

Tax Bulletin: Punjab & Sindh Finance Bill, 2022



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



Table of Contents

4	• Preamble
5	• Punjab Finance Bill 2022
12	• Sindh Finance Bill 2022



Preamble

Dear Reader,

Hope, these words will find you in good health. As a usual annual ritual, we are pleased to present our bulletin on key changes proposed through Provincial Finance Acts, 2022. This bulletin contains key changes in tax laws and our feedback wherever it is considered pertinent and relevant.

This budget is being presented on a very critical time as at one side Pakistan is facing severe economic challenges like sky-rocketing fiscal and trade deficits, depleting foreign exchange reserves, raging inflation and rising unemployment and on other side Pakistan is facing grave political unrest.

Recently publicized Economic Survey of Pakistan for year 2021-22 has shown a very promising results as it depicts phenomenal growth in almost all sectors of the economy but all this positivity is deadened due to huge fiscal deficit. In these Finance Acts, the governments of provinces as well as center have claimed that they have proposed various revenue generation measures without effecting the life of common man.

We would love to hear your feedback on this bulletin. Kindly, share your feedback at connect@uzandco.com. We also advice our readers to take expert opinion before acting on certain piece of information provided in this document.

UZCO-CAs wishes luck to our beloved country and our fellow countrymen. May the initiatives proposed in these finance acts bring prosperity in the life of common man, aameen. Pakistan Zindabaad!!!

Regards,

Uzco-CAs



Punjab Finance Bill 2022: Key Tax Changes



Punjab Finance Bill, 2022

Punjab Sales Tax on Services:

Section/Ref	New Provision / Changes	Industry to Effect	Impact
16A	Sales Tax Inadmissibility on Payments Other than Banking Channel It is proposed that, in order to qualify for the input tax admissibility, every amount paid over Rs. 50k in cumulative to a particular party in a tax period must be made through banking channel. Earlier that limit was Rs. 50k per transaction without limiting any period or a party.	All	Negative
16C	Admissibility Limit of Input Tax in a Tax Period It is proposed to increase the admissibility limit of input tax upto 90% of output tax declared in a tax period. If this proposal would be approved then it will replace the current limit of 80%. <i>UZCO-CAs Feedback:</i> <i>With this change, the admissibility limits of input tax of both federal and provincial sales tax would become equal.</i>	All	Positive
24 & 32 &	Time Limit for Assessment Proceeding, Retention of Record and Recovery Proceedings The legislator has proposed to reduce time limit for assessment proceedings from 8 years to 5 years w.e.f. July 2022. Further, assessment proceedings may now continue upto 1 year instead of current 120 days.	All	Positive



Punjab Finance Bill, 2022

52	<p>Likewise, the legislator has also proposed to reduce the period of record keeping from current 8 years to 6 years. The similar change has also proposed for limitation period for recovery of tax which is reduced to 6 years from current 8 years.</p> <p><i>UZCO-CAs Feedback:</i></p> <p><i>This is very positive change and would shed a major administrative load for keeping data and records for last 8 years.</i></p>		
48	<p>Enhancement of Penalty</p> <p>With this Finance Act, the legislator has increase certain penalties for following preparator:</p> <ul style="list-style-type: none">• Non-deposit of tax• Failure to maintain record• Failure to produce record to authorities• Presentation of false record or statement or destroy record• Violates an embargo or temper a seal• Failure to comply with conditions prescribed in notification• Failure to register business address, bank and activity• Charging of higher tax	All	Negative



Punjab Finance Bill, 2022

Punjab Property Tax:

Section/Ref	New Provision / Changes	Industry to Effect	Impact
-	Rebates & Discounts 5% discount proposed if tax is paid through electronics means and 10% rebate is proposed if the whole year tax will be paid by 30 th September 2022.	All	Positive

Punjab Luxury Tax:

Section/Ref	New Provision / Changes	Industry to Effect	Impact						
-	<p>Imposition of Luxury Tax</p> <p>In line with similar imitative proposed in federal budget, the Punjab legislator has proposed imposition of luxury tax on residential properties to be constructed after June 30, 2022 as per following schedule:</p> <table><tr><th>Location</th><th>Category of House</th><th>Tax Rate</th></tr><tr><td>In Lahore District including Lahore Cantonment and Walton Cantonment</td><td>Two Kanals or above with covered area of more than 6,000 square feet.</td><td>Rs.300,000 per Kanal subject to a maximum of Rs.2,500,000.</td></tr></table>	Location	Category of House	Tax Rate	In Lahore District including Lahore Cantonment and Walton Cantonment	Two Kanals or above with covered area of more than 6,000 square feet.	Rs.300,000 per Kanal subject to a maximum of Rs.2,500,000.	Real Estate	Negative
Location	Category of House	Tax Rate							
In Lahore District including Lahore Cantonment and Walton Cantonment	Two Kanals or above with covered area of more than 6,000 square feet.	Rs.300,000 per Kanal subject to a maximum of Rs.2,500,000.							



Punjab Finance Bill, 2022

		Eight Kanals or above with covered area of more than 12,000 square feet.	Rs.400,000 per Kanal subject to a maximum of Rs.4,000,000.		
	In rating areas of Divisional Headquarters District (other than Lahore) and all the Cantonments in the District of Divisional Headquarter	Two Kanals or above with covered area of more than 6,000 square feet.	Rs.200,000 per Kanal subject to a maximum of Rs.1,800,000.		
		Eight Kanals or above with covered area of more than 12,000 square feet.	Rs.300,000 per Kanal subject to a maximum of Rs.3,500,000.		
	In remaining rating areas and Cantonments	Two Kanals or above with covered area of more than 6,000 square feet.	Rs.125,000 per Kanal subject to a maximum of Rs.1,500,000.		
		Eight Kanals or above with covered area of more than 12,000 square feet.	Rs225,000 per Kanal subject to a maximum of Rs.2,500,000.		



Punjab Finance Bill, 2022

Punjab Stamp Duty:

Section/Ref	New Provision / Changes	Industry to Effect	Impact
-	<p>Enhancement of Stamp Duty</p> <p>It is proposed that the stamp duty to be increased from 1% to 2% of the property value if property situates in urban parts of the province and in following cases:</p> <ul style="list-style-type: none">○ Certificate of sale granted to purchaser in respect of property sold by auction;○ Conveyance, not being a transfer specifically dealt with under other legal provisions;○ Decree, rule or order of Court involving transfer of property based on mutual consent;○ Exchange of immovable property, including exchange between urban and rural property;○ Execution of gift deed between certain relatives; and○ Release whereby a person renounces its claim on a property, other than the release connected with mortgage of marketable securities; and○ Transfer of lease.	Real Estate	Negative



Punjab Finance Bill, 2022

	Stamp duty on transfer of right or interest relating to immoveable property registered by a society / authority is also proposed to be increased from 1% to 2%.		
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Punjab Motor Vehicle Tax:

Section/Ref	New Provision / Changes	Industry to Effect	Impact
-	Imposition of Tax on Electric Vehicle Earlier, motor vehicles are taxed based on their engine capacities thus excluding electric vehicles from the purview of Motor Vehicle Tax. Now it is proposed to tax Electric Vehicle based on their Kilowatt power.	Automobiles	Negative
	Rebates & Discounts 5% discount proposed if tax is paid through electronics means and 10% rebate is proposed if the whole year tax will be paid by 30 th September 2022.	All	Positive



Sindh Finance Bill 2022: Key Tax Changes



Sindh Finance Bill, 2022

Sindh Sales Tax on Services:

Section/Ref	New Provision / Changes	Industry to Effect	Impact
2 nd Schedule	Sales Tax on Toll Manufacturing It is proposed to exempt toll manufacturing services in the province of Sindh	Toll Manufacturers	Positive
2 nd Schedule	Extension of Reduced Rate for Recruiting Agents It is proposed to extend levitation of reduced rate of 5% on Recruiting Agents in the province of Sindh till 30 th June 2024.	HR / Recruitment	Positive
2 nd Schedule	Extension of Reduced Rate for TV Cable Operators It is proposed to extend levitation of reduced rate of 10% on TV Cable Operators in the province of Sindh till 30 th June 2024.	TV Cable Operators	Positive
2 nd Schedule	Reduction in Rate on Commission Income of Home Chefs It is proposed to reduce rate of sales tax on Home Chefs operating through Food Delivery Channels e.g. FoodPanda, Careem and Cheetay etc. to 8% instead of 13%.	Micro-Food Delivery	Positive



Sindh Finance Bill, 2022

Sindh Infrastructure Development Cess:

Section/Ref	New Provision / Changes	Industry to Effect	Impact
-	Exemption of Sindh Infrastructure Development Cess It is proposed to exempt Infrastructure Development Cess for Export Oriented Units for reducing their cost of production.	Export Manufacturers	Positive

Professional Tax:

Section/Ref	New Provision / Changes	Industry to Effect	Impact
-	Exemption of Professional Tax The provincial legislator has also proposed waiver of professional tax.	-	Positive

Entertainment Duty:

Section/Ref	New Provision / Changes	Industry to Effect	Impact
-	Exemption of Entertainment Duty The provincial legislator has also proposed waiver of entertainment duty.	Sports / Amusement Parks / Showbiz	Positive



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