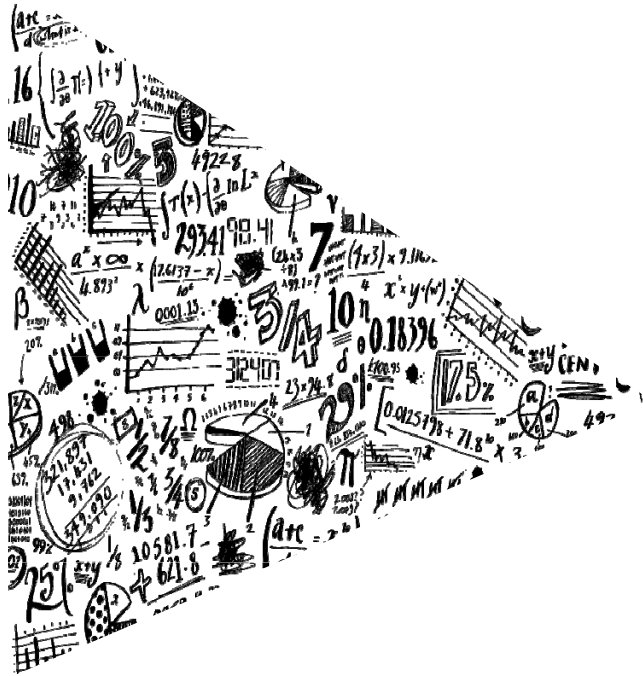


Workshop organized by:  
**Southern Regional Committee, ICAP**



## **Sindh Sales Tax on Services Act, 2011** - Determination of Tax liability

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01 November 2011

**ERNST & YOUNG**  
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# Contents

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## Determination of sales tax liability

Under the

**Sindh Sales Tax on Services Act,  
2011(the Act), and**

**Sindh Sales Tax on Services Rules,  
2011(the Rules)**



**Calculating the TAX DUE  
through Monthly STR**

# Determining the tax liability

## Section 15 – Adjustments

- ▶ The Act does not provide a manner of claim or adjustment of “input tax”.
- ▶ It only authorizes SRB to prescribe conditions and restrictions to allow a registered person to claim adjustments, deductions or refund in respect of sales tax paid on or in respect of any taxable services provided.
- ▶ *Chapter V, Rules 21 to 23 of the Rules prescribe the manner of adjustment of input tax or tax paid.*

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# Determination of tax liability

## Input tax – Admissibility

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- ▶ Input tax cannot be claimed unless it is:
  - ▶ **Paid** by a person registered with the SRB;
  - ▶ **Actually consumed** in any taxable service provided by the registered person.

**Point to note:**

The “Accrual” concept in the Sales Tax Act, 1990 is not followed here.

- ▶ A tax invoice stating buyer’s name and NTN/STRN is necessary for claiming the input adjustment. In case of utility bills, the address of registered premises of the buyer also needs to be included in order to claim an adjustment.
- ▶ Input tax is to be bifurcated between the services taxed in Sindh and those taxed outside Sindh.

# Determination of tax liability

## Input tax – Adjustment

- ▶ A service provider is entitled to claim input tax credit for the tax paid on account of:
  - ▶ Taxable purchases; and
  - ▶ Utilities like telephone, gas and electricity consumed
- ▶ Input tax relating wholly to taxable services is admissible whereas that relating wholly to exempt services is inadmissible.

### ▶ Apportionment of input tax:

- ▶ Where a service provider is engaged in providing both taxable and exempt services, the amount of admissible input tax credit can be derived by using the following formula:

$$\frac{\text{Value of taxable services}}{\text{Value of taxable services} + \text{Value of exempt services}} \times \text{Total input tax}$$

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# Issues & Anomalies

## Absence of restriction on Input tax claim

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- ▶ Unlike the ST law there is no restriction on claim of input tax under the STSA on the following:

Motor Vehicles

Entertainment,  
food,  
beverages,  
garments,  
fabrics

Gifts,  
giveaways,  
etc.

Utility bills of  
residential  
colonies

# Determination of tax liability

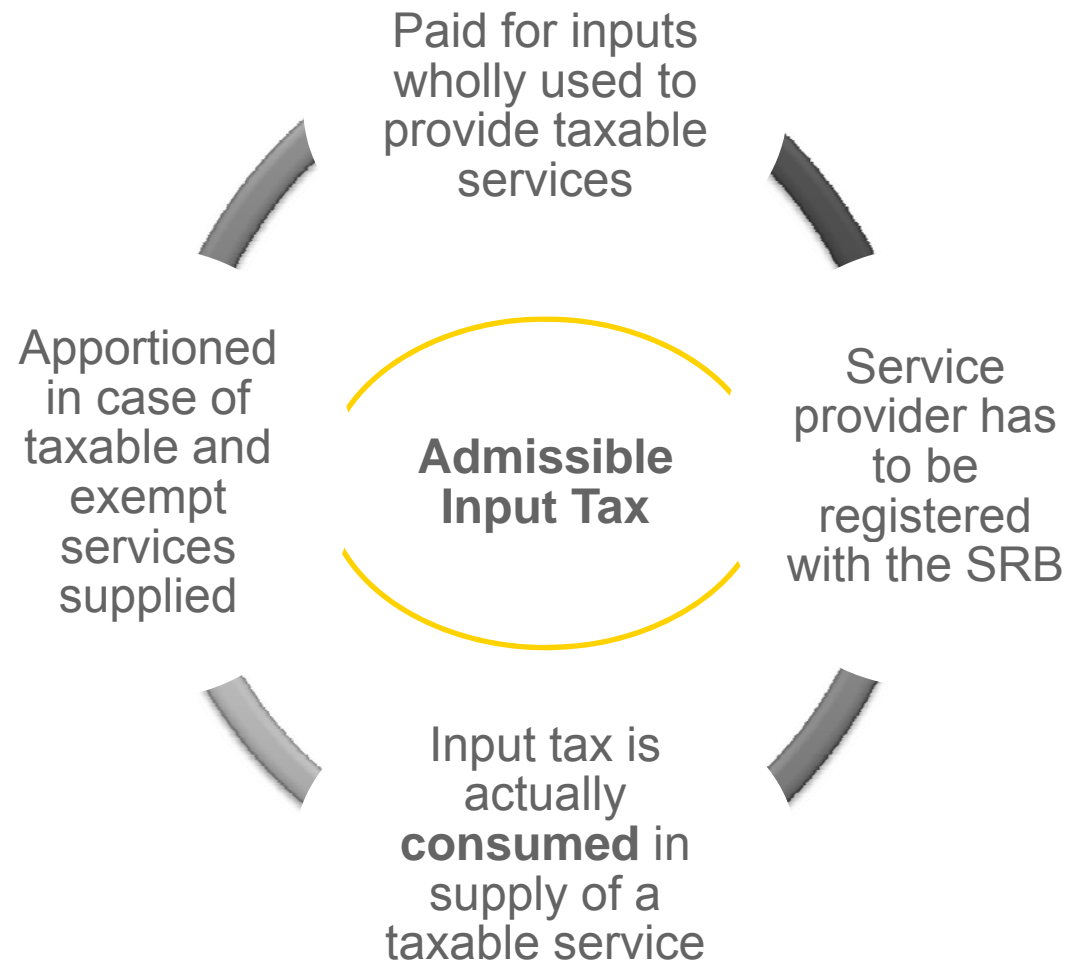
## Input tax Adjustment

► Admissible Input tax, subject to conditions

Unadjusted input tax not been claimed within a maximum period of 4 months after the end of a relevant tax period.

Input tax on goods and services purchased before the tax period July 2011.

Carried forward input tax adjustment relating to tax period June 2011 or earlier.



# Determination of tax liability

## Input tax – Disallowed

Input tax relating to capital goods / fixed assets **not exclusively** used in providing taxable services.

Sales tax claimed as input tax on services where such tax has not been deposited by the service provider.

Input tax on goods & services received against false, fake, forged or flying invoices.

Tax paid on purchases from persons black listed or suspended by SRB, FBR or *any other Prov. Authority.*

Input tax on goods and services consumed in a service liable to a reduced or specific tax rate not based on value (e.g. franchise fee etc.)

Tax paid on utility bills not in the name of registered person, unless evidence of consumption is produced.

# 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**.*

The following need to be stated-

***Details for the issuance of the debit and credit notes**  
**And the amount adjusted.***

The corresponding 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**.

# Determination of tax liability

## Calculating the tax due -Illustration

	Value Rs.	ST Rs.
Services provided /rendered	2,000	320
Sales tax withheld as withholding agent		05
<b>Sales tax Payable(B)</b>		<b>325</b>

➔

	Value Rs.	ST Rs.
Imports and Domestic Purchases	1,000	160
Less: Non creditable inputs	500	(80)
Add: Credit Carried forward		16
Add: Tax withheld by the buyers		05
<b>Total Input tax (A)</b>		<b>101</b>

➔

	Value Rs.	ST Rs.
<b>Total Sales Tax Payable / (Credit to be forward)</b>		<b>224</b>

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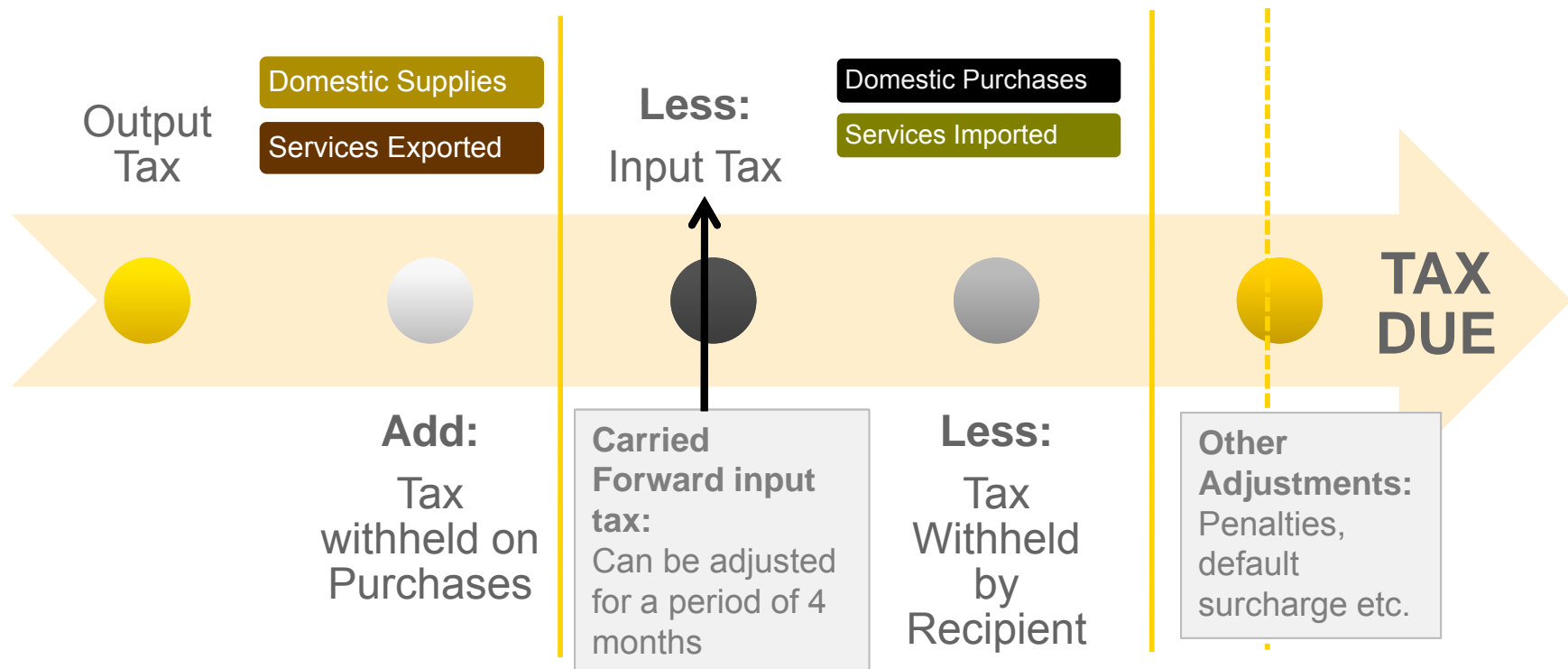
# Calculating the Tax Due through Monthly STR

Every registered person is required to furnish (efile) a true and correct monthly sales tax return along with the prescribed Annexures not later than the due date i.e. 18<sup>th</sup> day of the month following the end of the tax period, whereas the tax due is to be deposited on the 15<sup>th</sup> day of that month.

# Calculation of Tax due in the STR

## An overview of the calculation

- ▶ The STR available on eSRB calculates the tax liability as follows:



# E-Filing the Monthly STR

## Payment of tax due

- ▶ Sales tax is e-filed through the STR form SST - 03

**Sales Tax Credit Section**

**Record input tax:**  
On domestic purchases and imports

Description	Value	Sales Tax Amount
1. Domestic Purchases excluding fixed assets	Annex-A	0
2. Imports excluding fixed assets (includes value addition tax on commercial imports)	Annex-B	0
3. Capital / Fixed Assets (Domestic Purchases & Imports)	0	0
4. (-) Non-creditable inputs (relating to exempt, non-taxed supplies/rendering of services)		0
5. Input Tax for the month = [ (1 + 2 + 3) - 4 ]		0
6. Credit carried forward from previous tax period(s)		0
7. Tax withheld by the buyer as withholding agent		0
8. Accumulated credit = [(5 + 6+7)]		0

**Input tax carried forward:**  
Unadjusted input tax carried forward from previous periods is available for adjustment for 4 months.

**Tax withheld at source by buyers:**  
Adjusted with the output tax liability.

# E-Filing the Monthly STR

## Payment of tax due

- ▶ Annexure – A is provided to record domestic purchases and input tax incurred thereon.

### Annexure – A “Domestic Purchases”

#### Annex-A Summary of Domestic Purchases

NTN	<input type="text"/>	CNIC	<input type="text"/>	Name	<input type="text"/>
Doc. Type	Purchase Invoice	Doc. No.	<input type="text"/>	Doc. Date	<input type="text"/> (DD/MM/YYYY) HS Code <input type="text"/>
Purchase Type	Goods	Rate	16	Value	<input type="text"/> (Excluding GST) District <input type="text"/> BADIN
Sales Tax Involved	<input type="text"/>	GST Withheld	<input type="text"/>		

Grid List

SUP STS	Sr.	Particulars of Supplier				Document				Purchase Type	Rate	Value
		NTN	CNIC	Name	District	Type	Number	Date	HS Code			
Total (Net after incorporating the Credit/Debit Notes, if any)												

# E-Filing the Monthly STR

## Payment of tax due

- ▶ Annexure – B is provided to record imports and input tax incurred thereon.

### Annexure – B “Imports”

Annex-B Goods Declaration Imports

One Custom 
  PaCCs/CARE 
  WEBOC

Collectorate:  
 GD Type:  
 GD/CRN No.:  
 GD Date:

Type:  
 ST Rate:  
 ST Value:  
 ST Paid:

Value Addition Tax on Commercial:  
 FED/SED Paid:

Particulars of GD Imports (Machine No.)										
Sr No	Collectorate	GD Type	GD Number	GD Date	Type	ST Rate	Taxable Value of Imports	ST Paid at Import Stage	Value Addition Tax on Commercial	F
<b>Total:</b>							0	0	0	0
							<b>Sales Taxable Value</b>	<b>Sales Tax at Import Stage</b>	<b>Value Addition Tax</b>	<b>FED Paid at Import Stage</b>
Taxable (Excluding Fixed Assets)							0	0	0	0
Commercial							0	0	0	0
Exempt							0	0	0	0
Fixed Assets							0	0	0	0
Gross Total										

# E-Filing the Monthly STR

## Payment of tax due

- ▶ Sales tax is e-filed through the STR form SST - 03

### Sales Tax Debit Section

SALES TAX DEBITS	
9. Services provided/rendered	<div style="border: 1px solid yellow; padding: 5px; display: inline-block;">Record output tax: On domestic supplies and exports</div> → <span style="border: 1px solid yellow; border-radius: 50%; padding: 2px;">Annex-C</span> <input type="text" value="0"/> <input type="text" value="0"/>
10. Services Exported	<span style="border: 1px solid yellow; border-radius: 50%; padding: 2px;">Annex-D</span> <input type="text" value="0"/> <input type="text" value="0"/>
11. Output Tax for the month = (9)	<input type="text" value="0"/>

# E-Filing the Monthly STR

## Payment of tax due

- ▶ Annexure - C records services rendered and tax thereon.

### Annexure – C “Services Rendered”

Annex-C (Domestic Sales Invoices)

Buyer Type: Intermediary NTN:  CNIC:   
 Name:  Doc. Type: Credit Note Doc. No.:   
 Loc. Date:  HS Code:  Sale Type: Goods Rate: 15  
 District of Buyer: SADDI  
 Sales Value:  Sales Tax Involved:  Extra Amount:  GST Withheld:

Sr.	Particulars of Buyer			District of Buyer	Buyer Type	Document				Sale Type	Rate
	NTN	CNIC	Name			Type	Number	Date	HS Code		
Total (Net after incorporating the Credit/Debit Notes, if any)											
Type	Value		Sales Tax	ST Withheld							
Goods Sold to End Consumers	0		0								
Goods Sold to Intermediary	0		0								
Services Provided to End Consumers	0		0								
Services Provided to Intermediary	0		0								
Gross Total	0		0								

# E-Filing the Monthly STR

## Payment of tax due

- ▶ Annexure - D records services exported and tax thereon.

### Annexure – D “Services Exported”

Annex-D (Goods Declarations-Exports)

One Custom 
  PaCCS/CARE 
  WEBOC

Collectorate:  
 GD Type:  
 GD/CRN No.:  
 GD Date:

Export Value:  (Rs.) 
 M.R.No.:  
 Type:

Value of Goods/Services:  
 Value of Short Shipment:  
 Value of Goods/Services Admissible for Refund:  
 MATE Receipt Date:

Actually Shipped:

Sr	Particulars of GD EXPORT (Machine Number.)				Type	Value of Exports In PK Repees	Value of Goods/Services Actually Shipped	Value of Short Shipment	Value of Goods/Services Admissible for Refund	MATE Receipt No., Where Applicable	MATE Receipt Date	Record Source
	Collectorate	GD Type	GD Number	GD Date								
<b>Total:</b>						00	0	0				
<b>Type</b>						<b>Value of Exports In PK Repees</b>	<b>Value of Goods/Services Actually Shipped</b>	<b>Value of Short Shipment</b>	<b>Value of Goods/Services Admissible for Refund</b>			
Goods						0	0	0	0			
Services						0	0	0	0			
Gross Total						0	0	0	0			

# E-Filing the Monthly STR

## Payment of tax due

- ▶ Sales tax is e-filed through the STR form SST - 03

*Sales tax liability: Output tax less admissible input credits*

PAYABLE / REFUNDABLE	12. Input for the month (admissible under the Rules) = [3+6+[admissible inputs of 1 & 2]-4]	<input type="text" value="23,608"/>
	13. Available Balance (Cr or Dr) = [11 - (7 + 12)]	<input type="text" value="6,799,005"/>
	14. Do you want to Carry Forward the inputs of Capital/Fixed Assets declared at Sr-3 above	<input type="radio"/> Yes <input checked="" type="radio"/> No
	14a. Sales Tax withheld by the return filer as withholding agent	<input type="text" value="0"/> <a href="#">Annex-A</a>
	15. Sales Tax Payable = [if 13 > 0 then 13 + 14a otherwise 14a]	<input type="text" value="6,799,005"/>
	16. Refund Claim on Capital/ Fixed Assets = [if 14 = "No" then "Minimum of Fixed Assets and Available Balance" otherwise zero]	<input type="text" value="0"/>
	17. Credit to be carried forward= [if 13 < 0 and (13 + 16) < 0 then -(13 + 16) otherwise zero]	<input type="text" value="0"/>
	18. End-of-Year Refund Claim= [if Tax Month = "JUN" and 17 > 0 then 17 otherwise zero]	<input type="text" value="0"/>
	19. Net Credit carried forward= [if Tax Month = "JUN" then zero otherwise 17]	<input type="text" value="0"/>
	20. Fine/Penalty/Additional Tax/ Default Surcharge [a + b + c]	<input type="text" value="0"/>
	21. a) Additional Tax / Default Surcharge / Others (e.g Section 16, etc)	<input type="text" value="0"/>
	22. b) Arrears	<input type="text" value="0"/>
	23. c) Penalty/Fine	<input type="text" value="0"/>
	24. Total amount to be paid= [ (15 + 20)]	<input type="text" value="6,799,005"/>
	25. Tax paid on normal/previous return (applicable in case of amended return)	<input type="text" value="0"/>
	26. Balance Tax Payable/ (Refundable) = [(24 - 25)]	<input type="text" value="6,799,005"/>
	27. Select bank account for receipt of refund A/C No. <input type="text" value="Select"/>	

**Final Tax liability:  
Output tax less input credits**

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# E-Filing the Monthly STR

## Multiple Returns

The following persons are required to file returns with both, SRB and FBR:

Person providing taxable service in provinces other than Sindh

- Two returns have to be filed for the tax period:
  - One with SRB, in respect of services rendered in Province of Sindh and
  - One with FBR, in respect of services rendered in other parts of Pakistan except Sindh.

Person providing taxable service & taxable supply of goods simultaneously

- Two returns have to be files for the tax period:
  - One with SRB, in respect of services rendered in Province of Sindh and
  - One with FBR, in respect of supply of taxable goods and services rendered in other parts of Pakistan except Sindh.

**To claim input tax in SRB or FBR returns, they have to bifurcate purchase invoices/imports related to SRB or FBR revenue**

# E-Filing the Monthly STR

## Annexure P – To be filed with the FBR

### Revenue generated by Services: Province wise breakup

BREAKUP OF SERVICES PROVIDED				
TO BE COMPLETED BY THE SERVICE PROVIDER AS PART OF ST&FE RETURN				
Sr.	Province/ Area from which service is provided	Value of Services excluding Sales Tax	Sales Tax Charged	%age
1.	Balochistan	<input type="text"/>	<input type="text"/>	<input type="text"/>
2.	Khyber Pakhtunkhwa	<input type="text"/>	<input type="text"/>	<input type="text"/>
3.	Punjab	<input type="text"/>	<input type="text"/>	<input type="text"/>
4.	Sindh	<input type="text"/>	<input type="text"/>	<input type="text"/>
5.	Capital Territory & Others	<input type="text"/>	<input type="text"/>	<input type="text"/>
Total		<input type="text"/>	<input type="text"/>	<input type="text"/>

Save

Print

Back To Return

HEAD WISE PAYABLE		PAID AMOUNTS	
Head of Account	Amount	Province Wise Breakup of Sales Tax on Services (Annex-P)	
		Province/Area	Amount
B02341 - Sales Tax on Goods	<input type="text"/>	BXXXXX - Baluchistan	<input type="text"/>
B02366 - Sales Tax on Services	<input type="text"/>	BXXXXX - Khyber Pakhtunkhwa	<input type="text"/>
B02367 - FED in VAT Mode	<input type="text"/>	BXXXXX - Punjab	<input type="text"/>
B02485 - FED Excluding Natural Gas	<input type="text"/>	B02382 - Sindh	<input type="text"/>
B02501 - FED on Natural Gas	<input type="text"/>	BXXXXX - Capital Territory	<input type="text"/>
C03901 - Petroleum Levy	<input type="text"/>	Total	<input type="text"/>
Total Amount Payable	<input type="text"/>		

# E-Filing the Monthly STR

Annexure P – To be filed with the FBR

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- ▶ Annexure P is inserted to allocate the services related revenue to each province directly.
- ▶ The idea is allocation of payable tax to each province on the basis of revenue declared in Annexure P after adjustment of input tax in same ratio.

Works properly in case of exclusive taxable service providers (i.e. where no supply of goods is involved)

In case of persons rendering of services as well as supplying goods the input allocation is not made accordingly.

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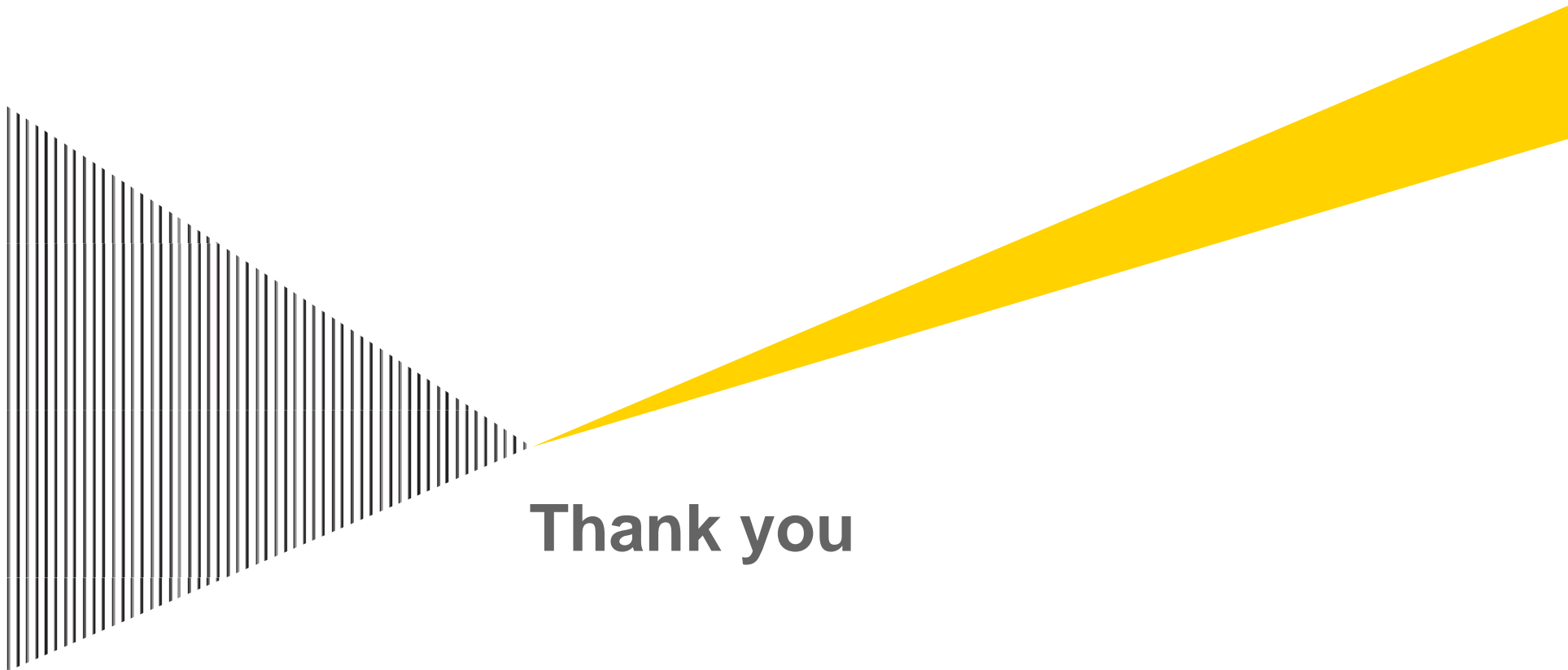
# E-Filing the Monthly STR

## Input tax claim

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- ▶ Offset of input tax is allowed in Federal as well as Provincial law.
- ▶ Effectively it results in claim of input tax under one law against output tax of the other law in spite of the fact that the output tax would not have been deposited under the same law.

*This is likely to become an issue between Federation and Sindh.*



**Thank you**