



GOVERNMENT OF PUNJAB
PUNJAB REVENUE AUTHORITY
August 1, 2012

NOTIFICATION

No.PRA/Orders.06/2012 (3). In exercise of the powers conferred under section 76 of the Punjab Sales Tax on Services Act 2012 (XLIII of 2012), the Punjab Revenue Authority, with the approval of the Government, is pleased to make the following rules:

CHAPTER I
PRELIMINARY

1. Short title and commencement.– (1) These rules may be cited as the Punjab Sales Tax on Services (Adjustment of Tax) Rules 2012.

(2) They shall come into force at once.

CHAPTER II
ADJUSTMENT OF TAX

2. Determination of input tax.– (1) A registered person who holds a tax invoice for the purchase of goods or services used or consumed in providing of taxable services in his name, bearing his tax registration or national tax number, shall be entitled to deduct or adjust input tax paid or payable during the relevant tax period.

(2) The input tax in relation to the taxable services shall be worked out first and the amount so worked out, shall be bifurcated for the services provided in the Punjab and also taxed in the Punjab and for those provided outside the Punjab and also not taxed in the Punjab.

(3) Where the registered person did not deduct or adjust the input tax in the relevant period, he may claim such input tax deduction or adjustment in the tax returns for any of the four succeeding tax periods under intimation to the Commissioner having jurisdiction.

3. No credit for non-taxable or exempt services.– (1) The input tax paid on goods and services used in providing non-taxable or exempt services shall not be admissible.

(2) In case an input is used in providing taxable services and also non-taxable or exempt services, the input tax shall be apportioned according to the following formula for availing of input tax adjustment or deduction:

$$\text{Adjustable Input Tax} = \left(\frac{\text{Value of Taxable Supplies}}{\text{Value of Taxable and exempt}} \right) \times \text{Total Input Tax}$$

(3) The adjustments of input tax claimed under this rule by a registered person shall be subject to reconciliation and audit by the officers of the Authority as and when needed under intimation to the registered person.

Explanation: For the purpose of this rule, non-taxable services include services provided out of and not taxable in the Punjab.

4. Input tax adjustment not allowed.– A registered person shall not be entitled to claim input tax adjustment in respect of:

- (i) capital goods (plant, machinery, equipment and others) not exclusively useable or used in providing of taxable services;
- (ii) 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;
- (iii) 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;
- (iv) 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;
- (v) carry forward of the input tax adjustment relating to the period prior to the commencement of the Act;
- (vi) 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;
- (vii) goods and services used or consumed in a service liable to a rate of tax lesser than the 16% of the charges or to a specific rate of tax not based on value;
- (viii) vehicles including three and two wheelers;
- (ix) food, beverages, garments, fabrics or others and consumption on entertainment, amusements, recreation or enjoyments;
- (x) gifts and give-aways; and
- (xi) such goods or services as are notified or specified by the Authority to be inadmissible for input tax adjustment.

5. No tax credit for certain goods.– Notwithstanding other provisions of these rules, no input tax adjustment shall be admissible in respect of permanent or fixed assets of general nature or character, furniture and fixtures, construction materials and multiple-use goods or items.

6. Complete adjustment bar in certain situations.– No input tax adjustment on any account whatsoever shall be admissible in respect of tax required to be charged, deducted and paid on the basis of principles of origin and reverse charge under section 4 of the Act and the person liable to pay tax on that account shall deposit the whole amount of due tax to the Authority without any deduction, adjustment or credit.

7. Extent of adjustment.– (1) Adjustment shall be confined only to such extent to which it has been consumed in the providing of taxable service or services during a tax period.

(2) The input tax not consumed during a tax period may be carried forward to the next tax period for consumption and adjustment during the next tax period or periods not exceeding four months where after adjustment shall be admissible only on confirmation through audit by the competent officer of the Authority.

CHAPTER III CREDIT AND DEBIT NOTES

8. Credit and debit notes.— Where a registered person has issued a tax invoice in respect of services provided by him and as a result of any genuine business reason, the amount shown in the tax invoice or return needs to be modified on lower side, the registered person and the recipient of the service, if the latter is registered, shall issue debit and credit note showing all relevant details of the transaction and reasons and adjust the amount accordingly provided that the corresponding debit or credit note is issued within ninety days of the tax period in which such modification is required.

9. Unregistered recipient.— Where a tax invoice or return needs to be modified as a result of any genuine reason and recipient of the service to whom invoice relates is not registered or not required to be registered, the registered person providing service shall issue only credit note and modify the invoice or return and take adjustment accordingly.

10. Supplementary tax invoice.— Where for any reason, the value of service and amount of tax mentioned on the tax invoice are required to be modified on higher side, the registered person providing service may, issue a supplementary tax invoice mentioning particulars of the principal invoice and account for the same in the return of the tax period during which supplementary invoice is issued.

11. Cancellation of tax invoice.— Where any tax invoice has been issued prior to the actual rendering of service but service has not been provided or otherwise cancelled for any genuine reason, registered person providing service may cancel the tax invoice under intimation to the Commissioner having jurisdiction and if needed, make adjustment in the return of relevant period.

CHAPTER IV EXPORT OF TAXABLE SERVICES

12. Export of service.— Providing of taxable service by a registered person shall be treated as export of service when the following conditions are satisfied:

- (i) such service is delivered and used outside Pakistan;
- (ii) payment for such service is received by the registered person in convertible foreign exchange through declared banking channels; and
- (iii) use, supply or consumption of any goods taxable under the Sales Tax Act, 1990 (VII of 1990) in the rendering of such service is treated as zero rated supply and entitled to the tax refund under that Act.

13. Export without tax.— A taxable service exported in terms of rule 12 shall not be liable to payment of tax in the Punjab.

14. Refund of tax.— Where any taxable service exported involves the already paid amount of tax on any service, the amount of tax already so paid shall be refunded by the Commissioner on receipt of application for refund duly supported

with documentary proof about the export of service, receipt of foreign exchange through banking channels and payment of tax involved in respect of such exported service.

15. Records of refunds.– The Commissioner shall be responsible to ensure that records of refunds paid are kept in safe and secure conditions.

16. Pre-audit of refunds.– All refund claims in respect of taxable services shall be liable to pre-audit before sanction and payment.

17. Inadmissible refunds.– Inadmissible refunds shall be rejected through the process of adjudication.

18. Reporting of refunds.– All refunds paid on export of taxable services shall be reported to the Authority by the Commissioners in such manner and form as may be specified in this behalf.

**CHAIRPERSON
PUNJAB REVENUE AUTHORITY**