



HAROON ZAKARIA & COMPANY
CHARTERED ACCOUNTANTS

COMMENTS ON
SINDH FINANCE BILL
2016

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Dated: June 12, 2016

Comments on Amended Sindh Finance Bill 2016

(Effective from 1st July 2016)

- Standard rate of tax has been proposed to be reduced from **14% to 13%** for services other than telecommunication services.
- The existing reduced/concessionary rate of 18 percent tax on Telecommunication services have been announced to be increased from **18% to 19%** by issuing notification u/s.8(2) of the Act.
- Services presently being taxed at reduced rate of **06%** for following service providers have been announced to be taxed at **8%** by issuing notification under Act.

Description of Services

Tariff Heading

➤ Program Producers and Production Houses	9832.0000
➤ Legal Practitioners and consultants	9815.2000
➤ Accountants and auditors	9815.3000
➤ Tax consultants	9815.9000
➤ Construction services	9824.0000
➤ Services provided or rendered by corporate law consultants	9833.0000
➤ Renting of immovable property services	9806.3000
➤ Services provided or rendered by persons engaged in intercity transportation or carriage of goods by road or through pipeline or conduit	9836.0000

- The exemption threshold for the following service providers of having annual turnover of **Rs 3.6 million** is proposed to be increased to **Rs. 4 million** per annum.

Description of Services

Tariff Heading

➤ Restaurants	9801.2000
➤ Caterers	9801.5000
➤ Beauty Parlours, Beauty Clinic, Sliming Clinic	9810.0000
➤ Laundries and dry cleaners	9811.0000
➤ Auto-workshops other than an authorized services station	9820.1000
➤ Workshops for electric or electronic equipments or appliances etc.	9820.3000
➤ Car automobile washing or similar service stations	9820.4000

- The exemption threshold for internet and broadband users is proposed to be increased from **2 mbps** speed and **Rs 1,500/=** per month to **4 mbps** speed and **Rs 2,500/=** per user per month respectively.

6. Following new services have been proposed to be brought into the tax net at standard rate i.e. @ **13%** by inserting relevant tariff heading and description in First as well as Second Schedule to the Act.

- Travel by Chartered Flights.
- Cosmetic and plastic surgery, other than those for bodies affected due to congenital defects, developmental abnormalities, degenerative diseases, injury or trauma.
- Other Consultants including human resource and personnel development consultant services.
- Public relation services.
- Foreign visa processing advisory and consultancy services.
- Debt collection and recovery services.
- Supply chain management or distribution (including delivery) services.

7. To elaborate the services proposed to be brought in tax net following new definition clauses have been proposed to be inserted:

(29 A) “Cosmetic and plastic surgery” includes the services provided or rendered by any person, in relation to aesthetic or cosmetic surgery or plastic surgery like abdominoplasty (tummy tuck), blepharoplasty (eyelid surgery), mammoplasty, buttock augmentation and lift, rhinoplasty (reshaping of nose), otoplasty (ear surgery). Rhytidectomy (face lift), cheek augmentation, facial implants, lip augmentation, forehead lift, cosmetic dental surgery, orthodontics, aesthetic dentistry, laser skin surfacing, hair grafting, hair transplant and such other similar surgery.

(13A) “debt collection services and other debt recovery services” means the services provided by a person to a banking company or a financial institution including non-banking financial company or any other body corporate or a firm or a person, in relation to recovery of any sums due to such banking company or a financial institution including non-banking financial company or any other body corporate or a firm or a person, in any manner.

“(69A) “public relations services” includes strategic counseling based industry, media and perception research, corporate image management, media relations, media training, press release, press conference, financial public relations, brand support, brand launch, retail support and promotion, events and communications and crisis communications.

8. Other significant amendment has been proposed to be made as under;
- **In section -15 "Adjustments"** proviso prescribing time for refund claim has been proposed to be added as under:

"Provided that the refund arising as a result of a claim of adjustments or deductions, if any, shall be made on yearly basis in the month of following the end of the financial year"

- **Section -15A "Input tax credit not allowed."** new section (15A) has been proposed to be inserted, whereby circumstances have been enlisted under which input tax is to be treated as in-admissible, the proposed section is paramateria to Rule 22A, with some additional restrictions significant of which are as under:

(1) *Input tax paid on goods which are not deposited by vendor to FBR.*

(2) *Goods or services procured during period exceeding six months prior to commencement of provision of taxable service.*

- **In section -19 "Sales of taxable activity or transfer of ownership"** Previously in case of transfer of business as going concerned to a registered person, the liability of payment of any sales tax arising under the Act was on buyer of business now through proposed amendment in section 19, both buyer and seller have been jointly made responsible for payment of tax.
- **Time limit for assessment (u/s section 23) and retention of record (u/s section 27) and various section of Act has been increased as under:**

<u>Section</u>	<u>Description</u>	<u>Existing Time Limit</u>	<u>Proposed Time Limit</u>
23(2)	Assessment of tax An officer of SRB not below the rank of Assistant Commissioner can issue a show cause notice on account of tax not paid, short paid or for determining the minimum tax liability	5 years	8 years
27(1)	Retention & Production Records & Documents Specifies the time period for retention of records and documents	5 years	8 years
47	Recovery of tax not levied	5 years	8 years

	<p>short levied an officer of SRB can Issue a notice whereby reason of inadvertence, error Or miscalculation, Abetment, fraud etc.</p> <p>Any tax or charge has not been Levied/paid or short levied/paid.</p> <p>This section also covers the recovery of refund of tax which is not due.</p>		
60(5)	Appointment of the Appellate Tribunal Specifies the time period for the appointment of a Technical Member under lenient Conditions, by the Government from date of introduction of The Act.	5 years	10 years
74	Removal of difficulties Specifies the time period, from the commencement Of the Act, for issuance of an Order by the Government for The purpose of removing any Difficulty or for bringing the Provisions of the Act into Effective operation.	5 years	8 years

STAMP DUTY**Section 31, 73 and Schedule to the Stamp Act, 1899**

Article	Title	Clause	Description	Existing Duty	Proposed duty
7	Bill of entry including goods or document relating to goods declaration for the purpose of custom clearance	-	-	Rs. 500	Rs. 1000
8	Bill of exchange as defined by section 2(2) not being Bond, bank note or currency note; Where payable otherwise than on demand for every Rs. 1,000/- or part thereof of the amount of bill.	-	-	Rs. 1.50	Rs. 3.00
19	Financing document that is to say any instrument or set of instruments in the nature of sale and re-purchase on markup basis, agreement of letter or hypothecate on or pledge, mortgage memorandum of deposit of title deed, or deed of floating charge executed in favor of a banking company by any of its customers under any mode of finance not based on interest in a single transaction.	(i)	Where the amount does not exceed Rs. 0.5	0.2% (advalorem)	0.3% (advalorem)
		(ia)	Where the amount does not exceed Rs. 1.00 Million	Rs 1,000	Rs. 1,500
		(ii)	Where the amount does not exceed Rs. 1.00 Million, but does not exceed 10.00 Million	Rs 2,500	Rs. 3,800
		(iii)	Where the amount exceed Rs. 10.00 Million, but does not exceed Rs. 50.00 Million	Rs 10,000	Rs. 15,000
		(iv)	Where the amount exceed Rs. 50.00 Million, but does not exceed Rs. 100.00 Millions	Rs 25,000	Rs. 38,000
		(v)	Where the amount exceed Rs. 100.00 Million, but does not exceed Rs. 300.00 Millions	Rs 35,000	Rs. 53,000
		(vi)	Where the amount exceed Rs. 300.00	Rs 50,000	Rs. 75,000

			Million, but does not exceed Rs. 500.00 Million		
		(vii)	Where the amount exceed Rs. 50.00 Million	Rs 100,000	Rs. 150,000
27	Power of attorney as defined by section 2(21)	(a)	When executed for the sole purpose of procuring the registration of one or more document in relation to a single transaction or for admitting execution of one or more such documents.	Rs. 25	Rs. 100
		(b)	When authorizing one person or more to act in a single transaction other than specified cases.	Rs. 100	Rs. 200
		(c)	When authorizing note more than five person to act jointly transaction or generally other than in specified cases	Rs. 200	Rs. 500
		(d)	When authorizing more than five person but not more than ten person to act jointly and severally in more than one transaction or generally other than in specified cases	Rs. 500	Rs. 1,000
		(e)	When given nor for consideration on and authorizing the Attorney to sell any immoveable properties	Rs. 3,000	Rs. 5,000
		(f)	In any other case	Rs. 10 for each person authorized	Rs. 100 for each person authorized