

A

Bill

to levy, alter and rationalize certain taxes and duties.

It is necessary in public interest to levy, alter and rationalize certain taxes and duties in the Punjab, and to deal with the ancillary matters.

Be it enacted by Provincial Assembly of the Punjab as follows:

1. Short title, extent and commencement.- (1) This Act may be cited as the Punjab Finance Act 2020.

(2) It extends to whole of the Punjab.

(3) It shall come into force on the first day of July 2020.

2. Amendment in Act II of 1899.- In the Stamp Act, 1899 (*II of 1899*), in Schedule I:

(1) in article 18, in sub-article (a), under the heading "Proper Stamp-duty", for the word "Five", the word "One" shall be substituted;

(2) in article 23, in sub-article (a), under the heading "Proper Stamp-duty", for the word "Five", the word "One" shall be substituted;

(3) in article 27-A, in sub-article (a), under the heading "Proper Stamp-duty", for the word "Five", the word "One" shall be substituted;

(4) in article 31, in sub-article (a), under the heading "Proper Stamp-duty":

(a) for the word "Five", the word "One" shall be substituted; and

(b) for the word "Two", the word "One" shall be substituted;

(5) in article 33, in sub-article (a), under the heading "Proper Stamp-duty":

(a) for the word "Five", the word "One" shall be substituted; and

(b) for the word "Three", the word "One" shall be substituted;

(6) in article 35, under the heading "Proper Stamp-duty":

(a) in sub-article (1), in clause (b), in sub-clause (i), for the figure "5.25", the figure "2" shall be substituted;

(b) in sub-article (1), in clause (c), in sub-clause (i), for the figure "5.25", the figure "2" shall be substituted;

- (c) in sub-article (1), in clause (d), in sub-clause (i), for the figure "5.25", the figure "2" shall be substituted;
- (d) in sub-article (2), in clause (a), in sub-clause (i), for the figure "5.25", the figure "2" shall be substituted;
- (e) in sub-article (2), in clause (b), in sub-clause (i), for the figure "5.25", the figure "2" shall be substituted;
- (f) in sub-article (3), in clause (a), in sub-clause (i), for the figure "5.25", the figure "2" shall be substituted; and
- (g) in sub-article (3), in clause (b), in sub-clause (i), for the figure "5.25", the figure "2" shall be substituted;
- (7) in article 45, under the heading "Proper Stamp-duty", for the words "Two percent", the words "One percent" shall be substituted;
- (8) in article 55, in sub-article (i), under the heading "Proper Stamp-duty", for the word "Five", the word "One" shall be substituted;
- (9) in article 58, under the heading "Proper Stamp-duty":
 - (a) in sub-article A, in clauses (i), (ii) and (iii), for the word "Three", the word "One" shall be substituted; and
 - (b) in sub-article B, for the word "Two", the word "One" shall be substituted;
- (10) in article 63, in sub-article (i), under the heading "Proper Stamp-duty", for the word "Five", the word "One" shall be substituted; and
- (11) in article 63-A:
 - (a) in column 2, paras (i) and (ii) shall be omitted; and
 - (b) in column 3, for the existing entries, the following shall be substituted:

"One percent of the value of the property."

3. Amendment of Act V of 1958.— In the Punjab Urban Immovable Property Tax Act, 1958 (V of 1958):

- (a) in section 5, after clause (a), the word "and" shall be inserted and clause (b) shall be omitted; and
- (b) in section 12, in subsection (3), for the expression "30th day of September", the expression "31st day of October" shall be substituted.

4. Amendment of Act X of 1958.— In the Punjab Entertainment Duty Act, 1958 (X of 1958), in section 3, in subsection (1), for the word "twenty", the word "five" shall be substituted.

5. Amendments of Act XLII of 2012.— In the Punjab Sales Tax on Services Act 2012 (XLII of 2012):

- (1) in section 16, in subsection 2, for the words "on his furnishing a tax invoice or declaration of import of goods in his name which bears his National Tax Number", the words "if he holds a valid tax invoice or declaration of import of goods not older than six tax periods bearing his name and National Tax Number" shall be substituted;
- (2) for section 16C, the following shall be substituted:

"16C. Extent of adjustment of input tax.- (1) Notwithstanding anything contained in this Act, a registered person shall not be allowed to adjust input tax in a tax period in excess of eighty percent of the output tax for that tax period.

(2) The Authority may by notification in the official Gazette exclude any person or class of persons from the purview of sub section (1).";

- (3) after section 16C, the following section 16D shall be added:

"16D. Refunds.- Notwithstanding anything contained in this Act and subject to the conditions and restrictions as may be prescribed, the Authority or any officer authorized by the Authority, may allow a registered person refund of the tax claimed to have been paid through inadvertence, error or misconstruction.";

- (4) in section 29, for the word "Authority" wherever appears, the word "Commissioner" shall be substituted;
- (5) in section 30, for subsections (2) and (3), the following shall be substituted:

"(2) The Authority may, by notification in the official Gazette, specify a format of invoices to be issued by a registered person or a class of registered persons and prescribe a procedure for authentication of such invoices.

(3) The Authority or an officer authorized by the Authority in this behalf, may require a registered person or a class of registered persons to issue invoices electronically in such manner as may be prescribed, and to transmit such invoices to the Authority, subject to such conditions and restrictions as the Authority may specify by notification in the official Gazette.";

- (6) in section 31, in subsection (1), for clauses (a), (b) and (c), the following shall be substituted:
- “
- (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.”;
- (7) in section 33, after subsection (3), the following subsection (3a) shall be added:
- “(3a) The officer authorized under subsection (1) may conduct audit proceedings electronically through video links or any other facility as may be notified by the Authority.”;
- (8) in section 35, for subsection (1), the following shall be substituted:
- “(1) Every registered person shall furnish to the Authority, not later than the due date, a true, correct and properly filled-up return in the form notified by the Authority, indicating the tax due and paid during a tax period and such other information or particulars as may be notified by the Authority.”;
- (9) in section 39, in subsection (1):
- (a) in clauses (c), (f), (fff) and (g), the words “of the Authority” shall be omitted; and

- (b) for clause (ff), the following shall be substituted:
- “(ff) Audit-cum-Risk Compliance Officer;”;
- (10) in section 57, in subsection (1), the expression “not below the rank of an Assistant Commissioner,” shall be omitted;
- (11) in section 60:
- (a) in subsection (1):
- (i) in clause (a), the words “or amount erroneously refunded” shall be omitted;
- (ii) for clause (b), the following shall be substituted:
- “(b) Assistant Commissioner/Deputy Commissioner: Cases where the amount of the tax involved does not exceed ten million rupees;” and
- (iii) for clause (c), the following shall be substituted:
- “(c) Enforcement Officer/Audit-cum-Risk Compliance Officer: Cases where the amount of the tax involved does not exceed five million rupees; and”;
- (b) in subsection (2), after the word “him”, the words “or falling in jurisdiction specifically assigned to him by the Authority” shall be inserted; and
- (c) after subsection (3) and before the explanation, the following subsection (4) shall be added:
- “(4) Notwithstanding the provisions of subsection (1), the Authority may assign a case or class of cases to any of its officers involving any amount of tax involved.”;
- (12) in section 63, for subsection (4), the following shall be substituted:
- “(4) An appeal under subsection (1) may be filed manually or electronically as may be specified by the Authority.”;
- (13) in section 66:
- (a) in subsection (1), for the word “thirty”, the word “sixty” shall be substituted;
- (b) in subsection (2):
- (i) in clause (b), after the semi colon, the word “and” shall be inserted;

- (ii) at the end of clause (c), for the expression “; and”, a full stop shall be substituted; and
 - (iii) clause (d) shall be omitted; and
 - (c) in subsection (4), for the words “clause (d) of subsection (2)” the words “subsection (1)” shall be substituted.
- (14) in section 70, in subsection (1):
- (a) in clause (bb), after the word “companies”, the words “including running and demand finance” shall be inserted;
 - (b) after clause (f), the following clause (g) shall be inserted:
 “(g) arrest or cause to arrest a defaulter and cause his detention in prison for a period not exceeding six months subject to the condition that the adjudged amount has been upheld by the Appellate Tribunal.”;
 - (c) in the proviso, for the words “twenty five”, the word “ten” shall be substituted.
- (15) in the Second Schedule:
- (a) at Sr.No.1, in column (1) to (4), for the existing entries, the following shall be substituted:

1	“Hotels, motels and guest houses.	9801.1000	(i). Five percent without input tax adjustment for non-corporate, non-franchise, non-chain businesses with less than 20 rooms; and (ii). Sixteen percent for others
	Marriage halls and lawns (by whatever name called) including pandal and shamiana services.	9801.3000	Five percent without input tax adjustment
	Clubs including race clubs and their membership services including services, facilities or	9801.4000	Sixteen percent

advantages, for a subscription or any other amount, to their members.		
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).	9801.5000	Five percent without input tax adjustment"

(b) at Sr.No.7, in column (4), for the existing entry, the following shall be substituted:

"(a) Zero percent without input tax adjustment for health insurance for individuals; and

(b) Sixteen percent of gross premium paid, for others.";

(c) at Sr.No.11 and 18, in column (4), for the existing entry, the following shall be substituted:

"(a) Five percent without input tax adjustment where payment against services is received through debit or credit cards; and

(b) Sixteen percent for others.";

(d) at Sr.No.13, in column (4), for the existing entry, the following shall be substituted:

"(a) Five percent without input tax adjustment for services relating to educational institutions; and

(b) Sixteen percent for others.";

(e) at Sr.No.14, in column (2), under the heading "Excluding":

(a) in clause (iii), for the full stop at the end, the expression "; or" shall be substituted; and

(b) after clause (iii) as amended, the following shall be inserted:

"(iv) where the construction services are provided to any registered person who is otherwise liable to pay sales tax as a property developer, builder and promoter.";

- (f) at Sr.No.15:
 - (a) in column (2) the existing entry shall be substituted with the following:

“Services provided by property developers, builders and promoters (including their allied services); Excluding: Affordable housing services provided under Government sponsored housing programs.”; and
 - (b) in column (4) the existing entry shall be substituted with the following:

“Rs.100 per square yard for land development and Rs.50 per square feet for building construction.”;
- (g) at Sr.No.26, in column (4), for the existing entry, the following shall be substituted:
 - “(a) Five percent without input tax adjustment for services where the value of service is fixed by the Bureau of Emigration and Overseas Employment; and
 - (b) Sixteen percent for others.”;
- (h) at Sr.No.35, in column (4), for the existing entry, the following shall be substituted:
 - “(a) Five percent without input tax adjustment for services provided to end consumers; and
 - (b) Sixteen percent for others.”;
- (i) at Sr.No.36, in column (4), for the existing entry, the following shall be substituted:
 - “(a) Sixteen percent for services provided by companies or authorized dealers; and
 - (b) Five percent without input tax adjustment, for others.”;
- (j) at Sr.No.40, in column (4), for the existing entry, the following shall be substituted:
 - “(a) Five percent without input tax adjustment for services provided in respect of agricultural produce; and
 - (b) Sixteen percent for others.”;
- (k) at Sr.No.52, in column (4), for the existing entry, the following shall be substituted:
 - “(a) Five percent without input tax adjustment for services relating to accountancy, audit, tax or corporate law consultancy; and

- (b) Sixteen percent for others.”;
- (l) at Sr.No.68, in column (4), for the existing entry, the following shall be substituted:
“Zero percent without input tax adjustment”;
- (m) at Sr.No.22, 25, 32, 37, 43, 45, 58, 60, 63, 66 and 67, in column (4), for the existing entry, the following shall be substituted:
“Five percent without input tax adjustment”; and
- (n) after Sr.No.68, in columns 1 to 4, the following entry shall be inserted as Sr.No.69:

Sr. No	Description	Classification, if applicable	Rate of Tax
(1)	(2)	(3)	(4)
69	Ride-Hailing Services	-	Four percent without input tax adjustment”

6. Amendment of Act XXX of 2015.– In the Punjab Infrastructure Development Cess Act 2015 (XXX of 2015), in section 6, in subsection 3, for the full stop at the end, a colon shall be substituted, and thereafter the following proviso shall be added:

“provided that where the Government considers appropriate and necessary, it may allow exemption from payment of cess from any previous date as may be specified in the notification.”.

7. Special relaxations for financial year 2020-21.– (1) Notwithstanding anything contained in sections 3 and 12 of the Punjab Urban Immovable Property Tax Act, 1958 (V of 1958), for the financial year 2020-21:

- (a) discount equal to five percent of the tax being paid shall be allowed on payment of tax through e-payment system;
- (b) a rebate equal to ten per cent of the amount of annual tax shall be allowed if the amount of annual tax is paid in lump sum on or before the 30th day of September 2020;
- (c) the tax shall be paid on yearly basis or half yearly basis as the assessee may choose or by such later day as the Government may by notification determine; and
- (d) the late payment surcharge shall not be imposed for the tax amount due.

(2) Notwithstanding anything contained in sections 3 and 9 of the Punjab Motor Vehicles Taxation Act, 1958 (XXXII of 1958), for the financial year 2020-21:

- (a) discount equal to five percent of the tax being paid shall be allowed on payment of tax through e-payment system;
- (b) a rebate equal to 20 percent of the amount of annual tax shall be allowed if the amount of annual tax is paid in lump sum on or before the 30th day of September 2020; and
- (c) if a person fails to pay any amount of tax due within the period fixed for such payment, he shall not be liable to pay any penalty if he pays the same during the financial year 2020-21.

(3) This section shall remain in force till 30th day of June 2021.

STATEMENT OF OBJECTS AND REASONS

Despite grave monetary challenges to the Government exchequer in revenue collection, sufficient relief in reduction of stamp duty under the Stamp Act, was given to the general public due to Corona (COVID-19) during last quarter of the financial year 2019-20 which is being extended for the financial year 2020-21. The proposed relief is to provide relief to general public through reduction in rate of stamp duty in Urban Areas and to extend relief to the construction industry. Further, upon insertion of definition of Urban Area in the Stamp Act, 1899 through Punjab Finance Act, 2017 which includes an area developed by a development authority, housing authority, statutory body, cooperative housing society or a real estate company or developer, the existing clause of Article 63-A (ii) has become redundant and requires to be omitted in the Schedule I of the Stamp Act, 1899.

2. The proposals for the Finance Bill 2020-21 shall provide the Government increase in revenue and fiscal space. In current situation of Covid-19 pandemic some measures have been proposed to create ease for tax payers. Discount of 10% in property tax for maintenance has been proposed to align the taxation with market rates. Rate of Entertainment Duty on cinemas is proposed to decrease

from 20% to 05% to revive the sinking industry. Similarly, relief in payment of property tax and motor vehicle tax under the Punjab Urban Immovable Property Tax Act, 1958 and the Punjab Motor Vehicles Taxation Act 1958 has been proposed by extending the rebate periods.

3. Some of the measures are specific to FY 2020-21 in the backdrop of Corona situation. However, it has been endeavoured that a balance may be created between relief and revenue generation for the Government. The proposed measures under both the laws in the preceding para the levies directly affect general masses. Specific focus has been kept to extend relief for the tax payers in payment of tax. To promote payments through E-payment special discount of 5% in both the levies has been proposed.

4. The object of the proposals is to add revenue to the kitty of the Government and at the same time relief and ease for the taxpayers. No new tax/levy is proposed; however, existing structures of the levies have been proposed to be made people centric while the interests of the Government for creation and generation of necessary revenue streams have also been watched.

5. Based on operational experience of PRA during the last fiscal year certain amendments have been proposed to further streamline the procedures under Punjab Sales Tax on Services Act 2012 and enhance the facilitation for the taxpayers. Apart from certain changes in penalties, all changes are to facilitate businesses during the prevalent coronavirus situation and take steps towards documentation of economy. Electronic invoicing initiatives are being extended to maximum number of service sectors. Rates have been reduced for restaurant sector/beauty parlours on transactions conducted through debit/credit card. The rates have also been reduced for the sectors hit by corona pandemic such as hotels, caterers, marriage halls etc. In order to promote the use of Information Technology and empower the technology-based

entrepreneurship, the rate for this sector has been reduced from 16% to 5%. The tax rate on manpower recruitment services has also been reduced to 5% specifically for the services of which the value has been fixed by Bureau of Emigration and Overseas Employment. The overall objective has been to ease the hardships of the businesses by reducing rates on number of service sectors. The idea is to increase voluntary compliance without resorting to coercive measures.

MINISTER INCHARGE