



Third Quarterly Report

JANUARY - MARCH
2018-2019

Sindh Revenue Board

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The 3rd quarter report presents the performance of SRB during the third quarter of fiscal year 2018-19. The report covers the revenue collection activities undertaken, reports the output achieved during 3rd quarter of current fiscal year (2018-19) and gives a comparative analysis with the same quarter of previous fiscal year (2017-18). Besides, it also sums up the overall SRB performance up to the third quarter of current fiscal year.

Third quarter continued to see the impact of issues in sales tax collection in telecom sector which has been a major contributor towards the provincial exchequer in past several years. Despite the said impact, SRB managed to collect SST amounting to Rs. 25.235 billion in the third quarter of the current fiscal year compared with Rs. 25.246 billion during the same quarter of the previous fiscal year.

On automation side, SRB achieved several milestones during the 3rd quarter. SRB's internal management received technological improvement in its processes as a prototype of employee payroll, besides providing an employee self-service portal which would be fully operational in the 4th quarter.

During the quarter, SIFM conducted a series of trainings for SRB auditors and Sindh Sales Tax officers (SSTOs). Trainings were imparted to SRB operations officers on SRB's in-house applications which have been developed for improving collections processes. The quarter also saw an increase in number of e-hearings by SRB Appeals wing as more long distance appeals were conducted than ever before.





Sindh Revenue Board has regularly pursued its annual collection targets as employees actively engage in achieving the assigned targets as a team. Remarkable year on year growth of 20-25% in revenue has been witnessed since its inception.

The third quarter of FY 2018-19, shows a negative growth of -0.04% in comparison with the same quarter of FY 2017-18. This negative growth in the overall collection can be attributed to non-collection of SST on pre-paid and post-paid cellular phone service, in view of the Honorable Supreme Court’s ad-interim order in SRO Moto Case no. HRM-18877/2018. It would be pertinent to mention that SST on Telecommunication Services constituted nearly 10% of total SST collection SRB during 2017-18. Slow economy and concomitant depression in services performance also led to lower than anticipated collections.

The table shows an overview of SRB’s collection during 3rd quarter over since FY 2011-12.

Table 1.1

FY (Q3)	AMOUNT COLLECTED (RS)	GROWTH COMPARED WITH Q3 FY 2017-18
2011-12	6,747,515,920	--
2012-13	8,344,640,797	23.67%
2013-14	9,934,856,886	19.06%
2014-15	14,379,623,590	44.74%
2015-16	15,149,702,526	5.36%
2016-17	18,919,697,991	24.88%
2017-18	25,246,880,376	33.44%
2018-19	25,235,856,711	-0.04%





The FY 2018-19 has so far been a challenging year for SRB. The major contributors have switched positions compared with previous financial years due to a number of reasons.

Table below shows the contribution of top performing sectors in the third quarter of FY 2018-19;

Table 1.2

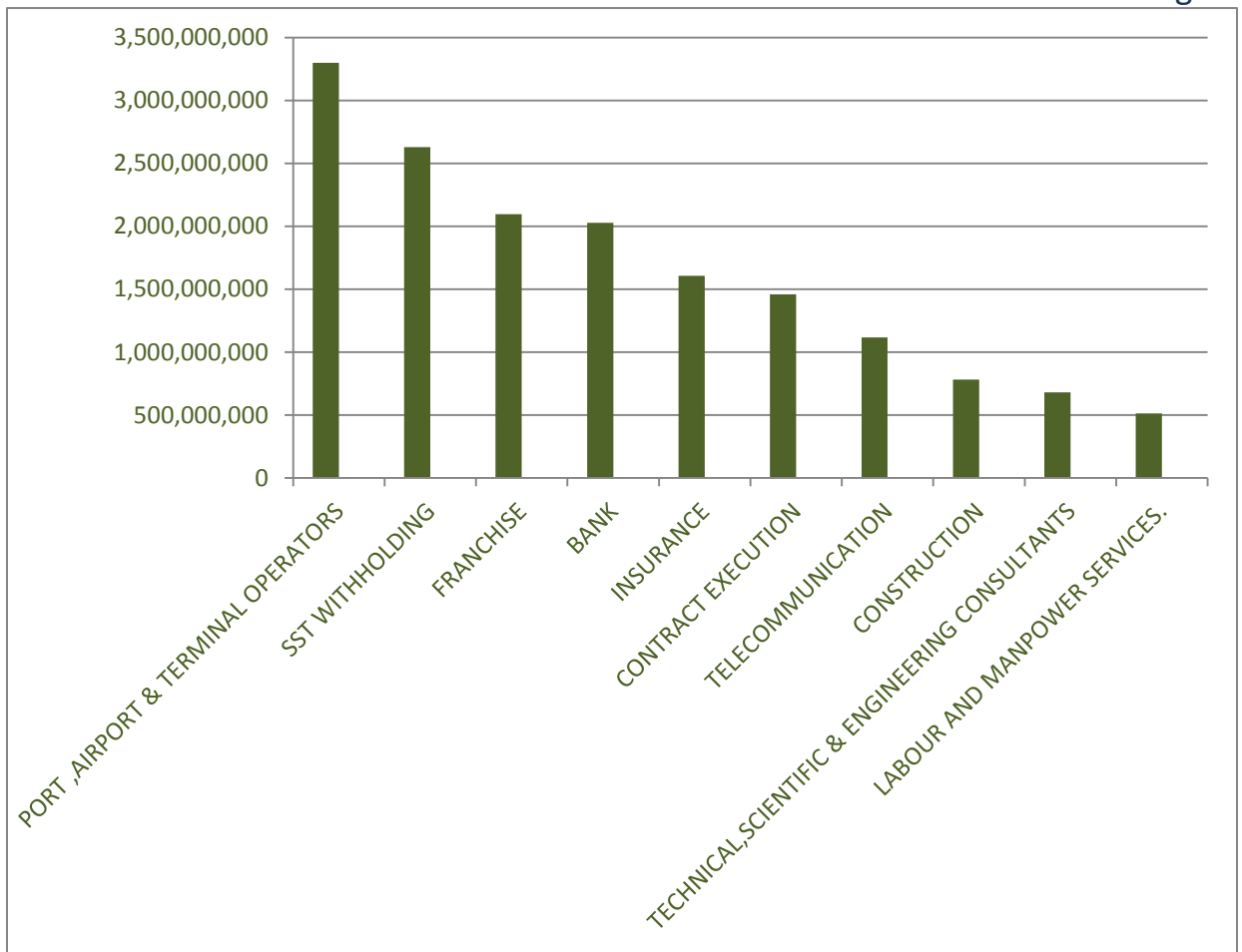
S.NO	SERVICE CATEGORY	Q3 FY 2018-19	% CONTRIBUTION
1	PORT ,AIRPORT & TERMINAL OPERATORS	3,297,114,978	14.24%
2	SST WITHHOLDING	2,628,969,535	11.36%
3	FRANCHISE	2,094,829,766	9.05%
4	BANK	2,027,639,467	8.76%
5	INSURANCE	1,606,059,788	6.94%
6	CONTRACT EXECUTION	1,459,320,765	6.30%
7	TELECOMMUNICATION	1,115,009,905	4.82%
8	CONSTRUCTION	780,214,010	3.37%
9	TECHNICAL,SCIENTIFIC & ENGINEERING CONSULTANTS	678,956,440	2.93%
10	LABOUR AND MANPOWER SERVICES.	512,709,553	2.21%



Ports, Airports & Terminal Operators once again stood at top by contributing 14.24% to the overall tax collection of SRB during the third quarter of FY 2018-19 followed by SST withholding and Franchise which contributed 11.36% and 9.05% respectively.

A graphical representative of the top performing sectors during the quarter is given in Fig 1.1.

Fig 1.1





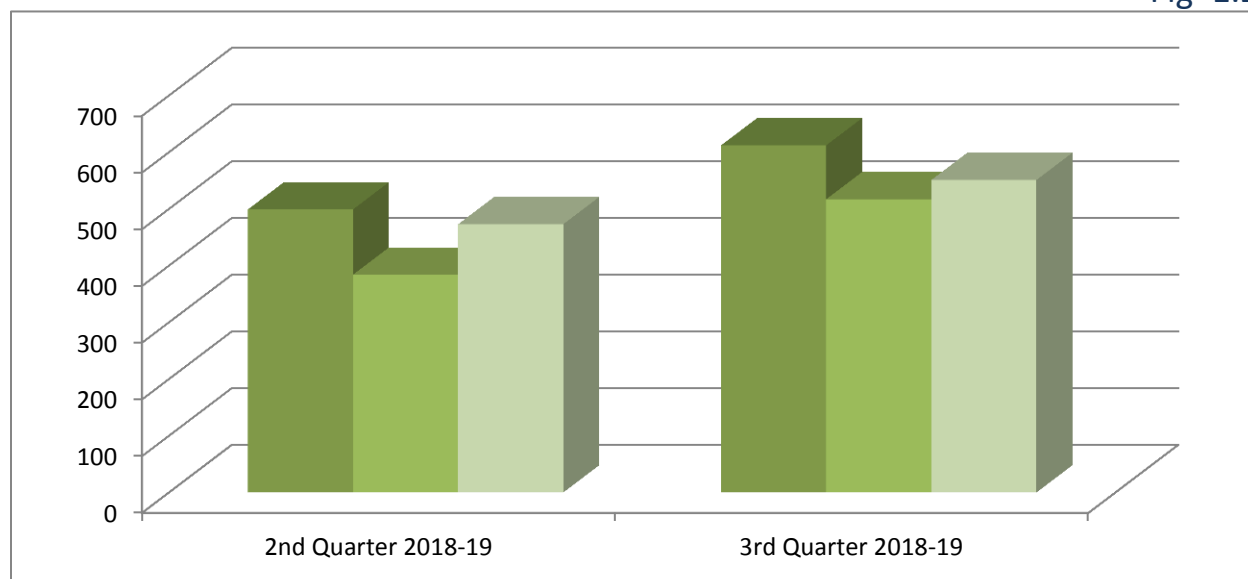
SRB has constantly been working on expanding and increasing its taxpayer base. Survey and development Wing of SRB is actively engaged in expanding taxpayer-base. Besides, call center has been putting commendable efforts in responding to customer complaints and queries and chipped in with its contribution to tax collection.

The table 1.3 reflects the number of new registrations during the third quarter of FY 2018-19 compared with the second quarter of same year.

Table 1.3

S.NO	2nd Quarter 2018-19	3rd Quarter 2018-19	GROWTH (%)
1	499	612	23%
2	384	517	35%
3	473	551	16%

Fig 1.2





SWWF Wing has performed well in the first three quarters of fiscal year 2018-19 in comparison with same quarters of the previous year. The collection has increased by 79% over the last year during same period. This is reflection of the level of confidence and trust of Fund contributors in SRB and Government of Sindh. There is a significant growth in the collection of Sindh Workers Welfare Fund (SWWF) and Sindh Workers Participation Fund (SWPF) during the current year despite the fact that over 130 cases are pending before courts of law.

FBR and Federal Government also continue to demand and collect these funds under Workers Welfare Fund Ordinance 1971 and Workers Participation Act 1968 which leads to confusion for industrial organizations. However, in cooperation with Labor and Human Recourse Department, Government of Sindh, SRB is actively pursuing resolution of the matter with FBR/Federal Government so that outstanding issues could be settled. SRB is also pursuing the pending cases in courts of law.

Table below reflects the comparison between all three quarters of FY 2017-18 and FY 2018-19:

Table 1.4

QUARTER	COLLECTION FOR FY 2017-18	COLLECTION FOR FY 2018-19	GROWTH OVER QUARTERS
Q1	331,304,162	969,842,653	192.73%
Q2	647,083,821	2,111,242,763	226.27%
Q3	1,939,427,763	2,134,169,838	10.04%
TOTAL	2,916,577,253	5,215,255,254	





Hiring of Sindh Sales Tax officers

SRB has hired and trained 30 Sindh Sales Tax Officers (SSTOs) to meet the new challenges in revenue collection. The newly recruited SSTOs have been trained at SRB in-house training facility where specialized training is imparted for revenue collection with a focus on professionalism and professional competence.

H R Regulations

SRB is always ahead of its fellow organizations in terms of achieving its revenue target collection as well as in bringing administrative reforms in its internal management. As a policy, SRB proactively engages in improving its work processes, working conditions, and in taking steps for boosting its employees' morale. In line with these policies, SRB is currently developing new regulations to improve its service structure and related HR policies for preparing the organization to meet upcoming challenges.





1. Specialized Training for Auditors

To lend insights and strategies for improving and understanding how financial management, tax administration and audit works at SRB, a specialized training was designed for freshly recruited auditors.

The training started in the 2nd Quarter of FY 2018-19 and ended in 3rd quarter of FY 2018-19. A total of 12 auditors participated in the program.

2. Specialized Training for SSTOs

A 4-week specialized training was organized for newly hired interns' batch. Total of 30 participants attended this extensive training program from February 1 to 28, 2019. The objective of the training was to impart skills to the interns that will help them in becoming productive members of the SRB team.

The program included courses that help build expertise in the fields of fiscal management, tax administration, allied laws, SRB's automated systems as well as personal & professional development. The following courses were taught by internal experts of SRB as well as by Guest Speakers:

- Constitution of the Islamic Republic of Pakistan
- Sindh Sales Tax on Services, Act – 2011
- Conducting an Audit under Sindh Sales Tax on Services Act, 2011
- Sales Act, 1990
- Secretarial Procedures
- Allied Laws & Procedures
- Importance of IT in Tax Administration
- R&D and other SRB IT Applications
- Time Management
- MS-Excel
- Communication Skills
- Personal Grooming
- Work Ethics



3. SCN Module and HOST Application

IT Wing at SRB has successfully automated Show Cause Notice generation. A training program was conducted to introduce this application and HOST platform to Assistant Commissioners. This program was spread over 3 days and was attended by 3 batches of 20 ACs each. The program highlighted how to generate SCN on the application, review of previous notices issued, the recovery status and ease of reporting. The program also highlighted benefits of HOST platform (SRB's internal portal) to efficiently manage day to day tasks.

4. Mentoring of SRB Audit Wing Officers

A 7-day program on "Mentoring of SRB Audit Wing Officers" was sponsored and facilitated by The World Bank. Mr. John Roache led the program and provided feedback and guidance to auditors and discussed various case studies of selected SRB taxpayers. The training-workshop took place at SIFM from March 18 to 25, 2019.

5. Workshop on Deduction of Sindh Sales Tax Amounts from Expenditure Bills of Sindh Government Department

To train officers/officials/DAOs of Accountant General (AG-Sindh) at district level, a series of training sessions were conducted during the month of March, 2019. The training was aimed at instructing participants about withholding/deduction of Sindh Sales Tax amount from expenditure bills of Sindh Government Departments/Offices/Projects through SAP automated system. The training was led by Commissioner II in Karachi and Commissioner IV in Hyderabad and Sukkur. A total of 84 participants have been trained in batches at various locations in this quarter.

This series will continue in 4th quarter in which more officers of AG-Sindh will undergo training.





In the 3rd Quarter of FY 2018-19, Audit Wing continued the audits that it had initiated in the 1st Quarter of FY 2018-19. The audits initiated during FY 2017-18 and carried over into FY 2018-19, were also continued during this Quarter.

Progressive position of all audits undertaken so far, on 31st March, 2019, is given in Table below:

Table 1.5

Description	FY 2018-19	FY 2017-18
Total number of Audits undertaken	92	103
Audit Reports Finalized	35	73
Contravention Reports (C/Rs) sent to Operations Wing for adjudication/recovery proceedings under law	27	63
Revenue short-fall detected (conveyed vide C/Rs) and currently under adjudication (Rs. in million)	1,631	3,546
Cases where Recovery Orders passed	4	26
Amount Adjudged as recoverable (Rs. in million)	20	989
Amount recovered pre-adjudication (Rs. in million)	3	29
Amount recovered post-adjudication (Rs. in million)	2	168
Cases where Audit is in process	*57	30
*Includes 12 cases where Audit proceedings are stayed by the Sindh High Court so far.		





IT wing of SRB provides quality services and support to meet ever-changing business needs of SRB's different wings. It works closely with the operation and audit wings and continuously develops different types of applications with technology support to lead the progress in automation.

SRB's IT Wing has developed automation Employee Payroll and an Employee Self Service (ESS) portal. Employee payroll is an application which provides finance wing a tool for generating monthly employee salaries. It is linked to the ESS. Employee self-service (ESS) is an application that provides employees with access to their personal records and payroll details with facility to print their monthly pay slips. ESS allows employees to update their personal and banking information and provides access to leave management.

IT Wing continues to support, enhance and develop new features in Show-Cause Notices application. Show-Cause Notices diary is in pilot phase. Moreover, the wing continues to develop additional functionality for Survey Management and Reporting Tool (SMART) and for Future Assigned Supervisory Task (FAST) applications.



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:

In third quarter of FY2018-19, Tax Policy Wing issued 3 notifications. Notification No. SRB-3-4/1/2019 dated 08th January, 2019 specifying 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.

Notification No. SRB-3-4/2/2019 was also issued on 08th January, 2019, notifying the appointment of Auditors in SRB in terms of section 34 and 35 of the Act, 2011.

Notification No. SRB-3-4/3/2019 was issued on 28th January, 2019, specifying the rules for e-hearings at the forum of Commissioner (Appeals), which enables the interaction between the appellants and the respondents appearing in the 2 regional offices of SRB i.e. Hyderabad and Sukkur. This will greatly facilitate the taxpayers and their lawyers/consultants/representatives who need not to come to Karachi for hearing of their appeals. This will also enable speedy disposal of the appeal cases.



MATTERS IN SINDH CABINET

Tax Policy Wing of SRB, with the approval of the CM Sindh, presented 2 Agenda Items in the Sindh Cabinet in its meeting on 25th & 27th February, 2019, as follows:-

Agenda Item No. 13: Ex-Post approval by the Cabinet of Sindh in relation to the rules issued under section 72 of the Sindh Sales Tax on Services Act, 2011.

Addl. Agenda Item No.5: Proposal for Review of Certain Exemptions of Sindh Sales Tax.

The Cabinet approved the proposal in Agenda Item No. 13 and decided to defer the Additional Agenda Item No. 5 with the direction that it would be considered in the next financial year.

DISCOURSE WITH TAXPAYERS & TAXPAYERS' ASSOCIATIONS:

A number of meetings were held with various taxpayers and Taxpayers' Associations including meeting with the SITE Association of Industries on 21st February, 2019 and with American Business Council (ABC) on 14th March, 2019 for resolution of the taxation issues faced by the them and their members.

Tax Policy Wing also attended Advisory Meeting held in Federal Board of Revenue on 15.01.2019, where various taxation issues between FBR and the 4 Provincial Revenue Authorities were discussed including issues of Toll Manufacturing, Implementation of STRIVE, etc.

A Coordination meeting of Provincial Authorities, held in Lahore on 11.03.2019, was also attended wherein the issues of Negative List, Digital Economy, Sales Tax on Telecom Sector etc., were deliberated at length.



A National Tax Conference, conducted in Islamabad on 19th March, 2019 was also attended by Officers from the TP Wing. The SRB representative was one of the panelists on the topic “Harmonization of Taxes” in this Conference, besides other panelist i.e., the Chairman FBR, Chairperson PRA, Chairperson BRA and DG KPRA.

RESOURCE MOBILIZATION PROPOSALS FOR THE SINDH BUDGET, 2019:

On receipt of budget proposals from the Chambers of Commerce & Industry (i.e. KCCI, OICCI, etc.), Trade and Taxpayers’ Associations (i.e. Pakistan Hotels Association, Pakistan Banks Association, TAAP, etc.) and individual taxpayers, Tax Policy Wing examined and formulated views, comments and recommendations on the budget proposals for 2019-20.





The Legal Wing deals with all Court matters/litigation and offers complete support to Operations and all other wings of Sindh Revenue Board. The Wing has effective coordination with the Registrar Office of SHC, Advocate General Office Sindh and Operations Wing of SRB. It also maintains close liaison with all provincial government departments especially Law department, Provincial Assembly of Sindh and external counsel who represent SRB in SHC, LHC and Supreme Court of Pakistan.

Pursuant to court notices, Legal Wing in coordination with operations wing and Advocate General office Sindh, ensures appearance in court proceedings, files para-wise written comments, and counter affidavits and written statements. During 3rd quarter i.e. January, 2019 to March, 2019, a total number of 103 para-wise comments were filed in pending constitutional petitions in Honorable Sindh High Court. Moreover, in order to ensure successful outcomes, practicing lawyers belonging to Legal Wing of SRB do personally appear in all the cases.

A total number of 107 cases (C.Ps, Suits, Reference Applications, etc.) were filed in different Courts. The Legal Wing on its own and with close liaison and coordination with the external counsel of SRB has been able to get 19 cases disposed of by the Honorable Court during this period. Moreover, the case of fashion designers has also been decided in favor of SRB. In addition to this, some other Suits were also disposed off. The total revenue involved in the disposed off civil Suits exceeds Rs. 2.0 Billion.

Besides, the legal Wing has successfully gotten a stay order vacated in another case which was pending since 2013, involving recovery of around 250 Million Rupees. In addition to this, one Spl. Sales Tax Reference Application (SSTRA) was filed by SRB against the order of the Learned SRB Appellate Tribunal. This Reference Application was admitted in the Honorable Sindh High Court and notices were issued to the respondents.



The summary of the cases during 3rd quarter is given in the table below:-

Table 1.6

Description	3rd Quarter of FY 2018-19
Total Pending cases as after the 3rd quarter	1022
Cases filed during 3rd Quarter	107
Cases disposed of during 3rd Quarter	19

The internal procedures were streamlined for smooth and proper functioning of the legal wing specially filing of para-wise comments/written statements in Court, and coordination with other concerned departments of Government of Sindh. The cases are followed vigorously after filing comments in the Court. In some cases, whenever required, urgent applications are also moved.





During all 3 quarters of current year, the Commissionerate of Appeals – I & II focused on the pending appeals, which either involve greater revenue or are otherwise important in view of pending litigations in Courts.

A breakup of the decisions during the 3rd quarter of FY 2018-19 along-with comparison with 2nd quarter of FY 2017-18 is given in the table:-

Table 1.7

Appeals-I		Appeals-II	
Total Pending Appeals as after the 3 rd quarter	235	Total Pending Appeals as after the 3 rd quarter	271
Filed	55	Filed	55
Disposed of	45	Disposed of	35

Moreover, the Appeals Wing has also started conducting E-hearing proceedings with the help of IT team of SRB. So far 55 cases pertaining to Commissionerate-IV of SRB have been conducted through E-hearings.



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