



**GOVERNMENT OF THE PUNJAB  
PUNJAB REVENUE AUTHORITY**

November 08, 2012

**NOTIFICATION**

No.PRA/Order.06/2012 (13). In exercise of the powers conferred under section 76 of the Punjab Sales Tax on Services Act 2012 (XLIII of 2012), Punjab Revenue Authority, with the approval of the Government is pleased to direct that in the Punjab Sales Tax on Services (Specific Provisions) Rules 2012, the following amendments shall be made:

**AMENDMENTS**

In the said rules, after Chapter XI, the following Chapter XII shall be inserted:

**"Chapter XII**

**FRANCHISE SERVICES**

**55. Registration and e-enrolment.--**(1) Every person who is holding a franchise or availing any right under or in respect of any franchise shall register with the Authority irrespective of the location of the franchiser.

(2) Where a franchisee is already registered with the FBR, he shall not be required to take a separate registration for the purpose of the tax but such franchisee shall enroll through e-enrolment on the website or e-portal of the Authority where the registration number issued by the FBR shall be prefixed with the capital "P" as per procedure.

**56. Payment of tax.--**(1) Subject to rule 57, the franchisee shall pay the sales tax at the rate of sixteen per cent of the gross amount of the franchise fee or the deemed franchise fee, technical fee, royalty or any other fee of like nature, charged by the franchiser from the franchisee for using rights under a franchise.

(2) The franchisee shall pay the tax for a month by the due date alongwith the return in the prescribed manner.

(3) Where both the franchiser and franchisee are based in the Punjab, the liability to deposit the tax on franchise services shall be upon the franchiser and where franchiser is based outside the Punjab, the liability to deposit the tax shall be upon the franchisee.

(4) Where the franchiser is from Pakistan and his franchise services are being rendered to or availed by more than one franchisee in or in respect of the Punjab, he may, under advance intimation to the Authority, opt to directly pay the tax after obtaining registration, or e-enrolment from the Authority and in such a situation, his franchisees shall not be required to pay the tax, for which purpose the franchiser may issue a certification to each of his franchisees in proper form under intimation to the Authority.

**57. Valuation of franchise services in certain situations.--**(1) Where remittance or payment of the franchise fee, royalty, technical fee or other similar fee is made under a proper or formal agreement between a foreign or local franchiser and a franchisee, the assessable value for the purpose of levy of the tax shall be the gross amount remitted or paid to the franchiser or the amount laid down in the franchise agreement, whichever is higher.

(2) Where franchiser is a foreign or local beverage company and there is no proper or formal agreement between the franchiser or franchisee, the assessable value for the purpose of levy of the tax shall be payable on the value of concentrate or syrup or similar input material supplied by the franchiser to the franchisee:

Provided where remittance or payment of fee, royalty or other similar fee is made by the franchisee beverage company to the local or foreign franchiser under a proper or formal agreement, the assessable value shall be the gross amount of fee or royalty remitted or paid to the franchiser or the amount laid down in the agreement, whichever is higher.

(3) Where the franchise service relates to the food sector and there exists a proper or formal franchise or royalty agreement, the assessable value for levy of sales tax shall be the gross amount of franchise fee, royalty or other similar fee remitted or paid to the franchiser or the amount laid down in the agreement whichever is higher and in case there is no such proper or formal agreement, the assessable value for levy of the tax shall be the net sales of the franchisee during the relevant period.

**58. Verification of tax payments.--** The Authority or its officer designated in this behalf, shall obtain from the State Bank of Pakistan, the statistics or data concerning payment of franchise fee, technical fee, royalty or other fee of similar nature paid by a franchisee to the franchiser or received by the franchiser from his franchisees on a quarterly basis and shall use such statistics or data to determine or verify the amounts of tax paid by a franchisee, or as the case may be, by the franchiser during the said period.

**59. Deduction and payment of tax by banks.--** Where any payment or remittance is made through any bank on account of a franchise fee, technical fee or royalty or other fee of similar nature and the bank is satisfied that the franchisee or the franchiser has not paid the tax, the bank shall:

- (a) deduct the amount of the tax at the applicable rate from such payment or remittance;
- (b) deposit the said amount of tax against its own monthly return without any kind of adjustment or deduction whatsoever; and
- (c) issue a certificate on its letter head showing the name and registration number of the franchisee and the amount of tax so deducted and deposited.

**60. Avoidance of double taxation.--** Where the tax has been or is being paid on services by a franchisee or the franchiser, the amount of the franchise fee, or the deemed franchise fee, technical fee, royalty or fee of similar nature on which the tax has been or is being paid, shall be excluded from the value of any taxable service provided by the franchisee or the franchiser.

**61. Bar on adjustment or deduction.--** Where the tax has been paid under rule 56 or deducted and deposited under rule 59, the franchisee or the franchiser or the bank shall not be entitled to take any kind of adjustment or credit of such tax amount from or against his other tax liabilities paid or payable on his any return required to be filed with the Authority.

**62. Responsibility of franchiser and franchisee.--**(1) Every franchiser providing services in or in respect of the Punjab shall furnish to the Authority, a complete list of all his franchisees operating in or in respect of the Punjab within thirty days of the issuance of this notification or of his registration or enrolment, whichever is earlier and every franchisee using franchise right in or in respect of the Punjab shall likewise furnish to the Authority a complete list of his sale or business outlets.

(2) Every franchiser providing franchise services in or in respect of Punjab and every franchisee using any right of franchise in or in respect of Punjab shall be responsible to ensure that such services are not provided or such right is not used without compliance to the Act and breach of any such responsibility shall be treated as tax fraud for the purpose of the Act.

(3) No relationship of any nature or character shall affect the liability of any person including franchiser or franchisee to pay the tax.

**63. Treatment of default.--** Failure to pay the tax by the due date shall render the defaulter, liable to a penalty under the Act in addition to the payment of tax and default surcharge.

**64. Access to records.--** The Authority or its designated officer shall have access to the records maintained by the franchisee or the franchiser if the latter is located in Pakistan and is providing franchise services in or in respect of the Punjab."

  
**(IFTIKHAR QUTAB)**  
**CHAIRPERSON**  
**PUNJAB REVENUE AUTHORITY**