



KPMG Taseer Hadi & Co.
Chartered Accountants

A Brief on Punjab Finance Bill 2019

15 June 2019



The Punjab Finance Bill 2019 was presented in the Provincial Assembly on 14 June 2019.

We are pleased to summarize our comments containing our interpretation of the proposed legislation in this brief.

We recommend that while considering their application to any particular case, reference be made to the specific wordings of the relevant statutes.

The amendments shall take effect from first day of July 2019 subject to approval by the Punjab Assembly.

15 June 2019





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Punjab Sales Tax on Services Act, 2012

Significant Amendments

Tax credit not allowed

In accordance with Clauses (g) and (h) of section 16B of the Act, input tax adjustments are not allowed where:

- input tax is paid on goods and services liable to sales tax at the rates lesser than sixteen percent; and
- input tax paid on goods and services consumed in a service liable to sales tax at the rates lesser than sixteen percent.

Now, the Bill proposes to amend the said clauses to replace sixteen percent with fifteen percent.

We understand that subsequent to aforesaid amendments, registered persons will be able to claim input taxes paid under the provisions of the Khyber Pakhtunkhwa Finance Act, 2013 and the Baluchistan Sales Tax on Services Act, 2015, which were not being allowed due to said clauses. However, the sales tax paid under the Sindh Sales Tax on Services Act, 2011 will still not be available as input tax as services under the said Act are chargeable to tax at the rate of thirteen percent.

Furthermore, currently, clause (n) of the section 16B of the Act, disallows the input tax paid on goods and services not related to the taxable supplies made by the registered person.

The Bill proposes that in addition to the above disallowance, the input tax on goods and services not related to taxable services rendered by the registered persons will also be disallowed.

Penalties introduced

The Bill proposes to introduce certain new offences and penalties in the Punjab Sales Tax on Services Act, 2012 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 twenty thousand rupees on first default and fifty thousand rupees 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;
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 fifty thousand rupees
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 fourteen days of such change	Such person shall be liable to pay a penalty which may range from one hundred thousand rupees to five hundred thousand rupees
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 one hundred thousand rupees but not less than twenty five thousand rupees. 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

Appeal to the Appellate Tribunal

Presently, any taxpayer can prefer an appeal before the Appellate Tribunal where it objects to any order passed by the Commissioner (Appeals). The Bill proposes to allow this right of appeal to “any person” instead of restricting it to “any taxpayer”.

Presently, appeal before the Appellate Tribunal may only be initiated against the order of Commissioner

(Appeals), however, the Bill now proposes that orders passed by:

- a) Commissioner through adjudication under sections 60 or 61 of the act or
- b) the Punjab Revenue Authority under section 62 of the act will also be appealable before Appellate Tribunal in addition to orders passed by Commissioner (Appeals).

Furthermore, the Bill proposes that appeal before the Appellate Tribunal may only be preferred within thirty days of the receipt of order or decision. We understand that a corresponding amendment in sub-section (2) of the section *ibid* may also be required which still allows preference of appeal within sixty days of receipt of the order.

Recovery of arrears of tax

Section 70 of the Punjab Sales Tax on Services Act, 2012, dealing with recovery of the sales tax, empowers an officer of the Punjab Revenue Authority to attach bank account of a person from whom the tax is outstanding, by issuing a notice in writing.

The Bill now proposes to empower the officer of Punjab Revenue Authority to recover the outstanding amount of sales tax without attachment of bank account as well.

Amendments in Second Schedule

The Bill proposes following amendments in Second Schedule of the Punjab Sales Tax on Services Act, 2012:

Services provided by property developers, builders and promoters

The Bill proposes to substitute the aforesaid entry of services provided by property developers,

builders and promoters to charge tax @ 8% without input adjustment or 16% with input adjustment.

Presently, the tax is charged @ Rs. 100 per square yard and @ Rs. 50 per square feet for land development and building construction respectively.

It is further proposed that tax will not be charged on actual purchase value or documented cost of land.

The Bill further proposes to split the aforesaid entry to charge tax on affordable housing services provided under the Government sponsored housing programs at reduce rate i.e. 5% without input adjustment or 16% with input tax adjustment.

Services provided in respect of travel by air of passengers embarking from Punjab for air travel

Presently, services provided in respect of travel by air of passengers embarking from Punjab for air travel either for domestic travel or international travel is charged to tax at fixed amounts per ticket.

The Bill proposes to enhance the scope of above services to include road travel except travel through non-air-conditioned coaches and vehicles.

It is further proposed that these services/facilities originating from Punjab will now be charged to tax at uniform rate of 5% without input adjustment.

Travel services provided to Umrah and Hajj passengers, diplomats and supernumerary remain non-taxable.

New services under the Second Schedule

The Bill proposes to include following new services under the Second Schedule.

Service	Rate %
Interior Designers	16
Amusement Parks, Arcades and Other Recreation Facilities	16
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
Medical consultation / visit fee exceeding Rs. 1,500 per consultation / visit of doctors, medical practitioners and medical specialists. Bed / room charges of hospitals exceeding Rs. 6,000 per day per bed / room	5 without input tax adjustment

The Stamp Act, 1899

Significant Amendment

Substitution of Stamp Duty on Registration of Instrument

The Bill proposes to substitute the existing stamp duty rates on some instruments with the new proposed rates which are summarized as follows:

Article	Description of Instrument	Existing Proper Stamp Duty	Proposed Proper Stamp Duty
	other financial institutions, when the entire finance is not based on interest;	one hundred thousand rupees	five hundred thousand rupees

Article	Description of Instrument	Existing Proper Stamp Duty	Proposed Proper Stamp Duty
(6)	Agreement relating to Deposit of Title Deeds, Pawn or Pledge		
(2)	The pawn or pledge of movable property where such pawn or pledge has been made by way of security for the re-payment of money advanced or to be advanced by way of loan or an existing or future debt:		
(a)	if such loan or debt is repayable on demand or more than three months from the date of the instrument evidencing the agreement;		
(i)	in the case of banking companies or other financial institutions, when the entire finance is not based on interest;	0.2% of the loan amount subject to a maximum of one hundred thousand rupees	0.2% of the loan amount subject to a maximum of five hundred thousand rupees
(b)	if such loan or debt is repayable not more than three months from the date of such instrument;		
(i)	in the case of banking companies or other financial institutions, when the entire finance is not based on interest;	0.1% of the loan amount, subject to a maximum of fifty thousand rupees	0.1% of the loan amount, subject to a maximum of five hundred thousand rupees
(40)	Mortgage Deed		
(d)(i)	mortgage with banking companies, that is to say, simple or legal mortgage for banking companies or	0.45% of the loan amount subject to a maximum of	0.45% of the loan amount subject to a maximum of

The Punjab Urban Immovable Property Tax Act, 1958

Exemption from levy of Punjab Urban Immovable Property Tax

The Punjab Urban Immovable Property Tax Act, 1958 levies tax at the rate of 5% on the annual value of buildings and lands located in the province of Punjab.

The Bill proposes to extend exemption from levy of said tax to the lands and buildings owned by divorcee and minor orphans.

Tax on Properties (other than Agricultural Land) Abutting to National/ Provincial Highways and Within the Area of Motorways Outside the Rating Areas in Punjab

In order to broaden the tax base in the Province of Punjab and to ensure provision of better public services, the Bill proposes to introduce a new tax at the rate of 5% of the annual taxable value of all categories of properties (other than agricultural land) outside the limits of rating areas, adjoining to national or provincial highway or within the areas of motorways.

The tax is proposed to be due from the owner or the occupant, jointly and severally, in addition to any other tax charged under any other law being in force and shall be the first charge upon the property unit. The tax will be administrated and regulated under the provisions of the Punjab Urban Immovable Property Tax Act, 1958. However, it is proposed that the tax will not be levied on following:

- Annual taxable value of which does not exceed five hundred thousand rupees belonging to a widow, a divorcee, a disabled person, a minor

orphan or a female unmarried orphan up to age of twenty five years

- Owned by Federal or Provincial government
- Exclusively used by public for worship

Further, the Bill proposes to introduce following definitions for the purpose of said tax:

- 'Annual taxable value' means value of a distinct property unit excluding the value of any machinery etc. thereof, which shall be the basis of determination of tax assessed, levied and recovered under section 10 of Act *ibid*
- 'Buildings and lands' in relation to tax includes a parcel or portion thereof having distinct boundaries intended for specific purposes, including residential, commercial or industrial use
- 'Motorways' means multiple-lane, high speed, limited access or controlled access highways in Punjab which are owned, maintained and operated as such by the National Highway Authority
- 'National highways' means the highways in the Punjab which are owned, maintained and operated as such by the National Highway Authority
- 'Owner' includes a mortgage with possession, a lessee in perpetuity, a trustee having possession of a trust property and a person to whom an evacuee property has been transferred provisionally or permanently

- ‘Provincial highways’ means the highways, including but not limited to in Punjab which are owned, maintained and operated by the province of the Punjab
- ‘Rating area’ means urban area which property tax is levied under the Punjab Urban Immovable Property Tax Act, 1958.

The Punjab Agricultural Income Tax Act, 1997

The rates of Land Based Agricultural Income Tax under Punjab Agricultural Income Tax Act, 1997 were fixed in 2003, which are in force for the last 16 years. Now the Bill has proposed rates as follows:

First Schedule

Rate of Tax on Agricultural Land

S. No.	Description	Rate per Acre
1	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 acres of unirrigated land excluding mature orchards	
(i)	Not exceeding 12.5 acres	Nil
(ii)	Exceeding 12.5 acres but not exceeding 25 acres	Rs. 300/-
(iii)	Exceeding 25 acres but not exceeding 50 acres	Rs. 400/-
(iv)	Exceeding 50 acres	Rs. 500/-
2	Mature Orchards	
(i)	Irrigated	Rs. 600/-
(ii)	Unirrigated	Rs. 300/-

Although the rates in first schedule are proposed to be increased from existing rates, however, considering the demand of the farmer community that the exemption granted under Punjab Agricultural Income Tax Act, 1997 should be enhanced and in order to promote agriculture sector, the Bill proposes to increase the exemption limit in income based Agricultural income tax rates prescribed in Second Schedule as follows:

Second Schedule

Rate of Tax on Total Agricultural Income

S. No.	Description	Rate
1	Where the total income does not exceed Rs. 400,000/-	0
2	Where the total income exceeds Rs. 400,000/- but does not exceed Rs. 800,000/-	Rs. 1,000/-
3	Where the total income exceeds Rs. 800,000/- but does not exceed Rs. 1,200,000/-	Rs. 2,000/-
4	Where the total income exceeds Rs. 1,200,000/- but does not exceed Rs. 2,400,000/-	5% of the amount exceeding Rs. 1,200,000/-
5	Where the total income exceeds Rs. 2,400,000/- but does not exceed Rs. 4,800,000/-	Rs. 60,000/- plus 10% of the amount exceeding Rs. 2,400,000/-
6	Where the total income exceeds Rs. 4,800,000/-	Rs. 300,000 plus 15% of the amount exceeding Rs. 4,800,000/-

Professional Tax under Punjab Finance Act, 1977

Punjab Government has proposed to rationalize the outdated rates of Professional Tax through proposed Second Schedule in Punjab Finance Act, 1977.

The proposed Second Schedule in Punjab Finance Act, 1977 is as follows:

S. No.	Class of Persons	Rate of Tax per annum (Rs.)
1	Companies registered under Companies Ordinance, 1984 or under the relevant law for the time being in force with paid up capital: Upto PKR 5 million	10,000/-
	Exceeding PKR 5 million but not exceeding PKR 50 million	30,000/-
	Exceeding PKR 50 million but not exceeding PKR 100 million	70,000/-
	Exceeding PKR 100 million	100,000/-
2	Person other than Companies owning factories as defined under the Factories Act, 1932 and having:	
	Employees not exceeding 10	1,500/-
	Employees exceeding 10 but not exceeding 25	5,000/-
	Employees Exceeding 25	7,500/-
3	Person other than Companies owning Commercial establishments having 10 or more employees:	
	Within metropolitan and municipal limits	6,000/-
	Other	4,000/-
	All other commercial establishment other than wholesalers and retailers	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:	
	exceeding PKR 0.1 million but not exceeding PKR 1 million	2,000/-
	exceeding PKR 1 million but not exceeding PKR 5 million	3,000/-
	exceeding PKR 5 million	5,000/-
5	Contractors, builders and property developers, who during the preceding financial year supplied to the Federal or the Provincial Government or a	

S. No.	Class of Persons	Rate of Tax per annum (Rs.)
	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:	
	Not exceeding PKR 1 million	1,000/-
	exceeding PKR 1 million but not exceeding PKR 10 million	6,000/-
	exceeding PKR 10 million but not exceeding PKR 50 million	10,000/-
	Exceeding PKR 50 million	20,000/-
6	Persons engaged in various professions and providing different services such as:	
i)	Medical Consultants or Specialists / Dental Surgeons	5,000/-
ii)	Registered Medical Practitioners	4,000/-
iii)	Others including Homoeopaths, Hakeems and Ayurvedics-	
	Within Metropolitan and Municipal Corporation limits	3,000/-
	Others	1,000/-
iv)	Auditing firms (per professionally qualified person)	
	Within Metropolitan and Municipal Corporation limits	6,000/-
	Others	4,000/-
v)	Management and Tax Consultants, Architects, Engineering, Technical and Scientific Consultants	
	Within Metropolitan and Municipal Corporation limits	6,000/-
	Others	4,000/-
vi)	Lawyers	1,000/-
vii)	(a) Members of Stock Exchanges	10,000/-
	(b) Money Changer:	
	Within Metropolitan and Municipal Corporation Limits	6,000/-
	Others	2,000/-
	(c) Motorcycle/Scooter dealers-	
	Within Metropolitan and Municipal Corporation Limits.	10,000/-
	Others	6,000/-

S. No.	Class of Persons		Rate of Tax per annum (Rs.)
	(d)	Motor Car Dealers and Real Estate Agents-	
		Within Metropolitan and Municipal Corporation limits	20,000/-
		Others	10,000/-
	(e)	Recruiting Agents-	
		Within Metropolitan and Municipal Corporation limits	20,000/-
		Others	10,000/-
viii	Carriage of goods and passengers by road:		
		Within Metropolitan and Municipal Corporation limits	4,000/-
		Others	2,000/-
ix	Health Clubs and Gymnasiums-		
		Within Metropolitan and Municipal Corporation limits	4,000/-
		Others	2,000/-
x	Jewelers, departmental stores, electronic goods stores, cable operators, printing presses and pesticide dealers		2,000/-
xi	Tobacco vendors- Wholesalers		4,000/-
7	Franchisee, Authorized dealers/Agents and distributors		5,000/-
8	Property Developers / Builders & Marketing Agent/Company engaged in the development, marketing and management of residential, commercial or industrial properties		50,000/-
9	Hotels, Hostels (except hostels owned and operated by an educational institution itself) / Guest Houses / Motels / Resorts providing lodging facilities		5,000/-
10	Restaurants / Eateries / Fast Food Points / Ice Cream Parlors / Bakeries / Confectioners / Sweets Shops with air conditioning facility		5,000/-



Offices in Pakistan

Karachi Office

Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi 75300
Phone +92 (21) 3568 5847
Fax +92 (21) 3568 5095
eMail karachi@kpmg.com

Lahore Office

351-Shadman-1, Main Jail Road,
Lahore Pakistan
Phone +92 (42) 111-KPMGTH (576484)
Fax +92 (42) 3742 9907
eMail lahore@kpmg.com

Islamabad Office

Sixth Floor, State Life Building
Blue Area
Islamabad
Phone +92 (51) 282 3558
Fax +92 (51) 282 2671
eMail islamabad@kpmg.com

www.kpmg.com.pk

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