



# Fourth Quarterly Report

APRIL - JUNE  
2018-2019

Sindh Revenue Board

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Final quarter of 2018-19 closed at a higher pace as year-end coincided with the quarter end and witnessed intense efforts from SRB revenue collection and support teams to achieve the assigned targets. The assigned target of Rs. 110 billion appeared difficult to meet from the beginning of the 3rd quarter of FY 2018-19, However, all resources were deployed to make that happen.

The fourth quarter ended without achieving the target for the first time in the history of SRB. The fourth quarter saw relief from the superior courts in terms of suspension of the levy on cellular mobile phone earlier ordered by the Apex Court. No collection could be witnessed from the sector in the quarter owing to the issues relating to the erstwhile suspension.

Overall slow economic activity and the ongoing process of reforms at provincial and federal government levels somewhat dampened the tax-payer enthusiasm as there was anticipation of tax reforms in direct as well as indirect taxation areas and this impacted the collection of SRB revenues as well.

SRB team performed to their maximum output levels leaving no stones unturned. The survey and development teams continued to visit the retail areas as planned in the 2nd and 3rd quarters and helped greatly in increasing the number of registrants. I.T wing, Legal wing and Audit wing chipped in with their full support. SRB offices observed extended office timings to facilitate tax payers meet their tax obligations.

The quarter ended with raised spirits and heightened enthusiasm for the fiscal year 2019-20 with resolve of undertaking all possible efforts to achieve next fiscal year's target.



# Top Performing Sectors



The FY 2018-19 has been a challenging year for SRB. The major contributors have changed positions as compared to previous financial years for several reasons.

Table below shows the contribution of top performing sectors in the fourth quarter of FY 2018-19;

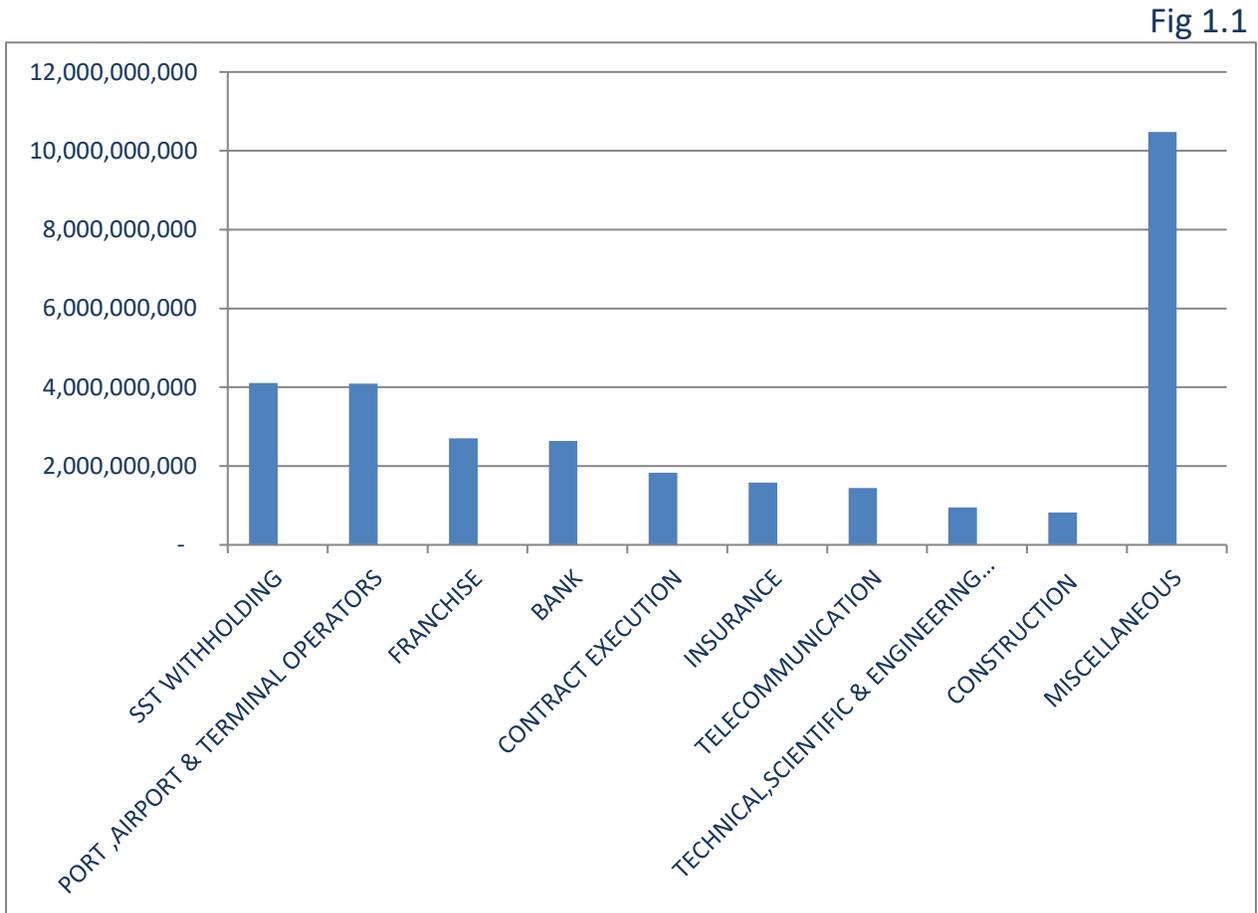
Table 1.1

S.NO	SERVICE CATEGORY	Q3 FY 2018-19	% CONTRIBUTION
1	SST WITHHOLDING	4,110,126,597	13.41%
2	PORT ,AIRPORT & TERMINAL OPERATORS	4,092,707,946	13.35%
3	FRANCHISE	2,700,621,218	8.81%
4	BANK	2,635,856,035	8.60%
5	CONTRACT EXECUTION	1,829,620,623	5.97%
6	INSURANCE	1,577,168,550	5.15%
7	TELECOMMUNICATION	1,446,599,817	4.72%
8	TECHNICAL,SCIENTIFIC & ENGINEERING CONSULTANTS	949,591,327	3.10%
9	CONSTRUCTION	822,967,446	2.69%
10	MISCELLANEOUS	10,480,406,592	34.20%
<b>TOTAL</b>		<b>30,645,666,151</b>	<b>100%</b>



SST withholding stood at top by contributing 13.41% to the overall tax collection during fourth quarter of FY 2018-19 followed by Port, Airport and Terminal Operators and Franchise which contributed 13.35% and 8.81%, respectively.

A graphical representative of the top performing sectors during the quarter is given in Fig 1.1.



# Total Registrations

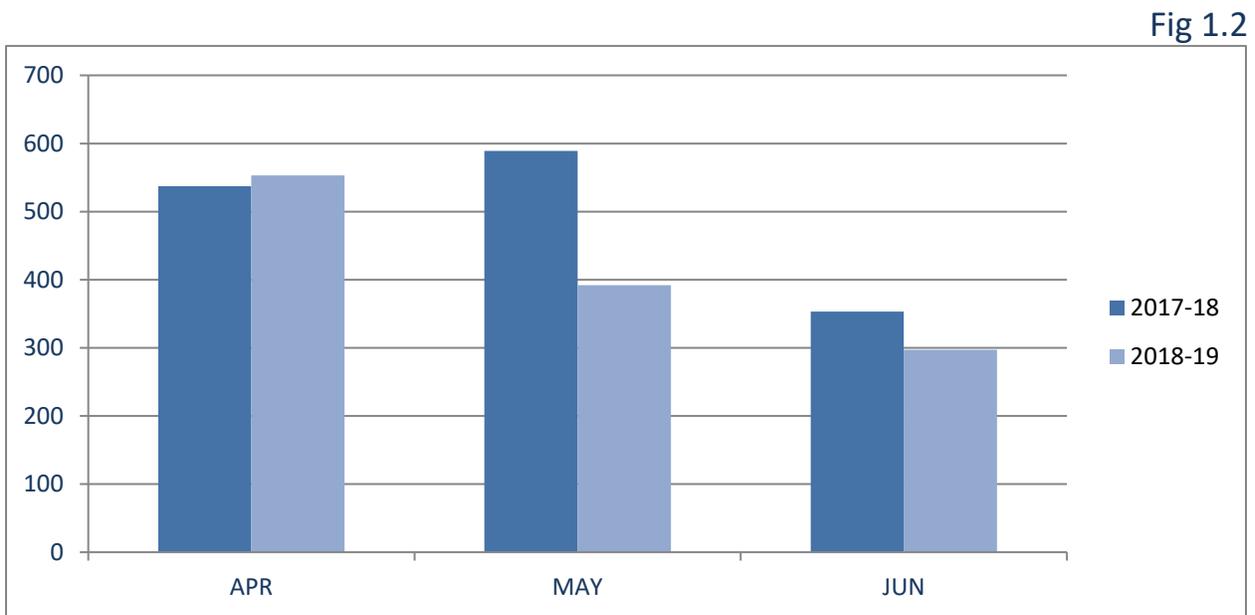


Due to slow economic activities and financial instability during the year, a negative growth was witnessed in new registrations of fourth quarter in contrast to fourth quarter of FY 2017-18.

However, continuous efforts were made and numerous uncharted service providers were brought into enforcement.

Table 1.2

S.NO	MONTH	4 <sup>th</sup> Qtr 2017-18	4 <sup>th</sup> Qtr 2018-19	GROWTH (%)
1	APR	537	553	0.03
2	MAY	589	392	-0.33
3	JUN	353	297	-0.16



SWWF wing collected Rs.1.9 billion for 4<sup>th</sup> quarter of the financial year 2018-19. Last year the collection of SWWF during the same quarter was Rs. 4.9 billion. The decrease in the collection is mainly due to the Civil Appeal filed by the major fund payers in the Supreme Court of Pakistan, which are still pending. This resulted in non-receipt of contribution of Rs. 2 Billion in the fund for the current year.

Moreover, due to the suspension of the Honorable High Court's Judgment many trans-provincial companies deposited their contribution of fund with the Nazir of the Court. Currently, the collection with the Nazir of the Court has reached 15 Billion. Despite the fact that more than 130 cases have been filed in the Courts, there is an unexpectedly good collection of Sindh Workers Welfare Fund and Sindh Workers Participation Fund during the current year from local industries. Moreover, Federal Government/FBR still demands Fund contributions under the Federal Act of 1968 and the Federal Ordinance of 1971. With cooperation of Labor and Human Recourse Departments, Government of Sindh, SRB is actively taking up matter with FBR and the Federal Government to resolve the outstanding issues and is also pursuing the cases in court of law.

SRB has dealt with this issue in a meeting held with the Employers Federation of Pakistan and communicated to the Association and its members that in case notices are issued by FBR for payment of SWWF or SWPF, a corresponding letter of comfort is issued by SRB stating that in case the Federal Government/FBR raise any demand against payment made in Sindh Government's head of account, SRB/Sindh Government shall take up the matter directly with the FBR/Federal Government without causing any inconvenience to the Fund payer and also without causing any double payment.





With cooperation of Labor and Human Resource Departments, Government of Sindh, SRB announced an incentive package for the very first time which had been availed by many fund payers. This strengthens the level of confidence and trust of Fund payers on SRB and Government of Sindh.

Table 1.3

<b>SWWF &amp; SWPF Collection for the 4th Quarter 2018-19</b>				
Collection during the period from 01st July, 2017 to 30th June, 2018	Target assigned for the FY 2018-19	Collection during Apr-18 to June-18	Collection during Apr-19 to June-19	Collection during the period from 01st July, 2018 to 30th June, 2019
<b>7,907,615,619</b>	<b>10,000,000,000</b>	<b>4,978,531,246</b>	<b>1,911,301,999</b>	<b>7,132,115,638</b>



SRB is continuously working on reforming its HR wing. HR regulations for governing various functions in SRB are in an advance phase of development. The existing policies are also being updated.

Regulations regarding the appointment, promotions and seniority of SRB employees are being drafted & reviewed critically and are set to be presented soon in the SRB Board for approval.

Drafting policies for managing performance evaluation of SRB employees is in progress and employee performance will be evaluated quarterly in addition to the annual performance evaluation.

Payroll process has been automated and employees' self-service portal has gone live. Employees are given their login IDs to view and update their profiles and financials.

## **Staffing**

HR remains focused on fulfilling the staffing needs of the organization in a highly responsive and timely manner. Total of 53 employees were inducted in the FY -2018-19, with a turnover rate of 2.7% during the fiscal year. During the last quarter of FY 2018-19, SRB strength stands at 285 employees.



## **1. Workshop on Deduction of Sindh Sales Tax Amounts from Expenditure Bills of Sindh Government Department**

A series of training was started in March, 2019 to train officers/officials/DAOs of Accountant General (AG-Sindh) office at district level. This series continued in April, 2019, equipping more employees of AG-Sindh with: how to withhold/deduct Sindh Sales Tax amount from expenditure bills of Sindh Government Departments/Offices/Projects through SAP automated system. The said training was conducted across Sindh to create awareness and officers were trained in Quarter IV of FY 2018-19.

## **2. Video Tutorials for Automated Show-Cause Notice Portal**

To answer queries and resolve ambiguities of employees while issuing SCN to taxpayers, a series of video tutorials have been made. A total of 7 video guides have been created to facilitate employees of SRB on following topics of SCN:

- Signing in
- Home Page
- SCN Summary
- Understanding Start New SCN Page
- Generating Details of Registered Taxpayers
- Generating Details of Non-Registered Taxpayers
- Issuing SCN

The videos are available at HOST application under “Academics” tab to provide easy access to users.



### **3. Interprovincial Tax Coordination Committee Meeting**

A meeting of Provincial Tax Authorities was held on April 13, 2019 to discuss various policy matters. The meeting was hosted by SRB and was attended by Chairman - PRA, Chairman - BRA, Director General - KPRA along with Advisors, Deputy Collectors and Coordinators of all four Authorities.

### **4. Eid Milan' 19**

To celebrate the festival of Eid, a get together was organized for all employees of SRB. This event was structured to give a lively break from hectic schedule of responsibilities, raise sense of respect and give value to our customs & traditions. Regional offices were taken in loop via Skype video conference.





In the 4<sup>th</sup> Quarter of FY 2018-19, Audit Wing continued the audits that it had initiated in the 1st Quarter of FY 2018-19. The audits initiated during FY 2017-18 and carried over into FY 2018-19, were also continued during this Quarter. The audit wing has successfully achieved target values of DLI-04 (Disbursement Linked Indicator) for year-3 through Third Party Validation (TPV) conducted by EY.

Progressive position of all audits undertaken so far, on 30<sup>th</sup> June, 2019, is as given in Table below:

Table 1.5

Description	FY-2018-19	FY- 2017-18
Total number of Audits undertaken	92	103
Audit Reports Finalized	79*	79
Contravention Reports (C/Rs) sent to Operations Wing for adjudication/recovery proceedings under law	58	66
Revenue short-fall detected (conveyed vide C/Rs) and currently under adjudication (Rs. in million)	2,885	4555
Cases where Recovery Orders passed	11	30
Amount Adjudged as recoverable (Rs. in million)	56	1124
Amount recovered pre-adjudication(Rs. in million)	13	29
Amount recovered post-adjudication (Rs. in million)	42	174
Cases where Audit is in process	1	24
*Includes 12 cases where Audit proceedings are stayed by the Sindh High Court so far.		





networking at SRB Hyderabad & Sukkur Regional offices. The designing of network infrastructure, CCTV points and cabling, CATV points and cabling, Voice infrastructures cabling at SRB 3<sup>rd</sup> floor's new premises i.e. North Wing and South Wing is in process. Deployment of message tracking logs software with the integration of Exchange Server for monitoring of in-bound, out-bound and in queue emails , implementation of Load Balancer for Internet Server and SMTP servers has been done with other numerous developments.

IT services and systems provide businesses with the tools required to obtain improved hardware, smarter applications which help to easily research data, analyze information, and plan scalability. In this regards IT Wing developed geo-tagging application, which will be used to tag restaurant sectors with geographical information like latitude, longitude, distance, place name, accuracy data etc. for SRB's record. IT Wing is working to introduce SIFM's website and revamp SRB's official website to improve navigation and make it more user-friendly. Designed and developed different web banners and advertisements related to amnesty scheme and Sindh Workers Welfare Fund (SWWF) for electronic and print media. Resolution of ADC E-payment Server issues with NBP, took part to prepare quarterly reports, TORs and RFP for ERP and Data Center projects, contributed to improve IT features of National Single Window (NSW) project in Pakistan, took active part for the procurement of IT and network infrastructure, providing services to arrange Video Conferences and multimedia presentations, worked for the cost benefit analysis between Office 365 and MS Office 2019 for the procurement process, create Request Expression of Interest (REOI) for Data Center consultant.

Increase in Information Technology and automation helped SRB and individuals to boost overall progress, shorten the work load, and increase productivity, services and reliability.



formulation of resource mobilization for the annual provincial budget, amendments in the Sindh Sales Tax on Services Act, 2011, in the Sindh Sales Tax on Services Rules, 2011 and in the Sindh Sales Tax Special Procedure (Withholding) Rules, 2014 and various other Rules and Notifications. Tax Policy Wing also examines various tax-related and exemption-related proposals received from the Chambers of Commerce & Industry, and Trade/Taxpayers' Associations or from the taxpayers and sends its views/comments to the decision-makers. The Chief Minister's Directives, received from time to time, on tax matters are also examined and processed and compliance reports are prepared in this Wing. It is also responsible for issuing Rulings / Clarifications / Notifications / Standing Orders / Circulars for the benefit of the taxpayers and tax collectors and also pertaining to resolution of disputes or removal of doubts. The public complaints in relation to Sindh Sales Tax matters received on the Pakistan Citizen's Portal and other media (through e-mails, phones or dak) are also attended by the Tax Policy Wing.

## **I. RESOURCE MOBILIZATION PROPOSALS FOR THE SINDH BUDGET, 2019:**

On receipt of budget proposals from the Chambers of Commerce & Industry (i.e. KCCI, OICCI etc.), Trade and Taxpayers' Associations (i.e. NAIAP, Pakistan Hotels Association, Pakistan Banks Association etc.) and individual taxpayers, Tax Policy Wing has examined and formulated views, comments and recommendations on all the budget proposals in relation to Sindh Sales Tax. For this purpose, Tax Policy Wing also held meetings with FPCCI, KCCI, TAAP, OICCI, etc. Accordingly, Tax Policy Wing drafted the Resource Mobilization Proposals 2019-20 and submitted the same to the Finance Department, Sindh on 20th May, 2019.

## **II. BILLS PASSED/APPROVED:**

SRB got the Resource Mobilization Proposal 2019-20 approved by the Sindh Cabinet in its meeting held on the 14<sup>th</sup> June, 2019, which included rationalization



measures, relief measures, review of exemptions and certain legislative amendments, to be incorporated in Sindh Finance Bill 2019-20. The said Bill was passed by the Provincial Assembly of Sindh on 26<sup>th</sup> June, 2019, and, on its becoming an Act of the Sindh Assembly, shall take effect on and from the 1<sup>st</sup> July 2019. The revenue target for the year 2019-20 was fixed by the Government as 145 Billion (Rs 135 billion for Sindh Sales Tax and Rs. 10 billion for Sindh Workers Welfare Fund/ Sindh Companies Profits (Worker's Participation) Fund).

### **III. NOTIFICATIONS ISSUED:**

As mandated by SRB, Tax Policy Wing issued 17 notifications during 4<sup>th</sup> quarter of 2018-19. Notifications No. SRB-3-4/4/2019, No. SRB-3-4/6/2019 and SRB-3-4/7/2019 were issued on 08.04.2019, 08.05.2019 and 13.05.2019, respectively, specifying the jurisdictions and functions of the various officers of the SRB in terms of sections 34, 35 and 36 of the Act, 2011.

With a view of providing relief to the Insurance sector, Tax Policy Wing issued notification No. SRB-3-4/5/2019 dated 08.05.2019, specifying the time-bound exemption from SST on health insurance and life insurance services for a period upto 30th June, 2019.

In order to encourage the compliance level from the taxpayer, Tax Policy Wing issued Notification No. SRB-3-4/8/2019 dated 18th May, 2019, specifying the Sindh sales tax relief/incentive package which provided substantial benefits and incentives to the taxpayers, service providers and withholding agents in return of their tax compliance, under the Act, 2011. The said notification helped the defaulting taxpayers to liquidate their outstanding liabilities without payment of any penalty and with little payment of the default surcharges.

The same relief was also provided to the fund-payers of SWWF and SWPF by issuing 2 notifications No. SRB-3-4/8/2019 and No. SRB-3-4/9/2019 both dated



15th June, 2019. The said notification facilitated fund-payers to liquidate their liabilities through waiver on whole of the amount of penalty and substantial amount of default surcharge.

In pursuance of the approval of the Resource Mobilization Proposals 2019-20, Tax Policy issued 10 notifications No. SRB-3-4/11/2019 to No. SRB-3-4/20/2019 specifying reduced rates on certain services, exemption on certain services, Amendments in notifications of ADP and PSDP schemes, time-bound exemption on Cable TV operator services, extension in the exemption of health insurance services, declaring 3% reduced rate on specified indenters services, amendment in Sindh Sales Tax Special Procedure (Transportation and Carriage of Petroleum Oils through Oil Tankers) Rules, 2018, amendments in Sindh Sales Tax on Services, Rules, 2011 and amendments in the Sindh Sales Tax Special Procedure (Withholding) Rules, 2014. Another 4 notifications Nos. SRB-3-4/21/2019 to SRB-3-4/24/2019 in relation to the new taxable services levied to SST w.e.f 01.07.2019 was prepared for issuance on 01.07.2019.

#### **IV. MEETINGS**

A number of meetings were held with various taxpayers and Taxpayers' Associations for resolution of the issues faced by the taxpayers in general. With a view to resolving various inter-provincial issues (i.e. double taxation, origination & destination issue, STRIVE, Bancassurance services, etc.), Tax Policy Wing attended an Inter-Provincial Tax Authorities Coordination Committee meeting, convened by SRB, on 13th April 2018. The said meeting produced useful discussions with all Provincial Sales Tax Administrations. In the meeting, various Committees were constituted for making harmony and simplification in provincial sales tax laws & procedures.





Tax Policy Wing issued 2 Circulars in fourth quarter of 2018-19. Circular 1/2019 was issued on 25<sup>th</sup> April, 2019, providing extension, to the registered persons providing or rendering telecommunication services (tariff heading 98.12 and the sub-heads thereof), in the last date for e-deposit of SST for the tax period March, 2019, and for e-filing of tax return and also for e-filing of the prescribed statement for the tax period March, 2019

Circular 2/2019 was issued on 3<sup>rd</sup> June, 2019, specifying the extension in the last date for e-deposit of Sindh sales tax, and for e-filing of tax returns for the tax period of May, 2019.

## **VI. COMPLAINTS AND REDRESSAL OF GRIEVANCES**

Besides the redressal of several issues and grievances received on SRB helpline, e-mails and phones, the Tax Policy Wing also handled 17 public complaints received on the Prime Ministers-sponsored “Pakistan Citizen’s Portal” and resolved all the complaints and grievances having “NIL” pendency at the closing of 4<sup>th</sup> quarter of 2018-19.



The Legal Wing is responsible for review of the effectiveness and efficiency of organization's operations in all legal matters particularly drafting/pleading in the courts and also deals with amendments in the laws i.e. Sindh Revenue Board Act 2010, and the Rules made thereunder. The legal wing is also required to coordinate with Provincial Government Departments, particularly Law Department, Advocate General Sindh, Prosecution Department, Provincial assembly and external Counsel engaged by SRB.

In pursuance of court Notices, the Legal Wing coordinates with Operation Wing and office of the Advocate General, Sindh and ensure appearance in court proceedings, files para-wise written comments, counter affidavits and written statements. During 4<sup>th</sup> quarter i.e. April, 2019 to June, 2019 a total of 80 para-wise comments were filed in pending cases at Hon'ble Sindh High Court.

Unlike other departments of Government of Sindh, SRB is the only Department/Organization whose Law officers personally appear in all the cases regularly.

A total number of 133 cases (C.Ps, Suits, Reference Applications, etc.) were filed in different Courts during the period. The Legal Wing on its own and with close liaison and coordination with the external counsel of SRB has been able to get 46 cases disposed of. During this period, the case related to fashion designers was decided in the favor of SRB. Besides, some other Suits were also disposed of. In addition to this four special tax reference applications (SSTRAs) were also filed by SRB against the order of the SRB Appellate Tribunal and SRB Legal Wing had these Reference Applications admitted in the Honorable Sindh High Court and notices were issued to the respondents.



In addition to above, the internal procedures were streamlined for smooth and proper functioning of the legal wing specially filing of Para-wise comments/written statements in coordination with other concerned departments of Sindh Government.

Summer vacation in Court started from 3<sup>rd</sup> June, 2019. During the summer vacation only urgent matters were being fixed and the Division Bench specifically hearing tax matters was not available. In this background, the progress in Court matters during this period was slow.