

Punjab Finance Bill 2020

Presentation of

GCA Team

GCA OFFICIAL

GLOBAL CHARTERED ACCOUNTANTS | GCA CONSULTANTS

Intended Users

The target audience for this GCA Budget video is **“ICAP Fraternity including Students & General Public”**. ICAP students who will appear in following upcoming attempts can use this video:

Winter-20

&

Summer-21 only.

Please note that provincial sales tax is not tested at CAF level.

Preamble

- ✓ The Punjab Finance Bill 2020 was presented in the Punjab Provincial Assembly on 14 June 2020.
- ✓ GCA Consultants are pleased to summarize our comments containing our interpretation of the proposed legislations in this brief. GCA 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 2020 subject to approval by the Punjab Assembly.

**PUNJAB SALES
TAX**

PUNJAB REVENUE AUTHORITY

(Headquarters)

GOVERNMENT OF PUNJAB

Telephone: 99999-99999 | 999-9999999999 | 999-999-9999999



INPUT TAX ADJUSTMENT

- SECTION 16

- ▶ At present, the law only provides restriction of six months within which a registered person can claim adjustment of tax paid under the Punjab Sales Tax Law.
- ▶ No such restriction was placed on claiming adjustment for sales tax paid under any other laws.
- ▶ The Bill proposes to place a similar restriction of six months for claiming adjustment of sales tax paid (not otherwise restricted) under any other law provided that the registered person holds a valid tax invoice or goods declaration bearing his name and National Tax Number.

EXTENT OF INPUT TAX ADJUSTMENT - SECTION 16C

- ▶ The bill proposes that a registered person should not be allowed to adjust input tax in a tax period in excess of 80% of the output tax for that tax period.
- ▶ It is also proposed that the Punjab Revenue Authority is empowered to exclude any person from the applicability of the proposed cap, through a notification.
- ▶ This means that at least 20% of the output tax will have to be paid by the service provider in a tax period. It also implies that the existing restriction on claiming of input tax on capital goods and fixed assets in twelve equal monthly instalments has been done away.
- ▶ The provincial government should introduce a mechanism for carry forward, adjustment or refund of input tax disallowed as a result of the limit imposed on claim of input tax.

REFUND OF TAX - SECTION 16D

- ▶ Through insertion of a new provision, it is proposed that the registered person may be allowed refund of tax paid through inadvertence, error or misconception.
- ▶ The proposed amendment is likely to be welcomed by taxpayers as there is presently no specific provision in the law dealing with this aspect.

RECORDS - SECTION 31

- ▶ The list of records, as provided under section 31, required to be maintained by a registered person, is proposed to include additional information and records, which is similar to the requirements provided under the (Federal) Sales Tax Act, 1990.
- ▶ As a result of the proposed amendment, a registered person would be required to maintain and keep the following records:



a) record of services provided, including exempt services, indicating the description, quantity and value of service, name, registration number and address of the person to whom services were rendered and the amount of tax charged;

b) record of goods and services received, including exempt goods and services, indicating description, quantity and value of goods and services, name, address and registration number of the service provider or supplier of goods and the amount of the tax charged;

c) record of goods imported indicating the description, quantity and value of goods and the amount of tax paid on imports;

d) double entry accounts;

e) bank statements and banking instruments;



f) inventory records, utility bills, salary and labor bills, rent deeds and agreements;

g) record required to be maintained and the declarations filed under any other law for the time being in force; and

h) such other record as may be specified by the Authority

POWERS OF ADJUDICATION

- SECTION 60

- ▶ At present, a Deputy Commissioner can adjudicate cases involving amounts up to Rs 2.5 Million while an Assistant Commissioner can adjudicate cases involving amounts only up to Rs 1 Million. These pecuniary limits are proposed to be enhanced to cases involving amounts up to Rs 10 Million for both the adjudicating authorities.
- ▶ It is also proposed that the Enforcement Officer or the Audit-cum-Risk Compliance Officer is empowered to adjudicate cases where the amount of tax involved does not exceed Rs 5 Million.
- ▶ The revised position will be as under:

	Existing Limit	Proposed Limit
	(Millions)	(Millions)
Additional Commissioner	No limit	No limit
Deputy Commissioner	2.5	10
Assistant Commissioner	1.0	10
Enforcement/Audit-cum-Risk Officer	--	5

It is further proposed that PRA should be empowered to assign case or class of cases to any of its officers involving any amount of tax involved.

RECOVERY OF ARREARS - SECTION 70

- ▶ The bill proposes to empower tax authorities whereby they may also require a financial institution or banking company to make payment of tax due from a registered person out of running and demand finance extended to the registered person.
- ▶ By way of insertion of clause (g) to section 70, it also empowers the department to arrest a defaulter and imprison him for not more than six months where a tax demand has been upheld by the Appellate Tribunal.
- ▶ No action is presently taken where a person deposits at least 25% of the tax demand during pendency of an appeal. It is proposed to reduce this limit to 10% of the tax demand. This is a positive amendment.

ADMINISTRATIVE AMENDMENTS
[SECTIONS 29, 33, 57, 63 & 66]

The amendments
relating to
administrative and
procedural matters are
summarized as under:

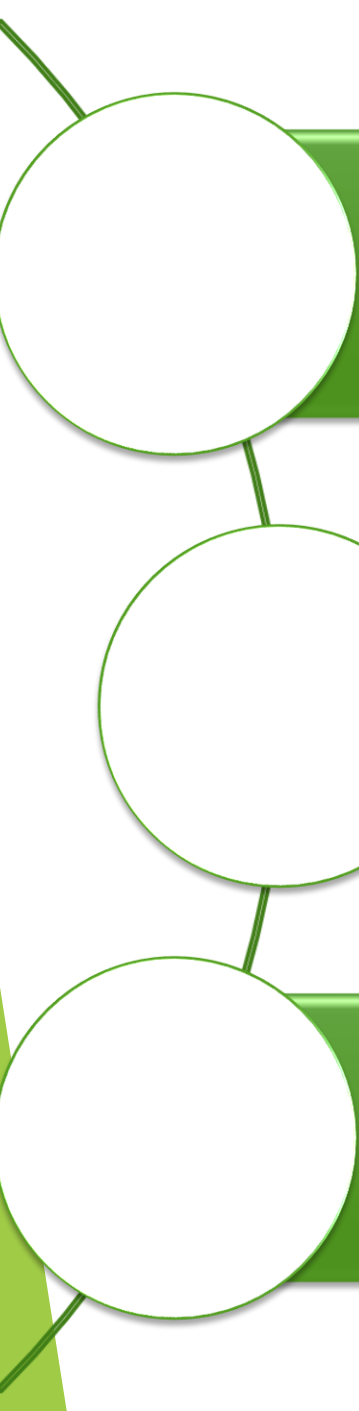


The power of the PRA to de-register a person is proposed to be devolved to the Commissioner.

The PRA is being authorized to specify format of invoices to be issued by a registered person or class of registered persons and to prescribe a procedure for authentication of such invoices.

The PRA or authorized officer may require any registered person or class of registered persons to issue invoices electronically and transmit such invoices to PRA in the prescribed manner.

To streamline audit proceedings, it is proposed to empower officers to conduct audit proceedings electronically through video links or any other facility as may be notified by PRA.



It is proposed to empower even officers, below the rank of an Assistant Commissioner, to call for information or documents regarding any enquiry or audit. Earlier, only an Assistant Commissioners or Officers with higher ranks may call for such information.

To facilitate taxpayers, it is proposed that appeal before the Commissioner (Appeals) may also be filed through electronically.

The period of filing an appeal before the appellate tribunal is proposed to enhance from 30 days to 60 days.

***AMENDMENTS
IN SECOND
SCHEDULE***

Ride-hailing services

[Entry 69]

The Bill proposes to tax ride-hailing services at 4%, without any input tax adjustment.

Property developers and builders [Entries 14 & 15]

These services are presently taxable at 16% with input adjustment or 8% without input tax adjustment.

It is proposed to tax these services on area-based rates as follows:

- Land development Rs 100 per Sq. Ft.
- Building construction Rs 100 per Sq. Ft.

It is also proposed to exclude following services from the ambit of sales tax:

- construction services provided to registered property developers, builders and promoters otherwise liable to pay tax; and
- Affordable housing services provided under Government sponsored housing programs.

It should be noted that the applicable rate for construction services was temporarily reduced to 0% (without input tax adjustment) till June 30, 2020, through notification dated April 2, 2020 as a part of relief against economic effects due to outbreak of Covid 19.

Health related services

[Entries 7 & 68]

- ▶ Effective from April 2, 2020, the following health-related services are temporarily made tax free services by the Government of Punjab as a part of Covid 19 Relief Package by providing 0% (without input tax adjustment) till June 30, 2020 through Notification dated April 2, 2020.
 - Health insurance
 - Medical consultation
 - Hospital room services
- ▶ Earlier, health insurance services were taxable at 16% while other services were chargeable to sales tax at 5% (without input tax adjustment).
- ▶ It is proposed to continue the relief provided earlier as part of Covid 19 Relief Package by reducing rates on Health insurance for individuals and Medical consultation / hospital room services to 0%, without input adjustment

Reduction in tax rates

- ▶ Various services are proposed to be taxed at a reduced rate of 5% (without input tax adjustment). These services are presently taxable at the standard rate of 16%.
- ▶ There are two categories of services proposed to be taxed at reduced rate:
 - one allows reduced rate only under certain cases or conditions; otherwise subject to standard rate of 16%.
These entries are covered in Table 1 below.
 - the other category allows reduced rate across the board without any condition or restriction.
- ▶ These entries are covered in Table 2 below.

Entry	Services	Cases covered
1.	Hotels, motels and guest houses	Only for non- corporate, non franchise, non-chain businesses with less than 20 rooms.
11.	Services provided by restaurants including cafes, food (including ice-cream) parlors, coffee houses, coffee shops <i>deras</i> , food huts, eateries, resorts and similar cooked, prepared or ready-to-eat food service outlets etc.	Only where payment received through debit or credit cards
18.	<p>Services provided for personal care by beauty parlors, salons, clinics, sliming clinics, spas (including saunas, Turkish baths and Jacuzzi) and similar other establishments.</p> <p>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.</p>	Only where payment received through debit or credit cards

Entry	Services	Cases covered
13.	Franchise service including intellectual property rights services and licensing services	Only for services related to educational institutions
26.	Manpower recruitment agents including labour and manpower supplies	where value of service is fixed by Bureau of Emigration and Overseas Employment
35.	Services provided in respect of rent-a-car (including renting of all categories of vehicles meant for transportation of persons)	for services provided to end consumer;
36.	Services provided by car/automobile dealers.	for services provided by other than companies and authorised dealers
40.	Brokerage (other than stock) and indenting services including commission agents, under-writers and auctioneers.	for services provided in respect of agricultural produce
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.	for services relating to accountancy, audit, tax or corporate law consultancy only.

Effective from April 2, 2020, services listed at Entries 1, 18, 35 and 36 are temporarily made taxfree until June 30, 2020 by providing a rate of 0%, (without input tax adjustment) by the Government of Punjab as a part of Covid 19 Relief Package through Notification dated April 2, 2020.

Entry**Services**

1.	Marriage halls and lawns (by whatever name called) including pandal and shamiana services.
1.	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).
22.	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 upgradation 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.

25.	Services provided by tour operators and travel agents including all their allied services or facilities (other than Hajj and Umrah) including Ziyarat.
32.	Services provided by property dealers and realtors
37.	Services provided in respect of manufacturing or processing on toll or job basis (against processing on conversion charges) including industrial and commercial packaging services and similar outsourcing of industrial or commercial processes.
43.	Services provided in specified fields such as health care, gym, physical fitness, indoor sports, games, amusement parks, arcades and other recreation facilities,] and body or sauna massage etc.
45.	Services provided by cable TV operators

Entry	Services
58.	<p>Services provided by photography studios and event or occasion photographers/ film-makers</p> <p>EXCLUDING: Non-corporate (individual) photographers operating from small road-side shops declared as such by the Authority.</p>
60.	<p>Services provided by skin and laser clinics, cosmetic and plastic surgeons and hair transplant services including consultation services.</p> <p>EXCLUDING: Services provided to acid or burn victims.</p>
63.	Parking services
66.	<p>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</p>
67.	<p>Apartment house management, real estate management and services of rent collection</p>

Effective from April 2, 2020, services listed at 1, 22, 25, 32, 43, 45, 66 and 67 are temporarily made tax-free by providing a rate of 0%, (without input tax adjustment) till June 30, 2020 by the Government of Punjab as a part of Covid 19 Relief Package through Notification dated April 2, 2020.

Thank you for watching the video.

Any suggestions/criticisms can be
sent to :

gcaconsultants@gmail.com

Disclaimer

This Punjab Finance Bill 2020 Vedio is correct to the best of our knowledge and belief at the time of its publication. It is intended to provide only a general outline of the proposals announced in the Punjab Budget. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. The GCA Consultants/GCA Official do not accept any responsibility for any loss arising from any action taken or not taken by anyone using this publication.

GCA Consultants

GCA is a non-government/non-profit organization working for the development of professional accountancy and members/students of such professional bodies. We work to provide career counseling, guidelines and other stuff to assist in making a well-established career in professional accountancy professions. Our members are social workers from all the corners of world, ready to assist all to their best.

© 2020 GCA Consultants

All rights reserved

www.gcaofficial.org