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Budget 2020-21: Rs56 billion tax relief for corona-hit businesses

LAHORE: The Punjab government has given significant tax relief of Rs56 billion to the businesses hit adversely by the Covid-19 pandemic to save jobs and ensure that such enterprises continued to operate. Additionally, the tax cuts and rebates for taxpayers announced in the 2020-21 budget aim at digitising the economy, ease of doing business, documentation of certain sectors of the economy and promotion of construction and tourism industries.

At the same time, according to the finance bill, the government has decided to bring the ride-hailing services (Uber, Cream and others) into the provincial sales tax on services net through special rate of 4pc, increasing the total number of services being taxed in the province to 69. The ride-hailing services, which were categorised as Rent-a-Car service, have now been declared a separate business for the purpose of taxing it.

The bill tabled by finance minister Makhdum Hashim Jawan Bakht before the provincial assembly on Monday states that based on operational experience of the Punjab Revenue Authority (PRA), certain amendments have been proposed to further streamline the procedures under the Punjab Sales Tax on Services Act, 2012, and facilitate taxpayers. The bill states the overall objective of reducing tax rate is to ease the hardships being faced by the businesses and increase voluntary compliance without resorting to coercive measures.

"Apart from certain changes in fines, all adjustments are meant to facilitate the businesses during the prevalent coronavirus situation and take steps towards documentation of economy," it says. Electronic invoicing initiatives are being extended to maximum number of service sectors and GST on services rates have been reduced to 5pc from 16pc for restaurants and beauty parlours on payments made through debit/credit cards. The cash payments will continue to attract 16pc tax.

Moreover, the government has proposed to reduce the rate of taxes on sectors hit by the Corona pandemic such as hotels, caterers, marriage halls etc. In order to promote the use of Information Technology and empower technology-based entrepreneurship, the rate for this sector has been reduced from 16pc to 5pc. The tax rate on manpower recruitment services has also been reduced to 5pc, specifically for the services of which the value has been fixed by Bureau of Emigration and Overseas Employment.

The stamp duties on various property transactions has been slashed to 1pc from existing 2pc to 5pc. The bill says that despite grave monetary challenges to the government exchequer in revenue collection sufficient relief in reduction of stamp duty under the Stamp Act was given to the general public due to the Covid-19 during the last quarter of the current financial year, which is being extended to the next fiscal year. The proposed relief will provide ease to the public through reduction in rate of stamp duty in urban areas and extend relief to the construction industry.

On excise and taxation, the bill proposed discount of 10pc in property tax for maintenance to align the taxation with market rates. The rate of entertainment duty on cinemas is proposed to decrease to 5pc from 20pc for revival of the sinking industry. Similarly, the relief in payment of property tax and motor vehicle tax under the Punjab Urban Immovable Property Tax Act, 1958 and the Punjab Motor Vehicles Taxation Act 1958 has been proposed by extending the rebate periods.

The bill stated that these steps will be helpful in increasing the government revenue and create fiscal space.

In the current pandemic situation, some measures have been proposed to create ease for taxpayers. It has proposed amendments to the Punjab Urban Immovable Property Tax Act, 1958 (V of 1958), for the financial year 2020-21 with the four recommendations. First, a discount equal to 5pc will be allowed on payment of tax through e-payment system. Second, a rebate equal to 10pc of the amount of annual tax shall be allowed if the amount of annual tax is paid in lump sum on or before the Sept 30, 2020. Third, the government has proposed that a taxpayer can pay property tax on yearly or half-yearly basis during the pandemic. Fourth, no late payment surcharge will be imposed for the tax amount due.

Further, amendments have also been proposed in the Punjab Motor Vehicles Taxation Act, 1958 (XXXII of 1958), for the financial year 2020-21 to give a discount equal to 5pc of the tax being paid on payment of tax through e-payment system, a rebate equal to 20pc of the amount of annual tax shall be allowed if the amount of tax is paid in lump sum on or before September 30, 2020. If a person fails to pay any amount of tax due within the period fixed for such payment, he will not be liable to pay any penalty if he pays the same during the financial year. The relief is given till June 30, 2021.

The bill says some measures are meant to mitigate the Covid-19 impact on citizens and businesses. "However, it has been endeavoured that a balance may be created between relief and revenue generation for the government. The object of the proposals is to increase revenue and at the same time provide relief and ease for taxpayers. No new tax/levy is proposed; however, existing structures of the levies have been proposed to be made people-centric, while the interests of the government for creation and generation of necessary revenue streams have also been watched," the bill concludes.