



## **CIRCULAR No. 06/2017**

(Sindh Sales Tax on Services)

Subject: **TREATMENT OF "OUT OF POCKET EXPENSES" FOR THE PURPOSE OF DETERMINATION OF VALUE OF TAXABLE SERVICES IN CASES WHERE A SERVICE IS LIABLE TO TAX ON THE BASIS OF GROSS AMOUNT CHARGED/RECEIVED BY THE SERVICE PROVIDER.**

A question has arisen whether the "Out of Pocket Expenses" received or charged by a service provider is included in the value of taxable services in cases where such a service is assessable on gross value basis.

2. The issue has been examined and it is clarified that in terms of section 2(99) read with section 5 of the Sindh Sales Tax on Services Act, 2011 (hereinafter called "the 2011-Act"), the value of a taxable service is the consideration in money including all Federal and Provincial duties and taxes, if any, which the person providing a service receives from the recipient of the service but excluding the amount of sales tax payable under the 2011-Act. Accordingly, the 2011-Act does not envisage exclusion of any amount from the value of a taxable service except for the amount of Sindh sales tax charged or collected by the service provider.

3. It is hereby clarified for the information of all concerned that out of pocket expenses charged or collected by a service provider in relation to provision of service chargeable to tax on the basis of gross amount of consideration shall not be excluded from the value of taxable service. However, in case such out of pocket expenses are utilized by the service provider for acquiring any taxable input being an ingredient of the service liable to tax under the 2011-Act, such service provider may claim the admissible amount of input tax credit/adjustment from the output tax payable by him, in accordance with the provisions of the 2011-Act and the rules/notifications issued thereunder.

  
20/10/17

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