

BUDGET MEMORANDUM 2015

**SUMMARY OF PROPOSED CHANGES
IN PUNJAB PROVINCIAL BUDGET**



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BRIEF SUMMARY OF CHANGES PROPOSED IN

PUNJAB PROVINCIAL BUDGET

❖ Stamp Duty on Leased Hold Rights

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.

Now for leased hold rights on property, stamp duty shall also be charged as per DC rates instead of values as declared by the parties.

❖ Capital Value Tax (CVT) on Properties upto 1 Million

Currently, immovable 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.

It is proposed to do away with the said exemption. This will bring progressivity in CVT and enhance equity on taxation on the immovable property transactions.

❖ Education Cess on Clubs by E & T Department

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.

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.

Now, Sales Tax by PRA is only chargeable @ 16% on clubs.

❖ PUNJAB SALES TAX ON SERVICES ACT 2012

In recent years Punjab Revenue Authority (PRA) has emerged as a "success story" for the Punjab government. The proposed 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 Government is hopeful that the proposed amendments will work to further smoothen the application of the said Act to increase efficiency of PRA along with facilitation of the taxpayers.

Following summary changes have been proposed in Punjab Sales Tax on Services Act;

❖ Definitions

Sec 2

Following additions are made in definitions:

“Additional Commissioner means a person appointed as Additional Commissioner of the authority.”

“Appellate Tribunal means the appellate Tribunal established under the Punjab Revenue Authority Act 2012.”

“Non banking financial institutions are inserted as clause (26A) which requires license from SECP I order to carry respective business.”

“Taxpayer means a person who in course of an economic activity provides taxable services for consideration”

❖ Taxable services

Sec 3

To avoid the misconception between First schedule & Second schedule regarding the services mentioned in them, all services mentioned in First schedule are taxable as per respective rules & rates.

❖ Scope of Tax

Sec 10

The amount of tax to be withheld on payment shall not include any additional tax, default surcharge, fine, penalty or fee imposed under this act.

❖ Retention and production of records and documents

Sec 32

The time period for retention of documents is enhanced to six years instead of five years from the end of tax year.

❖ Special Audit

Sec 34

Special audit can also be conducted by a person/firm having expertise in Forensic audit for both special and forensic audit proceedings.

Further following section is inserted as (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”

❖ Offences & Penalties

Sec 48

If a person fails to apply for registration he shall be charged to a penalty amounting to Rs 50,000/- (instead of Rs 10,000/-) and for companies it is Rs 1,000/-.

If a person fails to produce records to respective authority he is liable to a fine of twenty five thousand rupees for first default and fifty thousand rupees for second default for both companies and individuals. However it was ten thousand for companies and five thousands for individuals before.

❖ Obligation to produce documents and provide information

Sec 57

Any officer can require in writing from any person to furnish relevant information, is substituted by any officer authorized by the authority can require in writing from any person to provide relevant information in writing.

❖ Prize schemes to promote tax culture

Sec 88

The authority can announce prize schemes to encourage purchases from Registered Person issuing tax invoice.

❖ Reward to whistle blowers

Sec 89

New amendment is proposed whereby Whistle blower concept is introduced.

Whistle Blower means a person who reports concealment or evasion of tax and tax fraud leading to detection or collection of taxes, fraud, corruption or misconduct, to the competent authority having power to take action against the person or authority

committing fraud, corruption, misconduct, or involved in concealment or evasion of taxes.

The authority may award to such whistleblower providing credible information resulting detection of tax concealment.

❖ Taxable Services

Second Schedule

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 have been brought into tax net @ 16%.

Amendments have been proposed in the following services provided by to resolve the principal business domain;

- ✓ consultants,
- ✓ information technology based/enabled services,
- ✓ franchise services,
- ✓ share transfer agents and taxability of several allied services

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.

Ten new 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.



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