68	Under Process
2	RTO Faisalabad	15796	2014	02	0.45	Under Process
3	LTU Islamabad	15821	2010 & 2011	01	6.32	Under Process
		15878	2013 & 2014	01	1.14	Under Process
4	RTO Sargodha	15525	2013 & 2014	08	98.33	Under Process
		15517	2013 & 2014	08	61.09	Under Process
5	RTO-I Lahore	15403	2011	01	5.76	Under Process
		15704	2012	02	3.29	Under process
6	RTO Bahawalpur	15674	2013 & 2014	02	3.51	Under Process
		15680	2014	01	0.68	Under process
		15686	2013	01	1.58	Under Process
		15684	2014	01	1.92	Under Process
Total				36	232.75	
Under process Rs.232.75						

Annexure-29

(Para 4.4.5)

Non levy of tax on concealment of income or assets - Rs. 36,213.33 million**DG AIR (N) Lahore***(Rs. in million)*

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	RTO Faisalabad	15809	2014	01	1,663.46	Under Process
		15798	2013 & 2014	01	0.39	Under Process
		15791	2013 & 2014	01	476.89	Under Process
2	LTU Islamabad	15616	2003 to 2011 & 2014	02	9,312.37	Under Process
		15643	2013	01	209.39	Under Process
3	RTO Multan	15927	2014	02	70.99	Under Process
		15921	2014	05	264.24	Under Process
		15920	2013	01	8.26	Under Process
		15917	2013 & 2014	05	1,255.92	Under Process
		15931	2013&2014	02	12.72	Under Process
4	RTO Peshawar	15581	2013 & 2014	01	31.87	Under Process
5	RTO-I Lahore	15567	2014	01	315.80	Under Process
		15560	2013	01	122.68	Under Process
		15710	2012 to 2014	08	836.41	Under Process
		15404	2011 & 2013	01	22.32	Under Process

6	RTO-II Lahore	15260	2012	01	3.32	Under Process
		15864	2012 & 2013	01	2.34	Under Process
		15854	2012	01	55.44	Under Process
		15857	2013	01	10.67	Under Process
7	RTO Gujranwala	15442	2013	03	2.18	Under Process
8	LTU Lahore	15269	2012&2013	09	1,005.62	Under Process
		15271	2012 & 2013	04	4,729.32	Under Process
		15277	2012 & 2013	01	1.21	Under Process
		15744	2013	01	1,196.36	Under Process
9	RTO Islamabad	15492	2014	04	167.37	Under Process
		15493	2014	01	22.39	Under Process
		15489	2013 & 2014	04	8.57	Under Process
		15486	2014	01	1.55	Under Process
		15455	2010 to 2012	01	6,232.88	Under Process
		15454	2014	01	26.29	Under Process
		15499	2012 to 2014	05	99.71	Under Process
		15495	2013&2014	01	6.60	Under Process
10	RTO Sargodha	15531	2013&2014	01	26.41	Under Process
		15520	2013&2014	01	16.04	Under Process
		15521	2014	16	595.25	Under Process

		15519	2013	05	1.30	Under Process
11	RTO Sialkot	15286	2013&2014	01	0.55	Under Process
		15882	2014	04	0.94	Under Process
		15875	2014	01	4.58	Under Process
12	RTO Bahawalpur	15676	2013&2014	01	244.12	Under Process
		15673	2014	01	68.76	Under Process
		15672	2014	03	822.33	Under Process
		15695	2014	02	362.13	Under Process
Total				109	30,317.94	

DGAIR(S) Karachi

(Rs. in million)

S. No.	Office	DP No	Tax Year	No. of cases	Amount involved	Latest Position
1	LTU Karachi	1018	2014	10	3,255.53	Under Process
2	RTO-II Karachi	953	2013	2	4.08	Under Process
3	RTO-III Karachi	953	2013	3	988.00	Under Process
4	RTO Quetta	953	2013	5	1,647.79	Under Process
Total				20	5,895.39	
Grand Total				129	3,6213.33	
Under process-Rs.3,6213.33						

Annexure-30

(Para 4.4.7)

Non-treatment of withholding tax as a final tax - Rs.1,416.44 million**DGAIR (N) Lahore***(Rs. in million)*

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	RTO-1Lahore	15719	2013	03	56.28	Under Process
2	RTO Peshawar	15582	2014	01	3.22	Under Process
3	RTO Multan	15918	2013	01	3.70	Under Process
4	RTO Sialkot	15287	2013	08	47.14	Under Process
5	RTO Gujranwala	15449	2013 & 2014	10	0.55	Under Process
		15444	2014	06	0.82	Under Process
6	LTU Lahore	15846	2014	01	51.32	Under Process
Total				30	163.03	

DGAIR(S), Karachi*(Rs. in million)*

S. No.	Office	DP No	Tax Year	No. of cases	Amount involved	Latest position
1	LTU Karachi	1027	2014	01	7.12	Under process
		1032	2014	01	3.71	Under process
		1041	2014	02	450.90	Under process
		1047	2014	12	98.85	Under process
2	RTO-II Karachi	951	2013	04	98.05	Under process
		1034	2014	04	6.04	Under process
		1037	2014	01	23.82	Under process
3	RTO-III Karachi	951	2013	01	54.25	Under process
		971	2014	01	1.48	Under process
		1001	2013	01	0.65	Under process
4	RTO Hyderabad	951	2013	01	133.65	Under process
		973	2014	03	31.90	Under process
5	RTO Quetta	951	2013	11	342.65	Under process
		968	2014	03	0.34	Under process
Total				46	1,253.41	
Grand Total				76	1,416.44	
Under process-Rs.1,416.44						

Annexure-31

(Para 4.4.8)

Non-levy of default surcharge - Rs.71.86 million**DGAIR (N) Lahore***(Rs. in million)*

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	LTU Islamabad	15817	2010	01	33.49	Under process
2	RTO Multan	15742	2014	01	0.52	Under process
3	RTO Faisalabad	15802	2011	01	3.78	Under process
4	LTU Lahore	15837	2014	01	0.48	Under process
		15852	2014	01	0.11	Under process
Total				05	38.38	

DGAIR(S) Karachi*(Rs. in million)*

S. No.	Office	DP No	Tax Year	No. of cases	Amount involved	Latest Position
1	RTO-I Karachi	914	2014	07	25.73	Under process
		957	2014	02	0.04	Under process
2	RTO-II Karachi	900	2014	06	4.13	Under process
3	RTO-III Karachi	904	2014	05	1.58	Under process
4	RTO Quetta	946	2014	50	1.00	Under process
		949	2014	50	1.00	Under process
Total				120	33.48	
Grand Total				125	71.86	
Under process-Rs.71.86						

Annexure-32

(Para 4.4.9)

Incorrect adjustment of brought forward losses - Rs. 1,646.00 million**DGAIR (N) Lahore***(Rs. in million)*

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	LTU Islamabad	15633	2013	01	564.93	Under Process
		15612	2009	03	12.24	Under Process Rs.4.80 Recovery awaited Rs.7.44
2	RTO Bahawalpur	15689	2013 & 2014	01	19.47	Under Process
3	RTO Faisalabad	15808	2013 & 2014	01	20.82	Under Process
Total				6	617.46	

DGAIR(S) Karachi*(Rs. in million)*

S. No.	Office	DP No	Tax Year	No of cases	Amount involved	Latest Position
1	LTU Karachi	879	2013	03	83.86	Under Process
		1043	2014	05	484.37	Under Process
2	RTO-I Karachi	879	2013	03	16.87	Under Process
3	RTO-II Karachi	879	2013	01	7.14	Under Process
4	RTO Sukkur	879	2013	01	36.89	Under Process
5	RTO Quetta	879	2013	03	399.41	Under Process
Total				16	1,028.54	
Grand Total				22	1,646.00	
Recovery awaited, Rs.7.44 Under process-Rs.1,638.56						

Annexure-33
(Para 4.4.10)

Non-payment of tax along with return - Rs. 99.87 million

DG AIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Amount recovered	Latest Position
1	RTO-II Lahore	15561	2014	01	55.95	55.95	-
		15565	2014	01	29.51	-	Under Process
2	RTO-I Lahore	15722	2013	01	1.72	-	Under Process
3	RTO Rawalpindi	15669	2013 to 2014	05	3.04	-	Under Process
4	RTO Faisalabad	15806	2013	01	0.45	0.45	-
		15790	2013&2014	04	6.45	-	Under Process
5	RTO Sialkot	15881	2013	01	2.75	-	Under Process
Total				14	99.87	56.40	
Recovered Rs.56.40 Under process-Rs.43.47							

Annexure-34

(Para 4.4.11)

**Incorrect assessment of tax under respective heads of income
- Rs. 875.98 million**

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

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	RTO Sialkot	15288	2013 & 2014	768	442.37	Under Process
2	RTO Gujranwala	15439	2014	01	22.05	Under Process
		15450	2014	02	14.55	Under Process
3	RTO-I Lahore	15715	2013	03	1.14	Under Process
		15709	2013	13	32.06	Under Process
4	RTO Sargodha	15530	2014	01	1.39	Under Process
		15747	2014	01	0.85	Under Process
5	RTO Bahawalpur	15693	2014	01	0.57	Under Process
6	RTO Multan	15928	2013	01	0.17	Under Process
7	LTU Islamabad	15625	2013	01	325.34	Recovery awaited
8	LTU Lahore	15847	2012	01	35.49	Under Process
Total				793	875.98	
Recovery awaited- Rs.325.34 Under process-Rs.550.64						

Annexure-35

(Para 4.4.12)

**Short levy of tax due to inadmissible depreciation allowance
- Rs. 96.01 million**

DGAIR (N) Lahore

(Rs. in million)

S. No.	Offices	DP No.	Tax Year	No of cases	Amount involved	Recovered	Latest Position
1	RTO-II Lahore	15856	2013	01	16.09	-	Under Process
		15855	2014	01	52.40	-	Under Process
2	RTO Bahawalpur	15681	2013	01	0.05	0.05	Recovered and verified
3	RTO Peshawar	15595	2013	01	27.47	-	Under Process
Total				04	96.01	0.05	
Recovered Rs.0.05 Under process-Rs.95.96							

Annexure-36
(Para 4.4.13)

Short-levy of tax due to inadmissible claim of provisions - Rs. 944.15 million

DG AIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	RTO Islamabad	15490	2012 to 2014	02	29.27	Under process
		15484	2014	01	3.21	Under process
2	LTU Lahore	15272	2012&2013	11	771.61	Under process Rs.695.39 Recovery awaited Rs.76.22
3	RTO-II Lahore	15387	2012 & 2013	02	1.33	Under process
4	RTO Sargodha	15523	2013	01	21.49	Under process
		15510	2013 & 2014	02	1.73	Under process
5	PRAL	15346	2014	01	115.51	Under process
Total				20	944.15	
Recovery awaited Rs.76.22 under process Rs.867.93						

Annexure-37

(Para 4.4.15)

Non-treatment of withholding tax as minimum tax - Rs. 400.65 million**DG AIR (N) Lahore***(Rs. in million)*

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	RTO-II Lahore	15562	2014	01	38.08	Under process
2	RTO Islamabad	15483	2014	01	0.05	Under process
3	RTO Bahawalpur	15687	2013 & 2014	05	201.05	Under process
4	RTO Sargodha	15746	2014	01	0.96	Under process
5	RTO Gujranwala	15440	2006-07	01	1.50	Under process
		15447	2014	01	3.12	Under process
6	LTU Islamabad	15634	2009 to 2012	01	142.81	Under process
7	RTO Rawalpindi	15668	2013	01	12.48	Under process
		15666	2013	01	0.60	Under process
Total				13	400.65	
Under process Rs.400.65						

Incorrect taxation of gain on disposal of fixed assets - Rs. 21.00 million

DG AIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	RTO-II Lahore	15552	2012 & 2013	01	5.24	Under process
2	LTU Islamabad	15822	2014	01	6.48	Under process
3	RTO-1 Lahore	15400	2013	01	9.28	Under process
Total				3	21.00	
Under process Rs.21.00						

Annexure-39
(Para 4.4.17)

Inadmissible claim of tax credit - Rs. 212.55 million

DG AIR (N) Lahore

(Rs. in million)

S. No.	Offices	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	RTO Sargodha	15528	2013	01	7.62	Under process
2	LTU Lahore	15394	2013	01	7.24	Under process
3	RTO-II Lahore	15388	2013	01	1.49	Under process
Total				03	16.35	

DG AIR(S) Karachi

(Rs. in million)

S. No.	Office	DP No	Tax Year	No of cases	Amount involved	Latest Position
1	RTO-I Karachi	994	2014	01	182.9	Under process
2	RTO-II Karachi	984	2014	01	13.3	Under process
Total				02	196.20	Under process
Grand Total				05	212.55	
Under process-Rs.212.55						

Non-allocation of proportionate expenses - Rs. 5,069.17 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-I Lahore	15399	2011	02	15.89	-	Under Process
2	LTU Lahore	15276	2013	01	13.43	-	Under Process
3	RTO-II Lahore	15257	2011 to 2013	01	10.06	-	Under Process
		15566	2012	01	63.06	-	Under Process
		15551	2013 & 2014	02	8.43	-	Under Process
4	RTO Bahawalpur	15683	2013 & 2014	02	1.89	0.30	Under Process Rs.1.59
		15678	2013 & 2014	01	5.31	-	Under Process
5	RTO Rawalpindi	15654	2013	08	28.50	0.65	Under Process Rs.27.85
6	RTO Faisalabad	15801	2013	01	1.66	-	Under Process
7	RTO Multan	15930	2014	01	0.53	-	Under Process
8	LTU Islamabad	15627	2009	02	32.21	-	Under Process
		15818	2013	01	17.87	-	Under Process
Total				23	198.84	0.95	

DGAIR(S), Karachi*(Rs. in million)*

S. No.	Office	DP No	Tax Year	No. of cases	Amount involved	Amount recovered	Latest Position
1	LTU Karachi	880	2013	19	2797.64	-	Under Process
		1005	2014	07	40.26	-	Under Process
		1013	2014	01	2.01	-	Under Process
		1020	2014	01	0.64	-	Under Process
		1042	2013 & 2014	06	154.50	-	Under Process
2	RTO-I Karachi	880	2013	46	341.36	-	Under Process
3	RTO-II Karachi	880	2013	08	400.78	-	Under Process
		977	2014	03	30.35	-	Under Process
		1033	2014	02	271.25	-	Under Process
4	RTO-III Karachi	880	2013	09	339.80	-	Under Process
5	RTO Hyderabad	880	2013	08	392.27	-	Under Process
6	RTO Sukkur	880	2013	06	38.37	-	Under Process
7	RTO Quetta	880	2013	04	61.10	-	Under Process
Total				120	4,870.33	-	
Grand Total				143	5,069.17		
Recovered Rs.0.95 Under process-Rs.5,068.22							

Annexure-41

(Para 4.4.19)

Discrepancies in issuance of exemptions certificates - Rs. 20.47 million**DGAIR (N) Lahore***(Rs. in million)*

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	RTO-I Lahore	15708	2011 & 2012	02	3.07	Under Process
		15714	2014	01	-	Under Process
		15713	2014	01	-	Under Process
2	RTO Faisalabad	15810	2013 & 2014	01	17.40	Under Process
3	LTU Islamabad	15613	2014	02	-	Under Process
		15640	2014	01	-	Under Process
Total				08	20.47	
Under process-Rs.20.47						

Annexure-42

(Para 4.4.21)

Non invoking the provision of section 113 (C) - Rs. 557.69 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	15491	2014	03	72.25	-	Under Process
2	LTU Islamabad	15614	2014	04	106.04	35.00	Under Process Rs.71.04
3	LTU Lahore	15843	2014	04	324.00	-	Under Process Rs.169.31, Subjudice Rs.154.69
		15841	2014	01	1.73	-	Under Process
		15834	2014	01	19.21	-	Under Process
Total				13	523.23	35.00	

DGAIR(S), Karachi*(Rs. in million)*

S. No.	Office	DP No	Tax Year	No of cases	Amount involved	Amount recovered	Latest Position
1	LTU Karachi	1014	2014	02	6.66	-	Under Process
		1023	2014	02	14.97	-	Under Process
2	RTO-I Karachi	995	2014	01	10.11	-	Under Process
3	RTO-II Karachi	985	2014	02	2.72	-	Under Process
Total				07	34.46	-	
Grand Total				20	557.69		
Amount recovered Rs.35.00 Under process-Rs.368.00 subjudice- Rs.154.69							

Annexure-43

(Para 4.4.22)

Non-recovery of tax demand - Rs. 1,483.98 million**DG AIR (N) Lahore***(Rs. in million)*

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Amount Recovered	Latest Position
1	RTO Gujranwala	15453	2013 & 2014	64	241.16	6.01	Recovery Awaited Rs.235.15
2	RTO-II Lahore	15853	2014	16	116.73	-	Recovery awaited Rs.21.42 under process Rs.95.31
3	RTO Sargodha	15527	2013 & 2014	40	26.64	-	Recovery awaited
		15526	2013 & 2014	127	111.48	-	Recovery awaited
		15522	2013 & 2014	328	76.21	-	Recovery awaited
		15532	2014	187	38.80	-	Recovery awaited
		15516	2013 & 2014	287	32.60	-	Recovery awaited
4	RTO Faisalabad	15800	2014	01	16.86	15.43	Under Process Rs.1.43
5	RTO Multan	15919	2014	01	501.39	6.42	Under process Rs.399.87 Subjudice Rs.95.10
Total				1051	1,161.87	27.86	

DGAIR(S), Karachi*(Rs. in million)*

S. No.	Office	DP No	Tax Year	No of cases	Amount involved	Latest Position
1	RTO Sukkur	926	2013	16	5.88	Under process
		927	2013	59	280.36	Under process
		928	2012 to 2014	08	6.12	Under process
2	RTO-I Karachi	960	2012 & 2013	29	27.73	Under process
		964	2014	01	1.81	Under process
		992	2014	01	0.21	Under process
Total				114	322.11	
Grand Total				1165	1,483.98	
Amount recovered Rs.27.86, Recovery awaited-Rs.542.30, Subjudice-Rs.95.10 Under process-Rs. 818.72						

Unlawful issuance of refund - Rs. 127.17million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	RTO Sialkot	15414	2010 & 2011	01	0.14	Under Process
		15871	2010	02	1.05	Under Process
		15870	2014	03	4.10	Under Process
		15413	2013&2014	04	0.77	Under Process
		15874	2007 to 2009	01	9.66	Under process
2	RTO Rawalpindi	15665	2014	01	0.62	Under Process
3	RTO Multan	15925	2013	01	3.89	Under Process
		15741	2014	06	3.98	Recovery awaited Rs.0.42 Under Process Rs.3.56
		15740	2013	01	2.19	Under Process
4	RTO-II Lahore	15263	2006 to 2012	01	2.01	under process
5	RTO Sargodha	15745	2010	01	0.43	Under Process
6	RTO Gujranwala	15451	2014	07	0.12	Under Process
Total				29	28.96	

DGAIR(S) Karachi*(Rs. in million)*

S. No.	Office	DP No	Tax Year	No. of cases	Amount involved	Latest Position
1	RTO-I Karachi	883	2013	02	8.42	Under Process
		993	2014	01	2.98	Under Process
		999	2013 & 2014	07	86.67	Under Process
2	RTO-III Karachi	924	2013	01	0.14	Under Process
Total				11	98.21	
Grand Total				40	127.17	
Recovery awaited-Rs.0.42 Under process-Rs.126.75						

Annexure-45

(Para 4.6.1)

Non-realization of workers welfare fund - Rs. 4,067.21 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 Peshawar	15596	2014	02	12.43	-	Under process
		15577	2014	11	12.19	1.08	Under process Rs.9.95 Recovery awaited Rs.1.16
2	RTO Faisalabad	15795	2013& 2014	04	1.23	0.19	Under process Rs.1.04
		15794	2013& 2014	06	1.10	0.16	Under process Rs.0.16 Subjudice Rs.0.78
		15793	2013& 2014	08	10.80	0.52	Under process Rs.0.87 Subjudice Rs.9.41
3	RTO Rawalpindi	15653	2013& 2014	27	6.13	0.06	Under process Rs.6.07
4	RTO Islamabad	15487	2012 to 2014	08	455.52	-	Under process
		15496	2011 to 2013	01	1.43	-	Under process
5	RTO Multan	15922	2012 to 2014	22	251.15	-	Under process Rs.249.28 Recovery awaited Rs.0.99 Subjudice Rs.0.88
6	RTO-I Lahore	15395	2009, 2011 to 2013	03	13.61	-	Recovery awaited Rs. 9.44 Under process Rs.3.26 Subjudice Rs.0.91

		15705	2013& 2014	05	5.31	-	Recovery awaited Rs.1.00 Under process Rs.4.31
7	LTU Lahore	15273	2012 & 2013	08	368.89	-	Subjudice Rs.346.19, Under Process Rs.10.453, Recovery awaited Rs.12.24
		15844	2014	10	230.68	-	Under process Rs.11.61 Subjudice Rs.217.15 Recovery awaited Rs.1.92
		15840	2014	02	12.65	-	Under process
		15833	2014	07	39.29	0.26	Under process Rs.39.03
8	RTO Sialkot	15412	2013& 2014	03	0.47	-	Under process
		15869	2010 to 2014	127	7.27	-	Under process
9	RTO Bahawalpur	15690	2013& 2014	07	6.67	2.885	Under process Rs.0.296 Recovery Awaited 3.49
		15692	2013& 2014	10	3.33	-	Under process
10	RTO-II Lahore	15259	2013	01	2.00	-	Under process
		15564	2014	03	10.65	-	Under process
		15553	2014	02	2.38	-	Under process
11	RTO Gujranwala	15452	2014	02	0.32	-	Under process
		15448	2013& 2014	02	10.94	-	Under process
		15445	2012 to 2014	01	3.12	-	Under process
12	RTO Sargodha	15518	2013 & 2014	54	9.80	-	Under process
Total				336	1,479.36	5.16	

DGAIR(S), Karachi*(Rs. in million)*

S. No.	Office	DP No	Tax Year	No. of cases	Amount involved	Amount recovered	Latest Position
1	LTU Karachi	882	2013	16	169.00	-	Under process
		894	2013	01	98.73	-	Under process
		907	2014	03	812.85	-	Under process
		955	2013	06	16.04	-	Under process
		1011	2014	09	109.16	-	Under process
		1012	2014	09	164.29	-	Under process
		1019	2014	02	24.32	-	Under process
		1044	2014	01	2.53	-	Under process
2	RTO-I Karachi	882	2013	47	26.83	-	Under process
		885	2013	09	1.39	-	Under process
		912	2014	15	3.73	-	Under process
		916	2014	08	1.23	-	Under process
		959	2014	02	0.51	-	Under process
		998	2013 & 2014	42	31.03	-	Under process
3	RTO-II Karachi	882	2013	08	19.73	-	Under process
		898	2014	08	1.46	-	Under process
		955	2013	09	2.78	-	Under process
		982	2014	08	8.32	-	Under process
		986	2014	07	15.26	-	Under process
		988	2014	02	1.24	-	Under process
		1029	2013, 2014 & 2015	19	897.81	-	Under process
4	RTO-III Karachi	882	2013	09	33.67	-	Recovery awaited Rs.0.12 and Under process Rs.33.55
		920	2013 & 2014	04	0.12	-	Recovery awaited Rs.0.05 and Under process Rs.0.07
		921	2013 & 2014	02	0.13	-	Under process

		955	2013	04	3.34	-	Under process
		970	2011, 2013 & 2014	03	4.78	-	Under process
		989	2014	08	8.80	-	Under process
		990	2014	05	4.72	-	Under process
5	RTO Hydera bad	882	2013	07	30.72	-	Under process
		933	2013	02	3.27	0.66	Recovery awaited Rs.2.61
		972	2014	04	37.99	-	Under process
6	RTO Sukkur	882	2013	06	3.14	-	Under process
		939	2014	55	5.06	-	Under process
		940	2014	51	12.84	-	Under process
7	RTO Quetta	882	2013	5	25.16	-	Under process
		947	2014	9	0.37	-	Under process
		955	2013	6	5.50	-	Under process
Total				411	2,587.85	0.66	
Grand Total				747	4,067.21		
Recovered-Rs.5.82 Recovery awaited-Rs.30.24 subjudice Rs.575.32 Under process- Rs.3,455.83 million							

Annexure-46

(Para 4.7.1)

Non-realization of 1/5th withholding Sales Tax - Rs. 400.86 million*(Rs. in million)*

S. No.	Office	DP No.	No. of cases	Amount
1	RTO-II Lahore	15858-ST	01	9.19
2	RTO Multan	15913-ST	03	2.54
3	RTO Peshawar	15604-ST	01	1.14
		15592-ST	01	0.09
		15585-ST	01	135.42
4	RTO Sargodha	15535-ST	02	1.75
5	RTO Gujranwala	15423-ST	06	0.90
		15422-ST	01	2.19
6	RTO Hyderabad	5995-ST/k	01	133.26
		6000-ST/K	01	14.03
		6005-ST/K	01	0.38
		6020-ST/K	06	82.16
7	RTO-II Karachi	6052-ST/K	02	14.60
8	LTU Karachi	5978-ST/K	01	0.87
9	RTO Quetta	6050-ST/K	03	1.36
		6049-ST/K	01	0.98
Total			32	400.86

Annexure-47

(Para 4.7.2)

Non-realization of 4/5th withholding Sales Tax - Rs. 39.88 million*(Rs. in million)*

S. No.	Office	DP No.	No. of cases	Amount
1	RTO-I Lahore	15298-ST	02	0.37
2	RTO Gujranwala	15296-ST	01	0.11
3	RTO Islamabad	15479-ST	08	1.93
		15475-ST	01	3.26
		15472-ST	01	9.32
4	RTO Faisalabad	15300-ST	01	0.67
5	RTO Peshawar	15297-ST	01	0.19
6	RTO Rawalpindi	15301-ST	01	11.94
		15303-ST	12	12.09
Total			28	39.88

Annexure-48

(Para 4.7.3)

Non -realization of withholding tax - Rs. 21,745.24 million**DG AIR (N) Lahore***(Rs. in million)*

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Amount recovered	Latest Position
1	RTO Faisalabad	15615	2014	01	3,952.68	-	Under process
		15642	2013	01	8.77	-	Under process
2	LTU Lahore	15851	2014	01	0.14	-	Under process
		15849	2014	01	1.59	-	Under process
		15850	2014	01	1.04	-	Under process
3	RTO Sialkot	15337	2014	01	1.21	-	Under Process
		15335	2014	01	6.55	-	Under Process
		15877	2010 to 2015	06	557.97	-	Under process
		15336	2011 & 2012	03	3.66	-	Under Process
4	RTO-I Lahore	15716	2014	01	19.46	-	Under process
		15711	2015	11	0	-	Under Process
		15706	2013	18	49.45	-	Under Process
		15402	2010 to 2013	04	38.53	-	Under Process
		15396	2012	01	3.23	-	Under Process
		15397	2011	01	5.93	-	Under process
5	RTO Multan	15398	2012 to 2013	02	11.33	-	Under Process
		15929	2015	01	1.89	-	Under process
		15924	2013	02	2.29	-	Under process
6	RTO Peshawar	15739	2013& 2014	04	1.19	-	Under process
		15594	2014	02	49.11	0.04	Under process Rs.49.07
		15583	2015	01	0.36	-	Under process
		15579	2014	01	0.44	-	Under process
		15580	2014	01	1,401.72	-	Under process
7	RTO Gujranwala	15576	2014	01	19.27	-	Under process
		15578	2014	01	5.47	-	Recovery awaited
Total				74	6,187.68	0.04	

DGAIR(S), Karachi

(Rs. in million)

S. No.	Office	DP No	Tax Year	No. of cases	Amount involved	Amount recovered	Latest Position
1	LTU Karachi	909	2014	07	6.11	-	Under Process
		952	2013 & 2014	09	27.32	-	Under Process
		1007	2014	02	7.41	-	Under Process
		1010	2014	32	1,463.78	-	Under Process
		1016	2013 & 2014	22	214.09	-	Under Process
		1025	2014	19	559.38	-	Under Process
		1026	2014	04	51.18	-	Under Process
		1038	2014	02	9,455.07	-	Under Process
		1039	2014	01	69.92	-	Under Process
		1048	2014	01	1.75	-	Under Process
2	RTO-I Karachi	913	2014	07	122.20	-	Under Process
		962	2014	18	1,237.95	-	Under Process
3	RTO-II Karachi	887	2013 & 2014	36	507.18	-	Rs.18.43 charged recovery awaited Rs.488.75 Under Process
		888	2013	1011	645.12	-	Under Process
		889	2013	07	5.69	-	Under Process
		952	2013 & 2014	18	20.64	-	Under Process
		976	2014	02	156.68	-	Under Process
		1030	2014	05	241.88	-	Under Process
4	RTO-Hyderabad	891	2013 & 2014	28	185.89	-	Under Process
		893	2013	02	2.45	-	Under Process
		896	2013	02	1.02	-	Under Process
		932	2014	02	13.36	-	Under Process
		952	2013 & 2014	03	22.08	-	Under Process
		975	2011 to 2013	11	22.81	4.81	Charged recovery awaited Rs.2.63 Subjudice Rs.15.37

5	RTO Sukkur	930	2014	01	5.95	-	Under Process
		931	2014	01	2.22	-	Under Process
		1051	2013 & 2014	10	349.91	-	Under Process
		1052	2013 & 2014	05	19.38	-	Under Process
		1053	2013 & 2014	05	8.78	-	Under Process
		1054	2013 & 2014	02	31.72	-	Under Process
6	RTO-III Karachi	902	2014	05	13.19	-	Under Process
		905	2014	03	36.09	3.69	Charged recovery awaited Rs.4.17 Subjudice Rs.28.23
		952	2013 & 2014	03	1.31	-	Under Process
		1003	2014	02	3.93	-	Under Process
7	RTO Quetta	952	2013 & 2014	08	10.48	-	Under Process
		967	2014	34	33.64	-	Under Process
Total				1330	15,557.56	8.50	
Grand Total				1404	21,745.24		
Recovered-Rs.8.54, Recovery awaited-Rs.30.70, Subjudice-Rs.43.60 Under process-Rs.21,662.40							

Annexure-49
(Para 4.7.8)

Non levy of withholding tax - Rs. 55.85 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	RTO Sargodha	15524	2014	26	3.42	Under process
		15529	2014	94	0.58	Under process
2	RTO Gujranwala	15446	2013 & 2014	01	0.82	Under process
3	RTO Bahawalpur	15682	2014	12	0.07	Under process
4	RTO Peshawar	15575	2014	04	50.96	Under process
Total				137	55.85	
Under process Rs.55.85 million						

Annexure-50
(Para 4.8.1)

**Irregular expenditure due to non observance of PPRA and General
Financial Rules - Rs. 134.15 million**

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	FBR (HQ) Islamabad	15329-Exp	01	84.61
		15324-Exp	01	22.02
2	RTO Islamabad	15468-Exp	01	11.36
3	LTU Islamabad	15618-Exp	01	1.95
4	RTO Sargodha	15508-Exp	70	0.72
5	RTO-III Karachi	293-Exp/K	02	5.29
		294-Exp/K	03	8.20
Total			79	134.15

Annexure-51

(Para 4.8.2)

Irregular expenditure due to misuse of official vehicles - Rs. 39.92 million*(Rs. in million)*

S. No.	Office	DP No.	No. of Vehicles	Amount
1	RTO-I Karachi	247/249/252-Exp/K	29	9.32
2	RTO-II Karachi	274-Exp/K	22	4.92
3	RTO-III Karachi	258-Exp/K	18	6.44
4	RTO Sukkur	288-Exp/K	17	6.71
5	RTO Hyderabad	276-Exp/K	51	10.88
6	RTO Quetta	242-Exp/K	12	1.65
Total			149	39.92

Annexure-52

(Para 4.8.3)

Inadmissible payment hired residential accommodation - Rs. 2.47 million*(Rs. in million)*

S. No.	Office	DP No.	No. of cases	Amount
1	FBR (HQ) Islamabad	15313-Exp	10	0.24
		15315-Exp	01	0.18
		15309-Exp	01	0.10
2	RTO Islamabad	15461-Exp	04	0.97
3	LTU Islamabad	15620-Exp	01	0.19
		15621-Exp	01	0.26
		15824-Exp	01	0.19
4	RTO Lahore	15378-Exp	03	0.23
5	RTO Rawalpindi	15646-Exp	01	0.11
Total			23	2.47

Annexure-53

(Para 4.8.5)

Excess and inadmissible expenditure - Rs. 27.38 million*(Rs. in million)*

S. No.	Office	DP No.	No. of cases	Amount
1	FBR (HQ) Islamabad	15322-Exp	01	0.61
		15316-Exp	01	0.12
2	PRAL Islamabad	15344-Exp	05	23.17
		15345-Exp	18	0.23
		15342-Exp	02	2.20
		15354-Exp	11	0.11
3	RTO Sargodha	15509-Exp	01	0.94
Total			39	27.38

Annexure-54

(Para 4.8.7)

**Irregular Expenditure on POL/CNG and repair and maintenance of vehicles
- Rs. 18.56 million***(Rs. in million)*

S. No.	Office	DP No.	No. of cases	Amount
1	LTU Islamabad	15623- Exp	01	4.13
		15825- Exp	11	0.49
2	RTO Sargodha	15502- Exp	16	2.43
		15505- Exp	01	0.06
3	RTO Islamabad	15458- Exp	39	3.77
		15460- Exp	01	0.04
4	RTO Gujranwala	15295- Exp	24	2.61
5	RTO Rawalpindi	15647- Exp	01	5.03
Total			94	18.56

Annexure-55
(Para 4.8.9)

**Non recovery of loans and advances and interest from the officers / officials
- Rs. 9.18 million**

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount pointed out	Amount recovered	Balance amount
1	FBR HQ Islamabad	15319-Exp	01	0.60	0.08	0.52
		15320-Exp	03	0.42	0	0.42
2	RTO Multan	15366-Exp	19	6.03	0.36	5.67
		15368-Exp	29	0.46	0.07	0.39
3	RTO Faisalabad	15760-Exp	02	0.50	0.08	0.42
4	RTO Islamabad	15459-Exp	14	0.32	0	0.32
5	RTO Bahawalpur	15750-Exp	01	0.27	0.13	0.14
6	RTO Sargodha	15504-Exp	02	0.15	0	0.15
7	RTO Peshawar	15359-Exp	09	0.35	0	0.35
		15363-Exp	01	0.08	0	0.08
Total			81	9.18	0.72	8.46

Annexure-56

(Para 4.8.10)

**Non/short deduction of income tax on salaries and misc. expenditures
- Rs. 7.19 million***(Rs. in million)*

S. No.	Office	DP No.	No. of cases	Amount	Amount recovered	Balance amount
1	FBR (HQ) Islamabad	15308-Exp	06	0.19	0	0.19
2	PRAL Islamabad	15349-Exp	43	2.63	0	2.63
		15350-Exp	10	1.89	0	1.89
3	LTU Lahore	15814-Exp	45	0.18	0	0.18
		15815-Exp	05	0.14	0.06	0.08
4	RTO Faisalabad	15762-Exp	17	0.11	0	0.11
5	RTO Lahore	15374-Exp	69	0.57	0.06	0.51
		15381-Exp	20	0.06	0.01	0.05
6	RTO-II Lahore	15546-Exp	31	0.31	0	0.31
7	RTO Peshawar	15358-Exp	59	0.58	0	0.58
8	RTO Sialkot	15333-Exp	09	0.53	0	0.53
Total			314	7.19	0.13	7.06

Annexure-57
(Para 4.8.11)

Excess and inadmissible payment on pay and allowances - Rs. 6.83 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount pointed out	Amount recovered	Balance amount
1	FBR (HQ) Islamabad	15311-Exp	04	0.41	0.01	0.40
		15318-Exp	07	0.06	0	0.06
2	LTU Islamabad	15617-Exp	17	0.08	0	0.08
3	RTO Islamabad	15462-Exp	05	0.16	0.07	0.09
4	RTO Faisalabad	15764-Exp	23	0.34	0.05	0.29
		15761-Exp	88	0.48	0	0.48
5	RTO Sialkot	15748-Exp	07	0.28	0	0.28
		15749-Exp	43	0.45	0	0.45
6	RTO Lahore	15379-Exp	03	0.22	0.05	0.17
		15375-Exp	01	0.44	0.07	0.37
7	RTO-II Lahore	15543-Exp	01	0.75	0.05	0.70
		15544-Exp	01	0.54	0.05	0.49
		15545-Exp	02	0.54	0.07	0.47
8	RTO Multan	15370-Exp	126	0.40	0.29	0.11
		15367-Exp	01	1.03	0	1.03
9	RTO Peshawar	15360-Exp	01	0.20	0	0.20
10	RTO Gujranwala	15331-Exp	13	0.45	0.08	0.37
Total			343	6.83	0.79	6.04

Annexure-58
(Para 4.8.14)

**Non/short deduction of house rent allowance and house rent charges -
Rs. 2.72 million**

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount pointed out	Amount recovered	Balance amount
1	FBR (HQ) Islamabad	15310-Exp	04	0.16	0.01	0.15
		15307-Exp	04	0.12	0.05	0.07
2	RTO Sargodha	15506-Exp	109	1.42	0	1.42
3	RTO Faisalabad	15757-Exp	12	0.46	0	0.46
4	RTO Peshawar	15361-Exp	04	0.32	0.02	0.30
5	RTO Sialkot	15266-Exp	02	0.08	0	0.08
6	RTO-II Lahore	15548-Exp	01	0.09	0	0.09
		15549-Exp	01	0.07	0	0.07
Total			137	2.72	0.08	2.64

Annexure-59
(Para 4.8.15)

Non/short-recovery of monthly contribution of benevolent fund and group insurance fund - Rs. 1.13 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO Sargodha	15507-Exp	54	0.59
2	RTO Faisalabad	15765-Exp	277	0.44
3	RTO Islamabad	15463-Exp	03	0.10
Total			334	1.13

Annexure-60

(Para 5.4.1)

**Non-finalization of admissibility/legitimacy of refund of Sales Tax
- Rs. 444.96 million**

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO Gujranwala	15417-ST	100	286.92
2	RTO Bahawalpur	15701-ST	07	4.76
3	RTO Rawalpindi	15649-ST	30	33.47
4	RTO Multan	15891-ST	67	64.72
5	RTO Sargodha	15536-ST	36	55.09
Total			240	444.96

Annexure-61

(Para 5.4.6)

Non levy of penalty for non/late filing of returns**DGAIR (N) Lahore***(Rs. in million)*

S. No.	Offices	DP No.	Tax Year	No of cases	Amount involved	Amount recovered	Latest Position
1	RTO-II Lahore	15559	2014	02	4.26	0	Under Process
		15555	2014	01	0.71	0.71	Recovered
		15865	2014	01	1.74	0	Under Process
2	RTO Gujranwala	15443	2014	386	7.56	0	Under Process
3	RTO Sargodha	15514	2014	41	4.68	0	Under Process
4	RTO Sialkot	15884	2012 & 2013	02	0.61	0	Under Process
5	RTO-I Lahore	15703	2011 to 2014	29	2.11	0	Under Process
6	RTO Rawalpindi	15660	2013	14	7.11	0.04	Under Process Rs.7.07
7	LTU Lahore	15845	2014	20	58.08	0	Under Process
		15842	2014	05	0.84	0	Under Process
8	RTO Bahawalpur	15685	2013 & 2014	11	1.76	0	Under Process
Total				512	89.46	0.75	

DGAIR(S), Karachi

(Rs. in millions)

S. No.	Office	DP No	Tax Year	No. of cases	Amount involved	Amount recovered	Latest Position
1	LTU Karachi	911	2014	1	0.66	0	Under Process
		1008	2014	4	15.66	0	Under Process
		1017	2014	5	31.81	0	Under Process
		1021	2014	4	1.59	0	Under Process
		1040	2014	2	42.95	0	Under Process
		1046	2014	1	0.56	0	Under Process
2	RTO-I Karachi	886	2013	1	0.21	0	Under Process
		915	2014	7	12.22	0	Under Process
		917	2014	10	0.20	0	Under Process
		918	2014	15	2.63	0	Under Process
		956	2014	3	1.65	0	Under Process
		963	2014	40	260.27	0	Under Process
		965	2014	300	15.00	0	Under Process
		997	2013 & 2014	29	7.09	0	Under Process
3	RTO-II Karachi	890	2013	13	2.60	0	Under Process
		899	2014	6	8.44	0	Under Process
		983	2013 & 2014	5	2.23	0	Under Process
		987	2014	11	1.78	0	Under Process
		1028	2013 to 2015	18	5,148.00	0	Under Process
4	RTO-III Karachi	903	2014	15	0.65	0	Under Process
		925	2014	2	0.14	0	Rs.0.05 charged recovery awaited Rs.0.08 Under Process
		969	2014	6	0.96	0	Under Process
		991	2014	2	0.10	0	Rs.0.10 charged recovery awaited
5	RTO Hyderaba d	892	2013	14	1.24	0	Under Process
		934	2013 & 2014	5	7.52	1.23	Rs.6.29 Under Process
		974	2014	1	8.97	0	Under Process

6	RTO Sukkur	929	2014	13	4.25	0	Under Process
		935	2014	80	0.51	0	Under Process
		936	2014	37	1.57	0	Under Process
		937	2014	75	1.79	0	Under Process
		938	2014	22	7.44	0	Under Process
		1050	2014	19	349.91	0	Under Process
7	RTO Quetta	946	2014	50	1.00	0	Under Process
		949	2014	50	1.00	0	Under Process
		950	2014	2	0.58	0	Under Process
		966	2014	285	29.93	0	Under Process
Total				1153	5,973.11		
Grand Total				1,665	6,062.57		
Amount Recovered Rs.1.98 Recovery awaited-Rs.0.15 Under process- Rs. 6,060.44							

Annexure-62
(Para 5.4.7)

Invalid assessments due to filing of incomplete returns

S. No.	Office	DP No.	No. of cases
1	RTO Faisalabad	15792	128
2	RTO Rawalpindi	15667	38
3	RTO Islamabad	15743	04
Total			170