



KPMG Taseer Hadi & Co.
Chartered Accountants

A brief on Balochistan finance bill 2021

July 2021

—

home.kpmg/pk

Preamble

The Balochistan Finance Bill 2021 was presented in the Balochistan Provincial Assembly on 18 June 2021. We are pleased to summarize our comments containing our interpretation of the proposed legislations 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 2021 subject to approval by the Balochistan Assembly.

This publication is also available on our website.

home.kpmg/pk

02 July 2021

Contents

	Page #
The Balochistan Sales Tax on Services Act, 2015	1
Stamp Act, 1899	3
Applicability of Certain Laws to Tribal Areas	3

The Balochistan Sales Tax on Services Act, 2015

New services included in the list of taxable services

The Finance Bill proposes to extend the scope of tax to six new categories of service providers. Definition of these services is proposed in the Bill and are proposed to be charged to tax at 15%. Related amendments have also been proposed in the First Schedule to the Act. These services and their definitions are enlisted hereunder:

Beaching

Beaching has been proposed by the Bill to include any activity under which a ship, vessel, boat, or any similar structure whether complete, incomplete, damaged or undamaged is moved from sea waters to the shore or grounded in shallow waters for the purpose of cargo/goods loading or unloading, embarkation or disembarkation of persons/passengers, repairs, maintenance, dismantling, braking or for any other similar purposes.

Cab aggregator

Cab aggregator has been proposed by the Bill to mean a person who is an aggregator or operator or intermediary or online market place who canvasses or solicits or facilitates passengers for travel by motor vehicles like taxi, cab, car, van, motorcycle 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 collects any fee, fare, commission brokerage or other charges or consideration for providing or rendering such services.

Online marketplace services

Online marketplace services have been proposed by the Bill to mean an information technology platform run by e-commerce entity or organization over an electronic network that acts as facilitator in

transactions that occur between a buyer and a seller or between a service provider and service recipient.

Pilotage

Pilotage has been proposed by the Bill to mean any activity involving rendering or providing of any service connected with guiding or providing a parking of a ship or vessel in water near the shore and includes toeing of a vessel or ship from mooring to the shore and its anchorage near or on a berth, wharf, or dock.

Site preparation and clearance, excavation and earthmoving and demolition services [Section 2(154A)]

Site preparation and clearance, excavation and earthmoving and demolition services have been proposed by the Bill to mean any services provided or rendered to any person by another person, in relation to site preparation and clearance, excavation and earthmoving and demolition and such other similar activities, including-

- (i) Drilling, boring and core extraction services for construction, geophysical, geological, and similar purposes but not including the services in relation to mining of minerals, oil or gas (as covered under tariff heading 9866.0000) or – landfill, leveling, trench digging, rock removal, blasting, and similar services; or
- (ii) Soil stabilization; or
- (iii) Horizontal drilling or passage of cables or drainpipes; or
- (iv) Land reclamation work; or
- (v) Contaminated topsoil stripping work; or demolition or wracking of building structure or road.

Waste collection, transportation, processing, and management services

Waste collection, transportation, processing, and management service have been proposed by the Bill to mean the services provided in the matters of collection, processing, transportation, disposal, recycling, and management of all kinds of wastes, waste materials and garbage and includes road and street cleaning services, whether manually, mechanically, or otherwise.

Definition of some taxable services already chargeable to tax

The Bill proposes to define three services that were already included in the Second Schedule to the Act but were not defined. Defining these terms are likely to reduce the controversies between the taxpayers and the taxing authority.

Depot for storage including cold storage services

Depot for storage including cold storage services have been proposed by the Bill to mean the facility or space provided or rendered or let out on rent or otherwise for the storage, cold storage or warehousing of goods including those in loft- of liquids and gases, but not including the storage of food grains and fresh vegetables and fruits not subjected to further processing and also not including the storage in public bonded warehouses as defined in clause 125 of Section 2.

Supply of movable property by way of lease, license or similar arrangements

Supply of movable property by way of lease, license or similar arrangements have been proposed by the Bill to mean the services provided or rendered, to any person by another person, by way of lease, license, renting, hire purchase, or similar arrangements wherein usage takes place of machinery, equipment, appliances, and other tangible goods including bulldozers, excavators, road rollers, and levelers, cranes, construction machinery and equipment, earthmoving machinery

and equipment, scaffolding, generators, refrigerators, or in relation to such usage or renting.

Explanation: The Dealers of second-hand goods other than car or automobile, as classified under tariff heading 9806.5000, and also the rent-a-car or automobile rental services, as classified under tariff heading 9819.3000, shall be excluded from the purview of this clause.

Training services

Training services have been proposed by the Bill to mean the training services provided or rendered by any person, institute, or establishment, by whatever name called, for imparting skill or knowledge or lesson on any subject or field, with or without issuance of a certificate, and includes the services of vocational, professional, technical, commercial, or specialized trainings, courses, seminars, workshops, and lectures, imparted for consideration but does not include the services of coaching or training of sports.

Reduced rate for construction services paid out of Federal Consolidated Fund

Construction contracts / services paid out of the Provincial Consolidated Fund are charged to tax at reduced rate of 6% without input tax adjustment. The Bill proposes to extend the benefit of this reduced rate to the projects paid out of Federal Consolidated Fund as well.

Exclusion from charging of tax on repair and maintenance services to of solar and wind energy projects

With a view to promote and facilitate the entities engaged in power generation through wind and solar energy, the Bills seeks to exclude repair and maintenance services of wind and solar power projects from the purview of charging sales tax.

Stamp Act, 1899

In the era of electronic record keeping and processing of documents through digital means, the Bill proposes to introduce the concept of e-stamp and execution of documents using electronic forms. Such provisions are already available in the laws of other provinces of the Country.

Changes in stamp duties

The Bill proposes to rationalize the stamp duties for execution of any work or procuring stores and material under a contract and for gift deeds and hiring agreements.

- Rate of stamp duty for contracts is simplified to Rs. 0.25 for every hundred rupees of the value of the contract as against the existing slab rates.
- For gift deeds, including oral gifts, and hiring agreements related to immovable property of urban areas
 - 0.8% for every hundred rupees of the value of the property
 - If the gift deed is executed between spouses, father, mother, son, daughter, grandson, siblings or from one wife or widow to another wife or widow of the same husband, the rate of stamp duty shall be 0.5% for every hundred rupees of the value of the property.
- The rate of stamp duty in other cases and areas other than urban areas is proposed at 2%.

Rates for stamp duty on mortgage for housing finance and registration of the related instruments have been altered and proposed in the Bill ranging from Rs. 250 to Rs. 1,500 for mortgage and Rs. 200 to Rs. 1,000 for registration of the document.

Applicability of certain laws to tribal areas

In the backdrop of amalgamation of Tribal Areas of Balochistan, the Bill seeks to extend the provisions of the following statutes to these areas.

- West Pakistan Act V of 1958
- West Pakistan Act X of 1958
- West Pakistan Act XXXII of 1958
- West Pakistan Act XXXIV of 1964
- West Pakistan Act I of 1965.

Tribal areas of Balochistan under the Constitution of Pakistan comprise of Zhob district, Loralia district (excluding Duki Tehsil), Dalbandin Tehsil of Chagai District and Marri and Bugti tribal territories of Sibi district.



Offices in Pakistan

Karachi Office

Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi 75530
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

home.kpmg/pk



© 2021 KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.