



**CIRCULAR NO.4/2011**

**SINDH SALES TAX SPECIAL PROCEDURE (WITHHOLDING) RULES, 2011, READ WITH SRB CIRCULAR NO. 2/2011-----,PROCEDURE FOR THE DEPOSIT OF THE WITHHELD AMOUNTS OF SINDH SALES BY PERSONS WHO ARE NOT REGISTERED (WITH SRB) AS A SERVICE PROVIDER IN SINDH BUT ARE REGISTERED (WITH FBR) AS MANUFACTURER /EXPORTER/IMPORTER/ WHOLESALER OF GOODS OR AS SERVICE PROVIDERS OUTSIDE SINDH.**

Despite the fact that the procedure prescribed under the Sindh Sales Tax Special Procedure (Withholding) Rules, 2011, and the SRB Circular No.2/2011 (as also displayed on SRB website [www.srb.gos.pk](http://www.srb.gos.pk)) are un-ambiguously clear, some of the service recipients (who are not registered with SRB as service providers but are registered only with FBR) have raised certain queries which are clarified as hereunder:-

1. Section 7(1) of the Sales Tax Act, 1990, read with section 2(14)(d) thereof provide for admissibility of input tax credit/adjustment of the Provincial (including Sindh) sales tax on services against the output tax payable by the FBR-registered person;
2. Effective from 01-07-2011, the provisions of the Sindh Sales Tax on Services Act, 2011, and the rules made thereunder apply for the levy, collection and deposit of the Sindh Sales tax (including the Sindh Withholding tax).
3. The FBR-framed Sales Tax Special Procedure (Withholding) Rules, 2007, are no longer applicable in respect of the Sindh sales tax on services (since 01-07-2011) because the Sindh Government has not authorized FBR to administer regulate, collect or receive the Sindh sales tax levied under the Sindh Sales Tax of Services Act, 2011. The Sindh sales tax on services have to be withheld, on or after 01-07-2011) in the manner prescribed under the Sindh Sales Tax Special Procedure(Withholding) Rules, 2011, read with SRB Circular No.2/2011;
4. While the persons not registered with SRB, but registered with FBR, may claim input tax credit against the tax invoices of the SRB-registered service providers by entering it in Annex-A of their FBR-prescribed tax return (STR-7), they shall not show any withheld amount (against such tax invoices of the SRB-registered service providers) in the last column of that Annex-A of the STR-7;
5. Such FBR-registered persons shall deposit the withheld amounts of Sindh sales tax (i) under the Sindh Government head of account "B-02382"; (ii) against a SRB-prescribed PSID/Challan (Form SST-04); and (iii) in a SRB-authorized branch of the NBP (the list of such branches is available on SRB website [www.srb.gos.pk](http://www.srb.gos.pk));
6. The withholding agent (service recipient) shall obtain a SRB-related CPR ("S1"-series) from such a SRB-authorized NBP branch and shall submit the prescribed Monthly Sindh Sales Tax Withholding Return, alongwith a copy of the CPR, to the Member (Operations), Sindh Revenue Board, 9<sup>th</sup> Floor, Shaheen Complex, M.R. Kayani Road, Karachi, in the prescribed manner by the prescribed due date; and
7. The due date for deposit of the withheld amount of Sindh sales tax by such FBR- registered persons shall be the 15<sup>th</sup> day of the month following the tax period in the tax return (STR-7 read with Annex-A) of which the tax invoice of such SRB-registered person is entered for input tax credit/adjustment, subject to the Proviso to section 7(1) of the Sales Tax Act, 1990.

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(MUHAMMAD IQBAL LAKHO)

Deputy Commissioner (HQs)

Email: [dchqs@srb.gos.pk](mailto:dchqs@srb.gos.pk)