**PROVINCIAL ASSEMBLY OF THE PUNJAB**

**Bill No. 19 of 2019**

**THE PUNJAB FINANCE BILL 2019**

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 2019.

(2) It extends to whole of the Punjab.

(3) It shall come into force on the first day of July 2019.

**2. Amendments in Act II of 1899**.-In the Stamp Act, 1899 *(II of 1899)*, in Schedule I:

(1) In Article 6, in sub Article (2):

(a) in clause (a), in para (i), under the heading “Proper Stamp-duty”, for the words “one hundred thousand”, the words “five hundred thousand” shall be substituted; and

(b) in clause (b), in para (i), under the heading “Proper Stamp-duty” for the words, “fifty thousand”, the words “five hundred thousand” shall be substituted.

(2) In Article 40, in clause (d), in para (i), under the heading “Proper Stamp-duty”, for the words, “one hundred thousand”, the words “five hundred thousand” shall be substituted.

**3. Amendment in Act V of 1958**.- In the Punjab Urban Immovable Property Tax Act, 1958 *(V of 1958)*, in section 4, for clause (g), the following shall be substituted:

“(g) buildings and lands belonging to a widow, divorcee, a disabled person or a minor orphan, annual value of which does not exceed rupees two hundred and forty three thousand:

provided that where the annual value is more than rupees two hundred and forty three thousand, the tax shall be levied on the amount in excess of the said amount.”.

**Explanation**: For purposes of this section, a minor orphan lady means an unmarried female orphan up to the age of twenty five years.

**4. Amendment in Act XV of 1977**.- In the Punjab Finance Act, 1977 *(XV of 1977)*, for SECOND SCHEDULE, the following shall be substituted:

**SECOND SCHEDULE**

**(See section 3)**

| **Sr.No.** | **Class of persons** | | **Rate of tax per annum(rupees)** |
| --- | --- | --- | --- |
| **1.** | **Companies registered under the Companies Ordinance, 1984 or under the relevant law for the time being in force, with paid up capital** | |  |
|  | i) | Up to rupees 5 million | 10,000/- |
|  | ii) | exceeding rupees 5 million but not exceeding rupees 50 million | 30,000/- |
|  | iii) | exceeding rupees 50 million but not exceeding rupees 100 million | 70,000/- |
|  | iv) | exceeding rupees 100 million but not exceeding rupees 200 million | 100,000/- |
|  | v) | exceeding rupees 200 million | 100,000/- |
| **2.** | **Persons other than companies, owning factories as defined under the Factories Act, 1932 and having** | |  |
|  | i) | employees not exceeding 10 | 1,500/- |
|  | ii) | employees exceeding 10 but not exceeding 25 | 5,000/- |
|  | iii) | employees exceeding 25 | 7,500/- |
| **3.** | **Persons other than companies owning commercial establishments having 10 or more employees** | |  |
|  | i) | (a) Within Metropolitan and Municipal Corporation limits  (b) Others | 6,000/-  4,000/- |
|  | ii) | All other commercial establishments other than wholesalers and retailers | 2,000/- |
| **4.** | **Persons engaged in the import or export of goods who, during the preceding financial year, imported or exported goods of the value** | |  |
|  | i) | exceeding rupees 1 lac but not exceeding rupees 1 million | 2,000/- |
|  | ii) | exceeding rupees 1 million but not exceeding rupees 5 million | 3,000/- |
|  | iii) | exceeding rupees 5 million | 5,000/- |
| **5.** | **Contractors, builders and property developers, who during the preceding financial year supplied to the Federal or the Provincial Government or a company or a factory or a commercial establishment or an autonomous or a semi autonomous organization or any Local Authority; goods, commodities and services of the value:** | |  |
|  | i) | not exceeding rupees 1 million | 1,000/- |
|  | ii) | exceeding rupees 1 million but not exceeding rupees 10 million | 6,000/- |
|  | iii) | exceeding rupees 10 million but not exceeding rupees 50 million | 10,000/- |
|  | iv) | exceeding rupees 50 million | 20,000/- |
| **6.** | **Persons engaged in various professions and providing different services such as:** | |  |
|  | i) | Medical Consultants or Specialists/Dental Surgeons | 5,000/- |
|  | ii) | Registered Medical Practitioners | 4,000/- |
|  | iii) | Others including Homoeopaths, Hakeems and Ayuervedics–  (a) Within Metropolitan and Municipal Corporation limits  (b) Others | 3,000/-  1,000/- |
|  | iv) | Auditing firms (per professionally qualified person)  (a) Within Metropolitan and Municipal Corporation limits  (b) Others | 6,000/-  4,000/- |
|  | v) | Management and Tax Consultants Architects, Engineering, Technical and Scientific Consultants–  (a) Within Metropolitan and Municipal Corporation limits  (b) Others | 6,000/-  4,000/- |
|  | vi) | Lawyers | 1,000/- |
|  | vii) | (a) Members of Stock Exchanges | 10,000/- |
|  |  | (b) Money Changer:  (i) Within Metropolitan and Municipal Corporation limits  (ii) Others | 6,000/-  2,000/- |
|  |  | (c) Motorcycle/Scooter dealers–  (i) Within Metropolitan and Municipal Corporation limits.  (ii) Others | 10,000/-  6,000/- |
|  |  | (d) Motor Car Dealers and Real Estate Agents–  (i) Within Metropolitan and Municipal Corporation limits  (ii) Others | 20,000/-  10,000/- |
|  |  | (e) Recruiting Agents–  (i) Within Metropolitan and Municipal Corporation limits  (ii) Others | 20,000/-  10,000/- |
|  | viii) | Carriage of goods and passengers by road:  (i) Within Metropolitan and Municipal Corporation limits  (ii) Others | 4,000/-  2,000/- |
|  | ix) | Health Clubs and Gymnasiums–  (i) Within Metropolitan and Municipal Corporation limits  (ii) Others | 4,000/-  2,000/- |
|  | x) | Jewelers, departmental stores, electronic goods stores, cable operators, printing presses and pesticide dealers | 2,000/- |
|  | xi) | Tobacco venders–  Wholesalers | 4,000/- |
| **7.** | **Franchisee, Authorized dealers/Agents and distributors** | | 5,000/- |
| **8.** | **Property Developers / Builders & Marketing Agent/Company engaged in the development marketing and management of residential, commercial or industrial properties** | | 50,000/- |
| **9.** | **Hotels, Hostels (except hostels owned and operated by an educational institution itself) / Guest Houses / Motels / Resorts providing lodging facilities** | | 5,000/- |
| **10.** | **Restaurants / Eateries / Fast Food Points / Ice Cream Parlors / Bakeries / Confectioners / Sweets Shops with air conditioning facility** | | 5,000/- |

**5. Amendments in Act I of 1997**.- In the Punjab Agricultural Income Tax Act, 1997 *(I of 1997)*:

(1) for the FIRST SCHEDULE, the following shall be substituted:

**“THE FIRST SCHEDULE**

**[see section 3 (1)]**

|  |  |
| --- | --- |
| 1. **Slab of total cultivated land, computed Rate of tax per acre as irrigated land, by treating one acre of irrigated land as equal to two acre of unirrigated land, excluding mature orchards**. | **Rate of tax per acre** |
| (i) Not exceeding 12½ acres | Nil. |
| (ii) Exceeding 12½ acres but  not exceeding 25 acres | Rs. 300/- |
| (iii) Exceeding 25 acres but not exceeding 50 acres | Rs. 400/- |
| (iv) Exceeding 50 acres | Rs. 500/- |

**(2) Mature orchards**

(i) Irrigated Rs. 600/-

(ii) Unirrigated Rs. 300/-”.

1. for the SECOND SCHEDULE, the following shall be substituted:

**“THE SECOND SCHEDULE**

**[see section 3 (3)]**

**RATES OF TAX ON TOTAL AGRICULTURAL INCOME**

The rate of tax on total agricultural income shall be as under:

|  |  |  |
| --- | --- | --- |
|  | Where the total income does not exceed Rs.400,000/- | 0% |
|  | Where the total income exceeds Rs.400,000/- but does not exceed Rs.800,000/- | Rs.1,000/- |
|  | Where the total income exceeds Rs.800,000/- but does not exceed Rs.12,00,000/- | Rs.2,000/- |
|  | Where the total income exceeds Rs.12,00,000/- but does not exceed Rs.24,00,000/- | 5% of the amount exceeding Rs.12,00,000/- |
|  | Where the total income exceeds Rs.24,00,000/- but does not exceed Rs.48,00,000/- | Rs.60,000/- plus 10% of the amount exceeding Rs.24,00,000/- |
|  | Where the total income exceeds Rs. 48,00,000/- | Rs.300,000/- plus 15% of the amount exceeding Rs.48,00,000/-“. |

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

(1) In section 14, in subsection (2), after the full stop, the following explanation shall be added:

“**Explanation**: The word “charged” used in this subsection means and includes the tax liable to be charged under this Act or the rules made thereunder.”.

(2) In section 16B, in subsection (1):

(a) in clauses (g) and (h), for the word “sixteen”, the word “fifteen” shall be substituted; and

(b) for clause (n), the following shall be substituted:

“(n) goods and services not related to the taxable supplies made or services rendered by the registered person;”.

(3) After section 24, the following new section 24A shall be inserted:

“**24A. Determination of minimum tax liability**.– Notwithstanding anything contained in section 24, where a registered person fails to file a return, an officer of the Authority, shall, subject to such conditions as specified by the Authority, determine the minimum tax liability of the registered person.”.

(4) In section 48, in subsection (2), in the TABLE:

(a) in entry number 2, in column 3, after the word “provided”, the word “further” shall be inserted; and

(b) in entry number 9, in column 2, for the words “in connection with recovery of the tax”, the words “or tempers a seal placed by an officer of the Authority” shall be substituted.

(c) after entry number 16, in column 1 to 4, the following new entries 17, 18, 19 and 20 shall be inserted:

|  |  |  |  |
| --- | --- | --- | --- |
| “17 | Where any person fails or refuses to issue a tax invoice. | Such person shall be liable to pay a penalty of twenty thousand rupees on first default and fifty thousand rupees for each subsequent default.  In case of three acts of such default, the business premises shall be liable to be sealed for a period which may extend to one month. | 30 |
| 18 | Where any person fails to intimate any change in particulars of registration including the particulars relating to business address, branches etc. within fourteen days. | Such person shall be liable to pay a minimum penalty of fifty thousand rupees. | 25 |
| 19 | Where any person fails to declare, conceals any of business bank accounts or gives misleading declaration or fails to intimate any change in business bank account within fourteen days of such change. | Such person shall be liable to pay a penalty which may range from one hundred thousand rupees to five hundred thousand rupees. | 25 |
| 20 | Where any person either avoids, defies, fails to comply with electronic invoicing system or issues invoices bypassing the electronic invoicing system. | Such person shall be liable to pay a penalty of up to one hundred thousand rupees, but not less than twenty five thousand rupees.  In case of three consecutive defaults, the business premises of such person may further be liable to sealing for a period which may extend to one month. | 59A” |

(6) In section 59B, after subsection (2), the following new subsection (2A) shall be inserted:

“(2A) The Authority may, in the prescribed manner, devise, implement and declare mandatory an electronic invoicing system for issuance of tax invoices by a registered person or a class of registered persons or a service or a class of services.”.

1. In section 60, in subsection (1), for clause (d), the following shall be substituted:

“(d) **Other officers of the Authority**: Such cases or class of cases as may be prescribed by the Authority.”.

1. In section 66, for subsection (1), the following shall be substituted:

“(1) Any person including an officer of the Authority not below the rank of an Additional Commissioner, aggrieved by any order passed by the:

(a) Commissioner (Appeals) under subsection (4) of section 64 or section 65;

(b) Commissioner through adjudication under section 60 or 61; or

(c) Authority under section 62,

may, within thirty days of the receipt of such decision or order, prefer an appeal to the Appellate Tribunal.”.

(9) In section 70, in subsection (1), in clause (c), after the words “bank accounts” the words “and recover the amount payable or recover such amount without attachment” shall be inserted.

(10) In Second Schedule:

(a) at S.No.15, in columns 1 to 4, the following shall be substituted:

|  |  |  |  |
| --- | --- | --- | --- |
| “15 | (i) Services provided by property developers, builders and promoters (including their allied services).  **Excluding:**  Actual purchase value or documented cost of land.  (ii) Affordable housing services provided under Government sponsored housing programs. | 9807.0000 and respective sub-headings of heading 98.14 | (i) Eight percent without input tax adjustment or sixteen percent with input tax adjustment; and  (ii) Five percent without input tax adjustment or sixteen percent with input tax adjustment; |

(b) at S.No.34, in column 2, for the words “and interior decorators”, the words “interior decorators and interior designers” shall be substituted;

(c) at S.No.43, in column 2, after the words “games”, the following expression shall be inserted:

“,amusement parks, arcades and other recreation facilities,”;

(d) at S.No.54, in columns 1 to 4, the following shall be substituted:

|  |  |  |  |
| --- | --- | --- | --- |
| “54 | Facilities for travel originating from Punjab:  (i) By Air for domestic and international travel.  (ii) By road except services provided through Non air-conditioned coaches and vehicles.  EXCLUDING:  Air travel services provided to Hajj or Umrah passengers, diplomats and supernumerary crew. | 9803.1000  9803.1100 | Five percent without input tax adjustment” and |

(e) after S. No. 63, in columns 1 to 4, the following new entries 64, 65, 66, 67 and 68 shall be inserted:

|  |  |  |  |
| --- | --- | --- | --- |
| 64 | Dress designing and stitching services. | Respective headings | Sixteen percent |
| 65 | Rental of bulldozers, excavators, cranes, construction equipment, Scaffolding, framework and shuttering, generators, storage containers, Refrigerator, shelf or rack renting, etc | Respective headings | Sixteen percent |
| 66 | Services in respect of treatment of textile, leather but not limited to Dyeing services, Edging and cutting, cloth treating, water proofing, Embroidery, Engraving, Fabric bleaching, Knitting, Leather staining, Leather working, Pre-shrinking, Colour separation services, pattern printing and shoe making services. | Respective headings | Sixteen percent |
| 67 | Apartment house management, real estate management and services of rent collection. | Respective headings | Sixteen percent |
| 68 | (i) Medical consultation/ visit fee exceeding Rs.1,500 per consultation/ visit of doctors, medical practitioners and medical specialists.  (ii)  Bed/ room charges of hospitals exceeding Rs.6,000/- per day per bed / room | 9815.1000 and other Respective headings. | Five percent without input tax adjustment”. |

**7. Amendment in section 4 in Act XVII of 2014**.– In the Punjab Finance Act 2014 *(XVII of 2014)*, in section 4, clause (b) shall be omitted.

**8. Omission of section 10 in Act XXXV of 2016**.– In the Punjab Finance Act 2016 *(XXXV of 2016)*, section 10 shall be omitted.

**9. Omission of section 6 in Act XXXV of 2018**.– In the Punjab Finance Act 2018 *(XXX of 2018)*, section 6 shall be omitted.

**10. TAX ON PROPERTIES OTHER THAN AGRICULTURAL LAND ABUTTING TO NATIONAL / PROVINCIAL HIGHWAYS AND WITHIN THE AREA OF MOTOR WAYS OUTSIDE THE RATING AREAS IN PUNJAB**.- (1)There shall be charged, levied, assessed and paid a tax at the rate of five percent of the Annual Taxable Value of all categories of properties other than agricultural land, outside limits of the rating area, abutting to national or provincial highway or part thereof or within the area of motorways, in such limits and lengths, as may be notified by the Government.

(2)The tax under this section shall be due from the owner or the occupant, jointly and severally to be charged, levied, assessed and paid in addition to any other tax charged and collected under any other law for the time being in force and shall be the first charge upon the property unit.

(3) The tax under this section shall not be leviable in respect of the buildings and lands:

1. Annual Taxable Value of which does not exceed rupees five hundred thousand belonging to a widow, a divorcee, a disabled person, a minor orphan or a female unmarried orphan upto the age of twenty five years;
2. owned by Federal or Provincial Government; or
3. exclusively used by public for worship.

(4) The tax, including surcharge, payable under this section, shall be administrated and regulated under the provisions of the Punjab Urban Immovable Property Tax Act, 1958 *(V of 1958)*.

(5) Notwithstanding any other provision of this section, the Government may, by notification in the official Gazette, exempt any property unit or persons, or classes thereof, from the whole or any part of the tax chargeable under this section, subject to such conditions and limitations as may be specified by the Government.

**Explanation**:A word or term used but not defined in this Act shall have the same meanings as defined in the Punjab Urban Immovable Property Tax Act, 1958 *(V of 1958)*.

**11. Definitions**.-In this Act:

1. “Annual Taxable Value” means the value of a distinct property unit excluding the value of any machinery etc. thereof, which shall be the basis of determination of tax assessed, levied and recovered under section 10 of this Act;
2. “buildings and lands” in relation to the tax under section 10 of this Act includes a parcel or portion thereof having distinct boundaries intended for specific purpose including residential, commercial or industrial use;
3. “Government” means Government of the Punjab;
4. “motorways” means the multiple-lane, high speed, limited access or controlled access highways in Punjab which are owned, maintained and operated as such by the National Highway Authority;
5. “national highways” means the highways in the Punjab which are owned, maintained and operated as such by the National Highway Authority;
6. “owner” includes a mortgagee with possession, a lessee in perpetuity, a trustee having possession of a trust property and a person to whom an evacuee property has been transferred provisionally or permanently;
7. “prescribed” means prescribed by the rules made under this Act;
8. “provincial highways” means the highways, including but not limited to in Punjab which are owned, maintained and operated by the province of the Punjab; and
9. “rating area” means urban area where property tax is levied under the Punjab Urban Immovable Property Tax Act, 1958 (V of 1958).

**12. Power to make rules**.- The Government may make rules for carrying out the purposes of any of the provisions of this Act.

**STATEMENT OF OBJECTS AND REASONS**

1. The stamp duty on the instruments of ‘Agreements to Deposit’ of title deeds, pawn, pledges and mortgages was imposed through the Punjab Finance Act, 2006 which amended the Stamp Act, 1899. It is now required be revised.

2. The rates of Land Based Agricultural Income Tax under the First Schedule of the Punjab Agricultural Income Tax Act, 1997 were fixed in 2003 which are in force for the last 16 years despite the fact that support price of wheat has increased from rupees 350/- per 40 Kg in 2003 to Rs.1350 in 2019. Additionally, `the exemption threshold of rupees eighty thousand for payment of Agricultural Income Tax was fixed in 2001 and the same has not been enhanced for the last 18 years. It is the genuine demand of the farmer community that the exemption granted under the Second Schedule of the Punjab Agricultural Income Tax Act, 1997 should be enhanced. Accordingly, the Government has decided to increase the exemption limit from rupees eighty thousand to rupees four hundred thousand aiming *inter alia* at promoting the Agriculture sector.

3. In order to broaden the tax base in the Province of Punjab, tax has been proposed to be collected from the high value properties along highways and motorways, in order to ensure provision of better public services. Further, registration fee for imported vehicles to be brought at par with that being charged in Islamabad Capital Territory and other provinces to ensure uniformity of fees and rates across Pakistan. Besides, property tax relief has been proposed to be given to divorcee women and single female orphans in line with relief already provided to widows; and out-dated rates of Professional Tax have been proposed to be rationalized.

4. The operational experience of the Punjab Revenue Authority during the last financial year has convincingly necessitated certain procedural and technical amendments in the Punjab Sales Tax on Services Act, 2012 for better compliance of the Act *ibid* while ensuring “Ease of Doing Business” in the Province. Apart from change in some penal provisions, these amendments provide for minimum tax liability, updating appeal related provisions, improving recovery of tax and introducing a modern electronic invoicing system to plug revenue leakages. Further descriptions of a few taxable services have been modified for removal of gaps and misapplications and updated for a clearer understanding of tax obligations. Besides, some new services have also been included in the tax net. The overall objective is to broaden the tax base of Punjab Sales Tax on Services, to achieve eventual goal of a Negative Tariff List for Punjab Sales Tax and maximizing mobilization of revenue in public interest. Hence this Bill.

**MINISTER INCHARGE**

**Lahore: MUHAMMAD KHAN BHATTI**

**14 June 2019 Secretary**