



# EMPLOYERS' FEDERATION OF PAKISTAN

A Company Setup Under Section 42 of The Companies Act 2017  
The Apex Body of Employers of Pakistan

30 August 2023

EFP BULLETIN # 04 on SRB

## Legal Advice on Supreme Court Judgment pertaining to the Sindh Sales Tax on Services Act, (2011)

Dear Members,

We hope this message finds you well. We are writing to apprise you about the recent Supreme Court judgment pertaining to the **Sindh Sales Tax on Services Act, (2011)**. The outcome of this judgment may have implications for your business operations.

According to a recent judicial interpretation, the sales tax on services will only be levied on the actual 'value of the taxable service' provided. This value is determined by the service provider and cannot include reimbursable expenses such as salaries paid to employees, security, and other manpower costs. This is in line with Sections 4, 5, and 8 of the Act which define 'economic activity,' 'taxable event,' and 'scope of tax,' respectively.

In summary, only the charges for the actual services provided will be subject to sales tax. Reimbursable expenses, like salaries paid to employees, will not form part of the taxable amount.

It is, therefore, important for the organizations to align their invoicing practices with this judicial interpretation to ensure compliance and to avoid any legal complications.

For further queries or information about the case, please contact **Ms. Murk, Law Officer** ([lawyer@efp.org.pk](mailto:lawyer@efp.org.pk) / +92 21 32463790)

With warm Regards;

**Syed Nazar Ali**  
Secretary-General

Attached: [SC Judgement - Sindh Sales Tax on Services Act, 2011](#)