



NOTIFICATION

(Sindh Sales Tax on Services)

No. SRB-3-4/4/2011: In exercise of the powers conferred by section 72 of the Sindh Sales Tax on Services Act, 2011, read with Section 13 thereof, the Sindh Revenue Board, is pleased to direct that the following further amendments shall be made in the Sindh Sales Tax on Services Rules, 2011, namely:-

In the aforesaid Rules,

(1) for rule 21, the following shall be substituted, namely:-

"21. Application.--- *The provisions of this chapter shall apply to the registered persons who claim adjustments or deductions under the provisions of section 15 of the Act in respect of the sales tax paid on purchase or receipt of goods and services used or consumed in any taxable services provided or rendered by them.*";

(2) in rule 22, for sub-rules (1), (2) and (3), the following shall be substituted, namely:-

"(1) Subject to the provisions of rule 22A and other relevant provisions of the Act and the rules and notifications issued thereunder, a registered person who holds a tax invoice (for the purchase of goods or services used or consumed in providing or rendering of taxable services) in his name, bearing his sales tax registration/NTN, shall be entitled to deduct/adjust input tax paid during the relevant tax period, subject to the condition that the input tax in relation to the taxable services shall be worked out first and the amount, so worked out, shall be bifurcated for the services provided or rendered in Sindh and also

taxed in Sindh and for those provided or rendered outside Sindh and also not taxed in Sindh:

Provided that where the registered person did not deduct or adjust the input tax in the relevant period, he may claim such input tax deduction or adjustment in the tax returns for any of the four succeeding tax periods.

(2) The Input tax paid on goods and services used in providing or rendering non-taxable or exempt services and also on the services provided or rendered outside Sindh shall not be admissible.

(3) In case an input is used in providing or rendering taxable services and also non-taxable or exempt services and the services provided or rendered outside Sindh, the input tax shall be apportioned according to the following formula for availing of input tax adjustment/deduction:

$$\text{Residual input tax credit on taxable services} = \frac{\text{value of taxable services}}{(\text{value of taxable} + \text{value of non-taxable/exempt services})} \times \text{admissible input tax}$$

(4) Monthly adjustment of input tax claim, based on sub-rules (1), (2) and (3) of this rule, by a registered person shall be subject to reconciliation and audit by the officers of the SRB.

(5) Any inadmissible Input tax adjustment, claimed or made by a registered person, shall render him liable to action under the provisions of the law besides being liable to penalty and default surcharge under sections 43 and 44, respectively, of the Act in addition to his liability to pay the amount involved.";

(3) after rule 22, the following new rule shall be added, namely:

“22A. Input tax credit not allowed.---- A registered person shall not be entitled to claim input tax adjustment in respect of:

- (i) capital goods not exclusively used in providing or rendering of services;
- (ii) fixed assets not exclusively used in providing or rendering of services;
- (iii) goods and services already in use on which sales tax is not paid, or, where paid, the input adjustment has been taken before the tax period July, 2011, or where the input related goods and services were purchased or acquired before the tax period July, 2011.
- (iv) utilities bills not in the name of registered person unless evidence of consumption is produced in the matter of such claims;
- (v) sales tax claimed as input tax on services where such sales tax amount has not been deposited by the supplier or the service provider or where the evidence of such payment is not produced;
- (vi) carry forward of the input tax adjustment relating to the tax period June, 2011, or earlier;
- (vii) goods and services received against false, fake, forged or flying invoices or against purchases from the persons black listed or suspended by SRB or by the Federal Board of Revenue or by any other Provincial Authority;
- (viii) goods and services used or consumed in a service liable to a tax rate lesser than the 16% of the charges or to a specific rate of tax not based on value; and
- (ix) such goods or services as are notified by the SRB to be inadmissible for input tax adjustment”.

- (4) in rule 30, in sub-rule (11), for the words “commissioner of sales tax”, the words “SRB” shall be substituted;
- (5) in rule 32, in sub-rule (1), for the word “gent”, the word “agent” shall be substituted;
- (6) in rule 33, _____
- (a) in sub-rule (6) for the word “duty”, the word “tax” shall be substituted;
 - (b) in sub-rule (7), _____
 - (i) for the word “duty” the word “tax” shall be substituted;
 - (ii) for the word “commissioner” the word “SRB” shall be substituted;
 - (iii) in the form prescribed, for the words “Excise Duty” , appearing twice, the words “Sales Tax on Services” and for the word “duty” receiving twice, the word “tax” shall be substituted;
- (7) In rule 36, in clause (iv),-----
- (i) after the words “deposit the”, the words “tax on” shall be inserted;
and
 - (ii) after the words "upon the franchiser", a full stop shall be added and thereafter the words" However, in case where the franchiser is based outside Pakistan, the liability to deposit the tax on franchise fee or royalty shall be upon the franchisee" shall be inserted;
- (8) in rule 39, in sub-rule (2), after the words “such services”, the words “or at such other rates as may be notified under sub-section (2) of section 8 of the Act” shall be added;
- (9) after rule 42, the following new rule shall be added,

“PART-X

42A. Services provided or rendered by property developers and promoters.----(i) Services provided or

rendered by such property developers and promoters as are levied to tax at a specific rate not based on value, as is notified in a notification issued under the Act, shall be collected and paid by the service provider in accordance with this rule at the time and in the manner prescribed by the Act or the rules issued thereunder;

(2) No input tax credit or adjustment or deduction shall be allowed to the service providers governed by this rule; and

(3) The fixed rate of tax, as notified, shall be paid by the service provider at the time he receives payment of the value for such services preceding the event of lease or conveyance deed:

Provided that where the property is sold on installment basis, the tax shall be paid by the service provider at the time he receives the respective installments. In such cases, the total amount of tax due on a property, so sold on installment-payment basis, shall be divided proportionately on the basis of the installments as may be agreed between the service-provider and the buyer/service recipient;

Provided further that where an installment is not paid by the buyer/service recipient on the due date, the service provider may defer the payment of tax due accordingly to a date when he actually receives the payment of the installment from the buyer; and

Provided further that where the service provider refunds the amount of value or installments thereof to the buyer for any reason, like cancellation, etc, the service provider shall be entitled to claim refund of the tax paid subject to the provisions of section 16 of the Act”;

(10) In form SST-03, the following amendments shall be made, namely

(i) in row number 12, after the first bracket following the digits " 1 and 2", the minus sign and figure "-4" shall be added;

(ii) after row number 14, the following row and description shall be added, namely

"14a sales tax withheld by the return filer as withholding agent **Annex-A**;

(iii) against row number 21, after the words "a) Additional Tax", the slash and words "/ Default Surcharge/ others (eg section 16 payments)" shall be added; and

(iv) against row number 22, for the words "b) Default Surcharge", the words "b) Arrears shall be substituted

(v) under the heading "Head of Account" at the end of the table,--

a) after the word "Additional Tax" slash and words "/ Default Surcharge/ others (e.g. section 16 payments)" shall be added; and

b) for the words "Default Surcharge", the word arrears shall be substituted; and

(11) in Form SST-04, in the table,-----

(i) against Sr. 2, after the word "Additional Tax" slash and words "/Default Surcharge/ others (eg section 16 payments)" shall be added; and

(ii) against Sr. 3, for the words "Default Surcharge", the word "Arrears" shall be substituted.

SIGNED

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