AUDIT REPORT
ON
THE ACCOUNTS OF
FEDERAL BOARD OF REVENUE
(INLAND REVENUE)
AUDIT YEAR 2016-2017

AUDITOR-GENERAL OF PAKISTAN

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ABBREVIATIONS & ACRONYMS

ACIR	Assistant Commissioner Inland Revenue
ACT	Alternative Corporate Tax
AGP	Auditor General of Pakistan
AGPR	Accountant General Pakistan Revenue
AOP	Association of Persons
ATIR	Appellate Tribunal Inland Revenue
ATL	Active Taxpayer List
BPS	Basic Pay Scale
BTB	Broadening of Tax Base
CAO	Chief Accounts Officer
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
CRTO	Corporate Tax Office
DAC	Departmental Accounts Committee
DAO	District Accounts Office
DCIR	Deputy Commissioner Inland Revenue
DDO	Drawing & Disbursing Officer
DG	Director General
DP	Draft Para
DPC	Data Processing Centre
DR&S	Director Research & Statistics
DSC	Departmental Selection Committee
DTRE	Duty and Tax Remission for Exports
E&D	Efficiency & Disciplinary
ERS	Expeditious Refund System
FATE	Facilitation and Taxpayer Education
FBR	Federal Board of Revenue
FED	Federal Excise Duty
FESCO	Faisalabad Electric Supply Company

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
OGRA	Oil and Gas Regulatory Authority
OIO	Order-in-Original
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PESCO	Peshawar Electric Supply Company
POL	Petroleum Oil Lubricants
PPRA	Public Procurement Regulatory Authority
PRA	Post Refund Audit
PRAL	Pakistan Revenue Automation Limited

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
SNGPL	Sui Northern Gas Pipelines Limited
SPR&S	Strategic Planning and Research & Statistics
SRO	Statutory Regulatory Order
SSGCL	Sui Southern Gas Company Limited
STARR	Sales Tax Automated Refund Repository
STRN	Sales Tax Registration Number
TARP	Tax Administration Reforms Project
TFC	Tax Facilitation Centre
UFG	Unaccounted for Gas
WAPDA	Water and Power Development Authority
WHT	Withholding Tax
WWF	Workers Welfare Fund

Preface

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

The Report is based on compliance with authority audit of Inland Revenue and Expenditure of the Federal Board of Revenue for the Financial Year 2015-16. The Report also includes observations relating to previous years. The Directorates General Audit Inland Revenue (North and South) conducted audit during the audit year 2016-17 on test check basis with a view to reporting significant findings to the stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings carrying value of rupees one million or more. Relatively less significant issues are listed in the Annexure-I of the Audit Report which shall be pursued with the Principal Accounting Officer at the DAC level and in all cases where the PAO does not initiate appropriate action, the audit observation will be brought to the notice of the Public Accounts Committee through next year's Audit Report.

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

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

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

Dated: 26 February 2017

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 143 officers and staff with 11,327 mandays and Annual Budget of Rs. 187.49 million (FY 2016-17). The Directorates are mandated to conduct Regularity Audit (Financial Audit and Compliance with Authority Audit) and Performance/Sectoral Audit of FBR. Regularity Audit of 129 formations was conducted during second half of the Audit Year 2015-16 and first half of the Audit Year 2016-17 by utilizing planned mandays, incurring an expenditure of Rs. 187.65 million.

a. Scope of Audit

FBR collected Inland Revenue of Rs. 2,703,528 million against revised target of Rs. 2,755,200 million for the FY 2015-16 and paid refund of Rs. 44,882.70 million. The Directorates General of Audit Inland Revenue (North & South) conducted audit of receipts (including refunds) of Rs. 2,508,874 million. The FBR incurred expenditure of Rs. 13,937 million against final grant of Rs. 14,267 million for which audit of Rs. 12,872 million was also conducted. The total outlays audited were 82 % of the total formations under audit jurisdiction.

b. Recoveries at the Instance of Audit

Audit pointed out recovery of Rs. 275,557.50 million in this report. The FBR reported recovery of Rs. 21,371.63 million on pointation of Audit from January 2016 to February 2017 which was verified by Audit.

c. Audit Methodology

The desk audit methods/techniques were applied using SAP/R3 data maintained by AGPR for audit of expenditure relating to Revenue Division, Federal Board of Revenue, Inland Revenue and Development Expenditure Grants. Initial accounts of receipts are maintained by FBR's Treasuries and automated by PRAL. The FBR provided data containing three fields which was insufficient for risk analysis. This constrained Audit to rely upon limited soft data for desk audit and sample selection. The sample was selected randomly rather than on criteria basis. This office used Audit Command Language (ACL) and Computer Assisted Audit Techniques (CAATs) for sampling. This facilitated, to some extent, in understanding the system, procedures and environment of FBR and identification of high risk areas for substantive testing in the field.

d. Audit Impact

Audit contributed towards broadening of tax base for the economy and pointed out revenue implication of Rs. 1,615.80 million during the Financial Year 2015-16. On recommendation by Audit, the department initiated registration of 166 taxpayers to bring them into the Sales Tax Regime.

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.

e. Comments on Internal Control and Internal Audit

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

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

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

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

f. Key Audit Findings of the Report

This report includes audit observations of Rs. 275,557.50 million in respect of compliance with authority audit of receipts and expenditure relating to Inland Revenue for the FY 2014-15 and the FY 2015-16, audited from January to November 2016. 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) Loss of revenue due to likely fraudulent and collusive non-deduction of withholding tax on contractual receipts - Rs. 1,306.82 million.[1]

ii) Non-production of auditable record/data/documents to Audit.[2]

iii) Non-recovery of adjudged dues/arrears of Rs. 55,733.73 million.[3]

iv) Loss due to non-implementation of statutory provisions / SROs resulting in inadmissible adjustment of Input Tax - Rs. 4,119.85 million.[4]

v) Non-realization of Sales Tax from retailers - Rs. 2,336.44 million.[5]

vi) Inadmissible adjustment of Input Tax against exempt supplies of Rs. 2,180.00 million.[6]

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[1]Para 3.1; [2]Para 4.1; [3]Para 5.1.1; [4]Para 5.1.2; [5]Para 5.1.3; [6]Para 5.1.4;

vii) Non/short-realization of the Federal Excise Duty on Royalty, Technical Services Fee and Franchise Fee - Rs. 2,577.51 million.[7]

viii) Non-levy of minimum tax on the income amounting Rs. 1,446.37 million.[8]

ix) Non-levy of tax on concealment of income or assets amounting Rs. 16,092.53 million.[9]

x) Short levy of Super Tax for rehabilitation of temporarily displaced persons - Rs. 6,243.30 million.[10]

xi) Non-deduction/realization of withholding Sales Tax on purchases from registered/unregistered persons amounting Rs. 1,120.98 million.[11]

xii) Irregular expenditure due to non observance of PPRA and General Financial Rules amounting Rs. 25.75 million.[12]

xiii) Excess and inadmissible expenditure - Rs. 18.54 million.[13]

Recommendations

FBR needs to:

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

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

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

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

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

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

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

[7]Para 5.3.2; [8]Para 5.4.1; [9]Para 5.4.2; [10]Para 5.4.4; [11]Para 5.7.1; [12]Para 5.8.1; [13]Para 5.8.7

g. Memorandum for Departmental Accounts Committee (MFDAC)

Audit observations of Rs. 13,765.09 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. 0.77 million out of pointed out amount of Rs. 89,262.11 million was reported by the Principal Accounting Officer pertaining to MFDAC of previous year (2015-16) as given in Annexure-1A, however, no response was given for audit observations involving Rs. 89,261.34 million.

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SUMMARY TABLES

SUMMARY TABLES

Table 1: Audit Work Statistics

(Rs. in million)

S. No.	Description	No.	Actual	
			Receipts	Expenditure
1	Total Entities (Ministries/PAOs) in Audit Jurisdiction	1	2,703,528	13,937
2	Total formations in audit jurisdiction	157	2,703,528	13,937
3	Total Entities (Ministries/PAOs) Audited	1	2,508,874	12,872
4	Total Formations Audited	129	2,508,874	12,872
5	Audit & Inspection Reports	129	339,125	2,162
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	2.88
2	Weak Financial Management	329,749.61
3	Weak Internal Controls Relating to Financial Management	11,534.51
4	Others	-
	Total	**341,287.00**

Table 3: Outcome Statistics

(Rs. in million)

S. No.	Description	Receipts	Expenditure	Audit Year 2016-17	Audit Year 2015-16
1	Outlays Audited	2,508,874.00	12,872.00	2,521,746.00	2,123,056.00
2	Monetary value of audit observations	339,125.00	2,162.00	341,287.00	284,952.00
3	Recoveries pointed out by Audit	274,155.81	1,401.69	275,557.50	182,491.20
4	Recoveries accepted/ established at the instance of Audit	14,004.95	99.96	14,104.91	113,967.37
5	Recoveries realized at the instance of Audit	21,346.75	24.88	21,371.63	10,248.51

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.	313,239.87
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	2,407.71
3	Accounting Errors	-
4	Weaknesses of internal control systems.	11,534.51
5	Recoveries and overpayments, representing cases of established overpayment or misappropriations of public money.	14,104.91
6	Non-production of record.	4,909 cases
7	Others, including cases of accidents, negligence etc.	-

Table 5: Cost-Benefit Analysis

(Rs. in million)

S. No.	Description	Audit Year		
		2016-17	2015-16	2014-15
1	Outlays Audited (Items 1 of Table 3)*	2,521,746	2,123,056	964,297
2	Expenditure on Audit	187.65	180.96	155.14
3	Recoveries realised at the instance of Audit	21,371.63	10,248.51	7,656.39
4	Cost-Benefit ratio	1:114	1:57	1:49

*Including amount of receipt Rs. 2,508,874 million & expenditure Rs. 12,872 million.

PUBLIC FINANCIAL MANAGEMENT ISSUES

CHAPTER-1 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. 91.09 million

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

Scrutiny of reconciliation statement of tax receipts with AGPR, Islamabad by Director Research and Statistics (DR&S), FBR Islamabad for the FY 2015-16, revealed that while consolidating figures of tax receipts(direct & indirect taxes), 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. 91.09 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.	Head of Account	*Actual (FBR's Figures as per Reconciliation Certificates)*	**Figures reconciled by DR&S with AGPR, Islamabad	Variation Excess /Less
1	Customs	404,586.74	404,572.00	14.74
2	Sale Tax	1,320,541.21	1,320,264.22	276.99
3	FED	188,218.66	188,055.00	163.66
4	Direct Tax	1,193,749.03	1,194,113.33	-364.30
		2,918,876.98	**2,918,949.55**	**91.09**

*FBR field formations reconciliations.

** FBR reconciliation with AGPR, Islamabad at macro level.

Implication

The aforementioned position showed a variation of Rs. 91.09 million between the adopted and actual figures of Tax receipts of FBR in the Financial

Year (FY) 2015-16. This impaired presentation of tax receipts also affected the distribution of shares among the provinces. It further indicated that the Directorate, Research and Statistics, FBR had not carried out a meaningful reconciliation. Rather, it had accepted figures of AGPR just to show the formality of reconciliation.

Management Response

The Director Research and Statistics replied that actual difference was less than pointed out by Audit. Department contention was not correct as the statements, provided to Audit, were depicting the otherwise.

DAC Decision

DAC meeting was not held till finalization of the Report.

Audit Recommendations

Audit recommends that 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 2015-16]

1.2 Variation in figures of tax receipts (net) Direct & Indirect Taxes between FBR and SBP - Rs. 16,099.93 million

According to Para 3.4.2.12 of Manual of Accounting Principles each entity is required to reconcile its books of accounts with the bank record, at the close of each month. This reconciliation is 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.

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) 2016 revealed that there was a variation of

Rs. 16,099.93 million between FBR reconciled figures and SBP figures as detailed 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	1,185,726.91	1,194,113.00	8,386.09
2	Customs	439,884.48	404,572.00	(35,312.48)
3	Sales Tax	1,310,876.67	1,320,264.00	9,387.33
4	Federal Excise Duty	186,615.87	188,055.00	1,439.13
	Total Taxes	**3,123,103.93**	**3,107,004.00**	**16,099.93**

* Source: Record of SBP provided to Audit for FY 2015-16.

** Source: Figures of DR&S FBR as per reconciliation statement with AGPR for and upto June (Final) 2016.

Implication

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

Management Response

The lapse was pointed out in October, 2016 but no management response was received till finalization of this Report.

DAC Decision

DAC meeting was not held till finalization of the Report.

Audit Recommendations

Audit recommends that 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 2015-16]

1.3 Variation in FBR's figures of refund of tax receipts and those of SBP - Rs. 2,795.04 million

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

Scrutiny of FBR's and SBP's record of refund of Direct & Indirect Taxes revealed variation of Rs. 2,795.04 million in figures of refunds. SBP's total was lower than that of FBR as summarized below:-

(Rs. in million)

Refund	Figures of FBR*	Figures of SBP **	Variation
Income Tax	12,791.37	13,291.61	500.24
Customs	11,999.00	12,606.94	607.89
Sales Tax	32,239.94	33,805.77	1,565.82
Federal Excise	411.15	532.24	121.09
Total	**57,441.46**	**60,236.56**	**2,795.04**

* Source: Figures from Reconciliation Statements of FBR treasuries June (Final), 2016
** Source: Record of SBP provided to Audit for FY 2015-16

Implication

Variation in figures of refund of tax receipts may compromise presentation of financial statements.

Management Response

The lapse was pointed out in October, 2016 but no management response was received till finalization of this Report.

DAC Decision

DAC meeting was not held till finalization of the Report.

Audit Recommendations

Audit recommends that FBR treasuries and DR&S (FBR) should carry out meaningful reconciliation of refunds of tax receipts with SBP/NBP at micro and macro level for sorting out the above mentioned variations.

[Para-04 of MR-FBR 2015-16]

1.4 Non adoption of uniform format by FBR treasuries for the purpose of reconciliation of tax receipts with AGPR, Sub offices

According to Section 3.4 of chapter 6 of Accounting Policies and Procedures Manual, monthly reconciliation of expenditure, receipts and cash balance are envisaged. Every DAO is required to prepare a monthly reconciliation statement for expenditures and receipts (as set out in direction 6.3.5.1). The respective Accountant General shall prepare a consolidated monthly reconciliation statement for each government bank account (as set out in direction 6.3.5.2).

During scrutiny of reconciliation statements of tax receipts of FBR treasuries with AGPR it was observed that different formats of reconciliation statement were adopted by the FBR treasuries and AGPR sub-offices for the purpose of reconciliation of tax receipts instead of a uniform format. The uniform format had already been circulated by the AGPR and DR&S FBR Islamabad to their concerned offices in compliance of decision agreed between the DR&S and AGPR on previous year's audit observation. However, the concerned offices were not observing the same for reconciliation.

Implication

It resulted in non reconciliation of tax receipts presented by the two offices.

Management Response

The lapse was pointed out in October, 2016 but no management response was received till finalization of this Report.

DAC Decision

DAC meeting was not held till finalization of the Report.

Audit Recommendations

Audit emphasized that treasuries may be directed to adopt a uniform format as agreed by both the offices for the purpose of reconciliation of tax receipts.

[Para-05 of MR-FBR 2015-16]

1.5 Variation of Figures of WWF reconciled by DR & S FBR with AGPR Islamabad with those reported by SBP Rs. 19,774 million

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

During scrutiny of reconciliation statements of tax receipts with AGPR, Islamabad at macro level by the Director (Research & Statistics), FBR for the FY 2015-16, it was observed that the department was signing/reconciling the figure under G06304- WWF as Rs. 23,361 million for the financial year 2015-16, whereas the State Bank of Pakistan, head office Karachi had reported a collection of Rs. 3,587 million to Director (Research & Statistics), FBR and Audit under this head:-

(Rs. in million)

WWF as per reconciliation statement for the year 2015-16	WWF as per SBP statements for the year 2015-16	Variation
23,361	3,587	19,774

Implication

This did not depict a true and fair picture of tax receipts and WWF. The variation in the figures of WWF needs clarification under intimation to Audit.

Variation in figures of refund of tax receipts may compromise presentation of financial statements.

Management Response

The lapse was pointed out in October, 2016 but no management response was received till finalization of this Report.

DAC Decision

DAC meeting was not held till finalization of the Report.

Audit Recommendations

Audit recommends that FBR treasuries and DR&S (FBR) should carry out meaningful reconciliation of WWF receipt with SBP/NBP at micro and macro level for sorting out the above mentioned variation.

[Para-06 of MR-FBR 2015-16]

1.6 Excess reporting of Income Tax collection due to incorrect reporting of WWF against Income Tax targets - Rs. 8,117.80 million

Workers Welfare Fund is levied under Section 4 of Workers Welfare Fund Ordinance, 1971, the fund shall be credited into government treasuries in the Federal Section of Accounts directly into WWF Trust Account Fund under the following head of account.

Cr.	G-06	Trust Account Fund
	G-063	Workers Fund
	G-06304	Workers Welfare Fund

The management and administration of the fund had been entrusted to the Ministry of Labour & Manpower. It means WWF was a collection of the Ministry of Labour & Manpower and was payable by the FBR to the said Ministry. Hence, FBR cannot account for the said collection against budgeted targets of Income Tax.

As such Income Tax collection to the extent of Rs. 8,117.80 million was shown excess in total figure reported by RTO/DPC Rawalpindi whereas it was the collection of WWF which was creditable to the above mentioned account head.

Implication

This resulted in excess reporting of Income Tax collection due to incorrect reporting of WWF against Income Tax targets.

Management Response

The lapse was pointed out in October, 2016 but no management response was received till finalization of this Report.

DAC Decision

DAC meeting was not held till finalization of the Report.

Audit Recommendations

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

[Para-16 of MR-FBR 2015-16]

CHAPTER-2 FEDERAL BOARD OF REVENUE

2.1 Introduction

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

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

The Chairman FBR, being the executive head of the Board as well as Secretary of the Revenue Division is responsible for:

- formulation and administration of fiscal policies;
- collection of federal duties and taxes; and
- hearing of appeals.

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

The Chairman FBR/Secretary Revenue Division is assisted by two Operational Members, i.e. Member Customs (Ex-Officio Additional Secretary Revenue Division) and Member Inland Revenue (Ex-Officio Additional Secretary Revenue Division), five Functional Members, i.e. Member Facilitation and Taxpayer Education (FATE), Member Accounting, Member Enforcement, Member Taxpayer Audit and Member HRM, six Support Members, i.e. Member

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

Inland Revenue Wing consists of twenty 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 2015-16 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	1,347,872	1,324,000	1,195,205	-152,667	-128795
Sales Tax	1,250,272	1,230,300	1,320,264	69,992	89,964
Federal Excise	206,437	200,900	188,055	-18,382	-12,845
Total Inland Revenue	**2,804,581**	**2,755,200**	**2,703,528**	**-101,057**	**-51,676**

[1]Explanatory Memorandum of Federal Receipts 2016-2017
[2]Ibid
[3]AGPR Financial Statement 2015-2016

The FBR collected Rs. 2,703,528 million during FY 2015-16 as compared to revised targets of Rs. 2,755,200 million. There was an overall shortfall of Rs. 101,057 million as compared to estimates of receipts and Rs. 51,675 million with reference to revised estimates of receipts for FY 2015-16.

2.2.2 Variance analysis of revenue collection in FY 2015-16 and 2014-15

A comparison of net collection in FY 2015-16 vs 2014-15 is tabulated below:

(Rs. in million)

Tax Heads	Collection		Difference	
	FY: 2015-16	FY: 2014-15	Absolute	Percentage
Direct Tax	1,195,205	1,007,846	187,359	15.68%
Sales Tax	1,320,264	1,087,790	232,474	17.61%
Federal Excise Duty	188,055	162,248	25,807	13.72%
Total	**2,703,524**	**2,257,884**	**445,640**	**16.48%**

FBR's collection for the FY 2015-16 (Rs. 2,703,524 million) depicted an increase of Rs. 445,640 million (16.48 %) as compared to Financial Year 2014-15. Collection of Direct Taxes, Sales Tax and Federal Excise Duty exhibited increase of 15.68 %, 17.61 % and 13.72 % respectively.

Sales Tax emerged as the main source of revenue generation. It constituted 48.83 % of total collection of Federal taxes of Rs. 2,703,524 million excluding Customs Duty. Last year it constituted 48.18 % of total collection of Rs. 2,257,884 million of Federal taxes excluding Customs Duty.

Direct Taxes constituted 44.21 % of total collection of Federal taxes in FY 2015-16. Last year it constituted 44.64 % of total collection.

Federal Excise Duty constituted 6.96 % of the total Federal taxes excluding Customs Duty in FY 2015-16. Last year it constituted 7.18 % of total collection.

2.2.3 Tax to GDP Ratio from FY 2011-12 to 2015-2016

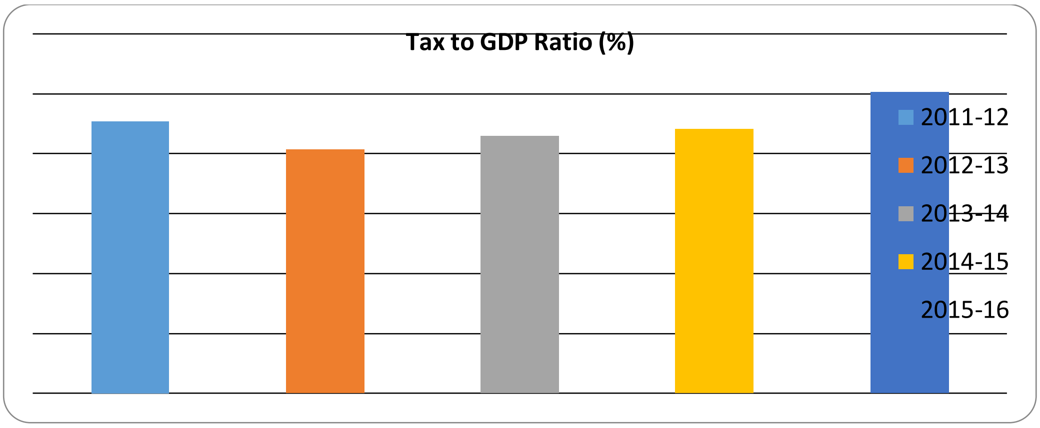
TABLE 2.2.3

(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)
2011-12	1,864.30	20,547	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
2015-16	3,108.10	30672	10.13

[1]Financial Statements 2011-2012 to 2015-2016

[2]Economic Survey of Pakistan 2011-2012 to 2015-2016, 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 2015-16 as compared to 2014-15. Comparative analysis of the statistics regarding this ratio in the recent past showed disappointing results. From 2011 to 2012 there was a steep fall and the ratio declined to 8.13 % of GDP. There was some increase in 2013-14 up to 8.58% while in 2015-16 it raised to 10.13%. 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)

	As Per Appropriation Accounts prepared by AGPR, Islamabad					
Demand/Grant No	**Original Grant**	**Suppl. Grant**	**Surrender**	**Final Grant**	**Actual Exp.**	**Excess/ (Savings)**
40- Revenue Division	320.00	0.04	0	320.04	312.91	-7.13
41- FBR	3,522.00	45.73	199.81	3,367.93	3,283.68	-84.25
43- Inland Revenue	10,690.00	65.08	391.39	10,363.69	10,168.55	-195.14
118- Development Grant of Revenue Division	335.09	2.00	118.98	216.11	172.19	-43.92
Total	**14,867.09**	**112.85**	**710.18**	**14,267.77**	**13,937.33**	**(330.44)**

Grant No. 40, 41, 43 & 118	There was saving in all heads aggregating Rs. 330.44 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 33.38% 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 diminish with the passage of time.

Direct Taxes

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

13	1999-00	69	17	52	24.64
14	2000-01	88	49	39	55.68
15	2001-02	72	10	62	13.89
16	2002-03	49	12	37	75.51
17	2003-04	21	03	18	14.28
18	2004-05	36	10	26	27.78
19	2005-06	30	04	26	13.33
20	2006-07	29	02	27	6.90
21	2007-08	37	07	30	18.92
22	2008-09	54	16	38	29.63
23	2009-10	31	Not yet discussed in PAC	31	-
24	2010-11	34	13	21	38.23
25	2011-12	50	Not yet discussed in PAC	50	-
26	2012-13	31	Not yet discussed in PAC	31	-
27	2013-14	27	0	27	0
28	2104-15	58	Not yet discussed in PAC	58	-
29	2015-16	38	Not yet discussed in PAC	38	-

Indirect Taxes & Expenditure

S. No.	Audit Report Year	Total paras	Compliance received	Compliance not received	Percentage of Compliance (%)
30	1985-86	44	38	6	86.36
31	1986-87	55	25	30	45.45
32	1987-88	43	10	33	23.26
33	1988-89	32	27	5	84.38
34	1989-90	217	147	70	67.74
35	1990-91	67	49	18	73.13
36	1991-92	76	46	30	60.53
37	1992-93	99	44	55	44.44
38	1993-94	77	30	47	38.96
39	1994-95	72	40	32	55.56
40	1995-96	83	44	39	53.01
41	1996-97	79	70	09	88.61
42	1997-98	83	60	23	72.29
43	1998-99	106	64	42	60.37
44	1999-00	71	18	53	25.35
45	2000-01	89	42	47	47.19

46	2001-02	78	40	38	51.28
47	2002-03	84	20	64	23.81
48	2003-04	47	18	29	38.30
49	2004-05	36	13	23	36.11
50	2005-06	45	08	37	17.78
51	2006-07	63	25	38	39.68
52	2007-08	130	36	94	27.69
53	2008-09	149	62	87	41.61
54	2009-10	137	Not yet discussed in PAC		
55	2010-11	87	11	76	12.64
56	2011-12	83	Not yet discussed in PAC		
57	2012-13	72	Not yet discussed in PAC		
58	2013-14	66	5	61	5.57
59	2014-15	100	Not yet discussed in PAC		
60	2015-16	69	Not yet discussed in PAC		

COMPLIANCE WITH AUTHORITY AUDIT

(AUDIT PARAS)

CHAPTER-3 FRAUDULENT TAX EVASIONS

3.1 Loss of revenue due to likely fraudulent and collusive non-deduction of withholding tax on contractual receipts - Rs. 1,306.82 million

According to Section 153 (1)(c) of Income Tax Ordinance 2001, every prescribed person making a payment in full or part including a payment by way of advance to a resident person or permanent establishment in Pakistan of a non-resident person on the execution of a contract (other than a contract for the sale of goods or the rendering of services shall at the time of making the payment deduct tax from the gross amount payable at the rate specified in Division III of Part III of the First Schedule.

M/s Habib Construction Services (Pvt) Ltd (NTN 3237053) under the jurisdiction of CRTO, Lahore filed Income Tax returns for the Tax Years 2009 to 2014. Audit observed that as per FBR e-portal, tax deducted from M/s Habib Construction Services (Pvt) Ltd. by the withholding agents concerned was much less than the tax deduction declared by it in its tax returns for the Tax Years 2009 to 2014. It indicated that either the tax was not deducted under Section 153(1)(c) or was not deposited in the Government Treasury at all. This resulted in revenue loss of Rs. 1,306.82 million.

Having observed as above, audit requested several times that immediate corrective action as per law be taken and if the aforementioned position was found to be correct and established then recovery be made from the contractor along with penalties and default surcharge.

Management Response

The matter was reported to the Department in April, 2016, however, their response was dismal. The Department finally replied that an amount of Rs. 141.60 million had been deducted for which CPRs had also been provided. Formal notices were issued to the taxpayer for the balance amount, in response to which taxpayer had provided all the deduction certificates issued by the withholding agents. In order to confirm the genuineness of the deduction certificates letter dated 07th February, 2017 had been issued to the withholding agent. As soon as confirmation regarding genuineness of the deduction certificates was received from the withholding agent, case would be proceeded further as per law.

DAC Decision

During DAC meeting the Department tried to twist the issue but could not provide justification as to why they could not recover the amount involved despite lapse of about a year.

DAC in its meeting held on 14th February, 2017 directed the Department to get its stance verified from Audit by 20th February, 2017.

Follow up of DAC Decision

The Department provided copies of CPRs only for an amount of Rs. 141.60 million, however, they could not provide evidence of deposit of the balance amount of tax into the Government Treasury.

Audit Recommendations

- Provision of evidence in the shape of CPRs/challans of the remaining amount;
- Loss of government revenue be made good alongwith recovery of default surcharge and imposition of penalties under intimation to Audit.
- A facts finding inquiry be conducted into the matter to fix responsibility into the matter; and
- Internal controls may be strengthened to avoid recurrence of such irregularities in future.

[DP No.15934-IT]

3.2 Loss of revenue due to concealment of income - Rs. 855.30 million

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

M/s Habib Construction Services Pvt Ltd (NTN 3237053) under the jurisdiction of CRTO, Lahore derived income from contractual receipts being a contractor. Taxpayer executed several projects during the Tax Year 2009 to 2014 as predicted by the taxpayer itself on its website. Audit observed that taxpayer did not declare its actual contractual receipts in its Income Tax returns with respect to its completed projects. Resultantly, non-declaration of actual contractual receipts caused Public Exchequer to suffer revenue loss of Rs. 855.30 million.

Audit requested several times that immediate corrective action as per law may be taken and if the aforementioned position was found to be established then recovery be made from the contractor alongwith recovery of default surcharge and imposition of penalties.

Management Response

The Department replied that proceedings were initiated under Section 122(5) of the Income Tax Ordinance, 2001 which were finalized and dropped on the plea that tax was deducted at the time of making payment on the basis of completed work. The Department further argued that the proceedings under the Income Tax Ordinance, 2001 could not be initiated on the basis of information appeared on website of the taxpayer.

DAC Decision

The DAC in its meeting held on 14th February, 2017 directed the Department to provide copies of order u/s 122, alongwith other relevant documents, to Audit for verification by 20th February, 2017.

Follow up of DAC Decision

The Department only provided documentary proof regarding the proceedings initiated by them under the Income Tax Ordinance, 2001. Since this matter was reported to them, their response was extremely un-satisfactory and did not indicate any resolve on their part to recover the amount involved.

Audit Recommendations

- Copies of Original contract may be provided to Audit so that the difference could be justified/reconciled.
- Loss of government revenue be made good under intimation to Audit.
- Responsibility may be fixed against the persons found at fault for not initiating legal proceedings for concealment of income.
- Internal controls may be strengthened to avoid recurrence of such irregularities in future.

[DP No.15935-IT]

3.3 Non-deposit of Income Tax into Government exchequer - Rs. 245.59 million

According to Section 165 of the Income Tax Ordinance 2001 every person collecting or deducting tax shall furnish to the Commissioner a monthly statement in the prescribed form setting out the Name, CNIC, National Tax Number and address of each person from whom tax has been collected or to whom payments have been made from which tax has been deducted in each month.

M/s National Logistic Cell (NTN 9013102-9) under the jurisdiction of RTO, Rawalpindi paid heavy amounts to various contractors including M/s Habib Construction (Pvt) Ltd during the period 2012 to 2014 as per information provided by Director General, Commercial Audit & Evaluation Lahore. Only name of the contractors were provided by the NLC without mentioning the NTN or CNIC number of contractors to whom payments were made. NLC also did not file the Income Tax returns as per soft data provided by FBR. This means that no tax had been deposited into government exchequer by the NLC which resulted into likely loss of Rs. 245.59 million.

The matter of tax evasion is very serious in nature, hence a detailed inquiry is required to ascertain reasons for the stated loss to the public exchequer and to fix responsibility in the matter.

Management Response

The Department replied that case transferred to RTO Rawalpindi through CCIR Office, Lahore on the point of jurisdiction vide letter No.1985/J dated 08th February, 2017.

DAC Decision

The DAC in its meeting held on 14th February, 2017 directed the CRTO, Lahore to provide incorporation certificate by 20th February, 2017.

Audit Recommendations

- Non-depositing of Tax be justified.
- Loss of government revenue be made good alongwith recovery of default surcharge and imposition of penalties under intimation to Audit.
- Responsibility be fixed against the persons for not initiating legal proceedings for non recovery of tax withheld.
- Internal controls may be strengthened to avoid recurrence of such irregularities in future.

[DP No.16177-IT]

CHAPTER-4 NON-PRODUCTION OF RECORD

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

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

Section 12 of the Auditor-General’s Ordinance, 2001 empowered the Auditor-General of Pakistan to conduct audit of Receipts. Under Section 14 of the Ordinance, he has the authority to inspect any office of accounts including treasuries and such offices responsible for the keeping of initial or subsidiary accounts and to require that any accounts, books, papers and other documents which deal with, or form, the basis of or otherwise relevant to the transactions to which his duties in respect of audit extend, shall be sent to such place as he may direct for his inspection. Further, the officer 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.

Eight field formations of FBR did not provide the auditable record of 4,909 cases requisitioned by audit teams. Non-production of record was a serious violation of law, as it created hindrance in discharging constitutional role of the Auditor-General’s Department. It also deprived the Government of cash recoveries effected at the instance of Audit. Following record was not provided:

i) record of tax refunds issued during the year 2015;

ii) cases of exemptions issued by the Department during the Tax Year 2015;

iii) record of assessment orders passed during the year 2015;

iv) record of cases selected for audit by the Board/Commissioner during the year 2015;

v) withholding Statements (Sales Tax & Income Tax);

vi) audited accounts of taxpayers for the year 2015;

vii) list of cases under recovery;

viii) details of BTB cases where proceedings were pending along with latest position;

ix) details of BTB cases where proceeding dropped alongwith reasons behind; and

x) details of third party data collected by CRTO Lahore (Soft/Hard format).

Furthermore, access to following record was totally denied to audit teams by all RTOs/LTU, 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.

Management Response

The Department informed that the record was ready for Audit and that there will be no incidence of non production of record in future.

DAC Decision

The DAC in its meeting held on 13th to 16th February, 2017 directed the Department to ensure the production of record to the next visiting Audit team.

Audit Recommendations

- Production of auditable record may be ensured and disciplinary proceedings may be initiated where incidences of violation take place.

[Annexure-3]

CHAPTER-5 IRREGULARITIES AND NON-COMPLIANCE

5.1 Sales Tax

5.1.1 Non-recovery of adjudged dues/arrears - Rs. 55,733.73 million

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

Tax collecting authorities of eleven (11) field offices of FBR did not take prescribed measures for recovery of adjudged government dues which resulted in non recovery of Rs. 55,733.73 million in six hundred and ninety five (695) cases during financial years 2012-13 to 2015-16. Few examples of such taxpayers are given as under:

1. M/s Distribution Services (STRN 1200240200228) registered with LTU Karachi did not pay assessed amount of Sales Tax of Rs. 563.06 million as adjudged vide Order-in-Original No.04/75/ 2015-16 dated 27th May 2016 (DP No.6190-ST/K).

2. RTO Peshawar did not recover assessed penalty from M/s Sharif Customs Clearing agents (STRN 05019805011437) adjudged vide Assessment Order No. 230/2015 dated 4th June 2015. This resulted into non recovery of assessed amount of government revenue of Rs. 17.021 million (DP No.16216-ST).

Management Response

The Department replied that (a) recovery of Rs. 50.98 million had been effected; (b) an amount of Rs. 7,152.57 million was being recovered; (c) cases of Rs. 42,439.82 million were subjudice; (d) cases of Rs. 51.42 million were under adjudication; (e) cases of Rs. 3,796.25 million were awaiting action by the Department; (f) cases of Rs. 2,135.46 million had been reconciled; and (g) cases of Rs. 107.23 million were vacated in adjudication and verified by Audit.

DAC Decision

The DAC in its meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to expedite recovery/adjudication/legal proceedings, pursue subjudice cases at appropriate level and furnish updated reply in non responded cases by 31st March, 2017. The DAC settled the para to the extent of amount recovered, vacated and reconciled with Audit.

Audit Recommendations

- Expeditious recovery/adjudication/legal proceedings.
- Pursuance of subjudice cases at appropriate level.
- Furnish reply in non responded cases.
- Fix responsibility against the person(s) at fault.

[Annexure-4]

5.1.2 Loss due to non-implementation of statutory provisions / SROs resulting in inadmissible adjustment of Input Tax - Rs. 4,119.85 million

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

One hundred and eleven (111) taxpayers registered with fourteen (14) 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 below:

(Rs. in million)

S. No.	Office	Cases	Amount	Law/Rule violated
1	CRTO Lahore	01	2.27	Sections 8(1)(a) of the Sales Tax Act, 1990.
2	RTO Peshawar	01	5.17	Sections 8(1) (a) of the Sales Tax Act, 1990 & SRO 490(I) 2004 dated 12.06.2004.
3	RTO Gujranwala	05	30.01	Sections 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.
4	LTU Lahore	03	153.94	Sections 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	LTU Islamabad	06	35.87	Sections 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 Sialkot	03	5.46	Section 8(1)(a)(h)(i) of the Sales Tax Act, 1990.
7	RTO Multan	08	36.78	Section 8(1)(a)(d)(h)(j) of the Sales Tax Act, 1990, SRO 490(I)2004 dated 12.06.2004 and SRO 450(I)2013 dated 27.05.2013.
8	RTO Faisalabad	06	29.04	Section 8(1)(a)(h) of the Sales Tax Act, 1990 & SRO 490(I)2004 dated 12.06.2004 SRO 450(I)2013 dated 27.05.2013.
9	RTO Islamabad	04	1.47	Section 8(1)(a)(h) of the Sales Tax Act, 1990.
10	RTO Abbottabad	01	1.02	Section 8(1)(a)(h) of the Sales Tax Act, 1990.
11	LTU Karachi	22	3,576.90	Sections 7(2), 8(1)(a)(ca)(h)(f), 21(3)(4) & 73 of the Sales Tax Act 1990, SRO 490(I)/2004 read with SRO 450(I)/2013 dated 27.05.2013, 9th Schedule of Sales Tax Act, 1990, Rule 12 of the Sales Tax Rules, 2006
12	RTO Sukkur	04	48.88	Sections 7(2), 10(1) of the Sales Tax Act 1990.
13	RTO-II Karachi	43	188.32	Sections 7(2), 8(1)(a)(ca)(d) &21(3)(4)of Sales Tax Act, 1990 read with Rule 12 of Sales Tax Rules 2006
14	RTO-III Karachi	04	4.72	Sections 8(1)(a)(f) & 73 of the Sales Tax Act 1990
	Total	**111**	**4,119.85**	

This resulted in short-realization of Sales Tax amounting to Rs. 4,119.85 million due to inadmissible adjustment of Input tax. Few examples of such taxpayers are given as under:

1. M/s Advance Telecom (NTN 2848905-5) registered with LTU Karachi claimed input tax of Rs. 632.12 million on import of cellular phone during the Tax Year 2015-16. The adjustment was not admissible as per condition VII of 9th Schedule of the Sales Tax Act 1990. This resulted in loss of government revenue of Rs. 632.12 million (DP No.6185-ST/K).

2. M/s TOTAL PARCO Marketing Limited (NTN 0786904-5) registered with LTU Karachi adjusted input tax credit on the basis of purchase invoices of petroleum products issued to himself during the year 2015-16. This resulted in inadmissible adjustment of input tax of Rs. 2,170.86 million (DP No.6138-ST/K).

3. M/s Haleeb Foods Limited (NTN 1207069-6) registered with LTU Lahore adjusted input tax paid on the goods such as vehicles, petroleum products, parts of vehicle, entertainments, wire and cable which was not admissible under the law. This resulted in inadmissible adjustment of Input Tax of Rs. 76.45 million during the year 2015-16 (DP No.16288-ST).

4. M/s Ghani Packages (NTN 1202083-4) registered RTO, Multan claimed input tax adjustment credit against certain invoices during the years 2013-14 to 2015-16. The registered person was involved in production of paper cone and the raw material for production of paper cone was paper board which ranges average rate of paper board between Rs. 30 to Rs. 40 Per Kg but the registered person claimed input tax in which the average purchase rate ranges between Rs. 75 to Rs. 110 per Kg. On the other hand the supplies made by the registered person also remained the below price from the purchase price meaning thereby, the raw material purchased not relevant to the end product produced by the registered person. There was no relevancy with the raw material purchased and with the end product produced/supplied, the registered person overstated the input tax just to adjust against the output tax as evident from the tax profile of the taxpayer as no tax paid during last three years which showed that the only paper transactions and actual movement of goods did not take place between the suppliers and the buyer. This resulted in inadmissible adjustment of input tax credit of Rs. 25.846 million (DP No.16431-ST).

Management Response

The Department replied that: (a) an amount of Rs. 6.59 million was under recovery; (b) cases of Rs. 200.83 million were under adjudication; (c) cases of Rs. 3,912.07 million were awaiting action by the Department; (d) an amount of

Rs. 0.35 million had been vacated; and (e) Rs. 0.01 million had been recovered and verified by Audit.

DAC Decision

The DAC in its meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to expedite recovery/adjudication/legal proceedings and get position verified in contested cases from Audit by 31st March, 2017. The DAC settled the para to the extent of amount recovered and vacated.

Audit Recommendations

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

[Annexure-5]

5.1.3 Non-realization of Sales Tax from retailers - Rs. 2,336.44 million

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

Three (03) field offices of FBR neither recovered Sales Tax charged by M/s PESCO, HESCO & QESCO against supply of electricity to retailers whose electricity bills were twenty thousand rupees or more during the month nor levied statutory Sales Tax at the rate of seventeen percent on electricity supplied by PESCO to retailers during 2015-16. This resulted in non-realization of Sales Tax from retailers amounting to Rs. 2,336.44 million as under:

(Rs. in million)

S. No.	Nam of office	PDP No.	No. of cases	Amount
1	RTO Peshawar	16206-ST	01	2,271.94
2	RTO Hyderabad	6122-ST/K	01	57.36
3	RTO Quetta	6166-ST/K	01	7.14
		Total	**03**	**2,336.44**

Management Response

The Department replied that an amount of Rs. 2,329.30 million was under adjudication whereas cases involving Rs. 7.14 million were under examination.

DAC Decision

The DAC in its meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to examine the para and furnish comprehensive reply to Audit and FBR by 28th February, 2017.

Audit Recommendations

- Expeditious adjudication of cases.
- Furnish comprehensive reply in the light of DAC directives.
- Fix responsibility against the person(s) at fault.

5.1.4 Inadmissible adjustment of Input Tax against exempt supplies - Rs. 2,180.00 million

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

Eleven (11) taxpayers registered with five (05) field offices of FBR made taxable as well as exempt supplies and adjusted Input Tax against both the supplies made during the Financial Years 2013-14 to 2015-16. They were required to make apportionment of Input Tax incurred against taxable supplies for the purpose of adjustment but the same was not done. This resulted in inadmissible adjustment of Input Tax amounting to Rs. 2,180.00 million. Few examples of such taxpayers are given as under:

1. M/s Best Price Shopping Centre (NTN 3636571-8) registered with RTO Islamabad had declared total sales amounting to Rs. 295.71 million which also contained exempt supplies amounting to Rs. 194.24 million. The taxpayer failed to make apportionment of Input Tax according to taxable and exempt supplies. The omission resulted into excess claim and adjustment of input tax amounting to Rs. 9.39 million (DP No.16643-ST).

2. M/s Faisalabad Electric Supply Company (NTN 3048930-0) registered with Commissioner IR (Zone-I) RTO Faisalabad had declared supplies of free electricity to its employees (in Note-28.1 to the Annual Accounts 2015) but did not apportioned the input tax attributable to taxable supplies for the purpose of adjustment. The lapse resulted in short realization of Sales Tax amounting to Rs. 55.03 million during the Tax Years 2014 and 2015. (DP No.16486-ST).

Management Response

The Department replied that an amount of Rs. 2,115.54 million was under adjudication whereas, cases of Rs. 64.46 million were under examination.

DAC Decision

The DAC in its meeting held on 13th to 16th February, 2017 directed the Department to examine the para and furnish comprehensive reply to Audit and FBR by 28th February, 2017.

Audit Recommendations

- Expeditious adjudication of cases.
- Furnish comprehensive reply in the light of DAC directives.
- Improvement in the monitoring process of Input Tax adjustment.
- Fix responsibility against the person(s) at fault.

[Annexure-6]

5.1.5 Short-realization of Sales Tax due to suppression of sales - Rs. 2,133.79 million

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

A taxpayer M/s AGE Industries Private Limited registered with Regional Tax Office, Peshawar submitted normal Income Tax return for Tax Year 2014 and claimed adjustment/refund of Income Tax paid under Section 236H of the Income Tax Ordinance, 2001. When the sales of taxpayer were calculated on the basis of reverse back formula, it revealed that the taxpayer had declared lesser sales in Sales Tax returns as compared to sales declared in Income Tax return.

This resulted in short realization of Sales Tax of Rs 2,133.79 million as detailed below:

Particulars	Rs. in million
Adjustment/refund of Income Tax paid under Section 236H of the Income Tax Ordinance, 2001	65.12
Sales declared in Income Tax return 2014 & Sales Tax returns 2013-14	472.30
Sales as per reverse back calculation (65.12*100/0.50)	13,024.00
Sales concealed in Sales Tax returns	12,551.70
Sales Tax @ 17%	**2,133.79**

Management Response

The RTO Peshawar replied that the entire amount was under examination.

DAC Decision

The DAC in its meeting held on 13th to 16th February, 2017 directed the Department to examine the para and furnish comprehensive reply to Audit and FBR by 28th February, 2017.

Audit Recommendations

- Furnish comprehensive reply in the light of DAC directives.
- Proper monitoring of sales for due payment of tax.
- Fix responsibility against the person(s) at fault.

[DP No. 16218-ST]

5.1.6 Non/short-realization of Sales Tax due to difference of sales declared in Income / Sales Tax Returns - Rs 3,010.70 million

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

Twenty nine (29) taxpayers registered with seven (07) field offices of FBR had declared two different figures of sales in their Sales Tax profiles/sales register and Income Tax Returns/purchase register/annual accounts during the years 2013-14 & 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. 3,010.70 million. The non-payment also attracted default surcharge and penalty. Few examples of such taxpayers are given as under:

1. M/s Tribal Areas Electricity Supply Company Limited (NTN 3557321), registered with RTO Peshawar declared sales of Rs. 7,818.78 million in Sales Tax returns as against the sales declared in Income Tax return Rs. 12,992.47 million in Tax Year 2014. Thus, Rs. 5,173.69 million sales have been suppressed involving Sales Tax Rs. 879.53 million (DP No.16208-ST).

2. M/s King Beverages Industries (Private) Limited (NTN 2856623) registered with RTO, Sialkot supplied goods of Rs. 336.21 million to another taxpayer (M/s Coca Cola Beverages Pakistan Limited, Lahore (NTN 0709120-6) during 2014-15 & 2015-16 but did not declare these supplies in his sale register as evident from purchase register of the buyer. Thus sales of Rs. 336.21 million had been suppressed involving Sales Tax Rs. 57.15 million (DP No.16169 - ST).

3. M/s Hexon Chemicals (Private) Limited (NTN 1308600) registered with RTO Multan did not pay Sales Tax of Rs. 33.57 million on supply of pesticides valuing Rs. 197.49 million as declared in his Income Tax return for the Tax Year 2015. This resulted into non payment of Sales Tax of Rs. 33.57 million (DP No.16691-ST).

Management Response

The Department replied that: (a) an amount of Rs. 66.40 million was being recovered; (b) cases of Rs. 1,974.69 million were under adjudication; and (c) cases of Rs. 969.61 million were awaiting action by the Department.

DAC Decision

The DAC in its meeting held on 13th to 16th February, 2017 directed the Department to expedite recovery/adjudication/legal proceedings by 31st March, 2017.

Audit Recommendations

- Expeditious recovery/adjudication/legal proceedings of the cases.
- Monitoring of sales declaration by the taxpayers in Sales Tax and Income Tax returns for due payment of tax.
- Fix responsibility against the person(s) at fault.

[Annexure-7]

5.1.7 Non-registration of taxpayers in Sales Tax regime resulting in potential loss of Sales Tax - Rs. 1,615.80 million

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

One hundred and sixty six (166) taxpayers registered with nine (09) offices of FBR deriving income from manufacturing/supply of various taxable goods either claimed refund of Income Tax/filed Income Tax returns or made adjustment of Tax deducted on their utility bills in the Tax Years 2011-2015. Tax deducted on their electricity bills showed that either their utility bills were more than seven/eight hundred thousand rupees or annual turnover was more than five million rupees. They were required to be registered under the Sales Tax Act, 1990 and pay Sales Tax on their taxable supplies. As per soft data of FBR, they were not registered with Sales Tax Department and were not paying Sales Tax. Refund sanctioning authorities paid refund of Income Tax without getting them registered in Sales Tax regime and did not recover Sales Tax on taxable supplies. This resulted in potential loss of Sales Tax amounting to Rs. 1,615.80 million. Few examples of such taxpayers are given as under:

1. A taxpayer M/s TNB Remco Pakistan Private limited (NTN 3555581-5) registered with RTO, Sialkot deriving income from electric power generation, transmission and distribution as per Income Tax returns. The annual turnover of the taxpayer in Tax Year 2014 and 2015 was Rs. 540.29 million and Rs. 683.33 million respectively. The taxpayer was liable to be registered with Sales Tax Department and pay Sales Tax on supplies but the Department did not register the taxpayer in Sales Tax regime. The omission resulted in non-realization of Sales Tax Rs. 208.06 million (DP No.16277 - ST).

2. M/s Shani Food Industries (Pvt.) Limited (NTN 1435896-4) registered with RTO, Multan, deriving income from manufacturing/supply of taxable goods (Bakery Products), filed their Income Tax returns and not registered in Sales Tax regime. The turnover declared in Income Tax returns was more than five million rupees. The taxpayer was required to be registered under the

Sales Tax Act, 1990 and pay Sales Tax and Extra Tax on the taxable supplies. This resulted in potential loss of Sales Tax amounting to Rs. 30.252 million (DP No.16687 -ST).

3. Mr. Afridi Farms (NTN 4212321-6) registered with RTO Islamabad as service provider and the taxpayer should be registered under Sales Tax Law. This non-registration under Sales Tax law resulted in potential loss of government revenue amounting to Rs. 16.04 million (DP No.16648-ST).

4. Mr. Nadeem Iqbal (NTN1353024-7) registered as service provider with RTO Faisalabad had continuously purchased textile items from M/s MKB Spinning Mills during the years 2014, 2015 & 2016. The value of purchases were Rs. 347.48 million, hence, the taxpayer was required to be registered in Sales Tax regime for payment of Sales Tax on sale of these purchased goods. Due to non registration the government sustained a potential loss of Rs. 17.89 million (DP No.16470-ST).

Management Response

The Department replied that: (a) an amount of Rs. 210.91 million was being recovered: (b) cases of Rs. 267.70 million were under adjudication; (c) cases of Rs. 917.47 million were awaiting action by the Department; and (d) cases of Rs. 219.72 million were reconciled with Audit.

DAC Decision

The DAC in its meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to expedite recovery/adjudication/legal proceedings by 31st March, 2017. The DAC settled the para to the extent of amount reconciled with Audit.

Audit Recommendations

- Expeditious recovery/adjudication/legal proceedings of cases.

- Get the taxpayers registered with Sales Tax Department under intimation to Audit.

- Fix responsibility against the person(s) at fault.

[Annexure-8]

5.1.8 Non-realization of Further Tax and Extra Tax due to non implementation of statutory provisions / SROs - Rs. 1,050.58 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/two per cent of the value shall be charged in addition to the rate specified w.e.f. 13th June 2013 and 29th June, 2015. Further SRO 896(I) 2013 dated 4th October 2013 and Rule 58 S & 58T of Sales Tax Special Procedure Rules, 2007 provide that extra Sales Tax @ 2% shall be levied and collected on supply of specified goods and according to SRO 509(I)/2013 dated 12th June 2013, Extra Tax is chargeable at the rate of 5% of the total billed amount of electricity and natural gas to the persons having industrial or commercial connection and whose bill in any month exceeded rupees fifteen thousand but who have neither obtained Sales Tax registration number nor exists on Active Taxpayers List (ATL) maintained by FBR.

Ninety five (95) taxpayers registered with twelve (12) field offices of FBR made taxable supplies to the registered and non-registered persons during the year 2013-14 to 2015-16 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. 1,050.58 million. Few examples of such taxpayers are given as under

1. M/s Ruby Foam Industries (Private) limited (NTN 2879680-2) registered with RTO Sialkot did not pay Further Tax on taxable supply to non registered persons during the year 2015-16. This resulted in non payment of Further Tax of Rs. 8.94 million (DP No.16166-ST).

2. M/s QESCO NTN 3044052-1 registered with RTO Quetta supplied electricity to various industrial and commercial consumers but

failed to show total value of sales and Sales Tax payable @ 17 % in all Sales Tax returns. However, Further Tax shown to be paid @ 2 % of total value of sales. This resulted in non payment of Sales Tax of Rs. 523.63 million (DP No.6172-ST/K).

3. M/s Omer Jibran Engineering Industries Limited (NTN 0815465-1) registered with LTU Karachi made taxable supply of specified goods to un-registered person but extra tax was not charged during the tax period from September 2015 to June 2016. This resulted into non-payment of Sales Tax of Rs. 33.76 million (DP No.6195-ST/K).

Management Response

The Department replied that: (a) an amount of Rs. 20.01 million was being recovered: (b) cases of Rs. 67.02 million were under adjudication; (c) cases of Rs. 10.84 million were subjudice: (d) cases of Rs. 951.87 million were awaiting action by the Department; and (e) an amount of Rs. 0.84 million had been recovered but was to be verified by Audit.

DAC Decision

The DAC in its meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to expedite recovery/adjudication/legal proceedings and pursue subjudice cases at appropriate level by 31st March, 2017. The DAC settled the para to the extent of amount recovered, reconciled with Audit Rs. 0.84 million subject to verification by Audit.

Audit Recommendations

- Expeditious recovery/adjudication/legal proceedings of the dues;
- Pursuance of subjudice cases at appropriate level.
- Fixing of responsibility against the person(s) at fault.

[Annexure-9]

5.1.9 Non-payment of Sales Tax by ship breakers - Rs. 992.69 million

According to Rule 58H Sub-Rule (2B) of the Sales Tax Special Procedure Rules, 2007 as amended through SRO 484(I)/2015 dated 30th June, 2015 local supplies of re-meltable iron and steel scrap shall be charged to Sales Tax at the rate of Rs 5,600 per MT.

Five (05) ship breakers registered with LTU-II Karachi did not pay Sales Tax on supply of re-meltable scrap (29.5 % of the total tonnage of the ship imported for breaking) during the period July, 2013 to January, 2016. The exemption on supply of re-meltable scrap vide SRO 551(I)/2008 dated 11th June, 2008 was withdrawn by rescinding the notification on 26th June 2014 thus re-meltable scrap had become liable to Sales Tax at standard rate. The Sales Tax was required to be recovered under SRO 484(I)/2015 dated 30th June, 2015, but the Department did not initiate any legal proceedings to recover the dues. This resulted in non-payment of Sales Tax of Rs. 992.69 million as under:

(Rs. in million)

S. No.	Name of Taxpayer	STRN/NTN	Tax Year	Amount
1	Al Hamza Commodities	1750730002346	2013-14	169.39
2	Imran Ship Breaking Company	601720401437	2013-16	297.88
3	Usman Enterprises	601720400519	2013-15	274.91
4	Horizone	2137119-9	2013-16	181.26
5	Sharry Ship Breakers	3021526-9	2013-15	69.25
			Total	**992.69**

Management Response

The Department reported that show cause notices in respect of all the registered persons had been issued. The taxpayers had approached the Honourable High Court Sindh vide suit No.1088 of 2016 and Honourable High Court had granted stay to them on 4th May, 2016. Since the matter was subjudice, the progress will be reported to Audit after the decision of the Honourable High Court.

DAC Decision

The DAC in its meeting held on 6th to 10th February, 2017 directed the Department to pursue subjudice cases at appropriate level and reply to Audit and FBR by 31st March, 2017.

Audit Recommendations

- Pursuance of subjudice cases at appropriate level.
- As the period of stay had been expired on 4th November 2016, recovery proceeding may be initiated.
- Fixing of responsibility against the person(s) at fault.

[DP No.6206-ST/K]

5.1.10 Non-finalization of assessment orders - Rs. 1,012.83 million

According to Section 11(2) of the Sales Tax Act, 1990 the assessment order shall be made within one hundred and twenty days of issuance of show cause notice or such extended period as the Commissioner may fix provided that the extension shall not exceed ninety days.

Two (02) field offices of FBR initiated legal proceedings against thirty five (35) registered persons due to non-payment of Sales Tax but the proceedings were not completed within stipulated period of 120 days in violation of law. This resulted into blockage of government revenue of Rs. 1,012.83 million as under:

(Rs in million)

S. No.	Office	PDP No.	No. of cases	Amount
1	RTO-II Karachi	6159-ST/K	12	240.38
		6173-ST/K	19	155.77
		6157-ST/K	01	246.21
2	LTU Karachi	6200-ST/K	03	370.47
		Total	**35**	**1,012.83**

Management Response

The Department replied that all the cases were under examination.

DAC Decision

The DAC in its meeting held on 6th to 10th February, 2017 directed the Department to examine the para and furnish comprehensive reply to Audit and FBR by 28th February, 2017.

Audit Recommendations

- Furnish updated reply of the cases in the light of DAC directives.
- Fix responsibility against the person(s) at fault.

5.1.11 Loss due to concealment of actual sales resulting in short-payment of Sales Tax - Rs. 693.72 million

According to Section 3(1)(a) read with Section 2(46) of the Sales Tax Act, 1990 there shall be charged, levied and paid Sales Tax at the rate of seventeen per cent of the value of taxable supplies made by a registered person in the course or furtherance of any taxable activity carried on by him. Further, lapse also attracts penalty under Section-33 (11)(c) of the Act ibid which also needs to be recovered.

Contrary to above, the following instances involving aggregated amount of Rs. 693.72 million were observed: -

a) M/s FESCO (NTN 3048930-0) registered with RTO Faisalabad purchased electricity of Rs. 6,139.09 million from different IPPs and NTDC. Against these purchases of electricity, registered person had shown sales of electricity of Rs. 3,622.52 million in March, 2013. Electricity cannot be stored and registered persons had concealed its sales which resulted in short-realization of Sales Tax of Rs. 187.09 million during the tax period 2012-13 (DP No.15947-ST).

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. 506.63 million for the period 2015-16 (DP No.16686-ST).

Management Response

The Department replied that cases of Rs. 506.63 million were under adjudication and cases of Rs. 187.09 million were awaiting action by the Department.

DAC Decision

The DAC in its meeting held on 13th to 16th February, 2017 directed the Department to expedite adjudication and furnish comprehensive reply to Audit and FBR by 28th February, 2017.

Audit Recommendations

- Expeditious adjudication/legal proceedings of cases.
- Fix responsibility against the person(s) at fault.

5.1.12 Non-realization of penalty and default surcharge on non/late-filers - Rs. 443.79 million

According to Sections 33 & 34 of the Sales Tax Act, 1990 if a registered person does not pay Sales Tax due or part thereof in time or failed to file Sales Tax Return, he shall pay, 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.

Eleven (11) field offices of FBR did not recover the amount of penalty and default surcharge from nine thousand eight hundred and eighty eight (9888) registered persons who either did not file Sales Tax Returns or paid Sales Tax after due date during the year 2014-15 and 2015-16.This resulted in non-realization of default surcharge and penalty amounting to Rs. 443.79 million. Few examples of such taxpayers are given as under

1. M/s PESCO NTN 2228080 registered with RTO Peshawar made tax payments and submitted Sales Tax returns after due dates during Financial Year 2014-15 and 2015-16. This resulted in non payment of penalty and default surcharge of Rs. 8.52 million (DP No.16215-ST).

2. M/s SEPCO (NTN 3801689-3) registered with RTO Sukkur made tax payments of Sales Tax after the due date. This made them liable to pay penalty and default surcharge of Rs. 3.29 million (DP No.6116-ST/K).

Management Response

The Department replied that: (a) an amount of Rs. 20.30 million was under adjudication; (b) cases of Rs. 0.08 million were under verification; (c) cases of Rs. 422.81 million were awaiting action by the Department; and (d) amount of Rs. 0.60 million had been reconciled with Audit.

DAC Decision

The DAC in its meetings held on 4^{th} to 10^{th} and 12^{th} to 16^{th} February, 2017 directed the Department to expedite adjudication and furnish comprehensive reply to Audit and FBR by 31^{th} March, 2017. The DAC settled the para to the extent of amount reconciled and Rs. 0.08 million subject to verification.

Audit Recommendations

- Justification for non imposition of penalty and default surcharge.

- Expeditious adjudication/legal proceedings of the dues.

- Internal controls may be strengthened to avoid recurrence of such irregularities in future.
- Fix responsibility against the person(s) at fault Audit.

[Annexure-10]

5.1.13 Short-realization of Sales Tax Rs. 387.51 million and Federal Excise Duty Rs. 51.45 million aggregating Rs. 438.96 million due to concealment of purchases and stocks

According to Section 3 read with Section 26 of the Sales Tax Act, 1990 there shall be charged, levied and paid Sales Tax at the prescribed rate of the value of taxable supplies made by a registered person in the course or furtherance of any taxable activity carried on by him and every registered person requires to furnish not later than the due date a true and correct return in the prescribed form. Moreover, Sections 3(1) of the Federal Excise Act, 2005 provides that Federal Excise Duty shall be levied and collected on goods produced or manufactured in Pakistan at the rate specified in first schedule of the Federal Excise Act, 2005.

Twenty three (23) taxpayers registered with eight (8) field offices of FBR had shown different figures of purchases, imports and stocks in various sets of accounts i.e. Sales Tax profiles, Income Tax Returns, Audited Accounts and stock statements etc which depicted that the taxpayers had concealed their purchases, imports and stocks leading to less production and sales. This resulted in short realization of Sales Tax Rs. 387.51 million and FED Rs. 51.45 million aggregating to Rs. 438.96 million during the Tax Year 2012 to 2015. Few examples of such taxpayers are given as under

1. M/s Pakistan Match Industries (Private) Limited (NTN 1222608-4) registered with RTO Peshawar concealed its import of Red Phosphorous valuing Rs. 31.16 million in stock statement provided for Sales Tax refund for the tax period of July 2014. This resulted into loss of government revenue due to concealment of stock amounting to Rs. 5.30 million (DP No.16205-ST).

2. M/s HAH Traders (NTN 1861665) registered with RTO, Faisalabad had shown excess closing stocks in Sales Tax return for the tax period 06/2015, whereas, less closing stock was available as evident from the Income Tax return for the Tax Year 2015. The taxpayer concealed his sales of stocks which resulted in short-realization of Sales Tax of Rs. 9.87 million during the Tax Year 2015 (DP No.16482 -ST).

3. M/s Samad Enterprises (NTN 3226526-3) registered with RTO-II Karachi declared opening stock of Rs. 302 million in his monthly Sales Tax return for the tax period October, 2015. On physical verification by the Department, stock of Rs. 4.9 million was available. This showed that the taxpayer had mis-declared stock of Rs. 297.10 million involving Sales Tax Rs. 50.51 million. The lapse also attracts levy of penalty of Rs. 50.51 million and default surcharge Rs. 7.73 aggregating to Rs. 108.75 million (DP No.6098-ST/K).

Management Response

The Department replied that: (a) an amount of Rs. 5.32 million was being recovered: (b) cases of Rs. 172.73 million were under adjudication; and (c) cases of Rs. 260.91 million were awaiting action by the Department.

DAC Decision

The DAC in its meetings held on 4th to 10th and 12th to 16th February, 2017 directed the Department to expedite recovery/adjudication/legal proceedings by 31th March, 2017.

Audit Recommendations

- Expeditious recovery/adjudication/legal proceedings of the dues.
- Internal controls needs to be strengthened to avoid recurrence of such irregularities in future.
- Fix responsibility against the person(s) at fault.

[Annexure-11]

5.1.14 Loss of revenue due to non/short-realization of Sales Tax - Rs. 348.63 million

According to Section 3 of the Sales Tax Act, 1990 there shall be charged, levied and paid Sales Tax at the prescribed rate of the value of taxable supplies made by a registered person in the course or furtherance of any taxable activity carried on by him. According to Section 26 of the Sales Tax Act 1990, every registered person shall furnish not later than the due date a true and correct return in the prescribed form to a designated bank or any other office specified by the Board, indicating the purchases and the supplies made during a tax period, the tax due and paid and such other information, as may be prescribed.

Seventy (70) taxpayers registered with four (04) field offices of FBR did not fully discharge their taxable liability during the year 2015-16 as evident from the tax profiles of the taxpayers. The Department was required to demand the short paid amount but no action was taken. This resulted in non/short realization of Sales Tax amounting to Rs. 348.63 million. Few examples of such taxpayers are given as under

1. M/s Advance Telecom (NTN 2848905-5) registered with LTU Karachi imported 467651 number of cellular phones but neither paid Sales Tax of Rs. 233.78 million at import stage nor tax was realized by the Department on their local supplies (DP No.6184-ST/K).

2. M/s Razzy Motors Industries (Pvt) Ltd. (NTN 3604090-8) registered with RTO Hyderabad did not file Sales Tax returns for eight tax periods in 2015-16. Neither the taxpayer deposited nor the Department realized due amount of Sales Tax of Rs. 26.36 million (DP No.6123-ST/K).

Management Response

The Department replied that cases of Rs. 26.36 million were under adjudication whereas cases of Rs. 322.27 million were awaiting action by the Department.

DAC Decision

The DAC in its meetings held on 4th to 10th February, 2017 directed the Department to expedite adjudication/legal proceedings by 31th March, 2017.

Audit Recommendations

- Expeditious adjudication/ legal proceedings of government dues.
- Fixing of responsibility against person(s) at fault.

[Annexure-12]

5.1.15 Short-realization of Sales Tax due to under valuation of taxable supplies - Rs. 232.14 million

According to Section 3 read with Section 2(46) of the Sales Tax Act, 1990 there shall be charged, levied and paid Sales Tax at the 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 M/s Naubahar Bottling Company (NTN 0305733-0) registered with RTO Gujranwala did not include the amount of Federal Excise Duty in the value of taxable supplies of beverages for the purpose of levy of Sales Tax during the year 2015-16. This resulted in short realization of Sales Tax amounting to Rs. 232.14 million.

Management Response

The RTO Gujranwala informed that the case was subjudice before the Apex Court.

DAC Decision

The DAC in its meeting held on 13th to 16th February, 2017 directed the RTO to pursue the case under intimation to Audit and FBR.

Audit Recommendations

- Pursuance of sub judice cases at appropriate level.
- Fixing of responsibility against person(s) at fault.

[DP No.16254-ST]

5.1.16 Non/short-realization of Sales Tax by giving undue benefit to non-registered persons - Rs. 175.06 million

SRO 1125 (I)/2011 dated 31st December, 2011 provides that the government has 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 shall be available to every such person doing business in textile (including jute), carpets, leather, sports and surgical goods sectors and are registered as manufacturer, importer, exporter and wholesaler. The finished products of the above sectors, if supplied to the retailers (both registered and unregistered) or end consumers shall be charged to Sales Tax @ 5% ad val.

Sixteen (16) taxpayers registered with seven (07) field offices of FBR either made supplies of the above mentioned goods to non-registered persons or to retailers 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. 175.06 million during the Financial Years 2014-15 and 2015-16. Few examples of such taxpayers are given as under

1. M/s A & A Chapple Sole Manufacturer (STRN 0300361215916) registered with RTO Lahore supplied finished goods to M/s Bata Pakistan Limited who is registered as retailer but charged Sales Tax at the rate of zero percent instead of five percent of the value of supply. This resulted in loss of government revenue of Rs. 2.055 million. The lapse also attracts levy of penalty of Rs. 2.055 million aggregating Rs.4.11 million (DP No.16157-ST).

2. M/s Power Chemical Industries Limited (NTN 3229640-1) registered with RTO Faisalabad made supplies of Chemical Products to unregistered persons and wrongly charged Sales Tax @ 3 % by treating them as textile sector, whereas, no proof was

available that the unregistered persons were belonging to Textile Sector. The taxpayer also made supplies to two registered persons @ 3% who were not engaged in manufacturing/trade of Textiles articles. The tax authorities did not take notice of the matter. The irregularity resulted in short realization of Sales Tax of Rs. 110.13 million during the year 2015-16 (DP No.16485-ST).

3. M/s Samad Enterprises STRN 3226526 registered with RTO-II Karachi supplied finished goods valuing Rs. 110.97 million to registered and un-registered persons at the rate of 2 percent of value of supply instead of 5 percent and 17 percent of value of supply as per condition (iv)(c) of SRO 682 (I)/2013 dated 26th July 2013. This resulted in short payment of Sales Tax of Rs. 15.91 million (DP No.6103-ST/K).

Management Response

The Department replied that: (a) cases of Rs. 114.97 million were under adjudication; (b) cases of Rs. 55.87 million were under examination; and (c) cases of Rs. 4.22 million were contested by the Department on the plea that the registered person is exclusively involved in manufacturing and subsequent supplies of fibre yarn which is chargeable to tax at the rate of 2% whereas Audit had calculated short payment by applying the rate of 3% which is applicable on fabric manufacturers. Audit required that the contention may be got verified with documentary evidence.

DAC Decision

The DAC in its meetings held on 4th to 10th and 12th to 16th February, 2017 directed the Department to expedite adjudication/legal proceedings and get the contention verified from Audit by 31th March, 2017.

Audit Recommendations

- Expeditious adjudication/legal proceedings of government dues.
- Fixing of responsibility against the person(s) at fault.

[Annexure-13]

5.1.17 Potential loss of Sales Tax due to non-enforcing of Sales Tax returns - Rs. 142.26 million

According to Section 26(1) of the Sales Tax Act, 1990 every registered person shall furnish not later than the due date a true and correct return in the prescribed form to a designated bank or any other office specified by the Board, indicating the purchases and the supplies made during a tax period, the tax due and paid and such other information. Further as per Section-3(1) of the Act ibid, there shall be charged, levied and paid Sales Tax at the rate of seventeen per cent of the value of taxable supplies made by a registered person in the course or furtherance of any taxable activity carried on by him.

Five (05) taxpayers registered with RTO Faisalabad did not file Sales Tax returns for the tax period June 2016 despite the lapse of extended period upto 21st July, 2016. The Department did not take any action against the registered persons for filing of Sales Tax returns and recovery of the tax involved. The lapse resulted in non-enforcing of Sales Tax return having potential Sales Tax effect of Rs 142.26 million (loss calculated on average value of last 11 months) during the year 2015-16.

Management Response

RTO Faisalabad replied that: (a) an amount of Rs. 28.52 million was being recovered; (b) Rs. 24.65 million had been recovered; and (c) cases of Rs. 89.09 million had been regularized and verified by Audit.

DAC Decision

The DAC in its meeting held on 13th to 16th February, 2017 directed the Department to expedite recovery of the remaining amount of Rs. 28.52 million and settled the para to the extent of amount recovered/reconciled and verified by Audit.

Audit Recommendations

- Expeditious recovery of remaining government revenue.

[DP No. 16476-ST]

5.1.18 Excess adjustment of Input Tax by buyers as compared with Output Tax declared by their suppliers - Rs. 88.85 million

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

Eight (08) taxpayers registered with six (06) field offices of FBR 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. 88.85 million during the year 2014-15 and 2015-16. Few examples of such taxpayers are given as under

1. M/s Shakarganj Sugar Mills Limited (NTN 1413603-1) registered with LTU Lahore claimed input tax of Rs. 82.41 million on purchase of Rs. 1,030.14 million during the tax period of February 2016 but the supplies had not been shown by the supplier in his Sales Tax returns. This showed that the tax was not deposited into government treasury by the suppliers. Thus the input tax adjustment claimed by the taxpayer was not admissible and resulted in loss of government revenue of Rs. 82.41 million (DP No.16319-ST).

2. M/s Chenab Particle Board (Private) Limited (NTN 1143552) registered with RTO Gujranwala adjusted input tax against certain invoices. On comparison with output tax/monthly Sales Tax returns of the respective supplier, the register person adjusted input tax in excess of the output tax declared by the supplier meaning thereby the tax was not deposited into Government treasury by the supplier. This caused inadmissible adjustment of input tax resulting in short realization of Sales Tax of Rs. 1.257 million during 2015-16 (DP No.16334-ST).

Management Response

The Department replied that: (a) an amount of Rs. 2.22 million was being recovered; (b) cases of Rs. 2.62 million were under adjudication: and (c) cases of

Rs. 82.41 million were subjudice. However, matters pertaining to cases of Rs. 1.60 million were not responded by the Department.

DAC Decision

The DAC in its meeting held on 13th to 16th February, 2017 directed the Department to expedite recovery/adjudication and pursue subjudice cases at appropriate level and furnish updated reply in non responded cases by 31st March, 2017.

Audit Recommendations

- Expeditious recovery/adjudication of cases.
- Pursue the subjudice cases at appropriate fora.
- Furnishing of reply in non-responded cases.
- Fixing of responsibility against the person(s) at fault.

[Annexure-14]

5.1.19 Non-payment of Sales Tax by Motorcycle Dealers - Rs. 82.66 million

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

Forty two (42) motorcycle dealers registered with RTO, Peshawar were not paying the due tax even on minimum value addition of 4% which was standard of the industry. This resulted in non-payment of Sales Tax by the motorcycle dealers amounting to Rs. 82.66 million during June, 2015 to May, 2016.

Management Response

RTO Peshawar informed that the entire amount was under adjudication.

DAC Decision

The DAC in its meeting held on 13th to 16th February 2017 directed the Department to expedite adjudication by 28th February 2017.

Audit Recommendations

- Expeditious adjudication of cases.
- Fixing of responsibility against the person(s) at fault.

[DP No. 16203-ST]

5.1.20 Excess adjustment of Input Tax resulting in short realization of Sales Tax - Rs. 78.62 million

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

Fifteen (15) taxpayers registered with six (06) 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. 78.62 million due to excess adjustment of Input Tax during the years 2013-14 to 2015-16. Few examples of such taxpayers are given as under:

1. M/s KSB Metal (Private) Limited (NTN 3650857) registered with RTO Gujranwala adjusted whole amount of input tax instead of 90% of the output tax as allowed under the above law. This resulted in non-realization of Sales Tax of Rs. 16.264 million due to excess adjustment of input tax during the years 2014-15 and 2015-16 (DP No.16341-ST).
2. M/s Multan LPG (NTN 3372063) registered with RTO, Multan adjusted whole amount of Input Tax instead of 90% of the Output

Tax as allowed under the above law. This resulted in non-realization of Sales Tax of Rs. 10.963 million due to excess adjustment of Input Tax during the Financial Years 2013-14 to 2015-16 (DP No.16689-ST).

Management Response

The Department replied that cases of Rs. 51.93 million were under adjudication, whereas, cases of Rs. 26.69 million were awaiting action by the Department.

DAC Decision

The DAC in its meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to expedite adjudication/legal proceedings and report progress to Audit and FBR by 31st March 2017.

Audit Recommendations

- Expeditious adjudication/legal proceedings of the cases.
- Fixing of responsibility against the person(s) at fault.

[Annexure-15]

5.1.21 Loss of revenue due to non-deposit of Sales Tax collected by taxpayers - Rs. 50.86 million

According to Section 3B of the Sales Tax Act, 1990 any person who has collected or collects any tax or charge, whether under misapprehension of any provision of this Act or otherwise, which was not payable as tax or charge or which is in excess of the tax or charge actually payable and the incidence of which has been passed on to the consumer shall pay the amount of tax or charge so collected to the Federal Government. The burden of proof that the incidence of tax or charge had been or had not been passed on to the consumer shall be on the person collecting the tax or charge. Further under Rule 58T of Sales Tax Special Procedure Rules, 2007 Extra Tax at the rate of 2% of value of supplies shall be levied and collected on the supplies of “storage batteries” by manufacturer and importers in addition to the tax payable under sub Sections (1) and (2) of Section 3 of the Act. The goods on which Extra Sales Tax had been paid shall be exempt from payment of Sales Tax on subsequent supplies including those as made by a retailer.

Six (06) taxpayers registered with Regional Tax Office, Multan charged Sales Tax @17% on supply of storage batteries against which Extra Sales Tax was already paid at the time of purchases. The taxpayers charged the Sales Tax which was not payable as tax or charge and the incidence of which was passed on to the consumers but neither the taxpayer deposited nor the Department recovered the tax so collected by the taxpayers from the buyers. This resulted in non realization of Sales Tax of Rs. 50.86 million during the years 2013-14 to 2015-16.

Management Response

RTO Multan replied that entire amount of Rs. 50.86 million was under adjudication.

DAC Decision

The DAC in its meeting held on 13th to 16th February, 2017 directed the Department to expedite adjudication and report progress to Audit and FBR by 31st March, 2017.

Audit Recommendations

- Prompt adjudication of the cases.
- Furnishing of reply in non responded cases.
- Fixing of responsibility against the person(s) at fault.

[DPs No. 16432 & 16456-ST]

5.1.22 Non-realization of Sales Tax on services - Rs. 39.52 million

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

Three (03) taxpayers registered as services provider with RTO, Islamabad provided services of Rs. 242.37 million to various withholding agents as evident from their Income Tax returns but did not charge Sales Tax on these services. The lapse resulted in non-realization of Sales Tax on services amounting to Rs. 39.52 million during 2015-16.

Management Response

The RTO Islamabad replied that an amount of Rs. 38.03 million was under adjudication and cases of Rs. 1.49 million had been reconciled with Audit.

DAC Decision

The DAC in its meeting held on 13th to 16th February, 2017 directed the Department to expedite adjudication and report progress to Audit and FBR by 31st March 2017 and settled the para to the extent of amount reconciled and verified by Audit.

Audit Recommendations

- Expeditious recovery of the cases.
- Fixing of responsibility against the person(s) at fault.

[DP No.16641-ST]

5.1.23 Non-payment of Sales Tax by cotton ginners - Rs. 37.51 million

Rule 58X of Chapter XV of Sales Tax Special Procedure Rules, 2007 provides that Sales Tax on supply of cotton seeds shall be levied and collected on the basis of quantity of cotton seed supplied or consumed in house for expelling of oil by composite cotton ginning units. Under Rule 58Y(1)(3) of the Rules ibid, the amount of Sales Tax chargeable shall be levied and collected at the rate of Rs. 6 per 40 Kg at the time of supply of cotton seeds for in house consumption or to any other registered or unregistered person for the purpose of oil extraction or expelling. The amount so collected shall be deposited without any adjustment.

Twenty two Cotton Ginners and Oil Expelling Units registered with RTO Sukkur either supplied cotton seeds to others or consumed in house but Sales Tax @ Rs. 6 per 40Kg was not paid. The Department did not initiate recovery proceedings against the taxpayers. This resulted into non-payment of Sales Tax of Rs. 37.51 million during 2015-16.

Management Response

The Department replied that an amount of Rs. 3.86 million was subjudice and cases of Rs. 33.65 million was awaiting action by the Department.

DAC Decision

The DAC in its meeting held on 6th to 10th February, 2017 directed the Department to pursue the subjudice cases and expedite the legal proceedings and report progress to Audit and FBR by 31st March, 2017.

Audit Recommendations

- Pursue the subjudice cases at appropriate fora.
- Early finalization of the legal action.
- Expeditious recovery of the government revenue.
- Fixing of responsibility against the person(s) at fault.

[DP No.6121-ST/K & 6119-ST/K]

5.1.24 Non-realization of Sales Tax on disposal of fixed assets/waste/scrap - Rs. 31.24 million

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

Twenty five (25) taxpayers registered with four (04) field formations of FBR supplied fixed assets, waste & scrap which were liable to Sales Tax but neither Tax was paid by the taxpayers nor realized by the Tax authorities during the years 2014 and 2015. This resulted in non-realization of Sales Tax amounting to Rs. 31.24 million which also attracted penalty and default surcharge leviable under the law. Few examples of such taxpayers are given as under:

1. M/s MATCO (Private) Limited (NTN 0711107) registered with RTO Islamabad disposed of its fixed assets but Sales Tax at the rate of 17 % was not charged. This resulted in non payment of Sales Tax, default surcharge and penalty amounting to Rs. 2.957 million during the Tax Years 2014 and 2015 (DP No.16647-ST).

2. M/s Zahidjee Textile Mills Limited (NTN 0804274) registered with RTO Faisalabad made sale of scrap but failed to charge Sales Tax at the rate of 17 % amounting to Rs. 1.61 million during the Tax Years 2014 and 2015 (DP No.16468-ST).

Management Response

The Department replied that cases of Rs. 21.57 million were under adjudication and cases of Rs. 9.67 million were awaiting action.

DAC Decision

The DAC in its meeting held on 13th to 16th February, 2017 directed the Department to expedite adjudication and legal proceedings and report progress to Audit and FBR by 31st March, 2017.

Audit Recommendations

- Expeditious recovery/adjudication and completion of legal action.
- Furnishing of reply in non responded cases.
- Fixing of responsibility against the person(s) at fault.

[Annexure-16]

5.1.25 Evasion of Sales Tax due to issuance of fake supplies - Rs. 25.25 million

According to Section 3(1) of the Sales Tax Act 1990, Sales Tax shall be charged, levied and paid at the rate of seventeen per cent of the value of taxable supplies made by a registered person in the course or furtherance of any taxable activity carried on by him. Further, the lapse also attracts penalty under Section-33(14) of the Sales Tax Act, 1990.

A taxpayer M/s Asar Textile (NTN 1540950-3) registered with RTO Faisalabad supplied goods to two registered persons during January and February, 2016. Both the buyers did not show purchases from the taxpayer and had also not shown supplies to any person in their returns. It was further noticed that the taxpayer had shown closing stock of Rs. 54.01 million in Annex-F of Sales Tax return of March, 2016 but did not file the Sales Tax returns for May and June, 2016. Hence, the taxpayer concealed the sales of closing stock alongwith value addition. The irregularities resulted in evasion of Sales Tax of Rs. 25.25 million due to issuance of fake supplies.

Management Response

The Department replied that case was under examination.

DAC Decision

The DAC in its meeting held on 13th to 16th February, 2017 directed the RTO to examine the para and furnish comprehensive reply to Audit and FBR by 28th February, 2017.

Audit Recommendations

- Furnish updated reply of the cases.
- Fix responsibility against the person(s) at fault.

[DP No. 16480-ST]

5.1.26 Irregular claim of Sales Tax exemption - Rs. 23.90 million

As per 6th Schedule (Sr. No.1) of Sales Tax Act, 1990 the exemption is admissible on supply of live animals and poultry. Further, SRO 539(I)/2008 dated 11th June, 2008 allows exemption of Sales Tax on the import of specific goods for manufacture of dextrose and saline infusion sets.

Two (02) taxpayers registered with two (02) field offices of FBR claimed exemption of Sales Tax on supplies of electricity, railway engine and cosmetics made during the year 2015-16 which were not covered under the law ibid. This resulted into non realization of Sales Tax of Rs. 23.90 million as under:

(Rs in million)

S. No.	Office	DP No.	Name of taxpayer	Nature of supply	Amount
1	RTO Hyderabad	6124-ST/K	HESCO (NTN 3016682-9)	Electricity	20.66
2	RTO Sukkur	6114-ST/K	M/s Rattan Kumar (NTN 1568127-6)	Railways engine & cosmetics	3.24
				Total	**23.90**

Management Response

The Department replied that cases of Rs. 20.66 million were under adjudication and cases of Rs. 3.24 million were under examination.

DAC Decision

The DAC in its meeting held on 6th to 10th February, 2017 directed the Department to expedite the adjudication and legal proceedings and report progress to Audit and FBR by 31st March, 2017.

Audit Recommendations

- Prompt adjudication and completion of legal action.
- Justification for allowing irregular exemption.
- Fixing of responsibility against the person(s) at fault.

5.1.27 Loss due to irregular zero rating of Sales Tax - Rs. 16.67 million

Under Section 4(a) of the Sales Tax Act, 1990 goods exported or goods specified in the Fifth Schedule shall be charged to tax at the rate of zero per cent. According to S. No. 7 of the Fifth Schedule, supplies made to exporters under the Duty and Tax Remission Rules, 2001 are subject to observance of procedure, restrictions prescribed therein i.e. Rule 299 sub-Rule (3) and (4) of Customs Rules and Customs General Order No.6 of 2001.

M/s Khairpur Sugar Mills (NTN 0710885-7), registered with RTO Sukkur, made supply of molasses valuing Rs. 98.05 million and charged Sales Tax at the rate of zero per cent under DTRE. The application of zero rate of Sales Tax could not be authenticated without verifying the relevant DTRE approval and observance of prescribed conditions as the same were not available on the record. This resulted in irregular zero rating of Sales Tax of Rs. 16.67 million.

Management Response

The Department contested the para on the ground that sales made by M/s Khairpur Sugar Mills were not sale of sugar but it was supply of molasses and supplied to other taxpayers availing zero rating facility under Section 4 of the Sales Tax Act, 1990 falling under DTRE Rules. The contention of the Department could not be accepted as no documentary evidence was provided by them.

DAC Decision

The DAC in its meeting held on 6th to 10th February, 2017 directed the Department to get the contention verified from Audit by 31st March, 2017.

Audit Recommendations

- Either provide the documentary evidence in support of contention; or
- Legal action may be initiated for recovery of government revenue.

[DP No.6115-ST/K]

5.1.28 Incorrect zero rating of goods resulting in non-payment of Sales Tax - Rs. 9.64 million

Under Section 3(1) (a) of the Sales Tax Act 1990, Sales Tax shall be charged, levied and paid at the rate of seventeen per cent of the value of taxable supplies made by a registered person in the course or furtherance of any taxable activity carried on by him.

M/s Concrete Sleeper Factory Pakistan Railway (NTN 9013503-2) registered with RTO Sukkur made taxable supplies valuing Rs. 364.60 million during the months July to September, 2015 at zero rate which was not admissible as the supplies were chargeable to Sale Tax at the rate of 17% of Rs. 61.98 million on the value of supply. This resulted to non-payment of Sales Tax of Rs. 9.64 million after adjustment of input tax of Rs. 52.34 million.

Management Response

RTO Sukkur replied that entire amount was under examination.

DAC Decision

The DAC in its meeting held on 6th to 10th February, 2017 directed the Department to expedite the legal proceedings and report progress to Audit and FBR by 31st March, 2017.

Audit Recommendations

- Early finalization of legal action for recovery of government revenue.
- Fixing of responsibility against the persons(s) at fault.

[DP No.6111-ST/K]

5.1.29 Short-realization of Sales Tax on auction of goods - Rs. 6.21 million

According to Section-3(1) of the Sales Tax Act, 1990, Sales Tax shall be charged, levied and paid at the rate of seventeen per cent of the value of taxable supplies made by a registered person in the course or furtherance of any taxable activity carried on by him.

A taxpayer (Forest Department) registered with RTO Faisalabad auctioned forest produce (Trees/Wood) but did not charge Sales Tax leviable thereon. It was pertinent to mention here that Forest Department had charged Sales Tax on auction of lots of similar goods. The irregularity resulted in short realization of Sales Tax of Rs. 6.21 million during the financial year 2014-15.

Management Response

RTO Faisalabad replied that entire amount was under examination.

DAC Decision

The DAC in its meeting held on 13th to 16th February, 2017 directed the RTO to examine the para and furnish comprehensive reply to Audit and FBR by 28th February, 2017.

Audit Recommendations

- Furnish updated reply of the case.
- Fix responsibility against the person(s) at fault.

[DP No. 16479-ST]

5.1.30 In-admissible adjustment of input tax against invoices issued by blacklisted/non-active taxpayers - Rs. 5.53 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 shall not be entertained for the purposes of Sales Tax refund or input tax credit, and once such person is blacklisted, the refund or input tax credit claimed against the invoices issued by him, whether prior or after such blacklisting, shall be rejected through a self-speaking appealable order and after affording an opportunity of being heard to such person.

Eight (08) taxpayers registered with Regional Tax Office, Multan claimed input tax adjustments against the invoices issued by the blacklisted/suspended or non active taxpayers which was not admissible as per above law. This resulted in inadmissible adjustment of input tax of Rs. 5.53 million during 2015-16.

Management Response

RTO Multan informed that an amount of Rs. 2.89 million was under adjudication and cases of Rs. 2.64 million were awaiting action by the Department.

DAC Decision

The DAC in its meeting held on 13th to 16th February, 2017 directed the RTO to expedite adjudication/legal proceedings and reply to Audit and FBR by 31st March, 2017.

Audit Recommendations

- Early finalization of adjudication/legal action for recovery of government revenue.

- Fixing of responsibility against the persons(s) at fault.

[DP No. 16434-ST]

5.1.31 Loss of revenue by not initiating the proceedings of annulled assessment - Rs. 1.97 million

According to Section 46 of the Sales Tax Act, 1990 any person including an officer of Inland Revenue not below the rank of an Additional Commissioner aggrieved by any order passed by the Commissioner Inland Revenue (Appeals) under Section 45B may prefer appeal to the Appellate Tribunal.

An adjudicating authority under jurisdiction of the RTO Multan passed an order against a registered person and established recovery of Rs. 1.97 million. The Commissioner Inland Revenue (Appeals), Multan annulled the case with the remarks that “The officer may initiate proceedings against the lessee after ascertaining the veracity of the lease arrangement” vide No. “Nil” dated 28th April, 2014. The “annulment” of a case does not mean the “closure of proceedings” rather the same can be re-initiated subject to certain limitations. The tax authorities of Regional Tax Office, Multan neither re-assessed the tax liability nor filed the second appeal. This resulted in loss of revenue amounting to Rs. 1.97 million.

Management Response

RTO Multan informed that entire amount was under examination.

DAC Decision

The DAC in its meeting held on 13th to 16th February, 2017 directed the RTO to examine the para and furnish comprehensive reply to Audit and FBR by 31st March, 2017.

Audit Recommendations

- Furnish updated reply of the case.
- Fix responsibility against the person(s) at fault.

[DP No. 16439-ST]

5.2 Refund of Sales Tax

5.2.1 Inadmissible payment of Sales Tax refund - Rs. 176.52 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. 176.52 million was sanctioned and paid by six (06) field formations of FBR in forty eight (48) cases in excess of the due amount and in violation of provisions of law as detailed below:

(Rs. in million)

S. No.	Office	No. of cases	Amount	Law/Rule violated
1	LTU Lahore	01	34.33	Rule 37 of the Sales Tax Rules 2006.
2	RTO Gujranwala	12	0.54	Section 7(2) of Sales Tax Act, 1990
3	RTO Sialkot	01	7.72	Rule 58C (Chapter-X) of the Sales Tax Special Procedure Rules, 2007.
		01	2.63	Rule 58C (Chapter-X) of the Sales Tax Special Procedure Rules, 2007.
4	RTO Faisalabad	27	124.17	Section 10(1) of Sales Tax Act, 1990
		02	0.46	Section 7 of Sales Tax Act, 1990
		01	0.60	Section 10 (2) of Sales Tax Act, 1990
5	RTO Multan	01	0.42	Section 10 & 66of Sales Tax Act, 1990 read with Sales Tax Refund Rules, 2006
6	RTO Lahore	01	5.28	Section 2 (37) of Sales Tax Act, 1990.
		01	0.37	Rule-26 read with Rule-33 of Sales Tax Refund Rules, 2006
	Total	**48**	**176.52**	

This resulted in excess payment of Sales Tax refund of Rs. 176.52 million.

Management Response

The Department informed that: (a) cases involving Rs. 158.50 million were under adjudication: (b) amount of Rs. 10.35 million was being recovered; and (c) cases of Rs. 7.67 million were under examination.

DAC Decision

The DAC in its meeting held on 13th to 16th February, 2017 directed the RTO to expedite adjudication/recovery/legal proceedings and reply to Audit and FBR by 31st March, 2017.

Audit Recommendations

- Expeditious recovery/adjudication of amount pointed out.
- Fixing of responsibility against the person(s) at fault.

[Annexure-17]

5.2.2 Excess refund of Sales Tax on short accountal of raw material - Rs. 12.94 million

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

Five (05) field offices of FBR sanctioned refund of Sales Tax in ten (10) 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. 12.94 million from July 2014 to June 2016. Few examples of such taxpayers are given as under:

1. CRTO Lahore sanctioned refund to M/s Shamshir Chemical Industries (STRN 0309281700155) against exported goods. The value of exported goods did not match with respective inputs which resulted into incorrect payment of refund of Rs. 1.023 million and non-payment of Sales Tax of Rs. 2.128 million aggregating to Rs. 3.15 million (DP No.16182-ST).

2. RTO Faisalabad sanctioned refund to M/s Dawood Usman Textile (NTN 1149483-2) for the tax period August, 2013 without obtaining the consumption statement, sales and purchase register which resulted in irregular sanction of Sales Tax refund of Rs. 3.55 million (DP No.16477-ST).

Management Response

The Department informed that: (a) cases involving Rs. 1.19 million were under adjudication; (b) cases of Rs. 11.53 million were awaiting action by the Department; and (c) cases of Rs. 0.22 had been reconciled and verified by Audit.

DAC Decision

The DAC in its meeting held on 13th to 16th February, 2017 directed the RTO to expedite adjudication /legal proceedings and reply to Audit and FBR by 31st March, 2017 and settled the para to the extent of amount reconciled.

Audit Recommendations

- Expeditious adjudication/legal proceedings of government revenue.
- Fixing of responsibility against the person(s) at fault.

[Annexure-18]

5.2.3 Unlawful sanction of Sales Tax refund - Rs. 59.89 million

According to Rule 28 of the Sales Tax Refund Rules 2006, no refund claim will be entertained if the claimant fails to furnish the claim on refund claim preparation software alongwith supporting documents within the prescribed period of 60 days (till 30th June 2008) or within 120 days (w.e.f. 1st July 2008) of the filing of return.

Three (03) field offices of FBR sanctioned refund of Sales Tax in nine (09) time barred cases. This resulted in unlawful sanction of Sales Tax refund amounting to Rs. 59.89 million which also attracted penalty and default surcharge. An example of such taxpayer is given as under:

> RTO Faisalabad sanctioned refund to three taxpayers in six cases which were submitted after the lapse of 120 days from the filing of return. This resulted in irregular sanction of Sales Tax refund of Rs. 57.75 million (DP No.16473-ST).

Management Response

The Department informed that: (a) cases of Rs. 20.18 million were under examination; (b) cases of Rs. 0.67 million were under adjudication: (c) amount of Rs. 0.76 million was reconciled with Audit and (d) cases of Rs. 38.28 million were being contested on the plea that original claims were filed in time which were rolled back by the FBR. Audit did not agree with the Department because as per expeditious refund receipts claims were time barred.

DAC Decision

The DAC in its meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to expedite adjudication/legal proceedings and get the contention verified from Audit by 31st March 2017. The DAC settled the para to the extent of amount reconciled with Audit.

Audit Recommendations

- Expeditious adjudication/legal proceedings of amount pointed out.
- Fixing of responsibility against the person(s) at fault.

[DP No. 16339-ST, 16473-ST & 6170-ST/K]

5.2.4 Inadmissible sanction of Sales Tax Refund due to non-observance of codal formalities - Rs. 10.44 million

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

Three (03) field offices of FBR sanctioned refund of Sales Tax in four (04) cases without verifying the proof of payments through banking channels. The refund sanctioning authorities allowed refund against such invoices despite the fact that stipulated period of 180 days had already been elapsed. This resulted in inadmissible sanction of Sales Tax refund of Rs. 10.44 million during the year 2015-16. Few examples of such taxpayers are given as under:

1. CRTO Lahore sanctioned refund to M/s A&A Chapple Sole Manufacturer (STRN 0300361215916) who was deriving income from manufacturing and sales of shoes. All refund was sanctioned after the lapse of 180 days but no record relating to the compliance of Section 73 was checked. This resulted into irregular payment of Sales Tax refund of Rs.3.46 million which also attracted hundred percent penalty of Rs. 3.46 million, thus aggregating to Rs. 6.93 million (DP No.16153-ST).

2. RTO Abbottabad sanctioned refund to M/s Silver Lake Foods Products Ltd (NTN 1316107-5) on the Sales Tax invoices exceeding fifty thousand rupees. The payments in respect of such invoices were either not made through banking channel or the taxpayer had failed to produce the proof of payments at the time of sanctioning of refund. This resulted into inadmissible adjustment of input tax credit of Rs. 0.64 million (DP No.16107-ST).

Management Response

The Department informed that Rs. 0.41 million was under recovery, amount of Rs. 0.64 million was under adjudication and cases of Rs. 9.39 million were awaiting action by the Department.

DAC Decision

The DAC in its meeting held on 13th to 16th February, 2017 directed the RTO to expedite adjudication/legal proceedings and reply to Audit and FBR by 31st March, 2017.

Audit Recommendations

- Expeditious adjudication/legal proceedings of amount pointed out.
- Fixing of responsibility against the person(s) at fault.

[Annexue-19]

5.2.5 Irregular sanction and payment of Sales Tax refund due to non compliance of Export Policy Order - Rs. 6.71 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 is allowed on exports to Afghanistan subject to the condition that the goods exported from Pakistan have reached Afghanistan are required to be verified on the basis of copy of import clearance documents by Afghanistan Customs Authorities across the border. Further Rule-38 of the Sales Tax Refund Rules, 2006 provides that in addition to the documents specified in sub-Rule(1) of the said Rules, a refund claimant shall submit bank credit advice issued by the concerned bank and copy of the duty drawback order, if issued by the customs authorities.

Two (02) taxpayers registered under RTO Gujranwala filed refund claims against exports to Afghanistan. The Department sanctioned refund claim without Bank Credit Advices and credit of amount was not realized in the bank accounts of the refund claimants during 2015-16. This resulted in irregular sanction of Sales Tax refund of Rs. 6.71 million.

Management Response

The Department informed that the entire amount of Rs. 6.71 million was under examination.

DAC Decision

The DAC in its meeting held on 13th to 16th February, 2017 directed the RTO to expedite legal proceedings and reply to Audit and FBR by 31st March, 2017.

Audit Recommendations

- Expeditious recovery/legal proceeding of the case.
- Fixing of responsibility against the person(s) at fault.

[DP No.16253-ST]

5.2.6 Inadmissible payment of Sales Tax refund of Input Tax related to Provincial receipts - Rs. 157.31 million

According to Section 8 (1)(ca) of the Sales Tax Act, 1990, a registered person shall not be entitled to reclaim or deduct input tax paid on goods used or to be used for any other purpose for taxable supplies made or to be made by him and the goods in respect of which Sales Tax has not been deposited in the government treasury by the respective supplier.

LTU Lahore sanctioned Sales Tax refund on the basis of provincial computerized payment receipt. The invoices of Input Tax were related to provincial services and the taxpayer had filed Sales Tax returns on services with Punjab Revenue Authority. The deposited tax was provincial receipt but the refund was paid from Federal receipt of head of account. This resulted in inadmissible sanction of Sales Tax refund of Rs. 157.31 million during 2015-16.

Management Response

The Department informed that the entire amount of Rs. 157.31 million was under examination.

DAC Decision

The DAC in its meeting held on 13th to 16th February, 2017 directed the RTO to expedite legal proceedings and reply to Audit and FBR by 31st March, 2017.

Audit Recommendations

- Expeditious recovery/legal proceedings of the case.
- Fixing of responsibility against the person(s) at fault.

[DP No.16289-ST]

5.2.7 Incorrect sanction of Sales Tax Refund - Rs.18.07 million

According to Rule 8 of Sales Tax Refund Rules, 2006 in case any refund claim or part thereof is found not genuine or not admissible under the law, a notice shall be served on the claimant requiring him to show cause in writing, within fourteen days. In case the claimant does not respond to the show cause notice on three dates of hearing, the officer-in-charge may decide the case exparte on the basis of facts and evidence available on record.

CRTO Lahore sanctioned refund in two cases rather than serving show cause notices. The refund was issued by ignoring the irregularities such as fake purchase invoices, invoices issued by blacklisted persons, non-decision of show cause notice, deletion of soft data of refund and non availability of files. This resulted in incorrect Sales Tax refund of Rs. 18.07 million during 2015-16.

Management Response

The Department informed that all the amount of Rs. 18.07 million was under examination.

DAC Decision

The DAC in its meeting held on 13th to 16th February, 2017 directed the RTO to expedite legal proceedings and reply to Audit and FBR by 31st March, 2017.

Audit Recommendations

- Expeditious recovery/legal proceedings of the case.
- Fixing of responsibility against the person(s) at fault.

[DP No.16151&16152-ST]

5.2.8 Sanction of refund to black-listed registered persons - Rs. 181.36 million

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

RTO-II Karachi allowed Sales Tax refund to two (02) registered persons, who were blacklisted by the Department. According to above mentioned law, the refunded amount was required to be recovered, which was not done. This resulted in loss of government revenue amounting to Rs. 181.36 million as under:

(Rs in million)

S. No.	Name of taxpayer	NTN	Period involved	Amount of refund recoverable
1	Samad Enterprises	3226526-3	2012-2015	70.31
2	Jawed Sons	3226493-3	2012-2015	111.05
			Total	**181.36**

Management Response

The Department informed the entire amount of Rs. 181.36 million was under examination.

DAC Decision

The DAC in its meeting held on 6th to 10th February, 2017 directed the RTO to expedite legal proceedings and reply to Audit and FBR by 31st March, 2017.

Audit Recommendations

- Expeditious recovery/legal proceedings of the case.
- Fixing of responsibility against the person(s) at fault.

[DP No.6097-ST/K]

5.3 Federal Excise Duty

5.3.1 Non-payment of Federal Excise Duty and Sales Tax by the Airline - Rs. 5,534.20 million

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

M/s PIAC (NTN 0803450-8) registered with LTU Karachi, failed to deposit the Federal Excise Duty and Sales Tax amounting to Rs. 5,534.20 million for July, 2015 and January to June, 2016. The Department failed to recover the government dues. Detail is as under:

(Rs in million)

Head of account	Amount paid during December, 2015	Period of default	Amount to be recovered
Federal Excise Duty	777.60	July 2015 & January to June 2016	5,443.20
Sales Tax	13.00		91.00
		Total	**5,534.20**

Management Response

The Department informed that the entire amount of Rs. 5,534.20 million was under examination.

DAC Decision

The DAC in its meeting held on 6th to 10th February, 2017 directed the RTO to expedite legal proceedings and reply to Audit and FBR by 31st March, 2017.

Audit Recommendations

- Expeditious recovery/legal proceedings of the case.

- Fixing of responsibility against the person(s) at fault.

[DP No.6197-FE/K]

5.3.2 Non/short-realization of the Federal Excise Duty on Royalty, Technical Services Fee and Franchise Fee - Rs. 2,577.51 million

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

Four (04) field formations of FBR did not realize Federal Excise Duty from twenty three (23) registered persons who paid Royalty, Technical Services Fee and Franchise Fee to their associated companies during the Tax Years 2010-2015. The issue of same nature had already been upheld for recovery in quasi judicial process. This resulted in non/short-realization of Federal Excise Duty of Rs. 2,577.51 million which also attracted levy of default surcharge and penalty. Few examples of such taxpayers are given as under:

1. LTU Islamabad did not realize the Federal Excise Duty from four registered persons who paid Royalty, Technical Services Fee and Franchise Fee from their associated companies. This resulted in non-realization of Federal Excise Duty of Rs. 1478.62 million (DP No.16367-FED).

2. Thirteen registered persons of LTU Lahore paid Royalty Fee to their parent companies as declared in audited accounts but Federal Excise Duty was neither paid by the taxpayers nor recovered by the Department. This resulted in loss of government revenue of Rs. 612.41 million (DP No.14318-FED).

Management Response

The Department informed that: (a) cases involving Rs. 78.45 million were under adjudication: (b) cases involving Rs. 1,020.44 million were under examination; and (c) amount of Rs. 1,478.62 million was contested on the plea that the Department had already taken up the case before pointation of Audit. However, Audit required the updated status of the cases towards recovery and legal proceedings.

DAC Decision

The DAC in its meeting held on 13th to 16th February, 2017 directed the RTO to expedite the adjudication/legal proceedings and get the contention verified from Audit by 31st March, 2017.

Audit Recommendations

- Expeditious recovery/adjudication of amount pointed out.
- Fixing of responsibility against the person(s) at fault.

[Annexure-20]

5.3.3 Non-recovery of adjudged dues of Federal Excise Duty - Rs. 2,241.37 million

Under Section 37 of the Federal Excise Act, 2005, where any appeal, the decision or order appealed against, relates to any duty demanded or penalty imposed, the person desirous of appealing against such decision or order shall, pending the appeal, deposit the duty demanded or the penalty imposed provided that Appellate Tribunal or the Commissioner (Appeals) may in any particulars case dispense with such deposit subject to such conditions may deem as it fit to impose so as to safe guard the interest of revenue.

Two (02) field offices of FBR did not recover assessed amount of Federal Excise Duty of Rs. 2,241.37 million from six (06) registered persons. The Department was required to recover the assessed government dues. This resulted in non-recovery of government revenue of Rs. 2,241.37 million. Detail as follows:

(Rs in million)

RTO	PDP No.	No of cases	Amount recoverable
LTU Karachi	6189-FE/K	01	1,977.93
	6139-FE/K	05	263.44
	Total	**06**	**2,241.37**

Management Response

The Department informed that the entire amount involving cases of Rs. 2,241.37 million was under examination.

DAC Decision

The DAC in its meeting held on 6th to 10th February, 2017 directed the RTO to expedite legal proceedings and reply to Audit and FBR by 31st March, 2017.

Audit Recommendations

- Expeditious recovery/legal proceedings of the case.

- Fixing of responsibility against the person(s) at fault.

5.3.4 Non imposition of default surcharge on late payment of Federal Excise Duty - Rs. 227.83 million

According to Section 8 the Federal Excise Act, 2005 read with Rule 41A of the Federal Excise Rules 2005, in case the duty is not deposited by the air line by the due date, it shall pay default surcharge at the rate of KIBOR plus three percent per annum of the duty due.

M/s PIAC (NTN 0803450-8) registered with LTU Karachi failed to pay Federal Excise Duty and Sales Tax from August to December 2015 on due dates, but default surcharge of Rs. 227.831 million was not charged. This resulted in loss of government revenue. Details are as follows:

(Rs in million)

Tax period	Period of default	Amount of FED & Sales Tax	Amount of default surcharge @ 15% per annum
8/2015	6 months	350.26	56.27
9/2015	5 months	654.66	40.92
10/2015	4 months	703.28	35.16
11/2015	6 months	614.17	46.06
12/2015	5 months	790.70	49.42
Total		**3,113.07**	**227.83**

Management Response

The Department informed that all the cases involving Rs. 227.83 million were under examination.

DAC Decision

The DAC in its meeting held on 6th to 10th February, 2017 directed the RTO to expedite legal proceedings and reply to Audit and FBR by 31st March, 2017.

Audit Recommendations

- Expeditious recovery/legal proceedings of the case.
- Fixing of responsibility against the person(s) at fault.

[DP No.6199-FE/K]

5.3.5 Non-realization of Federal Excise Duty on goods produced and manufactured in Pakistan - Rs. 34.44 million

According to Sections 3(1)(a) of the Federal Excise Act, 2005, Federal Excise Duty shall be levied and collected on goods produced or manufactured in Pakistan at the rate specified in first schedule of the Federal Excise Act, 2005.

Two (02) taxpayers registered with RTO Sialkot did not pay Federal Excise Duty on edible ghee/oil and aerated water/beverage for the tax period from July 2014 to June 2016. This resulted in non-realization of Federal Excise Duty of Rs. 34.44 million.

Management Response

The Department informed that entire amount of Rs. 34.44 million was under recovery.

DAC Decision

The DAC in its meeting held on 13th to 16th February, 2017 directed the RTO to expedite the recovery proceedings and reply to Audit and FBR by 31st March, 2017.

Audit Recommendations

- Expeditious recovery of amount pointed out.
- Fixing of responsibility against the person(s) at fault.

[DP No.16163-FE]

5.3.6 Short payment of Federal Excise Duty and Sales Tax due to wrong implication of prescribed rate - Rs. 11.78 million

Under Section 3 of the Federal Excise Act 2005, there shall be levied and collected in such manner as may be prescribed duties of excise on goods produced or manufactured in Pakistan at the rate specified in the First Schedule. As per amendment through Finance Act, 2015 in First Schedule "Aerated water" falling under heading 2201.1010 and 2201.1020 was chargeable to federal excise duty @ 10.50 per cent of the retail price. Under Section 2(46) of the Sales Tax Act, 1990 value of supply means in respect of a taxable supply, the consideration in money including all Federal and Provincial duties and taxes, if any, which the supplier receives from the recipient for that supply but excluding the amount of tax.

Two (02) registered persons registered with RTO Sukkur, made supply of aerated water and paid Federal Excise Duty @ 9% of the retail price instead of

10.50%. This resulted in short payment of Federal Excise Duty Rs. 10.07 million and Sales Tax Rs. 1.71 million aggregating to Rs. 11.78 million as under:

(Rs in million)

S. No.	Name of Registered Person	NTN	Federal Excise Duty	Sales Tax	Amount recoverable
1	M/s Gul Bottlers	3026155-4	0.78	0.13	0.91
2	M/s Sukkur Beverages	0495668-7	9.29	1.58	10.87
		Total	**10.07**	**1.71**	**11.78**

Management Response

The Department informed that all the cases involving Rs. 11.78 million were under adjudication.

DAC Decision

The DAC in its meeting held on 6th to 10th February, 2017 directed the RTO to expedite the adjudication and reply to Audit and FBR by 31st March, 2017.

Audit Recommendations

- Expeditious adjudication/recovery of government dues.
- Fixing of responsibility against person(s) at fault.

[DP No.6110-ST/K]

5.4 Income Tax

5.4.1 Non-levy of minimum tax on the income - Rs. 1,446.37 million

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

The above referred Section was not applied in sixteen (16) field formations of FBR, on 211 taxpayers resulting in loss of revenue of Rs. 1,446.37 million. Few examples of such taxpayers are given as under:

1. M/s Universal Metal (Pvt) Limited (NTN 1246499), declared turnover Rs. 2,346.22 million for the Tax Year 2015 but due to declared loss the tax authorities levied nil tax as against the minimum tax of 1% required under above referred law resulting in loss of revenue Rs. 23.46 million (DP No.16305-IT).

2. M/s Colony Sugar Mill Ltd. (NTN 2921850), declared turnover amounting to Rs. 3834.69 million for the Tax Year 2015 but the tax authorities did not levy the minimum tax of 1% required under above referred law resulting in loss of revenue Rs. 38.35 million (DP No.16305-IT).

3. M/s. Baker Hughes Eho Limited (NTN 1426695), declared turnover Rs. 3,139.27 million for the Tax Year 2015 but assessment made under normal law, therefore, tax levied Rs. 15.46 million as against the minimum tax of 1% Rs.31.39 million. Thus, Rs. 15.93 million was short assessed (DP No.1149-IT/K).

4. M/s Axact Private Limited (NTN 2692690), declared turnover Rs. 2,668.86 million for the Tax Year 2014 but assessment made under normal law, therefore, tax levied Rs. 1.89 million as against the minimum tax of 1% Rs. 2.67 million. Thus, Rs. 2.48 million was short assessed (DP No.1176-IT/K).

Management Response

The Department replied that: (a) tax of Rs. 0.13 million was charged and recovered: (b) amount of Rs. 38.69 million had been charged but recovery was awaited; and (c) legal proceedings for charging tax of Rs. 1,245.75 million had been initiated but not yet finalized. However, no reply was furnished by the Department in cases involving Rs. 161.80 million.

DAC Decision

The DAC in it meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to recover the charged amount, finalize the assessment proceedings and furnished comprehensive reply in non-responded cases and report progress by 25th March 2017.

Audit Recommendations

- Non-recovery of minimum tax may be justified.
- Internal controls may be strengthened to avoid recurrence of such irregularities in future.
- Loss of government revenue be made good under intimation to Audit.
- Fix responsibility on the persons at fault.

[Annexure-21]

5.4.2 Loss of revenue due to concealment of income or assets - Rs. 16,092.53 million

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

In twelve (12) field formations of FBR, the taxpayers in their Sales Tax returns declared sales but the quantum of sales did not match with the figures given in Income Tax returns. The omissions remained undetected despite both returns were finalized by the same authority. This resulted in non-levy of tax amounting to Rs. 16,092.53 million in 97 cases. Few examples of such omissions are given as under:

1. M/s H. Sheikh Noor Din & Sons (Pvt) Ltd. (NTN 06883281), the taxpayer during the Tax Years 2011, 2012 and 2013 declared sales in Sales Tax returns Rs. 2,036.105 million, Rs. 662.968 million and Rs. 561.534 million as against the sales declared in Income Tax return Rs. 369.132 million, Rs. 389.408 million and Rs. 265.453 million respectively. Thus, Rs. 1,666.97 million, Rs. 273.56 million and Rs. 296.081 million sales had been suppressed involving Income Tax Rs. 811.337 million (DP No.16031-IT).

2. M/s. Abdul Rauf (Prop: Farooq Enterprises) (NTN 5440081382237), declared net purchases amounting to Rs. 333.74 million whereas taxpayer claimed tax credit as adjustable under Section 148 @ 1% at Rs. 10.07 million which was worked back, import value came to purchase of import value Rs. 1,006.91 million. Hence taxpayer concealed the stock/assets at Rs. 673.18 million in their tax return. Thus Rs. 673.18 million stock/assets had been suppressed involving Income Tax Rs. 230.90 million (DP No.1061-IT/K).

Management Response

The Department replied that legal proceedings for charging tax of Rs. 16,088.76 million had been initiated but not yet finalized and cases involving Rs. 3.77 million were subjudice.

DAC Decision

The DAC in it meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to finalize the assessment proceedings and pursue the subjudice cases and report progress by 25th March, 2017.

Audit Recommendations

- Non-recovery of tax may be justified.

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

[Annexure-22]

5.4.3 Short-levy of tax due to issuance of SRO without approval of the Parliament - Rs. 3,283.13 million

Section 153(1)(b) of Income Tax Ordinance, 2001 provides that every prescribed person making a payment in full or part including a payment by way of advance to a resident person for the rendering of or providing of services is required to, at the time of making the payment, deduct tax from the gross amount payable at the rate specified. Further as per Section 153(3), such tax is to be a minimum tax.

Eight (08) field formations of FBR, allowed adjustment of tax deducted by the prescribed persons while making payment to companies providing or rendering services whereas tax deductions under Section 153(1)(b) of Income Tax Ordinance 2001, was declared as minimum tax. However, FBR through various circulars incorrectly amended this statutory provision and allowed this deduction to the corporate sector as adjustable in eighty eight (88) taxpayers, later on through Finance Act 2011 made minimum tax to the corporate sector. The Federal Board of Revenue through an SRO No. 1003(I)/2011 dated 31st October 2011 inserted clause 79 in Part IV of the Second Schedule of the Income Tax Ordinance, 2001, whereby minimum tax was again made adjustable for corporate sector. The SRO issued by the FBR was not placed before the National Assembly. Therefore the SRO had no validity in the eyes of the law. Federal Tax Ombudsman finally decided the matter and declared FBR SRO/Circulars against the spirit of the Law. The President of Pakistan also endorsed the decision of FTO and directed the Department to take action against the officers at fault. This resulted in loss of revenue amounting to Rs. 3,283.13 million.

Management Response

The Department contested the para on the ground that SRO No. 1003(I)/2011 dated 31st October 2011 inserted Clause 79 in Part IV of the Second Schedule of the Income Tax Ordinance, 2001, whereby minimum tax was made adjustable for the corporate sector.

The Departmental contention is not tenable as the said clause was inserted through SRO instead of Finance Act duly approved by the National Assembly. In this regards it is pertinent to mention here that the Federal Tax Ombudsman held that the move by FBR to change the taxation regime for the corporate services by issuing SRO 1003 of 2011 is indirect violation of dictum laid down by the August Supreme Court of Pakistan in Engineer Iqbal Zafar Jhagra Versus Federation of Pakistan "it is clear that the Majlis-e-Shoora (Parliament)/ Legislature alone and not the Government/Executive is empowered to levy tax. As far as delegation of such powers to the Government/ Executive is concerned, the same is for the purpose of implementation of such laws, which is to be done by framing rules, or issuing notifications or guidelines, depending upon the case. But in no case, authority to levy tax for the Federation is to be delegated to the Government/Executive". It is further added that FBR placed representation before the Honourable President of Pakistan, against the decision of FTO regarding minimum tax on services rendered by Corporate Sector. The Honourable President of Pakistan vide order No.02/FTO/2015 dated 1st June, 2016 held that "the representation is devoid of any merit and praying for undue interference into an already settled matter. Hence the representation of the complainant is liable to be rejected and the FTO findings are upheld being sustainable and in exceptional. Accordingly, the president has been pleased to reject the representation and upheld the recommendations of the learned FTO. The FTO recommendations dated 10th July, 2013 are given below:-

(i) initiate appropriate disciplinary action against the officials found responsible for issuing Circular No.6 of 2009 and inserting Clause 79 in the Second Schedule.

(ii) take immediate measures either to delete the Clause 79 from the Second Schedule of the ordinance or to get it approved retrospectively by the Parliament.

In view of foregoing Audit is of the view that tax on the corporate services be levied and recovered as laid down in the substantive provisions of law to retrieve the loss of revenue sustained by the Government Exchequer. It is also pertinent to mention here that the said clause has been deleted from the Income Tax Ordinance, 2001 through Finance Act, 2015 meaning thereby that Parliament (Majlis-e-Shoora) has disapproved the Clause 79 which was inserted through the said SRO by the Federal Board of Revenue. The revenue impact/loss pointed out by Audit on test check basis in eighty eight cases was worked out amounting to Rs. 3,283.13 million. Whereas FBR already declared Total Collection Under Section 153(1)(b) which accumulates to Rs. 199,143.92 million vide U.O. No. 5(28) IR(Jud) 2015/35094-R dated 14th March, 2016 as detailed below:

Total Collection Under Section 153(1)(b)

(Rs. in million)

Years	Corporate Sector		Non-Corporate Sector	Total
	Tele Network Mobile Companies	Other Services Providing Companies	Non-Corporate Service Providers	
2010-11	517.05	10,307.21	16,520.76	27,345.02
2011-12	1,397.89	15,083.59	20,284.95	36,766.43
2012-13	331.99	16,188.17	20,557.45	37,077.61
2013-14	435.97	19,487.27	24,326.70	44,249.93
2014-15	48.28	24,337.71	29,318.94	53,704.93
Total	**2,731.19**	**85,403.94**	**111,008.79**	**199,143.92**

DAC Decision

The DAC in it meetings held on 6th to 10th and 13th to 16th February, 2017 observed that since FBR had already sought clarification on this issue from Law Division, therefore, RTO should also communicate with the Board to seek further, clarification and submit final compliance at earliest.

Audit Recommendations

- Finalization of proceedings within the stipulated time period; and

- Initiating appropriate action against the person(s) responsible for the lapse.

[Annexure-23]

5.4.4 Short levy of Super Tax for rehabilitation of temporarily displaced persons - Rs. 6,243.30 million

According to Section 4(B) of the Income Tax Ordinance 2001, a Super Tax shall be imposed for rehabilitation of temporarily displaced persons, for the Tax Year 2015, at the rates specified in Division IIA of Part I of the First Schedule, on income of every person specified in the said Division.

In eight (08) field formations of FBR, the Super Tax on income of the persons was not paid by ninety six (96) taxpayers. The Department did not initiate any legal proceedings to levy the tax. This resulted in non levy of super tax amounting to Rs. 6,243.30 million. Few examples of such taxpayers are given as under:

1. M/s Fauji Fertilizer Company (NTN 1435809), declared income Rs. 22,965.12 million for Tax Year 2015, but did not pay Super Tax despite the fact that their total income exceeded the prescribed limit. This resulted in loss of Rs. 891.63 million (DP No.16365-IT).

2. M/s Habib Bank Ltd (NTN 0698187), declared income Rs. 42,570.84 million for Tax Year 2015, but did not pay Super Tax despite the fact that their total income exceeded the prescribed limit. This resulted in loss of Rs. 1,702.83 million (PDP No.1206-IT/K).

3. M/s United Energy (NTN 3792746), declared income Rs. 43,210.00 million for Tax Year 2015, but did not pay Super Tax despite the fact that their total income exceeded the prescribed limit. This resulted in loss of Rs. 1,296.00 million (PDP No.1157-IT/K).

Management Response

The Department replied that: (a) tax of Rs. 1,611.14 million had been charged and recovered; (b) amount of Rs. 2,900.05 million had been charged but recovery was awaited; (c) legal proceedings for charging tax of Rs. 1,634.85

million had been initiated but not yet finalized; and (d) cases involving Rs. 97.26 million were subjudice.

DAC Decision

The DAC in it meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to recover the charged amount, finalize the assessment proceedings, pursue the subjudice cases and report progress by 25th March, 2017.

Audit Recommendations

- Non-recovery of tax may be justified.
- Internal controls may be strengthened to avoid recurrence of such irregularities in future.
- Loss of government revenue be made good under intimation to Audit.
- Fix responsibility on the persons at fault under intimation to Audit.

[Annexure-24]

5.4.5 Loss of revenue due to non-apportionment of expenses between final and normal tax regimes - Rs. 3,294.07 million

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

Fifty (50) taxpayers registered with six (06) 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. 3,294.07 million in the Tax Year 2015. Few examples of such taxpayers are as follows:

1. M/s Nestle Pakistan Limited (NTN 0225862) incorrectly apportioned other income towards PTR for the Tax Year 2015 which resulted in loss of Rs. 12.85 million (DP No.16303-IT).

2. M/s Jahangir Siddiqui & Co (NTN 0800544) claimed expenses in manufacturing / trading, profit & loss accounts and income was not prorated between NTR and PTR/FTR, which resulted in loss of Rs. 74.73 million (PDP No.1233-IT/K).

3. M/s Iftikhar Ahmed & Co (NTN 1302590) claimed expenses in manufacturing / trading, profit & loss accounts and income was not prorated between NTR and PTR/FTR, which resulted in loss of Rs. 137.33 million (PDP No.1062-IT/K).

Management Response

The Department replied that legal proceedings for charging tax of Rs. 3,294.07 million had been initiated but not yet finalized.

DAC Decision

The DAC in it meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to finalize the assessment proceedings and report progress by 25th March, 2017.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Fix responsibility on the persons at fault under intimation to Audit.
- Internal controls may be strengthened to avoid recurrence of such irregularities in future.

[Annexure-25]

5.4.6 Non-levy of default surcharge on payment of Tax after due date - Rs. 2,080.73 million

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

In six (06) field formations of FBR, three hundred twenty four (324) taxpayers did not pay the due tax within the specified time for the Tax Years 2007 to 2015. 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. 2,080.73 million.

Management Response

The Department replied that: amount of Rs. 0.23 million had been charged but recovery was awaited; (b) legal proceedings for charging tax of Rs. 1,713.72 million had been initiated but not yet finalized; and (c) amount of Rs. 24.66 million was subjudice.. However, no reply was furnished by the Department in cases involving Rs. 342.12 million.

DAC Decision

The DAC in it meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to recover the charged amount, finalize the assessment proceedings, pursue the subjudice cases and furnished comprehensive reply in non-responded cases and report progress by 25th March, 2017.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Fix responsibility on the persons at fault under intimation to Audit.
- Internal controls may be strengthened to avoid recurrence of such irregularities in future.

[Annexure-26]

5.4.7 Short-deduction of Withholding Tax on supplies and contracts - Rs. 1,945.05 million

Section 169 of the Income Tax Ordinance, 2001 provides 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 is not adjustable against any other tax liability.

In six (06) field formations of FBR, one hundred six (106) taxpayers derived income under FTR. Audit observed that as per FBR e-portal, tax deducted from them by the withholding agents concerned on their FTR receipts was less than the tax deduction declared by them in their tax returns for the Tax Years 2014 and 2015. It indicated that either the tax was not treated as final under Section 169 or was not deposited in the Government Treasury. This resulted in revenue loss of Rs. 1,945.05 million. Few examples are given as under:

1. M/s SSGCL (NTN 0712242), claimed tax deduction under Section 148 which was required to be treated as final tax under the FTR. However, taxpayer incorrectly adjusted tax under Section 148 at Rs. 176.77 and Rs. 132.19 million for the Tax Years 2014 & 2015 respectively, which resulted loss amounting to Rs. 308.972 million (PDP No.1214-IT/K).

2. M/s Diamond Metals (NTN 2546890), the taxpayer paid Rs. 20.98 @ 1% on import. Whereas, taxpayer was required to pay tax @ 5% on import amounting to Rs. 104.91 million. Thus, there was short realization of tax amounting to Rs. 83.93 million (PDP No.1062/K).

Management Response

The Department replied that: (a) amount of Rs. 5.21 million had been charged but recovery was awaited; (b) legal proceedings for charging tax of Rs. 1,630.87 million had been initiated but not yet finalized; and (c) amount of Rs. 308.97 million was subjudice.

DAC Decision

The DAC in it meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to recover the charged amount, finalize the assessment proceedings, pursue the subjudice cases and report progress by 25th March, 2017.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Fix responsibility on the persons at fault under intimation to Audit.
- Internal controls may be strengthened to avoid recurrence of such irregularities in future.

[Annexure-27]

5.4.8 Loss of revenue due to incorrect exemption to power generation companies - Rs. 183.94 million

According to Clause (11A) (V) of Part IV of the Second Schedule of Income Tax Ordinance, 2001 the provisions of Section 113, regarding minimum tax, shall not apply to, companies, qualifying for exemption under Clause (132) and Clause (132B) of Part-I of this Schedule, in respect of receipts from sale of electricity.

Section 113 of the Income Tax Ordinance, 2001 provides for levy of minimum tax on resident company, an individual, an association of persons. This tax is applicable in cases where company suffered loss for the year; the setting off of a loss of an earlier year; exempt from tax; and the application of credits or rebates.

Five (05) power generation companies, assessed under the jurisdiction of the Large Taxpayers Unit, Lahore derived income from generation of electricity and its supply to WAPDA. The said companies were exempt from levy of normal tax under Clause 132 Part-I of Second Schedule of Income Tax

Ordinance, 2001, the companies were also exempt from levy of Minimum Tax under Clause (11A) (V) of Part IV of the Second Schedule of Income Tax Ordinance, 2001 in respect of "receipts from sale of electricity" only.

Scrutiny of accounts filed with the returns revealed that the said companies received "capacity purchase price" which is neither supply of electricity nor exempt under the law, as so much of the turnover which relates to supply of electricity is exempt under the aforesaid clauses of Second Schedule of the Ordinance. But the companies incorrectly claimed it exempt despite the fact that this receipt did not relate to sale of electricity which was exempt from levy of tax under the Ordinance. As such, incorrect claim of exemption from minimum tax resulted in short levy of tax amounting to Rs. 183.94 million during Tax Year 2015. Few examples of such taxpayers are given as under:

1. M/s Nishat Chunian Power Limited (NTN 2958445), declared turnover of capacity purchase price of Rs. 4,736.74 million for the Tax Year 2015, but tax authorities charged nil tax under Section 113 @ 1% required under above referred law resulting in loss of revenue Rs. 47.37 million (DP No.16308-IT).

2. M/s Pak Gen Power Limited (NTN 0786171), declared turnover of capacity purchase price of Rs. 4,104.08 million for the Tax Year 2015, but tax authorities charged nil tax under Section 113 @ 1% required under above referred law resulting in loss of revenue Rs. 41.04 million (DP No.16308-IT).

3. M/s Nishat Power limited (NTN 2958448-5), declared turnover of capacity purchase price of Rs. 4,450.05 million for the Tax Year 2015, but tax authorities charged nil tax under Section 113 @ 1% required under above referred law resulting in loss of revenue Rs. 44.50 million (DP No.16308-IT).

4. M/s Kohinoor Energy Limited (NTN 0656788), declared turnover of capacity purchase price of Rs. 1,082.19 million for the Tax Year 2015, but tax authorities charged nil tax under Section 113 @ 1% required under above referred law resulting in loss of revenue Rs. 10.82 million (DP No.16308-IT).

Management Response

The Department contested the para on the ground that CIR(A) disapproved the levy of minimum tax under Section 113 on capacity payment received by power generation companies on the strength of reported judgement of ATIR. Audit is of the view that capacity purchase price is neither supply of electricity nor exempt under the Income Tax Ordinance, 2001 as turnover relating to supply of electricity is exempt under clause 11(A)(v) of Part IV of Second Schedule to the Income Tax Ordinance, 2001.

DAC Decision

The DAC in its meeting held on 14th February, 2017 directed the Department to finalize proceedings by 25th March, 2017 and report final compliance thereafter.

Audit Recommendations

- Non-recovery of minimum tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Fix responsibility on the persons at fault under intimation to Audit.
- Internal controls may be strengthened to avoid recurrence of such irregularities in future.

[DP No.16308-IT]

5.4.9 Short levy of tax due to allowing inadmissible expenses - Rs. 81.39 million

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

In two (02) field formations of FBR, inadmissible expenses, such as, expenses where no Withholding Tax was deducted and where payments were made other than banking channel, were allowed to three 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. 81.39 million.

Management Response

The Department replied that an amount of Rs. 62.53 million had been charged but recovery was awaited and legal proceedings for charging tax of Rs. 18.86 million had been initiated but not yet finalized.

DAC Decision

The DAC in it meetings held on 6^{th} to 10^{th} and 13^{th} to 16^{th} February, 2017 directed the Department to recover the charged amount, finalize the assessment proceedings and report progress by 25^{th} March, 2017.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Fix responsibility on the persons at fault under intimation to Audit.
- Internal controls may be strengthened to avoid recurrence of such irregularities in future.

[Annexure-28]

5.4.10 Loss due to non-treatment of Withholding Tax as a final tax - Rs. 592.63 million

Section 153 (a) & (c) read with Section 169 of the Income Tax Ordinance, 2001 provides 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 is not adjustable against any other tax liability.

In seven (07) field formations of FBR, Withholding Tax deductions of twelve (12) taxpayers were not treated as final discharge of tax liability and these were incorrectly 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. 592.63 million. Few examples of such taxpayers are given as under:

1. A taxpayer (Faryal Bano) (STR No. 4220127211204), an importer, claimed tax deducted u/s 148 of Rs. 37.76 million as adjustable. No option out of presumptive tax regime was filed u/s 41 of Part IV of 2nd Schedule of Income Tax Ordinance 2001, therefore tax deducted u/s 148 was required to be treated as final tax. This resulted in short working of tax Rs. 15.10 million (PDP No.1163-IT/K).

2. M/s Haa Meem Private Limited (NTN 3798389) was assessed under normal tax regime amounting to Rs. 13.63 million by considering the final tax liability amounting to Rs. 21.98 million as adjustable instead of treating the amount as final tax. This resulted in loss of Rs. 8.35 million (DP No.1181-IT/K).

Management Response

The Department replied that legal proceedings for charging tax of Rs. 592.63 million had been initiated but not yet finalized.

DAC Decision

The DAC in it meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to finalize the assessment proceedings and report progress by 25th March, 2017.

Audit Recommendations

- Non-recovery of tax may be justified.

- Loss of government revenue be made good under intimation to Audit.

- Fix responsibility on the persons at fault under intimation to Audit.
- Internal controls may be strengthened to avoid recurrence of such irregularities in future.

[Annexure-29]

5.4.11 Loss of revenue due to non-taxation of income from other sources - Rs. 5.50 million

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

Two taxpayers registered with RTO Rawalpindi earned income from other sources and incorrectly charged profit & loss expenses against the declared income. The Department did not levy tax on such income which resulted in loss of revenue amounting to Rs. 5.50 million.

Management Response

The Department replied that legal proceedings for charging tax could not be initiated due to time limitation in a case involving Rs.3.31 million whereas, in other case involving Rs. 2.19 million, legal proceedings had been initiated.

DAC Decision

The DAC in its meeting held on 15th February, 2017 directed the Department to get its stance verified from Audit in a case involving Rs. 3.31 million and report final compliance by 20th February, 2017 and finalize proceedings by 25th March, 2017 in other case.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Fix responsibility on the persons at fault under intimation to Audit.

- Internal controls may be strengthened to avoid recurrence of such irregularities in future.

[DP No.16590 & 16602-IT]

5.4.12 Loss of revenue due to allowing inadmissible expenses - Rs. 25,631.77 million

Section 20 (1) of the Income Tax Ordinance, 2001 provides the deductions in computing income chargeable under the head "Income from Business". In computing the income of a person chargeable to tax under the head "Income from Business" for a Tax Year, a deduction shall be allowed for any expenditure incurred by the person in the year "wholly and exclusively" for the purposes of business.

In the case of M/s Sui Northern Gas Pipelines Limited (SNGPL) bearing NTN.0801137 assessed under the jurisdiction of Large Taxpayers Unit, Lahore, it was noticed that the taxpayer claimed "cost equalization adjustment" amounting to Rs. 38,862.82 million and Rs. 37,667.77 million during Tax Years 2015 and 2014 respectively. The said cost pertains to Sui Southern Gas Company Limited (SSGCL). The expense under consideration is not allowable to (SNGPL) as, it was neither incurred by the Sui Northern Gas Pipelines Limited, nor wholly and exclusively incurred by SNGPL to run its business operations. It is pertinent to mention here the expense was accounting adjustment which was not admissible under the Income Tax Ordinance, 2001.

The incorrect adjustment of cost incurred by other company reduced the profit of SNGPL which resulted in short assessment of income and consequent loss of revenue of Rs. 25,631.77 million.

Management Response

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

DAC Decision

The DAC in its meeting held on 14th February, 2017 directed the Department to finalize proceedings by 25th March, 2017 and report final compliance to Audit.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Fix responsibility on the persons at fault under intimation to Audit.
- Internal controls may be strengthened to avoid recurrence of such irregularities in future.

[DP No.16300-IT]

5.4.13 Loss of Tax due to incorrect adjustment of brought forward losses - Rs. 7,357.74 million

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

In six (06) field formations of FBR, income of thirteen (13) 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. 7,357.74 million. Few examples of such taxpayers are given as under:

1. M/s IC Semiconductors Private Limited (NTN 1413317-2), filed return for the Tax Year 2008 and declared net loss of Rs. 66.933 million despite the fact that the taxpayer did not commence business. The assessed losses were carried forward and set off against the income of the subsequent income year. This loss was comprised of total expenses which were to be amortized on a straight line basis as no business operation income was declared in

the return and only bank profit of Rs. 43,595 was shown. This resulted in loss of revenue amounting to Rs. 23.43 million (DP No.16600-IT).

2. M/s SEPCO (NTN 3801689), declared loss Rs. 25,987.94 million for the Tax Year 2015 but the tax authorities incorrectly adjusted other revenue/ income of Rs. 16,051.08 million against losses. This resulted in loss of revenue amounting to Rs. 3,477.90 million (DP No.1101-IT/K).

Management Response

The Department replied that legal proceedings for charging tax of Rs. 7,357.74 million had been initiated but not yet finalized.

DAC Decision

The DAC in it meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to finalize proceedings by 25th March, 2017 and report final compliance to Audit.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Fix responsibility on the persons at fault under intimation to Audit.
- Internal controls may be strengthened to avoid recurrence of such irregularities in future.

[Annexure-30]

5.4.14 Non-payment of Tax along with return - Rs. 75.31 million

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

In five (05) field formations of FBR, six (06) 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. 75.31 million.

Management Response

The Department replied that legal proceedings for charging tax of Rs. 75.31 million had been initiated but not yet finalized.

DAC Decision

The DAC in it meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to finalize proceedings by 25th March, 2017 and report final compliance to Audit.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Fix responsibility on the persons at fault under intimation to Audit.
- Internal controls may be strengthened to avoid recurrence of such irregularities in future.

[Annexure-31]

5.4.15 Loss of revenue due to incorrect assessment of tax under respective heads of income - Rs. 227.27 million

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

In three (03) field formations of FBR, tax liability in six (06) cases was incorrectly computed under respective heads of income. The Department did not initiate legal action under the relevant provisions of law for correct levy of tax. This resulted in short recovery of tax amounting to Rs. 227.27 million.

Management Response

The Department replied that an amount of Rs. 27.35 million had been charged but recovery was awaited and legal proceedings for charging tax of Rs. 199.92 million had been initiated but not yet finalized.

DAC Decision

The DAC in it meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to recover the charged amount, finalize the assessment proceedings and report progress by 25th March, 2017.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Fix responsibility on the persons at fault under intimation to Audit.
- Internal controls may be strengthened to avoid recurrence of such irregularities in future.

[Annexure-32]

5.4.16 Short-levy of tax due to inadmissible depreciation allowance on fixed assets - Rs. 6,022.66 million

Section 22, 23 read with Section 76(10) of the Income Tax Ordinance, 2001 provides that a taxpayer would be allowed depreciation allowance in a Tax Year at prescribed rates against taxable income. This allowance would only be allowed if the depreciable assets were used in the business of the taxpayer in that Tax Year as well as cost of an asset did not include the amount of any grant, subsidy, rebate, commission or any other assistance.

In two (02) field formations of FBR, four (04) taxpayers claimed inadmissible depreciation allowance which resulted in revenue loss of Rs. 6,022.66 million. Few examples are as follows:

1. In RTO Multan, three 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 for the Tax Year 2015. The excess depreciation allowance resulted in short assessment of income and consequent loss of revenue amounting to Rs. 6.13 million (DP No.16680-IT).

2. In LTU Karachi, M/s Sui Southern Gas Company Limited (NTN-34-00-0712242), claimed depreciation on assets "Gas Transmission pipeline". These assets were held by M/s. Meezan Bank Limited under Musharaka finance. Since the assets were not owned by the taxpayer, therefore, the claim of depreciation on such assets had become inadmissible expenses. Further the taxpayer has received Government grants for supply of gas to new towns and villages. This amount of grant has been included in the cost of assets on which depreciation has been claimed. This resulted in loss due to short-realization of tax amounting to Rs. 6,016.53 million (PDP No.1210-IT/K).

Management Response

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

DAC Decision

The DAC in it meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to finalize the proceedings, enforce recovery and report final compliance to Audit by 25th March, 2017.

Audit Recommendations

- Non-recovery of tax may be justified.

- Internal controls may be strengthened to avoid recurrence of such irregularities in future.
- Loss of government revenue be made good under intimation to Audit.
- Fix responsibility on the persons at fault under intimation to Audit.

[DP No.16680-IT & PDP-1210-IT/K]

5.4.17 Short-levy of tax due to inadmissible claim of provisions such as stores, spares, loose tools, exchange loss and staff gratuity etc. - Rs. 265.37 million

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

In three (03) field formations of FBR, nine (09) 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. 265.37 million.

Management Response

The Department replied that: (a) amount of Rs. 10.46 million had been charged and recovered; (b) amount of Rs. 140.29 million had been charged but recovery was awaited; and (c) legal proceedings for charging tax of Rs. 114.62 million had been initiated but not yet finalized.

DAC Decision

The DAC in it meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to recover the charged amount, finalize the assessment proceedings and report progress by 25th March, 2017.

Audit Recommendations

- Non-recovery of tax may be justified.
- Internal controls may be strengthened to avoid recurrence of such irregularities in future.
- Loss of government revenue be made good under intimation to Audit.
- Fix responsibility on the persons at fault under intimation to Audit.

[Annexure-33]

5.4.18 Non-treatment of Withholding Tax as final and minimum tax - Rs. 1,894.76 million

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

In sixteen (16) cases of six (06) field formations of FBR, Withholding Tax collected on import was treated as adjustable instead of final or minimum tax. The Department did not take remedial action to recover loss of revenue amounting to Rs. 1,894.76 million. Few examples of such taxpayers are given as under:

1. M/s Sui Northern Gas Pipelines Limited (NTN 0801137), claimed tax deductions under Section 148(7) as adjustable which was required to be treated as final tax under the FTR. This resulted in revenue loss of Rs. 1,033.34 million (DP. 16295-IT).

2. M/s Kausar Ghee Mills Pvt Limited (NTN 1422591), the taxpayer claimed tax deductions under Section 148(8) as adjustable which was required to be treated as minimum tax. This resulted in revenue loss of Rs. 157.36 million (DP. 16292-IT).

Management Response

The Department replied that: (a) amount of Rs. 36.58 million had been charged but recovery was awaited; (b) legal proceedings for charging tax of Rs. 1,393.61 million had been initiated but not yet finalized; and (c) An amount of Rs. 143.21 million was subjudice. No reply was, however, furnished by the Department in cases involving Rs. 321.36 million.

DAC Decision

The DAC in it meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to recover the charged amount, finalize the assessment proceedings, pursue the subjudice cases and furnished comprehensive reply in non-responded cases and report progress by 25th March, 2017.

Audit Recommendations

- Non-recovery of tax may be justified.
- Internal controls may be strengthened to avoid recurrence of such irregularities in future.
- Loss of government revenue be made good under intimation to Audit.
- Fix responsibility on the persons at fault under intimation to Audit.

[Annexure-34]

5.4.19 Loss of revenue due to non-levy of tax on contract receipts - Rs. 27,474.00 million

Article 165 of Constitution of Pakistan, 1973 read with Section 49(1) of the Income Tax Ordinance, 2001 provides that the income of the Federal Government shall be exempt from tax. Further, Article 165A read with Section 49(4) of the Income Tax Ordinance, 2001 provides that the Parliament has the power to make a law to provide for the levy and recovery of a tax on the income of a corporation, company, a regulatory authority, a development authority, other body or institution established by or under a Federal law or a Provincial law or an existing law or a corporation, company, a regulatory authority, a development authority, other body or institution set up, owned and controlled, either directly or indirectly, by the Federal Government or a Provincial Government, regardless of the ultimate destination of such income.

Two (02) taxpayers under the jurisdiction of RTO Rawalpindi engaged in the business of execution of construction contracts had not been filing Income Tax returns on the plea that the taxpayers were in the status of Federal Government being attached Department fall under Article 165 of the Constitution of Pakistan, 1973 read with Section 49 of the Income Tax Ordinance, 2001. Whereas the assessment record showed that the taxpayer fell under Article 165A of Constitution of Pakistan, 1973 read with Section 49(4) of the Income Tax Ordinance, 2001 and, therefore, were not exempt from payment of withholding tax. This resulted in revenue loss to the public exchequer amounting to Rs. 27,474 million.

Management Response

The Department replied that matter was under examination.

DAC Decision

The DAC in its meeting held on 15th February, 2017 directed the Department to finalize proceedings by 25th March, 2017 and report final compliance thereafter.

Audit Recommendations

- Non-recovery of tax may be justified.
- Internal controls may be strengthened to avoid recurrence of such irregularities in future.
- Loss of government revenue be made good under intimation to Audit.
- Fix responsibility on the persons at fault under intimation to Audit.

[DP Nos. 16579-IT, 16608-IT]

5.4.20 Non/short-realization of Withholding Tax on technical services - Rs. 132.88 million

According to Section 6 read with Section 152 of the Income Tax Ordinance, 2001 a tax is to be imposed, at the rate specified in Division IV of Part I of the First Schedule, on every non-resident person who received any Pakistan-source fee for technical services.

A taxpayer M/s Societe Des Products Nestle (NTN 2301855) registered in LTU Lahore had short paid tax on technical services. This resulted in short-realization of Withholding Tax amounting to Rs. 132.88 million for Tax Year 2015.

Management Response

The Department replied that tax leviable was 10% in accordance with avoidance of double taxation treaty with Switzerland.

DAC Decision

The DAC in its meeting held on 14th February, 2017 directed the Department to get its stance verified from Audit and report final compliance at the earliest.

Audit Recommendations

- Non-recovery of tax may be justified.
- Internal controls may be strengthened to avoid recurrence of such irregularities in future.
- Loss of government revenue be made good under intimation to Audit.
- Fix responsibility on the persons at fault under intimation to Audit.

[DP No.16294-IT]

5.4.21 Loss of revenue due to non-levy of Alternative Corporate Tax - Rs. 181.17 million

Section 113(C) of the Income Tax Ordinance, 2001 provides that the tax payable by a company is to be higher of the Corporate Tax or Alternative

Corporate Tax at a rate of seventeen per cent of accounting profit before tax for the Tax Year, as disclosed in the financial statements after making necessary adjustment.

In RTO Rawalpindi and Islamabad, two taxpayers paid Corporate Tax, whereas, Alternative Corporate Tax (ACT) was higher than that charged under normal law for the Tax Years 2014 and 2015. The taxpayers were obliged under the above provisions of law to pay the ACT. This resulted in loss of revenue amounting to Rs. 181.17 million.

Management Response

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

DAC Decision

The DAC in its meeting held on 15th February, 2017 directed the Department to finalize proceedings by 25th March, 2017 and report final compliance thereafter.

Audit Recommendations

- Non-recovery of tax may be justified.
- Internal controls may be strengthened to avoid recurrence of such irregularities in future.
- Loss of government revenue be made good under intimation to Audit.
- Fix responsibility on the persons at fault under intimation to Audit.

[DP No.16637-IT & 16570-IT]

5.4.22 Non-recovery of arrears of Tax demand - Rs. 10,683.42 million

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

Eight (08) field formations of FBR did not recover the arrears of tax demand of Rs. 10,683.42 million of Tax Years 2007 to 2015 from 378 taxpayers despite the fact that the tax was levied by the Department on factual as well as on legal grounds.

Management Response

The Department replied that: (a) an amount of Rs. 170.02 million had been charged and recovered; and (b) The legal proceedings for charging tax of Rs. 10,513.40 million had been initiated but not yet finalized.

DAC Decision

The DAC in it meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to finalize the assessment proceedings and report progress by 25th March, 2017.

Audit Recommendations

- Non-recovery of tax may be justified.
- Internal controls may be strengthened to avoid recurrence of such irregularities in future.
- Loss of government revenue be made good under intimation to Audit.
- Fix responsibility on the persons at fault under intimation to Audit.

[Annexure-35]

5.4.23 Short levy of tax due to application of incorrect tax rates - Rs. 1.39 million

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

In the case of M/s H.A Steel Chains Private Limited, having NTN 3659598 assessed under the jurisdiction of RTO Gujranwala, Income Tax of

Rs. 1.39 million was short levied for the Tax Year 2014 due to application of incorrect tax rates on assessed income of the taxpayer.

Management Response

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

DAC Decision

The DAC meeting was held on 16th February, 2017 and directed the Department to finalize proceedings by 25th March, 2017 and report final compliance thereafter.

Audit Recommendations

- Non-recovery of tax may be justified.
- Internal controls may be strengthened to avoid recurrence of such irregularities in future.
- Loss of government revenue be made good under intimation to Audit.
- Fix responsibility on the persons at fault under intimation to Audit.

[DP Nos.16243-IT]

5.4.24 Short levy of tax due to incorrect computation of taxable income - Rs. 4,569.42 million

Section 114 (2) (b) of the Income Tax Ordinance, 2001 required that taxpayer shall fully state all the relevant particulars or information as specified in the form of return.

In four (04) field formations of FBR, taxable income was under assessed due to calculation errors and omissions which resulted in short imposition of tax for Rs. 4,569.42 million in seventy (70) cases for the Tax Years 2014 & 2015. Few examples of such taxpayers are as follows:

1. M/s Ziauddin University (NTN 1363774), claimed exemption of clause 92 which was omitted through Finance Act 2013 and no income was offered for Tax Year 2014 & 2015, which resulted in loss of Rs. 295.90 million (PDP No.1182-IT/K).

2. M/s Alam Cotton Mills Pvt Ltd (NTN 2086735), showed consumption of Self-manufactured Finished Goods in negative for Tax Year 2015 and the same was also added back in head of domestic finished goods and declared excess closing balance, which resulted in loss of Rs.80.43 million (PDP No.1063-IT/K).

Management Response

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

DAC Decision

The DAC in it meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to finalize the assessment proceedings and report progress by 25th March, 2017.

Audit Recommendations

- Non-recovery of tax may be justified.
- Internal controls may be strengthened to avoid recurrence of such irregularities in future.
- Loss of government revenue be made good under intimation to Audit.
- Fix responsibility on the persons at fault under intimation to Audit.

[Annexure-36]

5.4.25 Non-taxation of recouped expenditure - Rs.16.11 million

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

M/s D.G Khan Cement Company Limited, (NTN 1213275) being assessed under the jurisdiction of Large Taxpayers Unit, Lahore was allowed an expenditure of Rs.47.58 million. The said expense was recouped in the Tax Years 2014 & 2015 but was not included in the taxable income. No remedial action was taken by the Department to tax such amount. This resulted in non-realization of tax of Rs. 16.11 million.

Management Response

The Department replied that taxpayer had not incurred expenses on insurance, hence question of taxation of recouped income did not arise.

DAC Decision

The DAC in its meeting held on 14th February, 2017 directed the Department to revisit its contention and get their stance verified from Audit by 20th February, 2017 and report final compliance.

Audit Recommendations

- Non-recovery of tax may be justified.
- Internal controls may be strengthened to avoid recurrence of such irregularities in future.
- Loss of government revenue be made good under intimation to Audit.
- Fix responsibility on the persons at fault under intimation to Audit.

[DP No.16291-IT]

5.4.26 Issuance of refund due to unlawful grant of exemption certificate - Rs. 15.99 million

According to Section 234(A) of the Income Tax Ordinance 2001, there shall be collected advance tax at the rate specified in Division VI (B) of Part III of the First Schedule on the amount of gas bill of a Compressed Natural Gas station. The tax collected shall be a final tax on the income of CNG station arising from the consumption of the gas.

In one field formation of FBR, the RTO Peshawar allowed exemption under clause 126(F) to the taxpayers of CNG sector without determination whether the tax payers are deriving profits and gains and being assessed under normal taxation or the taxpayers fall under presumptive tax regime. Moreover, no profit is calculated in the case of presumptive taxation and withholding tax deductions were treated as final tax liability in disregard of the above provisions of law. It appears that profits and gains derived by a taxpayer is exempt from the levy of Income Tax and in case if no profits are gained or derived by the taxpayer, the exemption will not be available to the taxpayers. This resulted in irregular issuance of refund amounting to Rs. 15.99 million in 41 cases from Tax Years 2010 to 2012.

Management Response

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

DAC Decision

The DAC in its meeting held on 13th February 2017 directed the Department to finalize the assessment proceedings by 25th March 2017.

Audit Recommendations

- Non-recovery of tax may be justified.
- Internal controls may be strengthened to avoid recurrence of such irregularities in future.
- Loss of government revenue be made good under intimation to Audit.
- Fix responsibility on the persons at fault under intimation to Audit.

[DP No.15986-IT]

5.4.27 Potential loss of tax revenue due to excess claim of Unaccounted for Gas (UFG) - Rs. 31,190.55 million

According to Section 21 (g) of the Income Tax Ordinance, 2001 except as otherwise provides in this Ordinance, no deduction shall be allowed in computing the income of a person under the head "Income from Business" for any fine or penalty paid or payable by the person for the violation of any law, rule or regulation.

The Oil and Gas Regulatory Authority (OGRA) had determined the unaccounted for gas (UFG) benchmark of 4.5% for distribution companies. The excess amount claimed on account of (UFG) is disallowed by the OGRA. The international benchmark of UFG for companies in the same line of operations was 2% of the gas purchases and its distribution.

M/s SNGPL & SSGCL under the jurisdiction of LTU Lahore & Karachi charged UFG (Unaccounted for Gas) as expenditure in cost of sales. As a result the profits/income was reduced during the Tax Years 2011 to 2015. As per Section 21 of Oil & Gas Regularity Authority (OGRA) Ordinance 2002, bench mark for UFG at 4.50 % for the financial year 2014-15 was allowed to pass on the UFG cost to the consumers. Further OGRA enhanced benchmark of UFG to 7% for the year under consideration, meaning thereby that the taxpayer was allowed to recover the cost of UFG from the consumers to the extent of 7% instead of 13.62% as claimed by taxpayer. It is clear that cost of UFG is not borne by the taxpayers, rather it is passed on to the consumers. Therefore, the claim of UFG charged to Cost of Sales, was not admissible and required to be disallowed and taxed accordingly. The Department did not initiate any legal proceedings to rectify the same and create demand. This resulted in potential tax loss of revenue of Rs. 31,190.55 million as under:

(Rs. in million)

S. No.	DP No.	Name of Taxpayer	Tax Year	Cost of UFG	Potential tax Loss
1	16293-IT	SNGPL	2014 & 2015	23,900.70	8,242.62
2	1209/K	SSGCL	2011 to 2015	66,658.00	22,947.93
			Total	**90,558.70**	**31,190.55**

Management Response

The Department replied that legal proceedings for charging tax of Rs. 8,242.62 million had been initiated but not yet finalized and cases involving Rs. 22,947.93 million were subjudice.

DAC Decision

The DAC in it meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to finalize the legal proceedings and report compliance to Audit at earliest.

Audit Recommendations

- Non-recovery of tax may be justified.
- Loss of government revenue be made good under intimation to Audit.
- Fix responsibility on the persons at fault under intimation to Audit.

5.5 Refund of Income Tax

5.5.1 Unlawful issuance of refund without fulfilling of codal formalities - Rs. 2,097.22 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 twelve (12) field formations of FBR, refund was issued to one hundred sixty five 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. 2,097.22 million. Few examples of such taxpayers are given as under:

1. M/s New Shalimar Steel Industries (NTN 0786554-6) claimed refund of Rs. 31.84 million for the Tax Year 2013 and Department adjusted the same without passing the refund adjustment order and without credit verification of tax payments which resulted in revenue loss of Rs. 10.00 million (DP No. 16024-IT).

2. M/s Popular Spinning Mills (NTN 1448911), claimed previous years refund and adjusted the same into current year tax. The adjustment was irregular because the refund was allowed without determining the claim and verification by the Department, which resulted in irregular adjustment of Rs. 207.21 million (PDP No.1165/K).

3. M/s Lakhra Coal Development Co. (NTN 0710948), claimed previous years refund and adjusted the same into current year tax. The adjustment was irregular because the refund was allowed without determining the claim and verification by the Department, which resulted in irregular adjustment of Rs. 56.74 million (PDP No.1178/K).

Management Response

The Department replied that: (a) an amount of Rs. 27.28 million had been charged but recovery was awaited; and (b) legal proceedings for charging tax of Rs. 2,069.06 million had been initiated but not yet finalized. However, no reply was furnished in cases involving Rs. 0.88 million.

DAC Decision

The DAC in it meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to recover the charged amount, finalize the assessment proceedings and furnished comprehensive reply in non-responded cases and report progress by 25th March, 2017.

Audit Recommendations

- Non-recovery of tax may be justified.
- Internal controls may be strengthened to avoid recurrence of such irregularities in future.
- Loss of government revenue be made good under intimation to Audit.
- Fix responsibility on the persons at fault under intimation to Audit.

[Annexure-37]

5.6 Workers Welfare Fund

5.6.1 Non-realization of Workers Welfare Fund - Rs. 1,932.71 million

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

In seventeen (17) field formations of FBR, Workers Welfare Fund was not paid by five hundred and seventy eight (578) taxpayers for the Tax Years 2007 to 2015. The Department did not take action to recover the amount. This resulted in non-realization of Workers Welfare Fund amounting to Rs. 1,932.71 million.

Management Response

The Department replied that: (a) tax of Rs.15.06 million had been charged; (b) amount of Rs. 2.19 million had been charged but recovery was awaited; and (c) legal proceedings for charging tax of Rs. 1,915.46 million had been initiated but not yet finalized.

DAC Decision

The DAC in it meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to recover the charged amount, finalize the assessment proceedings and report progress by 25th March, 2017.

Audit Recommendations

- Non-recovery of tax may be justified.
- Internal controls may be strengthened to avoid recurrence of such irregularities in future.
- Loss of government revenue be made good under intimation to Audit.
- Fix responsibility on the persons at fault under intimation to Audit.

[Annexure-38]

5.7 Withholding Taxes

Sales Tax

5.7.1 Non-deduction/realization of withholding Sales Tax on purchases from registered/unregistered persons - Rs. 1,120.98 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.

Nine hundred and five (905) taxpayers acting as withholding agents registered with sixteen (16) 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. 1,120.98 million during the financial years 2013-14 to 2015-16. Few examples of such taxpayers are given as under:

1. M/s PESCO (NTN 2228080) registered with RTO Peshawar made payments to its suppliers but did not withheld 1/5th of Sales Tax. This resulted into non deduction of Sales Tax of Rs. 73.67 million during the Tax Year 2016 (DP No.16209-ST)

2. M/s Punjab Beverage Company Private Limited (NTN 0660311-4) registered with RTO Faisalabad made payments to its suppliers but did not withheld 1/5th of Sales Tax amounting to Rs. 97.37 million during the tax period from July 2015 to May 2016 (DP No.16469-ST).

3. M/s Advance Telecom (NTN 2848905-5) registered with LTU Karachi received advertisement services from twenty four advertisement service providers. However, amount of Sales Tax shown in Sales Tax invoices issued by service providers was not deposited into government treasury by the recipient but adjusted as

input tax. This resulted in loss of government revenue Rs 44.69 million (DP No.6186-STK).

4. M/s Onyx Trading (NTN 2486509-5) registered with RTO-II Karachi did not pay withholding tax deductable from the suppliers of guar seeds during the tax period from July 213 to June 2015. The taxpayer contended that the supply of guar gum was exempt under entry 20 of the Sixth Schedule of the Sales Tax Act 1990 hence was not required to deduct withholding tax. The contention of the taxpayers was rejected by the appellate authority vide Order-in-Appeal No 29 and 30 dated 21st July 2016. This resulted in non withholding of Sales Tax of Rs. 12.40 million (DP No.6156-ST/K).

Management Response

The Department replied that: (a) amount of Rs. 15.69 million was under recovery; (b) cases of Rs. 124.47 million were under adjudication; (c) cases of Rs. 966.40 million were awaiting action; (d) amount of Rs. 0.74 million had been regularized; (e) amount of Rs. 0.66 million had been reconciled with Audit; and (f) amount of Rs. 12.11 million had also been recovered but was yet to be verified. However, no reply was furnished in cases of Rs. 0.91 million by the Department.

DAC Decision

The DAC in its meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to expedite recovery/adjudication/legal proceedings and furnish updated reply in non responded cases by 31st March 2017. The DAC settled the para to the extent of amount regularized, reconciled and Rs. 12.11 million subject to verification by Audit.

Audit Recommendations

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

[Annexure-39]

5.7.2 Non-realization of 4/5th and 9/10th Sales Tax from Government suppliers / vendors - Rs. 25.28 million

According to Rule-2(2) of the Sales Tax Special Procedure (Withholding) Rules, 2007 a withholding agent was required to deduct an amount equal to 1/5th and 1/10th of the total Sales Tax shown in the Sales Tax invoice issued by a registered person. Further Rule 3(2) provided that the registered supplier was required to file monthly return and was required to adjust total Input Tax against Output Tax under Sections 7, 8 and 8B of the Sales Tax Act, 1990 taking due credit of the Sales Tax deducted by the withholding agent. Furthermore non/short payment of tax also attracted penalty and default surcharge leviable under Sections 33 and 34 of the Sales Tax Act, 1990.

Twenty five (25) taxpayers (suppliers) registered with three (03) field offices of FBR made taxable supplies/services to three (03) DDOs who withheld 1/5th and 1/10th portion of Sales Tax while making payments to the suppliers. But the respective suppliers/vendors did not deposit the remaining 4/5th and 9/10th portion of Sales Tax in the government treasury when verified from the "e-Portal" of the FBR. No legal action was taken by the Department to recover the remaining portion of Sales Tax from the suppliers/vendors. This resulted in non-realization of Sales Tax amounting to Rs. 25.28 million for the years 2013-14 to 2015-16 besides penalty and default surcharge as under.

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO Islamabad	16642-WHT	01	5.90
2	RTOs Rawalpindi, Islamabad & CRTO Lahore	16671- WHT	16	7.73
		16670- WHT	08	11.65
		Total	**25**	**25.28**

Management Response

The Department replied that an amount of Rs. 5.90 million was under adjudication and cases of Rs. 19.38 million were awaiting action by the Department.

DAC Decision

The DAC in its meeting held on 13th to 16th February, 2017 directed the Department to expedite adjudication and legal proceedings by 31st March, 2017.

Audit Recommendations

- Expeditious adjudication and completion of legal proceedings of the dues.
- Fixing of responsibility against the person(s) at fault.

5.7.3 Non-withholding/realization of Sales Tax from payment made against advertisement services - Rs. 23.55 million

According to Rule 3A of the Sales Tax Special Procedure (Withholding) Rules 2007, a person mentioned in Clause (e) of sub-Rule (2) of Rule 1, who received advertisement services, provided or rendered by a person based in Pakistan or abroad, shall deduct the amount of Sales Tax as mentioned in the invoice issued by the service provider from the payment due to the service provider. In case the Sales Tax amount was not indicated on the invoice, the recipient shall deduct Sales Tax at the applicable rate of the value of taxable services.

Six (06) taxpayers registered with two (02) field offices of FBR received advertisement services and were required to deduct whole amount of Sales Tax mentioned in the invoices issued by the service providers while making payment to the service providers but neither the taxpayers deducted/deposited nor the Department recovered the amount of Sales Tax. This resulted in non realization of withholding Sales Tax amounting to Rs. 23.55 million.

Management Response

The Department replied that all the cases involving Rs. 23.55 million were under examination.

DAC Decision

The DAC in its meeting held on 13th to 16th February, 2017 directed the Department to examine the cases and furnish updated reply to Audit and FBR by 28th February, 2017.

Audit Recommendations

- Furnish updated reply in the light of DAC directives.
- Prompt completion of legal proceedings.
- Fixing of responsibility against the person(s) at fault.

[DPs No. 16328 & 16370-WHT]

5.7.4 Inadmissible/excess adjustment of Sales Tax not deducted by withholding Agents - Rs. 7.81 million

According to Rule 3 (2) of the Sales Tax Special Procedure (Withholding) Rules, 2007 the registered supplier shall file monthly return as prescribed in the Sales Tax Rules, 2006 and shall adjust total input tax against output tax under Sections 7, 8 and 8B of the Sales Tax Act, 1990 taking due credit of the Sales Tax deducted by the withholding agent, in the manner as prescribed in the return under Chapter II of the Sales Tax Rules, 2006.

Twelve (12) taxpayers registered with six (06) field offices of FBR either adjusted Sales Tax which was not withheld by the buyers or adjusted excess amount of Sales Tax than actually withheld by the buyer during the years 2014-15 and 2015-16. The Department did not initiate action against the taxpayers to safeguard public exchequer. This resulted in inadmissible/excess adjustment of Sales Tax withheld by the buyers amounting to Rs. 7.81 million as under:

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO Sialkot	16397-WHT	01	3.43
2	RTOs Rawalpindi, Abbottabad, Multan, CRTO Lahore	16669-WHT	10	0.63
3	RTO-II Lahore	15963-WHT	01	3.75
		Total	**12**	**7.81**

Management Response

The Department replied that cases of Rs. 3.43 million were under recovery and cases for Rs. 3.75 million were awaiting action by the Department. However, no reply was furnished in cases of Rs. 0.63 million.

DAC Decision

The DAC in its meeting held on 13th to 16th February, 2017 directed the Department to expedite the recovery/legal proceedings and furnish updated reply in non responded cases to Audit and FBR by 31st March, 2017.

Audit Recommendations

- Expeditious recovery/legal proceedings of the government revenue.
- Furnish reply in non responded cases.
- Fixing of responsibility against the person(s) at fault.

Income Tax

5.7.5 Non-realization of Withholding Tax from withholding agents - Rs. 14,474.60 million

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

In seventeen (17) field formations of FBR, four hundred and twenty eight (428) 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. 14,474.60 million. Few examples of such taxpayers are given as under:

1. M/s APNA TV channel (NTN 2140645), did not deduct tax while making payment on account of sales of goods or supplies and services

for Tax Year 2015, which resulted in loss of Rs. 70.87 million (PDP No.1055/K).

2. M/s Getro Power Ltd, did not deduct tax while making payment on account of sales of goods or supplies and services for Tax Year 2015, which resulted in loss of Rs. 252.36 million (PDP No.1191/K).

Management Response

The Department replied that: (a) tax of Rs. 1,252.52 million had been charged and recovered; (b) amount of Rs. 40.38 million had been charged but recovery was awaited; (c) amount of Rs. 79.79 million was subjudice; and (d) legal proceedings for charging tax of Rs. 13,048.06 million had been initiated but not yet finalized. However, no reply was furnished in cases involving Rs. 53.85 million.

DAC Decision

The DAC in it meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to recover the charged amount, finalize the assessment proceedings, to pursue the subjudice cases and report progress by 25th March, 2017.

Audit Recommendations

- Non-recovery of tax may be justified.
- Internal controls may be strengthened to avoid recurrence of such irregularities in future.
- Loss of government revenue be made good under intimation to Audit.
- Fix responsibility on the persons at fault under intimation to Audit.

[Annexure-40]

5.7.6 Non-realization of Withholding Tax on salary - Rs. 56.89 million

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

In five (05) field formations of FBR, Withholding Tax on salary income of twelve 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. 56.89 million.

Management Response

The Department replied that: (a) tax of Rs. 0.49 million had been charged but recovery was awaited; (b) legal proceedings for charging tax of Rs. 46.85 million had been initiated but not yet finalized; and (c) amount of Rs. 9.55 million was subjudice.

DAC Decision

The DAC in it meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to recover the charged amount, finalize the assessment proceedings, pursue the subjudice cases and report progress by 25th March, 2017.

Audit Recommendations

- Non-recovery of tax may be justified.
- Internal controls may be strengthened to avoid recurrence of such irregularities in future.
- Loss of government revenue be made good under intimation to Audit.
- Fix responsibility on the persons at fault under intimation to Audit.

[Annexure-41]

5.7.7 Non-realization of Withholding Tax on dividend - Rs. 33.80 million

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

In RTO Islamabad, withholding agents while making payments of dividend failed to deduct tax in two cases for the Tax Years 2013 and 2014. The Department did not take legal action to collect the tax from the taxpayers. This resulted in non-realization of tax amounting to Rs. 33.80 million.

Management Response

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

DAC Decision

The DAC in its meeting held on 15th February, 2017 directed the Department to finalize the legal proceedings by 25th March, 2017 and report final compliance thereafter.

Audit Recommendations

- Non-recovery of tax may be justified.
- Internal controls may be strengthened to avoid recurrence of such irregularities in future.
- Loss of government revenue be made good under intimation to Audit.
- Fix responsibility on the persons at fault under intimation to Audit.

[DP No. 16626, 16634-IT]

5.7.8 Non-levy of Withholding Tax on brokerage and commission - Rs. 32.17 million

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

In five (05) field formations of FBR, five (05) 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. 32.17 million.

Management Response

The Department replied that the tax of Rs. 0.13 million had been charged but recovery was awaited and legal proceedings for charging tax of Rs. 32.04 million had been initiated but not yet finalized.

DAC Decision

The DAC in it meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to recover the charged amount, finalize the assessment proceedings and report progress by 25th March, 2017.

Audit Recommendations

- Non-recovery of tax may be justified.
- Internal controls may be strengthened to avoid recurrence of such irregularities in future.
- Loss of government revenue be made good under intimation to Audit.
- Fix responsibility on the persons at fault under intimation to Audit.

[Annexure-42]

5.7.9 Non-recovery of Withholding Tax on income from property - Rs. 48.12 million

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

In four (04) field formations of FBR, ten (10) 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. 48.12 million.

Management Response

The Department replied that an amount of Rs. 30.74 million had been charged but recovery was awaited and legal proceedings for charging tax of Rs. 17.38 million had been initiated but not yet finalized.

DAC Decision

The DAC in it meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to recover the charged amount, finalize the assessment proceedings and report progress by 25th March, 2017.

Audit Recommendations

- Non-recovery of tax may be justified.
- Internal controls may be strengthened to avoid recurrence of such irregularities in future.
- Loss of government revenue be made good under intimation to Audit.
- Fix responsibility on the persons at fault under intimation to Audit.

[Annexure-43]

5.7.10 Non levy of Withholding Tax on services - Rs. 962.24 million

According to the provisions of Section 236 of the Income Tax Ordinance, 2001 every prescribed person is 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 immoveable 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 is provided by any other person, the prescribed person is 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 ten (10) field formations of FBR, one hundred and twenty three (123) 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. 962.24 million. Few examples of such taxpayers are given as under:

1. M/s Fatima Fertilizer Company Limited (NTN 1791532), being withholding agent did not deduct withholding tax while making payment for Tax Years 2014 and 2015, which resulted in loss of Rs. 280.47 million (DP No.16693-IT).

2. M/s Pak Arab Fertilizers Limited (NTN 0786750), being withholding agent did not deduct withholding tax while making payment for Tax Year 2015, which resulted in loss of Rs. 62.62 million (DP No.16693-IT).

3. M/s Zafar Enterprises (NTN 1453388), being withholding agent did not deduct withholding tax while making payment for Tax Year 2015, which resulted in loss of Rs. 22.83 million (PDP No.1068/K).

4. M/s Sikandar Industries (NTN 0279299), being withholding agent did not deduct withholding tax while making payment for Tax Year 2015, which resulted in loss of Rs.13.42 million (PDP No.1067/K).

Management Response

The Department replied that an amount of Rs. 0.50 million had been charged but recovery was awaited and legal proceedings for charging tax of Rs. 961.17 million had been initiated but not yet finalized. No reply was, however, furnished by the Department in cases involving Rs. 0.57 million.

DAC Decision

The DAC in it meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to recover the charged amount, finalize the assessment proceedings and furnished comprehensive reply in non-responded cases and report progress by 25th March, 2017.

Audit Recommendations

- Non-recovery of tax may be justified.
- Internal controls may be strengthened to avoid recurrence of such irregularities in future.
- Loss of government revenue be made good under intimation to Audit.
- Fix responsibility on the persons at fault under intimation to Audit.

[Annexure-44]

5.8 Expenditure

5.8.1 Irregular expenditure due to non observance of PPRA and General Financial Rules - Rs. 25.75 million

According to Rule 9 & 12(1) of Public Procurement Rules, 2004 read with Rule 146 of General Financial Rules, procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The annual requirements thus determined will be advertised in advance on the Authority's website as well as on the website of the procuring agency in case the procuring agency has its own website.

Six (06) field offices of FBR purchased uniforms & protective clothing, stationery items and repair & maintenance of various items by splitting the sanction orders and without fulfilling the pre-requisites regarding procurement. The irregular procurement of inventory resulted in irregular expenditure of Rs. 25.75 million during the year 2015-16.

Management Response

The Department replied that the expenditure was incurred throughout the year as per requirement. The tenders were not invited as each sanction was accorded below rupees one lac. The reply of management was not satisfactory as huge expenditure was incurred by splitting the expenditure. According to Rules, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without splitting or regrouping of the procurements so planned.

DAC Decision

The DAC in its meetings held on 6^{th} to 10^{th} and 13^{th} to 16^{th} February, 2017 directed the Department to re-examine the para in its spirit and submit comprehensive detailed reply to Audit justifying the expenditure in violation of PPRA Rules.

Audit Recommendations

- Justifications for violation of PPRA Rules.
- Fixing of responsibility against the person(s) at fault.

[Annexure-45]

5.8.2 Unjustified payment to M/s Agility Pvt. Ltd - US $ 11.124 million (Rs. 1,179.14 million Approx)

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

The services of M/s Agility (Pvt.) Ltd, a Kuwait based company, was hired by the Government of Pakistan/FBR in the year 2004 for developing a software for automated clearance of imports and exports cargo at Karachi port. The aforesaid contract was terminated by GOP/FBR in September, 2010 due to constant dispute mongering with the company. The FBR paid US $ 11.124 million (Rs. 1,179.14 million Approx) to provide services/ custom data in an intelligible format from April to December, 2011. The said amount had been paid provisionally to avoid unplugging of the system as continuously treated by it, subject to adjustments at the time of final settlement, which never happened because the company left Pakistan abruptly. Thus the payment under reference was still provisional and the same needs to attain finality.

M/s Agility (Pvt) Ltd filed a claim of US $ 650 million against GOP/FBR before the International Center for Settlement of Investment Dispute (ICSID). Initially, the case was heard on the point of jurisdiction at ICSID's Singapure seat in the year 2012 and 2013. Resultantly GOP lost the case on the point of jurisdiction and an award was passed against GOP on 27th February, 2013.

Subsequently, the case was taken up before the ICSID Tribunal's London seat in August, 2013. The proceedings were started and final hearing was fixed in the 3rd week of November, 2015. However, just before the final hearing M/s Agility (Pvt) Ltd withdrew its claim unconditionally. The case was now pending before the ICSID Tribunal for settlement of cost approximately of Rs. 660.00 million claimed by GOP/FBR.

Audit is of the view that the amount of US $ 11.124 million was paid un-lawfully on the following grounds:

i) The payment was made without contractual obligation as the activity of the said company was terminated by the GOP/FBR during September 2010.

ii) The company had not provided any services against the payment.

iii) No Bank guarantee was demanded before making payment to cover the services rendered in future by the company for the period April 2011 to December 2011.

iv) Measures to monitor the activity of the company were not adopted before it closed the business and left Pakistan.

v) The Attorney General of Pakistan agreed to institute proceeding against M/s Agility (Pvt) Ltd for recovery of US $ 11.124 million (Rs. 1,179.14 million Approx) as well as cost born during legal proceeding in (ICSID) International Court for settlement of Investment Dispute approximately of Rs. 660.00 million.

In view of the above situation, arrangement to get back the payment of US$ 11.124 million (Rs. 1,179.14 million Approx) may please be made. Audit may be informed about other legal proceeding initiated against the said company.

Management Response

FBR (HQ), Islamabad replied that Audit had been conducted for the Financial Year 2015-16 but no such payment had been made during the period as aforesaid but the amount pointed out by Audit was related to previous years. The reply of the management was not tenable as the period of irregularity cannot be restricted if there was no time bar element involved and the Department was also required to report such issues to Audit under the provisions of General Financial Rules.

DAC Decision

The DAC in its meeting held on 13th to 16th February, 2017 directed the FBR (HQ) to initiate proceeding for recovery of US$ 11.124 million from Agility (Pvt) Ltd and intimate the final outcome to the Audit.

Audit Recommendations

- Expeditious recovery of the Government dues.
- Fixing of responsibility against the person(s) found at fault.

[DP No. 16697-Exp]

5.8.3 Non-realization of company's revenue - Rs. 63.11 million

According to the clause (1), (1 & 3) Appendix-B of Articles 6.1.1 and 7.2.1 of the contract documents between PRAL and Directorate of Excise and Taxation, Government of KPK, Directorate of Excise and Taxation & Narcotics Control (Taxes-II), Government of Sindh, NHA and FBR, fee for services are payable to the PRAL and clear within one month.

Pakistan Revenue Automation Limited (PRAL) receivables were pending with NHA, FBR, Government of KPK and Government of Sindh on account of bills for services rendered during the year 2015-16. No serious efforts were made by the company to recover the receivables. Negligence of the management resulted into non-realization of company's revenue to the tune of Rs. 63.11 million during the year 2015-16.

Management Response

PRAL informed that recovery of Rs. 4.25 million had been made and efforts were underway towards recovery of remaining amount.

DAC Decision

The DAC in its meeting held on 13^{th} to 16^{th} February, 2017 directed the PRAL to pursue the recovery of balance amount and settled the para to the extent of amount recovered.

Audit Recommendation

- Expedite the recovery of remaining Government dues.

[DP No.16665-Exp]

5.8.4 Irregular payment made by PRAL on behalf of FBR - Rs. 55.51 million

According to the Clause 10.1 of the Pakistan Revenue Automation (Pvt) Ltd. Rules, 2014, the competent authority has authorized to incur expenditure from Company's account to run company's business, after due diligence and in the best interest of the company.

PRAL Islamabad made payment to International Counsel on behalf of FBR for appearing before International Centre for Settlement of Investment Disputes (ICSID) in Washington. After a lapse of nine months, the amount was paid back to PRAL by FBR. In another case, PRAL also made payment to M/s IBM Italia SPA on account of annual maintenance contract charges of hardware under TARP project of FBR. The payment made on behalf of FBR was irregular and against the provisions of the PRAL Rules, 2014 as a huge amount remained out of Company's account for a reasonable period. This resulted in irregular payment of Rs. 55.51 million during the year 2015-16.

Management Response

In one case PRAL replied that instructions for payment were issued from the same authority level which promulgated PRAL Rules, 2014. However, PRAL failed to provide any documentary evidence in support of the reply. The reply of the Department was not acceptable as the payment made on behalf of FBR was irregular and against the provisions of PRAL's Rules. In another case, the payment was made as per directions of the BoD and efforts for recovery of the amount were underway.

DAC Decision

The DAC in its meeting held on 13th to 16th February, 2017 directed the PRAL to provide the requisite documents for verification and expedite the recovery.

Audit Recommendations

- Justification of the payments made on behalf of FBR.
- Expeditious recovery of Government dues.

[DP Nos. 16666-Exp & 16668-Exp]

5.8.5 Excess and inadmissible expenditure on pay and allowances - Rs. 23.79 million

According to Revised Leave Rules, 1980 and Rule 7-A of Supplementary Rules, any employee proceeding on leave for more than 120 days is entitled to half pay only and conveyance allowance is not admissible during leave period. In case of extra ordinary leave, no pay and allowance are admissible to government servants. Further, FBR's Circular No. 01(4)/M(HRM)/2012 dated 23rd July 2012 and Circular No.01 of 2015 dated 6th March,2015, provided that the Performance Allowance will be admissible up to the period of 48 days earned leave whether availed together or separately in a calendar year. As per Rule 5(9) of the Staff Car Rules, 1980, the use of staff car / official vehicle is not allowed to an officer/official who is in receipt of conveyance allowance. Further, as per Transport Monetization Policy of Cabinet Division and subsequent clarification issued vide letter No.06/7/2001-CPC dated 12th October, 2012, the officers of BS 20-22 are not entitled to draw transport monetization allowance during the period of earned leave, LPR or any other kind of leave except causal leave and medical leave upto one month.

Eleven (11) formations including FBR (HQ) Islamabad paid inadmissible pay and allowances of Rs. 23.79 million to 513 officers/officials during different kinds of leave, absence from duty and retirement. These included deputation allowance, travelling allowance, transport monetization allowance, instructional allowance, performance allowance, conveyance allowance, integrated allowance and overtime allowance. This resulted in excess and inadmissible payments of pay and allowances of Rs. 23.79 million during the financial years 2014-15 & 2015-16.

Management Response

The Department replied that recovery of Rs. 0.29 million had been made from concerned and an amount of Rs. 0.09 million was reconciled with Audit. Further, the Department replied that the recovery proceedings had been initiated in remaining cases.

DAC Decision

The DAC in its meetings held on 6th to 10th and 13th to 16th February, 2017 directed the PRAL to furnish detailed reply to Audit for verification and expedite the recovery proceedings. Further the DAC settled the amount recovered and reconciled with Audit to the extent of Rs. 0.38 million.

Audit Recommendation

- Expeditious recovery of the Government dues.

[Annexure-46]

5.8.6 Excess payment on account of Law Charges - Rs. 4.70 million

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

FBR (HQ) made hundred percent payments to nine lawyers at initial stage on account of law charges instead of 50% of the total amount without prior approval of Ministry of Law & Justice as required under the law. Further, the payments were also made as special professional fee in addition to the normal fee already paid to them. Any kind of fee other than normal fee, as prescribed in the Rules, was not allowed as per law. This resulted in excess payment Rs. 4.70 million to the lawyers on account of law charges during the year 2015-16.

Management Response

FBR (HQ) contested the para on the ground that the grant of special fee and legal fee to various AORs and Advocates were within the discretion of competent authority. Audit held that the discretion of amount sanctioned and prescribed schedule of law charges (fee) were two different domains, so any amount sanctioned beyond the prescribed fee structure as special fee was unlawful.

DAC Decision

The DAC in its meeting held on 13th to 16th February, 2017 directed the FBR (HQ) to revisit the para in letter & spirit and submit fresh reply duly supported with the documentary evidence with regards to payment of special fee in excess of the normal prescribed fee to lawyers. The DAC further directed the FBR (HQ) to provide the final decision of the court in each case (if any) and detail of misc. expenses and invoice/bills submitted by the lawyers.

Audit Recommendations

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

[DP Nos.16553 & 16554-Exp]

5.8.7 Excess and inadmissible expenditure - Rs. 18.54 million

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

FBR (HQ) and its six field offices incurred excess and inadmissible expenditure in different heads. The payments were made on account of electronic communications, hotel accommodation, air tickets, qualification pay/allowance, cable facility, utility bills, courier & pilot services, theft of vehicle and un-necessary detention of vehicles & pistol. This resulted into excess and inadmissible expenditure amounting to Rs. 18.54 million during the years 2013-14 to 2015-16.

Management Response

The Department reported recovery of Rs. 0.19 million in two cases and stated that remaining cases were under process. In some cases, the Department contested the paras on the plea that the expenditure incurred was in accordance with the law. The stance taken by the Department was not acceptable as no evidence was made available to verify the facts.

DAC Decision

The DAC in its meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to expedite the recovery proceedings. The DAC further directed the Department to recover the official assets from the concern officers and report progress to Audit for verification. The DAC settled the para to the extent of Rs. 0.19 million recovered and verified by Audit.

Audit Recommendations

- Fixing of responsibility against person(s) at fault.
- Expeditious recovery of the amount.
- Justification of excess and inadmissible expenditure.

[Annexure-47]

5.8.8 Non recovery of loans / advances and interest from the officers/ officials - Rs. 10.27 million

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

Six (06) field offices of FBR sanctioned different kinds of loans and advances to sixty two 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. The omission resulted in non recovery of loans, advances and interest amounting to Rs. 10.27 million during the year 2015-16.

Management Response

The Department informed that amounting to Rs. 0.54 million had been recovered in three cases and balance amount of Rs. 9.73 million was under recovery.

DAC Decision

The DAC in its meeting held on 13th to 16th February, 2017 directed the Department to pursue recovery of balance amount Rs. 9.73 million and settled the para to the extent of Rs. 0.54 million.

Audit Recommendation

- Expeditious recovery of the Government dues.

[Annexure-48]

5.8.9 Non/short-realization of Sales Tax from suppliers of FBR - Rs. 8.46 million

According to Rules 2(2) and 3A of the Sales Tax Special Procedure (Withholding) Rules, 2007 the DDOs being withholding agents are responsible to deduct the 1/5th amount of Sales Tax in case of registered person and seventeen percent in case of un-registered person. In case the Sales Tax amount is not indicated on the invoice, the recipient is required to deduct Sales Tax at the applicable rate against the value of taxable services. Further as provided in the Islamabad Capital Territory (Tax on Services) Ordinance No. XLII of 2001, the Sales Tax shall be charged and levied on the services specified therein.

FBR (HQ) and its five field offices did not deduct or short deducted the amount of Sales Tax at the time of making payments to suppliers for purchase of different items and services such as consultancy fees, janitorial services and telecommunication services. This resulted in non/short-realization of Sales Tax of Rs. 8.46 million during the Financial Year 2015-16.

Management Response

The Department contested the para on the ground that Sales Tax on services was not liable for withholding tax. The reply of the Department was not acceptable for the para based on Management Consultancy services and Telecommunication services which were covered under Islamabad Capital Territory (Tax on Services) Ordinance, 2001 for levy of Sales Tax on services.

DAC Decision

The DAC in its meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to enforce recovery as required under the Rules and get it verified from Audit.

Audit Recommendation

- Expeditious recovery of the Government dues.

[Annexure-49]

5.8.10 Non/short-deduction of Income Tax on salaries and miscellaneous expenses - Rs. 4.66 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 is to be chargeable to tax in that year under the head salary at the prescribed rates. Every prescribed person, making a payment in full or part to any person of rent of immoveable property and purchase of goods or services is required to deduct Advance Tax from the gross amount at the prescribed rates.

Seven (07) formations including FBR (HQ) did not deduct or short deducted the amount of Income Tax at the time of making payments of honorarium, transport monetization, cash reward, courier & security services and arrears of salaries paid to the employees. This resulted in non/short realization of Income Tax amounting to Rs. 4.66 million during the financial years 2013-14 to 2015-16.

Management Response

The Department contested the para in four cases on the plea that Income Tax had already been deducted at prescribed rates and tax deduction was responsibility of the AGPR. The reply was not tenable as Audit had pointed out recoveries in cases where higher slabs of Income Tax were applicable. It was also reported that the proceedings towards remaining recoveries of Government dues has been initiated.

DAC Decision

The DAC in its meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to provide the evidence of adjustment of Cash Reward/honorarium received and Income Tax deduction in the return of the concern officers pointed out by Audit. The DAC further directed the Department to pursue the recovery of pointed out amount.

Audit Recommendations

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

[Annexure-50]

5.8.11 Unlawful payment on newly purchased vehicles - Rs. 2.88 million

According to Rules 25(6)(C) and 27 of the Staff Car Rules, 1980, all cases of replacement of cars will continue to be referred to the Cabinet Division for obtaining “No Objection Certificate”. Whenever a new staff car is purchased, its registration number together with the registration number of the car going to be replaced shall be communicated to the Accounts Officer concerned, who shall admit expenditure of such staff car under intimation to Cabinet Division. Further, as provided at S. No.(i) of the austerity measures issued by Finance Division vide O.M.No.7(1)EXP-IV/2015-413 dated 28th July, 2015, there is a complete ban on the purchase of all types of vehicles both for current as well as development expenditure except operational vehicles of law enforcing agencies.

FBR (HQ) incurred the expenditure of Rs. 2.88 million during the year 2015-16 against the purchase of two new vehicles without obtaining NOC from Cabinet Division. The permission given by the Finance Division was contradictory to its own issued austerity measures. Further, the Cabinet Division was not intimated regarding registration numbers of both old and new vehicles as required under the law. This resulted in unlawful/ in-fructuous payment of Rs. 2.88 million on purchase of vehicles during the financial year 2015-16.

Management Response

FBR (HQ) reported that the detailed reply was under consideration and would be provided in due course of time.

DAC Decision

The DAC in its meeting held on 13th to 16th February, 2017 directed the FBR (HQ) to regularize the procurement of vehicles by obtaining NOC from the Cabinet Division.

Audit Recommendations

- Justification of unlawful/in-fructuous payments.
- Fixing of responsibility against the persons at fault.

[DP No. 16527-Exp]

5.8.12 Non/short-deduction of house rent allowance and 5% house rent charges - Rs. 2.69 million

According to Rule 26 of the Accommodation Allocation Rules, 2002, unless entitled to rent free accommodation the allottee of an accommodation is to be charged normal rent at the rate of 5% of the emoluments as defined in Rule 2(d) of the Rules ibid or as the "Government" may decide from time to time for the purpose of calculating normal rent. Further, according to Finance Division O.M. No. F-3(8)Gaz-IMP/73, dated 10th January, 1974, house rent allowance will be admissible subject to the condition that Government accommodation has not been made available to the employee concerned. Furthermore, according to Para-7 of the Basic Pay Scales, 1983 all employees not provided with Government accommodation are entitled to house rent allowance @ 45% of the minimum of the basic pay scales at the specified stations whereas at all other stations, this allowance will be allowed @30% of the minimum of basic pay scale.

Six (06) field formations of 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 house rent allowance @45% instead of 30% was paid to the officers/officials posted in remote areas. The omission resulted in non/short deduction of house rent allowance and 5% house rent charges amounting to Rs. 2.69 million during the year 2015-16.

Management Response

The Department informed that the recovery efforts have been initiated from the concerned.

DAC Decision

The DAC in its meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to enforce recovery as required under the Rules and get it verified.

Audit Recommendation

- Expeditious recovery of the Government dues.

[Annexure-51]

5.8.13 In-admissible payment on account of Medical Reimbursement Charges - Rs. 2.19 million

According to Finance Division Regulation Wing Office Memorandum No.F.6(1)R-10/2010-171-2011 dated 24th March, 2011 regarding grant of Medical Allowance to Civil employees of the Federal Government, it is decided in consultation with the Ministry of Health that serving/retired civil employees of the Federal Government or member of his/her family suffering from the chronic diseases shall be entitled for reimbursement of amount spent on account of purchase of medicines for the medical treatment at OPD.

FBR (HQ) and its two field offices made payments to twelve (12) Officers/Officials for medical treatment from private hospitals. They were neither referred by any authorized medical attendant nor did they obtain NOC from any approved Government Institute. The payments also included different charges on account of room charges, surgeon's charges, consultant's visit fee, registration fee, assistant's fee, dressing, resuscitation charges, hospital charges and doctor's fee etc. which were not admissible under the law. This resulted into in-admissible payment on account of medical reimbursement amounting to Rs. 2.19 million during the years 2014-15 and 2015-16.

Management Response

The FBR (HQ) informed that in one case of reimbursement of medical charges of Rs. 0.92 million, the officer got treatment in emergency and the documents were provided to Audit. In remaining cases, the Department reported that the recovery proceedings had been initiated.

DAC Decision

The DAC settled the para to the extent of emergency certificate provided and directed the Department to revisit the issue in remaining cases and take action for the recovery.

Audit Recommendation

- Expeditious recovery of the Government dues.

[Annexure-52]

5.8.14 Irregularities in recruitment of staff in FBR and field offices

The policy guidelines of Federal Government issued by the Cabinet Secretariat, Establishment Division, Islamabad Vide No.F.53/I/2008-SP dated 22nd October 2014, 16th January 2015 and 03rd March, 2015 respectively clearly specified the condition of obtaining NOC from Surplus Pool before initiating recruitment and specified 70% marks for written test by Department or through a testing agency for short listing and 30% marks for interview. Thirty percent (30%) marks for interview by Chairman and two Members of Departmental Selection Committee (DSC) are divided in three areas i.e. Qualification/ Experience, Knowledge / Skill Relevancy and Personality/ Interpersonal Communication Skills. The breakup of 30% marks is given as follows:

Member/Area (30% of total)	Qualification/ Experience (30%)	Knowledge/ Skill Relevancy (40%)	Personality/ Interpersonal Communication Skills (30%)	Total Member wise
Chairman(40%)	3.6	4.8	3.6	12
Member (30%)	2.7	3.6	2.7	9
Member (30%	2.7	3.6	2.7	9
Total area wise	9	12	9	30

Contrary to above, the Director Intelligence & Investigation Inland Revenue Lahore intimated that the process of recruitment was started with composite advertisement relating to many field offices of FBR hence no question regarding NOC by that office was required. The NOC obtained by FBR was also not produced. In response to a specific complaint for undue favour in recruitment process the Directorate of I & I presented a different criteria for test and interview which is as follows:

S. No.	Details of NTS Result				Interview Marks	Total Marks
	Words Per Minute	Skill 60%	MCQ 40%	Total Marks (NTS)		
1	46.24	27.74	30.4	58.14	7.7	65.84
2	24.33	14.6	29.2	43.8	Absent	43.8
3	14.33	8.6	31.6	40.2	6.7	46.9

4	25.33	15.2	24.4	39.6	4.2	43.8
5	21.67	13.0	26.0	39.0	5.3	44.3

The following illegalities/irregularities were observed:

(i) The Department was required to give a minimum of 70% weightage to the written portion of the recruitment test but they accorded 40% weightage to the written portion of the recruitment test.

(ii) The Department was required to accord only 12% weightage to the knowledge/skill relevancy whereas they had accorded 60% weightage to the same. Besides, they engaged NTS for this purpose which was illegal and un-authorized as the skill test was required to be conducted by the Departmental Selection Committee constituted under Rule 2(e) of the Government Servants (Appointment, Promotion and Transfer) Rules, 1973.

(iii) The Department accorded 0% weightage to relevant qualification/ experience which was also illegal and unjustified;

(iv) In some cadres the available strength was in excess of sanctioned strength. Moreover the sanctioned strength of office was changed after approval of budget without prior approval from Finance Division.

Keeping in view the above irregularities, it is fair to state that the fate of qualifying candidates would have been different if laid down rules and regulations for recruitment were followed in letter and spirit.

Management Response

The Department gave conflicting replies on two occasions. The replies given before the DAC were revised on the day of the DAC meeting and Department produced an unsigned bifurcation of marks assigned by the members of the DSC to the qualifying candidates. Moreover, Department also agreed to produce NOC from surplus pool.

DAC Decision

The DAC in its meeting held on 16th February, 2017 directed the Department to expedite production of complete record for reconciliation to the satisfaction of Audit.

Audit Recommendations

- The Department is required to justify flagrant violations of Federal Government instructions on recruitment.
- Responsibility may be fixed for violation of Federal Government instructions; and
- Corrective action may be taken to set right the violations and to ensure observance of Federal Government instructions in future.

[Annexure-53, DP No.16674-Exp]

CHAPTER-6 INTERNAL CONTROL WEAKNESSES

6.1 Introduction

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

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

6.2 Components of Internal Control

Internal control consists of five integrated components.

Control Environment

The control environment is the set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. The control environment comprises the integrity and ethical values of the organization.

Risk Assessment

Risk is defined as the possibility that an event will occur and adversely affect the achievement of objectives. Risk assessment involves a dynamic and iterative process for identifying and assessing risks to the achievement of objectives.

Control activities

Control activities are the actions established through policies and procedures that help ensuring that management's directives for the achievement of objectives are carried out. It includes proper authorization of transactions, segregation of duties.

Information and communication

Pertinent information must be identified, captured and communicated in a form that enables people to carry out their responsibilities. To have pertinent information for accounting purposes, the entity needs to have adequate documents and records.

Monitoring

Monitoring by management involves the ongoing and periodic assessment of internal control performance to determine if controls are operating as intended and are modified when needed.

6.3 Responsibility for Maintaining Internal Controls

Entity management is responsible for ensuring that a proper internal control structure is instituted, reviewed, and updated to keep it effective. It is then the responsibility of everyone in the entity to ensure that the internal control structure functions as it should be in its proper form.

6.4 Internal Control Weaknesses

Internal control environment of FBR and its field formations was evaluated while conducting regularity audit for the year 2016-17. Weaknesses of internal controls observed during audit are given in succeeding paragraphs.

Indirect Taxes

6.4.1 Non-finalization of admissibility/legitimacy of refund of Sales Tax - Rs. 1,529.02 million

Rule 36 (1) of the Sales Tax Rules 2006, provides that after disposing of the refund claim, the officer-in-charge shall forward the relevant file to the Post Refund Audit Division for post sanction audit and scrutiny, which inter-alia include verification of input tax 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, regarding payment against certain purchases through the banking channel.

The refund sanctioning authorities in six (06) field offices of FBR processed the claims and sanctioned refund in 428 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 Post Refund Audit Division to ascertain admissibility of amounts already paid or post refund audit was not conducted. The lack of action on the part of tax authorities rendered payment of Rs. 1,529.02 million as doubtful during 2014-2016.

Management Response

The irregularity was pointed out to FBR in July to November, 2016. The department informed that the 199 cases involving Rs. 166.38 million were under scrutiny/examination for legal action. In 138 cases involving Rs. 1,132.86 million department did not furnish reply, in two cases of Rs. 3.59 million it was reported that post refund audit had been initiated and in cases of 89 cases of Rs. 226.19 million, the department contested the matter on the plea that the refund claims processed or sanctioned after 30th June, 2014 shall be carried out on the basis of risk based selection through computerized Post Refund Scrutiny (PRS). All the refund claims sanctioned in 2015-16 were not reflected in PRS due to which post refund audit cannot be conducted. Audit did not agree with the contention of the department because the refund claims were sanctioned through Expeditious Refund System (ERS) without fulfilling the codal formalities i.e. compliance of Section 73, admissibility of input tax under Section 7 and 8(1) of the Sales Tax Act, 1990.

DAC Decision

The DAC in its meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to complete the legal proceedings and report progress by 31st March, 2017.

Audit recommendations

Audit emphasized that FBR should review the existing procedure so that maximum assurance could be obtained through post refund audit as the same is the only internal control to safeguard to the public exchequer.

[Annexure-54]

6.4.2 Excess payment of Refund due to **Inadmissible adjustment of input tax against invoices issued by the blacklisted/non-active units - Rs 0.39 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 shall not be entertained for the purposes of Sales Tax refund or input tax credit, and once such person is blacklisted, the refund or input tax credit claimed against the invoices issued by him, whether prior or after such blacklisting, shall be rejected through a self-speaking appealable order and after affording an opportunity of being heard to such person.

A registered persons of RTO Sialkot claimed refund of input tax adjustment against the invoices issued by the blacklisted/suspended or non-active taxpayers which was not admissible as per law. It is worth mentioning that 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.

The irregularity was pointed out to FBR in April to September, 2016.

Management Response

The department informed that the legal action had been initiated. Further progress was awaited till finalization of the report.

DAC Decision

The DAC in its meeting held on 13th to 16th February, 2017 directed the Department to complete the legal proceedings and report progress by 31st March, 2017.

Audit recommendations

In the absence of internal control the taxpayer claimed inadmissible input tax which resulted in short payment of tax. There is need to develop validation checks in the e-filing system of returns that could block inadmissible input tax adjustment.

[DP Nos.16066-ST]

Direct Taxes

6.4.3 Non-imposition of penalty for non/late filing of Income Tax returns

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

Three hundred thirty two thousand three hundred and seventy six (332,376) taxpayers being assessed under the jurisdiction of fourteen RTOs/LTUs either did not file or late filed returns of income for the Tax Year 2015 as prescribed under Section 114 ibid, but contrary to above provision of the law, the department did not penalize the taxpayers for an amount of Rs. 10,005.10 million. Non-initiating any legal action against the defaulter depicted weak internal controls systems in the department.

Management Response

The Department replied that an amount of Rs. 0.03 million was charged and also recovered. The Department further reported that an amount of Rs. 0.45

million was charged but not yet recovered and legal proceedings for charging penalty in the remaining cases of Rs. 10,004.62 million had been initiated but not yet finalized.

DAC Decision

The DAC in it meetings held on 6th to 10th and 13th to 16th February, 2017 directed the Department to recover the charged amount, finalize the assessment proceedings and report progress by 25th March, 2017.

Audit recommendations

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

[Annexure-55]

6.4.4 Invalid assessment due to filing of incomplete tax returns

Section 114 read with Section 120 of the Income Tax Ordinance, 2001 provides that a complete return of income filed under Section 114 ibid shall be taken to be deemed assessment orders by the Commissioner. Complete return has further been defined, if accompanied with annexures, statements and all prescribed documents.

Certain taxpayers being assessed under the jurisdiction of RTO-II Lahore did not file statutory documents in the shape of annual accounts alongwith the return, therefore, the returns filed were incomplete. Legally there were no lawful assessment orders issued by the Commissioner. Non-abiding of the statutory provisions of law on the part of taxpayers and non-initiating legal action on the part of the department transpired that there were no affective internal controls system employed in the department.

The lapse was pointed out to the Department during August to November, 2016 to take corrective measures under the law.

Management Response

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

DAC Decision

The DAC meeting was held on 15th February, 2017 and directed the department to finalize proceedings by 25th March, 2017 and report final compliance thereafter.

Audit recommendations

Audit emphasized that FBR should review all the returns of corporate sector to ensure that the accounts had been attached so that short document notice could be issued within given time frame.

[DP No. 15967-IT]

6.4.5 Non-displaying of National Tax Number on business places and non-quoting the same on business record

Rules 83 of the Income Tax Rules, 2002 provides that every person deriving income from business chargeable to tax who has been issued with a National Tax Number Certificate shall display it at a conspicuous place, at every place of business in all commercial transactions, memos, returns, statements and other documents. Further it will also displayed on all new connections of utilities, the entering into a loan with a banking company or financial institution, the opening of letters of credit and the transfer of urban immovable property.

Contrary to obligatory requirement, the Federal Board of Revenue and its field formations had not taken measures to ensure the implementation of the above provisions of the law. This resulted into total chaos in recovery of the taxes from the business community.

The lapse was pointed out to the Department during August to November, 2016 to take corrective measures under the law.

Management Response

The Department replied that instructions have been passed to the field formations for its implementation.

DAC Decision

The DAC in its meeting held on 13th to 16th February, 2017 directed the department to personally intervene and ensure proper observance of law and procedures with respect to display of NTNs by the taxpayers at the conspicuous place at their business places.

Audit recommendations

Audit emphasized that FBR should monitor the existing system to ensure that all the taxpayers observer the legal provisions in letter and spirit.

[DP Nos. 16375, 16368, 16391, 16516, 16573 & 16695-IT]

6.5 Comments on Internal Audit

Internal audit is an integral part of the department. It means 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 2016-17 which was not provided despite written and verbal requests. In the absence of the report, Audit was unable to offer any comments on the performance of that Office. However, Audit has been pointing out irregularities of identical nature in every Audit Report. It leads to conclude that there was a lack of monitoring in the field formations of FBR through the internal audit.

6.6 Conclusion

Internal control weaknesses identified during audit were as follows:

- Non-imposition of penalty for non/late filing of Income Tax returns
- Invalid assessment due to filing of incomplete tax returns
- Displaying and quoting of National Tax Number Card
- Non-finalization of admissibility/legitimacy of refund of Sales Tax
- Excess payment of refund due to inadmissible adjustment of input tax against invoices issued by the blacklisted/non-active units

Audit emphasizes upon:

- Ensure imposition of penalty on non/late filer of tax reruns
- Validation checks on filing of complete income tax return
- Improve system to ensure displaying the tax number
- Maximizing the assurance level to safeguard the public exchequer through post refund audit
- 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
- ensure display of NTN on business premises as required under the law.

The above Recommendations could help the Department to improve internal control mechanism to avoid loss of revenue.

ANNEXURES

Annexure-1

Details of MFDAC for the year 2016-17

DGAIR (North) Lahore (Rs. in million)

S. No.	Name of Formation	No of Paras	Title of Para	Amount of Audit Observations			Total Amount	Nature of Audit Observation
				Amount of Direct Taxes	Amount of Indirect Taxes	Expenditure		
1	Chief Commissioner (IR) RTO Abbottabad	15936	Irregular / unauthorized payment in the head Cost of Others"	0.00	0.00	0.56	0.56	Violation of Law / Rules
2	Chief Commissioner (IR) RTO Abbottabad	16938	Non recovery of pay & allowances during LHP	0.00	0.00	0.06	0.06	Violation of Law / Rules
3	Chief Commissioner (IR) RTO Abbottabad	15939	Irregular / unauthorized payment in the head of account A-03902 "Printing & Publications"	0.00	0.00	0.33	0.33	Violation of Law / Rules
4	Chief Commissioner (IR) RTO Abbottabad	15939	Short recovery of Benevolent Fund and GP Fund	0.00	0.00	0.07	0.07	Violation of Law / Rules
5	Chief Commissioner (IR) RTO Abbottabad	15943	Irregular payment of overtime allowance	0.00	0.00	0.07	0.07	Violation of Law / Rules
6	Chief Commissioner (IR) RTO Abbottabad	15942	Irregular/Un-authorized expenditure	0.00	0.00	0.19	0.19	Violation of Law / Rules
7	Director Internal Audit (IR) Lahore	15975	Non deduction of Income Tax from hiring bills	0.00	0.00	0.14	0.14	Violation of Law / Rules

8	Chief Commissioner (IR) RTO Peshawar	15993	Loss due to non recovery of value addition tax at import stage	0.00	278.74	0.00	278.74	Violation of Law / Rules
9	Chief Commissioner (IR) RTO Peshawar	16323	Non levy of penalty	571.48	0.00	0.00	571.48	Violation of Law / Rules
10	Chief Commissioner (IR) LTU Islamabad	16078	Non recovery of default surcharges and penalty on late payment of Franchise	0.00	390.69	0.00	390.69	Violation of Law / Rules
11	Chief Commissioner (IR) LTU Islamabad	16363	Non treatment of withholding tax as final and minimum tax	1,542.02	0.00	0.00	1,542.02	Violation of Law / Rules
12	Commissioner (IR) Abbottabad	16120	Loss of revenue due to non-initiating the proceedings of annulled assessments	234.30	0.00	0.00	234.30	Violation of Law / Rules
13	Commissioner IR RTO-I Lahore	16178	Non payment of Penalty	8.98	0.00	0.00	8.98	Violation of Law / Rules
9	Chief Commissioner (IR) RTO Peshawar	16202	Concealment of government dues	0.00	0.17	0.00	0.17	Violation of Law / Rules
10	Chief Commissioner (IR) RTO, Peshawar	16212	Concealment of government dues	0.00	1.86	0.00	1.86	Violation of Law / Rules
11	Chief Commissioner (IR) RTO Peshawar	16213	Non Realization of Sales Tax and further Tax	0.00	2.99	0.00	2.99	Violation of Law / Rules
12	Chief Commissioner (IR) RTO Gujranwala	16247	Wrong issuance of exemption Certificate u/s 148 of Income Tax Ordinance	0.00	0.00	0.00	0.00	Violation of Law / Rules
13	Chief Commissioner (IR) RTO Gujranwala	16229	Short recovery of Benevolent/ GP Fund	0.00	0.00	0.78	0.78	Violation of Law / Rules

14	Chief Commissioner (IR) RTO Gujranwala	16248	Wrong issuance of exemption Certificate u/s 148 of Income Tax Ordinance	0.00	0.00	0.00	0.00	Violation of Law / Rules
15	Chief Commissioner (IR) RTO Sialkot	16262	Non/Short deduction of group insurance	0.00	0.00	0.45	0.45	Violation of Law / Rules
16	Chief Commissioner (IR) RTO Sialkot	16260	Non/Short deduction of Benevolent Fund/ GP Fund	0.00	0.00	0.28	0.28	Violation of Law / Rules
17	Chief Commissioner (IR) RTO Sialkot	16261	Non/Short deduction of Benevolent Fund/ GP Fund	0.00	0.00	1.18	1.18	Violation of Law / Rules
18	Chief Commissioner RTO-II Lahore	16286	Payment of inadmissible salary during EOL	0.00	0.00	1.72	1.72	Violation of Law / Rules
19	Chief Commissioner RTO-II Lahore	16316	Incorrect payment of House Rent allowance	0.00	0.00	0.18	0.18	Violation of Law / Rules
20	Chief Commissioner RTO-II Lahore	16315	Irregular expenditure on POL/CNG	0.00	0.00	5.80	5.80	Violation of Law / Rules
21	Chief Commissioner Corporate RTO-I Lahore	16377	Inadmissible payment of conveyance allowance	0.00	0.00	0.17	0.17	Violation of Law / Rules
22	Chief Commissioner Corporate RTO-I Lahore	16378	Inadmissible payment of House rent allowance	0.00	0.00	0.07	0.07	Violation of Law / Rules
23	Commissioner Corporate RTO-I Lahore	16380	Inadmissible payment of pay& allowances	0.00	0.00	0.17	0.17	Violation of Law / Rules
24	Chief Commissioner RTO Multan	16411	Non recovery of Interest on motor car and motor cycle advances	0.00	0.00	0.39	0.39	Violation of Law / Rules

25	Chief Commissioner RTO Multan	16412	Irregular payment of pay& allowances	0.00	0.00	0.20	0.20	Violation of Law / Rules
26	Chief Commissioner RTO Multan	16416	Irregular payment of pay& allowances	0.00	0.00	0.05	0.05	Violation of Law / Rules
27	Commissioner IR Multan Zone Multan	16423	Loss of revenue due to non-initiating the proceedings of annulled assessments	23.44	0.00	0.00	23.44	Violation of Law / Rules
28	Commissioner IR Sahiwal Zone Multan	16452	Loss of revenue due to non-initiating the proceedings of annulled assessments	0.97	0.00	0.00	0.97	Violation of Law / Rules
29	Chief Commissioner (IR) RTO Faisalabad	16503	In-admissible expenditure on uniform & livery items	0.00	0.00	0.25	0.25	Violation of Law / Rules
30	Chief Commissioner (IR) RTO Faisalabad	16503	Inadmissible payment of cash reward	0.00	0.00	0.18	0.18	Violation of Law / Rules
31	Chief Commissioner (IR) RTO Faisalabad	16495	Irregular expenditure on POL/CNG	0.00	0.00	3.90	3.90	Violation of Law / Rules
32	Chief Commissioner (IR) RTO Faisalabad	16496	Irregular expenditure on POL/CNG	0.00	0.00	0.39	0.39	Violation of Law / Rules
33	Chief Commissioner (IR) RTO Faisalabad	16497	Irregular expenditure on POL/CNG	0.00	0.00	0.15	0.15	Violation of Law / Rules
34	Chief Commissioner (IR) RTO Faisalabad	16493	Non recovery of rent	0.00	0.00	0.35	0.35	Violation of Law / Rules
35	Chief Commissioner (IR) LTU Lahore	16312	Irregular expenditure on POL/CNG	0.00	0.00	6.50	6.50	Violation of Law / Rules

36	Director I&I Faisalabad	16504	In-admissible expenditure on uniform & livery items	0.00	0.00	0.11	0.11	Violation of Law / Rules
37	FBR (HQ) Islamabad	16528	Doubtful/wasteful expenditure	0.00	0.00	4.03	4.03	Violation of Law / Rules
38	FBR (HQ) Islamabad	16550	In-admissible payment of conveyance allowance during leave period	0.00	0.00	0.18	0.18	Violation of Law / Rules
39	DG I&I Islamabad	16555	Non deduction of Income tax against services	0.00	0.00	0.05	0.05	Violation of Law / Rules
40	DG Internal Audit (IR) Islamabad	16557	Short deduction of Income tax from the payment of cash reward	0.00	0.00	0.04	0.04	Violation of Law / Rules
41	DG Internal Audit (IR) Islamabad	16558	Excess payment of pay &Allowances during leave	0.00	0.00	0.02	0.02	Violation of Law / Rules
42	Chief Commissioner (IR) RTO Islamabad	16658	Over payment of pay & Allowances due to grant of annual increment to probationers who failed to pass their FOPE	0.00	0.00	0.06	0.06	Violation of Law / Rules
43	Chief Commissioner (IR) RTO Islamabad	16659	In-admissible payment of House Rent allowance	0.00	0.00	0.04	0.04	Violation of Law / Rules
44	Chief Commissioner (IR) RTO Islamabad	16660	Irregular payment of medical charges	0.00	0.00	0.03	0.03	Violation of Law / Rules

45	Chief Commissioner (IR) RTO Islamabad	16661	Unjustified payment of Performance Allowance to Probationers before completing probation period	0.00	0.00	0.35	0.35	Violation of Law / Rules
46	Chief Commissioner (IR) RTO Islamabad	16662	Short deduction of income tax due to non inclusion of rent paid into the salaries of the officers	0.00	0.00	0.33	0.33	Violation of Law / Rules
47	Chief Commissioner (IR) RTO Islamabad	16653	Splitting of expenditure	0.00	0.00	0.52	0.52	Violation of Law / Rules
48	Chief Commissioner (IR) RTO Islamabad	16651	Excess payment of TA/DA	0.00	0.00	0.03	0.03	Violation of Law / Rules
49	Chief Commissioner (IR) RTO Islamabad	16656	Over payment of residential building	0.00	0.00	0.16	0.16	Violation of Law / Rules
50	PRAL Islamabad	16667	Non recovery of outstanding advances	0.00	0.00	0.17	0.17	Violation of Law / Rules
51	PARAL Islamabad	16673	Non finalization of long outstanding liabilities	0.00	0.00	7.07	7.07	Violation of Law / Rules
52	Commissioner IR Corporate Zone Multan	16679	Loss of revenue due to non-initiating the proceedings of annulled assessments	5.57	0.00	0.00	5.57	Violation of Law / Rules
53	Chief Commissioner (IR) RTO Rawalpindi	16620	Irregular/ excess payment of cash reward	0.00	0.00	1.43	1.43	Violation of Law / Rules

54	Chief Commissioner (IR) RTO Rawalpindi	16618	Irregular payment of hiring	0.00	0.00	1.27	1.27	Violation of Law / Rules
55	Chief Commissioner (IR) RTO Rawalpindi	16619	Irregular payment of hiring	0.00	0.00	0.31	0.31	Violation of Law / Rules
56	Revenue Division FBR Islamabad	16541	Inadmissible/ Excess deputation allowance	0.00	0.00	0.09	0.09	Violation of Law / Rules
57	Special Refund Study 2011-15 RTO Faisalabad) F-4185	4	Irregularities of lesser significance	3.20	1.55	0.00	4.75	Violation of Law / Rules
58	Special Refund Study 2011-15 (LTU Lahore) F-4203	7	Irregularities of lesser significance	6,454.79	0.00	0.00	6,454.79	Violation of Law / Rules
59	Special Refund Study 2011-15 (RTO Multan) F-4202	1	Irregularities of lesser significance	57.39	0.00	0.00	57.39	Violation of Law / Rules
60	Special Refund Study 2011-15 (RTO Gujranwala) F-4178	8	Irregularities of lesser significance	2.12	6.60	0.00	8.72	Violation of Law / Rules
61	Special Refund Study 2011-15 (RTO Sialkot) F-4179	1	Irregularities of lesser significance	0.00	0.05	0.00	0.05	Violation of Law / Rules
62	Chief Commissioner (IR) RTO Faisalabad F-4222	8	Irregularities of lesser significance	0.00	0.00	22.75	22.75	Violation of Law / Rules
63	I&I Faisalabad F-4226	11	Irregularities of lesser significance	0.00	0.00	8.97	8.97	Violation of Law / Rules
64	DPU Islamabad F-4224	4	Irregularities of lesser significance	0.00	0.00	0.27	0.27	Violation of Law / Rules

65	Commissioner (IR) Zone-I RTO Faisalabad F-4233	8	Irregularities of lesser significance	140.85	0.05	0.00	140.90	Violation of Law / Rules
66	Commissioner (IR) Zone-II RTO Faisalabad F-4234	3	Irregularities of lesser significance	1.46	0.00	0.00	1.46	Violation of Law / Rules
67	Commissioner (IR) Zone-III RTO Faisalabad F-4235	2	Irregularities of lesser significance	2.25	0.00	0.00	2.25	Violation of Law / Rules
68	Chief Commissioner (IR) RTO Multan F-4205	9	Irregularities of lesser significance	0.00	0.00	21.48	21.48	Violation of Law / Rules
69	DPU IR Multan F-4248	8	Irregularities of lesser significance	0.00	0.00	0.04	0.04	Violation of Law / Rules
70	Commissioner (IR) Multan Zone RTO Multan F-4264	3	Irregularities of lesser significance	0.00	0.32	0.00	0.32	Violation of Law / Rules
71	Commissioner (IR)Sahiwal Zone RTO Multan F-4266	1	Irregularities of lesser significance	0.00	0.07	0.00	0.07	Violation of Law / Rules
72	Commissioner (IR) Corporate Zone RTO Multan F-4265	3	Irregularities of lesser significance	0.00	5.74	0.00	5.74	Violation of Law / Rules
73	Chief Commissioner (IR) RTO Abbottabad F-4187	4	Irregularities of lesser significance	0.00	0.00	0.00	0.00	Violation of Law / Rules
74	Commissioner (IR), Zone-II RTO Abbottabad F-4193	1	Irregularities of lesser significance	0.03	0.00	0.00	0.03	Violation of Law / Rules

75	Chief Commissioner (IR) RTO Gujranwala F-4242	7	Irregularities of lesser significance	0.00	0.00	6.21	6.21	Violation of Law / Rules
76	Commissioner (IR) Zone-I RTO Gujranwala F-4243	2	Irregularities of lesser significance	0.72	5.10	0.00	5.82	Violation of Law / Rules
77	Commissioner (IR) Zone-II RTO Gujranwala F-4247	2	Irregularities of lesser significance	125.39	2.05	0.00	127.44	Violation of Law / Rules
78	Data Processing Unit RTO Gujranwala F-4244	4	Irregularities of lesser significance	0.00	0.00	0.00	0.00	Violation of Law / Rules
79	Chief Commissioner (IR) RTO Rawalpindi F-4238	8	Irregularities of lesser significance	0.00	0.00	0.25	0.25	Violation of Law / Rules
80	Data Processing Center (IR) Rawalpindi F-4239	5	Irregularities of lesser significance	0.00	0.00	0.27	0.27	Violation of Law / Rules
81	Commissioner (IR) Cantt. Zone RTO Rawalpindi F-4241	3	Irregularities of lesser significance	11.26	0.00	0.00	11.26	Violation of Law / Rules
82	Commissioner (IR) District. Zone RTO Rawalpindi F-4268	3	Irregularities of lesser significance	3.56	0.28	0.00	3.84	Violation of Law / Rules
83	Chief Commissioner (IR)RTO Sialkot F-4237	9	Irregularities of lesser significance	0.00	0.00	1.25	1.25	Violation of Law / Rules

84	Commissioner (IR) Sialkot Zone RTO Sialkot F-4236	17	Irregularities of lesser significance	3.93	2.87	0.00	6.80	Violation of Law / Rules
85	Commissioner (IR) (Gujrat Zone) RTO, Sialkot F-4235A	7	Irregularities of lesser significance	4.96	0.72	0.00	5.68	Violation of Law / Rules
86	Commissioner (IR) Zone-III, LTU Islamabad F-4254	1	Irregularities of lesser significance	0.04	0.00	0.00	0.04	Violation of Law / Rules
87	Chief Commissioner (IR) LTU Islamabad F-4206	7	Irregularities of lesser significance	0.00	0.00	1.39	1.39	Violation of Law / Rules
88	DG DOT&R Lahore F-4180	13	Irregularities of lesser significance	0.00	0.00	19.90	19.90	Violation of Law / Rules
89	DPC Lahore F-4181	13	Irregularities of lesser significance	0.00	0.00	0.13	0.13	Violation of Law / Rules
90	Commissioner (IR) Zone-III RTO Lahore F-4198	7	Irregularities of lesser significance	0.12	332.30	0.00	332.42	Violation of Law / Rules
91	Commissioner (IR) Zone-V RTO Lahore F-4199	3	Irregularities of lesser significance	21.91	0.03	0.00	21.94	Violation of Law / Rules
92	Commissioner (IR) Zone-VI RTO, Lahore F-4200	18	Irregularities of lesser significance	32.23	54.05	0.00	86.28	Violation of Law / Rules
93	Chief Commissioner (IR) RTO Peshawar F-4255	14	Irregularities of lesser significance	0.00	0.00	14.35	14.35	Violation of Law / Rules
94	DPC IR, Peshawar F-4259	3	Irregularities of lesser significance	0.00	0.00	0.05	0.05	Violation of Law / Rules

95	Commissioner (IR) Zone-I RTO Peshawar F-4256	3	Irregularities of lesser significance	0.00	602.86	0.00	602.86	Violation of Law / Rules
96	Commissioner (IR) Zone-II RTO Peshawar F-4257	3	Irregularities of lesser significance	0.00	0.09	0.00	0.09	Violation of Law / Rules
97	Commissioner (IR) Zone-III RTO Peshawar F-4260	11	Irregularities of lesser significance	294.12	167.77	0.00	461.89	Violation of Law / Rules
98	Chief Commissioner (IR) RTO Islamabad F-4227	10	Irregularities of lesser significance	0.00	0.00	1.47	1.47	Violation of Law / Rules
99	Commissioner (IR)Zone RTO Islamabad F-4229	3	Irregularities of lesser significance	6.42	0.00	0.00	6.42	Violation of Law / Rules
100	Computer Wing FBR Islamabad F-4221	9	Irregularities of lesser significance	0.00	0.00	0.74	0.74	Violation of Law / Rules
101	DG I&I Islamabad F-4220	8	Irregularities of lesser significance	0.00	0.00	2.69	2.69	Violation of Law / Rules
102	FBR(HQ) Islamabad F-4216	11	Irregularities of lesser significance	0.00	0.00	862.84	862.84	Violation of Law / Rules
103	Internal Audit, Islamabad F-4212	8	Irregularities of lesser significance	0.00	0.00	1.98	1.98	Violation of Law / Rules
104	Revenue Division FBR Islamabad F-4215	5	Irregularities of lesser significance	0.00	0.00	1.50	1.50	Violation of Law / Rules
105	Chief Commissioner (IR) RTO-I Lahore F-4204	4	Irregularities of lesser significance	0.00	0.00	0.10	0.10	Violation of Law / Rules
106	Chief Commissioner (IR) LTU Lahore F-4208	8	Irregularities of lesser significance	0.00	0.00	0.01	0.01	Violation of Law / Rules

107	Chief Commissioner (IR) RTO-II Lahore F-4207	6	Irregularities of lesser significance	0.00	0.00	0.20	0.20	Violation of Law / Rules
108	Commissioner (IR) Zone-I LTU, Lahore F-4249	1	Irregularities of lesser significance	59.64	0.00	0.00	59.64	Violation of Law / Rules
109	PRAL Islamabad F-4231	1	Non recovery of outstanding advances	0.00	0.00	1.32	1.32	Violation of Law / Rules
110	Internal Audit Lahore F-4190	1	Non-maintenance of GP Fund register/Ledger of Class-IV servants	0.00	0.00	0.00	0.00	Violation of Law / Rules
111	I & I (IR) Lahore F-4191	8	Irregularities of lesser significance	0.00	0.00	1.25	1.25	Violation of Law / Rules
112	Study on Legal Cases	3.7	Non existence of provisions of time limitation for completion of re-assessment in remand back cases	0.00	0.00	0.00	0.00	Violation of Law / Rules
113	Study on Legal Cases	3.10	Unnecessary filing of appeals.	0.00	0.00	0.00	0.00	Violation of Law / Rules
			Total (Lahore)	**9,613.15**	**1,856.95**	**1,012.28**	**12,482.38**	

DGAIR (South) Karachi

(Rs. in million)

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	RTO-II Karachi	7	Irregularities of lesser significant	0	0	0.40	0.40	Violation of Law/Rules
		319-Exp/K	Non-maintenance of POL/CNG record	0	0	3.50	3.50	Rule 15 of Staff Car Rules 1980
		297-Exp/K	Irregular award of tender	0	0	22.47	22.47	Rule 16(1) & Rule 35 of PPR 2004
		310-Exp/K	Non-submission of performance guarantee	0	0	1.03	1.03	Rule 39 of PPR 2004
		316-Exp/K	Irregular expenditure on POL/CNG	0	0	4.78	4.78	Violation of Staff Car Rules 1980
		309-Exp/K	Irregular expenditure on janitorial services	0	0	1.45	1.45	Violation of GFR-10
		320-Exp/K	Irregular expenditure on janitorial services	0	0	1.466	1.466	Violation of GFR-10
		299-Exp/K	Irregular cash reward	0	0	25.00	25.00	Violation of reward rules
2	RTO-I Karachi	344-Exp/K	Irregular cash reward	0	0	30.47	30.47	Violation of reward rules
		345-Exp/K	Irregular expenditure on POL/CNG	0	0	6.25	6.25	Violation of Staff Car Rules 1980
		309-Exp/K	Irregular expenditure on janitorial services	0	0	9.30	9.30	Violation of GFR-10

3	CRTO Karachi	5	Irregularities of lesser significant	0	0	39.29	39.29	Violation of Law/Rules
4	LTU-I Karachi	21	Irregularities of lesser significant	221.69	3.69	15.49	240.87	Violation of Law/Rules
		306-Exp/K	Non-maintenance of POL/CNG record	0	0	9.01	9.01	Rule 15 of Staff Car Rules 1980
		305-Exp/K	Irregular award of tender	0	0	10.29	10.29	Rule 16(1) & Rule 35 of PPR 2004
		299-Exp/K	Non-submission of performance guarantee	0	0	2.25	2.25	Rule 39 of PPR 2004
		309-Exp/K	Irregular expenditure on janitorial services	0	0	1.56	1.56	Violation of GFR-10
		304-Exp/K	Irregular expenditure on POL/CNG	0	0	11.00	11.00	Violation of Staff Car Rules 1980
		312-Exp/K	Irregular expenditure on entertainment & gifts	0	0	0.80	0.80	Serial No. 38(i) of Delegation of Powers
		302-Exp/K	Irregular cash reward	0	0	24.65	24.65	Violation of Reward Rules
5	RTO-III Karachi	13	Irregularities of lesser significant	0	0	50.53	50.53	Violation of Law/Rules
		354-Exp/K	Irregular payment of performance allowance	0	0	3.40	3.40	FBR letter dated 23.07.2014
		352-Exp/K	Irregular expenditure on POL/CNG	0	0	6.34	6.34	Violation of Staff Car Rules 1980
		350-Exp/K	Irregular cash reward.	0	0	2.35	2.35	Violation of Law/Rules

6	RTO Quetta	16	Irregularities of lesser significant	329.19	0	3.13	332.32	Violation of Law/Rules
		343-Exp/K	Irregular withdrawal of cash in the name of DDO	0	0	0.47	0.47	Rule 290 of FTR Rules
		339-Exp/K	Irregular cash reward.	0	0	5.99	5.99	Violation of Law/Rules
		340-Exp/K	Irregular expenditure on POL/CNG	0	0	1.73	1.73	Violation of Staff Car Rules 1980
7	LTU-II Karachi	16	Irregularities of lesser significant	0	0	13.68	13.68	Violation of Law/Rules
		311-Exp/K	Irregular withdrawal of cash in the name of DDO	0	0	1.02	1.02	Rule 290 of FTR Rules
		289-Exp/K	Non-accountal of store articles	0	0	14.99	14.99	Rule 148 of GFR (Vol-I)
		296-Exp/K	Irregular expenditure on POl/CNG	0	0	0.79	0.79	Violation of Staff Car Rules 1980
		301-Exp/K	Irregular expenditure on janitorial services	0	0	1.13	1.13	Violation of GFR-10
		295-Exp/K	Irregular cash reward	0	0	17.00	17.00	Violation of Reward Rules
8	Director I & I Karachi	10	Irregularities of lesser significant	0	0	1.14	1.14	Violation of Law/Rules
		358-Exp/K	Non-maintenance of POL/CNG record	0	0	2.38	2.38	Rule 15 of Staff Car Rules 1980
9	Commissioner Appeals-I Karachi	10	Irregularities of lesser significant	0	0	3.55	3.55	Violation of Law/Rules

10	DOT Karachi	11	Irregularities of lesser significant	0	0	1.91	1.91	Violation of Law/Rules
		356-Exp/K	Irregular payment of performance allowance	0	0	4.06	4.06	FBR letter dated 23.07.2014
11	RTO Hyderabad	24	Irregularities of lesser significant	1.12	1.56	149.90	152.58	Violation of Law/Rules
		333-Exp/K	Irregular payment of performance allowance	0	0	110.74	110.74	FBR letter dated 23.07.2014
		331-Exp/K	Irregular payment of performance allowance	0	0	5.62	5.62	FBR letter dated 23.07.2014
		329-Exp/K	Irregular expenditure on POl/CNG	0	0	13.28	13.28	Violation of Staff Car Rules 1980
		334-Exp/K	Irregular award of tenders	0	0	5.81	5.81	Rule 12 of PPR 2004
		335-Exp/K	Non-disposal of condemned vehicles	0	0	2.54	2.54	Para 166 & 167 of GFR Vol-I
		6130-ST/K	Non-payment of sales tax charged by steel sector	0	0.87	0	0.87	Rule 58(H)(1)(2) of Sales Tax Rules 2007.
		328-Exp/K	Irregular cash reward.	0	0	16.00	16.00	Violation of Law/Rules
12	Director I & I Hyderabad	8	Irregularities of lesser significant	0	0	4.38	4.38	Violation of Law/Rules
13	RTO Sukkur	324-Exp/K	Irregular payment of performance allowance	0	0	0.98	0.98	FBR letter dated 23.07.2014
		326-Exp/K	Irregular award of tenders	0	0	1.63	1.63	Rule 12 of PPR 2004

		323-Exp/K	Irregular cash reward.	0	0	7.04	7.04	Violation of Law/Rules
		325-Exp/K	Irregular expenditure on POL/CNG	0	0	6.11	6.11	Violation of Staff Car Rules 1980
		05	Irregularities of lesser significant	0	0	17.30	17.30	Violation of Law/Rules
14	Director Internal Audit Inland Revenue Karachi	6	Irregularities of lesser significant	0	0	5.48	5.48	Violation of Law/Rules
		359-Exp/K	Irregular expenditure on POL/CNG	0	0	0.48	0.48	Violation of Staff Car Rules 1980
15	Director IOCO Karachi	5	Irregularities of lesser significant	0	0	19.90	19. 90	Violation of Law/Rules
		361-Exp/K	Irregular expenditure on POL/CNG	0	0	1.35	1.35	Violation of Staff Car Rules 1980
Grand Total (Karachi)				**552.00**	**6.12**	**724.59**	**1,282.71**	
Grand Total (Lahore)				**9,613.15**	**1,856.95**	**1,012.28**	**12,482.38**	
Grand Total (Karachi + Lahore)				**10,165.15**	**1,863.07**	**1,736.87**	**13,765.09**	

Annexure-1A

Compliance 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				Compliance	Non-Compliance
				Direct Tax	Indirect Tax	Expenditure	Total		
1	RTO Islamabad	14464	Irregularities of lesser significance	0	0	0.34	0.34	0.00	0.34
2	RTO Sialkot	15284	Irregularities of lesser significance	0	0	0.03	0.03	0.00	0.03
3	RTO Gujranwala	15289	Irregularities of lesser significance	0	0	0.18	0.18	0.00	0.18
4	RTO Gujranwala	15291	Irregularities of lesser significance	0	0	0.05	0.05	0.00	0.05
5	RTO Gujranwala	15293	Irregularities of lesser significance	0	0	0.49	0.49	0.00	0.49
6	RTO Gujranwala	15294	Irregularities of lesser significance	0	0	0.03	0.03	0.03	0.00
7	FBR(HQ) Islamabad	15312	Irregularities of lesser significance	0	0	0.45	0.45	0.00	0.45
8	FBR (HQ) Islamabad	15326	Irregularities of lesser significance	0	0	0.73	0.73	0.00	0.73
9	PRAL Islamabad	15327	Violation of Principles of contracts as	0	0	0	0	0.00	0.00

			provided in GFR						
10	FBR(HQ) Islamabad	15328	Irregularities of lesser significance	0	0	92.36	92.36	0.00	92.36
11	RTO Sialkot	15338	Non recovery of Sales Tax	0	0.72	0	0.72	0.00	0.72
12	PRAL Islamabad	15339	Huge expenses under head of office rent	0	0	0	0	0.00	0.00
13	PRAL Islamabad	15343	Irregularities of lesser significance	0	0	0.92	0.92	0.00	0.92
14	PRAL Islamabad	15351	Non deduction of withholding tax	0.46	0	0	0.46	0.00	0.46
15	PRAL Islamabad	15353	Irregularities of lesser significance	0	0	0.88	0.88	0.00	0.88
16	PRAL Islamabad	15355	Non-Payment of insurance	0	0	4.65	4.65	0.00	4.65
17	RTO Peshawar	15362	Irregularities of lesser significance	0	0	0.12	0.12	0.00	0.12
18	RTO Multan	15365	Irregularities of lesser significance	0	0	0.62	0.62	0.00	0.62
19	RTO Multan	15369	Irregularities of lesser significance	0	0	0.87	0.87	0.00	0.87
20	RTO Lahore	15371	Irregularities of lesser significance	0	0	0.07	0.07	0.00	0.07
21	RTO Lahore	15376	Irregularities of lesser significance	0	0	0.26	0.26	0.00	0.26
22	RTO Lahore	15380	Irregularities of lesser significance	0	0	0.13	0.13	0.00	0.13

23	RTO Lahore	15382	Irregularities of lesser significance	0	0	0.06	0.06	0.00	0.06
24	RTO Lahore	15384	Irregularities of lesser significance	0	0	0.05	0.05	0.00	0.05
25	RTO Gujranwala	15431	Non-imposition of penalty for late filing	0	0.22	0	0.22	0.00	0.22
26	RTO Islamabad	15465	Doubtful expenditure due to double sanction	0	0	0.02	0.02	0.00	0.02
27	RTO Islamabad	15466	Irregularities of lesser significance	0	0	1.96	1.96	0.00	1.96
28	RTO Islamabad	15467	Irregularities of lesser significance	0	0	3.07	3.07	0.00	3.07
29	RTO Islamabad	15476	Non realization of sales tax on scrap sales	0	9.51	0	9.51	0.00	9.51
30	RTO Sargodha	15501	Irregularities of lesser significance	0	0	5.12	5.12	0.00	5.12
31	RTO Sargodha	15503	Irregularities of lesser significance	0	0	41.8	41.8	0.00	41.8
32	RTO Sargodha	15503	Irregularities of lesser significance	0	0	41.8	41.8	0.00	41.8
33	RTO Sargodha	15540	Inadmissible sales tax refund	0	5.08	0	5.08	0.00	5.08
34	RTO-II Lahore	15547	Irregularities of lesser significance	0	0	0.09	0.09	0.00	0.09
35	LTU Islamabad	15619	Irregularities of lesser significance	0	0	0.39	0.39	0.00	0.39

36	RTO Rawalpindi	15662	Irregularities of lesser significance	0	0	0.31	0.31	0.02	0.029
37	RTO Bahawalpur	15751	Irregularities of lesser significance	0	0	0.19	0.19	0.13	0.06
38	RTO Bahawalpur	15753	Irregularities of lesser significance	0	0	0.72	0.72	0.00	0.72
39	RTO Bahawalpur	15754	Irregularities of lesser significance	0	0	0.07	0.07	0.00	0.07
40	RTO Faisalabad	15756	Irregularities of lesser significance	0	0	0.42	0.42	0.20	0.22
41	RTO Faisalabad	15758	Irregularities of lesser significance	0	0	0.41	0.41	0.00	0.41
42	RTO Faisalabad	15763	Irregularities of lesser significance	0	0	0.25	0.25	0.00	0.25
43	RTO Faisalabad	15767	Irregularities of lesser significance	0	0	4.26	4.26	0.00	4.26
44	RTO Faisalabad	15768	Irregularities of lesser significance	0	0	0.2	0.2	0.00	0.2
45	LTU Lahore	15816	Irregularities of lesser significance	0	0	0.11	0.11	0.00	0.11
46	RTO Sialkot	15887	Nonpayment of sales tax due to concealment	0	1.27	0	1.27	0.00	1.27
47	RTO Sialkot	15415	Non-recovery of income support levy	0.118	0	0	0.118	0.00	0.118
48	PRAL Islamabad F-4164	4	Irregularities of lesser significance	0	0	0	0	0.00	0.00
49	FBR (HQ) Islamabad F-4123	9	Irregularities of lesser significance	0	0	0.65	0.65	0.00	0.65

50	RTO Lahore F-4116	1	Irregularities of lesser significance	0	0	0.01	0.01	0.01	0.00
51	RTO-II Lahore F-4121	8	Irregularities of lesser significance	0	0	5.43	5.43	0.00	5.43
52	RTO Faisalabad F-4124	2	Irregularities of lesser significance	0	0	1.3	1.30	0.00	1.30
53	RTO Peshawar F-4118	9	Irregularities of lesser significance	0	0	3.23	3.23	0.00	3.23
54	RTO Multan F-4147	5	Irregularities of lesser significance	0	0	10.03	10.03	0.00	10.03
55	RTO Rawalpindi F-4143	6	Irregularities of lesser significance	0	0	0.05	0.05	0.03	0.02
56	RTO Gujranwala F-4112	8	Irregularities of lesser significance	0	0	0.83	0.83	0.00	0.83
57	RTO Islamabad F-4129	7	Irregularities of lesser significance	0	0	0.02	0.02	0.00	0.02
58	RTO Sialkot F-4122	5	Irregularities of lesser significance	0	0	3.48	3.48	0.00	3.48
59	RTO Bahawalpur F-4111	8	Irregularities of lesser significance	0	0	0.06	0.06	0.00	0.06
60	RTO Sargodha F- 4135	7	Irregularities of lesser significance	0	0	0.08	0.08	0.00	0.08
61	LTU Lahore F-4115	7	Irregularities of lesser significance	0	0	0.13	0.13	0.00	0.13

62	LTU Islamabad F-4151	10	Irregularities of lesser significance	0	0	0.98	0.98	0.00	0.98
63	Revenue Division Islamabad F-4131	7	Irregularities of lesser significance	0	0	1.79	1.79	0.00	1.79
64	Directorate of Research & Statistics Islamabad F-4117	8	Irregularities of lesser significance	0	0	0.97	0.97	0.00	0.97
65	Director General Intelligence & Investigation (Inland Revenue) Islamabad F-4130	8	Irregularities of lesser significance	0	0	0.44	0.44	0.35	0.09
66	LTU Lahore F-4109	1	Non-imposition of penalty for filling late sales tax returns	0	0.02	0	0.02	0.00	0.02
67	RTO-I Lahore F-4110	42	Irregularities of lesser significance	961.79	897.15	0	1858.94	0.00	1858.94
68	RTO-I Commissioner (Zone-I) Lahore F-4165	2	Irregularities of lesser significance	1.1	0.91	0	2.01	0.00	2.01
69	RTO-II Commissioner (Zone-VIII) Lahore F-4155	3	Irregularities of lesser significance	0.23	0.39	0	0.62	0.00	0.62
70	Commissioner (Zone-I) G/wala F-4168	3	Irregularities of lesser significance	1.51	0.04	0	1.55	0.00	1.55
71	Commissioner (Zone-II) G/wala F-4169	9	Irregularities of lesser significance	0.08	5.37	0	5.45	0.00	5.45

72	Commissioner (Zone-I) Sialkot F-4132	6	Irregularities of lesser significance	11	0.26	0	11.26	0.00	11.26
73	Commissioner (Zone-II)Sialkot F-4174	24	Irregularities of lesser significance	64.25	3076.98	0	3141.23	0.00	3141.23
74	Commissioner (Zone-I) R/pindi F-4144	1	Irregularities of lesser significance	0.1	0	0	0.1	0.00	0.1
75	Commissioner (Zone-II)R/Pindi F-4145	1	Irregularities of lesser significance	0.08	0	0	0.08	0.00	0.08
76	Commissioner (Zone -III) R/Pindi F-4146	2	Irregularities of lesser significance	0.08	3.57	0	3.65	0.00	3.65
77	RTO Commissioner (Zone-I) Isd F-4175	2	Irregularities of lesser significance	0	595.22	0	595.22	0.00	595.22
78	RTO Commissioner (Zone-II) Isd F-4176	1	Irregularities of lesser significance	2.48	0	0	2.48	0.00	2.48
79	Commissioner (Zone-I) Fsd F-4177	4	Irregularities of lesser significance	1.94	11.14	0	13.08	0.00	13.08
80	Commissioner (Zone-II) Fsd F-4140	2	Irregularities of lesser significance	0.24	0.5	0	0.73	0.00	0.73
81	Commissioner (Zone -III) Fsd F-4141	3	Irregularities of lesser significance	20.37	2.33	0	22.71	0.00	22.71
82	Commissioner (Zone-I) Sargodha F-4162	2	Irregularities of lesser significance	0.08	0.05	0	0.13	0.00	0.13

83	Commissioner (Zone-II) Sargodha F-4163	2	Irregularities of lesser significance	0.21	0	0	0.21	0.00	0.21
84	Commissioner (Zone-I) Multan Special Zone F-4171	3	Irregularities of lesser significance	0	26.71	0	26.71	0.00	26.71
85	Commissioner (Zone-II) Multan Multan Zone F-4172	1	Non-filing of return of income	0	0	0	0	0.00	0.00
86	Commissioner (Zone -III) Multan Sahiwal Zone F-4173	1	Non-imposition of penalty for non filing of monthly sales tax returns	0	0.06	0	0.06	0.00	0.06
			Total (Lahore)	**1,066.12**	**4,637.50**	**233.96**	**5,937.58**		

DGAIR (South) Karachi

S. No.	Name of office	No. of Para/ PDP	Title of para	Amount of Audit Observation				Compliance	Non Compliance
				Direct Tax	Indirect Tax	Expenditure	Total		
1	LTU Karachi	941	Non-payment of income tax	25,165.73	0	0	25,165.73	0.00	0.00
		942	Non-payment of income tax	9,838.00	0	0	9,838.00	0.00	0.00
		943	Non-payment of income tax	9,765.07	0	0	9,765.07	0.00	0.00
		944	Non-payment of income tax	54.59	0	0	54.59	0.00	0.00

		945	Non-payment of income tax	972.00	0	0	972.00	0.00	0.00
		1004	Short-payment of income tax	1,177.83	0	0	1,177.83	0.00	0.00
		6028-ST/K	Non finalization of suspension of registration	0.00	0.00	0.00	0.00	0.00	0.00
		6013-ST/K	In admissible adjustment of sales tax	0.00	13.26	0.00	13.26	0.00	13.26
		6027-ST/K	In admissible adjustment of sales tax	0.00	24.79	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	0.00	28.13
		6022-ST/K	Non- payment of Federal Excise Duty	0.00	18,592.12	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	0	16,979.12
		6034-ST/K	Non realization of sales tax	0.00	0.36	0.00	0.36	0	0.36
2	RTO Sukkur	17	Irregularities of lesser significance	0.05	498.54	0.50	499.09	0	499.09
		927-IT/K	Non recovery of tax demand	41.12	0.00	0.00	41.12	0	41.12
		5992-ST/K	In admissible adjustment of input tax	0.00	1.38	0.00	1.38	0	1.38

		5986-ST/K	In admissible adjustment of input tax	0.00	11.71	0.00	11.71	0	11.71
		5985-ST/K	Non payment of sales tax	0.00	2.56	0.00	2.56	0	2.56
		5993-ST/K	Non imposition of penalty on non filer of sales tax returns	0.00	1.00	0.00	1.00	0	1.00
		6008-ST/K	Non- payment of sales tax by cotton ginners	0.00	0.00	0.00	0.00	0	0.00
3	RTO-III Karachi	6060-ST/K	Irregular adjustment of Sales Tax	0.00	0.13	0.00	0.13	0	0.13
4	RTO-III Karachi	980-IT/K	Non-recovery of arrears of income tax	155.17	0.00	0.00	155.17	0	155.17
		15302-ST/K	Non-payment of 4/5th portion of withholding tax	0.00	1.37	0.00	1.37	0	1.37
Grand Total (Karachi)				**47,169.56**	**36,154.47**	**0.50**	**83,324.53**	**0**	**83,324.53**
Grand Total (Lahore)				**1,066.12**	**4,637.50**	**233.96**	**5,937.58**	**0.77**	**5,936.81**
Grand Total (Karachi + Lahore)				**48,235.68**	**40,791.97**	**234.46**	**89,262.11**	**0.77**	**89,261.34**

Annexure-2

S. No.	Change in Rules/System/Procedure	Audit Impact
1.	While conducting audit of Income Tax refund cases, Audit identified one hundred sixty six (166) 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. 1,615.80 million during the year 2015-16. On recommendation by Audit, the department initiated registration of taxpayers to bring them in the Sales Tax regime.
2.	An amount of Rs. 21,371.63 million was recovered on pointation by Audit during the period January 2016 to February 2017.	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 4.1)

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

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
A-Sales Tax Refund				
1	LTU Lahore	16320-ST	81	Amount could not be ascertained due to non availability of record
2	RTO Faisalabad	16475-ST	83	-do-
3	RTO Sialkot	16408-ST	898	-do-
4	RTO Multan	16444-ST	66	-do-

B-Income Tax Refund/Adjustment				
1	RTO Sialkot	16408-IT/NPR	-	Amount could not be ascertained due to non availability of record
2	RTO Multan	16694-IT/NPR	124	24.12
3	CRTO Lahore	16376-IT/ST	735	-do-
C- Income/Sales Tax Assessment				
1	RTO-II Lahore	16290-ST	150	Amount could not be ascertained due to non availability of record.
2	RTO II Lahore	15966-IT/ST	-	-do-
3	RTO Multan	16426-IT/ST	2771	116.06
4	CRTO Lahore	15933-IT/ST	Soft Data	-do-
D- BTB Cases				
1	RTO Multan	16454-NPR	-	Amount could not be ascertained due to non availability of record
2	DG BTB, Islamabad	16128-NPR	-	-
E-Expenditure				
1	PRAL	16672-Exp	01	3.98
		Total	**4,909**	

Annexure-4
(Para 5.1.1)

Non-recovery of adjudged dues/arrears - Rs. 55,733.73 million

(Rs. in million)

S. No.	Office	DP No.	No of cases	Amount
1	RTO Gujranwala	16252-ST	106	7,314.65
2	RTO Multan	16429-ST	40	125.41
		16692-ST	15	119.68
3	RTO Faisalabad	16478-ST	19	358.89
4	RTO Rawalpindi	16611-ST	80	393.41
5	RTO Peshawar	16216-ST	01	17.02
6	RTO-II Lahore	15964-ST	29	93.92
7	LTU Islamabad	16073-ST	87	43,696.47
8	LTU Karachi	6137-ST/K	05	599.04
		6190-ST/K	01	563.06
		6201-ST/K	01	47.39
9	CRTO Karachi	6118-ST/K	24	383.37
10	RTO-II Karachi	6176-ST/K	215	316.14
		6174-ST/K	56	1,671.10
11	RTO Quetta	6149-ST/K	16	34.18
		Total	**695**	**55,733.73**

Annexure-5
(Para 5.1.2)

Loss due to non-implementation of statutory provisions / SROs resulting in inadmissible adjustment of Input Tax - Rs. 4,119.85 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	CRTO Lahore	16180-ST	01	2.27
2	RTO Peshawar	16200-ST	01	5.17
3	RTO Gujranwala	16255-ST	05	30.01
4	LTU Lahore	16288-ST	03	153.94
5	LTU Islamabad	16369-ST	03	4.89
		16076-ST	03	30.98
6	RTO Sialkot	16398-ST	02	2.82
		16399-ST	01	2.64
7	RTO Multan	16438-ST	04	2.45
		16688-ST	03	8.48
		16431-ST	01	25.85
8	RTO Faisalabad	16466-ST	06	29.04
9	RTO Islamabad	16644-ST	04	1.47
10	RTO Abbottabad	16105-ST	01	1.02
11	LTU Karachi	6138-ST/K	01	2,170.86
		6185-ST/K	01	632.12
		6180-ST/K	01	14.70
		6141-ST/K	01	49.77
		6177-ST/K	01	92.11
		6144-ST/K	03	52.64
		6142-ST/K	01	68.57
		6143-ST/K	01	22.79

		6181-ST/K	01	91.43
		6179-ST/K	01	9.18
		6178-ST/K	01	96.24
		6183-ST/K	01	7.16
		6203-ST/K	01	8.26
		6193-ST/K	01	75.13
		6198-ST/K	01	160.79
		6194-ST/K	01	9.34
		6191-ST/K	04	15.81
12	RTO-III Karachi	6093-ST/K	03	4.32
		6096-ST/K	01	0.40
13	RTO Sukkur	6112-ST/K	01	14.36
		6117-ST/K	01	20.55
		6113-ST/K	02	13.97
14	RTO-II Karachi	6100-ST/K	01	21.97
		6155-ST/K	07	109.13
		6158-ST/K	21	37.18
		6154-ST/K	14	20.04
		Total	**111**	**4,119.85**

Annexure-6
(Para 5.1.4)

Inadmissible adjustment of Input Tax against exempt supplies
Rs. 2,180.00 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO Peshawar	16204-ST	02	2,092.70
2	LTU Islamabad	16374-ST	01	2.03
3	RTO Multan	16437-ST	03	3.08
		16459-ST	01	1.18
		16690-ST	02	16.59
4	RTO Faisalabad	16486-ST	01	55.03
5	RTO Islamabad	16643-ST	01	9.39
		Total	**11**	**2,180.00**

Annexure-7
(Para 5.1.6)

Non/short-realization of Sales Tax due to difference of sales declared in Income / Sales Tax returns - Rs. 3,010.70 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO Sialkot	16167-ST	01	9.25
		16169-ST	01	57.15
		16403-ST	01	14.55
2	RTO Peshawar	16208-ST	01	879.53
		16217-ST	01	1,745.46
3	RTO Gujranwala	16251-ST	05	51.24
4	RTO Multan	16430-ST	03	123.68
		16457-ST	04	4.70
		16458-ST	01	1.23
		16460-ST	01	0.76
		16691-ST	01	33.57
5	RTO Islamabad	16646-ST	02	46.36
		16645-ST	01	5.85
6	RTO Faisalabad	16471-ST	05	18.01
7	RTO Rawalpindi	16613-ST	01	19.36
		Total	**29**	**3,010.70**

Annexure-8
(Para 5.1.7)

Non-registration of taxpayers in Sales Tax regime resulting in potential loss of Sales Tax - Rs. 1,615.80 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	CRTO Lahore	16150-ST	01	1.07
		16181-ST	05	5.63
2	RTO Peshawar	16223-ST	06	46.16
		16224-ST	04	222.92
3	RTO Sialkot	16277-ST	01	208.02
		16281-ST	01	0.80
		16282-ST	01	0.82
		16284-ST	01	1.27
		16285-ST	01	1.69
4	RTO Multan	16428-ST	25	612.80
		16455-ST	06	28.45
5	RTO Faisalabad	16467-ST	07	13.53
		16470-ST	01	17.90
6	RTO Islamabad	16648-ST	01	16.04
7	RTO Abbottabad	16106-ST	01	10.18
		16046-ST	02	17.44
		16047-ST	08	137.77
		16110-ST	12	33.13
8	LTU Karachi	6188-ST/K	38	183.00
9	RTO-II Karachi	6175-ST/K	44	57.18
		Total	**166**	**1,615.80**

Annexure-9
(Para 5.1.8)

Non-realization of Further Tax and Extra Tax due to non implementation of statutory provisions / SROs - Rs. 1,050.58 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO Sialkot	16166-ST	01	8.94
		16168-ST	04	7.03
		16404-ST	01	6.03
		16405-ST	01	3.75
		16406-ST	01	1.06
		16401-ST	01	1.60
		16164-ST	04	11.38
2	RTO Peshawar	16220-ST	19	125.31
3	RTO Gujranwala	16331-ST	01	0.29
4	LTU Islamabad	16373-ST	01	1.61
5	RTO Multan	16433-ST	04	5.61
		16461-ST	03	0.49
		16684-ST	01	0.67
		16462-ST	02	0.48
		16442-ST	01	0.55
6	RTO Faisalabad	16481-ST	09	0.49
7	RTO-II Lahore	15983-ST	11	12.29
8	RTO Hyderabad	6126-ST/K	01	17.73
		6125-ST/K	03	19.83
		6128-ST/K	01	9.96

9	RTO Quetta	6150-ST/K	01	7.37
		6167-ST/K	01	81.73
		6172-ST/K	01	523.63
		6152-ST/K	03	4.56
		6169-ST/K	02	5.00
		6168-ST/K	04	10.11
		6148-ST//K	05	31.09
10	RTO-II Karachi	6107-ST//K	01	0.45
11	LTU-Karachi	6182-ST/K	01	22.49
		6195-ST/K	01	33.75
12	LTU-II Karachi	6207-ST/K	05	95.30
		Total	**95**	**1,050.58**

Annexure-10
(Para 5.1.12)

Non-realization of penalty and default surcharge on non/late-filers - Rs. 443.79 million

(Rs. in million)

S. No.	Office	PDP No.	No. of cases	Amount
1	RTO Sialkot	16275-ST	1299	73.74
2	RTO Rawalpindi	16612-ST	174	10.41
3	RTO Abbottabad	16045-ST	01	0.09
		16109-ST	01	0.06
4	RTO Faisalabad	16472-ST	3079	66.26
		16474-ST	3559	213.54
5	RTO Peshawar	16201-ST	01	0.24
		16214-ST	04	4.29
		16215-ST	01	8.52
		16221-ST	02	1.16
6	CRTO Lahore	16155-ST	01	0.75
7	RTO-Quetta	6165-ST/K	08	9.82
		6164-ST/K	353	2.09
		6146-ST/K	232	1.61
8	RTO Sukkur	6116-STK	01	3.29
9	RTO-II Karachi	6102-ST/K	37	1.67
		6105-ST/K	35	1.58
10	RTO Hyderabad	6129-ST/K	100	6.00
		6131-ST/K	300	17.94
11	RTO-III Karachi	6135-ST/K	200	2.67
		6094-ST/K	500	18.06
		Total	**9,888**	**443.79**

Annexure-11
(Para 5.1.13)

Short-realization of Sales Tax Rs. 387.51 million and Federal Excise Duty Rs. 51.45 million aggregating to Rs. 438.96 million due to concealment of purchases and stocks

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Sales Tax	FED	Total
1	RTO Islamabad	16649-ST	01	3.58	0	3.58
2	RTO Sialkot	16402-ST	01	3.20	0	3.20
		16279-ST	01	0.69	0	0.69
		16274-ST	01	1.11	0	1.11
		16283-ST	01	1.02	0	1.02
3	RTO Gujranwala	16330-ST	08	76.53	0	76.53
4	RTO Peshawar	16205-ST	01	5.30	0	5.30
		16207-ST	02	6.39	0	6.39
5	RTO Faisalabad	16482-ST	01	9.87	0	9.87
6	RTO Gujranwala	16338-ST	04	113.69	51.45	165.14
7	CRTO Lahore	16011-ST	01	57.38	0	57.38
8	RTO-II Karachi	6098-ST/K	01	108.75	0	108.75
		Total	**23**	**387.51**	**51.45**	**438.96**

Annexure-12
(Para 5.1.14)

Loss of revenue due to non/short-realization of Sales Tax - Rs. 348.63 million

(Rs in million)

S. No.	Name of office	PDP No.	No. of cases	Amount
1	LTU Karachi	6184-ST/K	01	233.78
		6163-ST/K	24	37.47
		6162-ST/K	24	12.43
2	RTO-II Karachi	6108-ST/K	02	4.52
		6099-ST/K	06	30.16
		6160-ST/K	04	1.83
3	RTO Hyderabad	6123-ST/K	01	26.36
4	CRTO Karachi	6161-ST/K	08	2.08
		Total	**70**	**348.63**

Annexure-13
(Para 5.1.16)

Non/short-realization of Sales Tax by giving undue benefit to non-registered persons - Rs. 175.06 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	CRTO Lahore	16157-ST	01	4.11
		16179-ST	04	18.79
		16184-ST	03	1.40
2	RTO Multan	16436-ST	02	4.84
3	RTO Faisalabad	16485-ST	01	110.13
4	RTO Peshawar	16210-ST	01	4.22
5	RTO Quetta	6171-ST/K	01	1.40
6	RTO-II Karachi	6101-ST/K	01	11.77
		6103-ST/K	01	15.91
7	LTU Karachi	6196-ST/K	01	2.49
		Total	**16**	**175.06**

Annexure-14
(Para 5.1.18)

Excess adjustment of Input Tax by buyers as compared with Output Tax declared by their suppliers - Rs. 88.85 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO Gujranwala	16334-ST	01	1.26
2	RTO Sialkot	16407-ST	02	1.00
3	RTO Multan	16440-ST	01	0.62
		16441-ST	01	0.60
4	LTU Lahore	16319-ST	01	82.41
5	RTO Abbottabad	16111-ST	01	1.36
6	PRAL	16663-ST	01	1.60
		Total	**08**	**88.85**

Annexure-15
(Para 5.1.20)

Excess adjustment of input tax resulting in short realization of Sales Tax - Rs. 78.62 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO Gujranwala	16341-ST	02	28.21
2	RTO Multan	16435-ST	02	5.09
		16463-ST	01	0.40
		16689-ST	02	10.96
3	RTO Faisalabad	16483-ST	02	8.51
4	RTO-II Lahore	15961-ST	04	9.12
5	RTO-II Karachi	6106-ST/K	01	0.91
6	RTO Hyderabad	6127-ST/K	01	15.42
		Total	**15**	**78.62**

<u>Annexure-16</u>
(Para 5.1.24)

Non-realization of Sales Tax on disposal of fixed assets/waste/scrap - Rs. 31.24 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO Gujranwala	16342-ST	02	23.83
		16340-ST	01	0.22
		16335-ST	19	2.19
2	RTO Islamabad	16647-ST	01	2.96
3	RTO Faisalabad	16468-ST	01	1.61
4	RTO Multan	16685-ST	01	0.43
		Total	**25**	**31.24**

Annexure-17
(Para 5.2.1)

Inadmissible payment of Sales Tax refund - Rs. 176.52 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	LTU Lahore	16321-ST	01	34.33
2	RTO Gujranwala	16336-ST	12	0.54
3	RTO Sialkot	16165-ST	01	7.72
		16400-ST	01	2.63
4	RTO Faisalabad	16465-ST	27	124.17
		15950-ST	02	0.46
		16484-ST	01	0.60
5	RTO Multan	16443-ST	01	0.42
6	CRTO Lahore	16154-ST	01	5.28
		16149-ST	01	0.37
		Total	**48**	**176.52**

Annexure-18
(Para 5.2.2)

Excess refund of Sales Tax on short accountal of raw material - Rs. 12.94 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	CRTO Lahore	16148-ST	01	0.42
		16182-ST	01	3.15
		16183-ST	01	1.11
2	RTO Gujranwala	16337-ST	02	3.33
		16329-ST	02	0.32
3	RTO Sialkot	16280-ST	01	0.76
4	RTO Faisalabad	16477-ST	01	3.55
5	RTO Peshawar	16198-ST	01	0.30
		Total	**10**	**12.94**

Annexure-19
(Para 5.2.4)

Inadmissible sanction of Sales Tax Refund due to non-observance of codal formalities – Rs. 10.44 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	CRTO Lahore	16153-ST	01	6.93
		16156-ST	01	2.46
2	RTO Abbotabad	16107-ST	01	0.64
3	RTO Multan	16464-ST	01	0.41
		Total	**04**	**10.44**

Annexure-20
(Para 5.3.2)

Non/short-realization of Federal Excise Duty on Royalty, Technical Services Fee and Franchise Fee- Rs. 2,577.51 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO Islamabad	16650-FED	04	78.45
2	RTO Peshawar	16222-FED	01	262.24
		16211-FED	01	145.79
3	LTU Lahore	16318-FED	13	612.41
4	LTU Islamabad	16367-FED	04	1,478.62
		Total	**23**	**2,577.51**

Annexure-21
(Para 5.4.1)

Non-levy of minimum tax on the income - Rs. 1,446.37 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	16577	2014 & 2015	01	13.22	-	Under process
		16582	2014 & 2015	01	4.88	-	Under process
		16583	2007 to 2013	01	15.89	-	Under process
		16596	2014	01	2.61	-	Under process
		16001	2012 & 2014	01	1.00	-	Under process
2	RTO Islamabad	16636	2015	02	0.36	-	Under process
		16622	2014 & 2015	28	214.88	-	Under process
3	RTO Faisalabad	16519	2015	16	37.69	-	Under process
4	RTO Multan	16453	2015	02	0.75	-	Under process
5	RTO Abbottabad	16038	2013 to 2015	01	0.42	-	Under process
6	CRTO Lahore	16147	2014	07	160.55	-	No reply
		16173	2014	01	1.25	-	No reply
7	RTO-II Lahore	15980	2012 to 2014	12	24.39	-	Under process
		15968	2013 & 2014	11	15.75	-	Under process
		15981	2011 to 2014	32	56.04	-	Under process
8	LTU Lahore	16305	2015	07	583.84	-	Recovery awaited Rs. 23.46, Under process

							Rs. 560.38
9	LTU Islamabad	16350		01	1.27	-	Recovery awaited
10	RTO Sialkot	16267	2015	01	0.86	-	Recovery awaited
			Total	**126**	**1,135.65**		

DGAIR(S), Karachi (Rs in million)

S. No.	Offices	DP No	Tax Year	No of cases	Amount involved	Amount Recovered	Latest Position
1	LTU-II Karachi	1071	2014 & 2015	03	9.78	-	Under process
		1149	2014 & 2015	15	113.35	-	Under process
		1159	2014 & 2015	16	69.30	0.02	Under process Rs.69.28
		1187	2014 & 2015	11	40.80	-	Recovery awaited Rs.13.10 Under process Rs.27.70
2	CRTO Karachi	1135	2014 & 2015	05	5.54	-	Under process
		1176	2014 & 2015	08	28.26	-	Under process
		1243	2014 & 2015	04	3.91	-	Under process
3	RTO-II Karachi	1076	2015	05	7.53	-	Under process
4	RTO-III Karachi	1082	2015	02	1.28	-	Recovery awaited
		1097	2015	01	0.94	-	Under process
		1107	2015	03	1.41	-	Under process
		1128	2015	05	0.87	0.11	Under process Rs.0.77
5	RTO Hyderabad	1117	2015	03	1.15	-	Under process

6	RTO Quetta	1198	2015	01	0.88	-	Under process
		1221	2015	03	25.72	-	Under process
				Total	**85**	**310.72**	**0.13**	
				Grand Total	**211**	**1,446.37**	**0.13**	

Recovered Rs.0.13, Recovery awaited Rs.38.69, Under process Rs. 1,245.75, No reply Rs. 161.80

<u>Annexure-22</u>
(Para 5.4.2)

Loss of revenue due to concealment of income or assets - Rs. 16,092.53 million

DGAIR (N) Lahore (Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	RTO Faisalabad	16518	2015	01	0.81	Under process
		16514	2015	02	46.55	Under process
		16512	2015	02	7.23	Under process
		16507	2015	01	131.68	Under process
		16522	2015	01	1,224.16	Under process
		16524	2015	01	42.12	Under process
2	CRTO Lahore	16170	2014	01	3.20	Under Process
		16086	2010	01	3.77	Subjudice
		16020	2012 & 2013	01	142.52	Under process
		16031	2011 to 2013	02	854.01	Under process
		16019	2013	01	5.69	Under process
3	RTO Multan	16675	2015	01	6.64	Under process
		16677	2015	01	23.92	Under process
		16681	2014 & 2015	01	0.63	Under process
		16682	2015	01	1.41	Under process
		16418	2014 & 2015	09	414.38	Under process

		16422	2014 & 2015	04	37.16	Under process
		16425	2015	01	1.33	Under process
		16448	2015	01	6.60	Under process
4	RTO Islamabad	16446	2013 & 2014	01	24.04	Under process
		16447	2015	01	12.96	Under process
		16628	2014 & 2015	04	271.79	Under process
5	RTO Rawalpindi	16586	2014 & 2015	01	544.80	Under process
		16591	2010	01	10.17	Under process
		16594	2014	01	9.33	Under process
		16595	2014	01	1.05	Under process
		16603	2014 & 2015	01	422.57	Under process
		16606	2010	01	4.97	Under process
6	RTO Peshawar	16191	2015	03	11.75	Under process
		16193	2014 & 2015	06	6,918.22	Under process
		16197	2014 & 2015	02	172.64	Under process
7	RTO Gujranwala	16234	2015	02	168.29	Under process
		16237	2015	05	1,198.65	Under process
		16239	2013 to 2015	06	342.86	Under process
		16325	2015	14	2,046.87	Under process
8	RTO Sialkot	16270	2015	01	3.09	Under process
		16389	2015	01	31.59	Under process
		16396	2015	01	1.31	Under process

9	RTO Abbottabad	16115	2013	01	24.83	Under process
		16114	2013 to 2015	01	11.24	Under process
		16119	2015	01	165.83	Under process
10	RTO-II Lahore	15969	2014	02	25.55	Under process
			Total	**91**	**15,378.21**	

DGAIR(S), Karachi

(Rs in million)

S. No.	Offices	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	LTU-II Karachi	1061	2014 & 2015	05	564.870	Under process
2	RTO-II Karachi	1084	2014	01	149.450	Under process
			Total	**06**	**714.320**	
			Grand Total	**97**	**16,092.53**	

Under process Rs.16,088.76, Subjudice Rs. 3.77

Annexure-23
(Para 5.4.3)

Short-levy of tax due to issuance of SRO without approval of the Parliament - Rs. 3,283.13 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	LTU Islamabad	16366	2014 & 2015	14	740.57	Under process
2	LTU Lahore	16301	2011to 2015	14	468.65	Under Process
3	RTO Rawalpindi	15998	2012 & 2013	01	22.94	Under process
4	RTO Peshawar	15991	2013	01	0.17	Under process
			Total	**30**	**1,232.33**	

DGAIR(S), Karachi

(Rs in million)

S. No.	Offices	DP No	Tax Year	No of cases	Amount involved	Latest Position
1	LTU-II Karachi	1058	2014 & 2015	22	762.778	Under process
		1142	2014 & 2015	09	821.619	Under process
		1180	2014 & 2015	03	135.109	Under process
2	CRTO Karachi	1234	2014 & 2015	20	208.717	Under process
3	RTO-II Karachi	1085	2015	01	78.585	Under process
		1090	2015	01	29.611	Under process
4	RTO Hyderabad	1115	2015 & 2015	02	14.388	Under process
			Total	**58**	**2,050.807**	
			Grand Total	**88**	**3,283.13**	

Under process Rs. 3,283.13

Annexure-24
(Para 5.4.4)

Short levy of Super Tax - Rs. 6,243.30 million

DGAIR (N) Lahore (Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Amount recovered	Latest Position
1	LTU Lahore	16304	2015	06	371.24	-	Recovery awaited Rs.25.17, Under process Rs. 346.07
2	RTO Islamabad	16625	2015	01	404.24	-	Under process
3	LTU Islamabad	16365	2015	05	1,137.12	777.18	Recovery awaited Rs.0.22, Under process Rs. 359.72
			Total	**12**	**1,912.6**	**777.18**	

DGAIR (S) Karachi

(Rs in million)

S. No.	Offices	DP No	Tax Year	No of cases	Amount involved	Amount Recovered	Latest Position
1	LTU Karachi	1157	2015	08	1,435.72	-	Recovery awaited
		1206	2015	24	1,007.03	78.18	Recovery awaited
		1211	2015	29	1,016.52	680.48	Recovery awaited
		1226	2015	09	326.80	55.49	Recovery awaited Rs.174.05 Subjudice Rs.97.26
2	LTU-II Karachi	1146	2015	07	204.50	-	Under process
		1158	2015	04	19.81	19.81	-
3	CRTO Karachi	1239	2015	01	26.94	-	Under process

4	RTO Hyderabad	1119	2015	01	22.84	-	Under process
5	RTO Sukkur	1100	2015	01	270.54	-	Under process
			Total	**84**	**4,330.7**	**833.96**	
			Grand Total	**96**	**6,243.30**	**1,611.14**	

Recovered Rs. 1,611.14, Recovery awaited Rs. 2,900.15, Under process Rs. 1,634.85, Subjudice Rs.97.26

Annexure-25
(Para 5.4.5)

Loss of revenue due to non apportionment of expenses between final and normal tax regimes - Rs. 3,294.07 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	LTU Lahore	16303	2015	07	1,628.72	Under process
2	RTO Faisalabad	15954	2010	01	2.73	Under process
3	RTO Sialkot	16271	2015	01	4.08	Under process
		16387	2015	01	16.13	Under process
4	RTO Islamabad	16630	2015	01	8.96	Under process
			Total	**11**	**1,660.62**	

DGAIR (S) Karachi

(Rs in million)

S. No.	Offices	DP No	Tax Year	No of cases	Amount involved	Latest Position
1	LTU-II Karachi	1059	2014 & 2015	16	743.32	Under process
		1144		12	675.30	Under process
2	RTO-I Karachi	1233		11	214.83	Under process
			Total	**39**	**1,633.45**	
			Grand Total	**50**	**3,294.07**	

Under process Rs. 3,294.07

Annexure-26
(Para 5.4.6)

Non-levy of default surcharge on payment of tax after due date - Rs. 2,080.73 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	RTO Rawalpindi	16584	2007 to 2009	01	342.12	Under process
			Total	**01**	**342.12**	

DGAIR (S) Karachi

(Rs in million)

S. No.	Offices	DP No	Tax Year	No of cases	Amount involved	Latest Position
1	LTU-II Karachi	1060	2014 & 2015	106	662.21	Under process
		1073	2014 & 2015	02	3.68	Under process
		1141	2014 & 2015	106	853.17	Under process
		1151	2014 & 2015	22	32.62	Under process
		1168	2015	12	8.19	Under process
		1177	2015	19	28.40	Under process
2	CRTO Karachi	1133	2015	10	19.99	Under process
		1175	2015	07	1.41	Under process
		1240	2015	08	13.42	Under process
		1246	2015	02	0.79	Under process
3	RTO-II Karachi	1093	2014 & 2015	02	14.80	Under process
		1203	2014 & 2015	02	0.08	Under process
4	RTO-III Karachi	1081	2015	03	0.45	Recovery awaited Rs.0.23. Under process Rs.0.22
		1126	2015	03	3.85	Under process
		1155	2015	01	24.66	Subjudice
5	RTO Quetta	1199	2015	15	67.51	Under process
		1222	2015	03	3.38	Under process

Total	**323**	**1,738.61**	
Grand Total	**324**	**2,080.73**	

Recovery awaited Rs. 0.23, Subjudice Rs.24.66, Under process Rs.1,713.72 No reply Rs. 342.12

Annexure-27
(Para 5.4.7)

Short-deduction of Withholding Tax on supplies and contracts - Rs. 1,945.05 million

DGAIR (S) Karachi

(Rs. in million)

S. No.	Offices	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	LTU Karachi	1214	2014 & 2015	01	308.97	Subjudice
2	LTU-II Karachi	1062	2014 & 2015	31	419.18	Under process
		1139	2014 & 2015	43	1,050.00	Under process
3	CRTO Karachi	1236	2014 & 2015	22	102.49	Under process
4	RTO-II Karachi	1088	2014 & 2015	01	11.06	Under process
		1094	2014 & 2015	02	9.82	Under process
5	RTO-III Karachi	1075	2015	05	40.32	Recovery awaited Rs.5.21 Under process Rs.35.11
6	RTO Hyderabad	1113	2015	01	3.21	Under process
			Total	**106**	**1,945.05**	

Recovery awaited Rs.5.21, Under process Rs. 1,630.87, Subjudice Rs.308.97

<u>Annexure-28</u>
(Para 5.4.9)

Short-levy of tax due to allowing inadmissible expenses - Rs. 81.39 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	RTO Sialkot	16390	2014 & 2015	01	4.57	Under process
2	LTU Lahore	16307	2014 & 2015	01	14.29	Under process
		16309	2015	01	62.53	Recovery awaited
			Total	**03**	**81.39**	

Recovery awaited Rs. 62.53, Under process-Rs.18.86

Annexure-29
(Para 5.4.10)

Loss due to non-treatment of Withholding Tax as a final tax - Rs. 592.63 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Offices	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	RTO Rawalpindi	16604	2014 & 2015	01	344.77	Under process
2	RTO-II Lahore	15971	2014	02	5.40	Under process
3	CRTO Lahore	16026	2012	01	12.73	Under process
4	RTO Peshawar	16196	2015	01	0.27	Under process
	Total			**05**	**363.17**	

DGAIR (S), Karachi

(Rs. in million)

S. No.	Offices	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	LTU-II Karachi	1163	2015	01	15.10	Under process
2	LTU-II Karachi	1181	2014 & 2015	05	202.71	Under process
3	RTO-III Karachi	1077	2014	01	11.64	Under process
Total				**07**	**229.46**	
Grand Total				**12**	**592.63**	

Under process- Rs.592.63

Annexure-30
(Para 5.4.13)

Loss of Tax due to incorrect adjustment of brought forward losses - Rs. 7,357.74 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	RTO Rawalpindi	16605	2009 to 2012	01	0.54	Under process
		16600	2008	01	23.43	Under process
			Total	**02**	**23.97**	

DGAIR (S) Karachi

(Rs. in million)

S. No.	Offices	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	LTU-II Karachi	1056	2014 & 2015	06	1,206.7	Under process
2	CRTO Karachi	1174	2015	01	7.1	Under process
		1248	2015	01	0.30	Under process
3	RTO Hyderabad	1110	2015	01	1,895.92	Under process
4	RTO Sukkur	1101	2015	01	3,477.90	Under process
5	RTO Quetta	1223	2015	01	745.85	Under process
			Total	**11**	**7,333.77**	
			Grand Total	**13**	**7,357.74**	

Under process Rs.7,357.74

Annexure-31
(Para 5.4.14)

Non-payment of Tax along with return - Rs. 75.31 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	CRTO Lahore	16190	2014	01	2.80	Under process
2	RTO Gujranwala	16233	2015	01	58.23	Under process
		16238	2015	01	2.68	Under process
3	RTO Rawalpindi	16576	2014 & 2015	01	2.55	Under process
4	RTO Faisalabad	16511	2015	01	5.99	Under process
5	RTO Islamabad	16635	2015	01	3.06	Under process
			Total	**06**	**75.31**	

Under process-Rs. 75.31

<u>Annexure-32</u>
(Para 5.4.15)

Loss of revenue incorrect assessment of tax under respective heads of income - Rs. 227.27 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount	Latest Position
1	RTO Sialkot	16160	2014	01	19.82	Under process
		16161	2015	01	41.16	Under process
		16264	2015	01	108.45	Under process
		16388	2015	01	30.08	Under process
2	RTO Islamabad	16638	2013	01	0.41	Under process
3	LTU Lahore	16298	2015	01	27.35	Recovery awaited
			Total	**06**	**227.27**	

Recovery awaited Rs. 27.35, Under process-Rs. 199.92

Annexure-33
(Para 5.4.17)

Short-levy of tax due to inadmissible claim of provisions - Rs. 265.37 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	16639	2014	02	2.81		Under process
2	LTU Lahore	16306	2015	06	260.82	10.46	Recovery awaited Rs. 140.29, Under process Rs. 110.07
3	CRTO Lahore	16032	2013	01	1.74	-	Under process
			Total	**09**	**265.37**	**10.46**	

Recovered Rs.10.46, Recovery awaited Rs. 140.29, Under process Rs. 114.62

Annexure-34
(Para 5.4.18)

Non-treatment of withholding tax as final and minimum tax - Rs. 1,894.76 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	RTO-II Lahore	15970	2014	01	19.16	Under process
2	LTU Islamabad	16363	2014 & 2015	04	53.69	Recovery awaited Rs. 36.58, Under process Rs.17.11
3	LTU Lahore	16292	2015	01	157.36	Under process
		16295	2014 & 2015	01	940.12	Under process
		16296	2015	03	118.55	Under process
4	RTO Rawalpindi	16589	2014	01	2.43	Under process
5	RTO Peshawar	15984	2011 to 2013	01	464.57	Subjudice Rs. 143.21, No reply Rs. 321.36
			Total	**12**	**1,755.88**	

DGAIR(S) Karachi

(Rs in million)

S. No.	Offices	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	LTU-II Karachi	1070	2014 & 2015	02	18.75	Under process
		1147	2014 & 2015	02	120.13	Under process
			Total	**04**	**138.88**	
			Grand Total	**16**	**1,894.76**	

Recovery awaited Rs. 36.58, Under process - Rs.1,393.61, No reply Rs. 321.36, Subjudice Rs.143.21

Annexure-35
(Para 5.4.22)

Non-recovery of arrear of tax demand - Rs. 10,683.42 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Amount Recovered	Latest Position
1	RTO Rawalpindi	16585	2007 to 2009	01	779.54	-	Under process
		16565	1992-93 to 2002-03,2004 to 2010, 2012 to 2015	25	1,806.72	-	Under process
2	RTO Gujranwala	16235	2015	127	4,234.55	132.12	Under process
		16244	2015	05	39.27	-	Under process
		16231	2015	01	16.77	-	Under process
3	RTO Peshawar	16189	2006 to 2009, 2013 & 2014	109	68.31	-	Under process
4	RTO Faisalabad	16515	2015	43	3,527.21	34.94	Under process
5	RTO-II Lahore	15974	2015	39	106.28	-	Under process
6	RTO Abbottabad	16042	2015	04	10.45	2.96	Under process Rs.7.49
7	RTO Multan	16420	2009, 2013 to 2016	15	76.05	-	Under process
			Total	**369**	**10,665.15**	**170.02**	

DGAIR (S) Karachi

(Rs in millions)

S. No.	Offices	DP No.	Tax Year	No of cases	Amount involved	Amount Recovered	Latest Position
1	RTO-II Karachi	1087	2014 & 2015	02	7.27		Under process
		1096	2014 & 2015	04	2.86		Under process

		1216	2014 & 2015	02	3.71		Under process
		1217	2014 & 2015	01	4.43		Under process
			Total	**09**	**18.27**		
			Grand Total	**378**	**10,683.42**	**170.02**	

Recovered Rs. 170.02, Under process - Rs. 10,513.40

Annexure-36
(Para 5.4.24)

Short levy of tax due to incorrect computation of taxable income for Rs. 4,569.42 million

DGAIR (N) Lahore (Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	RTO Gujranwala	16242	2014	01	0.18	Under process
			Total	**01**	**0.18**	

DGAIR (S) Karachi

(Rs in million)

S. No.	Offices	DP No	Tax Year	No of cases	Amount involved	Latest Position
1	LTU-II Karachi	1063	2014 & 2015	09	300.91	Under process
		1072	2014 & 2015	02	7.15	Under process
		1140	2014 & 2015	18	970.77	Under process
		1160	2014 & 2015	03	12.73	Under process
		1161	2014 & 2015	01	0.00	Under process
		1162	2014 & 2015	05	68.37	Under process
		1164	2014 & 2015	01	9.16	Under process
		1166	2014 & 2015	01	2004.98	Under process
		1179	2014 & 2015	01	2.08	Under process
		1182	2014 & 2015	01	295.90	Under process
		1185	2014 & 2015	11	179.99	Under process
		1186	2015	01	1.36	Under process
		1188	2014 & 2015	01	1.36	Under process
2	CRTO Karachi	1227	2015	02	5.62	Under process
		1232	2015	09	586.87	Under process
		1237	2015	01	74.05	Under process

3	RTO Hyderabad	1112	2015	01	28.97	Under process
		1114	2015	01	18.97	Under process
Total				**69**	**4,569.24**	
Grand Total				**70**	**4,569.42**	

Under process - Rs. 4,569.42

Annexure-37
(Para 5.5.1)

Unlawful issuance of refund without fulfilling of codal formalities - Rs. 2,097.22 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount	Latest Position
1	CRTO Lahore	16176	2007	07	0.88	No reply
		16024	-	12	97.10	Under process
		16025	2008	01	74.82	Under process
2	RTO Rawalpindi	16581	2009 & 2012	02	3.43	Under process
		16593	2014 & 2015	01	2.69	Under process
3	RTO Abbottabad	16037	2013 & 2014	02	0.43	Under process
		16044	2009 to 2011	01	22.48	Under process
		16040	2011 & 2012	01	1.22	Under process
		16039	2014	01	0.60	Under process
4	RTO Peshawar	16186	2012	01	0.39	Under process
		16187	2010 & 2011	01	0.93	Under process
		16194	2015	01	0.38	Under process
5	RTO Sialkot	16392	2009 to 2013	01	5.80	Under process
6	RTO Gujranwala	16245	2010	01	7.57	Under process
		16249	2009	01	4.33	Under process
		16326	2014	01	19.12	Under process
7	LTU Islamabad	16356	2014	01	45.20	Under process
8	RTO Multan	16451	2015	10	1.19	Under process
Total				**46**	**288.56**	

DGAIR (S) Karachi

(Rs in million)

S. No.	Offices	DP No	Tax Year	No of cases	Amount involved	Latest Position
1	LTU-II Karachi	1065	2014 & 2015	14	141.98	Under process
		1143	2014 & 2015	26	795.92	Under process
		1167	2014 & 2015	11	94.02	Under process
		1178	2014 & 2015	22	331.80	Recovery awaited Rs.27.28 Under process Rs.304.52
2	CRTO Karachi	1171	2014 & 2015	14	35.68	Under process
		1235	2014 & 2015	27	194.81	Under process
3	RTO-II Karachi	1089	2015	01	4.92	Under process
		1202	2015	03	2.32	Under process
4	RTO Hyderabad	1165	2015	01	207.21	Under process
Total				**119**	**1808.66**	
Grand Total				**165**	**2,097.22**	

Recovery awaited - Rs. 27.28, No reply Rs. 0.88, Under process Rs.2,069.06

Annexure-38
(Para 5.6.1)

Non-realization of Workers Welfare Fund - Rs. 1,932.71 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Amount recovered	Latest Position
1	LTU Islamabad	16358	2014 & 2015	05	2.76	0.58	Recovery awaited Rs.1.23, Under Process Rs. 0.95
		16080	-	08	14.34	-	Under process
2	RTO Rawalpindi	16587	2013 to 2015	01	2.88	-	Under process
3	RTO Islamabad	16623	2014 & 2015	11	6.49	-	Under process
4	CRTO Lahore	16171	2013	01	4.32	-	Under process
		16015	-	05	9.88	-	Under process
5	LTU Lahore	16302	2013 & 2015	11	411.17	-	Under process
6	RTO Sialkot	16158	2014 & 2015	01	7.32	-	Under process
		16159	2015	17	13.33	13.31	Recovery awaited
		16268	2015	01	1.69	-	Under process
		16269	2014 & 2015	01	1.97	-	Under process
		16394	2015	01	1.52	-	Under process
		16395	2014 & 2015	08	3.05	-	Under process
		16273	2015	01	0.90	-	Under process
7	RTO Abbottabad	16113	2013 to 2015	01	7.20	-	Under process
		16043	2013 to 2015	01	0.21	-	Under process
8	RTO-II Lahore	15982	2012 to 2014	17	4.34	-	Under process
9	RTO Gujranwala	16240	2015	03	1.46	1.09	Under process

			Total	**94**	**494.83**	**14.98**	

DGAIR(S) Karachi

(Rs in million)

S. No.	Offices	DP No	Tax Year	No of cases	Amount involved	Amount Recovered	Latest Position
1	LTU Karachi	1207	2014 & 2015	01	77.79	-	Under process
2	LTU-II Karachi	1066	2014 & 2015	41	102.46	-	Under process
		1150	2014 & 2015	51	110.14	-	Under process
		1170	2014 & 2015	76	843.61	-	Under process
		1183	2014 & 2015	103	192.12	-	Under process
3	CRTO Karachi	1136	2014 & 2015	15	6.76	-	Under process
		1172	2014 & 2015	23	19.43	-	Under process
		1247	2014 & 2015	03	0.39	-	Under process
4	RTO-II Karachi	1095	2014 & 2015	02	5.21	-	Under process
		1201	2014 & 2015	43	18.89	-	Under process
		1205	2014 & 2015	34	2.80	-	Under process
5	RTO-III Karachi	1078	2015	10	1.51	-	Recovery awaited Rs.0.36 Under process Rs. 1.15
		1108	2015	11	1.30	-	Recovery awaited Rs.0.09. Under process Rs.1.21
		1129	2015	13	2.21	0.05	Recovery awaited Rs.0.49 Under process Rs.1.67
6	RTO Hyderabad	1122	2015	05	6.42	0.03	Under process

7	RTO Sukkur	1103	2015	33	16.52	-	Under process
8	RTO Quetta	1197	2015	10	3.57	-	Under process
		1220	2015	10	26.75	-	Under process
			Total	**484**	**1,436.87**	**0.08**	
			Grand Total	**578**	**1,932.71**	**15.06**	

Recovered Rs.15.06, Recovery awaited Rs. 2.19, Under process Rs.1,915.46

<u>Annexure-39</u>
(Para 5.7.1)

Non-deduction/realization of withholding Sales Tax on purchases from registered/unregistered persons - Rs. 1,120.98 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	CRTO Lahore	16185- WHT	01	5.50
2	RTO Gujranwala	16333- WHT	05	7.39
3	RTO Peshawar	16199- WHT	01	0.53
		16209- WHT	01	73.67
		16219- WHT	02	47.46
4	LTU Islamabad	16372- WHT	02	2.39
5	RTO Faisalabad	16469- WHT	01	97.37
6	PRAL	16664- WHT	01	0.91
7	RTO Sialkot	16276- WHT	849	148.44
8	RTO Abbottabad	16108- WHT	01	0.39
9	RTO-II Lahore	15962- WHT	09	342.77
10	RTO Hyderabad	6204-ST/K	03	18.78
		6205-ST/K	01	12.11
11	RTO-III Karachi	6136-ST/K	10	100.11
12	RTO Quetta	6145-ST/K	03	22.66
13	RTO Sukkur	6109-ST/K	03	1.69
14	RTO-III Karachi	6095-ST/K	01	0.52
15	LTU Karachi	6140-ST/K	03	91.94
		6186-ST/K	01	44.69
		6187-ST/K	02	36.60
		6202-ST/K	01	6.51
		6192-ST/K	03	46.15
16	RTO-II Karachi	6156-ST//K	01	12.40
		Total	**905**	**1,120.98**

Annexure-40
(Para 5.7.5)

Non-realization of Withholding Tax from withholding agent - Rs. 14,474.60 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 Faisalabad	16508	2015	01	5.29	-	Under process
		16520	2015	01	18.74	-	Under process
2	RTO Gujranwala	16236	2014 & 2015	02	28.41	-	Under process
		16241	2015	14	115.64	-	Under process
3	RTO Islamabad	16633	2015	01	1.56	-	Under process
		16627	2010 to 2015	11	111.35	-	Under process
4	CRTO Lahore	16146	2015	01	0.15	-	Under process
		16172	2014	01	6.18	-	Under process
		16174	2016	01	0.24	-	Under process
5	RTO Multan	16678	-	01	4.94	-	Under process
		16696	-	01	0.63	-	Under process
		16419	2013 to 2016	08	83.75	-	Under process
		16424	-	03	6.63	-	Under process
		16445	2013 to 2016	07	47.14	-	Under process
		16449	2014 & 2015	07	3.74	-	Under process
6	RTO Peshawar	16188	2015	03	323.24	-	Under process
		16192	2014	01	16.03	-	Under process
		16195	2014 & 2015	01	28.08	-	Recovery awaited
		15987	2011 to 2013	01	51.38	-	Subjudice
7	RTO Rawalpindi	16578	2014 &2015	02	2.68	-	Under process
		16575	2014	01	1.29	-	Under process
		16574	2009 to 2015	01	1,395.00	-	Under process

		16572	2014 & 2015	01	10.76	-	Under process
		16569	2015	01	6.46	-	Under process
		16571	2014 & 2015	02	646.50	-	Under process
		16566	2013	01	441.59	-	Under process
		16567	2011 & 2012	01	10.22	-	Under process
		16568		02	4.91	-	Under process
		16592	2013	01	53.85	-	No reply
		16598	2007 to 2010	01	303.22	-	Under process
		16599	2014	01	1.79	-	Under process
		16609	2014 & 2015	01	29.76	-	Under process
		15997	2012 to 2014	03	64.14	-	Under process
8	RTO Abbottabad	16118	2011 to 2015	11	75.71	-	Under process
		16116	2012 to 2015	07	96.94	-	Under process
9	RTO-II Lahore	15972	2011 to 2013	03	16.18	0.39	Under process
10	LTU Islamabad	16357	2015	01	0.54	-	Recovery awaited
		16359	2015	04	11.81	-	Recovery awaited Rs. 11.76, Under process Rs. 0.05
11	RTO Sialkot	16383	2014 & 2015	01	2.45	-	Under process
		16385	2014 to 2016	01	1.32	-	Under process
		16393		08	176.71	-	Under process
			Total	**121**	**4,206.95**	**0.39**	

DGAIR (S) Karachi (Rs in million)

S. No.	Offices	DP No	Tax Year	No of cases	Amount involved	Amount Recovered	Latest Position
1	LTU-II Karachi	1055	2014 & 2015	69	1841.11	-	Under process
		1069	2014 & 2015	05	22.28	-	Under process

		1138	2014 & 2015	80	2794.00	-	Under process
		1154	2014 & 2015	01	8.22	-	Under process
2	CRTO Karachi	1132	2015	10	80.60	-	Under process
		1189	2015	59	62.00	-	Under process
		1238	2015	01	35.90	-	Under process
		1249	2015	06	20.88	-	Under process
		1252	2015	01	1.32	-	Under process
3	RTO-II Karachi	1086	2014 & 2015	02	98.00	-	Under process
		1091	2014 & 2015	02	41.50	-	Under process
		1224	2015	01	570.00	-	Under process
		1125	2015	03	16.34	-	Under process
		1156	2015	18	315.40	256.20	Subjudice Rs.28.41 Under process Rs.30.79
4	RTO Hyderabad	1111	2015	05	1258.20	1.25	Under process Rs.1256.95
		1120	2015	01	12.58	-	Under process
		1228	2015	01	1284.01	-	Under process
		1229	2015	05	58.10	20.85	Under process Rs.37.25
		1230	2015	01	38.74	-	Under process
		1231	2015	01	38.61	-	Under process
5	RTO Sukkur	1099	2015	01	973.83	973.83	-
		1104	2015	05	367.71	-	Under process
6	RTO Quetta	1191	2015	17	298.22	-	Under process
		1193	2015	05	5.85	-	Under process
		1194	2015	07	24.20	-	Under process
			Total	**307**	**10,267.60**	**1,252.13**	
			Grand Total	**428**	**14,474.60**	**1,252.52**	

Recovered Rs.1,252.52, Recovery awaited Rs.40.38, No reply Rs.53.85
Under process Rs.13,048.06, Subjudice Rs. 79.79

Annexure-41
(Para 5.7.6)

Non-realization of Withholding Tax on salary - Rs. 56.89 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	RTO Rawalpindi	16601	2010	01	34.40	Under process
2	RTO Islamabad	16629	2013 & 2014	04	2.16	Under process
3	RTO-II Lahore	15979	2013	05	10.29	Under process
4	LTU Islamabad	16355	2015	01	0.49	Recovery awaited
5	RTO Peshawar	15988	2011 to 2013	01	9.55	Subjudice
			Total	**12**	**56.89**	

Recovery awaited Rs. 0.49, Under process Rs.46.85, Subjudice Rs. 9.55

Annexure-42
(Para 5.7.8)

Non-levy of Withholding Tax on brokerage and commission
Rs. 32.17 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	RTO Faisalabad	16521	2015	01	15.10	Under process
2	RTO Islamabad	16632	2015	01	0.78	Under process
3	RTO Gujranwala	16250	2015	01	5.76	Under process
4	RTO-II Lahore	15973	2011 to 2013	01	10.40	Under process
5	LTU Islamabad	16360	2014	01	0.13	Recovery awaited
			Total	**05**	**32.17**	

Recovery awaited Rs. 0.13, Under process Rs.32.04

Annexure-43
(Para 5.7.9)

Non-recovery of Withholding Tax on income from property - Rs. 48.12 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	RTO Rawalpindi	16564	2015	01	3.21	Under process
2	RTO Islamabad	16624	2010 & 2015	02	0.41	Under process
3	LTU Islamabad	16364	2014 & 2015	06	31.28	Recovery awaited Rs. 30.74, Under process Rs.0.54
4	CRTO Lahore	16035	2007 to 2009	01	13.22	Under process
			Total	**10**	**48.12**	

Recovery awaited Rs. 30.74, Under process Rs.17.38

Annexure-44
(Para 5.7.10)

Non levy of Withholding Tax on services - Rs. 962.24 million

DGAIR (N) Lahore

(Rs. in million)

S. No.	Office	DP No.	Tax Year	No of cases	Amount involved	Latest Position
1	RTO Rawalpindi	16580	2014 &2015	01	8.70	Under process
		16597	2014 to 2016	06	71.64	Under process
2	RTO Islamabad	16640	2014	01	6.95	Under process
3	RTO Multan	16676	2014 &2015	01	11.48	Under process
		16683	-	07	4.38	Under process
		16693	2014 &2015	02	343.09	Under process
		16450	2014 & 2015	01	2.39	Under process
		16421	2014 & 2015	16	52.52	Under process
4	RTO Sialkot	16263	2015 & 2016	02	2.85	Under process
		16386	2015	13	6.26	Under process
5	RTO Abbottabad	16117	2014 &2015	01	0.57	No reply
		16112	2014 &2015	01	6.76	Under process
		16041	2014 & 2015	02	47.61	Under process
6	LTU Islamabad	16352	2015	01	0.50	Recovery awaited
			Total	**55**	**565.70**	

(DGAIR (S) Karachi

(Rs in million)

S. No.	Offices	DP No	Tax Year	No of cases	Amount involved	Latest Position
1	LTU-II Karachi	1067	2014 & 2015	16	83.04	Under process
		1068	2014 & 2015	16	62.17	Under process
		1148	2014 & 2015	16	113.89	Under process
		1152	2014 & 2015	11	14.75	Under process
		1244	2015	02	1.77	Under process
		1245	2015	01	1.72	Under process
2	RTO-II Karachi	1215	2015	01	105.76	Under process

3	RTO-III Karachi	1079	2015	01	0.96	Under process
4	RTO Quetta	1195	2015	04	12.48	Under process
			Total	**68**	**396.54**	
			Grand Total	**123**	**962.24**	

Recovery awaited Rs.0.50, Under process Rs. 961.17, No reply Rs.0.57

<u>Annexure-45</u>
(Para 5.8.1)

Irregular expenditure due to non observance of PPRA and General Financial Rules - Rs. 25.75 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO-II Lahore	16287-Exp	01	0.13
		16310-Exp	01	2.26
		16314-Exp	01	2.90
2	LTU Karachi	307-Exp/K	01	2.99
3	RTO-I Karachi	348-Exp/K	01	5.05
4	RTO-II Karachi	317-Exp/K	01	2.68
5	RTO-III Karachi	355-Exp/K	01	2.17
6	RTO Hyderabad	332-Exp/K	01	7.57
		Total	**8**	**25.75**

Annexure-46
(Para 5.8.5)

Excess and inadmissible expenditure on pay and allowances - Rs. 23.79 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount pointed out	Amount recovered	Balance amount
1	FBR (HQ) Islamabad	16534-Exp	08	0.29	0	0.29
		16539-Exp	01	0.84	0	0.84
		16540-Exp	01	3.15	0	3.15
		16543-Exp	01	2.50	0.09	2.41
		16545-Exp	03	0.37	0	0.37
		16547-Exp	02	0.28	0	0.28
		16548-Exp	01	0.81	0	0.81
		16549-Exp	01	0.42	0	0.42
		16562-Exp	02	0.10	0	0.10
2	RTO Rawalpindi	16616-Exp	03	0.66	0	0.66
3	RTO Islamabad	16652-Exp	03	0.05	0	0.05
		16654-Exp	30	0.43	0	0.43
4	LTU Islamabad	16343-Exp	05	1.76	0.01	1.75
		16345-Exp	01	0.22	0	0.22
		16347-Exp	32	0.19	0	0.19
5	DG T & R (IR) Lahore	16049-Exp	01	0.10	0	0.10
		16050-Exp	01	0.11	0	0.11
		16052-Exp	32	3.83	0	3.83
6	RTO Faisalabad	16488-Exp	19	2.91	0	2.91
		16489-Exp	23	0.30	0.03	0.27
		16490-Exp	02	0.24	0	0.24
		16491-Exp	65	0.29	0	0.29
		16500-Exp	33	0.89	0.16	0.73
7	RTO Sialkot	16259-Exp	03	0.15	0	0.15
8	RTO Gujranwala	16227-Exp	24	0.54	0	0.54
		16324-Exp	125	0.15	0	0.15

9	RTO Multan	16410-Exp	70	0.63	0	0.63
10	RTO Abbottabad	15940-Exp	01	0.22	0	0.22
11	RTO Hyderabad	338-Exp/K	20	1.36	0	1.36
Total			**513**	**23.79**	**0.29**	**23.5**

Annexure-47
(Para 5.8.7)

Excess and inadmissible expenditure - Rs. 18.54 million

(Rs. in million)

S. No.	Office	DP No.	No. of Cases	Amount	Amount recovered	Balance amount
1	FBR (HQ) Islamabad	16542-Exp	09	4.18	0	4.18
		16563-Exp	06	0	0	0
		16526-Exp	70	0	0	0
		16532-Exp	07	0.17	0	0.17
		16551-Exp	09	0.14	0	0.14
		16544-Exp	43	0.09	0	0.09
		16535-Exp	07	0.80	0	0.80
		16538-Exp	02	2.44	0.04	2.40
2	LTU Islamabad	16346-Exp	01	0.19	0	0.19
3	RTO Faisalabad	16494-Exp	01	3.69	0	3.69
4	RTO Abbottabad	15937-Exp	01	0.39	0	0.39
		15945-Exp	01	0.05	0	0.05
5	RTO Rawalpindi	16621-Exp	02	2.27	0.15	2.12
6	DG T & R (DOT) IR Lahore	16048-Exp	01	3.00	0	3.00
7	LTU-II Karachi	301-Exp/K	01	1.13	0	1.13
		Total	**161**	**18.54**	**0.19**	**18.35**

Annexure-48
(Para 5.8.8)

Non recovery of loans / advances and interest from the officers / officials - Rs. 10.27 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount pointed out	Amount recovered	Balance amount
1	LTU Islamabad	16344-Exp	15	0.39	0	0.39
2	RTO Faisalabad	16498-Exp	13	3.80	0.34	3.46
3	RTO Multan	16409-Exp	11	3.77	0.16	3.61
4	DPU Multan	16417-Exp	07	0.15	0	0.15
5	RTO Gujranwala	16225-Exp	05	2.02	0.04	1.98
6	RTO Sialkot	16258-Exp	11	0.14	0	0.14
		Total	**62**	**10.27**	**0.54**	**9.73**

Annexure-49
(Para 5.8.9)

Non/short-realization of Sales Tax from suppliers of FBR - Rs. 8.46 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	FBR (HQ) Islamabad	16552-Exp	18	3.78
2	RTO Faisalabad	16492-Exp	13	0.18
3	LTU Karachi	308-Exp/K	02	1.97
4	RTO-I Karachi	346-Exp/K	04	1.93
5	RTO-II Karachi	322-Exp/K	01	0.15
6	RTO-III Karachi	353-Exp/K	03	0.45
		Total	**41**	**8.46**

Annexure-50
(Para 5.8.10)

Non/short deduction of Income Tax on salaries and misc. expenses - Rs. 4.66 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	FBR (HQ) Islamabad	16530-Exp	146	0.98
		16533-Exp	01	0.08
		16546-Exp	03	0.05
2	Revenue Division Islamabad	16559-Exp	13	0.08
3	RTO Abbottabad	15941-Exp	04	0.20
4	RTO Gujranwala	16226-Exp	01	0.17
5	LTU, Karachi	313-Exp/K	15	0.71
		315-Exp/K	08	0.28
		314-Exp/K	05	0.18
6	RTO-II, Karachi	321-Exp/K	07	0.40
7	RTO Hyderabad	337-Exp/K	18	1.53
		Total	**221**	**4.66**

Annexure-51
(Para 5.8.12)

Non/short deduction of house rent allowance and 5% house rent charges - Rs. 2.69 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	RTO Faisalabad	16501-Exp	83	0.57
		16502-Exp	04	0.31
2	RTO Rawalpindi	16617-Exp	03	0.33
3	Corporate RTO Lahore	16382-Exp	02	0.08
4	RTO Gujranwala	16228-Exp	35	0.26
5	RTO Multan	16415-Exp	04	0.16
6	RTO Hyderabad	336-Exp/K	22	0.98
		Total	**153**	**2.69**

Annexure-52
(Para 5.8.13)

In-admissible payment on account of Medical Reimbursement Charges - Rs. 2.19 million

(Rs. in million)

S. No.	Office	DP No.	No. of cases	Amount
1	FBR (HQ) Islamabad	16537-Exp	03	1.12
		16536-Exp	01	0.07
2	RTO Faisalabad	16499-Exp	06	0.53
3	Corporate RTO Lahore	16379-Exp	02	0.47
		Total	**12**	**2.19**

Annexure-53
(Para 5.8.14)

DIRECTORATE
INTELLIGENCE & INVESTIGATION
INLAND REVENUE, LAHORE

FBR
PAKISTAN

195

No. 1682

Dated: 02.12.2016

INLAND REVENUES (N) LAHORE
DIRECTORATE OF AUDIT
C. DY. NO 1335
Dated 5-12-16
RECEIVED

The Director General Audit,
Inland Revenues (North),
PT&T Audit Building,
Lahore

Subject:- COMPLAINT REGARDING MISMANAGEMENT/UNDUE FAVOUR BY OFFICERS OF FBR DURING RECRUITMENT -

Please refer to your office letter No.28-FAT-IV/DGAIR/Misc/2015-16 dated 27.10.2016 on the subject, whereby a complaint filed by Mr. Waqar Rashid against recruitment of LDCs by this Directorate has been forwarded to this office for comments.

2. Brief facts of the case are that FBR, Islamabad sent a list of 24 candidates for the post of LDC after the process of NTS and directed this office to conduct interview as per policy already circulated by the Board. It was further directed that, following the order of merit, five candidates may be served call letters for interview against one available post. Since only one post of LDC was available, first five candidates on merit list including the complainant Mr.Waqar Rasheed S/o Rasheed Ahmad was called for interview. A committee already constituted in this regard completed the process of interview and made final decision for recruitment strictly on merit.

Pl. Speak
5/12/16
Dy. Director
Mr. Afzal (AO)

As is witnessed by the record of this office, the position of marks obtained by the first five candidates in the tests conducted by NTS and interview conducted by the Interview Committee depicts the following position:-

S.No.	Name	Father's name	Details of NTS result				Interview Marks	Total marks
			WPM*	Skill 60%	MCQ 40%	Total Marks (NTS)		
(1)	(2)	(3)	(4)	(5)	(6)	(7)---(5+6)	(8)	(9)=(7+8)
01	Rana Akhtar Ali	Muhammad Sarwar	46.24	27.74	30.4	58.14	7.7	65.84
02	Mr.Muhammad Adil	Syed Hadayat Ali Shah	24.33	14.6	29.2	43.8	Absent	43.8
03	Mr.M.Salman Nisar	Nisar Ahmad	14.33	8.6	31.6	40.2	6.7	46.09
04	Mr.Bilal Riaz	Riaz Ahmad	25.33	15.2	24.4	39.6	4.2	43.8
05	Mr.Waqar Rasheed	Rasheed Ahmad	21.67	13.0	26.0	39.0	5.3	44.3

83-Babar Block, New Garden Town, Lahore.
Tel: 042-35884714 Fax: 042-35911595

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** Minimum threshold of type-writing speed was 30 words per minute and any candidate not securing desired speed was ineligible on that score alone. Copy of relevant newspaper advertisement is enclosed as evidence.*

3. As is evident from the results tabulated above, Rana Akhtar Ali S/o Muhammad Sarwar appearing at Sr.No.01 of the list, obtained 58.14 marks with typing speed of 46.24 words per minute whereas the complainant Mr.Waqar Rasheed S/o Rasheed Ahmed appearing at Sr.No.05 of the list FBR obtained 39.0 marks with typing speed of 21.67 words per minute. As only one post of LDC was vacant in this office at the material time, Rana Akhtar Ali S/o Muhammad Sarwar appearing at Sr.No.01 of the merit list was recommended for appointment as LDC in this office.

4. As the entire process of recruitment was completed with complete transparency and in accordance with the policy laid down by the Government in this regard, the complaint lodged by Mr.Waqar Rasheed S/o Rasheed Ahmed is frivolous and devoid of any merit. Accordingly, the same may please be filed.

Encl: <u>Copy of advertisement</u>

(CH.MUHAMMAD TARIQUE)
Director

Annexure-54
(Para 6.4.1)

Non-finalization of admissibility/legitimacy of refund of Sales Tax - Rs. 1,529.02 million

(Rs. in million)

S. No.	Name of Office	DP No.	No. of cases	Amount
1	RTO Gujranwala	16327-ST	89	226.20
2	RTO-II Lahore	15965-ST	54	50.25
3	LTU Lahore	16322-ST	15	960.24
4	RTO-II Karachi	6104-ST/K	69	122.37
5	RTO Quetta	6153-ST/K	02	3.59
6	RTO-II Karachi	6134-ST/K	199	166.37
		Total	**428**	**1,529.02**

Annexure-55
(Para 6.4.3)

Non levy of penalty for non/late filing of returns - Rs. 10,005.10 million

DGAIR (N) Lahore

(Rs in million)

S. No.	Offices	DP No.	Tax Year	No of cases	Amount	Amount recovered	Latest Position
1	RTO Rawalpindi	16610	2015	215,770	5,394.30	-	Under Process
		16588	2015	4,018	200.90	-	Under Process
		16607	2007 to 2009	01	623.63	-	Under Process
2	RTO Multan	16427	2015	16	-	-	Under Process
3	RTO Sialkot	16266	2015	107,253	2,145.06	-	Under Process
4	RTO Islamabad	16631	2015	05	1.06	-	Under Process
5	RTO Faisalabad	16525	2015	3,813	76.26	-	Under Process
6	RTO Lahore	16175	2013	17	0.85	-	Under Process
			Total	**330,893**	**8,442.06**		

DGAIR (S) Karachi

(Rs. in million)

S. No.	Offices	DP No	Tax Year	No of cases	Amount involved	Amount Recovered	Latest Position
1	LTU Karachi	1208	2014	18	0.45	-	Under process
		1213	2014	19	0.47	-	Under process
2	LTU-II Karachi	1057	2014 & 2015	09	877.03	-	Under process
		1064	2014 &2015	106	213.17	-	Under process
		1074	2014 & 2015	05	2.60	-	Recovery awaited Rs.0.37 Under process Rs.2.24
		1145	2014 & 2015	106	292.80	-	Under process
		1153	2014 & 2015	19	12.06	-	Under process
		1169	2014 & 2015	39	43.55	0.03	Under process Rs.43.52
		1184	2014 & 2015	51	37.93	-	Under process
3	CRTO Karachi	1134	2015	10	8.06	-	Under process

		1137	2015	15	0.77	-	Under process
		1173	2014 & 2015	31	3.27	-	Under process
		1241	2014 & 2015	17	8.16	-	Under process
		1242	2014 & 2015	08	4.10	-	Under process
		1250	2015	02	0.64	-	Under process
		1251	2015	42	0.42	-	Under process
4	RTO-II Karachi	1092	2015	02	4.15	-	Under process
		1200	2015	14	4.97	-	Under process
		1204	2015	06	0.42	-	Under process
5	RTO-III Karachi	1080	2015	01	0.10	-	Under process
		1083	2015	02	0.14	-	Under process
		1109	2015	03	6.25	-	Recovery awaited Rs.0.04 Under process Rs.6.21
		1127	2015	03	1.63	-	Under process
		1130	2015	20	0.66	-	Under process
6	RTO Hyderabad	1116	2015	350	1.75	-	Under process
		1121	2015	500	10.00	-	Under process
		1123	2015	01	0.04	-	Recovery awaited
7	RTO Sukkur	1102	2015	04	2.37	-	Under process
		1106	2015	06	0.39	-	Under process
8	RTO Quetta	1192	2015	67	20.32	-	Under process
		1196	2015	05	4.04	-	Under process
		1219	2015	02	0.33		Under process
Total				**1,483**	**1,563.04**	**0.03**	
Grand Total				**332,376**	**10,005.10**	**0.03**	

Recovered Rs. 0.03, Recovery awaited Rs.0.45, Under process - Rs. 10,004.62