

Third Quarterly Report

JANUARY - MARCH
2017-2018

**Sindh's Premium
Revenue
Collecting Agency**

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In the third quarter of FY 2017-18, SRB has collected Rs. 25.94 billion compared with its second quarter collection of Rs. 19.62 billion. The collection in the third quarter of current fiscal year shows a growth of 38.49% over third quarter collection of previous year which stood at Rs. 18.73 billion. Moreover, the collection of SWWF has increased by 200% as compared with second quarter collection of the same fiscal year.

During the quarter, two senior officers of provincial government of Sindh joined SRB in the capacity of Senior Member (Legal) and Member (IT) which has further strengthened the organization. The IT Wing has undertaken various projects including the issuance of e-notices, online order-in-original etc. Few other projects are in planning phase. The Audit Wing continued its tax audits which started early this year.

Several outstanding projects saw progress during this quarter. The long outstanding employees' welfare foundation trust deed was finalized. The foundation is likely to be established soon.

The process of organizational restructuring was started and a new organizational chart is expected to be finalized soon.





Sindh Revenue Board (SRB), since its inception in 2011, has been given challenging revenue targets with growth rate ranging from 25% to 36% per annum. Fortunately, with the efforts of SRB employees, support of the government and trust of taxpayers, it has always been able to achieve its assigned targets.

Before the inception 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 25 billion which represented an increase of 36.76% over FBR's collection. SRB not only achieved the assigned target but exceeded it.

Table below shows an overview of SST collection (during 3rd quarter) from FY 2011-12 to FY 2017-18:

Table 1.1

FY (3 RD Quarter)	STATUTORY RATE (EXCLUDING TELECOMMUNICATION SERVICES)	QUARTERLY TARGET	AMOUNT COLLECTED	GROWTH RATE (TARGET WISE)
2011-12	16%	6,250	6,747	--
2012-13	16%	8,000	8,344	28.00%
2013-14	16%	10,500	9,934	31.25%
2014-15	15%	12,250	17,379	16.67%
2015-16	14%	15,250	15,149	24.49%
2016-17	13%	19,500	18,919	27.87%
2017-18	13%	25,000	25,939	28.21%

In the third quarter of the ongoing Fiscal Year, SRB has collected Rs. 25.94 billion showing a growth rate of 32.21% over second quarter collection of Rs. 19.62 billion and the pace is expected to increase in the final quarter.



The growth in monthly revenue collection in 3rd quarter of FY 2017-18 reflects the continued confidence and trust of taxpayers in SRB policies and its taxpayer friendly service.

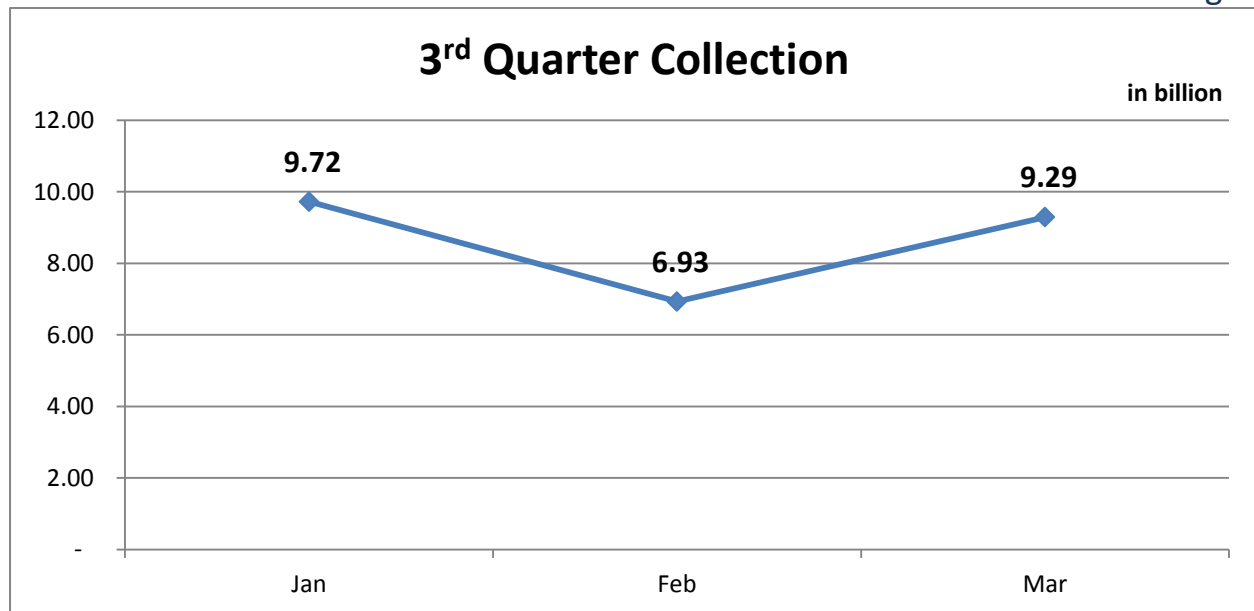
Table below shows the total collection of Sindh Sales Tax on Services during 3rd quarter of FY 2017-18:

Table 1.2

MONTH	AMOUNT COLLECTED
JAN	9.72
FEB	6.93
MAR	9.29
TOTAL	25.94

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 importance of smaller sectors cannot be under estimated as collectively they contribute significantly in overall revenue collections.

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

Table 1.3

TOP PERFORMING SECTORS IN 3 rd QUARTER OF FY 2017-18			
S.NO	SERVICE CATEGORY	TOTAL AMOUNT	% CONTRIBUTION
1	TELECOMMUNICATION	4,705,651,351	18%
2	PORT ,AIRPORT & TERMINAL OPERATORS	2,391,738,465	9%
3	CONTRACT EXECUTION	2,057,523,052	8%
4	BANK	1,729,856,946	7%
5	INSURANCE	1,261,667,735	5%
6	FRANCHISE	956,009,614	4%
7	CONSTRUCTION	893,636,287	3%
8	TECHNICAL,SCIENTIFIC & ENGINEERING CONSULTANTS	598,158,997	2%
9	BUSINESS SUPPORT SERVICES	426,020,609	2%
10	LABOUR AND MANPOWER SERVICES.	423,955,960	2%
11	SST WITHHOLDING	2,056,908,013	8%
12	MISCELLANEOUS	8,438,241,066	33%
TOTAL		25,939,368,095	100%

As in second quarter, Telecommunication sector stood at top followed by Port, Airport & Terminal Operators. In this quarter, Contractual Execution took 3rd place replacing Banking Sector. Collection from Telecommunication services in the third quarter of FY 2017-18 stood at Rs. 4,705 million compared with second quarter which stood at Rs. 2,634 million, showing a growth rate of 78.62%.

Ports, Airport & Terminal Operators collected Rs. 2,391 million compared with second quarter collection of Rs. 2,166 million, exhibiting growth rate of 10.38%. Contract Execution collected Rs. 2,057 million during the third quarter of current FY 2017-18 compared with second quarter collection of Rs. 1,148 showing a growth rate of 79.18%.





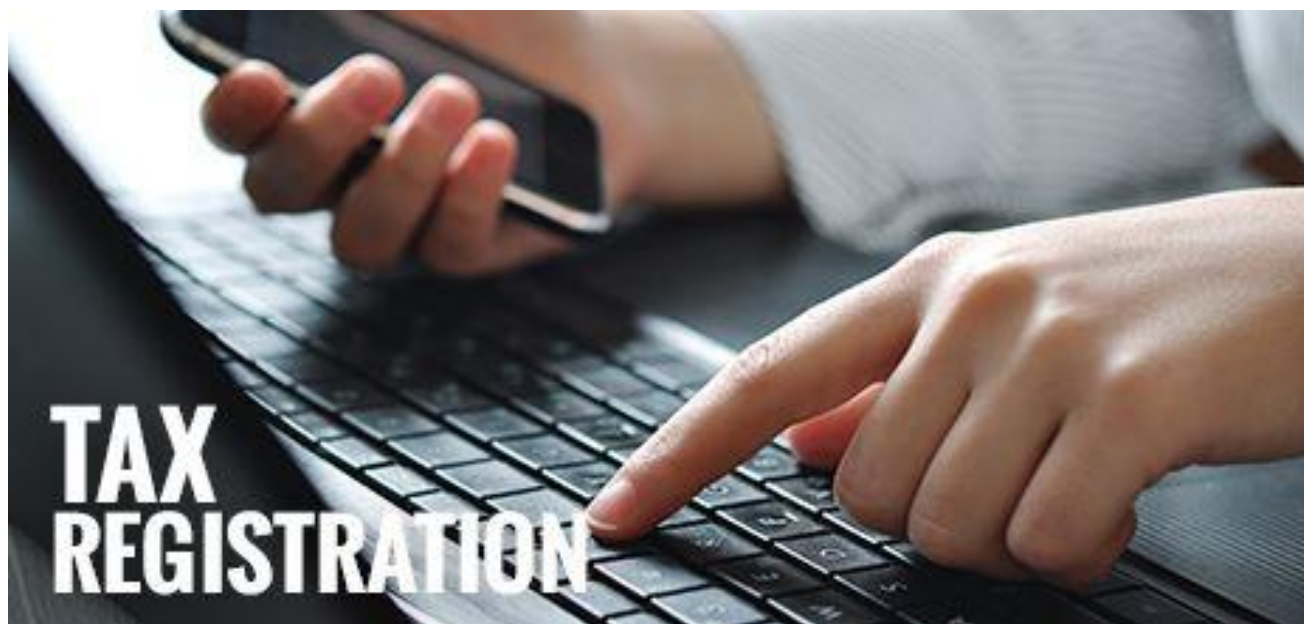
One of the prime objectives of SRB is to increase the tax base by identifying service providers that are not registered with SRB. In order to achieve the said objective, an independent unit of “Survey and Development” was created in the third quarter under the direct supervision and control of ‘Secretary SRB’.

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

Table 1.4

THIRD QUARTER			
S.NO	MONTH	2016-17	2017-18
1	Jan	534	595
2	Feb	454	668
3	Mar	467	633
TOTAL		1455	1896

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

As suggested by its nomenclature, 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

Table below reflects the collection progress during the three quarters of FY 2017-18:

Table 1.5

QUARTER	COLLECTION	CONTRIBUTION (QUARTER WISE)	GROWTH OVER QUARTERS
Q1	331,304,162	11.35%	--
Q2	647,083,821	22.17%	95.3%
Q3	1,939,427,763	66.46%	200%
TOTAL	2,917,815,746	100%	--

In the third quarter of FY 2017-18, an amount of Rs. 1,939,427,763/- has been collected which exhibits an increase of 200% over second quarter collection of Rs. 647,083,821/- and a colossal 485.39% over the first quarter collection of Rs. 331,304,162/-.





Induction of Senior Member (Legal) and Member (IT)

Recently two Members have joined Sindh Revenue Board in the capacity of Senior Member (Legal) and Member (IT/Reforms). A very warm welcome to the new Members of the Board, and SRB looks forward to their guidance and counsel as we make further progress in achieving the targets prescribed.

Recruitment of Expert (Legal)

Sindh Revenue Board has recently hired an Expert (Legal) with vast experience of law, to represent the Sindh Revenue Board in courts of law.

Recruitment of Auditors, SSTOs etc.

Sindh Revenue Board is in the process of strengthening and building a workforce with strong skills, abilities and knowledge. By enhancing the capability and capacity of our workforce, we will enhance the ability of SRB to meet the revenue needs of the Province. SRB has started the process of hiring several categories of employees, i.e, Auditors, Sindh Sales Tax Officers and Multiple Contractual positions to cater for the workforce deficiency.

Selection of HR Consultant Firm

The Government of Sindh (GoS) attaches great importance to development for the people of Sindh. It aims to continue with its programs of investment in human capacity and public infrastructure for improved economic growth and human development. In this regard, SRB is mobilizing expert consultant (s) to help SRB plan, design, and implement HR reform initiatives.

Proposals are being solicited from reputable HR consulting firm for restructuring of SRB.

Training

During the quarter, a comprehensive workshop on ‘Strengthening Audit Functions’ was conducted by a World Bank Trainer at Sindh Institute of Fiscal Management. The said workshop was also attended by FBR officers.



Leave Rules

SRB management approved revised leave rules in line with proposed restructuring of the organization. The new revised rules have been prepared to be in line with increasing revenue targets year after year.

Initiative to Formulate Sindh Revenue Board Welfare Fund

SRB strongly believes in providing its team members best-in-class facilities. In line with this philosophy, a welfare policy has been finalized.

Employees Data Update

Current and updated records of employees are crucial to the success of an organization. It helps to create a comprehensive view of all employees and provides information in all management decisions related to employees. Therefore, SRB has started an exercise to ensure that all information provided by employees is accurate.

A new form has also been developed and circulated among employees to collect the information of qualification they are currently pursuing.

Dress Code Guidelines

SRB expects employees to dress appropriately in business attire. Professional business attire is essential for our reputation. An appropriate dress code guideline has been circulated among employees.





The Audit Wing of SRB, with the help of World Bank and close attention of its management is now more organized, better manned and managed to ensure timely compliance of taxpayers with laws, rules and regulations. Currently, SRB is in process of recruiting auditors to further strengthen its audit functions.

During the third 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. Delayed/piecemeal/incomplete/unintelligible provision of records by taxpayers has resulted in lost time and hampered the overall audit disposal.

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

Table 1.6

Progress of Audit Wing (Up to 3rd Quarter of FY 2017-18)	
No. of Audits undertaken	93
No. of Audit observation issued	52
Amount observed (Rs. In Million)	1.178
No. of Contravention Reports (CRs) issued	11
Amount involved in the CRs (Rs. In Million)	568.240
No. of Audit Reports issued	9

Remaining audits are under scrutiny and observations in this regard shall be finalized and issued in the 4th quarter of FY 2017-18.

Moreover, as per revised Disbursements Linked Indicators (DLI) for FY 2017-18, a verification protocol (for 3rd party verification prepared as per World Bank Consultants advice) which will be finalized in May, 2018. Following its approval, selected taxpayers shall be notified in FY 2017-18, for Audit to be undertaken in FY 2018-19.





IT wing of SRB has undertaken different projects/tasks in third quarter (Jan-Mar 2018) which included issuance of e-notices to taxpayers. It provided technical support to SIFM for its capacity building programs and developed online Order-in-Original application which would replace old manual register.

IT wing also developed offline databases for master and transactional data to improve speed and query performance. In addition to this, automated Show Cause Notice (SCN) issuance application, Case Management Software and Intra-office Portal with single login is in planning phase. Prototypes for these applications are in the approval process.

Moreover, SRB website is being revisited with attempt to make it more user-friendly and appealing to assist potential and existing taxpayers. It would also help SRB in conducting HR talent search. Emphasis is being laid on gradual improvement in documentation procedures for application development processes.



BRIEF BACKGROUND:

Tax Policy Wing of SRB has been assigned the functions to deal with the taxation policies of Sindh sales tax (SST), which include formulation of resource mobilization proposals for the annual budget, formulation of proposals for amendment 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 proposals and exemption-related proposals received from various Chambers of Commerce & Industry or from 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, in relation to tax matters are also examined and processed in the Tax Policy Wing and compliance reports are prepared. Tax Policy Wing also issues Rulings/Clarifications/Notifications/Standing Orders for the benefit of the taxpayers and tax collectors and also for resolution of disputes or removal of doubts.

NOTIFICATIONS ISSUED:

As mandated by SRB, Tax Policy Wing issued 7 notifications including Notification No. 3-4/1/2018 dated 2nd February, 2018, specifying "Sindh Sales Tax Special Procedure (Transportation or Carriage of Petroleum Oils Through Oil Tankers) Rules, 2018, in terms of sub-section (4) of section 3, sub-section (3) of section 9, and section 72 of the SSTOS Act, 2011, with a view to resolving the long standing issue of sales taxation in case of intra-province and inter-province services of transportation of petroleum oils through oil tankers. With the issuance of this notification, SRB took the distinction of being the first provincial tax authority to implement the agenda of the meeting held on September 13, 2017 in the Ministry of Petroleum & Natural Resources, Islamabad, where it was agreed that all provincial tax authorities will provide harmonious rate of tax at 15% and shall share the revenue on 50:50 basis in case of inter-province transportation or carriage of Petroleum oils through oil tankers.

Notification No. SRB-3-4/2/2018 dated 2nd February, 2018 specifies the exemptions of SST on the services of Advertisements conveying public service message in relation to polio eradication program by UNICEF.



Notification No. SRB-3-4/3/2018 dated 6th February, 2018, specifies the exemption of SST as are available to Sindh ADP projects under notification No.SRB-3-4/9/2017 dated 2nd June, 2017, shall mutadis muntadis apply to the PSDP projects located in Sindh and funded wholly or partly by the Federal Government.

Notification No. SRB-3-4/4/2018 dated 28th February, 2018 and Notifications No. SRB-3-4/5/2018 to No. SRB-3-4/7/2018, all dated 08th March, 2018, were issued, spelling out the re-distribution of jurisdictions and functions of the certain officers of the SRB in terms of sections 34, 35 and 36 of the Act, 2011.

CIRCULARS ISSUED:

Circular No. 01/2018 issued on 22nd February, 2018, specifies the appointment of an officer of the SRB (i.e. the Deputy Commissioner, Headquarters) to be the designated officer of Sindh Revenue Board for the purposes of the Sindh Transparency and Right to Information Act, 2016 (Sindh Act No. XV of 2017).

In deference to the request made by the concerned stakeholders, Tax Policy Wing issued Circular No.2/2018 dated 6th March, 2018, extending the time limit for the submission of written option/election as required under rule 3 of the Sindh Sales Tax Special Procedure (Transportation or carriage of petroleum oils through oil tankers) Rules, 2018, for a period upto 31st March, 2018.

BILLS PASSED/APPROVED:

With a view to bringing the definition of “economic activity” under section 4 of the SSToS Act, 2011, following the observation in the judgment of the Sindh High Court in the case of renting of immovable property services, a Bill titled “Sindh Sales Tax on Services (Amendment) Bill, 2018 (Sindh Bill No. 05 of 2018)” duly approved by the Cabinet and passed by the Provincial Assembly of Sindh on 31st January, 2018. Later, this Bill was assented to by the Governor of Sindh on 4th April, 2018, and became the Sindh Sales Tax on Services (Amendment) Act, 2018 (Sindh Act No. VII of 2018). The amendment manifested the legislative intent in relation to Sindh Sales Tax on “renting of immovable property services”.



DISCOURSE WITH TAXPAYERS & TAXPAYERS' ASSOCIATIONS:

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 also attended meetings in the Pakistan Business Council (PBC), Institute of Chartered Accountants of Pakistan (ICAP) and the Overseas Investor's Chamber of Commerce & Industry (OICCI) scheduled in March 2018, respectively with a view to acquainting itself of the issues faced by the taxpayers & taxpayers' representatives.

RESOURCE MOBILIZATION PROPOSALS FOR THE SINDH BUDGET, 2018:

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 examined and formulated views, comments and recommendations on all the budget proposals. For this purpose, Tax Policy Wing also held meetings with PBC, ICAP and OICCI. Accordingly, Tax Policy Wing drafted the Resource Mobilization Proposals 2018-19 and submitted the same to the Finance Department, Sindh on 13th April, 2018. The budget speech relating to the SRB and SST was also prepared, and sent to the Finance Department for incorporation in the budget speech for FY 2018-19.





A total number of 75 cases were filed in different Courts during the third quarter of FY 2017-18. The Legal Wing on its own and in close liaison and coordination with the counsels of SRB has been able to get 42 Petitions/Suits disposed off by the Honorable Courts. Moreover, the case of ABAD was not decided in favor of SRB against which leave to appeal was filed by SRB before the Supreme Court of Pakistan. Table 1.9 gives a breakup of the 75 cases.

During the said period, efforts were initiated to construct SRB's own case flow management system on the lines of Sindh High Court and simultaneously to integrate SRB's legal database with the High Court's I.T system. In this regard I.T Wing was given a comprehensive brief and a working paper was discussed and handed over to I.T Wing. The system is expected to start functioning soon. By these measures, the working and efficiency of the Legal Wing is expected to further improve.

Simultaneously, efforts were made by the Legal Wing to collect Rs. 2,110,141,701 from the Nazir of Honorable Sindh high Court in the case of M/s PTCL in Suit No. 1194/2013. This is the single largest collection by SRB in one go.

During the same period, a detailed Standard Operating Procedure (SOP) in relation to Para-wise comments /Written comments in litigation before the Honorable Courts was issued to streamline and expedite the process so that SRB cases are properly defended and cause of revenue protected in the courts.

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

Table 1.9

Position of Cases before Superior Judiciary		
S.No	Nature of Case	Total Pending cases in Qtr-3 Jan, 2018 to Mar, 2018
1	Constitutional Petitions	42
2	Suits	21
3	SSTRAs: i) By SRB ii) Against SRB	i)8 ii) 3
4	Civil Appeals	1 (CPLA)
	Total	75



Table 2.0

STATUS OF CASES		
S.NO	DISCRIPTION	QTR-3
1	Cases disposed off	42
2	Cases Lost	30
3	Cases Won	12
4	Cases Dismissed	2



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