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FTO identifies systemic flaw in FASTER sales tax refund system

BUSINESS RECORDER The Federal Tax Ombudsman (FTO) has identified a systemic flaw in the Federal Board of Revenue (FBR)'s FASTER sales tax refund system and directed the tax authority to take immediate corrective measures, warning that the defect is adversely affecting exporters and undermining the automated refund mechanism.

In an order issued on complaints filed by Karachi-based exporter M/s Quality Towellers, Federal Tax Ombudsman Zafar Hijazi observed that the FASTER system is unable to differentiate between commercial export Goods Declarations (GDs) and non-commercial sample export GDs. This results in the system incorrectly raising the objection "GD Not Realised" and diverting the taxpayer's entire carry-forward refund claim to manual processing instead of deferring only the proportionate amount as required under STGO No 09 of 2023 and the Sales Tax Act, 1990.

The ombudsman noted that exporters sending product samples through courier services are particularly affected because such consignments do not require realisation of export proceeds and are not eligible for sales tax refunds. However, these declarations are automatically populated in the IRIS sales tax return and cannot effectively be removed, creating unnecessary objections during refund processing.

During the proceedings, Pakistan Revenue Automation Limited (PRAL) informed the FTO that it only receives export GD data from Pakistan Customs through an automated interface and has no legal or technical authority to alter or correct the information. It maintained that any amendment to Goods Declarations must be made by Pakistan Customs, after which the corrected data would automatically flow into the IRIS system.

The FTO termed the issue a "systemic and hazardous loophole" posing a threat to the export sector and directed FBR's Inland Revenue and Customs Wings to jointly resolve the matter. It recommended that the Board's Domain Team prepare a Change Request Form (CRF) in consultation with Customs to modify FASTER system so it recognises non-commercial sample export GDs, refrains from raising incorrect objections, and ensures that only proportionate input tax refund linked to disputed export declarations is deferred. The ombudsman further directed that where no refund has been claimed, system should not defer any amount and ordered FBR to submit a compliance report within 60 days.

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