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Place of Provision of Services Rules, 2023



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Foreword



This publication contains brief commentary on the rules issued by FBR in case of Islamabad Capital Territory (ICT) and the provincial sales tax authorities regarding determination of place of provision of service in respect of certain specified services.

This publication is aimed at providing general guidance with the objective of keeping our clients and staff abreast of the aforementioned rules only, and Yousuf Adil, Chartered Accountants, is not by means of this publication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional advisor.

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Place of Provision of Services Rules, 2023

In the backdrop of consensus developed between Federal government and provincial governments to create harmonized services sales tax regime, the decision was taken by National Tax Council (NTC) to issue Place of Provision of Services Rules by the Federal Government and the provincial governments. Accordingly, the Federal Government and the provinces have issued set of rules regarding determination of place of provision of specific services for levy of related sales tax.

This is a positive initiative by NTC and is likely to settle conflicts in taxation of those services by the provinces in respect of which aforesaid rules have been issued. Through saving clause, it is clarified that the provisions of the respective Acts and rules issued thereunder shall mutatis mutandis apply to those services not covered under the place of provision of services rules.

The Rules are effective from May 01, 2023 except for the rules related to services of electric powers transmission which shall take effect from July 01, 2023.

The services covered and rules issued thereby by the authorities are similar in nature and therefore summarized in unity below with identification of certain differences where applicable:

Service	Place of Provision of Services
Advertisement	
Advertisement on TV and Radio- Broadcast through satellite	For Broadcasting on channels beamed or uplinked in Pakistan Location of the beaming station i.e., the broadcast station uplinking the advertisement content.
	For Broadcasting on channels beamed or uplinked from a place outside Pakistan The place where advertisement is booked irrespective of whether or not the channel has PEMRA's landing rights permission in Pakistan
Advertisement on TV and Radio - Broadcast through terrestrial signals	Location of the first broadcast station.
Advertisement on TV – In case of TV Channels having landing rights in Pakistan	Location of the person having PEMRA license for such landing rights in Pakistan.
Advertisement on Internet Protocol TV (IPTV)	Location of the licensing zone as specified in the respective PEMRA license for IPTV.
Advertisement on Cable TV or the TV using other distribution service	Location of the area of coverage assigned to the person holding the respective PEMRA license for Cable TV or the TV using other distribution service
Advertisement on Closed-Circuit TV	Location of the Closed-Circuit TV system
Advertisement on website or webpage or internet	For placing on the web or internet of persons resident in Pakistan Location of the person owning or managing such website or webpage or internet.
	For placing on the web or internet of persons not resident in Pakistan Location of the person booking such advertisement for such non-resident owner of the web or internet.
Advertisement on still media including billboards, sign boards, digital boards, poles, etc.	Location of such still media.
Advertisement on cinema screens and advertisement through aerial banner towing or smoke writing	Location of the cinema house and the jurisdiction in which the aerial advertising is performed.

Service	Place of Provision of Services
Advertising agents	
Advertising agents	Location of the place of business of the respective Advertising Agent where the advertisement is booked.
Insurance and reinsurance	
Life insurance and health insurance services	Location of the office or the branch of the insurance company providing the insurance services.
Insurance of immovable property	Location of the immovable property insured or to be insured.
Insurance of movable property	Properties Requiring registration Location of the movable property where it is registered by the respective registration authority.
	Properties Not requiring registration: Location of such movable property at the time of insurance.
	Marine insurance of goods Port of embarkation or dis-embarkation in Pakistan of the respective goods.
Re-insurance provided by resident	Location of the office or branch of the person providing the reinsurance services in Pakistan.
Re-insurance provided by non-resident	Location of the resident insurance company receiving or procuring such reinsurance services.
Insurance agents and insurance brokers	
Insurance agent	Sindh Location of the office or branch of the insurance company paying commission to the insurance agent.
	Punjab and ICT Location of the insurance agent.
	The above inconsistency amongst the rules issued by SRB and other revenue authorities may result into contention on application of sales tax on services of insurance agents in cases where the offices of insurance companies paying commission are located in Sindh with insurance agents located in other jurisdictions.
Insurance broker – remuneration received from resident person	Location of the person paying the remuneration, commission or fee to the insurance broker.
Insurance broker – remuneration received from non-resident person	Location of the insurance broker in Pakistan.
Franchise services, intellectual property and licensing services	
Franchise services, intellectual property and licensing services (provided by a person whether resident or otherwise)	Sindh, Punjab and ICT Location of the resident person receiving or procuring such services.
	Proviso given in the rules of Sindh only: Where tax is not levied in areas where such services are received/procured, location of the resident person providing or rendering such services

Transportation of goods	
Scenario 1: Transportation through Road by Companies and other transportation by Non Corporate	
Applicable in following cases: Sindh: Transportation or carriage of goods: <ul style="list-style-type: none"> - by road <u>rendered by company</u> or, - through pipeline or conduit rendered <u>by any person</u>. ICT: Transportation or carriage of goods by road or, through pipeline or conduit rendered by company. Punjab: Transportation or carriage of goods: <ul style="list-style-type: none"> - by road <u>rendered by company</u> or, - transport of goods <u>other than water</u> through pipeline or conduit rendered <u>by any person</u>. 	
Origination and Termination	Place of Provision of Services
Service originates and terminates in the same province	Province where the transportation originates.
Service originates in a province where the tax is levied but terminates in a province or area where such tax is not levied	Province where the transportation originates.
Service originates in a province where the tax is not levied but terminates in a province or area where such tax is levied	Province where the transportation terminates.
Service originates in one province and terminates in another and the service is taxable in both provinces	<p>Amount of tax involved will be shared equally by the provinces in which the transportation originated and subsequently terminated.</p> <p>However, if the rate of tax leviable in the province in which the transportation originated is different from the province in which such transportation terminated, the invoice shall clearly indicate the amount of tax payable to the respective provinces as determined on the basis of the respective rates of tax on 50 percent of the value of inter-province transportation service.</p>
Scenario 2: Transportation by persons other than Company	
Applicable in following cases: Sindh: Transportation or carriage of goods by road <u>rendered by any person other than company</u> . ICT: Transportation or carriage of goods by road or, through pipeline or conduit rendered by persons other than company. Punjab: Transportation or carriage of goods by road <u>rendered by any person other than company</u> .	<p>Location of booking office of the person transporting the goods.</p>
Note: in case of road transportation of petroleum oils, the provisions of respective special procedure rules for Transportation and Carriage of Petroleum Oils through Oil Tankers, shall apply.	

Electric Power Transmission	
Origination and Termination	Place of Provision of Services
Service originates and terminates in the same province	Province where the transmission originates.
Service originates in a province where the tax is levied but terminates in a province or area where such tax is not levied	Province where the transmission originates.
Service originates in a province where the tax is not levied but terminates in a province or area where such tax is levied	Province where the transmission terminates.
Electric Power Transmission	
Origination and Termination	Place of Provision of Services
Service originates in one province and terminates in another and the service is taxable in both provinces	<p>Amount of tax involved will be shared equally by the provinces in which the transmission originated and subsequently terminated.</p> <p>However, if the rate of tax leviable in the province in which the transmission originated is different from the province in which such transmission terminated, the invoice shall clearly indicate the amount of tax payable to the respective provinces as determined on the basis of the respective rates of tax on 50 percent of the value of inter-province transmission service.</p>

Apportionment of input tax: In case where service is taxable in more than one province, input tax shall be claimed by the service provider in the same proportion subject to restrictions and limitations provided in the relevant sales tax law and rules made thereunder.

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