



# Country Solution Pakistan

IFSCLOUD24R2

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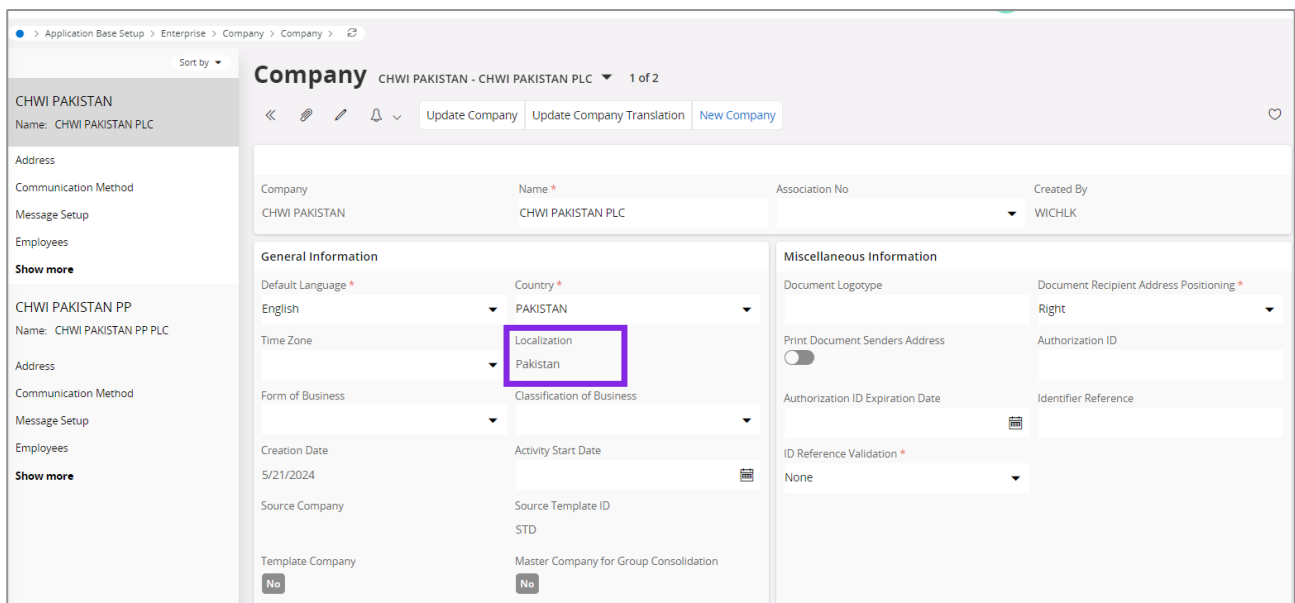
# 1 Company Set-up

## 1.1 Overview

To utilize Pakistan's functionality, the company must be set up using Pakistan localization. This is defined on the Company/General Information page.

## 1.2 Define Localization

- Open the page, **Company**.
- Search for the company.
- Select "Pakistan" in the drop-down list of the **Localization** field in **General Information** and save. Note that this cannot be changed once transactions are created for the company.



The screenshot shows the 'Company' setup page for 'CHWI PAKISTAN - CHWI PAKISTAN PLC'. The 'General Information' section is expanded, and the 'Localization' dropdown menu is open, showing 'Pakistan' as the selected option. Other fields include 'Default Language' (English), 'Country' (PAKISTAN), 'Time Zone', 'Form of Business', 'Classification of Business', 'Creation Date' (5/21/2024), 'Activity Start Date', 'Source Company', 'Source Template ID' (STD), 'Template Company' (No), and 'Master Company for Group Consolidation' (No). The 'Miscellaneous Information' section includes 'Document Logotype', 'Document Recipient Address Positioning' (Right), 'Print Document Senders Address' (toggle), 'Authorization ID', 'Authorization ID Expiration Date', 'Identifier Reference', 'ID Reference Validation' (None), and 'ID Reference Validation' (None).

## 1.3 Select Localization Functionality

Specify which functionality to use.

- Open the **Localization Control Center** sub-menu under **Company**.
- The localization selected in the previous step is displayed in the **Localization Control Center** field and cannot be changed.
- All functionalities available for Pakistan are presented in the list. Enable/Disable the functionalities based on the requirements of the company by selecting the toggle buttons Enable. Note that some functionalities are mandatory and cannot be disabled.

Application Base Setup > Enterprise > Company > Company > Localization Control Center

Sort by

**Localization Control Center** CHWI PAKISTAN - CHWI PAKISTAN PLC 1 of 2

CHWI PAKISTAN  
Name: CHWI PAKISTAN PLC

Address  
Communication Method  
Message Setup  
Employees  
Accounting Rules  
Tax Control  
Invoice  
Payment  
Fixed Assets  
Periodical Cost Allocation  
Supply Chain Information  
Localization Control Center

Company	Name	Association No	Created By
CHWI PAKISTAN	CHWI PAKISTAN PLC		WICHLK

Localization  
Pakistan

Functionality Description Mandatory Enabled

<input type="checkbox"/>	Sales Tax Withholding	Enables the calculation of Sales Tax Withholding for tax registered and unregistered suppliers.	Yes	Yes
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Attachments

## 2 System Defined Pakistan States

### 2.1 Solution Overview

There are different scenarios relevant to the withholding tax calculation based on several criteria such as state, nature of the transaction, legal status, sales tax status income tax status, etc. State code acts as a decisive component in the tax calculation since Pakistan has state-based tax rates when supplying and buying goods and services. Hence the State codes specific to Pakistan were introduced.

Accordingly, on the **States** page, the user can view the list of system-defined Pakistan **State Codes**, **State Names**, and **Numeric State Codes** under **PK** (Pakistan) country code. The solution allows the addition, modification, and removal of States as per the user's requirement.

Application Base Setup > Enterprise > Basic Data > States

Search Advanced

Country: PK State Presentation More Favorites Search Clear

Sort by

PK  
Country Name:  
the Islamic Republic of Pakistan

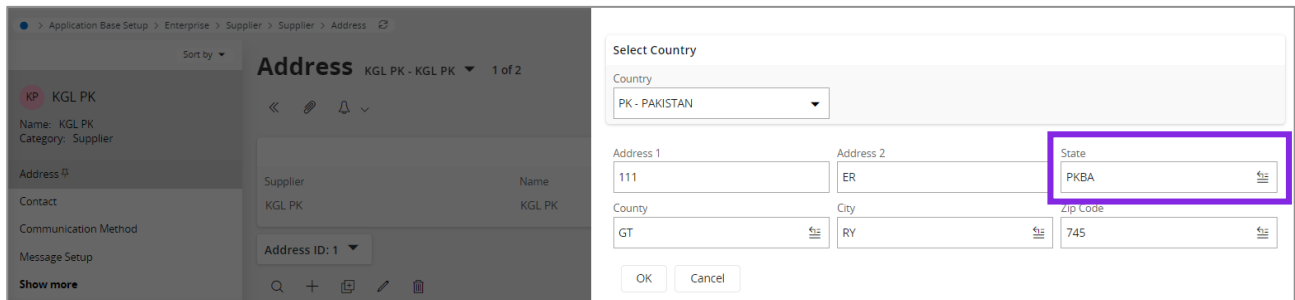
Country	State Presentation
PK - the Islamic Republic of Pakistan	Codes

State Codes

County Codes

(1)	State Code	State Name	Numeric State Code
<input type="checkbox"/>	PKBA	Balochistan	
<input type="checkbox"/>	PKGB	Gilgit Baltistan	
<input type="checkbox"/>	PKIS	Islamabad	
<input type="checkbox"/>	PKJK	Azad Jammu and Kash...	
<input type="checkbox"/>	PKKP	Khyber Pakhtunkhwa	
<input type="checkbox"/>	PKPB	Punjab	
<input type="checkbox"/>	PKSD	Sindh	

As a result of the system-defined state codes, the user will be able to select the applicable state code from the list of values, when registering an address of the supplier in IFS Cloud if the country is Pakistan (PK).



## 3 Pakistan Section Codes & Sales Tax WHT

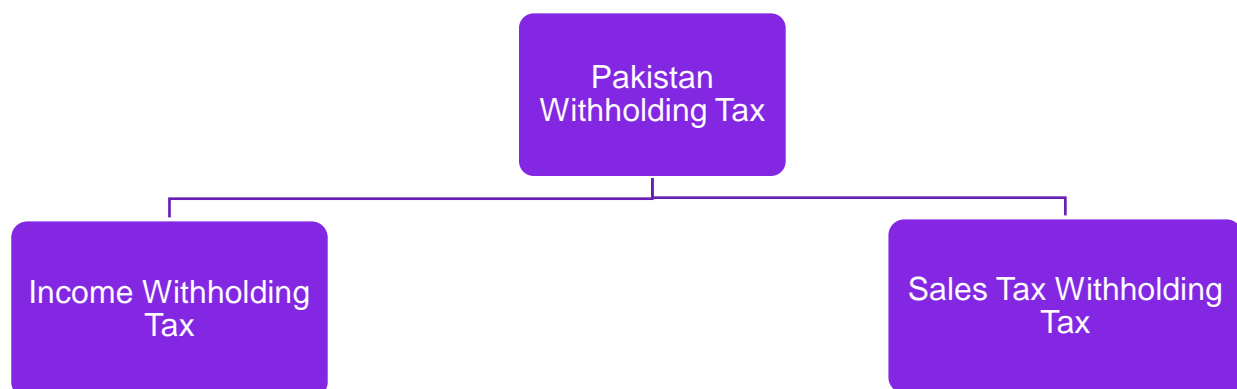
### 3.1 Overview Legal Requirement

Sales Tax is a tax levied by the Federal Government under the Sales Tax Act, of 1990, on the sale and supply of goods and the goods imported into Pakistan. Sales Tax on services is levied by the Federal Government under The Islamabad Capital Territory (Tax on Services) Ordinance, 2001.

Withholding sales tax under the Sales Tax Act 1990 is deducted by the provisions of Section 3(7) of the Sales Tax Act 1990.

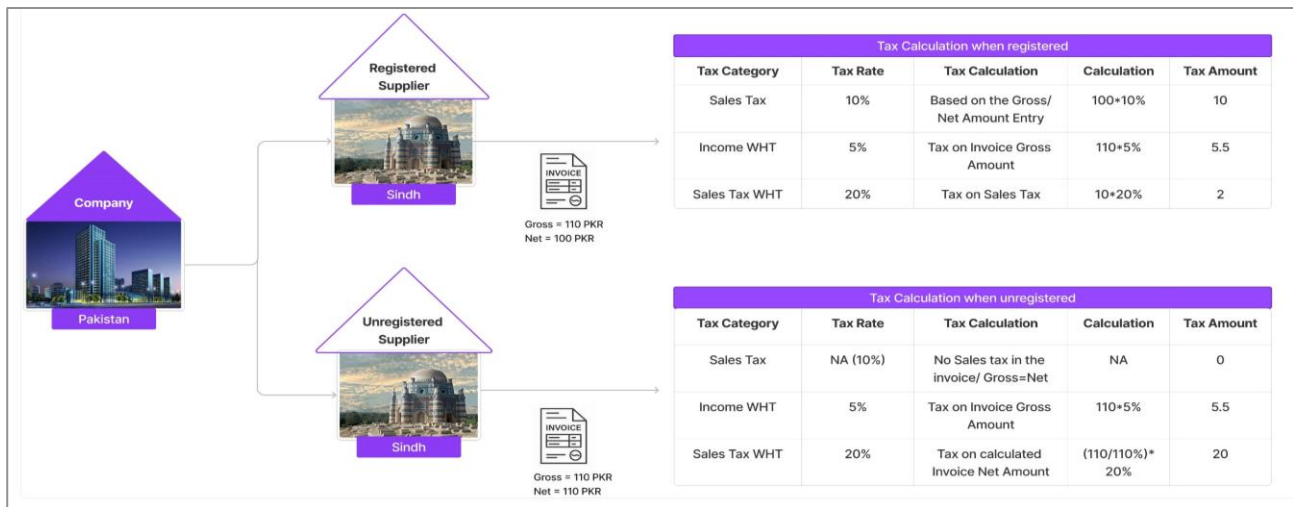
The tax shall be withheld at the rate as specified in the Eleventh Schedule, by any person or class of persons being purchasers of goods or services, other than the services liable to pay sales tax under a Provincial enactment, as withholding agent to deposit the same, in such manner and subject to such conditions or restrictions as the Board may prescribe in this behalf through a notification in the official Gazette.

### 3.2 Process Overview



### 3.3 Solution Overview

The diagram below provides an overview of the entire solution, including calculations for both "Registered" and "Unregistered" supplier scenarios.



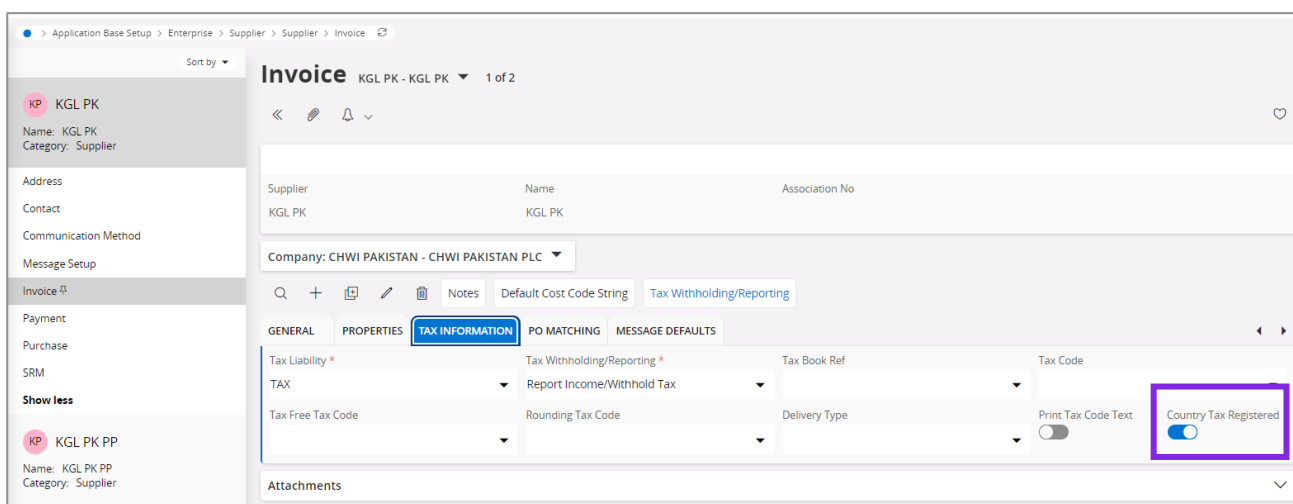
### 3.4 Prerequisites

- The company must be set up to use Pakistan localization, see the [Company Setup](#) chapter.
- The **Tax Method Tax Disbursed** column must be set up as **Payment** for tax codes defined under the **Tax Withhold** tax type on the **Tax Codes** page.

### 3.5 Supplier-level basic data

#### 3.5.1 SUPPLIER TAX REGISTRATION STATUS

A new toggle **Country Tax Registered** is introduced in the **Supplier/Invoice/Tax Information** sub-section. This functionality will determine whether the supplier is registered for sales tax or not and carry out the tax calculations accordingly.



The screenshot shows the 'Invoice' form for 'KGL PK - KGL PK'. The 'TAX INFORMATION' tab is selected. The 'Country Tax Registered' toggle is highlighted with a red box and is currently turned on.

**Supplier Information:**

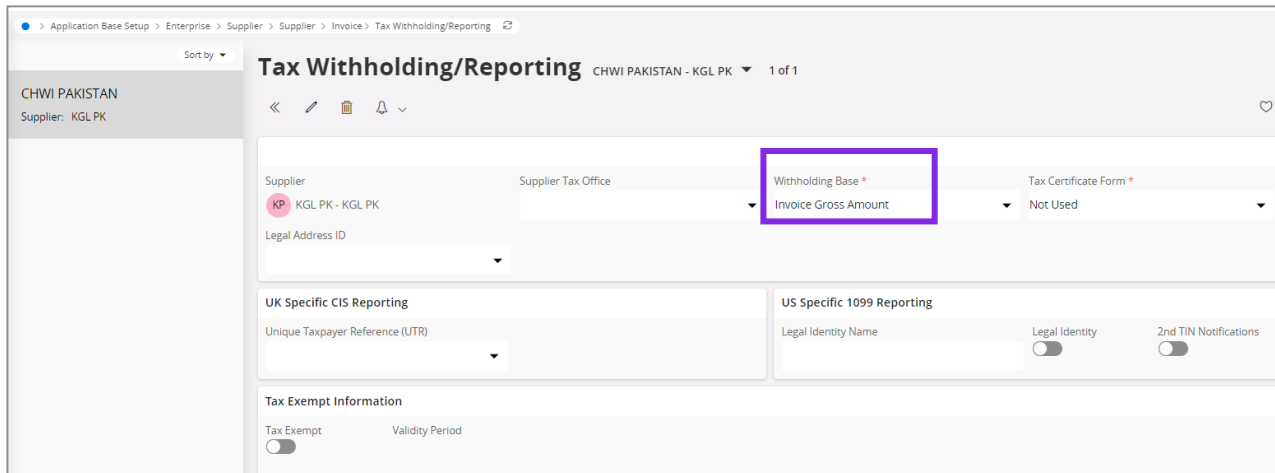
- Supplier: KGL PK
- Name: KGL PK
- Association No:
- Company: CHWI PAKISTAN - CHWI PAKISTAN PLC

**Tax Information:**

- Tax Liability: TAX
- Tax Withholding/Reporting: Report Income/Withhold Tax
- Tax Book Ref:
- Tax Code:
- Tax Free Tax Code:
- Rounding Tax Code:
- Delivery Type:
- Print Tax Code Text: ☐
- Country Tax Registered: ☒

### 3.5.2 INTRODUCTION OF A NEW WITHHOLDING BASE TO SUPPLIER BASIC DATA

A new tax base as **Invoice Gross Amount** is introduced as a standard functionality in the **Supplier/Invoice/Tax Withholding/Reporting** page. This will enable the calculation of Income Withholding taxes to consider the Invoice Gross Amount as the Withholding tax base.



**Tax Withholding/Reporting** CHWI PAKISTAN - KGL PK 1 of 1

Supplier: KGL PK - KGL PK

Supplier Tax Office: [Empty]

Withholding Base: **Invoice Gross Amount**

Tax Certificate Form: Not Used

Legal Address ID: [Empty]

UK Specific CIS Reporting

Unique Taxpayer Reference (UTR): [Empty]

US Specific 1099 Reporting

Legal Identity Name: [Empty]

Legal Identity: [Toggle Off]

2nd TIN Notifications: [Toggle Off]

Tax Exempt Information

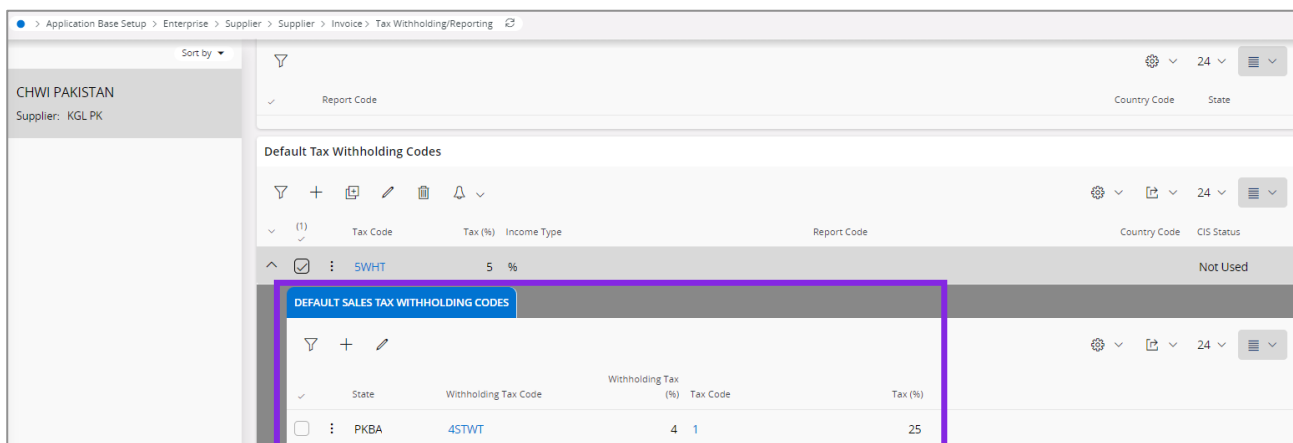
Tax Exempt: [Toggle Off]

Validity Period: [Empty]

### 3.5.3 INTRODUCTION OF A NESTED TABLE TO STORE SALES TAX WITHHOLDING BASIC DATA

A nested table named **Default Sales Tax Withholding Codes** is introduced under the Default Tax Withholding Codes section of the **Supplier/Invoice/Tax Withholding/Reporting** page, to store information related to State, Sales Tax Withholding Tax rates and Sales Tax rates at the supplier basic data level. The functionality allows users to add, modify, and delete records related to Sales WHT.

Note - The **State** code will be a mandatory field in this nested table, and if the supplier is not registered for sales tax, entering the **Tax Code** will also be mandatory.



**Default Tax Withholding Codes**

Tax Code	Tax (%)	Income Type	Report Code	Country Code	CIS Status
SWHT	5 %				Not Used

**DEFAULT SALES TAX WITHHOLDING CODES**

State	Withholding Tax Code	Withholding Tax (%)	Tax Code	Tax (%)
PKBA	4STWT	4	1	25

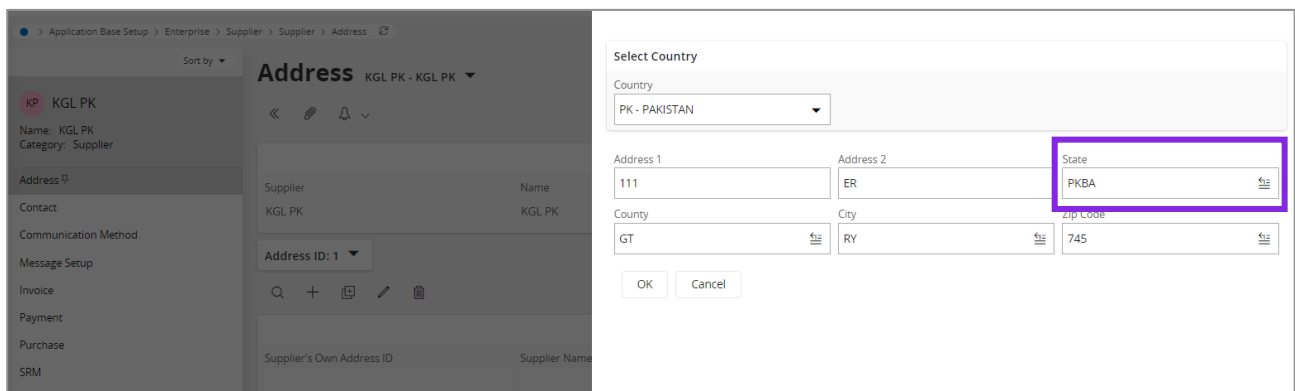
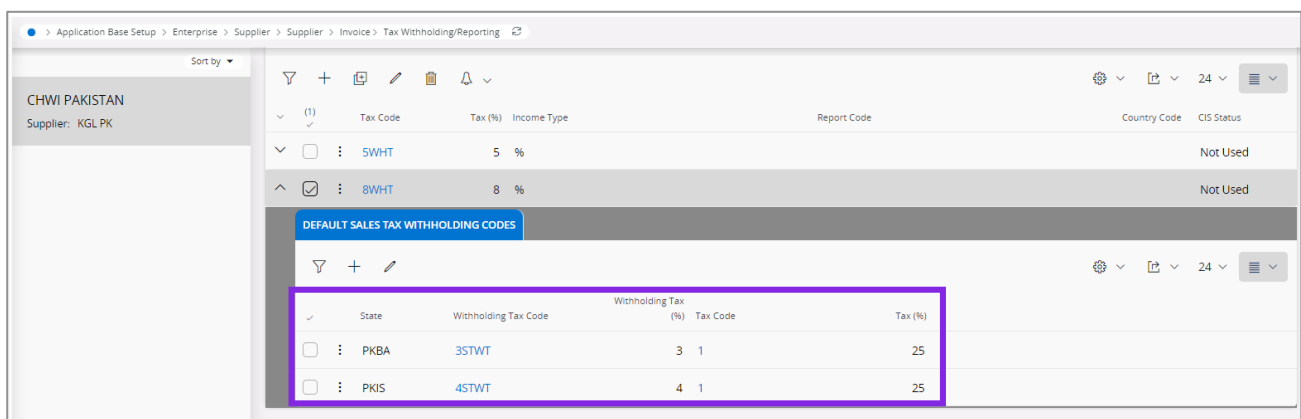
### 3.6 Fetching and Modifying of Income WHT and Sales Tax WHT

Fetching of Income Tax WHT and Sales Tax WHT are handled for the below three pages.

- 1) New Manual Supplier Invoice Page
- 2) Manual Supplier Invoice Page
- 3) Posting Proposal Page

Fetching of Income Withholding taxes to the manual supplier invoices will work based on the standard functionality regardless of the state and based on the Income Tax Withholding rates defined for a particular supplier on the **Supplier/ Invoice/Tax Withholding/Reporting**.

The fetching of the Sales tax WHT to the manual supplier invoice is based on the State defined on the Default Document Address on the **General Address Information** section of the **Supplier/Address** page. Users should enter sales tax withholding information on the **Default Sales Tax Withholding Code** nested table based on the **Supplier/ Invoice/Tax Withholding/Reporting** page based on the Supplier's default document address. If this condition suffices, sales tax withholding tax codes and sales tax codes will be fetched to the supplier invoice. The functionality has enabled the addition, modification, and deletion of withholding taxes and the correct amount should be fetched as per the change.

State	Withholding Tax Code	Withholding Tax (%)	Tax Code	Tax (%)
PKBA	3STWT	3	1	25
PKIS	4STWT	4	1	25



**Tax Lines, Withholding**

Supplier <b>KP</b> KGL PK - KGL PK	Withholding Base Invoice Gross Amount	Series ID SI	Invoice No REG5
Tax Curr Rate 1	Gross Amount 1000.00	Net Amount 800.00	

**Line Details**

	Tax Code	Tax Type	Withholding Base Amount	Tax %	Tax Amount	Tax Amount in Accounting Currency	Tax Amount in Parallel Currency	Use Withholding Amount Table	Report Code	State
<input type="checkbox"/>	8WHT	Tax Withhold	1000.00	8	80.00	80.00	96.00	No		
<input type="checkbox"/>	35TWT	Tax Withhold	200.00	3	6.00	6.00	7.20	No		

## 3.7 Calculation of Income WHT and Sales Tax WHT

### 3.7.1 INCOME WITHHOLDING TAX CALCULATION

Calculation of income withholding taxes will be based on the withholding base defined, income type, and the WHT rate defined under the Default Tax Withholding Codes section of the **Supplier/ Invoice/ Tax Withholding/Reporting** page. Note: Income WHT calculation will not depend on the state in which the invoice is raised.

Application Base Setup > Enterprise > Supplier > Supplier > Invoice > Tax Withholding/Reporting

Sort by

**CHWI PAKISTAN**  
Supplier: KGL PK

<input checked="" type="checkbox"/>	Income Type	Default Income Type	1099 Threshold Currency	1099 Threshold Amount	Supplier 1099 Threshold Amount
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**Supplier State Tax Information**

Report Code	Country Code	State
(No data)		

**Default Tax Withholding Codes**

	Tax Code	Tax (%)	Income Type	Report Code	Country Code	CIS Status
<input checked="" type="checkbox"/>	8WHT	8 %				Not Used

**DEFAULT SALES TAX WITHHOLDING CODES**

	State	Withholding Tax Code	Withholding Tax (%)	Tax Code	Tax (%)
<input type="checkbox"/>	PKBA	35TWT	3	1	25
<input type="checkbox"/>	PKIS	45TWT	4	1	25

×

Tax Lines, Withholding

Supplier

KP

KGL PK - KGL PK

Withholding Base

Invoice Gross Amount

Series ID

SI

Invoice No

REG5

Tax Curr Rate

1

Gross Amount

1000.00

Net Amount

800.00

Line Details

⌵

+

✎

⚙

↗

24

⌵

✓	Tax Code	Tax Type	Withholding Base Amount	Tax %	Tax Amount	Tax Amount in Accounting Currency	Tax Amount in Parallel Currency	Use Withholding Amount Table	Report Code	State
<input type="checkbox"/>	8WHT	Tax Withhold	1000.00	8	80.00	80.00	96.00	No		
<input type="checkbox"/>	35TWT	Tax Withhold	200.00	3	6.00	6.00	7.20	No		

OK

Cancel

### 3.7.2 SALES TAX WITHHOLDING CALCULATION FOR A SUPPLIER REGISTERED FOR SALES TAX

**Country Tax Registered** toggle should be enabled on the **Supplier/ Invoice/ Tax Information** sub tab.

Further income and sales tax withholding tax codes should be defined under the **Default Tax Withholding** section of the **Supplier/ Invoice/ Tax Withholding/Reporting** page. Entering the **State** with relevant Sales Tax WHT rates is required to fetch Sales Tax WHT values to the manual supplier invoice. If the state is defined but the Sales Tax WHT rate isn't defined on the **Default Sales Tax Withholding Codes** nested table, the relevant sales tax WHT line won't be created on the manual supplier invoice and other supported pages.

When the supplier is registered for sales tax, sales tax WHT will be calculated based on the sales tax amount derived from the manual supplier invoice line level. Hence **Withholding Base Amount** for the invoice will be the sales tax amount which will be multiplied by the sales tax withholding code defined in the nested table.

The formula to calculate Sales WHT is as below.

$$\text{Sales Tax WHT} = \text{Sales Tax Amount} \times \text{Sales Tax WHT \%}$$

Example:  $200 \times 3\% = 6$

Application Base Setup > Enterprise > Supplier > Supplier > Invoice > Tax Withholding/Reporting

Sort by

CHWI PAKISTAN  
Supplier: KGL PK

Supplier State Tax Information

Report Code

(No data)

Default Tax Withholding Codes

(1) Tax Code Tax (%) Income Type Report Code Country Code CIS Status

8WHT 8 % Not Used

DEFAULT SALES TAX WITHHOLDING CODES

(1) State Withholding Tax Code Withholding Tax (%) Tax Code Tax (%)

PKIS 3STWT 3 25

Financials > Supplier Invoice > New Manual Supplier Invoice

### New Manual Supplier Invoice

Header Information Line Information Posting Information

Invoice

Company	Supplier	Series ID	Invoice No	Currency	Gross Amount	Net Amount	Tax Amount
CHWI PAKISTAN	KGL PK	SI	FF	PKR			

Line Information

Gross Amount	Net Amount	Tax Amount	Non-deductible Tax Amount	Cost Amount
1000.00	800.00	200.00	0.00	800.00

Lines

Done Cancel Edit

Line ID	Delivery Type	Income Type Identity	Tax Code	Tax Calculation Structure	Multiple Tax Lines	Tax (%)	Tax Method Tax Received	Gross Amount	Net Amount	Tax Amount	Tax Amount in Accounting Currency	Tax A Parallel
1		1	1		No	25	Invoice Ent...	1000.00	800.00	200.00	200.00	

Previous Next Finish Cancel

### Tax Lines, Withholding

Supplier: KP KGL PK - KGL PK

Withholding Base: Invoice Gross Amount

Series ID: SI

Invoice No: REG5

Tax Curr Rate: 1

Gross Amount: 1000.00

Net Amount: 800.00

Line Details

Tax Code	Tax Type	Withholding Base Amount	Tax %	Tax Amount	Tax Amount in Accounting Currency	Tax Amount in Parallel Currency	Use Withholding Amount Table	Report Code	State
8WHT	Tax Withhold	1000.00	8	80.00	80.00	96.00	No		
3STWT	Tax Withhold	200.00	3	6.00	6.00	7.20	No		

OK Cancel

### 3.7.3 SALES TAX WITHHOLDING CALCULATION FOR A SUPPLIER NOT REGISTERED FOR SALES TAX

The **Country Tax Registered** toggle should be disabled on the **Supplier/ Invoice/ Tax Information** sub-tab.

Further income and sales tax withholding tax codes should be defined under the Default Tax Withholding section of the **Supplier/ Invoice/ Tax Withholding/Reporting** page. Entering the **State** and **Tax Code** with relevant Sales Tax WHT rates is mandatory to fetch Sales Tax WHT values to the manual supplier invoice. If the state and sales tax code are defined but the Sales Tax WHT rate isn't defined on the **Default Sales Tax Withholding Codes** nested table, the relevant sales tax WHT line won't be created on the manual supplier invoice.

When the supplier is not registered for sales tax, sales tax WHT will be calculated based on the calculated net amount derived from the gross amount of the manual supplier invoice. Hence **Withholding Base Amount** for the invoice will be the calculated net amount derived from the sales tax rate defined on the Default Sales Tax Withholding codes nested table which will be multiplied by the sales tax withholding code to arrive at the sales tax WHT amount.

The formula to calculate Sales WHT is as below.

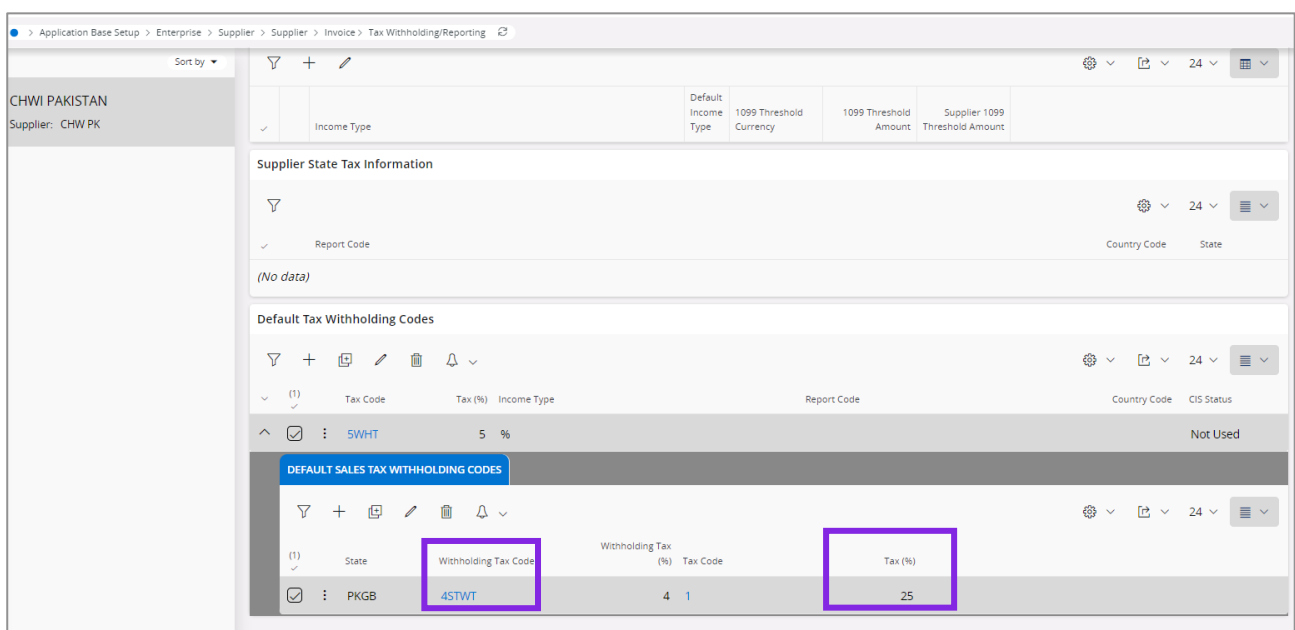
$$\text{Sales Tax WHT} = \text{Calculated Invoice Net Amount} \times \text{Sales Tax WHT \%}$$

$$\text{Calculated Invoice Net Amount} = \text{Invoice Gross Amount} / (100\% + \text{Sales Tax WHT \%})$$

Example:

$$\text{Net Amount} = 1000 / (100\% + 25\%) = 800$$

$$\text{Sales WHT} = 4\% \times 800 = 32$$



Financials > Supplier Invoice > New Manual Supplier Invoice

## New Manual Supplier Invoice

Header Information Line Information Posting Information

**Invoice**

Company	Supplier	Series ID	Invoice No	Currency	Gross Amount	Net Amount	Tax Amount
CHWI PAKISTAN	CHW PK	SI	FF	PKR			

**Line Information**

Gross Amount	Net Amount	Tax Amount	Non-deductible Tax Amount	Cost Amount
1000.00	1000.00	0.00	0.00	1000.00

**Lines**

Tax Lines Tax Lines, Withholding

(1)	Line ID	Delivery Type	Income Type Identity	Tax Code	Tax Calculation Structure	Multiple Tax Lines	Tax (%)	Tax Method Tax Received	Gross Amount	Net Amount	Tax Amount	Tax Amount in Accounting Currency
<input checked="" type="checkbox"/>	1		1	0		No	0	Invoice Ent...	1000.00	1000.00	0.00	0.00

Previous Next Finish Cancel

**Tax Lines, Withholding**

Supplier: CP CHW PK - CHW PK

Withholding Base: Invoice Net Amount

Series ID: SI

Invoice No: 6/8 SI

Tax Curr Rate: 1

Gross Amount: 1000.00

Net Amount: 1000.00

**Line Details**

✓	Tax Code	Tax Type	Withholding Base Amount	Tax %	Tax Amount	Tax Amount in Accounting Currency	Tax Amount in Parallel Currency	Use Withholding Amount Table	Report Code	State
<input type="checkbox"/>	5WHT	Tax Withhold	1000.00	5	50.00	50.00	60.00	No		
<input type="checkbox"/>	4STWT	Tax Withhold	800.00	4	32.00	32.00	38.40	No		

OK Cancel

The standard IFS procedure can be followed to update the general ledger and to fetch tax ledger information on the tax transaction page.

### 3.8 Delimitations

- Sales Tax Withholding functionality for customers is not handled by this development.
- Adding new tax lines to the Tax Lines, Withholding dialog box manually, will be considered as an Income Withholding Tax Line regardless of whether the relevant tax code is defined in the Default Sales Tax Withholding Codes nested table as a Sales Tax Withholding Code.
- Supplier Invoice Template is not handled by this development considering the business scenarios with different tax combinations.