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Provincial Budgets 2019 - Sindh & Punjab

June 18, 2019

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PROVINCIAL BUDGETS 2019
- SINDH & PUNJAB

This Memorandum summarizes salient features of the provincial budgets and the Finance Bills presented in the Provincial Assemblies of Sindh & Punjab.

All changes proposed through the Provincial Bills are effective July 1, 2019, subject to approval by the two Provincial Assemblies.

This Memorandum can also be accessed on our website www.pwc.com/pk

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SINDH FINANCE BILL, 2019

SINDH SALES TAX ON SERVICES

Additions to the list of taxable services – Other sectors

Following services are proposed to trigger Sindh Sales Tax (SST) effective July 1, 2019:

1. Renting of machinery, equipment, appliances and other tangible goods.
2. Indoor sports and games center.
3. Services provided or rendered by cab aggregator and owners or drivers of motor vehicles using the cab aggregator services.
4. Warehouses or depots for storage or cold storages.
5. Training services.
6. Actuarial services.
7. Services of mining of minerals and allied ancillary services
8. Site preparation and clearance, excavation and earth moving and demolition services
9. Waste collection, transportation, processing and management services
10. Vehicle parking and valet services
11. Electric power transmission services
12. Insurance agents
13. Tailoring and stitching services by fashion designers.

For the purpose of taxing new services, certain definitions are proposed in the Finance Bill. However, no definitions have been proposed for 'services of mining of mineral and allied & ancillary services in relation thereto' and 'electric power transmission services'.

In the definition of training services, exclusion is proposed for 'coaching or training of sports' which is apparently for promotion of sports.

Banking services

Amendments have been proposed in the First and Second Schedules to realign the 'Tariffs headings" and for taxation of the non-fund based Banking services, the position is as under:

Existing		Proposed	
Tariff Heading	Description	Tariff Heading	Description
9813.4100	Guarantee	9813.4100	Guarantee including bank guarantee
9813.4400	Issuance of pay order and demand draft	9813.4400	Issuance of cheque book, payorder and demand draft
9813.4700	Bank Guarantee	9813.4700	Commission, including bill discounting commission
9813.4800	Bill discounting commission	9813.4800	Safe deposit lockers and safe vaults
9813.4900	Safe deposit lockers	9813.4900	Other services, not elsewhere specified

The proposed changes result in the following services being taxable:

(a) Issuance of a cheque book

(b) Commission of all sorts including 'Banca assurance'. [The taxability of banca assurance was contested by the Board as falling under tariff '9813.4990' which was rejected in a decision of the SRB Tribunal by majority.

(c) All other non-fund services of Banks.

Cab aggregator

The Bill proposes to tax services of the "Cab Aggregator" including the services provided or rendered by the owners or drivers of the motor vehicle using the cab aggregator services. The rate of tax is 13 per cent on total consideration for providing or rendering such services from July 1, 2019 onwards. The Bill also defines "cab aggregator" to mean a person who is an aggregator or operator or intermediary or online marketplace who canvasses or solicits or facilitates passengers for travel by motor vehicles like tax, cab, car, van, motor cycle and rickshaw, and who connects the passenger or the intending passenger to a driver of any of the aforesaid motor vehicles through telephone cellular phone, internet, web-based services or GPS or GPRS-based services, electronic or digital means, whether or not he charges or collect any fee, fare, commission, brokerage or other charges or consideration for providing or rendering such services.

The aforesaid insertion in taxable services has created an anomaly whereby motor vehicles, like taxi, cab, car, van, motor cycle and rickshaw not connected to a cab aggregator will remain outside the ambit of such tax. Accordingly, it appears that the aforesaid services will become uncompetitive compared to services of cabs, taxi, rickshaw etc. which are not connected to a cab aggregator.

Due to complex nature of operations, special procedure rules for chargeability and collection of tax on such services is required to be introduced separately.

Removal of certain tariffs from the First Schedule to the Sindh Sales Tax Act on Services Act, 2011 [Sindh Act]

The following tariffs have been proposed to be removed from the First Schedule to the Sindh Act:

S. No.	Tariff Heading
1	Data Processing and Provision of information, services of Engineers, handling and storage of goods
2	Packaging Services
3	Coaching Centres
4	Vocational Centres
5	Film and Drama Studios

It may be noted that packaging activities are presently included in the definition of "Manufacturer" in Sales Tax Act, 199o. It appears that the said removal would settle the dispute as to the chargeability of sales tax on packaging activity under the Federal law.

Withholding agent to be personally liable

The Bill proposes that the withholding agent is personally liable if he either fails to deduct tax or having deducted tax fails to deposit the tax in Government Treasury which is revocable along with default surcharge. It may be noted that Section 47(1B) already provides for collection of any tax short withheld or collected from the withholding agent which has been challenged in Courts on various grounds. Hence, the apparent purpose of bringing the said provision within Section 13 in this Finance Bill may also be examined in that context. The Government while imposing liability on withholding agents needs to cover a situation where the person from whom tax was not deducted has already paid the tax before initiation of recovery from the withholding agent. In such situation, there should be no recovery of principal amount of tax from the withholding agent who failed to deduct the tax from the payment. A clarification to this effect is required to be inserted by way of an explanation so that such amendment would avoid unnecessary litigation as to the double recovery of tax from the withholding agent as well from the registered service provider.

Additional documents to be kept in records

The Bill proposes the registered service providers to maintain and keep the following additional documents:

- Tax invoices, debit and credit notes issued;
- Tax invoices, debit credit notes received; and
- Records of customs documents [Goods Declaration (GD) under section 30 of Customs Act, 1969 and its ancillary documents].

Production of records and documents

The Bill proposes that in addition to the officer of SRB above Assistant Commissioner the Auditor SRB or Sindh Sales Tax Officer SRB may also ask the registered persons to produce the records and documents which are in their procession or control or in the possession of their agents.

Audit proceedings to be conducted by SRB auditor

The Bill proposes that the SRB Auditor may also conduct audit of a registered person. This may result in conflicts in exercising of powers available under the Act which may result in disputes. Moreover, the Bill proposes additional power to conduct field audit, with the approval of Commissioner, by the Officer of the SRB. This apparently is to negate the effect of the Judgment of the High Court regarding the existing power of the Officer of SRB to conduct field audit.

Appointment of authorities

The Bill proposes to expunge the requirement to issue notification in the official Gazette for appointment of authorities specified in section 34 of the Sindh Act.

Penalty

Following new penalties are proposed:

Offence	Penalty
Failure or refusal to issue Sindh sales tax invoice	Rs 20,000 for first default and Rs 50,000 for each subsequent default. In case of three acts of default the business premises is liable to be sealed.
Avoidance, defies, failure to comply with e-invoicing system or issuance of invoices outside e-invoicing system	Upto Rs 100,000 but not less than Rs 25,000. In case of continuous default, the business premises would be liable to be sealed.

Increase in power of Commissioner (Appeals) to grant stay

The power of Commissioner (Appeals) to grant stay is proposed to be increased from 60 days to 120 days in aggregate. Moreover, the Commissioner (Appeals) is now empowered to grant conditional stay.

Minimum experience for appointment as Technical Member of Appellate Tribunal SRB

Existing	Proposed
Commissioner (Appeals) SRB / FBR with at least 3 year experience as Commissioner SRB	Commissioner (Appeals) SRB / FBR with at least 5 years experience as Commissioner (Appeals)
Commissioner SRB / FBR with at least 5 year experience as Commissioner SRB	Commissioner SRB / FBR with at least 5 years experience as Commissioner SRB including at least 3 years experience as Commissioner (Appeals)
Below the age of 70 years	Age not below 45 years

Recovery of tax arrears

The Bill proposes that a tax demand shall not be recovered for a period of 30 days from the date of order. It is to be noted that the period of 30 days would start from the date of order and not from the date of communication of order.

Protection to Notifications issued before commencement of the Sindh Finance Act, 2019

The Bill proposes to give protection to the notifications and order issued and notified in exercise of the powers conferred upon Government or with the approval of the Government under the Sindh Act before the commencement of the Sindh Finance Act, 2019.

OTHER BUDGETARY MEASURES ANNOUNCED (NOTIFICATIONS TO BE ISSUED)

Reducing SST on various services as under:

- Fashion designers (from 10% to 5%);
- Travel agents (from 8% to 5%);
- Toll manufacturing of textile & leather (from 13% to 3%);
- Inter-city transportation or carriage of goods booked through truck addas or through bus/wagon stands (from 13% to 3%);
- Stand-alone laundries and dry cleaners (from 13% to 5%); and
- Indenting services for the period from July 1, 2015 to June 30, 2018 (from 13% to 3%).

It is proposed to review / withdraw exemption on following services:

- Services for the development schemes and projects included in Sindh Government's ADP and Federal Government's PSDP for Sindh;
- Internet services;
- Advertisements in Newspapers & Periodicals;
- Beauty parlors and beauty clinics; and

- Life insurance services [Levy SST:

  - @ 13% on group life insurance (Input tax credit will be admissible to the taxpaying corporate sector); and

  - @ 3% on individual life insurance.
  However, Government sponsored group life insurance for the general public, and individual life insurance covering risk not exceeding Rs. 5 lac shall remain exempt]

STAMP DUTY

It is proposed to revamp basis of levying stamp duty for certain categories of instruments as follows:

(i) If actual value (mean the value recorded in the document) is lower than the value determined in the valuation table – stamp duty is proposed at the rate of 1% of the value in the valuation table;

(ii) If actual value exceeds the value determined in the valuation table – stamp duty is proposed at floating rate charged at actual value.

For the purposes of category (ii) cases, floating rate is proposed to be defined as the ratio that valuation table driven value maintains against the actual value, determined as follows:

*Floating rate = value in the valuation table / actual value * stamp duty rate (1%)*

The above basis is proposed for the following cases:

(a) Conveyance in favour of Real Estate Investment Trusts or in favour of end users by REIT

(b) Gift Instrument, not being settlement, will or transfer executed between spouse, father, mother, son, daughter, grandparents, grand children, brother and sister,

(c) Lease, sub-lease and surrenders for plots / shops including leases to or from (a) above.

(d) Release (except for mortgage arrangements) whereby a person renounces a claim upon another person or against any specified property.

(e) Settlement (except where settlement is made for religious or charitable purpose)

Currently, these documents are charged to stamp duty at varying basis / rates.

In addition, Stamp duty is proposed for formation of trusts as follows:

Trust		Rate of duty
(i)	Where Trust is made in respect of immovable property	1% of value in the valuation table; or at the floating rate charged on actual value, whichever is applicable
(ii)	Where Trust is made for Mosque, Madressah, Imambargah, Temple, Church or other places of worship	Rs. 500
(iii)	In all other cases	2% of the Trust Fund

Apart from the above, Stamp duty rate on rental arrangements is proposed at the rate of 1.5% of total rent due for the entire lease period.

CAPITAL VALUE TAX (CVT)

Following revisions are proposed in CVT rates for immovable property where value is recorded:

Description	CVT (proposed)
A. Residential immovable property (other than flats)	
Where the value of immovable property is recorded For all categories of valuation table; provided that category II and lower categories of valuation table shall be exempted upto 240 sq. yds.	1.5% of the value in the valuation table or at the floating rate charged on the actual value.
B. Residential flats	
Where value of immovable property is recorded – - From 1000 sq. ft. areas in category A-1 and I of the valuation table; - From 1501 sq. ft. and above in all categories of the valuation table.	at the rate of 1.5% of the value in the valuation table or at the floating rate charged on the actual value.
C. Commercial and industrial immovable property	
Where value of immovable property is recorded	at the rate of 1.5% of the value in the valuation table or at the floating rate charged on the actual value.

It is proposed that CVT at floating rate will only be applicable if actual value (i.e. value recorded in the document) exceeds the value determined in the valuation table. For that purpose, floating rate is proposed to be defined as the ratio that valuation table driven value maintains against the actual value, determined as follows:

*Floating rate = value in the valuation table / actual value * CVT rate (1.5%)*

In addition, CVT for all properties to be transferred to and from REIT is proposed at the rate of 1.5% of the value in the valuation table or at the floating rate charged on the actual value, whichever is higher. Likewise, Registration Fee for all such properties is proposed at 0.5% of the value in the valuation table or at the floating rate charged on the actual value, whichever is higher.

PROFESSIONAL TAX

It is proposed to revamp the Sindh Professional Tax charged to trades, professions, callings and employments through amendment in Seventh Schedule to the Sindh Finance Act, 1964 as follows:

S. No	Categories	Rates of tax per annum (in Rs.)
(1)	(2)	(3)
1.	**All persons assessed to income tax – All persons engaged in any professional, trade calling or employment, other than those mentioned below, who are assessed in preceding financial year**	500
2.	**All Companies, Modarbas, Mutual Fund, and any other body corporate with paid-up capital and reserves in the preceding year;**	
a.	Upto Rs 25 million	20,000
b.	exceeding Rs 25 million but not exceeding Rs 50 million	40,000
c.	exceeding Rs 50 million but not exceeding Rs 75 million	60,000
d.	Capital exceeding Rs 75 million but not exceeding Rs 100 million	80,000
e.	Capital exceeding Rs 100 million	100,000
f.	Employees not exceeding 10	1,000
3.	**All establishments other than limited companies with annual turnover assessed to income tax in preceding financial year**	
a.	Upto Rs. 1 million	1,500
b.	Rs 1 million - Rs 10 million	3,000
c.	Rs 10 million - Rs 100 million	10,000
d.	Rs 100 million - Rs 200 million	15,000
e.	Rs 200 million - Rs 500 million	30,000
f.	Exceeding Rs. 500 million	100,000

S. No	Categories	Rates of tax per annum (in Rs.)
(1)	(2)	(3)
4.	**All factories, shops, or establishments, including video shops, real estate, shops / agencies and car dealer not assessed to income tax in the preceding financial year**	1,000
5.	**All petrol pumps and CNG stations**	**5,000**

INFRASTRUCTURE CESS

This cess is presently charged on a composite basis having relation with the value assessed by the Customs authorities and a cess based on the weight of the goods.

Now, the rate in relation to the value of goods is proposed to be revised for each category by 0.1%.

MOTOR VEHICLE

It is proposed to increase Sindh motor vehicle tax rates for following categories of imported cars as under:

S. No.	Category of Motor Car	Existing Tax Rate	Proposed Tax Rate
1.	Imported motor cars with engine capacity from 3000 cc and above	Rs. 100,000	Rs. 150,000
2.	Imported motor cars with engine capacity from 2000 cc to 2999 cc	Rs. 50,000	Rs. 75,000

PUNJAB FINANCE BILL, 2019

PUNJAB SALES TAX ON SERVICES

Clarification regarding withholding of Sales Tax

The provisions of section 14(2) of the Punjab Sales Tax on Services Act, 2012 ('Punjab Act'), empower the Punjab Revenue Authority ('Authority') to require any person to withhold & deposit any sales tax charged from him for any taxable services in such time and manner as may be prescribed.

Through the Finance Bill, by way of insertion of 'explanation' in section 14 of the Punjab Act, it is now proposed to be clarified that the expression 'charged' under these provisions would mean and include tax liable to be charged under the relevant provisions of Punjab Act or Rules made thereunder.

The above amendment is aimed at ensuring enforcement/collection of withholding sales tax in cases where tax liable to be charged is not being been charged by service provider for any reasons.

Input Tax disallowance

Under the provisions of section 16B of the Punjab Act, input sales tax incurred on the following is inter-alia not allowable w.r.t.:

- Goods and services liable to sales tax at a rate lesser than 16%; and
- Goods and services used/consumed in a service liable to tax at a rate less than 16%.

It is now proposed that rate mentioned above be revised to 15%.

By virtue of these amendments, input sales tax on services incurred in the provinces of Baluchistan & Khyber Pakthunkhwa (which are subject to tax @ 15%) would become allowable against liability computable under the Punjab law. However, input sales tax on majority of services chargeable to tax (@13%) in Sindh, would still not be allowable.

Moreover at present, input sales tax incurred on acquisition of goods and services not relatable to '**taxable goods'** is not allowable. The scope of such disallowance is proposed to be enhanced so as to also include therein, input sales tax incurred on goods/services not related to acquisition of '**taxable services'**.

Minimum Tax Liability

In line with the provisions contained in federal sales tax law, concept of 'minimum tax liability' is also proposed to be introduced in the Punjab Act, with officials of Authority to be empowered to determine minimum tax liability in case of non-filing of sales tax return by a registered person for a tax period, subject to such conditions as specified by Authority.

Penalties

- Scope of provisions contained in Entry No. 9 of section 48, penalizing violation of embargo placed viz. provision of services in connection with recovery of tax, has been enhanced to include therein offence relating to 'tempering of seal placed by Authority'.
- New penalties have been proposed for certain other offences, which are tabulated as follows:

Offence	Penalty
Where any person fails or refuses to issue a tax invoice.	Such person shall be liable to pay a penalty of Rs 20,000 on first default and Rs 50,000 for each subsequent default. In case of three acts of such default, the business premises shall be liable to be sealed for a period which may extend to one month.

Offence	Penalty
Where any person fails to intimate any change in particulars of registration Including the particulars relating to business address, /branches etc. within fourteen days.	Such person shall be liable to pay a minimum penalty of Rs 50,000.
Where any person fails to declare, conceals any of business bank accounts or gives misleading declaration or fails to intimate any change in business bank account within 14 days of such change.	Such person shall be liable to pay a penalty which may range from Rs 100,000 to Rs 500,000.
Where any person either avoids, defies, fails to comply with electronic invoicing system or issues invoices bypassing the electronic invoicing system.	Such person shall be liable to pay a penalty of upto Rs 100,000 but not less than Rs 25,000. In case of three consecutive defaults, the business premises of such person may further be liable to sealing for a period which may extend to one month.

Electronic Invoicing

Under the provisions of relevant Rules introduced under the Punjab Act, system for electronic issuance of invoices has been prescribed in case of certain service providers.

It is now proposed to empower the Authority to devise, implement and declare as mandatory, electronic invoicing system for any registered person/ class of registered persons or services/class of services, in the prescribed manner.

Further, as stated above, related penal consequences have also been introduced in the law in order to ensure proper enforcement.

Appeal to the Appellate Tribunal

Presently, any taxpayer or officer of Authority not below the rank of Additional Commissioner can prefer an appeal before the Tribunal against any order passed by the Commissioner (Appeals). Further, in terms of provisions of section 60 of the Punjab Act, it has been specified that order passed by Commissioner is appealable directly before Tribunal.

In order to streamline/fortify the above legal provisions, necessary amendments have been proposed in section 66 of the Punjab Act to the effect that any **'person'** including an officer of Authority not below the rank of Additional Commissioner is empowered to prefer appeal before Tribunal. Moreover, the action by following officers/Authority also been specifically proposed to be made appealable before Tribunal:

- Revision Order passed by Commissioner under section 61 of the Punjab Act; and

- Order passed by Authority under section 62 of the Punjab Act.

Furthermore, the time period for preferring appeal before Tribunal is proposed to be revised to 30 days (of the receipt of relevant order), as against period of 60 days, presently allowed. We understand that corresponding amendment in sub-section (2) of section 66 of Punjab would also be required which still specifies such period as 60 days.

Recovery of arrears

Presently, law inter-alia empower the officials of Authority to require the banking institutions, to attach bank accounts of any person from whom any tax demand/arrears are due.

In order to strengthen these provisions, it is now proposed to also empower such officials to recover said arrears from such bank accounts, even without attachment.

Amendments in Second Schedule to the Punjab Act

Services whose basis of taxation is proposed to be changed [Entry nos. 15 & 54]

- Presently services rendered by 'property developers, builders and promotors' are subject to tax @ Rs. 100 per square yard and @ Rs. 50 per square feet for land development and building construction respectively.

  It is now proposed that services provided by these persons be subjected to sales tax @ 16% [on the basis of value excluding the documented cost of land], with the option to pay tax at lower rates, **with no input sales tax adjustment facility**:

  - @ 8% in case of services by 'property developers, builders & promotors; and
  - @ 5% in case of affordable housing services provided under the Government sponsored housing programs.

- Services provided in respect of air travel of passengers embarking/originating from Punjab either for domestic travel or international travel are currently charged to tax as follows:

  - Rs 2,500/1,500 per ticket for domestic travel; and
  - Rs 5,000/10,000 per ticket for international travel.

  The Bill proposes these services/facilities to be charged to tax at a uniform rate of 5% without availability of any input tax adjustment. The taxability of air travel services by Punjab has already been challenged in the Courts on the ground that air travel services fall within the federal domain. Moreover, the scope of taxable services is also proposed to be enhanced to include road travel except travel through non-air-conditioned coaches/ vehicles.

  However, air travel services provided to Hajj/Umra passengers, diplomats & supernumerary crew still enjoy exemption from levy of this tax.

Enhancement in scope of certain taxable services [Entry nos. 34 & 43]

The scope of following services is proposed to be enhanced as under:

- Presently, interior decorators are subject to sales tax; scope thereof to be enhanced to include 'interior designers'.
- Services provided in specific fields (e.g. health care, gym, games etc.) also to include services of 'amusement parks, arcades and other recreation facilities'.

New services proposed for inclusion in Second Schedule [Entry nos. 64 to 68]

The Bill proposes to bring into tax ambit, the following services:

Proposed Service	Rate of tax
Dress designing and stitching services	16%
Rental of bulldozers, excavators, cranes, construction equipment, scaffolding, framework and shuttering, generators, storage containers, refrigerators, shelf or rack renting etc.	16%
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.	16%
Apartment house management, real estate management and services of rent collection.	16%
(i)Medical consultation / visit fee exceeding Rs. 1,500 per consultation / visit of doctors, medical practitioners and medical specialists. (ii) Bed / room charges of hospitals exceeding Rs. 6,000 per day per bed / room.	5% without input tax adjustment.

STAMP DUTY

It is proposed that maximum amount of stamp duty leviable under Schedule I to the Stamp Duty Act, 1899 in certain cases falling under the following categories/entries (relating to loans payable to banking companies & financial institutions) is increased from Rs 50,000/100,000 to Rs 500,000:

- Agreement relating to Deposit of Title Deeds, Pawn or Pledge [Entry No 6.]; and
- Mortgage Deeds not being an agreement relating to deposit of title deeds, pawn or pledge (no. 6), bottomery bond (no. 16), mortgage of a crop (no. 11), respondentia bond (no. 56) or security bond (no. 57) [Entry No. 40];

THE PUNJAB AGRICULTURAL INCOME TAX

Under the Punjab Agricultural Income Tax Act, 1997, agricultural income tax is computable at the higher of liability worked out on the basis of fixed land area based rates specified in First Schedule to the said Act or liability worked out on the basis of progressive slab tax rates specified in Second Schedule.

Through the Bill, the fixed rates specified in the First Schedule are proposed to be enhanced as under:

<table>
<tr><th rowspan="2"></th><th rowspan="2">Description</th><th colspan="2">Rate of tax per acre</th></tr>
<tr><th>(Existing)</th><th>(Proposed)</th></tr>
<tr><td>1.</td><td colspan="3">Slab of total cultivated land, computed Rate of tax per acre as irrigated land, by treating one acre of irrigated land as equal to two acre of unirrigated land, excluding mature orchards</td></tr>
<tr><td>(i)</td><td>Not exceeding 12.5 acres</td><td>Nil</td><td>Nil</td></tr>
<tr><td>(ii)</td><td>Exceeding 12.5 acres but not exceeding 25 acres</td><td>Rs. 150</td><td>Rs. 300</td></tr>
<tr><td>(iii)</td><td>Exceeding 25 acres but not exceeding 50 acres</td><td rowspan="2">Rs. 250</td><td>Rs. 400</td></tr>
<tr><td>(iv)</td><td>Exceeding 50 acres</td><td>Rs. 500</td></tr>
<tr><td>2.</td><td colspan="3">Mature orchards</td></tr>
<tr><td>(i)</td><td>Irrigated</td><td>Rs. 300</td><td>Rs. 600</td></tr>
<tr><td>(ii)</td><td>Unirrigated</td><td>Rs. 150</td><td>Rs. 300</td></tr>
</table>

The slab based tax rates specified in Second Schedule to the Act are also proposed to be revised, with minimum taxable threshold sought to be enhanced from Rs 80,000 to Rs 400,000, along with introduction of certain additional slab rates. As a result, substantial relief has been extended to farmers/agriculturalists, with tax of Rs 2,000 payable up to total income of Rs 1,200,000. The comparison of existing rates as well as proposed rates is tabulated below:

<table>
<tr><th rowspan="2">S. No.</th><th rowspan="2">Description</th><th colspan="2">Rate of tax</th></tr>
<tr><th>(Existing)</th><th>(Proposed)</th></tr>
<tr><td>1.</td><td>Where the total income does not exceed Rs. 100,000</td><td>5% of the total income [with no tax payable on first 80,000]</td><td>Nil</td></tr>
<tr><td>2.</td><td>Where the total income exceeds Rs. 100,000 but does not exceed Rs. 200,000</td><td>Rs. 5000 plus 7.5% of the amount exceeding Rs 100,000</td><td>Nil</td></tr>
<tr><td>3.</td><td>Where the total income exceeds Rs. 200,000 but does not exceed Rs. 300,000</td><td>Rs. 12,500 plus 10% of the amount exceeding Rs 200,000</td><td>Nil</td></tr>
<tr><td>4.</td><td>Where the total income exceeds Rs. 300,000 but does not exceed Rs. 400,000</td><td rowspan="6">Rs. 22,500 plus 15% of the amount exceeding Rs 300,000</td><td>Nil</td></tr>
<tr><td>5.</td><td>Where the total income exceeds Rs. 400,000 but does not exceed Rs. 800,000</td><td>Rs. 1,000</td></tr>
<tr><td>6.</td><td>Where the total income exceeds Rs. 800,000 but does not exceed Rs. 1,200,000</td><td>Rs. 2,000</td></tr>
<tr><td>7.</td><td>Where the total income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000</td><td>5% of the amount exceeding Rs. 1,200,000</td></tr>
<tr><td>8.</td><td>Where the total income exceeds Rs. 2,400,000 but does not exceed Rs. 4,800,000</td><td>Rs. 60,000 plus 10% of the amount exceeding Rs. 2,400,000</td></tr>
<tr><td>9.</td><td>Where the total income exceeds Rs. 4,800,000</td><td>Rs. 300,000 plus 15% of the amount exceeding Rs. 4,800,000</td></tr>
</table>

PROFESSIONAL TAX

Through the Bill, it has been proposed to enhance rates of Punjab Professional Tax charged in the case of various categories of persons, by way of amendment in Second Schedule to the Punjab Finance Act, 1977.

While professional tax leviable in case of persons engaged in a profession, trade, calling or employment wholly/partly based in Punjab etc, assessable for income tax during the preceding year, is proposed to be done away with, following persons, earlier not subject to such levy, have been brought within the ambit thereof:

- Franchisee, authorized dealers and distributors;
- Property developers/builders and marketing agents/companies etc. engaged in development/ marketing of various types of properties;
- Hotels, hostels (except owned/operated by educational institutions), guest houses, motels etc.; and
- Restaurants, eateries, ice cream parlors, bakeries etc. with air-conditioning facilities.

The comparison of existing rates as well as the proposed rates is as under:

S. No.	Class of Persons	Rate of Tax per annum (Rupees)	
		(Existing)	(Proposed)
1.	**Companies registered under Companies Ordinance, 1984 or under the relevant law for the time being in force with paid up capital:**		
(i)	Upto Rs. 5 million	5,000	10,000
(ii)	Exceeding Rs. 5 million but not exceeding Rs. 50 million	20,000	30,000
(iii)	Exceeding Rs. 50 million but not exceeding Rs. 100 million	50,000	70,000
(iv)	Exceeding Rs. 100 million but not exceeding Rs. 200 million	75,000	100,000
(v)	Exceeding Rs. 200 million	100,000	100,000
2.	**Person other than Companies owning factories as defined under the Factories Act, 1932 and having:**		
(i)	Employees not exceeding 10	1,000	1,500
(ii)	Employees exceeding 10 but not exceeding 25	2,000	5,000
(iii)	Employees exceeding 25	5,000	7,500
3.			
(i)	Person other than Companies owning Commercial establishments having 10 or more employees:		
	(a) Within metropolitan and municipal Limits	3,000	6,000
	(b) Others	2,000	4,000
(ii)	All other commercial establishment other than wholesalers and retailers	1,000	2,000
4.	**Persons engaged in the import or export of goods who, during the preceding financial year, imported or exported goods of the value:**		
(i)	exceeding Rs. 0.1 million but not exceeding Rs. 1 million	2,000	2,000
(ii)	exceeding Rs. 1 million but not exceeding Rs. 5 million	3,000	3,000
(iii)	exceeding Rs. 5 million	5,000	5,000
4 (old)	**Persons who are engaged in a profession, trade, calling or employment either wholly or partly within the province of Punjab who are assessed to pay income tax during the preceding financial year**	200	Deleted
5.	**Contractors, builders and property developers, who during the preceding financial year supplied to the Federal or the Provincial Government or a company or a factory or a commercial establishment or an autonomous or a semi-autonomous organization or any Local Authority; goods, commodities and services of the value:**		
(i)	Not exceeding Rs. 1 million	500	1,000
(ii)	exceeding Rs. 1 million but not exceeding Rs. 10 million	3,000	6,000
(iii)	exceeding Rs. 10 million but not exceeding Rs. 50 million	5,000	10,000
(iv)	Exceeding Rs. 50 million	10,000	20,000

S. No.	Class of Persons	Rate of Tax per annum (Rupees) (Existing)	(Proposed)
6.	**Persons engaged in various professions and providing different services such as:**		
(i)	Medical Consultants or Specialists / Dental Surgeons	1,000	5,000
(ii)	Registered Medical Practitioners	1,000	4,000
(iii)	Others including Homoeopaths, Hakeems and Ayuervedics:		
	(a) Within Metropolitan and Municipal Corporation limits	1,000	3,000
	(b) Others	500	1,000
(iv)	Auditing firms (per professionally qualified person):		
	(a) Within Metropolitan and Municipal Corporation limits	3,000	6,000
	(b) Others	2,000	4,000
(v)	Management and Tax Consultants, Architects, Engineering, Technical and Scientific Consultants:		
	(a) Within Metropolitan and Municipal Corporation limits	3,000	6,000
	(b) Others	2,000	4,000
(vi)	Lawyers	1,000	1,000
(vii)			
(a)	Members of Stock Exchanges	5,000	10,000
(b)	Money Changer:		
	(i) Within Metropolitan and Municipal Corporation Limits	3,000	6,000
	(ii) Others	1,000	2,000
(c)	Motorcycle/Scooter dealers-		
	(i) Within Metropolitan and Municipal Corporation Limits.	5,000	10,000
	(ii) Others	3,000	6,000
(d)	Motor Car Dealers and Real Estate Agents-		
	(i) Within Metropolitan and Municipal Corporation limits	10,000	20,000
	(ii) Others	5,000	10,000
(e)	Recruiting Agents-		
	(i) Within Metropolitan and Municipal Corporation limits	10,000	20,000
	(ii) Others	5,000	10,000
(viii)	Carriage of goods and passengers by road:		
	(i) Within Metropolitan and Municipal Corporation limits	2,000	4,000
	(ii) Others	1,000	2,000
(ix)	Health Clubs and Gymnasiums:		
	(i) Within Metropolitan and Municipal Corporation limits	2,000	4,000
	(ii) Others	1,000	2,000
(x)	Jewelers, departmental stores, electronic goods stores, cable operators, printing presses and pesticide dealers	1,000	2,000
(xi)	Tobacco vendors-Wholesalers	2,000	4,000
7.	**Franchisee, Authorized dealers/Agents and distributors**	N/A	5,000
8.	**Property Developers / Builders & Marketing Agent/Company engaged in the development, marketing and management of residential, commercial or industrial properties**	N/A	50,000
9.	**Hotels, Hostels (except hostels owned and operated by an educational institution itself) / Guest Houses / Motels / Resorts providing lodging facilities**	N/A	5,000
10.	**Restaurants / Eateries / Fast Food Points / Ice Cream Parlors / Bakeries / Confectioners / Sweets Shops with air conditioning facility**	N/A	5,000

PROPERTY TAX

Property tax @ 5% leviable under The Punjab Urban Immovable Property Tax Act, 1958 is presently exempt, where the annual value of the land/building does not exceed Rs 243,000 and is owned by:

- widows;
- disabled persons; and
- minor orphan.

The Bill proposes to extend the above exemption to cases where the land/buildings are owned by divorcees. Moreover, the expression 'minor orphan lady' is also proposed to been defined to mean an unmarried female up to the age of twenty-five years.

TAX ON NON-AGRICULTURAL PROPERTIES ABUTTING TO NATIONAL / PROVINCIAL HIGHWAYS AND WITHIN THE AREA OF MOTORWAYS

A new tax is also proposed to be introduced on non-agricultural properties situated outside the limits of rating areas, adjoining to national or provincial highways or within the areas of motorways in such limits and lengths as may be notified by Government. Such tax would be leviable @ 5% of the annual taxable value [i.e., value of distinct property unit, excluding the value of machinery etc.] of such properties.

The expressions 'Motorways'/'National highways' have been defined to primarily mean highways in Punjab owned, maintained & operated by National High Authority, with 'Provincial highways' defined to mean highways which are owned, operated and maintained by the province of Punjab.

This tax/levy will be administrated and regulated under the provisions of the Punjab Urban Immovable Property Tax Act, 1958 and is proposed to be collected from the owner/ occupant, in addition to any other tax charged under any other law for the being being in force. Such tax shall be the first charge upon the Property unit.

The following land / buildings shall however not be subject to levy of this tax:

- belonging to a widow, divorcee, disabled person, minor orphan, or a female unmarried orphan up to the age of twenty five years, provided the annual taxable value does not exceed Rs 500,000;

- owned by Federal or Provincial government; and

- exclusively used by public for worship purposes.

Moreover, Government has also been empowered to exempt any property units or persons/class of persons from imposition of tax leviable under this statute.

MOTOR VEHICLES TAX

Through the Punjab Finance Act, 2014, separate tax rates were specified in the case of imported motor cars & jeeps.

Further, through the Punjab Finance Act, 2016, a one-time tax in the case of imported motor vehicles registered after June 30, 2016 was imposed at the specified rates, these being subsequently revised through the Punjab Finance Act, 2018.

The above levies are now proposed be done away with. The amendments are aimed at bringing the motor vehicle tax in Punjab at par with that enforced in Islamabad Capital Territory and other provinces.