

Fourth Quarterly Report

APRIL - JUNE
2017-2018

Sindh's Premium
Revenue
Collecting Agency

1	Summary	2
2	Revenue Growth Momentum	3
3	Top Performing Sectors	5
4	Total Registration	6
5	Sindh workers' Welfare fund	7
6	Human Resources	8
7	Audit Wing	9
8	IT Wing	10
9	Tax Policy Wing	11
10	Legal Wing	13





The fourth quarter of FY 2017-18 saw the annual collection for the year reach the magical figure of Rs. 100.18 billion.

In the fourth quarter of FY 2017-18, SRB collected Rs. 36.13 billion compared with its third quarter collection of Rs. 25.94 billion, an increase of 39.28%. The collection of Rs. 36.13 billion is an increase of 43.43% over fourth quarter collection of FY 2016-17 which stood at Rs. 25.19 billion. Collection of SWWF has increased by 156.87% as compared with third quarter collection of FY 2017-18.

The IT team is working on several new projects which would improve automation and internal control at SRB. The web portal for Sindh Institute of Fiscal Management (SIFM) is being improved with the help of SIFM concept team. The SCN software application is progressing towards its implementation and is undergoing testing phase.

Several outstanding projects saw progress during this quarter. The long outstanding employees' welfare foundation rules have been finalized and registration process has been initiated.





Prior to the establishment of SRB, Sindh Sales Tax on Services was collected by FBR. It collected and transferred an amount of Rs. 16.62 billion to the Sindh exchequer for the year 2010-11. For Fiscal year 2011-12, SRB was assigned to collect Sindh Sales Tax with an annual revenue target of Rs. 25 billion.

Table below shows an overview of SST collection (during 4th quarter) from FY 2011-12 to FY 2017-18:

Table 1.1

FY (4 th Quarter)	STATUTORY RATE (EXCLUDING TELECOMMUNICATION SERVICES)	QUARTERLY TARGET	AMOUNT COLLECTED (Rs. In Billion)	GROWTH RATE (TARGET WISE)
2011-12	16%	6,250	7,381	--
2012-13	16%	8,000	9,248	28.00%
2013-14	16%	10,500	14,735	31.25%
2014-15	15%	12,250	13,601	16.67%
2015-16	14%	15,250	18,004	24.49%
2016-17	13%	19,500	25,190	27.87%
2017-18	13%	25,000	36,126	28.21%

In the fourth quarter of the FY 2017-18, SRB has collected Rs. 36.13 billion showing a growth rate of 39.28% over third quarter collection of Rs. 25.94 billion.

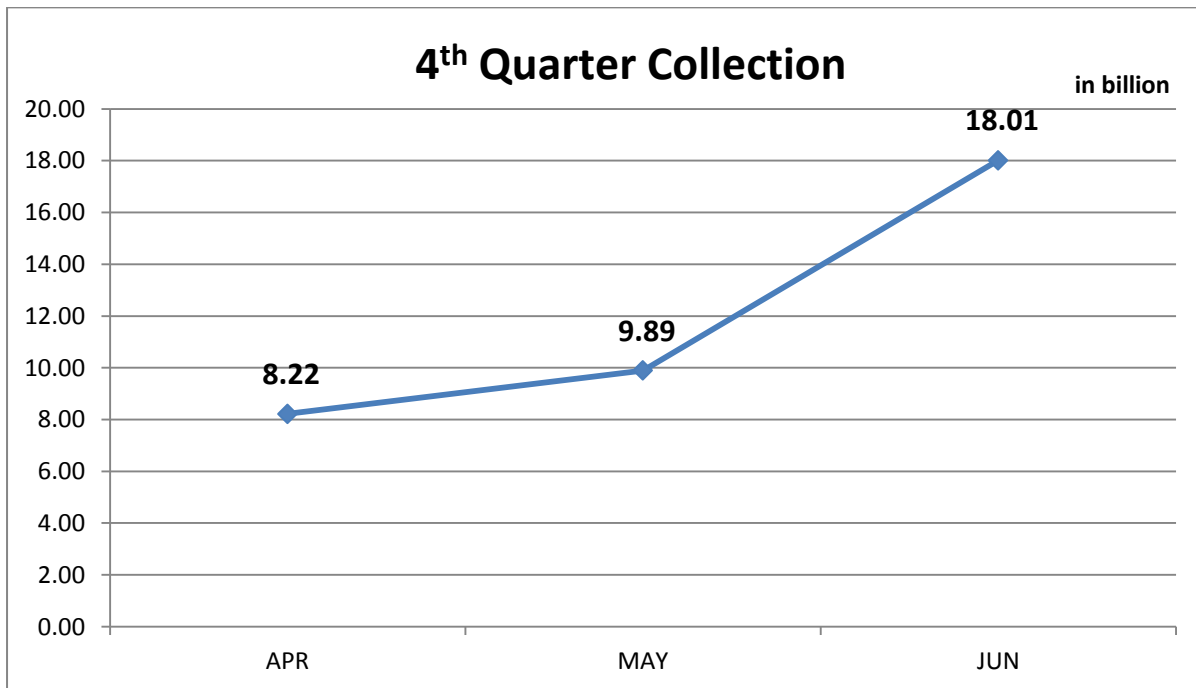
Table below shows the total collection of Sindh Sales Tax on Services during 4th quarter of FY 2017-18:

Table 1.2

MONTH	AMOUNT COLLECTED (Rs. In Billion)
APRIL	8.22
MAY	9.89
JUNE	18.01
TOTAL	36.13

The same is being reflected in graphical form as under:

Fig 1.1





Sindh Sales Tax on Services is being levied on taxable services listed in the second schedule to the Act. The said schedule contains large (Telecom, Ports & Terminals, Contract Execution, Bank etc.) as well as small sectors. A substantial part of total revenue is collected by large sectors; however, the smaller sectors also play a key role in the overall tax collection.

The following table shows the contribution of top performing sectors in the fourth quarter of FY 2017-18:

Table 1.3

TOP PERFORMING SECTORS IN 4th QUARTER OF FY 2017-18			
S.NO	SERVICE CATEGORY	TOTAL AMOUNT	% CONTRIBUTION
1	PORT ,AIRPORT & TERMINAL OPERATORS	4,340,115,535	12%
2	TELECOMMUNICATION	3,081,364,529	9%
3	FRANCHISE	2,542,533,918	7%
4	BANK	2,520,300,251	7%
5	INSURANCE	2,291,126,673	6%
6	CONTRACT EXECUTION	1,614,242,848	4%
7	CONSTRUCTION	1,121,877,174	3%
8	TECHNICAL,SCIENTIFIC & ENGINEERING CONSULTANTS	856,428,359	2%
9	BUSINESS SUPPORT SERVICES	640,876,405	2%
10	LABOUR AND MANPOWER SERVICES.	479,953,198	1%
11	SST WITHHOLDING	5,121,669,158	14%
12	MISCELLANEOUS	11,515,532,497	32%
TOTAL		36,126,020,545	100%

In the fourth quarter, Port, Airport & Terminal Operators stood at top followed by Telecommunication sector. Franchise Services took 3rd place in the top performing sectors.





Increasing the tax base by identifying service providers that are not registered is one of the prime objectives of SRB. In order to achieve this objective, an independent unit of “Survey and Development” has been created.

The table below reflects the increase in number of registrations during the fourth quarter of FY 2017-18 compared with the fourth quarter of previous FY 2016-17.

Table 1.4

FOURTH QUARTER				
S.NO	MONTH	2016-17	2017-18	GROWTH (%)
1	Apr	459	541	17.86
2	May	390	594	52.31
3	Jun	374	354	-5.35
TOTAL		1223	1489	64.82

Currently, 89 services are being taxed in SRB. A number of measures are underway to identify unregistered persons and bring them into the tax net.





Introduction

Workers Welfare Fund (WWF) was established under Sindh Workers Welfare Fund Act, 2014, to provide for the establishment of a Fund in the Province of Sindh for welfare of workers.

Requirement as to Contribution by Industrial Establishments

Section 5(1) of Sindh Workers Welfare Fund Act, 2014, requires industrial establishments to pay Sindh Workers Welfare Fund at 2% of its total income where the income of an industrial organization is not less than Rs. 500,000.

Collection Progress

In the fourth quarter of FY 2017-18, an amount of Rs. 4.98 billion has been collected which is an increase of 156.87% over third quarter collection of Rs. 1.94 billion.





HEALTH INSURANCE SURVEY REPORT

A survey about SRB sponsored health insurance coverage was conducted. The survey includes circulation of feedback form among employees to gain insight about the satisfaction level from the insurance coverage provided to them and the results are compiled in the form of a report for the review of SRB Management. The objective of the survey was to bring improvement to the existing health insurance to SRB employees.

RETIREMENT RULES

Sindh Revenue Board was founded in 2010 and is in its growing stage. Currently, SRB is in the phase of developing policies and has recently formulated draft Retirement Rules for its employees which are in the final stages of its approval from management.

COUNSELING SESSIONS FOR ATTENDANCE ISSUE

One-to-one counseling sessions were held for employees who were having issues with their attendance record, i.e., late arrival and absence from work. This was done to get to know the hindrances in their punctuality and to provide necessary counseling or advice.

JOB DESCRIPTIONS

Different positions were advertised during the year. Job Descriptions for existing and advertised positions were revised to cover more aspects of job responsibilities and same are in final phase for approval.





The Audit Wing of SRB is now better organized, manned and managed. This helps in timely compliance of taxpayers with laws, rules and regulations. SRB is in the process of strengthening this function by recruiting a team of auditors. The World Bank provided necessary support for bringing improvements in the wing.

During the 4th quarter of FY 2017-18, the Wing continued its tax audits started in the earlier quarters with the help of records provided by selected taxpayers. The overall audit process faces challenges due to delayed/incomplete/unintelligible provision of records by taxpayers.

Table below shows the overall progress of Audit wing up to 4th quarter of FY 2017-18.

Table 1.5

Progress of Audit Wing (Up to 4th Quarter of FY 2017-18)	
No. of Audits undertaken	103
No. of Contravention Reports (CRs) issued	33
Amount involved in the CRs (Rs. In Million)	948.6 (m)
No. of Audit Reports issued	39



IT wing of SRB has undertaken different projects/tasks in fourth quarter (Apr-Jun 2018). Following are the key achievements of the Wing during the 4th quarter:

- ❖ Revenue Monitoring Web-based Dashboard that visualizes the Key Performance Indicators (KPIs) and other strategic data for management at a glance; the dashboard presents management with the real-time information.

- ❖ Contract Management System-a program for storing and managing legal agreements such as contracts with vendors, leases, licensing agreements and employee contract details etc.

- ❖ Show Cause Notice (SCN) issuance application and SIFM Portal are in progress. Case Management Software has been initiated.

- ❖ SRB official website has been completed and will be deployed after approval from competent authority.

- ❖ Inbound complaints are resolved and recorded in Complaint Management System (CMS).

- ❖ Cacti application is installed in Data Center. Cacti is an open-source, web-based network monitoring and graphing tool designed as a front-end application for the open-source. Cacti allows a user to poll services at predetermined intervals and graph the resulting data.

- ❖ Configured syslog server to maintain logs for the network devices.

- ❖ IT team also performed task to replace fault Cisco Fabric Interconnect UP 6248 and configure the spare Cisco Fabric Interconnect UP 6248 to revive the fabrication of connectivity to UCS blade server to HP P6000 EVA SAN.

- ❖ IT Wing improved its System Administration site by deploying new Active Directory (AD), Additional Domain Controller (ADC) and implementation of load balancer for internet sharing connectivity.

- ❖ IT successfully completed the implementation of another internet connection for load balancing. SRB is now served by two separate internet connections. The upgrade includes advanced and dynamic routing and also allows SRB network traffic, both inbound and outbound, to switchover from one network connection to the other.



Tax Policy Wing

Tax Policy Wing deals with Sindh sales tax (SST) policies, which include 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. Tax Policy Wing also examines various tax-related and exemption-related proposals received from various 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.

ENACTMENTS ISSUED

The SRB-sponsored Sindh Sales Tax on Services (Amendment) Bill, 2018, which was passed by the Provincial Assembly of Sindh on 28th February, 2018, and was assented to by the Honorable Governor, Sindh, on 04th April, 2018. Accordingly, the Sindh Sales Tax on Services (Amendment) Act, 2018, was published in the Official Gazette of Sindh on 11th April, 2018. This Act amended section 4 (1) (b) of the Sindh Sales Tax on Services Act, 2011, to include the activity of rent, lease, license and other similar activity in the purview of "economic activity" w.e.f. 01.07.2015.

NOTIFICATIONS ISSUED:

As mandated by SRB, Tax Policy Wing issued 5 notifications No.SRB-3-4/8/2018 to No.SRB-3-4/12/2018 during 4th quarter of 2017-18. Notification No. SRB-3-4/8/2018 was issued on 15th May, 2018, 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 to get rid of litigations causing the blockage of SST revenue on Franchise and Intellectual Property Rights services (tariff heading 9823.0000 & 9838.0000), Tax Policy Wing, issued notification No.SRB-3-4/9/2018 and notification No.SRB-3-4/10/2018, both dated 16th May, 2018, specifying revival of option to pay SST at statutory rate of 13% with input tax adjustment on the said services. The said notifications resulted in resolving the current litigations issues in this regard and



helped SRB to collect the arrears and current revenues of around Rs. 1 billion on these services, which helped in the achievement of revenue target of 2017-18.

In order to encourage the compliance level from the taxpayer, Tax Policy Wing issued Notification No.SRB-3-4/11/2018 dated 18th May, 2018, specifying the Sindh sales tax relief package which provided substantial benefits and relief to the taxpayers, service providers, and withholding agents in return of their tax compliance, under the Act, 2011. Later, In deference to the request of various tax payers, the compliance date of relief package under the said notification was further extended for a period upto 30th June, 2018 vide notification No.SRB-3-4/12/2018 and 20th June, 2018. The said notification not only helped the defaulting taxpayers to liquidate their outstanding liabilities without payment of any penalty and with little default surcharges, this also helped SRB to collect approx. Rs.2 billion which ultimately helped to achieve the revenue target for 2017-18.

RESOURCE MOBILIZATION PROPOSALS FOR THE SINDH BUDGET, 2018:

Tax Policy Wing drafted the Resource Mobilization Proposals 2018-19 and submitted the same to the Finance Department, Sindh on 13th April, 2018. Formal Presentation was also made in the Finance Department on resource mobilization proposals for the Sindh budget, 2018, on 20th May, 2018.

MEETINGS

A number of meetings were held with various taxpayers and Taxpayers' Associations for resolution of the issues faced by the taxpayers in general. The Tax Policy Wing attended a fruitful meeting with the Pakistan Business Council (PBC), with a view to resolve their issue of input tax adjustment on franchise services and intellectual property rights services and consequently the above-said 2 notifications dated 16th May, 2018 were issued. Meeting with other taxpayers including Automotive Trader and Importers Associations, Pakistan State Oil (to resolve the issue of payment of workers welfare fund), etc., were also conducted.

With a view to resolving various inter-provincial issues (i.e. double taxation, origination & destination issue, STRIVE, etc.), Tax Policy Wing attended a meeting held in Lahore on 3rd April, 2018. The said meeting produced useful discussions with all Provincial Sales Tax Administrations and FBR. In the meeting, it was resolved to continue such inter-Provincial Coordination meetings at regular intervals for making harmony and simplification in Provincial sales tax laws & procedures.





A total number of 111 cases were filed in different Courts. The Legal Wing, on its own and in close liaison and coordination with the counsels of SRB, was able to get 39 Petitions/Suits disposed off during this period. One Special Sales Tax Reference Applications (SSTRAs) was filed by SRB against the judgment passed by the Honorable SRB Appellate Tribunal. The Legal Wing got admitted this reference in the Honorable Sindh High Court and notices were issued to other parties.

During this period, the case of Karachi Marriage Halls/Lawn Owners Association was decided in the favor of SRB. Moreover, the Honorable Sindh High Court passed a Judgment dated 23-01-2018 in the Constitutional petitions relating to the levy of Sindh Sales Tax on “Property Developers or Promoters”. In this regard, 20 appeals were filed by the SRB in the Supreme Court of Pakistan against the aforesaid judgment.

Summer vacation in Courts started on June 4, 2018. Only urgent matters were being fixed in the Sindh High Court. It is pertinent to mention that during summer vacation, most of the advocates proceed on leave and regular hearing of matters is deferred to dates in August or beyond after summer vacation. Moreover provisional Tax DB (Divisional Bench) only heard urgent matters. In this background, the progress in Court matters during this period was somewhat slow.



Tables below further elaborate the position of cases before superior judiciary:

Table 1.6

Position of Cases before Superior Judiciary		
S.No	Nature of Case	Total Pending cases in Qtr-4 Apr, 2018 to Jun, 2018
1	Constitutional Petitions	66
2	Suits	20
3	SSTRAs: i) By SRB ii) Against SRB	i) 1 ii) 3
4	Civil Appeals	20 (CPLA)
5	Writ Petition ICH	1
	Total	111

Table 1.7

Position of Disposed of Cases before Superior Judiciary		
S.NO	DISCRIPTION	QTR-4
1	Constitutional Petitions	23
2	Suits	16
	Total	39

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