



Tax Newsletter, April

2023

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Preface

This document summarizes the crucial changes made in tax laws during the month of April 2023. The document contains comments, which represent our interpretation of the legislation. We therefore recommend that while considering their application to any particular case, reference be made to the specific wordings of the relevant piece of legislation.

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Sales Tax Act, 1990

Value of Steel Products for Levy of Sales Tax

SRO 501(I)/2023, dated 20 April 2023

Through this SRO, the Federal Board of Revenue [the Board] has revised value of supply of locally produced steel goods in term of Section 2(46) of Sales Tax Act, 1990 [ST Act] by superseding its earlier SRO 489(I)/2022 dated 05 April 2022. For sake of better understanding, the previous and revised value for supply of steel goods is tabulated as under:

Goods	Previous Value (PKR)	Revised Value (PKR)
Steel bars and other long profiles	164,037/MT	225,000/MT
Steel Billets	133,813 / MT	195,000/ MT
Steel Ingots/bala	126,000 /MT	180,000 /MT
Ship plates	129,584 / MT	172,000 / MT
Other re-rollable iron & steel scrap	125,688 / MT	160,000 / MT
Re-meltable iron & steel scrap (72.04)	NIL	155,000/MT

In case, such goods are sold at higher sales value, sales tax will be attracted accordingly.

Tier-1 Retailers' Integration with FBR's POS System

Sales Tax General Order No. 10 of 2023, dated 10 April 2023

Through aforesaid STGO, the Board has further identified 37 Tier-1 Retailers [T-IRs] at its web portal www.fbr.gov.pk allowing them to integrate with its Computerized System by 10 April, 2023. In case of non-compliance, such T-IRs not having yet integrated with Board's System, their input tax claim would be disallowed in term of Section 8B of ST Act. The Board issues such list periodically for sake of information to general public and ensure compliance.

Service Sales Tax Laws

Place of Provision of Services Rules, 2023 – Step Towards Harmonization of Sales Tax Laws

A decision has been taken during 6th meeting of National Tax Council (NTC) with the consensus that the Place of Provision of Service Rules will take effect from 1st May 2023 after approval by the respective provincial cabinets. However, the exclusion of electric power transmission from the list of goods by FBR will require amendments in Sales Tax Act, 1990 through the Finance Bill that is expected to be effected from 1st July 2023.

Accordingly, Federal Board of Revenue (FBR) and the following Provincial Revenue Authorities have issued uniform rules i.e. Place of Provision of Services Rules, 2023 in respect of the advertisement, advertising agents, insurance and re-insurance, insurance agents/brokers, franchise services, intellectual property and licensing services, and transportation of goods in order to harmonize the law, avoid overlapping situations & double taxation in case of cross border transactions:

- ✓ **Sindh Revenue Board (SRB)**
- ✓ **Punjab Revenue Authority (PRA)**
- ✓ **Khyber-Pakhtunkhwa Revenue Authority (KPRA)**
- ✓ **Balochistan Revenue Authority (BRA)**

A comparison of Sindh Place of Provision of Services Rules-2023, Punjab Place of Provision of Services Rules, 2023, Khyber Pakhtunkhwa Place of Provision of Services Rules, 2023, Balochistan Place of Provision of Services Rules, 2023 and Islamabad Capital Territory Place of Provision of Services Rules-2023 are hereby furnished on specified services for better understanding:

Nature of Service	Place of Taxation
Advertisement Services	
On TV broadcast through satellites	The beaming station i.e., the broadcast station uplinking the advertisement content
On TV broadcast through terrestrial signals Broadcast through TV Channels having landing rights in Pakistan	Location of the first broadcast station
On Internet Protocol TV (IPTV)	Location of the person having PEMRA license for such landing rights in Pakistan
On Cable TV or the TV using other distribution service	The location of the licensing Zone as specified in the respective PEMRA license for IPTV.
On Closed-Circuit TV	The location of the area of coverage assigned to the person holding the respective PEMRA license for Cable TV or the TV using other distribution service.
On website or webpage or internet	The location of the Closed-Circuit TV system
On radio broadcast through satellites	The location of the person owning or managing such website or webpage or internet.
On radio broadcast through terrestrial signals	The location of the broadcast station uplinking the advertisement content.
On still media including billboards, sign boards, digital boards, poles, etc.,	The location of the first broadcast station
On cinema screens and advertisement through aerial banner towing or smoke writing	The location of such still media
Booked in at any place in Province or Islamabad for broadcasting or telecasting on channels beamed or uplinked from a place outside Pakistan	The location of the cinema house and the jurisdiction in which the aerial advertising is performed
Booked at any place in Province or Islamabad for placing on the web or internet of persons not resident in Pakistan.	The service shall be deemed to have been provided in such Province or Islamabad irrespective of the fact whether the channel has PEMRA's landing rights permission in Pakistan

Nature of Service	Place of Taxation
Advertisement Agency Services	
Services provided or rendered by Advertising Agents	The location of the place of business of the respective Advertising Agent where the advertisement is booked
Insurance / Reinsurance Services	
Life insurance and health insurance services	The location of the office or the branch of the insurance company providing the insurance
Insurance of immovable property	The location of the immovable property insured or to be insured
Insurance of movable property	The location of the movable property where it is registered by the respective registration authority.
Movable property other than the ones requiring registration.	The location of such movable property at the time of insurance thereof
Marine insurance of goods	The port of embarkation or dis-embarkation in Pakistan of the respective goods.
Reinsurance services	The location of the office or branch of the person providing the reinsurance services in Pakistan
Reinsurance services provided or rendered by a reinsurance company not resident in Pakistan.	The location of the resident insurance company receiving or procuring such reinsurance service
Insurance / Reinsurance Agency / Brokerage Services	
Services provided or rendered by insurance agents	The location of the office or branch of the insurance company paying the amount of commission to the respective agent.
Services provided or rendered by insurance brokers	The location of the person paying the remuneration, commission or fee to the insurance broker
Where the insurance broker receives remuneration, commission or fee from a place outside Pakistan.	The location of the insurance broker in Pakistan.
Franchise and Intellectual Property Services	
Services provided or rendered by a person whether resident in Pakistan or otherwise.	The location of the resident person receiving or procuring such services
Where the tax on franchise services and intellectual property services provided by a resident person is not levied in a Province or area in which such services are received or procured.	The location of resident person providing or rendering such services.
<i>Note: This provision is only applicable in case of Sindh under Sindh Sales Tax on Services Act, 2011.</i>	
Electricity Power Transmission Services	
Where the services originate and terminate in different provinces	The place of the origin and the destination of transmission in a manner that amount of tax involved will be shared equally by the provinces in which the transmission services originated and in which such transmission services terminated.
Where the services originate and terminate in the same province	The province where services originates and terminates.
Where the services originate in a Province where the tax is levied but terminates in a Province where such tax is not levied	The Province where the services originates.
Where the service originates in a Province or area where the tax is not levied but terminates in a Province or area where such tax is levied	The Province where the services terminates

Note: Where the rate of tax leviable in the provinces are different in which the transmission services originated and terminated, the invoice clearly indicate the amount/rate of tax payable to the respective provinces on 50% of the value of that inter-province transmission services.

Nature of Service	Place of Taxation
Goods Transportation Services by road or through pipeline/conduit	
Services provided or rendered by the companies in a manner that service originate and terminate in different provinces	50% tax goes to Province where transportation was originated; 50% tax goes to Province where transportation was terminated
Services provided or rendered by companies where the services originate and terminate in the same province	The Province / ICT where service originates and terminates.
Services provided or rendered by companies originate in a Province where the tax is levied but terminates in a Province where such tax is not levied.	The Province / ICT where the service originates.
Services provided or rendered by companies originates in a Province or area where the tax is not levied but terminates in a Province or area where tax is levied	The Province / ICT where service terminates.
Services provided or rendered by persons other than companies.	Location of booking office of the person transporting the goods.
<p>Note: In case of services, provided or rendered by persons, whether a company or otherwise, in relation to road transportation of petroleum oils, the provisions of the respective "Sales Tax Special Procedure (Transportation or Carriage of Petroleum Oils through Oil Tankers) Rules shall apply notwithstanding the provisions of these rules.</p> <p>Further, where the rate of tax leviable in the Provinces are different in which the transportation services originated and terminated, the invoice clearly indicate the amount / rate of tax payable to the respective provinces on 50% of the value of that inter-province transportation services.</p>	

Exemption of Toll Manufacturing Services rendered in Balochistan

Notification No. BRA/HQ/22/-23/129 dated 14th April 2023

BRA has issued a Notification No. BRA/HQ/22/-23/129 dated 14th April 2023 whereby "toll manufacturing" services falling under tariff heading 9816.0000 has been exempted from sales tax with immediate effect i.e., 14th April 2023. Earlier, SRB issued Notification No.SRB-3-4/21/2022 dated 28th June 2022 whereby the same services were exempted from Sindh Sales Tax, if sales tax is otherwise levied on subject transaction(s) under Sales Tax Act, 1990.

We understand the aforesaid exemptions have been granted by BRA and SRB is in the light of decision taken in the meeting of National Tax Council with consensus of Federal and Provincial tax authorities / Boards.



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