**PROPOSED CHANGES IN PUNJAB SALES TAX ON SERVICES ACT, 2012**

**THROUGH PUNJAB FINANCE BILL 2016-17**

**Section 14** **Special procedure and tax withholding provisions**

* It is proposed that a new subsection (3) be inserted. Under the new subsection, if a withholding agent either fails to withhold or deduct tax or having withheld or deducted the tax, fails to deposit the tax in the Government treasury, he would be personally liable to pay the amount of tax to the Government.

**Section 16A**  **Certain transactions not admissible**

* It is proposed that a new section 16A be inserted in order to ensure payments through banking channels where amount of invoice exceeds Rs. 50,000/-. The proposed addition of section 16A has the effect of bringing Punjab's sales tax law relating to input tax admissibility and payment procedure in line with section 73 of the Sales Tax Act 1990. Under the section, a service recipient shall only be allowed to claim input tax adjustment, refund or zero-rating of tax if the following conditions are satisfied:

1. in case of a transaction exceeding value of fifty thousand rupees, payment must be made by online transfer, credit card, crossed cheque drawn on a bank or by crossed bank draft or crossed pay order or any other crossed banking instrument showing transfer of the amount of the sales tax invoice in favour of the service provider from the business bank account of the service recipient.
2. payment in case of a transaction on credit must be transferred within one hundred and eighty days of issuance of the tax invoice.
3. the amount transferred must be deposited in the declared business bank account of the service provider.

**Section 16B** **Tax credit not allowed**

* It is proposed that section 16B be inserted. The section lays down that input tax adjustment shall not be allowed in respect of the following:

1. capital goods (plant, machinery, equipment and others) not exclusively useable or used in providing taxable services;
2. goods and services already in use on which the tax is not paid, or, where paid, the input adjustment has been taken before the commencement of the Act or where the input related goods and services were purchased or acquired before such commencement;
3. utility bills not in the name of registered person with reference to his registered premises unless evidence of consumption is produced in the matter of such claims;
4. the tax claimed as input tax on services where such tax amount has not been deposited by the supplier or the service provider or where the evidence of such payment is not produced;
5. carry forward of the input tax adjustment relating to the period prior to the commencement of the Act;
6. goods and services received against false, fake, forged, flying, untrue, unreal or unrelated invoices or against purchases from the persons black listed or suspended by the Authority or by the Federal Board of Revenue or by any other Provincial authority;
7. goods and services liable to a tax rate lesser than sixteen per cent of the charges or to a specific rate of tax not based on value when used for providing or rendering any service;
8. goods and services used or consumed in a service liable to a rate of tax lesser than the sixteen per cent of the charges or to a specific rate of tax not based on value;
9. vehicles including three and two wheelers;
10. food, beverages, garments, fabrics or others and consumption on entertainment, amusement, recreation or enjoyment;
11. gift and giveaway;
12. goods or services used or to be used for any purpose other than for taxable supplies made or to be made by him;
13. goods and services acquired for personal or non-business consumption;
14. goods and services not related to the taxable supplies made by the registered person;
15. goods and services in respect of which input tax adjustment is barred under the respective federal and provincial sales tax law;
16. sales tax paid to the Federal Government or any other Provincial Government for supply of goods or provision of services, if the sales tax law of the Federation or the Province concerned does not allow adjustment of tax paid under this Act;
17. from the date to be notified by the Authority, such goods and services which, at the time of filing of return by the buyer, have not been declared by the supplier in his return;
18. further tax, extra tax and value addition tax levied under the Sales Tax Act, 1990, and the rules or notifications issued thereunder;
19. goods used in, or permanently attached to, immoveable property, such as building and construction material, paints, electrical and sanitary fittings, pipes, wires, cables, glass products and furniture, furnishings, office equipment, excluding those directly used in the economic activity of registered persons paying sales tax at a rate of not less than sixteen per cent; and
20. such goods or services as are notified or specified by the Authority to be inadmissible for input tax adjustment.
21. persons who paid fixed tax under any provisions of the Punjab Sales Tax on Services Act 2012 or under the respective federal or provincial sales tax law.

**Section 48** **Offences and penalties**

* It is proposed that the penalty for late filing of return be increased from five thousand rupees to ten thousand rupees, and if a return is not filed within fifteen days of the due date, the penalty be increased from hundred rupees for each day of default to two hundred rupees for each day of default.

**Section 60** **Powers of adjudication**

* Under the present law, Deputy Commissioner is competent to adjudicate cases involving amount of tax ranging from Rs. 1,000,000/- to Rs. 2,500,000/- only. It is proposed that the lower limit of pecuniary jurisdiction of Deputy Commissioner be omitted.

**PROPOSED CHANGES IN THE SECOND SCHEDULE**

**OF THE ACT**

* It is proposed that the scope of services provided by “clubs” under S.No.1 be expanded to include “membership services including services, facilities or advantages, for a subscription or any other amount, to their members”.
* It is proposed that the ambit of Sr. No. 4 be widened to include “advertisement services, showcasing of any product or service in video programmes, television programmes or motion pictures or music albums”.
* It is proposed that the scope of Sr. No. 12 be expanded to include all kinds of advertisement services i.e. advertisements through brand activation in any mode, advertisement on moving vehicles, aerial advertising, advertisement through provision of space or time, or on bill-boards, public places, buildings, conveyances, cell phones, automated teller machines, or through offering product exclusivity in any manner.
* The scope of construction services in Sr. No. 14 is proposed to be expanded so as to include "services provided by contractors of building (including water supply, gas supply and sanitary works), roads and bridges, electrical and mechanical works (including air conditioning), horticultural works, multi-discipline works (including turn-key projects) and similar other works". Furthermore, the exemption afforded to "Government civil works including those of Cantonment Boards" is proposed to be withdrawn.
* It is proposed that under S.No.31 business auxiliary services be subject to sales tax in addition to ‘business support services’.
* It is proposed that "collection and processing of domestic waste and street cleaning services" be added in Sr. No. 39.
* It is proposed that scope of S.No.47 (transport of goods through pipeline or conduit) be extended to include transport of goods through transmission lines.
* The following new services and their corresponding rates of tax are proposed to be added to the Second Schedule to the Act:-

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| --- | --- | --- | --- |
| **S.No.** | **Description** | **Classification, if applicable** | **Rate of Tax** |
| **1** | **2** | **3** | **4** |

|  |  |  |  |
| --- | --- | --- | --- |
| 60 | Services provided by cosmetic and plastic surgeons and hair transplant services but  **EXCLUDING:**  Services provided to acid or burn victims. | 9847.0000 and respective headings | Sixteen percent |
| 61 | Services provided by warehouses or depots for storage including cold storages. | 9833.0000 and respective headings | Sixteen percent |
| 62 | Services provided by Packers including handling and packaging services. | 9819.1400, 9833.0000, 9841.0000 and respective headings | Sixteen percent |