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A Brief on Federal and Provincial Sales Tax Withholding Requirements

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The 11th Schedule under Section 3(7) of the Sales Tax Act, 1990

Withholding agents

- (a) Federal and provincial government departments; autonomous bodies; and public sector organizations;
- (b) Companies as defined in the Income Tax Ordinance, 2001;
- (c) Registered persons as recipient of advertisement services;
- (d) Registered persons purchasing cane molasses;
- (e) Registered persons manufacturing lead batteries; and
- (f) Online marketplace.

Withholding rates

Applicability: Taxable supplies under the Sales Tax Act, 1990, dutiable services in VAT mode under the Federal Excise Act, 2005 and taxable services under the Islamabad Capital Territory (Tax on Services) Ordinance, 2001

| Withholding agents referred above | Status of Supplier | Sales Tax to be withheld | Due date of deposit of sales tax withheld (in general) | Manner of reporting deposit of withholding sales tax |
|--|---|---|--|---|
| (a) and (b) | Active Taxpayers | 1/5 th of sales tax shown on the invoice | By 15 th day of the following month in which the purchase was made. | If withholding agent is registered in sales tax/ Federal excise, reporting shall be made at the time of filing of return; and If withholding agent is unregistered person but holds NTN, reporting shall be made through filing of sales tax withholding statement. |
| | Active taxpayer registered as wholesaler, dealer or distributor | 1/10 th of the sales tax shown on the invoice | | |
| (a) | Persons other than active taxpayers | Whole amount of sales tax applicable based on gross value of supplies | | |
| (b) (excluding Company exporting surgical instruments) | | 5% of gross value of supplies | | |
| (c) | Persons providing advertisement services | Whole amount of sales tax applicable | | |
| (d) | Persons other than active taxpayers supplying cane molasses | | | |

Applicability: Taxable supplies under the Sales Tax Act, 1990, dutiable services in VAT mode under the Federal Excise Act, 2005 and taxable services under the Islamabad Capital Territory (Tax on Services) Ordinance, 2001

| Withholding agents referred above | Status of Supplier | Sales Tax to be withheld | Due date of deposit of sales tax withheld (in general) | Manner of reporting deposit of withholding sales tax |
|-----------------------------------|---|---------------------------------|--|--|
| (e) | Persons supplying lead or scrap batteries | 75% of the sales tax applicable | | |
| (f) | Persons other than active taxpayers | 1% of gross value of supplies | | |

Exclusion from sales tax withholding

Following supplies / services are not subject to withholding of sales tax at the time of payment by supplies / services recipient:

- Electrical energy;
- Natural gas;
- Petroleum products as supplied by petroleum production and exploration companies, oil refineries, oil marketing companies and dealers of motor spirit and highspeed diesel;
- Vegetable ghee and cooking oil;
- Telecommunication services;
- Goods specified in the Third Schedule to the Sales Tax Act, 1990;
- Supplies made by importers who paid value addition tax on such goods at the time of import;
- Supplies made by an Active Taxpayer as defined in the Sales Tax Act, 1990 to another registered person with exception of advertisement services;
- Supply of sand, stone, gravel/crush and clay to low-cost housing schemes sponsored or approved by Naya Pakistan Housing and Development Authority.

The Sindh Sales Tax Special Procedure (Withholding) Rules, 2014

Withholding agent

- a) Offices and departments of Federal Government, Provincial Governments and Local or District Governments;
- b) autonomous bodies;
- c) public sector organizations including public corporations, state-owned enterprises and regulatory bodies and authorities;
- d) Organizations which are funded, fully or partially, out of the budget grants of federal or provincial government;
- e) Companies as defined in section 2(28) of the Sindh Sales Tax on Services Act, 2011;
- f) FBR or Sindh Revenue Board registered persons or the persons as per clause (a) to (e) receiving following services:
 - i. Advertisement with certain exclusion.
 - ii. Renting of immovable property.
 - iii. Auctioneer.
 - iv. Inter-city transportation or carriage of goods by road with certain exclusion.
 - v. Advertising agent who issues release order or book advertisement in relation to advertisement services.
- g) SRB registered person receiving taxable services from an unregistered or an inactive person;
- h) SRB registered person or insurers receiving services from insurance agents or insurance brokers;
- i) Persons or passengers using services of cab aggregators; and
- j) Person receiving services of contractors and construction taxable at reduced rate.

Withholding rates

| Applicability: Taxable services under the Sindh Sales Tax on Services Act, 2011 | | | | |
|---|---|---|--|--|
| Withholding agents referred above | Status of service provider | Sales tax to be withheld | Due date of deposit of sales tax withheld (in general) | Manner of reporting deposit of withholding sales tax |
| (a) to (e) | SRB registered person | 1/5th of sales tax shown on the invoice. | Withholding agent as SRB registered person who claims input tax in monthly sales tax return, earlier of the following: <ul style="list-style-type: none"> • By the prescribed due date of the month in which he claims input tax adjustment; or • Invoice payment date | If withholding agent is registered in sales tax reporting shall be made at the time of filing of return; and If withholding agent is unregistered person but holds NTN/FTN, reporting shall be made through filing of sales tax withholding statement |
| | | If sales tax is not shown on the invoice whole amount of sales tax applicable under tax fraction formula on gross value of services | | |
| (f) | SRB registered person or non-resident person based in country other than Pakistan | Whole amount of sales tax shown on the invoice | Withholding agent as SRB registered person who does not claim input tax in monthly sales tax return, earlier of the following: <ul style="list-style-type: none"> • Invoice payment date; or • Within four months from the invoice date. | |
| | | If sales tax is not shown on the invoice whole amount of sales tax applicable under tax fraction formula on gross value of services | | |
| (g) to (j) | SRB Registered/ unregistered person | Whole amount of sales tax applicable on the services | Other withholding agents, earlier of the following: <ul style="list-style-type: none"> • 15th day of the following second month in which tax invoice was issued: or • the invoice payment date. | |
| Holders of FTN or NTN or SNTN | Unregistered service provider | Whole amount of sales tax applicable under tax fraction formula on gross value of services | | |

Exclusion from sales tax withholding

Following services / sectors are not subject to withholding of sales tax at the time of payment by service recipient:

- Telecommunication;
- Banking company;
- Financial institution;
- Insurance company in relation to its services of life insurance and health insurance of individual persons (other than re-insurance company);
- Port operator;
- Airport operator;
- Terminal operator; and
- Airport ground handling.

The Punjab Sales Tax on Services (Withholding) Rules, 2015

Withholding agent

- Federal Government, Provincial Government, local government, department or office under the Government, a public sector project or programme governed thereunder;
- Autonomous body, special Institution, public sector organization including public corporation, government owned enterprise, regulatory or statutory body or authority.
- Organizations which is funded fully or partially out of the budget grants of the Federal Government or the Government;
- Recipient of advertisement services who is registered for sales tax on goods with Federal Board of Revenue [FBR] or for sales tax on services in Punjab.
- A Company which is resident or has a place of business in Punjab;
- Registered persons receiving taxable services from other than registered persons; and
- Accounting office responsible for making payments against invoices or bill for the taxable services received by an office, department of the Government department, Federal Government, Provincial Government or local governments.

Withholding rates

| Applicability: Taxable services under the Punjab Sales Tax on Services Act, 2012 | | | | |
|--|--|---|--|--|
| Withholding agents referred above | Status of service provider | Sales tax to be withheld | Due date of deposit of sales tax withheld (in general) | Manner of reporting deposit of withholding sales tax |
| All | Registered person | Whole amount of sales tax shown on the invoice | Withholding agent as a PRA registered person / FBR registered person, earlier of the following: | If withholding agent is registered in sales tax reporting shall be made at the time of filing of return; and If withholding agent is unregistered person but holds NTN, reporting shall be made through filing of |
| | Unregistered person | Whole amount of sales tax applicable on the gross value of taxable services | <ul style="list-style-type: none"> By the prescribed due date in the month following the tax period in which he claims input tax in the Punjab / Federal sales tax return; or | |
| | Advertisement registered service provider in Pakistan or service provider based in | Whole amount of sales tax shown on the invoice | <ul style="list-style-type: none"> Invoice payment date; or Within 4 months from invoice date. | |

Applicability: Taxable services under the Punjab Sales Tax on Services Act, 2012

| Withholding agents referred above | Status of service provider | Sales tax to be withheld | Due date of deposit of sales tax withheld (in general) | Manner of reporting deposit of withholding sales tax |
|-----------------------------------|-----------------------------|---|--|--|
| | country other than Pakistan | If sales tax is not shown on the invoice, the amount of sales tax applicable on gross value of taxable services | Other withholding agents, earlier of the following: <ul style="list-style-type: none">• 15th day of the following second month in which tax invoice was issued: or• the invoice payment date. | sales tax withholding statement |

Exclusion from sales tax withholding

Following services / sectors are not subject to withholding of sales tax at the time of payment by service recipient:

- Telecommunication;
- Banking company;
- Courier;
- Insurance except the insurance services which are provided from outside the province to a withholding agent in respect of a risk located in or related to the province;
- Services (except advertisement) provided by companies being active taxpayers.

The Khyber Pakhtunkhwa Sales Tax on Services (Withholding) Regulation, 2020

Withholding agent

- a) All Federal Government department and offices.
- b) Departments and offices of Ministry of Defence, Environment department of Government, all Divisional Engineers of Department of Irrigation, Public Health Engineering and Communication and Works; District Government departments; and all Provincial Government Departments;
- c) Public sector organizations, institutes, corporations, universities, bodies, boards, projects, ventures, entities, enterprises, institutions, authorities of the Federal Government, Khyber Pakhtunkhwa Government, District or Local Government.
- d) Companies as defined under section 2 (12) of the Khyber Pakhtunkhwa Finance Act, 2013 including those located in the jurisdiction of or registered with any other tax authority for the purposes of payment of sales tax in respect of goods or services rendered or provided in Khyber Pakhtunkhwa [KP]; and
- e) Any other person specified, declared or confirmed by the Authority as withholding agent.

Withholding rates

| Applicability: Taxable services under Khyber Pakhtunkhwa Sales Tax on Service Act, 2022 | | | | |
|---|--|--------------------------------------|--|--|
| Withholding agents referred above | Status of service provider | Sales tax to be withheld | Due date of deposit of sales tax withheld (in general) | Manner of reporting deposit of withholding sales tax |
| All | Advertisement services | Whole amount of sales tax applicable | KP/FBR registered person who claims input tax in the return, earlier of the following: <ul style="list-style-type: none"> • By the prescribed due date of the month in which he claims input tax adjustment in the sales tax return; or • The invoice payment date | If withholding agent is registered in sales tax reporting shall be made at the time of filing of return; and If withholding agent is unregistered person but holds NTN, reporting shall |
| | Unregistered person or person other than active taxpayer Providing services to Federal/ Provincial Govt. department, public sector institutions, organizations, entities and projects regardless of rate of sales tax | | | |

Applicability: Taxable services under Khyber Pakhtunkhwa Sales Tax on Service Act, 2022

| Withholding agents referred above | Status of service provider | Sales tax to be withheld | Due date of deposit of sales tax withheld (in general) | Manner of reporting deposit of withholding sales tax |
|-----------------------------------|--|--------------------------------|--|---|
| | Unregistered person providing services in KP from outside of KP. | | following: <ul style="list-style-type: none">• The invoice payment date; or• Within six months from the invoice date. | be made through filing of sales tax withholding statement |
| | Services subject to reduced rate of sales tax | | Other withholding agents, by 15th day of the following month in which payment is made to service provider. | |
| | Other cases | 50% of the amount of sales tax | | |

Exclusion from sales tax withholding

Telecommunication services are excluded from sales tax withholding by service recipient at the time of making payment except when such services are provided or rendered by telecom companies to each other.

The Balochistan Sales Tax Special Procedure (Withholding) Rules, 2018

Withholding agent

- a) Offices and departments of Federal Government, Provincial Governments, Local or District Governments and a public-sector project or program governed by such governments;
- b) autonomous bodies;
- c) public sector organizations including public corporation, state-owned enterprises, regulatory bodies and authorities;
- d) Organizations which are funded, fully or partially, out of budget grants of Federal or Provincial Governments;
- e) Companies as defined in rule 2(7) of the Balochistan Sales Tax Special Procedure (Withholding) Rules, 2018;
- f) FBR registered person or Baluchistan Revenue Authority [BRA] registered person or the persons as specified in clause (a) to (e) receiving following services:
 - i. Advertisement
 - ii. Intercity transportation or carriage of goods by road
 - iii. Advertising agent
 - iv. Renting of Immovable property
 - v. Consultant
 - vi. Auctioneer
- g) BRA registered person receiving taxable services from unregistered person.

Withholding rates

| Applicability: Taxable services under The Balochistan Sales Tax on Services Act, 2015 | | | | |
|---|---|--|---|--|
| Withholding agents referred above | Status of service provider | Sales tax to be withheld | Due date of deposit of sales tax withheld (in general) | Manner of reporting deposit of withholding sales tax |
| (a) to (e) and (g) | BRA registered person | 1/5 th of the sales tax shown on the invoice | Withholding agent as BRA registered person who claims input tax in monthly sales tax return, earlier of the following: <ul style="list-style-type: none"> • By the prescribed due date of the month in which he claims input tax adjustment or • Invoice payment date | If withholding agent is registered in sales tax reporting shall be made at the time of filing of return; and If withholding agent is unregistered person but holds NTN, reporting shall be made through filing of sales tax withholding statement |
| | | If sales tax is not shown on the invoice, whole amount of sales tax applicable under tax fraction formula on gross value of services | | |
| (f) | BRA registered / unregistered resident person or non-resident person based in country other than Pakistan | Whole amount of sales tax shown on the invoice. | Withholding agent as BRA registered person who does not claim input tax in monthly sales tax return, earlier of the following: <ul style="list-style-type: none"> • Invoice payment date or • Within four months from the invoice date. | |
| | | If sales tax is not shown on the invoice, whole amount of the sales tax applicable under tax fraction formula on gross value of services | | |
| Holders of FTN or NTN or BNTN | Unregistered service provider | Whole amount of the sales tax applicable under tax fraction formula on gross value of services | Other withholding agents, earlier of the following: <ul style="list-style-type: none"> • 15th day of the following month in which tax invoice was issued: or • the invoice payment date. | |

Exclusion from sales tax withholding

Following services / sectors are not subject to withholding of sales tax at the time of payment by service recipient:

- Telecommunication;
- Banking company;
- Insurance services (other than re-insurance company);

- Financial institution;
- Port operator;
- Airport operator;
- Terminal operator; and
- Airport grounding handling.

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