

PAKISTAN STOCK BROKERS ASSOCIATION

(A company setup under section 42 of the Companies Act 2017)

Regd Office: Mezzanine Floor, Trading Hall, Stock Exchange Building, Stock Exchange Road,
Off I.I. Chundrigar Road, Karachi.

Tel: 021-32401278, E-mail: secretariat@psba.pk, Web: www.psba.pk, Fax: 021-32401279

BILAL FAROOQ ZARDI
Secretary General

WITHOUT PREJUDICE

Ref: PSBA-G0324-01

March 25, 2024

MR. M. AKMAL WARRAICH
Enforcement Officer (Enf-V, Unit-06)
Punjab Revenue Authority (PRA)
Government of Punjab
2-1 B, Shakra-e-Aiwan-e-Tajarat
Lahore.

Subject: **PROVISION OF INFORMATION UNDER SECTION 57 (2) OF PUNJAB SALES TAX ON SERVICES ACT, 2012**

Dear Sir,

This refers to your subject notices served to our members seeking information as required under the Punjab Sales Tax on Services Act, 2012 (PSToS Act, 2012). In addressing this matter, on behalf of the members of the Pakistan Stock Brokers Association (PSBA), we would like to bring the following points to your attention:

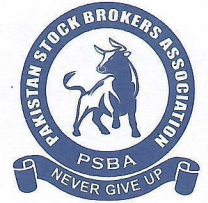
Firstly, it is crucial to note that sub-section 2 of section 1 of the PSToS Act 2012, clearly states that **it extends to the whole of Punjab**. Given this territorial limitation, we express reservations regarding the legality of issuing notices to our members operating within the jurisdiction of Sindh.

Secondly, the stock brokers with a presence in Sindh are already registered with the Sindh Revenue Board (SRB) and fulfill their sales tax obligations based on the principles of services provided, initiated, originated, and executed. Hence, we believe that they are only obliged to comply with the legal requirements and regulations under their respective tax jurisdictions.

Notably, Circular 8 of 2012 dated September 24, 2012, issued by the SRB, titled "Payment of Sindh Sales Tax in terms of the Sindh Sales Tax on Services Act, 2011, and the Rules made thereunder - Clarification in the wake of the provisions of Section 4 of the Punjab Sales Tax on Services Act, 2012.", provides clear guidance to SRB-registered service providers to mitigate the risk of double taxation and emphasizes the maintenance of the status quo until clarity is attained from relevant authorities.

The aforementioned clarification states that SRB has already taken up this matter with the FBR and the PRA, and requested the status quo be maintained until any issues arising pursuant to the enactment of section 4 of the PSToS Act, 2012, are clarified. Accordingly, it is notified for the information of all concerned that SRB-registered services providers and withholding agents are required to act and also continue to act as per the provisions of the Sindh Sales Tax on Services Act, 2011, and the rule made thereunder in relation to the services provided or rendered by them in Sindh or from Sindh and to continue to e-deposit the Sindh sales tax on origin basis against PSID/Challan in Form SST-04/SSTW-04, as the case may be, and also to e-file their tax return in Form SST-03/SSTW-03 or as the case may be. If at any stage, pursuant to SRB negotiations with FBR and PRA, it is determined, after due scrutiny and verification by SRB, that any payment deposited by the SRB-registered service providers and withholding agents in Government of Sindh's head of account "B-02384" was actually payable to PRA, such payment shall be appropriately adjusted between SRB and PRA directly.

Further, we draw your attention to a notification issued by the Federal Board of Revenue dated July 1, 2011, which states that the Services rendered by registered persons who were previously subject to Federal Excise Duty (being collected in Sales Tax mode) have now been subject to Sales Tax by the Provinces through their legislation with effect from 1st July 2011. The Federal Board of Revenue through a notification has withdrawn Federal Excise Duty on such services (Table-II of First Schedule to the Federal Excise Act, 2005) with effect from the same date i.e., 1st July 2011 in order to avoid double taxation. However, the registered persons providing such services will continue to charge Tax/Duty and file Sales Tax Returns as before with certain amendments being worked out in the Federal Board of Revenue and the registered persons shall face no difficulty in switching from Federal Excise Duty to the Sales Tax on Services receivable by the Provinces.



It is imperative to emphasize that any decisions made by tax authorities must adhere to constitutional principles of fairness & equality, cannot be arbitrary or discriminatory, and should provide practical assistance & support to taxpayers in accordance with globally recognized tax collection manuals.

In light of the foregoing, we respectfully request that the issue of sales tax obligations under the respective Acts be deliberated at the inter-provincial committee level and/or federal government level first, in accordance with Article 70(4), Articles 142, and 143 of the Constitution of Islamic Republic of Pakistan. These constitutional provisions grant exclusive legislative and executive authority over the stock exchange and futures market to the federal government, aiming to prevent conflicts among taxpayers, subject to different provincial authorities and facilitate ease of doing business.

Lastly, we request for the withdrawal of the subject notices served to our members until the aforementioned jurisdictional and regulatory concerns are adequately addressed at the higher forums discussed above.

Regards,

Cc: THE CHAIRMAN – SRB.