

SALIENT FEATURES
OF
THE 2014-15 BUDGETARY MEASURES
FOR
SINDH SALES TAX ON SERVICES.

I. RELIEF MEASURES:

The standard rate of 16% Sindh sales tax has been reduced to 15% with a view to providing relief to the taxpayers, service recipients and consumers.

N.B: In the Federation, the standard rate of sales tax continues to be 17%.

II. BALANCING MEASURES:

The reduced concessionary rate of 4% Sindh sales tax has been increased to 5% with a view to reducing the gap between the standard rate and the reduced rate.

N.B: The 4% reduced rate applied to only 4 sectors, namely (i) Legal practitioners & consultants; (ii) Accountants & auditors; (iii) Tax consultants; and (iv) Constructors. This increase will, therefore, not affect common man or ordinary service recipients.

III. RATIONALIZATION MEASURES:

With a view to removing the disparity in the tax base of Sindh sales tax as against the tax-base of other provinces, Sindh sales tax (SST) is proposed to be levied on certain services which are taxable in the Punjab and/or KPK but are not taxable in Sindh. The details are as hereunder:-

S. No.	Tariff heading	Description	Proposed rate of SST
1	9815.5000 9819.9400	Services provided by technical, scientific and engineering consultants.	10%
2.	9805.5100	Services provided by tour operators. (Hajj and Umrah tour packages shall be exempt)	15%
3.	9805.6000	Services provided by manpower recruiting agents.	15%

4.	9805.9000	Services provided by share transfer agents.	15%
5.	9806.2000	Services provided by property dealers.	10%
6.	9834.0000	Services provided by fashion designers.	10%
7.	9814.9000	Services provided by interior decorators.	15%
8.	9819.3000	Services provided in respect of rent-a-car.	10%
9.	9806.3000	Services provided by car or automobile dealers.	10%
10.	9811.0000	Services provided or rendered by laundries and dry cleaners. (Tax on only such laundries & dry cleaners as are located in hotels, clubs and guest houses; or are franchisers or franchisees; or are having branches or more than one outlet).	15%

IV. REMOVAL OF EXISTING ANOMALIES AND DISTORTIONS:

For removing certain anomalies and distortions and also for making the scope of tax clear and un-ambiguous, certain services are being specified as leviable to SST:-

S. No.	Tariff heading	Description	Proposed Rate of SST	Exemptions, if any
1	9820.3000	Workshops for electric or electronic equipment or appliances, etc., including computer hardware	15%	Small workshops having annual turnover not exceeding Rs. 3.6 million
2	9820.4000	Car/automobile washing or similar service stations	15%	Services provided or rendered by car/automobile washing or similar service stations, whose turnover does not exceed 3.6 million rupees in a financial year.
3	9822.1000	Fumigation services	10%	(i) Public health fumigation services provided by the Federal, Provincial or Local Governments and

				Cantonment Boards; (ii) Agricultural fumigation services.
4	9822.2000	Maintenance and cleaning services	10%	Maintenance and cleaning of private residential houses or apartments shall remain exempt. Maintenance and cleaning services not out-sourced and, instead, provided himself by the owner or his employee, shall also remain exempt.
5	9822.3000	Janitorial services	10%	Janitorial services not outsourced and, instead, provided himself by the owner or his employee, shall remain exempt.
6	9833.0000	Services provided or rendered by corporate law consultants	5%	---
7	9835.0000	Services provided or rendered by call centres	15%	---

V. REVIEW OF CERTAIN EXISTING EXEMPTIONS:

Certain existing exemptions have been reviewed/amended with a view to providing clarity and non-ambiguity and also for plugging possible avenues of evasion/avoidance and disputes:-

S. No.	Tariff heading	Extent of review
1	9810.0000	Beauty parlours/clinics having annual turnover of Rs. 3.6 million are exempt. Certain conditions regarding location, branches/outlets/franchise and utility bills (not exceeding Rs. 40,000/-) shall be added to the abovesaid threshold of Rs. 3.6 million annual turnover.
2	98.12	Internet and broadband services valued at less than Rs. 1,500/- per subscriber per month are exempt. The condition of upto 2 mbps shall be added to the said threshold.
3	9813.1500 9813.1600	The exemption on life insurance and health insurance are withdrawn. However, premiums in relation to personal/individual life insurance of upto Rs. 5 lac shall remain exempt.

4	9824.0000	Construction services provided to the SST-paying builders & developers are exempt. Since builders and developers are not yet tax compliant, this exemption is being withdrawn
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VI. NEW LEVIES:

For broadening the tax base in Sindh, certain new services are proposed to be levied to SST at reduced concessionary rates:-

S. No.	Tariff heading	Description	Proposed concessi- onary rate of SST	Exemptions, if any
1	9819.9000	Cable TV operators	10%	Cable TV operators holding PEMRA's "R" category license
2	9832.0000	Programme producers and production houses	10%	---
3	9836.0000	Services provided or rendered by persons engaged in inter-city transportation or carriage of goods by road or through pipeline or conduit	5%	---

VII. REVIEW OF WITHHOLDING RULES:

The Sindh Sales Tax Special Procedure (Withholding) Rules, 2011, are proposed to be amended to disallow withholding of Sindh sales tax by the service recipients not resident in Sindh and/or not having a place of business in Sindh. While the whole of the 15% of SST on advertisements shall continue to be withheld by the withholding agents in Sindh, a uniform rate of one-fifth of the tax amount shall be withheld by other withholding agents (i.e. the service recipients of taxable services other than advertisement) in Sindh.

VIII. TARIFF SCHEDULE:

Instead of the existing positive tariff schedules (existing Schedules I and II of the Sindh Sales Tax on Services Act, 2011), all services (as are provided or rendered in Sindh or from Sindh) shall be declared to be taxable w.e.f. 01.07.2015, when

the existing positive tariff Schedules will be substituted with a negative tariff Schedule (showing exclusion from tax liability) in the next budget 2015-16.

N.B:

1. *For authentic and legal version of the proposed budgetary measures, kindly refer to the Sindh Finance Bill, 2014, as introduced in the Sindh Assembly on June 13, 2014, and as passed by the Sindh Assembly on June 25, 2014.*
2. *For the reduced concessionary rates of tax (i.e. the tax rates of 10% and 5%, as mentioned above in this paper), the exemptions and conditions thereof, necessary notifications, effective from 01.07.2014, shall be issued.*
3. *The proposed Withholding Rules (effective from 01.07.2014) shall also be issued through notification.*
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