



**Pakistan Institute
of Public Finance Accountants**

Model Solutions

**Sales Tax Act and Rules
(Application)**

AGP

May Exam-2026

MODEL SOLUTIONS – DISCLAIMER

INTRODUCTION

The Model Solutions are provided to students for clear understanding of relevant subject and it helps them to prepare for their examinations in organized way.

These Model Solutions are prepared only for the guidance of students that how they should attempt the questions. The solutions are not meant for assessment criteria in the same pattern mentioned in the Model Solution. The purpose of Model Solution is only to guide the students in their future studies for appearing in examination.

The students should use these Model Solutions as a study aid. These have been prepared by the professionals on the basis of the International Standards and laws applicable at the relevant time. These solutions will not be updated with changes in laws or Standards, subsequently. The laws, standards and syllabus of the relevant time would be applicable. PIPFA is not supposed to respond to individual queries from students or any other person regarding the Model Solutions.

DISCLAIMER

The Model Solutions have been developed by the professionals, based on standards, laws, rules, regulations, theories and practices as applicable on the date of that particular examination. No subsequent change will be applicable on the past papers solutions.

Further, PIPFA is not liable in any way for an answer being solved in some other way or otherwise of the Model Solution nor would it carry out any correspondence in this regard.

PIPFA does not take responsibility for any deviation of views, opinion or solution suggested by any other person or faculty or stake holders. PIPFA assumes no responsibility for the errors or omissions in the suggested answers. Errors or omissions, if noticed, should be brought to the notice of the Executive Director for information.

If you are not the intended recipient, you are hereby notified that any dissemination, copying, distributing, commenting or printing of these solutions is strictly prohibited.



MAY Exam-2026
Solutions – Sales Tax Act and Rules (Application)

Q.1. Sales tax at import stage = $(25,000,000 + 5,000,000 + 1,000,000 + 3,750,000) \times 18\% = \text{Rs. } 6,255,000$
a

Q.1. Value addition tax = $(25,000,000 + 5,000,000 + 1,000,000 + 3,750,000) \times 3\% = \text{Rs. } 1,042,500$
b

Q.1. Tax payable for the month of November, 2024
c

Particulars	Amount
Import value	25,000,000
C.Duty	5,000,000
Additional customs duty	1,000,000
Regulatory duty	3,750,000
Punjab Infrastructure Development Cess	225,000
Wharfage charges	85,000
Demurrage charges	105,000
Total value of goods	35,165,000
Value of 85% of goods with 30% profit	38,857,325
Output tax @18%	6,994,319
Further tax @ 4%	1,554,293
Total output tax	8,548,612

Tax payable = Output tax – Input tax = $8,548,612 - 7,297,500 = \text{Rs. } 1,251,112$

Q.2. Input tax = $50,000 \times 75 = \text{Rs. } 3,750,000$
a

Q.2. Output tax on retail price = $37,500 (50,000 \times 75\%) \times 384 (\text{Working}) \times 18\% = 2,592,000$
b

Working

Value plus duty & taxes = $9,375,000 + (50,000 \times 120) = \text{Rs. } 15,375,000$

Retail price after adding 25% profit = $(15,375,000 \times 1.25)/50,000 = \text{Rs. } 384/\text{kg}$

Q.2. Tax payable = output tax – input tax = $2,592,000 - 3,750,000 = \text{Rs. } 1,158,000 (\text{Refund})$
c

Q.3. Input tax = $4,000 \times 800 \times 18\% = \text{Rs. } 576,000$
a Output tax = $(20,000 \times 500 \times 18\%) - (1,000 \times 500 \times 18\%) = \text{Rs. } 1,800,000 - 90,000 = \text{Rs. } 1,710,000$

Note: The goods exported to Saudi Arabia are zero-rated supplies in terms of Section 4 (a) of the Sales Tax Act, 1990, so no output arises from this transaction.

Tax payable = $1,710,000 - 576,000 = \text{Rs. } 1,134,000$



MAY Exam-2026

Solutions – Sales Tax Act and Rules (Application)

- Q.3.** According to Section 9 of the Sales Tax Act, 1990, where a registered person has issued a tax invoice in respect of a supply made by him and as a result of cancellation of supply or return of goods or a change in the nature of supply or change in the value of the supply or some such event the amount shown in the tax invoice or the return needs to be modified, the registered person may, subject to such conditions and limitations as the Board may impose, issue a debit or credit note and make corresponding adjustment against output tax in the return. Rs. 90,000 Cn note.
- b**
- Q.3.** According to Section 34 (1) (a) read with Section 34 (2) (b), in the case of non-payment of tax or part thereof, a default surcharge @ 12% per annum and the period of default shall be reckoned from the 16th day of a month (following the due date of the tax period to which the default relates) to the day preceding the date on which the tax due is actually paid.
- c**

As the due date was 15.02.2025, however taxpayer has deposited the tax on 16.05.2025, meaning thereby, he deposited the tax late with a delay of 99 days. The default surcharge payable is as under;

$$1,134,000 \times 12\% \times 89 / 365 = \text{Rs. } 36,909$$

Q.4.

S#	Particulars	Output Tax	Input Tax
(i)	A supply 8,000 cutlery sets in export processing zone at the rate of Rs. 800/set is a zero-rated in terms of S. No. 5 of 5 th Schedule to the Sales Tax Act, 1990, so there is no output. However, input tax on purchase is adjustable which is as under; $8,000 \times 800 \times 100/115 \times 18\% = \text{Rs. } 1,001,739$	-	1,001,739
(ii)	Sale of DAP fertilizer is an Eighth Schedule item and chargeable to sales tax at the rate of 5% in terms of S. No. 83. $5,000 \times 10,000 \times 5\% = \text{Rs. } 2,500,000$	2,500,000	-
(iii)	In terms of Section 3 (1) (1A) of the Sales Tax Act, 1990, a further tax @ 4% shall be charged and collected on supply made to a an un-registered person or the person who is not active on active taxpayer list of the FBR. $500 \times 2,000 \times 18\% = \text{Rs. } 180,000$ $500 \times 2,000 \times 4\% = \text{Rs. } 40,000$	220,000	-
(iv)	In terms of Section 8 (1) (ca) of the Sales tax Act, 1990, a registered person shall not be entitled to reclaim or deduct input tax paid on the goods or services in respect of which sales tax has not been deposited in the Government treasury by the respective supplier. So, no input tax can be adjusted on purchase of black tea.	-	-
(v)	According to Section 8(1)(i) of the Sales Tax Act, 1990, a registered person shall not be entitled to reclaim or deduct input tax paid on vehicles falling in Chapter 87 of the First Schedule to the Customs Act, 1969 (IV of 1969). So, this input tax is not adjustable.	-	-

Tax payable for Feb, 2025 = Output tax – Input tax = $(2,500,000 + 220,000) - 1,001,739 = \text{Rs. } 1,718,261$



MAY Exam-2026
Solutions – Sales Tax Act and Rules (Application)

Q.5. Taxable supplies

- Tea
- Soap
- Laptop
- Cycle
- DAP Fertilizer

Exempt supplies

- Ingredients for pesticides
- Hearing aid
- Fertilizer
- High Speed Diesel Oil
- Wheelchair

Q.6. According to Section 73(2) of the Sales Tax Act, 1990, the buyer shall not be entitled to claim input tax credit, adjustment or deduction, or refund, repayment or draw-back or zero-rating of tax under this Act if payment for the amount is made otherwise than in the manner prescribed in sub-section (1), provided that payment in case of a transaction on credit is so transferred within one hundred and eighty days of issuance of the tax invoice.

(3) The amount transferred in terms of this section shall be deposited in the business bank account of the supplier, otherwise the supplier shall not be entitled to claim input tax credit, adjustment or deduction, or refund, repayment or draw-back or zero-rating of tax under this Act.
