

Way forward



The Sindh Sales Tax on Services

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Way forward

1. **Focus on proposed amendment**
2. **Consultation with Stakeholders**
3. **Documentation**
4. **Broadening Tax Net**
5. **Relation between KTBA and SRB**

ECONOMIC ACTIVITY

- (1) **Economic Activity** means any activity carried on continuously or regularly that involves or is intended to involve services to another person and includes—
- (a) an activity carried on in the form of business, including a profession, calling, trade, or undertaking of any kind, whether or not the activity is undertaken for profit;
 - (b) the supply of moveable property by way of lease, license or similar arrangement; and
 - (c) a one-off adventure or concern in the nature of a trade.

ECONOMIC ACTIVITY

It also include anything done or undertaken during the

- Commencement or
- Termination

of an Economic Activity.

ECONOMIC ACTIVITY - EXCLUSIONS

(a) Services by Employee for an Employer; or

(b) Private recreational pursuit or hobby of an individual.

(c)* Activity of a person other than an individual, which is essentially carried on as a private recreational pursuit or hobby of a member, owner, or associate of the person; and

(d)* Activity carried on without a reasonable expectation of profit by an individual or an association of persons, all of the members of which are individuals.

*** Deleted by the Amendment Ordinance be restored**

ADJUSTMENT OF INPUT TAX

Input tax cannot be claimed unless:

- **paid by registered person;**
- **tax is actually used or consumed in any taxable services provided or rendered by registered person.**

The concept of 'accrual' as envisaged in Sales Tax Act, 1990 has been changed with payment.

It is proposed that accrual concept be brought in SST as well for ready matching with Accounts and Output Tax. This would then be in line with Federal ST Section 7(1).

INPUT TAX ADJUSTMENT

- **To claim unadjusted input tax, a maximum period of 4 months has been prescribed after the end of relevant tax period as per Rule 22(1).**
- **This means in order to claim input tax the registered person would need to settle his supplier within 4 months' time notwithstanding the actual credit period allowed to him from the supplier.**
- **It is proposed that period should be enhanced to 6 months in order to match with Federal ST Section 7(1).**

DETERMINATION OF TAX LIABILITY

Credit & Debit notes

- In case where the value of supply in the tax invoice or return needs to be modified - Both the service provider and the recipient have to issue corresponding Debit and Credit Notes.
- Details for the issuance of the Debit & Credit Notes and the amount adjusted on the Notes.

Debit and Credit Notes are to be issued within 90 days of the date of Invoice which, upon request, is extendable for up to 30 days. It is proposed to increase time limit to 365 days.

JOINT AND SEVERAL LIABILITY

Section 71(5) requires joint and several liability of the e-intermediary.

It is proposed to delete the above provision as e-intermediary is just a facilitator for filing the return.

REFUNDS – Rule 23A

Refund is only granted if

- (a) ST is erroneously or inadvertently deposited in excess of the amount due; and
- (b) ST deposited by or recovered from the registered person is held not payable under the Act, as result of an order of a court or an appellate forum.

Refund is also possible if the Service provider purchases huge Fixed assets in the first year of its operation. As such, it is proposed that the same should be covered in the Refund Rules.

IMMUNITY

Late registration with SRB

Certain person could not register with SRB on a timely basis in view of issues with FBR, etc. It is good that no penal actions have been taken so far by the SRB for the sake of relief to such Taxpayers, specific immunity be given for such default.

Non- Registration with SRB

For new services, certain person have not registered so far, it is proposed that immunity from tax, default surcharge and penalty be given if registered, collect tax with effect from June 1, 2012.

DRAFT NOTIFICATION

All the Notifications have been issued without first issuing the Draft for the same, for comments by the Stakeholders.

It is recommended that prior to issuing Notifications, the Draft Notifications be issued for comments by the Stakeholders and final notification be issued after at least 15 days.

CONCLUSION

“I wish that the law making body shall frame the laws after deliberations which is an additional duty cast upon the law making body in terms of the Article 2-A of the Constitution. The same is in accordance with the

- Injunctions of Islam and
- Doctrine of Expectation of Consultations
...”

Hon’ble Justice Chaudhry Ijaz Ahmed



THANK YOU