

**Government of Pakistan  
Revenue Division  
Federal Board of Revenue  
Inland Revenue  
Sales Tax Operations**

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C. No. 5(1) ST-L&P/FFI/2023/ 137480 - R Islamabad, the 07<sup>th</sup> September, 2023

**Sales Tax General Order No. 12 of 2023**

**Subject: Standard Operating Procedures (SOPs) to Deal with Cases Involving Fake / Flying Invoices**

Of late, myriad of cases have emerged which establish the huge frequency of use of fake / flying invoices by the registered persons thereby compromising not only the government revenues but also creating legally-inadmissible refunds. Hence, in order to create uniformity in approach and consistency in reporting line and to deter the use of fake and flying invoices and effectively eliminate such malpractice, Federal Board of Revenue (FBR) is pleased to formulate and implement, with immediate effect, the following Standard Operating Procedure (SOP):

**1. Identification of fake / flying invoices by Dedicated Staff**

(i) Keeping in view the pervasive use of fake / flying invoices and sensitive nature of the task, each Chief Commissioner IR shall dedicate at least two senior officers of impeccable integrity, for the purpose of identification of fake/flying invoices and registered bogus/dummy firms in the respective jurisdictions. This function shall primarily be assigned to the **Assessment & Processing Cell**, if already existing in the respective formation. An uninterrupted and full access to sales tax & FED data available on IRIS, ITMS, CREST, FASTER and other relevant automated systems shall be given to the said officer(s) / A & P Cell to enable them for an effective data analysis and examination of whole supply chain through scrutiny of registered persons' sales tax returns and registrations. For this purpose, the CCIRs shall coordinate with Member IT for getting access for the dedicated staff.

(ii) The said officer(s) / Cell shall obtain complete data and make its thorough scrutiny to ascertain the truthfulness of declarations or otherwise for detection of

fake/flying sales tax invoices. They shall particularly focus, inter alia, on the following characteristics of registered persons' declarations for discovery of fraudulent use of fake /flying invoices:

- (a) High volume or value of transactions with little or no net sales tax payment;
- (b) Value of purchases and input tax thereon are equal or greater than the value of supplies and output tax respectively;
- (c) Consistently huge carry forwards, with unrealistic levels of stocks;
- (d) Meager capital amount declared in wealth statement / company's accounts vis a vis huge stocks;
- (e) Use of frequent & huge credit notes to avoid payment of due sales tax;
- (f) Recent registration, usually less than 2 years, with high value purchases or supplies or sudden start of voluminous transactions after a long dormant period;
- (g) Registered persons' addresses in low income, residential or remote areas;
- (h) Income tax returns are either not filed, or filed with very low income. No withholding tax deduction despite declaration of huge transactions;
- (i) Nature of supplies is different from purchases (purchases of textile goods but supplies of iron scrap or vice versa etc. etc.);
- (j) Focus on the cases of commercial importers, dealers/distributors of large companies and dealers of petroleum products which are generally engaged in issuing flying invoices. In such cases, a diligent comparison of goods imported/purchased with the nature of business of the buyers shall help establish the wrong-doing by the registered person(s).

(iii) Such persons usually operate in **networks**. When an issuer of fake/flying invoices is identified; scrutiny of the forward and backward transactions i.e. purchases and sales in Annex A and Annex C of their sales tax returns, shall help in uncovering other wrongdoers in the supply chain.

(iv) On having captured the data of fake / flying invoices and particulars of registered persons involved in the fraudulent activity, the staff shall also verify the physical existence of such registered persons and such reports shall be made part of record.

## 2. Suspension / blacklisting:

(i) On identification of the dubious/bogus/dummy registrations or use of fake / flying invoices by the registered persons, their registration, in accordance with the statutory procedure, must be immediately **suspended** by the concerned Commissioner of Inland Revenue in terms of section 21 of the Sales Tax Act, 1990 read with Rule 12(a) of the Sales Tax Rules, 2006. Such suspension must follow with the prompt statutory action for blacklisting.

(ii) All the actions required for **blacklisting** must be completed expeditiously, and show cause notice for blacklisting be issued within 7 days as specified in rule 12(a)(vi) of the Sales Tax Rules 2006. During the process of blacklisting, the Commissioner concerned shall get registered person's physical verification report to determine existence (or non-existence of the firm), availability of reasonably sufficient manufacturing facilities as the case may be, at the declared premises, etc. It is now an open secret that fake firms are registered in the name of low-level workers or even unconcerned persons and with office address at remote, lesser-known plazas, colonies, etc. Physical verification report shall expose element of tax fraud in such cases and have substantial evidentiary value during the subsequent proceedings.

(iii) Blacklisting proceedings must not suffer any delay and the order for blacklisting must be issued in terms of rule 12(b) of the said Rules, within 90 days of the issuance of the show cause notice. Utmost care shall be exercised to avoid committing of common mistakes in the suspension/blacklisting orders which generally enable the persons to easily obtain relief from appellate authorities. Hence, a speaking order shall be passed clearly mentioning the reasons e.g. the fact of issuance of fake/flying invoices without actual supply of physical goods, non-existence at the declared address, lack or insufficiency of capital to hold stocks, the malafide intent to avoid payment of due tax or claiming illegal refunds, etc.