



KPMG Taseer Hadi & Co.
Chartered Accountants

A brief of Punjab finance bill 2021

June 2021

—

home.kpmg/pk

Preamble

The Punjab Finance Bill 2021 was presented in the Punjab Provincial Assembly on 14 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 Punjab Assembly.

This publication is also available on our website.

home.kpmg/pk

16 June 2021

Contents

	Page #
Significant amendments	1
Punjab motor vehicle taxation Act, 1958	4
Punjab finance act, 1977	4
Punjab infrastructure development cess Act, 2015	5
Punjab urban immovable property Act, 195	5

Punjab sales tax on services Act, 2012

Significant amendments

The Punjab Government presented the budget on 14 June 2021 with a continuous support of tax relief measures including tax relief package of Rs. 50 bn due to Covid – 19 impact on economy.

Major new tax initiatives include:

- Reduction in sales tax on various services.
- Reduction in motor vehicle tax rate by 75% for electric vehicles to promote a green environment.
- Repeal of Punjab Entertainment Duty Act, 1958.

Active taxpayer defined

Section 2 clause (1)

The Bill seeks to introduce definition of “active taxpayer” to mean a registered person:

- whose registration has not been suspended or blacklisted by the Authority; and
- who has filed his tax return for at least one of the preceding three consecutive tax periods;

Standard rate defined

Section 2 clause (41A)

The Bill seeks to introduce definition of standard rate which is sixteen percent (16%).

Option to charge tax at standard rate introduced

Section 10A

The sales tax on services operates on VAT mode, however where the sales tax rate on chargeable services is below the standard rate, input tax adjustment is not allowed.

The Bill proposes to insert a new section 10A through which a registered person, with the permission of the Authority, can opt for standard rate where the said person is providing / rendering the chargeable services at reduce rate subject to such conditions, restrictions and limitation as may be specified by the Authority.

It is further proposed that the aforesaid permission is irrevocable except where exemption is allowed by the Authority.

It is further proposed to be clarified that the Authority will withdraw the permission granted, after providing opportunity of being heard, in case the registered person misuse the option.

This is welcome amendment and provide facilitation to the registered person to opt or not to opt applicable sales tax regime according to their business need.

Offence and penalties – new entry introduced

Section 48

Section 48 prescribe penalties for various offences mentioned in the said section.

The Bill seeks to introduce entry 21 in section 48 whereby a registered person shall be liable to pay a penalty of Rs. 10,000 per invoice or 10% of invoice amount whichever is higher in relation to an offence of charging excess sales tax rate as against provided in the Second Schedule.

Decision in appeal

Section 65

Section 65 inter-alia provides the manner in which the appeal filed with the Commissioner (Appeals) could be decided through an order.

Sub section 7 of section 65 provides that where the Commissioner (Appeals) has not made an order within 180 days from the end of the month in which the appeal was lodged, the Commissioner (Appeals) shall transfer his appeal to the Appellate

Tribunal and the Tribunal shall decide the appeal as if it has been filed against the order of the Commissioner (Appeals).

Sub section 8 of section 65 provides that the Commissioner (Appeals) shall attach his comprehensive report explaining the circumstances and reasons due to which the appeal could not be decided within time.

The Bill seeks to omit the sub section 7 & 8 of section 65.

Amendments in Second schedule

New category of insurance agent and insurance broker introduced - serial No. 7

Presently, services provided by insurer and re-insurer are chargeable to sales tax under serial 7 of the Second Schedule.

The Bill seeks to insert the new category of insurance agent and insurance broker under the aforesaid serial No. with proposed rates.

The existing and revised rate of serial No. 7 is given below.

S. No	Description	Existing rate	Proposed rate
7	<p>Services provided in respect of insurance to a policy holder by an insurer, including a re-insurer for:</p> <p>(a) fire insurance;</p> <p>(b) goods insurance;</p> <p>(c) health insurance;</p> <p>(d) life insurance;</p> <p>(e) marine insurance;</p> <p>(f) theft insurance; and</p> <p>(g) any other insurance.</p> <p>EXCLUDING:</p> <p>(a) marine insurance for export; and</p> <p>(b) crop insurance</p>	<p>(a) Zero % without input tax adjustment for Health insurance for individuals;</p> <p>b) 16 % of gross Premium paid, for others.</p>	<p>(a) Zero % without input tax adjustment for Health insurance for individuals;</p> <p>aa) 5% for insurance agent and insurance broker</p> <p>b) 16 % of gross Premium paid, for others.</p>

Payment through mobile wallet and QR scanning also allowed reduced rate - serial No. 11

Currently, services provided by restaurant including café, foods etc. is chargeable to sales tax at 5% without input tax adjustment provided payment of these services is received through debit or credit card. In other cases, 16% sales tax would apply.

The Bill seeks to extend the payment scope to include mobile wallets or QR scanning in its ambit to avail the benefit of reduce rate of 5% sales tax.

Brokerage / commission in respect of home chef allowed reduced rate - serial No. 40

Presently, brokerage (other than stock) and indenting services including commission agents, under-writers and auctioneers is chargeable to sales tax at standard rate i.e.16% with an exception of chargeability of 5% (without input tax adjustment) in case of services provided for agricultural produce.

The Bill seeks to add brokerage / commission services in respect of Home Chef under the ambit of sales tax through insertion in serial No. 40 at the rate of 5% subject to no input tax adjustment.

Sales tax reduced on call center services - serial No. 41

Presently, the call center services are chargeable to sales tax at 19.5%

The Bill seeks to reduce the sales tax rate on call center services from 19.5% to 16%.

Services provided for inland carriage of goods - serial No. 48

Currently, the serial No. 48 limits the scope of taxable services to inter-city carriage of goods through rail or road.

The Bill seeks to widen the scope of above entry by omitting the term "inter-city", meaning thereby that both intra city and inter city services pertaining

to carriage of goods fall under the ambit of sales tax.

Reduction in sales tax rate

The Bill proposes reduction in in sales tax rates on various services tabulated as follows:

S. No	Description	Existing rate	Proposed rate
18	Services provided for personal care by beauty parlors, salons, clinics, slimming clinics, spas (including saunas, Turkish baths and Jacuzzi) and similar other establishments. EXCLUDING: Services provided in a parlour, salon or clinic where the facility of air-conditioning is not installed or is not available in the premises on any day of the financial year.	(a) 5% without input tax adjustment where payment against services is received through debit or credit cards (b) 16% for others.	5 % without input tax adjustment.
33	Services provided by fashion designers including use of brand name, logo or house mark (whether or not registered) in the manufacturing or trading of products whether relating to textile, leather, jewellery or other product regimes including allied services such as cutting, stitching, printing, manufacturing, fabrication, assembly, embellishment, adornments, display (including marketing, packing and delivery etc.	16%	5 % without input tax adjustment.
34	Services provided by architects, town planners, landscapers, landscape designer, and interior decorators	16%	5 % without input tax adjustment.

S. No	Description	Existing rate	Proposed rate
	and interior designers		
44	Services provided by laundries and dry cleaners.	16%	5 % without input tax adjustment.
50	Services in relation to supply of tangible goods including machinery, equipment and appliances for use, without transferring right of possession and effective control of such machinery, equipment and appliances.	16%	5 % without input tax adjustment.
61	Services provided by warehouses or depots for storage or cold storages including letting of space for storages. Excluding: Storage of agriculture produce for the person's own consumption.	16%	5 % without input tax adjustment.
64	Dress designing and stitching services.	16%	5 % without input tax adjustment.
65	Rental of bulldozers, excavators, cranes, construction equipment, Scaffolding, framework and shuttering, generators, storage containers, Refrigerator, shelf or rack renting, etc	16%	5 % without input tax adjustment.

New service introduced

Entertainment services - serial No. 70

The Bill propose to introduce entry 70 whereby entertainment services in relation to cinemas, theatres, concerts, circus, sports events, races, adjustment" film, fashion shows and mobile stage

shows are to be taxed at zero% without input tax adjustment.

Punjab motor vehicle taxation act, 1958

The Bill proposes to withdraw reduction by 75% in motor vehicle tax on ten years old motor vehicles and introduce the above reduction of tax on electric motor vehicles till 30 June 2022.

The Bill propose following relief measures with respect to Punjab Motor Vehicles Tax for financial year 2021-22:

- discount equal to five percent of the tax being paid shall be allowed on payment of tax through e-payment system
- following are the relaxation being proposed for financial year 2021-2022 from imposition of penalty:

Section	Existing Penalty	Proposed Penalty
9	Penalty to the extent of twice amount of tax as per the schedule.	i. 10% rebate if paid in first quarter. ii. If paid in second quarter amount of annual tax without any rebate. iii. if paid in third and fourth quarter amount of annual tax with the penalty of twice the amount of tax as per the schedule.

Punjab finance act, 1977

Serial No. 3 of Second schedule

Tax on persons engaged in professions, trades, callings or employments is charged with reference to Second Schedule of Punjab Finance Act, 1977.

The Bill proposes to substitute serial No. 3 of the Second Schedule of Punjab Finance Act, 1977. However, we have noted that the substituted entry is similar to existing entry which appear to be a mistake and may be rectified in the Act.

Just for sake of comparison, propose and existing rates under serial No. 3 is tabulated below:

Sr. No.	Class of Persons	Rate of Tax	
		Existing	Proposed
3	Persons other than companies owning commercial establishments having 10 or more employees		
i.	a) Within Metropolitan and Municipal Corporation limits	6,000	6,000
	b) Others	4,000	4,000
ii.	All other commercial establishments other than wholesalers and retailers	2,000	2,000

Serial No. 6 of Second schedule

Through this bill the term "Motor Car" is proposed to be substituted with the term "Motor Vehicle" in category (vii) sub-category "d" of serial No. 6 of the Second Schedule relating to tax on Motor Car Dealers.

There is no change in the rate of tax, however, apparently the above amendment will increase the scope of chargeability of tax on dealers pertaining to vehicles other than cars.

Serial No. 11 of Second schedule

The Bill proposes to introduce a new entry i.e. entry 11 in the Second Schedule wherein a tax of Rs. 200 has been levied on every person who is engaged in trade, calling or employment and was assessed to pay income tax during the preceding financial year.

Punjab infrastructure development cess Act, 2015

Goods being exported from Punjab and goods manufactured, produced or consumed in Punjab are exempt from levy of Punjab Infrastructure Development Cess. The Bill proposes to introduce exemption from levy of Punjab Infrastructure Development Cess on goods exempted by Federal Government from payment of duties and taxes for import.

Punjab urban immovable property Act, 1958

The Bill propose following relief measures with respect to Punjab Urban Immovable Property Tax for financial year 2021-22:

- discount equal to five percent of the tax being paid shall be allowed on payment of tax through e-payment system
- option has been provided to assessee to pay tax on yearly basis or half yearly basis or such later date as Government may determine.

- following are the relaxation being proposed for financial year 2021-2022 from imposition of surcharge / allowing rebate:

Sr. No.	Section	Existing surcharge	Proposed rebate / surcharge
3	12(3)	Late payment surcharge at one percent on monthly basis from 31 October of the financial year.	i. 5% rebate if paid in first quarter. ii. If paid in second quarter amount of annual tax without any rebate. iii. if paid in third and fourth quarter amount of annual tax with one percent monthly surcharge on gross amount of tax payable.



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.