



GOVERNMENT OF SINDH SINDH REVENUE BOARD

No. SRB/TP/01/2016/

Date: 11th June, 2016

SINDH BUDGET **(2016-17)**

SALIENT FEATURES OF THE BUDGETARY MEASURES IN RELATION TO SINDH SALES TAX ON SERVICES, FOR 2016-17.

I. RELIEF MEASURES:

Statutory rate of 14% Sindh sales tax is proposed to be reduced to 13%. This shall provide substantial relief to the general body of taxpayers as well as the consumers/the service recipients.

2. The exemption threshold of annual turnover of Rs 3.6 million, wherever applicable upto 30.06.2016, is proposed to be increased to Rs 4 million per annum. This shall encourage the small enterprises/service providers and shall also provide relief to their customers/service recipients.

3. The exemption threshold for internet and broadband users is proposed to be increased from 2 mbps speed and Rs 1,500/= per user per month to 4 mbps speed and Rs 2,500/= per user per month, respectively. This shall encourage the usage of the internet facility in Sindh and shall provide substantial relief to the ordinary non-business usage of internet facility by households, students and researchers.

II. RATIONALIZATION MEASURES:

4. With a view to reducing the tax gap between various tax rates, the reduced/concessionary rate of 6% tax is proposed to be increased to 8%.

5. The existing reduced/concessionary rate of 18% tax on telecommunication services is proposed to be increased to 19%. The proposed rate of 19% shall still be lower than the statutory tax rate of 19.5% and shall also be the lowest tax rate as compared to the tax rate of 19.5% in other Provincial tax jurisdictions. The telecommunication companies shall be required to pass on the benefits of the said reduced/concessionary rate of 19% (i.e. 0.5% lesser than the statutory rate of 19.5% tax) to the telecom subscribers.

6. With a view to equating the tax base of Sindh sales tax with that in other Provinces of Pakistan, it is proposed to bring the following services in the tax net:-

Sr.	Description of services	Tax rate
1.	Travel by chartered flights	13%
2.	Cosmetic and plastic surgery, other than those for bodies affected due to congenital defects, developmental abnormalities, degenerative diseases, injury or trauma.	13%
3.	Other consultants including human resource and personnel development consultant services	13%
4.	Public relations services	13%
5.	Foreign visa processing advisory and consultancy services	13%
6.	Debt collection and recovery services	13%
7.	Supply chain management or distribution (including delivery) services	13%

7. Except in the taxable telecom services which shall pay output tax at 19%, the input tax credit/adjustment against the output SST of other services (paying SST at 13%) will be restricted to the extent of 13% with a view to safeguarding the net amount of SST payable.

8. The existing threshold and conditions & limitations for exemption on the services of contractual execution of work (tariff heading 9809.0000), contractors (tariff heading 9814.2000) and construction (tariff heading 9824.0000) are proposed to be rationalized and simplified in a

manner that classification disputes are avoid. Necessary notification shall be issued this regard and made effective from 01.07.2016. Construction of roads, bridges, flyovers, ports, airport, railways, transport terminals, EPZ, SEZ, diplomatic & consular buildings and residential houses having covered area of upto 10,000 square feet shall continue to be exempt.

III. NEGATIVE LIST SYSTEM OF SERVICE TAXATION:

9. Necessary legislation for introduction of the negative list system of sales taxation on services is proposed to be initiated soon after the budget with a view to making this system effective and enforceable with effect from 01.12.2016.

IV. LEGISLATIVE MEASURES:

10. Sindh Finance Bill, 2016, *inter alia*, proposes legislative measures which amend certain provisions of the Sindh Sales Tax on Services Act, 2011, to give effect to the aforesaid proposed measures and also to incorporate certain descriptions, tariff headings and procedural matters. The proposed legislative measures of the Sindh Finance Bill, 2016, shall take effect on and from 01.07.2016 in terms of its approval by the Provincial Assembly of Sindh and its becoming an Act.

11. Necessary notifications under sections 8(2), 10, 72, etc., of the SStoS Act, 2011, shall be issued to give effect to the aforesaid measures requiring sub-ordinate legislation by the Board/Government.

V. DISCLAIMER:

12. This document is illustrative in nature and is not exhaustive. For details, kindly refer to the Sindh Finance Bill, 2016, and the Amending Notifications and the Amending Rules issued and to be issued in relation to Sindh Sales Tax on Services.

E&OE.