

COMMENTS ON THE **SINDH** **FINANCE BILL** **2026-27**

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FOR THE FINANCIAL YEAR
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SINDH FINANCE BILL 2026–27 (“BILL”)

Proposed Amendments to the Sindh Sales Tax on Services Act, 2011 (“SSTA”)

1. Section 25A | De-registration

The disposal period for de-registration applications is extended from three months to 180 days (with the existing 60-day extension still available on top). A new sub-section (4) confirms that filing a de-registration application does not extinguish liabilities for periods during which taxable services were provided. Registered persons with pending applications should not treat the filing as a shield against audit or recovery.

2. Section 43, Sr. No. 2AA | New Penalty for Non-Compliant Invoicing Software

A new penalty of Rs. 100,000 to Rs. 1 million is introduced against persons who design, develop, or supply invoicing software that facilitates issuance of invoices not conforming to Rule 29 of the SSTSA Rules or Rule 6 of the Online Integration Rules. This is an upstream enforcement measure targeting software vendors directly, not just registered service providers. Technology firms supplying POS, billing, or ERP solutions in Sindh should immediately review their products against both rules.

3. Section 52A (New) | Display of Notices at Premises

Where directed by the Commissioner, a registered person must display tax-related notices or information at a conspicuous place accessible to the public. The provision is discretionary in activation but mandatory in compliance once invoked, with no mechanism for the registrant to contest the content or format of the required display.

4. Section 59 | Appeals

A new proviso to sub-section (2) caps inquiries ordered by the Commissioner (Appeals) at 60 days. However, this period is simultaneously added to the exclusions under sub-section (6), meaning it does not count toward the prescribed disposal timeline. The net benefit to appellants is procedural certainty on inquiry duration rather than any reduction in overall appeal timelines. Separately, the recovery protection under section 66 (see below) is now expressly extended to section 61 Appellate Tribunal appeals.

5. Section 66 | Recovery: Pre-Recovery Deposit Doubled to 20%

The deposit required to stay recovery action while an appeal is pending is increased from 10% to 20% of the tax due. This is a material cash-flow burden for taxpayers contesting substantial assessments. On the positive side, the protection now expressly covers appeals filed before the Appellate Tribunal under section 61, closing a gap that previously left Tribunal-stage appellants without express recovery protection.

6. Section 73A (New) | Confidentiality of Taxpayer Information

A comprehensive confidentiality provision is introduced, prohibiting SRB officers and public servants from disclosing particulars contained in returns, accounts, assessments, or proceedings under the Act. Disclosure remains permissible where necessary for execution of the Act, or to Federal/Provincial authorities authorised by law or under bilateral/multilateral data-sharing arrangements.

7. First Schedule | Exemptions

- S. No. 6 — Storage and warehousing: The exemption is narrowed from "food and agricultural commodities" to "food grains and fresh vegetables and fruits not subjected to further processing". Storage of cotton, oilseeds, and other agricultural commodities is no longer exempt.
- S. No. 10 — Life insurance: The individual life insurance exemption threshold is raised from Rs. 500,000 to Rs. 3,500,000 of coverage. This effectively exempts the vast majority of individual life policies. Insurers currently charging SSTSA on policies between these thresholds should revise their billing from 1 July 2026.
- S. No. 10A (New) — Reinsurance: Reinsurance services relating to crop insurance and marine insurance for exports are expressly exempted. Other reinsurance categories remain taxable.
- S. No. 30 — Education services: The exemption is restructured with specific CPC code references (921–925) and expressly covers special needs education and adult literacy programmes. The Rs. 500,000 annual fee threshold is unchanged.

8. Second Schedule, Part II | Reduced Rates

- S. No. 1A & 1B — Construction services: Dredging and rock/silt removal is added at 8%. For construction services by property developers, a per-unit rate structure is introduced as under, replacing the prior ad valorem approach:
 - o Rs. 100 per square yard of land; and
 - o Rs. 50 per square foot of covered area
- S. No. 7 — Road freight: Transportation of petroleum oils through oil tankers is carved out of the truck adda entry, effectively increasing its applicable rate from reduced rate to standard rate.
- S. No. 13 — Freight transport agency: S. No. 13 imposes a flat rate of Rs. 1,000 per bill (of lading, house bill of lading, airway bill, or house airway bill) in respect of freight transport agency services and other freight transport services. The omission of "by freight forwarding agents" from the conditions column means this flat per-bill rate is no longer restricted to freight forwarding agents only; it will apply more broadly to all persons issuing such instruments. Customs agents, shipping agents, and others who issue bills of lading or airway bills should assess whether they now fall within this entry.
- S. No. 16 — Insurance brokerage and agency: The existing flat 5% rate is replaced with 2% for insurance agents and 3% for insurance brokers.
- S. No. 22 — Legal and accounting services: The existing S. No. 22 covers "legal services" (CPC 821) at 8% with nil conditions. The Bill substitutes this entry to add CPC 823 (tax consultancy and preparation services) and CPC 824 (insolvency and receivership services) within the same entry at 8%.
- S. No. 38 — Education services: The existing S. No. 38 imposes a 3% rate on education services where fee does not exceed Rs. 500,000 per annum per student, or on training services.

The Bill substitutes this entry with a bifurcated structure as under:

- o Pre-primary through tertiary education (CPC codes 921–925) where annual fee exceeds Rs. 500,000 per student, at 3%;
- o Other education and training services and educational support services under CPC 929 (other than CPC 9292), at 3%; and
- o Educational support services (CPC 9292) at 5%.
- S. No. 45 — Beauty and wellness services: The conditional 5% rate available to POS-integrated providers is removed. A flat 8% applies to all providers, eliminating the compliance incentive for real-time POS integration.

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