



Services

TAX

WITHHOLDING TAX

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SHEKHA & MUFTI
CHARTERED ACCOUNTANTS

An independent member firm of
Moore Stephens International Ltd.

Truth Exposed !

Death & Tax are Unavoidable;
however, we are fortunate that
death is not monthly !





Withholding Sales Tax

- Concept
- Withholding Agents
- Mechanism
- Banking
- Method of Payment of Sales Tax Withholding
- Immunity from Sales Tax Withholding
- Practical Issues



Concept

Sales tax withholding is envisaged on acquiring taxable services falling under Second Schedule of Sindh Sales Tax on Services Act, 2011 read with Sindh Sales Tax Special Procedure (Withholding) Rules, 2011



Withholding Agents

- ❑ Federal and Provincial Government, local and district governments;
- ❑ Autonomous bodies,
- ❑ Public sector organizations, public corporation, state owned enterprises and regulatory bodies;
- ❑ Organizations funded wholly or partly out of budget grants of Federal and Provincial Government;
- ❑ Taxpayers falling in the jurisdiction of Large Taxpayers Unit of Inland Revenue registered for sales tax, federal excise duty and income tax;
- ❑ Recipients of advertisement services registered with FBR for goods or for SRB

Mechanism

Withholding agents (other than LTU registrant and recipient of advertisement service) on receipt of taxable services are required to withhold 1/5th of sales tax from registered service person as follows:

Illustration

	<u>Rupees</u>
Value of taxable services excluding sales tax	1,000
Sales tax chargeable @ 16 %	160
Sales tax to to be deducted by the withholding agents (160÷5)	32
Sales tax payable by the withholding agent (160-32)	128
Balance amount payable to the service provider (1000+160-32)	<u><u>1,128</u></u>

Mechanism (cont..)

Withholding agents, on receipt of taxable service from unregistered persons (except recipient of advertisement services), are required to withhold as follows:

Illustration

(Taxable services from unregistered person)

	<u>Rupees</u>
Value of taxable services including sales tax	1,000
Sales tax to be withheld @ 16 % (Rs 1,000 X 16% ÷ 116%)	(138)
Balance amount payable to unregistered service provider (Rs 1000-Rs 138)	<u>862</u>

Mechanism (cont...)

Withholding agents, as recipient of advertisement services, are required to withhold as follows:

Illustration (A)

(Advertisement services received from registered person)

	<u>Rupees</u>
Value of taxable services excluding sales tax	1,000
Sales tax chargeable @ 16 %	<u>160</u>
	1,160
Sales tax to be withheld	(160)
	<u>1,000</u>
Balance amount payable to the service provider	<u><u>1,000</u></u>

Illustration (B)

(Advertisement services received from unregistered person)

	<u>Rupees</u>
Value of taxable services excluding sales tax	1,000
Sales tax to be withheld @ 16 % (Rs 1,000 X 16% ÷ 116%)	(138)
	<u>862</u>
Balance amount payable to the service provider	<u><u>862</u></u>

Mechanism (cont...)

Withholding agents falling in the jurisdiction of LTU, on receipt of taxable service from registered service provider (other than LTU registrant) are required to withhold as follows:

Illustration

	<u>Rupees</u>
Value of taxable services excluding sales tax	1,000
Sales tax chargeable @ 16 %	160
Sales tax to to be deducted by the withholding agents (Rs 1000 x 1%)	(10)
Balance amount payable to the service provider (Rs 1000+Rs 160-Rs 10)	<u><u>1,170</u></u>



Banking

- Payment of tax withheld to be deposited under Government of Sindh's head of account 'B-02382'
- A certificate of tax deduction is also required to be furnished to the service provider.



Payment procedure for withholding agents

Registered Agent

Withholding tax agent, registered with the Board, is required to deposit the withheld amount of tax by 15th day of the month following the month during which payment has been made to the service provider on the Form SST-04 and submit monthly sales tax return on Form-SST-03.



Payment procedure for withholding tax

Unregistered Agent

If withholding tax agent is not registered with the Board but holds NTN, he is required to file specified return electronically and deposit the amount of tax so withheld by 15th day of the month following the month during which payment has been made to the service provider.

Visit any of the SRB-authorized NBP branches. Branch cashier will create PSID Challan on Form SST-04 for the amount of sales tax withheld by mentioning the period.



Payment procedure for withholding tax

Withholding Agent will electronically deposit the amount along with this PSID at the Counter of the NBP's authorized branch. The branch officer deposit the tax amount and issue a Computerized Payment Receipt (CPR).

Withholding Agents not registered as service providers in the SRB are required to submit their Monthly Withholding Return Statement, as prescribed in the Annex to the Sindh Sales Tax Special Procedure (Withholding) Rules, 2011, along with a copy of the CPR and a covering letter addressed to the Member (Operations), Sindh Revenue Board through courier service.

**Government of Sindh
Sindh Revenue Board**

Monthly Sales Tax Return for Withholding Agents

Withholding Agent Name & Address

Month Year

Period

NTN/FTN

DETAILS OF SALES TAX DEDUCTED DURING THE MONTH
(attach additional sheets, if required)

S. No.	Name of Service Provider	NTN	No. of Invoices	Amount of Sales Tax Invoiced	Amount of Sales tax withheld
TOTAL AMOUNT OF SALES TAX WITHHELD DURING THE MONTH					

Verification

I, _____, holder of CNIC No. _____ in my capacity as _____, certify that the information given above is/are correct, complete and in accordance with the provisions of the Sindh Sales Tax on Services Act, 2011, and the rules and notifications issued thereunder.

Date: _____

Stamp

Signature

Head of Account: B-02382----Sindh Sales Tax on Services (withholding)

Amount received: (in figures) Rs. _____

(in words) Rupees _____

Bank Officer's signature _____

Bank Stamp with date _____



Immunity from sales tax withholding !

Contractual execution of work or furnishing of supplies and construction services, where value component of such services does not exceed Rs. 10 million.



Practical Issues !

WHT on services received from unregistered persons !

Whether 'unregistered' means person;

- ✓ **not registered with either SRB or FBR,**
- ✓ **registered with FBR but not with SRB, or**
- ✓ **liable for registration with SRB but not so registered**



Practical Issues !

Whether sales tax withholding will be made against taxable services rendered before issuance of Withholding Tax Rules ?



Practical Issues !

**Commercials aired on PTV /
Satellite Channels but invoicing
made only from one office in
Pakistan. Applicability of sales tax
withholding ?**



Practical Issues !

Applicability of sales tax withholding against mobile bills issued to head office irrespective of the area from which or in which the SIM was issued or utilized ?



Practical Issues !

In case of execution of work or furnishing of supplies and construction services, availability of threshold of Rs. 50 million - either applicable to recipient of services or to the service provider ?



Practical Issues !

Applicability of sales tax withholding while dealing with unregistered persons such as (i) construction services, and (ii) services provided or rendered by persons engaged in contractual execution of work or furnishing the supplies ?



Practical Issues !

Whether withholding tax will be deducted @ 16% on the component of service charges in addition to withholding income tax as per applicable rate ?



Practical Issues !

If a service provider is registered in LTU, and withholding agent is also registered in LTU, applicability of sales tax withhold @ 1% or 16%?



Practical Issues !

Whether the Federal / Provincial / local Government, autonomous bodies, public sector organizations / regulatory bodies or organizations funded out of budget grants, being recipient of advertisement services, will deduct sales tax @ 16% or @ 1/5th of tax ?



Practical Issues !

TV Channel based in Lahore while recipient based in Sindh but registered for goods with FBR.

Treatment of WHT, input tax adjustment, overlapping and potential issue !



Practical Issues !

Sales tax withholding will be made in case where freight forwarding services are acquired with levy of sales tax @ Rs. 400 per house bill of lading.



Thank You



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