

## **Sindh Sales Tax**

**Reference: Notification # SRB-3-4/12/2016. Dated: June 28, 2016**

### **Brief**

Amendment in Sindh Sales Tax on Services Rules, 2011.

### **Commentary**

Subject notification made following amendments in Sindh Sales Tax on Services Rules, 2011:

- Previously after receipt of application for registration, SRB issues a provisional certificate of registration with validity of 3 months. Now SRB will issue provisional registration certificate to the applicant after activation of his user ID and completion of e-enrollment formalities.
- The electronic return can be filed by a registered person (self) or through an e-intermediary appointed under rule 19 (Appointment of e-intermediary). Technical correction, the word “licensed” is substituted with “appointed”.
- Time limit of 120 days for revision of return is mentioned in section 30(6) of the Act, now it is prescribed in the rules.
- Substituted rule 22A (Input tax credit not allowed). Previously restrictions on input tax adjustment were available in rule 22A of Sindh Sales Tax on Services Rules, 2011, now the Finance Act inserted section 15A in the Sindh Sales Tax on Services Act, 2011 and shifted all the restrictions there.

Rule 22A is substituted which provides that in addition to disallowance of input tax as prescribed in section 15A the following inputs shall also be disallowed:

- (i) Sales tax claimed as input tax where the registered person, making such input tax credit adjustment, has not made the payment, within one hundred and eighty days from the date of the tax invoice, of the invoiced amount (including the sales tax amount) of input goods and services, other than the input utilities (telecom, electricity and gas), courier services and also the directly imported goods, through a crossed cheque drawn on a bank, or by a crossed bank draft or crossed pay order or any other crossed banking instrument showing the transfer of the amount of tax invoice in favour of the goods supplier or the service provider from the business bank account of the buyer or service recipient making or claiming or reclaiming such input tax credit adjustment:

Provided that online transfer of payment from the business bank account of the buyer or the service recipient to the business bank account of the goods supplier or the service provider, as well as payment through credit card or debit card, shall be treated as transaction through banking channel, subject to the condition that such a transaction is

verifiable from the bank statements of the business bank accounts of the buyer or service recipient;

- (ii) Goods or services as are liable to sales tax, whether a federal sales tax or provincial sales tax, at specific rate or at fixed rate or at such other rates not based on value or at a rate lesser than 13 percent ad valorem and are used or consumed as inputs in the provision of a service under this Act:
  - (iii) Goods or services acquired for personal or non-business consumption;
  - (iv) Goods or services in respect of which input tax adjustment is barred under any federal or provincial law, for the time being in force, relating to sales tax; and
  - (v) Carry forward of the input tax adjustment relating to tax period June 2011, or earlier;
- As the standard rate of Sindh Sales Tax is reduced from 14% to 13% by Sindh Finance Act, 2016, subject notification updated the rate of Sindh Sales Tax in the aforesaid rules.
  - Notification # SRB-3-4/9/2016 dated June 28, 2016 increased reduced rate of Sales Tax from 6% to 8% on certain services. Subject notification updated the reduced rate in the aforesaid rules.
  - Previously, internet services, email services and data communication network services of up to 2 mbps speed valued at not more than 1500 rupees per month per service recipient were exempted. Now the exemption is also available to 2 mbps - 4 mbps valued not more than 2500 rupees per month per service recipient.

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