



PUNJAB BUDGET COMMENTARY 2021

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This commentary has been prepared for our clients and staff for information and guidance only and is available for interested persons at our website <http://www.bdo.com.pk>. The notes contained herein are based on the Punjab Finance Bill, 2021 which upon enactment with or without modification shall be issued as Punjab Finance Act, 2021.

Clients are advised to consult the actual text of the Bill while interpreting the specific provisions and to consult our tax department for clear advice on specific issues. The budget provisions are applicable for tax year 2022 unless otherwise stated.

BDO EBRAHIM & CO.

Dated: June 16, 2021

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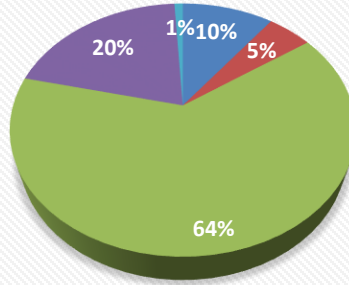
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Comparative Budget at a glance
 (Amounts rounded to nearest billion)

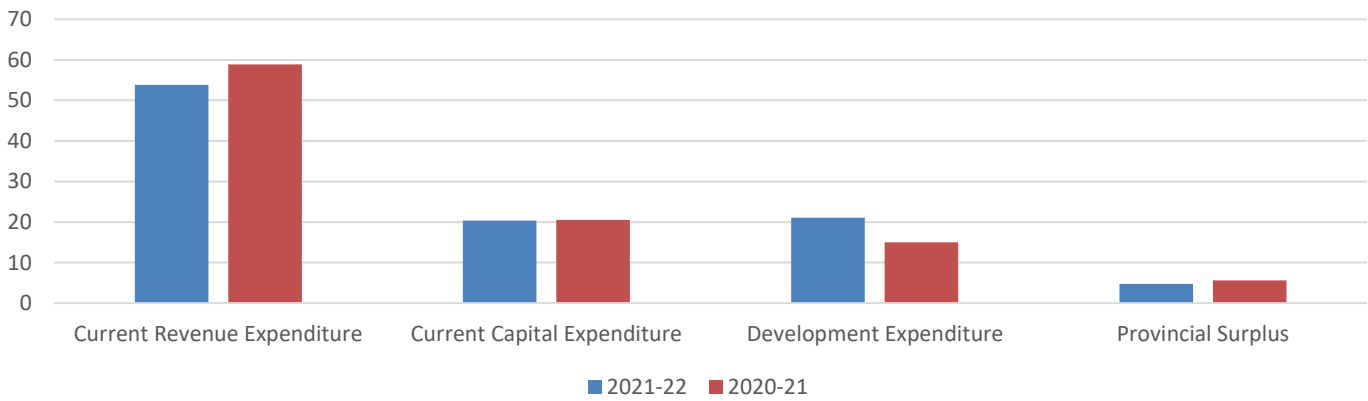
	2021-2022		2020-2021	
	Rs	%	Rs	%
Receipts				
Revenue Receipts				
Tax Revenue	272	10	221	10
Non-Tax Revenue	132	5	96	4
Revenue from Govt.	1684	64	1433	64
Total Revenue Receipts	2088	79	1750	78
Capital Receipts	565	21	490	22
Total Resources	2653	100	2240	100
Expenditure				
Current Revenue Expenditure	1428	54	1318	59
Current Capital Expenditure	540	20	460	21
Development Expenditure	560	21	337	15
Provincial Surplus	125	5	125	5
Total Expenditure	2653	100	2240	100

Sources of Income

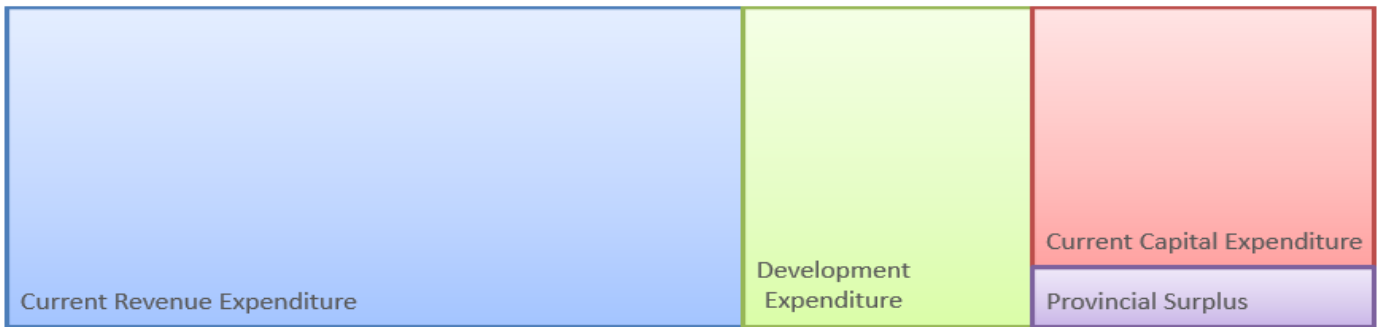


■ Tax Revenue ■ Non-Tax Revenue ■ Revenue from Govt ■ Capital Receipts ■ Innovative Financing

Comparison of Expenditure



Utilization of Funds



■ Current Revenue Expenditure ■ Current Capital Expenditure
 ■ Development Expenditure ■ Provincial Surplus

Overview

Overall the Punjab Finance Bill has provided a way for streamlining the impacts of Covid-19 pandemic through multiple interventions in the form of multifold increase in health education and development expenditures through an agenda of Social Economic Growth and Development and to uplift the quality of living of ordinary persons.

Set with a total outlay of Rs. 2,652 billion, the proposed Punjab Budget, sets a local tax revenue target of Rs. 272 billion, in addition to receipts from federal government amount to Rs 1684 billion, capital receipts of Rs 565 billion and non-tax revenue of Rs 132 billion. Further the overall current revenue expenditure amounts to Rs 1428 billion, whereas the current capital expenditure and current development expenditure is planned at Rs 540 billion and 560 billion respectively with a provincial surplus of Rs 125 billion.

The major emphasis has been laid down to uplift the physical infrastructure relating to hospitals and health center across Punjab and significant focus has also been made to improve education facilities across Punjab by planning to open up new colleges and universities.

In order to equalize the development expenditure across province of Punjab an announcement for a separate development plan for South Punjab has been made wherein thirty-four percent of annual development plan has been set-aside for South Punjab. Further, in order to elevate industrial development in the province various incentive programs for development of Small and Medium Entities has been introduced.

Moreover, relief has been extended to ease out suffering of marginalized community by opening up facilitation center for basic necessities. Infrastructure development in the form of roads and highways has also been planned to increase the connectivity within the Province. Relief measures have been provided to various services sectors by relaxing the standard rate of tax for ten services to a reduced rate of five percent.

The approach of the Punjab Government is to facilitate the ordinary persons by spending major chunk of development expenditure over health, education, industries development, skills development, environment protection, construction of homes, tourism development, zones development and increasing the connectivity of roads.

BDO EBRAHIM & CO.
DATED: JUNE 16, 2020

Executive Summary

The Punjab Entertainment Duty Act, 1958 ('Entertainment Act')

- Entertainment Act is proposed to be repealed and the related enabling provisions have also been included in Punjab Sales Tax on Services Act, 2012 ('Punjab Act') through entry no 70 to Second Schedule of Punjab Act.

The Punjab Motor Vehicle Taxation Act, 1958

- An exemption at the rate of 75 percent of motor vehicle tax is proposed through the bill in respect of electric vehicles for the period upto June 30, 2022.

The Punjab Finance Act, 1977

- Professional tax has been proposed on the persons engaged in a profession, trade, calling or employment and who were assessed to pay income tax during the preceding financial years at a nominal rate of Rs 200 per annum.

The Punjab Sales Tax on Services Act 2012

- Through the proposed amendments active taxpayer has been defined as a registered person whose registration has not been suspended or blacklisted by the Authority and who has filed his tax return for at least one of the preceding three consecutive tax periods.
- Through the proposed amendments facility has been provided to taxpayers which are chargeable to Punjab sales tax at reduce rate specified under Second Schedule to opt-out and charge sale tax at the standard rate with the permission of the Authority
- A new penalty of has been proposed against the taxpayers for charging of sales tax at higher rates at an amount of rupees ten thousand per invoice or ten percent of the invoice.
- Rate of sixteen percent is proposed as against rate of nineteen and half percent for call centers.
- Services relating to carriage of goods by rail or road including inter-city carriage were previously taxed at fifteen percent, now the intercity carriage services are proposed to be omitted.

- Sales tax on beauty parlors, fashion designers, architects, laundries and dry cleaner, supply of machinery, warehouse services, dress designers and rental of bulldozers is proposed to be taxed at a reduce at the rate of five percent without input adjustment instead of sixteen percent.
- Entertainment services (including cinemas, theatres, concerts, circus, sports events, races, film, fashion shows and mobile stage shows) are proposed to be tax at the rate of zero percent without input adjustment through entry no 70 to the Second Schedule to Punjab Act.
- Payments made through mobile wallets or QR scanning, is also proposed to be added in addition to payments through debit and credit card for restaurants services for availing reduce rate benefit of five percent.
- Existing benefit of reduced rate of five percent extended for various services including restaurant services, information technology services, services of auditors and consultants through Finance Act 2020 has not been changed for financial year 2021-2022.

The Punjab Infrastructure Development Cess Act, 2015

- In terms of existing provisions of Punjab Infrastructure Development Cess Act, 2015 a person has to apply for exemption to the Government of the Punjab, after obtaining exemption from the Federal Government for waiver of Punjab Infrastructure Development Cess. Through the proposed amendments exemption for Punjab Infrastructure Development Cess has been provided for all such goods that have been exempted by Federal Government.

The Punjab Urban Immovable Property Tax Act, 1958

- In order to encourage electronic payment mechanism in the wake of Covid-19 pandemic, amendments have been proposed to provide rebate of five percent where payments are being made through e-payment system.
- Further an early payment rebate of five percent or ten percent has been proposed in case a person opts to pay tax before first quarter of financial year 2021-22 and facilitation has also been provided for taxpayers to make quarterly tax payments.
- The facilitation provided are for the financial year 2021-22 only.

Repealed The Punjab Entertainment Duty Act, 1958 (X of 1958)

Through the Finance Bill, Entertainment Act is proposed to be repealed and the subject matter is entrusted upon Punjab Revenue Authority by making enabling amendments in Punjab Act.

Entry No 4 of Second Schedule The Punjab Motor Vehicle Taxation Act, 1958 (XXXII of 1958)

Proposed amendments intend to add explanation for reduction in motor vehicle tax at the rate of seventy-five percent in respect of electric vehicles upto June 30, 2022".

Second Schedule The Punjab Finance Act, 1977

Certain corrective changes have been proposed for making amendments in Punjab Finance Act which levy professional tax within the territorial jurisdiction of Punjab for various categories of trades and professions. Such changes are elaborated as follows:

Previous			Substituted	
Sr. No.	Class of Persons	Rate (PA) (Rupees)	Class of Persons	Rate (PA) (Rupees)
3.	Persons other than companies owning commercial establishments having 10 or more employees;		i). Persons other than companies owning commercial establishments having 10 or more employees; (a) Within Metropolitan and Municipal Corporation limits	6,000
	i) (a) Within Metropolitan and Municipal Corporation limits (b) Others	6,000/- 4,000/-	(b) Others	4,000
	ii) All other commercial establishments other than wholesalers and retailers	2,000/-	ii). All other commercial establishments other than wholesalers and retailers	2,000
6.	vii) d) Motor Car Dealers and Real Estate Agents– (i) Within Metropolitan and Municipal Corporation limits (ii) Others	20,000 10,000	(d) Motor Vehicle Dealers and Real Estate Agents– (i) Within Metropolitan and Municipal Corporation limits (ii) Others	20,000 10,000

A new entry for a levy of tax for persons who paid tax during preceding financial year has also been added:

Sr No.	Class of Persons	Rate (PA) (Rupees)
11	Persons who are engaged in a profession, trade, calling or employment who were assessed to pay income tax during the preceding financial years".	200/-

The Punjab Sales Tax on Services Act 2012

2(1) Active Taxpayer

Proposed amendments intends to add definition of active tax payer as per the following "active taxpayer" means a registered person:

- (a) whose registration has not been suspended or blacklisted by the Authority; and
- (b) who has filed his tax return for at least one of the preceding three consecutive tax periods".

2(1) and 2(1A) Existing Clauses (1) and 1(A) have been proposed to be renumbered as (1A) and 1(B) respectively.

2(11)(a) Through such amendment it is proposed to correct the reference of "the Companies Ordinance, 1984 (XLVII of 1984)", the with "the Companies Act, 2017 (XIX of 2017)".

2(41)(A) Standard Rate

Proposed amendment seeks to add a new clause to define "Standard Rate" as "sixteen percent".

10(A) Option to charge tax at Standard Rate

Through the proposed amendments an option to charge tax at standard rate has been allowed to any service or class of services chargeable at reduced rate under the Second Schedule to Punjab Act subject to the permission of Punjab Revenue Authority. Further, such an option shall be irrevocable and any misuse of option may be withdrawn by the authority after providing an opportunity of being heard.

48 Amendments have been proposed in the fines and penalties table, reference of section 59A in 4th column of Sr No. 20 to corrected the reference of section 59B.

A new penalty for charging excess sales tax has been proposed as follows:

S. No.	Offence	Penalty	Section
21.	Where a shall be registered person charges sales tax in excess to the rate provided in the Second Schedule.	Such person liable to pay a penalty of rupees ten thousand per invoice or ten percent of the invoice amount, whichever is higher	10;

59 Positioning of an officer to business premises

Through the proposed amendment Punjab Revenue Authority and Concerned Commissioner have been empowered to post officers to business premises for monitoring of receipts of business. Previously, such permission was allowed only in case of services.

65(7) and 65(8) Decision in appeal by Commissioner Appeals

Sub-section 7 and 8 of section 65 are proposed to be omitted, before omission Commissioner Appeals was required to transfer cases not decided in 180 days by Commissioner Appeals to Appellate Tribunal with a comprehensive report and reasoning for delay and Appellate Tribunal was required to consider it as an appeal filed against order of Commissioner Appeals.

Second Schedule

Various changes have been proposed in the Second Schedule to the Punjab Act allowing reduced rate of five percent to various sectors whereas certain clarifications have also been added revised entries of second schedule are reproduce below.

S. No.	Description	Classification, if applicable	Existing rate of tax	Proposed rate of tax
7.	Services provided in respect of insurance to a policy holder by an insurer, including a re-insurer for: (a) fire insurance; (b) goods insurance; (c) health insurance; (d) life insurance; (e) marine insurance; (f) theft insurance; and (g) any other insurance. EXCLUDING: (a) marine insurance for export; and (b) crop insurance.	98.13	(a) Nineteen and half percent without input tax adjustment for Health insurance for individuals; (b) Sixteen Percent of gross Premium paid, for others.	(a) Nineteen and half percent without input tax adjustment for Health insurance for individuals; (aa) Five Percent for insurance agents and insurance brokers. (b) Sixteen Percent of gross Premium paid, for others.
11.	Services provided by restaurants including cafes, food (including ice-cream) parlors, coffee houses, coffee shops, deras, food huts, eateries, resorts and similar cooked, prepared or ready-to-eat food service outlets etc.	9810.2000980 1.9000	(a) Five Percent without input tax adjustment where payment against services is received through debit or credit card (b) Sixteen percent for others.	(a) Five Percent without input tax adjustment where payment against services is received through debit or credit card, mobile wallets or QR scanning; (b) Sixteen percent for others.
18	Services provided for personal care by beauty parlors, salons, clinics, sliming clinics, spas, including saunas, Turkish baths and Jacuzzi and similar other establishments EXCLUDING: Services provided in a parlor, 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.	9810.0000 9848.0000 9847.0000 9821.4000 and 9821.5000 9815.7000 and respective headings	(a) Five percent without input tax adjustment where payment against services is received through debit or credit cards; and (b) Sixteen percent for others.	Five percent without input tax adjustment
33.	Services provided by fashion designers including use of brand name, logo or house mark (whether or not registered) in the manufacturing or trading of products whether relating to textile, leather, jewelry or other product regimes including allied services such as cutting, stitching, printing, manufacturing, fabrication, assembly, embellishment, adornments, display (including marketing, packing and delivery etc.)	9834.0000981 9.6000 9839.0000 and respective headings	Sixteen percent	Five percent without input tax adjustment
34.	Services provided by architects, town planners, [193][landscapers, landscape designers], [194][interior decorators and interior designers]	9814.1000981 4.90009814.40 00 and respective headings	Sixteen percent	Five percent without input tax adjustment

Sr. No.	Description	Classification, if applicable	Existing rate of tax	Proposed rate of tax
40	Brokerage (other than stock) and indenting services including commission agents, under-writers and percent without auctioneers.	9829.0000981 9.12009819.11 009819.1300 and 9819.9100	(a) Five percent without input tax adjustment for services provided in respect of agricultural produce (b) sixteen percent for others	(a) Five percent without input tax adjustment for services provided in respect of agricultural produce and home chefs; and (b) sixteen percent for others
41	Call Centers	9865.0000	Nineteen and a half percent	Sixteen percent
44	Services provided by laundries and dry cleaners.	9811.0000	Sixteen percent	Five percent without input tax adjustment
48	Services provided by persons for carriage of goods by rail or road.	98.04 9804.2000 9804.9000 and respective headings	Fifteen Percent	Fifteen Percent
50.	Services in relation to supply of tangible goods including machinery, equipment and appliances for use, without transferring right of possession and effective control of such machinery, equipment and appliances.	Respective headings	Sixteen percent	Five percent without input tax adjustment
61	Services provided by warehouses or depots for storage or cold storages including letting of space for storages. Excluding: Storage of agriculture produce for the person's own consumption.	9833.0000 and respective headings	Sixteen percent	Five percent without input tax adjustment
64.	Dress designing and stitching services.	Respective headings	Sixteen percent	Five percent without input tax adjustment
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	Five percent without input tax adjustment

Further, a new entry to cover for legislation of entertainment duty previously collected through entertainment act has now been inserted in the second schedule of Punjab Act.

Sr No.	Description	Classification (if applicable)	Rate of tax
70	Entertainment services including cinemas, theaters, concerts, circus, sports events, races, film, fashion shows, and mobile stage shows	Five percent without input tax adjustment	Zero percent without input tax adjustment

The Punjab Infrastructure Development Cess Act, 2015

6.

Through the proposed amendment an exemption goods exempted by the Federal Government from payment of duties and taxes for import' is added, whereas a correction for the comma has also been made.

Special relaxation for financial year 2021-2022 in Punjab Urban Immovable Property Tax Act, 1958 (V of 1958)

Through proposed amendment special relaxation has been announced for the financial year 2021-2022 for facilitation of electronic payments and to give an option for part payment of taxes and by offering rebates in taxes, such relaxations are reproduced below:

"(1) Notwithstanding anything contained in sections 3 and 12 of the Punjab Urban Immovable Property Tax Act, 1958 (V of 1958), for the financial year 2021-22:

- (a) discount equal to five percent of the tax being paid shall be allowed on payment of tax through e-payment system;
- (b) the tax shall be paid on yearly basis or half yearly basis as the assesses may choose or the such later date the Government may by notification determine; and
- (c) for financial year 2021-22, the tax shall be collected as follows:
 - (I) In first quarter with five percent rebate in the amount of annual tax;
 - (ii) In second quarter, the amount of annual ta without any rebate; and
 - (III) In third and fourth quarters the amount of annual tax with one percent surcharge per month on the gross payable tax

(2) Notwithstanding anything contained in sections 3 and 9 of the Punjab Motor Vehicle Taxation Act, 1958, for the financial year 2021-22:

- (a) discount equal to five percent of the tax being paid shall be allowed on payment of tax through e-payment system;
- (b) for financial year 2021-22, the tax shall be collected as follows
 - (i) in first quarter with ten percent rebate in the amount of annual tax;
 - (ii) in second quarter, the amount of annual tax without any rebate; and
 - (iii) in third and fourth quarters, the amount of annual tax with such penalty as may be determined under section 9.

(3) This section shall remain in force till 30th day of June 2022."

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