Conference on
Sales Tax on Services
Lessons Learnt & Way Forward

Sindh Revenue Board

Karachi,
9th May, 2012
Sequence of Presentation

- **Part A**: The Road Traveled
- **Part B**: Automation
- **Part C**: Lessons Learnt
VISION

To develop as a modern, credible, efficient, effective and transparent tax administration.

MISSION

Adopt modern techniques, knowledge and information systems to promote tax culture based on justice, equity, fairness and mutually respectful interaction with the tax payers and other stake holders.
Constitutional & Legal

Constitution (1973)- Provincial Jurisdiction

Sales Tax on Services

(2009-2010) - 7th NFC Recommendations dt. 30th Dec. 09 and Constitution of Task Force 19-01-2010. 7th NFC Award President’s Order No. 5 of 10-05-2010.

(2000) Sindh Sales tax on Services Ordinance, 2000 Authority was given to the FBR to collect Sales Tax on Services. Some of the services were subjected to FED in Sales Tax mode, by the FBR.
12. NFC recognizes that sales tax on services is a provincial subject under the Constitution of Pakistan, and may be collected by respective provinces, if they so desire.
Constitutional & Legal

18th Amendment impact and Entry 49. Article 142 (c) (d) and 270 AA (7). April 2010.

Sindh Revenue Board Act, 2010

Sindh Sales Tax on Services Act, 2011, applicable on services provided or rendered from 1.7.2011. Tax collection received from August 2011.

2010-2011
Meetings on VAT/RGST
Discussion on Provincial VAT, Bill and Provincial tax Law.

SRB notified in Jan 2011
Establishment of SRB

- SRB has autonomy in certain matters, and has also become a Department, while retaining the status of the “Board”.

- Sindh Rules of Business, 1986 assign functions, inter alia, as follows:
  - Exercise Powers under the SRB Act, 2010 and under Sales Tax on Services Act, 2011.
  - Implement tax administration reforms in Sindh.
  - Assist other tax organizations and coordinate with Federal Government/FBR in matter collection of taxes and distribution.
SRB Organogram

Chairman

- Member Operation
  - Commissioner I
  - Commissioner II

- Member Tax Policy
  - Commissioner WH
  - Deputy Commissioner
  - Assistant Commissioner

- Member Legal & Coord.
  - Commissioner Appeals
  - Deputy Commissioner
  - Assistant Commissioner

- Member Audit
  - Director IT

Secretary

Director IT

Additional Director
Sindh Sales Tax on Services Act, 2011

- Sindh passed Sindh Sales Tax on Services Act, 2011, applicable on services provided from July 2011 - tax received from August, 2011.

- Law clearly states that only outlets, branches, offices, business places or Head Offices located in Sindh providing services shall pay tax in Sindh.

- Integration mode is there as input tax adjustments are allowed.
By 1st July, 2011

- Law, Rules, Procedures and Forms were notified.
- Automation online contract with PRAL was signed.
- Facilitation: Call Center, UAN, Email, Web Portal, Help Desk at NBP Branches
- Meetings with all the Associations and stake holders held
- Campaign launched for registration, filing of returns and payments of tax.
- Internees put to the job initially, followed by some officers taken on deputation/posting.
**Sales Tax Structure as on 30-06-2011**

(Services subject matter of taxation) Applicable

<table>
<thead>
<tr>
<th>Services that were levied to Provincial Sales Tax</th>
<th>Services that were levied to FED up to June 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Sindh Sales Tax Ordinance, 2000 Collection by the Federal Government Service covered</td>
<td>• Federal Excise Act, 2005 Services covered</td>
</tr>
<tr>
<td>• Hotels/Clubs</td>
<td>• Advertisement on closed circuit TV and cable TV networks</td>
</tr>
<tr>
<td>• Caterers</td>
<td>• Shipping agents</td>
</tr>
<tr>
<td>• Advertisement on TV and Radio (excluding some specific advertisement)</td>
<td>• Telecommunication services</td>
</tr>
<tr>
<td>• Customs agents</td>
<td>• Insurance</td>
</tr>
<tr>
<td>• Ship Chandlers</td>
<td>• Banking services</td>
</tr>
<tr>
<td>• Stevedores</td>
<td>• Franchise services</td>
</tr>
<tr>
<td>• Courier Services</td>
<td>• Stock Brokers</td>
</tr>
<tr>
<td></td>
<td>• Freight Forwarders</td>
</tr>
<tr>
<td></td>
<td>• Port and terminal operators etc.</td>
</tr>
<tr>
<td></td>
<td>• Promoters and Developers.</td>
</tr>
</tbody>
</table>
Some Comparative registration increases Sindh

**All Service Sectors**

![Bar chart showing comparisons for All Service Sectors](chart.png)

**Hotels + Restaurants**

![Bar chart showing comparisons for Hotels + Restaurants](chart.png)

**Port related services**

![Bar chart showing comparisons for Port related services](chart.png)
Collection Trend (Rs. Billion)

Quarterly payments v/s Daily collection
Budgeted Collection target 2011-12
Rs. 60 Billion

- Sindh Sales Tax on Services: 25 (42%)
- S.D & M of infrastructure: 15 (25%)
- Stamp Duty: 6 (10%)
- Motor Vehicles: 4 (7%)
- CVT: 2.7 (4%)
- Provincial Excise: 3 (5%)
- Electricity Duty: 1.3 (2%)
- Transfer of Property (Registration): 1.3 (2%)
- Others: 1.7 (2%)
### Revenue & Taxpayers Base in India

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Number of Services Taxed</th>
<th>Number of Taxpayers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-01</td>
<td>26</td>
<td>122326</td>
</tr>
<tr>
<td>2001-02</td>
<td>41</td>
<td>187577</td>
</tr>
<tr>
<td>2004-05</td>
<td>75</td>
<td>774988</td>
</tr>
<tr>
<td>2010-2011</td>
<td>116</td>
<td>Over 1.5 Million</td>
</tr>
</tbody>
</table>

**India Revenue Rs 950 Billion in 2011-2012**

- Pakistan 15 group services
  - Rs. 65 Billion collection

**Estimates for 2012-13**

- Over Rs. 1240 Billion
- 2 Million taxpayers

- Pakistan based taxpayers 9000
- Provinces have potential
Tax Contribution in Port Cities

- Karachi: 48%
- Mumbai: 38%
- Istanbul: 42%

- Pakistan Taxpayers 9000
- Sindh about 4000
Goals Achieved:

- Collected 19 Billion by April, 2012, Plus 1.5 Billion of July collected by the FBR, besides Rs. 0.8 Billion deposited by Sindh taxpayers in FBR during August 2011 up to date. Target is Rs. 25 billion by June 2012.

- Additional Rs. 2.93 billion relating to 2010-11 short paid by Federal Finance received by Sindh in December 2011.

- Assisted in introducing CVT, drafting Agriculture I. Tax Law, WWF (SRB will collect) draft laws.

- Total Automation , R&D and Desk Audit based on computer applications.

- Maintaining transparency and excellent tax management

- Punjab & KPK secretaries, WB, E.U., CSF, Federal Finance Secretary, Chairman FBR and others visited.

- Meetings, seminars, & workshops held.

- Taxpayers are satisfied with the facilitation.

- Proactive website, already visited by more than 120,000 persons.
AUTOMATION VIDEO
Relations with FBR

- **Issues Resolved:**
  - Data sharing, input adjustment
  - Deputation of officers.
  - Certification of Sindh tax collection by the FBR

- **Issues Pending:**
  - Federal Excise Duty withdrawal
  - Coordination, training, harmonization in tax reforms & procedures related matters
Lessons Learnt

- There is an increase in tax base and tax collection contributing to improvement in tax to GDP ratio. Other provinces may follow, as potential is there.

- Taxpayers appreciate a flawless automated system for data analysis.

- Have the best team. Train employees as a priority. Give incentives.

- Pay them suitably. “If peanuts are offered, be prepared to hire monkeys”, as they say.
Lessons Learnt

- Successful transition needs political support and a dedicated team.

- Transparency, fairness & accessibility; awareness and tax education; simple tax laws and procedures; and automation, delivery of service significantly improve tax payers’ compliance.

- Tax jurisdictions must not impinge on others’ jurisdiction.

- Strong legal and procedural support is sine qua non of the success of the tax reforms.
Thanks You