



# Electronic Invoicing Future Sales Tax Regime

**TAXUPDATE** Series



**ABDUS SLAM & CO.**  
Chartered Accountants

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## **Initial Thoughts**

We are grateful to take interest in reading Tax update series. The landscape of tax environment is changing constantly and rapidly. Federal Board of Revenue (FBR) has issued S.R.O 1525(I)/2023 dated November 10, 2023 to amend the sales tax rules related to Electronic invoicing. Afterwards, this S.R.O was further amended by a notification dated December 12, 2023 whereby whole supply chain of Fast Moving Consumer Goods (FMCG) sector notified to adopt the electronic invoicing system. This is worth mention here that date to adopt the e-invoicing system is yet to be notified. In this tax update, we have made an effort to shed some light on e-invoicing.

This is correct to the best of our knowledge and belief. The document is intended to provide general guide, imparting knowledge and help to understand changes in tax laws. It is useful to the clients, employees and general public but it's not all inclusive and comprehensive enough to make decisions, therefore, take early advice before act upon.

At last, please keep us update about your precious feedback.

Enjoy Reading!

**Tax Advisory Desk**

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## **In this update!**

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- **How e-invoicing will work?**
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# What is e-invoice?

An **electronic invoice** (e-invoice), is well described by the Inter-American Development Bank (IDB) and the Inter-American Center of Tax Administrations (CIAT), as:

*“an invoice that exists in electronic form and that, in all situations and for all actors, has the same purposes as a paper invoice, for issuers, recipients, and interested third parties. Put another way, it is a document that records an entity’s commercial transactions in electronic form, fulfilling the principles of authenticity, integrity, and legibility in all applicable situations and for all the actors in the process, in the commercial, civil, financial, logistical and, undoubtedly, tax spheres”. (CIAT and IDB, 2018<sup>[21]</sup>)*

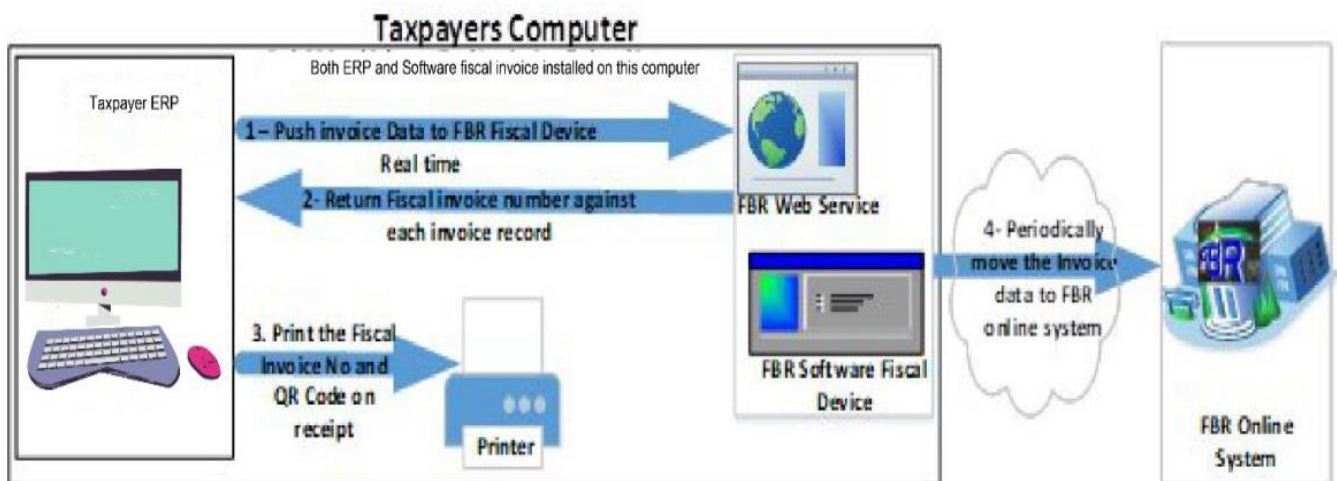
However, looking across tax administrations globally, e-invoices can generally be of two types, either:

- **Unstructured** invoice data. This can be issued in PDF or Word formats, images of invoices such as JPG or TIFF, unstructured HTML invoices on a web page or in an email, OCR-scanned paper invoices, and paper invoices sent, like images, via fax machines; or
- **Structured** invoice data which can be easily extracted electronically from the invoice for electronic processing, including automated processing

*(Source: Tax Administration 3.0 and Electronic Invoicing by OECD)*

# How e-invoicing will work?

According to a technical specification document of FBR, e-invoicing system is depicted in an illustration.



The ERP system of the client will be integrated with FBR Fiscal Device on real-time basis. The ERP system will push data to the FBR Web Service, where system responds with invoice number against each invoice record. After this, ERP system will print the fiscal invoice with its own QR Code. The FBR Web Service will periodically shift the data to the FBR online system.

# Why FMCG selected?

Electronic Invoicing system has been introduced for: -

- **Digitalization**
- **Tax Gaps**
- **Increase Compliance & lower risk levels**
- **Cross border trade**

FBR has launched staged transition and notified whole supply chain of FMCG to adopt the e-invoicing system, but in future the e-invoicing system will expand to other sectors. The FMCG sector has been selected in the first instance due to: -

- Huge tax evasion
- Supply chain issues

FMCG is defined under section 2(22A) of the Income Tax Ordinance, 2001

*fast moving consumer goods” means consumer goods which are supplied in retail marketing as per daily demand of a consumer excluding durable goods.*

## **Integrated Supplier**

The sector who will be notified under Rule 150Q of sales tax rules through S.R.O 1525(I)/2023 dated December 12, 2023, shall be called Integrated supplier

# Who are licensed vendors?

FBR has mandated that integrated supplier shall install electronic invoicing system from a licensed vendor under Chapter XIV-BB of Sales tax rules, 2006.

*The relevant extract from the S.R.O 1525(I)/2023 is given hereunder:*

**“150R. Eligibility to use electronic invoicing system.--** (1) A registered person, notified under rule 150Q, hereinafter referred to as the integrated supplier in this Chapter, shall install electronic invoicing system provided by a person, licensed under Chapter XIV-BB of the Sales Tax Rules, 2006.

(2) No sale or supply by an integrated supplier shall be made without being recorded in the electronic invoicing system.”;

# Global Trends

At the end, we will analyse what the **Global trends** are in the e-invoicing system. E-invoicing regulations already exist in more than 65 countries worldwide, and the number is growing. Some countries are leaders in setting trends in e-invoicing e.g., invoice formats, transmission technologies and e-audit. More and more countries are following them to adopt the emerging e-invoicing trends in their jurisdictions. Talk about the Asia-Pacific countries, India has mandated the e-invoicing since 2020 and gradually extending the requirements based on turnover thresholds, the latest update is that companies operating in India and having turnover with 5 Crore INR are required to comply with e-invoicing requirements.

The Global trends clearly suggest that e-invoicing will be future of sales tax regime not-in-far-future but near-time.

**Thank you**

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