

Heart Rules of Sales Tax Numerical

1. ***Sales Tax Liability = Output Tax – Input Tax***
2. Input Tax Workings (Purchases, electricity bills etc)
3. No Input Tax on Purchases from ***Unregistered Persons***
4. Always calculate ***Separate Input Tax*** on Fixed assets (i.e. machinery excluding vehicles and furniture)
5. Apportionment of Input Tax (Input Tax/Turnover x Supply)
6. Input tax can be claimed if goods are purchased on ***credit basis*** (except electricity & gas bill) but amount shall be paid ***within 180 days***. If payment is not made within 180 days then input claimed shall be reversed. (for examination there will be no treatment if 180 days completes before the current month or after the current month).
Exam Hint: If days < 180 days = No treatment
If days > 180 but < 210 = Reversal of Input Tax Claimed
If days > 210 days = No treatment
7. Input tax can be claimed for the ***last 6 tax periods*** (1 tax periods = 1 month)
8. Input tax can be claimed if the supplier of goods has paid the tax to the FBR.
9. No input tax where ***CREST*** (computerized risk based evaluation of sales tax) has identified discrepancy (can be allowed on provisional basis but after that supplier should ask to show that invoice).
10. ***Advance*** given for goods to be received in future shall be considered ***purchases (Input tax can be claimed in the month in which advance was given)***
11. The buyer of goods shall holds ***Sales Tax Invoice*** (B/E, Treasury Challan or electricity bill etc.) This is the primary criteria to claim input tax.
12. No ***Input Tax*** on ***Leased Asset***
13. Input can be claimed if goods are used in ***taxable activities***.
14. Goods / services are taxable. (Input tax shall not be claimed against exempt goods)
15. Input tax shall not be allowed on ***fake invoice, invoice in the name of any other person***.
16. No input tax on ***vehicle*** (otherwise as stock in trade)
17. Payment against Supply value exceeding Rs. 50,000/- must be paid through banking channels. (if payment is made in in-kind and cash then 50,000 limit is not applicable, payment must be made through banking channel even below 50,000)
18. Common input tax can be allowed on ***proportional basis***.
19. Input tax is ***restricted up to 90%*** of output tax (***exceptions in case of Fixed Asset***)
20. If values are provided inclusive of sales tax, compute sales tax by tax fraction formula as (Value x 17% / 117%).
21. No tax on interest that's why if ***interest/mark-up*** is included in the value, we should exclude from value to apply GST.
22. No input tax on building material, paint, gas and electric appliances etc. otherwise than stock in trade.
23. No input tax shall be allowed on the following goods (otherwise than stock in trade):
 - i. Food, beverages and consumption on entertainment.
 - ii. Garments
 - iii. Gift and give-aways
 - iv. Residential supply of gas and electricity

- v. Office equipment (excluding fiscal register)
- vi. Crockery and cutlery etc.

24. Goods destroyed / wastage or raw material

Unfit/expired goods returned and destroyed	No input tax
Goods destroyed and insurance claim received (Shall subject to Output tax)	input tax shall be claimed
Goods destroyed other than above reason	input tax shall be claimed
Normal wastage during production	input claim shall be claimed
Wastage during production and sold	input claim and sale shall be treated as supply

25. The tax payer shall furnish information required by the FBR otherwise he will not be allowed to claim input tax.

26. Output Tax workings on Sales

Sales Include;

- Goods given to employees/CEO/Director free of cost
- Goods personally used by owner
- Advance received in respect of goods to be delivered in future(except fixed deposit)
- Goods placed with bank but bank sold them on making default
- Goods purchased and used internally
- Goods given in charity
- Free samples

27. Sales to unregistered person shall be subject to **3% further tax**

28. For output tax invoice is not necessary

29. Goods are two types for sales tax purposes i.e.

a. Taxable Goods

- Taxable @ **17% (taxable)** and
- Taxable @ **0% (Zero Rated)**

b. Exempt goods (exempt from tax)

30. Exempt goods if **exported** then shall be treated as **zero rated goods**

31. Sales tax shall be charged on **Retail price** in case of **goods (Local) fall under third schedule**

32. Sales tax shall be charged on **Sale price** in case of **goods (imported) fall under third schedule**

33. **Trade discount** is allowed in Sales Tax and **Special discount** is not allowed.

34. No tax treatment of **Free Replacement**

35. **Final consumer** cannot claim input tax.

36. **No further tax** no supplies to **End Consumer** and **Cottage Industry**

37. No Input Tax on purchases from Cottage Industry.