

A
BILL

to levy, alter and rationalize certain taxes, fees and duties in the Punjab.

It is necessary in public interest to levy, alter and rationalize certain taxes, fees and duties in the Punjab; and, to deal with 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 2015.

(2) It extends to whole of the Punjab.

(3) It shall come into force on the first day of July 2015.

2. Amendment in Act II of 1899.— In the Stamp Act, 1899 (*II of 1899*), in section 27-A, in subsection (1), for the expression “Articles 23, 27-A, 31 or 33”, the expression “Articles 23, 27-A, 31, 33 or 63” shall be substituted.

3. Amendment in Act VI of 2010.—In the Punjab Finance Act 2010 (*VI of 2010*), in section 6, in subsection (5), in clause (a), the words “and the value of which exceeds one million rupees” shall be omitted.

4. Amendment in Act XV of 2011.—In the Punjab Finance Act 2011 (*XV of 2011*), section 7 shall be omitted.

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

(1) in section 2:

(a) for clause (1), the following shall be substituted:

“(1) “Additional Commissioner” means a person appointed as Additional Commissioner of the Authority;

(2) “Appellate Tribunal” means the Appellate Tribunal established under the Punjab Revenue Authority Act 2012 (*XLIII of 2012*);”;

(b) after clause (26), the following clause (26A) shall be inserted:

“(26A) “non-banking financial institution” includes a company licensed by the Securities and Exchange Commission of Pakistan to carry out any one or more of the following forms of business:

(i) investment finance services;

(ii) leasing;

(iii) housing finance services;

(iv) venture capital investment;

(v) discounting services;

- (vi) investment advisory services;
 - (vii) asset management services; and
 - (viii) any other form of business which the Federal Government may, from time to time, by notification in the official Gazette specify;"; and
- (c) after clause 42, the following clause (42A) shall be inserted:
 - "(42A) "taxpayer" means any person who, in the course of an economic activity, provides taxable services for consideration;";
- (2) in section 3, after subsection (5), the following subsection (6) shall be inserted:
 - "(6) The services mentioned in the First Schedule are not exhaustive and all the services mentioned in the Second Schedule, rules and circulars shall be taxable services.";
- (3) in section 10, after subsection (4), the following subsection (5) shall be inserted:
 - "(5) For purposes of subsection (4), the amount of tax entitled to be deducted shall not include any amount of additional tax, default surcharge, fine, penalty or fee imposed or charged under the Act.";
- (4) in section 32, in subsection (1), for the word "five", the word "six" shall be substituted;
- (5) in section 33, in subsection (1), after the words "the records maintained", the words "or obtained" shall be inserted;
- (6) in section 34:
 - (a) for subsection (1), the following shall be substituted:
 - "(1) The Authority may, by notification in the official Gazette, appoint a Chartered Accountant as defined under Chartered Accountants Ordinance, 1961 (*X of 1961*) or a firm of Chartered Accountants or a Cost and Management Accountant within the meaning of the Cost and Management Accountants Act, 1966 (*XIV of 1966*), or a firm of Cost and Management Accountants or a person or a firm having expertise in forensic audit, for conducting a special audit or forensic audit or both of the records of any registered person.";
 - (b) after subsection (3), the following subsection (3A) shall be inserted:
 - "(3A) The Authority may require that such officers of the Authority as the Authority may

nominate, shall be associated in the special audit or the forensic audit conducted under subsection (1) and the Authority may also get the special audit or the forensic audit conducted jointly with similar audit of a registered person being conducted by FBR or any other provincial administrations of sales tax on services.";

(7) in section 35, in subsection (6), for the words "A registered person may", the words "Subject to rules, a registered person may" shall be substituted;

(8) in section 48, in subsection (2), in the TABLE:

(a) at S.No.1:

(i) in column 3, for the words "shall be ten thousand rupees the words "for a company shall be one hundred thousand rupees and for a person, other than a company, shall be fifty thousand rupees" shall be substituted; and

(ii) in column 4, for the figure "25", the expression "25 and 27" shall be substituted;

(b) for S.No.5, the following shall be substituted:

S.No.	Offences	Penalties	Section
"5.	Where a person, without any reasonable cause, fails to produce the record or information despite receipt of a notice from the Authority or any officer of the Authority directing him to produce such record or information.	Such person shall pay a penalty of twenty five thousand rupees for the first default and fifty thousand rupees for each subsequent default.	30, 32, 53 and 57"

(c) at S. No. 10, in column 4, for the existing entry, the expression "General and section 59" shall be substituted;

(9) in section 57:

(a) for subsection (2), the following shall be substituted:

"(2) An officer conducting an audit, enquiry, investigation or otherwise for the purposes of the Act or the rules may require in writing any person to furnish any information as is held by the person."; and

(b) in subsection (3), after the words, "the Authority", the words "or an officer authorized by the Authority" shall be inserted;

(10) after section 87, the following sections 88 and 89 shall be inserted:

"88. Prize schemes to promote tax culture.— The Authority may, with the approval of the Government, prescribe prize schemes to encourage the general public to make purchases only from registered persons issuing tax invoices.

89. Reward to whistleblowers.— (1) The Authority may, with the approval of the Government, sanction reward to a whistleblower.

(2) The Authority may, by notification, prescribe the procedure in this behalf and also specify the apportionment of reward sanctioned under this section for a whistleblower.

(3) The claim for reward by the whistleblower shall be rejected if—

- (a) the information provided is of no value;
- (b) the Authority already had the information;
- (c) the information was available in public records; or
- (d) no collection of tax is made from the information provided by a whistleblower.

(4) Where, after providing an opportunity of being heard, it is found that a whistleblower has provided false, misleading or frivolous information, he shall be liable to a penalty of one hundred thousand rupees.

(5) In this section, 'whistleblower' means a person who reports concealment or evasion of tax or tax fraud leading to detection or collection of the tax.”;

(11) in Second Schedule:

(a) in the TABLE, in the caption, in column 3, for the word "Classification", the expression "Classification, if applicable" shall be substituted;

(b) at S.No.1:

(i) in column 2, after the word “caterers”, the words “(including all ancillary or allied services such as floral or other decoration, furnishing of space whether or not involving rental of equipment and accessories)” shall be inserted; and

(ii) in column 3, for the word `and', a comma shall be substituted and after the figures "9862.0000", the expression "and respective headings" shall be inserted;

(b) at S.No.2, in column 2, for paragraph (b), the following shall be substituted:

- “(b) financed out of funds provided by a Government under an agreement of foreign grant-in-aid;”
- (c) at S.No.4, in column 2, after the word "including", the expression “express cargo or logistic services or” shall be inserted;
- (d) at S.No.13:
- (i) in column 2, after the words "intellectual property rights services", the words “and licensing services” shall be inserted;
- (ii) in column 3, for the existing entries, the following shall be substituted:
"9823.0000, 9839.0000 and respective headings”;
- (e) at S.No.14, in column 2, under the caption "EXCLUDING:", for the existing entries, the following shall be substituted:
- "(i) Where the tax is otherwise paid by registered persons as property developers, builders or promoters for building construction; or
- (ii) Where the construction work is funded under an agreement of foreign grant-in-aid or involves construction of consular buildings; or
- (iii) Government civil works including those of Cantonment Boards; or
- (iv) Residential construction projects where the covered area does not exceed 10,000 square feet for a house and 20,000 square feet for an apartment except where construction services are provided to construct more than one house or more than one apartment building."
- (f) at S.No.15, in column 2, for the existing entries, the following shall be substituted:
“Services provided by property developers, builders and promoters (including their allied services) excluding actual purchase value or documented cost of land.”;
- (g) at S.No.18:
- (i) in column 2, for the existing entries, the following shall be substituted:
“Services provided for personal care by beauty parlors, salons, clinics, sliming clinics, spas (including saunas, Turkish baths and Jacuzzi) and similar other establishments including

cosmetic and plastic surgery and hair transplants.

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.”; and

- (ii) in column 3, after the existing entries, the expression "and 9815.7000 and respective headings" shall be inserted;
- (h) at S.No.21, in column 4, for the figures "400", the figures "1000" shall be substituted;
- (i) at S.No.22:
 - (i) in column 2, for the existing entry, the following shall be substituted:

"Information technology-enabled or information technology based services including software development, software customization, software maintenance, system support, system assembly, system integration, system designing and architecture, system analysis, system development, system operation, system maintenance, system up-gradation and modification, data warehousing or management, data entry operations, data migration or transfer, system security or protection, web designing, web development, web hosting, network designing, services relating to enterprise resource or management planning (including marketing of products), development and sale of smart phone applications or games, graphics designing, medical transcription, remote monitoring, telemedicine, insurance claim processing, online retrieval and database access or retrieval service."; and
 - (ii) in column 3, after the figure "9815.6000", the words "and respective headings" shall be inserted;
- (j) at S.No.24:
 - (i) in column 2:

“Services provided by other consultants (by whatever name called or treated, whether as consultant or otherwise) including human resource and personnel development services, exhibition or convention services, event management services (whole range and variety of their services regardless of separate or individual classification thereof), valuation services,

evaluation services (including competency and eligibility testing services), certification, verification and equivalence services, market research services, marketing or sales services (including marketing agencies and on line marketing or sales services), surveyors services, training or coaching services (other than general education services) and credit rating services.”; and

(ii) in column 3, after the existing entries, the expression ", 9825.0000, 9819.5000, 9849.0000, 9818.9000, 9853.0000, 9856.0000 and respective headings" shall be inserted;

(k) at S.No.30:

(i) in column 2, for the existing entries, the following shall be substituted:

“Services provided by a registrar to an issue, share transfer or depository services including services provided through manual or electronic book-entry system used to record and maintain securities and to register the transfer of shares, securities and derivatives (including investor account services, trustee or custodial services, share registrar services and their allied or connected services).”; and

(ii) in column 3, for the existing entries, the following shall be substituted:

"9819.9500, 9819.9090 and respective headings";

(l) at S.No.33:

(i) in column 2, after the words "fashion designers", the words "including use of brand name, logo or house mark (whether or not registered) in the manufacturing or trading of products" shall be inserted; and

(ii) in column 3, after the existing entries, the expression ", 9839.0000 and respective headings" shall be inserted;

(m) at S.No.34:

(i) in column 2, after the words "town planners", the expression "landscapers, landscape designers" shall be inserted; and

(ii) in column 3, after the figure "9814.9000", the expression ", 9814.4000 and respective headings" shall be inserted;

(n) at S.No.35:

(i) in column 2, after the words "rent-a-car", the expression "(including renting of all categories of

vehicles meant for transportation of persons)" shall be inserted; and

- (ii) in column 3, for the existing entry, the expression "9819.3000 and respective headings" shall be inserted;
- (o) at S.No.42, in column 2, for the words "for patients", the words "exclusively for medical treatment purposes" shall be substituted; and
- (p) after S.No.46, in columns 1 to 4, the following entries shall be inserted:

S. No.	Description	Classification, if Applicable	Rate of Tax
(1)	(2)	(3)	(4)
"47	Services in relation to transport of goods other than water, through pipeline, conduit or any other medium (other than inland carriage of goods by road otherwise taxable or chargeable to tax as such).	Respective headings	Sixteen percent
48	Services provided by persons for inter-city carriage of goods by rail or road. EXCLUDING: Services provided by an individual owner of a vehicle for carriage of goods.	98.04, 9804.2000, 9804.9000 and respective headings	Sixteen percent
49	Visa processing services including advisory or consultancy services for foreign education or for migration, visa application filing, services provided by document collection centres and subsequent assistance in visa processing (including all ancillary services).	Respective headings	Sixteen percent
50	Services in relation to supply of tangible goods including machinery,	Respective headings	Sixteen percent

	equipment and appliances for use, without transferring right of possession and effective control of such machinery, equipment and appliances.		
51	Public relation services including communication services and services provided by public relations or media management businesses, communication specialists, media researchers, and services provided by opinion poll agencies.	9819.9200 and respective headings	Sixteen percent
52	Services provided by accountants (including practicing chartered or cost accountants), auditors, actuaries, tax consultants (by whatever name called), practicing company secretaries, receivers, liquidators, auctioneers and corporate law consultants, whether individual or otherwise.	9815.2000 9815.3000 9850.0000 9851.0000 9855.0000 and respective headings	Sixteen percent
53	Domestic transportation of goods by air (other than courier services otherwise taxable or chargeable to tax as such)	Respective headings	Sixteen percent
54	Facilities for travel (by air): (a) services provided or rendered in respect of travel by air of passengers embarking from the Punjab for air travel or journey within the territorial jurisdiction of Pakistan: (i) long routes	9803.1000 9803.1100	Rs.2500 per ticket

	<p>(ii) short routes</p> <p><i>Explanation.-</i> For the purpose of this entry, “long routes” means journeys exceeding 500 kilometres, and “short routes” means the remaining journeys.</p> <p>(b) Services provided or rendered in respect of travel by air of passengers embarking from the Punjab for international air travel or journey:</p> <p>(i) economy and economy plus</p> <p>(ii) club, business and first class.</p> <p>EXCLUDING:</p> <p>Air travel services provided to Hajj or Umrah passengers, diplomats and supernumerary crew.</p>		<p>Rs.1500 per ticket</p> <p>Rs.5000 per ticket</p> <p>Rs.10,000 per ticket</p>
55	Chartered flight services within or originating from the Punjab.	9803.1000 9803.9000	Sixteen percent
56	Debt collection and similar other recovery services.	9863.0000	Sixteen percent
57	Supply chain management or distribution (including delivery) services.	Respective headings	Sixteen percent
58	Services provided by photography studios and event or occasion photographers/film-makers	9819.7000 and respective headings	Sixteen percent

	EXCLUDING: Non-corporate (individual) photographers operating from small road-side shops declared as such by the Authority.		
59	Sponsorship services.	9805.9100	Sixteen percent"

STATEMENT OF OBJECTS AND REASONS

1. The Stamp Duty on the instruments of transfer of lease hold rights is charged on the value of property declared by the parties. Valuation table notified by the District Collector under Section 27-A of the Stamp Act, 1899 is not reflected in Article 63 of Schedule-I of ibid Act. In order to ensure the actual value of property as per Valuation Table and to secure the loss, it is proposed that Article 63 of Schedule-I may be included in section 27-A of ibid Act.

2. Currently, immoveable property in urban areas valuing one million rupees is exempt from Capital Value Tax (CVT). This exemption on CVT is being widely misused by splitting the transactions to avoid taxation. Hence, it is proposed to do away with the said exemption. This will bring progressivity in CVT and enhance equity on taxation on the immoveable property transactions.

3. Education Cess on Clubs was levied through Punjab Finance Act, 2011, while Punjab Revenue Authority (PRA) also started collection of sales tax @ 16% on clubs since July, 2012 through an enactment. However, in order to avoid dual taxation of clubs by both Excise & Taxation Department and PRA the Government has decided to abolish Education Cess on clubs to prevent hardships to such clubs.

4. In recent years Punjab Revenue Authority (PRA) has emerged as a "success story" for the Punjab government. Based upon the operational experience so far gained by PRA, some technical amendments have been proposed in the Punjab Sales Tax on Services Act, 2012. The technical amendments covers the issues relating to the concept of forensic audit, harmonization of record maintenance provisions with the Federal Board of Revenue, rationalization of pecuniary penalties for non-compliance of provisions relating to compulsory registration and provision of information, introduction of prize schemes for the general public and rewards to whistleblowers. The amendments will work to further smoothen the application of the said Act to increase efficiency of PRA along with facilitation of the taxpayers.

5. In order to plug compliance gaps arising out of the diversities of services tax tariff interpretations, descriptions of several taxable services

along with classifications have been rationalized so that taxability issues in matching or comparative service regimes may be resolved. Some statutory exemption threshold criteria have been rationalized to forestall escape from tax liabilities in case of services which have traditionally remained out of tax net and are still reluctant to start compliance. With these changes, the disputes relating to services provided by consultants, information technology-based/enabled services, franchise services, share transfer agents and taxability of several allied services of taxable services of principal business domain, shall be resolved amicably. Besides, services provided through pipeline or conduit, inter-city carriage of goods and visa consultancy services which were being partially taxed as part and parcel of taxable services of other business domains have been separately enumerated.

6. Besides, ten new such services have been included under the tax net. These services include Public relations services, services provided by chartered accountants, auditors, corporate law consultants etc., air travel and transportation of goods by air (previously being taxed by the Federal Government), chartered flights, hiring of equipment and machinery services, debt collection services, supply chain management services, photography services and sponsorship services. Inclusion of these new services will further bring equity to the Punjab sales tax base and also harmonize the service tax system of Punjab with other Provinces. Hence this Bill.

FINANCE MINISTER