



**AUDIT REPORT
ON
THE ACCOUNTS OF
FEDERAL BOARD OF REVENUE
(INLAND REVENUE)
AUDIT YEAR 2012-2013**

AUDITOR-GENERAL OF PAKISTAN

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ABBREVIATIONS & ACRONYMS

AGP	Auditor-General of Pakistan
AGPR	Accountant General Pakistan Revenue
AOP	Association of Persons
APPM	Accounting Policies & Procedures Manual
ATIR	Appellate Tribunal Inland Revenue
ACIR	Assistant Commissioner Inland Revenue
BCA	Bank Credit Advice
BOD	Board of Directors
CAO	Chief Accounts Officer
CAP	Collection Automation Process
CBDT	Core Business Domain Team
CBR	Central Board of Revenue
CDA	Capital Development Authority
CDGL	City District Government Lahore
CGA	Comptroller General of Accounts
CIR	Commissioner Inland Revenue
CIT	Commissioner Income Tax
CPF	Contributory Provident Fund
CPLA	Civil Petition for Leave to Appeal
CPR	Computerized Payment Receipt
CPWA	Central Public Works Account Code
CSTRO	Central Sales Tax Refund Office
DAC	Departmental Accounts Committee
DAO	District Accounts Office
DCIR	Deputy Commissioner Inland Revenue
DP	Draft Para
DPC	Data Processing Centre
DR	Departmental Representative
DR&S	Director Research & Statistics
ECC	Economic Coordination Committee
E&D	Efficiency & Disciplinary
ERP	Enterprise Resource Planning
ERS	Expeditious Refund System
FATA	Federally Administered Tribal Area
FBR	Federal Board of Revenue
FED	Federal Excise Duty
FMR	Financial Management Report

FTO	Federal Treasury Officer
FY	Financial Year
GD	Goods Declaration
GDP	Gross Domestic Product
GFR	General Financial Rules
GST	General Sales Tax
HQ	Headquarter
HRM	Human Resource Management
I&I	Intelligence and Investigation
IDA	International Development Agency
IJP	Internal Job Posting
IPSAS	International Public Sector Accounting Standards
ITAT	Income Tax Appellate Tribunal
KIBOR	Karachi Inter Bank Offer Rate
LTU	Large Taxpayers Unit
MCC	Model Customs Collectorate
MFDAC	Memorandum for Departmental Accounts Committee
MR	Management Report
NBP	National Bank of Pakistan
NESPAK	National Engineering Services of Pakistan
NFC	National Finance Commission
NHA	National Highway Authority
NTN	National Tax Number
OIO	Order in Original
O&M	Operation and Maintenance
PaCCS	Pakistan Customs Computerised System
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PATA	Provincially Administered Tribal Area
PCT	Pakistan Customs Tariff
PMU	Project Management Unit
POL	Petroleum Oil Lubricants
PRAL	Pakistan Revenue Automation Limited
PTR	Presumptive Tax Regime
RGST	Reformed General Sales Tax
RPO	Refund/Rebate Payment Order
RTO	Regional Tax Office

SAP	System Applications & Products
SBP	State Bank of Pakistan
SOP	Standard Operating Procedures
SRO	Statutory Regulatory Order
STARR	Sales Tax Automated Refund Repository
TARP	Tax Administration Reforms Project
TEVTA	Technical Education and Vocational Training Authority
TNA	Training Need Assessment
TFC	Tax Facilitation Centre
VAT	Value Added 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 and expenditure audit of the Federal Board of Revenue for the financial year 2011-12. The report also includes observations relating to previous years as well. The Directorates General Audit Inland Revenue (North and South) conducted audit during the audit year 2012-13 on test check basis with a view to reporting significant findings to the stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings carrying value of Rs 1 million or more. Relatively less significant issues are listed in the Annexure-I of the Audit Report. The Audit observations listed in the Annexure-I shall be pursued with the Principal Accounting Officer at the DAC level and in all cases where the PAO does not initiate appropriate action, the Audit observation will be brought to the notice of the Public Accounts Committee through the next year's Audit Report.

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

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

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

Dated:

Muhammad Akhtar Buland Rana
Auditor-General of Pakistan

EXECUTIVE SUMMARY

The Directorates General of Audit Inland Revenue (North & South) carry out audit of Federal Receipts on account of inland revenues i.e. Direct Taxes and Indirect Taxes (excluding Customs Duty) and expenditure of the Revenue Division / Federal Board of Revenue (HQ) and field formations relating to Inland Revenue. The Directors General Audit Inland Revenue (North & South) have a human resource of 113 officers and staff with 28,137 mandays and annual budget of Rs 119.37 million. The Directorates are mandated to conduct regularity audit (financial audit and compliance with authority audit) and performance audit of FBR. Regularity audit of 116 out of 204 formations was conducted during first half of the year utilizing 16,965 mandays, incurring an expenditure of Rs 69.60 million. The performance audit and regularity audit of 39 field formations will be conducted during second half of the year 2012-13.

a. Scope of Audit

FBR collected direct and indirect taxes of Rs 1,647 billion against target of Rs 1,722 billion in FY 2011-12. It paid refund on account of income tax, sales tax and federal excise duty aggregating to Rs 110 billion. The final grant for expenditure was Rs 10.7 billion against which actual expenditure was Rs 10.9 billion for the year. Of this, the Directorates General Audit Inland Revenue conducted audit of Rs 1,161.9 billion which, in terms of percentage, is 70.1% of auditable receipts and expenditure. Since, FBR did not provide centralized data of receipts, the statistical sample for financial attest and compliance with authority audit could not be selected. However, Audit selected sample of income tax and sales tax refund on the basis of partial data supplied by field formations.

b. Recoveries at the instance of Audit

Audit pointed out recovery of Rs 138,517 million in this report. The FBR reported recovery of Rs 2,878.73 million from July to Dec, 2012 which was verified by Audit. Out of the total recovery an amount of Rs 2,600.18 million was not in the notice of the executive before audit.

c. Audit Methodology

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

d. Audit Impact

Audit pointed out lacuna (taxpayer could revise his return within five years without giving any cogent reasons) in section 114(6) of Income Tax Ordinance, 2001. On pointation by Audit, the FBR amended the law by inserting certain conditions i.e. provision of revised audited accounts and reasons for revision of returns in writing duly signed by the taxpayer.

While conducting audit of income tax refund, Audit identified one hundred and thirty three (133) tax payers liable to be registered under Sales Tax Act 1990 in five offices. On Audit recommendation the department initiated registration of taxpayers to bring them in the sales tax regime by strengthening internal control mechanism. The DAC also directed the concerned RTOs to register the said taxpayers and recover the government revenue amounting to Rs 267.61 million on account of sales tax.

e. Comments on Internal Control and Internal Audit Department

Internal controls of the FBR were found weak and ineffective as various control lapses were identified including incomplete reporting of receipts, inadequate monitoring of withholding agents, lack of seriousness towards reconciliation process, non-conducting of internal audit and physical verification of inventory/assets, etc. Audit emphasizes proper implementation of financial reporting mechanism and enforcement of laws and regulations to improve internal controls system of the department.

f. The key audit findings of the report

Audit observations of Rs 151,933 million in respect of compliance with authority audit of inland revenues and expenditure of FBR for FY 2011-12 are included in this report. The observations include cases of non/short assessment of taxes, grant of inadmissible exemptions, excess carry forward and set off of losses, non levy of default surcharge, delay in adjudication proceedings, non recovery of adjudged revenue, inadmissible input tax adjustment, sanction of inadmissible refunds etc. Systemic deficiencies are also identified with recommendations for preventing recurrence of irregularities.

The key findings are as under:

- i) Non production of centralized soft data of tax receipts for audit and record of assessment of sales tax & federal excise duty, refund of income tax and sales tax which constrained Audit to certify financial statements of Federal Government (revenue component) with scope limitation. ¹
- ii) Non-utilization/surrendering of unspent balances for Rs 32.20 million. ²
- iii) Non-reporting of figures of GST on Services and GST in VAT mode separately by the FBR treasuries to AGPR. ³
- iv) Excess reporting of income tax collection due to incorrect account of WWF against income tax targets for Rs 2,616.64 million. ⁴
- v) Non/short realization of sales tax, income tax and federal excise duty for Rs 90,479.72 million. ⁵
- vi) Blockage of government revenue for Rs 2,840.17 million in 1,681 cases. ⁶
- vii) Inadmissible/irregular refunds for Rs 927.26 million in 329 cases. ⁷
- viii) Loss of revenue of Rs 524.90 million for non treating the tax collected or deducted as final tax. ⁸
- ix) Non/short realization of WWF for Rs 2,491.85 million in 1,307 cases. ⁹
- x) Unwarranted expenditure amounting for Rs 25.63 million. ¹⁰

¹Para 1.1, 4.1.1, 4.1.2

²Para 1.2

³Para 1.3

⁴Para 1.4

⁵Para 5.1.1, 5.1.2, 5.1.5, 5.1.7, 5.1.11, 5.1.12, 5.1.15, 5.1.17, 5.3.1, 5.3.2, 5.3.3, 5.3.4, 5.3.5, 5.3.6, 5.3.7, 5.3.8, 5.3.9, 5.3.13, 5.3.16

⁶Para 5.1.6, 5.1.10, 5.3.18

⁷Para 5.2.1, 5.2.3, 5.2.5, 5.2.6, 5.2.7, 5.2.11, 5.2.13, 5.2.14, 5.2.15

⁸Para 5.3.10

⁹Para 5.5.1

¹⁰Para 5.6.4, 5.6.6, 5.6.8, 5.6.12, 5.6.18

Recommendations

FBR is required to:

- i) ensure timely production of auditable record and those hindering the audit activity be proceeded against under the rules,
- ii) ensure proper budgeting and prudent use of public money and improve financial management to keep the expenditure within budgetary allocations,
- iii) report separate figures of GST on Services and GST in VAT mode to AGPR for equitable distribution among provinces,
- iv) ensure correct reporting of WWF to depict true and fair picture of tax receipts in financial statements,
- v) invoke provisions of laws holistically for recovery of duty and taxes,
- vi) devise a mechanism to detect and deter tax evasion by enforcing legal provisions against defaulters,
- vii) strengthen mechanism for adjustment/ issuance of refund of tax,
- viii) improve financial management for making expenditure according to financial rules,
- ix) upgrade the existing internal controls in the department to avoid recurrence of similar irregularities year after year,
- x) improve monitoring of withholding tax as it constitutes a major portion of revenue collection of income tax.

g. Memorandum for Departmental Accounts Committee (MFDAC)

Audit observations of Rs 10,693.42 million are included in MFDAC. In view of cost effectiveness it was decided that paras involving amounts less than one million will be pursued with the PAO at the DAC level. The FBR and its field formations need to accord priority to the disposal of audit observations embodied therein through gearing up DAC.

SUMMARY TABLES

Table 1: Audit Work Statistics

(Rs in million)

Sr. No.	Description	No.	Actual	
			Receipts	Expenditure
1	Total Entities (Ministries/PAOs) in Audit Jurisdiction	1	1,647,328	10,942
2	Total formations in audit jurisdiction	204	1,647,328	10,942
3	Total Entities (Ministries/PAOs) Audited	1	1,153,130	8,797
4	Total Formations Audited	116	1,153,130	8,797
5	Audit & Inspection Reports	114*	-	-
6	Performance Audit Reports	-	-	-

* Expenditure of two formations i.e. Commissioner (Appeals) Lahore and Islamabad was met from the budget of respective RTOs.

Table 2: Audit Observations Regarding Financial Management

(Rs in million)

Sr. No.	Description	Amount Placed under Audit Observations
1	Unsound Asset Management	-
2	Weak Financial Management	-
3	Weak Internal Controls Relating to Financial Management	22,963
4	Others	128,970
	Total	151,933

Table 3: Outcome Statistics

(Rs in million)

Sr. No.	Description	Receipts	Expenditure	Total current year	Total last year
1	Outlays Audited	1,153,130	8,797	1,161,927	1,234,769
2	Amount placed under audit observations/irregularities of Audit	149,885	2,048	151,933	110,438
3	Recoveries pointed out by Audit	138,191	326	138,517	40,474
4	Recoveries accepted/established at the instance of Audit	31,885	94	31,979	16,426
5	Recoveries realized at the instance of Audit	2,878.49	0.24	2,878.73*	2,833

*This amount also includes recovery relating to previous audit reports which was verified during July-December 2012.

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

Sr. No.	Description	Amount Placed under Audit Observation
1	Violation of rules and regulations and violation of principles of propriety and probity in public operations.	96,723
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	266
3	Accounting Errors (accounting policy departure from IPSAS, misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	-
4	Weaknesses of internal control systems.	22,963
5	Recoveries and overpayments, representing cases of established overpayment or misappropriations of public money.	31,979
6	Non-production of record.	5350 cases
7	Others, including cases of accidents, negligence etc.	2

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

Sr. No.	Description	Amount
1	Outlays Audited (Items 1 of Table 3)	1,161,927
2	Expenditure on Audit	69.60
3	Recoveries realised at the instance of Audit	2,878.73
4	Cost-Benefit ratio	1:41

Note: The cost benefit analysis embodies the figure pertaining to the period July 2012 to December 2012 only.

PUBLIC FINANCIAL MANAGEMENT ISSUES

CHAPTER-1 PUBLIC FINANCIAL MANAGEMENT ISSUES [AGPR AND FBR'S TREASURIES]

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

Risk Categorisation: High

Criteria

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

Observation

Audit requisitioned soft data/information relating to taxpayers' profiles, tax receipts and refunds etc from FBR/PRAL for risk analysis and sample selection for financial attest and compliance with authority audit for FY 2011-12. Despite repeated pursuance by Audit even to the level of the Chairman FBR, the data was not made available although commitments were made with the Audit in various meetings. The Chairman FBR also directed in writing on 28th Jan, 2012 that "***we must allow access to all the records to the Auditor General***". Due to non provision of data, Audit could not select samples for financial attest as well as for compliance with authority audit. Non compliance towards production of soft data/information by the field formations as well as FBR is not only a hindrance in the constitutional role of the Auditor-General of Pakistan but also a clear defiance of PAC's directives.

Implication

Due to non provision of data Audit was unable to certify revenue collection (Inland Revenue component) for the period 2011-12. The lapse not only resulted in hindrance in performing constitutional role of the Auditor General of Pakistan but also avoidance from accountability process.

Management Reply

The matter was repeatedly reported to the concerned quarters during July to Nov, 2012 but no reply was given by the department.

DAC's Recommendations

The para could not be discussed in DAC meeting held in Dec, 2012 due to non submission of working papers by the department.

Audit Comments

Audit is a time bound activity which has to be completed within a given time frame. In the wake of above situation, Audit was constrained to certify Financial Statements (revenue component) of the Federal government for the financial year 2011-12 with scope limitation. In order to avoid such situation in future, the matter needs immediate attention at appropriate level for resolution.

[Para 25 of MR]

1.2 Non-surrendering/utilization of unspent balances for Rs 32.20 million

Risk Categorisation: High

Criteria

In terms of para 95 of General Financial Rules Volume-I "All anticipated savings shall be surrendered to government immediately they are foreseen but not later than 15th May of each year in any case, unless they are required to meet excesses under some other unit or units which are definitely foreseen at the time. However, savings accruing from funds provided through Supplementary Grant after 15th May shall be surrendered to Government immediately these are foreseen but not later than 30th June of each year. No savings shall be held in reserve for possible future excesses.

Observation

FBR (HQ) and its eight field formations did not surrender unspent balances of sanctioned budget of Rs 32.20 million for the Financial Year 2011-12. This shows weak internal control over proper budgeting by the department.

Implication

The savings in final grant indicates that budget had not been prepared with due diligence and estimates were not correct while its non-surrendering is attributed to lack of budgetary control thereby rendering the government unable to reallocate the same to areas of priorities requiring additional funds.

Management Reply

The department did not furnish reply till finalization of the report.

DAC's Recommendations

The DAC in its meeting held in Dec, 2012 and Jan, 2013 directed the FBR, to reconcile/regularize the matter by 5th Jan, 2013. Further progress was not intimated till finalization of the report.

Audit Comments

Audit requires the compliance of DAC directives and determination of budget estimates realistically besides timely surrendering of expected savings latest by 15th May of each year.

[Annexure-3]

1.3 NON-REPORTING OF FIGURES OF GST ON SERVICES AND GST IN VAT MODE SEPARATELY BY THE FBR TREASURIES TO AGPR

Risk Categorisation: High

Criteria

According to NAM, GST on Services and GST in VAT mode are required to be accounted for under detailed heads B02366 and B02367 respectively. Further, receipts under these heads are meant for straight transfers to the respective provinces as per NFC Award through Presidential Order No. 5 of 2010.

According to Para 5 (d) of System of Financial Control and Budgeting, Principal Accounting Officer shall make sure that the accounts of receipts are maintained properly and reconciled on monthly basis. According to accounting procedures envisaged in Sales Tax Treasury Rules 1996, FBR treasuries are bound to submit monthly cash account to respective AGPR sub-office wherein detailed head-wise tax receipts are required to be reported.

Observation

Monthly cash accounts rendered by Sales Tax Treasuries to AGPR and its sub-offices during FY 2011-12 did not indicate receipt figures against heads B02366 and B02367 on account of GST on Services and GST in VAT mode respectively. Resultantly, the AGPR and its sub-offices did not account for any receipt under the said taxes. Hence, any reconciliation of GST on Services and GST in VAT mode was also not carried out by FBR with AGPR both at micro and macro level. FBR, however, reported the figures of GST on Services and GST in VAT mode to Finance Division on quarterly basis instead of monthly basis without any detailed head-wise reconciliation with AGPR.

Implication

The non-reporting of GST on services and GST in VAT mode to AGPR is resulting in non-accounting and non-reconciliation thereof, which shows clear violation of rules on the part of FBR. This may impair true and fair presentation of receipts of the said taxes for straight transfers to provinces.

Management Reply

The department did not furnish written reply till finalization of this report. The matter was discussed in detail with AGPR in a meeting held on 5th Dec, 2012. AGPR agreed to audit observation and endorsed the recommendations. The matter was also discussed with DR&S, FBR on 5th Dec, 2012. The audit observation was accepted by the FBR and it was stated being policy matter, it should be referred to Policy Wing of FBR.

DAC's Recommendations

DAC meeting was not convened till finalization of the report.

Audit Comments

Proper arrangements at FBR and its field offices level be put in place for reporting of figures of GST on Services and GST in VAT mode through Monthly Cash Accounts besides ensuring the reporting of figures of GST on Services and GST in VAT mode to Finance Division for distribution purpose subject to reconciliation with AGPR. Moreover, the proposal of Audit to open a new major head for GST on Services and GST in VAT mode to keep the provincial receipts separate from federal receipts be considered for implementation.

[Para No.3 of MR-CGA]

1.4 Excess reporting of Income Tax collection due to incorrect account of WWF against Income Tax targets for Rs 2,616.64 million

Risk Categorisation: High

Criteria

Workers Welfare Fund is levied under section 04 of Workers Welfare Fund Ordinance, 1971 and the fund are credited into government treasuries in the Federal Section of Accounts directly into WWF Trust Account 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 has been entrusted to the Ministry of Labour & Manpower. It means WWF is collection of the Ministry of Labour & Manpower which is payable by the FBR to the said Ministry. Hence FBR cannot account for the said collection against budgetary targets.

Observation

Income tax to the extent of Rs 2,616.64 million was shown collected against the budgetary targets. Actually, it was the collection of WWF creditable to the above mentioned account head as tabulated on next page:

RTO/LTU	Amount of WWF (Rs in million)
RTO-I Lahore	129.45
RTO-II Lahore	28.10
LTU Lahore	2,459.09
Total	2,616.64

Implication

As a result of the misreporting, WWF was understated and income tax collection was overstated; thus compromising the reliability and authenticity of accounting record. This affects the divisible pool as well.

Management Reply

The department did not furnish written reply till finalization of the report.

DAC's Recommendations

DAC meeting was not convened till finalization of the report.

Audit Comments

Misclassification pointed out by Audit be rectified and ensure such non occurrence in future.

[Para No.18 of MR-FBR]

SUMMARY TABLES

CHAPTER-2 FEDERAL BOARD OF REVENUE

2.1 Introduction

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

In order to remove impediments in the exercise of administrative powers of a secretary to the government, and effective formulation and implementation of fiscal policy measures, a new division i.e. Revenue Division was established in 1991. In Jan, 1995, Revenue Division was abolished and CBR reverted back to the pre-1991 position. However, Revenue Division was, once again, established on 1st Dec, 1998 and it continues as a Division under the Ministry of Finance and Revenue. 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,
- Levy and collection of federal duties & taxes and
- Quasi-judicial function of 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), four Functional Members i.e. Member Facilitation

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

and Taxpayer Education (FATE), Member Accounting , Member Enforcement & Withholding and Member Taxpayers Audit, four Support Members i.e. Member Strategic Planning and Research & Statistics (SPR&S), Member HRM, Member Legal and Member Administration. Besides the ten members, the Chairman, FBR has the support of six Directors' General, four for Operational wings and two for IRS i.e. DG IR Operations South and DG IR Operations North.

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

2.2 Comments on Budget and Accounts

This report deals with direct taxes 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 is of the view that FBR still needs to go a long way in improving its operational effectiveness in order to achieve its mission.

RECEIPTS

2.2.1 Revenue Collection vs Targets

A comparison between estimated and actual receipts for the FY 2011-12 is as follows:

TABLE 2.2.1*(Rs in million)*

Tax	Budget Estimates ¹	Revised Estimates ²	AGPR <i>Financial Statement</i> ³	Excess (+) / Shortfall (-) With respect to	
				Budget estimates (4-2)	Revised estimates (4-3)
1	2	3	4	5	6
Direct Taxes	718,600	730,000	719,962	-1,362	-10,038
Sales tax	836,700	852,030	804,860	-31,840	-47,170
Federal Excise	165,600	139,970	122,506	-43,094	-17,464
Total Inland Revenue	1,720,900	1,722,000	1,647,328	-73,572	-74,672

The FBR collected Rs 1,647,328 million during FY 2011-12 as compared to revised targets of Rs 1,722,000 million. There is an overall shortfall of Rs 73,572 million as compared to estimates of receipts and Rs 74,672 million with reference to revised estimates of receipts for FY 2011-12.

2.2.2 Variance analysis of Revenue Collection in FY 2011-12 and 2010-11

A comparison of net collection in FY 2011-12 vs 2010-11 is tabulated below:

(Rs in million)

Tax Heads	Collection		Difference	
	FY: 2011-12	FY: 2010-11	Absolute	Percentage
Direct Taxes	719,962	582,383	137,579	23.62
Sales Tax	804,860	633,654	171,206	27.02
Federal Excise Duty	122,506	137,313	(-) 14,807	-10.78
Total	1,647,328	1,353,350	293,978	21.72

FBR's collection for the FY 2011-12 (Rs 1,647,328 million) depicted an increase of Rs 293,978 million or 21.7% over Rs 1,353,350 million for FY 2010-11. Collection of Direct Taxes and Sales Tax exhibited increase of 23.6 % and 27.0 %, however, there is decrease in collection of Federal Excise Duty of 10.8 %.

¹ Explanatory Memorandum of Federal Receipts 2011-2012

² *ibid*

³ AGPR Financial Statement 2012

Sales Tax emerged as the main source of revenue generation. It constituted 48.9 % of total collection of federal taxes of Rs 1,647,329 million excluding Customs Duty. Last year it constituted 46.8 % of total collection of Rs 1,353,350 million of federal taxes excluding Customs Duty.

Federal Excise Duty constituted 7.4 % of the total federal taxes excluding Customs Duty in FY 2011-12.

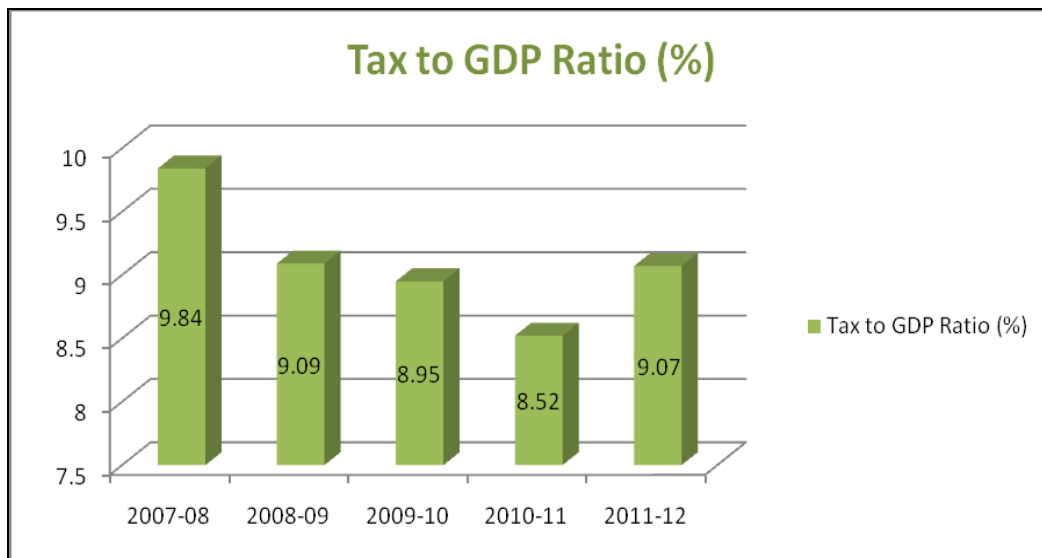
2.2.3 Tax to GDP Ratio from FY 2007-08 to 2011-2012

TABLE 2.2.3

Years	Actual Total Tax Collection ⁴	Actual Direct Taxes Collection ⁵	GDP at market price ⁶	Tax to GDP Ratio
	Rs in Billion			%
	A	B	C	D (A/C X 100)
2007-08	1,007.90	383.60	10,243.00	9.84
2008-09	1,157.10	440.30	12,724.00	9.09
2009-10	1,327.70	517.00	14,837.00	8.95
2010-11	1,538.20	582.30	18,063.00	8.52
2011-12	1,864.30	720.00	20,547.00	9.07

^{4&5} Financial Statements 2007-2008 to 2011-2012

⁶ Economic Survey of Pakistan 2007-2008 to 2011-2012, Table 4.4



2.2.4 Low Tax to GDP Ratio

Although tax-GDP ratio has improved in 2011-12 as compared to previous years but still the targets set by the government could not be achieved. This tax to GDP ratio remained quite low as compared to other developing countries of the region. Comparative analysis of the statistics regarding this ratio in the recent past has disclosed disappointing results. From 2001 to 2005, the ratio followed a cyclical pattern within a range of 9.1 % to 9.4 %. From 2008 to 2011 there was a steep fall and the ratio declined to 8.6 % of GDP. It is worth mentioning that FBR initiated TARP in 2005, one of the main objectives of which was to improve tax to GDP ratio. When the project ended in 2011 the tax to GDP ratio reached its lowest level in more than two decades. It is also relevant to mention that as long back as in 1998-99, this ratio was 12.6 % ever highest in the history and, at that time, there was no concept of reforms agenda like TARP in FBR.

2.2.5 Reasons for Low Tax to GDP Ratio

A low tax to GDP ratio is amongst Pakistan's biggest structural weaknesses. Several other possible reasons for the low tax to GDP ratio in Pakistan, which include:

- a) A narrow tax base
- b) Large undocumented informal sector
- c) Agriculture and other areas not included in tax net
- d) Low tax compliance
- e) Wide spread 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	Final Grant	Actual Exp.	Excess/ (Savings)
36-Revenue Division	200.95	-	200.95	207.41	6.46
37-FBR	2,195.24	180.33	2,375.57	2,081.80	(293.77)
39-Inland Revenue	6,136.86	25.90	6,162.76	6,804.04	641.28
114-Development Grant	1,970.00	0.00	1,970.00	1,849.35	(120.65)
Total	10,503.05	206.23	10,709.28	10,942.61	233.33

Grant No. 36- There is an excess expenditure of Rs 6.46 million. This shows weak budgetary control.

Grant No. 37- Supplementary grant of Rs 180.33 million was taken for which there was no justification as the FBR did not utilize even the original grant. There is saving of

Rs 293.77 million out of which Rs 291.40 million was surrendered leaving a balance of Rs 2.37 million un-surrendered (lapsed). This shows unrealistic budgeting and weak budgetary control.

Grant No. 39- There is an excess expenditure of Rs 641.28 million. This shows weak budgetary control.

Grant No. 114- Supplementary grant of Rs 0.001 million was taken which was not justified as the original grant was not utilized. There is a saving of Rs 120.65 million. This shows unrealistic budgeting and weak budgetary control.

2.3 Brief comments on the Status of Compliance with PAC Directives

Direct Taxes

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

(Continued)

Indirect Taxes

26	1985-86	44	38	06	86
27	1986-87	55	25	30	45
28	1987-88	43	10	33	23
29	1988-89	32	27	5	84
30	1989-90	217	147	70	68
31	1990-91	67	49	18	73
32	1991-92	45	42	3	93
33	1992-93	99	44	45	44
34	1993-94	77	30	47	39
35	1994-95	72	15	4	21
36	1995-96	83	44	39	53
37	1996-97	98	76	22	78
38	1997-98	108	96	26	89
39	1998-99	96	50	46	52
40	1999-00	171	48	123	28
41	2000-01	135	52	46	39
42	2001-02	111	72	39	65
43	2002-03	84	11	73	13
44	2003-04	53	33	20	62
45	2004-05	36	14	22	39
46	2005-06	90	43	47	48
47	2006-07	45	24	21	53
48	2007-08	140	34	106	24
49	2008-09	171	54	117	32
50	2009-10	Not yet discussed in PAC			
51	2010-11	Not yet discussed in PAC			
52	2011-12	Not yet discussed in PAC			

As indicated in above tables, partial (41%) compliance of PAC directives reflects lack of seriousness by Federal Board of Revenue. Resultantly audit observations involving substantial public revenue are accumulating year after year and there is a little action on the part of the FBR to attend them. The situation is alarming as chances of recovery of public revenue diminish with the passage of time.

CHAPTER-3 FRAUD AND MISAPPROPRIATION

3.1 Unlawful issuance of refund without observance of tax law for Rs 217.50 million

Section 30 of the Income Tax Ordinance, 1979 (repealed) provides that income of every kind which may be included in the total income of an assessee under this Ordinance shall be chargeable under the head "Income from other sources", if it is not included in his total income under any other head. Further, section-35 ibid also provides that assessed brought forward losses of the previous assessment years can be set off against business income of succeeding years only. Furthermore, the taxpayer did not fall in the jurisdiction of RTO, Multan vide C.No.1 (15) IT-Jud/2010/106043-R dated 14th April, 2010.

As per jurisdiction orders issued by FBR, the jurisdiction of the RTO Multan comprises of *“All cases or classes of cases, persons or classes of persons including companies having their place of business or areas falling within the Civil Districts of Multan, Khanewal, Dera Ghazi Khan, Muzaffar Garh, Layyah, Rajanpur, Sahiwal, Pak Pattan and Vehari of the Province of the Punjab.*

Contrary to above, assessed income of a taxpayer under section-30 was set off against brought forward losses for the assessment years 1996-97, 1999-2000, 2000-2001 and 2002-2003, thereby refund of Rs 217.50 million was issued to the taxpayer (M/s Hyundai Engineering & Construction Company LTD) unlawfully by the RTO, Multan during the financial year 2010-2011. Further, the refund sanctioning authority was not authorized to issue refund to the taxpayer as the taxpayer did not fall in the jurisdiction of RTO, Multan.

The irregularity was pointed out to the FBR in August, 2012 but no reply was given by the department. The matter could not be discussed in the DAC meeting held in Dec, 2012 due to non submission of working paper by the department. The DAC directed the RTO to submit working papers to Audit and FBR by 15th Jan, 2013. Further progress was not intimated till finalization of the report.

Audit emphasizes recovery of amount pointed out, besides, fixing responsibility for issuing unlawful refund.

[Obs 17 of PAR on Refund]

3.2 Inadmissible sanction/payment of cash reward for Rs 1.43 million

According to the Central Excise and Sales Tax Reward Rules, 1984 dated 25.11.1984, reward is admissible to, persons giving information leading to detection of evasion of central excise duties/sales tax and officer and staff of Central Excise Department or other Government Agencies, who are actually involved in the detection of evasion of central excise duty/sales tax.

RTO Rawalpindi sanctioned cash reward of Rs 1.43 million on the basis of contravention report dated 19th October, 1995. Whereas, the taxpayer filed writ petition in High Court on 02nd May, 1995 challenging the notification of withdrawal of fixed capacity scheme and furnished Bank Guarantee on orders of the Honorable High Court for the tax not paid prior to contravention report. The tax payer had also declared consumer price in advance on 18th April, 1994 and endorsed a copy to the department for information. As such there was no involvement of the Officer/Official of the department in detection of tax evasion, hence, the payment of cash reward of Rs 1.43 million was un-justified.

The matter was pointed out in August, 2012 but no reply was given by the department. The DAC in its meeting held in Dec, 2012, directed the RTO Rawalpindi to re-examine the whole issue in the light of audit observation and furnish comprehensive reply to Audit by 05th Jan 2013. Further progress was not reported till finalization of report.

Audit emphasizes recovery of the amount and strengthening the internal controls to avoid occurrence of such commission in future.

[DP No. 13392-Exp]

3.3 Fraudulent payment of sales tax refund for Rs 2.26 million

As per section 2(37) of Sales Tax Act 1990, 'tax fraud' means knowingly, dishonestly or fraudulently and without any lawful excuse (burden of proof of which excuse shall be upon the accused) (i) doing of any act or causing to do any act; or (ii) omitting to take any action or causing the omission to take any action, including the making of taxable supplies without getting registration under this Act; or (iii) falsifying or causing falsification of the sales tax invoices, in contravention of duties or obligations imposed under this Act or rules or instructions issued there under with the intention of understating the tax liability

or underpaying the tax liability for two consecutive tax periods or overstating the entitlement to tax credit or tax refund to cause loss of tax.

The RTO-II Lahore sanctioned excess refund to a registered person for the period March, 2008 to Dec 2009, on the basis of mis-declarations made by taxpayer. The amount claimed as refund had already been carried forward and its benefits had been taken in the relevant tax period. This caused fraudulent claim and payment of refund with the connivance of the department of Rs 1.00 million which also entails penalty of Rs 1.00 million and default surcharge of Rs 0.26 million raising recoverable amount to Rs 2.26 million besides fixing responsibility.

The matter was pointed out to department in May, 2012 but no reply was given by the department. In the DAC meeting held in Dec 2012, the RTO informed that show-cause-notice was issued. The DAC directed the RTO Lahore to expedite adjudication.

Audit emphasizes to recover the amount, besides, fixing responsibility for undue refunded amount.

[DP No. 13758-ST]

CHAPTER-4 NON PRODUCTION OF RECORD

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

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

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

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

Audit selected 2,926 out of 72,973 registered persons through Desk Audit for detailed audit but sixteen field formations of FBR did not produce auditable record, even in a single case, despite pursuance by Audit. LTUs/RTOs-wise break up is follows:

Sr. No.	Office	Office wise Population (registered persons)	Sample selected/record not produced (registered persons)
1	LTU Islamabad	215	50
2	RTO Islamabad	3,394	200
3	RTO Faisalabad	7,560	200
4	RTO Bahawalpur	1,523	200
5	RTO Rawalpindi	5,176	200
6	RTO Abbottabad	692	200
7	RTO Sialkot	3,683	200
8	LTU Lahore	303	50
9	RTO-I Lahore	13,678	200
10	RTO-II Lahore	8,187	200
11	RTO Gujranwala	3,707	200
12	RTO Multan	3,575	200
13	RTO Hyderabad	6,540	500
14	RTO Quetta	2,430	294
15	RTO-I&III Karachi	12,310	32
Total		72,973	2,926

Non-production of record is a serious violation of law (constitution) and hindrance in performance of auditorial functions of the Auditor-General of Pakistan. The responsibility for preventing the Audit from discharging its statutory duties needs to be fixed on the officers/officials responsible for it and disciplinary proceedings under the relevant E&D Rules need to be initiated against them.

The matter was repeatedly pointed out to the concerned quarters during July to Dec, 2012 but no reply was given by the department. In the DAC meetings held in Dec, 2012 and Jan 2013, the department replied that the matter was subjudice before the Honourable Supreme Court of Pakistan and further deliberation be made as and when the judgment is passed by the Apex Court. The DAC deferred the para.

Audit is of the view that the plea of the department about the matter being subjudice before the Apex Court is not tenable being based upon

judgement of the Honourable Peshawar High Court dated 18th Sep, 2008 which was result of misrepresentation of facts to the Court regarding audit (by the Auditor-General of Pakistan) of assessment of tax liability of the registered persons. This judgement was passed in a case under tax laws which were repealed and were no more in the field. Moreover, it was in a specific case having no general applications. Subsequently, on the basis of this judgement, three registered persons of RTO, Islamabad challenged the mandate of the Auditor-General of Pakistan before the Honourable Lahore High Court, Rawalpindi Bench. The Honourable Lahore High Court did not accept the plea of the petitioners and held that the *Auditor-General's Department had the mandate to ask the FBR and its subordinate offices to summon the sales tax record maintained by the registered persons under the Sales Tax Act, 1990*. Consequent upon the judgement of the Lahore High Court, surprisingly the FBR filed three CPLAs although neither the Federation nor the FBR was an aggrieved party. The aggrieved party in this judgement were the registered persons. Thus the FBR filed CPLAs at expense of the government to protect interest of the registered persons, making the Audit and its own RTOs as proforma respondents. This action of protecting the interests of the registered persons against the interest of the Federation that too on the government expense is not understandable.

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

The stance of the Audit as confirmed by the Law and Justice division was fully endorsed by the PAC in its meeting held in Sep, 2012 by directing *that FBR should provide all the relevant record, except those individual cases covered by the various decisions of the Higher Courts, to the Audit for the purpose of audit. The PAC further recommended that in case of default in production/access of/to record to the Audit, all the concerned officers of the*

FBR be proceeded against under disciplinary rules. It is worth mentioning that various judicial fora including Federal Tax Ombudsman and Appellate Tribunal Customs, Sales Tax and Federal Excise also have upheld the mandate of Auditor-General of Pakistan.

Keeping in view the above facts, one tends to conclude that the FBR has hindered the Auditor-General's department to discharge its constitutional obligation to avoid accountability. This deprived the government of obvious benefits in the shape of cash recoveries at the instance of Audit. The matter therefore, deserves an immediate attention at higher level for fixing responsibility and taking appropriate action to resolve it.

[Annexure-4]

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

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

The matter was pointed out to the FBR during July to Dec, 2012 but no reply was given by the department. In the DAC meetings held in Dec, 2012 and Jan 2013, the department replied that most of the sales tax refund cases were processed and sanctioned through ERS by the CSTRO, Islamabad and files were not readily available with the field formations. The department further informed that the record files of some cases could not be produced because the same were engaged at different fora of appeals. The DAC expressed its serious concern over non production of record by the RTOs/LTUs and directed that this practice should not be repeated again. It was further directed to ensure production of requisite record to next visiting audit teams.

Audit is of the view that audit is a time bound activity and cannot be kept open for an indefinite period for the convenience of the auditee formations.

The responsibility for preventing audit offices from discharging their constitutional duties by not providing the requisite record be fixed and those responsible, be proceeded against under relevant disciplinary rules as required under section 14 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001. Therefore, the matter merits thorough and formal investigation.

[Annexure-5]

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

CHAPTER-5 IRREGULARITIES AND NON-COMPLIANCE

5.1 Sales Tax

5.1.1 Short-payment of sales tax and federal excise duty amounting to Rs 2,132.28 million

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

Forty three registered persons of LTU Lahore and RTO Quetta in 113 cases paid short amount of tax/duty than actual payable while filing their sales tax returns. Under the law, tax authorities should have enforced recovery proceedings without giving the show cause notice but the tax authorities did not take cognizance of the matter till it was pointed out by Audit. It resulted in short payment of sales tax Rs 1,357.30 million and federal excise duty of Rs 853.43 million aggregating to Rs 2,210.73 million. The irregularity entails levy of default surcharge and penalty under Sections 33 and 34 of the Sales Tax Act, 1990.

The irregularity was pointed out to the department during April to Nov, 2012 but no reply was given by the department. In the DAC meetings held in Dec, 2012 and Jan 2013, the LTU Lahore informed that an amount of Rs 78.45 million was recovered and Rs 2,128.96 million was under verification whereas the RTO Quetta informed that notice for Rs 3.32 million under section 25 was issued. The DAC settled the para to the extent of amount recovered and directed the LTU, Lahore to get verified the position of remaining amount from Audit by 05th Jan, 2013. The DAC also directed the RTO Quetta to expedite recovery and report to Audit and FBR accordingly. Further progress was not reported by the department till finalization of the report.

Audit emphasizes that there is a need to strengthen monitoring mechanism to ensure complete payment of tax due at the time of acceptance of returns by the system.

[DPs No.13551-ST & 5404-ST/K]

5.1.2 Short realization of sales tax due to inadmissible adjustment of input tax for Rs 49,576.90 million

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

In twenty one field formations of Federal Board of Revenue, 18,351 registered persons made adjustment of sales tax without fulfilling the requirements of law as evident from declarations of buyers and suppliers of tax payers during FY 2011-12. Adjustment of inadmissible input tax resulted in short realization of government revenue amounting to Rs 49,576.90 million.

The matter was pointed out to FBR in Dec, 2012 and Jan, 2013. In the DAC meetings held in Dec, 2012 and Jan, 2013, the LTUs/RTOs informed that the Audit observations pertain to mismatching of tax payment between the sellers and buyers across the country as appearing in their monthly sales tax returns. This mismatching is generally on account of different factors like revision of returns by taxpayers, non availability of correct data in the customs data base, lump sum invoices issued by the utility companies, banks, insurance companies and issuance of debit credit notes etc. The DAC directed the LTUs/RTOs to look into the discrepancies of their units by applying computerized filters answering to the above factors and pursue recovery of real mismatching resulting into unlawful input adjustments and report the outcome to the Audit. Further progress was not reported by the department till finalization of the report.

Audit emphasizes immediate recovery, besides, strengthening the online validation checks in e-filing system to ensure due payment of tax by the taxpayers.

[Annexure-6]

5.1.3 Non-imposition of penalty on registered persons failing to file sales tax returns for Rs 1,130.36 million

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

Desk Audit of computer profiles of 29,379 registered persons of fifteen RTOs revealed that they did not file their sales tax returns during 2011-12. The department neither pursued the taxpayers for regular filing of their returns nor imposed penalty leviable under the law amounting to Rs 1,133.17 million.

The matter was pointed out to the department during Sep to Dec, 2012 but no reply was given by the department. In the DAC meetings held in Dec, 2012 and Jan, 2013 the department informed that the matter was under recovery/adjudication. The RTO Sukkur contested the para to the extent of Rs 2.81 million on the grounds that certain registered persons were retailers who were required to file their returns on quarterly basis which was verified by Audit. The DAC settled the para to that extent and directed the department to expedite recovery/adjudication in the remaining cases.

Audit emphasizes imposition of mandatory penalty on non-filers and its recovery to ensure regular filing of returns.

[Annexure -7]

5.1.4 Non realization of sales tax from government suppliers/vendors amounting to Rs 241.89 million

According to Rule-3(2) of the Sales Tax Special Procedure (Withholding) Rules 2007, 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.

Desk Audit of withholding of sales tax by the AG Punjab, Lahore revealed that 1/5th sales tax was withheld from the claims of the one hundred and thirteen suppliers during pre-audit of their claims. When verified from the “Tax-sys” of the FBR, the said suppliers even did not file their tax returns. Meaning thereby 1/5th sales tax was withheld by the withholding agents and the remaining 4/5th amount of sales tax was not deposited by the suppliers in the public exchequer. This resulted in non realization of sales tax amounting to Rs 241.89 million during the year 2010-11. The irregularity is liable to penalty and default surcharge under the Act *ibid*.

The matter was pointed out to the department during June and Sep, 2012 but no reply was given by the department. The DAC in its meeting held in Dec, 2012 directed the department to examine the case, furnish a reply and report progress to Audit and FBR by 4th Jan, 2012. Further progress was not received till finalization of the report.

Audit emphasizes to develop a data base of registered suppliers for proper monitoring of 4/5th withholding tax, besides, recovery of the amount pointed out.

[DP No.13777-WHT]

5.1.5 Non/short-realization of sales tax and federal excise duty for Rs 20,407.98 million

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

Ten field offices of FBR did not take any action against 369 registered persons, who either did not pay the due amount of tax/duty or paid less than the amount due from them. The irregularity resulted in non/short realization of sales tax/federal excise duty amounting Rs 20,407.98 million which entails penalty and default surcharge leviable under the law.

(Rs in million)

Sr. No.	Office	No. of cases	Amount
1	RTO-Lahore-II	17	7.91
2	RTO-Gujranwala	57	2.20
3	LTU Islamabad	02	5.02
4	RTO Lahore-I	10	10.03
5	RTO Sargodha	02	3.07
6	RTO Multan	03	12.79
7	LTU Karachi	47	20,293.77
8	RTO Quetta	132	21.11
9	RTO Hyderabad	04	6.51
10	RTO Sukkur	95	45.57
Total		369	20,407.98

The matter was pointed out during July to Dec, 2012 but no reply was given by the department. In the DAC meetings held in Dec, 2012 and Jan, 2013, the RTOs Multan, Gujranwala, Quetta, Sukkur and Hyderabad informed that notices u/s 25(3) of the Sales Tax Act, 1990 were issued to the concerned registered persons whereas RTO, I & II Lahore, Sargodha, LTU, Islamabad and Karachi did not furnish reply. The DAC directed RTO, I & II Lahore, Sargodha, LTU, Islamabad and Karachi to furnish reply and get the position verified from Audit by 4th Jan, 2013. The DAC further directed the RTO, Multan, Gujranwala, Quetta, Sukkur and Hyderabad to expedite recovery and report progress to Audit and FBR by 31st Jan, 2013. Further progress was not intimated till finalization of the report.

Audit requires the department to complete legal action and process recoveries at the earliest, besides, evolving a comprehensive and effective mechanism of monitoring.

[Annexure-8]

5.1.6 Non-recovery of adjudged dues/arrears for Rs 1,067.75 million

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

Test check of recovery record pertaining to nine field offices of FBR revealed that tax collecting authorities did not take adequate measures for

recovery of adjudged government dues resulting in non recovery of Rs 1,135.21 million in 263 cases as detailed below:

(Rs in million)

Sr. No.	Offices	No. of cases	Amount
1	LTU Islamabad	29	94.38
2	LTU Lahore	49	417.28
3	RTO Islamabad	13	14.11
4	RTO Rawalpindi	47	39.71
5	RTO Gujranwala	12	473.46
6	RTO Faisalabad	91	80.75
7	RTO Abbottabad	03	0.43
8	RTO Multan	13	1.13
9	RTO Quetta	06	13.96
Total		263	1,135.21

The matter was pointed out to FBR during July to Dec, 2012 but no reply was given by the department. In the DAC meetings held in Dec, 2012 and Jan, 2013, the department informed that an amount of Rs 14.94 million was recovered, Rs 2.62 million not due and Rs 49.91 million vacated. It was also intimated that recovery action was initiated/finalized in a number of cases, whereas the cases involving Rs 528.08 million were reported pending with the courts of law. The DAC settled the para to the extent of recovered, vacated and not due amounts aggregating to Rs 67.46 million and directed RTOs/LTUs to pursue cases in the courts of law involving Rs 528.08 million, to get recovered amount verified by Audit and expeditiously recover the balance amount of Rs 539.67 million by 31st Jan, 2013. Further progress was not reported till finalization of the report.

Audit requires expeditious recovery of arrears, besides, fixing responsibility for delay in recovery.

[Annexure-9]

5.1.7 Short-realization of sales tax for Rs 705.94 million

According to rule 58H (4) of Sales Tax Special Procedures Rules 2007, ship breakers shall pay sales tax @ Rs 4,848 per M.T. (till 31.05.2012) which

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

Seven registered persons of RTO Quetta imported 15 vessels/floating ships for breaking purposes weighing 149,133.03 MT during 2011-12. Imported ships were assessed by customs authorities at Custom House Gaddani, and sales tax amounting to Rs 761.74 million was declared recoverable. Out of that only an amount of Rs 55.80 million was recovered leaving a balance of Rs 705.94 million. The short recovery also resulted into default surcharge and penalty leviable under Sections 33 and 34 of the Sales Tax Act, 1990.

The matter was pointed out in July and August, 2012 but no reply was given by the department. In the DAC meeting held in Jan, 2013, the RTO Quetta informed that in five cases the time of payment was still available while in remaining ten cases recovery notices were issued. Reply of the department was not accepted by Audit on the plea that the sales tax liability is to be discharged either on clearance of goods or within the maximum time period allowed whichever is earlier. In the instant cases, the clearance of goods had been completed but no recovery was made by the department. The DAC directed the RTO to expedite recovery of government dues and report progress to Audit and FBR by 31st Jan, 2013.

Audit requires expeditious recovery of government dues as directed by the DAC. Necessary corrective measures also need to be taken by the department to avoid recurrence in future.

[Annexure-10]

5.1.8 Inadmissible adjustment of input tax for Rs 4,320.23 million

The Sales Tax Act, 1990, Federal Excise Act, 2005 and relevant SROs issued by FBR require adjustment of input tax subject to fulfilment of certain conditions/requirements.

Thirty five registered persons of three field offices of FBR claimed inadmissible adjustment of input tax in violation of the law mentioned below.

This resulted in inadmissible adjustment of input tax amounting to Rs 4,320.23 million.

(Rs in million)

Sr. No.	Formations	Cases	Amount	Law/rule violated
1	RTO-I Karachi	07	20.01	Section 7(2) of the Sales Tax Act 1990.
2	RTO Quetta	01	0.08	Section 8(1) (a) of the Sales Tax Act 1990.
3	LTU Karachi	24	1,437.00	Section 8(1) (a) of the Sales Tax Act 1990.
		01	10.16	Section 6(1) of Federal Excise, Act 2005
		02	2,852.98	SRO 478(I)/2009 dated 13.06.2009
Total		35	4,320.23	

The matter was pointed out to the department during Sep to Dec, 2012 but no reply was given by the department. In the DAC meeting held in Jan, 2013, only RTO, Quetta replied that the matter was under recovery. The DAC directed the RTO Quetta to expedite recovery proceedings and furnish report to Audit and FBR by 31st Jan, 2013. The DAC further directed RTO-I and LTU Karachi to furnish comprehensive reply by 8th Jan, 2013. Further progress was not reported till finalization of the report.

Audit emphasizes recovery of government dues.

[Annexure-11]

5.1.9 Non-registration of taxpayers under Sales Tax Act, 1990 resulting in non-realization of sales tax worth Rs 232.19 million

According to section 14 & section 2(5AB) of Sales Tax Act 1990, read with rule 4 & 6 of Sales Tax Rules 2006, any manufacturer having annual turnover of taxable supplies more than five million or utilities bills more than Rs 700,000 per annum is liable to compulsory registration. Further section 3 read with section 26 of the Sales Tax Act 1990, provides that any person making taxable supplies shall pay sales tax at prescribed rate and shall furnish a true and correct information about his taxable activity while filling his sales tax return.

- a) One hundred and ten taxpayers of RTOs Lahore, Multan and Sargodha deriving income from manufacturing/supply of various goods were paid refund of income tax during 2011-12. Withholding tax was deducted on their electricity bills which showed that their utility bills were more than seven hundred thousand rupees, and their annual turnover was more than five million. They were required to be registered under the Sales Tax Act, 1990 and to pay sales tax on supplies. As per soft data of FBR they were not registered with sales tax department and were not paying sales tax. Refund sanctioning authorities of RTOs Lahore and Multan sanctioned refund of income tax without getting them registered in sales tax regime and effecting recovery of government dues. This resulted into non-realization of sales tax of Rs 193.81 million.

The irregularity was pointed out by Audit during June to Dec, 2012 but no reply was given by the department. In the DAC meeting held in Dec, 2012, the department replied that out of 110 cases 13 persons were already registered with the department whereas in the remaining 97 cases notices were issued to the concerned persons to get themselves registered under the Sales Tax Act, 1990. The DAC directed the RTOs to examine the para, furnish a reply, pursue recovery and get position verified from Audit by 4th Jan, 2013. Further progress was not intimated till finalization of the report.

[Annexure-12]

- b) A registered person of RTO Quetta supplied taxable goods (filter rods) valuing Rs 206.66 million to un-registered persons during the FY 2011-12. The un-registered persons receiving the supplies were required to get themselves registered under Sales Tax Act, 1990. The department neither registered them nor realized the sales tax due on supplies made by them. The inaction by department resulted in non-realization of sales tax of Rs 38.38 million.

The irregularity was pointed out in August and Sep, 2012 but no reply was given by the department. In the DAC meeting held in Jan, 2013, the RTO Quetta replied that the details of purchases made by the un-registered persons are being furnished to FBR for taking legal action by the respective RTOs/LTUs. The DAC directed the RTO Quetta to take up the matter directly with the concerned RTOs for registration of the persons and recovery of government dues. Further progress was not reported till finalization of the report.

Audit requires necessary measures be taken for registration of taxpayers under the Sales Tax Act, besides, recovery of the amount involved.

[DP No.5308 & 5309-ST/K]

5.1.10 Blockage of revenue due to non-finalization of quasi judicial proceedings within prescribed period for Rs 31.54 million

Sections 11 and 36 of the Sales Tax Act, 1990 provide that the orders regarding assessment of tax shall be made by Inland Revenue Officer within 120 days of issuance of show cause notice or within such extended period as the Commissioner may, for reasons to be recorded in writing, fix, provided that such extended period shall in no case exceed 60 days.

In RTOs, Faisalabad and Rawalpindi, eleven cases were pending for finalization of assessment despite lapse of a considerable period resulting in blockage of government revenue amounting to Rs 31.69 million.

The matter was pointed out during July to Dec, 2012 but no reply was given by the department. In the DAC meeting held in Dec, 2012, the department informed that an amount of Rs 0.15 million was vacated, Rs 3.19 million was under recovery and Rs 28.35 million was under adjudication. The DAC settled the para to the extent of vacated amount and directed RTOs to pursue cases for early adjudication of cases involving Rs 28.35 million and expedite recovery of balance amount of Rs 3.19 million in remaining cases and report progress to Audit and FBR by 31st Jan, 2013. Further progress was awaited till finalization of the report.

Audit emphasizes immediate disposal of pending cases and avoidance of inordinate delay in future.

[DP No. 13339 &13650-ST]

5.1.11 Non-realization of withholding sales tax for Rs 159.37 million

According to rule 2(3) & (3A) of the Sales Tax Special Procedure (Withholding) Rules, 2007 read with SRO 603(1)/2009 dated 25th June, 2009, a withholding agent including a person registered with a Large Taxpayers Unit and a recipient of advertisement services who purchases goods and services from unregistered person, shall deduct sales tax at the applicable rate of the value of taxable supplies made to him from the payment due to the supplier. Further rule 2(3B) provides that a registered person in Large Taxpayers Unit, who purchases goods from a registered person, other than one registered in LTU, shall deduct and withhold one percent of value of taxable supplies received by him as sales tax from the payment due to the supplier.

Nine registered persons of five field offices of FBR either made purchases from un-registered persons or from persons registered with the tax office other than LTU but withholding sales tax was not deducted / paid through relevant sales tax returns which resulted in non realization of withholding sales tax of Rs 159.37 million.

The matter was pointed out by Audit during July to Dec, 2012 but no reply was given by the department. In the DAC meetings held in Dec, 2012 and Jan, 2013, the RTO Sargodha, Karachi and Quetta replied that the cases were under recovery whereas the LTU Islamabad and Karachi did not furnish any reply. The DAC directed the LTUs Islamabad and Karachi to furnish a comprehensive reply and get position verified by Audit by 4th Jan, 2013 and directed the RTOs Sargodha, Karachi and Quetta to expedite recovery and report progress to Audit and FBR by 31st Jan, 2013. Further progress was not intimated till finalization of the report.

Audit emphasizes recovery and proper monitoring of withholding tax to prevent recurrence of such instances in future.

[Annexure-13]

5.1.12 Short realization of sales tax for Rs 13.92 million

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

A registered person of RTO Quetta, imported raw material and used it for manufacturing of filter rods (cigarette filter) which is not covered under the law, being a non-textile item. The facility of lower rate of sales tax @ 5 % adval. was misused by a registered manufacturer of cigarette rods who imported the said item and got it cleared by availing the benefit of the said SRO. The misuse of facility resulted in short realization of sales tax amounting to Rs 13.92 million during Jan to June, 2012.

The irregularity was pointed out by Audit in Sep, 2012 but no reply was given by the department. In the DAC meeting held in Jan, 2013, the RTO Quetta replied that the matter was under recovery. The DAC directed the RTO to expedite recovery and report progress to Audit and FBR by 31st Jan, 2013. Further progress was not intimated till finalization of the report.

Audit emphasizes early realization of recovery and to fix responsibility for non observance of the required procedure.

[DP No.5310-ST/K]

5.1.13 Unlawful adjustment of input tax for Rs 24.61 million

According to SRO 488(I)/2004 dated 12th June, 2004, the registered persons shall not be entitled to reclaim or deduct input tax in case of supplies of filter rods to un-registered persons. The FBR disallowed sale of filter rods to un-registered persons vide SRO 61(I)/2010 dated 4th Feb, 2010 by rescinding its earlier SRO dated 12th June, 2004.

In disregard to the above provision, a registered person of RTO Quetta made taxable supplies of filter rod to unregistered persons valuing Rs 204.39 million (39 % of the total supplies) and claimed input tax adjustment in full of Rs 63.00 million during the FY 2011-12. The department neither disallowed the

input tax adjustment nor stopped the sales of filter rod to the un-registered persons. The inaction by the department resulted in unlawful adjustment of input tax amounting to Rs 24.61 million (39.06 % of the total supplies).

The irregularity was pointed out in August and Sep, 2012 but no reply was given by the department. In the DAC meeting held in Jan, 2013, the RTO Quetta informed that the registered person filed an appeal in Honourable High Court of Sindh. The DAC directed the RTO to pursue the case for early decision. Further progress was not intimated till finalization of the report.

Audit requires to investigate the matter for fixing the responsibility and to refer the matter to FBR for remedial measures to avoid such recurrences.

[DP No. 5307 & 5311-ST/K]

5.1.14 Under-assessment of sales tax for Rs 146.42 million

Section 2(46) of the Sales Tax Act, 1990 provides that the value of supply means the consideration in money including all Federal and Provincial duties and taxes which the supplier receives from the recipient.

Four registered persons of LTU Karachi under assessed the sales tax by not including the federal excise duty in the value of supply for the purpose of assessment of sales tax. The irregularity resulted in short realization of sales tax amounting to Rs 146.42 million which also entails penalty and default surcharge leviable under the law.

The irregularity was pointed out during Nov and Dec, 2012 but no reply was given by the department. The DAC in its meeting held in Jan, 2013 directed the LTU Karachi, to furnish comprehensive reply by 8th Jan, 2013. Further progress was not received till finalization of the report.

Audit emphasizes to recover the amount at the earliest, besides, fixing responsibility for under assessment.

[Annexure-14]

5.1.15 Short realization of sales tax due to excess adjustment of input tax for Rs 15.94 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 as per conditions laid down in SRO 647(I)/2007 dated 7th June, 2007.

Twelve registered persons in two field offices of FBR adjusted input tax in excess than the admissible which resulted in short realization of sales tax amounting to Rs 15.94 million during the FY 2011-12.

(Rs in million)

Sr. No.	Office	No. of cases	Amount
1	RTO-III Karachi	10	14.69
2	RTO Quetta	02	1.25
Total		12	15.94

The irregularity was pointed out during August and Sep, 2012 but no reply was given by the department. In the DAC meeting held in Jan 2013, the RTO Quetta informed that the matter was under recovery. The RTO-III Karachi did not furnish working papers. The DAC directed the RTO Quetta to expedite recovery and furnish progress to Audit and FBR by 08th Jan, 2013. The DAC also directed the RTO-III Karachi to furnish comprehensive reply. Further progress was not received till finalization of the report.

Audit requires immediate recovery of the stated amount, besides, fixing responsibility for violating the provisions.

[Annexure-15]

5.1.16 Inadmissible zero rating of goods resulting in non realization of sales tax for Rs 6.77 million

According to Section-4 read with Sr. No.7 of the 5th Schedule to the Sales Tax Act, 1990, supplies made to exporters under the Duty and Tax Remission on Export Rules 2001, subject to the observance of procedure, restrictions and conditions, prescribed therein shall be charged to sales tax at the rate of zero percent.

A registered person of LTU, Karachi made supplies and charged sales tax at zero percent under DTRE rules but did not produce the relevant documents showing observance of the conditions. This resulted in non realization of sales tax of Rs 6.77 million for the tax period July, 2011.

The matter was pointed out to the department in Sep, 2012 but no reply was given by the department. The DAC in its meeting held in Jan, 2013 directed the LTU to furnish a comprehensive reply by 08th Jan, 2013. Further progress was not received till finalization of the report.

Audit emphasizes recovery, besides, taking appropriate action against persons at fault.

[DP No.5356-ST/K]

5.1.17 Non realization of sales tax for Rs 1.39 million

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

Twelve registered persons of RTO-I Karachi supplied specified goods to un-registered persons but did not charge sales tax at the rate of 4% during the period April to June, 2011. This resulted in non realization of sales tax amounting to Rs 1.39 million.

The matter was pointed out in Nov, 2012 but no reply was given by the department. The DAC in its meeting held in Jan, 2013 directed the RTO Karachi to furnish comprehensive reply by 8th Jan, 2013. Further progress was not received till finalization of the report.

Audit emphasizes early realization of government revenue, besides, taking appropriate action against the persons at fault.

[DP No.5377-ST/K]

5.2 Refund of Sales Tax

5.2.1 Inadmissible refund of sales tax for Rs 511.63 million

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

Eight field offices of FBR allowed refund of sales tax Rs 511.96 million in sixty seven cases, in violation of various provisions of law. The inadmissible refund also attracts penalty and default surcharge under the law.

(Rs in million)

Sr. No.	Offices	No. of cases	Amount pointed out	Law violated
1	RTO Faisalabad	05	1.32	Rule 12(5) & 33 of Sales Tax Rules, 2006
2	LTU Lahore	06	473.06	Rule 33 of Sales Tax Rules 2006, Section 8(1) (a) of Sales Tax Act, 1990 & Rule 38 of Sales Tax Special Procedure Rules, 2007
3	RTO Gujranwala	19	5.69	Rule 28 & 33 of Sales Tax Rules, 2006
4	RTO Lahore	22	8.77	Rule 33 & 38 of Sales Tax Rules, 2006
5	RTO Multan	02	0.90	Rule 33 of Sales Tax Rules, 2006
6	RTO Lahore-II	04	18.17	Rule 33 of Sales Tax Rules, 2006
7	LTU Islamabad	01	1.71	SRO 283(I)/2011 dated 1 st April, 2011
8	RTO Hyderabad	08	2.34	Section 7(2) of Sales Tax Act, 1990 and SRO 555(I)/2006
Total		67	511.96	

The matter was pointed out during July to Nov, 2012 but no reply was given by the department. In the DAC meetings held in Dec, 2012 and Jan, 2013,

the department reported that an amount of Rs 0.33 million was recovered, whereas Rs 0.63 million was under adjudication and an amount of Rs 511.00 million was under the process for Post Refund Audit. The DAC settled the para to the extent of recovered amount of Rs 0.33 million and directed to expedite adjudication/post refund audit and pursue recovery and report progress to Audit and FBR by 31st Jan, 2013. Further progress was not intimated till finalization of the report.

Audit requires that post refund audit be finalized and recoverable amount be made good, besides, fixing responsibility.

[Annexure-16]

5.2.2 Inadmissible refund due to non-compliance of statutory provisions for Rs 411.36 million

According to section 73 of the Sales Tax Act, 1990, input tax credit is admissible subject to payment for a transaction exceeding value of fifty thousand rupees made by a crossed cheque drawn on a bank or by crossed bank draft or crossed pay order or any other crossed banking instrument showing transfer of the amount of the sales tax invoice in favour of the supplier from the business bank account of the buyer within 180 days of issuance of tax invoice.

Eleven field formations of FBR allowed refund to 145 registered persons on the basis of purchase invoices exceeding fifty thousand rupees without getting proof of payment through banking instruments as required under the law. It is also pertinent to mention here that in some cases period of 180 days had already lapsed at the time of sanctioning of refund claims. This resulted in unlawful refund/adjustment of input tax amounting to Rs 422.87 million.

The matter was pointed out during April to Dec, 2012 but no reply was given by the department. In the DAC meetings held in Dec, 2012 and Jan, 2013, the department informed that an amount of Rs 0.03 million was recovered, whereas Rs 11.38 million vacated in adjudication and Rs 0.10 million was regularized, whereas cases involving Rs 122.94 million were under adjudication and remaining cases involving Rs 288.42 million were transferred to Post Refund Audit. The DAC settled the para to the extent of amount recovered, vacated and regularized and directed the RTOs and LTU to expedite adjudication, recovery process and post refund audit of remaining cases. It was

further directed to report progress to Audit and FBR by 31st Jan, 2013. Progress was awaited till finalization of the report.

Audit emphasizes that in the cases where the refund was sanctioned in violation of the law, the proceedings for recovery be completed at the earliest besides fixing the responsibility for irregular sanction of refund. Audit further requires that in cases where one hundred and eighty days already elapsed, the refund should only be sanctioned after verification of compliance of section 73 and the relevant refund rules be amended accordingly.

[Annexure-17]

5.2.3 Unlawful sanction of sales tax refund for Rs 205.42 million

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

Four field offices of FBR sanctioned refund in 136 cases which were barred by time. This resulted in loss of government revenue amounting to Rs 206.54 million during FY 2011-12 which also entails penalty and default surcharge leviable under the law.

(Rs in million)

Sr. No.	Office	No. of cases	Amount
1	RTO Faisalabad	01	1.00
2	RTO Lahore	124	195.65
3	RTO Lahore-II	10	7.74
4	RTO Quetta	01	2.15
Total		136	206.54

The matter was pointed out in July to Dec, 2012 but no reply was given by the department. In the DAC meetings held in Dec, 2012 and Jan, 2013 the department informed that an amount of Rs 1.12 million was not due, whereas Rs 1.22 million was under adjudication and Rs 204.20 million was under

recovery. The DAC settled the para to the extent of Rs 1.12 million and directed the RTOs to examine the cases, furnish reply, expedite recovery and complete adjudication proceedings and get the position verified from audit by 5th Jan, 2013. During verification, the RTO-I & II Lahore failed to provide documents as required by Audit. Further progress was not intimated till finalization of the report.

Audit emphasizes implementation of the DAC directives in letter and spirit and fixation of responsibility against the persons at fault.

[Annexure-18]

5.2.4 Inadmissible sanction of refund/adjustment of input tax and non recovery of penalty for Rs 151.39 million

According to Section 73 of the Sales Tax Act, 1990, input tax credit is admissible subject to payment for a transaction exceeding value of fifty thousand rupees made through crossed banking instrument showing transfer of the amount of the sales tax invoice in favour of the supplier from the business bank account of the buyer within 180 days of issuance of tax invoice. The amount transferred in terms of this section shall be deposited in the business bank account of the supplier, otherwise the supplier shall not be entitled to claim adjustment or refund under this Act. For the purpose of this section, the term “business bank account” shall mean a bank account used by the registered person for business transactions, declared to the Commissioner in whose jurisdiction he is registered [C. No. (36)STP/99(Pt.1) dated 14th July, 2004].

One hundred and fifty eight registered persons of RTO-I and II Lahore filed refund claims of sales tax and declared only one bank account to the Commissioner but payments were made from other than declared bank accounts. Further, the record relating to realization of sales proceeds received from declared bank accounts was also not provided to Audit. Sanctioning of refund without objecting that payments were made from bank accounts other than declared by registered persons, resulted inadmissible refund of sales tax and non recovery of penalty Rs 151.39 million.

The irregularity was pointed out to the department during July to Dec, 2012 but no reply was given by the department. In the DAC meeting held in Dec, 2012, the RTO II, Lahore informed that the cases involving

Rs 20.51 million was under adjudication whereas RTO I, Lahore did not furnish reply. The DAC directed to examine cases, furnish reply, expedite adjudication, pursue recovery and report progress to Audit and FBR by 31st Jan, 2013. Further progress was not intimated till finalization of the report.

Audit emphasizes implementation of DAC directives, besides, fixing responsibility against the persons at fault.

[Annexure-19]

5.2.5 Un-authorized refund of sales tax for Rs 81.71 million

According to Serial No. 08 of SRO 551(I)/2008 dated 11th June 2008, supplies of fresh, liquid and dried milk with addition of sugar or any other sweetening matter whether packed or not is exempted from whole of the Sales Tax with effect from 1st July 2008.

Refund sanctioning authority of RTO, Lahore sanctioned refund to a registered person against various claims. Whereas the claimant was supplying milk with addition of sugar (the claimant was purchasing sugar) and its supplies were exempted from sales tax. Therefore, refund sanctioning authority wrongly allowed zero rating and sanctioned refund which resulted in unauthorized payment of refund of Rs 81.71 million during the Financial Year 2010-11.

The irregularity was pointed out in Feb, 2012. The department replied that the SRO 879(I)/2009 dated 10th October, 2009 excluded these items from list of exempt items and it was an item of SRO 549(I)/2008 dated 11th June, 2008. Contention of the department was not based on facts as the SRO ibid dated 10th Oct, 2009 does not give retrospective effect to the items. Audit is of the view that the items were exempt up to the date of issuance of SRO 879(I)/2009. The DAC in its meeting held in Dec, 2012 directed the RTO to examine the observation, furnish a reply and get the position verified from Audit by 04th Jan, 2013. Further progress was not intimated till finalization of the report.

Audit requires recovery of the stated amount, besides, taking appropriate action against the persons at fault.

[DP No.13612-STR]

5.2.6 Excess payment of sales tax refund for Rs 48.64 million

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

Five field formations of FBR, in violation of various provisions of law, paid refund of sales tax of Rs 49.67 million in eighty five cases in excess of refund due, as detailed below:

(Rs in million)

Sr. No.	Offices	No. of cases	Amount	Law/rule violated
1	RTO Lahore	01	2.29	Section 3 of Sales Tax Act, 1990 read with Rule 33 of Sales Tax Rules, 2006
2	LTU Lahore	07	11.08	Section 10(2) of Sales Tax Act, 1990
3	RTO Lahore-II	06	1.60	Section 2(37), 3 & 10(1)(2) of Sales Tax Act, 1990 & Rule 35 of Sales Tax Rules, 2006
4	RTO Faisalabad	70	34.58	Section 3 of Sales Tax Act, 1990, SRO 509(I)/2007 dated 09.01.2007, Section 3A of Federal Excise Act, 2005 and Rule 12(5) of Sales Tax Rules, 2006
5	RTO Gujranwala	01	0.12	Section 10(1) of Sales Tax Act, 1990
Total		85	49.67	

The matter was pointed out by Audit during July to Dec, 2012 but no reply was given by the department. In the DAC meeting held in Dec, 2012, the department informed that an amount of Rs 1.03 million was recovered, whereas Rs 26.06 million was vacated, Rs 12.33 million was under adjudication, Rs 0.15 million was contested and Rs 9.98 million was under recovery. The DAC settled the para to the extent of recovered amount and directed the RTO Faisalabad to re-examine the case of vacated amount. The DAC further directed to examine the cases, expedite adjudication, initiate recovery proceedings and report progress to Audit by 31st Jan, 2013. Department did not produce the requisite record for verification regarding the contested amount. Further progress was not intimated till finalization of the report.

Audit emphasizes that balance amount be recovered at the earliest in compliance of DAC directives, besides, fixing responsibility against the persons at fault.

[Annexure-20]

5.2.7 Inadmissible sanction of sales tax refund to suspended/blocked registered persons for Rs 41.44 million

According to Section 21 of the Sales Tax Act, 1990 read with Rule 12 and 39(2) of the Sales Tax Rules, 2006 where the Commissioner is satisfied that a registered person is found to have issued fake invoices or has otherwise committed tax fraud, he is required to conduct inquiry and in case of confirmation of the offence, inquiry may extend to suppliers and buyers to ascertain whether any inadmissible inputs or refunds have been taken by them.

Five registered persons of RTO-II Karachi were granted refund of sales tax although their registration was suspended (as per Active Taxpayers List) which resulted in irregular sanction of sales tax refund of Rs 41.44 million.

The irregularity was pointed out to the department in Feb, 2012. The department neither recovered the amount nor conducted any inquiry against the suppliers and buyers, which was required under the law, to ascertain inadmissible input tax adjustment and refund taken by them. In the DAC meeting held in Jan, 2013, the RTO-II Karachi informed that show cause notice in one case was issued, whereas registration of three registered persons was also restored and now they were filing sales tax returns regularly. However, reply was not furnished in one case. The DAC directed the RTO to complete the adjudication proceedings expeditiously and get the position verified from Audit besides furnishing copies of the proceedings leading to restoration of registration and furnish a comprehensive reply in remaining one case. Further progress was not received till finalization of the report.

Audit requires to effect recovery, besides, fixing responsibility on the persons involved in providing undue benefit.

[Annexure-21]

5.2.8 Loss of government revenue due to inefficiency and lack of vigilance by the department for Rs 38.92 million

According to section 10(2) of the Sales Tax Act, 1990, if a registered person is liable to pay any tax, default surcharge or penalty payable under any law administered by the Board, the refund of input tax shall be made after adjustment of unpaid outstanding amount of tax or, as the case may, default surcharge and penalty.

A registered person of LTU Lahore claimed refund of Rs 54.45 million pertaining to the tax period April, 2003 to June, 2005. Before processing, the claim was referred to the concerned audit division on 17th Feb, 2007 for detailed audit due to abnormal tax behaviour of the claimant. Audit was conducted with prior permission of the Board on 30th June, 2010. The Assistant Commissioner Inland Revenue rejected an amount of Rs 38.92 million. The registered person filed Appeal before Commissioner (Appeal) Lahore who set aside the case with the condition that appellant will cooperate with the department in verification of stocks. Being aggrieved of Order-in-Appeal the registered person further approached the Appellate Tribunal Lahore who set aside the Order in Appeal on the grounds that *“Demand was raised beyond the period of five years”*. On the basis of orders of Appellate Tribunal (IR), the refund sanctioning authority sanctioned refund of Rs 38.92 million to the claimant. Delay in finalization of audit and issuance of time barred demand by the department resulted in loss of government revenue amounting to Rs 38.92 million.

The matter was pointed out to the department in June and August, 2012 but no reply was given by the department. The DAC in its meeting held in Dec, 2012, directed the LTU Lahore to submit working papers to Audit and FBR by 15th Jan, 2013. Further progress was not intimated till finalization of the report.

Audit requires that loss of government revenue be justified, besides, taking action against the responsible(s).

[Para-7.2.2 PAR on refund]

5.2.9 Non-imposition of penalty on rejection of refund claims for Rs 30.83 million

According to Section 11(2) of the Sales Tax Act, 1990, where a person has claimed input tax credit or refund which is not admissible under this Act, an Inland Revenue Officer shall make an assessment of tax credit or tax refund which he has unlawfully claimed and shall impose a penalty of twenty five thousand rupees or hundred per cent of the amount involved, whichever is higher, in accordance with section 33(11) (c) of the Act *ibid*.

Tax authorities of three field offices of FBR rejected 64 refund claims involving an amount of Rs 30.83 million on the basis of various established reasons which entails penalty amounting to Rs 30.83 million as required under the law. However, the penalty was not imposed by the concerned authorities.

The matter was pointed out during July to Dec, 2012 but no reply was given by the department. The DAC in its meeting held in Dec, 2012 directed the RTOs to submit claim wise comprehensive reply, rejection orders and initiate legal proceedings as per audit observations and report progress to Audit and FBR by 31st Jan, 2013. Further progress was not intimated till finalization of the report.

Audit stresses upon observance of relevant procedures and implementation of DAC directives.

[Annexure-22]

5.2.10 Loss of government revenue amounting to Rs 24.78 million due to non pursuance by the department

According to Section 47 of the Sales Tax Act, 1990, the aggrieved person or any officer of Inland Revenue not below the rank of Additional Commissioner, authorized by the Commissioner, may prefer an application in the prescribed form alongwith a statement of the case to the High Court, (within ninety days of the communication of the order of the Appellate Tribunal) stating any question of law arising out of such order.

- a) An amount of Rs 17.28 million was adjudged as recoverable from a registered person being illegal adjustment of input tax claimed on the basis of replacement invoices issued either by non-existent

taxpayers or against fraudulent invoices issued by the suppliers. The order was set aside by the Appellate Tribunal Inland Revenue bench, Lahore ex-parte stating that *“On the date of hearing (i.e. 23.09.2010) in order to substantiate his contentions, learned D.R requested for short adjournment enabling him to produce the record on the next date of hearing but today none is present on behalf of the Revenue nor any application for adjournment has been received, therefore, we deem it appropriate to proceed ex-parte and decide the appeal on the basis of available record”*.

Audit is of the view that the RTO Gujranwala despite having a legal wing headed by a Commissioner neither properly pursued the case at tribunal level nor submitted reference before the Honourable High Court within 90 days of the date of judgment. As the matter has attained its finality so inaction by the department caused loss of adjudged revenue amounting to Rs 17.28 million which needs justification besides fixing responsibility.

- b) A refund sanctioning authority in RTO Gujranwala sanctioned sales tax refund amounting to Rs 7.50 million to a taxpayer in consequence of Judgment of the Appellate Tribunal Lahore. Text reading of the judgment revealed that law point about inadmissibility of adjustment of input tax under the Sales Tax law was not discussed in the whole proceedings and the order was set aside by the Appellate Tribunal Inland Revenue bench, Lahore ex-parte stating that *“On the date of hearing (i.e. 23.09.2010) in order to substantiate his contentions, learned D.R requested for short adjournment enabling him to produce the record on the next date of hearing but today none is present on behalf of the Revenue nor any application for adjournment has been received, therefore, we deem it appropriate to proceed ex-parte and decide the appeal on the basis of available record”*.

In the wake of situation elaborated above, the department should have preferred an appeal rather to sanction refund of sales tax. The RTO neither pursued the case on law point at Tribunal level

nor preferred an appeal before the Honourable High Court which resulted in inadmissible refund of Rs 7.50 million. Audit is of the view that, had the department pleaded the case properly loss of government revenue could have been avoided.

The irregularity was pointed out to the department in Sep, 2012 but no reply was given by the department. In the DAC meeting held in Dec, 2012, the RTO contended that ATIR passed the order on technical and legal grounds and being satisfied with the order (on the basis of judgement of the superior courts), the Commissioner Legal did not file reference before High Court. Audit contended that the case was decided ex-parte because of non pursuance by the RTO which resulted inadmissible payment of refund of Rs 24.78 million. The DAC directed the RTO to look into the matter for non pursuance of case at the level of ATIR and non filing of reference before High Court. Further reply was not given by the department till finalization of the report.

Audit emphasizes that position for non pursuance and non filing of appeal before the High Court be justified, besides, fixing the responsibility.

[DP No.13357 & 13358-STR]

5.2.11 Inadmissible sanction of refund for Rs 21.84 million

Second proviso of Section 66 of the Sales Tax Act, 1990 provides that in case where refund has become due on account of any decision or judgement of any Officer of Inland Revenue or Court or the Tribunal, the period of one year shall be reckoned from the date of judgement or decision of such Officer, Court or Tribunal meaning thereby, the refund becomes due only when decision has been made by the Court.

A registered person of RTO, Lahore claimed refund of sales tax which was rejected on the plea that the supplies (fertilizer) were exempt from sales tax. The order-in-original was upheld by the Commissioner Appeals. The Appellate Tribunal accepted the appeal of registered person and set aside the Order in Appeal. The department filed an appeal against the decision of Appellate Tribunal in Honourable Lahore High Court which is still pending. Contrary to the above law, refund of Rs 21.84 million was sanctioned to the registered person without waiting for the decision of the High Court after obtaining undated

cheques in lieu of the amount of tax refund which resulted into inadmissible sanction of refund for Rs 21.84 million during the FY 2010-11.

The matter was pointed out in Feb, 2012. The department replied that the refund was issued after receiving the security instrument. The contention was not acceptable because at the time of issuing of refund, the case was subjudice in the High Court. The authorities were required to wait till the decision of the case by the court instead of issuance of refund. The DAC in its meeting held in Dec, 2012, directed the RTO to examine the observation, furnish a reply and get the position verified from Audit by 04th Jan, 2013. Further progress was not reported till finalization of the report.

Audit requires implementing the DAC directives, besides, fixing responsibility for providing undue benefit.

[DP No.13760-STR]

5.2.12 Inadmissible sanction of sales tax refund due to non-fulfilment of codal formalities for Rs 13.87 million

According to Sections 10(1) and 66 of the Sales Tax Act, 1990 read with rule 34(1) (b), proviso of sub rule 4 of rule 34 and rule 38(1) of the Sales Tax Rules 2006, refund of sales tax, if not claimed in the relevant tax period, shall be allowed, unless the claim is made along with supportive documents within one year of the date of payment. The registered persons deals in plastic whose inputs were subject to sales tax at 20% or 17.5% ad valorem and their final product is subject to tax at 15% ad valorem may claim refund of excess input tax if the same is not adjusted within a minimum consecutive period of three months.

A refund sanctioning authority of Regional Tax Office, Faisalabad sanctioned refund of Rs 13.92 million to a claimant dealing in manufacturing of plastic goods for tax periods from 09/2007 to 02/2010 (30 months). The department sanctioned claim which was barred by time and with out verification of supportive documents as required by the law.

The matter was pointed out to the department in June and August, 2012 but no reply was given by the department. The DAC in its meeting held in Dec, 2012, directed RTO Faisalabad to submit working papers to Audit by 15th Jan, 2013. Further progress was not intimated till finalization of the report.

The Audit emphasizes to recover the amount at the earliest, besides, strengthening internal controls to avoid such recurrences.

[Para-7.2.3 of PAR on Refund]

5.2.13 Inadmissible sanction of refund claims against the provision of law for Rs 12.59 million

According to Rule 8 (2) (a) of Sales Tax Rules 2006, on transfer of registration all the records and responsibilities relating to such registered person shall be transferred to the Collectorate, or as the case may be, to the LTU or RTO in whose jurisdiction the registration has been so transferred. Further, Rule 28 (1) provides that no refund claim shall be entertained if the claimant fails to furnish the claim on the prescribed software along with supportive documents within one hundred and twenty days of the filing of return.

RTO Abbottabad sanctioned a refund amounting to Rs 12.59 million in favour of a claimant (which was earlier registered with the LTU, Karachi) for the tax period Sep, 2009 for which the taxpayer earlier filed its claim with LTU, Karachi. While the previous claim was pending with the LTU, the registered person got its registration transferred to RTO Abbottabad and filed a fresh claim for the same, even though the allowable limit of 120 days for filing fresh claims had expired. The refund was sanctioned without confirming the authenticity of imports made and the duties paid thereon and the case history regarding objections raised initially by LTU, Karachi. The authenticity of the claim could only be verified from the refund files originally generated in the LTU, Karachi. The refund of Rs 12.59 million sanctioned by the RTO was not admissible as the requisite record was not examined by the officer concerned before sanctioning refund.

The irregularity was pointed out to the department in Sep, 2012 but no reply was given by the department. In the DAC meeting held in Dec, 2012, the RTO, Abbottabad informed that the matter has been taken up with the LTU, Karachi to obtain refund cases files to proceed further in the matter. The DAC directed the RTO to communicate audit observation to LTU Karachi, seek clarification on the matter, obtain case files and get the position verified from Audit by 05th Jan, 2013. Further progress was not reported till finalization of the report.

Audit requires thorough investigation regarding inadmissible sanction of refund claim, besides, fixing responsibility.

[DP No.13744-STR]

5.2.14 In-admissible sanction of sales tax refund on zero rated raw material for Rs 2.30 million

According to serial Nos. 14, 20, 76 and 77 of SRO 509(I)/2007 dated 9th June 2007, sales tax shall be charged at the rate of zero percent on supply and import of “Titanium Dioxide” falling under PCT heading No.2823.0010, “Disodium Sulphate” falling under PCT heading 2833.1101 and “Waxes” falling under PCT heading No.3404.9010 and 3404.9090 respectively.

Refund sanctioning authority of RTO Faisalabad, sanctioned refund in favour of four claimants on purchase of raw material, i.e. Titanium Dioxide, Disodium Sulphate and Waxes which were zero rated under SRO ibid. Further, in case of one registered person, as per invoice details, the mode of payment was ‘Cash’ which was also a violation of section 73 of the Sales Tax Act, 1990. The refund sanctioned against zero rated items resulted in inadmissible payment of refund amounting to Rs 2.30 million during FY 2011-12.

The irregularity was pointed out by Audit in Oct and Nov, 2012 but no reply was given by the department. In DAC meeting held in Dec, 2012, the RTO informed that the case was under adjudication. The DAC directed the RTO to expedite adjudication and report progress to Audit and FBR by 31st Jan, 2013. Further progress was not intimated till finalization of the report.

Audit requires recovery, besides, fixing responsibility for providing undue benefit.

[DP No.13336-STR]

5.2.15 Illegal payment of refund to the ginners for Rs 1.69 million

According to Rules 54 to 58 of chapter IX of the Sales Tax Special Procedure Rules, 2007, refund claims filed by the cotton ginners on account of electricity and other tax paid inputs, the prescribed benchmark shall be adhered to for determining the admissibility of claim for the ginning units including composite ones, a maximum of eighteen units of electricity, three yards of

hessian cloth and 2.25 kgs of bailing hoops per bale of ginned pressed and six litres of high speed diesel (HSD) for self generation electricity per bale of ginned cotton subject to verification of correspondence.

Refund sanctioning authority of RTO Sargodha, sanctioned refund to certain ginners without observing the rules *ibid*. This resulted in inadmissible payment of refund of Rs 1.69 million which needs to be recovered along with default surcharge and penalty u/s 33 and 34 of the Sales Tax Act, 1990.

The irregularity was pointed out in Nov, 2012 but no reply was given by the department. In the DAC meeting held in Dec 2012, RTO informed that post refund audit is in progress. The DAC directed the RTO to expedite post refund audit and report progress to Audit and FBR by 31st Jan, 2013. Further progress was not intimated till finalization of the report.

Audit emphasizes expeditious recovery and completion of post refund audit, besides, fixing responsibility for allowing undue benefit.

[DP No.13710-STR]

5.3 Income Tax

5.3.1 Non levy of minimum tax on the income of certain persons for Rs 2,378.71 million

Under section 113 of the Income Tax Ordinance 2001, minimum tax at the rate of 0.5 and 1 per cent for tax year 2010 and 2011 respectively of turnover from all sources is chargeable in case of resident companies.

In eighteen field formations of FBR, minimum tax was not charged in loss cases, and similarly in cases where the normal tax was less than the minimum tax, the applicable minimum tax was also not charged. This resulted in non levy of minimum tax of Rs 2,394.04 million in 263 cases.

The irregularity was pointed out during July to Nov, 2012. The department replied that an amount of Rs 15.33 million has been recovered and verified by audit and Rs 345.37 million was charged but not yet recovered. The cases of Rs 2,027.33 million were reported as under process. Record was not provided in the cases involving Rs 6.01 million. The DAC in its meetings held in Dec, 2012 and Jan, 2013, directed the department to expedite recovery of the charged amount for Rs 345.37 million, finalize the assessment proceedings in pending cases and furnish reply by 7th Jan, 2013. Further progress was not reported till finalization of the report.

Audit emphasizes recovery, besides, taking appropriate action for providing undue benefit.

[Annexure-23]

5.3.2 Short levy of tax due to incorrect computation of taxable income for Rs 6,331.99 million

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

In seven field formations of FBR, taxable income was under assessed due to calculation errors and omissions which resulted in short imposition of tax for Rs 6,331.99 million in 16 cases.

The matter was pointed out during July to Nov, 2012. The Department replied that all these cases involving Rs 6,331.99 million were under process. The DAC in its meetings held in Dec, 2012 and Jan 2013, directed the department to finalize the assessment proceedings and furnish record by 7th Jan, 2013. Further progress was not reported till finalization of the report.

Audit emphasizes recovery, besides, deciding pending cases without further delay.

[Annexure-24]

5.3.3 Short levy of tax due to non-allocation of proportionate expenses for Rs 588.35 million

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

In eight field formations of FBR, expenses claimed in trading, profit and loss accounts were not apportioned as per law among various types of business activities carried out by the taxpayers which resulted in short levy of tax for Rs 588.35 million in 14 cases.

The irregularity was pointed out during July to Nov, 2012. The department replied that the cases involving Rs 588.35 million were under process. The DAC in its meetings held in Dec, 2012 and Jan, 2013 directed the department to finalize the assessment proceedings by 7th Jan, 2013. Further progress was not reported till finalization of the report.

Audit emphasizes recovery, besides, taking appropriate steps to decide pending cases.

[Annexure-25]

5.3.4 Non levy of tax on unexplained income and assets for Rs 834.46 million

Under section 111 of the Income Tax Ordinance 2001, unexplained income or assets of a taxpayer not recorded in the books of accounts maintained by him, are to be considered income of the taxpayer chargeable to tax.

In eleven field formations of FBR, un-explained income/assets were not probed in violation of the above provision of law which resulted in non levy of tax for Rs 834.46 million in 42 cases.

The irregularity was pointed out during July to Nov, 2012. The department intimated that all the cases were under process. The DAC in its meetings held in Dec, 2012 and Jan, 2013 directed the department to finalize the assessment proceedings by 7th Jan, 2013. Further progress was not reported till finalization of the report.

Audit requires immediate steps to be taken for the imposition of tax in accordance with prescribed law.

[Annexure-26]

5.3.5 Short levy of tax due to non-taxation of income from other sources for Rs 2,148.45 million

Section 39 of the Income Tax Ordinance, 2001 provides for taxation of income not included under any other head by classifying it as “income from other sources”.

In eight field formations of FBR, taxable income was understated by the taxpayers due to non-accountal of interest income earned from profit on debt, loan waived off etc. The department did not charge tax on such income, resulting in non taxation of Rs 2,148.45 million in 13 cases.

The irregularity was pointed out during July to Nov, 2012. The department replied that assessment proceedings in all the cases were under process. The DAC in its meeting held in Dec, 2012 directed the department to finalize the assessment proceedings by 04th Jan, 2013. Further progress was not reported till finalization of the report.

Audit emphasizes recovery, besides, taking appropriate steps for deciding pending cases.

[Annexure-27]

5.3.6 Short levy of tax due to application of incorrect tax rates for Rs 1,520.05 million

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

In nine field formations of FBR, income tax of Rs 1,520.05 million was short levied in 95 cases due to application of incorrect tax rates on assessed income of the taxpayers.

The irregularity was pointed out during July to Nov, 2012. The department replied that all the cases were under process. The DAC in its meetings held in Dec, 2012 and Jan 2013, directed the department to finalize the assessment proceedings and submit definite progress in the matter by 7th Jan, 2013. Further progress was not reported till finalization of the report.

Audit emphasizes recovery, besides, taking appropriate action against the persons involved in providing undue benefit to the taxpayer.

[Annexure-28]

5.3.7 Short levy of tax due to inadmissible deductions for Rs 831.15 million

Income from business is chargeable to tax under section 18 of the Income Tax Ordinance, 2001. Sections 20 and 21 of the Ordinance specify admissible and inadmissible deductions respectively for computing income chargeable to tax under the head “income from business”.

In three field formations of FBR, inadmissible deductions of capital in nature, personal expenses of taxpayers, claims of lease rental and financial charges, reduction of tax from income, provision for doubtful debts and expenses not wholly and exclusively expended for earning income from business were allowed by the assessing officers which resulted in under assessment of income and consequently short levy of tax of Rs 831.15 million in 05 cases.

The irregularity was pointed out during July to Nov, 2012. The department replied that all the cases were under process. The DAC in its meeting held in Dec, 2012 directed the department to finalize the assessment

proceedings and furnish definite reply by 4th Jan, 2013. Further progress was not reported till finalization of the report.

Audit emphasizes early compliance of DAC directives.

[Annexure-29]

5.3.8 Short realization of tax due to grant of excess tax credit for Rs 532.81 million

Credit of tax actually deducted at source under sections 148, 153, 233, 235, 236 and advance tax paid under section 147 of the Income Tax Ordinance, 2001, is allowable to a taxpayer while computing its tax liability.

In ten field formations of FBR, twenty four taxpayers claimed credit of tax in excess of actual payments resulting in short realization of tax for Rs 532.81 million.

The irregularity was pointed out during July to Nov, 2012. The department replied that all the cases were under process. The DAC in its meetings held in Dec, 2012 and Jan, 2013 directed the department to finalize the assessment proceedings by 7th Jan, 2013. Further progress was not reported till finalization of the report.

Audit emphasizes recovery, besides, fixing responsibility for providing undue benefits to the taxpayers.

[Annexure-30]

5.3.9 Non-realization of withholding tax for Rs 599.40 million

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

In eleven field formations of FBR, seventy withholding agents did not deduct tax while making payments. The irregularity required legal action which was not initiated by the department which deprived the government revenue for Rs 599.40 million.

The irregularity was pointed out during July to Nov, 2012. The department replied that the cases involving Rs 537.61 million were under process. Moreover, record was not provided in two cases of Rs 39.18 million and one case worth Rs 22.61 million was subjudice. The DAC in its meetings held in Dec, 2012 and Jan, 2013 directed the department to finalize the assessment proceedings, pursue subjudice case and report be furnished to Audit by 7th Jan, 2013. Further progress was not reported till finalization of the report.

Audit requires implementation of DAC directives.

[Annexure-31]

5.3.10 Loss of revenue for non-treating the tax collected / deducted as a final tax for Rs 524.90 million

According to section 169 of the Income Tax Ordinance 2001, deduction of tax at source from contracts, supplies, commercial imports etc. is final discharge of tax liability. Taxpayers are required to file statements under section 115 of the Income Tax Ordinance, 2001 instead of filing of income tax returns under section 114 of the Ordinance.

In four field formations of FBR, twenty three taxpayers filed income tax returns under normal law instead of statement under section 115 of the Ordinance which resulted in a loss of revenue for Rs 524.94 million.

The irregularity was pointed out during July to Nov, 2012. The department replied that cases involving Rs 524.90 million were under process and made recovery of Rs 0.04 million. The DAC in its meeting held in Dec, 2012 and Jan, 2013 directed the department to finalize the assessment proceedings by 7th Jan, 2013. Further progress was not reported till finalization of the report.

Audit requires implementation of DAC directives.

[Annexure-32]

5.3.11 Non-levy of additional tax / default surcharge for late payment of assessed tax / penalty for Rs 427.43 million

Where a taxpayer fails to pay assessed tax or penalty in time, default surcharge is leviable under section 205(1) of the Income Tax Ordinance, 2001 at

the rate equal to KIBOR plus three percent per quarter on the tax, penalty or other amount unpaid.

In eight field formations of FBR, two hundred and seventeen taxpayers did not pay assessed tax / penalty within time. The department did not levy and collect default surcharge of Rs 427.56 million.

The matter was pointed out during July to Nov, 2012. The department replied that an amount of Rs 0.13 million had been recovered and Rs 0.36 million charged but not yet recovered. The cases of Rs 427.07 million were reported as under process. The DAC in its meetings held in Dec, 2012 and Jan, 2013. The DAC directed the department to expedite recovery of charged amount and finalize the under process cases by 7th Jan, 2013. Further progress was not reported till finalization of the report.

Audit requires that immediate action for recovery of the charged amount be taken and assessment proceedings in the under process cases be completed at the earliest.

[Annexure-33]

5.3.12 Non-levy of penalty on late/non filing of returns for Rs 547.47 million

Section 182 of the Income Tax Ordinance, 2001 provides for levy of penalty where a taxpayer, without reasonable excuse, fails to furnish in time, return of total income, certificate, statement, accounts or any other information required under various provisions of the Ordinance.

Thirteen field formations of FBR did not initiate proceedings according to the above statutory provision in 25,263 cases which caused non imposition of penalty for Rs 547.47 million and causing loss of revenue to the public exchequer.

The irregularity was pointed out during July to Nov, 2012. The department replied that tax of Rs 0.44 million was charged but recovery was not effected. The cases for Rs 546.77 million were reported as under process. The record was not provided in cases worth Rs 0.26 million. The DAC in its meetings held in Dec, 2012 and Jan, 2013 directed the department to expedite recovery of charged amount, finalize the under process cases and to produce

record to Audit by 7th Jan,2013. Further progress was not reported till finalization of the report.

Audit requires implementation of DAC directives.

[Annexure-34]

5.3.13 Non / short levy of tax due to incorrect adjustment of carried forward of business losses for Rs 1,583.04 million

Under section 57 of the Income Tax Ordinance, 2001, where a taxpayer sustained a loss in any tax year under the head income from business, this loss could be carried forward to the following tax year and set-off against profit and gains of such business.

In four field formations of FBR, fifteen taxpayer's business losses were incorrectly carried forward and set-off against profit and gains of such business which resulted in non/short levy of tax of Rs 1,583.04 million in 15 cases.

The irregularity was pointed out during July to Nov, 2012. The department replied that all the cases were under process. The DAC in its meeting held in Dec, 2012 and Jan, 2013 directed the department to finalize the assessment proceedings and submit definite progress in the matter by 7th Jan, 2013. Further progress was not reported till finalization of the report.

Audit requires implementation of DAC directives.

[Annexure-35]

5.3.14 Loss of revenue due to incorrect claim of exemption for Rs 2,985.23 million

Clause 126F of Part-I of Second Schedule to the Income Tax Ordinance, 2001 provides for exemption of profit and gains derived by the taxpayers located in the most affected and moderately affected areas of Khyber Pakhtunkhwa, FATA and PATA for a period of three years starting from the tax year 2010, the said clause provided that this concession was not available to the manufacturers and suppliers of cement, sugar, beverages and cigarettes.

Further, clause 58 (1) and (3) of the said schedule provides for income tax exemption to Trusts or Welfare Institutions if the same are approved by the Regional Commissioners of Income Tax.

RTOs, Peshawar and Lahore granted incorrect exemption to five taxpayers who either derived income from other sources where no exemption was available or certain conditions in the cases of Trusts/Welfare Institutions were not fulfilled as required under the law which resulted in a loss of revenue for Rs 2,985.23 million.

The irregularity was pointed out during July to Nov, 2012. The department replied that cases involving Rs 2,342.71 million were under process. The record was not provided in one case worth Rs 642.52 million. The DAC in its meetings held in Dec, 2012 and Jan, 2013 directed the department to finalize the assessment proceedings and submit definite progress in the matter by 4th Jan, 2013. Further progress was not reported till finalization of the report.

Audit requires implementation of DAC directive, besides, fixing responsibility for providing undue financial benefit to the taxpayers.

[Annexure-36]

5.3.15 Non payment of tax along with return worth Rs 194.06 million

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

Five field formations of FBR did not invoke the said statutory provision in 20 cases which deprived of revenue worth Rs 194.06 million.

The irregularity was pointed out during July to Nov, 2012. The department replied that tax of Rs 0.71 million was charged but recovery was not effected. The cases of Rs 193.35 million were reported as under process. The DAC in its meetings held in Dec, 2012 and Jan, 2013 directed the department to expedite recovery of charged amount, finalize the under process cases by 7th Jan, 2013. Further progress was not reported till finalization of the report.

Audit requires implementation of DAC directive and fixing the responsibility accordingly.

[Annexure-37]

5.3.16 Short recovery of tax due to incorrect computation of tax for Rs 117.59 million

As per provisions of sections 12, 15, 18, 37 and 39 of the Income Tax Ordinance 2001, tax is to be charged on the income assessed under all heads of income.

In three field formations of FBR, income tax was under assessed due to incorrect computation of the tax liability in 26 cases which resulted in short recovery of tax for Rs 117.59 million.

The matter was pointed out during July to Nov, 2012. Twenty five cases worth Rs 100.61 million were reported as under process and no record was provided in one case worth Rs 16.98 million. The DAC in its meetings held in Dec, 2012 and Jan, 2013 directed the department to finalize the assessment proceedings, provide record and submit definite progress in the matter by 7th Jan, 2013. Further progress was not reported till finalization of the report.

Audit emphasizes expeditious recovery, besides, fixing responsibility for providing undue benefit to the taxpayers.

[Annexure-38]

5.3.17 Non realization of additional tax/default surcharge from withholding agents for Rs 180.01 million

Section 205(3) of the Income Tax Ordinance, 2001 provides for levy of additional tax where any person fails to deduct, or having deducted, fails to pay any amount of tax collected.

Four field formations of FBR did not charge additional tax / default surcharge on failure to pay the withholding tax which resulted in non realization of Rs 180.01 million in ten cases.

The irregularity was pointed out during July to Nov, 2012. The department replied that all cases were under process. The DAC in its meeting held in Jan, 2013 directed the department to finalize the under process cases by 7th Jan, 2013. Further progress was not reported till finalization of the report.

Audit requires implementation of DAC directive at the earliest.

[Annexure-39]

5.3.18 Non recovery of arrears of income tax demand for Rs 1,740.88 million

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

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

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

In seven field formations of FBR, an amount of Rs 1740.88 million was lying outstanding in 1,407 cases.

The irregularity was pointed out during July to Nov, 2012. The department stated that recovery proceedings in 1397 cases involving Rs 1,408.88 million were under process and proceedings in cases of Rs 312.73 million were not yet initiated. Further, department contested in one case worth Rs 19.27 million stating that the demand was deleted in appeal. The plea of the department was not accepted because no documentary evidence was produced to Audit. The DAC in its meeting held in Dec, 2012 directed the department to recover the amount, produce record and submit definite progress in the matter by 4th Jan, 2013. Further progress was not reported till finalization of the report.

Audit emphasizes expeditious recovery, besides, fixing responsibility for providing undue benefit to the taxpayers.

[Annexure-40]

5.3.19 Incorrect pleading of the cases for Rs 39.72 million

Section 50(5) of the Income Tax Ordinance, 1979 (repealed) provides that the Collector of Custom shall collect advance tax in the case of every importer of goods on the basis of the value of such goods as increased by the customs duty and sales tax. Section 80(c) ibid further provides that the tax collected u/s 50(5) shall be final discharge of tax liability except the tax collected on imports of raw material for own consumption.

Contrary to the above provisions, in a case of tax payer, assessed under the jurisdiction of RTO Peshawar, withholding tax deduction u/s 50(5) of the Income Tax Ordinance, 1979 (repealed) the income of the taxpayer was not treated as final discharge of tax liability u/s 80 (c) ibid merely on the reason that department did not plead the case in the appellate courts according to the provisions of law. There was no dispute regarding the exemption to the taxpayer. The real issue involved, whether or not the taxpayer was a manufacturer. The department taxed the receipts as final discharge of tax liability, whereas, the appellate authority decided that the taxpayer was exempt from the levy of tax. Had the department pleaded the case on the issue that the taxpayer was not a manufacturer, result would have been in favour of the department, which resulted in incorrect refund of Rs 5.40 million.

Similarly in another case, a taxpayer assessed under the jurisdiction of LTU Islamabad, exemption was incorrectly allowed u/s 49 of the Income Tax Ordinance 2001. However, later on the assessment was amended u/s 122 (5A) at net tax of Rs 34.32 million which was annulled by the CIT(A) and ITAT upheld the decision of the CIT(A). The department was required to file reference before High Court but the department failed to do so, resulting in a loss of Rs 39.72 million.

The matter was pointed out during July to Nov, 2012. The department replied that tax of Rs 34.32 million was reported as under process. The record was not provided in a case involving Rs 5.40 million. The DAC in its meeting held in Dec, 2012 directed the department to produce record / reply to Audit by 4th Jan, 2013. Further progress was not reported till finalization of the report.

Audit emphasizes immediate recovery, besides, fixing responsibility for providing undue benefit to the taxpayers.

[Annexure-41]

5.3.20 Non-realization of (flood) surcharge for Rs 27.29 million

According to section 4A of the Income Tax Ordinance 2001, the flood surcharge at the rate of 15 % was leviable on all taxpayers on their tax liability for the Tax year 2011 irrespective of whether their tax year ends on 31st December, 2011 / 30th June, 2012 or any other date.

In three field formations of FBR, forty six withholding agents did not deduct surcharge at source while making payments which resulted in non realization of government for Rs 27.29 million.

The irregularity was pointed out during July to Nov, 2012. The department replied that all cases were under process. The DAC in its meeting held in Jan, 2013 directed the department to finalize the under process cases by 7th Jan, 2013. Further progress was not reported till finalization of the report.

Audit emphasizes expeditious recovery.

[Annexure-42]

5.3.21 Non-compliance of legal requirements in adjustment of refund

According to section 170 (3) of the Income Tax Ordinance 2001, where the commissioner is satisfied that tax has been over paid the commissioner shall apply the excess in reduction of any other tax due from the taxpayer under the Ordinance.

- a) 1,530 taxpayers filed returns under section 114 read with section 120 of the Income Tax Ordinance, 2001 which were deemed to be assessment orders issued by commissioner and claimed refund of Rs 21,302.14 million. The department adjusted the refund against the demand of the taxpayer for the other tax year without verifying the genuineness of refunds.
- b) In case of M/s Metatex Private Limited bearing NTN 1019923, the tax demand for tax year 2003 amounting to Rs 3.34 million was shown as adjusted out of refunds for assessment years 1987-88, 1989-90, 1990-91, 1991-92, 1995-96, 1997-98, 1998-99 and 2000-01.

However, the record showed that the refund was still appearing in the respective assessment years.

- c) In case of M/s Engro Asahi Polymer Chemical Limited bearing NTN 1000710 a refund of Rs 970.030 million was determined by the department dated 25th Nov, 2010 for the tax year 2005 out of which refund of Rs 709.220 million was adjusted against the demand for the tax year 2003, 2004 and 2006 leaving a balance refund of Rs 260.810 million. However, record showed that refund of Rs 970.03 million was still appearing on the assessment record.

The irregularities were pointed out to FBR in August, 2012 but no reply was given by the department. The DAC in its meeting held in Jan, 2013 directed the Audit to revisit the case at para (a) and the department to revisit the case at para (b). Audit re-examined the case and was still of the view that the orders under section 170 of Income Tax Ordinance 2001 needs to be passed in each case. In the second case the department revisited the case and reported that there was no outstanding demand pending against the taxpayer. The departmental contention was not accepted because there was outstanding demand appearing in the assessment record. The DAC directed the department to finalize the proceedings and report compliance to Audit by 15th Jan, 2013. Further progress was not intimated till finalization of the report.

Audit requires implementation of DAC directives.

[Para No. 4.1.18 of PAR Ref/K]

5.3.22 Non-realization of default surcharge for Rs 4,405.13 million

According to section 205(3) of Income Tax Ordinance 2001, if withholding agents fail to pay an amount of tax collected or deducted within the due date, default surcharge is leviable.

One hundred and fifty withholding agents of RTOs/LTU Karachi for the tax year 2011 did not pay the tax collected or deducted into Government Treasury. This attracts levy of default surcharge resulting in non realization of Rs 4,405.13 million.

The irregularity was pointed out to the department in June, 2012 and to the FBR in Sep, 2012 but no reply was given by the department. The DAC in its

meeting held in Jan, 2013 directed the RTOs Karachi/LTU Karachi to finalize the proceedings and report to Audit. Further progress was not intimated till finalization of the report.

Audit requires expeditious recovery of default surcharge, besides, fixing responsibility.

[Para No. 4.1.19 of PAR WHT/K]

5.3.23 Non-realization of penalty for Rs 74.64 million

According to section 165 of the Income Tax Ordinance, 2001 every person collecting or deducting tax at source shall furnish a statement within 2 months. In case of non furnishing, a penalty under section 182(1) was leviable against the defaulters.

Fourteen thousand nine hundred and twenty six withholding agents of RTOs Karachi did not furnish statements for the tax year 2011, which attracts levy of penalty @ Rs 5000, but not levied. This resulted in non realization of penalty for Rs 74.64 million.

The irregularity was pointed out to the department in June, 2012 and to the FBR in Sep, 2012 but no reply was given by the department. The DAC in its meeting held in Jan, 2013 directed the RTOs Karachi to finalize the proceedings and report to Audit. Further progress was not intimated till finalization of the report.

Audit requires expeditious recovery of penalty.

[Para No. 4.1.20 of PAR WHT/K]

5.4 Refund of Income Tax

5.4.1 Unlawful issuance of refund for Rs 2,938.76 million

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

In violation of the above provisions, eleven field formations of FBR, issued refund to 577 taxpayers where the excess amount was not adjusted against outstanding demand. The credit of final tax was wrongly given and verification

of tax overpaid was also not made which resulted in unlawful refund of Rs 2,938.76 million.

The irregularity was pointed out during July to Nov, 2012. The department replied that tax of Rs 0.93 million was charged but not yet recovered. The cases of Rs 2,205.82 million were reported as under process. Reply was not furnished in cases involving Rs 2.43 million and record was also not produced for Rs 28.74 million. The department contested an amount of Rs 700.84 million in 234 taxpayers. Departmental contention was not acceptable as the department did not make assessment order under section 170 of the Income Tax Ordinance 2001, before adjustment of refund. The DAC in its meetings held in Dec, 2012 and Jan 2013 directed the department to expedite recovery of charged amount, finalize the under process cases, produce record and provide order under section 170 to Audit by 7th Jan, 2013. Further progress was not reported till finalization of the report.

Audit emphasizes recovery, besides, fixing responsibility against the officers who issued refund without observing legal requirements.

[Annexure-43]

5.4.2 Excess determination of refunds for Rs 123.53 million

Section 170 of the Income Tax Ordinance, 2001 provides for determination of refund if the amount of tax paid by a taxpayer for any year exceeds the amount chargeable from him under the law for that year.

In seven field formations of FBR, tax liability of 39 taxpayers was short assessed which resulted in excess determination of refunds amounting to Rs 123.53 million.

The irregularity was pointed out during July to Nov, 2012. The department replied that all the cases were under process. The DAC in its meeting held in Dec, 2012 and Jan 2013 directed the department to finalize the under process cases by 7th Jan, 2013. Further progress was not reported till finalization of the report.

Audit emphasizes expeditious recovery, besides, fixing responsibility for providing undue financial benefit to taxpayers.

[Annexure-44]

5.5 Workers Welfare Fund

5.5.1 Non-realization of Workers Welfare Fund for Rs 2,491.85 million

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

In eighteen field formations of FBR, workers welfare fund (WWF) was not paid by 1307 taxpayers and the concerned assessing authorities did not take action to recover the amount which resulted in non realization of WWF amounting to Rs 2,492.86 million.

The irregularity was pointed out during July to Nov, 2012. The department replied that an amount of Rs 1.01 million was recovered and verified by Audit whereas Rs 3.58 million was charged but recovery is awaited. The cases involving Rs 2,469.47 million were reported as under process and record was not furnished by the department in cases involving Rs 18.09 million. Cases of Rs 0.71 million were subjudice. The DAC in its meetings held in Dec, 2012 and Jan, 2013 directed the department to expedite recovery of charged amount of Rs 3.57 million, finalize the under process cases, pursue the subjudice cases at appropriate appellate forum and provide reply in the remaining cases by 7th Jan, 2013. Further progress was not reported till finalization of the report.

Audit requires expeditious recovery, besides, implementing the DAC's directive.

[Annexure-45]

5.5.2 Non production of evidence in support of payment of Workers Welfare Fund for Rs 56.59 million

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

In two field formations of FBR, nine taxpayers while calculating their tax liability, claimed the benefit according to above provision of law in the form of expense amounting to Rs 56.59 million as WWF, despite the fact that the evidence of payment of WWF was not provided by the taxpayers.

The irregularity was pointed out during July to Nov, 2012. The department reported that the matter was under process. The DAC in its meeting held in Jan, 2013 directed the department to finalize the cases by 7th Jan, 2013. Further progress was not reported till finalization of the report.

Audit requires expeditious implementation of DAC's directive.

[Annexure-46]

5.6 Expenditure

5.6.1 Non-recovery of service charges from National Highway Authority (NHA) for Rs 38.93 million

According to clause 7.2.1 (i) (a) under Article-VII of the Contract Document [Agreement executed between National Highway Authority and PRAL for Operation and Management of Automated Toll Collection System on Motorways (M-I, M-2 and M-3)], M/s PRAL (Operator) shall invoice for the amounts on items based during the month within first week of each month and all payments due to the Operator shall be made by National Highway Authority (Employer) within fourteen (14) days of the Invoice receipt according to clause 7.2.1 (i) (c) of Article-VII of the Contract *ibid*.

M/s PRAL, Islamabad, a company owned by the FBR provided technical services on Motorway projects (M-I, M-II M-III) and invoices issued to National Highway Authority (NHA) for payment of Rs 56.99 million upto 31st August, 2012 but failed to recover service charges from NHA (Employer). The PRAL also did not insert penalty clause in the Service Agreement inspite of DAC directives passed in its meeting held on 20th Jan, 2011 discussing the similar nature audit observation of previous years. The omission resulted in blockage of PRAL's revenue for Rs 56.99 million and non insertion of penalty clause in the Service Agreement.

The irregularity was pointed out to the company in Sep, 2012 and FBR in Oct, 2012. The PRAL reported that Rs 17.60 million was recovered from NHA upto Nov, 2012 and proceedings were underway to recover the remaining amount. In the DAC meeting held in Dec, 2012, PRAL informed that amount of Rs 18.07 million was recovered and verified by Audit. The DAC directed the PRAL to recover the remaining amount of Rs 38.93 million and insert penalty clause in the service agreement. Further progress was not intimated till finalization of the report.

Audit emphasizes expeditious recovery of outstanding amount, besides, taking appropriate steps to insert penalty clause in the agreement as directed by the DAC.

[DP No. 13676-Exp]

5.6.2 Excess and inadmissible payment of pay and allowances for Rs 6.73 million

According to Revised Leave Rules, 1980 read with F.R. 84 and GFR-11 study leave is to be granted to Government servants to enable them to study scientific, technical, or similar problems or to undergo special courses of

instructions. The maximum period of study leave should not exceed 2 years. During study leave a study allowance at the prescribed rates is granted for the period spent in pursuing a definite course of study at a recognized institute and controlling officer is responsible for observance of all financial rules. Further, according to Sr. 4(ix) under note-1 of Sr. No. 5 of Delegation of Administrative and Financial Powers of Pakistan Revenue Automation (Pvt), Ltd. 1998, salary to an employee can be sanctioned for payment in advance to the extent of amount equal to his *balance at credit* to the “*PRAL’s Contributory Provident Fund*”.

- i) Contrary to above, nine field formations and FBR (HQ) made excess and inadmissible payment on account of pay and allowances for Rs 3.33 million to the employees in twenty four cases. It was further observed that full pay and allowances were allowed during the leave period in all categories of leave to the employees whereas in one case the official was still absent from 05th November, 2011 after expiry of sanctioned leave. Pay of the employees was neither stopped nor disciplinary proceedings initiated by the controlling authority for un-authorized absence, even after expiry of sanctioned leave period.
- ii) PRAL, Islamabad paid an amount of Rs 3.59 million on account of advance salary to its 71 employees equal to their 2 or 3 months salaries without confirmation of their CPF balance at credit to the “*PRAL’s Contributory Provident Fund*”. The omission resulted inadmissible payment of advance salaries to employees for Rs 3.59 million during the FY 2011-12.

The irregularity was pointed out during Oct and Nov, 2012. The department reported recovery of Rs 0.19 million in four cases which was verified by Audit. Further, it was intimated that matter would be examined on case to case basis for further action. The PRAL replied that advance salary was paid within the gratuity balance with the Company but no supporting evidence was provided to Audit for verification. The DAC in its meeting held in Dec, 2012 directed the field formations and FBR to expedite the recovery and to scrutinize all similar cases for proper deductions and provide a certificate in this respect. The DAC further directed the PRAL to get the stated position verified from Audit. Further progress was not reported till the finalization of the report.

Audit emphasizes for early recovery of excess and inadmissible payment, besides, fixing responsibility for negligence and non vigilance of rules.

5.6.3 Non/short deduction of income tax for Rs 3.09 million

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

RTO Multan, Rawalpindi and FBR (HQ) did not deduct income tax from the arrears of pay and allowances paid to their employees, and rent of buildings paid to the owners. Similarly, RTO Hyderabad, Sukkur and Internal Audit, Hyderabad deducted less advance income tax from the salaries of their employees. Moreover, the slab rate due to increase in taxable income was not taken into account while paying arrears of pay and allowances. In this way, the department failed to deduct or less deducted an amount of Rs 3.09 million from the employees and the owners of building during the financial year 2011-12.

The matter was pointed out to the department in July to Nov, 2012. The department replied in three cases that necessary action had been initiated, whereas, no reply was given in remaining three cases. The DAC in its meeting held in Dec, 2012 and Jan 2013, directed the RTOs and Internal Audit, Hyderabad to expedite recovery and report progress to Audit. Further progress was not reported till finalization of the report.

Audit emphasizes expeditious recovery of tax, besides, fixing responsibility for not deducting the tax at source.

5.6.4 Unjustified expenditure on officers' ex-Pakistan training courses for Rs 3.34 million

According to SOPs of TARP, officers nominated for different training courses abroad were required to submit original documents such as air-tickets, hotel receipts/vouchers as well as "Course Attendance Certificate" with final TA/DA adjustment bills.

Twelve officers were nominated for trainings/courses at various institutions abroad but after completion of the said training/course, they failed to produce “Course Attendance Certificates”, duly issued by the institutions concerned. In the absence of said certificates, the expenditure of Rs 3.34 million incurred on account of TA/DA was unjustified.

The irregularity was pointed out during Sep to Nov, 2012. In reply, the department stated that HRM Wing, FBR being the training coordinator was requested to provide the course attendance certificates. The DAC in its meeting held in Dec, 2012 directed the TARP management to provide the copies of course completion certificates duly issued by the institutions concerned or recover the amount involved. Reply was awaited till finalization of the report.

Audit requires implementation of DAC directives.

[Para 11 of MR TARP]

5.6.5 Un-authorized payment of special allowance (IJP) and conveyance allowance during leave period for Rs 2.65 million

According to rule 7-A of Supplementary Rules, conveyance allowance is not admissible during leave or temporary transfer. Further, FBR’s Circular No. 01(1)/Member (Admin)/06 dated 31st Oct 2006, and Circular No.1(4)SS/(HRM)/2010/165129-R dated 17th Dec 2010, provides that the Special Allowance will be admissible for a period of 48 days leave in a calendar year whether availed together or separately. Moreover, as per circular No.1(3)M(HRM)/07 dated 06th July 2007, the special allowance was to lapse after two years subject to review in the light of performance and adherence to above mentioned rules for further continuation.

Special allowance and conveyance allowance in ten field offices of FBR were not deducted from the salaries of those officers/officials who availed various types of leave beyond the specified period during which the allowances were permissible. The requirement of review of performance after two years for continuation of IJP allowance was also not fulfilled which resulted in unauthorized payment of special/conveyance allowance for Rs 2.72 million during the year 2011-12.

The irregularity was pointed out during July to Nov, 2012. Three offices reported recovery of Rs 0.07 million and remaining offices intimated that necessary action would be taken accordingly. The DAC in its meeting held in Dec, 2012 directed to expedite the recovery and RTO Gujranwala and Multan were directed to obtain clarification from FBR regarding admissibility of IJP

allowance during leave period exceeding 48 days in a calendar year. Further progress was not intimated till finalization of the report.

Audit requires implementation of the DAC directives.

[Annexure-49]

5.6.6 Un-authorized expenditure on POL/CNG and repair and maintenance of vehicles for Rs 17.78 million

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

Fourteen offices in FBR incurred an expenditure of Rs 17.78 million on POL/CNG, repair and maintenance of official vehicles during the year 2011-12, without maintaining the requisite record and fulfilling the requisites of Staff Car Rules. It was further observed that in fifteen cases diesel and CNG was drawn through corporate card for the same vehicle.

The irregularity was pointed out during July to Nov, 2012. Five formations replied that petrol and CNG was used in operational vehicles for official duties which was not accepted by Audit as the vehicles were used without fulfilling the requirements of Staff Car Rules. The remaining formations did not furnish any reply. The DAC in its meetings held in Dec, 2012 and Jan 2013, directed the field formations to ensure implementation of Staff Car Rules and provide relevant record to Audit for verification. The DAC expressed its serious concern to Directorate of Internal Audit, Lahore and directed to produce the record which was not produced at the time of audit. Further progress was not intimated till finalization of the report.

Audit requires implementation of DAC directive, besides, fixing responsibility for violating the specific rules.

[Annexure-50]

5.6.7 Non recovery of motor vehicle installments owned by the officers availing monetization transport facility for Rs 7.13 million

According to sub para-(vi) of rules/policy for monetization of transport facility for civil servants (BPS-20 to BPS-22) issued by the Cabinet Secretariat (Cabinet Division) Government of Pakistan vide No.6/7/2011-CPC, dated

12th Dec, 2011 that the recovery installments at the depreciated price of the vehicle shall be so fixed (not less than Rs 25,000/- per month) and in such a way that the entire cost is recovered from the officers before the date of their superannuation.

Eight field formations of FBR and FBR (HQ) allotted vehicles to their officers in BPS-20 to BPS-22 under Transport Monetization Facility. The recovery was required to be made from the pay of the officers concerned immediately after handing over the vehicles but the formations failed to do so, resulting in non recovery of Rs 7.63 million. Moreover, the FBR (HQ), had allocated 1300cc vehicles to fifteen officers of grade 20 and 21 under the monetization policy, whereas, they were entitled to 1000cc vehicles.

The irregularity was pointed out during July to Nov, 2012. The five offices reported recovery of Rs 0.50 million which was verified by Audit. The remaining formations reported that recovery action had been initiated. As far allocation of vehicles beyond the entitlement, FBR (HQ) replied that as 1000cc vehicles were not available, therefore, 1300cc vehicles were allocated as per FBR policy. FBR's reply was not accepted by Audit on the ground that FBR's policy was not in consonance with the Staff Car Rules. In remaining cases, no reply was furnished. The DAC in its meetings held in Dec, 2012 and Jan, 2013 directed to expedite the recovery. DAC further directed the FBR (HQ), LTU Lahore, RTO-I and II Karachi, RTO Quetta and Commissioner Appeal-I LTU Karachi, to get the incorporation certificates and to refer the matter to Cabinet Division for clarification of the Audit point of view regarding allocation / allotment of vehicles to BS 21 and 20 Officers in terms of transport monetization policy. Further progress was not intimated till finalization of the report.

Audit requires expeditious recovery and implementation of DAC directives, besides, fixing responsibility for violation of monetization policy.

[Annexure-51]

5.6.8 Unauthorized expenditure on Transit Accommodation of Rs 1.75 million

Rule 11 of General Financial Rules provides that each Head of the Department is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing officers.

LTU Islamabad incurred un-authorized expenditure of Rs 1.75 million during 2011-12 on account of utilities and other stores without having proper allocation for transit accommodation. Further, the details regarding rent charges

etc. collected from the occupants and its timely deposit in the national exchequer were not shown to Audit.

The irregularity was pointed out in Sep, 2012. The department replied that the case was being taken up with the Federal Board of Revenue. The para could not be discussed in the DAC meeting held in Dec, 2012 due to non submission of working papers by the department.

Audit requires production of record, besides, fixing responsibility for not timely depositing government revenue in government exchequer.

[DP No. 13785-Exp]

5.6.9 Fruitless/ineffective expenditure on construction and furnishing of Transit Accommodations for Rs 382.33 million

According to revised PC-I of Tax Administration Reform Project (TARP) read with para 7.6.1 & 7.6.3 of Tax Administration Reform Strategy May, 2003, transit accommodations were proposed to be constructed and furnished till the close of project. The purpose was to construct condominiums to address the acute and endemic issue of residential accommodation shortages to enable the required persons to shift their family to new job placements over the course of the seven years implementation period.

Thirteen transit accommodations were constructed and furnished at the cost of Rs 382.33 million till the close of project i.e. 31st Dec, 2011 and handed over to concerned RTOs and LTUs of FBR. The purpose of transit accommodations was to enable the required persons to shift their family to new job placements and provide modern residential accommodation to staff.

Audit noticed the following deficiencies in the management and operation of these transit accommodations.

- i) No record was available, since the handing over of these transit accommodations to the concerned RTOs and LTUs, indicating to whom these were allotted, how much rent was collected and how much rent was deposited.
- ii) Policy regarding utilization, entitlement, allocation, rent charges and admissibility of house rent allowance during occupancy was not framed.
- iii) Issues regarding O&M expenditure, sanctioned strength of staff and allocation of resources were not finalized.

- iv) Standard Measurement Books (SMBs) indicating the record entries of measurements of buildings for periodical repairs required to be maintained under para 210 of CPWA Code were not produced.
- v) The record regarding utility bills, day to day expenses, allocation/booking register, stock register, physical verification of assets was not maintained.

The irregularity was pointed out in Nov, 2012 and in reply, TARP management stated that after completion of transit accommodations the responsibility rested with the field formations and FBR. In DAC meeting held in Dec, 2012 the FBR informed that policy for allocation of transit accommodation was circulated to field formations. The DAC directed the Secretary Expenditure, FBR to refer the matter to Member HRM for reply to Audit. Further progress was not reported till finalization of the report.

Audit requires to investigate the matter and implementation of DAC directive.

[DP No. 13753-Exp]

5.6.10 Abandoned civil works of development projects involving cost of Rs 1,263.77 million

As provided in para 3.33 of the guidelines issued by Planning Commission, Project Wing, the project is considered to be completed / closed when all funds have been utilized and objectives achieved, or abandoned due to various reasons. At this stage, the project has to be closed formally, and reports to be prepared on its overall level of success, on a Performa PC-IV and forwarded to the project wing of Planning Commission.

Revenue Division (FBR) initiated twenty three development projects with estimated cost of Rs 1,263.77 million during the year 2009-10, 2010-11 and 2011-12. The execution of work was assigned to Pak PWD as deposit works, with the completion period ranging from one to three years. The scrutiny of record revealed that the projects were not completed within stipulated period by the executing agency. Moreover, the requisite record showing completion of the projects was not provided which proved that works were abandoned and amount to the stated extent remained blocked.

The irregularity was pointed out to the department in Sep, 2012. The department stated that the issue was taken up with the Pak PWD for early action but the action on the part of PWD is awaited. The para could not be discussed in

the DAC meeting held in Dec, 2012 due to non submission of working papers by the department.

Audit requires an early action for completion of works and recommends that the issue be taken up at appropriate level for administrative action to avoid such delay in future.

[DP No. 13685-Exp]

5.6.11 Blockage of government revenue due to non disposal of condemned vehicles for Rs 2.50 million

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

Three field formations of FBR did not dispose off condemned vehicles / unserviceable store items despite lapse of a considerable period ranging two to three years which resulted in blockage of government revenue for Rs 2.50 million in the following offices.

(Rs in million)

Sr.No.	Office	No. of Vehicles	Approximate value
1	RTO Gujranwala	13	2.00
2	RTO Bahawalpur	11	0.50
3	RTO Faisalabad	13	No committee constituted for assessment
	Total	37	2.50

The irregularity was pointed out during July to Nov, 2012. The field formations replied that issue was referred to the FBR for constituting condemnation committees for disposal of vehicles/unserviceable stores. The DAC in its meeting held in Dec, 2012 directed to the concerned RTOs to expedite the process of disposal of vehicles / unserviceable store items after completion of all formalities and report progress to Audit and FBR. Further progress was not intimated till the finalization of the report.

Audit requires early disposal of condemned vehicle through public auction and sale proceeds thereof be deposited in government treasury.

[DP No. 13365, 13292 & 13674-Exp]

5.6.12 Unauthorized payment on account of Ad-hoc Relief Allowance 2009 for Rs 1.06 million

According to Finance Division's Office Memorandum No. F.1 (5) Imp/2011-419, dated 4th July, 2011, Ad-hoc Relief Allowance, 2009 will stand discontinued with effect from 1st July, 2011 as being merged in Basic Pay Scales 2011.

RTO-I and II Lahore paid ad-hoc relief allowance, 2009 to one hundred forty officials during the financial year 2011-12, whereas the said adhoc relief allowance was already merged in the Revised Basic Pay Scales of 2011, which resulted into unauthorized payment of Rs 1.06 million.

The irregularity was pointed out to the department during August to Oct, 2012. The RTOs replied that recovery action was initiated. The DAC in its meeting held in Dec 2012, directed the RTOs to pursue recovery and inform progress to Audit. Further progress was not intimated till finalization of the report.

Audit emphasizes early recovery of unauthorized amount paid, besides, fixing responsibility for negligence.

[DP No.13273 & 13285 -Exp]

5.6.13 Excess payment of house rent allowance for Rs 1.16 million

According to the para-7 of the Basic Pay Scales 1983, all employees not provided with government accommodation shall be entitled to house rent allowance @ 45% of the minimum of the basic pay scales at the specified stations whereas at all other stations, this allowance will be allowed @ 30% of minimum of basic pay.

Three field formations of the FBR neither curtailed the house rent allowance to 30% nor stopped the house rent allowance of the 29 officers/officials who were posted at non specified stations and provided with government accommodation facility. The omission resulted in excess payment of house rent allowance of Rs 1.16 million.

The irregularity was pointed out during July to Nov, 2012. The field formations informed that recovery proceedings have been initiated. The DAC in its meeting held in Dec, 2012 directed to expedite the recovery and get the

position verified from Audit. Further progress was not reported till finalization of the report.

Audit requires expeditious recovery besides, fixing responsibility.

[DP No. 13290, 13675 & 13697-Exp]

5.6.14 Non recovery of loans and advances for Rs 5.67 million

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

Four field offices of FBR sanctioned different kinds of loans and advances to fifty seven officials/officers but recovery of installments was not initiated from their salaries despite the fact grace period of six months had also lapsed. The omission resulted in non recovery of the loans and advances for Rs 5.67 million including interest accrued.

The irregularity was pointed out to the department during July to Nov, 2012. Three field formations replied that necessary action was being taken whereas no reply was given by remaining one formation. The DAC in its meeting held in Dec, 2012 directed the RTOs to expedite the recovery and to get the position verified from Audit. Further progress was not intimated till finalization of the report.

Audit emphasizes expeditious recovery, besides, fixing responsibility on the officers/officials at fault.

[Annexure-52]

5.6.15 Purchases without proper tendering and non accountal of store items for Rs 6.82 million

In terms of rules 148 and 149 of General Financial Rules, all stock received should be examined, counted, measured or weighed as the case may be, when delivery is taken. The officer responsible for the stores should see that the quantities were correct and their quality was good and record a certificate to that effect. The officer should also record a certificate to the effect that he has actually received the material and recorded them in the appropriate stock register. Further as per delegation of financial powers of PRAL, approval of BoD is required for incurring expenditure over rupees two million.

Three field offices of the FBR purchased different office equipment and other store items without proper tendering and fulfillment of the pre-requisites

regarding procurement / store inventory. The irregular procurement and non-accountal of inventory resulted in irregular expenditure of Rs 6.82 million by the following offices.

(Rs in million)

Sr. No.	Office	DP No	Cost of purchased items
1	RTO Peshawer	13698-Exp	1.61
2	PRAL Islamabad	13678-Exp	2.60
		13679-Exp	0.31
3	RTO Multan	13725-Exp	2.30
	Total		6.82

The matter was pointed out to the department during July to Nov, 2012 but no reply was given by the department. In the DAC meeting held in Dec 2012, RTOs Peshawar and Multan did not furnish any reply whereas the PRAL in one case replied that all the items had either been recorded in stock register or in consumable register but no supporting evidence was provided. PRAL further replied in the case of procurement without seeking approval from competent authority that the capital expenditure for the year was approved by the BoD of PRAL, therefore approval for specific expenditure was not required. The reply was not admitted by Audit as approval of BoD was required in this particular case under the rules (delegation of financial powers). The DAC directed the RTOs/PRAL to produce the record of procurements for Audit verification. Further progress was not intimated till finalization of the report.

Audit requires the production of proper record of procurements/inventory and fixing responsibility for non observance of rules.

[DP No. 13698, 13678, 13679 & 13725-Exp]

5.6.16 Unlawful payment of cash reward for Rs 24.57 million

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

Contrary to above, RTO Sargodha and FBR (HQ) sanctioned cash reward for Rs 24.57 million during the year 2011-12, without any lawful authority. The rules according to which the rewards were sanctioned did not have concurrence of the Finance Division which was a pre-requisite.

The irregularity was pointed out during July to Nov, 2012 but the department did not furnish any reply. The DAC meeting held in Dec, 2012 directed the FBR to provide authority / approval of the forum at which the cash reward rules were approved. Further progress was not intimated till finalization of the report.

Audit emphasizes recovery of unlawful payment, besides, fixing responsibility for sanctioning irregular cash reward.

[DP No. 13549 & 13701 -Exp]

5.6.17 Irregular expenditure on repair and maintenance of building for Rs 5.83 million

According to paragraph 56 of Central Public Works (CPW) Code subject to the provisions of paragraph 102, for each individual work proposed to be carried out, except petty works, petty repairs, and repairs for which a lump sum provision has been sanctioned under paragraph 106, a properly detailed estimate must be prepared for the sanction of competent authority. Such sanction will be accorded by the officer of the Public Works Department authorized to do so.

Further, General and Special Conditions of Contract provide method and conditions of payment to be made to the contractor under the contract which also pertain to the conditions for mobilization advance, inspection and testing of work, specifications, liquidated damages (LD) charges and completion certificates etc.

RTO Islamabad was allocated an amount of Rs 6.00 million for payment of rent of official accommodation. The said amount was re-appropriated to carry out certain repair and maintenance and addition/alteration to the existing building at Islamabad, during the FY 2011-12, which was actual liability of TARP. The repair and maintenance work of building was executed through a contractor in which following irregularities were noticed:

- Technical sanction before execution of work was not produced to audit as required under the Central Public Works (CPW) Code as indicated above.
- A payment amounting to Rs 1.29 million was made to the contractor on mobilization of material at site despite the fact that contractor neither specified the price nor quantities of material brought at the site rather an estimated value of material was provided to the Project Director. Hence, payment was made without inspection of material which was required

under clause 8.1 of general contract conditions and in the absence of invoices required under clause 16.2 was not justifiable.

- A payment of Rs 2.59 million on account of 1st running bill was made without inspection of completion of 50% of work as, neither any record of entries of Measurement Book/SMB nor inspection report/test of work were provided.
- The work was to be completed by 07th June, 2012 but contractor neither applied for time extension on specific reasons nor clause 22.2 and 23.1 were not invoked for recovery of liquidated damages.
- Payment of Rs 1.36 million and Rs 0.58 million on account of 2nd running bill and final payment respectively was made without inspection of completion of remaining 50% of work as no completion certificate from NESPAK was obtained.

As such, expenditure incurred becomes irregular for Rs 5.83 million and same needs to be justified.

The irregularity was pointed out by Audit during August to Oct 2012 but the department did not furnish any reply. In the DAC meeting held in Dec, 2012, the department informed that necessary documents are available for verification. The DAC directed the RTO to get the position verified by Audit. Further progress was not reported till finalization of the report.

Audit emphasizes to investigate the matter regarding above irregularities, besides, fixing responsibility and effecting recovery without further delay.

[DP No. 13734-Exp]

5.6.18 Un-authorized expenditure due to illegal use of vehicles for Rs 1.70 million

According to rules 17(3) and 18(2)(3) of Staff Car Rules, 1980 where reasonable indication of the nature of the journey made by the staff car is not available or where an officer has not signed the register or not supplied the particulars, it shall be assumed that the journey was made on private account and shall be charged accordingly as per rule 6. According to sub rule (3) under Rule 18 of Rules *ibid*, the auditing staff shall ensure that the use of staff car after its becoming surplus under sub-rules (1) and (2) of rule 3 is treated an unauthorized and charges from the individual using such staff car are recovered in accordance with rule 6.

The vehicles of RTO Sargodha and Director I & I Karachi remained under un-authorized use of the Secretary IR-I Taxes FBR, Islamabad and officers/officials of Director I & I (IR), Karachi. The concerned formations failed to recover an amount of Rs 1.70 million incurred on account of POL/CNG, repair and maintenance of these vehicles from the concerned.

The irregularity was pointed out in Oct and Nov 2012. The RTO Sargodha informed that concerned officer was informed for compliance whereas no reply was furnished by the Director I & I (IR), Karachi. Audit recommends for the recovery of pointed out amount. The DAC in its meeting held in Dec, 2012 directed the RTO Sargodha to inform progress / updated position to Audit. Further progress was not reported till finalization of the report.

Audit emphasizes expeditious recovery, besides, fixing responsibility for misuse of official vehicles.

[DP No. 13702-Exp & 140-Exp/K]

5.6.19 Unauthorized payment of Rs 1.54 million

According to rules 11 and 12 of GFR Vol-I, all heads of Departments are responsible for enforcing financial orders and strict economy at every step. They should ensure that all financial rules and regulations are strictly adhered to.

RTO, Multan incurred expenditure amounting to Rs 1.54 million on the purchase of different store items under the head 'A03942-Cost of Other Stores' whereas powers were not delegated to incur expenditure in the "System of Financial Control and Budgeting" issued by the Finance Division vide No. F.3 (2) Exp.III/2006 dated 13.09.2006. It resulted into an unauthorized expenditure of Rs 1.54 million during the financial year 2011-12.

The irregularity was pointed out to RTO, Multan in July and August, 2012 but no reply was given by the department. The DAC in its meeting held in Dec 2012, directed the RTO to get the expenditure regularized from competent authority. Further progress was not reported till finalization of the report.

Audit emphasizes regularization of unauthorized expenditure, besides, fixing responsibility for exceeding delegated financial powers.

[DP No. 13435-Exp]

5.6.20 Non deposit of sales tax for Rs 1.09 million

According to section 3 and section 26 of the Sales Tax Act 1990, read with rule 3 of the Sales Tax Special Procedure (Withholding) Rules, 2007 the registered supplier shall file monthly sales tax return not later than the due date

indicating the purchase, supplies made during the tax period and paid the tax due.

Three DDOs of FBR field formations purchased stationery and store items from registered suppliers and deducted 1/5th sales tax from the bill of suppliers. But the concerned registered suppliers did not pay the remaining 4/5th amount of sales tax which was payable for the supplies which resulted into loss to government exchequer for Rs 1.09 million.

The irregularity was pointed out to the FBR during Sep to Dec, 2012 but no reply was given by the department. The DAC in its meeting held in Jan 2013, directed the field formations of FBR to expedite the recovery and get it verified. Further progress was not reported till finalization of the report.

Audit emphasizes expeditious recovery, besides, taking appropriate action against the persons at fault.

[Annexure-53]

5.6.21 Unauthorized payment of medical claims for Rs 1.90 million

According to serial No. 16 of Guidelines for re-imbursment of medical claims of the Federal Government employees issued by the Ministry of Health, Islamabad vide its O.M. No.F.5-38 / 2001-Chief (H), dated 16th March, 2006, if any patient has to get medical treatment from any un-authorized/private hospital/Military Hospital / Clinic, in emergency, he is required to produce emergency certificate from the treating doctor showing nature of disease and treatment given, duly countersigned by the nearest authorized medical attendant.

RTOs, Peshawar, Karachi-II and Sukkur sanctioned doubtful re-imbursment of medical claims in 17 cases. The claims were sanctioned without fulfilling the codal formalities and basic requirements for reimbursement of medical charges which resulted in an unauthorized reimbursement of medical charges of Rs 1.90 million.

The matter was pointed out by Audit in July and Nov, 2012. The department replied in certain cases that the patient rushed to a nearest hospital due to severe pain and obtained an emergency certificate showing nature of disease, but the department did not produce any documentary proof of stance. The DAC in its meetings held in Dec, 2012 and Jan, 2013 directed the RTOs to provide requisite documents in support of their contention to audit for verification. Further progress was not intimated till finalization of the report.

Audit emphasizes justifying the position and expediting the recovery. Further occurrence of such omission needs to be avoided in future.

[Annexure-54]

5.6.22 Sanction of honorarium/undue benefit to FBR employees for Rs 35.86 million

According to ECC decision dated 1.7.1996, honorarium was allowed to the officers of Finance Division including FBR, Planning and Development Division etc. up to the level of joint secretaries, engaged in preparation and finalization of Annual Budget. This was in addition to normal honorarium equal to one month's pay.

Honorarium amounting to Rs 35.86 million, up to 4 months basic pay was disbursed during financial year 2011-2012 through DDO FBR HQ. The employees of FBR HQ were also paid on account of efficiency honorarium (Rs 5.144 million), in addition, cash reward of Rs 20.86 million, up to two month's pay, was paid to 519 officers/officials, under Unified Reward Rules 2006, on meritorious services/extraordinary performance in their duties. Further, payments on account of meal charges @ 300 per day for sixty days, overtime charges, late sitting / night duty charges and conveyance charges were also made to FBR's employees. Moreover, some regular employees were paid from the head 'A03919-payment to others for services rendered' on the ground that professional/technical services of the employees were acquired during preparation of annual budget 2011-12. However, detail of employees of FBR as well as of other departments like ministry of law, AGPR, CDA etc. containing therein the nature of the special tasks assigned to them during budget exercise 2011-12, as well as the amount of budget honorarium settled by the competent authority in advance was not provided to Audit.

The department was requested in Sep, 2012 to provide the following information/documents for review:

- detail of volume of work assigned and performed in addition to work as falling within orbit of normal duties,
- amount assessed in respect of each beneficiary,
- requisitions made showing the names of officers / employees of other offices such as Law and Justice Division, Planning Division, Finance Division, National Assembly, AGPR, CDA etc. and approvals granted by the heads of respective departments/offices allowing them to work in FBR, with period of working days,

- the copy of summary dated 25th June, 1996 in Case No. ECC-151/9/96 dated 1st July, 1996 for audit comments on amount of budget honorarium sanctioned during 2011-12.

The department replied that employees of FBR and its field offices were entitled to the honorarium and meal charges for late sitting etc and such cases were separately processed at the end of each financial year (i.e. April-June) keeping in view the performance to be assessed by the concerned Member or Head of the Department. Reply of the department was not accepted in the absence of information required by Audit. The DAC in its meeting held in Dec, 2012 directed the FBR to provide requisite details to Audit by 5th Jan, 2013. Further progress was not reported till finalization of report.

Audit emphasizes implementation of DAC directive immediately and appropriate action under the relevant law.

[DP No. 13776-Exp]

5.6.23 Inadmissible payments involving Rs 2.99 million

According to Rule 10 of General Financial Rules of Government of Pakistan, every officer authorized to incur expenditure from the public funds should observe 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 would exercise in respect of expenditure of his own money, and the expenditure should not be *prima-facie* more than the occasions demands. Rule 11 of General Financial Rules provides that each head of department is responsible for observance of all relevant financial rules and regulations both by his own office and by his subordinate disbursing officers.

During audit of FBR (HQ) and various field formations miscellaneous irregularities were noticed which caused unjustified expenditure contrary to the canons of financial propriety for Rs 3.16 million as elaborated on next page:

(Rs in million)

Sr. No.	Office	No of issues involved	Amount involved	Amount recovered	Amount recoverable
1	FBR (HQ)	14	1.28	0.15	1.13
2	RTO II, Lahore	09	0.72	-	0.72
3	DPC Lahore	02	0.02	-	0.02
4	RTO Faisalabad	05	0.31	-	0.31

5	LTU Lahore	02	0.08	-	0.08
6	RTO Peshawar	01	0.05	-	0.05
7	RTO Gujranwala	02	0.08	-	0.08
8	RTO Bahawalpur	06	0.25	-	0.25
9	RTO Rawalpindi	01	0.04	-	0.04
10	RTO Sialkot	01	0.05	-	0.05
11	Director Internal Audit, Lahore	02	0.04	0.02	0.02
12	PRAL Islamabad	02	0.08	-	0.08
13	TARP Islamabad	02	0.16	-	0.16
Total		49	3.16	0.17	2.99

The irregularities were taken up with the departmental authorities from August to Nov, 2012.

The departmental replied that:

- the allowances are not to be included in the list of emoluments for the purpose of tax calculation. The stance was not accepted by Audit as all the allowances are to be included in the emoluments as per Income Tax Ordinance, 2001,
- due to strike in AGPR, the cheque was issued after due date for payment of utility bills. Therefore the responsibility does not lie on the department. The reply was not admitted by Audit as the sanction for the amount was obtained including surcharge even before the due date for payment of utility bills. Audit hold this sanction as irregular,
- secret services expenditure was not subjected to scrutiny by Audit. The stance of the department was not accepted by Audit as in the instant case withholding (income) tax was required to be deducted before making payment to beneficiary.
- in remaining cases the department did not furnish any reply.

The DAC in its meeting held in Dec, 2012 directed the department to re-assess the rental value, furnish physical verification report along with record of stores, initiate disciplinary proceeding against the officer absent from duty and expedite recovery. The DAC further directed the LTUs Lahore and Islamabad to

refer the matter to Senior Member-IR (Policy), FBR Islamabad for clarification of the issue. Further progress was not intimated till finalization of the report.

Audit emphasizes to implement the DAC directives, besides, fixing responsibility for allowing inadmissible payments.

[Annexure-55]

CHAPTER-6 INTERNAL CONTROL WEAKNESSES

6.1 Introduction

Internal control is an integral process that is affected by an entity's management and personnel and is designed to address risks and to provide reasonable assurance that in pursuit of the entity's mission, the following general objectives are being achieved⁷:

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

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

6.2 Components of internal control

Internal control consists of five interrelated components⁸:

- Control environment
- Risk assessment process
- Control activities
- Information and communications
- Monitoring

6.3 Internal Control Weaknesses

Internal control environment of FBR and its field formations was evaluated while conducting regularity audit for the year 2011-12. Weaknesses of internal control observed are given in succeeding paragraphs:

⁷ INTOSAI GOV 9100 Guidelines for internal controls for public sector Pg 6

⁸ INTOSAI GOV 9100 Guidelines for internal controls for public sector Pg 13

6.4 Direct Taxes

6.4.1 Non-pursuance of regular filing of income tax returns

Section 114 of the Income Tax Ordinance, 2001 provides that every company, person whose taxable income for the year exceeds the maximum amount that is not chargeable to tax, non-profit organizations and approved welfare institutions are required to furnish a return of income. In addition to above, following persons are also required to submit the returns:

- i) Tax payers who have been charged to tax in respect of any of the two preceding tax years.
- ii) Tax payers who claim a loss carried forward under the Ordinance.
- iii) Persons owns immovable property with a land area of two hundred and fifty square yards or more or owns any flat located in areas falling within the municipal limits existing immediately before the commencement of Local Government laws in the provinces or areas in a Cantonment or the Islamabad Capital Territory
- iv) Persons own a motor vehicle having engine capacity above 1000 CC.
- v) The persons who have obtained National Tax Number.
- vi) Every individual whose income under the head “income from business exceeds rupees three hundred thousand but does not exceed rupees three hundred and fifty thousand in a tax year.

In twenty one offices 11215 out of 33724 enrolled taxpayers did not file their returns for the tax year 2011-12. The department did not take action against non-filers which reflects poor monitoring and enforcement. Whole tax administration depends upon the filing of the returns, therefore, occurrence of such internal control lapses show ineffective monitoring by the department.

[Annexure-56]

6.4.2 Filing of incomplete returns causing invalid assessments

Section 120 (3) of the Income Tax Ordinance, 2001 provides that, where the return of income furnished is not complete, the Commissioner shall issue a notice, to the taxpayer informing him of the deficiencies and directing him to provide such information, particulars, statement or documents by such date as specified in the notice. Where a taxpayer fails to fully comply, by the due date,

with the requirements of the notice under sub-section (3), the return furnished shall be treated as an invalid return as if it had not been furnished vide sub section 4 of section 120 and there would not be any assessment order in the field.

Thirty one taxpayers of RTO Islamabad and Faisalabad filed income tax returns which were not complete as per above provisions of the law, therefore the same were not treated as assessment orders. It is also pertinent to mention here that there are no validation checks in the web-portal of PRAL where returns are e-filed because certain taxpayers filed incomplete returns without stating all information in the relevant columns. Audit is of the view that in the presence of these deficiencies factual position and authenticity of taxable income cannot be ascertained and thereby concealment of facts cannot be ruled out.

Audit pointed out the irregularity time and again to the FBR that due to weak internal controls invalid returns are being accepted but no reply was given by the department. In the DAC meeting held in Dec, 2012 the department replied that notices have been issued to the taxpayers for compliance. The DAC directed the department to finalize the proceedings.

[DP No 13341-IT & 13495-IT]

6.4.3 Non-monitoring of minimum tax payment for Rs 22,903.54 million

Section 113 of the Income Tax Ordinance, 2001 deals with the payment of minimum tax @ 0.5% up to the Tax Year 2010 and @ 1% in Tax Year 2011 of the turnover of the taxpayer in cases of resident companies only if no tax is payable whatsoever the reasons. These reasons could include assessed losses for the tax year and carried forward and adjustment of previous tax years assessed losses.

An analysis was made on the basis of the data obtained from the e-portal of the FBR regarding the turnover declared by the resident companies who declared losses, excluding turnover relating to export, and the tax leviable. The tax leviable was thus compared with the tax charged by the tax payers while making assessment u/s 120 ibid. The comparison shows that the tax was less charged / recovered at Rs 6,028.11 million and Rs 16,875.42 million in tax year 2010 and in tax year 2011 respectively. The said comparison revealed that there was no effective internal control employed in the department to check the

accuracy of the tax charged vis-à-vis the amount of tax which was required to be charged / recovered under the law.

The department was required to issue notices under the relevant provision of the Income Tax Ordinance, 2001 to charge/ recover the correct amount of tax. Occurrence of such internal control lapses show ineffective monitoring by department.

[Annexure-57]

6.4.4 Misclassification of Worker's Welfares Fund as income tax receipts

The Controller-General of Accounts has classified workers welfare fund (WWF) into government treasury in federal section of accounts as under:

G06	Trust Accounts Fund
G063	Welfare Fund
G06304	Workers Welfare Fund

Contrary to the above, the Regional Tax Office Multan sanctioned income tax refund during the financial year 2011-2012 and the payment of Rs 19.201 million on account of WWF was deducted from the refund amount. This shows that the amount was incorrectly booked and classified as a direct tax collection under head B01-Direct Taxes, B015-Workers Welfare Tax and B01501-Ordinary Collection.

As a result of this misclassification, WWF has been understated and income tax collection has been overstated; thus compromising the reliability and authenticity of accounting record. This may affect the divisible pool as well. The management should rectify existing misclassification as pointed out by Audit and ensure such misclassification of receipts does not occur in future.

[DP No.13422-IT]

6.5 Indirect Taxes

6.5.1 Huge deferred liabilities of sales tax refund causing over statement of receipts

According to Section 10 (1) of the Sales Tax Act, 1990 if the input tax paid by a registered person on taxable purchases made during a tax period exceeds the output tax, the excess amount of input tax shall be refunded to the registered person not later than forty-five days of filing of refund claim. As per

section 67 where a refund due under section 10 is not made within the time specified in this behalf, there shall be paid to the claimant in addition to the amount of refund due to him, a further sum equal to KIBOR per annum of the amount of refund due, from the date following the expiry of the time specified as aforesaid, to the day preceding the day of payment of refund. According to Sales Tax Rules, 2006 relating to refund “where the claim or any part thereof is found inadmissible or unverified, the officer-in-charge shall, at the time of issuing RPO, issue a notice requiring the claimant to show cause as to why the claim or as the case may be, part thereof should not be rejected and as to why the claimant should not be proceeded against under the relevant provisions of the Act.

Seven field offices of FBR kept the refunds pending from one month to seven years for processing or rejection wholly or partially as indicated through the desk audit of soft data of refund of sales tax in 1680 refund claims involving Rs 766.79 million. The reasons for pending refund were not given in the provided data. The implications of such accumulated pending refund claims are as follows:

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

Audit is of the opinion that huge pendency of refund claims without any reason is not logical. The refund payment in general and accumulated cases in particular lack any organized system like FIFO. According to law, the refund cases are either required to be processed for sanction or rejection after adjudication. There has been no monitoring system for speedy disposal of refund claims pending for period ranging from one month to seven years. The provisions of law regarding adjudication were not resorted to at the time of deferment/rejection.

The matter was pointed out by Audit in July to Nov, 2012 but no reply was given by the department. In the DAC held in Dec, 2012, LTU Lahore, Gujranwala, Bahawalpur and Sialkot informed that show-cause-notices have

been issued. The DAC directed the LTU/RTOs to expedite the adjudication/recovery and directed the RTO, Faisalabad, RTO-II, Lahore and Abbottabad to examine the deferred refund claims and show cause notices should be issued within one month which are pending for more than four months. In future no refund claim be kept deferred for more than four months. Further progress was not intimated till the finalization of the report.

[Annexure-58]

6.5.2 Inadmissible refund of Rs 24.11 million sanctioned due to non-submission of required documents

According to section 7,8,8B,10,22 and 26 of Sales Tax Act 1990 read with rule 28,33 and 38 of Sales Tax Rules 2006 issued Vide SRO 555(1)/2006 dated 5th June, 2006, if the input tax paid by the registered person on taxable purchases made during the tax period exceeds the output tax on account of zero rated goods, local supplies or export made during that tax period, the monthly sales tax return filed by the claimant shall be treated as a refund claim if all the supporting documents are submitted including the requisite soft data.

Two registered persons in RTO Sargodha, did not provide the invoices of local zero rated supplies along with zero rated invoice summary, purchase invoice summary and Annexure A,B,C and bank statements of business bank declared by registered persons. Sanctioning of refund without obtaining required documents by the tax authorities shows that normal control procedure was not followed. This led to inadmissible sanction of refund of Rs 24.11 million.

The irregularity was pointed out in Nov, 2012 with request to recover the amount from the concerned registered person but no reply was given by the department. The DAC in its meeting held in Dec, 2012 directed the RTO to provide the required documents to Audit for verification by 5th Jan, 2013. Further progress was not intimated by the department till finalization of the report.

[DP No.13484-ST]

6.5.3 Doubtful payment of sales tax refund due to weak internal controls for Rs 1.08 million

According to Rule-33 of the Sales Tax Refund Rules 2006, refund to the claimants under these rules shall be paid to the extent of input tax paid on purchases or imports that are actually consumed in the manufacture of goods which have been exported or supplied at the rate of zero per cent.

A refund sanctioning authority under the jurisdiction of RTO Gujranwala issued refund payment order No.14341/2011 dated 29th June, 2011 involving Rs 1.08 million and deferred input tax worth of Rs 0.09 million. Whereas, in the same file an amount of Rs 0.09 million was again sanctioned in the file but RPO was issued under the same number and date for Rs 1.08 million which was printed on 13th Sep, 2011. In centralized refund payment system RPOs are issued by the RTOs and payment is made through central refund office in FBR. In the prevailing practice there is no mechanism for meaningful reconciliation of refund payment by the field formations and FBR.

The irregularity was pointed out to the department in Nov, 2012 with the request to justify issuance of two RPOs against one claim, besides, strengthening of internal controls and doing meaningful reconciliation of revenue figures to safeguard against loss to the public exchequer but no reply was given by the department. The DAC in its meeting held in Dec, 2012 directed the department to provide requisite documents to Audit by 05th Jan, 2013 and further directed the RTO to approach in charge ERS to improve the system of internal control in the light of audit observation and report progress to Audit and FBR. Further progress was not reported till finalization of the report.

[DP No.13277-ST]

6.5.4 Irregular sanction of sales tax refund against Duty and Tax Remission on Export (DTRE) for Rs 3.41 million

According to Rule 302 & 304 of Chapter XII of The Custom Rules 2001, issued vide S.R.O 450(I) 2001, dated 18th June, 2001 read with section-10(2) of the Sales Tax Act, 1990, where a registered person supplies goods to a DTRE user, he shall issue a zero-rated invoice under section 23 of the Sales Tax Act, 1990, mentioning the number and date of DTRE approval of the buyer. Further a DTRE user shall be entitled to acquire input goods without payment of sales

tax in accordance with his DTRE approval and all such acquisitions shall be fed into PACCs within seven days from its acquisition. Further more in the DTRE law, period of consumption is three years and security instruments there against are required to be released after post exportation audit of the exporter.

A registered person of RTO, Faisalabad supplied 132,254 Kgs polythene bags valuing Rs 19.26 million to a DTRE user as zero rated item under DTRE scheme during March, 2010 to Feb, 2011. The refund claimant neither submitted zero rated invoices mentioning the number, date of DTRE approval and certificate from neither DTRE user nor. The refund sanctioning authority did not verify the PACCs data to check whether these invoices were fed in the system within the prescribed period. Moreover, under the law refund of sales tax was admissible on the basis of supplies consumed in zero rated or goods exported. In the instant case refund was allowed to the supplier of taxable goods to the DTRE user without fulfilling the codal formalities. Sanctioning of refund without obtaining required documents by the tax authorities shows that normal control procedure was not followed. The irregularity caused into irregular sanction of sales tax refund against the DTRE supplies involving sales tax of Rs 3.22 million and SED of Rs 0.19 million aggregating to Rs 3.41 million.

The irregularity was pointed out to the RTO during May and June, 2012 but no reply was given by the department. In the DAC meeting held in Dec 2012, the RTO informed that case was under adjudication. The DAC directed the RTO to expedite adjudication and report progress to Audit by 31st Jan, 2013. Reply was awaited till finalization of the report.

[DP No.13518-ST]

6.5.5 Non finalization of admissibility/legitimacy of refund of sales tax

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

The refund sanctioning authorities in twelve field offices of FBR processed the claims and sanctioned refund in 1220 cases in anticipation of

verification of payment of tax by suppliers, payment to suppliers through banking channel and even checking the stock consumption which made the sanction orders provisional and conditional. The refund divisions either did not send cases to post refund audit division to ascertain admissibility of amounts already paid or post refund audit was not conducted. The lack of action rendered payment of Rs 3,223.92 million during 2011-2012 as doubtful.

The irregularity was pointed out to FBR in July to Nov, 2012 but no reply was given by the department. In the DAC meeting held in Dec, 2012 and Jan, 2013, the department informed that post refund audit was initiated. The DAC directed the RTOs to expedite post refund audit by 31st Jan, 2013 and get verified position by Audit. Further progress was not intimated till finalization of the report.

[Annexure-59]

6.5.6 Irregular sanction of sales tax refund for Rs 30.62 million

According to rule 7 (2) (c) (i) of the Export Policy Order, 2009, the proof that goods exported from Pakistan have reached Afghanistan shall be verified on the basis of copy of import clearance document by Afghanistan Customs authorities.

A refund sanctioning authority of RTO, Abbottabad sanctioned sales tax refund to a registered person against zero rated supplies exported to Afghanistan without providing customs clearance documents by Afghan Customs Authorities causing inadmissible refund of input tax amounting to Rs 30.62 million.

The irregularity was pointed out to the department in August and Sep, 2012 but no reply was given by the department. The DAC in its meeting held in Dec 2012, directed the RTO to provide export documents duly attested by the customs authorities by 5th Jan, 2013. Further progress was not received till finalization of the report.

[DP No.13746-STR]

6.5.7 Non monitoring of blacklisted/blocked registered persons resulting into non recovery of sales tax

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

RTO-II Karachi did not recover government revenue of Rs 1,192.44 million from 14 registered persons who were displayed as blocked, non active and no record found on the active tax payer list. The department also did not conduct inquiry against their suppliers and buyers, as required under the law to ascertain and recover inadmissible input adjustment or refund taken by them.

The irregularity was pointed out to FBR during March and April, 2012 but no reply was given by the department. In DAC meeting held in Jan, 2013 the RTO-II Karachi informed that the cases were under process and further progress would be intimated in due course. The DAC directed the RTO-II Karachi to expedite the action and report to Audit & FBR before 31st Jan, 2013. Further progress was not intimated till finalization of the report.

[Annexure-60]

6.6 Comments on Internal Audit Department

Internal Audit is an appraisal activity established within an entity as a service to the entity. Its functions include, amongst other things, examining, evaluating and monitoring the adequacy and effectiveness of internal control. Internal Audit is an integral part of internal controls, good financial management, and accountability structure.

The Directorate General Inspection and Audit (Inland Revenue) was assigned to exercise over all supervision of execution and application of Income Tax, Sales Tax, Federal Excise Duty Laws. Being a conscious stakeholder of Government of Pakistan, it is felt that there is a need for a continuous review of the working of the Internal Audit (Inland Revenue) of FBR as to see whether the results of the said separately organized setup for internal audit have been useful

and fruitful to contribute in plugging the loopholes of tax evasion and in widening the area of tax base.

The Directorate General's office is headed by a Grade 21 officer. He is assisted by Directors, Deputy Directors and Assistant Directors manned with well equipped staff. The sanctioned strength vis-à-vis working strength of the organization during the year 2011-2012 was 387. The final grant for financial year 2011-12 for the Directorate General was Rs 184.185 million.

Audit inquired from the FBR internal audit reports for financial year 2011-12. The purpose of obtaining these reports was to perform a critical evaluation of the performance of Internal Audit department of the FBR with respect to the following areas:

- Audit planned by the department with respect to audits conducted.
- Details of execution of audit activity.
- Impact of the audit during the year especially with regard to recoveries pointed out or improvements in internal controls suggested.
- Overall performance evaluation of the internal audit department.

For the purpose, field audit teams of this office requested relevant record but the same was not produced despite pursuance by Audit. In the absence of internal audit reports and requisite record Audit was unable to perform a critical evaluation on internal audit function and offer comments in this regard.

6.7 Conclusion

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

- Poor monitoring of taxpayers towards filing of regular returns
- Acceptance of incomplete returns on web-portal
- Non-monitoring of minimum tax payment under section 113
- Non reconciliation and misclassification of tax figures
- Huge deferred liabilities of sales tax refunds causing over statement of receipts

- Inadmissible refund of sales tax without providing export documents
- Non reconciliation of refund payments by field offices under Expeditious Refund System
- Non finalization of admissibility / legitimacy of refund of sales tax
- Non recovery of sales tax due to supplies made to blacklisted registered/blocked registered persons under the Sales Tax Act
- Non surrendering of unspent budget

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

- to strengthen the monitoring mechanism of the tax payers for regular filing of the returns
- inclusion of data validation checks on web-portal to ensure that only complete returns are accepted
- check on the e-portal for ensuring the correct payment of minimum tax
- to strengthen internal control mechanism for proper classification of receipts
- effective monitoring system for speedy disposal of refund claims
- proper verification of Expeditious Refund Payment System
- post refund audit be ensured according to the provisions of law
- to develop validation check in e-filing system to enable the system not to allow inadmissible adjustment of input tax while accepting sales tax returns
- the department to conduct internal audit as an integral part of the internal control system. There is a need for regular physical stock taking to safeguard public assets.

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

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

S#	Name of formation	DP. No./ Paras of AIR	Title of para	Amount of Audit Observation				Nature of Audit Observation
				Direct Tax	Indirect Tax	Expenditure	Total	
1	LTU, Lahore	13770	Unlawful adjustment of input tax against the supplies to black listed units	0.00	0.69	0.00	0.69	Violation of Section -A of The Sales Tax Act, 1990
2	RTO, Islamabad	13729	Non recovery on account of conveyance allowance	0.00	0.00	0.54	0.54	Violation of Rule 25 and 5(9) of Staff Car Rules, 1980
3	RTO, Multan.	13424	Irregular/ unauthorized payment of electricity charges	0.00	0.00	0.25	0.25	Violation of Rule 5(b) of system Control and Budgeting.
4	RTO, Islamabad	13728	Theft of vehicles along with registration books	0.00	0.00	0.20	0.20	Violation of Rule/para-20 of GFR Vol-I
5	FBR (HQ), Islamabad.	13247	Excess payment of TA/DA on Account of Foreign Tours	0.00	0.00	0.45	0.45	Violation of Rule/para-20 of GFR Vol-I
6	RTO, Multan.	13258	Irregular payment of TA (Transfer Grant)	0.00	0.00	0.11	0.11	Violation of Rule/para-20 of GFR Vol-I
7	PRAL, Islamabad.	13681	In-admissible payment on account of TA/DA	0.00	0.00	0.10	0.10	Violation of Rule/para-20 of GFR Vol-I
8	RTO, Rawalpindi	13396	Excess payment of rent as arrear of self hiring accommodation	0.00	0.00	0.17	0.17	Violation of Rule issued vide No.F-2(I02007-policy, dated 29.9.2007.
9	RTO, Rawalpindi	13398	Excess payment of rent of residential building	0.00	0.00	0.10	0.10	Violations of Rule issued vide No.F-2(I02007-policy, dated 29.9.2007.

10	PRAL, Islamabad.	13680	Un-justified payment on account of UAN services Bill/charges	0.00	0.00	0.26	0.26	Violation of G. F.R Rules Vol-I
11	FBR (HQ), Islamabad.	13281	Retention of vehicle in excess of authorized strength	0.00	0.00	0.00	0.00	Violation of Transport Monetization policy, 12.12.2011
12	FBR (HQ), Islamabad.	13282	Payment of efficiency/special honorarium exceeding one month pay	0.00	0.00	0.30	0.30	Violation of . F.R. Rule-9(9)
13	RTO, Abbotabad.	13745	Un-justified use of operational vehicles causing loss to Govt. exchequer	0.00	0.00	0.98	0.98	Violation of Staff Car Rules,1980
14	FBR (HQ), Islamabad.	13417	Illegal retention of surplus project vehicles	0.00	0.00	0.00	0.00	Violation of Transport Monetization policy, 12.12.2011
15	RTO, Multan.	13724	Irregular/un-authorized expenditure	0.00	0.00	0.80	0.80	Violation of Rule/Para -5.6 & 5.7 DDO Hand Book
16	FBR (HQ), Islamabad.	13279	Excess sanction of law charges	0.00	0.00	0.89	0.89	Violation of Rules SI.9(23) of Annex-I of System Financial Control and Budgeting
17	FBR (HQ), Islamabad.	13280	Illegal retention of vehicle by retired officer	0.00	0.00	0.00	0.00	Violation of Transport Monetization policy, 12.12.2011
18	FBR (HQ), Islamabad.	13546	Sanction of efficiency Honorarium twice to the employee	0.00	0.00	0.10	0.10	Violation of Rule/F.Div-O.No.3(2)Exp-III/2006, dated 13.09.2006
19	FBR (HQ), Islamabad.	13772	Non provision of information regarding assessment of vehicles	0.00	0.00	0.00	0.00	Violation of Transport Monetization policy, 12.12.2011

20	Zone-I, RTO, Multan	13443	Non finalization of assessment proceedings due to lack of internal controls	37.22	0.00	0.00	37.22	Violation of Section-161 of Income Tax Ordinance, 2001
21	Zone-II, RTO, Multan	13456	Loss of revenue due to lack of internal controls	3,568.55	0.00	0.00	3,568.55	Violation of Section-161 of Income Tax Ordinance, 2001
22	LTU, Islamabad	13416	Short payment of sales tax due to adjustment of inadmissible input tax	0.00	2.41	0.00	2.41	Violation of Law / Rules
23	FBR (HQ)	13773	Non demand of mortgage of plot of land and house/car	0.00	0.00	4.514	4.514	Violation of Law / Rules
24	RTO Abbottabad	13538	Non execution of mortgage deed regarding HBA	0.00	0.00	2.27	2.27	Violation of Law / Rules
25	RTO Sialkot	13600	Irregular/un-authorized expenditure over and above the budget grant.	0.00	0.00	9.76	9.76	Violation of Law / Rules
26	Zone-I RTO, Gujranwala	13278	Non/short payment of sales tax	0.00	0.30	0.00	0.30	Violation of Law / Rules
27	-do-	13366	Excess payment of refund of sales tax	0.00	0.11	0.00	0.11	Violation of Law / Rules
28	Zone-II RTO, Gujranwala	13377	Inadmissible payment of refund due to acceptance of time barred refund claim	0.00	1.18	0.00	1.18	Violation of Law / Rules
29	LTU, Lahore	13781	Irregular sanction of refund of sales tax due to time barred claim	0.00	12.76	0.00	12.76	Violation of Law / Rules
30	Internal Audit Lahore	13641	Irregular payment of pay and allowances	0.00	0.00	7.86	7.86	Violation of Law / Rules
31	Zone-I RTO I, Lahore	13607	Inadmissible sales tax refund	0.00	2.44	0.00	2.44	Violation of Law / Rules
32	RTO-II	13576	Non	0.00	0.22	0.00	0.22	Violation of Law

	Lahore		imposition/ realization of penalty on rejection of refund claims					/ Rules
33	RTO Sargodha	13640	Irregular/unaut horized expenditure over and above the budget grant	0.00	0.00	7.76	7.76	Violation of Law / Rules
34	-do-	13304	Inadmissible conveyance allowance	0.00	0.00	0.34	0.34	Violation of Law / Rules
35	-do-	13559	Short recovery of 5% house rent charges	0.00	0.00	0.13	0.13	Violation of Law / Rules
36	RTO Faisalabad	13240	Inadmissible sanction of sales tax refund on zero rated raw material	0.00	1.13	0.00	1.13	Violation of Law / Rules
37	-do-	13254	Excess payment of sales tax refund due to non consumption of raw material	0.00	0.22	0.00	0.22	Violation of Law / Rules
38	-do-	13241	Excess payment of refund due to adjustment of excess opening stock	0.00	0.10	0.00	0.10	Violation of Law / Rules
39	-do-	13244	Excess sanction of sales tax refund	0.00	0.52	0.00	0.52	Violation of Law / Rules
40	Zone-I, RTO Faisalabad	13374	Excess sanction of sales tax refund	0.00	7.83	0.00	7.83	Violation of Law / Rules
41	RTO, Multan	13715	Inadmissible sanction of refund due to non consumption of raw material	0.00	0.07	0.00	0.07	Violation of Law / Rules
42	Zone-II, RTO Multan	13716	Blockage of govt revenue due to non finalization of adjudication proceedings	0.00	3.68	0.00	3.68	Violation of Law / Rules
43	RTO Bahawalpur	13670	Unauthorized expenditure	0.00	0.00	4.49	4.49	Violation of Law / Rules

			over and above the budget grant					
44	RTO, Lahore	13754	Unlawful payment of cash reward Rs 0.89 million against unrealized deposit of Rs 43.57 million aggregating Rs 44.46 million	0.00	0.00	44.46	44.46	Violation of Law / Rules
45	LTU, Islamabad.	12	Irregularities of less significant	541.06	0.5	0.21	541.77	Violation of Law / Rules
46	D.G Internal Audit, Islamabad.	7	Irregularities of less significant	0.00	0.00	0.14	0.14	Violation of Law / Rules
47	RTO Islamabad	11	Irregularities of less significant	0.00	0.00	2.12	2.12	Violation of Law / Rules
48	Zone-I RTO Islamabad	6	Irregularities of less significant	105.34	1.10	0.00	106.45	Violation of Law / Rules
49	Zone-II RTO Islamabad	4	Irregularities of less significant	73.93	0.09	0.00	74.02	Violation of Law / Rules
50	FBR (HQ), Islamabad.	5	Irregularities of less significant	0.00	0.00	0.96	0.96	Violation of Law / Rules
51	Directorate of Project Monitoring & Evaluation, Islamabad	10	Irregularities of less significant	0.00	0.00	0.25	0.25	Violation of Law / Rules
52	RTO, Rawalpindi	7	Irregularities of less significant	0.00	0.00	3.40	3.40	Violation of Law / Rules
53	RTO, Rawalpindi (Zone-I)	1	Irregularities of less significant	0.00	0.27	0.00	0.27	Violation of Law / Rules
54	RTO, Rawalpindi (Zone-II)	1	Irregularities of less significant	184.00	0.00	0.00	184.00	Violation of Law / Rules
55	Additional Director, Internal Audit, Rawalpindi.	13	Irregularities of less significant	0.00	0.00	2.03	2.03	Violation of Law / Rules
56	DPC, Rawalpindi.	7	Irregularities of less significant	0.00	0.00	2.59	2.59	Violation of Law / Rules

57	DRS, Islamabad.	11	Irregularities of less significant	0.00	0.00	0.93	0.93	Violation of Law / Rules
58	RTO, Peshawar	12	Irregularities of less significant	0.00	0.00	11.97	11.97	Violation of Law / Rules
59	Additional Director, Internal Audit, Inland Revenue, Peshawar.	6	Irregularities of less significant	0.00	0.00	0.05	0.05	Violation of Law / Rules
60	Commissioner, Inland Revenue (Appeals), Peshawar.	8	Irregularities of less significant	0.00	0.00	0.49	0.49	Violation of Law / Rules
61	Data Processing Unit, Peshawar	4	Irregularities of less significant	0.00	0.00	0.12	0.12	Violation of Law / Rules
62	RTO, Abbotabad.	16	Irregularities of less significant	11.17	0.00	1.38	12.55	Violation of Law / Rules
63	Additional Director Internal Audit, Abbottabad	4	Irregularities of less significant	0.00	0.00	0.12	0.12	Violation of Law / Rules
64	RTO Sialkot	10	Irregularities of less significant	0.00	0.00	0.31	0.31	Violation of Law / Rules
65	Commissioner Zone-I RTO, Sialkot	5	Irregularities of less significant	15.37	7.32	0.00	22.70	Violation of Law / Rules
66	Commissioner Zone-II RTO, Sialkot	2	Irregularities of less significant	0.07	25.76	0.00	25.83	Violation of Law / Rules
67	RTO, Gujranwala.	15	Irregularities of less significant	0.00	0.00	6.19	6.19	Violation of Law / Rules
68	Commissioner Zone-I RTO, Gujranwala.	3	Irregularities of less significant	0.07	0.41	0.00	0.48	Violation of Law / Rules
69	Commissioner Zone-II RTO, Gujranwala.	3	Irregularities of less significant	0.10	2.03	0.00	2.13	Violation of Law / Rules
70	Internal Audit, Gujranwala.	9	Irregularities of less significant	0.00	0.00	0.26	0.26	Violation of Law / Rules
71	DPU, Gujranwala.	9	Irregularities of less	0.00	0.00	0.79	0.79	Violation of Law / Rules

			significant					
72	DOT, Lahore.	11	Irregularities of less significant	0.00	0.00	5.34	5.34	Violation of Law / Rules
73	Director I & I, Lahore	2	Irregularities of less significant	0.00	0.00	0.01	0.01	Violation of Law / Rules
74	LTU, Lahore.	15	Irregularities of less significant	0.00	0.00	3.01	3.01	Violation of Law / Rules
75	LTU, Lahore (2010-11)	2	Irregularities of less significant	0.00	0.22	0.00	0.22	Violation of Law / Rules
76	Zone-I LTU, Lahore.	1	Irregularities of less significant	0.00	0.00	0.00	0.00	Violation of Law / Rules
77	Internal Audit, Lahore	7	Irregularities of less significant	0.00	0.00	3.74	3.74	Violation of Law / Rules
78	DPC, Lahore.	11	Irregularities of less significant	0.00	0.00	0.35	0.35	Violation of Law / Rules
79	RTO I Lahore	8	Irregularities of less significant	0.00	0.00	1.40	1.40	Violation of Law / Rules
80	Zone- I RTO I Lahore	9	Irregularities of less significant	888.65	52.11	0.00	940.76	Violation of Law / Rules
81	Zone- II RTO I Lahore	6	Irregularities of less significant	32.19	0.04	0.00	32.22	Violation of Law / Rules
82	Zone- III RTO I Lahore	3	Irregularities of less significant	0.00	0.00	0.00	0.00	Violation of Law / Rules
83	Zone- IV RTO I Lahore	8	Irregularities of less significant	39.48	0.00	0.00	39.48	Violation of Law / Rules
84	RTO II Lahore	5	Irregularities of less significant	0.00	0.00	1.99	1.99	Violation of Law / Rules
85	RTO I Lahore (2010-11) (NPR)	10	Irregularities of less significant	12.97	10.88	0.00	23.85	Violation of Law / Rules
86	RTO II Lahore (2010-11) NPR	13	Irregularities of less significant	1.04	34.51	0.00	35.55	Violation of Law / Rules
87	Zone-VII RTO II Lahore.	3	Irregularities of less significant	50.50	0.03	0.00	50.53	Violation of Law / Rules
88	RTO, Sargodha.	7	Irregularities of less significant	0.00	0.00	0.18	0.18	Violation of Law / Rules

89	Zone-I RTO, Sargodha.	2	Irregularities of less significant	0.00	0.70	0.00	0.70	Violation of Law / Rules
90	Zone-II RTO, Sargodha.	3	Irregularities of less significant	11.92	0.00	0.00	11.92	Violation of Law / Rules
91	RTO, Faisalabad	15	Irregularities of less significant	22.22	1.16	0.13	23.51	Violation of Law / Rules
92	RTO, Faisalabad (2010-11)	7	Irregularities of less significant	0.00	0.00	4.60	4.60	Violation of Law / Rules
93	Zone-II RTO, Faisalabad.	2	Irregularities of less significant	0.39	0.00	0.00	0.39	Violation of Law / Rules
94	Data Processing Unit, Faisalabad	6	Irregularities of less significant	0.00	0.00	0.04	0.04	Violation of Law / Rules
95	RTO, Multan.	11	Irregularities of less significant	0.00	0.00	7.09	7.09	Violation of Law / Rules
96	Zone-I RTO, Multan.	5	Irregularities of less significant	14.04	0.00	0.00	14.04	Violation of Law / Rules
97	Zone-II RTO, Multan.	13	Irregularities of less significant	53.28	0.92	0.00	54.20	Violation of Law / Rules
98	DPU, Multan	10	Irregularities of less significant	0.00	0.00	0.19	0.19	Violation of Law / Rules
99	RTO, Bahawalpur	3	Irregularities of less significant	0.00	0.00	0.23	0.23	Violation of Law / Rules
100	PRAL, Islamabad	6	Irregularities of less significant	0.00	0.00	0.03	0.03	Violation of Law / Rules
	Total (North)			5,663.55	171.75	149.46	5,984.76	
100	Director, input output co- efficient organizati on	143-k	Improper Budgeting and incurring Expenditure over and Above budget grant	0.00	0.00	0.46	0.46	Paras 4 (iv) of the System of Financial Control and Budgeting issued vide No.F.3(2)Exp.III/ 2006 dated 13th September, 2006
101	Director I & I Inland Revenue Karachi	140-K	Irregular Expenditure due to unauthorized use of Vehicles	0.00	0.00	1.58	1.58	Sub Section 10 of Rule 2 of Staff Car Rules 1980
102	Coordinat or Data Processing	117-K	Improper Budgeting and incurring	0.00	0.00	0.04	0.04	Paras 4 (iv) of the System of Financial Control

	Unit Hyderabad		Expenditure over and Above budget grant					and Budgeting issued vide No.F.3(2)Exp.III/20 06 dated 13th September, 2006
103	Add. Director Internal Audit Hyderabad	112-k	Improper Budgeting and incurring Expenditure over and Above budget grant	0.00	0.00	3.98	3.98	Paras 4 (iv) of the System of Financial Control and Budgeting issued vide No.F.3(2)Exp.III/ 2006 dated 13th September, 2006
104	Asstt. Director Internal Audit Sukkur	115-k	Improper Budgeting and incurring Expenditure over and Above budget grant	0.00	0.00	0.29	0.29	Paras 4 (iv) of the System of Financial Control and Budgeting issued vide No.F.3(2)Exp.III/ 2006 dated 13th September, 2006
105	Chief Commissio ner, RTO Karachi	103-K	Improper Budgeting and incurring Expenditure over and Above budget grant	0.00	0.00	38.47	38.47	Paras 4 (iv) of the System of Financial Control and Budgeting issued vide No.F.3(2)Exp.III/ 2006 dated 13th September, 2006
106	Chief Commissioner, RTO Hyderabad	118-K	Improper Budgeting and incurring Expenditure over and Above budget grant	0.00	0.00	6.24	6.24	Paras 4 (iv) of the System of Financial Control and Budgeting issued vide No.F.3(2)Exp.III/ 2006 dated 13th September, 2006
107	Federal Treasury officer Hyderabad	127-K	Improper Budgeting and incurring Expenditure over and Above budget grant	0.00	0.00	0.07	0.07	Paras 4 (iv) of the System of Financial Control and Budgeting issued vide No.F.3(2)Exp.III/ 2006 dated 13th September, 2006
108	RTO-II Karachi	111-K	Recovery of House Rent Allowance	0.00	0.00	0.16	0.16	Accommodation Allocation Rules 2002, Chapter-II, Para (3)
109	Additional Director Internal Audit Quetta	134-K	Non Conducting of Physical verification of Store/Stock	0.00	0.00	0.00	0.00	Para 159 to 161 of GFR Vol-1
110	RTO Quetta	135-K	Excess Expenditure on A/c of Cash	0.00	0.00	0.02	0.02	Para 10 of GFR Vol-I

			Reward					
111	RTO Quetta	136-K	Excess Expenditure on A/c of Cash Reward	0.00	0.00	0.05	0.05	Para 10 of GFR Vol-I
112	RTO Sukkur	5392-K	Non Production of Record for Checking Authentication of output Tax	0.00	4202.45	0.00	4202.45	Section 6(2) read with section 23(1) of Sales Tax act 1990
113	RTO Sukkur	5391-K	Non Production of Record for Checking Authentication of input Tax	0.00	309.11	0.00	309.11	Section 6(2) read with section 23(1) of Sales Tax act 1990
114	Additional Commissioner (IR) Hub Quetta	02	Irregularities of less significant	0.02	0.02	0.00	0.03	Violation of Law / Rules
115	Additional Director Internal Audit Hyderabad	12	Irregularities of less significant	0.00	0.00	0.08	0.08	Violation of Law / Rules
116	Additional Director Internal Audit Quetta	03	Irregularities of less significant	0.00	0.00	0.00	0.00	Violation of Law / Rules
117	Additional Director Internal Audit Sukkur	15	Irregularities of less significant	0.00	0.00	0.27	0.27	Violation of Law / Rules
118	Chief Commissioner (IR) LTU Karachi	08	Irregularities of less significant	124.96	0.00	0.00	124.96	Violation of Law / Rules
119	Chief Commissioner (IR) RTO-I Karachi	08	Irregularities of less significant	7.45	0.00	0.00	7.45	Violation of Law / Rules
120	Chief Commissioner (IR) RTO Sukkur	13	Irregularities of less significant	0.00	0.00	0.11	0.11	Violation of Law / Rules
121	Chief Commissioner RTO Hyderabad	16	Irregularities of less significant	6.66	0.00	0.28	6.93	Violation of Law / Rules

122	Chief Commissioner RTO- II Karachi	12	Irregularities of less significant	0.00	0.00	0.27	0.27	Violation of Law / Rules
123	Chief Commissioner RTO-III, Karachi	11	Irregularities of less significant	0.00	0.00	3.27	3.27	Violation of Law / Rules
124	Co Efficient Organization Karachi	07	Irregularities of less significant	0.00	0.00	0.04	0.04	Violation of Law / Rules
125	Commissioner Appeal II RTO Karachi	02	Irregularities of less significant	0.00	0.00	0.00	0.00	Violation of Law / Rules
126	Commissioner Appeal III RTO Karachi	03	Irregularities of less significant	0.00	0.00	0.00	0.00	Violation of Law / Rules
127	Commissioner Appeal Hyderabad	01	Irregularities of less significant	0.00	0.00	0.02	0.02	Violation of Law / Rules
128	Commissioner Appeal-I LTU Karachi	04	Irregularities of less significant	0.00	0.00	0.04	0.04	Violation of Law / Rules
129	Co-Ordination Data Processing Unit Hyderabad	11	Irregularities of less significant	0.00	0.00	0.01	0.01	Violation of Law / Rules
130	Data processing Centre Karachi	07	Irregularities of less significant	0.00	0.00	1.21	1.21	Violation of Law / Rules
131	Data Processing Unit RTO Quetta	04	Irregularities of less significant	0.00	0.00	0.00	0.00	Violation of Law / Rules
132	Director Internal audit Southern Region Karachi	05	Irregularities of less significant	0.00	0.00	0.82	0.82	Violation of Law / Rules
133	Director Training RTO Karachi	06	Irregularities of less significant	0.00	0.00	0.18	0.18	Violation of Law / Rules
134	Federal Treasury Hyderabad	13	Irregularities of less significant	0.00	0.00	0.03	0.03	Violation of Law / Rules
135	Federal Treasury Office RTO	05	Irregularities of less significant	0.00	0.00	0.04	0.04	Violation of Law / Rules

	Karachi							
	Total (South)			139.08	4511.57	58.01	4708.66	
Grand Total (North)+(South)				5802.63	4683.32	207.47	10693.42	

ANNEXURES

Annexure-2

Audit Impact Summary

Sr. No.	Change in Rules/System/Procedure	Audit Impact
1	On pointing out by Audit the FBR amended sub section 6 of section 114 of the Income Tax Ordinance, 2001 where by the revision of return was allowed subject to provision of certain documents.	Loss of government revenue was stopped which resulted in increase in revenue collection besides pointing out recovery of amount to the tune of Rs 72 million in certain cases
2	While conducting audit of income tax refund, Audit identified one hundred and thirty three (133) tax payers liable to be registered under The Sales Tax Act, 1990 in five field offices. The DAC directed the concerned RTOs to register the said taxpayers and bring them in the tax net for the purpose of sales tax.	Audit contributed towards broadening of tax base for the economy and pointed out the revenue implication of Rs 267.61 million in 133 cases during the period 2010 to 2012. The matter was appreciated by the DAC.
3	An amount of Rs 2,878.73 million was recovered on pointation by Audit during the period July to December, 2012 besides providing deterrence against leakage of revenue.	Amount recovered on instance of Audit which was escaped from tax authorities while making assessment. Audit provided deterrence against leakage of government revenue which ultimately helped in achieving revenue targets by the FBR.

Annexure-3
(Para 1.2)

Non-surrendering/utilization of unspent balances

(Rs in million)

Sr. No.	RTO/LTU	DP No.	No. of cases	Amount involved
1	RTO-I Karachi	104-Exp/K	01	11.40
2	RTO-II Karachi	106-Exp/K	01	9.64
3	RTO Sukkar	124-Exp/K	01	0.46
4	AD Internal Audit Hyderabad	116-Exp/K	01	0.14
5	Director I & I Karachi	139-Exp/K	01	1.04
6	CC Appeal-I LTU Karachi	145-Exp/K	01	0.37
7	AD Internal Audit Karachi	141-Exp/K	01	3.59
8	FBR (HQ)	13771-Exp	01	5.21
9	Bahawalpur	13673-Exp	01	0.35
Total			09	32.20

Annexure- 4
(Para 4.1.1)

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

Sr. No.	Offices	DP No./Ref.	Total Population (registered persons)	No. of Cases
1	LTU Islamabad	13477-ST	215	50
2	RTO Islamabad	Para 1 of AIR	3,394	200
3	RTO Faisalabad	13347-ST	7,560	200
4	RTO Bahawalpur	13483-ST	1,523	200
5	RTO Multan	Letter dated 08.08.2012	3,575	200
6	RTO Rawalpindi	13658-ST	5,176	200
7	RTO Abbottabad	13751-ST	692	200
8	RTO Sialkot	13325-ST	3,683	200
9	LTU Lahore	13577-ST	303	50
10	RTO-I Lahore	13524-ST	13,678	200
11	RTO-II Lahore	Letter dated 08.08.2012	8,187	200
12	RTO Gujranwala	Letter dated 08.08.2012	3,707	200
13	RTO-I Karachi	5453-ST/K	12,310	0
14		5422-ST/K		32
15	RTO-III Karachi	5423-ST/K		0
16	RTO Hyderabad	5383-ST/K	6,540	250
17		5390-ST/K		250
18	RTO Quetta	5313-ST/K	2,430	95
19		5420-ST/K		199
Total			72,973	2,926

Annexure-5
(Para 4.1.2)

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

(Rs in million)

Sr. No.	Offices	DP No.	No. of cases	Amount
A-Sales Tax Refund				
1	LTU Lahore	13577 NPR/STR	174	3,118.61
2	RTO Faisalabad	13372-NPR/STR	257	178.08
3		13373-NPR/STR	190	2,191.48
4	RTO Gujranwala	13555-NPR/STR	113	104.94
5	RTO-II Lahore	13563-NPR/STR	64	180.58
6		13573-NPR/STR	75	256.80
B-Income Tax Refund /Adjustment				
1	RTO-I Lahore	13525-NPR	complete record not provided	Amount could not be ascertained due to non availability of record
2		13526-NPR	complete record not provided	-do-
3		13528-NPR	complete record not provided	-do-
4		13186-NPR/ITR	768	379.69
5	RTO Multan	13444-NPR/ITR	09	5.71
6		13453-NPR/ITR	65	1,131.88
7	RTO Faisalabad	13300-NPR/ITR	22	117.95
8		13303-NPR/ITR	complete record not provided	Amount could not be ascertained due to non availability of record
9	RTO Abbottabad	13332-NPR/ITR	150	186.94

10	RTO Islamabad	13510-NPR/ITR	36	41.91
11	RTO Rawalpindi	13656-NPR/ITR	83	33.97
12	RTO Gujranwala	13556-NPR/ITR	170	344.60
13	RTO-II Lahore	13186-NPR/ITR	248	174.38
C- Income Tax Assessment				
1	RTO - I Lahore	13524-NPR	complete record not provided	Amount Involved could not ascertained due to non availability of record
2		13525-NPR		-do-
3		13526-NPR		-do-
4		13528-NPR		-do-
5		13761-NPR		-do-
6	RTO Gujranwala	13367-NPR		-do-
7	RTO Sialkot	13325-NPR		-do-
8	RTO Hyderabad	200-IT/K		-do-
9		170-IT/K		-do-
10	RTO-III Karachi	232-IT/K		-do-
D- Adjudication Cases				
1	RTO-I Lahore	13524-NPR		-do-
2		13525-NPR		-do-
3		13526-NPR		-do-
4		13528-NPR		-do-
5		13761-NPR		-do-
6	RTO-II Lahore	13560-NPR		-do-
7		13567-NPR		-do-
8	Commissioner Appeals (IV), Lahore	13614-NPR		-do-
9	RTO Gujranwala	13367-NPR		-do-
10	RTO Rawalpindi	13659-NPR		-do-
11	RTO Sialkot	13325-NPR		-do-

E- BTB cases				
1	RTO Rawalpindi	13657-NPR		-do-
2	RTO-I Lahore	13528-NPR		-do-
3		13526-NPR		-do-
4		13525-NPR		-do-
5		13524-NPR		-do-
6		13761-NPR		-do-
7	RTO Sialkot	13325-NPR		-do-
F- Record of Recovery Cell				
1	RTO-I Lahore	13524-NPR		-do-
2		13525-NPR		-do-
3		13526-NPR		-do-
4		13528-NPR		-do-
5		13761-NPR		-do-
6	RTO-II Lahore	13568-NPR		-do-
7		13570-NPR		-do-
8	RTO Rawalpindi	13659-NPR		-do-
9	RTO Sialkot	13325-NPR		-do-
G- Internal Audit Reports and E. Record etc.				
1	RTO-I Lahore	13524-NPR		-do-
2		13525-NPR		-do-
3		13526-NPR		-do-
4		13528-NPR		-do-
5		13761-NPR		-do-
6	RTO Rawalpindi	13659-NPR		-do-
7	RTO Sialkot	13325-NPR		-do-
H- MAC (Monitoring and Audit of withholding taxes cell)				
1	RTO Rawalpindi	13405-NPR		-do-
2	RTO Sialkot	13325-NPR		-do-
3	RTO Multan	13453-NPR		-do-

Annexure-6

(Para 5.1.2)

**Short realization of sales tax due to inadmissible adjustment of input tax for
Rs 49,576.90 million***(Rs in million)*

Sr. No.	Offices	DP No.	No. of cases	Amount
1	RTO-Lahore-I & II, Faisalabad, Islamabad, Sialkot, Multan, Abbottabad, Peshawar, Rawalpindi, Sargodha, Gujranwala, Bahawalpur and LTU Lahore / Islamabad,	13752	11,136	23,714.60
2	LTU Karachi	5425-ST/K	511	17,787.60
3	RTO Hyderabad	5426-ST/K	456	511.40
4	RTO Quetta	5427-ST/K	151	222.30
5	RTO Sukkur	5428-ST/K	154	181.20
6	RTO-I Karachi	5429-ST/K	1,586	1,775.60
7	RTO-II Karachi	5430-ST/K	2,779	3,475.80
8	RTO-III Karachi	5431-ST/K	1,578	1,908.40
Total			18,351	49,576.90

Annexure-7

(Para 5.1.3)

Non-imposition of penalty on registered persons who failed to file sales tax returns for Rs 1,130.36 million*(Rs in million)*

(Rs in million)						
Sr. No.	Office	DP No.	No. of cases	Amount	Amount recovered/ not due	Amount recoverable
1	RTO, Lahore-I&II, Faisalabad, Sialkot, Multan, Abbottabad, Peshawar, Rawalpindi, Sargodha, Gujranwala, Islamabad and Bahawalpur	13787-STR	27,206	1,105.40	0	1,105.40
2	RTO Multan	13423-STR	01	0.10	0	0.10
3	RTO Quetta	5305-ST/K	30	0.25	0	0.25
4		5400-ST/K	319	5.35	0	5.35
5	RTO Sukkur	5393-ST/K	473	8.13	2.81	5.32
6	RTO Hyderabad	5387-ST/K	435	2.47	0	2.47
7		5385-ST/K	365	8.72	0	8.72
8		5381-ST/K	550	2.75	0	2.75
Total			29,379	1,133.17	2.81	1,130.36

Annexure-8

(Para 5.1.5)

**Non/short-realization of sales tax and federal excise duty for
Rs 20,407.98 million***(Rs in million)*

Sr. No.	Offices	DP No.	No. of cases	Amount
1	RTO-Lahore-II	13566-STR	01	0.55
2		13565-ST	01	0.60
3		13262-STR	14	2.28
4		13756-STR	01	4.47
5	RTO-Gujranwala	13359-STR	56	2.01
6		13381-STR	01	0.18
7	LTU Islamabad	13355-ST	02	5.02
8	RTO-I Lahore	13622-ST	08	1.06
9		13634-STR	01	0.34
10		13623-STR	01	8.63
11	RTO Sargodha	13709-ST	01	1.82
12		13308-STR	01	1.25
13	RTO Multan	13726-STR	01	2.44
14		13722-STR	01	6.47
15		13439-ST	01	3.88
16	RTO Hyderabad	5382-ST/K	01	0.46
17		5379-ST/K	03	6.05
18	RTO Quetta	5415-ST/K	01	0.35
19		5416-ST/K	01	0.10
20		5418-ST/K	04	0.18
21		5403-ST/K	01	4.09
22		5401-ST/K	125	16.39
23	RTO Sukkur	5395-ST/K	95	45.57
24	LTU Karachi	5424-FE/K	01	29.34
25	LTU Karachi	5451-ST/K	01	0.53

26	LTU Karachi	5442-ST/K	01	119.13
27	LTU Karachi	5433-ST/K	01	1,871.57
28	LTU Karachi	5438-ST/K	01	223.39
29	LTU Karachi	5446-ST/K	01	29.77
30	LTU Karachi	5444-ST/K	01	63.34
31	LTU Karachi	5443-ST/K	01	101.52
32	LTU Karachi	5342-ST/K	01	38.13
33	LTU Karachi	5348-ST/K	01	18.94
34	LTU Karachi	5376-ST/K	01	3.48
35	LTU Karachi	5345-ST/K	01	34.63
36	LTU Karachi	5344-ST/K	01	36.18
37	LTU Karachi	5326-ST/K	01	255.45
38	LTU Karachi	5331-ST/K	01	183.40
39	LTU Karachi	5323-ST/K	01	279.16
40	LTU Karachi	5341-ST/K	01	39.31
41	LTU Karachi	5432-ST/K	01	2,721.42
42	LTU Karachi	5334-ST/K	01	107.18
43	LTU Karachi	5337-ST/K	01	88.09
44	LTU Karachi	5336-ST/K	01	96.61
45	LTU Karachi	5339-ST/K	01	42.26
46	LTU Karachi	5343-ST/K	01	36.88
47	LTU Karachi	5372-ST/K	01	3.47
48	LTU Karachi	5365-ST/K	01	21.56
49	LTU Karachi	5354-ST/K	01	12.40
50	LTU Karachi	5353-ST/K	01	12.91
51	LTU Karachi	5351-ST/K	01	14.77
52	LTU Karachi	5324-ST/K	01	267.01
53	LTU Karachi	5329-ST/K	01	197.81
54	LTU Karachi	5314-FE/K	01	6,104.79
55	LTU Karachi	5316-FE/K	01	1,450.87
56	LTU Karachi	5357-FE/K	01	6.28

57	LTU Karachi	5317-FE/K	01	957.10
58	LTU Karachi	5328-FE/K	01	206.30
59	LTU Karachi	5338-FE/K	01	83.94
60	LTU Karachi	5333-FE/K	01	126.32
61	LTU Karachi	5332-FE/K	01	139.92
62	LTU Karachi	5327-FE/K	01	223.97
63	LTU Karachi	5439-FE/K	01	168.51
64	LTU Karachi	5434-FE/K	01	1,240.25
65	LTU Karachi	5435-FE/K	01	873.22
66	LTU Karachi	5436-FE/K	01	575.95
67	LTU Karachi	5347-ST/K	01	19.84
68	LTU Karachi	5318-ST/K	01	514.08
69	LTU Karachi	5319-ST/K	01	396.15
70	LTU Karachi	5321-ST/K	01	256.66
Total			369	20,407.98

Annexure-9

(Para 5.1.6)

Non-recovery of adjudged dues/arrears for Rs 1,067.75 million*(Rs in million)*

Sr. No.	Offices	DP No.	No. of cases	Amount pointed out	Amount recovered/ vacated/ not due	Balance recoverable
1	LTU Islamabad	13415-ST/Rec	29	94.38	4.28	90.10
2	LTU Lahore	13460-ST/Rec	01	50.68	0	50.68
3		13579-ST/Rec	01	0.97	0	0.97
4		13461-ST/Rec	28	58.84	0	58.84
5		13552-ST/Rec	19	306.79	0	306.79
6	RTO Islamabad	13603-ST/Rec	13	14.11	7.77	6.34
7	RTO Rawalpindi	13648-ST/Rec	36	9.05	0.69	8.36
8		13649-ST/Rec	11	30.66	4.00	26.66
9	RTO Gujranwala	13361-ST/Rec	12	473.47	9.79	463.68
10	RTO Faisalabad	13350-ST/Rec	43	17.08	0	17.08
11		13340-ST/Rec	48	63.67	40.56	23.11
12	RTO Abbottabad	13743-ST/Rec	03	0.43	0.11	0.32
13	RTO Multan	13717-ST/Rec	13	1.13	0.26	0.87

14	RTO Quetta	5408-ST/K	01	2.14	0	2.14
15		5409-ST/K	01	3.14	0	3.14
16		5410-ST/K	01	3.61	0	3.61
17		5411-ST/K	01	1.88	0	1.88
18		5412-ST/K	01	1.01	0	1.01
19		5413-ST/K	01	2.17	0	2.17
Total			263	1,135.21	67.46	1,067.75

Annexure-10

(Para 5.1.7)

Short realization of sales tax for Rs 705.94 million*(Rs in million)*

Sr. No.	Office	DP No.	No. of cases	Amount
1	RTO Quetta	5247-ST/K	01	72.42
2	RTO Quetta	5275-ST/K	01	67.84
3	RTO Quetta	5278-ST/K	01	31.36
4	RTO Quetta	5279-ST/K	01	51.15
5	RTO Quetta	5280-ST/K	01	57.96
6	RTO Quetta	5281-ST/K	01	23.51
7	RTO Quetta	5285-ST/K	01	15.48
8	RTO Quetta	5287-ST/K	01	20.73
9	RTO Quetta	5288-ST/K	01	50.71
10	RTO Quetta	5289-ST/K	01	47.35
11	RTO Quetta	5290-ST/K	01	80.67
12	RTO Quetta	5291-ST/K	01	50.67
13	RTO Quetta	5293-ST/K	01	24.56
14	RTO Quetta	5296-ST/K	01	70.85
15	RTO Quetta	5297-ST/K	01	40.68
Total			15	705.94

Annexure-11

(Para 5.1.8)

Inadmissible adjustment of input tax for Rs 4,320.23 million

(Rs in million)

Sr. No.	Offices	DP No.	No. of cases	Amount
1	RTO-I Karachi	5452-ST/K	07	20.01
2	RTO Quetta	5419-ST/K	01	0.08
3	LTU Karachi	5447-ST/K	01	20.33
4		5437-ST/K	01	385.82
5		5445-ST/K	01	41.56
6		5449-ST/K	01	10.16
7		5440-ST/K	01	161.81
8		5322-ST/K	01	279.16
9		5325-ST/K	01	255.45
10		5330-ST/K	01	183.40
11		5340-ST/K	01	39.30
12		5349-ST/K	01	18.45
13		5352-ST/K	01	12.93
14		5355-ST/K	01	8.86
15		5358-ST/K	01	6.21
16		5360-ST/K	01	4.31

17		5361-ST/K	01	3.89
18		5362-ST/K	01	3.62
19		5364-ST/K	01	2.26
20		5366-ST/K	01	1.94
21		5367-ST/K	01	1.31
22		5368-ST/K	01	1.29
23		5370-ST/K	01	0.53
24		5371-ST/K	01	0.50
25		5373-ST/K	01	0.33
26		5374-ST/K	01	0.21
27		5375-ST/K	01	3.53
28		5320-ST/K	01	328.53
29		5315-ST/K	01	2,524.45
Total			35	4,320.23

Annexure-12

[Para 5.1.9 (a)]

**Non-registration of taxpayers under Sales Tax Act, 1990 resulting in
non-realization of sales tax worth Rs 193.81 million***(Rs in million)*

Sr. No.	Offices	DP No.	No. of cases	Amount pointed out
1	RTO Lahore	13606-ST	01	4.60
2		13619-ST	01	0.64
3		13620-ST	01	1.50
4		13621-ST	01	1.54
5		13625-ST	01	3.12
6		13611-ST	01	3.24
7		13610-ST	01	2.63
8		13609-ST	01	2.71
9		13616-ST	80	105.31
10		13638-ST	19	50.05
11		13605-ST	01	1.36
12	RTO Multan	13719-ST	01	16.55
13	RTO Sargodha	13738-ST	01	0.56
Total			110	193.81

Annexure-13

(Para 5.1.11)

Non-realization of withholding sales tax for Rs 159.37 million*(Rs in million)*

Sr. No.	Offices	DP No.	No. of cases	Amount
1	LTU Islamabad	13351-ST	01	0.18
2	RTO Sargodha	13704-ST	02	6.21
3	RTO-I Karachi	5378-ST/K	01	0.30
4	RTO Quetta	5402-ST/K	01	6.66
5	LTU Karachi	5450-ST/K	01	1.50
6		5441-ST/K	01	127.03
7		5350-ST/K	01	16.56
8		5369-ST/K	01	0.93
Total			09	159.37

Annexure-14
(Para 5.1.14)

Under assessment of sales tax for Rs 146.42 million

(Rs in million)

Sr. No.	Offices	DP No.	No. of cases	Amount pointed out
1	LTU Karachi	5363-ST/K	01	3.32
2	LTU Karachi	5335-ST/K	01	105.64
3	LTU Karachi	5346-ST/K	01	26.37
4	LTU Karachi	5448-ST/K	01	11.09
Total			04	146.42

Annexure-15

(Para 5.1.15)

**Short-realization of sales tax due to excess adjustment of input tax
for Rs 15.94 million***(Rs in million)*

Sr. No.	Offices	DP No.	No. of cases	Amount
1	RTO-III Karachi	5421-T/K	10	14.69
2	RTO Quetta	5302-ST/K	01	0.43
3		5303-ST/K	01	0.82
Total			12	15.94

Annexure-16

(Para 5.2.1)

Inadmissible refund of Sales Tax for Rs 511.63 million*(Rs in million)*

Sr. No.	Offices	DP No.	No. of cases	Amount pointed out	Amount recovered/ vacated/ not due	Amount recoverable
1	RTO Faisalabad	13375-STR	01	0.40	0	0.40
2		13242-STR	03	0.58	0.33	0.25
3		13253-STR	01	0.34	0	0.34
4	LTU Lahore	13459-STR	03	471.48	0	471.48
5		13782-STR	01	1.33	0	1.33
6		13780-STR	02	0.25	0	0.25
7	RTO Gujranwala	13362-STR	15	4.76	0	4.76
8		13383-STR	04	0.93	0	0.93
9	RTO Lahore	13617-STR	18	3.73	0	3.73
10		13629-STR	01	3.48	0	3.48
11		13639-STR	01	0.93	0	0.93
12		13759-STR	01	0.40	0	0.40
13		13630-STR	01	0.23	0	0.23
14	RTO Multan	13723-STR	02	0.90	0	0.90
15	RTO Lahore-II	13561-STR	01	3.29	0	3.29
16		13564-STR	01	3.19	0	3.19
17		13572-STR	01	0.76	0	0.76
18		13574-STR	01	10.93	0	10.93
19	LTU Islamabad	13356-STR	01	1.71	0	1.71
20	RTO Hyderabad	5389-ST/K	03	0.23	0	0.23
21	-do-	5380-ST/K	03	1.50	0	1.50
22	-do-	5388-ST/K	02	0.61	0	0.61
Total			67	511.96	0.33	511.63

Annexure-17

(Para 5.2.2)

Irregular Inadmissible refund due to non-compliance of statutory provisions for Rs 411.36 million*(Rs in million)*

Sr. No.	Offices	DP No.	No. of cases	Amount pointed out	Amount recovered/ not due / vacated/ regularised	Amount recoverable
1	RTO Lahore	13624-STR	20	3.53	-	3.53
2		13628-STR	01	5.98	-	5.98
3	RTO Multan	13721-STR	11	3.28	-	3.28
4	RTO Sargodha	13705-STR	19	8.49	-	8.49
5	RTO Islamabad	13604-STR	02	20.91	-	20.91
6		13558-STR	01	2.42	-	2.42
7	RTO Gujranwala	13363-STR	01	1.13	-	1.13
8	LTU Lahore	13462-STR	02	61.35	-	61.35
9		13463-STR	02	2.34	-	2.34
10	LTU Islamabad	13371-STR	03	165.64	-	165.64
11	RTO Abbottabad	13749-STR	02	10.15	0.11	10.04
12	RTO Faisalabad	13249-STR	20	123.28	11.40	111.88
13		13346-STR	03	11.08	-	11.08
14	RTO Hyderabad	5386-ST/K	57	2.52	-	2.52
15	RTO-II Karachi	5269-ST/K	01	0.77	-	0.77
Total			145	422.87	11.51	411.36

Annexure-18

(Para 5.2.3)

Unlawful sanction of sales tax refund for Rs 205.42 million*(Rs in million)*

Sr. No.	Offices	DP No.	No. of cases	Amount pointed out	Amount recovered/ vacated/ not due	Amount recoverable
1	RTO Faisalabad	13349-STR	01	1.00	0	1.00
2	RTO Lahore	13557-STR	29	6.08	0	6.08
3		13608-STR	16	6.51	0	6.51
4		13755-STR	13	47.20	0	47.20
5		13615-STR	27	9.13	1.12	8.01
6		13618-STR	12	8.75	0	8.75
7		13636-STR	15	91.75	0	91.75
8		13635-STR	05	2.27	0	2.27
9		13631-STR	07	23.96	0	23.96
10	RTO Lahore-II	13266-STR	01	0.20	0	0.20
11		13259-STR	01	5.65	0	5.65
12		13263-STR	07	1.68	0	1.68
13		13265-STR	01	0.21	0	0.21
14	RTO Quetta	5406-ST/K	01	2.15	0	2.15
Total			136	206.54	1.12	205.42

Annexure-19

(Para 5.2.4)

Inadmissible sanction of refund/adjustment of input tax and non recovery of penalty for Rs 151.39 million*(Rs in million)*

(Rs. in million)				
Sr. No.	Offices	DP No.	No. of cases	Amount
1	RTO-I Lahore	13627-STR	74	84.16
2		13613-STR	01	0.60
3	RTO-II Lahore	13272-STR	38	27.65
4		13271-STR	34	32.73
5		13260-STR	03	3.74
6		13261-STR	08	2.51
Total			158	151.39

Annexure-20

(Para 5.2.6)

Excess payment of refund of sales tax for Rs 48.64 million*(Rs in million)*

Sr. No.	Offices	DP No.	No. of cases	Amount pointed out	Amount recovered/ not due / vacated/ regularised	Amount recoverable
1	RTO Lahore	13626-STR	01	2.29	-	2.29
2	LTU Lahore	13578-STR	02	0.23	-	0.23
3		13457-STR	01	4.35	-	4.35
4		13779-STR	04	6.50	1.03	5.47
5	RTO Lahore-II	13575-STR	01	0.14	-	0.14
6		13571-STR	01	0.08	-	0.08
7		13264-STR	04	1.38	-	1.38
8	RTO Faisalabad	13251-STR	29	0.88	-	0.88
9		13252-STR	21	0.69	-	0.69
10		13337-STR	09	0.83	-	0.83
11		13243-STR	03	0.32	-	0.32
12		13388-STR	04	5.20	-	5.20
13		13250-STR	04	26.66	-	26.66
14	RTO Gujranwala	13360-STR	01	0.12	-	0.12
Total			85	49.67	1.03	48.64

Annexure-21

(Para 5.2.7)

Inadmissible sanction of sales tax refund to suspended/blocked registered persons for Rs 41.44 million*(Rs in million)*

(Rs in million)				
Sr. No.	Office	DP No.	No. of cases	Amount
1	RTO-II Karachi	5250-ST/K	01	4.14
2		5251-ST/K	01	15.67
3		5252-ST/K	01	15.58
4		5253-ST/K	01	1.50
5		5254-ST/K	01	4.55
Total			05	41.44

Annexure-22

(Para 5.2.9)

**Non-imposition of penalty on rejection of refund claims for
Rs 30.83 million***(Rs in million)*

Sr. No.	Offices	DP No.	No. of cases	Amount
1	RTO Sialkot	13311-STR	04	7.23
2		13554-STR	19	11.38
3	RTO Sargodha	13706-STR	40	11.88
4	RTO Abbottabad	13750_STR	01	0.34
Total			64	30.83

Annexure- 23

(Para 5.3.1)

Non levy of minimum tax on the income of certain persons**RTO, Islamabad***(Rs in million)*

Sr. No.	DP No	Asstt/Tax Year	No of cases	Amount involved (Rs)	Amount Recovered	Latest Position
1.	13514	2010 & 2011	11	8.26	-	Under Process
2.	13498	2010 ,2011	20	43.11	-	Under Process
Total			31	51.37		

RTO-I, Lahore

3.	13543	2010 to 2012	01	29.42	-	Under Process
4.	13542	2011	02	6.01	-	Record not produced
Total			03	35.43		

RTO-II, Lahore

5.	13472	2011	01	2.68	-	Under Process
Total			01	2.68		

LTU, Lahore

6.	13408	2011	01	0.45	-	Under Process
Total			01	0.45		

RTO, Bahawalpur

7.	13521	-	08	7.26	-	Under Process
Total			08	7.26		

RTO, Rawalpindi

8.	13655	2011	01	0.14	-	Under Process
9.	13428	2010 & 2011	03	1.03	-	Under Process
Total			04	1.17		

LTU, Islamabad

10.	13420	2011	06	21.76	-	Under Process
11.	13126	2010	12	521.78	4.62	Recovery awaited Rs 314.81, Under Process Rs 202.34
Total			18	543.54	4.62	

RTO, Gujranwala

12.	13379	2011	02	0.49	-	Recovery awaited Rs 0.45, Under Process Rs 0.04
Total			02	0.49		

RTO, Peshawar

13.	13586		04	68.40		Under process
14.	13581	2010 & 2011	02	226.24	-	Under process
Total			06	294.64		

RTO, Faisalabad

15.	13338	2010	01	10.00	-	Under process
16.	13344	2011	01	35.66	-	Under process
17.	13301	2011	36	50.12	1.00	Under Process
18.	13297	2011	20	65.87	-	Under Process
Total			58	161.65	1.00	

RTO, Sialkot

19.	13321	2011	06	5.98	-	Under Process
20.	13320	2011	09	39.80	9.70	Recovery awaited
21.	13319	2011	01	0.08	-	Under Process
22.	13314	2011	07	5.31	-	Under Process
23.	13313	2011	01	0.53	-	Under Process
Total			24	51.70	9.70	

RTO, Abbottabad

24.	13326	2011	07	30.82	-	Under Process
Total			07	30.82		

RTO, Sargodha

25.	13310	2011	01	2.87	-	Under Process
26.	13306	2011	17	37.68	-	Under Process
Total			18	40.55		

LTU, Karachi

27	172K(Z-I)	2011	06	72.49	-	Under process
28	190K(Z-II)	2011	03	72.50		Under process
29	233K(Z-I to IV)	2011	01	10.41		Under process
30	242K(Z-I to IV)	2011	01	589.36		Under process
Total			11	744.75		

RTO-I, Karachi

31	246K(Z-I)	2011	01	1.73	-	Under process
32	140K(Z-III)	2011	05	225.81		Under process
33	153K(Z-III)	2011	02	11.93		Under process
Total			08	239.47		

RTO-III, Karachi

34	130K(Z-II)	2011	04	5.63	-	Under process
Total			04	5.63		

R.T.O. Hyderabad

35	155K(Z-I)	2011	16	38.33	-	Under process
36	156K(Z-I)	2011	03	12.59		Under process
37	163K(Z-II)	2011	18	89.66		Under process
38	164K(Z-II)	2011	06	15.22		Under process
Total			43	155.80		

RTO, Sukkur

39	103K(Z-I)	2011	15	24.55	-	Under process
40	119K(Z-I)	2011	01	2.08		Under process
Total			16	26.63		

G.Total	263	2394.04	15.33	
(Rs million) Under process Rs 2027.33, Amount recovered Rs 15.33, Record not produced Rs 6.01, Recovery awaited Rs 345.37				

(Para 5.3.2)

Short levy of tax due to incorrect computation of taxable income

(Rs in million)

Sr. No.	DP No	Asstt/ Tax Year	No. of cases	Amount involved	Amount Recovered	Latest Position
1.	40-PDP	2009	01	63.46	-	Under Process
Total			01	63.46		

RTO, Islamabad

2.	13492	2011	01	0.87	-	Under Process
Total			01	0.87		

RTO, Peshawar

3.	13595	2011	01	23.43	-	Under Process
Total			01	23.43		

LTU, Islamabad

ERC, Islamabad						
4.	61(I)-PDP	2008 & 2009	01	47.02	-	Under Process
5.	61(2)-PDP	2006	01	160.74	-	Under Process
6.	64(i)-PDP	2007 & 2008	01	432.69	-	Under Process
7.	65(ii)-PDP	2009	01	2,517.10	-	Under Process
8.	69-PDP	2004	01	695.70	-	Under Process
9.	71-PDP	2009	01	1,889.76	-	Under Process
10.	80-PDP	1999-2000	01	1.39	-	Under Process
Total			07	5,744.40		

LTU, Karachi

11	238K(Z-I to IV)	2011	1	297.54	-	Under Process
Total			1	297.54		

RTO-I, Karachi

12	249K(Z-I)	2011	1	32.24	-	Under Process
Total			1	32.24		

RTO-III, Karachi

13	129K(Z-II)	2011	4	170.05	-	Under process
Total			4	170.05		

G.Total	16	6,331.99
(Rs million)		
Under process Rs 6.331.99		

(Para 5.3.3)

Short levy of tax due to non-allocation of proportionate expenses

(Rs in million)

Sr. No.	DP No	Asstt/Tax Year	No of cases	Amount involved (Rs)	Amount Recovered	Latest Position
1.	13643	2011	02	1.72	-	Under Process
2.	13427	2011	01	12.55	-	Under Process
Total			03	14.27		

RTO-I, Lahore

3.	128-PDP	2008, 2009	01	27.42	-	Under Process
Total			01	27.42		

RTO, Islamabad

4.	13505	2011	01	18.49	-	Under Process
Total			01	18.49		

RTO, Faisalabad

5.	02-(C) PDP	2008 & 2009	01	324.18	-	Under Process
Total			01	324.18		

RTO, Abbotabad

6.	24(a)- PDP	2009	01	12.13	-	Under Process
7.	24(d)- PDP	2008	01	51.26	-	Under Process
Total			02	63.39		

RTO, Sialkot

8.	145-PDP	2009	01	3.09	-	Under Process
Total			01	3.09		

RTO-I, Karachi

9.	148K(Z-III)	2011	3	124.63	-	Under Process
Total			3	124.63		

RTO, Sukkur

10.	117K(Z-II)	2011	2	12.88	-	Under process
Total			2	12.88		

G.Total	14	588.35
(Rs million)		
Under process Rs 588.35		

Annexure-26

(Para 5.3.4)

Non levy of tax on unexplained income or assets**LTU, Islamabad***(Rs in million)*

Sr. No.	DP No	Asstt/Tax Year	No of cases	Amount involved (Rs)	Amount Recovered	Latest Position
1.	70-PDP	2006	01	73.64	-	Under Process
Total			01	73.64		

RTO-II, Lahore

2.	13471	2011	01	6.54	-	Under Process
3.	13267	2011	01	76.23	-	Under Process
Total			02	82.77		

RTO, Islamabad

4.	200-PDP	2009	03	106.43	-	Under Process
Total			03	106.43		

RTO, Peshawar

5.	13591	2010 & 2012	02	101.60	-	Under process
Total			02	101.60		

RTO, Sargodha

6	13739	2012	01	1.92	-	Under Process
7.	13712	2011	11	177.38	-	Under Process
Total			12	179.30		

RTO, Multan

8	13436	2009-2011	01	3.63	-	Under Process
9	13446	-	01	14.04	-	Under Process
Total			02	17.67		

RTO, Gujranwala

10	13384	2011	11	14.74	-	Under Process
11	107(a)-PDP	2008	01	34.78	-	Under Process
Total			12	49.52		

RTO, Sialkot

12	13523	2011	01	2.29	-	Under Process
Total			01	2.29		

RTO, Rawalpindi

13	13425	2011	04	164.02	-	Under Process
Total			04	164.02		

RTO, Abbotabad

14.	28-PDP	2008 & 2009	01	53.33	-	Under Process
Total			01	53.33		

RTO-I, Karachi

15	142K (Z-III)	2011	02	3.89	-	Under Process
Total			02	3.89		

G.Total	42	834.46
(Rs million)		
Under process Rs 834.46		

Annexure-27
(Para 5.3.5)

Short levy of tax due to non-taxation of income from other sources

LTU, Islamabad

(Rs in million)

Sr. No.	DP No	Asstt/Tax Year	No of cases	Amount involved (Rs)	Amount Recovered	Latest Position
1.	76-PDP	2008	02	231.74	-	Under Process
2.	78-PDP	2008	01	148.51	-	Under Process
Total			03	380.25		

RTO, Islamabad

3.	13490	2011	01	4.25	-	Under Process
Total			01	4.25		

RTO, Rawalpindi

4.	13651	2011	01	1.68	-	Under Process
5.	13430	2009	01	0.76	-	Under Process
Total			02	2.44		

RTO, Abbottabad

6.	13327	2011	01	3.83	-	Under Process
Total			01	3.83		

RTO, Lahore

7.	162-PDP	2004-06	01	21.58	-	Under Process
8.	175-PDP	2008 & 2009	01	1,682.81	-	Under Process
Total			02	1,704.39		

RTO, Peshawar

9.	13584	2009	01	22.79	-	Under Process
Total			01	22.79		

RTO, Faisalabad

10.	05-PDP	2008 & 2009	01	2.57	-	Under Process
Total			01	2.57		

RTO, Sialkot

11.	144-PDP	2009	01	2.60	-	Under Process
12.	146-PDP	2008 & 2009	01	25.33	-	Under Process
Total			02	27.93		

G.Total	13	2148.45
(Rs million)		
Under process Rs 2148.45		

Annexure-28

(Para 5.3.6)

Short levy of tax due to application of incorrect tax rates**RTO, Islamabad***(Rs in million)*

Sr. No.	DP No	Asstt/Tax Year	No of cases	Amount involved (Rs)	Amount Recovered	Latest Position
1.	13507	2011	04	5.05	-	Under Process
2.	13506	2011	01	475.30	-	Under Process
3.	13497	2011	01	1.68	-	Under Process
Total			06	482.03		

RTO, Sargodha

4.	13708	2011	05	9.54	-	Under Process
Total			05	9.54		

RTO, Rawalpindi

5.	13646	2011	03	3.05	-	Under Process
6.	13426	2011	02	875.59	-	Under Process
Total			05	878.64		

RTO, Peshawar

7.	13587	2007 to 2011	06	81.88	-	Under process
Total			06	81.88		

RTO, Sialkot

8	13661	2011	03	2.18	-	Under Process
Total			03	2.18		

RTO, Abbottabad

9	13333	2011	01	0.26	-	Under Process
10	13331	2011	01	0.63	-	Under Process
11	13328	2011	01	0.11	-	Under Process
Total			03	1.00		

LTU, Karachi

12	188K (Z-II)	2011	1	34.14	-	Under process
13	236K (I to IV)	2011	1	4.68		
Total			2	38.82		

RTO-I, Karachi

14	149K (Z-III)	2011	1	3.68	-	Under process
Total			1	3.68		

RTO, Sukkur

15	108K (Z-I)	2011	64	22.28	-	Under process
Total			64	22.28		

G.Total	95	1520.05
(Rs million)		
Under process Rs 1520.05		

Annexure-29

(Para 5.3.7)

Short levy of tax due to inadmissible deductions**LTU, Islamabad***(Rs in million)*

Sr. No.	DP No	Asstt/Tax Year	No of cases	Amount involved (Rs)	Amount Recovered	Latest Position
1.	63(i)	2004-2008	01	712.62	-	Under Process
2.	63(iii)	2007	01	11.09	-	Under Process
3.	199-PDP	2009	01	3.03	-	Under Process
Total			03	726.74		

RTO, Rawalpindi

4.	13647	2009 & 2010	01	90.00	-	Under Process
Total			01	90.00		

RTO, Islamabad

5.	13504	2011	01	14.41	-	Under Process
Total			01	14.41		

G.Total	05	831.15
(Rs million)		
Under process Rs 831.15		

Annexure-30
(Para 5.3.8)

Short realization of tax due to grant of excess tax credit

RTO-I, Lahore

(Rs in million)

Sr. No.	DP No.	Asstt/Tax Year	No of cases	Amount involved (Rs)	Amount Recovered	Latest Position
1.	13529	2010 & 2011	01	1.02	-	Under Process
Total			01	1.02		

RTO-II, Lahore

2.	13473	2011	01	1.80	-	Under Process
3.	13470	2011	03	7.16	-	Under Process
Total			04	8.96		

RTO, Islamabad

4.	13500	2011	01	0.46	-	Under Process
Total			01	0.46		

LTU, Islamabad

5.	62(ii)-PDP	2006	01	55.72	-	Under Process
Total			01	55.72		

RTO, Multan

6.	13454	2011	01	10.04	-	Under Process
Total			01	10.04		

RTO, Peshawar

7.	13588	2008 & 2011	02	36.88	-	Under process
Total			02	36.88		

RTO, Rawalpindi

8.	13429	2011	01	0.18	-	Under Process
9.	13406	2011	04	11.39	-	Under Process
Total			05	11.57		

LTU, Karachi

10.	235K (Z-I to IV)	2011	1	355.01	-	Under process
Total			1	355.01		

RTO-I, Karachi

11	154K (Z-III)	2011	4	7.39	-	Under process
12	152K (Z-III)	2011	2	38.71	-	Under process
Total			6	46.10		

RTO, Quetta

13	217K (Z-I)	2011	1	0.30	-	Under process
14	134K (Z-II)	2011	1	6.75	-	Under process
Total			2	7.05		

G.Total	24	532.81
(Rs million) Under process Rs.532.81		

Annexure-31

(Para 5.3.9)

Non-realization of withholding tax**RTO-I, Lahore***(Rs in million)*

Sr. No.	DP No	Asstt/Tax Year	No of cases	Amount involved (Rs)	Amount Recovered	Latest Position
1.	13268	2008 to 2011	01	35.99	-	Record not produced
2.	13763	2011	01	0.51	-	Under Process
3.	13632	2010 & 2011	01	3.19	-	Record not produced
Total			03	39.69		

RTO-II, Lahore

4.	13474	2010 & 2011	02	3.82	-	Under Process
5.	13467	2011	02	0.65	-	Under Process
Total			04	4.47		

RTO, Rawalpindi

6.	13654	2009-2011	02	106.13	-	Under Process
Total			02	106.13		

RTO, Multan

7.	13455	2011	01	7.40	-	Under Process
8.	13447	2008	01	25.36	-	Under Process
9.	13445	-	09	0.68	-	Under Process
Total			11	33.44		

RTO, Faisalabad

10.	13390	2011	01	11.85	-	Under Process
Total			01	11.85		

LTU, Islamabad

11.	58(i)-PDP	2004-2007	01	20.39	-	Under Process
12.	58(ii)-PDP	2002-03	01	22.61	-	Subjudice
Total			02	43.00		

RTO, Gujranwala

13.	108(2)-PDP	2008	01	52.71	-	Under Process
Total			01	52.71		

RTO-I, Karachi

14	248K (Z-I)	2011	1	3.84	-	Under process
15	250K (Z-I)	2011	1	87.26	-	Under process
Total			2	91.10		

RTO-III, Karachi

16	131K (Z-III)	2011	4	36.21	-	Under process
Total			4	36.21		

R.T.O. Hyderabad

17	161K (Z-I)	2011	17	1.48	-	Under process
Total			17	1.48		

RTO, Sukkur

18	106K (Z-I)	2011	21	170.43	-	Under process
19	120K (Z-II)	2011	2	8.89	-	Under process
Total			23	179.32		

G.Total	70	599.40
(Rs million) Under process Rs 537.61, Record not produced Rs 39.18, Subjudice Rs 22.61		

Annexure-32

(Para 5.3.10)

Loss of revenue for non-treating the tax collected or deducted as a final tax**RTO, Islamabad***(Rs in million)*

Sr. No.	DP No	Asstt/Tax Year	No of cases	Amount involved (Rs)	Amount Recovered	Latest Position
1.	13515	2011	01	3.67	-	Under Process
2.	13512	2011	01	21.92	-	Under Process
3.	13511	2011	01	31.43	-	Under Process
4.	13502	2010 & 2011	01	20.19	-	Under Process
5.	13499	2011	01	2.46		Under Process
6.	13494	2011	01	130.14	-	Under Process
7.	13489	2011	01	2.50	-	Under Process
8.	191-PDP	2009	02	2.99	-	Under Process
Total			09	215.30		

RTO, Rawalpindi

9.	13645	2011	02	0.34	-	Under Process
10.	13644	2011	01	0.87	-	Under Process
Total			03	1.21		

RTO, Peshawar

11.	13598	2010 & 2011	02	308.35	-	Under Process
Total			02	308.35		

RTO, Quetta

12	136K (Z-II)	2011	09	0.08	0.04	Under process Rs.0.04
Total			09	0.08	0.014	

G.Total	23	524.94	0.04	
(Rs million)				
Under process Rs 524.90, Amount recovered Rs 0.04				

Annexure-33

(Para 5.3.11)

**Non-levy of additional tax/default surcharge for late payment of
assessed tax or penalty****RTO, Peshawar***(Rs in million)*

Sr. No.	DP No	Asstt/Tax Year	No of cases	Amount involved (Rs)	Amount Recovered	Latest Position
1.	13582	2011	02	16.45	-	Under process
Total			02	16.45		

RTO, Sialkot

2.	152-PDP	2009	97	6.72	-	Under Process
Total			97	6.72		

LTU, Lahore

3.	13414	2011	03	2.45	-	Under Process
4.	13409	2011	03	0.49	0.13	Recovery awaited Rs.0.36
Total			06	2.94	0.13	

LTU, Karachi

5.	184K (Z-I)	2011	1	0.71	-	Under process
Total			1	0.71		

RTO-I, Karachi

6	252K(Z-II)	2011	1	6.10	-	Under process
7	253K(Z-II)	2011	1	0.43	-	Under process
8	254K(Z-II)	2011	1	11.57	-	Under process
9	255K(Z-II)	2011	1	0.05	-	Under process
10	256K(Z-II)	2011	1	0.09	-	Under process
11	257K(Z-II)	2011	1	0.17	-	Under process
12	258K(Z-II)	2011	1	0.09	-	Under process
13	259K(Z-II)	2011	1	0.08	-	Under process
14	260K(Z-II)	2011	1	0.31	-	Under process
15	261K(Z-II)	2011	1	0.13	-	Under process
16	262K(Z-II)	2011	1	0.19	-	Under process
17	263K(Z-II)	2011	1	0.08	-	Under process
18	264K(Z-II)	2011	1	0.07	-	Under process
19	265K(Z-II)	2011	1	0.06	-	Under process
20	266K(Z-II)	2011	1	21.52	-	Under process
21	267K(Z-II)	2011	1	0.17	-	Under process
22	268K(Z-II)	2011	1	0.20	-	Under process
23	269K(Z-II)	2011	1	9.75	-	Under process
24	270K(Z-II)	2011	1	14.92	-	Under process
25	271K(Z-II)	2011	1	0.20	-	Under process
26	272K(Z-II)	2011	1	0.26	-	Under process
27	273K(Z-II)	2011	1	0.27	-	Under process

28	274K(Z-II)	2011	1	0.17	-	Under process
29	275K(Z-II)	2011	1	0.64	-	Under process
30	276K(Z-II)	2011	1	0.13	-	Under process
31	277K(Z-II)	2011	1	0.09	-	Under process
32	278K(Z-II)	2011	1	2.42	-	Under process
33	279K(Z-II)	2011	1	3.82	-	Under process
34	280K(Z-II)	2011	1	0.12	-	Under process
35	281K(Z-II)	2011	1	1.58	-	Under process
36	282K(Z-II)	2011	1	2.21	-	Under process
37	283K(Z-II)	2011	1	5.16	-	Under process
38	284K(Z-II)	2011	1	1.51	-	Under process
39	285K(Z-II)	2011	1	0.21	-	Under process
40	286K(Z-II)	2011	1	0.26	-	Under process
41	287K(Z-II)	2011	1	20.56	-	Under process
42	288K(Z-II)	2011	1	0.20	-	Under process
43	289K(Z-II)	2011	1	0.42	-	Under process
44	290K(Z-II)	2011	1	11.84	-	Under process
45	291K(Z-II)	2011	1	1.52	-	Under process
46	292K(Z-II)	2011	1	0.26	-	Under process
47	293K(Z-II)	2011	1	0.40	-	Under process
48	294K(Z-II)	2011	1	0.06	-	Under process
49	295K(Z-II)	2011	1	0.37	-	Under process
50	296K(Z-II)	2011	1	0.06	-	Under process
51	297K(Z-II)	2011	1	0.30	-	Under process
52	298K(Z-II)	2011	1	0.08	-	Under process
53	299K(Z-II)	2011	1	0.37	-	Under process
54	300K(Z-II)	2011	1	1.73	-	Under process
55	301K(Z-II)	2011	1	0.20	-	Under process
56	302K(Z-II)	2011	1	2.47	-	Under process
57	303K(Z-II)	2011	1	1.96	-	Under process
58	304K(Z-II)	2011	1	1.69	-	Under process
59	305K(Z-II)	2011	1	0.11	-	Under process
60	306K(Z-II)	2011	1	1.56	-	Under process
61	307K(Z-II)	2011	1	0.47	-	Under process
62	308K(Z-II)	2011	1	0.06	-	Under process
63	309K(Z-II)	2011	1	0.10	-	Under process
64	137K(Z-III)	2011	11	2.72	-	Under process
65	138K(Z-III)	2011	4	0.42	-	Under process
66	147K(Z-III)	2011	2	0.22	-	Under process
Total			75	135.18	-	

RTO-III, Karachi

67	124K(Z-II)	2011	1	0.68	-	Under process
Total			1	0.68		

RTO, Sukkur

68	93K(Z-I)	2011	19	22.88	-	Under process
69	111K(Z-II)	2011	3	0.55	-	Under process
Total			22	23.43		

RTO, Quetta

70	201K(Z-I)	2011	1	93.29	-	Under process
71	204K(Z-I)	2011	1	10.92	-	Under process
72	205K(Z-I)	2011	1	5.98	-	Under process
73	206K(Z-I)	2011	1	4.64	-	Under process
74	207K(Z-I)	2011	1	10.14	-	Under process
75	208K(Z-I)	2011	1	5.84	-	Under process
76	209K(Z-I)	2011	1	7.93	-	Under process
77	210K(Z-I)	2011	1	10.33	-	Under process
78	211K(Z-I)	2011	1	12.58	-	Under process
79	212K(Z-I)	2011	1	25.99	-	Under process
80	213K(Z-I)	2011	1	27.77	-	Under process
81	214K(Z-I)	2011	1	12.40	-	Under process
82	215K(Z-I)	2011	1	13.64	-	Under process
Total			13	241.45		

G.Total	217	427.56	0.13	
(Rs million)				
Under process Rs 427.07, Recovered Rs 0.13, Recovery awaited Rs 0.36				

Annexure-34

(Para 5.3.12)

Non-levy of penalty on late/non filing of returns**RTO, Faisalabad***(Rs in million)*

Sr. No.	DP No.	Asstt/Tax Year	No of cases	Amount involved (Rs)	Amount Recovered	Latest Position
1.	13335	2011	18	3.18	-	Under Process
2.	13298	2011	15	8.37	-	Under Process
Total			33	11.55		

RTO, Islamabad

3.	13513	2011	18	17.46	-	Under Process
4.	13508	2011	11	12.13	-	Under Process
5.	13496	2011	18	9.86	-	Under Process
Total			47	39.45		

RTO, Sialkot

6.	141-PDP	-	132	5.59	-	Under Process
7.	157-PDP	2009	199	4.38	-	Under Process
Total			331	9.97		

RTO, Bahawalpur

8.	13522	2011	04	0.13	-	Under Process
Total			04	0.13		

RTO, Abbottabad

9.	13330	2011	1541	7.70	-	Under Process
Total			1541	7.70		

RTO, Gujranwala

10.	13386	2011	23	2.56	-	Recovery awaited Rs 0.44, Under Process Rs 1.86, Record not produced Rs 0.26
Total			23	2.56		

RTO, Sargodha

11.	13740	2011	39	0.19	-	Under Process
12.	13703	2011	4912	24.56	-	Under Process
Total			4951	24.75		

LTU, Karachi

13	189K(Z-II)	2011	13	5.88	-	Under process
14	231K(Z-I to IV)	2011	15	0.56	-	Under process
15	243K(Z-I to IV)	2011	1	-	-	Under process
Total			29	6.44		

RTO-I, Karachi

16	92K (Z-II)	2011	16888	84.44	-	Under process
17	141K(Z-III)	2011	6	2.28	-	Under process
Total			16894	86.72		

RTO-III, Karachi

18	126K(Z-II)	2011	9	4.87	-	Under process
19	127K(Z-II)	2011	4	200.61	-	Under process
Total			13	205.48		

R.T.O. Hyderabad

20	159K(Z-I)	2011	25	4.51	-	Under process
21	160K(Z-I)	2011	500	2.50	-	Under process
22	162K(Z-I)	2011	139	0.70	-	Under process
23	166K(Z-I)	2011	7	2.21	-	Under process
24	167K(Z-I)	2011	140	0.70	-	Under process
25	165K(Z-I)	2011	500	2.50	-	Under process
Total			1311	13.12		

RTO, Sukkur

26	96K(Z-I)	2011	21	2.32	-	Under process
27	94K(Z-I)	2011	1	0.51	-	Under process
28	95K(Z-I)	2011	22	57.49	-	Under process
29	97K(Z-I)	2011	5	44.89	-	Under process
30	113K(Z-II)	2011	19	31.54	-	Under process
31	114K(Z-II)	2011	1	0.64	-	Under process
Total			69	137.39		

RTO, Quetta

32	218K(Z-I)	2011	1	0.14	-	Under process
33	219K(Z-I)	2011	1	0.11	-	Under process
34	220K(Z-I)	2011	1	0.21	-	Under process
35	221K(Z-I)	2011	1	0.19	-	Under process
36	222K(Z-I)	2011	1	0.19	-	Under process
37	223K(Z-I)	2011	4	0.21	-	Under process
38	224K(Z-I)	2011	1	0.19	-	Under process
39	225K(Z-I)	2011	1	0.15	-	Under process
40	226K(Z-I)	2011	1	0.04	-	Under process
41	227K(Z-I)	2011	1	0.13	-	Under process
42	228K(Z-I)	2011	1	0.37	-	Under process
43	229K(Z-I)	2011	1	0.14	-	Under process
44	230K(Z-I)	2011	1	0.13	-	Under process
Total			17	2.20		

G.Total	25263	547.47
(Rs million)		
Under process Rs 546.77, Charged recovery awaited Rs 0.44, Record not produced Rs 0.26		

Annexure-35

(Para 5.3.13)

Non / short levy of tax due to incorrect adjustment of carried forward losses**RTO, Peshawar***(Rs in million)*

Sr. No.	DP No	Asstt/Tax Year	No of cases	Amount involved (Rs)	Amount Recovered	Latest Position
1.	13593	2009 to 2011	04	618.37	-	Under Process
2.	13580	2011	05	46.81	-	Under process
Total			09	665.18		

LTU, Karachi

3	186K (Z-I)	2011	1	624.50	-	Under process
4	187K (Z-I)	2011	1	157.16	-	Under process
5	241K (Z-I to IV)	2011	1	-	-	Under process
Total			3	781.66		

RTO-I, Karachi

6	145K (Z-III)	2011	1	31.64	-	Under process
7	151K (Z-III)	2011	1	31.01	-	Under process
Total			2	62.65		

RTO, Sukkur

8	105K (Z-I)	2011	1	73.55	-	Under process
Total			1	73.55		

G. Total	15	1583.04
(Rs million)		
Under process Rs 1583.04		

Annexure-36
(Para 5.3.14)

Loss of revenue due to incorrect claim of exemption

RTO-I, Lahore

(Rs in million)

Sr. No.	DP No.	Asstt/Tax Year	No of cases	Amount involved (Rs)	Amount Recovered	Latest Position
1.	13527	2009 & 2010	01	80.46	-	Under Process
2.	13544	2009 to 2012	01	110.76	-	Under Process
3.	12885	2010	01	642.52	-	Record not produced
Total			03	833.74		

RTO, Peshawar

4.	13786	2010-11	01	2,084.00	-	Under Process
5	13585	2009	01	67.49	-	Under Process
Total			02	2,151.49		

G.Total	05	2985.23
(Rs million)		
Under process Rs 2342.71, Record not produced Rs 642.52		

Annexure-37
(Para 5.3.15)

Loss of revenue due to non payment of tax along with return

RTO-II,Lahore

(Rs in million)

Sr. No.	DP No.	Asstt/Tax Year	No of cases	Amount involved (Rs)	Amount Recovered	Latest Position
1.	13466	2011	01	37.14	-	Under Process
Total			01	37.14		

RTO, Islamabad

2.	13501	2010	01	13.27	-	Under Process
3.	13516	2011	01	2.68	-	Under Process
Total			02	15.95		

RTO, Rawalpindi

4.	13403	2011	03	5.28	-	Under Process
5.	13653	2011	05	1.69	-	Under Process
Total			08	6.97		

RTO, Gujranwala

6.	13385	2011	08	4.59	-	Recovery awaited Rs 0.71, Under Process Rs 3.88
Total			08	4.59		

RTO, Peshawar

7.	13592	2011	01	129.41	-	Under Process
Total			01	129.41		

G.Total	20	194.06
(Rs million)		
Under process Rs 193.35, Recovery awaited Rs.0.71		

Annexure-38

(Para 5.3.16)

Short recovery of tax due to incorrect computation of tax**RTO, Peshawar**

Sr. No.	DP No	Asstt/Tax Year	No of cases	Amount involved (Rs)	Amount Recovered	Latest Position
1.	13583	2011	01	16.98	-	Record not produced
Total			01	16.98		

RTO, Sukkur

2	102K(Z-I)	2011	18	89.77	-	Under process
3	104K(Z-I)	2011	01	3.10	-	Under process
4	118K(Z-II)	2011	05	2.65	-	Under process
Total			24	95.52		

RTO, Quetta

5	202K(Z-I)	2011	1	5.09	-	Under process
Total			1	5.09		

G.Total	26	117.59
(Rs million)		
Under process Rs 100.61, Record not produced Rs 16.98		

Annexure-39

(Para 5.3.17)

Non realization of additional tax/default surcharge from withholding agents**LTU, Karachi***(Rs in million)*

Sr. No.	DP No	Asstt/Tax Year	No of cases	Amount involved (Rs)	Amount Recovered	Latest Position
1.	239 K/Zone-I to IV	2011	1	40.31	-	Under process
2.	240K/Zone-I to IV	2011	1	129.42	-	Under process
Total			2	169.73		

RTO-III, Karachi

3	125K/Zone-II	2011	6	7.31		Under process
Total			6	7.31		

RTO, Sukkur

4	112K/Zone-II	2011	1	2.79	-	Under process
Total			1	2.79		

RTO, Quetta

5	216K/Zone-I	2011	1	0.18	-	Under process
Total			1	0.18		

G.Total	10	180.01
(Rs million)		
Under process Rs 180.01		

Annexure-40

(Para 5.3.18)

Non recovery of arrear income tax demand**RTO, Bahawalpur***(Rs in million)*

Sr. No.	DP No.	Asstt/Tax Year	No of cases	Amount involved (Rs)	Amount Recovered	Latest Position
1.	13519	2011-12	-	48.47	-	Under Process
Total				48.47		

RTO, Peshawar

2.	13692	2006	01	19.27	-	Record to be produced
Total			01	19.27		

RTO, Sargodha

3.	13312	2011	58	29.64	-	Under Process
4.	13741	2011	39	12.57	-	Under Process
5.	13391	2011	36	6.01	-	Under Process
Total			133	48.22		

RTO, Gujranwala

6.	13387	2011	98	143.24	-	Under Process
Total			98	143.24		

RTO, Sialkot

7.	13323	2009 to 2011	09	312.72	-	Recovery awaited
Total			09	312.72		

RTO, Faisalabad

8.	13334	2011-12	43	183.50	-	Under Process
9.	13345	2011-12	35	252.20	-	Under Process
Total			78	435.70		

RTO, Multan

10.	13449	1966-67 to 2012	580	674.77	-	Under Process
11.	13718	1986-87 to 2011	508	58.49	-	Under Process
Total			1088	733.26		

G.Total	1407	1740.88
(Rs million) Under process Rs 1408.89, Recovery awaited. Rs 312.72, Record not produced Rs 19.27		

Annexure-41

(Para 5.3.19)

Incorrect pleading of the cases**RTO, Peshawar***(Rs in million)*

Sr. No.	DP No.	Asstt/Tax Year	No of cases	Amount involved (Rs)	Amount Recovered	Latest Position
1.	13597	2001-02	01	5.40	-	Record to be produced
Total			01	5.40		

LTU, Islamabad

2.	77-PDP	2003	01	34.32	-	Under Process
Total			01	34.32		

G.Total	02	39.72
(Rs million) Under process Rs 34.32, Record not produced Rs 5.40		

Annexure-42
(Para 5.3.20)

Non-realization of (flood) surcharge

RTO-I, Karachi

(Rs in million)

Sr. No.	DP No	Asstt/Tax Year	No of cases	Amount involved (Rs)	Amount Recovered	Latest Position
1	146K/Zone-III	2011	5	3.35	-	Under process
Total			5	3.35		

RTO-III, Karachi

2	133K/Zone-II	2011	5	7.66	-	Under process
Total			5	7.66		

RTO, Sukkur

3	109K/Zone-I	2011	33	15.55	-	Under process
4	123K/Zone-II	2011	3	0.73	-	Under process
Total			36	16.28		

G.Total	46	27.29
(Rs million) Under process Rs 27.29		

Annexure-43

(Para 5.4.1)

Irregular and unlawful issuance of refund**RTO, Islamabad***(Rs in million)*

Sr. No.	DP No.	Asstt/Tax Year	No of cases	Amount involved (Rs)	Amount Recovered	Latest Position
1.	13493	2007	01	1.21	-	Under Process
2.	13491	2008 & 2009	01	9.16	-	Under Process
3.	13488	1996-97 - 2000-01	01	0.33	-	Under Process
Total			03	10.70		

RTO, Multan

4.	13452	2011	02	4.11	-	Under Process
5.	13451	2010	01	0.42	-	Record not produced
6.	13450	2011	01	13.90	-	Record not produced
7.	13448	2011	01	19.88	-	Under Process
8.	13442	2011	01	0.70	-	Record not produced
9.	13441	2011	06	3.15	-	Record not produced
10.	13440	2011	03	0.71	-	Under Process
11.	13437	2011	02	0.14	-	Record not produced
12.	13434	2011	05	2.00	-	Under Process
13.	13421	2011	51	5.46	-	Record not produced
Total			73	50.47		

RTO, Faisalabad

14.	18-PDP	-	22	44.73	-	Under Process
Total			22	44.73		

RTO, Peshawar

15.	13596	2011	01	4.94	-	Under Process
16.	13594	2010	01	22.83	-	Under Process
17.	13590	2008-2011	01	3.60	-	Under process
18.	13589	2010	01	10.70	-	Under process
Total			04	42.07		

RTO-I, Lahore

19.	13783	2009	04	0.90	-	Record not produced
20.	13768	2010	01	0.77	-	Under Process
21.	13762	2009	01	3.32	-	Under Process

22.	13764	2009	12	5.68	-	Under Process
23.	13765	2010 & 2011	34	82.85	-	Under Process
24.	13766	2009	26	27.75	-	Under Process
25.	13767	2009 & 2010	17	7.44	-	Under Process
26.	13637	2009	01	0.10	-	Record not produced
27.	13633	2008-2010	01	0.08	-	Record not produced
28.	13545	2009	04	0.23	-	Record not produced
29.	13540	2011-12	08	3.66	-	Record not produced
30.	13534	2009 & 2010	01	4.24	-	Under Process
31.	13533	2009	01	0.34	-	Under Process
32.	13269	2009	01	0.13	-	Under Process
33.	13270	2007	01	0.08	-	Under Process
Total			111	137.57		

RTO-II, Lahore

34.	13475	2011	01	1.55	-	No Reply
35.	13248	2010	07	0.88	-	No Reply
Total			08	2.43		

RTO, Gujranwala

36.	13503	2010	01	0.56	-	Under Process
37.	13382	2011	02	2.79	-	Under Process
38.	13376	2009 & 2010	02	0.85	-	Recovery awaited Rs 0.668, Under Process Rs 0.184
39	13378	2009	01	0.26	-	Recovery awaited
Total			06	4.46		

RTO, Sargodha

40.	13737	2007-2011	02	5.34	-	Under Process
Total			02	5.34		

LTU, Karachi

41	171K(Z-I)	2011	1	57.46	-	Under process
42	174K(Z-I)	2011	1	8.36	-	Under process
43	175K(Z-I)	2011	1	35.19	-	Under process
44	176K(Z-I)	2011	1	202.87	-	Under process
45	177K(Z-I)	2011	1	104.25	-	Under process
46	178K(Z-I)	2011	1	8.36	-	Under process

Annexure-44

(Para 5.4.2)

Excess determination of refunds**RTO-II, Lahore***(Rs in million)*

Sr. No.	DP No	Asstt/Tax Year	No of cases	Amount involved (Rs)	Amount Recovered	Latest Position
1.	13469	2010	01	20.09	-	Under Process
Total			01	20.09		

RTO, Sargodha

2.	13711	2011	07	1.20	-	Under Process
Total			07	1.20		

LTU, Karachi

3	237K(Z-I to IV)	2011	1	49.31	-	Under process
Total			1	49.31		

RTO-I, Karachi

4	139K(Z-III)	2011	3	10.76	-	Under Process
Total			3	10.76		

RTO-III, Karachi

5	128K(Z-II)	2011	4	18.61	-	Under process
Total			4	18.61		

R.T.O. Hyderabad

6	158K(Z-I)	2011	3	10.15	-	Under process
7	169K(Z-II)	2011	2	0.12	-	Under Process
Total			5	10.27		

RTO, Sukkur

8	98K(Z-I)	2011	14	12.06	-	Under process
9	115K(Z-II)	2011	4	1.23	-	Under process
Total			18	13.29		

G.Total	39	123.53
(Rs million)		
Under process Rs 123.53		

Annexure-45

(Para 5.5.1)

Non-realization of Workers Welfare Fund**LTU, Lahore***(Rs in million)*

Sr. No.	DP No.	Asstt/Tax Year	No of cases	Amount involved	Amount Recovered	Latest Position
1.	13412	2011	01	0.09	-	Under Process
2.	13411	2011	01	0.79	-	Recovery awaited
3.	13410	2011	04	5.08	0.93	Recovery awaited Rs 0.55, Under Process Rs 3.60
4.	13407	2011	01	0.05	-	Recovery awaited
5.	13413	2011	01	0.72	-	Under Process
Total			08	6.73	0.93	

RTO, Bahawalpur

6.	13520	2011-12	07	0.12	-	Under Process
Total			07	0.12		

RTO, Rawalpindi

7.	13652	2011	11	57.26	-	Under Process
8.	13404	2011	04	1.25	-	Under Process
Total			15	58.51		

RTO, Sargodha

9.	13305	2011	11	1.98	-	Under Process
Total			11	1.98		

RTO, Islamabad

10.	13517	2011	12	2.32	0.026	Under Process
11.	13509	2011	03	11.92	-	Under Process
Total			15	14.24	0.026	

LTU, Islamabad

12.	13419	2011	02	2.64	-	Under Process Rs 1.933, Subjudice Rs 0.711
13.	13418	2011	01	1.32	-	Under Process
Total			03	3.96		

RTO, Abbottabad

14.	13329	2011	19	7.09	-	Under Process
Total			19	7.09		

RTO, Faisalabad

15.	13687	2011	20	28.02	-	Under Process
16.	13686	2011	05	4.89	-	Under Process
17.	13343	2011	04	7.50	-	Under process

18.	13342	2011	45	57.09	-	Under process
19.	13302	2011	111	4.78	0.04	Under Process
20.	13299	2008-11	01	7.89	-	Under Process
Total			186	110.17	0.04	

RTO, Sialkot

21.	13315	2010	01	0.23	-	Under Process
Total			01	0.23		

RTO-I, Lahore

22.	13784	2009-11	05	4.84	-	Record not produced
23.	13541	2008 to 2011	01	1.04	-	Under Process
24.	13539	2009 to 2011	03	13.25	-	Record not produced
25.	13531	2009 to 2011	03	8.78	-	Under Process
Total			12	27.91		

RTO-II, Lahore

26.	13468	2010	01	0.17	-	Under Process
Total			01	0.17		

RTO, Gujranwala

27.	13380	2011	18	3.29	-	Under Process
Total			18	3.29		

LTU, Karachi

28	173K (Z-I)	2011	19	1,017.35	-	Under process
29	191K(Z-II)	2011	16	327.09	-	Under process
30	234K(Z-I to IV)	2011	10	4.11	-	Under process
Total			45	1,348.55		

RTO-I, Karachi

31	244K(Z-I)	2011	1	1.07	-	Under process
32	245K(Z-I)	2011	2	0.15	-	Under process
33	247K(Z-I)	2011	1	2.33	-	Under process
34	91K(Z-II)	2011	708	731.90	-	Under process
35	143K(Z-III)	2011	14	27.42	-	Under process
Total			726	762.87		

RTO-III, Karachi

36	132K(Z-II)	2011	18	16.12	0.02	Recovery awaited Rs.2.19 Under process Rs.13.91
Total			18	16.12	0.02	

R.T.O. Hyderabad

37	157K(Z-I)	2011	46	11.30	-	Under process
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38	168K(Z-II)	2011	10	0.58	-	Under process
Total			56	11.88		

RTO, Sukkur

39	107K(Z-I)	2011	127	108.87	-	Under process
40	121K(Z-II)	2011	38	8.22	-	Under process
Total			165	117.09		

RTO, Quetta

41	203K(Z-I)	2011	1	1.95	-	Under process
Total			1	1.95		

G.Total	1,307	2,492.86	1.01	
(Rs million) Under process Rs 2469.47 , Amount recovered Rs 1.01, Record not produced Rs 18.09 Recovery awaited Rs 3.58, Subjudice Rs 0.71				

(Para 5.5.2)

LTU, Karachi

(Rs in million)

Sr. No.	Zone	DP No	Asstt/Tax Year	No of cases	Amount involved	Amount Recovered	Latest Position
1.	Zone - I	183K	2011	1	41.55	-	Under process
Total				1	41.55		

2	Zone-I	110K	2011	8	15.09	-	Under process
Total				8	15.09		

G.Total	9	56.59
(Rs million)		
Under process Rs 56.59		

Annexure-47

(Para 5.6.2)

Excess and inadmissible payment of pay and allowances for Rs 6.73 million*(Rs in million)*

Sr. No.	Office	DP No.	No. of cases	Amount pointed out	Amount recovered	Balance
1	RTO Faisalabad	13476-Exp	01	0.08	-	0.08
2	LTU Lahore	13666-Exp	01	0.30	0.01	0.29
3	RTO Peshawar	13696-Exp	02	0.24	-	0.24
4	RTO Multan	13438-Exp	02	0.55	0.04	0.51
5	RTO Islamabad	13727-Exp	01	0.13	-	0.13
6	RTO-II Lahore	13689-Exp	01	0.25	-	0.25
7		13287-Exp	03	0.14	-	0.14
8	RTO Rawalpindi	13402-Exp	04	0.03	-	0.03
9		13397-Exp	01	0.13	-	0.13
10	FBR (HQ) Islamabad	13246-Exp	06	1.37	0.04	1.33
11	RTO Gujranwala	13274-Exp	02	0.11	0.10	0.01
12	PRAL, FBR (HQ), Islamabad	13677-Exp	71	3.59	-	3.59
Total			95	6.92	0.19	6.73

Annexure-48

(Para 5.6.3)

Non/short deduction of income tax for Rs 3.09 million*(Rs in million)*

Sr. No.	Office	DP No.	No. of cases	Amount
1	RTO Multan	13257-Exp	06	0.18
2	FBR (HQ) Islamabad	13432-Exp	14	0.30
3	RTO Rawalpindi	13400-Exp	04	0.05
4	RTO Hyderabad	120-Exp/K	312	1.91
5	RTO Sukkur	123-Exp/K	108	0.56
6	Asstt. Director Internal Audit Hyderabad	110-Exp/K	16	0.09
Total			460	3.09

Annexure-49
(Para 5.6.5)

Un-authorized payment of special allowance (IJP) and conveyance allowance during leave period for Rs 2.65 million

(Rs in million)

Sr. No.	Office	DP No.	No. of cases	Amount pointed out	Amount recovered	Balance
1	RTO Sialkot	13486-Exp	29	0.24	-	0.24
2		13485-Exp	01	0.10	-	0.10
3	RTO Multan	13256-Exp	36	0.28	-	0.28
4		13369-Exp	01	0.38	-	0.38
5		13714-Exp	03	0.29	-	0.29
6	RTO-II Lahore	13284-Exp	10	0.05	-	0.05
7		13288-Exp	04	0.28	-	0.28
8		13688-Exp	01	0.38	-	0.38
9	RTO Gujranwala	13364-Exp	03	0.14	-	0.14
10	RTO Lahore	13479-Exp	02	0.18	0.02	0.16
11	LTU Lahore	13663-Exp	01	0.09	0.01	0.08
12	RTO Bahawalpur	13668-Exp	01	0.04	-	0.04
13	RTO Peshawar	13699-Exp	02	0.12	-	0.12
14	RTO Islamabad	13732-Exp	17	0.03	-	0.03
15		13733-Exp	01	0.04	-	0.04
16	RTO Faisalabad	13389-Exp	40	0.08	0.04	0.04
Total			152	2.72	0.07	2.65

Annexure-50

(Para 5.6.6)

Un-authorized expenditure on POL/CNG and repair and maintenance of vehicles for Rs 17.78 million

(Rs in million)

Sr. No.	Office	DP No.	Amount pointed out
1	RTO-II Lahore	13286-Exp	0.12
2	RTO Sargodha	13309-Exp	2.23
3	RTO Rawalpindi	13394-Exp	0.52
4	Directorate of Internal Audit, Lahore	13642-Exp	2.22
5	Directorate General of Internal Audit (Direct Taxes), Islamabad	13730-Exp	0.60
6	LTU Lahore	13667-Exp	0.16
7	RTO Bahawalpur.	13672-Exp	0.25
8	RTO Peshawar	13690-Exp	0.98
9	RTO Islamabad	13731-Exp	2.27
10	RTO Hyderabad	121-EXP/K	0.32
11	RTO Hyderabad	119-EXP/K	5.70
12	Directorate Internal Audit (SR) Inland Revenue, Hyderabad	113-EXP/K	0.13
13	Director I & I, Inland Revenue, Karachi	137-EXP/K	1.58
14	Directorate Internal Audit (SR) Inland Revenue, Karachi	142-EXP/K	0.70
Total			17.78

Annexure-51

(Para 5.6.7)

Non recovery of motor vehicle instalments owned by the officers availing monetization transport facility for Rs 7.13 million*(Rs in million)*

Sr. No.	Office	DP No.	No. of cases	Amount pointed out	Amount Recovered	Balance
1	RTO Rawalpindi	13393-Exp	03	0.38	0.29	0.09
2	RTO Islamabad	13735-Exp	04	0.40	0.05	0.35
3	FBR (HQ)	13245-Exp	28	1.15	-	1.15
4		13547-Exp	01	0.08	0.03	0.05
5		13736-Exp	03	0	-	0
6	LTU Islamabad	13352-Exp	02	0.25	0.08	0.17
7	LTU Lahore	13665-Exp	02	1.08	0.05	1.03
8	RTO-I Karachi	105-Exp/K	08	3.48	-	3.48
9	RTO-II Karachi	107-Exp/K	02	0.30	-	0.30
10		110-Exp/K	01	0.31	-	0.31
11	RTO Quetta	131-Exp/K	01	0.20	-	0.20
12	Commissioner Appeal-I LTU Karachi	144-Exp/K	01	0	-	0
Total			56	7.63	0.50	7.13

Annexure-52

(Para 5.6.14)

Non recovery of loans and advances for Rs 5.67 million*(Rs in million)*

(Rs in million)				
Sr. No.	Office	DP No.	No. of cases	Amount pointed out
1	RTO Multan	13255-Exp	15	4.64
2	RTO Abbottabad	13537-Exp	03	0.50
3		13535-Exp	09	0.14
4	RTO Faisalabad (DPU)	13296-Exp	04	0.02
5	RTO Rawalpindi	13395-Exp	25	0.33
6		13401-Exp	01	0.04
Total			57	5.67

Annexure-53
(Para 5.6.20)

Non deposit of sales tax for Rs 1.09 million

(Rs in million)

Sr. No.	Office	DP No.	No. of cases	Amount
1	RTO-II Karachi	109-Exp/K	01	0.55
2	RTO Sukkur	126-Exp/K	03	0.47
3	RTO Quetta	129-Exp/K	01	0.04
4	RTO Quetta	130-Exp/K	01	0.03
Total			06	1.09

Annexure-54
(Para 5.6.21)

Unauthorized payment of medical claims for Rs 1.90 million

(Rs in million)

Sr. No.	Office	DP No.	No. of cases	Amount pointed out
1	RTO Peshawer	13695-Exp	06	0.53
2	RTO-II Karachi	108-Exp/K	03	0.64
3	RTO Hyderabad	134-Exp/K	03	0.23
4	RTO Sukkur	120-Exp/K	05	0.50
Total			17	1.90

Annexure-55

(Para 5.6.23)

Inadmissible payments involving Rs 2.99 million*(Rs in million)*

Sr. No.	Name of formation	Remarks	Violation of Rules	Amount involved	Amount recovered	Balance
1	FBR (HQ)	Unjustified /inadmissible payment on account of TA/DA. (DP# 13778/19)	Rule 10 of General Financial Rules Vol-I	0.02	-	0.02
2	FBR (HQ)	Non deduction of sales tax on purchase of taxable goods. (DP# 13778/20)	Rule 2(2) of SRO 660(I)/2007, dated 30.06.2007.	0.06	-	0.06
3	FBR (HQ)	Non deduction and recovery of normal tax @ 5% from the pay of the officer occupying government accommodation. (DP# 13778/23)	Para 26 (i) of Accommodation Allocation Rules, 2002.	0.02	-	0.02
4	FBR (HQ)	Excess payment on account of residential building. (DP# 13778/24)	Para 2 (iii) of Ministry of Housing & Works letter No. F-4(8)/92-Policy dated 18.10.2011.	0.02	-	0.02
5	FBR (HQ)	Unauthorized drawl of cash reward (DP# 13778/25)	Rule 10 of General Financial Rules Vol-I	0.02	-	0.02
6	FBR (HQ)	Non conducting of physical verification of stocks/stores and internal check (DP# 13778/27)	Para 159 of General Financial Rules, Vol-I.	0	-	0
7	FBR (HQ)	Absence from duty and evidence required regarding completion of Ph.D study programme (DP# 13778/30)	Revised Leave Rules, 1980.	0	-	0
8	FBR (HQ)	Clarification regarding treatment of Study leave as deputation for a period of more than two years and action required for the period of absence from duty. (DP# 13778/31)	Revised Leave Rules, 1980.	0	-	0
9	FBR (HQ)	Inadmissible payment	Finance Division	0.01	-	0.01

		on account of medical charges (DP# 13778/35)	(Regulation Wing) O. M. No. F-6(1)- R-10/2010-171- 2011 dated 24.03.2011 read with No. F- 1(1)Imp.2010-622 dated 05.07.2010			
10	FBR (HQ)	Non adjustment of miscellaneous expenses drawn in advance (DP# 13778/36)	Rule 10 of General Financial Rules Vol-I	0.10	-	0.10
11	FBR (HQ)	Unjustified payment to M/s IESCO, Islamabad as Late Payment Surcharge (LPS) (DP No. 13774-Exp)	Rule 10 of General Financial Rules, Vol-I	0.09	-	0.09
12	FBR (HQ)	Payment of house allowance & electrical / fuel subsidy on enhanced rates (DP No. 13433-Exp)	Finance Division (Regulations Wing)O.M.No.F.1 (4)R-3/98, dated 31.08.1998	0	-	0
13	FBR (HQ)	Inadmissible payment for services rendered (DP No. 13431-Exp)	Rule 10 of General Financial Rules	0.43	-	0.43
14	FBR (HQ)	Excess payment of honorarium (DP No. 13370-Exp)	Rules 11 to 17 and 89 of General Financial Rules	0.52	0.15	0.37
15	RTO-II Lahore	Non recovery of withholding tax on account of payment made for certain purchases and services rendered. (Para 13 of AIR)	Section 153 of the Income Tax Ordinance, 2001.	0.04	-	0.04
16	RTO-II Lahore	Irregular reimbursement of medical charges by DDO which are not covered under the cost of medicines. (Para 14 of AIR)	Finance Division O.M. No. F.6(I)R- 10/2010-171-2011 dated 24.03.2011.	0.03	-	0.03
17	RTO-II Lahore	Irregular payment of instruction allowance to non-entitled officers by DDO. (Para 15 of AIR)	Establishment Division O.M. No. F.3(17)-r.2/84 dated 01.07.1986.	0.02	-	0.02
18	RTO-II Lahore	Non deduction of charges from the pay of	Para xiii of Transport	0.02	-	0.02

		officers due to availing driver facility as per transport monetization policy. (Para 16 of AIR)	Monetization Policy.			
19	RTO-II Lahore	Non realization of sales tax while making payment to unregistered suppliers. (Para 17 of AIR)	Para 2 (3) of Sales Tax Special Procedure Rules, 2007.	0.02	-	0.02
20	RTO-II Lahore	Excess payment of sales tax on procurement of zero rated items. (Para 18 of AIR)	Clause (vi) of SRO 1125(I)/2011 dated 31.12.2011.	0.02	-	0.02
21	RTO-II Lahore	Non deduction of 5% house rent charges from the pay of the officer occupying government accommodation. (DP No. 13291-Exp)	Para 26 (i) of Accommodation Allocation Rules, 2002.	0.13	-	0.13
22	RTO-II Lahore	Inadmissible payment of Integrated Allowance (DP No. 13283-Exp)	Finance Division O.M. No. F.1(1)/Imp 2005 dated 01.07.2005	0.07	-	0.07
23	RTO-II Lahore	Non deduction of Benevolent Fund & Group Insurance from monthly pay. (DP No. 13289-Exp)	Federal Employees Benevolent Fund and Group Insurance Rules, 1972	0.36	-	0.36
24	DPC Lahore	Inadmissible payment of special allowance during LFP/LHP. (Para 04 of AIR)	FBR HRM Wing Circular No. 1 dated 07.12.2010	0.01	-	0.01
25	DPC Lahore	Inadmissible payment of conveyance allowance during leave period. (Para 05 of AIR)	Rule 7-A of Supplementary Rules.	0.01	-	0.01
26	RTO Faisalabad	Non recovery of withholding tax on account of payment made for certain purchases and supplies made to unregistered suppliers. (Para 05 of AIR)	Rule 2(2) of SRO 660(I)/2007 dated 30.06.2007.	0.08	-	0.08
27	RTO Faisalabad	Inadmissible payment of special allowance during LFP/LHP.	Provision 2(vi) of Admn Wing FBR Circular No. 1(1)	0.08	-	0.08

		(Para 04 of AIR)	dated 31.10.2006			
28	RTO Faisalabad	Inadmissible payment of dearness/adhoc allowance. (Para 11 & 13 of AIR)	Finance Bill 2011.	0.04	-	0.04
29	RTO Faisalabad	Over payment due to non recovery of normal house rent charges @ 5%. (DP No. 13294-Exp)	Para 26 (i) of Accommodation Allocation Rules, 2002.	0.05	-	0.05
30	RTO Faisalabad	Irregular payment of Integrated Allowance & Washing Allowance. (DP No. 13293)	Finance Division O.M. No. F.1(1)/Imp 2005 dated 01.07.2005	0.07	-	0.07
31	LTU Lahore	Non recovery of withholding tax on account of payment made for secret services. (Para 13 of AIR)	Section 153 of the Income Tax Ordinance, 2001.	0.03	-	0.03
32	LTU Lahore	Less deduction of house rent charges @ 5%. (DP No. 13664-Exp)	Para 26 (i) of Accommodation Allocation Rules, 2002.	0.05	-	0.05
33	RTO Peshawar	Non recovery of 5% house rent charges. (Para 09 of AIR)	Para 26 (i) of Accommodation Allocation Rules, 2002.	0.05	-	0.05
34	RTO Gujranwala	Over payment of house rent allowance at non-specified stations. (Para 06 of AIR)	Para 1 (a) of Finance Division O.M. No. F.2(9)-R5/81 dated 27.06.1981	0.05	-	0.05
35	RTO Gujranwala	Inadmissible payment of integrated allowance. (Para 02 of AIR)	Finance Division, Regulation Wing O.M. No. F.4(2)/Imp/2005 dated 01.07.2005	0.02	-	0.02
36	RTO Bahawalpur	Inadmissible payment of conveyance allowance during leave. (Para 12 of AIR)	Rule 7-A of Supplementary Rules.	0.02	-	0.02
37	RTO Bahawalpur	Payment of telephone bills over and above specified ceilings. (Para 11 of AIR)	Cabinet Division O.M. No. 2/26/2005-RA-IV dated 11.05.2009.	0.03	-	0.03
38	RTO Bahawalpur	Inadmissible payment of Travelling/Daily allowance. (Para 13 of AIR)	Rule 10 of General Financial Rules.	0.03	-	0.03
39	RTO	Non recovery of	Section 155 of the	0.04	-	0.04

	Bahawalpur	withholding tax on account of payment made for rent of office building. (Para 10 of AIR)	Income Tax Ordinance, 2001.			
40	RTO Bahawalpur	Non withholding of sales tax & income tax on payment made to different suppliers (DP No. 13671-Exp)	Rule 2(2) of SRO 660(I)/2007 dated 30.06.2007.	0.09	-	0.09
41	RTO Bahawalpur	In admissible payment of Integrated Allowance (DP No. 13669-Exp)	Finance Division O.M. No. F.1(1)/Imp 2005 dated 01.07.2005	0.04	-	0.04
42	Director Internal Audit, IR, Lahore	Non deduction of group insurance from salaries (Para 05 of AIR)	Chapter-V rule 18 (1) of Benevolent Fund & Group Insurance Rules, 1972.	0.02	0.02	0
43	Director Internal Audit, IR, Lahore	Non deduction of benevolent fund from salaries. (Para 04 of AIR)	Chapter-III rule 12 (1) of Benevolent Fund & Group Insurance Rules, 1972.	0.02	-	0.02
44	PRAL Islamabad	Non encashment of security deposit (Zare Zamanat). (DP No. 13682-Exp)	Rule 10 of General Financial Rules, Vol-I.	0.06	-	0.06
45	PRAL Islamabad	Avoidable expenditure on account of late payment surcharge due to late deposit of utility bills (DP No. 13683-Exp)	Rule 10 of General Financial Rules, Vol-I.	0.02	-	0.02
46	RTO Rawalpindi	Non recovery of 5% house rent charges on occupying government accommodation (DP No. 13399-Exp)	Para 26 (i) of Accommodation Allocation Rules, 2002.	0.04	-	0.04
47	RTO Sialkot	Inadmissible payment of HRA and non deduction of 5% house rent charges (DP No. 13487)	Para 26 (i) of Accommodation Allocation Rules, 2002.	0.05	-	0.05
48	TARP	Non recovery of excess payment on account of accommodation charges (Para 23 of MR TARP)	Para No. 3 of OM No. F.1 (10) R.10/2006-795 dated 30 th December, 2006 issued by Finance Division	0.07	-	0.07

			(Regulation Wing)			
49	TARP	Excess payment of daily allowance (Para 12 of MR TARP)	Para 10.101 of TA Rules	0.09	-	0.09
			Total	3.16	0.17	2.99

Annexure-56

(Para 6.4.1)

Non-pursuance of regular filing of income tax returns

Sr. No.	Formation	Total NTN holders	Tax Payers e-enrolled	Filers	Non-Filers
1	LTU Karachi	938	855	799	56
2	LTU Lahore	353	351	322	29
3	LTU Islamabad	404	397	376	21
4	RTO-I Karachi	12,257	7,231	4,626	2,605
5	RTO-II Karachi	3,591	2,968	2,265	703
6	RTO-III Karachi	1,937	1,637	1,177	460
7	RTO-I Lahore	8,882	5,770	3,677	2,093
8	RTO-II Lahore	5,435	3,413	2,371	1,042
9	RTO Hyderabad	441	306	212	94
10	RTO Sukkar	258	150	54	96
11	RTO Quetta	838	406	258	148
12	RTO Multan	1,519	929	610	319
13	RTO Faisalabad	1,982	1,282	924	358
14	RTO Gujranwala	642	412	316	96
15	RTO Sialkot	871	624	506	118
16	RTO Rawalpindi	2,066	1,150	617	533
17	RTO Islamabad	6,392	3,934	2,208	1,726
18	RTO Abbottabad	291	165	117	48
19	RTO Peshawar	2,849	1,365	832	533
20	RTO Sargodha	170	100	63	37
21	RTO Bahawalpur	478	279	179	100
	Total	52,594	33,724	22,509	11,215

Annexure-57

(Para 6.4.3)

**Non-monitoring of minimum tax payment for
Rs 22,903.54 million****Tax Year 2010***(Rs in million)*

Formation	Total Number of Company cases	Number of losses Cases	Turnover from all sources	Minimum Tax Leviable	Minimum Tax Levied	Tax Short Levied
LTU Karachi	798	216	784,833.65	3,924.17	2,005.09	1,919.08
LTU Islamabad	308	90	335,162.53	1,675.81	454.70	1,221.12
RTO-I Karachi	4433	886	78,191.73	390.96	266.05	124.91
RTO-II Karachi	2363	638	30,421.86	152.11	134.85	17.26
RTO-III Karachi	1237	336	20,463.74	102.32	71.03	31.29
RTO-I Lahore	3643	938	215,745.98	1,078.73	413.55	665.18
RTO-II Lahore	2577	626	46,092.13	230.46	129.73	100.73
RTO Hyderabad	213	74	84,355.96	421.78	230.87	190.91
RTO Quetta	273	66	51,639.96	258.20	66.38	191.82
RTO Multan	616	272	213,722.25	1,068.61	149.06	919.55
RTO Faisalabad	948	240	98,338.61	491.69	171.58	320.11
RTO Gujranwala	323	95	69,486.41	347.43	53.47	293.96
RTO Islamabad	2231	486	7,568.89	37.84	17.98	19.86
RTO Abbottabad	125	45	3,985.45	19.93	17.48	2.45
RTO Peshawar	905	101	9,547.84	47.74	38.02	9.72
RTO Sargodha	65	16	2,459.71	12.30	12.24	0.06
RTO Bahawalpur	182	104	941.62	4.71	4.61	0.10
			Total 6,028.11			

Tax Year 2011

Formation	Total Number of Company cases	Number of losses Cases	Total for Minimum Tax	Minimum Tax Leviable	Minimum Tax Levied	Tax Short Levied
LTU Karachi	779	199	844,663.88	8,446.64	4,041.81	4,404.83
LTU Lahore	318	92	308,135.06	3,081.35	2,053.98	1,027.37

LTU Islamabad	300	91	282,064.69	2,820.65	608.27	2,212.38
RTO-I Karachi	4644	977	159,352.10	1,593.52	259.41	1,334.11
RTO-II Karachi	2267	585	58,601.23	586.01	172.25	413.76
RTO-III Karachi	1180	333	24,252.30	242.52	131.52	111.00
RTO-I Lahore	3682	956	268,677.81	2,686.78	591.77	2,095.01
RTO-II Lahore	2372	596	191,447.59	1,914.48	267.06	1,647.42
RTO Hyderabad	212	84	59,961.79	599.62	41.95	557.67
RTO Sukkar	54	15	2,055.70	20.56	15.73	4.83
RTO Quetta	258	49	5,362.02	53.62	51.92	1.70
RTO Multan	613	225	181,148.00	1,811.48	52.51	1,758.97
RTO Faisalabad	924	242	99,187.07	991.87	245.54	746.33
RTO Gujranwala	316	86	72,095.07	720.95	357.01	363.94
RTO Sialkot	506	83	497.21	4.97	4.71	0.26
RTO Islamabad	2211	616	8,752.02	87.52	35.89	51.63
RTO Abbottabad	117	35	3,563.44	35.63	26.75	8.88
RTO Peshawar	833	74	35,752.83	357.53	223.87	133.66
RTO Sargodha	63	22	3,120.97	31.21	30.40	0.81
RTO Bahawalpur	179	84	233.76	2.34	1.47	0.87
			Total 16,875.43			

Annexure-58

(Para 6.5.1)

**Huge deferred liabilities of sales tax refunds causing over statement
of receipts***(Rs in million)*

Sr. No.	Offices	DP No.	No. of cases	Amount pointed out
1	LTU Lahore	13465-ST	08	252.22
2		13464-ST	01	0.23
3	RTO Gujranwala	13478-ST	35	20.45
4	RTO Faisalabad	13348-ST	1576	478.25
5	RTO Bahawalpur	13482-ST	16	9.06
6		13480-ST	32	1.62
7	RTO-II Lahore	13569-ST	10	1.38
8	RTO Sialkot	13553-ST	01	1.73
9	RTO Abbotabad	13742-ST	01	1.85
Total			1,680	766.79

Annexure-59

(Para 6.5.5)

Non finalization of admissibility/legitimacy of refund of sales tax

(Rs in million)

Sr. No.	Office	DP No.	No. of cases	Amount pointed out
1	RTO Abbottabad	13748-ST	25	85.52
2	RTO Sargodha	13307-ST	35	117.19
3	LTU Islamabad	13353-ST	06	16.50
4	RTO Multan	13720-ST	531	270.93
5	RTO Gujranwala	13368-ST	291	278.89
6	RTO Faisalabad	13354-ST	247	2331.88
7	RTO Islamabad	13601-ST	03	4.51
8		13602-ST	09	7.39
9	RTO Bahawalpur	13481-ST	04	1.02
10	RTO-II Lahore	13562-ST	10	61.12
11	RTO Hyderabad	5384-K	10	27.57
12	RTO Sukkar	5394-K	29	14.29
13	RTO Quetta	5312-K	20	7.11
Total			1,220	3,223.92

Annexure-60**(Para 6.5.7)****Non monitoring of blacklisted/blocked registered persons resulting into non recovery of sales tax***(Rs in million)*

Sr. No.	Offices	DP No.	No. of cases	Amount
1	RTO-II Karachi	5255-ST/K	01	62.42
2	RTO-II Karachi	5256-ST/K	01	76.18
3	RTO-II Karachi	5257-ST/K	01	139.32
4	RTO-II Karachi	5258-ST/K	01	149.98
5	RTO-II Karachi	5259-ST/K	01	152.09
6	RTO-II Karachi	5260-ST/K	01	44.38
7	RTO-II Karachi	5261-ST/K	01	65.44
8	RTO-II Karachi	5262-ST/K	01	81.13
9	RTO-II Karachi	5263-ST/K	01	89.94
10	RTO-II Karachi	5264-ST/K	01	55.17
11	RTO-II Karachi	5265-ST/K	01	52.07
12	RTO-II Karachi	5266-ST/K	01	79.91
13	RTO-II Karachi	5267-ST/K	01	58.85
14	RTO-II Karachi	5268-ST/K	01	85.56
Total			14	1,192.44