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Budget Brief 2016

Punjab Finance Bill 2016



This Budget Brief 2016 contains amendments introduced through Punjab Finance Bill 2016 as it relates to the Punjab Sales Tax on Services Act, 2012; Stamp Act 1899; Punjab Urban Immovable Property Tax Act, 1958; and Punjab Infrastructure Development Cess Act, 2015 and introduction of one-time tax on imported motor cars.

The provisions of the Punjab Finance Bill 2016 are generally applicable from 01 July 2016, unless otherwise specified.

This Memorandum contains the comments, which represent our interpretation of the legislation, and we recommend that while considering their application to any particular case, reference be made to the specific wordings of the relevant statutes.

14 June 2016



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Punjab Sales Tax on Services

Joint and Several Liability of Withholding Agent

Section 14(3)

The Bill proposes to insert sub-section 3 in section 14 to provide that the withholding agent liable to withhold or deduct full or part of tax on the provision of taxable services shall be personally responsible to pay the amount of tax in case of failure to withhold or deduct such tax.

The above proposal is similar to the provisions of Rule 14 of Punjab Sales Tax on Services (Withholding) Rules, 2015 which will strengthen the legal position that anything which is related to determination of sales tax liability should principally be governed through the provisions of the main statute.

Adjustments / Deductions of Input tax

Section 10(4) & 16,

Presently, sub-section 4 of section 10 of the Act provides that a person required to pay tax is entitled to deduct tax on receipt of taxable services subject to following conditions.

- The taxable services are exclusively used in connection with the taxable services he provides;
- The person holds a valid tax invoice not older than 6 tax periods showing the amount of tax charged.

The Bills proposes to omit sub-section 4 of the section 10 and similar provisions are proposed to be enacted through insertion of section 16.

Input Tax on Certain Transactions not Admissible

Section 16A

The Bill proposes to insert section 16A in the Punjab Sales Tax Act which will have an overriding effect to all other provisions of Punjab Sales Tax Act. The proposed enactment entails that input tax shall inter alia be claimed or adjusted subject to following conditions:

- All transactions exceeding the value of fifty thousand rupees should be made through crossed cheque or by crossed bank draft or crossed pay order or any other crossed banking instrument showing transfer of the amount of sales tax invoice in favour of the service provider from the business account of the services recipient.
- Online transfer of payment from the business account of service recipient to the business account of service provider as well as payments through credit card shall be treated as transactions through the banking channel, subject to the condition that such transactions are verifiable from the bank statements of the respective service recipient and the service provider.
- The payment should be made within one hundred and eighty days of the issuance of tax invoice.
- The payment should be made by the recipient of service in the business bank account of the service provider duly declared to the Punjab Revenue Authority (Authority).

The proposed provisions appear to be aimed at documentation of economy and compliance to the provision of law. In case of non-compliance of the above, the service recipient shall not be entitled to claim input tax credit, adjustment or deduction.

Input Tax Credit not allowed

Section 16B

The Bill proposes to enact a new section i.e. section 16B to prescribe the comprehensive list of inadmissible input tax, as more or less provided under the Rules of Punjab Sales Tax on Services (Adjustment of Tax) Rules, 2012. This strengthens the legal position that anything, which is related with determination of sales tax liability, should principally be governed through the provisions of main statute.

This section 16B will have an overriding effect to all other provisions of Punjab Sales Tax Act and a registered person will not be entitled to claim input tax adjustments with respect to the following:

- Capital Goods not exclusively useable or used in providing taxable services;
- Goods and services procured prior to commencement of Punjab Sales Tax on Services Act, 2012 (Act);
- Utility bills not in the name of registered person;
- The tax claimed as input tax on services where such tax amount has not been deposited by the supplier or the service provider or where the evidence of such payment is not produced
- Carry forward of input tax adjustment relating to the period prior to the commencement of Act;
- Goods and services received against false, fake, forged, flying, untrue, unreal or unrelated invoices or against purchases from the persons black listed or suspended by the Authority or by the Federal Board of Revenue or by any other Provincial authority;
- Goods and services liable to a tax rate lesser than sixteen per cent;
- Goods and services used or consumed in a service liable to a rate of tax lesser than the sixteen per cent;
- Vehicles;
- Food, beverages, garments, fabrics or others and consumption on entertainment, amusement, recreation or enjoyment;
- Gift and giveaway;
- Goods or services used or to be used for any purpose other than for taxable supplies;
- Goods and services in respect of which input tax adjustment is barred under the respective federal and provincial sales tax law;
- Sales tax paid to the Federal Government or any other Provincial Government for supply of goods or provision of services, if the sales tax law of the Federation or the Province concerned does not allow adjustment of tax paid under this Act;

- Goods and services which, at the time of filing of return by the buyer, have not been declared by the supplier in his return;
- Further tax, extra tax and value addition tax levied under the Sales Tax Act, 1990;
- Goods used in, or permanently attached to, immoveable property.

Statement of Withholding Tax

Section 35(1A)

Presently, the person who is only exigible to withhold or deduct tax and deposit the same in Government kitty is required to file monthly statement of withholding of sales tax.

The Bill proposes to treat the monthly statement of withholding of sales tax as sales tax return filed under section 35 of the Punjab Sales Tax Act. Consequently, to this proposed amendment, apparently, all the ancillary provisions relating to filing of return under section 35 may also be applicable on statement of tax withheld.

Scope of Existing Services Enhanced

Second Schedule

Scope of certain services are proposed to be enhanced to include following services under the ambit of Second Schedule to Punjab Act.

These services are taxable at 16% or reduced rate, if notified.

S. No. of Second Schedule	Service
1	Membership services with respect to clubs
2	Advertisement services of any product or service in video programmes, television

S. No. Of Second Schedule	Service
	programmes or motion pictures or music albums;
12	All kind of advertisements including through brand activation in any mode, advertisement on moving vehicles, aerial advertising, advertisement through provision of space or time, or on bill-boards, public places, buildings, conveyances, cell phones, automated teller machines, or through offering product exclusivity in any manner;
14	Services provided by contractor of building (Water supply, gas supply and sanitary works), roads and bridges, electrical and mechanical works (including air conditioning), horticultural works, multi-discipline works;
31	Business auxiliary services;
39	Collection and processing of domestic waste and street cleaning services
47	Services in relation to transport of goods through transmission lines.

Services Brought Under Tax Net

Second Schedule

Following services are proposed to be included under Second Schedule to Punjab Sales Tax Act, 2012, subject to levy of PST at 16%.

S. No. Of Second Schedule	Service
60	Services provided by cosmetic and plastic surgeons and hair transplant services excluding acid or burn victims
61	Services provided by warehouses or depots for storage including cold storages
62	Services provided by Packers including handling and packaging services.

Exemptions Withdrawn

Second Schedule

Presently, following services are specifically excluded from the purview of Second Schedule. The Bill proposes to withdraw such exclusion and bring these services under the tax net.

- Construction services with respect to government civil works including those of Cantonment Boards;
- Actual purchase value or documented cost of land for property developers, builders.

Stamp Duty

The Bill proposes to amend Stamp Act 1899 as under:

- The stamp duty for the issuance of Power of Attorney for selling any immovable property is 3% of the amount of consideration. The Finance Bill proposes that the said stamp duty of 3% shall be calculated on the value of immovable property as notified by District Collector.
- The stamp duty for the issuance of Power of Attorney without consideration is Rs. 1,200/-. The Bill proposes to restrict this rate to the power of attorney executed between spouses, father, mother, son, daughter, grandparents, grandchildren and siblings. Moreover, in all other cases, the rate of stamp duty is proposed to be calculated on the value of 2% of the immovable property as notified by District Collector.

Punjab Urban Immovable Property Tax Act, 1958

The Bill proposes to amend provisions of Punjab Urban Immovable Property Tax Act 1958 which imposes tax on the immovable properties in urban areas.

- It is proposed that the building and lands situated in the Urban areas shall also include the vacant plots or a portion thereof having fixed boundaries intended for specific purpose including residential, commercial or industrial use.
- The exemption from levy of Property Tax on one residential house of an area not exceeding five Marla is also proposed to be extended to the vacant plot of an area not exceeding five Marla. Moreover, the Property Tax shall not be charged on the vacant plot for the first two years from the date of delivery of possession to the owner. It is further explained that the period of two years shall be reckoned from the date of transfer to the first owner even if the plot is transferred to a subsequent owner.
- It is proposed to insert a proviso in section 5-A to prescribe that the valuation of vacant plot shall be made in accordance with the valuation table notified for respective locality of the rating area.
- It is also proposed that the authority registering an instrument of sale, gift or exchange of immovable property shall not register the instrument unless the outstanding Property Tax has been paid.

Punjab Infrastructure Development Cess Act, 2015

The Cess is levied and collected on the goods manufactured, produced or consumed in the Punjab, goods imported into or goods exported out of the Punjab at a fixed rate of 0.90% of total value of goods as assessed for customs purposes. This levy is effective from 01 July 2015 but it has been implemented by Pakistan Customs with effect from 25 May 2016.

The Oil Companies Advisory Council made a representation to Ministry of Petroleum & Natural Resources and Punjab Revenue Authority [PRA] regarding the levy of cess as it has vast implications to oil companies. Considering the implications of implementations of cess on the pricing of petroleum products in Punjab, PRA has moved a summary to the Chief Minister of Punjab for exemption of cess on all petroleum products that are de-bonded in Punjab.

Definition of Value

Section 2

The Bill proposes to substitute the definition of value to means the “value” of goods being imported or exported, as determined by an officer of customs for purposes of the Customs Act, 1969, provided that in case of goods manufactured, produced or consumed in Pakistan, the value shall be determined by reference to the value determined under the Sales Tax Act, 1990 for purposes of levy and payment of sales tax.”

Tax on Imported Cars

The Bill seeks to levy one-time tax on the imported cars registered after 30 June 2016 in the following manner:

S. No.	Category of imported motor car	Tax RS.
(a)	Engine capacity exceeding 1300cc but not exceeding 1500cc	70,000
(b)	Engine capacity exceeding 1500cc but not exceeding 2000cc	150,000
(c)	Engine capacity exceeding 2000cc but not exceeding 2500cc	200,000
(d)	Engine capacity exceeding 2500cc	300,000

Punjab Finance Act, 1973

It is proposed that the registration fee for the vehicles of engine power exceeding 1500 cc but not exceeding 2000cc shall be charged at the rate of 3% of the value of the vehicle instead of the current rate of 2% of the value of vehicle.



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