

GOVERNMENT OF PAKISTAN
(REVENUE DIVISION)
FEDERAL BOARD OF REVENUE

C.No 1/2-STB/2019

Islamabad, the 22nd July, 2019

SALES TAX CIRCULAR

Subject: **NATIONAL IDENTITY CARD – CLARIFICATION REGARDING.**

I am directed to state that there has been country wide demand for decades to bring all people in the tax system and gradually convert National Identity Card (CNIC) as a National Tax Number (NTN). This has been the national public demand and is a correct approach. In the Finance Act, 2019, the first step towards this ultimate goal has been adopted by requiring provision of CNIC number in very few transactions. The law as amended is simply described as under:

- a) The amendment has been made in the Sales Tax Act, 1990 (Section 23) and not in any other taxation statute.
- b) This clearly means that this provision is only applicable if purchases are made from a 'Sales Tax Registered person'.
- c) At present there are only 41,484 sales tax registered persons who are actually paying some tax with their returns;
- d) This provision requires that if a purchase is made from a sales tax registered person, then 'CNIC' number of the 'Buyer' is to be provided in limited situations, as explained in the following paragraphs. Provision of CNIC number does not in any manner mean that buyer has to be a 'Registered Person' under the Sales Tax law. Sales to unregistered person can be made;
- e) The law further provides this condition will not apply if the value of purchases is below Rs.50, 000/- in case sale is being made to an 'Ordinary Consumer'. The term 'Ordinary Consumer' is well defined. It means purchases for own non-business use by the end consumer.

2. In order to further safeguard businesses operating in a reasonable manner the law specifically provides that "if it is subsequently proved that CNIC provided by the purchaser was not correct, liability of loss or penalty shall not arise against the seller in case of sale made in good faith."

3. In Pakistan, under the present regime and also under proposed regime for retailers, ordinary small and medium sized retailers fall outside the 'Sales Tax Regime', therefore sale by such persons is not affected by this provision in any manner.

4. This provision has inter alia been placed for 'business to business' transactions and few transaction in a value higher than Rs.50,000 by limited number of end consumers and that too from sales tax registered person only and also to avoid, unverifiable, non-genuine, fake and fictitious business buyers which results in huge sales tax loss in the value chain. This is all the more necessary now onwards as 'Export Oriented Sectors' which were zero rated will now be eligible for refunds. FBR is fully committed for automated expeditious release of refunds.

5. There is no intention to place any hurdle in business transaction or to use this provision for any harassment; accordingly for this purpose, it is further clarified that:

- As stated earlier no action will be taken against the 'sellers' if an error or incorrectness is identified subsequently provided the transaction has been made in 'good faith'. The meaning and operation of law with reference to the term 'good faith' is well settled. However in order to provide further assurance in this regard following policy guidelines are laid down:
 - (a) "Good faith" has been elaborated in General Clauses Act, 1897 as "a thing shall be deemed to be done in good faith where it is done honestly, whether it is done negligently or not". Moreover, Blacks Law Dictionary defines good faith as "absence of intent to defraud".
 - (b) Even in case of lack of good faith, no action, against the seller, will be undertaken without the approval of Chief Commissioner of the jurisdiction. Furthermore, where the incidence exceeds Rs.5,000,000/- the action will require further approval of Member Operation or Director General (Export Oriented Sector) or Member (IR-Policy) as the case may be.

6. FBR is fully conversant of cultural constraints and traditions of the country. Therefore, in case of purchase above Rs.50,000 by an ordinary consumer being a 'female' the CNIC of the husband or the father will be considered valid for the purposes of implementation of this provision.


(Tauqeer Ahmed)
Secretary (ST&FE-Budget)

Copy to:

All Chief Commissioners IR, LTUs/RTOs.

(As amended by Circular-Amendment vide C. No. 1/2-STB/2019, dated 24.07.2019)