

SRB refuses to rescind 19pc ST on security systems/services: PHMEA

RECORDER REPORT

KARACHI: Sindh Revenue Board (SRB) has rejected Pakistan Hosiery Manufacturers and Exporters Association's (PHMEA) demand to rescind the 19.5 percent sales tax on security systems and services.

Well-informed sources in SRB told Business Recorder on Wednesday that PHMEA had appealed to the SRB urging it to rescind the 19.5 percent sales tax on security systems and services.

A letter written by PHMEA a few days ago to Sindh Finance Minister, a copy of which is available with Business Recorder, states: "We are constrained to invite your kind attention to the most unjustified imposition of 19.5 percent Sales Tax by the Sindh Revenue Board on security systems and services installed/maintained by the heavily burdened and harassed industrial units. It is indeed a great irony that these industrial units, majority of which are 100 percent export oriented, are generating massive employment and earning huge amount of foreign exchange for the nation, face the most serious law and order situation, a total lack of security and helplessness just because the government, which is required to assure every kind of safety and security, is lacking in providing this most important right of a citizen. While punishment has been imposed by

the government in the form of most exorbitant and unjustified 19.5 percent Sales Tax charged on the security systems and services providers who in turn charge the same from the industrial units which arrange security through them."

The PHMEA says in the letter that it is pertinent to note here that the Security Services and Systems have mushroomed in our country only because of a feeling of total lack of security. In the context of the law of demand and supply, they have multiplied just because there is a great demand for them due to the deteriorating law and order situation. If the government ensures foolproof security then there will be no need of Security Services and Systems.

"We, therefore, most fervently appeal to your good self that in view of the above and the most grave and rapidly deteriorating law and order situation when we are forced to arrange the security services and systems which greatly adds to the already rising cost of doing business in Pakistan, to kindly rescind this unjustified 19.5 percent Sales Tax on Security Systems and Services forthwith and give some breathing space to the dying industries," the letter demanded.

However, the SRB has refused to entertain the PHMEA demand. In a letter, it states: "Services provided or rendered by a Security Agency (eg, security guards or

security escort) are covered by tariff heading 9818 1000 of the First Schedule of the Sindh Sales Tax on Services Act 2011, and are not taxable, having been not included in the Second Schedule thereof. The telecommunication-based vehicle tracking service (tariff heading 9812.9490) and the burglar alarm service (tariff heading 9812 9500) are taxable services in terms of section 3 of the Sindh Sales Tax on Services Act 2011, read with the Second Schedule thereof."

However, the tax on these telecom-based services were levied at 19.5 percent even under the Federal Excise Act 2005, and continue to be levied in areas other than Sindh. Therefore, this is neither a new levy under the Sindh Sales Tax on Services Act 2011, nor is there any discrimination as against the levy (in the form of FED) in areas where the said 2011-Act does not apply," the letter added.

The Sindh Sales Tax on the telecom-based services (tariff heading 9812.9490 and 9812.9500) can be claimed for input tax adjustment/credit under section 7(1), read with section 2(14) (d) of the sales tax Act 1990. Accordingly, there is no additional burden on the registered persons (whether dealing with taxable goods and/or zero-rated goods) who pay the Sindh Sales Tax on these services used as their inputs," the letter concluded.



Sales tax refund process

FTO underlines need to solve maladministration problem

RECORDER REPORT

KARACHI: Federal Tax Ombudsman (FTO) has found the issue of pending sales tax refund claims reconciled, but stressed the need of solving maladministration problem in the sale tax refund process. According to textile sources, the FTO in reply to complaints lodged by Pakistan Apparel Forum and Site Association of Industry against the Revenue Division, Government of Pakistan regarding unsettled issue of sales tax refund claims, has showed concerns over the maladministration, which is causing problems in expeditious disposal of the refund claims.

Both the associations had filed a list of sales tax refund claims with the FTO under section 10 of the Sales Tax Act 1990 on the basis of long standing pending tax cases.

Pakistan Apparel Forum had submitted 160 pending claims and SITE association 45 claims amounting to Rs974.642 million and Rs288.322 million, respectively, sources said.

In response to the complaints, the FTO conducted a probe to ascertain the facts and status of the issue, they said. They added that the Revenue Department stated the Regional Tax Office had sanctioned 70 cases against the total 169 cases of Pakistan Apparel

Forum. Whereas, it said, 90 percent claims of the Site association had already been settled.

However, the department still wanted the associations to provide it with the complete monthly details of the refund claims along with supporting evidences to settle the issue as per the law, sources said.

They said in the case of Pakistan Apparel Forum, the department had accepted 67 claims were pending amounting to Rs410.215 millions but the forum said the number of claims were 77 with outstanding amount of Rs559.307 million. Similarly, they said, after reconciliation meetings, the

claims of Site association reduced to 15 with an amount of Rs57.997 million due to be refunded.

In its findings, the FTO said that the maladministration had made the process difficult for disposing of the sales tax refund cases, despite the issue was settled after the intervention of the office.

The FTO recommends the Federal Board of Revenue (FBR) to direct chief commissioners to clear all the more than two months old pending sales tax refund claims as per law within four weeks.

The office has asked FBR to put in place an efficient and fool-proof

mechanism of expeditious disposal of bona fide refund claims. The office has also asked Pakistan Apparel Forum and Site Association to file a monthly statement with registrar FTO on more than two months old pending claims with a copy to the concerned chief commissioner to enable the office to monitor this issue on a regular basis.

Meanwhile, in a letter to the FTO, Pakistan Apparel Forum has assured it to follow the instructions for filing a report on a monthly basis with the registrar of the office regarding more than two months old pending sales tax cases.

