

# Murad tells Hafiz Shaikh to follow constitutional line on sales tax



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**KARACHI:** Sindh Chief Minister Syed Murad Ali Shah has said he believes as Pakistan moves forward in the talks with IMF, the federal government would uphold constitutional position over sales tax.

In a letter to Prime Minister Advisor for Finance and Economic Affairs Dr Hafeez Shaikh, the Sindh chief minister quoted a news report that appeared in the national press which reads as “the government has conceded to the IMF that the present arrangement of one federal and four provincial authorities looking at goods and services tax has increased the cost of doing business in an exponential manner and large businesses have been complaining about the compliance cost.” “In three years’ time, we will move to a single tax collection agency with single return and single auditing authority to cut down on compliance costs,” the government has assured the IMF.

Shah said in his letter that the news report does not correctly represent the purpose of the talks held, on the sales tax issue, during Pakistan’s last mission to the IMF earlier last month. “Nevertheless, if that is not the case, the arrangement under contemplation would be contrary to the express stipulation of Constitution of Pakistan, which, against entry No.49 of its fourth schedule (federal Legislative List) provides, ‘tax on the sales and purchase of goods imported, exported, produced, manufactured or consumed except for sales tax on services,” Murad says. Reminding Dr Hafeez Shaikh, Shah said “in your previous capacity as finance minister of Pakistan, you had been part of the momentous changes that witnessed the transfer of collection of sales tax on services, initially, to Sindh in 2010, followed by other provinces.” The CM further says that he trusts the Government of Pakistan will take the issue of sales tax in compliance with the constitutional provisions, ensuring respect for the provincial autonomy guaranteed in the constitution of Pakistan.

The CM told Dr Hafeez Shaikh that Sindh has come a long way since the time it had assumed the collection of sales tax on services. “We will be glad to see or be a part of any effort that leads to improvement in the overall tax collection system in the country, being an important stakeholder under the NFC scheme. He further added “Given its experience and success it has made in the levy and collection of sales tax on services in the last eight years, Sindh can offer meaningful input for performing the present tax structure within the domains prescribed in the constitution.”