

**A  
Bill**

to levy, alter and rationalize certain taxes and duties in Province of the Punjab.

It is necessary in public interest to levy, alter and rationalize certain taxes 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 2021.

(2) This Act extends to whole of the Punjab.

(3) This Act shall come into force on the first day of July 2021.

**2. Repeal of Act X of 1958.-** The Punjab Entertainment Duty Act, 1958 (X of 1958) is hereby repealed.

**3. Amendment of Act XXXII of 1958.-** In the Punjab Motor Vehicle Taxation Act, 1958 (XXXII of 1958), in the Schedule, in entry at Sr. No. 4, for the Explanation, the following shall be substituted:

**"Explanation.-** An exemption at the rate of 75 percent in motor vehicle tax in respect of electric vehicles shall be granted till 30.06.2022."

**4. Amendment of Act XV of 1977.-** In Punjab Finance Act, 1977 (XV of 1977), in Second Schedule:

(a) for entry at Sr. No.3, the following shall be substituted:

<b>"Sr. No.</b>	<b>Class of Persons</b>	<b>Rate of tax per annum (rupees)</b>
3	(i) Persons other than companies owning commercial establishments having 10 or more employees	6,000/-
	a) Within metropolitan and municipal corporation limits	
	(b) Others	4,000/-
	(ii) All other commercial establishments other than wholesalers and retailers	2,000/-

- (b) in entry at Sr. No. 6, in category (vii), in subcategory (d), for the words "Motor Car" the words "Motor Vehicle" shall be substituted; and
- (c) after entry at Sr.No.10, the following entry shall be inserted at Sr.No.11;

"Sr. No.	Class of Persons	Rate of tax per annum (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/-

**5. Amendment of Act XLII of 2012.-** In the Punjab Sales Tax on Services Act 2012 (XLII of 2012):

- (a) in section 2:
- (i) clauses (1) and (1A) shall be renumbered as (1A) and (1B) respectively, and before clause (1A) as renumbered, the following clause (1) shall be added:
- "(1) "active taxpayer" means a registered person:
- (i) whose registration has not been suspended or blacklisted by the Authority; and
- (ii) who has filed his tax return for at least one of the preceding three consecutive tax periods;
- (ii) in clause (11), in sub-clause (a), for the expression "the Companies Ordinance, 1984 (XLVII of 1984)", the expression "the Companies Act, 2017 (XIX of 2017)" shall be substituted;
- (iii) after clause (41), the following clause (41A) shall be inserted:
- (i) "Standard Rate" means sixteen percent";
- (b) after section 10, the following section 10A shall be inserted:
- "10A. Option to charge tax at standard rate.-** (1) Where any service or class of services is chargeable at a reduced rate under the Second Schedule, any person or class of persons providing such service or services may, with the permission of the Authority, opt to charge sales tax at the standard rate subject to such conditions, restrictions and limitations as may be specified by the Authority.

(2) The permission granted under subsection (1) shall be irrevocable except with the permission of the Authority.

(3) Where the Authority has reasons to believe that the taxpayer has misused the option, the Authority may withdraw the permission granted under subsection (1) at any time after affording an opportunity of being heard.”;

(c) in section 48:

- (i) in entry at S. No. 20, in column 4, for the expression “59A”, the expression 59B shall be substituted;
- (ii) after entry at S. No. 20, the following entry 21 shall be added:

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

(d) in section 59, in sub-sections (1) and (2), after the word “provision”, the words “and receipt” shall be inserted;

(e) in section 65, sub-sections (7) and (8) shall be omitted.

(f) in the Second Schedule:

- (i) in entry at S.No.7, in column (4), after category (a), the following category (aa) shall be inserted:  
“(aa) Five percent for insurance agents and insurance brokers”;
- (ii) in entry at Sr.No.11, in column (4), in category (a), after the words “credit cards” the expression “, mobile wallets or QR scanning” shall be inserted;
- (iii) in entry at Sr.No.40, in column (4), in category (a), after the words “agricultural produce” the words “and home chefs” shall be inserted;
- (iv) in entry at Sr.No.41, in column (4), for the words “Nineteen and a half” the word “Sixteen” shall be substituted;
- (v) in entry at Sr.No.48, in column (2), the expression “inter-city” shall be omitted;

(vi) in entries at Sr. No. 18,33,34,44,50,61,64 and 65, in column (4), for the existing categories, the following shall be substituted:

“Five percent without input tax adjustment”

(vii) after entry at Sr.No.69, the following entry shall be added at Sr. No 70:

“Sr. No	Description	Classification, if applicable	Rate of Tax
(1)	(2)	(3)	(4)
70	Entertainment services (including cinemas, theatres, concerts, circus, sports events, races, film, fashion shows and mobile stage shows)	-	Zero percent without input tax adjustment”

**6. Amendment of Act XXX of 2015.-** In the Punjab Infrastructure Development Cess Act 2015 (XXX of 2015), in section 6, in subsection (1):

- (a) for the word “and” appearing for the second time, a comma shall be substituted; and
- (b) after the word “Punjab” appearing for the second time, the expression “, and the goods exempted by the Federal Government from payment of duties and taxes for import” shall be inserted.

**7. Special relaxations for financial year 2021-22.-** (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 assessee may choose or the such later date as 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 tax 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 (XXXII 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) 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 30<sup>th</sup> day of June 2022.

### **STATEMENT OF OBJECTS AND REASONS**

The relief in motor vehicles tax in respect of old vehicles is proposed to be withdrawn to discourage the use of such vehicles to ensure less pollution. Similarly, discounted rate of motor vehicles tax for electric vehicles has been provided to promote the use of electric vehicles.

In case of e-payment of urban immovable property tax and motor vehicles tax, a discounted rate of 5% has been proposed during Covid-19 pandemic. Besides, surcharge and penalty for property tax and motor vehicles tax have also been rationalized.

In view of the proposal to assign the subject matter of entertainment duty to Punjab Revenue Authority (PRA), the Punjab Entertainment Duty Act, 1958 is to be repealed while amending the Punjab Sales Tax on Services Act 2012 for this purpose. Further, penalty has been proposed for persons who charge tax at a rate higher than the rate provided under the Act of 2012.

The relief measures brought through the Finance Act 2020 in the shape of reduction in rates for various service sectors are to be continued and rates of sales tax on services for ten service sectors are to be reduced including beauty parlours, fashion designers, architects, laundries and dry cleaners, supply of machinery, warehouse services, dress designers and rental of bulldozers.

In view of the success of the proposal to charge sales tax at the reduced rate of 5% on restaurants, which has helped in the documentation of the economy as well as providing relief to taxpayers who support documentation, expansion of the said regime in case of payments through mobile wallets and QR scanning has also been proposed.

In order to ensure ease of doing business, exemption from Punjab Infrastructure Development Cess for all goods exempted from payment of duties and taxes for import by the Federal Government, has been proposed. Currently, a taxpayer has to apply for the said exemption to the Government of the Punjab, after obtaining exemption from the Federal Government.

In order to ensure maximum facilitation and to ensure that the intended relief does not cause any unintended hardship to any business, the option to charge sales tax at standard rate (16%) instead of reduced rate, has been proposed. Hence this Bill.

**FINANCE MINISTER**