



COMMENTS ON KHYBER PUKHTUN KHUWA FINANCE BILL 2021

Monday, 21 June, 2021

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COMMENTS ON KHYBER PAKHTUNKHWA FINANCE BILL 2021

❖ PREAMBLE

The KPK Finance Bill 2021 [the bill] was promulgated on Friday, 18th June 2021. The bill has proposed certain unprecedented amendments in the KPK Finance Act, 2013 [Act] due to ongoing COVID-19 pandemic to provide financial relief to the Taxpayers in order to achieve economic stability in the province for this fiscal year 2021-22.

1. OPTION OF STANDARD RATE

Section 26A was inserted vide Finance Act, 2020 in which rules for opting to apply standard rate after obtaining permission from with KPRA for applying standard rate on any services or class of service that are chargeable to reduced rate of tax were prescribed.

Where any services or class of services are chargeable to reduced rate of tax, any registered person or class of registered persons, providing such services, may, after taking permission from the Authority, opt to pay sales tax at standard or general rate and take input tax adjustment as admissible, and every such permission shall be effective from the date mentioned therein and subject to such conditions, restrictions and limitations as may be specified by the KPRA in this behalf.

Further, once the registered person has started paying sales tax at standard or general rate, he shall not on his own switch over back to availing the reduced rate of tax on any of his such services unless he takes prior permission from the KPRA and while examining and deciding on the requests of switching back to reduced rate of tax, the KPRA may conduct or cause to conduct such enquiry or audit as it may deem necessary to ascertain the genuineness of the request.

Now it is proposed to clarify that a company may opt to operate under standard rate system on intimation to the Authority **at least one month in advance** and shall not be entitled to revert back to the reduced rate without prior permission from the KPRA, whereas others may apply less than 30 days before they intend to apply standard rate.

2. SPECIAL PROCEDURES AND TAX WITHHOLDING PROVISIONS

Section 30 gives power to KPRA to prescribe a special procedure for the payment of tax, registration, bookkeeping, invoicing, or billing requirements, returns and other related matters in respect of any service or class of services, as may be specified. Further, the KPRA may require any person or class of persons whether registered or not to withhold full or part of the tax charged from such person or class of persons on the provision of any taxable service or class of taxable services and to deposit the tax so withheld, with the Government within such time and in such manner as it may, by notification in the official Gazette, specify.

Now the bill proposes to provide that where a person has been or is required to act as withholding agent, he shall personally be responsible to withhold and deposit the due tax. In case of failure on his part to do so, it shall be his personal liability to pay such due amount of tax along with default surcharge and penalty under this Act. Any such amount of tax, including default surcharge and penalty, if not paid, may be recovered from such person under section 87 of the Act.

3. ADJUSTMENTS OF TAX PAID WITH OTHER AUTHORITIES

Section 32 gives power to KPRA to allow registered persons to claim adjustments or deductions, including refunds in respect of the tax paid under any other law i.e., input tax paid in FBR or any provincial tax, on any account in respect of any taxable service or goods or class of taxable services or goods provided by them. The KPRA may adopt the principles or concepts laid down in such other law in respect of adjustments, deductions or refunds including zero-rating principle. No adjustment or deduction of any tax payable under any other law shall be claimed by any person except in the manner and to the extent specified in the notification issued by KPRA.

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A technical correction is proposed whereby it is clarified that input tax adjustment or refund shall be from the date mentioned in notification and if no such date has been specified, the date of coming into effect of such notification shall be deemed to be the specified date for the purpose of this section.

4. JOINT AND SEVERAL LIABILITY OF REGISTERED PERSONS WERE TAX UNPAID.

Section 35 provides that where a registered person receiving a taxable service from another registered person is in the knowledge of or has reasonable grounds to suspect that some or all of the tax payable in respect of that taxable service or any previous or subsequent taxable service provided or to be provided would go unpaid as against the requirements of the Act, such person as well as the person providing the taxable service shall be jointly and severally liable for payment of such unpaid amount of tax.

A new definition of withholding agent is proposed to be incorporated in Section 2, which means any person, who, as recipients of taxable service or otherwise, withholds or deducts and pays or deposits tax directly to Government in the manner as may be prescribed.

It is now proposed to add “a person “above i.e., withholding agent will also be liable if tax not paid correctly as per provisions of Act. An explanation is also proposed to be added whereby it shall be the responsibility of a registered person or a person i.e., withholding agent to take all possible measures to ensure that the person from whom he has received taxable services, deposits the due tax, relating to such transaction, in the manner as provided under the Act and rules and regulations.

5. ASSESSMENT OF TAX

Section 40 provides that where on the basis of any information acquired during an audit, inquiry, inspection or otherwise, an officer of the KPRA is of the opinion that a registered person has not paid the

tax due on taxable services provided by him or has made short payment including such short payment as has resulted or may result from taking inadmissible adjustment of input tax, the officer shall make an assessment of the tax actually payable by that person and shall impose a penalty and charge default surcharge in accordance with sections 64 and 65. The time limitation for issuance of show cause notice is 5 years and for issuing order is within 120 days of issuing SCN. An order passed in this section may be further amended as may be necessary when on the basis of any information acquired during an audit, inquiry, inspection or otherwise, the officer is satisfied any tax has been under-assessed or assessed at a low rate or any taxable service provided by the person has escaped assessment or is erroneous or is pre-judicial to interest of Justice.

Further, where any person, required to withhold sales tax under the provisions of the Act or regulations, fails to withhold the tax or withholds the tax but fails to deposit the same in the prescribed time and manner, an officer of the KPRA shall, after a notice to such person to show cause, determine the amount in default and shall impose a penalty and default surcharge according to law. Now it is proposed that in case of withholding tax also, the time limitation for issuance of show cause notice is 5 years and for issuing order is 120 days of issuing SCN, and an order passed in this section may be further amended as may be necessary when on the basis of any information acquired during an audit, inquiry, inspection or otherwise, the officer is satisfied any tax has been under-assessed or assessed at a low rate or any taxable service provided by the person has escaped assessment or is erroneous or is pre-judicial to interest of Justice.

In computing the period of 120 days from SCN to pass an order, any period during which the proceedings are adjourned on account of a stay order or proceedings under section 89, or the time taken through adjournments by the Person shall be excluded. It is now proposed also to exclude the adjournments

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otherwise ordered by the officer for any bona fide or genuine reasons or factors beyond normal human control of the person on the date fixed for hearing, in computing the said 120 days.

New following explanations are proposed to be included:

Explanation-I: For the removal of any doubt, the provisions of this section shall apply in cases involving situations where a registered person has received or collected tax from the recipient of a taxable service or services but has not paid the same or where a registered person has short-paid the tax whether due to short receipt, short collection or due to availing inadmissible input tax adjustment and where such non-payment or short-payment of tax has resulted from all or any of the reasons of intention, collusion, abetment, deliberate attempt, mis-statement, fraud, forgery, false or fake documents, the provisions of sub-section (2) of section 68 shall apply.

Explanation-II: Audit includes departmental audit, external audit, special audit or any other scrutiny of records, facts and tax affairs in any manner, style, or mode, resembling audit or appearing like audit.

Explanation-III: Non-paid or short-paid amount of tax includes such non-paid or short-paid amount as was or is to be withheld or has been withheld by a person receiving a service or services as withholding agent but has not been deposited or has been short-deposited to Government.

6. OFFENCE AND PENALTIES

- Now it is proposed that Penalties under Serial no. 1, 2, 4, 5, 6, 8 and 9 are now applicable on Section 30(2) which is applicable on withholding agents and provides provisions to withheld and deposit tax so withheld with KPRA in such time and manner at prescribed.
- After the table following explanation is proposed to be added:

Explanation: For the purpose of this section, in situations, where penalty or penalties are to be adjudicated or other penal actions are to be initiated or taken in terms of this section, in respect of any withholding agent, the word and expressions, carrying meanings of a service provider, shall be

construed as service recipient or if so required, as withholding agent.

7. DEFAULT SURCHARGE

As per Section 65 of Act, default surcharge is calculated as follows:

A. DEFAULT OTHER THAN TAX FRAUD

The person liable to pay any amount of tax or charge shall pay default surcharge at the rate of inter-bank rate plus three per cent per annum of the amount of the tax due

B. DEFAULT INVOLVING TAX FRAUD

In case the default is on account of tax fraud, the person who has committed tax fraud shall pay default surcharge at the rate of two per cent per month, of the amount of tax evaded, till such time the entire liability including the amount of default surcharge is paid.

It is now proposed that for the purpose of working out the monthly rate of default surcharge in (A) above, quarterly average of inter-bank rate, as announced or certified by or obtained from the State Bank of Pakistan, shall be taken into account and applied and in no case either falling in A or B above, default surcharge shall be calculated on compound basis and in case of any shortfall of days in the month during which the tax is paid, the amount of default surcharge shall be prorated in terms of days of the relevant month.

8. EXEMPTION FROM PENALTY AND DEFAULT SURCHARGE.

As per Section 66 the Government may, by a notification in the official Gazette, exempt any registered person or any taxable service from payment of the whole or any part of the penalty and default surcharge subject to such conditions and limitations as may be specified. The Government at the end of each financial year shall lay before the Council all the notifications issued. Now it is proposed that KP government shall lay before the Provincial Assembly of the Khyber Pakhtunkhwa instead of Council.

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9. RECOVERY OF TAX NOT LEVIED OR SHORT LEVIED

As per Section 68 whereby reason of inadvertence, error, misconstruction or for any other reason, any tax or charge has not been levied or has been short levied, the person liable to pay such amount of the tax or charge shall be served with a notice, within **three years** of the relevant tax period requiring him to show cause for nonpayment of the amount specified in the notice. Now it is proposed that SCN can be served within 5 years instead of 3 years.

Any order under sub-section shall be made within one hundred and twenty days of issuance of the notice to show cause or within such extended period as the officer may, for reasons to be recorded in writing, fix provided that such extended period shall not ordinarily exceed sixty days. In computing the 120 days, any period during which the proceedings are adjourned on account of a stay order or proceedings under section 89, or the time taken through adjournments by the petitioner not exceeding thirty days, shall be excluded. Now it is proposed that maximum limit on adjournment of 30 days is deleted whereby case can be adjourned further to 30 days.

10. PROCEDURE IN APPEAL

As Section 80, the Collector (Appeals) shall give notice of the day fixed for the hearing of the appeal to the appellant and to the officer of the Authority against whose order the appeal has been made. It is now proposed to clarify that other officer authorized by Director General of KPRA can also represent and defend the case before Collector (Appeals).

11. APPEAL TO TRIBUNAL

Section 84 provides inter-alia, where the taxpayer or the officer not below the rank of Additional Collector objects to any order passed by the Collector (Appeals), the taxpayer or the officer may appeal to the Appellate Tribunal against such order. Now it is proposed that unless otherwise directed by the Director General in any specific case or class of cases, only an authorized

officer of the Authority shall appear to defend or plead the case in the Appellate Tribunal.

12. RECOVERY OF ARREARS OF TAX

Section 87 provides various mechanisms to officer for recovery of arrears of tax such as through placing embargo on any business premises; seal the person's business, attachment of immovable property and bank accounts. Now it is proposed that the officer may, in consequence of any notice issued for recovery, recover the due amount of tax, in the manner prescribed under the rules or otherwise as deemed appropriate to make recovery of such amount directly from the person, who is holding or is otherwise in custody of any money, whether owned by or payable to the defaulter.

13. CONDONATION OF TIME LIMIT

As per Section 99, where any time or period has been specified under any of the provisions of this Act or the rules within which any act or thing, including submission of an application, filing of a return or payment of tax, is to be done, the Authority may permit such application to be made or such act or thing to be done within such time or period as it may consider appropriate. The KPRA shall not condone a time limitation which results in increase of any tax payable, **penalty or default surcharge** levied unless the taxpayer has been given a reasonable opportunity of being heard. Now it is proposed to omit the words penalty or default surcharge.

The KPRA may by notification and subject to such limitations or conditions as may be specified therein, empower any Collector or an officer of the Authority to exercise the powers of condonation. Now it is proposed that that where a Collector or any other officer has been empowered to grant condonation under this section, he shall not be competent to grant condonation in any case falling in the jurisdiction of any officer with designation or rank higher than the Collector or such officer.

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Explanation: Condonation of time limit under this section may be granted by the KPRA either for the purposes of general application, in respect of any person or class of persons, with regard to any case or class of cases or to any officer or official or class of officers or officials of the KPRA, performing functions or exercising powers under Act.

14. BAR OF SUITS, PROSECUTION AND OTHER LEGAL PROCEEDINGS

As per Section 111, no suit shall be brought in any civil court to set aside or modify any order passed, any assessment made, any tax levied, any penalty or default surcharge imposed, or collection of any tax made under this Act. Now it is proposed that any of the authorities, having the powers to hear appeal, under this Act, shall not order any cost or fine, on any ground, whatsoever, against the Authority or any of its officers or officials.

15. SECOND SCHEDULE [CHANGES IN RED]

(~~See sub-section (1) of section 19 read with sub-section (1) of section~~ see sections 19,21,26, 27 and 28)

Before Amendment	After Amendment
<p>1. Services provided or rendered by hotels, motels, guest houses, resorts, accommodation.. Exemptions and reduced tax rates</p> <p>.....</p> <p>(iii) Services provided or rendered by non-corporate local chains of hotels (including guest houses and lodges etc.) and restaurants shall be charged to tax at the rate of Eight Percent (8%) without input tax adjustment; provided that where in any case of such restaurant, the Restaurant Invoice.</p>	<p>1. Services provided or rendered by hotels, motels, guest houses, resorts, accommodation.. Exemptions and reduced tax rates</p> <p>.....</p> <p>(iii) Services provided or rendered by non-corporate local chains of hotels local non-corporate stand-alone hotels or chains of such hotels (including guest houses, clubs and lodges etc.) and restaurants shall be charged to tax at the rate of Eight Percent (8%) without input tax adjustment; provided that where in any case of such restaurant, the Restaurant Invoice.</p> <p>(vii) In case of non-</p>

	<p>corporate sector hospitality businesses, including hotels, guest houses, rest houses, lodges, restaurants and similar other accommodations and food serving businesses, located in the tourist spots of Galiyat and Kaghan Valleys, the tax shall be charged and paid at the rate of Five Percent (5%), without any input tax adjustment, subject to the compliance to all such conditions and procedures, as may be prescribed by the Authority, in this behalf.</p>
<p>5. Services provided or rendered by persons authorized to transact or deal with business in any manner on behalf of others such as customs agents, shipping agents (including import/export cargo freight forwarders), stockbrokers, share transfer agents, business support.....</p> <p>Reduced Rate of Tax:</p> <p>(i) All services of this entry other than business support services and labor or manpower supply services shall be charged to tax at the rate of Eight Percent (8%) without any input tax adjustment.</p> <p>(ii) Business support services and labor or manpower supply services shall be charged to tax at the rate of five percent (5%) without any input tax adjustment.</p>	<p>5. Services provided or rendered by persons authorized to transact or deal with business in any manner on behalf of others such as customs agents, shipping agents (including import/export cargo freight forwarders), stockbrokers, share transfer agents, business support.....</p> <p>Reduced Rate of Tax:</p> <p>Except the services falling under the categories of labour or manpower supplies including recruitments for overseas jobs or employment and such services of this entry, as are provided by corporate sector entities, all other services of this entry shall be charged at the rate of Eight Percent (8%), without any input tax adjustment; provided that business support services other than those provided by corporate entities shall be charged to tax at the rate five percent (05%).</p>

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<p>9806.0000 9806.1000 9806.2000 9806.3000 9806.4000 9806.6000 9806.7000 9806.8000 9806.9000 9819.1000 9819.1500</p>	<p>9806.0000 9806.1000 9806.2000 9806.3000 9806.4000 9806.6000 9806.7000 9806.8000 9806.9000 9819.1000 9819.1500, 9842.0000</p>	<p>10. Franchise services either on giving or on receiving ends including royalties or similar financial benefits arising out of intellectual property rights or other factors of business goodwill, market standing, popularity, image or reputation etc.</p> <p>Exemption: Full exemption to education-related or education-specific franchise services.</p> <p>Ten Percent (10%) without any input tax adjustment</p>	<p>10. Franchise services either on giving or on receiving ends including royalties or similar financial benefits arising out of intellectual property rights or other factors of business goodwill, market standing, popularity, image or reputation etc.</p> <p>Exemption: Full exemption to health related education-related or education-specific franchise services.</p> <p>Ten Percent (10%) Fifteen percent without any input tax adjustment.</p>
<p>6. Advertisements on T.V including cable T.V networks, radio, CC T.V., newspapers, periodicals, magazines and similar other publications, websites and internet, poles or similar structures, bill boards.....</p> <p>Reduced rate of tax: In case of advertisements on or through print media of all types and forms, tax shall be charged at the rate of five percent (5%) without any input tax adjustment.</p>	<p>6. Advertisements on T.V including cable T.V networks, radio, CC T.V., newspapers, periodicals, magazines and similar other publications, websites and internet, poles or similar structures, bill boards.....</p> <p>Reduced rate of tax: In case of advertisements on or through print media of all types and forms, tax shall be charged at the rate of five percent (5%) one percent (1%) without any input tax adjustment.</p>	<p>13. Services provided by persons engaged in contractual execution or performance of works (including repair, maintenance, renovation, up gradation, or janitorial works) or furnishing supplies (excluding transactions involving contractual supply of goods only without any component of service relating to such goods.</p> <p>9810.1000 9810.2000 9810.9000</p>	<p>13. Services provided by persons engaged in contractual execution or performance of works (including but not limited to repair, maintenance, renovation, up gradation, cleaning, fumigation and decontamination services or janitorial works) or furnishing supplies (excluding transactions involving contractual supply of goods only without any component of service relating to such goods.</p> <p>9810.1000 9810.2000 9810.9000, 9822.1000 9822.2000, 9822.3000.</p>
<p>8. Services provided or rendered in matters of sale, purchase, rent or hire</p> <p>Reduced Rate of Tax: All services covered in this entry except services (whole range) of authorized automobile (all categories of automobiles) dealers shall be chargeable to tax at the rate of two percent (2%) without any input tax adjustment.</p>	<p>8. Services provided or rendered in matters of sale, purchase, rent or hire</p> <p>Reduced Rate of Tax: All services covered in this entry except services (whole range) rendered or provided by corporate sector dealers and authorized automobile (all categories of automobiles) dealers shall be chargeable to tax at the rate of two percent (2%) without any input tax adjustment.</p>	<p>14. Services provided by construction contractors, architects, civil engineers, land or property.....</p> <p>Exemption:</p> <p>(iii) The projects initiated or undertaken under government's annual development plan (ADP) provided either such projects have been initiated or completed on</p>	<p>14. Services provided by construction contractors, architects, civil engineers, land or property.....</p> <p>Exemption:</p> <p>(iii) The projects initiated or undertaken under government's annual development plan (ADP) provided either such projects have been initiated or completed on</p>
<p>9. Services provided by specialized workshops or undertakings: a) Auto-workshops whether or not providing other allied or extended services.....</p> <p>(iii) Two Percent (2%) without any input tax adjustment in case of standalone car wash (car wash station) services, and</p>	<p>9. Services provided by specialized workshops or undertakings: a) Auto-workshops whether or not providing other allied or extended services.....</p> <p>(iii) Two Percent (2%) one percent without any input tax adjustment in case of standalone car wash (car wash station) services, and</p>		

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<p>or before 30th June, 2019 or payments, whether full or in part, in respect thereof have been made on or before the said date (the ongoing projects in respect of which agreements or contracts were signed before the said date, shall be entitled to this exemption regardless of the schedule of payments relating thereto)</p> <p>Two Percent (2%) without any input tax adjustment]</p>	<p>or before 30th June, 2019 2021 or payments, whether full or in part, in respect thereof have been made on or before the said date (the ongoing projects in respect of which agreements or contracts were signed before the said date, shall be entitled to this exemption regardless of the schedule of payments relating thereto).</p> <p>(iv) To the extent of such portion or portions of the construction work of the projects of Public Sector Development Programme (PSDP), as were undertaken and completed before 30th June, 2021, regardless of the dates of their approval or initiation; provided that no such exemption shall be claimed or available on such portion or portions of the work of such project or projects as has/have not been completed before 30th June, 2021.</p> <p>(v) Construction services, including allied works, provided or rendered in respect of low-cost housing projects and schemes of the Provincial Housing Authority of Khyber Pakhtunkhwa.</p> <p>Condition: The exemption allowed under this part shall not be construed or interpreted in any manner to claim or take any refund, waiver, dispensation or relief of tax already deposited, paid or recovered (including already withheld or deducted but</p>		<p>not deposited or paid) on or before 30th June, 2021 on any ground whatsoever.</p> <p>Explanation: For the purpose of this item, the expression “initiated” shall, under no circumstances, be construed to commence prior to the date of actual signing of the agreements for Government sector construction projects.</p> <p>Clarification: (iii) Construction services shall include construction works of power (including hydropower) generation projects. (iv) Where fixed rates of rupee one hundred per square yard, or as the case may be, rupees fifty per square foot are applicable in case of land development and commercial construction as per description specified above, tax shall not be charged in respect of the areas allocated, fixed or used exclusively for schools, medical dispensaries, mosques, graveyards, parks, public toilets, corridors (inside passages of buildings) and stairs provided that these facilities are meant for common use of the public at large without the involvement of any commercial aspect including intention or purpose for sale, leasing or renting.</p> <p>Two Percent (2%) without any input tax adjustment Five Percent (5%) except Government</p>
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	<p>funded construction projects including ADP/PSDP-funded projects and construction of hydropower projects on which the rate of tax shall be Two Percent (2%).</p>	<p>9816.6000 9816.9000</p> <p>Five Percent (5%) without any input tax adjustment.</p>	<p>9816.6000 9816.9000, 9826.0000</p> <p>Five Percent (5%) without any input tax adjustment.</p>
<p>16. Services relating to works or projects in respect of exploration and production (E&P) or mining of minerals, oil and gas including licensing, renting or re-renting, leasing or re-leasing.....</p>	<p>16. Services relating to works or projects in respect of exploration and production (E&P) or mining of minerals, oil and gas including licensing, renting or re-renting, leasing or re-leasing.....</p> <p>Reduced Rate of Tax: The rate of tax on the leases (including re-leasing by the lessees) and licenses (including sub-contracting or license usage permissions by license holder) granted or fees and royalties, received by Government Departments, or as the case may be, by the lessees or licensees, shall be Two Percent (2%) without any input tax adjustment; provided that no tax shall be demanded in case of the charges for such leases, licenses, fees or royalties etc, received up to 30th June, 2021, if tax thereon has not been already withheld, paid or recovered (no refund or waiver of any such tax amount shall be admissible under any circumstances)</p>	<p>26. Services provided or rendered by banks or banking companies, insurance companies, cooperatives, and foreign exchange companies.....</p> <p>Exemption: Full exemption on life and health insurance</p>	<p>Provided that the above reduced rate shall not be applicable to corporate entities and to such other entities as are operating in collaboration or as subsidiary or branch of foreign service providing entities and all such entities shall pay tax at the rate of Fifteen Percent (15%) and avail admissible input tax adjustment.</p> <p>26. Services provided or rendered by banks or banking companies, insurance companies, cooperatives, and foreign exchange companies.....</p> <p>Exemption: Full exemption on life and health insurance Reduced Rate of Tax: In case of health insurance services and services in respect of Government sponsored Sehat Card Plus program, the tax shall be charged at the rate of One Percent (1%) without any input tax adjustment.</p>
<p>19. Services provided or rendered by practitioners, professionals, consultants and advisers (by whatever name called) in their respective fields.....</p> <p>9816.0000, 9816.1000 9816.2000 9816.3000 9816.4000 9816.5000</p>	<p>19. Services provided or rendered by practitioners, professionals, consultants and advisers (by whatever name called) in their respective fields.....</p> <p>9816.0000, 9816.1000 9816.2000 9816.3000 9816.4000 9816.5000</p>	<p>27. Storage and warehousing services including public bounded warehouses, cold storages and yards or places used for storage of empty or loaded containers on rental or charges basis.</p>	<p>Storage and warehousing services including public bounded warehouses, cold storages and yards or places used for storage of empty or loaded containers on rental or charges basis.</p> <p>Reduced Rate of Tax: The tax on cold storage services (including other forms of warehousing of agriculture produce) regardless of their corporate or non-</p>

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	corporate status shall be charged at the rate of One Percent (1%) without any input tax adjustment.
34. Services provided or rendered by under writers including sponsorship services. Two Percent (2%) without any input tax adjustment	Services provided or rendered by under writers including sponsorship services. Two Percent (2%) one (1%) without any input tax adjustment
36. Services provided or rendered by auctioneers. Two Percent (2%) without any input tax adjustment	36. Services provided or rendered by auctioneers. Two Percent (2%) one percent (1%) without any input tax adjustment
39. Services provided or rendered in respect of quality assurance, quality control, quality inspection (including pre-inspection), quality verification or certification including verification or certification of quality or standards under ISO regime. Two Percent (2%) without any input tax adjustment	39. Services provided or rendered in respect of quality assurance, quality control, quality inspection (including pre-inspection), quality verification or certification including verification or certification of quality or standards under ISO regime. Two Percent (2%) one percent(1%) without any input tax adjustment
44. Services relating to or in respect of the installation, erection, commissioning, or other permanent structure affixed/linked/tied placement (whether full or in part) of any industrial..... Two Percent (2%) without any input tax adjustment.	44. Services relating to or in respect of the installation, erection, commissioning, or other permanent structure affixed/linked/tied placement (whether full or in part) of any industrial..... Two Percent (2%) one percent(1%) without any input tax adjustment
47. All allied, ancillary, auxiliary, related, substitutive, comparable or matchable services not specifically, directly or indirectly mentioned anywhere in this Schedule but fall in or are linked in	47. All allied, ancillary, auxiliary, related, substitutive, comparable or matchable services not specifically, directly or indirectly mentioned anywhere in this Schedule but fall in or are linked in

any manner to the category or categories of services covered in any of the class or classes of services mentioned or included in the Schedule provided that no argument as to variation in description shall be relevant or permissible for the application of this entry.

any manner to the category or categories of services covered in any of the class or classes of services mentioned or included in the Schedule provided that no argument as to variation in description shall be relevant or permissible for the application of this entry, **regardless whether such allied and other services are provided by the same person (service provider) whose services are falling under other serial number or numbers or by any other person (service provider) to such same person or to any other person.**

In Second Schedule, PRINCIPLES OF APPLICATION AND INTERPRETATION, following are proposed to be added:

- 18.** Where a registered person is providing services at a reduced rate of tax either under the Second Schedule or otherwise as provided elsewhere in this Act or in any notification issued thereunder and any of his buyers from corporate sector requests such registered person to provide services to him on standard rate, the registered person may provide services to his such buyer on standard rate provided that adjustment of relevant input tax, as and if admissible under standard rate regime, in case of such services shall be proportionately and exclusively confined to the value of such services.
- 19.** Where in compliance to any commitment of the Federal Government or Government of Khyber Pakhtunkhwa either under any international convention, protocol, treaty or agreement, or under any agreement or arrangement for foreign grant-in-aid assistance including free technical assistance to the Province of Khyber Pakhtunkhwa or elsewhere in the country, an

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exemption from tax is required, the Authority shall issue notification or as the case may be, order for such exemption after taking concurrence from the Finance Department of Government on such conditions, restrictions or limitations as the Authority may deem appropriate to recommend or impose.

- 20.** Unless otherwise specified elsewhere in the Second Schedule or under any notification issued under this Act, the corporate sector entities providing or rendering services liable to reduced rates of tax against serial numbers 9, 10, 11, 13, 17, 18, 21, 22, 27, 28 (other than public sector entities providing services covered therein), 39 and 44 of the said Schedule shall not pay tax at any such reduced rate. Such entities shall mandatorily pay tax at standard rate of 15% and all benefits of the admissible input tax adjustment shall be available to them.
- 21.** Subject to Para 20, the services provided by or relating to dealers of agriculture machinery and equipments, commission agents of agriculture produce, agriculture specific market research, human resource development or management in agricultural fields, and exhibitions of agricultural products or products usable exclusively in agriculture sector shall be charged to tax only at the rate of two percent (2%) without any input tax adjustment.

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