



**AUDIT REPORT  
ON  
THE ACCOUNTS OF REVENUE RECEIPTS  
OF  
AZAD JAMMU AND KASHMIR COUNCIL  
AUDIT YEAR 2018-2019**

**AUDITOR GENERAL OF AZAD JAMMU & KASHMIR**

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## **ABBREVIATIONS AND ACRONYMS**

AJ&K	:	Azad Jammu and Kashmir
AJ&KC	:	Azad Jammu and Kashmir Council
AKLASC	:	Azad Kashmir Logging and Saw Mill Corporation
DAC		Departmental Accounts Committee
DDO	:	Drawing and Disbursing Officer
EC	:	Education Cess
FY	:	Financial Year
GFR	:	General Financial Rules
GST	:	General Sales Tax
IRD	:	Inland Revenue Department
IRO	:	Inland Revenue Officer
IT	:	Income Tax
KA & GB	:	Kashmir Affairs and Gilgit Baltistan
KLC	:	Kashmir Liberation Cess
MDA	:	Mirpur Development Authority
PAC		Public Accounts Committee
PAO	:	Principal Accounting Officer
WAPDA	:	Water and Power Development Authority
WWF	:	Worker Welfare Fund



## Preface

Article 50-A of the Azad Jammu and Kashmir Interim Constitution, 1974 read with Sections 9 and 13 of the Auditor General of Azad Jammu and Kashmir (Functions, Powers and Terms and Conditions of Service) Act, 2005 requires the Auditor General to conduct audit of expenditure and receipts of Consolidated Funds and Public Account of Azad Jammu and Kashmir Council.

The report is based on audit of the Receipts of Inland Revenue Department of Azad Jammu and Kashmir Council for the financial year 2016-17. It also includes observations relating to the receipts of certain formations for previous years. The audit was conducted by Directorate General Audit Azad Jammu and Kashmir during 2017-18 on test check basis with a view to reporting significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings. Relatively, paras having worth less than one million rupees are listed in the Annexure-I of the Audit Report. The audit observations listed in the Annexure-I shall be pursued with the PAO at the DAC level and in all cases where the PAO does not initiate appropriate action, the audit observations 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 the regularity framework besides instituting and strengthening internal controls to avoid recurrence of similar violations and irregularities.

The audit report has been finalized in light of written response of the Department, however Departmental Accounts Committee meeting was not convened by the PAO despite repeated requests.

The Audit Report is submitted to the Chairman of Azad Jammu and Kashmir Council in pursuance of Article 50-A (6) of Azad Jammu and Kashmir Interim Constitution, 1974 for causing it to be laid before the Azad Jammu and Kashmir Council.

Dated:

**(Javaid Jehangir)**  
**Auditor General**  
**Azad Jammu and Kashmir**



## EXECUTIVE SUMMARY

The Auditor General of Pakistan is also the Auditor General of Azad Jammu and Kashmir. The Directorate General Audit, Azad Jammu and Kashmir is responsible for conducting the audit of Azad Jammu and Kashmir Council. For the purpose, the Directorate General Audit, Azad Jammu and Kashmir have 90 officers and staff constituting 16060 man-days. The budget of Directorate General for the Financial Year 2017-18 was Rs 150.223 million. The mandate of this office includes conducting financial attest, compliance with authority audit, special audit, performance audit and revenue receipts audit.

There are 42 formations of AJ&K Council out of which 18 Formations are related to Revenue Receipts. Audit of receipts of 18 formations was planned during 2017-18 through 03 field audit teams utilizing 184 man days, and 18 formations were audited which is 100% coverage of total formations.

### **Objectives:**

- i. Whether the target of receipt have been achieved.

#### **a) Scope of Audit**

The audit of receipts is based on Revenue Receipts in Financial Year 2016-17. Total budgeted receipts for FY 2016-17(Direct Taxes, Provincial Taxes) were Rs 20,700 Million .Whereas actual receipts (Direct Taxes, Provincial Taxes) were Rs 17,558.797 million which were 15.17% less than the estimated receipts. The total receipts planned and audited during the year were Rs 17558.797 million. The audit for the Financial Year 2017-18 is not conducted due to late submission of Tax Returns. This is planned in the second phase of Audit Plan, which will be incorporated in next year Audit Report.



**b) Recoveries at the instance of audit**

Audit pointed out recoverable amount of receipts Rs. 18604.818 million including Rs.17768.468 million arrears from WAPDA on account of General Sales Tax. However recovery amounting to Rs.0.604 million was affected till the finalization of this report. Out of the total recoveries pointed out, Rs 836.350 million was not in the notice of the executive before Audit.

**c) Audit methodology**

After gathering all information about audit entities through budget book, permanent files, assessing important issues and checking internal/administrative discipline, field audit work completed and Audit Report has been compiled

**d) Audit Impact**

No substantial impact has been noticed during the Audit.

**e) Comments on Internal Controls**

Internal Control is an important executive tool to improve performance, prevent losses, avoid misuse of public money, recurring of observations and ensure safeguarding of Government assets. The key Audit findings of the report indicate that majority of the observations raised by the Audit are due to inadequate placement and implementation of the internal controls.

The result of weak internal controls is evident from the many deficiencies in the financial management system of AJ&K Inland Revenue Department. The PAO needs to ensure strengthening of internal controls in each formation and proper implementation of rules, regulations and procedures.

AJ&K Inland Revenue Department has its own Internal Audit Section which is not functioning properly.

**f) Key audit findings of the Report**

- i. Non /Short recoveries of Govt. taxes (23 Paras) Rs. 18,498.282 million
- ii. Non recovery of penalty (6 Paras) Rs. 10.414 million
- iii. Loss due to wrong / fictitious adjustment of input tax (02 Paras) Rs. 96.122 million
- iv. Non Production of Record (2 Paras) Rs.221.264 million

- 
- i. Para  
1.3.3,1.3.4,1.3.5,1.3.7,1.3.9,1.3.10,1.3.11,1.3.12,1.3.13,1.3.14,1.3.15,1.3.16,  
1.3.17,  
1.3.18,1.3.19,1.3.23,1.3.24,1.3.25,1.3.26,1.3.27,1.3.28,1.3.31,1.3.32
  - ii. 1.3.20,1.3.21,1.3.22,1.3.29,1.3.30,1.3.33
  - iii. Para 1.3.6,1.3.8
  - iv. Para 1.3.1,1.3.2

## **Recommendations**

PAO needs to ensure;

- i. An effective mechanism should be developed to recover long outstanding arrears of Government Revenue on Account of Income Tax, General Sales Tax, Excise Duty and Education Cess.
- ii. Non production for record should be a matter of concern for the management and treated in terms of section 15 of the Auditor General of Azad Jammu and Kashmir (Function's Power and Terms & Conditions of Service) Act, 2005,.
- iii. Appropriate action should be taken against the Tax functionary in cases of non/under assessments, non/short recovery of taxes to prevent huge accumulation of arrears and to minimize the risk of leakage of Government Revenues.
- iv. DAC meetings should be convened regularly by the Principal Accounting Officers for timely disposal of Audit observations.
- v. Improvement should be made in the areas of maintenance of record and reconciliation of Government Revenue with Treasury.



## Revenue Receipts (Summary Tables)

**Table 1: Audit Works Statistics**

S.No	Description	No	Budget (Rs. In million)
01	Total entities (Ministries / PAO) in audit jurisdiction	01	17,558.797
02	Total formations in audit jurisdiction	18	17,558.797
03	Total entities (Ministries / PAO) audited	01	17,558.797
04	Total formations audited	18	17,558.797
05	Audit & Inspection Reports	18	17,558.797
06	Special Audit Reports	-	-
07	Performance Audit Reports	-	-
08	Other Reports	-	-

**Table 2: Audit observation regarding Financial Management**

S.No	Description	Amount Placed under Audit Observation (Rs. In million)
01	Unsound asset management	-
02	Weak financial management	18,509.216
03	Weak internal control relating to financial management	96.122
04	Others	221.264
Total		18,826.602

**Table 3: Outcome Statistics**

S.No	Description	Expenditure on acquiring physical asset (Procurement)	Civil works	Receipts (million)	others	Total current year 2016-17 (Rs. In Million)	Total last year 2015-16 (Rs. In Million)
01	Outlays Audited					17,558.797	12,956.433
02	Amount placed under audit observations / irregularities of audit					18,826.602	22,571.757

03	Recoveries pointed out at the instance of audit					18,604.818	22,571.757
04	Recoveries accepted / established at the instance of audit					18,604.818	22,571.757
05	Recoveries realized at the instance of audit					0.604	19.104

**Table 4: Table of Irregularities pointed out**

S.No	Description	Amount Placed under Audit observation
01	Violation of Rules and regulations and violation of principal of propriety and probity in public operations.	-
02	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	-
03	Accounting Errors (accounting policy departure from NAM, 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.	-
04	If possible quantify weaknesses on internal control systems.	-
05	Recoveries and overpayments, representing cases of establishment overpayment or misappropriations of public money.	18,604.818
06	Non production of record	221.264
07	Others, including cases of accidents, negligence etc.	-

**Table 5: Cost-Benefit**

S.No	Description	Amount (Rs. In Million) F.Y 2016-17
01	Outlays Audited (Items 1 of Table vi)	17,558.797
02	Expenditure on Audit	11.683
03	Recoveries realized at the instance of Audit	0.604
04	Cost-Benefit Ratio (2/3)	1:19.34

# CHAPTER 1

## 1.1 Introduction

The Azad Jammu and Kashmir Council (AJ&K Council) was Constitutional body established under the provision of Article 21 of the AJ&K Interim Constitution 1974. The Council was highest linking forum between Pakistan and Azad Jammu & Kashmir. The Council had executive, legislative and financial sphere enumerated in Third Schedule of the Constitution 1974, in which the Council had power to make laws and had exercised by the Chairman AJ&K Council (Prime Minister of Pakistan).

The Department of Inland Revenue was working as attached Department of the Azad Jammu & Kashmir Council in pursuance of Section 19(3) of Azad Jammu & Kashmir Interim Constitution, 1974 till 2<sup>nd</sup> June, 2018. After Thirteenth Amendment of the Azad Jammu and Kashmir Interim Constitution, it stands transferred to the Azad Government of the State of Jammu & Kashmir.

The Department is the foremost tax collecting agency and administers both Direct and Indirect Taxes in Azad Jammu & Kashmir. There are two Wings under Inland Revenue Department:

- 1 Direct Taxes (Income Tax)
- 2 Provincial Taxes (Sales Tax and Federal Excise Duty etc)

The Department of Inland Revenue is performing functions of revenue collection under following heads:

- Direct Taxes (Income Tax)
- General Sales Tax
- Motor Tax
- Entertainment Duty
- Excise Duty on Medicines
- Professional Tax
- Registration Fee of Real Estate Agents & Motor Vehicles Dealers
- Federal Excise Duty
- Education Cess
- Registration of Vehicles
- Road Toll
- Vend Act Fee
- Property Tax

## **1.2 Comments on Budget and Receipt 2017-18 (Variance Analysis)**

The budget variances 2017-18 are as under:

The estimated receipts for FY 2016-17 were Rs.20,700.000 million. Whereas actual receipts were Rs.17,558.797 million which were 15.17% less of estimated receipts.

## **1.3 Brief Comments on Status of PAC Directives**

Compliance of PAC directives on Audit Reports relating to Azad Jammu and Kashmir Council is as under:-

Year	Total No. of Paras	No. of Paras Discussed	No. of Paras on Compliance made	No. of Paras on Compliance awaited	%age
2009-10	36	36	16	20	44%
2010-11	64	64	17	47	27%

Audit report from 2011-12 to 2017-18 not yet discussed in the PAC of AJ&K Council.

## 1.3 AUDIT PARAS

### 1.3.1 NON PRODUCTION OF RECORD RS 18.399 MILLION

Under Section 15 of the Auditor General of Azad Jammu and Kashmir (Function's Power and Terms & Conditions of Service) Act, 2005, the officer in charge of any office or department shall afford all facilities and provide record for audit inspection and comply with request for information in as complete form as possible and with reasonable expedition.

Contrary to above during the scrutiny of record pertaining to the Inland Revenue Department (Provincial Taxes) for the Tax year 2017, that relevant record for the purpose of Audit was not provided to Audit by the concerned DDO's. As per detail is given below;

S#	Name of Formation	Nature of Record	AIR Para No	Amount (in rupees)
1	Assistant Commissioner Inland Revenue Sudhnuti	Road Toll	13	9,374,000
2	Excise & Sales Tax Muzaffarabad	Road Toll	9	9,025,200
Total				18,399,200

Non production of record resulted in non-compliance of rules and unauthentic deposit of government revenue.

The matter was brought to the notice of the Department through Audit and Inspection Reports in the months of April, May and June 2018. The matter was reported to PAO in September 2018 for convening DAC meeting. No DAC meeting was convened till finalization of this report.

Audit recommends to investigate the matter for fixing responsibility against Person(s) at fault and record be also provided to audit for scrutiny and verification.

Advance Para 09



### 1.3.2 NON PRODUCTION OF RECORD RS 202.865 Million

Under Section 15 of the Auditor General of Azad Jammu and Kashmir (Function's Power and Terms & Conditions of Service) Act, 2005, the officer in charge of any office or department shall afford all facilities and provide record for audit inspection and comply with request for information in as complete form as possible and with reasonable expedition.

Contrary to above during the scrutiny of record pertaining to the Inland Revenue Department (other than Provincial Taxes) for the Tax year 2017, that relevant record for the purpose of Audit was not provided to Audit by the concerned DDO's. As per detail is given below;

S#	Name of Formation	Nature of Record	AIR Para No	Amount (in rupees)
1	Assistant Commissioner Inland Revenue Bagh	Income Tax	16	13,044,286
2	Deputy Commissioner Inland Revenue Kotli	Refunds	18	132,000
3	Deputy Commissioner Inland Revenue Company Circle Mirpur	Refunds	16	189,487,000
4	Assistant Commissioner Inland Revenue Professional Circle Mirpur	Refunds	16	202,000
Total				202,865,286

Non production of record resulted in non-compliance of rules and unauthentic deposit of government revenue.

The matter was brought to the notice of the Department through Audit and Inspection Reports in the months of April, May and June 2018. The matter was reported to PAO in September 2018 for convening DAC meeting. No DAC meeting was convened till finalization of this report.

Audit recommends to investigate the matter for fixing responsibility against Person(s) at fault and record be also provided to audit for scrutiny and verification.

Advance Para 35

**1.3.3 LOSS TO GOVERNMENT DUE TO NON RECOVERY OF SALES TAX, EXCISE DUTY  
RS 17,912.492 MILLION**

As per Para 37 of Financial Rules of AJ&K Vol-I and Para 26 of General Financial Rules Vol. I, it is the duty of the departmental controlling officer to see that all sums due to Government are regularly and promptly assessed, realized and duly credited into Public Account. Furthermore as per Section 48 of Sales Tax Act 1990 and Section 14 of Federal Excise Duty Act 2005, as adopted by the Azad Jammu and Kashmir Council, the department is required to recover the amount of Sales Tax and Excise Duty etc. and remit into Government Treasury.

Contrary to above, scrutiny of the record of Deputy Commissioner Excise & Sales Tax Mirpur for the tax year 2017 revealed that the department did not collect Sales Tax & Excise Duty from the concerned for the period July 2016 to June 2017. The omission has resulted in a financial loss of Rs 17,912,491,524 to the Govt. exchequer .Detail is given annexure“A”.

This resulted due to inefficiency of the department.

The matter was brought to the notice of the Department through Audit and Inspection Reports in the months of April, May and June 2018. The matter was reported to PAO in September 2018 for convening DAC meeting. No DAC meeting was convened till finalization of this report.

Audit recommends that the amount of Sales Tax & Excise Duty may be recovered and remitted into Government Treasury, disciplinary action be taken against the person(s) at fault and timely collection of the Government dues be ensured in future.

AIR PARA 10  
Advance Para 05

#### **1.3.4 LOSS TO GOVERNMENT DUE TO NON RECOVERY OF ARREARS OF GOVERNMENT DUES RS 32.096 MILLION**

As per Para 37 of Financial Rules of AJ&K Vol-I and Para 26 of General Financial Rules Vol. I, it is the duty of the Departmental Controlling Officer to see that all sums due to Government are regularly and promptly assessed, realized and duly credited into Public Account. Furthermore as per Section 138(1) 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 and as per section 138A (1) The Commissioner may forward to the District Officer (Revenue) of the district in which the taxpayer resides or carries on business or in which any property belonging to the taxpayer is situated, a certificate specifying the amount of any tax due from the taxpayer, and, on receipt of such certificate, the District Officer (Revenue) shall proceed to recover from the taxpayer the amount so specified.

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax year 2017 revealed that department did not collect the arrears of Government Dues, which resulted a loss of Rs 32,095,579 to the Government. The detail is in annexure "B".

This loss resulted due to inefficiency of the department.

The matter was brought to the notice of the Department through Audit and Inspection Reports in the months of April, May and June 2018. The matter was reported to PAO in September 2018 for convening DAC meeting. No DAC meeting was convened till finalization of this report.

Audit recommends that the amount of Government dues may be recovered and remitted into Government Treasury, disciplinary action be taken against the person(s) at fault and timely collection of the Government dues be ensured in future.

Advance Para 28

### **1.3.5 DOUBTFUL ADJUSTMENT OF INCOME TAX RS 341.506 MILLION**

According to Section 114(2) of Income Tax Ordinance 2001 a return of income;

- (a) Shall be in prescribed form and shall be accompanied by such annexure, statements or documents as may be prescribed.
- (b) Shall fully state all the relevant particulars or information as specified in the form of returns including a declaration of the record kept by the tax payer.
- (c) Shall be signed by the person, being an individual, or the person representative where section 172 applies.

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax year 2017 revealed that some tax payers claimed tax deduction at source but evidence regarding such advance deduction was not available on record which resulted in doubtful adjustment of Income Tax as per detail in **annexure “C”**.

The lapse occurred due to weak internal control resulting in non compliance of rules.

The matter was brought to the notice of the Department through Audit and Inspection Reports in the months of April, May and June 2018. The matter was reported to PAO in September 2018 for convening DAC meeting. No DAC meeting was convened till finalization of this report.

Audit recommends that the Department may furnish the relevant / supporting documents to audit in order to justify its authenticity of amounts claimed by the tax payer for the tax year 2017 otherwise tax on outstanding amount may be calculated and recovered from the tax payers. Collection of complete income tax record be ensured in future by strengthening the Internal Control System of the department.

Advance Para 29

**1.3.6 INADMISSIBLE AND DOUBTFUL ADJUSTMENT OF INPUT SALES TAX RS 59.915 MILLION**

As per Section 7(2) of Sales Tax Act 1990 a registered person shall not be entitled to deduct input tax from output tax unless:-

- i. In case of claim for input tax in respect of a taxable supply made, he holds a tax invoice in his name and bearing his registration number in respect of such supply for which a return is furnished.
- ii. In case of goods imported into Pakistan, he holds bill of entry or goods declaration in his name and showing his sales tax registration number, duly cleared by the customs under Section 79 or Section 104 of the Customs Act, 1969 (IV of 1969).
- iii. In case of goods purchased in auction, he holds a treasury challan in his name and bearing his registration number showing payment of sales tax.

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax year 2017 revealed that 4 registered persons have adjusted Input Tax against Output Payable Tax without production of the documentary evidences to prove the status of their claims in light of above 3 conditions. The amount mentioned below was inadmissible / doubtful which has resulted in a financial loss of Rs 59,914,899 to the Govt. exchequer. The detail is as under.

S#	Name of Formation	AIR Para No	Amount (in rupees)
1	Deputy Commissioner Inland Revenue Bhimber	18	780,825
2	Deputy Commissioner Inland Revenue Kotli	15	3,633,837
3	Excise & Sales Tax Muzaffarabad	4	15,294,580
4	Excise & Sales Tax Mirpur	7	40,205,657
Total			59,914,899

The lapse occurred due to weak internal control resulting in non compliance of rules.

The matter was brought to the notice of the Department through Audit and Inspection Reports in the months of April, May and June 2018. The matter was reported to PAO in September 2018 for convening DAC meeting. No DAC meeting was convened till finalization of this report.

Audit Recommended that record of input Sales Tax of above registered firms be provided to the Audit for verification otherwise the amount be recovered and deposited in to Government Treasury under intimation to audit and adjustment of output tax against input tax may not be allowed in future without documentary evidence and fix the responsibility of officials at fault.

Advance Para 02

**1.3.7 NON DEPOSIT OF EXTRA SALES TAX DEDUCTED FROM NON REGISTERED PERSON AMOUNTING TO RS 36.883 MILLION**

According to sub section (1A) of the Section 3 of the Sales Tax Act 1990, subject to the provision of sub section (6) of section 8 or any notification issued thereunder, where taxable supplies are made to a person who has not obtained registration number, there shall be charged, levied and paid a further tax at the rate of two percent of the value In addition to the rate specified in sub sections (1), (1B), (2), (5) and (6) provided that the Federal Govt. may, by notification in the official Gazette, specify the taxable supplies in respect of which the further tax shall not be charged, levied and paid.

According to Section 3B of the Sales Tax Act 1990, Collection of excess sales tax etc. – (1) Any person who has collected or collects any tax or charge, whether under misapprehension of any provision of this Act or otherwise, which was not payable as tax or charge or which is in excess of the tax or charge actually payable and the incidence of which has been passed on to the consumer, shall pay the amount of tax or charge so collected to the Federal Government.

Contrary to above scrutiny of the Sales Tax record of Deputy Commissioner Excise & Sales Tax Mirpur for the Tax Year 2017 it was observed that 02 Sales Tax registered person withheld extra Sales Tax from un registered person but the same was not deposited in to Government treasury and it was adjusted against input tax which was not allowed as per rule. The omission resulted in financial loss of Rs. 36,883,362 to the Government Exchequer.

S#	Name of Company	AIR Para No	Sales to Non Registered person (in rupees)	2% Extra Sales Tax Due (in rupees)	Deposited (in rupees)	Short Deposited (in rupees)
1	Capital Industries Mirpur	05	1,042,712,219	20,854,244	2,795,558	18,058,686
2	Noble Foam Mirpur		907,204,820	18,144,096	141,260	18,002,836
3	Aysha Enterprises Mirpur (Annexure 1 AR 2017-18)	06	40,268,328	595,411	0	595,411
4	Badar Polypropylene Mirpur (Annexure 1 AR 2017-18)	06	22,642,864	226,429	0	226,429
Total			2,012,828,231	39,820,180	2,936,818	36,883,362

Non deposit of Extra Sales Tax occurred due to weak management controls and resulted in loss to the Government.

The matter was brought to the notice of the Department through Audit and Inspection Reports in the months of April, May and June 2018. The matter was reported to PAO in September 2018 for convening DAC meeting. No DAC meeting was convened till finalization of this report.

Audit recommends to fix the responsibility of officials at fault and ensured recovery of Extra Sales Tax from concerned.

Advance Para 07

### **1.3.8 INADMISSIBLE INPUT TAX ADJUSTMENT DUE TO NON VERIFICATION OF BANKING CHANNEL AMOUNTING TO RS 36.207 MILLION**

According to Section 73 of Sales Tax Act 1990, (1) Notwithstanding anything contained in this Act or any other law for the time being in force, payment of the amount for a transaction exceeding value of fifty thousand rupees, excluding payment against a utility bill, shall be 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 favor of the supplier from the business bank account of the buyer.

(2) The buyer shall not be entitled to claim input tax credit, adjustment or deduction, or refund, repayment or draw-back or zero-rating of tax under this Act if payment for the amount is made otherwise than in the manner prescribed in subsection (1), provided that payment in case of a transaction on credit is so transferred within one hundred and eighty days of issuance of the tax invoice.

(3) 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 input tax credit, adjustment or deduction, or refund, repayment or drawback or zero-rating of tax under this Act.

In term of Sales tax general order no. 13, dated 28-12-1999 all registered person are required to make all payment (against purchase of taxable goods and inputs) exceeding fifty thousand rupees , in the shape of “crossed cheque” , “crossed bank draft” or crossed pay order and keep a copy of the same for their record , duly reflected in bank statements (where applicable) to claim input tax adjustment , credit, deduction , or zero rating for the tax paid in such transactions , in case of transactions or payment for transactions (for amount exceeding rupees 50,000) being not in conformity with the provision of section 73 of the Sales Tax Act 1990, no input tax credit , adjustment , deduction , refund or zero rating shall be admissible on such purchase of taxable goods.



Contrary to above during scrutiny of the sales tax record only sales tax returns cum payment challans & purchase summary of the Deputy Commissioner Excise & Sales Tax Mirpur for the tax year 2017 it was observed that 2 registered persons did not verify the payment of transaction amount paid through the banking channel as per invoice summary as required under above rule the omission resulted the inadmissible input tax adjustment amounting Rs 36,206,748 as per detail given below.

S#	Sales Tax Registered Person	Period	Amount (in rupees) of Purchases not verified Through Banking Channel
1	Noble Foam Mirpur	16-Jul	4,943,655
2	Dura Industries Mirpur	16-Dec	31,263,093
Total			36,206,748

Irregular adjustment of the input tax occurred due to weak internal control resulting in non compliance of rules.

The matter was brought to the notice of the Department through Audit and Inspection Reports in the months of April, May and June 2018. The matter was reported to PAO in September 2018 for convening DAC meeting. No DAC meeting was convened till finalization of this report.

Audit recommends that the department may disallow and recover the amount of input Sales Tax which they did not make payment through banking channel as per Section 73 of the Sales Tax Act, 1990 along with the default surcharge under section 34 & penalty under Section 33 of the Sales Tax Act, 1990 and steps may be taken to strengthen Internal Control System of the department to avoid such lapses in future.

AIR Para 06, Advance Para 10

**1.3.9 NON LEVY OF EDUCATION CESS ON INCOME TAX COLLECTION  
RS 31.907 MILLION**

According to Section 2 of the Education Cess Act 1975 there shall be levied a Cess known as Education Cess chargeable at the rate of 10% of the amount of Income Tax /Super Tax assessed and payable except Government employees and all employees of autonomous bodies and Semi-Government organization.

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax year 2017 revealed that department collected Income Tax from different tax payers but did not collect Education Cess as required under above rule from such tax payers. The Omission resulted in a loss of Rs 31,906,573 to the Government Exchequer. The detail is in annexure “D”.

Non levy of Education Cess occurred due to weak management controls and resulted in loss to the Government.

The matter was brought to the notice of the Department through Audit and Inspection Reports in the months of April, May and June 2018. The matter was reported to PAO in September 2018 for convening DAC meeting. No DAC meeting was convened till finalization of this report.

Audit recommends fixing the responsibility against officials at fault besides recovery of outstanding amount of Education Cess.

Advance Para 21

**1.3.10 LESS REALIZATION OF SALES TAX DUE TO EXCESS ADJUSTMENT OF INPUT  
SALES TAX RS 24.664 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 90% of the output tax for that tax period. Furthermore as per Section 06 (2), the tax in respect of taxable supplies made during a tax period shall be paid by the registered person at the time of filing of return in respect of that period

Contrary to above, scrutiny of the record of Deputy Commissioner Excise & Sales Tax Mirpur for the tax year 2017 revealed that 2 Sales tax registered person who calculated their tax liability by unlawfully adjusting the input tax at the rate 100% of output Sales Tax of the relevant period which is against above rule and didn't pay 10% Sales Tax due to which sales tax was short levied. The omission resulted in a financial loss of Rs 24,664,305 to the Govt. exchequer. The detail is as under.

S#	Name of Company	Sales (in rupees)	Sales Tax Due @ 17% (in rupees)	Amount Adjusted (in rupees)	90% Adjustment Allowed (in rupees)	Short Payment (in rupees)
1	Capital Industries Mirpur	833,676,867	141,725,068	149,855,428	127,552,561	22,302,867
2	Dura Industries Mirpur	256,197,796	43,569,325	41,366,749	39,212,393	2,154,357
3	Unique Polypropylene Mirpur(Annex ure 1 AR-2017-18)	23,009,126	3,911,551	3,727,477	3,520,396	207,081
<b>Grand Total</b>		1,112,883,789	189,205,944	194,949,654	170,285,350	24,664,305

Less realization of Sales Tax occurred due to weak management controls and resulted in loss to the Government.

The matter was brought to the notice of the Department through Audit and Inspection Reports in the months of April, May and June 2018. The matter was reported to PAO in September 2018 for convening DAC meeting. No DAC meeting was convened till finalization of this report.

Audit recommends fixing the responsibility against officials at fault and disciplinary action be taken besides recovery of outstanding amount of short realization of Sales Tax.

AIR Para 04 , Advance Para 03

**1.3.11 NON DEDUCTION / PAYMENT OF ADVANCE TAX & EDUCATION CESS ON PURCHASE UNDER SECTION 153 RS 17.893 MILLION**

According to section 153 of the Income Tax Ordinance, 2001 every prescribed person making a payment in full or part including a payment by way of advance to a resident person

or permanent establishment in Pakistan of a non-resident person:-

- (a) for the sale of goods;
- (b) for the rendering of or providing of services; and
- (c) on the execution of a contract, [including contract signed by a sportsperson] [but not including] a contract for the sale of goods or the rendering of or providing services, shall, at the time of making the payment, deduct tax from the gross amount payable (including sales tax, if any) at the rate specified in Division III of Part III of the First Schedule.

According to Section 153(7)(i)(j) a person registered under the Sales Tax Act 1990 is a prescribed person as referred in above Section and the tax payers are required to deduct advance tax while making payment to the supplier.

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax year 2017 revealed that different tax payers were falling under above rule but they didn't deduct tax from their suppliers on purchases as required under above rule as per detail given below;

S#	Name of Formation	AIR Para No	Tax Due (in rupees)	E. Cess Due (in rupees)	Total outstanding (in rupees)
1	Assistant Commissioner Inland Revenue Dadyal	6	6,973,616	697,362	7,670,977
2	Assistant Commissioner Inland Revenue Professional Circle Mirpur	14	82,785	8,279	91,064
3	Assistant Commissioner Inland Revenue Professional Circle Mzd	9	3,882,606	1,165,889	5,048,495
4	Deputy Commissioner Inland Revenue Company Circle Mirpur	11	4,620,623	462,062	5,082,685
Total			15,559,630	2,333,592	17,893,221

Less realization of Advance Tax occurred due to weak management controls and resulted in loss to the Government.

The matter was brought to the notice of the Department through Audit and Inspection Reports in the months of April, May and June 2018. The matter was reported to PAO in September 2018 for convening DAC meeting. No DAC meeting was convened till finalization of this report.

Audit recommends that the department may obtain original purchase invoices from the relevant tax payers and investigate the matter and recoveries if any be made and result of such investigation may be communicated to Audit.

Advance Para 31

**1.3.12 SHORT / NON REALIZATION OF MINIMUM TAX AND EDUCATION CESS AMOUNTING TO RS 17.671 MILLION**

According to Section 113 (1) This section shall apply to a resident Company, an individual (having turnover of ten million rupees or above in the tax year 2017 or in any subsequent tax year) and an association of persons (having turnover of ten million rupees or above in the tax year 2017 or in any subsequent tax year) where, for any reason what so ever allowed under this Ordinance, including any other law for the time being in force.

- (a) loss for the year;
- (b) the setting off of a loss of an earlier year;
- (c) exemption from tax;
- (d) the application of credits or rebates; or
- (e) the claiming of allowances or deductions (including depreciation and amortization deductions) no tax is payable or paid by the person for a tax year or the tax payable or paid by the person for a tax year is less than one per cent of the amount representing the person's turnover from all sources for that year

According to Section 113(2)b the person shall pay as income tax for the tax year (instead of the actual tax payable under this Ordinance), minimum tax computed on the basis of rates as specified in Division IX of Part I of First Schedule;

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax year 2017 revealed that some tax payers having turnover of more than ten million rupees were required to charge minimum income tax as required under above law but they didn't charge Minimum tax and department did not recover such tax from tax payers. The Omission has resulted in a loss of Rs 17,670,723 to the Government exchequer. The detail is in annexure "E".

This loss was occurred due to non-adherence to rules and weak financial controls.

The matter was brought to the notice of the Department through Audit and Inspection Reports in the months of April, May and June 2018. The matter was reported to PAO in September 2018 for convening DAC meeting. No DAC meeting was convened till finalization of this report.

Audit recommends that the amount of Minimum Tax and Education Cess be recovered and remitted into Government Treasury, disciplinary action be taken against the person(s) at fault and timely collection of the Government dues be ensured in future.

Advance Para 24

**1.3.13 LESS / NON PAYMENT OF 2% EXTRA SALES TAX ON SPECIFIED GOODS  
RS 17.109 MILLION**

As per Rule 58S of Sales Tax Special Procedures Rules 2007 of chapter XIII special procedure for payment of extra sales tax on specified goods.

S.No.	Specified Goods
3	Foam or spring mattresses and other foam products for household use.

(58T) Mode, manner and rate applicable for payment of extra amount of tax  
(1) extra amount of sales tax @ 2% of value of supplies shall be levied and collected

on the supplies of specified goods by manufactures and importers in addition to tax payable under sub section (1) and (2) of section 3 of the Act, as the case may be.

Contrary to above during the scrutiny of the record of the Deputy Commissioner Inland Revenue Excise & Sales Tax Mirpur for the tax year 2017, it was observed that some registered companies deal in specified goods (Foam or spring mattresses and other foam products for household use) but did not pay 2% extra sales tax as per above referred rules. The omission resulted in a financial loss of Rs 17,108,760 to the Government exchequer. Detail is as under.

S#	Name of Company	AIR Para No	Sales (in rupees)	Extra Sales Tax Due @ 2% (in rupees)	Extra Sales Tax Paid (in rupees)	Extra Sales Tax O/S (in rupees)
1	Metro flex Mirpur	2	446,546,717	8,930,934	-	8,930,934
2	Capital Industries Mirpur	3	1,319,220,616	26,384,412	18,690,142	7,694,270
3	Nobel Foam Mirpur		975,124,398	19,502,488	19,018,933	483,555
Total			2,740,891,731	54,817,835	37,709,075	17,108,760

Less realization of Extra Sales Tax occurred due to weak management controls and resulted in loss to the Government.

The matter was brought to the notice of the Department through Audit and Inspection Reports in the months of April, May and June 2018. The matter was reported to PAO in September 2018 for convening DAC meeting. No DAC meeting was convened till finalization of this report.

Audit recommends that the amount of Extra Sales Tax be recovered and remitted into Government Treasury, disciplinary action be taken against the person(s) at fault and timely collection of the Government dues be ensured in future.

Advance Para 06

### 1.3.14 LESS REALIZATION SALES TAX RS 14.450 MILLION

According to Section 3 of Sales Tax Act 1990, Subject to the provisions of this Act, there shall be charged, levied and paid a tax known as sales tax at the rate of seventeen percent of the value of--

- (a) taxable supplies made by a registered person in the course or furtherance of any taxable activity carried on by him; and
- (b) goods imported into Pakistan.

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax year 2017 revealed that Sales tax rates was 17% while some sales taxpayers either calculated their sales tax at the rate of 16% or paid no Sales Tax due to which sales tax was short levied. The omission resulted in a financial loss of Rs 14,450,397 to the Govt. exchequer. The detail is as under.

S#	Name of Formation	AIR Para No	Sales Tax Due (in rupees)	Sales Tax Paid (in rupees)	Outstanding Amount (in rupees)
1	Deputy Commissioner Inland Revenue Bhimber	16	560,150	0	560,150
2	Assistant Commissioner Inland Revenue Bagh	14	678,062	0	678,062
3	Deputy Commissioner Inland Revenue Kotli	13	372,812	350,881	21,931
4	Assistant Commissioner Inland Revenue Rawalakot	16	809,404	0	809,404
5	Excise & Sales Tax Muzaffarabad	3	14,184,739	9,800,067	4,384,673
		5	6,955,761	0	6,955,761
		6	2,382,616	2,263,721	118,895
6	Excise & Sales Tax Mirpur	9	921,521	0	921,521
Total			26,865,065	12,414,669	14,450,397

Less realization of Sales Tax occurred due to weak management controls and resulted in loss to the Government.

The matter was brought to the notice of the Department through Audit and Inspection Reports in the months of April, May and June 2018. The matter was



reported to PAO in September 2018 for convening DAC meeting. No DAC meeting was convened till finalization of this report.

Audit recommends that the amount of Sales Tax be recovered and remitted into Government Treasury, disciplinary action be taken against the person(s) at fault and timely collection of the Government dues be ensured in future.

Advance Para 04

**1.3.15 NON DEDUCTION OF ADVANCE TAX & EDUCATION CESS UNDER SECTION 236 G & H RS 9.453 MILLION**

According to Section 236G (1) Every manufacturer or commercial importer of electronics, sugar, cement, iron and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector, at the time of sale to distributors, dealers and wholesalers, shall collect advance tax at the rate specified in Division XIV of Part IV of the First Schedule, from the aforesaid person to whom such sales have been made.

According to Section 236H (1) of Income Tax Ordinance 2001; Every manufacturer, distributor, dealer, wholesaler or commercial importer of electronics, sugar, cement, iron and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector, at the time of sale to retailers, shall collect advance tax at the rate specified in Division XV of Part IV of the First Schedule, from the aforesaid person to whom such sales have been made.

(2) Credit for the tax collected under sub-section (1) shall be allowed in computing the tax due by the retailer on the taxable income for the tax year in which the tax was collected.

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax year 2017 revealed that different tax payers were required to deduct advance tax as required under above laws but they didn't deduct such advance

tax and department did not recover such tax from tax payers. The Omission resulted in a loss of Rs 9,452,821 to the Government exchequer. The detail is in annexure “F”.

This loss was occurred due to non-adherence to rules and weak financial controls.

The matter was brought to the notice of the Department through Audit and Inspection Reports in the months of April, May and June 2018. The matter was reported to PAO in September 2018 for convening DAC meeting. No DAC meeting was convened till finalization of this report.

Audit recommends that the amount of Advance Tax and Education Cess be recovered and remitted into Government Treasury, disciplinary action be taken against the person(s) at fault and timely collection of the Government dues be ensured in future.

Advance Para 22

**1.3.16 NON / LESS REALIZATION OF INCOME TAX ON SALARY INCOME AMOUNTING TO RS 8.746 MILLION**

According to section 137 (1) of the Income Tax Ordinance 2001 the tax payable by a tax payer on the taxable income of the tax payer including the tax payable under Section 113 or 113A for a tax year shall be due on the due date for furnishing the tax payer’s return of income for that year.

According to Section 04 (1) of the Income Tax Ordinance 2001, Subject to this Ordinance, income tax shall be imposed for each tax year, at the rate or rates specified in Division I, IB or II of Part I of the First Schedule, as the case may be, on every person who has taxable income for the year.

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax year 2017 revealed that some tax payers did not pay income tax and some tax payers paid less income tax. The omission has resulted a loss of government revenue amounting to Rs 8,745,914. The detail is as under:-

S#	Name of Formation	AIR Para No	Tax Due (in rupees)	Paid (in rupees)	Outstanding (in rupees)
1	Deputy Commissioner Inland Revenue Bhimber	7	1,846,355	1,410,378	435,977
2	Assistant Commissioner Inland Revenue Bagh	7	1,195,778	853,265	342,513
3	Deputy Commissioner Inland Revenue Neelum	2	451,086	371,399	79,687
4	Assistant Commissioner Inland Revenue Salary Circle Mirpur	6	310,800	-	310,800
5	Deputy Commissioner Inland Revenue Salary Circle Muzaffarabad	3	3,227,961	2,562,506	665,455
		4	9,824,614	4,246,459	5,578,155
6	Deputy Commissioner Inland Revenue Kotli	5	2,013,850	1,551,649	462,201
7	Assistant Commissioner Inland Revenue Rawalakot	7	871,126	-	871,126
Total			19,741,570	10,995,656	8,745,914

This loss was occurred due to non-adherence to rules and weak financial controls.

The matter was brought to the notice of the Department through Audit and Inspection Reports in the months of April, May and June 2018. The matter was reported to PAO in September 2018 for convening DAC meeting. No DAC meeting was convened till finalization of this report.

Audit recommends that the amount of Income Tax and Education Cess be recovered and remitted into Government Treasury, disciplinary action be taken against the person(s) at fault and timely collection of the Government dues be ensured in future.

Advance Para 26

**1.3.17 NON DEDUCTION OF ADVANCE TAX & EDUCATION CESS ON PROPERTY RENT  
RS 8.377 MILLION**

According to Section 155 of the Income Tax Ordinance 2001, Every prescribed person making a payment in full or part (including a payment by way of advance) to any person on account of rent of immovable property (including rent of furniture and fixtures, and amounts for services relating to such property) shall deduct tax from the gross amount of rent paid at the rate specified in Division V of Part III of the First Schedule, (3) In this section, “prescribed person” means –

- (i) the Federal Government;
- (ii) a Provincial Government;
- (iii) Local Government;
- (iv) a Company;
- (v) a non-profit organization or a charitable institution;
- (vi) a diplomatic mission of a foreign state;
- (via) a private educational institution, a boutique, a beauty parlor, a hospital, a clinic or a maternity home;

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax year 2017 revealed that some tax payers who were prescribed person under section 155 filed their income tax returns and depicted building rent payment in their returns but they did not deduct advance tax as required under above rule while paying building rent and department did not recover the amount of Advance Tax and Education Cess from such tax payers. The Omission resulted in a loss of Rs 8,377,148 to the Government exchequer. The detail is given below;

S#	Name of Formation	AIR Para No	Tax Due (in rupees)	Education Cess Due (in rupees)	Amount (in rupees)
1	Assistant Commissioner Inland Revenue Business Circle Mirpur	5	4,145,637	414,564	4,560,201
2	Dy. Commissioner Inland Revenue Kotli	11	90,000	9,000	99,000
3	Assistant Commissioner Inland Revenue Professional Circle Mirpur	5	34,150	3,415	37,565

4	Assistant Commissioner Inland Revenue Rawalakot	9	227,700	22,770	250,470
5	Deputy Commissioner Inland Revenue Company Circle Mirpur	9	3,118,102	311,810	3,429,912
Total			7,615,589	761,559	8,377,148

Non realization of Advance Tax on Property rent occurred due to weak management controls and resulted in loss to the Government.

The matter was brought to the notice of the Department through Audit and Inspection Reports in the months of April, May and June 2018. The matter was reported to PAO in September 2018 for convening DAC meeting. No DAC meeting was convened till finalization of this report.

Audit recommends that the amount of Advance Tax and Education Cess be recovered and remitted into Government Treasury, disciplinary action be taken against the person(s) at fault and timely collection of the Government dues be ensured in future.

Advance Para 19

**1.3.18 NON / LESS REALIZATION OF INCOME TAX AND EDUCATION CESS ON PROPERTY INCOME AMOUNTING TO RS 7.265 MILLION**

According to section 137 (1) of the Income Tax Ordinance 2001 the tax payable by a tax payer on the taxable income of the tax payer including the tax payable under Section 113 or 113A for a tax year shall be due on the due date for furnishing the tax payer's return of income for that year.

According to Section 04 (1) of the Income Tax Ordinance 2001, Subject to this Ordinance, income tax shall be imposed for each tax year, at the rate or rates specified in Division I, IB or II of Part I of the First Schedule, as the case may be, on every person who has taxable income for the year.

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax year 2017 revealed that some tax payers did not pay income tax on property income and some tax payers paid less income tax on property income.

The omission has resulted a loss of government revenue amounting to Rs 7,265,178.

The detail is as under:-

S#	Name of Formation	AIR Para No	Tax Due (in rupees)	Paid (in rupees)	Outstanding (in rupees)
1	Assistant Commissioner Inland Revenue Business Circle Mzd	11	2,654,847	279,508	2,375,339
2	Assistant Commissioner Inland Revenue Dadyal	12	1,238,726	718,255	520,471
3	Assistant Commissioner Inland Revenue Bagh	10	184,507	30,600	153,907
4	Assistant Commissioner Inland Revenue Professional Circle Mrp	10	11,325,663	8,549,491	2,776,172
5	Assistant Commissioner Inland Revenue Rawalakot	8	1,753,487	718,669	1,034,818
6	Assistant Commissioner Inland Revenue Professional Circle Mzd	5	1,108,528	704,057	404,471
Total			18,265,758	11,000,580	7,265,178

This loss was occurred due to non-adherence to rules and weak financial controls.

The matter was brought to the notice of the Department through Audit and Inspection Reports in the months of April, May and June 2018. The matter was reported to PAO in September 2018 for convening DAC meeting. No DAC meeting was convened till finalization of this report.

Audit recommends that the amount of Income Tax and Education Cess be recovered and remitted into Government Treasury, disciplinary action be taken against the person(s) at fault and timely collection of the Government dues be ensured in future.

Advance Para 27

**1.3.19 NON / LESS REALIZATION OF INCOME TAX & EDUCATION CESS ON BUSINESS INCOME AMOUNTING TO RS 6.453 MILLION**

According to section 137 (1) of the Income Tax Ordinance 2001 the tax payable by a tax payer on the taxable income of the tax payer including the tax

payable under Section 113 or 113A for a tax year shall be due on the due date for furnishing the tax payer's return of income for that year.

According to Section 04 (1) of the Income Tax Ordinance 2001, Subject to this Ordinance, income tax shall be imposed for each tax year, at the rate or rates specified in Division I, IB or II of Part I of the First Schedule, as the case may be, on every person who has taxable income for the year.

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax year 2017 revealed that some tax payers did not pay income tax and some tax payers paid less income tax. The omission is resulted a loss of government revenue amounting to Rs 6,453,312. The detail is in annexure "G".

This loss was occurred due to non-adherence to rules and weak internal controls.

The matter was brought to the notice of the Department through Audit and Inspection Reports in the months of April, May and June 2018. The matter was reported to PAO in September 2018 for convening DAC meeting. No DAC meeting was convened till finalization of this report.

Audit recommends that the amount of Income Tax and Education Cess be recovered and remitted into Government Treasury, disciplinary action be taken against the person(s) at fault and timely collection of the Government dues be ensured in future.

Advance Para 25

#### **1.3.20 NON REALIZATION OF PENALTY FOR LATE / NON-FILING OF INCOME TAX RETURNS RS 3.765 MILLION**

According to serial No. (1) in the Table given in sub-section (1) of section 182 of the Income Tax Ordinance 2001, Where any person fails to furnish a return of income as required under section 114 within the due date Such person shall pay a penalty equal to 0.1% of the tax payable in respect of that tax year for each day of default subject to a maximum penalty of 50% of the tax payable provided that if the

penalty worked out as aforesaid is less than twenty thousand rupees or no tax is payable for that tax year such person shall pay a penalty of twenty thousand rupees.

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax year 2017 revealed that some taxpayers filed their Income Tax returns after the due date and some tax payers did not file their Income Tax Returns. The Department did not impose/recover the amount of penalty which resulted in a financial loss of Rs 3,765,000 to the Government exchequer. The detail is in annexure "H".

The lapse occurred due to weak internal control and non-enforcement of rules by the Department resulting in loss to the Government.

The matter was brought to the notice of the Department through Audit and Inspection Reports in the months of April, May and June 2018. The matter was reported to PAO in September 2018 for convening DAC meeting. No DAC meeting was convened till finalization of this report.

Audit recommends that the amount of penalty be recovered forthwith and remitted into Government Treasury, responsibility be fixed against the person(s) at fault and Imposition of penalty at prescribed rate on each defaulter be ensured in future.

Advance Para 12

**1.3.21 NON REALIZATION OF PENALTY DUE TO LATE/NON FILING OF WITHHOLDING TAX STATEMENTS - RS 2.580 MILLION**

According to serial No. (1A) in the Table given in sub-section (1) of section 182 of the Income Tax Ordinance 2001, Where any person fails to furnish a withholding tax statement as required under section 115, 165 or 165A within the due date Such person shall pay a penalty of Rs 2,500 for each day of default subject to a minimum penalty of fifty thousand rupees.

According to clause (16) of Part III of the Second Schedule the minimum penalty for failure to furnish withholding tax statement under section 115, 165 or



165A as mentioned in column (3) against serial No. (1A) in the Table given in sub-section (1) of section 182 shall be reduced to ten thousand rupees.

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax year 2017 revealed that some tax payers filed their income tax returns but did not file their wealth statements and some withholding agents did not file withholding tax statements for different periods but the department did not impose / recover the amount of penalty. The Omission resulted in a loss of Rs 2,580,000 to the Government exchequer. The detail is in annexure "I".

The lapse occurred due to weak internal control and non-enforcement of rules by the Department resulting in loss to the Government.

The matter was brought to the notice of the Department through Audit and Inspection Reports in the months of April, May and June 2018. The matter was reported to PAO in September 2018 for convening DAC meeting. No DAC meeting was convened till finalization of this report.

Audit recommends that the amount of penalty be recovered forthwith and remitted into Government Treasury, responsibility be fixed against the person(s) at fault and Imposition of penalty at prescribed rate on each defaulter be ensured in future.

Advance Para 13

#### **1.3.22 NON REALIZATION OF PENALTY DUE TO LATE / NON-FILING OF SALES TAX RETURNS RS 2.452 MILLION**

According to Section 33(1) of the Sales Tax Act 1990, where any person fails to furnish a return within the due date, such person shall pay a penalty of five thousand rupees. Provided that incase a person files a return within fifteen days after the due date such person shall pay a penalty of one hundred rupees for each day of default.

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax year 2017 revealed that some Sales Tax registered persons

filed Sales Tax Returns of various tax periods too late after the due dates and some sales tax registered persons did not file Sales Tax Returns of various tax periods. The Department did not impose penalty as per section 33(1) of the Sales Tax Act 1990. The omission resulted in a loss of Rs 2,451,600 to the Govt. exchequer. The detail is in annexure “J”.

Non imposition of penalty occurred due to non-application of the prevailing rules by the concerned.

The matter was brought to the notice of the Department through Audit and Inspection Reports in the months of April, May and June 2018. The matter was reported to PAO in September 2018 for convening DAC meeting. No DAC meeting was convened till finalization of this report.

Audit recommends that the amount of penalty be recovered forthwith and remitted into Government Treasury, responsibility be fixed against the person(s) at fault and Imposition of penalty at prescribed rate on each defaulter be ensured in future.

Advance Para 01

**1.3.23 LOSS TO GOVERNMENT REVENUE DUE TO CLAIM OF INADMISSIBLE TAX REBATE / UNJUSTIFIED DEDUCTION OF EXPENSES RS 2.224 MILLION**

According to Division I of the Part I of the First Schedule clause IB where the taxable income in a tax year, other than income on which the deduction of tax is final, does not exceed one million rupees of a person-

- (i) holding a National Database Registration Authority's Computerized National Identity Card for disabled persons; or
- (ii) a taxpayer of the age of not less than sixty years on the first day of that tax year; the tax liability on such income shall be reduced by 50%.

Additionally according to Para 2 of Part III of the Second Schedule of Income Tax Ordinance 2001 the tax payable by a full time teacher or a researcher, employed

in a nonprofit education or research institution duly recognized by Higher Education Commission, a Board of Education or a University recognized by the Higher Education Commission, including government training and research institution, shall be reduced by an amount equal to 40% of tax payable on his income from salary.

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax year 2017 revealed that some tax payers claimed excess rebate without justification and in some cases tax payers having taxable income more than one million claimed senior citizen rebate which was not allowed due to which they paid less income tax and department did not collect such tax from the tax payers which resulted in a financial loss of Rs 2,224,102 to the Government Exchequer. The detail is as under:-

S#	Name of Formation	AIR Para No	Tax Due (in rupees)	Tax Paid (in rupees)	Outstanding (in rupees)
1	Deputy Commissioner Inland Revenue Salary Circle Mzd	5	72,352	44,043	28,309
2	Assistant Commissioner Inland Revenue Salary Circle Mirpur	4	430,583	126,212	304,371
		7	229,463	141,960	87,503
3	Deputy Commissioner Inland Revenue Kotli	12	155,936	54,650	101,286
4	Assistant Commissioner Inland Revenue Professional Circle Mirpur	6	524,036	355,719	168,317
		7	1,624,451	90,135	1,534,316
Total			3,036,821	812,719	2,224,102

This loss was occurred due to non-adherence to rules and weak financial controls.

The matter was brought to the notice of the Department through Audit and Inspection Reports in the months of April, May and June 2018. The matter was reported to PAO in September 2018 for convening DAC meeting. No DAC meeting was convened till finalization of this report.

Audit recommends that the amount of Income Tax and Education Cess be recovered and remitted into Government Treasury, disciplinary action be taken against the person(s) at fault and timely collection of the Government dues be ensured in future. Advance Para 30

**1.3.24 SHORT REALIZATION OF INCOME TAX & EDUCATION CESS DUE TO CONCEALMENT OF INCOME RS 2.197 MILLION**

According to Section 111(1d) any person has concealed income or furnished inaccurate particulars of income including —

- (i) the suppression of any production, sales or any amount chargeable to tax; or
- (ii) the suppression of any item of receipt liable to tax in whole or in part,]

and the person offers no explanation about the nature and source of the amount credited or the investment, money, valuable article, or funds from which the expenditure was made [suppression of any production, sales, any amount chargeable to tax and of any item of receipt liable to tax] or the explanation offered by the person is not, in the Commissioner’s opinion, satisfactory, the amount credited, value of the investment, money, value of the article, or amount of expenditure [suppressed amount of production, sales or any amount chargeable to tax or of any item of receipt liable to tax] shall be included in the person’s income chargeable to tax under head “Income from [Other Sources”] to the extent it is not adequately explained [:]

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax year 2017 revealed that some tax payers concealed their income due to which Income Tax was short levied detail is given as under;

S#	Name of Formation	AIR Para No	Tax Due (in rupees)	Tax Paid (in rupees)	Tax Outstanding (in rupees)
1	Deputy Commissioner Inland Revenue Bhimber	13	143,917	4,550	139,367
2	Assistant Commissioner Inland Revenue Dadyal	10	1,663,762	1,385,350	278,412
3	Deputy Commissioner Inland Revenue Company Circle Mirpur	13	619,325	-	619,325
		14	1,672,829	512,843	1,159,986
Total			4,099,833	2,185,686	2,197,090

The lapse occurred due to weak internal control and non-enforcement of rules by the Department resulting in loss to the Government.

The matter was brought to the notice of the Department through Audit and Inspection Reports in the months of April, May and June 2018. The matter was reported to PAO in September 2018 for convening DAC meeting. No DAC meeting was convened till finalization of this report.

Audit recommends that the amount of Income Tax and Education Cess be recovered and remitted into Government Treasury, disciplinary action be taken against the person(s) at fault and timely collection of the Government dues be ensured in future.

Advance Para 33

**1.3.25 NON DEDUCTION OF INCOME TAX & EDUCATION CESS ON DIRECTOR FEE AMOUNTING TO RS 2.058 MILLION**

According to Section 149(3) of the Income Tax Ordinance 2001 Notwithstanding anything contained in sub-sections (1) and (2), every person responsible for making payment for directorship fee or fee for attending board meeting or such fee by whatever name called, shall at the time of payment, deduct tax at the rate of twenty percent of the gross amount payable.

Contrary to above during the scrutiny of Income Tax record pertaining to Deputy Commissioner Inland Revenue Company Circle for the tax year 2017 it was observed that following companies paid Director fee but they did not deduct the Income Tax as per above law while paying director fee as per detailed below;

S#	Name of Company	Director Remuneration (in rupees)	Tax Due (in rupees)	Education Cess Due (in rupees)	Total Outstanding (in rupees)
1	Sun Gas Mirpur	2,346,780	469,356	46,936	516,292
2	Shafi industries Mirpur	556,000	111,200	11,120	122,320
3	MS Personal Touch Mirpur	500,000	100,000	10,000	110,000
4	Mrs. Maha Rehman	960,000	192,000	19,200	211,200

5	MS Wattan Tobacco Mirpur	1,440,000	288,000	28,800	316,800
6	MS G Five Mirpur	2,760,000	552,000	55,200	607,200
7	Sohail & Haider Mirpur	792,000	158,400	15,840	174,240
Total		9,354,780	1,870,956	187,096	2,058,052

This loss was occurred due to non-adherence to rules and weak financial controls.

The matter was brought to the notice of the Department through Audit and Inspection Reports in the months of April, May and June 2018. The matter was reported to PAO in September 2018 for convening DAC meeting. No DAC meeting was convened till finalization of this report.

Audit recommends that the amount of Income Tax and Education Cess be recovered and remitted into Government Treasury, disciplinary action be taken against the person(s) at fault and timely collection of the Government dues be ensured in future.

AIR Para 08

Advance Para 32

**1.3.26 NON-RECOVERY OF MOTOR TAX AND OTHER GOVERNMENT DUES  
RS 1.445 MILLION**

According to Para 37 of the Financial Code read with Para 26 of the GFR Vol – I all government revenues including Income Tax, Sales Tax, Federal Excise, Motor Vehicle Tax, Registration Fees & TQT etc should be collected & deposited into Government Treasury within due time by the concerned Department.

According to Azad Jammu & Kashmir Finance Act 2012 date 10-07-2012 Sr. No. 08 Motor tax should be collected and deposited into Govt. treasury within due time by the concerned department.

Contrary to above during the scrutiny of Motor Tax record of various offices of Inland Revenue Department for the Tax year 2017 it was observed that the department did not collect motor tax and other Government Dues from Vehicle

owners. The omission resulted in a financial loss of Rs 1,445,447 to the Govt. Exchequer.

S#	Name of Formation	AIR Para No	Amount (in rupees)
1	Deputy Commissioner Inland Revenue Bhimber	19	165,362
2	Assistant Commissioner Inland Revenue Bagh	15	211,793
3	Deputy Commissioner Inland Revenue Neelum	5	8,000
4	Deputy Commissioner Inland Revenue Kotli	16	141,613
5	Assistant Commissioner Inland Revenue Rawalakot	17	48,780
6	Assistant Commissioner Inland Revenue Sudhnuti	12	140,985
7	Assistant Commissioner Excise & Sales Tax Muzaffarabad	7	101,264
		8	29,493
8	Deputy Commissioner Excise & Sales Tax Mirpur	8	598,157
Total			1,445,447

Non recovery of Government dues occurred due to inefficiency of the department.

The matter was brought to the notice of the Department through Audit and Inspection Reports in the months of April, May and June 2018. The matter was reported to PAO in September 2018 for convening DAC meeting. No DAC meeting was convened till finalization of this report.

Audit recommends that the amount of Motor Tax, Registration Fee, Income Tax, Education Cess and Insurance be recovered and remitted into Government Treasury, disciplinary action be taken against the person(s) at fault and timely collection of the Government dues be ensured in future.

Advance Para 08

**1.3.27 SHORT REALIZATION OF INCOME TAX & EDUCATION CESS DUE TO WRONG ASSESSMENT OF INCOME RS 1.213 MILLION**

According to Section 114(2) of Income Tax Ordinance 2001 a return of income;

(A) Shall be in prescribe form and shall be accompanied by such annexure, statements or documents as may be prescribed

(B) Shall fully state all the relevant particulars or information as specified in the form of returns including a declaration of the record kept by the tax payer.

(C) Shall be signed by the person, being an individual, or the person representative where section 172 applies.

According to Section 15(1) of the Income Tax Ordinance 2001, the rent received or receivable by a person for a tax year, other than rent exempt from tax under this Ordinance, shall be chargeable to tax in that year under the head Income from Property. And as per sub section 7 of the Section 15 The provisions of sub-section (1), shall not apply in respect of an individual or association of persons who derive income chargeable to tax under this section not exceeding two hundred thousand rupees in a tax year and does not derive taxable income under any other head.

As per FBR Circular No.7 of 2016 dated 27<sup>th</sup> July 2016 clause 2(e) property income derived by an individual or AOP below Rs 200,000 shall not be taxable if individual or an AOP does not have income from any other head.

Contrary to above rule it was observed that during the scrutiny of record of various offices of Inland Revenue Department it was observed that following some tax payers wrongly assessed their income and consequently paid less Income Tax and the department didn't realize outstanding tax from the taxpayers amounting to Rs 1,212,699 as per detail given below.

S#	Name of Formation	AIR Para No	Tax Due (in rupees)	Tax Paid (in rupees)	Outstanding (in rupees)
1	Assistant Commissioner Inland Revenue Business Circle Mirpur	13	67,511	20,637	46,874
		12	1,101,295	11,310	1,089,985
2	Assistant Commissioner Inland Revenue Business Circle Mzd	10	113,982	48,306	65,676
3	Assistant Commissioner Inland Revenue Professional Circle Mirpur	15	31,064	20,900	10,164
Total			1,313,852	101,153	1,212,699

Short assessment of Government revenue occurred due weak internal control and negligence resulting in a loss to the Government.

The matter was brought to the notice of the Department through Audit and Inspection Reports in the months of April, May and June 2018. The matter was



reported to PAO in September 2018 for convening DAC meeting. No DAC meeting was convened till finalization of this report.

Audit recommends that the amount of Income Tax and Education Cess be recovered and remitted into Government Treasury, disciplinary action be taken against the person(s) at fault and timely collection of the Government dues be ensured in future.

Advance Para 34

**1.3.28 NON REALIZATION OF PROFESSIONAL TAX RS 1.030 MILLION**

According to finance Act 2012 dated 10-07-2012 following rates of Professional Tax were introduced for different person

S#	Category	Slab	Rate of PT (in rupees)
1	Contractor	up to 1 Million	500
		1 M to 10 M	3,000
		10 M to 50 M	5,000
		Above 50M	10,000
	Companies registered under Companies ordinance 1984 (XLVII of 1984) as adopted in AJ&K with paid up capital	up to 5 Million	5,000
		5 M to 50 M	20,000
		50 M to 100 M	50,000
		100 M to 200 M	75,000
	Exceeding 200 M	100,000	
2	Medical Specialist		1,000
3	Medical Consultant		1,000
4	Dental Surgeon		1,000
5	Registered Medial Practitioners		1,000
6	Hakeem / Homoyo Pathic		500
7	Jewelers		1,000
8	Departmental Stores		1,000
9	Lawyers		1,000
10	Electronic Goods		1,000
11	Cable Operators		1,000
12	Tobacco whole Sellers		2,000
13	Carriage (Goods + Passengers)		2,000
14	Money Changers		3,000
15	Motor Cycle Dealers		5,000

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax year 2017 revealed that the tax payers did not pay Professional Tax along with return of income tax as per law. The department did not recover Professional Tax from such tax payers. The omission resulted in loss of government revenue amounting to Rs 1,030,100 on account of Professional Tax. The detail is in annexure “K”.

The lapse occurred due to weak internal control and non-enforcement of rules by the Department resulting in loss to the Government.

The matter was brought to the notice of the Department through Audit and Inspection Reports in the months of April, May and June 2018. The matter was reported to PAO in September 2018 for convening DAC meeting. No DAC meeting was convened till finalization of this report.

Audit recommends that the amount of Professional Tax be recovered and remitted into Government Treasury, disciplinary action be taken against the person(s) at fault and timely collection of the Government dues be ensured in future.

Advance Para 11,20

#### **1.3.29 NON REALIZATION OF PENALTY ON CONCEALMENT OF INCOME RS 0.825 MILLION**

According to serial no (12) in the Table given in sub-section (1) of section 182 of the Income Tax Ordinance 2001, where a person has concealed income or furnished inaccurate particulars of such income, Such person shall pay a penalty of twenty five thousand rupees or an amount equal to the tax which the person sought to evade whichever is higher.

Contrary to above, scrutiny of the record of pertaining to Inland Revenue offices for the tax year 2016 and 2017 revealed that 4 taxpayers concealed their income due to which Income Tax was under realized. The Department did not impose/recover the amount of penalty which resulted in a financial loss of Rs 825,000 to the Government exchequer. The detail is in annexure “L”.

The lapse occurred due to weak internal control and non-enforcement of rules by the Department resulting in loss to the Government.

The matter was brought to the notice of the Department through Audit and Inspection Reports in the months of April, May and June 2018 some formations replies were received and partially settled in the light of reply. The matter was also brought to the notice of the Department through Advance Paras in September 2018, and audit Report 2017-18 in annexure “ I ” but the Department did not convene the Departmental Accounts Committee meeting.

Audit recommends that the amount of penalty be recovered forthwith and remitted into Government Treasury, responsibility be fixed against the person(s) at fault and imposition of penalty at prescribed rate on each defaulter be ensured in future.

AIR Para 02

Advance Para 17

**1.3.30 NON REALIZATION OF PENALTY ON FILING INCOME TAX RETURNS WITH IMPROPER PROFIT AND LOSS ACCOUNT RS 0.575 MILLION**

According to Section 114(2) of Income Tax Ordinance 2001 a return of income;

(D) Shall be in prescribe form and shall be accompanied by such annexure, statements or documents as may be prescribed

(E) Shall fully state all the relevant particulars or information as specified in the form of returns including a declaration of the record kept by the tax payer.

(F) Shall be sign by the person, being an individual, or the person representative where section 172 applies.

According to serial no (14) in the Table given in sub-section (1) of section 182 of the Income Tax Ordinance 2001, any person who contravenes any of the provision of this Ordinance for which no penalty has, specifically, been provided in this section. Such person shall pay a penalty of five thousand rupees or three *per cent* of the amount of tax involved, which-ever is higher.

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax year 2017 revealed that some taxpayers either did not file their profit and loss account blank or in some cases profit and loss account filed but detail of opening closing stock and purchases / Sales details were not given. In some cases the profit and loss account were filed blank. The Department did not impose/recover the amount of penalty which resulted in a financial loss of Rs 575,000 to the Government exchequer. The detail is in annexure “M”.

Non-imposition of Penalty occurred due to non-application of the prevailing rules by the concerned.

The matter was brought to the notice of the Department through Audit and Inspection Reports in the months of April, May and June 2018. The matter was reported to PAO in September 2018 for convening DAC meeting. No DAC meeting was convened till finalization of this report.

Audit recommends that the amount of penalty be recovered forthwith and remitted into Government Treasury, responsibility be fixed against the person(s) at fault and imposition of penalty at prescribed rate on each defaulter be ensured in future.

Advance Para 16

**1.3.31 NON RECOVERY OF DEFAULT SURCHARGE ON LATE PAYMENT OF SALES TAX  
RS 0.558 MILLION**

As per Section 34 (1) of the Sales Tax Act 1990, Notwithstanding the provisions of section 11, if a registered person does not pay the tax due or any part thereof, whether willfully or otherwise, in time or in the manner specified under this Act, rules or notifications issued there under or claims a tax credit, refund or makes an adjustment which is not admissible to him, or incorrectly applies the rate of zero per cent to supplies made by him, he shall, in addition to the tax due, pay default surcharge at the rate mentioned below:

(a) the person liable to pay any amount of tax or charge or the amount of refund erroneously made, shall pay default surcharge at the rate of KIBOR plus three per cent per annum of the amount of tax due or the amount of refund erroneously made;

During the scrutiny of the Sales Tax record of Deputy Commissioner Excise Circle Mirpur for the Tax Year 2016 it was observed that 02 Sales Tax Registered Person paid Sales Tax after due date and department did not collect default surcharge as per above referred section for late payment of Government Dues. The omission has resulted in a financial loss of Rs 558,454 to Government exchequer.

Audit observed that the loss occurred due to in efficiency of the concerned.

The matter was brought to the notice of the Management and PAO through Audit and Inspection Report but no reply was received. The matter was again communicated to the department through Advance Paras and audit Report 2017-18 in annexure "I" but DAC meeting was not convened despite repeated requests reminders till the finalization of this report.

Audit recommends that the amount of default surcharge be recovered and remitted into Government Treasury, disciplinary action be taken against the person(s) at fault and timely collection of the Government dues be ensured in future.

Advance Para 13

Annexure 1 AR 2017-18

**1.3.32 NON DEDUCTION OF ADVANCE TAX AND EDUCATION CESS ON FUNCTIONS / GATHERINGS RS 0.390 MILLION**

According to Section 236 (D) of the Income Tax Ordinance, 2001, Every prescribed person shall collect advance tax 10 % at the rate specified in division XI of Part IV of the first Schedule on the total amount of the bill from a person arranging or

holding a functions in a marriage hall, marquee hotel, restaurant, commercial loan, club, a community place or any other place used for such purpose.

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax year 2017 revealed that different tax payers running business of marriage hall and they were required to deduct advance tax as per above law they didn't deduct such Advance Tax & Education Cess on functions and gatherings. The department did not recover such tax from marriage hall owners. The Omission resulted in a loss of Rs 390,286 to the Government exchequer. The detail is given below;

S#	Name of Formation	AIR Para No	Tax Due (in rupees)	Education Cess Due (in rupees)	Tax Due (in rupees)	Tax Paid (in rupees)	outstanding (in rupees)
1	Assistant Commissioner Inland Revenue Dadyal	11	217,175	21,718	238,893	99,358	139,535
2	Assistant Commissioner Inland Revenue Rawalakot	12	20,000	2,000	22,000	-	22,000
3	Assistant Commissioner Inland Revenue Business Circle Muzaffarabad (Annexure 1 AR 2017-18)	13	106,417	-	106,417	-	106,417
4	Assistant Commissioner Inland Revenue Dadyal (Annexure 1 AR 2017-18)	16	63,979	-	63,979	-	63,979
5	Assistant Commissioner Inland Revenue Business Circle Mirpur (Annexure 1 AR 2017-18)	15	58,355	-	58,355	-	58,355
Total			465,926	23,718	489,644	99,358	390,286

This loss was occurred due to non-adherence to rules and weak financial controls.

The matter was brought to the notice of the Department through Audit and Inspection Reports in the months of April, May and June 2018 some formations

replies were received and partially settled in the light of reply. The matter was also brought to the notice of the Department through Advance Paras in September 2018, and audit Report 2017-18 in annexure “ I ” but the Department did not convene the Departmental Accounts Committee meeting.

Audit recommends that the amount of Advance Tax and Education Cess be recovered and remitted into Government Treasury, disciplinary action be taken against the person(s) at fault and timely collection of the Government dues be ensured in future.

Advance Para 23

**1.3.33 NON REALIZATION OF PENALTY DUE TO LATE DEPOSIT OF SALES TAX AMOUNTING TO RS 0.217 MILLION**

According to Section 6(2) of the Sales Tax Act 1990 Sales Tax in respect of taxable supplies made during a tax period shall be paid by the registered person at the time of filing the tax return. In case of failure in payment of Sales Tax within due date additional tax is to be realized at the rate specified under Section 34 and penalty Under Section 33.

In terms of Section 2(9) of the Sales Tax Act 1990 due date’ in relation to the furnishing of a return under section 26 and section 26AA means the 15<sup>th</sup> day of the month following the end of the tax period, or such other date as the Board may, by notification in the official Gazette, specify.

Additionally according to serial No. (5) in the Table given in Section 33 of the Sales Tax Act 1990, where any person who fails to deposit the amount of tax due or any part thereof in the time or manner laid down under this Act or rules or orders made there under, such person shall pay a penalty of ten thousand rupees or five per cent of the amount of the tax involved, whichever is higher. Provided that, if the amount of tax or any part thereof is paid within ten days from the due date, the defaulter shall pay a penalty of five hundred rupees for each day of default:

Contrary to above during the scrutiny of Sales Tax record of Excise Circle Mirpur for the Tax Year 2016 it was observed that 03 Sales Tax registered

persons deposited their Sales Tax for different periods after the due date and the department did not impose penalty for late deposit of Sales Tax as required under above law. The omission resulted a financial loss of Rs 216,500 to the Government exchequer.

Audit observed that the loss occurred due to in efficiency of the concerned.

The matter was brought to the notice of the Management and PAO through Audit and Inspection Report but no reply was received. The matter was again communicated to the department through Advance Paras and audit Report 2017-18 in annexure "I" but DAC meeting was not convened despite repeated requests reminders till the finalization of this report.

Audit recommends that the amount of penalty be recovered forthwith and remitted into Government Treasury, responsibility be fixed against the person(s) at fault and imposition of penalty at prescribed rate on each defaulter be ensured in future.

Advance Para 12  
Annexure 1 AR 2017-18



## Annexure-I

### Memorandum for Departmental Accounts Committee

#### I. NON REALIZATION OF PENALTY FOR NON DEDUCTION OF ADVANCE TAX ON PROPERTY RENT RS 0.375 MILLION.

S#	Name of Formation	AIR Para No	Amount (in Rupees)
1	Assistant Commissioner Inland Revenue Business Circle Mirpur	3	225,000
2	Deputy Commissioner Inland Revenue Company Circle Mirpur	5	125,000
3	Deputy Commissioner Inland Revenue Kotli	11	25,000
Total			375,000

**Advance Para 14**

#### II. NON REALIZATION OF PENALTY FOR LATE / NON-FILING OF WEALTH STATEMENTS RS 0.100 MILLION.

S#	Name	CNIC #/NTN	Penalty (in rupees)
1	Tasadaq Hussain Shah Trar Khal	28824	20,000
2	Rizwan Ghani Trar Khal	37406-1904696-1	20,000
3	Babar Hussain Palandri	63360	20,000
4	Abid Hussain Palandri	63356	20,000
5	Muhammad Jahangir Palandri	63357	20,000
Total			100,000

**AIR Para 02**

**Advance Para 15**

#### III. NON REALIZATION OF PENALTY ON NOT GETTING REGISTERD UNDER INCOME TAX ORDINANCE RS 0.045 MILLION.

S#	Name of Formation	AIR Para No	No of Persons	Amount (in Rupees)
1	Deputy Commissioner Inland Revenue Bhimber	2	4	20,000
2	Assistant Commissioner Inland Revenue Rawalakot	4	1	5,000
3	Deputy Commissioner Inland Revenue Company Circle Mirpur	4	4	20,000
Total			9	45,000

**Advance Para 18**

**LOSS OF GOVERNMENT DUE TO NON RECOVERY OF SALES TAX,  
EXCISE DUTY RS 17,912.492 MILLION**

**Sales Tax (in rupees)**

S.No	Name of Regd. Person	Amount	S.No	Name of Regd. Person	Amount
1	Wapda Mangla	17,768,486,058	16	Pak Telecom Mobile Ltd (Ufone)	2,773,500
2	J&N Paints Mirpur	11,555,690	17	Pakistan Mobile Ltd (Mobilink) (wp)	13,269,267
3	AKLASC Mirpur	17,620,880	18	M/s CM Pak Ltd (Paktel)	10,932,212
4	MDA Mirpur	23,949	19	Mirpur Minerals Pvt Ltd	42,117
5	Diamond Polymers Pvt Ltd Mirpur	12,990,739	20	Eagle Industries Pvt Ltd Mirpur	130,012
6	Executive Engineer (WAPDA) Mangla	5,534	21	Chief Engineer ( E ) Mirpur	41,892,350
7	Yousaf & Co Pepsi Mirpur	1,110	22	Capital Industrial Mirpur	611,676
8	Younas & Co Pepsi Mirpur	7,007	23	Laraib Energy Mirpur	1,671,314
9	Mangla Metals Pvt Ltd Mirpur	484,945	24	Imperial Industries Mirpur	186,542
10	M. Yousaf & Sons Mirpur	25	25	Roopyal Hotel Mirpur	144,425
11	Raja Autocars Ltd Mirpur	921,693	26	Executive Engineer (E) Division Mirpur	11,687,195
12	Nazir Honda Palaxe Plak Mirpur	27,327	27	Executive Engineer (E) Division Chakswari	7,923,030
13	Virginia Tobacco Co (wp) Mirpur	14,705	28	Shiraz Industries Mirpur	1,365,511
14	Gerr's International Pvt Ltd Mirpur	807,644	29	Max-Zealer Mirpur	30,000
15	Sui Northern Gas Pipeline Ltd	232,974			
<b>Total Sales Tax</b>					17,905,821,430

**Excise Duty (in rupees)**

<b>S#</b>	<b>Name of Regd. Person</b>	<b>Amount</b>	<b>S#</b>	<b>Name of Regd. Person</b>	<b>Amount</b>
1	M/s J&N Paints Mirpur	4,134,005	8	Rasham Travels Mirpur	1,473
2	Kashmir Polytex Ltd Mirpur	513,401	9	Virginia Tobacco Co. Mirpur (wp)	49,830
3	Ch. Kh & Associates Mirpur	391,115	10	Mirpur Mineral Pvt Ltd Mirpur	4,023
4	International Air Travel Mirpur	278,222	11	Eagle Industries Pvt Ltd Mirpur	848,026
5	Aviona Pvt Ltd Mirpur	301,068	12	Capital Industrial Mirpur	42,151
6	Crown Travels Mirpur	81,516	13	Diamond Polymers Pvt Mirpur	153
7	Shoukat Travels Mirpur	9,221	14	Zahoor Food Mirpur	15,890
<b>Total Excise Duty</b>					<b>6,670,094</b>
<b>Grand Total (Sales Tax, Excise Duty)</b>					<b>17,912,491,524</b>

**LOSS OF GOVERNMENT DUE TO NON RECOVERY OF ARREARS OF GOVERNMENT DUES Rs 32.096 MILLION**

S#	Name of Formation	AIR Para No	Amount (in Rupees)
1	Deputy Commissioner Inland Revenue Bhimber	9	140,360
2	Assistant Commissioner Inland Revenue Business Circle Mirpur	11	1,796,594
3	Assistant Commissioner Inland Revenue Business Circle Muzaffarabad	9	510,448
4	Deputy Commissioner Inland Revenue Chaksawari	9	275,319
5	Assistant Commissioner Inland Revenue Dadyal	7	676,500
6	Deputy Commissioner Inland Revenue Bagh	9	622,860
7	Deputy Commissioner Inland Revenue Neelum	4	6,318
8	Deputy Commissioner Inland Revenue Salary Circle Muzaffarabad	7	3,691,278
9	Deputy Commissioner Inland Revenue Kotli	7	8,565,508
10	Assistant Commissioner Inland Revenue Professional Circle Mirpur	12	436,725
11	Assistant Commissioner Inland Revenue Rawalakot	10	456,679
12	Assistant Commissioner Inland Revenue Professional Circle Muzaffarabad	7	296,139
13	Assistant Commissioner Inland Revenue Sudhnuti	8	3,122,851
14	Deputy Commissioner Inland Revenue Company Circle Mirpur	12	11,498,000
Total			32,095,579

**DOUBTFUL ADJUSTMENT OF INCOME TAX RS 341.506 MILLION**

S#	Name of Formation	AIR Para No	Amount (in Rupees)
1	Deputy Commissioner Inland Revenue Bhimber	11	335,103,388
2	Assistant Commissioner Inland Revenue Business Circle Mirpur	10	303,396
3	Assistant Commissioner Inland Revenue Dadyal	13	43,087
4	Deputy Commissioner Inland Revenue Neelum	6	91,474
5	Deputy Commissioner Inland Revenue Salary Circle Muzaffarabad	8	3,670,477
6	Deputy Commissioner Inland Revenue Kotli	8	289,339
7	Assistant Commissioner Inland Revenue Professional Circle Mirpur	8	595,967
8	Deputy Commissioner Inland Revenue Company Circle Mirpur	15	629,627
9	Assistant Commissioner Inland Revenue Salary Circle Mirpur (Annexure 1 AR 2017-18)	5	107,884
10	Assistant Commissioner Inland Revenue Neelum (Annexure 1 AR 2017-18)	3	309,603
11	Assistant Commissioner Inland Revenue Chaksawari (Annexure 1 AR 2017-18)	13	12,000
12	Assistant Commissioner Inland Revenue Business Circle Mirpur (Annexure 1 AR 2017-18)	12	301,228
13	Deputy Commissioner Inland Revenue Professional Circle Muzaffarabad (Annexure 1 AR 2017-18)	13	24,043
14	Assistant Commissioner Inland Revenue Professional Circle Mirpur (Annexure 1 AR 2017-18)	14	24,500
Total			341,506,013

**NON LEVY OF EDUCATION CESS ON INCOME TAX COLLECTION  
RS 31.907 MILLION.**

S#	Name of Formation	AIR Para No	Education Cess Due (in Rupees)	Education Cess Paid (in Rupees)	Outstanding Amount (in Rupees)
1	Deputy Commissioner Inland Revenue Bhimber	5	773,929	207,641	566,288
2	Assistant Commissioner Inland Revenue Business Circle Mirpur	6	2,544,420	28,251	2,566,169
3	Assistant Commissioner Inland Revenue Business Circle Muzaffarabad	5	883,368	0	883,368
4	Deputy Commissioner Inland Revenue Chaksawari	6	988,267	0	988,267
5	Assistant Commissioner Inland Revenue Dadyal	3	864,574	0	864,574
6	Assistant Commissioner Inland Revenue Bagh	4	1,389,529	0	1,389,529
7	Deputy Commissioner Inland Revenue Withholding Circle	2	119,500	0	119,500
8	Assistant Commissioner Inland Revenue Salary Circle Mirpur	3	269,885	0	269,885
9	Deputy Commissioner Inland Revenue Salary Muzaffarabad	6	115,395	0	115,395
10	Deputy Commissioner Inland Revenue Kotli	3	1,855,748	90,847	1,764,901
11	Assistant Commissioner Inland Revenue Professional Circle Mrpur	4	6,002,919	631,000	5,371,919
12	Assistant Commissioner Inland Revenue Rawalakot	5	1,272,746	0	1,272,746
13	Assistant Commissioner Inland Revenue Professional Circle Mzd	3	1,354,798	139,242	1,217,097
14	Assistant Commissioner Inland Revenue Sudhnuti	5	183,684	0	183,684
15	Deputy Commissioner Inland Revenue Company Circle Mirpur	6	14,384,960	51,709	14,333,251
Total			33,003,722	1,148,690	31,906,573

## Annexure "E"

**LOSS OF GOVERNMENT DUE TO SHORT / NON REALIZATION OF  
MINIMUM TAX AND EDUCATION CESS Rs 17.671 MILLION**

S #	Name of Formation	AIR Para NO	Due (in Rupees)	Paid (in Rupees)	Outstanding Amount (in Rupees)
1	Deputy Commissioner Inland Revenue Bhimber	8	1,751,808	293,336	1,458,472
2	Assistant Commissioner Inland Revenue Business Circle Mirpur	8	5,756,461	1,703,331	4,053,130
3	Assistant Commissioner Inland Revenue Business Circle Mzd	7	2,072,505	321,725	1,750,780
4	Deputy Commissioner Inland Revenue Chaksawari	8	445,038	157,981	287,057
5	Assistant Commissioner Inland Revenue Dadyal	5	2,412,088	320,804	2,091,284
6	Assistant Commissioner Inland Revenue Bagh	6	1,176,404	387,697	788,707
7	Deputy Commissioner Inland Revenue Neelum	3	76,217	42,089	34,128
8	Deputy Commissioner Inland Revenue Kotli	6	2,784,073	719,835	2,064,238
9	Assistant Commissioner Inland Revenue Professional Circle Mirpur	11	2,062,638	284,594	1,778,044
10	Assistant Commissioner Inland Revenue Rawalakot	6	1,643,344	642,416	1,000,928
11	Assistant Commissioner Inland Revenue Professional Circle Mzd	6	1,082,945	317,872	765,073
12	Assistant Commissioner Inland Revenue Sudhnuti	9	256,561	0	256,561
13	Deputy Commissioner Inland Revenue Company Circle Mirpur	10	1,410,355	68,034	1,342,321
Total			22,930,437	5,259,714	17,670,723

**NON DEDUCTION OF ADVANCE TAX & EDUCATION CESS UNDER SECTION 236 G & H RS 9.453 MILLION.**

S #	Name of Formation	AIR Para No	Income Tax (in Rupees)	E Cess (in Rupees)	Total Amount (in Rupees)
1	Deputy Commissioner Inland Revenue Bhimber	15	311,893	31,189	343,082
		14	1,180,725	118,073	1,298,798
2	Assistant Commissioner Inland Revenue Business Circle Mirpur	14	485,806	48,581	534,387
3	Deputy Commissioner Inland Revenue Chaksawari	12	963,387	96,339	1,059,726
4	Assistant Commissioner Inland Revenue Dadyal	4	419,956	41,996	461,952
5	Assistant Commissioner Inland Revenue Bagh	11	284,255	28,426	312,681
6	Deputy Commissioner Inland Revenue Kotli	10	1,833,215	183,322	2,016,537
7	Assistant Commissioner Inland Revenue Rawalakot	11	2,114,292	211,428	2,325,720
8	Assistant Commissioner Inland Revenue Sudhnuti	10	958,545	95,853	1,054,398
9	Deputy Commissioner Inland Revenue Company Circle Mirpur	7	41,400	4,140	45,540
Total			8,593,474	859,347	9,452,821



**LOSS OF GOVERNMENT DUE TO NON / LESS REALIZATION OF  
INCOME TAX & EDUCATION CESS ON BUSINESS INCOME  
AMOUNTING TO Rs 6.453 MILLION**

S#	Name of Formation	AIR Para No	Tax Due (in Rupees)	Tax Paid (in Rupees)	Tax Outstanding (in Rupees)
1	Deputy Commissioner Inland Revenue Bhimber	6	363,688	283,576	80,112
2	Assistant Commissioner Inland Revenue Business Circle Mirpur	7	1,917,875	1,260,678	657,197
3	Assistant Commissioner Inland Revenue Business Circle Mzd	6	4,194,307	141,598	4,052,709
4	Assistant Commissioner Inland Revenue Dadyal	8	122,827	91,054	31,773
5	Assistant Commissioner Inland Revenue Bagh	5	114,897	35,427	79,470
6	Deputy Commissioner Inland Revenue Neelum	1	33,758	-	33,758
7	Deputy Commissioner Inland Revenue Kotli	4	686,003	514,461	171,542
8	Assistant Commissioner Inland Revenue Professional Circle Mirpur	9	2,946,723	1,924,664	1,022,059
9	Assistant Commissioner Inland Revenue Professional Circle Mzd	4	305,380	226,277	79,103
10	Assistant Commissioner Inland Revenue Sudhnuti	6	154,584	-	154,584
		7	91,005	-	91,005
Total			10,931,047	2,665,402	6,453,312

**NON REALIZATION OF PENALTY FOR LATE / NON-FILING OF  
INCOME TAX RETURNS RS 3.765 MILLION.**

S#	Name of Formation	AIR Para No	No of Persons		Amount (in Rupees)
			Late	Non	
1	Deputy Commissioner Inland Revenue Bhimber	1	4	5	180,000
2	Assistant Commissioner Inland Revenue Business Circle Mirpur	1	1	5	120,000
3	Assistant Commissioner Inland Revenue Business Circle Muzaffarabad	1	7	4	220,000
4	Deputy Commissioner Inland Revenue Chaksawari	1	0	9	180,000
5	Assistant Commissioner Inland Revenue Dadyal	1	10	0	185,000
6	Assistant Commissioner Inland Revenue Bagh	1	0	6	120,000
7	Assistant Commissioner Inland Revenue Salary Circle MIRPUR	1	0	2	40,000
8	Deputy Commissioner Inland Revenue Salary Circle Muzaffarabad	1	0	5	100,000
9	Deputy Commissioner Inland Revenue Kotli	1	0	13	260,000
10	Assistant Commissioner Inland Revenue Professional Circle Mirpur	1	1	4	100,000
11	Assistant Commissioner Inland Revenue Rawalakot	1	0	7	140,000
12	Assistant Commissioner Inland Revenue Professional Circle Muzaffarabad	1	52	22	1,480,000
13	Assistant Commissioner Inland Revenue Sudhnuti	1	0	8	160,000
14	Deputy Commissioner Inland Revenue Company Circle Mirpur	1	0	24	480,000
Total			75	114	3,765,000

**NON REALIZATION OF PENALTY DUE TO LATE/NON FILING OF WITHHOLDING TAX STATEMENTS - RS 2.580 MILLION.**

S#	Name of Formation	AIR Para No	No of Persons		Amount (in Rupees)
			Late	Non	
1	Deputy Commissioner Inland Revenue Bhimber	3	3	10	680,000
2	Assistant Commissioner Inland Revenue Business Circle Mirpur	2	1	10	110,000
3	Assistant Commissioner Inland Revenue Business Circle Muzaffarabad	2	0	5	50,000
4	Deputy Commissioner Inland Revenue Chaksawari	2	0	1	30,000
5	Assistant Commissioner Inland Revenue Dadyal	2	5	2	70,000
6	Assistant Commissioner Inland Revenue Bagh	2	0	7	120,000
7	Deputy Commissioner Inland Revenue Withholding Circle	1	0	1	120,000
8	Assistant Commissioner Inland Revenue Salary Circle Mirpur	2	1	2	30,000
9	Deputy Commissioner Inland Revenue Salary Circle Muzaffarabad	2	0	1	10,000
10	Deputy Commissioner Inland Revenue Kotli	2	0	9	530,000
11	Assistant Commissioner Inland Revenue Professional Circle Mirpur	2	0	7	70,000
12	Assistant Commissioner Inland Revenue Rawalakot	2	0	5	50,000
13	Assistant Commissioner Inland Revenue Professional Circle Muzaffarabad	2	1	2	180,000
14	Assistant Commissioner Inland Revenue Sudhnuti	4	0	4	480,000
15	Deputy Commissioner Inland Revenue Company Circle Mirpur	3	0	5	50,000
Total			14	70	2,580,000

**NON REALIZATION OF PENALTY DUE TO LATE / NON-FILING OF SALES TAX RETURNS RS 2.452 Million.**

S#	Name of Formation	AIR Para No	No of persons		Amount (in Rupees)
			Late	Non	
1	Deputy Commissioner Inland Revenue Bhimber	17	7	4	181,000
2	Assistant Commissioner Inland Revenue Bagh	13	1	5	306,600
3	Deputy Commissioner Inland Revenue Kotli	14	5	6	259,200
4	Assistant Commissioner Inland Revenue Rawalakot	15	2	2	66,300
5	Assistant Commissioner Inland Revenue Sudhnuti	11	6	19	459,700
6	Excise & Sales Tax Muzaffarabad	1	26	0	144,200
		2	0	7	125,000
7	Excise & Sales Tax Mirpur	1	17	5	147,600
8	Excise & Sales Tax Mirpur (Annexure 1 AR 2017-18)	1	3	9	429,700
9	Excise & Sales Tax Muzaffarabad (Annexure 1 AR 2017-18)	1	1	1	40,900
10	Deputy Commissioner Inland Revenue Bhimber (Annexure 1 AR 2017-18)	8	3	1	27,600
11	Deputy Commissioner Inland Revenue Kotli (Annexure 1 AR 2017-18)	20	4	3	242,900
12	Assistant Commissioner Inland Revenue Rawalakot (Annexure 1 AR 2017-18)	20	3	1	11,200
13	Assistant Commissioner Inland Revenue Bagh (Annexure 1 AR 2017-18)	17	1	1	9,700
Total			79	64	2,451,600

**LOSS OF GOVERNMENT DUE TO NON REALIZATION OF PROFESSIONAL TAX Rs 1.030 MILLION**

S#	Name of Formation	AIR Para No	Amount (in Rupees)
1	Deputy Commissioner Inland Revenue Bhimber	10	36,000
2	Assistant Commissioner Inland Revenue Bagh	12	77,500
3	Assistant Commissioner Inland Revenue Professional Circle Mirpur	13	51,000
4	Assistant Commissioner Inland Revenue Rawalakot	14	93,600
5	Assistant Commissioner Inland Revenue Professional Circle Muzaffarabad	8	42,000
6	Excise & Sales Tax Mirpur	11	660,000
7	Assistant Commissioner Inland Revenue Neelum (Annexure 1 AR 2017-18)	5	3,000
8	Assistant Commissioner Inland Revenue Bagh (Annexure 1 AR 2017-18)	16	9,000
9	Assistant Commissioner Inland Revenue Sudhnoti (Annexure 1 AR 2017-18)	9	6,000
10	Assistant Commissioner Inland Revenue Business Circle Muzaffarabad (Annexure 1 AR 2017-18)	12	3,000
11	Assistant Commissioner Inland Revenue Professional Circle Muzaffarabad (Annexure 1 AR 2017-18)	11	9,000
12	Assistant Commissioner Inland Revenue Professional Circle Mirpur (Annexure 1 AR 2017-18)	13	36,000
13	Deputy Commissioner Inland Revenue Bhimber (Annexure 1 AR 2017-18)	10	4,000
Total			1,030,100

**NON REALIZATION OF PENALTY ON CONCEALMENT OF INCOME  
RS 0.825 MILLION.**

S#	Name of Formations	AIR Para No	No. of Persons	Penalty (in Rupees)
1	Deputy Commissioner Inland Revenue company circle Mirpur	2	4	100,000
2	Deputy Commissioner Inland Revenue Salary Circle Muzaffarabad (Annexure 1 AR 2017-18)	4	11	275,000
3	Deputy Commissioner Inland Revenue Kotli (Annexure 1 AR 2017-18)	6	4	100,000
4	Assistant Commissioner Inland Revenue Rawalakot (Annexure 1 AR 2017-18)	6	3	75,000
5	Assistant Commissioner Inland Revenue Bagh (Annexure 1 AR 2017-18)	5	2	50,000
6	Assistant Commissioner Inland Revenue Sudhnoti (Annexure 1 AR 2017-18)	4	1	25,000
7	Assistant Commissioner Inland Revenue Chaksawari (Annexure 1 AR 2017-18)	6	4	100,000
8	Assistant Commissioner Inland Revenue Business Circle Mirpur (Annexure 1 AR 2017-18)	5	3	75,000
9	Deputy Commissioner Inland Revenue Company Circle Mirpur (Annexure 1 AR 2017-18)	2	1	25,000
Total			33	825,000

**NON REALIZATION OF PENALTY ON FILING INCOME TAX RETURNS  
WITH IMPROPER PROFIT AND LOSS ACCOUNT RS 0.575 MILLION.**

S#	Name of Formation	AIR Para No	No of Persons	Amount (in Rupees)
1	Deputy Commissioner Inland Revenue Bhimber	4	22	110,000
2	Assistant Commissioner Inland Revenue Business Circle Mirpur	4	6	30,000
3	Deputy Commissioner Inland Revenue Chaksawari	3	3	15,000
4	Assistant Commissioner Inland Revenue Bagh	3	20	100,000
5	Assistant Commissioner Inland Revenue Professional Circle Mirpur	3	3	15,000
6	Assistant Commissioner Inland Revenue Rawalakot	3	7	35,000
7	Assistant Commissioner Inland Revenue Sudhnuti	3	5	25,000
8	Deputy Commissioner Inland Revenue Salary Circle Muzaffarabad (Annexure 1 AR 2017-18)	3	2	10,000
9	Deputy Commissioner Inland Revenue Kotli (Annexure 1 AR 2017-18)	5	2	10,000
10	Assistant Commissioner Inland Revenue Rawalakot (Annexure 1 AR 2017-18)	5	4	20,000
11	Assistant Commissioner Inland Revenue Bagh (Annexure 1 AR 2017-18)	4	18	90,000
12	Assistant Commissioner Inland Revenue Sudhnuti (Annexure 1 AR 2017-18)	3	2	10,000
13	Deputy Commissioner Inland Revenue Chaksawari (Annexure 1 AR 2017-18)	5	3	15,000
14	Assistant Commissioner Inland Revenue Dadyal (Annexure 1 AR 2017-18)	5	4	20,000
15	Assistant Commissioner Inland Revenue Professional Circle Muzaffarabad (Annexure 1 AR 2017-18)	4	1	5,000
16	Deputy Commissioner Inland Revenue Company Circle Mirpur (Annexure 1 AR 2017- 18)	3	12	60,000
17	Deputy Commissioner Inland Revenue Bhimber (Annexure 1 AR 2017-18)	5	1	5,000
Total			115	575,000

