

Sindh Sales Tax on Services Act, 2011

Summary of key changes

Sindh Sales Tax on Services Act, 2011

KEY HIGHLIGHTS – SINDH BUDGET 2024–25

1) CHANGE IN NORMAL RATE:

Previously the rate of normal sales tax on services in Sindh was 13%. Now, it is proposed to increase the rate from 13% to 15%. However, this increase will have no impact on the services which are subject to reduced rates.

2) ADDITION OF SERVICES UNDER SECTION 2, FIRST SCHEDULE, SECOND SCHEDULE:

Following new services are defined in Section 2 and are proposed to be included in the Second Schedule of Sindh Sales Tax on Services Act, 2011, which means that these services will be subject to sales tax from now on:

S#	Services	Proposed rate*
1	(19) Scope of 'Business Support Services' extended to include Marketing.	Definition updated, already subject to tax at 13% now it will be subject to 15% rate of tax.
2	(20B) Scope of 'car and automobile dealers' enhanced to include services in relation to all kind of motor vehicles.	Definition updated, already subject to tax at 13% now it will be subject to 15% rate of tax.
3	(29A) Scope of the term 'Surgery' as used under the definition of 'Cosmetic and plastic Surgery', shall include procedures.	Definition updated, already subject to tax at 13% now it will be subject to 15% rate of tax.
4	(37A) "education services" includes the pre-primary, primary, elementary, secondary, higher secondary, General Certificate of Education, General Certificate of Secondary Education, International General Certificate of Secondary Education, college or university education and also includes vocational, professional, instructional, technical and continuing education services and trainings rendered or provided by institutions like schools, colleges, universities, academia, institutes, teaching hospitals, or such other degree, diploma or certificate awarding institutions but does not include special education for the children with special needs and education under adult literacy program.	15%
5	(41A) "farmhouse" includes a facility or a resort located on a farm which or a part of which is used for providing or rendering accommodation or entertainment or swimming or games or recreation, or camping opportunities;	15%
6	"(50A) "hospitals and clinics" includes the hospitals or institutions, as defined in clause (a) of Section 2 of the Pakistan Medical and Dental Council Act, 2022 (Act No. IV of 2023), and also includes a person or an establishment or an institution or an organization or a facility engaged in providing or rendering the services like medical, surgical, psychiatric, obstetric, dental or ophthalmological and similar treatment and care, whether preventive, prophylactic or curative, of persons including patients or sick or injured persons;"	15%
7	"(59A) "medical practitioners and consultants" means the registered medical practitioners and the registered dental practitioners, as defined in clauses (w) and (x), respectively, of Section 2 of the Pakistan Medical and Dental Council Act, 2022 (Act No. IV of 2023);	15%

8	“(63A) “ Pet care service ” includes grooming, boarding, sitting, training, veterinary and other such services in relation to pets.	15%
9	“(67B) “ programme ” means any audio or visual or audio-visual matter, presented or transmitted live or recorded or re-recorded or subjected to any post-production processes like editing, dubbing, coloring, sub-titling or captioning, for dissemination through cables, space, internet, radio, television, cinema, theatre or any other means;	Definition updated, already subject to tax at 13% now it will be subject to 15% rate of tax.
10	(72A) Scope of ‘ rent-a-car and automobile rental services ’ extended to also include renting of vehicles that are other than passenger motor vehicles	Definition updated, already subject to tax at 13% now it will be subject to 15% rate of tax.
11	“(87A) “ sports and games center ”, by whatever name called, includes a person who provides or renders facility of games and sports, whether indoor or outdoor, for amusement, recreation or otherwise, in its premises;	Definition inserted and relevant update made in second schedule tariff heading 9821.2000
12	(91) Scope of ‘ Surveyor ’ services enhanced to include all kind of specialized and special purpose survey, geographical, geological, and survey for mineral exploration	Definition updated, already subject to tax at 13% now it will be subject to 15% rate of tax.
13	In tariff heading 9836.0000, the scope of “ inter-city transport services ” is extended, and all transportation services are now subject to sales tax.	Definition updated, already subject to tax at 13% now it will be subject to 15% rate of tax.
14	In tariff heading 9853.0000, the scope of “ Vehicle parking and valet services ” is extended to include vehicle towing services.	Definition updated, already subject to tax at 13% now it will be subject to 15% rate of tax.

**This is based on the Second Schedule of the Sindh Sales Tax on Services Act, 2011, if any reduced rates are available for a service, those reduced rates will be/may be applicable.*

3) CLARIFICATION REGARDING ECONOMIC ACTIVITY UNDER SECTION 4(3):

Subsection 3 of Section 4 excludes services of employee from economic activity however now it is proposed that only those services of employee will be excluded from economic activity that are provided by employee with whom the employer is in direct relationship under a contract of employment.

It means that if there is no contract of employment between the employer and employee or the employee is not a direct employee the services will be taxable if fall under second schedule.

After the first proviso in Subsection 3 of Section 4 is proposed to be included as under:

“Provided further that the activities of an employee detailed or engaged by the employer to perform certain activities for a person other than the employer in connection with or in the course or furtherance of business of the employer shall be treated as economic activity of such employer.”

It means that if an employee is outsourced or performs work for the client of employer it will be treated as economic activity of employer which means that the employer will be liable to charge and pay tax on these services if these are included in second schedule.

4) VALUE OF SERVICES I.E. THE AMOUNT ON WHICH SALES TAX IS TO BE APPLIED:

A new proviso is proposed to be added in Section 5 that increases the scope of the consideration and now the amount that is reimbursable to the service provider by customer is also included in the definition of consideration.

It means that sales tax will also be charged on amount of reimbursement in same manner as the fee of service provider.

5) ASSESSMENT OF TAX:

Subsection 2 of Section 23 specifies the time under which the order of assessment can be passed. Previously the time to pass assessment order was 8 years from the end of tax period.

Now, it is proposed to reduce the time from 8 years to 5 years. However, it will be applicable to the periods starting from July 01, 2025, and the period of 8 years will continue for tax periods ending till June 30, 2025.

6) RETENTION OF RECORDS:

Subsection 1 of Section 27 specifies the period for which a taxpayer is required to retain the records. Previously the period to retain the record was 10 years from the end of the tax period.

Now, it is proposed to reduce the period from 10 years to 6 years. However, it will be applicable to the periods starting from July 01, 2025, and the period of 10 years will continue for tax periods ending till June 30, 2025.

7) PENALTIES:

Section 43 of Sindh Sales Tax Act on Services, 2011 governs imposition of penalties. Following penalties are proposed to be updated:

EXISTING		PROPOSED	
Offence	Penalty	Offence	Penalty
2B. Where any person either avoids, defies, fails to comply with invoicing system or issues Invoices outside the invoicing system.	Such person shall be liable to pay a penalty of up to one hundred thousand rupees, but not less than twenty-five thousand rupees. In case of three consecutive defaults, the place of business of such person may further be liable to sealing.	2B. Where a person avoids, defies, fails to comply with the e-invoicing system or issues invoices outside the e-invoicing system or refuses, denies, or obstructs the enforcement of provisions of Section 54A in any manner.	Such a person shall be liable to pay a penalty of up to one million rupees, but not less than one hundred thousand rupees. In case of repetition of the offence, the business premises of such person shall further be liable to sealing. Such person shall further be liable, upon conviction by a Special Judge, to imprisonment which may extend to one year or with fine which may extend to one hundred thousand rupees or with both.
-	-	2C. Where a person avoids, defies, delays or fails to deposit the amount of service fee levied under the Sindh Sales Tax Special Procedure (Online Integration of Business) Rules, 2022 or fails to report the service fee in the sales tax return in the prescribed manner.	Such a person shall be liable to a penalty of rupees one hundred thousand or twice the amount of the service fee involved, whichever is higher. Such person shall further be liable, upon conviction by the Special Judge, to imprisonment which may extend to one year or with fine which may extend to one hundred thousand rupees, or with both.

8) RECOVERY OF TAX:

Section 47 governs the recovery of the tax not levied or short levied. Previously the time to recover the tax was 8 years from the relevant date.

Now, it is proposed to reduce the time from 8 years to 5 years. However, it will be applicable to the periods starting from July 01, 2025, and the period of 8 years will continue for tax periods ending till June 30, 2025.

9) STAY AGAINST RECOVERY OF THE DEMAND:

Previously, the Commissioner appeals was allowed to grant a maximum stay for 120 days. Now this period is proposed to be increased to 180 days.

Previously, the stay by the Commissioner Appeals was granted subject to the condition that 25% of the demand is paid. Now it is proposed to decrease the payment from 25% to 10%.

Sindh Sales Tax

2024–25

www.rsmPakistan.pk

RSM Pakistan (under local name) is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network.

Each member of the RSM network is an independent accounting and consulting firm, each of which practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction. The network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 50 Cannon Street, London EC4N 6JJ. The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.