

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 2016.

(2) It extends to whole of the Punjab.

(3) It shall come into force on the first day of July 2016.

2. Amendment in Act II of 1899. – (1) In the Stamp Act, 1899 (II of 1899):

(a) in section 27-A, in subsection (1), for the expression Articles 23, 27-A, 31, 33 or 63”, the expression “Articles 23, 27-A, 31, 33, 48(b), 48(bb), 63 or 63-A” shall be substituted;

(b) in section 29:

(i) in clause (f), the word “and” shall be omitted;

(ii) in clause (g), for the full stop, a semi colon shall be inserted; and

(iii) after clause (g), as amended, the following new clauses (h), (i), (j) and (k) shall be inserted:

“(h) in the case of a contract chargeable with stamp duty under Article 22-A of Schedule I, the stamp duty shall be payable by the contractor in whose favour the instrument is executed;

(i) in the case of a decree, rule of a court or an order of a court chargeable with stamp duty under Article 27-A of Schedule I, the stamp duty shall be paid by the beneficiary of the decree, rule or order;

(j) in the case of a gift chargeable with stamp duty under Article 33 of Schedule I, the stamp duty shall be paid by the person in whose favour the instrument is executed; and

(k) in the case of transfer of right or interest relating to an immovable property chargeable with stamp duty under Article 63-A of Schedule I, the stamp duty shall be paid by the person in whose favour the transfer of the right or interest relating to an immovable property is made.”.

(2) In Schedule I, at Sr. No. 48:

(a) in clause (b), for the words “Three percent of the amount of the consideration”, the words “Three percent of the amount calculated according to the value notified by the District Collector” shall be substituted; and

(b) in clause (bb), for the words “Twelve hundred rupees”, the following shall be substituted:

“(a) Twelve hundred rupees in case the Power of Attorney is executed between spouses or between one wife or widow and another wife or widow of the same husband, or between father, mother, son, daughter, grandparents, grandchildren or siblings; and

(b) two percent of the value calculated according to the value notified by the District Collector in all other cases.”.

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

(a) in section 2, after clause (a), the following new clause (aa) shall be inserted:

“(aa) “buildings and lands” include vacant plots or a parcel or portion thereof having fixed boundaries intended for specific purpose including residential, commercial or industrial use.”;

(b) in section 4:

(i) in clause (d), the following Explanation shall be inserted and shall be deemed always to have been so inserted:

“Explanation.— The expression “buildings and lands or portions thereof”

shall mean the buildings and lands or portions thereof owned by the Government or by a body owned or controlled by the Government.”;

(ii) for clause (i), the following shall be substituted:

“(i) One residential house or vacant plot, measuring an area not exceeding five marla, used or to be used for residential purpose except a residential house or vacant plot with annual value of more than five thousand rupees situated in a part of a rating area and categorized as category-A area.”; and

(iii) after clause (i), the following clause (j) shall be inserted:

“(j) a vacant plot whose possession is handed over to the owner for the first time and remains vacant or without construction for a period not more than two years from date of delivery of possession.

Explanation.– If possession is handed over to any owner, the period of two years shall be reckoned from that date even if the plot is transferred to a subsequent owner.”;

(c) in section 5-A, for the full stop, a semi colon shall be substituted and thereafter, the following proviso shall be inserted:

“Provided that the annual value of a vacant plot shall be in accordance with the valuation table notified for respective locality of the rating area.”; and

(d) after section 16, the following section 16-A shall be inserted:

“16-A. Registering authority to ensure payment of tax.– The authority responsible for registering an instrument of sale, gift or exchange of immovable property shall not register the instrument unless it is satisfied that the outstanding tax has been paid.”.

4. Amendment in Act X of 1958.– In the Punjab Entertainment Duty Act, 1958 (X of 1958), in section 3-A, in the Table, at Sr. No.2, in column 2, for the word “Circus”, the words “Circus, well of death, swings and magic shows” shall be substituted.

5. Amendment in Act XXXII of 1958.– In the Punjab Motor Vehicles Taxation Act, 1958 (XXXII of 1958):

(1) in section 3:

(a) in subsection (1), for the full stop at the end, a colon shall be substituted and thereafter, the following provisos shall be added:

“Provided further that if so opted by the owner of a tricycle propelled by mechanical power (motor rickshaws), the tax may be paid in lump sum once for all at the rate specified in the Schedule of this Act.

Provided further that if so opted by the owner of a motor vehicle having engine capacity exceeding 1000cc but not exceeding 1300cc, the tax may be paid in lump sum for a period of three years at the rate specified in the Schedule of this Act.”;

(b) in subsection (3), for the word “July”, the word “August” shall be substituted;

(2) in section 4, in subsection (2), in the Table, after Sr. # 6, in columns 1 to 3, the following entries at Sr. # 7 shall be inserted:

“7.	For periodic lump sum payment of the motor vehicle.	At any time”
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(3) in the Schedule, at S.No.3, in clause (a), in column 3, for the expression “Rs.400/-”, the expression “Rs.400/- per annum or Rs.3,000/- lump sum once for all if so opted by the owner” shall be substituted.”.

6. Amendment in Act of XIV of 1973. In the Punjab Finance Act, 1973 (XIV of 1973), in Second Schedule, in Serial No. 9, in clause (c), for paragraph (ii), the following shall be substituted:

“(ii)	exceeding 1000cc but not exceeding 1500cc	2% of the value of the vehicle
(iia)	exceeding 1500cc but not exceeding 2000cc	3% of the value of the vehicle”

7. Amendment in section 6 of Act VI of 2010.—In the Punjab Finance Act, 2010 (VI of 2010), in section 6:

- (a) in subsection (3), the words “or power of attorney” shall be omitted; and
- (b) in subsection (4), clause (c) shall be omitted.

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

- (a) in section 10, subsection (4) shall be omitted;
- (b) in section 14, after subsection (2), the following subsection (3) shall be inserted:

“(3) Where a person or class of persons is required to withhold or deduct full or part of the tax on the provision of any taxable service or class of taxable services and either fails to withhold or deduct the tax or having withheld or deducted the tax, fails to deposit the tax in the Government treasury, such person or class of persons shall be personally liable to pay the amount of tax to the Government in the prescribed manner.”;

- (c) for section 16, the following shall be substituted:

“16. Deduction and adjustment of tax on inputs to the business.— (1) A person required to pay tax under this Act shall be entitled to deduct from the payable amount, the amount of tax payable or already paid by him on the receipt of taxable services exclusively used in connection with the taxable services he provides, subject to the condition that he holds a true and valid tax invoice not older than six tax periods, showing the amount of tax charged under the Act on the services so received, but the Authority may disallow or subject to additional conditions may restrict such deduction in cases or with respect to taxable services or goods specified in section 16A or section 16B or the rules.

(2) The Authority may, subject to section 16A or section 16B or to such conditions and restrictions as may be prescribed, allow registered persons to claim adjustments or deductions, including refunds arising as a result thereof, in respect of the tax paid or payable under any other law in respect of any taxable service or goods or class of

taxable services or goods used in connection with the taxable services such persons provide.

(3) For purposes of subsection (2), the Authority may adopt the principles or concepts laid down in such other law in respect of adjustments, deductions or refunds including zero-rating principle.

(4) For purposes of subsections (1) and (2), the amount of tax to be deducted or adjusted shall not include any amount of additional tax, default surcharge, fine, penalty or fee imposed or charged under this Act or any other law.”

- (3) after section 16, the following sections 16A and 16B shall be inserted:

“16A. Certain transactions not admissible.– (1) Subject to subsection (1), notwithstanding anything contained in this Act or any other law for the time being in force, payment of the tax amount for a transaction exceeding value of fifty thousand rupees, shall be made by a crossed cheque drawn on a bank or by crossed bank draft or crossed pay order or any other crossed banking instrument showing transfer of the amount of the sales tax invoice in favour of the service provider from the business bank account of the service recipient.

(2) 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.

(3) The service recipient shall not be entitled to claim input tax credit, adjustment or deduction, or refund, repayment or zero-rating of tax under this Act if payment for the amount is made otherwise than in the manner prescribed in subsection (1), provided that payment in case of a transaction on credit is transferred within one hundred and eighty days of issuance of the tax invoice.

(4) The amount transferred in terms of this section shall be deposited in the business bank account of the service provider; otherwise, the service provider shall not be entitled to claim input tax credit, adjustment or deduction, or refund, repayment or zero-rating of tax under this Act.

Explanation.- For purposes of this section, the term "business bank account" means a bank account utilized by the registered person for business transactions, declared to the Authority in the prescribed manner."

16B. Tax credit not allowed.- (1) Notwithstanding anything contained in this Act or the rules, a registered person shall not be entitled to claim input tax adjustment in respect of:

- (a) capital goods (plant, machinery, equipment and others) not exclusively useable or used in providing taxable services;
- (b) goods and services already in use on which the tax is not paid, or, where paid, the input adjustment has been taken before the commencement of the Act or where the input related goods and services were purchased or acquired before such commencement;
- (c) utility bills not in the name of registered person with reference to his registered premises unless evidence of consumption is produced in the matter of such claims;
- (d) 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;
- (e) carry forward of the input tax adjustment relating to the period prior to the commencement of the Act;
- (f) 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;

- (g) goods and services liable to a tax rate lesser than sixteen per cent of the charges or to a specific rate of tax not based on value when used for providing or rendering any service;
- (h) goods and services used or consumed in a service liable to a rate of tax lesser than the sixteen per cent of the charges or to a specific rate of tax not based on value;
- (i) vehicles including three and two wheelers;
- (j) food, beverages, garments, fabrics or others and consumption on entertainment, amusement, recreation or enjoyment;
- (k) gift and giveaway;
- (l) goods or services used or to be used for any purpose other than for taxable supplies made or to be made by him;
- (m) goods and services acquired for personal or non-business consumption;
- (n) goods and services not related to the taxable supplies made by the registered person;
- (o) goods and services in respect of which input tax adjustment is barred under the respective federal and provincial sales tax law;
- (p) 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;
- (q) from the date to be notified by the Authority, such goods and services which, at the time of filing of return by the buyer, have not been declared by the supplier in his return;
- (r) further tax, extra tax and value addition tax levied under the Sales Tax Act, 1990,

and the rules or notifications issued thereunder;

- (s) goods used in, or permanently attached to, immoveable property, such as building and construction material, paints, electrical and sanitary fittings, pipes, wires, cables, glass products and furniture, furnishings, office equipment, excluding those directly used in the economic activity of registered persons paying sales tax at a rate of not less than sixteen per cent; and
- (t) such goods or services as are notified or specified by the Authority to be inadmissible for input tax adjustment.

(2) No person other than a registered person shall make any deduction or reclaim input tax in respect of taxable services made or to be made by him.

(3) Notwithstanding anything contained in any other law for the time being in force or any decision of any court, for purposes of this section, no input tax credit shall be allowed to the persons who paid fixed tax under any provisions of this Act or under the respective federal or provincial sales tax law.”;

- (d) in section 35, after subsection (1), the following subsection (1A) shall be inserted:

“(1A) A statement, in the prescribed manner, filed by a person who is only obliged to withhold or deduct tax, shall be treated as a return of that person, provided that such a statement shall not be a substitute for the return required to be filed by a person providing taxable services.”;

- (e) in section 48, in subsection (2), in the Table, in S.No.2, in column 3, for the word “five”, the word “ten” and for the word “hundred”, the words “two hundred” shall be substituted;
- (f) In section 60, in subsection (1), in clause (b), the expression “exceeds one million rupees, but” shall be omitted;

- (g) in section 70, in subsection (1), after the words "the officer of the Authority", the expression "appointed under section 39" shall be inserted;
- (h) in First Schedule, at 9809.0000, in column 2, for the word "work", the word "works" shall be substituted; and
- (i) in Second Schedule:
 - (a) at S.No.1, in column 2, for the existing entry, the following shall be substituted:

"Services provided by hotels, motels, guest houses, marriage halls and lawns (by whatever name called) including pandal and shamiana services, 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) and clubs including race clubs and their membership services including services, facilities or advantages, for a subscription or any other amount, to their members.";
 - (b) at S.No.2:
 - (i) in column 2, for the existing entry, the following shall be substituted:

"Advertisement on television and radio or advertisement services showcasing of any product or service in video programmes, television programmes or motion pictures or music albums, excluding advertisements:
 - (a) sponsored by an agency of the Federal or Provincial Government for health education; or
 - (b) financed out of funds provided by a Government under an agreement of foreign grant-in-aid; or
 - (c) conveying public service message, if telecast on television by the World Wide Fund for Nature (WWF) or United Nations Children's Fund (UNICEF)."; and
 - (ii) in column 3, for the existing entry, the following shall be substituted:

"9802.1000, 9802.2000 and respective headings";

(c) at S.No.12:

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

"All kinds of advertisement services including advertisements on hoarding boards, pole signs and sign boards and on closed circuit TV, websites or internet, advertisements 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."; and

(ii) in column 3, the following shall be inserted:

"9802.3000, 9802.5000, 9802.9000 and respective headings.";

(d) at S.No.14, in column 2, for the existing entry, the following shall be substituted:

"Construction services and services provided by contractors of building (including water supply, gas supply and sanitary works), roads and bridges, electrical and mechanical works (including air conditioning), horticultural works, multi-discipline works (including turn-key projects) and similar other works but:

EXCLUDING:

(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) 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.”;

- (e) at S.No.15, in column 2, the words “excluding actual purchase value or documented cost of land” shall be omitted;
- (f) at S.No.16, in column 2, for the word “work”, the word “works” shall be substituted;
- (g) at S.No.31:
- (i) in column 2, after the words “support services”, the words “including business auxiliary services” shall be inserted; and
- (ii) in column 3, for the existing entry, the following shall be substituted:
“9805.9200, 9805.9090 and respective headings”
- (h) at S.No.39:
- (i) in column 2, after the words “or cleaning services”, the words “including collection and processing of domestic waste and street cleaning services” shall be inserted; and
- (ii) in column 3, for the existing entry, the following shall be substituted:
“98.22, 9860.0000 and respective headings”
- (i) at S.No.47, in column 2, after the word “conduit”, the expression “, transmission lines” shall be inserted; and
- (j) after S.No.59, in columns 1 to 4, the following new

entries 60, 61 and 62 shall be added:

"60	Services provided by cosmetic and plastic surgeons and hair transplant services but: EXCLUDING: Services provided to acid or burn victims.	9847.0000 and respective headings	Sixteen per cent
61	Services provided by warehouses or depots for storage including cold storages.	9833.0000 and respective headings	Sixteen per cent
62	Services provided by Packers including handling and packaging services.	9819.1400, 9833.0000, 9841.0000 and respective headings	Sixteen per cent"

9. Amendments in Act XXX of 2015.—In the Punjab Infrastructure Development Cess Act 2015 (XXX of 2015), in section 2, for clause (k), the following shall be substituted:

"(k) "value" 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."

10. Tax on imported motor cars.— (1) Subject to this section, a one-time tax on the imported motor cars registered after 30 June 2016 as mentioned in column 2 of the Table shall be levied at the rate mentioned in column 3 thereof:

Sr. No.	Category of imported motor car	Rate of Tax
(a)	Motor car with engine capacity exceeding 1300cc but not exceeding 1500cc.	Rs. 70,000
(b)	Motor car with engine capacity exceeding 1500cc but not exceeding 2000 cc.	Rs. 150,000
(c)	Motor car with engine capacity exceeding	Rs. 200,000

	2000cc but not exceeding 2500 cc.	
(d)	Motor car with engine capacity exceeding 2500cc	Rs. 300,000

Explanation.- In this section, the term "motor car" means a motor car as defined in the Provincial Motor Vehicles Ordinance, 1965 (XIX of 1965).

(2) The Government may, by notification, exempt any class of vehicles from the levy of the tax under this section.

(3) The tax under this section shall not be levied on a motor car owned by the Federal Government, the Government or any other Provincial Government.

(4) The Government may, by notification in official Gazette, make rules to carry out purposes of this section.

STATEMENT OF OBJECTS AND REASONS

(a) Stamp duty @ 3% is being charged on the value of immovable property in case of transfer of a right or interest in housing sector *i.e.* cooperative housing societies/private housing societies etc. However, valuation tables notified by the District Collector under section 27-A is not applicable on such transfers. In order to safeguard the public revenue, it is proposed that Article 63-A of Schedule-I of the Stamp Act, 1899 meant for transfer of a right or interest relating to an immovable property may be inserted in section 27-A of the Act *ibid* so that the assessment of the land may be made according to the valuation table.

(b) Section 29 of the Stamp Act, 1899 imposes responsibility as to who shall pay the stamp duty at the time of execution of the instruments. However, the instruments of contract (Article 22-A), Decree, Rule of a Court or an Order of a Court (Article 27-A), Gift (Article 33) and transfer of a right or interest relating to an immovable property in cooperative housing societies etc. (Article 63-A) are not included in section 29 of the Stamp Act, 1899, which causes ambiguity regarding the responsibility to pay the stamp duty. In order to remove this ambiguity, it is proposed that the Article Nos. *i.e.* 22-A, 27-A, 33 & 63-A of Schedule-I may be included in section 29 of the Act *ibid*.

(c) At present, stamp duty @ 3% is being charged on the instrument of Power of Attorney if the same is executed for consideration but valuation tables are not applicable. Similarly, stamp duty of Rs. 1200/- per instrument is being charged when the Power of Attorney is executed for authorizing the agent to sell the property. The same rate of stamp duty is proposed if the Power of Attorney is executed for consideration but the value shall be calculated according to the valuation table notified by the District Collector concerned. Moreover, the rate of Rs.1200/- is proposed to be substituted @ 2% of the value of the property according to the valuation table if it is

executed between persons other than spouses or between one wife or widow and another wife or widow of the same husband, or between father, mother, son, daughter, grandparents, grandchildren or siblings. For the purpose Article 48(b), 48(bb) of Schedule I of the Stamp Act, 1899 is proposed to be inserted in Section 27-A of the Act *ibid*, so that the value of the property may be assessed according to the valuation table notified by the District Collectors under Section 27-A of the Stamp Act, 1899. This amendment shall discourage purchasers to register Power of Attorneys instead of registering sale deeds.

(d) Government intends to levy property tax on vacant plots in order to increase tax base of the property tax, check speculative trade of real estate and improve supply of housing by discouraging retention of vacant plots for long periods of time and to strengthen local government tax base. The tax on vacant plots will be levied after two years of delivery of possession to the owner. Moreover, the provision relating to exemption of building and lands used exclusively for educational purposes is proposed to be clarified by adding an Explanation.

(e) To provide less expensive entertainment to the lower strata of the society, entertainment duty is proposed to be withdrawn from petty entertainments such as well of death, swings and magic shows.

(f) It is proposed to rationalize registration fee on vehicles and to provide ease to the taxpayers through lump sum and periodic payments.

(g) The Government proposes to levy with effect from 1 July 2016 a tax on imported motor cars above 1300 CC: the rate of tax shall be different for different categories of motor cars.

(h) Currently the rate of Capital Value Tax on Power of Attorney is Rs.100/- per square foot, which is creating hardship for the public due to heavy taxation. To rationalize levy of taxes on power of attorney, it is being proposed that the Stamp Duty @ 2% may be levied and Capital Value Tax on "Power of Attorney" may be abolished at the same time.

(i) The operational experience gained by PRA during the preceding financial year has led to the proposal of some technical amendments in the Punjab Sales Tax on Services Act, 2012. The technical amendments relate to encouraging the use of banking channels, input tax credits, rationalization of pecuniary penalties for non-compliance with withholding provisions and strengthening of recovery provision. The proposed amendments will further streamline the application of the Act and increase the efficiency of PRA and facilitation of the taxpayers.

(j) In order to plug compliance gaps arising out of the diversities of services tax tariff interpretations, descriptions of a few taxable

services has been made consistent with their definition provided in the relevant rules so that any ambiguity is removed and taxpayers have a clearer understanding of their tax obligations. Besides, three new services have been included under the tax net. These services include services provided by cosmetic and plastic surgeons and hair transplant services, services provided by warehouses and cold storages and related packaging and handling services. Inclusion of these new services will further broaden the tax base of Punjab sales tax and will be a continuation of the progress being made towards the eventual goal of a negative tariff list for Punjab sales tax. The definition of value under Punjab Infrastructure Development Cess Act, 2015 has also been rationalized to make it consistent with the provisions of Customs Act, 1969.

Hence this Bill.

FINANCE MINISTER