

**SRB ANNOUNCEMENT - SINDH BUDGET 2023-24 – INVITATION OF PROPOSALS (LAST DATE 30-4-2023)**



The poster features the Government of Sindh logo at the top right. The main title is "Finance Department, Govt of Sindh (CITIZENS BUDGET)". The text explains the government's goal to improve public service delivery through governance reforms and the Citizen's Budget. It invites citizens to participate in the budgetary process by providing recommendations. The deadline for submissions is April 30, 2023. Contact information for the Director Economic Reforms Unit is provided, including a website, email, and phone number. A list of budget categories is shown with icons: Expenditures, Health Service, Education Affairs, Social Protection, Infrastructure Development, Economic Measure, Revenues, and Tax Facilitation. The reference number INF/KRY/1015/2023 is at the bottom right.

**Finance Department,  
Govt of Sindh  
(CITIZENS BUDGET)**

The government of Sindh is striving hard to improve public service delivery through governance reforms. Developing Citizen's Budget is one of the key reforms aimed at bringing more transparency in budget formulation through public participation.

The Finance Department, Government of Sindh has initiated the participatory form of budgeting (Citizen's Budget) in the province. The participatory form of budgeting (Citizen's Budget) is a widely practised social accountability tool in which citizens are engaged in the budgetary process.

The government of Sindh believes that it is the right of the people of Sindh to decide how and where their hard-earned tax money available to the government should be spent for the benefit of the people.

**Finance Department, Government of Sindh requests all Citizens of the province to give recommendations for the**

**Budget 2023-24**

Expenditures | Health Service | Education Affairs | Social Protection | Infrastructure Development | Economic Measure | Revenues | Tax Facilitation

For your valuable feedback and input please use the link [www.finance.gos.pk](http://www.finance.gos.pk) or email us at [citizensbudget@finance.gos.pk](mailto:citizensbudget@finance.gos.pk) or ☎ at +92 300 3250159

latest by **April 30, 2023**, to be incorporated in next year's budget.

**Courier us at** | **Director Economic Reforms Unit**  
Economic Reform Unit, Finance Department, Government of Sindh 7th Floor,  
Lakson Square Building # III, Opposite to Karachi Press Club, Karachi.

INF/KRY/1015/2023

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**TELECOM SECTOR: FBR TO IMPLEMENT SINGLE ST RETURN PORTAL AS PILOT PROJECT**

ISLAMABAD: The Federal Board of Revenue (FBR) has decided to implement the single sales tax return portal initially for the telecom sector as a pilot project across the FBR and Punjab Revenue Authority (PRA).

In this regard, the FBR has issued a notification on Thursday on the constitution of committee for design and development of single portal for filing of sales tax returns across jurisdictions. Sources told Business Recorder that the telecom sector is well documented and organised and a pilot project of the single sales tax return portal would be implemented in this sector. Once the technical issues are resolved, the same system can be implemented in other sectors. The committee would resolve the disputes between the FBR and the provincial revenue authorities and boards on the implementation of the single sales tax returns for the taxpayers registered with the FBR.

According to the notification, in pursuance of decision of the chairman FBR regarding design and development of the single portal for filing of sales tax return across different tax jurisdictions with a view to enhance the ease of doing business in the country, a committee comprising of the following officers of the FBR and technical resources of PRAL is hereby constituted with immediate effect:- Aamer Amin Bhatti Chief (Provincial Taxes), FBR (HQ), Islamabad would be the Chairperson of the committee. Tariq Iqbal Secretary (Law and Clarification), FBR (HQ), Islamabad would be Member of the committee. Other members of the committee are Faisal Sulaiman Senior Business Analyst, PRAL, Islamabad; Farheen Azhar Senior Manager (Commercial Projects), PRAL, Islamabad, Shahid Sharif Manager (Development), PRAL, Islamabad.

The committee shall be at liberty to associate any resource from PRAL and field formations of FBR for consultation with different stakeholders- telecom service providers, tax bars, and Provincial Revenue Authorities (PRAs) as and when required. The committee shall complete the assigned task by June 30, 2023 for implementation of a single sales tax return for the tax period July 2023.

The ToRs of the committee shall be as following:

- (i) To study the As-is Process of filing of sales tax returns of FBR and PRAs;
- (ii) To identify the similarities and dissimilarities in the sales tax return of FBR and PRAs, including the business processes, rules and controls therein;
- (iii) To make consultations with all stakeholders, including but not limited to representatives of the of the tax payers, tax bar associations, and field formations of FBR and PRAs;
- (iv) To prepare design and supervise software development by PRAL;
- (v) To conduct user Acceptance Testing with the stakeholders for implementation of the single portal for filing of the Sales Tax returns; and
- (vi) to implement single ST return portal initially for telecom sector as a pilot project across the FBR and Punjab Revenue Authority.

## **AUTOMATED REFUNDS: FBR TO APPLY NEW RISK PARAMETERS FOR PROCESSING**

ISLAMABAD: The Federal Board of Revenue (FBR) will apply new risk parameters for processing the automated sales tax refund to the five leading export sectors under the FASTER system.

The FBR issued sales tax general order 9 of 2023, on Thursday, to issue the procedure on the sales tax refund to manufacturers of five export-oriented sectors including textile, carpets, leather, surgical and sports goods. In addition to the checks/risk parameters already implemented through FASTER, the following new risk parameters shall be applied in the automated refund processing system; Risk Parameters:-

- (i); FASTER shall defer proportionate input tax refund against export GD under objection.
  - (ii); Logical check shall be enabled in system to cross match the date of export GD with the date of purchase invoices.
  - (iii). Total amount of refund sanctioned and refund deferred shall not exceed the total amount of refund claim. First claim of refund by newly-registered exporters for first twelve months shall be excluded from FASTER and be processed through STARR/ERS.
- Refund claim once excluded from FASTER shall not be allowed to roll back. It shall be processed only through STARR/ERS;
- (iv) For refund claim of a commercial exporters, the payment of such refund shall be made after the realization of export proceeds.
  - (v); Refund to the exporters against fixed assets shall not be processed through FASTER and shall be paid after verification of installation/utilization by the field formations
  - (vi); Expenses incurred on utilities shall be prorated on the basis of consumption between zero rated supplies and domestic sales.

The board shall add or delete or modify the annexures or conditions/benchmarks mentioned therein as and when deemed necessary after recommendations of the field formations holding jurisdiction over the export-oriented sectors.

After the abolition of the zero-rated tax regime under SRO 1125(I)12011 dated 31.12.2011, purchases (whether through imports or domestic supplies) in the textile sector were subjected to sales tax @ 17 percent and the inputs consumed in exported goods, thus, became liable to be refunded to the exporters.

In order to facilitate the cash flow requirements of export-oriented sectors, particularly textile exporters, an automated Sales Tax e-Refund System (FASTER) was introduced to process and sanction exporters' refunds expeditiously.

However, it continued to malfunction on multiple counts producing suboptimal outcomes and was found deficient in effectively analysing the admissibility of refund in relation to quantity and quality of inputs claimed by the taxpayers, resulting in allowing portion of refund relating to such inputs which otherwise were not liable to be allowed either on the basis of excess consumption or otherwise being inadmissible under the law. These system glitches created problems for exporters in terms of uncertainty and stuck-up liquidity, and for the tax administration in terms of a credibility deficit.

Hence, in order to ensure certainty, transparency and truthfulness in the processing of sales tax refunds across-the-board and issuance of valid and legitimate refunds to the exporting units, and also to safeguard the government revenue, the FBR has decided to upgrade the automated system by incorporating benchmarks and input/output ratios which were finalized after due deliberations made with members from Customs authorities, Textile Exporters Association of Pakistan, Hosier Manufacturer Association, IOCO Directorate, Consultants on Textile Sector study and Inland Revenue officers.

Therefore, the Federal Board of Revenue is pleased to make the following alterations in fully automated system-FASTER.

- (i) Value addition check shall be 15% both for exports and local supplies for filing of Annex-H for current tax period.
- (ii) The total amount of refund paid against the claims filed and processed shall not exceed the lower of the two amounts, namely, the amount of input tax actually consumed in goods as exported/supplied at zero-rated rate, or 12 percent of the exports.
- (iii) Inadmissible inputs in terms of Section 8 of the Sales Tax Act, 1990 shall not be allowed during processing of refunds through FASTER.
- (iv) Input tax adjustment shall not be allowed to the manufacturers of these sectors on the goods which are not related to their business activity. The negative list of such unrelated goods is annexed.
- (v) The suppliers who have attained status of abnormal tax profile or blacklisted shall not be processed by automated system FASTER.

## **CYCLOSTYLE REPLIES AGAINST POS INTEGRATION NOTICES ADDING TO MISERIES OF TAXPAYERS, DEPT**

**LAHORE:** Filing of cyclostyle replies against Point of Sale (POS) integration notices for Tier-1 Retailers (T-1Rs) was adding to the miseries of the taxpayers as well as the Tax department, said sources. They said leading tax houses are involved in filing misconceiving replies while annexing no tangible documentary proof to establish that the integration notices are issued wrongly to their respective clients. As and when the field formations take approval for sealing of the outlet from their higher ups, these tax houses urged their clients to approach the competent authority for withdrawal of penal proceedings. Meanwhile, they said, senior tax lawyers shift the blame to their young and amateur associates for filing irresponsible replies, leading to departmental proceedings to invoke penalties up to the level of sealing of the outlet.

It is interesting to note that most of the POS integration matters are being handled by the new comers in the tax practice and their senior associates seldom visit the tax authorities to plead their clients. However, these tax houses charge heavy fees from their clients and let their juniors to carry out apprentices while mishandling the issues of their clients.

The sole purpose of these young associates is to obtain adjournment of proceedings until the department invokes penal provisions of sales tax law against their client. In one such notice, copy available with *Business Recorder*, the tax lawyer confined his reply to a single page, saying that the taxpayer was a service provider and not a manufacturer without providing any documentary evidence. However, the tax record was showing that the taxpayer had registered itself as a manufacturer, involved in online trading of his embroidery brand. Meanwhile, the said unit was also providing embroidery services to other manufacturers.

Therefore, the tax lawyer claimed in his reply that his client was a service provider and not a manufacturer. It is also interesting to note that tax record was showing that the taxpayer was claiming deductions on electricity supply. Also, there was no registration with Punjab Revenue Authority on the record to establish that the taxpayer was a service provider, and not a manufacturer.

Accordingly, the department rejected the reply and invoked penal provisions of the law and field teams were ready to visit the manufacturing site of taxpayer for sealing when the taxpayer appeared before the concerned authority to explain the situation on ground. However, said sources, since the taxpayer had wasted all the opportunities while he was left with the only option of filing an appeal before the tribunal. Departmental sources said most of the tax matters are being spoiled due to mistreatment by the tax practitioners, leading to a long legal battle between the department and taxpayers.

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## **SC DIRECTS COMPANIES TO PAY 50PC SUPER TAX: APEX COURT DIRECTS THE IHC AND LHC TO DECIDE THE SUPER TAX CASES AT THE EARLIEST**

ISLAMABAD: The Supreme Court Thursday ruled that the companies whose cases were pending with the Islamabad High Court should also pay 50 percent super tax.

The ruling came during the **hearing** of super tax case by a three-member bench of the apex court, headed by Chief Justice of Pakistan (CJP) Justice Umer Ata Bandial. The court directed the Islamabad High Court and Lahore High Court to decide the super tax cases at the earliest and held that after the high **courts'** decision, the matter would be further heard. "It would be appropriate to wait for the decisions of the learned high courts," the CJP remarked. Faisal Siddiqui, counsel for the Federal Board of Revenue (FBR), submitted that the Sindh High Court had already issued its verdict on the matter. He submitted that the super tax cases were also pending with the Islamabad High Court and Lahore High Court. Later, the court directed the companies to pay 50 percent super tax and held that further hearings would be conducted after Eidul Fitr.

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## **FBR ISSUES NEGATIVE LIST OF 714 GOODS**

ISLAMABAD: The Federal Board of Revenue (FBR) has issued a list of 714 items on which input tax adjustment shall not be allowed to five leading export-oriented industries i.e. textile, leather, carpets, surgical and sports.

The list issued by the FBR on Thursday revealed that the input tax adjustment shall not be allowed to the manufacturers of five leading export sectors on goods which are not related to their business activity.

The negative list of such unrelated goods has been given in the sales tax order issued by the FBR on Thursday. The negative list included certain types of services and items like newsprint, in rolls or sheets, pharmaceutical goods, fertilizers animal or vegetable, oils essential, cosmetic and toilet preparations beauty, make-up and skin care preparations, hair preparations, remeltable scrap, iron and non-alloy steel ingots / bala, iron or non-alloy steel bars and rods, stainless steel flat-rolled products, furniture medical, surgical, dental or veterinary, lamps, light fittings including searchlights, spotlights and parts thereof and many other items as well as different kinds of services.

## **EXPERTS FOR IMPOSITION OF TAX ON TOSHAKHANA GIFTS ON DEEMED INCOME BASIS**

ISLAMABAD: Gifts including jewelry/gold received/purchased by politicians from Toshakhana should be charged to income tax on deemed income basis like tax imposed on deemed property income, wef, Tax Year 2022, leading tax experts have proposed tax on Toshakhana gifts without any discrimination.

Lahore-based tax lawyer Waheed Shahzad Butt told *Business Recorder* that the concept of deemed income was introduced through the Finance Act, 2022, which is applicable for tax year 2022 and onwards for taxation of capital assets situated in Pakistan. The tax was imposed on immovable properties on deemed income basis under section 7E of the Income Tax Ordinance, 2001.

A resident person shall be treated to have derived, as income chargeable to tax under this section, an amount equal to five percent of the fair market value of capital assets situated in Pakistan held on the last day of the tax year excluding certain categories. They added that some taxpayers had questioned the constitutionality of Section 7E, on the premise of legislative incompetence of the Parliament to enact law outside the scope of Entry 50 of the Federal Legislative List, Fourth Schedule of the 1973 Constitution. However, the Sindh High Court (SHC) has dismissed petitions filed against the imposition of tax on immovable properties on “deemed income basis” under section 7E of the Income Tax Ordinance, 2001.

The concept of deemed income was related to the immovable properties and not extended to the immovable properties under the Finance Act 2022. The proposal to tax the gifts including jewelry received/purchased from “Toshakhana” on deemed income basis would result in documentation, increase in revenue collection and the sources of purchase of gifts from the “Toshakhana”. The purchasers of such highly expensive gifts should not be exempted from the tax and must be taxed on the basis of deemed income for the purpose of taxation under the Income Tax Ordinance, 2001.

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