

*Note on Punjab  
Finance Bill, 2020*

*June 17, 2020*



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**PROVINCIAL BUDGET 2020  
- PUNJAB**

This Memorandum summarizes salient features of the provincial budget and the Finance Bill presented in the Provincial Assembly of Punjab. All changes proposed through the Provincial Bill are effective July 1, 2020, subject to approval by the Provincial Assembly of Punjab.

Proposed modifications in certain other Provincial laws are also summarized in this Memorandum.

This Memorandum can also be accessed on our website [www.pwc.com/pk](http://www.pwc.com/pk)

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**Punjab Budget 2020**

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# PUNJAB SALES TAX ON SERVICES

## INPUT TAX ADJUSTMENT – SECTION 16

At present, the law only provides restriction of six months within which a registered person can claim adjustment of tax paid under the Punjab Sales Tax Law.

No such restriction was placed on claiming adjustment for sales tax paid under any other laws. The Bill proposes to place a similar restriction of six months for claiming adjustment of sales tax paid (not otherwise restricted) under any other law provided that the registered person holds a valid tax invoice or goods declaration bearing his name and National Tax Number.

## EXTENT OF INPUT TAX ADJUSTMENT – SECTION 16C

The bill proposes that a registered person should not be allowed to adjust input tax in a tax period in excess of 80% of the output tax for that tax period.

It is also proposed that the Punjab Revenue Authority is empowered to exclude any person from the applicability of the proposed cap, through a notification.

This means that at least 20% of the output tax will have to be paid by the service provider in a tax period. It also implies that the existing restriction on claiming of input tax on capital goods and fixed assets in twelve equal monthly instalments has been done away.

The provincial government should introduce a mechanism for carry forward, adjustment or refund of input tax disallowed as a result of the limit imposed on claim of input tax.

## REFUND OF TAX – SECTION 16D

Through insertion of a new provision, it is proposed that the registered person may be allowed refund of tax paid through inadvertence, error or misconstruction.

The proposed amendment is likely to be welcomed by taxpayers as there is presently no specific provision in the law dealing with this aspect.

## RECORDS – SECTION 31

The list of records, as provided under section 31, required to be maintained by a registered person, is proposed to include additional information and records, which is similar to the requirements provided under the (Federal) Sales Tax Act, 1990. As a result of the proposed amendment, a registered person would be required to maintain and keep the following records:

- a) record of services provided, including exempt services, indicating the description, quantity and value of service, name, registration number and address of the person to whom services were rendered and the amount of tax charged;
- b) record of goods and services received, including exempt goods and services, indicating description, quantity and value of goods and services, name, address and registration number of the service provider or supplier of goods and the amount of the tax charged;
- c) record of goods imported indicating the description, quantity and value of goods and the amount of tax paid on imports;
- d) double entry accounts;
- e) bank statements and banking instruments;
- f) inventory records, utility bills, salary and labor bills, rent deeds and agreements;
- g) record required to be maintained and the declarations filed under any other law for the time being in force; and
- h) such other record as may be specified by the Authority

## POWERS OF ADJUDICATION – SECTION 60

At present, a Deputy Commissioner can adjudicate cases involving amounts up to Rs 2.5 Million while an Assistant Commissioner can adjudicate cases involving amounts only up to Rs 1 Million. These pecuniary limits are proposed to be enhanced to cases involving amounts up to Rs 10 Million for both the adjudicating authorities.

It is also proposed that the Enforcement Officer or the Audit-cum-Risk Compliance Officer is empowered to adjudicate cases where the amount of tax involved does not exceed Rs 5 Million.

The revised position will be as under:

|                                    | Existing Limit<br>(Millions) | Proposed Limit<br>(Millions) |
|------------------------------------|------------------------------|------------------------------|
| Additional Commissioner            | No limit                     | No limit                     |
| Deputy Commissioner                | 2.5                          | 10                           |
| Assistant Commissioner             | 1.0                          | 10                           |
| Enforcement/Audit-cum-Risk Officer | --                           | 5                            |

It is further proposed that PRA should be empowered to assign case or class of cases to any of its officers involving any amount of tax involved.

## RECOVERY OF ARREARS – SECTION 70

The bill proposes to empower tax authorities whereby they may also require a financial institution or banking company to make payment of tax due from a registered person out of running and demand finance extended to the registered person.

By way of insertion of clause (g) to section 70, it also empowers the department to arrest a defaulter and imprison him for not more than six months where a tax demand has been upheld by the Appellate Tribunal.

No action is presently taken where a person deposits at least 25% of the tax demand during pendency of an appeal. It is proposed to reduce this limit to 10% of the tax demand. This is a positive amendment.

## ADMINISTRATIVE AMENDMENTS [SECTIONS 29, 33, 57, 63 & 66]

The amendments relating to administrative and procedural matters are summarized as under:

- The power of the PRA to de-register a person is proposed to be devolved to the Commissioner.
- The PRA is being authorized to specify format of invoices to be issued by a registered person or class of registered persons and to prescribe a procedure for authentication of such invoices.
- The PRA or authorized officer may require any registered person or class of registered persons to issue invoices electronically and transmit such invoices to PRA in the prescribed manner.
- To streamline audit proceedings, it is proposed to empower officers to conduct audit proceedings electronically through video links or any other facility as may be notified by PRA.
- It is proposed to empower even officers, below the rank of an Assistant Commissioner, to call for information or documents regarding any enquiry or audit. Earlier, only an Assistant Commissioners or Officers with higher ranks may call for such information.
- To facilitate taxpayers, it is proposed that appeal before the Commissioner (Appeals) may also be filed through electronically.
- The period of filing an appeal before the appellate tribunal is proposed to enhance from 30 days to 60 days.

## AMENDMENTS IN SECOND SCHEDULE

### Ride-hailing services [Entry 69]

The Bill proposes to tax ride-hailing services at 4%, without any input tax adjustment.

### Property developers and builders [Entries 14 & 15]

These services are presently taxable at 16% with input adjustment or 8% without input tax adjustment.

It is proposed to tax these services on area-based rates as follows:

- Land development           Rs 100 per Sq. Ft.
- Building construction      Rs 100 per Sq. Ft.

It is also proposed to exclude following services from the ambit of sales tax:

- construction services provided to registered property developers, builders and promoters otherwise liable to pay tax; and
- Affordable housing services provided under Government sponsored housing programs.

It should be noted that the applicable rate for construction services was temporarily reduced to 0% (without input tax adjustment) till June 30, 2020, through notification dated April 2, 2020 as a part of relief against economic effects due to outbreak of Covid 19.

### Health related services [Entries 7 & 68]

Effective from April 2, 2020, the following health-related services are temporarily made tax-free services by the Government of Punjab as a part of Covid 19 Relief Package by providing 0% (without input tax adjustment) till June 30, 2020 through Notification dated April 2, 2020.

- Health insurance
- Medical consultation
- Hospital room services

Earlier, health insurance services were taxable at 16% while other services were chargeable to sales tax at 5% (without input tax adjustment).

It is proposed to continue the relief provided earlier as part of Covid 19 Relief Package by reducing rates on Health insurance for individuals and Medical consultation / hospital room services to 0%, without input adjustment

### Reduction in tax rates

Various services are proposed to be taxed at a reduced rate of 5% (without input tax adjustment). These services are presently taxable at the standard rate of 16%.

There are two categories of services proposed to be taxed at reduced rate:

- one allows reduced rate only under certain cases or conditions; otherwise subject to standard rate of 16%. These entries are covered in Table 1 below.
- the other category allows reduced rate across the board without any condition or restriction. These entries are covered in Table 2 below.

**Table 1**

| Entry | Services   | Cases covered   |
|-------|--|---|
| 1.    | Hotels, motels and guest houses  | Only for non- corporate, non franchise, non-chain businesses with less than 20 rooms. |
| 11.   | Services provided by restaurants including cafes, food (including ice-cream) parlors, coffee houses, coffee shops <i>deras</i> , food huts, eateries, resorts and similar cooked, prepared or ready-to-eat food service outlets etc.   | Only where payment received through debit or credit cards                             |
| 18.   | Services provided for personal care by beauty parlors, salons, clinics, sliming clinics, spas (including saunas, Turkish baths and Jacuzzi) and similar other establishments.<br><br>EXCLUDING:<br>Services provided in a parlour, salon or clinic where the facility of air-conditioning is not installed or is not available in the premises on any day of the financial year. | Only where payment received through debit or credit cards                             |

| Entry | Services   | Cases covered   |
|-------|--|---|
| 13.   | Franchise service including intellectual property rights services and licensing services   | Only for services related to educational institutions                               |
| 26.   | Manpower recruitment agents including labour and manpower supplies   | where value of service is fixed by Bureau of Emigration and Overseas Employment     |
| 35.   | Services provided in respect of rent-a-car (including renting of all categories of vehicles meant for transportation of persons)   | for services provided to end consumer;  |
| 36.   | Services provided by car/automobile dealers.   | for services provided by other than companies and authorised dealers                |
| 40.   | Brokerage (other than stock) and indenting services including commission agents, under-writers and auctioneers.  | for services provided in respect of agricultural produce                            |
| 52.   | Services provided by accountants (including practicing chartered or cost accountants), auditors, actuaries, tax consultants (by whatever name called), practicing company secretaries, receivers, liquidators, auctioneers and corporate law consultants, whether individual or otherwise. | for services relating to accountancy, audit, tax or corporate law consultancy only. |

Effective from April 2, 2020, services listed at Entries 1, 18, 35 and 36 are temporarily made tax-free until June 30, 2020 by providing a rate of 0%, (without input tax adjustment) by the Government of Punjab as a part of Covid 19 Relief Package through Notification dated April 2, 2020.

**Table 2**

| Entry | Services   |
|-------|--|
| 1.    | Marriage halls and lawns (by whatever name called) including pandal and shamiana services.   |
| 1.    | Catering services (including all ancillary/allied services such as floral or other decoration, furnishing of space whether or not involving rental of equipment and accessories).  |
| 22.   | Information technology-enabled or information technology-based services including software development, software customization, software maintenance, system support, system assembly, system integration, system designing and architecture, system analysis, system development, system operation, system maintenance, system upgradation and modification, data warehousing or management, data entry operations, data migration or transfer, system security or protection, web designing, web development, web hosting, network designing, services relating to enterprise resource or management planning (including marketing of products), development and sale of smart phone applications or games, graphics designing, medical transcription, remote monitoring, telemedicine, insurance claim processing, online retrieval and database access or retrieval service. |
| 25.   | Services provided by tour operators and travel agents including all their allied services or facilities (other than Hajj and Umrah) including Ziyarat.   |
| 32.   | Services provided by property dealers and realtors   |
| 37.   | Services provided in respect of manufacturing or processing on toll or job basis (against processing on conversion charges) including industrial and commercial packaging services and similar outsourcing of industrial or commercial processes.  |
| 43.   | Services provided in specified fields such as health care, gym, physical fitness, indoor sports, games, amusement parks, arcades and other recreation facilities,] and body or sauna massage etc.  |
| 45.   | Services provided by cable TV operators  |

| Entry | Services  |
|-------|---|
| 58.   | Services provided by photography studios and event or occasion photographers/ film-makers<br><br><b>EXCLUDING:</b><br>Non-corporate (individual) photographers operating from small road-side shops declared as such by the Authority.  |
| 60.   | Services provided by skin and laser clinics, cosmetic and plastic surgeons and hair transplant services including consultation services.<br><br><b>EXCLUDING:</b><br>Services provided to acid or burn victims.   |
| 63.   | Parking services  |
| 66.   | Services in respect of treatment of textile, leather but not limited to Dyeing services, Edging and cutting, cloth treating, water proofing, Embroidery, Engraving, Fabric bleaching, Knitting, Leather staining, Leather working, Pre-shrinking, Colour separation services, pattern printing and shoe making services |
| 67.   | Apartment house management, real estate management and services of rent collection  |

Effective from April 2, 2020, services listed at 1, 22, 25, 32, 43, 45, 66 and 67 are temporarily made tax-free by providing a rate of 0%, (without input tax adjustment) till June 30, 2020 by the Government of Punjab as a part of Covid 19 Relief Package through Notification dated April 2, 2020.

## OTHER LAWS

### STAMP DUTY ACT, 1899 (II of 1899)

On April 2020, Stamp (Amendment) Ordinance, 2020 was promulgated in order to reduce the stamp duty rates applicable under the Stamp Duty Act, 1899 with respect to various categories of urban immovable property for a limited period i.e. from April 1, 2020 to June 30, 2020, by way of amendments in relevant Articles of First Schedule to the said Act. The said amendments were primarily aimed at facilitating the general public as well as the ailing construction industry in the light of the situation emerging as a result of massive outbreak of 'COVID-19'.

Now, through the Finance Bill, such amendments are proposed to be re-enacted. As a result, such relief would now be available to the general public/construction industry, post June 30, 2020.

### URBAN IMMOVABLE PROPERTY TAX ACT, 1958 (V of 1958)

#### Allowance for cost of repairs and other expenses

Annual value of immovable property, subject to tax under this Act, is presently determined *inter-alia* after deduction of allowance of ten *per cent* for cost of repairs and other necessary maintenance expenses. It is now proposed that such allowance is done away with and the value of property is ascertained without adjustment of the same.

The said amendment is apparently aimed at aligning the annual value & related property tax with market rates.

#### Late payment surcharge

Under the presently applicable provisions, late payment surcharge is leviable on first day of every month of delay in case of non-payment of tax by 30<sup>th</sup> day of September of relevant year. Now, it is proposed that late payment surcharge will not be levied in case tax is paid by 31<sup>st</sup> day of October of the relevant year.

### Special relaxations for financial year 2020-21

Through Punjab Finance Bill, following discount and rebate have been proposed with respect to tax leviable/payable under this Act for financial year 2020-21 (July 1, 2020 to June 30, 2021), as detailed below:

| Sr. No. | Description   | Discount/Rebate                         |
|---------|---|---|
| (i)     | Where tax is paid through e-payment system.                 | Discount equal to 5% of tax being paid. |
| (ii)    | Where annual tax is paid in lump sum by September 30, 2020. | Rebate equal to 10% of annual tax.      |

Moreover, it has also been proposed to give assessee an option (for financial year 2020-2021 only) to pay tax on yearly or half yearly basis or by such later date as may be notified by the Punjab Government.

Further, levy of late payment surcharge on tax due for financial year 2020-21 is also proposed to be done away with.

### PUNJAB ENTERTAINMENT DUTY ACT, 1958 (X of 1958)

#### Rate of duty on payments

It is proposed that rate of duty on all the payments for admission to any entertainment is reduced from twenty *per cent* to five *per cent*. The said amendment is apparently aimed at revival of the cinema & entertainment industry.

### PUNJAB INFRASTRUCTURE DEVELOPMENT CESS ACT, 2015 (XXX of 2015)

#### Exemption from duty

At present, Punjab Revenue Authority, with the approval of Punjab Government, is authorized to exempt any goods, or category or class of goods from payment of whole or part of the Cess, subject to such conditions as it may impose.

Now, it is proposed that the Punjab Government is also empowered to allow exemption from payment of Cess from any previous date as may be specified in the notification.



***PUNJAB MOTOR VEHICLES TAXATION  
ACT, 1958***

**Special relaxations for financial year  
2020-21**

It is proposed to allow discount/rebate against tax payable under this Act for financial year 2020-21 (in case of e-payment/lump-sum payment by September 30, 2020), in line with that proposed in the case of Urban Immovable Property Tax Act.

Furthermore, it has been proposed to exempt a person from payment of penalty, attributable to default in payment of tax, in case such person pays the tax due during financial year 2020-21.