



PUNJAB BUDGET COMMENTARY 2019

**Audit | Tax | Advisory |
Business Services & Outsourcing**

PROVINCIAL BUDGET 2019 - PUNJAB

This memorandum 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 Provincial Act, presented in the Provincial Assembly of Punjab on June 28, 2019. All changes approved through the Provincial Act are effective July 1, 2019, by the Provincial Assembly of Punjab. Approved modifications in certain other Provincial laws are also summarized in this Memorandum.

This Memorandum is correct to the best of our knowledge and belief at the time of publication. It is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. The Firm does not accept any responsibility for any loss arising from any action taken or not taken by anyone using this publication.

Clients are advised to consult the actual text of the Act while interpreting the specific provisions and to consult our tax department for clear advice on specific issues.

SECOND
SCHEDULE
ARTICLE

PUNJAB FINANCE ACT, 1977

THE STAMP ACT, 1899

Substitution of Stamp Duty on Registration of Instrument

Article 6 (2) The Punjab Finance Act 2019 (the Act) has changed the existing stamp duties on some instruments with the new approved rates which are summarized as follows:

Description

- (6) Agreement relating to Deposit of Title Deeds, Pawn or Pledge
- (2) The pawn or pledge of movable property where such pawn / pledge has been made by way of security for the re-payment of money advanced or to be advanced by way of loan or an present or future debt:
- (a) if such loan / debt is repayable on demand or more than three (3) months from the date of the instrument as per the agreement;

Existing Stamp Duty

New Stamp Duty

- | | | | |
|-----|---|---|---|
| (i) | in the case of banking companies or other financial institutions, when the entire finance is not based on interest; | 0.2% of the loan amount subject to a maximum of Rs. 100,000 | 0.2% of the loan amount subject to a maximum of Rs. 500,000 |
|-----|---|---|---|

- (b) if such loan / debt is repayable not more than three months from the date of such instrument;

- | | | | |
|-----|--|---|--|
| (i) | in the case of banking companies or other financial institutions, when the whole financing is not based on interest; | 0.1% of the loan amount, subject to a maximum of Rs. 50,000 | 0.1% of the loan amount, subject to a maximum of Rs. 500,000 |
|-----|--|---|--|

(40) (d)(i)

Mortgage Deed

Mortgage with banking companies, i.e., simple or legal mortgage for banking companies or other financial institutions, when the whole financing is not based on interest;

0.45% of the loan amount subject to a maximum of of Rs. 100,000

0.45% of the loan amount subject to a maximum of Rs. 500,000

SECOND SCHEDULE PUNJAB FINANCE ACT, 1977

SECTION THE PUNJAB URBAN IMMOVABLE PROPERTY TAX ACT, 1958

Exemption from levy of Punjab Urban Immovable Property Tax

4 Clause(g) / Explanation The Act extends the exemption of the above tax on annual taxable value of land and building which does not exceed Rs. 243,000 belonging to a unmarried female orphan up to the age of 25 years.

Section 3 The Act has substituted in Second Schedule in Punjab Finance Act, 1977 as follows:

S. No.	Class of persons	Rate of Tax per annum (Rs.)
1.	Companies registered under Companies Ordinance, 1984 or under the relevant law for the time being in force with paid up capital:	
	i) Upto Rs. 5 million	10,000
	ii) Exceeding Rs. 5 million but not exceeding Rs. 50 million	30,000
	iii) Exceeding Rs. 50 million but not exceeding Rs. 100 million	70,000
	iv) Exceeding Rs. 100 million	100,000
2.	Person other than Companies owning factories as defined under the Factories Act, 1932 and having:	
	i) No. of employees not exceeding 10	1,500
	ii) No. of employees exceeding 10 but not exceeding 25	5,000
	iii) No. of employees Exceeding 25	7,500
3.	Persons other than Companies owning Commercial establishments having 10 or more employees:	
	i) (a) Within metropolitan and municipal limits	6,000
	(b) Others	4,000
	ii) All other commercial establishment 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 Rs. 0.1 million but not exceeding Rs. 1 million	2,000
	ii) exceeding Rs. 1 million but not exceeding Rs. 5 million	3,000
	iii) exceeding Rs. 5 million	5,000

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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 Rs. 1 million | 1,000 |
| ii) | exceeding Rs. 1 million but not exceeding Rs. 10 million | 6,000 |
| iii) | exceeding Rs. 10 million but not exceeding Rs. 50 million | 10,000 |
| iv) | Exceeding Rs. 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 | 3,000 |
| | b) Others | 1,000 |
| iv) | Auditing firms (per professionally qualified person) | |
| | a) Within Metropolitan and Municipal Corporation limits | 6,000 |
| | b) Others | 4,000 |
| v) | Management and Tax Consultants, Architects, Engineering, Technical and Scientific Consultants | |
| | a) Within Metropolitan and Municipal Corporation limits | 6,000 |
| | b) Others | 4,000 |
| vi) | Lawyers | 1,000 |
| Vii) | a) Members of Stock Exchanges | 10,000 |
| | b) Money Changer: | |
| | (i) Within Metropolitan and Municipal Corporation Limits | 6,000 |
| | ii) Others | 2,000 |
| | c) Motorcycle/Scooter dealers- | |
| | (i) Within Metropolitan and Municipal Corporation Limits | 10,000 |
| | ii) Others | 6,000 |

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d)	Motor Car Dealers and Real Estate Agents-	
(i)	Within Metropolitan and Municipal Corporation Limits	20,000
(ii)	Others	10,000
e)	Recruiting Agents-	
(i)	Within Metropolitan and Municipal Corporation Limits	20,000
(ii)	Others	10,000
viii)	Carriage of goods and passengers by road:	
a)	Within Metropolitan and Municipal Corporation limits	4,000
(b)	Others	2,000
ix)	Health Clubs and Gymnasiums-	
a)	Within Metropolitan and Municipal Corporation limits	4,000
(b)	Others	2,000
x)	Jewelers, departmental stores, electronic goods stores, cable operators, printing presses and pesticide dealers	2,000
xi)	Tobacco vendors- 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

Section 3 (1) The rates of Land Based Agricultural Income Tax under Punjab Agricultural Income Tax Act, 1997 were fixed in 2003 and were applicable till 2019. Now the Act has changed rates as follows:

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S. No.	Description	Rate per Acre
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 acres of unirrigated land excluding mature orchards	
	i) Not exceeding 12.5 acres	Nil
	ii) Exceeding 12.5 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

Rates in first schedule are although increased from existing rates, however, considering the demand of the farmer community for enhancement in exemption limit in agricultural for betterment of agriculture sector, the Act has increased the exemption limit and tax rates prescribed in Second Schedule as follows:

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RATE OF TAX ON TOTAL AGRICULTURAL INCOME

The rate of tax on total agricultural income are as under:

S. No.	Description	Rate
1	Where the total income does not exceed Rs. 400,000/-	0%
2	Where the total income exceeds Rs. 400,000/- but does not exceed Rs. 800,000/-	Rs. 1,000/-
3	Where the total income exceeds Rs. 800,000/- but does not exceed Rs. 1,200,000/-	Rs. 2,000/-
4	Where the total income exceeds Rs. 1,200,000/- but does not exceed Rs. 2,400,000/-	5% of the amount exceeding Rs. 1,200,000/-
5	Where the total income exceeds Rs. 2,400,000/- but does not exceed Rs. 4,800,000/-	Rs. 60,000/- plus 10% of the Amount exceeding Rs. 2,400,000/-
6	Where the total income exceeds Rs. 4,800,000/-	Rs. 300,000 plus 15% of the Amount exceeding Rs. 4,800,000/-

SECOND SCHEDULE **PUNJAB FINANCE ACT, 1977**

SECTION 14 (2) **THE PUNJAB URBAN IMMOVABLE PROPERTY TAX ACT, 1958**
PUNJAB SALES TAX ON SERVICES ACT, 2012

The Act has made addition of explanations in section 14 regarding special procedure and tax withholding provision and explained word “charged” as tax payable under this Act.

16B **TAX CREDIT NOT ALLOWED**

The Act has disallowed claim of input tax under Clauses (g) and (h) of section 16B of the Act, from where:

- input tax is paid on goods and services liable to sales tax at the rates lesser than 15%
- input tax paid on goods and services consumed in a service liable to sales tax at the rates lesser than 15%.

24A **DETERMINATION OF MINIMUM TAX LIABILITY**

The Act has inserted new section 24A as follows:

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.

48 **OFFENCES AND PENALTIES**

The Act has inserted new entries 17 to 20 after entry number 16 as follows

S. No.	Offences	Penalties	Section
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	Such person shall be liable to pay a penalty which may range from one	25

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or gives misleading declaration or fails to intimate any change in business bank account within fourteen days of such change

hundred thousand rupees to five hundred thousand rupees

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 upto 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

59B

MONITORING OR TRACKING BY ELECTRONICS OR OTHER MEANS

**Sub section
(2A)**

The Act has inserted new sub-section 2A as follows

“The authority may, in the prescribed manner, devise, implement and declare mandatory 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”

60

POWERS OF ADJUDICATION

The Act has substituted in sub-section (1) and clause (d) as follows

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

66 (1)

APPEAL TO THE APPELLATE TRIBUNAL

The Act has substituted the right of appeal before the appellate tribunal for “any person” including officer of authority not below the rank of additional commissioner from “any taxpayer” aggrieved by an order passed by following:

a) Commissioner Appeals

b) Commissioner or

c) Authority within thirty days of the receipt of such decision or order, prefer an appeal to the appellate tribunal.”

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70 (1)(C) RECOVERY OF ARREARS OF TAX

The Act made amendment in section 70 sub-section (1) clause (c) after the word “bank accounts” the word “and recover the amount payable or recover such amount without attachment” has been inserted.

The section now dealing with recovery of the sales tax empowers an officer of the Punjab Revenue Authority to recover arrears of tax amount without attaching bank account.

SECOND SCHEDULE TAXABLE SERVICES

Amendments in Second Schedule

The Act substitutes following in Second Schedule of the Punjab Sales Tax on Services Act, 2012 at serial no. 15 as follows:

s. No.	Description	Classification if applicable	Existing tax rate	New tax rate
15	<p>i) Services provided by property developers, builders and promoters (including their allied services)</p> <p>Excluding:</p> <p>Actual purchase value housing or documented cost of land</p>	9807.000 0 and respective Sub-headings of heading 98.14	(i) @ Rs. 100 per square yard for land development; and (ii) @ Rs. 50 per square feet for building construction	8% without input tax adjustment or 16% with input tax adjustment; and
	ii) Affordable housing services provided under Government sponsored housing programs.	9807.000 0 and respective Sub-headings Of heading 98.14	-	5% without input tax adjustment or 16% with input tax adjustment

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- 34 The Act in second schedule at serial number 34 in column 2 after the word “interior decorators” the word “interior decorators and interior designers” has been substituted.
- 43 The Act in second schedule at serial number 43 in column 2 after the word “games” the word “amusement parks, arcades and other recreation facilities” has been inserted.
- 54 The Act made following substitution in second schedule at serial number 54 in column 1 to 4:

S. No.	Description	Classification if applicable	Tax Rate
54	Facilities for travel originating from Punjab	9803.1000 9803.1100	5% without input tax adjustment and
	(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.

The Act made insertion of new entries from serial 64 to 68 after serial number 63 as follows

S. No.	Description	Classification if applicable	New Tax Rate
64	Dress designing and stitching services	Respective headings	16%
65	Rental of bulldozers, excavators, cranes, construction equipment, Scaffolding, framework and shuttering, generators, storage containers, refrigerator, shelf or rack renting, etc	Respective headings	16%
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	16%
67	Apartment house management real estate management and services of rent collection	Respective headings	16%

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- 68** (i) Medical consultation / visit fee exceeding 9815.1000 and other 5% without input tax
Rs.1,500 per consultation / visit of doctors Respective headings adjustment
medical practitioners and medical specialists.
- ii) Bed / room charges of hospitals exceeding Rs.
6,000 per day per bed / room

Section 4 (b) AMENDMENT IN PUNJAB FINANCE ACT 2014 (XVII OF 2014)

The Act approved omission of section 4 clause (b) regarding imported motor vehicles (motors cars or jeeps) as provided in Punjab Finance Act 2014

Section 10 AMENDMENT IN PUNJAB FINANCE ACT 2016 (XXXV OF 2016)

The Act has omitted section 10 regarding tax on imported motor cars as provided in Punjab Finance Act 2016

Section 6 AMENDMENT IN PUNJAB FINANCE ACT 2018 (XXX OF 2018)

The Act has omitted section 6 regarding tax on imported motor car as provided in Punjab Finance Act 2018

THE PUNJAB URBAN IMMOVABLE PROPERTY TAX ACT, 1958**Tax on properties (other than Agricultural Land) abutting to National/Provincial Highways and within the area of Motorways outside the rating areas in Punjab**

The Act has broadened the tax base in the Province of Punjab and to ensure provision of better public services introduced a new tax at the rate of 5% of the annual taxable value of all categories of properties (other than agricultural land) outside the limits of rating areas, abutting to national or provincial highway or within the areas of motorways.

The tax is to be due from the owner or the occupant, jointly and severally, in addition to any other tax charged under any other law being in force and shall be the first charge upon the property unit.

Exemption from levy of Punjab Urban Immovable Property Tax

The above Act exempts the levy of the said tax in respect of building and lands where:

- i) 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;
- ii) Owned by Federal or Provincial government; or

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iii) Exclusively used by public for worship.

Further, the above Act introduces following definitions for the purpose of said tax:

- a) "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;
- b) "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;
- c) "Government" means Government of the Punjab
- d) "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;
- e) "national highways" means the highways in the Punjab which are owned, maintained and operated as such by the national highway authority;
- f) "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;
- g) "prescribed" means prescribed by the rules made under this act
- h) "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
- i) "rating area" means urban area where property tax is levied under the Punjab urban immovable property tax act, 1958 (v of 1958).

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