

BALUCHISTAN SALES TAX ON SERVICES

APPELLATE TRIBUNAL, QUETTA

STA 10/2025

M/S RG Blue Communication (Pvt) Ltd.

Versus

The Commissioner (Operations)-I, Baluchistan Revenue Authority, Quetta

ORDER

Date of last hearing: 15.12.2025

Date of issue: 23.12.2025

Appellant by:

Barrister Muzaffar Azam Umrani

Respondent by:

Barrister Wasil Jan & Mr. Amin Ullah Khan,
Advocate

DOSTAIN KHAN JAMALDINI, MEMBER: The titled sales tax appeal, which is pending for decision before this Tribunal since February 2025, has been filed by the appellant-registered person against the order-in-original (the impugned order) No. 146/2024 dated 10-12-2024 (erroneously stated as 2023) passed by the Commissioner (Operations)-I, the Baluchistan Revenue Authority (BRA), Quetta (respondent) under section 52(3) r/w sections 48 & 49 of Baluchistan Sales Tax on Services Act (the Act), alleging that the registered person has made a short payment of BSTS amounting to Rs. 6,743,713/- by violating and contravening section 10(1) r/w sections 3(1), 18(1), and 35(1) of the Act.

2. Brief facts of the case are that the appellant is registered with the BRA having BNTN: 7177198-4 with principal activity as *event management services including services by event photographers, event videographers and the persons providing services related to such event management* under tariff heading 9861.0000 subject to 15% BSTS. The history and record of the case state that the Assessing Officer (the respondent), upon perusal of record available with the BRA, earlier had found that during 2021-22 the appellant-registered person signed a contract agreement with Lasbela Industrial Estate Development Authority (LIEDA) for provision of event management services, creative communication, PR, creation of digital and video content for Dubai Expo 2020 for participation of Government of Baluchistan in the expo. The record has revealed that the appellant failed to pay required BSTS against services availed as per the law.

3. In view of above revelation, the respondent issued a notice vide No. BRA/OPS/22-23/118, dated 02-9-2022 to the appellant u/s 52(1) of the Act for recovery of underpaid/short-paid amount of Rs. 17,806,939/-. During that first adjudication process as per the Act and after evaluation of submitted documents, it was held that the appellant has made short payment of BSTS by non-withholding/short-withholding of Rs. 11,607,000/-, hence, recoverable under the law. Consequently, on 23-5-2023, the appellant approached this Tribunal challenging the order passed by the learned Commissioner-I vide No. 53/2023, dated 09-02-2023, and the recovery notice issued u/s 72 of the Act by the respondent to the appellant for payment of the BSTS dues by

20-3-2024. This Tribunal, after condoning the delay in appeal submission, heard both the parties and on the request of the appellant and with the consent of the respondent remanded back the case to the learned Commissioner-I on 04-4-2024 with the following directions while disposing of the appeal:

".....to properly consider the contention of the appellant, examine the relevant documents and evidences of tax payments. If the appellant has paid due amount of tax, then withdraw the impugned recovery notice. In case tax has been charged erroneously then a judicious order for recovery of due tax may be passed. The appellant is also directed to provide relevant documents/evidences as well as working of tax due from the appellant."

4. The respondent re-initiated the assessment process by issuing a new notice u/s 52(1) of the Act, dated 30-4-2024. During the second adjudication process wherein documents and details of payments were examined after reconciliation of tax liabilities, the respondent issued the impugned order on 10-12-2024 (erroneously stated as 2023) holding that still BSTS amounting to Rs. 6,743,713/- is payable by the appellant.

5. Aggrieved of the impugned order, the appellant filed an appeal along with applications for stay the recovery and for urgent hearing. During the hearing, the respondent was instructed not to effect recovery during appeal proceedings. Through the memo appeal, the appellant prayed as follows:

(a) to cancel the impugned order as the provisions of sub-sections (1) & (2) are not applicable to his case and as the allegations are based on incorrect and misreported facts and insinuation,

(b) to delete the tax liability created at Rs. 6,743,713/-,

(c) to delete the receipts paid to RAM Studio at Rs. 45,000,000/- outsourced with the approval of LIEDA. Even otherwise, the outsourced receipts have wrongly been taxed in the hands of the respondent, and

(d) to grant such other relief and relieves.

6. A number of hearings were held in the case, wherein Barrister Muzaffar Azam Umrani, pleaded on behalf of the appellant and Barrister Wasil Jan, and Mr. Amin Ullah Khan, Advocate appeared on behalf of the respondent.

7. On the facts of the case the learned counsel for the appellant stated that for participation of Government of Balochistan departments in Dubai Expo 2020 (held during 2021), services of the appellant were hired as an event management company for which he executed a contract agreement with LIEDA on 15-9-2021 valuing Rs. 139,725,000/-. According to him, the contract included two types of payments: payment/fee for "professional" jobs (Rs. 87,975,000/-), and payments for "outsourced" jobs (Rs. 51,750,000/-). He further contended that the "professional" job comprised

of technical services for which payment was made to the appellant (the Service Provider); whereas the “outsourced” jobs included production of documentaries for which payment was to be made to M/S RAM Studio either directly by LIEDA or to be reimbursed. Similarly, for various other purchases and services, like hotel bookings, air tickets, booking of venues (if not provided free), transportation, etc. payments were made on behalf of Government of Balochistan/LIEDA that were to be reimbursed. According to him BSTS is applicable only on “professional” jobs and not on “outsourced” jobs, which are exempted under Section 12 (2) (c) of the Act. He further, contended that any tax payments made by M/S RAM Studio are permissible for input tax adjustment by the appellant. Therefore, the respondent incorrectly charged the tax for Rs. 6,743,713 as liability and Rs. 45,000,00/- for exempted “outsourced” jobs. He also cited a case law, reported as (2007) 96 TAX 87 (Trib.) & 2007 PTD 1550, in support of his argument that “outsourced” jobs, which are reimbursement of costs and not “technical fees” are not taxable.

8. Learned counsels for the respondent stated that the impugned order has been passed as per the Act carrying no illegality and the tax liability has been determined accurately. They challenged opinion of the appellant that making of international documentaries has been outsourced to M/S RAM Studio, rather as per the contract agreement this technical service was assigned to it as a sub-service provider, registered as a separate entity with BRA. This RP has already discharged his tax obligations and as such no question of input tax adjustment by the appellant arises. As per the provisions of the contract agreement all payments, including payments related to making documentaries, were made by LIEDA to the appellant’s accounts from where further payments were made to the sub-service providers. Furthermore, he denied that any exemption notification is on record for any “outsourced” jobs/services provided by M/S RAM Studio nor any notification issued by the Authority u/s 12 (2)(c) has been provided by the appellant during assessment process.

9. During the hearings, opportunities were provided to the parties to reconcile facts of the case as well as to determine actual payable BSTS and come with an agreed joint report. However, they did not reach to an agreed reconciliation and submitted their separate reports.

10. Our considered observation on this tax assessment case, as can be seen above, is that this matter is probably the longest *lis* being decided by us after more than 39 months taking two complete cycles of assessments and appeals, which was initially originated on 02-9-2022. The major reasons for this unusual delay are unnecessary adjournments and change of counsels by appellant and delay in conciliation and re-conciliation of tax payments by both the parties.

11. During this second appeal cycle, we went through the record of the case including the main appeal filed by the appellant, written reports on reconciliation submitted by the parties, tax payment details (copies of CPRs and input tax claimed by the appellant on RAM Studios invoices) as well as the contract agreement signed between LIEDA (the client) and the appellant (the service provider) for a total consideration *not exceeding* Rs. 139,725, 000 as per clause 6.1 of the contract. As per annexure-E of the contract agreement the breakdown of the contract price in local currency was as follows:

A. Advisory, management, content, design & connectivity	Amount (in Rs.)
Event plan, conceptualization, talent identification and performance designing assistance	8,200,000
Coordination, event management and advisory fee (GoB services)	29,000,000
PR reporting (specifically in Balochistan) and post show report with still and video compilation	2,800,000
Content (teasers, videos, presentations, daily events) & Balochistan specific PR content development	14,500,000
Designing (souvenir, venues, pitch book, website etc.) October events + thematic weeks	18,500,000
Communication, connectivity, data transfer & portable drives	3,500,000
Total of cost of taxable services	76,500,000
BSTS @ 15%	11,475,000
Total inclusive of BSTS	87,975,000
B. Documentaries- As per actual cost*	
10 International standard documentary videos	45,000,000
BSTS @ 15%	6,750,000
Total inclusive of BSTS	51,750,000
Grand total with taxes (A+B)	139,725,000

* This part of contract assignment was carried out by M/S RAM Production (RAM Studio), one of the sub-service providers as per Appendix-C of the contract agreement.

12. Above entire contract amount (BSTS amounts included) was paid by the service-recipient (LIEDA) to service-provider (M/S RG Blue) in accordance with the payment terms and schedule (clause 6.3 and appendix-H of the contract agreement) in 3-6 instalments against the deliverables subject to taxes. The contract agreement, under clause 6.2, also had a provision for reimbursable direct costs expenditures as detailed in annexure-D, included air tickets, Covid tests, visa fees, accommodation, food, transport, remunerations to artisans, printing and packaging materials, wardrobe, fashion show props, grand musical concert, investment show, logistics and other unforeseen expenditures *on actual basis*. According to the contract any tax deduction by the client to be added back for reimbursable direct costs expenditures.

13. According to the available case record a total amount of Rs. 146,611,676/- was paid to the appellant by the client through 24 cheques during the period September-November 2021 that included both the payables on account of contract cost as well as the reimbursable direct cost expenditures spent by the appellant on behalf of the client. In his reply to the recovery notice, the appellant submitted details for the both categories of expenditure, with following summary of payments made to him as service-provider by LIEDA, the service-recipient:

i	Contract cost for assignments/services under A:	Rs. 63,365,000/-
ii	Contract cost for assignments/services under B:	Rs. 38,812,500/-
iii	Reimbursable direct cost payments:	Rs. 44,434,176/-

Total: Rs. 146,611,676/-

14. For assignments/services under B, the appellant, being service-recipient, made payments to the sub-service provider, M/S RAM Studio in accordance with the provisions of the contract. According to the BSTS framework the status of these three RPs (LIEDA, RG Blue & RAM Studio), would be as follows:

- LIEDA being the *service-recipient* was responsible for withholding and deposit of 1/5th (20%) of the tax dues for payment of the contract price on account of services under A & B (Rs. 102,177,500/-) in the public treasury;
- M/S RG Blue (the appellant) being the main *service-provider* was responsible for deposit of 4/5th of the tax dues for Part-A assignments (Rs. 63,365,000/-). Being the main service provider (recipient of the payments as per clause 5.5 of the contract), he was also responsible for passing the required payments to the sub-service providers after withholding and deposit of 1/5th of the tax dues for taxable services provided under the contract to the client including Part-B assignments (Rs. 38,812,500/-) in the public treasury. This 1/5th deduction is required if no such deduction is made by the client (the service-recipient). In case of any double deduction/taxation, the sub-service provider (not the appellant) would be entitled to claim input tax adjustments under the BSTS scheme;



M/S RAM Production (RAM Studio), one of the *sub-service providers*, was responsible to deposit 4/5th of the tax dues for Part-B services provided to the appellant valued Rs. 38,812,500/-. In case of any double 1/5th deductions (double taxation), he would be entitled for input tax adjustments, as stated above.

15. Above framework in view, the three registered-persons are required to discharge following BSTS dues:

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|-----|----------------|---|
| i | LIEDA: | Rs. 3,065,325/- (1/5 th of 15% of Rs. 102,177,500/-) |
| ii | M/S RG Blue | a) Rs. 7,603,800/- (4/5 th of 15% of Rs. 63,365,000/-) |
| | | b) Rs. 1,164,375/- (1/5 th of 15% of Rs. 38,812,500/-) |
| iii | M/S RAM Studio | Rs. 4,657,500/- (4/5 th of 15% of Rs. 38,812,500/-) |

In above tax obligations, the amount of Rs. 1,164,375/-, if realized, is claimable as input tax adjustment for avoiding any double taxation, which is the spirit of this provision in the BSTS tax regime. In such an event the claimant would be the sub-service provider (that is, M/S RAM Studios) being a separate registered person, and not the main service provider (that is, M/S RG Blue/the appellant).

16. As regard the case law referred by the appellant in support of his argument, we carefully went through it and have found that then the tax dispute before the honorable Income Tax Appellant Tribunal, Karachi related to charging of income tax under definition of deemed income tax r/w section 12(5) of the repealed Income Tax Ordinance, 1979. The honorable ITAT held that income

tax is applied when an income has arisen, accrued or deemed to be so and the burden is on shoulders of the Assessing Officer to proof that income has factually been arisen, accrued or deemed to be so. In that case the RP submitted a third part evidence, i.e., their auditor's certificate stating that the expenditure was incurred by the assessee on behalf of his client. The receipt of payment in that case was on account of reimbursement. However, this evidence provided by the assessee was ignored and declared as unreliable evidence by the Assessing Officer without giving any valid and legal justifications. The honorable Tribunal accepted the evidence as a proof that the payment received was not on account of income arisen in consequence of rendering services by the assessee and decided the case in his favor.

17. The instant case, on the other hand is related to charging sales tax on taxable services provided by the service provider (and by the sub-service provider) under the Act. Section 2 (147) defines "service", as follows:

" "service" means anything which is not good and shall include but not limited to the services listed in the First Schedule to the Act.

***Explanation-I;** A service shall remain and continue to be treated as service regardless whether or not the providing thereof involves any use, supply, disposition or consumption of any goods either as an essential or as an incidental aspect of such providing of service;*

***Explanation-II;** Unless otherwise specified by the Authority, the service or services involved in the supply of goods shall remain and continue to be treated as service or services."*

18. For application of BSTS, the charging section of the Act is section 3. For convenience, same is reproduced as below:

***" 3. Taxable Service.--** (1) Subject to such exclusion as mentioned in Second Schedule, which is provided by a person from his office or place of business in Balochistan in the course of an economic activity, including the commencement and termination of the activity."*

The Act defines an economic activity u/s 6 as follows:

***" 6. Economic Activity.--** (1) An economic activity means any activity carried on whether continuously, regularly or otherwise by a person that involves or is intended to involve the provision of services to another person and includes:-*

(a) an activity carried on in the form of a business, including a profession, calling, trade or undertaking of any kind, whether or not the activity is undertaken for any consideration or profit;" (emphasis is ours).

19. Above provisions of the Act make a clear distinction between charging of income tax and charging of sales tax on services under the two laws. Income tax is charged upon income earned;

whereas, sales tax on services is applicable on taxable services rendered by a service provider (or sub-service provider) during the course of an economic activity undertaken by him notwithstanding for or not for any consideration or profit. On this account, the appellant has misreferred the case law in favor of his case.

20. Furthermore, the case law is related to a consideration paid by a payer on account of reimbursement cost of expenses incurred on behalf of the service-recipient; whereas, in the instant case both the service provider and the sub-service provider, who have been specified as such in the contract agreement, have pre-determined assigned jobs against specified/quoted prices. This leads us to declare that expenses incurred and payments made for making documentaries is not a reimbursement cost but fees/payment for technical services provided by M/S RAM Studio in accordance with the provisions of the contract agreement. The appellant has neither sub-contracted (out-sourced) the assignment of making international standard documentaries to the sub-service provider, nor he can be declared as service-recipient of this assignment (documentary making). Service-recipient in all possibilities, on this account, is LIEDA/Government of Balochistan. Therefore, receipts paid for making international standard documentaries to RAM Studio through the appellant under the contract agreement do not qualify for deletion and same are subject to 15% BSTS.

21. Finally, for "reimbursable direct cost expenditure" (clause 6.2 of the contract agreement), which is not included in the contract price but expenses incurred on behalf of LIEDA and to be reimbursed to the appellant, over and above the actual contract price; we expect that the respondent would carry out a separate investigation and proceed as per the Act to see if any BSTS liability is outstanding or not against any entity for services rendered or received specifically under this category, as this aspect has not been covered earlier?

22. Tax averse behavior of the appellant during pendency of this appeal before us has been clear, which was exhibited in his misstatement of facts, unnecessary litigation and uncalled for adjournments. Therefore, he is liable to penalties u/s 48 and default surcharge u/s 46 of the Act.

23. Appeal is dismissed on above terms carrying no merit and the impugned order is modified to the extent of BSTS dues as calculated and stated at para-15 of this order.

___SD___

Chairperson

___SD___

Member

___SD___

Member

Dated: 23 December, 2025.