**PROPOSED CHANGES IN THE SINDH SALES TAX ON SERVICES ACT, 2011**

**THROUGH SINDH FINANCE BILL 2016-17**

**Section 2** **Definitions**

* It is proposed that the following clause (29A) be added:-

*"(29A) “****cosmetic and plastic surgery****” includes the services provided or rendered by any person in relation to aesthetic or cosmetic surgery or plastic surgery like abdominoplasty (tummy tuck), bletharoplasty (eyelidsurgery), mammoplasty, buttock augmentation and liftrhinoplasty (reshaping of nose), otoplasty (ear surgery), rhytidectomy (face lift), liposuction (removal of fat from the body), brow lift, check augmentation, facial implants, lip augmentation, forehead lift, cosmetic dental surgery, orthodontics, aesthetic dentistry, laser skin surfacing, hair grafting, hair transplant and such other similar surgery.;”*

* It is proposed that the following clause (31A) be added:-

*“(31A ) “****debt collection services and other debt recovery services****” means the services provided by a person to a banking company or financial institution including non-banking financial company or any other body corporate or a firm or a person, in relation to recovery of any sums due to such banking company or a financial institution including non-banking financial company or any other body corporate or a firm or a person, in any manner;"*

* It is proposed that the following clause (60A) be added:-

*“(60A) “****notification in the official Gazette****” means a notification issued under this Act shall be effective from the day specified therein, notwithstanding the fact that the issue of official Gazette in which such notification appears is published at any time after that day;"*

* It is proposed that the following new clause (69A) be added and existing clauses (69A), (69B), (69C), (69D) and (69E) be renumbered as (69B), (69C), (69D), (69E) and (69F) respectively:-

*“(69A) “****public relation services****” includes strategic counselling based on industry, media and perception research, corporate image management, media relations, media training, press release, press conference, financial public relations, brand support, brand launch, retail support and promotion, events and communications and crisis communications;"*

**Section 15** **Adjustments.**

* It is proposed that a new proviso be added by virtue of which refund claims arising from a claim of adjustment or deductions shall be made on yearly basis in the month following the end of the financial year i.e. in the first month of next financial year.

**Section 15A** **Input tax credit not allowed**

* The following new section is proposed to be inserted

***15A. Input tax credit not allowed.*** *– (1) Notwithstanding anything contained in this Act, a registered person shall not be entitled to claim, reclaim, adjust or deduct input tax in relation to –*

*(a) the goods or services used or to be used for any purpose other than for the taxable services provided or rendered or to be provided or rendered by him;*

*(b) the goods in respect of which sales tax has not been deposited in the Federal Government treasury by the respective supplier of goods;*

*(c) the services in respect of which the Provincial sales tax has not been deposited in the treasury of the respective Provincial Government, and the services in respect of which the Islamabad Capital Territory sales tax has not been deposited in the treasury of the Federal Government;*

*(d) further tax, extra tax or value addition tax levied under the Sales Tax Act, 1990 and the rules or notifications issued thereunder;*

*(e)fake, false, forged, flying or fraudulent invoices or the invoices issued by persons blacklisted or suspended by Board or FBR or any other Provincial Sales Tax Authority;*

*(f) capital goods and fixed assets not exclusively used in providing or rendering taxable services;*

*(g) the following goods or services, excluding the ones directly used and consumed in the economic activity of a registered person in provision of the services paying sales tax at a rate not less than thirteen percent ad valorem:-*

*(i)vehicles classified under Chapter 87 of the First Schedule to the Customs Act, 1969 (IV of 1969) and parts (including batteries and tyres and tubes) of such vehicles;*

*(ii)calendars, diaries, gifts, souvenirs and giveaways;*

*(iii) garments, uniforms, fabrics, footwear, handwear, headwear for the employees;*

*(iv) food, beverages and consumptions on entertainments, meetings or seminars or for the consumption of the registered person or his directors, shareholders, partners, employees or guests;*

*(v) electricity, gas and telecommunication services supplied at the residence of the employees or in the residential colonies of the employees;*

*(vi)building materials including cement, bricks, mild steel products, paints, varnishes, distemper, glass products;*

*(vii) electrical and gas appliances, pipes and fittings;*

*(ix) wires, cables, sanitary fittings, ordinary electric fittings, electric fans and electric bulbs and tubes; and*

*(x) crockery, cutlery, utensils, kitchen appliances and equipment;*

*(h) utility bills not in the name of the registered person unless evidence of consumption of such utilities is provided to the satisfaction of the officer of the SRB not below the rank of an Assistant Commissioner;*

*(i)goods or services procured or received by a registered person during a period exceeding six months prior to date of commencement of the provision of taxable services by him;*

*(j) goods or services used or consumed in a service liable to sales tax ad valorem rate lesser than thirteen per cent or at a specific rate at fixed rate or at such other rates not based on value;*

*(k) the amount of sales tax paid on the telecommunication services in excess of nineteen per cent ad valorem and the amount of sales tax paid on other taxable goods or services in excess of thirteen per cent ad valorem; and*

*(l) such goods or services as are notified by the Board to be in-admissible for input tax claim or reclaim or credit or adjustment or deduction.*

*(2) In case where a registered person deals with taxable and non-taxable or exempt services, he shall be entitled to claim or reclaim, for input tax credit or adjustment or deduction, only such proportion of the input tax as is attributable to taxable or non-exempt services in such manner as may be prescribed by the Board.*

*(3) No person other than a person registered under sections 24, 24A or 24B of this Act shall claim or deduct or adjust any input tax in respect of sales tax paid on any goods or services received or procured by him for use or consumption in the provision of taxable services.”*

**Section 18** **Joint and several liability of registered persons where tax unpaid.**

An amendment is proposed in the section to broaden its scope to registered as well as unregistered persons by omitting the word ‘registered’ from the section.

**Section 19** **Sale of taxable activity or transfer of ownership.**

* It is proposed in the section and tax assessed or determined in relation to the business is also to be counted for and paid by the person to whom the ownership is being transferred.
* The following new proviso is proposed to be added to create charge on the ongoing concern with regard to any unpaid tax.

*“Provided that if the tax payable by person remains unpaid, the amount of the unpaid tax shall be the first charge on the assets of the business and the persons buying and selling the business shall be jointly and severally liable for payment of the tax.”*

**Section 23** **Assessment of Tax.**

An amendment is proposed in the section and limitation for issuance of show cause notice is proposed to be enhanced from five years to eight years. Furthermore, powers of Board to transfer the cases or to condone any limitation under this section are also proposed to be introduced.

**Section 27** **Retention and production of records and documents.**

An amendment is proposed to enhance time limit for retention of record from ‘five’ years to ‘ten’ years.

**Section 34** **Appointment of Authorities.**

Following new categories of the officers are proposed to be the officers for the purposes of the Act.

*“(f) a Senior Auditor and an Auditor of the Sindh Revenue Board;*

*(g) a Sindh Sales Tax Officer of the Sindh Revenue Board; and*

*(h) an officer of the Sindh Revenue Board with any other designation.”*

**Section 47** **Recovery of tax not levied or short-levied.**

* An amendment is proposed to enhance time limit for initiation of recovery proceedings from five years to eight years.
* Following two new sub-sectionsare proposed to be introduced to empower the officers of SRB to initiate proceedings in cases of withholding of tax and to empower Board to transfer cases to any other officer and to condone limitation under this section.

*“(1B) where any person, required to withhold tax under provisions of this Act or rules made thereunder fails to withhold the tax or fails to deposit the withheld or deducted amount of the tax in prescribed manner, an officer of the SRB shall determine the amount in default and order its recovery in the prescribed manner.”*

*“(6) Notwithstanding anything contained in this Act, the Board shall have powers to regulate the system of determination of liability under this section including the powers for transfer of cases and extension of time limit in exceptional circumstances.”*

**Section 60** **Appointment of the Appellate Tribunal.**

An amendment is proposed to enhance tenure of the member of the Appellate Tribunal from ‘five’ years to ‘eight’ years.

**Section 74** **Removal of difficulties.**

An amendment is proposed to enhance period to exercise powers under this section from ‘five’ years to ‘eight’ years from the commencement of the Act. The limit for exercising was going to exhaust on 1/7/2016 and the same is proposed to be extended till 30.06.2019.

**PROPOSED CHANGES IN THE SECOND SCHEDULE TO THE ACT**

* It is proposed that the rate of tax, on all services which are presently taxable at the rate of 14%, be reduced to 13%.
* It is proposed that the rate of tax on telecommunication services be increased to 19% from 18% vide notification to be issued under section 8(2).
* 7 new services have been added to the Second Schedule. These are given below, along with their definitions and effective rate of tax, for ease of reference and discussion.

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| **Sr.** | **Description ofservices** | **Tariff Heading** | **Tax rate** |
| 1. | Travel bychartered flights | 9803.0000 | 13% |
| 2. | Cosmeticand plasticsurgery, otherthanthose forbodiesaffected duetocongenitaldefects, developmentalabnormalities,degenerative diseases, injuryor trauma. | 9842.0000 | 13% |
| 3. | Other consultants including human resource andpersonneldevelopment consultant services | 9815.9000 | 13% |
| 4. | Public relations services | 9819.2000 | 13% |
| 5. | Foreign visa processing advisory andConsultancyservices | 9843.0000 | 13% |
| 6. | Debt collection and recoveryservices | 9844.0000 | 13% |
| 7. | Supplychainmanagementordistribution(includingdelivery) services | 9845.0000 | 13% |