



# Second Quarterly Report

OCTOBER - DECEMBER  
2018-2019

Sindh Revenue Board



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In pursuit of achieving the target of Rs.120 billion for FY 2018-19, SRB collected Rs.23.92 billion during the 2<sup>nd</sup> quarter. There was an improvement over 2<sup>nd</sup> quarter collection in FY 2017-18 which stood at Rs.20.01 billion. This shows a growth of approximately 19% compared with the same period last year.

The slower economic activity and reduced taxation on telecom sector affected revenue collection during the first and second quarters. However, efforts are in progress achieving the assigned annual target as collection is expected to gain momentum during the 3<sup>rd</sup> and 4<sup>th</sup> quarters of FY 2018-19.

SRB saw progress in HR, IT Audit and Training wings as well. Fresh officers were recruited in 2018 to strengthen SRB HR teams. These officers will be trained at SIFM. IT wing showed progress in applications development area and its under-development application “TRIMS” progressed further. Audit wing received a new batch consisting of professional auditors to strengthen SRB audit capacity.





Sindh Sales Tax on Services is levied on taxable services provided by various sectors as mentioned in the Second Schedule of Sindh Sales Tax on Services Act, 2011. Contribution of top 10 sectors during 2<sup>nd</sup> Quarter of FY 2018-19 stood at 71% against 70% in same quarter of FY 2017-18.

The table 1.1 shows the contribution of top ten performing sectors in the second quarter of FY 2018-19:

Table 1.1

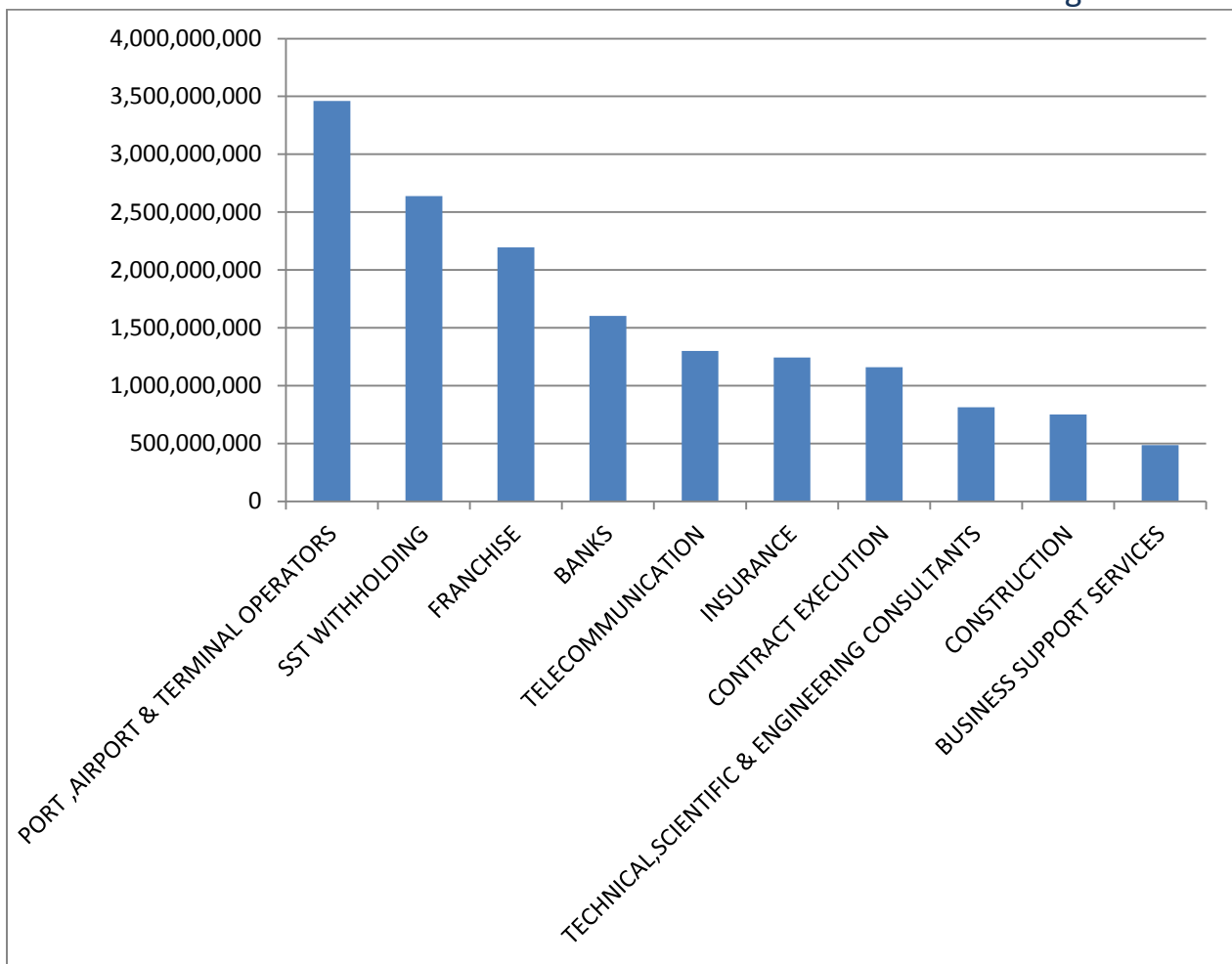
S.NO	SERVICE CATEGORY	Quarter 2 2018-19	% CONTRIBUTION
1	PORT, AIRPORT & TERMINAL OPERATORS	3,459,539,379	15.75%
2	SST WITHHOLDING	2,634,132,305	11.99%
3	FRANCHISE	2,194,952,021	9.99%
4	BANKS	1,602,430,046	7.30%
5	TELECOMMUNICATION	1,299,883,410	5.92%
6	INSURANCE	1,242,283,787	5.66%
7	CONTRACT EXECUTION	1,159,031,443	5.28%
8	TECHNICAL,SCIENTIFIC & ENGINEERING CONSULTANTS	811,826,631	3.70%
9	CONSTRUCTION	750,217,272	3.42%
10	BUSINESS SUPPORT SERVICES	486,274,472	2.21%



For the second quarter of FY 2018-19, Port, Airport & Terminal Operators sector has emerged as the top contributor followed by SST Withholding and Franchise. The collection of Port, Airport & Terminal Operators stood at Rs.3.45 billion followed by SST Withholding at Rs.2.63 billion and Franchise at Rs.2.19 billion.

Banks collected Rs.1.6 billion and Telecommunication & Insurance contributed Rs. 1.3 billion and Rs. 1.24 billion respectively.

Fig 1.1





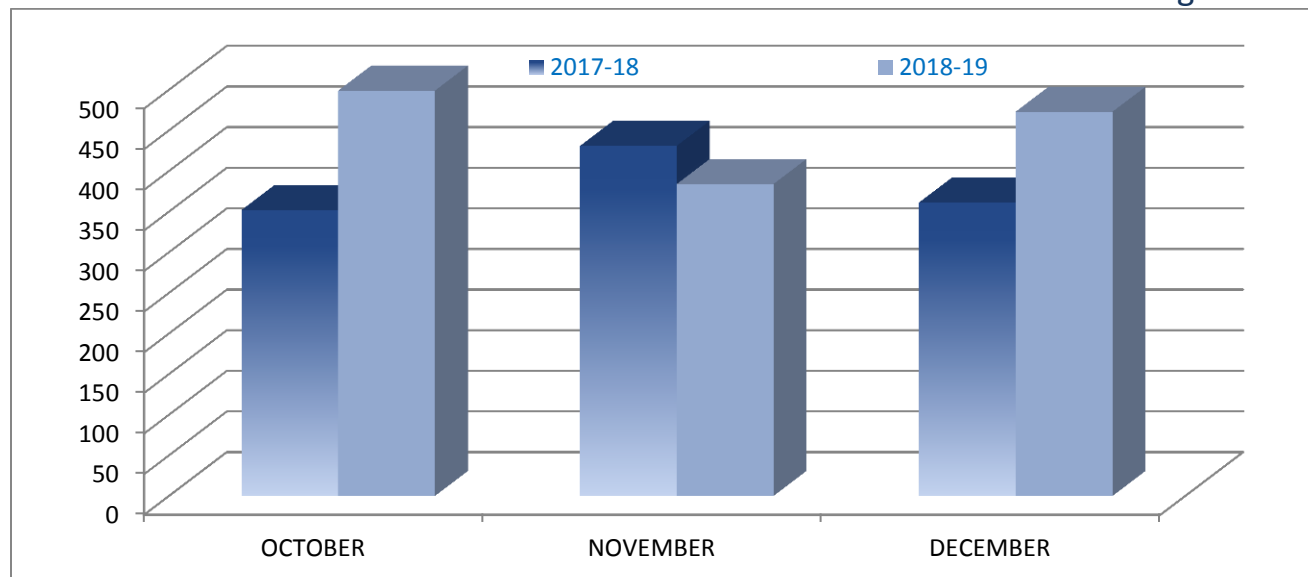
Widening the tax base is one of the top priorities of SRB. As the organization is in its early growth phase, there is potential for registering more tax payers. Over a period of time SRB has significantly expanded its tax base through various measures such as taxpayers’ information, education and facilitation.

The table below reflects the increase in number of registrations during the second quarter of FY 2018-19 in comparison with the 2<sup>nd</sup> quarter of FY 2017-18.

Table 1.2

S.NO	MONTH	2017-18	2018-19	GROWTH (%)
1	OCTOBER	352	499	42%
2	NOVEMBER	431	384	-11%
3	DECEMBER	361	473	31%
<b>TOTAL</b>		<b>1144</b>	<b>1356</b>	<b>19%</b>

Fig 1.2





## Introduction

Workers Welfare Fund (WWF) was established under the Sindh Workers Welfare Fund Act, 2014, (Sindh Act No. XXXIII of 2015, referred as 2014-Act) to provide for workers in the province of Sindh.

Sindh Companies Profits (Workers' Participation) Act, 2015 (Sindh Act No. XVIII of 2016, referred as 2015-Act) replaced the Federal Law of Companies Profits (Workers' Participation) Act, 1968, to the extent of its application in Sindh.

## Requirement as to Contribution by Industrial Establishments

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

## Collection Progress

In the 2<sup>nd</sup> Quarter of FY 2018-19, an amount of Rs. 2.11 billion has been collected which shows an increase of 215% over the 1<sup>st</sup> Quarter collection in FY 2018-19.

Table 1.3

<b>SWWF &amp; SWPF Collection</b>		
<b>Collection 1st Quarter FY 2018-19 (July-Sep)</b>	<b>Collection 2nd Quarter FY 2018-19 (Oct-Dec)</b>	<b>% Comparison</b>
<b>969,842,653</b>	<b>2,111,242,763</b>	<b>215%</b>





## Recruitment of Auditors

SRB has recruited fresh tax auditors for reinforcing its capacity to conduct tax audits. These auditors have experience of working at reputed audit organizations and are expected to increase SRB audit capacity. They have been assigned to audit and scrutinize taxpayers' returns with an objective of maximizing revenue generation and for ensuring taxpayer compliance with SRB laws.

## HR Automation

SRB is a progressive organization and is moving towards automation. For this purpose several initiatives have been taken towards improving HR functions by automating the manual HR processes. Steps are being taken to automate SRB payroll and attendance systems.

## Recruitment of SSTOs

A batch of SSTOs was recruited in the FY 2018-19 and 2<sup>nd</sup> quarter saw finalization of the long and transparent process. These SSTOs are being trained at Sindh Institute of Fiscal Management (SIFM), SRB's in-house training facility. SSTOs have been recruited to strengthen the enforcement capacity of the organization.







A number of events were held at SIFM during the second quarter of FY 2018-19. These included training sessions, guest speaker sessions and cultural events.

## **Training Sessions:**

### **Banking Industry Practices**

To familiarize officers of SRB with complexities and working of banking sector, a two-day workshop was conducted on November 14 and November 22, 2018. 16 SRB officers participated in the workshop, which focused on different areas of banking such as financial markets, banking products & services and banking channels. Participants were imparted training on Sales Tax on Bank Services which fall within the Second Schedule to Sindh Sales Tax on Services Act, 2011. They were given case studies on tax returns and declarations filed by commercial banks.

### **Comprehensive Audit Workshop**

A 3-day workshop titled “Advanced Audit Techniques” was conducted from November 19 to 21, 2018. Sponsored by the World Bank, the workshop aimed at training Audit Wing officers on the best practices in tax audit. The workshop was conducted by Mr. Khaled Elkorek, World Bank Consultant, and was attended by 26 officers of SRB.

### **Mentoring of SRB Audit Wing Officers**

The World Bank sponsored a program “Mentoring of SRB Audit Wing Officers” which was facilitated by Mr. John Roache. The eleven day training-workshop took place at SIFM from November 26 to December 7, 2018. The officers of the Audit Wing participated in case studies focusing SRB selected taxpayers.



## **Specialized Training for Auditors**

The newly recruited batch of auditors was given a specialized training which started in the 2<sup>nd</sup> Quarter of FY 2018-19.

The objective of the training was to introduce participants to SRB's working environment and provide in depth professional knowledge on tax administration and audit.

The officers studied various topics including;

- Sindh Sales Tax on Services Act, 2011
- Sales Tax Act, 1990
- Federal Excise Act 2005
- Allied Laws & Procedures
- RND ( SRB In-house tax administration software application)
- Importance of Information Technology in Tax Administration
- Conducting an Audit under Sindh Sales Tax on Services Act, 2011
- Writing a Tax Audit Report

## **Guest Speaker Session**

Mr. Javed Ahmad Ghamdi was invited as a guest speaker on October 26, 2018. Mr. Ghamdi is a well-known research scholar, thinker and an authority on interfaith matters. The session was attended by over 100 officers of SRB.

## **Cultural Event**

Sindh Revenue Board celebrated the Sindh Cultural Day on December 15, 2018. All officers of SRB participated in the event with great enthusiasm and zeal. The celebration included distribution of iconic "Ajrak" and "Sindhi Cap".





Audit Wing selected 92 cases for audit to be conducted during FY 2018-19. During the 2<sup>nd</sup> Quarter of FY 2018-19, Audit Wing continued the audits that it had initiated in the 1<sup>st</sup> Quarter.

Progress of audits conducted during FY 2018-19 at the end of 2<sup>nd</sup> quarter is shown in table 1.4.

Table 1.4

Activity	Numbers
Audit cases undertaken	92
Audit Reports finalized	15
Contravention Reports (CRs) sent to Operations Wing for adjudication/recovery	13
Amount of revenue short-fall as per CRs, currently under adjudication (Rs. in million)	749.286
Amounts recovered at pre-adjudication stage (Rs. in million)	0.435
Cases where Audit is in process	77





In 2<sup>nd</sup> quarter of FY 2018-19, SRB IT Wing worked to add value to its automation process. The wing enhanced WHT reports in Sales Tax Invoice Management System (STIMS), developed Document Search Engine (DSE) for Admin Wing and Legal Search Engine (LSE) for Legal Wing of SRB. A sector-wise dashboard has been deployed to monitor the performance of individual sector. Survey Management and Reporting Tool (SMART) has been introduced to track progress on surveys conducted by SRB Survey & Development Wing which is subsequently shared with the concerned officers.

Home of Sales Tax on Services (HOSTS) application, a single sign-on desktop where all applications, libraries, dashboards, meeting calendar, messaging, email and access to SIFM facilities are available in one place. Work on “Tax Recovery and Information Management Systems (TRIMS)” application progressed further and is now in its pilot phase.

SRB IT wing deployed CCTV surveillance system, telephone & printers’ network in SRB Hyderabad new premises and also updated hardware at Hyderabad & Sukkur offices. PABX hardware and software were upgraded to increase more extension lines in SRB Headquarter. The training hall of SIFM has been equipped with Sound Mixer for improved acoustics.

SRB took a leap forward by conducting its first ever tele-hearing which permits a respondent officer in one of SRB’s regional offices in Hyderabad or Sukkur to appear in appeals hearing while sitting in his office. The appeal is conducted by Commissioner (Appeals) at SRB headquarters in Karachi.



## **Brief Background:**

Tax Policy Wing deals with Sindh Sales Tax (SST) policies, which include formulation of resource mobilization for the annual provincial budget, 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 and exemption-related proposals received from various Chambers of Commerce & Industry, and Trade/Taxpayers' Associations or from the taxpayers and sends its views/comments to the decision-makers. The Chief Minister's Directives, received from time to time, on tax matters are also examined & processed and compliance reports are prepared in this wing. It is also responsible for issuing Rulings/Clarifications/Notifications/Standing Orders for the benefit of the taxpayers and tax collectors and also pertaining to for resolution of disputes or removal of doubts.

## **Notifications Issued:**

During the 2nd Quarter of 2018-19, Tax Policy Wing issued 3 notifications. Notifications No. SRB-3-4/17/2018 and No. SRB-3-4/19/2018 dated 11<sup>th</sup> October, 2018 and 20<sup>th</sup> November, 2018, respectively, were issued, specifying the jurisdictions and functions of officers of SRB in terms of sections 34, 35 and 36 of the Act, 2011.

Another Notification No. SRB-3-4/18/2018 dated 19<sup>th</sup> November, 2018, was issued, specifying certain exemption of SST on discount services provided or rendered to the persons (service recipient) participating in the International Defense Exhibition and Seminar, 2018 (IDEAS-2018).



### **Meetings With Taxpayers & Taxpayers' Bodies:**

A number of meetings were organized with various taxpayers and taxpayers' bodies to resolve the issues faced by the taxpayers in general including. The Wing also attended a full day meeting with KPRA delegation, which visited SRB on 22<sup>nd</sup> October, 2018, discussing various taxation and non-taxation issues at length. Several meetings in Finance Departments in relation to the Budget Strategy and Proposals were also attended.

### **Resource Mobilization Proposals For The Sindh Budget, 2019-20:**

Tax Policy Wing issued letters and e-mails on 8<sup>th</sup> December, 2018, to the FPCCI, all the Chambers of Commerce & Industry, Pakistan Business Council and various Trade and Taxpayers' Associations inviting proposals for the Sindh Budget FY 2019-20 related to Sindh Sales Tax. The proposals, when received, shall be examined and deliberated with the stakeholders before finalizing and their submission to the decision-makers.





The Legal Wing is responsible for review of the effectiveness and efficiency of organization's operations in all legal matters particularly drafting/pleading in the courts and also deals with amendments in the laws, i.e, Sindh Revenue Board Act, 2010, and the Rules made there under. The Legal Wing is also required to coordinate with Provincial Government Departments, particularly Law Department, Advocate General Sindh, Prosecution Department, Provincial Assembly and external Counsels engaged by SRB.

The Legal Wing also pursues cases vigorously by filing replies in the Courts in time and getting the cases fixed before the Court for hearing and their expeditious disposal.

A total of 109 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 42 Petitions/Suits disposed of by the Honorable Courts during this period, in addition to one Special Sales Tax Reference Application (SSTRA).





During the first and second quarters of the 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 2<sup>nd</sup> quarter of FY 2018-19 along-with comparison with 2<sup>nd</sup> quarter of FY 2017-18 is given in the table:-

Table 1.5

Description	2nd Quarter 2017-18	2nd Quarter 2018-19
Appeals Filed	28	114
Appeals disposed of	24	58





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