

GOVERNMENT OF PAKISTAN
REVENUE DIVISION
FEDERAL BOARD OF REVENUE

Islamabad, the ^{28th} January, 2016.

NOTIFICATION
(Sales Tax)

S.R.O. 54 (I)/2016.— In exercise of the powers conferred by section 50 of the Sales Tax Act, 1990 the Federal Board of Revenue is pleased to direct that the following further amendments shall be made in the Sales Tax Rules, 2006 namely:-
In the aforesaid rules, after chapter VI, the following new chapter shall be Inserted, namely:-

“Chapter VIA
Audit Selection and Conduct


“44A .-Selection and conduct of audit .-(1) This rule shall apply to selection of cases for audit by the FBR under section 72B of the Sales Tax Act, 1990.

(2) This following steps shall be followed for selection of cases for audit through a computer ballot on random and parametric selection basis for tax periods mentioned therein, namely:-

- (a) data of all returns (e-filed and manually filed) shall be utilized as a basic data;
- (b) the Board shall decide the cases of persons or classes of persons which are to be excluded from audit selection and such exclusions shall be publicized each year through FBR's web-portal for information, prior to the process of balloting or selection;
- (c) cases falling under exclusions shall be identified and such cases shall be excluded from the data to be used for balloting;
- (d) the data of the remaining cases shall be utilized for computer ballot for audit selection;
- (e) for each tax period cases for audit shall be selected in accordance with the predetermined percentage, to be publicized through FBR's web-portal, and prior to the balloting process, each year;
- (f) immediately after computer ballot, the lists of selected case shall be generated and placed on FBR's web-portal;
- (g) the whole balloting system for audit selection shall be based only on the NTN/ CNICs of the filers;
- (h) the NTNs and CNICs of the cases selected for audit shall be communicated to concerned RTOs and LTUs as per their respective jurisdictions;

- (i) for the purpose of selection of cases on parametric basis, risk parameters for persons or classes of persons to be used for balloting, wherever necessary, shall be determined by the Board, as under:-
- (I) risk parameters for persons or classes of persons to be used for balloting shall be determined by the Board;
 - (II) audit selection parameters may be based upon the following:-
 - (A) financial ratios for the year viz a viz the history of the case ;
 - (B) financial ratios viz a viz industrial, sectoral or national ratios;
 - (C) industrial comparisons or bench marks;
 - (D) quantum of losses or refunds beyond certain thresholds; or
 - (E) compliance history; and
 - j) computer balloting process in both categories of selection for audit shall be held in the presence of representatives from Chambers of Commerce and Industries and representatives of Tax Bar Associations.
- (3) The cases selected for audit by the Board shall be processed as per the procedures given below:-
- (I) Commissioner Inland Revenue concerned shall issue intimation letter to the taxpayer about the selection of his case for audit with the following details:-
 - (A) section under which selection has been made;
 - (B) tax period for which the case has been selected for audit;
 - (C) mode of selection whether random or parametric;
 - (D) compliance requirements on the part of taxpayer e.g.-
 - (a) provision of prescribed books of accounts;
 - (b) supporting information and documents etc;
 - (c) computerized data, access to computerized data or provision of attested hard copies of computerized data.
- (4) On completion of examination of books of accounts, data or information under this rule the discrepancies, if found, shall be intimated to the taxpayer for obtaining taxpayers' explanation, in the form of audit report, seeking taxpayer's explanation on these points.
- (5) Explanations of the taxpayer, where found not acceptable, shall be intimated to the taxpayer, through a notice under section 11(5) of the Sales Tax Act, 1990 about the assessment of tax alongwith the rationale or basis of such amendment and necessary tax assessment order shall be passed under section 11 of the said Act, after affording adequate opportunity of hearing to the taxpayer.

[F.No.(2(4)SS(TPA)/2015]


(Muhammad Zaheer Qureshi)
Secretary (ST&FE-L&P)