

*Note on SRB's Notifications
dated June 27 & July 1, 2019*

July 3, 2019



A. F. FERGUSON & CO.
Chartered Accountants
a member firm of the PwC network

PREFACE

This note contains our comments on the notifications issued by the Sindh Revenue Board on June 27 and July 1, 2019. These notifications have been issued after the amendments made in the Sindh Sales Tax on Services Act, 2011 through the Sindh Finance Act, 2019.

We consider that readers will find the note useful and would seek appropriate assistance for professional guidance, wherever required. We thank the staff which has helped us in preparing this note.

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Partners
A.F. Ferguson & Co
Karachi / Lahore / Islamabad
July 3, 2019



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Sindh Sales Tax – Notifications issued by the Sindh Revenue Board (SRB)

REDUCTION IN TAX RATES

SRB has prescribed reduced rates of Sindh Sales Tax (**SST**) for certain services, subject to conditions and restrictions prescribed, inter alia including restriction for input adjustment. SRB has notified further reduction in tax rates for some services, in addition to providing reduced rate of SST for some new services. The changes are summarised as under:

Tariff Heading No.	Description of services	Rate of Tax	
		Old	New
9805.5000	Travel agents	8%	5%
9805.5100	Tour operators	8%	5%
9811.0000	Service provided or rendered by stand-alone laundries and dry cleaners.	13%	5%
9813.1500	Life insurance (other than group life insurance)	8%	3%
9830.0000	Services provided in the matter of manufacturing or processing of textile and leather goods for others on toll basis	13%	3%
9834.0000	Services provided or rendered by fashion designers	10%	5%
9836.0000	Services provided or rendered by persons engaged in inter-city transportation or carriage of goods by road through truck addas or through bus/wagon stands	8%	3% (with no withholding tax), excluding road transportation or carriage of:- (i) petroleum oils through oil tankers (<i>for which option for taxability at 15% has been extended till June 30, 2020</i>); (ii) automotive vehicles, classified under tariff headings of Chapter 87 of the First Schedule to the Customs Act, 1969, as are transported or carried through specialized vehicle carriers; and (iii) goods and cargo through vehicles operated by Fleet Logistic Companies having not less than 25 vehicles in its fleet Note: <i>Services mentioned at (ii) and (iii) above are taxable at reduced rate of 8% unless the service provider opts for taxation at standard rate of 13%.</i>
9815.3000	Services provided by accountants and auditors other than accounting and auditing services	8%	13% (accounting and auditing services remain chargeable to SST at the rate of 8% with no input tax adjustment).

The above amendments have been made through Notification No. SRB 3-4/11/2019 dated June 27, 2019 by amending the Notification No. SRB 3-4/8/2013 dated July 1, 2013.



NEW SERVICES MADE SUBJECT TO SST AT REDUCED RATE

Effective July 1, 2019, following new services have been made subject to SST. However, these have been subjected to SST at reduced rates with the condition that no input tax adjustment will be allowed:

Tariff Heading No.	Description of services	Rate of SST
9806.6000	Renting of machinery, equipment, appliances and other tangible goods	5%
9821.2000	Indoor sports and games center	10%
9846.0000	Services provided or rendered by cab aggregator and the services provided or rendered by the owners or drivers of the motor vehicles using the cab aggregator services	5%
9848.0000	Training services	5%
9853.0000	Vehicle parking and valet services	5%
9855.0000	Insurance Agents*	5%

The above amendments have been made through Notification No. SRB 3-4/21/2019 dated July 1, 2019 by amending the Notification No. SRB 3-4/8/2013 dated July 1, 2013.

* SRB has issued Special Procedure Rules vide Notification No. SRB 3-4/22/2019 dated July 1, 2019 for collecting SST on services provided by insurance agents or insurance brokers. SRB vide Notification No. SRB 3-4/24/2019 has also made SRB registered persons or insurers 'withholding agents' to collect SST on the services of insurance agents or insurance brokers.

WITHDRAWAL OF EXEMPTION

Exemptions provided to following services have been withdrawn as under:

Tariff Heading No.	Description of services
98.12	Internet services, whether dialup up or broadband, including email services and data communication network services of upto 2 mbps speed valued at not more than 1,500 rupees per month service recipient and of more than 2 mbps speed but not more than 4 mbps speed valued at more than 2,500 rupees per month per service recipient. These services are now chargeable to SST @ 19.5%.
98.13	Services provided by banking companies and non-banking financial companies in respect of Hajj and Umrah, Cheque Book issuance and Musharika and Modaraba financing. These services are now chargeable to SST @ 13%.
9802.4000	Following advertisement in newspaper and periodicals are now taxable at 3% which were previously exempt from SST: (i) in colour (i.e. other than the advertisement wholly in black & white), irrespective of the size; (ii) in colour or black & white occupying one-quarter (or equivalent of one-quarter of a page, generally known as 27 centimeters in height x 4 columns or 15 centimeters in height x 8 columns) or more of a page of a newspaper; and (iii) in colour or black & white occupying half a page or more of a page of a periodical In line with withdrawal of exemption for the above advertisement services, withholding rules have also been made applicable thereon.

Tariff Heading No.	Description of services
9824.0000	Construction services relating to construction and repair of roads, ports, airports, railways, transport terminals and bridges and also of Government (including Local Government and Cantonment Board) buildings as are not meant for commercial purposes or for commercial letting out on rent.

The above amendments have been made through Notification No. SRB 3-4/12/2019 dated June 27, 2019 by amending the Notification No. SRB 3-4/7/2013 dated June 18, 2013.

REDUCTION IN THRESHOLD FOR EXEMPT SERVICES

Exemption from SST is available to following services provided annual turnover does not exceed Rs. 4 million and total utility bills does not exceed Rs. 40,000. These thresholds have now been reduced to Rs. 2.5 million and Rs. 25,000 respectively:

Tariff Heading No.	Description of services
9810.0000	Services provided or rendered for personal care by parlours, beauty clinics, slimming clinics or centers and others
9811.0000	Services provided or rendered by laundries and dry cleaners

EXEMPTION FOR SERVICES UTILISED IN THE PROJECTS FINANCED BY FEDERAL OR PROVINCIAL GOVERNMENT

S. No.	Category	Notification
1	Sindh Annual Development Program (ADP)	<p>(i) Presently, exemption to the extent of sales tax rate in excess of 2% was available in respect of specified services utilised in new development schemes and projects which were included in the Sindh ADP of the year 2017-2018. Through Notification SRB 3-4/13/2019 dated June 27, 2019, the exemption has now been extended to new schemes of 2018-19 and also covering those which are 'on-going' development schemes and projects of 2019-20 and thereafter.</p> <p>(ii) Certain specified services utilised in new development schemes and projects of the financial year 2019-20 or thereafter shall be eligible for exemption from SST which is in excess of 5%.</p> <p>(iii) Recipients of services stated in (i) and (ii) above have also been made withholding agents to withhold SST at the rates stated above.</p> <p>[Notification No. SRB 3-4/13/2019 dated June 27, 2019 amending the Notification No. SRB 3-4/9/2017 dated June 2, 2017; read with Notification No. SRB 3-4/24/2019 dated July 1, 2019]</p>

S. No.	Category	Notification
2	Federal PSDP	<p>Certain services utilized in new development schemes and projects including on-going projects located in Province of Sindh and funded partially or fully through Federal PSDP of the Government of Pakistan of the financial year 2019-20 or thereafter shall be eligible for exemption from SST in excess of 5%.</p> <p>Recipients of above-referred services have also been made withholding agents to withhold SST at the rate stated above.</p> <p>[Notification No. SRB 3-4/14/2019 dated June 27, 2019 amending the Notification No. SRB 3-4/3/2018 dated February 6, 2018 and Notification No. SRB 3-4/24/2019 dated July 1, 2019]</p>
3	Construction services – Federal, Provincial or Local Government budgets	<p>Construction services in relation to Government Civil Works (for which the expenditure is paid out of the expenditure budget of the Federal Government or the Provincial Government or the Local Government or the Cantonment Board) are now taxable at 5%.</p> <p>Recipients of above-referred services have also been made withholding agents to withhold SST at the rate stated above.</p> <p>[Notification No. SRB 3-4/11/2019 dated June 27, 2019 amending the Notification No. SRB 3-4/8/2013 dated July 1, 2013 and Notification No. SRB 3-4/24/2019 dated July 1, 2019]</p>

SINDH SALES TAX SPECIAL PROCEDURE RULES FOR SERVICES PROVIDED BY CAB AGGREGATORS

The services provided by “Cab Aggregators” have been brought into the ambit of SST with effect from July 1, 2019 under the tariff heading 9846.0000. The term ‘cab aggregator’ is principally defined to mean an intermediary who connects the passenger with the cab service provider through electronic or digital means. The services provided by the owners or drivers of the motor vehicles using the cab aggregator services have also been subjected to SST under the tariff heading 9846.0000. Through notification No. SRB-3-4/21/2019 dated July 1, 2019, reduced rate of 5 per cent is prescribed for such services, without adjustment of input tax.

Special procedure rules for chargeability and collection of SST on such services have been notified through the Notification No. SRB3-4/23/2019 dated July 1, 2019. It has been re-affirmed that the value of taxable services will include value of services provided by the cab aggregator as well as that provided by the associated owner or driver of the vehicle. It has also been clarified that SST will be levied on the ‘gross value’ of consideration, before allowing any discounts to the passengers.

The associated drivers or owners of the vehicles are relieved from liability to register and in turn, from the liability to charge, collect and pay SST on trip charges earned by them from the passengers. On the other hand, the liability to charge, collect and pay SST on the entire amount billed to passengers has been imposed on the cab aggregator. For that purpose, withholding Rules have also been amended to include ‘cab aggregator’ or the branch office / representative of non-resident cab aggregator as withholding agent, in relation to the services provided by the owners or drivers of the motor vehicles using the services of the cab aggregators.

The invoice is required to be issued by the cab aggregator showing total charges (including charges of the owner or driver of the vehicle). If the cab aggregator shows separate charges for cab aggregator services and services provided by the associated driver / owner, the entire amount of SST charged and collected on behalf of the owner or driver of the vehicle is required to be withheld and deposited by the cab aggregator. Such amount of SST charged, collected and withheld by the cab aggregator is to be reported separately in Row 14A of the SST Return.

In addition to the records already prescribed to be maintained, the cab aggregator is required to maintain records of CNICs of the associated owners or drivers.

INDENTING AND COMMISSION AGENTS

Services provided by indenter are chargeable to SST at the rate of 3% with effect from July 1, 2017. These services were chargeable to standard SST rates for the period from July 1, 2015 to June 30, 2017. Owing to significant litigation and representation from the business community, the reduced rate of 3% has also been provided through Notification No. SRB 3-4/17/2019 for services rendered during the period from July 1, 2015 to June 30, 2017 (with no input tax adjustment) provided such indenters get registered by July 31, 2019 and pay SST liability by August 31, 2019.

CABLE TV OPERATORS

Services provided by Cable TV operators were exempt from SST, subject to certain conditions. The exemption was provided vide SRB Notification-3-4/19/2016 dated November 16, 2016 which expired on June 30, 2018. In order to continue such exemption, Notification No. SRB 3-4/15/2019 dated June 27, 2019 has been issued extending the exemption / concession till June 30, 2020.