



PROPELLING
Prosperity

SINDH REVENUE BOARD

ANNUAL REPORT
2015-16

“VERILY, NEVER
WILL GOD CHANGE
THE CONDITION OF
A PEOPLE UNTIL
THEY CHANGE IT
THEMSELVES...”

AL-QURAN (13:11)

Table of Contents

Chapter 1	Background and Introduction	09
Chapter 2	Revenue Collection Trends	17
Chapter 3	Tax Collection Analysis	21
Chapter 4	Major Sectors Profiles	27
Chapter 5	Registered Taxpayers	39
Chapter 6	Sindh Workers' Welfare Fund (SWWF)	45
Chapter 7	Audit Wing	49
Chapter 8	Information Technology Wing	53
Chapter 9	Reform Activities	57
Chapter 10	Human Resource Management	61
Conclusion	65

VISION:

To develop as a modern, credible, efficient, effective and transparent tax administration.

MISSION:

Adopt modern techniques, knowledge and information systems to promote tax culture based on justice, equity, fairness and mutually respectful interaction with the taxpayers and other stakeholders.



VISION & MISSION

FOREWORD

Services are an important contributor to the Gross Domestic Product of a country. While products remain visible to the tax collectors, services remain less visible because of their intangibility. In the past, contribution of sales tax on services towards national tax collection had remained significantly low - in single digit.

The levy and collection of the tax on services was with the Federal Board of Revenue (FBR) till 2010, courtesy the collective delegation of authority by the provinces in 2000. True potential of services sector could not be tapped owing to various factors, salient of which was FBR's focus on the collection of federal taxes. Services sector taxation remained sluggish, and was assigned a lower level of priority. The number of registered taxpayers, in respect of services, remained virtually static, with the tax collectors directing their efforts to income and goods related taxes.

The Eighteenth Amendment to the Constitution of the Islamic Republic of Pakistan, brought out in 2010, redefined the constitutional domains of provinces with regard to levy and collection of sales tax on services. Assumption of this mandate ushered in umpteen opportunities for growth of this tax in the province of Sindh. With economic and strategic significance of Sindh in view, Karachi as its capital, there was immense potential, to be explored. The Seventh NFC Award further stamped the authority and the province of Sindh embarked on course to pursue the intended provincial targets, by taking the first major step of creating Sindh Revenue Board (SRB), and tasking it with the levy and collection of sales tax on services.

Collection of sales tax on services has significantly helped Sindh in achieving self reliance. Having collected Rs. 25,007 million in the first year of its inception, i.e. 2011-12. SRB contributed Rs. 61,605 million to the provincial exchequer in 2015-16, targeting a collection of Rs.78,000 million for the year 2016-17. SRB looks forward to generating resources for further improvement in

the tax collection and its contribution to the tax-to-GDP ratio.

The Annual Report 2015-16 reflects the progress, rooted in the endurance and rigour that SRB went through since its onset in 2011-12. It's the hard-work and commitment of its staff, led by sincere and forward-looking leadership that have brought this magnificent growth to pass. Use of technology and better management tools has been of considerable help to the organization in its endeavor to raise the level of revenue receipts.

I must thank the Chief Minister of Sindh, Syed Murad Ali Shah, and members of the provincial legislature for their enduring support to the SRB, helping it achieve its objectives. Mr. Naveed Kamran Baloch, Principal Secretary to the Chief Minister, deserves our special mention for his unstinted encouragement and valuable advice. Special thanks to members of society, academic and research institutions, and the Sindh government departments whose support was immensely important for SRB to set its direction and navigate through the arduous way it did. Our appreciation goes to Mr. Alam Din Bullo and Mr. Misri Ladhani who headed the organization, in part, in FY 2015-16 for their role and contribution in its growth.

I would also like to put on record my appreciation for the contribution, made by Syed Mushtaque Kazimi, Advisor (Tax Policy), to the progress that SRB has made and providing valuable advice for this report. Thanks are also due to Dr. Noor Alam, Senior Member (Audit) who supervised the preparation of report; as also to Mr. Tarique Hussain Tunio, Commissioner-I, Mr. M. Masood Sabir, Commissioner-II and Mr. M. Iqbal Lakho, Commissioner-III, whose inputs were highly useful.

Karachi
March 31, 2017.

Chairman
Sindh Revenue Board

“Sindh has impressively diversified its tax base and increased collection from sales tax on services in recent years. All provinces need to invest more in capacity building and streamlining their tax collection machineries.”

State Bank of Pakistan
Annual Report 2015-2016
(State of Economy)

BOARD & SENIOR MANAGEMENT



MR. KHALID MAHMOOD
(CHAIRMAN)



MR. NAVEED KAMRAN BALOCH
(PRINCIPAL SECRETARY TO CM)



DR. NOOR ALAM
(SENIOR MEMBER - AUDIT)



MR. S. MUSHTAQUE KAZIMI
(ADVISOR - TAX POLICY)



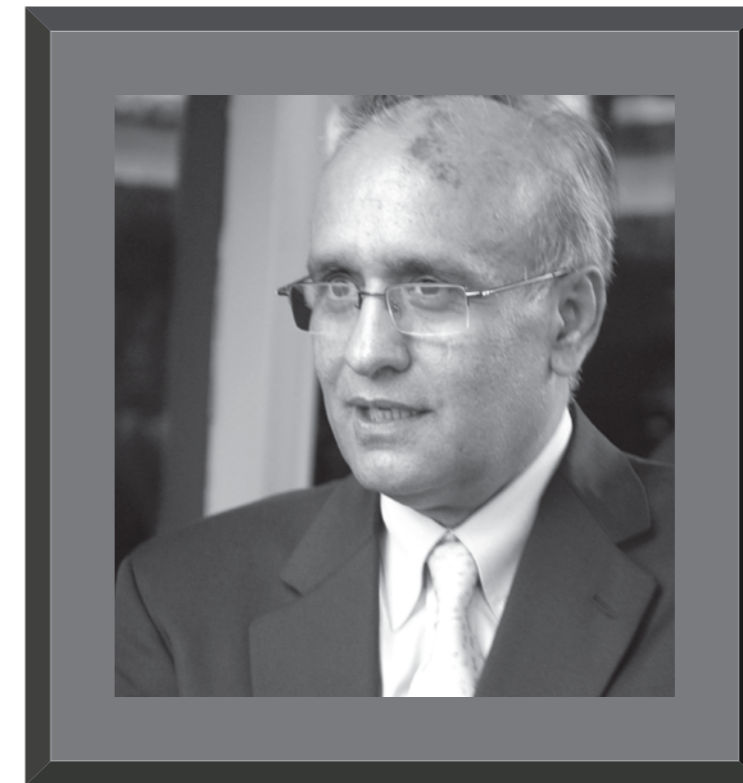
MR. HASSAN NAQVI
SECRETARY FINANCE
(EX-OFFICIO MEMBER)



MR. ZULFIQAR SHAH
MEMBER (R&S WING), BOR, SINDH
(EX-OFFICIO MEMBER)



MR. FAZLULLAH PECHUHO
SECRETARY, HEALTH
(EX-OFFICIO MEMBER)



A Tribute to Mr. Tashfeen Khalid Niaz (Late)

(1956-2016)

*(Former Chairman, SRB who passed away due
to heart ailment on 2nd June, 2016)*

Mr. Tashfeen Khalid Niaz assumed the charge of Chairman, SRB on 23rd April, 2013.

He was a seasoned banker and his exposure was mainly in the domains of credit/risk management. He worked at senior management positions in Pakistan and abroad. He had expertise in Strategic Planning and Risk Management. A graduate from Government College of Commerce and Economics, Karachi, he also held a post-graduate diploma from University of Sunderland, UK. Late Mr. Niaz led SRB in its formative years and witnessed it emerging as a leading public sector institution in the province. The officials in SRB remember him for the passion and dedication with which he worked for its growth and welfare of its employees. May his soul rest in peace.



BACKGROUND AND INTRODUCTION

1.1 History of Sales Tax in General in Pakistan

After its birth, Pakistan adopted the Government of India Act, 1935 as the provisional constitution of Pakistan. Under the said Act, the power to levy and collect taxes on the sale of goods and advertisement services was vested in the provinces. However, since the government of this nascent state was under immense pressure to mobilize resources to finance the gigantic tasks that confronted it, levy and collection of sales tax on goods was made a federal subject in 1948. Subsequently, the federal character of sales tax on goods was maintained under all the three constitutions of Pakistan

The first federal enactment for the levy of sale tax on goods was the General Sales Tax Act, 1948, which came into force on 1st April, 1948. This Act was repealed by the Sales Tax Act, 1951, which in turn was repealed by the Sales Tax Act, 1990.

Under the General Sales Tax Act, 1948 as well as the Sales Tax Act, 1951, sales tax was initially levied only on 'sale' and 'consumption' of goods. However, later on, its scope was widened to include sales, importation, exportation, production, manufacturing and consumption of goods.

1.2 History of Sales Tax on Services in Pakistan

Sales tax on services has always remained in the legislative domain of the provinces and has never been a federal subject. Neither the 'Federal Legislative List' nor the 'Concurrent Legislative List' in any of the Pakistan's constitutions has ever listed 'sales tax on services' as a federal subject. Hence, no enactment has been made by the federation of Pakistan regarding levy of sales tax on services. Services have, however, been subjected to another indirect tax by the federation of Pakistan i.e. 'Federal Excise Duty' (FED), which despite being in 'sales tax mode,' remains a duty of excise.

It was in the year 2000 that sales tax on services was imposed in Pakistan for the first time and all four provinces in the country promulgated their respective ordinances providing for its levy. In 2001, the federation of Pakistan promulgated the Islamabad Capital Territory (Tax on Services) Ordinance, 2001 for Islamabad Capital Territory with the same objectives. The effective dates/periods of the said ordinances are outlined in the Table 1.1 below:

TABLE 1.1

S. No.	Provincial Laws	From	To
1	The Sindh Sales Tax Ordinance, 2000	01.07.2000	30.06.2011
2	The Punjab Sales Tax Ordinance, 2000	01.07.2000	30.06.2012
3	The KPK Sales Tax Ordinance, 2000	01.07.2000	30.06.2013
4	The Baluchistan Sales Tax Ordinance, 2000	01.07.2000	30.06.2015
5	The Islamabad Capital Territory (Tax on Services) Ordinance, 2001	18.08.2001	Still in Force

In 2010, the Eighteenth Constitutional Amendment explicitly excluded sales tax on services from the federal legislative powers.

1.3 Sindh Sales Tax Ordinance, 2000

The Sindh Sales Tax Ordinance, 2000 ('the Ordinance') was promulgated by the Government of Sindh (GoS) for the levy of sales tax on services. The Ordinance, extended to the whole of Sindh, came into force on 1st July, 2000.

1.3.1 Services chargeable to Sales Tax under the Ordinance

The following services were made chargeable to sales tax under the Ordinance:

1. Hotels
2. Marriage halls and lawns
3. Clubs
4. Caterers
5. Advertisement on TV and radio
6. Customs agents
7. Ship chandlers
8. Stevedores
9. Courier services
10. Personal care services (as provided/rendered by beauty parlours, beauty clinics, slimming clinics, etc)
11. Laundries and dry cleaners.

1.3.2 Administration of the Ordinance

At the time of promulgation of the Ordinance, there was no tax agency in the province, experienced and capable, to be entrusted with the levy and collection of the tax on services. The collection of sales tax under the Ordinance, was, therefore, delegated to the FBR. Moreover, as the Ordinance itself did not provide the operational mechanism, the services meant to be taxed under the provincial legislation, were placed under the umbrella of the Sales Tax Act, 1990 by virtue of section 3(3) of the Ordinance, with a view to borrowing the federal arrangement, for smooth enforcement of the tax law on services. Accordingly, the provisions of the Sales Tax Act, 1990 were deemed to apply, mutatis-mutandis, to the Sindh sales tax on services under the Ordinance, in respect of the following:

- Manner, time, and mode of payment;
- Registration and de-registration;
- Keeping of records and audit;
- Enforcement and adjudication;
- Penalties and prosecution; and
- All other allied and ancillary matters.

FBR thus collected sales tax on taxable services, given in section 1.3.1, under the Ordinance over the period from 1st July, 2000 upto 30th June, 2011. The Sindh Sales Tax on Services Act, 2011, came into effect from 1st July, 2011.

1.4 Seventh National Finance Commission (NFC) Award

Besides recognizing the constitutional right of the provinces to levy and collect sales tax on services, the issue of collection of sales tax on services was also discussed in the Seventh National Finance Commission Award (NFC). NFC Secretariat recommended that FED on services, which were subject to sales tax, be withdrawn through the Finance Bill, 2010, since sales tax on services had been made a provincial subject. The recommendation dated 30th December, 2009, was unanimously adopted, thereby recognizing the provincial right to collect sales tax on services.

1.5 Evolution and Establishment of the Sindh Revenue Board

Invoking the constitutional right to levy, administer and collect sales tax on services pursuant to the Eighteenth Constitutional Amendment and the Seventh NFC Award, GoS promulgated the Sindh Revenue Board Act, 2010, providing for the establishment of SRB, a semi-autonomous body, to regulate the matters related to the fiscal and economic policies, administration and management, imposition, levy and collection of taxes, duties, and other levies in the province of Sindh.

SRB was established and made responsible for the administration and enforcement of SST under the Act, 2011. SRB also accepted the responsibility for the overall tax policy, taxpayers' education, taxpayers' facilitation and tax administration. In order to better perform

the assigned responsibility, SRB deployed a database for assessment, audit, tax monitoring, tax coordination, and verifications. It also developed a strong IT team and a state-of-the-art data centre, capable of absorbing, assimilating and storing the data of all provincial taxes in the province. Registration, enrollment, tax payment and return filing, in respect of tax on services, have been automated and are done electronically.

The systems at work in SRB have brought, in their wake, transparent practices, reducing the interface between the taxpayer and the collector. This has improved the potential/capacity of the province to automate other taxes through online applications. It has also removed misconception regarding the capacity of the province for

1.6 Sindh Sales Tax on Services Act, 2011

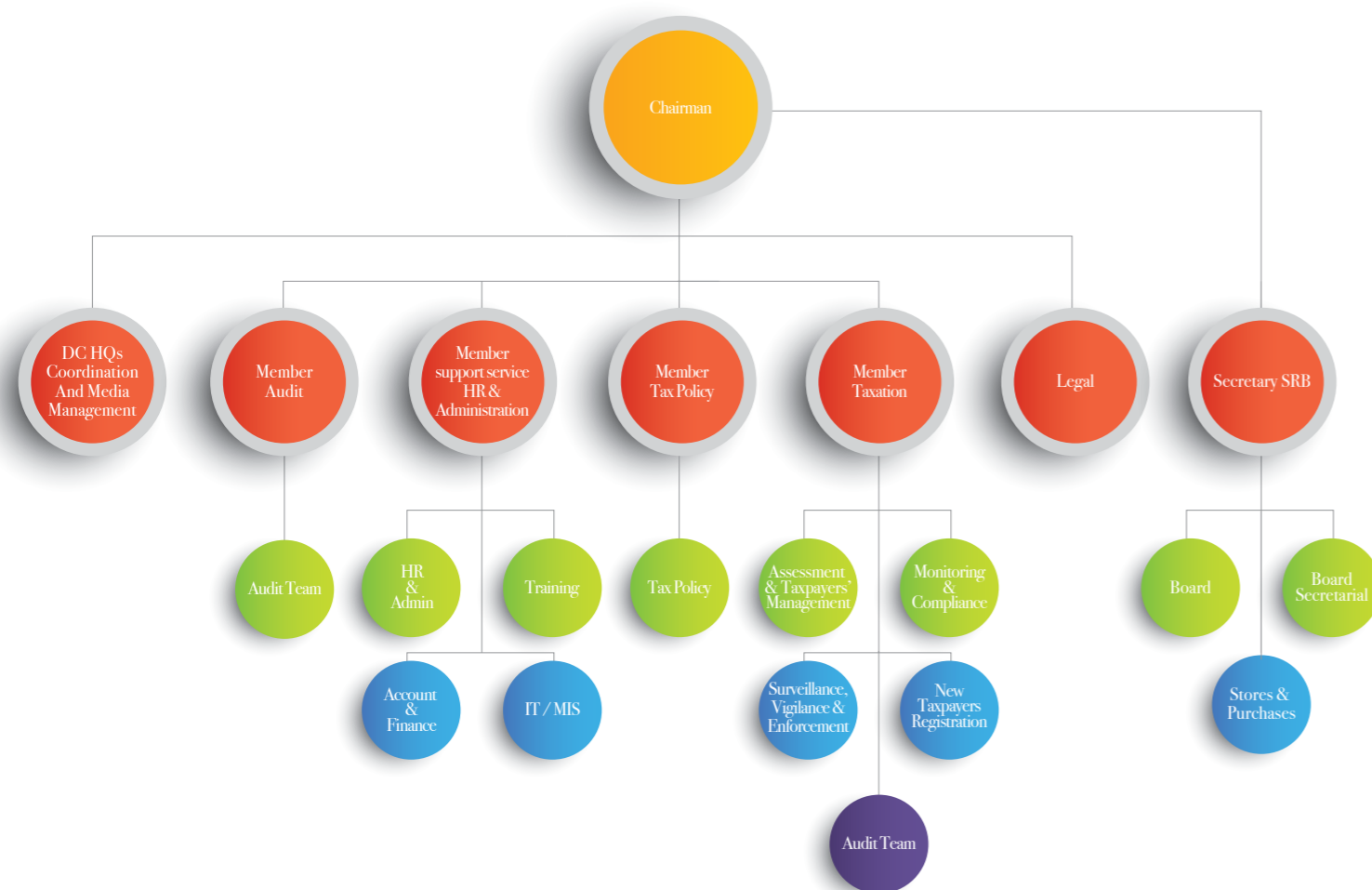
Sixth of June, 2011, is a historic day in the legislative history of Pakistan, as on this day the province of Sindh asserted its constitutional right to levy, assess, collect and administer sales tax on services provided or rendered in the province, and enacted Sindh Sales Tax on Services Act, 2011 (Act, 2011) for the purpose of levy and collection of Sindh Sales Tax (SST) on services provided or rendered in the province. The Act, 2011, took effect from 1st July, 2011.

administering the taxes and ensuring their effective collection.

1.7 Management and Structure of SRB

1.7.1 Organogram

Table 1.2 below provides the current organogram of SRB:



An independent appellate function is working through the Commissioner (Appeals), SRB and the Appellate Tribunal.

1.7.2 Board and senior management

SRB is a semi-autonomous organization of GoS, with its Chairman reporting to the Chief Minister of the province. It is managed and controlled by a Board, comprising at least four members and a Chairman. Currently, besides the Chairman, there is one full-time member

and three ex officio members on the Board. The role of the members is more akin to the members of a corporate board. SRB's policy and enforcement functions are supervised by Advisor for Tax Policy, ably assisted by commissioners. The details are outlined in Table 1.4 below:

TABLE 1.4

S. No.	Designation	Officer Name
1	Advisor (Tax Policy)	Syed Mushtaque Kazimi
2	Commissioner-I	Mr. Tarique Hussain Tunio
3	Commissioner-II	Mr. Masood Sabir
4	Commissioner-III	Mr. Muhammad Iqbal Lakho
5	Commissioner (Audit)	Mr. M. Masood Sabir

1.7.3 Current working strength

SRB has a working strength of 179 persons at present, as depicted in Table 1.5 below:

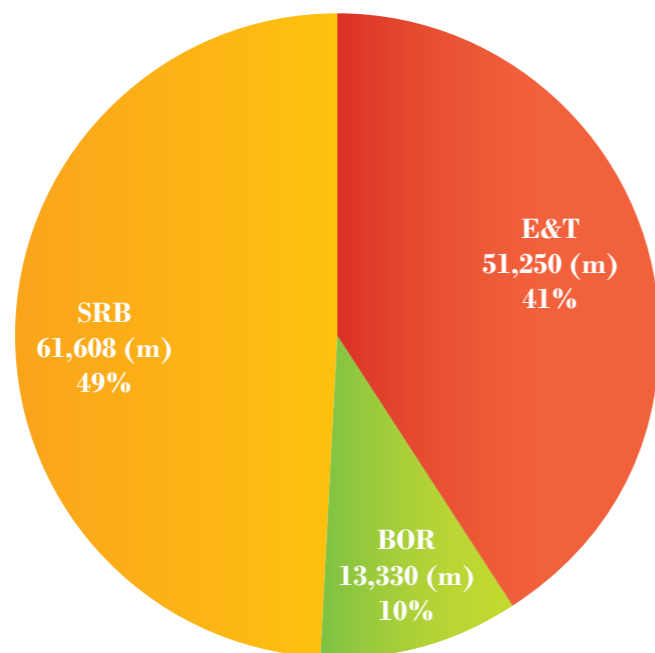
TABLE 1.5

Designation	Number
Chairman	1
Members	4
Advisor	1
Secretary	0
Commissioners	4
Procurement Specialist	1
Deputy Commissioners	13
Assistant Commissioners	62
Internees	0
Sindh Sales Tax Officers	33
Finance & Account Officers/Official	7
Admin support staff	53
Total	179

1.8 SRB - the largest contributor to provincial tax receipts

SRB is the top contributor of revenue to the Sindh exchequer during the fiscal year 2015-16, SRB has contributed Rs. 61,608 million to the Sindh exchequer as compared to

a contribution of Rs.51,250 million by Excise & Taxation Department and Rs.13,330 million by the Board of Revenue. SRB revenues account for 49% of the total tax receipts to the Sindh exchequer, as depicted in Figure 1 below:



Frere Hall, Karachi



Syed Qaim Ali Shah, Chief Minister Sindh, while attending workshop on Sub-National Taxation along with Syed Murad Ali Shah, Minister Finance, Sindh and late Tashfeen Khalid Niazi, then Chairman, SRB.



Syed Qaim Ali Shah, Chief Minister Sindh, while presenting *Ajrak* to Mr. Raul Junquera, Project Head, World Bank.

REVENUE COLLECTION TRENDS



2.1 History of collection and distribution of sales tax on services

The collection of sales tax on services in Pakistan can be traced back to the fiscal year 1998-99, when the federal government placed the proposal of imposition of sales tax on services before the Inter-Provincial Coordination Committee (IPCC). The IPCC in its meeting held in May, 1999, decided that all the four provinces would impose sales tax on services through their individual ordinances and that the federal government would lend its resources for collection of the levy on behalf of the provinces.

However, a dispute arose between the federation and the provinces as to the basis used for distribution of the proceeds of sales tax on services amongst the provinces. Prior to the Seventh NFC Award, the federal government had been distributing the share of sales tax on services to the provinces in Central Excise (CE) mode. The share on account of sales tax on services in Central Excise (CE) mode was being received as a part of the federal divisible pool, and the sales tax on services (Provincial), as straight transfers. However, in both cases, the population was the sole criterion for the distribution of the share of the provinces. Sindh felt to be at a disadvantage if the distribution was

to continue on that basis. Punjab also had its reservations on the criterion followed.

Sindh took up the case for distribution of the proceeds of sales tax on services with the federal government, which was, initially, of the view that in the absence of trained human resource, Sindh might not be able to take up the challenging task of administering the tax, itself.

Against this backdrop, the issue of sales tax on services was brought up by GoS in the Seventh NFC meeting. GoS's argument held sway and its proposal was conceded to in the Ninth NFC meeting. The levy, collection and administration of sales tax on services, so far as Sindh was concerned, was returned to its domain.

It is noteworthy that during the eleven years, the FBR collected the sales tax on services, Sindh received only Rs. 49,371 million as its share. However, ever since SRB started operating (FY 2011-12 onwards) Sindh has been able to collect Rs. 212,130 million in five years. Table below (2.1) provides a comparison of sales tax on services collected by FBR from FY 2000-2001 to FY 2010-2011, and the collection made by SRB from FY 2011-2012 upto FY 2015-2016.

TABLE 2.1

COLLECTION OF SALES TAX ON SERVICES 2000 — 2016 FBR (2000-2010)			PKR in millions SRB (2011-2016)
FY	FBR's Collection (attracted to Sindh)	SRB's Collection	
2000-01	884	-	
2001-02	1,028	-	
2002-03	1,325	-	
2003-04	1,818	-	
2004-05	2,344	-	
2005-06	3,220	-	
2006-07	4,348	-	
2007-08	5,586	-	
2008-09	5,359	-	
2009-10	7,141	-	
2010-11	16,623	-	
2011-12	-	25,008	
2012-13	-	33,658	
2013-14	-	42,485	
2014-15	-	49,371	
2015-16	-	61,608	
Total	49,676	212,130	

Source: Financial Accounts of the Accountant General Sindh & SRB (R & D) data.

2.2 Achievement of Revenue Targets Despite Reduction in SST Rate

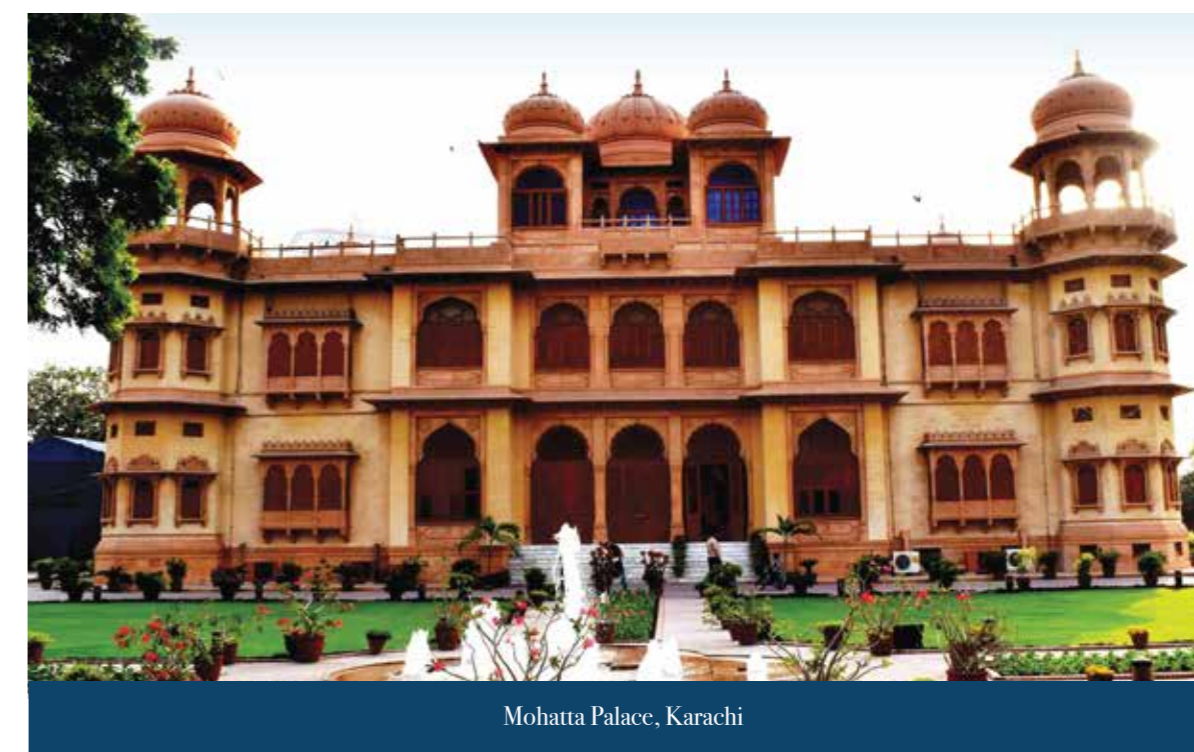
Sindh is the only province that has continuously reduced its rate of sales tax on services from FY 2011 onwards and has still been able to meet its annual revenue targets, over the years upto FY 2015-16. Currently, SRB is applying standard rate of 13% (other than for telecommunication services that are subject to SST @ 19.5%). It is notable that

on the other hand, FBR continues to charge sales tax across the board @ 17%, while Punjab has levied it @ 16%. Similarly, ICT ('Islamabad Capital Territory', collected through FBR formations), KPK and Balochistan have maintained the rate at 15%. Table 2.2 below highlights the performance of SRB in terms of revenue collected annually vis-à-vis the targets allocated, year-wise.

TABLE 2.2

PKR in millions

FY	Revenue Target	Statutory rate of SST (other than on telecommunication services)	Amount Collected	Remarks
2011-12	25,000	16%	25,008	Exceeded Target
2012-13	32,000	16%	33,658	--do--
2013-14	42,000	16%	42,485	--do--
2014-15	49,000	15%	49,371	--do--
2015-16	61,000	14%	61,608	--do--
Total	209,000	--	212,130	--do--



Mohatta Palace, Karachi

TAX COLLECTION ANALYSIS (2015-16)



3.1 Economic Review

Pakistan's economy, during FY 2015-16, witnessed a growth of 4.71% as against the target of 5.5%. The lesser performance was chiefly attributable to negative growth of 0.19% in the agriculture sector. Total Gross Domestic Product (GDP), at current prices, stood at Rs.29,597,905 million as on June 30, 2016. The industrial sector recorded highest growth of 6.8%, seconded by services sector which grew by 5.71% as compared to 4.31% last year (2014-15). The services sector comprises six sub-sectors including Transport, Storage and Communication; Wholesale and Retail Trade; Finance and Insurance; Housing Services (Ownership of Dwellings); General Government Services (Public Administration and Defence); and Other Private Services (Social Services).

Services sector accounts for 59.16% of the GDP which worked out to Rs. 15,516,241 million in FY 2015-16. The growth performance in services sector was broad based, all components contributed positively; Finance and Insurance at 7.84%, General Government Services at 11.13%, Housing Services at 3.99%, Other Private Services at 6.64%, Transport, Storage and Communication at 4.06% and Wholesale and Retail Trade at 4.57%.

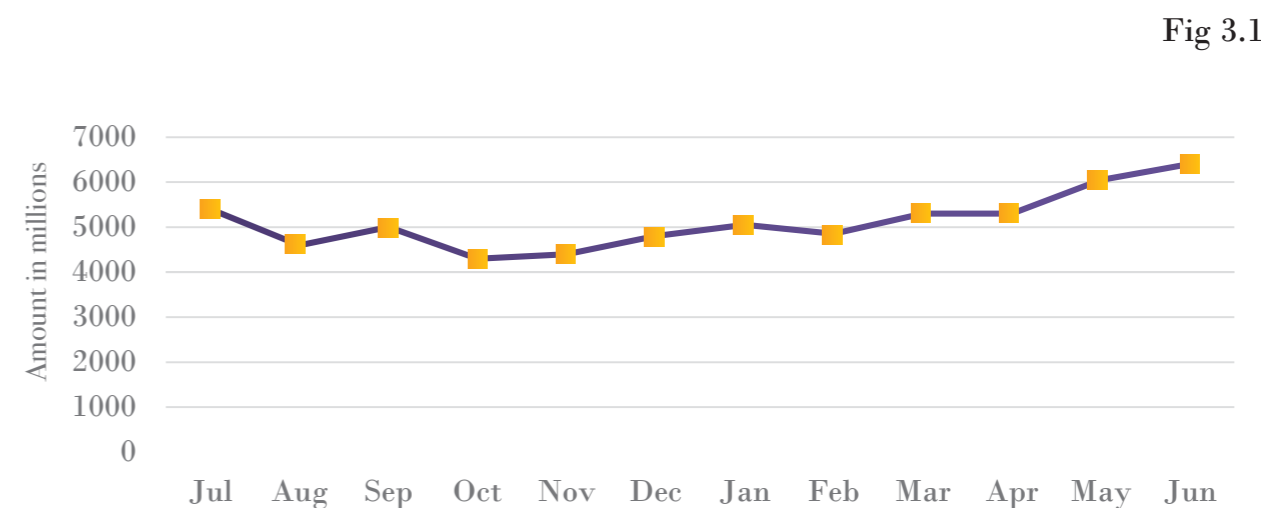
As projected, services sector also met the planned target and emerged as the most significant driver of economic growth, contributing a major role in augmenting and sustaining national economic growth. The share of the services sector increased from 56.6 % of GDP in FY 2008-09 to 59.16% in FY 2015-16. Total national population as of June, 2016 stood at 195.40 million; Sindh with 42.4 million with area 140,914 Sq KMs is the third largest province of Pakistan. Sindh's share in total population is 21.69%. Assuming that 40% of the services are rendered in Sindh, size of services stands at Rs. 6,206,496.4 million (40% of 15,516,241) during the FY 2015-16.

GoS set the target of Rs. 61,000 million for FY 2015-16, which represented an increase of 25% over the previous year's target of Rs. 49,000 million. SRB achieved the target and collected Rs. 61,608 million for 2015-16. Monthly collection vis-à-vis the proportionate target is as follows:

TABLE 3.1
PKR in millions

S.No.	Month	Target	Collection	Difference
1	July	5,083	5,302	219
2	August	5,083	4,610	-473
3	September	5,083	4,968	-115
4	October	5,083	4,443	-640
5	November	5,083	4,603	-480
6	December	5,083	4,668	-415
7	January	5,083	5,067	-16
8	February	5,083	4,732	-351
9	March	5,083	5,351	268
10	April	5,083	5,360	277
11	May	5,083	6,081	998
12	June	5,083	6,423	1,340
	Total	60,996	61,608	612

MONTHLY TREND



3.2 Growth in Revenue Collection

During its first operational year, i.e. FY 2011-12, SRB collected Rs. 25,007 million as compared to Rs.16,000 million collected by FBR in the previous year, i.e. 2010-11. This enhanced the confidence of Sindh Government that had accepted the challenging task of administering and collecting SST through its own organization, created with feverish haste and against all the

odds. There were many areas where SRB's performance remained astounding, the foremost being revenue collection, broadening of tax net, taxpayer facilitation and automation system. The following table reflects the trend of growth achieved by SRB during the span of five years.

TABLE 3.2

S.No.	Year Wise Comparison	Growth
1	2012-13 to 2011-12	35%
2	2013-14 to 2012-13	26%
3	2014-15 to 2013-14	16%
4	2015-16 to 2014-15	25%

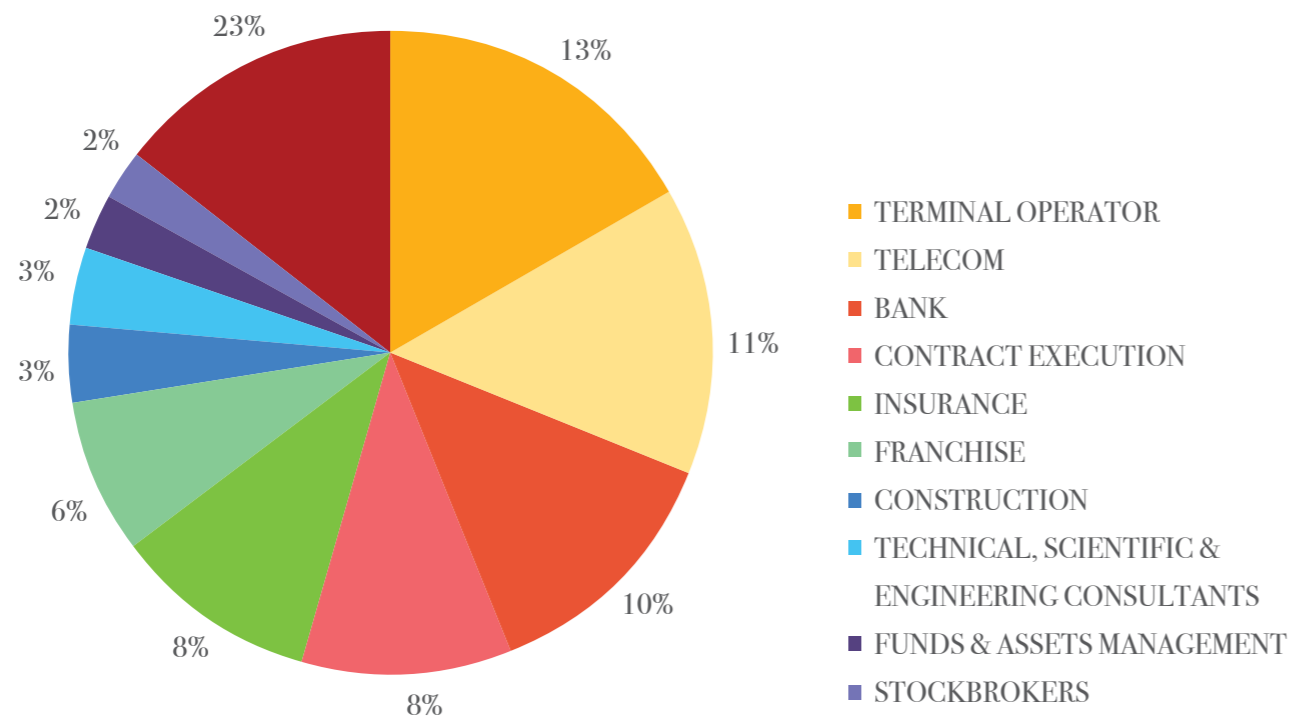
3.3 Top Performing Sectors

Of all the services provided under the Act, 2011, the sectors, namely, Port, Airport & Terminal Operators; Telecommunications; SST Withholding; Banks; Contractual Execution; Insurance; Franchise; Construction; Technical, Scientific & Engineering Consultants, Funds

and Asset Management; and Stockbrokers contributed 78% of the total revenue generated by SRB, during the FY 2015-16. The table below provides details of revenue contribution, both the actual and in percentage terms:

TABLE 3.3
PKR in millions

S. No.	Sector	Yearly Collection	% Contribution
1	Port, Airport & Terminal Operators	8,214	13.33%
2	Telecommunication	7,012	11.38%
3	Withholding	6,904	11.21%
4	Bank	6,305	10.23%
5	Contract Execution of Work and Furnishing Supplies	5,041	8.18%
6	Insurance	4,785	7.77%
7	Franchise	3,476	5.64%
8	Construction	2,168	3.52%
9	Technical, Scientific & Engineering Consultants	1,897	3.08%
10	Funds & Assets Management	1,062	1.72%
11	Stockbrokers	1,042	1.69%
12	Miscellaneous	13,702	22.24%
	Total	61,608	100%



3.4 Top 10 Taxpayers

It is worth highlighting that out of the total revenue collection of Rs. 61,608 million for the FY 2015-16, 20% was contributed by the following ten taxpayers, registered under telecommunications, terminal operators, banks and insurance service categories:

TABLE 3.4

S. No.	NTN	Name	Service Category	Total
1	0802694	Pakistan Mobile Communications Limited.	Telecommunication	1,932
2	2142284	M/S Karachi Port Trust (Trust)	Terminal Operator	1,527
3	0944893	E. F. U. General Insurance Ltd	Insurance	1,489
4	4230500	Engro Elengy Terminal (Pvt) Ltd	Terminal Operator	1,340
5	2046004	Telenor Pakistan (Pvt) Limited	Telecommunication	1,321
6	803538	Karachi International Container Terminal Limited	Terminal Operator	1,287
7	0823649	Qasim International Container Terminal Pakistan Limited	Terminal Operator	1,234
8	0700271	National Bank Of Pakistan	Bank	1,215
9	1425560	Pakistan International Container Terminal Ltd	Terminal Operator	1,116
10	3393123	Port Qasim Authority	Terminal Operator	875
		Total		13,336

3.5 Major Revenue Spinners –Withholding Agents

The persons registered as ‘withholding agents’ under the Act, 2011, and not providing any taxable services, contributed Rs. 7,172 million during the FY 2015-16, on account of SST withheld on receipt of taxable services, by such persons, which represent 12% of the total revenues collected by SRB, as given in the table below:

TABLE 3.5
PKR in millions

S. No.	NTN	Taxpayer Name	Total Amount	% Contribution
1	0225862	Nestle Pakistan Limited	580	8%
2	3792746	United Energy Pakistan Limited	500	7%
3	4376925	Port Qasim Electric Power Company (Private) Limited	459	6%
4	0787223	Oil And Gas Development Company Limited	362	5%
5	0711631	Pepsi-Cola International (Pvt) Ltd	273	4%
6	0823778	Reckitt Benckiser Pakistan Limited	259	4%
7	3412455	Digicom Trading (Pvt) Ltd	234	3%
8	0711545	Pakistan Petroleum Limited	190	3%
9	2569480	Halliburton Worldwide Limited	188	3%
10	0801063	Atlas Honda Limited	182	3%
11	-	Miscellaneous	3,945	55%
		Total	7,172	100%



MAJOR SECTORS PROFILES

4.1 Ports and Terminal Operators

Terminal Operators include Karachi International Container Terminal, Pakistan International Container Terminal and Qasim International Container Terminal or any on-dock or off-dock terminal or any other person carrying out similar activities, including the cargo or baggage shed operators, licensed or appointed by the customs authorities at any customs port or station. The services provided by Terminal Operators were included in the Second Schedule to Act, 2011, against tariff heading

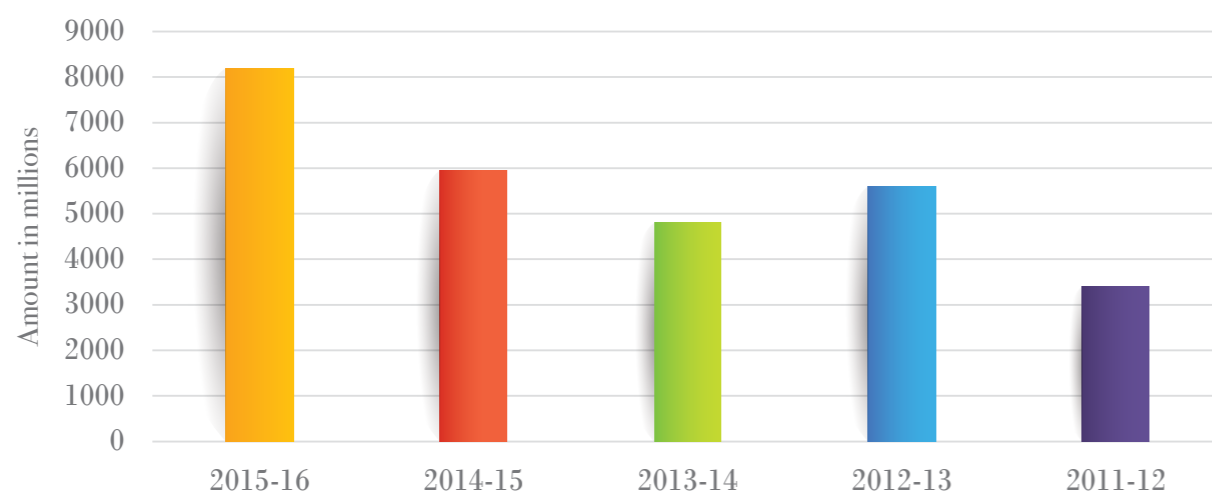
9819.9090 with effect from July 1, 2011. The statutory rate applicable to the services rendered by the terminal operators was 16% during the FY 2011-12 to 2013-14, reduced to 15% during the year 2014-15 and further brought down to 14% during the FY 2015-16.

The total amount of tax collected from terminal operators amounted at Rs. 27,911 million. The yearly growth trend is evident from the table as under:

TABLE 4.1
PKR in millions

S. No.	Financial Year	Collection	Increase Over Previous Year
1	2015-16	8,214	39%
2	2014-15	5,929	24%
3	2013-14	4,776	-14%
4	2012-13	5,565	62%
5	2011-12	3,427	-
	Total	27,911	

Fig 4.1



4.2 Telecommunication

Telecommunication services have the same meaning given in clause (v) of section 2 of the Pakistan Telecommunication (Re-organization) Act, 1996, and includes the telecommunication system as defined in clause (u) thereof and further includes the wireless communication as defined in clause (1) of section 2 of the Wireless Telegraphy Act, 1933 (Act No. XVII of 1933) and also includes transfer, assignment or sharing of the right to use capacity for transmission, emission or reception of signals and provision of access to global or local information network.

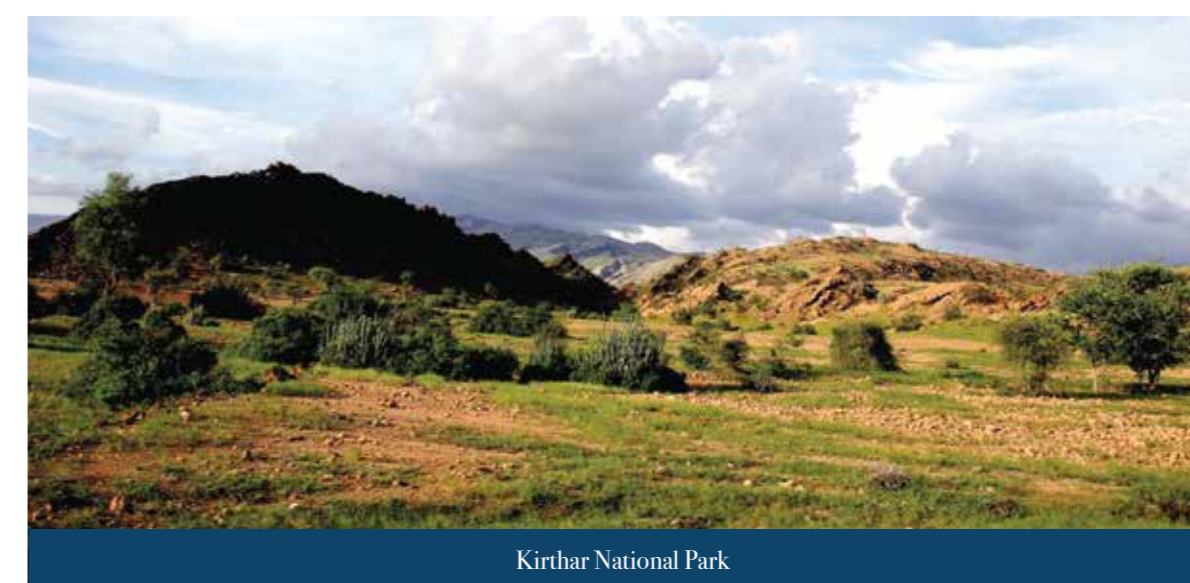
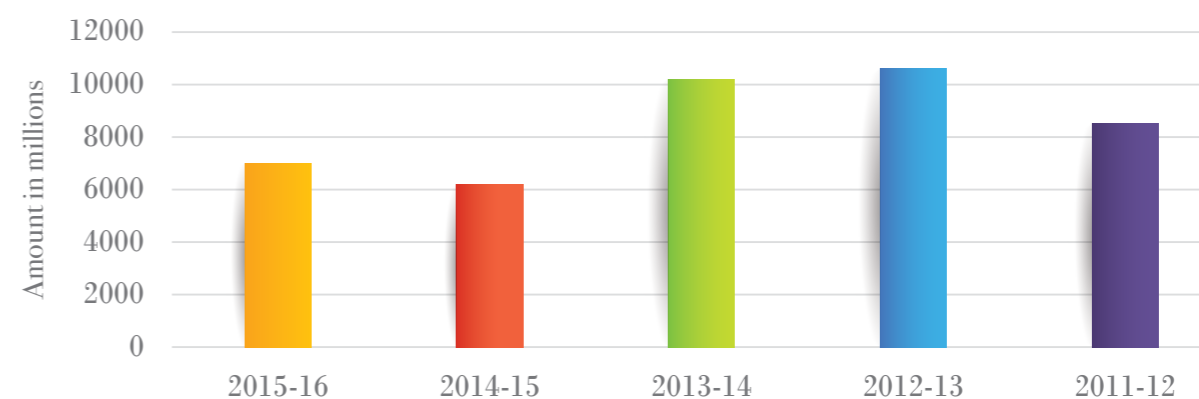
The services provided by Telecommunication sector were included in Second Schedule to Act, 2011, against tariff heading 98.12 with

effect from July 1, 2011. The statutory rate for telecommunication services was 19.5% during the financial years 2011-12 to 2014-15, reduced to 18% during the FY 2015-16.

The total amount collected during the FY 2011-12 was 8,645 million. However, during the FYs 2012-13, 2013-14, 2014-15 and 2015-16, the tax collected from telecommunication sector was Rs. 1,067 million, Rs. 10,240 million, Rs. 6,230 million and Rs. 7,012 million, respectively.

The decrease in the payment of SST in telecommunication sector owed to deployment/up-gradation of 3G or 4G equipment, entailing adjustment of heavy inputs accessed on the requirements of 3G/4G equipment.

Fig 4.2



4.3 Banks

Every banking company, cooperative financing society, modaraba, musharika, leasing company, foreign exchange dealer, non-banking financial institution, companies providing management services including fund and asset management services and other persons dealing in any such services, are liable to SST under the Act, 2011, except the services pertaining to collection of utility bills, Umra and Hajj services, banks' cheque books, Musharika and Modarba financing.

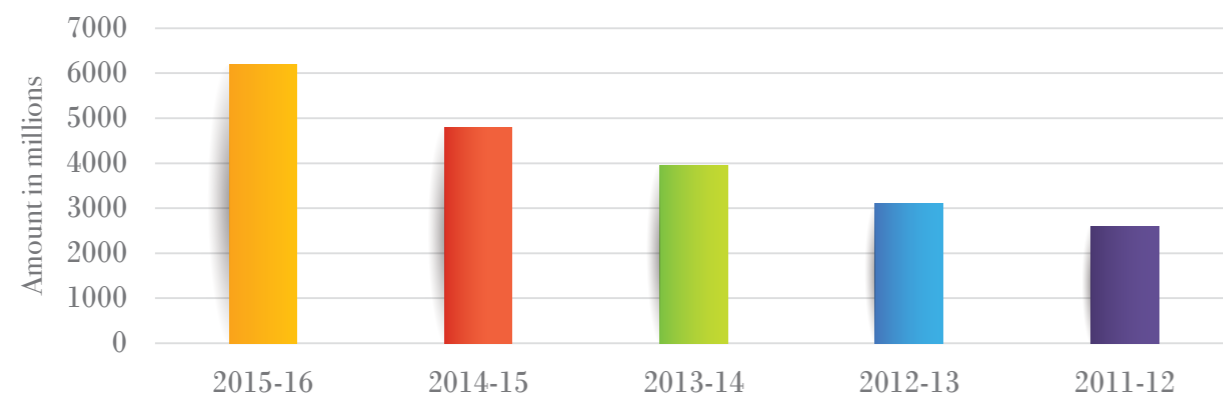
The services provided by Banks were included in Second Schedule of Act, 2011, against

tariff heading 9813.4000 with effect from July 1, 2011. The statutory rate applicable to services provided by the Banks was 16% during the FY 2011-12 to 2013-14, reduced to 15% during 2014-15 and further reduced to 14% during 2015-16. In addition to monthly sales tax returns, Banks are also required to submit quarterly statements to SRB.

The total tax collected from Banks during the FY 2015-16 was Rs. 6,305 million. The collection trends over the years are as under:

S. No.	Financial Year	Collection	Increase Over Previous Year
1	2015-16	6,305	33%
2	2014-15	4,740	20%
3	2013-14	3,957	25%
4	2012-13	3,158	21%
5	2011-12	2,608	-
	Total	20,768	

Fig 4.3



4.4 Contractual Execution of Work and Furnishing Supplies

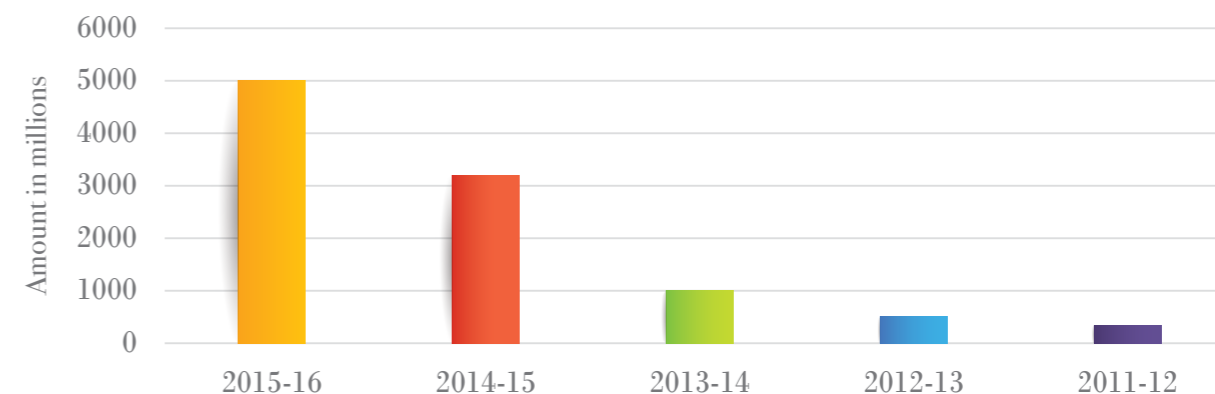
The services of 'Contractual Execution' include all services, not provided in the First Schedule to the Act, 2011, and also not listed in the Second Schedule thereof, but are provided or rendered under a contract including an agreement or a purchase/supply order against a tender. The services provided under the category 'Contractual Execution' were included in Second Schedule to the Act, 2011, against tariff heading 9808.0000 with effect from July 1, 2011. The statutory rate for the payment of sales tax was 16% during the FY 2011-12 to 2013-14, reduced to 15% during the year 2014-15 and further reduced to 14% during the year 2015-16.

A service under 'Contractual Execution' in relation to the work or supplies, the total value of which does not exceed 50 million rupees in a financial year subject to the condition that the value component of service in such contractual execution of work or furnishing supplies also does not exceed 10 million rupees are exempt from SST.

The total amount collected under the 'Contractual Execution' during the FY 2015-16 amounted to Rs. 5,037 million, with yearly trends as follows:

S. No.	Financial Year	Collection	Increase Over Previous Year
1	2015-16	5,037	51%
2	2014-15	3,282	231%
3	2013-14	993	107%
4	2012-13	478	54%
5	2011-12	310	-
	Total	10,100	

Fig 4.4



4.5 Franchise

Franchise means an authority given by a franchiser, including an associate of the franchiser, under which the franchisee is contractually or otherwise granted a right to produce, manufacture, distribute sell or trade or otherwise deal in or do any other business activity in respect of goods or to provide services or to undertake any process identified with the franchiser against a consideration or fee, including technical fee, management fee, or royalty or such other fee or charges, irrespective of the fact whether or not a trademark, service mark, trade name, logo, brand name or any such representation or symbol, as the case may be, is involved.

The said services were included in Second Schedule to the Act, 2011, against tariff

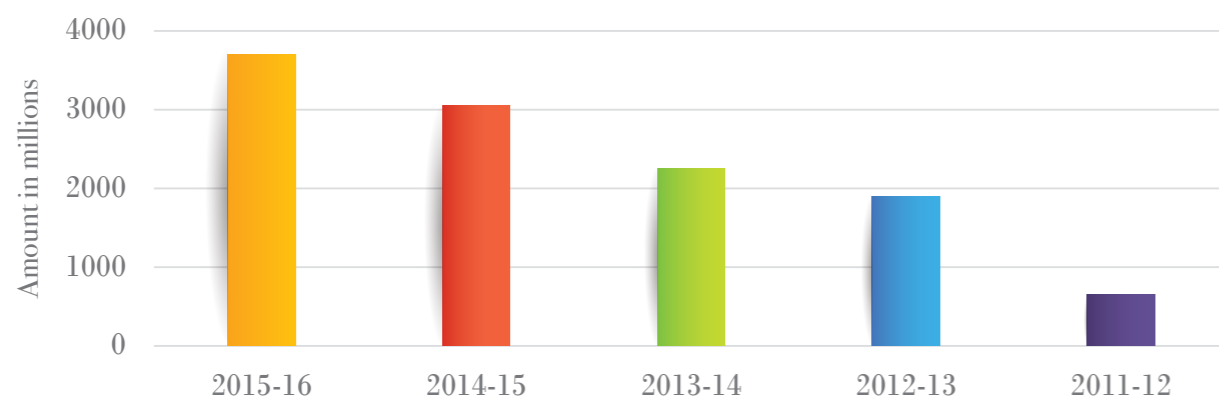
heading 9823.0000, with effect from July 1, 2011 and are charged at reduced rate of 10% subject to the condition that input tax adjustment shall not be admissible during the FYs 2011-12 to 2014-15. However, during the year 2015-16, the franchise services providers were given a choice to either charge SST at 14% or at reduced rate of 10%, the latter to exclude the option to input adjustment.

The total amount collected from franchise services during the year 2015-16 amounted to Rs. 3,611 million, and the growth trends over the years appear in the table below:

TABLE 4.4
PKR in millions

S. No.	Financial Year	Collection	Increase Over Previous Year
1	2015-16	3,611	17%
2	2014-15	3,074	36%
3	2013-14	2,268	17%
4	2012-13	1,946	172%
5	2011-12	716	-
	Total	11,615	

Fig 4.5



4.6 Withholding Agents

The 'Withholding Agents' are the offices and departments of federal government, provincial governments, and local or district governments; autonomous bodies; public sector organizations, including state-owned enterprises and regulatory bodies and entities, which are funded, fully or partially, out of the budget grants of the federal or provincial governments; companies, as defined in clause (28) of section 2 of the Act, 2011; FBR-registered or SRB-registered persons receiving the services of advertisements; and SRB-registered persons receiving taxable services from unregistered persons, provided that a person to be treated as a withholding agent, is a resident in Sindh or has a place of business in Sindh.

The withholding agents on receipt of taxable services are required to withhold SST at the prescribed rate and deposit the same with SRB.

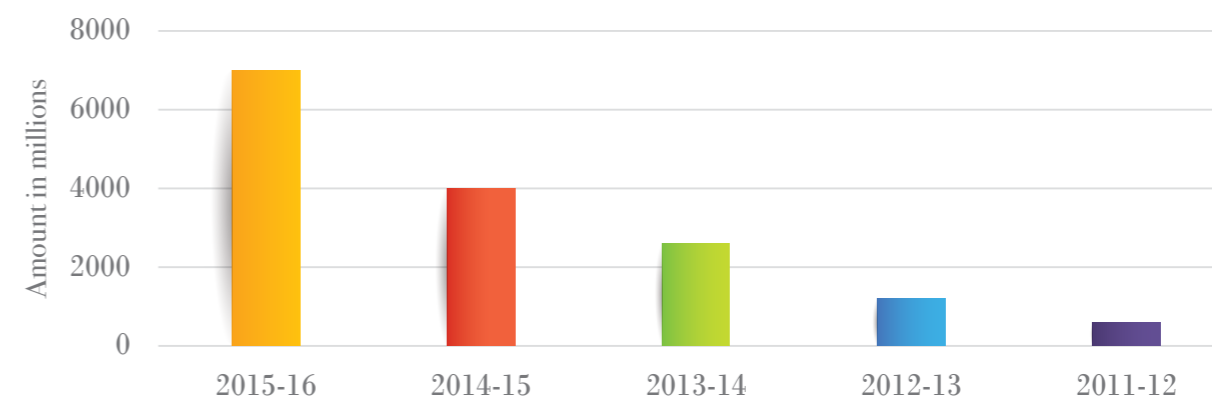
- Prescribed rate for deduction of SST on services of Advertisement, Auctioneers, Renting and Transportation is 100% of the tax amount; and
- Prescribed rate for deduction of SST on taxable services, other than defined above, is 1/5th of the amount.

The total amount collected from Withholding sector during year 2015-16 is Rs. 7,007 million, and growth trends over the years are as under:

TABLE 4.5
PKR in millions

S. No.	Financial Year	Collection	Increase Over Previous Year
1	2015-16	7,007	71%
2	2014-15	4,068	53%
3	2013-14	2,656	107%
4	2012-13	1,285	118%
5	2011-12	589	-
	Total	15,605	

Fig 4.6



4.7 Stockbrokers

Stockbroker means a broker as defined in clause (c) of sub-section (1) of section 2 of the Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969) providing services in relation to a Stock Exchange as defined in clause (xxiv) of sub-section (1) of section 2 of the Stock Exchange (Corporatization, Demutualization and Integration) Act, 2012 (Act No. XV of 2012).

The services of stockbrokers were included in Second Schedule to the Act, 2011, against tariff heading 9819.1000 with effect from

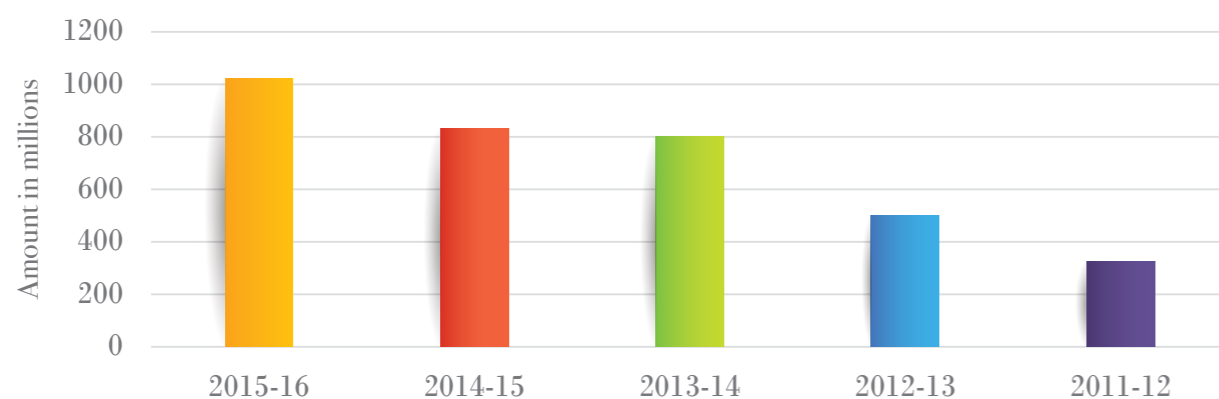
July 1, 2011 and chargeable to SST at the rate of 16% from July, 2011 to June, 2014. The rate was reduced to 15% and 14% during the FYs 2014-15 and 2015-16, respectively.

The total amount of tax collected from Stockbrokers during the year 2015-16 was Rs. 1,028 million, with growth trends over the years as follows:

TABLE 4.6
PKR in millions

S. No.	Financial Year	Collection	Increase Over Previous Year
1	2015-16	1,028	25%
2	2014-15	836	5%
3	2013-14	800	61%
4	2012-13	498	46%
5	2011-12	341	-
	Total	3,503	

Fig 4.7



4.8 Technical, Scientific and Engineering Consultants

The persons providing or rendering technical, scientific and engineering services, advice, consultancy, assistance or supervision, in any manner, either directly or indirectly, to any person, in one or more disciplines of technology, science and engineering and a person known as a consulting engineer or professional engineer for the purpose of the Pakistan Engineering Council Act, 1975 (Act No. V of 1976) or known as a structural engineer for the purpose of the Sindh Building Control Ordinance, 1979 (Sindh Ordinance No. V of 1979), are covered under the category of

Technical, Scientific & Engineering Consultants.

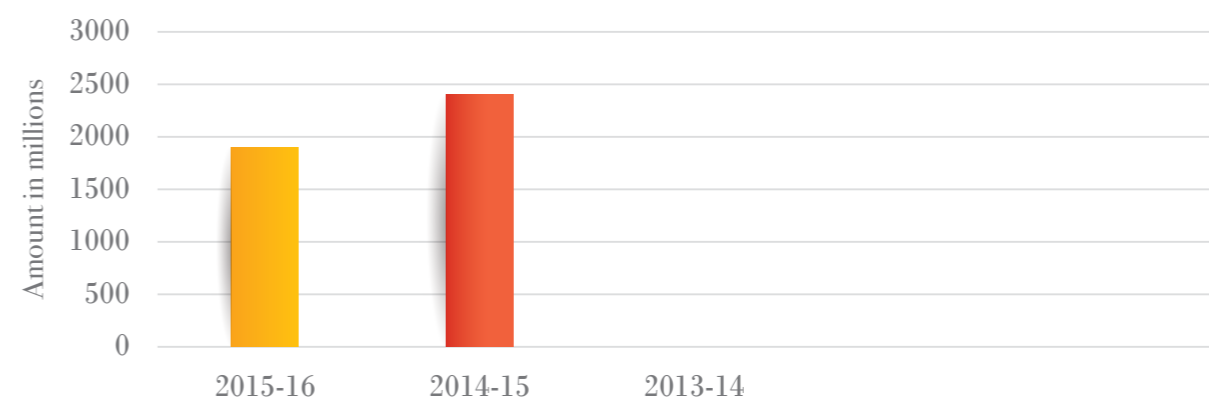
The services of Technical, Scientific & Engineering Consultants were included in Second Schedule to the Act, 2011, against tariff heading 9815.5000, with effect from July 1, 2014 and charged to SST at the rate of 15% during the year 2014-15, reduced to 14% during the year 2015-16.

The total amount of sales tax collected from Technical Scientific Engineering Consultant in year 2015-16 is Rs. 1,892 million, showing growth trends in the table below:

TABLE 4.7
PKR in millions

S. No.	Financial Year	Collection	Increase Over Previous Year
1	2015-16	1,892	-32%
2	2014-15	2,416	3669%
3	2013-14	7	-
	Total	4,315	

Fig 4.8



4.9 Insurance

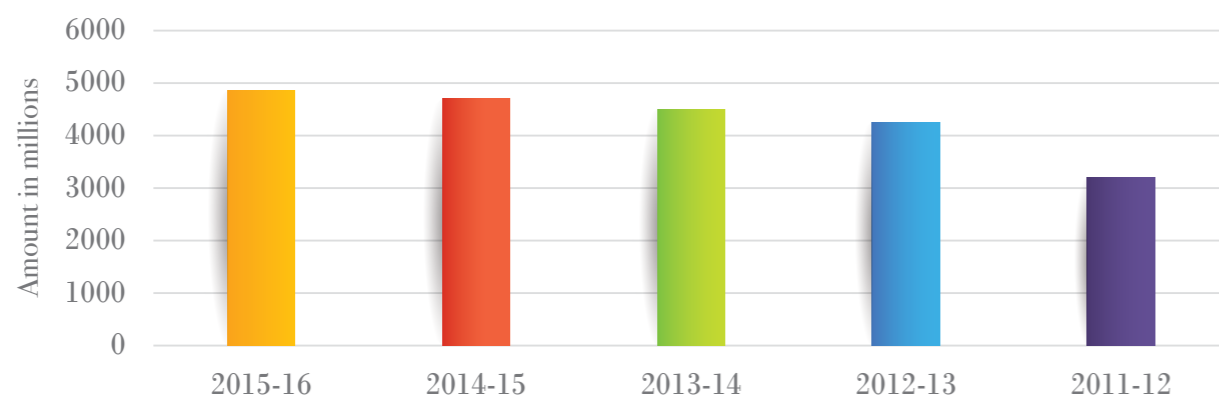
Insurance service comprise the business of entering into and carrying out policies or contracts, whereby, in consideration of a premium received, a person promises to make payment to another person contingent upon the happening of an event, specified in the contract, on the happening of which the second-named person suffers loss, and includes reinsurance and retrocession.

The services of Insurance were included in the Second Schedule against tariff heading 9813.1000 with effect from July 1, 2011, liable to SST @ 16% during the FYs 2011-12 to 2013-14, reduced to 15% and 14% during the FYs 2014-15 and 2014-15, respectively.

The total amount collected from this sector during the year 2015-16 amounted to Rs. 4,785 million. The growth trends over the years appear in the table below:

S. No.	Financial Year	Collection	Increase Over Previous Year
1	2015-16	4,785	4%
2	2014-15	4,583	2%
3	2013-14	4,480	6%
4	2012-13	4,218	31%
5	2011-12	3,229	-
	Total	21,295	

Fig 4.9



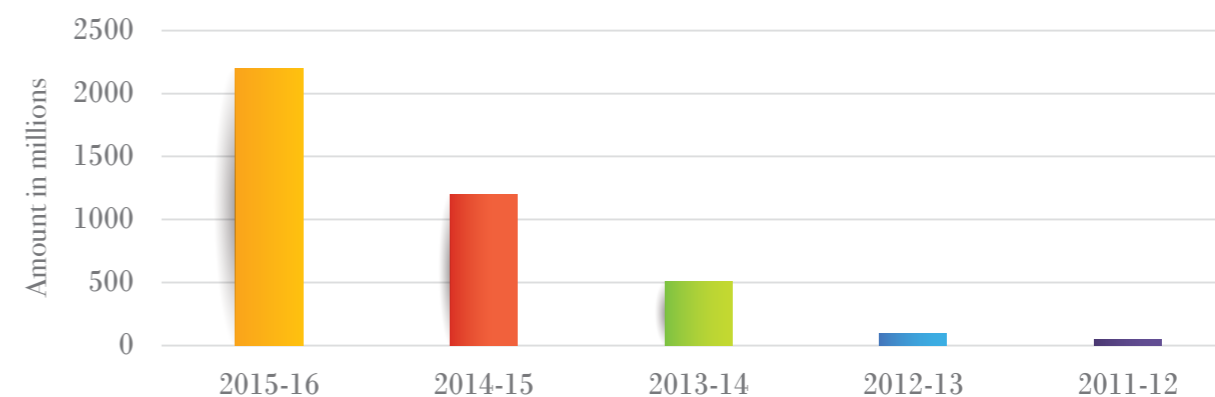
4.10 Construction

The services of construction included in the Second Schedule to the Act, 2011, during the FY 2011-12 were made chargeable to SST @ 16% with effect from July 1, 2011, reduced to 15% and 14% during the FYs 2014-15 and

2015-16, respectively. The total amount collected from the said services during the year 2015-16 amounted to Rs. 2,167 million. The yearly growth trends are shown as follows:

S. No.	Financial Year	Collection	Increase Over Previous Year
1	2015-16	2,167	83%
2	2014-15	1,173	127%
3	2013-14	516	597%
4	2012-13	74	257%
5	2011-12	21	-
	Total	3,951	

Fig 4.10



REGISTERED TAXPAYERS



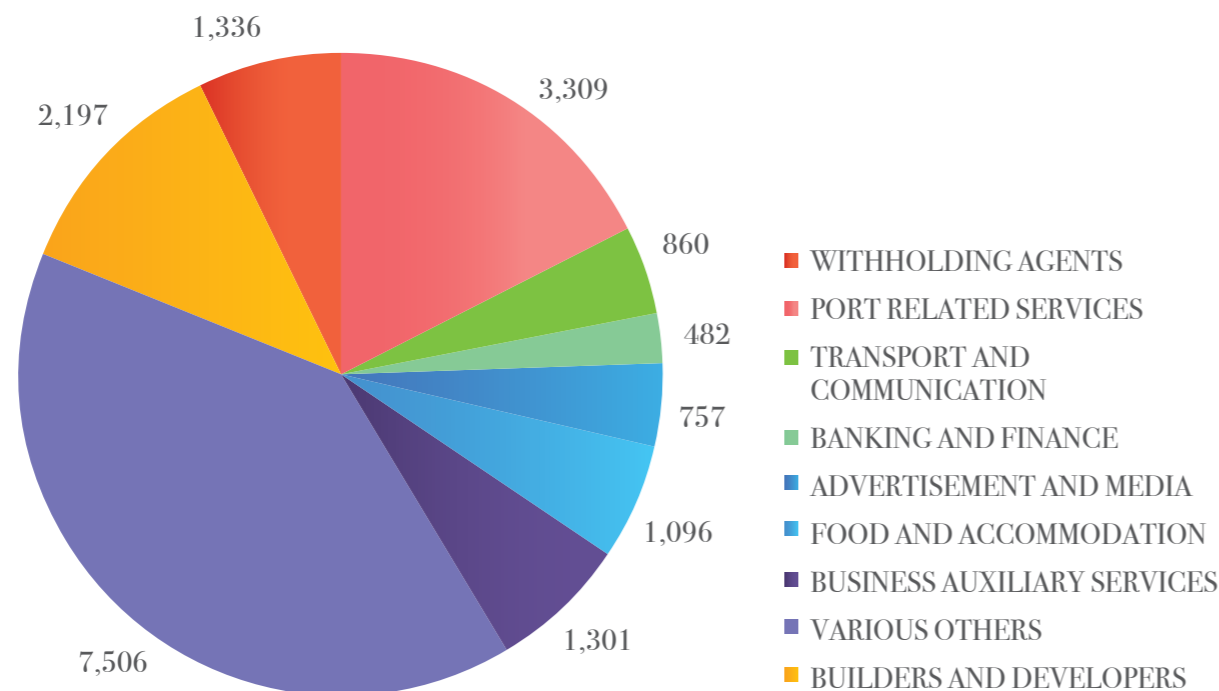
5.1 Registered Persons

Every person providing or rendering services, listed in the Second Schedule to the Act, 2011, through its place of business located in Sindh, is required to register with SRB under section 24 of the said Act, read with the Sindh Sales Tax on Services Rules, 2011.

From its inception till June 2016, a total of 18,844 taxpayers registered with SRB, which

included 757 from Advertisement and Media, 482 from Banking and Finance, 2,197 from Builders and Developers, 1,301 Business Auxiliary Service providers, 1,096 from Food and Hotel industry, 3,309 Port-related services providers, 1,336 Withholding Agents, 860 Transport and Communication services providers, and 7,506 under various other services.

REGISTRATION



Source: SRB R & D

5.2 Requirement of Registration

A person required to be registered under the Act, 2011, can apply for registration electronically in the prescribed form SST-01. On receipt of SST-01, the applicant is immediately issued provisional certificate of registration. After completion of verification process, the applicant is registered with SRB and issued a permanent certificate of registration containing the National Tax Number (NTN) of the applicant, within 30 days. In case of rejection of application, the applicant is informed to that effect, specifying the reasons.

5.3 Taxable Services

SST is charged on the value of taxable services listed in Second Schedule to the Act, 2011. During the FY 2015-16, SRB had collected tax on the following services. Certain services were taxed at the lower rate/reduced rate vis-à-vis 14% standard rate.

TABLE 5.1

Tariff Heading	Taxable Services	Statutory Rate
98.12	Telecommunication services	19.50%
98.01	Services provided or rendered by hotels, motels, guest houses, restaurants, marriage halls, lawns, clubs and caterers.	14%
98.02	Advertisement	14%
98.06	Services provided or rendered in the matter of sale, purchase or hire	
9807.0000	Services provided or rendered by property developers or promoters for (a) development of purchased or leased land for conversion into residential or commercial plots. (b) construction of residential or commercial units.	14%
9808.0000	Courier services	14%
9809.0000	Services provided or rendered by persons engaged in contractual execution of work or furnishing supplies	14%
9810.0000	Services provided or rendered for personal care by beauty parlours, beauty clinics, slimming clinics or centers and others	14%
9811.0000	Services provided or rendered by laundries and dry cleaners	14%
98.13	Services provided or rendered by banking companies, insurance companies, cooperative financing societies, modarabas, musharikas, leasing companies, foreign exchange dealers, non-banking financial institutions and other persons dealing in any such services.	14%
9814.1000	Architects or town planners	14%
9814.2000	Contractor of building (including water supply, gas supply and sanitary works), electrical and mechanical works (including air conditioning), multi-disciplinary works (including turn-key projects) and similar other works	14%
9814.3000	Property developers or promoters	14%
9814.9000	Interior decorators	14%
98.15	Services provided or rendered by professionals and consultants, etc.	14%
9817.9000	Services provided or rendered by laboratories other than the services relating to pathological, radiological or diagnostic tests of patients	14%

TABLE 5.1

Tariff Heading	Taxable Services	Statutory Rate
98.18	Services provided or rendered by specialized agencies	14%
98.20	Services provided or rendered by specialized workshops or undertakings	14%
98.21	Services provided or rendered in specified fields	14%
98.22	Services provided or rendered for specified purposes	14%
9823.0000	Franchise services	14%
9824.0000	Construction services	14%
9825.0000	Management Services including fund and assets management services	14%
9826.0000	Airport services	14%
9827.1000	Event management services including the services by event photographers, event videographer and the persons providing services related to such event management	14%
9827.2000	Exhibition services	14%
9828.0000	Public bonded warehouses	14%
9829.0000	Labour and manpower supply services	14%
9830.0000	Service provided in the matter of manufacturing or processing for others on toll basis	14%
9832.0000	Services provided or rendered by programme producers and production houses	14%
9833.0000	Services provided or rendered by corporate law consultants	14%
9834.0000	Services provided or rendered by fashion designers	14%
9835.0000	Services provided or rendered by call centres	14%
9836.0000	Services provided or rendered by persons engaged in intercity transportation or carriage of goods by road or through pipeline or conduit	14%
9837.0000	Ready mix concrete services	14%
9838.0000	Intellectual property services	14%
9839.0000	Erection, commissioning and installation services	14%
9840.0000	Technical inspection and certification services, including quality control certification services and ISO certifications	14%
9841.0000	Valuation services, including competency and eligibility testing services	14%

5.4 Registrations Over the Period from July, 2011 to June, 2016

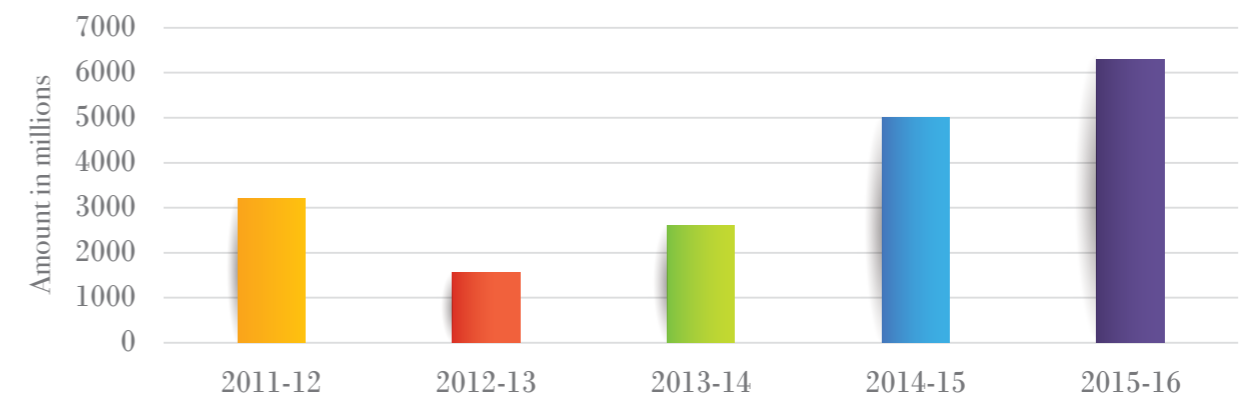
One of the success factors in SRB’s collection has been the efforts made in terms of taxpayers’ education, which led to their large-scale registrations, garnering expansion in the tax

net as well. The timely inclusion of new service categories and reduction in tariff also significantly contributed to this. The table below reflects increase in the number of registrations:

TABLE 5.2

S. No.	FY	Registration
1	2011-12	3,491
2	2012-13	1,569
3	2013-14	2,581
4	2014-15	4,914
5	2015-16	6,289
	Total	18,844

Fig 5.2





SINDH WORKERS' WELFARE FUND (SWWF)

Introduction

6.1 SWWF - an Overview

Before the Eighteenth Amendment in the Constitution of Pakistan 1973, Workers Welfare Fund Ordinance, 1971 had empowered and authorized the FBR to collect Workers Welfare Fund (WWF) from the industrial establishments (as defined under section 2(f) thereof). Consequent upon the devolution of functions to provinces under the Eighteenth Amendment, GoS legislated Sindh Workers Welfare Fund Act, 2014 (Sindh Act No. XXXIII of 2015) that empowered SRB to charge and collect this levy. The policy was, however, left to fall within the domain of the provincial Labour Department. Section 5(1) of Sindh Workers Welfare Fund Act, 2014, made it incumbent upon all industrial establishments operating in Sindh to pay WWF @ 2% of their total income as defined in section 2(l) thereof.

The provincial legislation was passed by the Sindh Assembly on 4th May, 2015, assented to by the Governor of Sindh on 21st May, 2015, and promulgated on 4th June, 2015.

6.2 Objectives of SWWF:

The principal objective of SWWF is to finance the following:

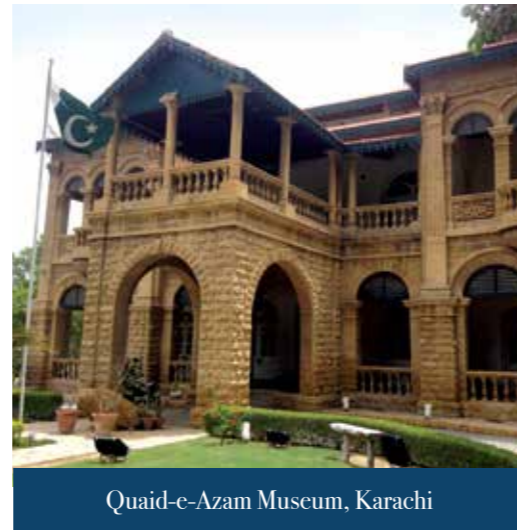
- a) Housing projects for the industrial workers.
- b) Other measures aimed at the welfare of workers and their descendants such as:
 - Free education for workers' children upto secondary level
 - Scholarships for studies beyond Secondary level
 - Marriage grants
 - Death/funeral grants
 - Health facilities
 - General Welfare of the Workers
 - Imparting Technical Education to the Workers

6.3 Performance

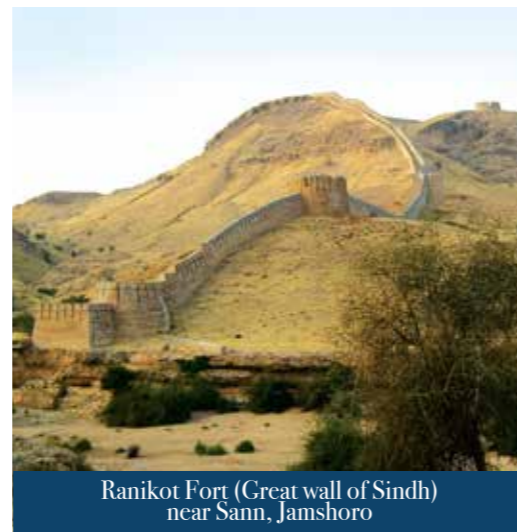
Collection of SWWF by SRB began with effect from July, 2016. The following features its performance for FY 2015-16:

- Collection of Rs. 713 million for the FY 2015-16;
- 20,000+ notices issued to the industrial establishments located in the province of Sindh; and
- Awareness campaign also launched through advertisement in different leading newspapers in English, Urdu and Sindhi languages, highlighting the role and contribution of SWWF towards the welfare of the workers operating in the industrial establishments of Sindh.

SRB appreciates the support of all stakeholders, Sindh Workers Welfare Board (SWWB), Labours Department, Industrial establishments, and also of its employees in achieving the allocated target for SWWF for FY 2015-16.



Quaid-e-Azam Museum, Karachi



Ranikot Fort (Great wall of Sindh) near Sann, Jamshoro



Syed Mushtaque Kazimi, Advisor (TP), SRB, sharing his views with the participants at the workshop.



Dinner hosted by Chairman, SRB, at Port Grand Karachi, for foreign delegates of the workshop.

AUDIT WING



Introduction

Primary objective of Audit is to provide independent assurance/appraisal that an organization's governance, risk management and internal control processes are in place and are operating effectively. It also ensures compliance with the existing rules and regulations, within which the organization is functioning.

Tax audit is critical for any tax administration. It involves examination of whether the taxpayer has correctly assessed and reported his tax liability for the period under audit and fulfilled his legal obligations. Tax auditors are, therefore, required to go through complex documents such as taxpayers' financial statements/reports, books, records, technical journals and complex laws to glean data for correct assessment.

SRB has a dedicated Audit wing, led by Member (Audit) for carrying out SRB's audit functions.

7.1 Role and scope of Audit

SRB Audit wing has two dimensional responsibilities, i.e., Taxpayers Audit and Internal Audit.

7.1.1 Taxpayers' Audit

Taxpayers' audit is the core function of Audit Wing. It is the basic tool to ensure taxpayer compliance with provisions of SRB Act, 2011, and Rules made thereunder. As the Sindh sales tax on services administered by the SRB is self-assessed by the taxpayers, an independent audit system is inevitable for achieving the following objectives:

- To ensure registration of the persons who are liable to be registered;
- To ensure compliance with the provisions of the Act, 2011, and the Rules made thereunder;
- To detect tax evasions;
- To promote the accuracy in self-assessment using Automated sales tax on services collection system and to ensure that declarations made by taxpayers in their returns are true and correct;
- To ensure that tax exemptions, availed by

taxpayers, if any, are correct/valid; and

- To ensure that input tax adjustments availed by taxpayers are admissible/legal.

7.1.2 Internal Audit

- It helps to create an effective control environment in terms of reconciliation of revenue receipts and expenditure.
- It further helps to ensure that the officers working in their respective capacities are duly compliant with the rules and the procedural requirements;
- It examines as to how the actual payments received compare with the targeted collection;
- It also helps in preventing leakages and irregularities in terms of expenditures/purchases.

7.1.3 Progress since July, 2011 to June, 2016

- Developed Audit Manual (SRB audit of taxpayers).
- Developed a reconciliation process to reconcile and monitor monthly collection.
- Prepared a Master Sheet to summarize collections. Reconciled it with Karachi Treasury and District Account Offices, and incorporated receipts wrongfully deposited with FBR.
- Developed HRS for management.
- Conducted audits and comprehensive analysis of major taxpayers via their returns filed and audited accounts.
- Liaise with Sindh Finance Department, AG Sindh, Treasury Office and District Account offices, NBP, SBP, FBR, Pakistan Revenue Automation Limited, National Database and Registration Authority and Security & Exchange Commission of Pakistan.

Celebration of Sindh Culture Day at SRB on 4th December, 2015



INFORMATION TECHNOLOGY WING



8.1 Background

Automation is the key to ensure efficiency and transparency in the taxation processes. SRB adopted state-of-the-art information technology tools from day one for its revenue collection system. This included strengthening its IT wing with latest equipment, software and training. SRB is trying to plug all avenues of leakage of revenue by employing latest information technology tools and through its skilled IT personnel.

SRB's IT wing established its own highly optimized and secure network environment with internet connectivity for supporting the enforcement officers. The IT wing provides continuous support to the SRB workforce on all technical issues, i.e., systems, hardware, software, networking, internet connectivity, intra-emails and privileges/authorities, reporting, data analysis, data backup, official emails management, IT awareness, etc.

8.2 Achievements

SRB is continuously striving to modernize its tax administration by bringing its system of online tax payment and collection at par with the internationally recognized systems, besides creating a user friendly environment for the taxpayers.

For this purpose, the SRB has utilized the best available data center and softwares. A well-equipped and qualified workforce of the IT wing is focused on the task of delivery at taxpayers thresholds. SRB has also made great efforts for the development of an in-house portal to provide timely and valuable information to SRB management through its management information system for swift decision making, speedy assessments and compliance monitoring.

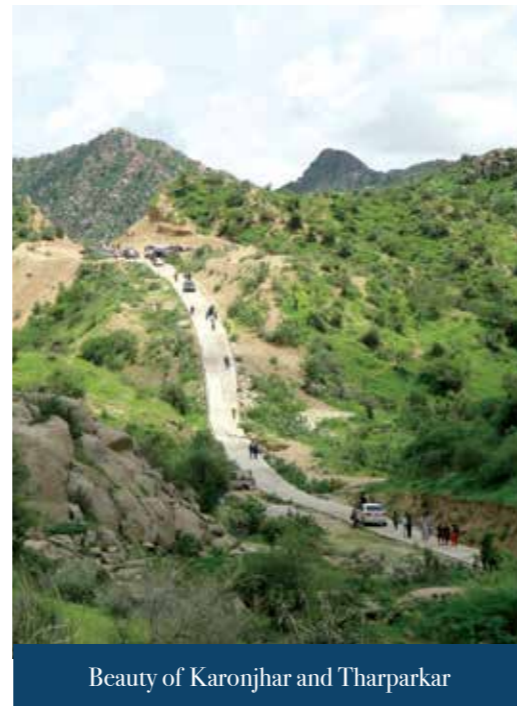
SRB IT wing also coordinates with other compatible GoS departments to strengthen other provincial taxes with the help of a centralized Tax IT System Services and umbrella for standardization of tax culture in the province.

8.3 Use of IT for Ease of Doing Business in Sindh

SRB has engaged Pakistan Revenue Automation (Private) Limited (PRAL) as its IT services provider and technology partner for implementing the online Sales Tax Collection System. Since July, 2011, PRAL has been providing IT systems services for management and collection of SST.

The following measures provide the 'Ease of Doing Business in Sindh' for SRB taxpayers:

- Call center and support services assisting the taxpayers, and address all taxpayer-related issues.
- Simplified online registration, compliance and reporting procedures for taxpayers and withholding agents along with automatic tax liability computation/calculation.
- Facility of Tax Challan (PSID) deposit in Bank with unique PSID number in country wide NBP branches.
- Integration of SRB System with FBR, NTN Master Index, Active Taxpayers List (ATL), Banking Collection System (CAP-II), Customs GDs data etc., for cross-input adjustments, new registrations, tax collections in banks, etc.



Beauty of Karonjhar and Tharparkar

Celebration of Sindh Culture Day at SRB on 4th December, 2015



REFORM ACTIVITIES



9.1 Sindh Tax Revenue Mobilization Plan (STRMP)

Government of Sindh (GoS), in 2014-15, took various initiatives on various reforms under Public Financial Management (PFM) and engaged the World Bank. It was aimed at improving efficiency, accountability and transparency in the public sector. Accordingly, the Sindh Tax Revenue Mobilization Plan (STRMP) was formulated with a view to undertaking wide-ranging tax reforms in the province. It is designed as a set of feasible actions to generate higher revenues for the GoS while lowering the costs of compliance for taxpayers and enhancing equity and efficiency of taxation. The tax receipts were projected to increase from Rs. 91,370 million in FY 2014-15 to Rs. 200,000 million in FY 2017-18 under STRMP. The share of SRB alone was Rs. 100,000 million, fifty percent of the total revenues projected for FY 2017-18.

The GoS designed and developed this plan in consultation with various stakeholders. It was prepared under the leadership of a policy level Strategic Reforms Group (SRG), a senior level Core Reforms Group (CRG), and supported by four Operational Reforms Groups (ORGs) which were aligned with the four government departments/organisations, namely, Finance Department (FD), Sindh Revenue Board (SRB), Board of Revenue (BOR) and Excise, Taxation and Narcotics Department (ET&N).

9.2 Project Objective

The principal objective of Sindh Public Sector Management Reform Project is to improve public sector performance in the province of Sindh through increased revenue generation and expenditure management. The Project consists of two complementary components:

- (i) Results-based financing on Disbursement Linked Indicators (DLIs) to provide an incentive for achieving eligible public sector management (PSM) reforms, and
- (ii) Technical Assistance (TA) to support activities for achieving DLIs.

9.3 Disbursement Linked Indicators (DLIs)-Status/Progress

Disbursement Linked Indicators (DLIs) emanate from the result-based financing component of the project. The funds for the relevant reform area would only be released by the Association (World Bank) once the target value for that reform area, for the prescribed period, has been achieved. The four reform areas for SRB in the project are:

- a. Improved collection of sales tax on services.
- b. Enhanced SRB human resource capacity for administration.
- c. Increased automation of SRB systems.
- d. Risk based audits of taxpayers implemented.

Detailed progress on the above-mentioned reform areas is as follows:

9.3.1 Improved collection of sales tax on services

The only target value for SRB under this reform area was the collection of Rs. 49,371 million in the year 2014-15 which was duly achieved by SRB. The World Bank acknowledged the fact and released the DLI price equivalent to USD 9.9 million to the Finance Department, GoS.

9.3.2 Enhanced SRB human resource capacity for administration

In this area, SRB had to prepare an HR policy as well as staffing and training plan for the SRB employees in the first year of the project. This was prepared and acknowledged by the World Bank. SRB now intends to revise the staffing/training plan to which World Bank has agreed. To this end, SRB is in the process of entering an arrangement with IBA Karachi for imparting on the job training to 25-30 Assistant Commissioners/Sales Tax Officers. SRB's in-house facility is nearing its completion, and will be available for commissioning in 2016-17.

9.3.3 Increased automation of SRB systems

SRB has developed and approved an automation plan for tax collection and administration for the year 2014-15. The

e-registration system, e-payment system and e-filing system described in the plan have been implemented. There are still some aspects of verification protocol such as Unique Taxpayer Identification number and linkages with third party databases, which are not covered in the plan. SRB is currently working with the World Bank for assessing the current IT system at SRB under the Trust Fund for Accelerating Growth and Revenue (TAGR) support of the World Bank. After the detailed assessment of the current IT systems at SRB, the World Bank would provide necessary support for the future IT/automation plans of SRB.

9.3.4 Risk based Audit of taxpayers

SRB has developed risk based criteria for carrying out taxpayer audits and also for fraud investigations. SRB would like to revise the Audit Plan with the help of World Bank under TAGR funding. SRB is also in the process of forming an Audit Wing consisting of professional/qualified auditors with the chief objective of conducting taxpayers' audit on regular basis. World Bank is also supporting SRB in arranging local and international trainings for SRB employees.





HUMAN RESOURCE MANAGEMENT

10.1 Introduction

SRB's primary function is to levy, collect and administer Sindh sales tax on services within the Sindh province. In addition, SRB also collects Sindh Workers Welfare Fund (SWWF) and Sindh Workers Profit Participation Fund (SWPPF) on behalf of the Labour Department. In the long run, SRB's role is likely to expand with the collection of more provincial taxes falling within its domain.

SRB is an autonomous organization, with a direct reporting line to the Chief Minister of Sindh. It is managed and controlled by a Board, comprising at least four members and a Chairman. Currently, besides the Chairman, there are one full-time member and three ex officio members on the Board. The role of the members is more akin to the members of the corporate board.

10.2 HR Policy

The devolution to the provinces, which resulted from the Eighteenth Amendment in the Constitution, led to the birth of SRB. The organization's HR policy was also developed in a short time. Though it has served its purpose partly, it needs considerable improvement to bring it in line with national/international best practices. Exercise is underway to develop a new HR Policy that can respond to organization's needs.

10.3 Training and Development of Employees

Considering the importance of the training, SRB is in process of establishing its own in-house training facility, which is expected functional soon. At the same time work is underway to draw an extensive training plan in line with programs run for the federal bureaucracy, for similar purposes. SRB's current thinking has two plans: one general purpose training covering public finance, economics, accounting, banking and similar general purpose subjects from IBA Karachi; and the other a specialized training at its own training facility.

10.4 Management Trainee Program

The manpower currently employed with SRB has not been exposed to any training post their induction. This owed to the lack of appropriate training facility as well as by the hasty commissioning of the SRB operations. SRB is now in the process of engaging a top academic/training institution in the country to help in designing a curriculum, which can enrich their intellectual and functional capacities. SRB also intends to employ young graduates and train them for a period of one year, before assigning them to operations, as permanent SRB employees. While doing this, SRB will be mindful of the future addition to its responsibilities requiring a greater level of intellectual and operational preparedness on the part of its staff.

The organization is also establishing in-house training facility for its employees. This facility will equip the new recruits with the right set of expertise, knowledge and organizational values. The training facility will also organize in-service and refresher courses for the existing employees.

10.5 Performance Evaluation

Performance evaluation of SRB employee is conducted through a uniform Performance Evaluation Report (PER). The performance is evaluated annually by an employee's direct reporting officer with additional remarks from counter-signing authority/HR wing of the SRB. There is, however, no appeal mechanism in case an officer/official does not agree with the report of the supervising officer. SRB does not have an effective performance appraisal system which is quantifiable, job-specific, and linked to benefits such as promotion/bonus. PER form needs considerable improvement so as to make it more effective and in line with modern grading systems.

10.6 Revamping of HR Policy

The current HR Policy needs to be revamped to procure solutions to current and long term challenges the organisation faces in its HR. There is need to design performance management mechanism that can help determine parameters for accountability as well as rewards, broadly catering to:

Development of Job Description and Performance Management

- Detailed analyses of job descriptions, existing performance management systems and KPIs (Key Performance Indicators).
- Defined job descriptions for each specific position in SRB; in line with the organizational goals.
- Detailed recruitment planning and execution system along with a mechanism of performance with compensation.

Planning Career Development

- Design a Career Development System to undertake large responsibilities to achieve career growth.
- Design career development plan for employees at all levels to ensure that entire staff is trained to perform relevant tasks. Suggestions regarding linking the performance with adequate professional development opportunities: to attend courses and conferences and to monitor, etc.

Assessment of Legal & Social Impact

- Analyse in detail the legal aspects and social impact of the OD interventions. Envisage transition process and a propose line of action to handle foreseeable resistance.

Change Management

- Develop effective "Change Management" plan so that the desired Organizational Development interventions are smoothly implemented and inculcate a culture that is sustainable and capable of effectively responding to future dynamics of internal and external environment.
- Propose a mechanism for monitoring the progress.
- Training of the Top and Middle management of SRB at the mid-term and the completion of proposal.

Communication & Reporting

- The consultant will carry out three presentations to the BOD at inception, mid-term and completion.
- The consultant will submit draft report at pre-set periodic intervals.
- Fortnightly presentation to the Chairman SRB and incorporation of comments.
- Submission of final draft report and issuing final report after input from the Chairman SRB.



Kot Diji, Kharipur

CONCLUSION

SRB was established in 2010 in an uncertain environment. There had not been a precedent in the country whereby a tax or levy collected by federation was transferred to the provinces. Sales tax on services, though levied through a provincial ordinance, had been collected by the federation pursuant to a legal arrangement between the provinces and federation. The transfer of collection to the provinces was a significant step towards vesting the provinces with a larger measure of autonomy within the overall constitutional scheme. Sindh emerged as a trailblazer in terms of bringing about a legislation and putting together a team of dedicated individuals to enforce the levy on provincial basis. Created out of nowhere and with virtually no experience for coping with such onerous requirements, the organization, since its inception in 2011, has done a wonderful job, collecting Rs. 25,008 million in FY 2011-12, and now aiming to achieve a target of Rs.78,000 million for FY 2016-17.

Almost all major services available to the users in the province are now subject to the levy of Sindh sales tax. SRB had to struggle to achieve this level of success. The future, however, holds greater challenges involving expansion of current tax base and possible addition to its responsibilities. SRB possesses a team of dedicated officials who, with further training supported by fresh inductions, are likely to enhance their capacities to meet the growing challenges ahead. The young work force educated in a diversified and digitally-influenced environment, is likely to respond to the future challenges rather more productively. If the present momentum and zeal are maintained, the organization will be able to take the task it is assigned in a competent and professional manner, setting bars of efficiency and skill high for other organizations in the public sector.



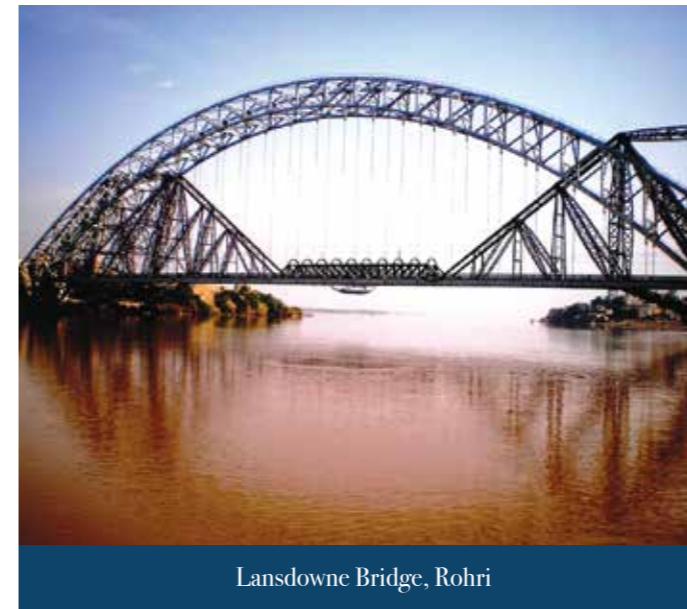
Faiz Mahal, Khairpur



Thar Coal Field, Tharparkar



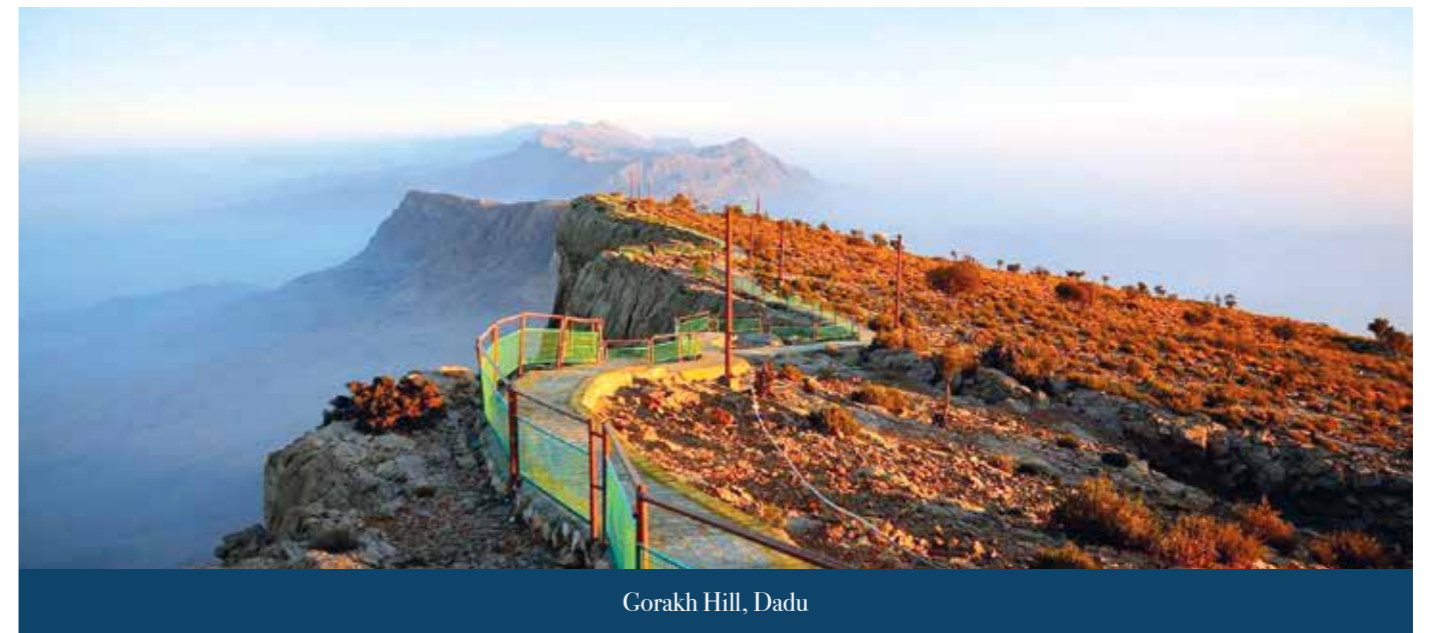
Mohenjo-daro



Lansdowne Bridge, Rohri



Jhumpir Wind Power Plant



Gorakh Hill, Dadu

سانئيم! سدائين گرين، مٽي سنڌ سڪار؛
دوست! مٺا دلدار، عالم سڀ آباد گرين.

My Lord, may you always make Sindh a land
of abundance rare;
Beloved mine, may you make prosperous
the whole Universe

(Bhittai)



SINDH REVENUE BOARD

6th Floor, Shaheen Complex
M.R.Kayani Road, Karachi-74200.
T: +92-21-99217800-09 UAN: 111-778-000
E: info@srb.gos.pk W: www.srb.gos.pk