

TAX NEWSLETTER

Sindh Sales Tax Special Procedure (Tax on Specified Services) Rules, 2023

The Sindh Revenue Board (SRB) has promulgated Sindh Sales Tax Special Procedure (Tax on Specified Services) Rules, 2023 vide its Notification No. SRB-3-4/46/2023 dated 27 September 2023 which are effective from 1st October 2023.

Vide these rules all scheduled banks and other such entities licensed or authorized by the State Bank of Pakistan for transfer of money abroad against import of services has been prescribed as "collecting agents". Every collecting agent has been made responsible for charging and collecting Sindh sales tax at applicable rate from the recipients of specified services who are based in the Province of Sindh, on the gross value of the service being remitted abroad as enumerated below:

S.No.	Description of Taxable Service	Tariff Heading	Tax Rate %
1.	Advertisement services for which payment is made through a collection agent by using any means for transfer of payments to any service provider not resident in Pakistan.	9802.1000, 9802.2000, 9802.3000 9802.4000, 9802.6000, 9802.7000 9802.9000	13
2.	Services provided by software or IT based system development consultants as covered under clause (84B) of section 2 of the Act, including cloud-based content streaming services for which payment is made through a collection agent by using any means for transfer of payments to any service provider not resident in Pakistan	9815.6000	3

The collection agents, if not already registered, must obtain registration under the Sindh Sales Tax on Services Act, 2011 and collected tax will be declared in Annex-C of the tax return and must be deposited by the 15th day of the following month in the Sindh Government's head of account. It is pertinent to note that no deduction or credit of input tax shall be admissible against such tax liability to the collecting agent. Further, FBR or SRB registered persons will not be able to adjust Sindh sales tax collected at reduced rate 3% on aforesaid IT services.

Apparently, aforesaid rules have been implemented to curb the tax evasion on import of specified services by undocumented businesses.