

Frequently Asked Questions (FAQ's)
The Punjab State Development Tax Act, 2018

S.No	FAQ	Answer
1	Who is liable to pay tax under this Act?	Any person engaged in trade, calling, profession or employment, who is a income tax payee, means whose taxable income under Income Tax Act, 1961 is more than '0' shall be liable to pay tax under Punjab State Development Tax Act, 2018.
2	What do you mean by income tax payee?	Income tax payee means the person whose net taxable income exceeds the basic exemption/ threshold limit prescribed under Income Tax Act, 1961. Net taxable income shall be calculated after deducting all the permissible exemptions and deductions under Income Tax Act, 1961. Illustration- Mr. A has gross income of Rs. 700000. The permissible deductions are Rs. 100000. His taxable income is Rs. 600000 after deductions. He is liable to pay income tax and tax under Punjab State Development Tax Act, 2018.
3	Who is exempted from paying tax under Punjab State Development Tax Act, 2018?	<ol style="list-style-type: none"> 1. All people who earn wages on casual basis. 2. All people involved in agriculture who sell their agricultural produce exclusively within the state of Punjab.
4	Are senior citizens exempted from paying tax under Punjab State Development Tax Act, 2018?	As per section 4(2) of the act "Senior citizens shall, however, be exempted as per the Income Tax Act, 1961." It shall be noted that

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		<p>senior citizens, persons above the age of 60 years, are not exempted from paying income tax under Income Tax Act, 1961. They have been granted higher exemption limit as compared to normal tax payers. Thus, they shall be liable to pay tax under Punjab State Development Tax Act, 2018, if their net taxable income exceeds the threshold limit prescribed for senior citizens.</p> <p>Illustration- Mr. A, age 66 years, has gross income of Rs. 500000. The permissible deductions are Rs. 150000. His taxable income is Rs. 350000 after deductions. Threshold limit in case of senior citizens is Rs. 300000. He is liable to pay income tax and tax under Punjab State Development Tax Act, 2018.</p>		
5	What are yearly threshold limits under Income Tax Act, 1961?	<p>Note: For calculation of age, the conditions prescribed under Income Tax Act, 1961 shall be followed.</p>		
		FY 2018- 19 AY 2019- 20	FY 2019- 20 AY 2020- 21	FY 2020- 21 AY 2021- 22
	Individuals and HUF (below 60 years of age) is as follows	2.5 Lakhs	2.5 Lakhs	2.5 Lakhs
	Senior Citizens (above 60 years of age but below 80 years)	3 lakhs	3 lakhs	3 lakhs
	Super Senior	5 lakhs	5 lakhs	5 lakhs

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	Citizens (above 80 years of age)				
6	What is the procedure to collect tax by the employers?	<p>1. Employer shall deduct the tax payable under Punjab State Development Tax Act, 2018 from the salary/wage of each employee whose net taxable income exceeded threshold limit in the previous year or whose TDS is being deducted on monthly basis in the current year. It shall be deducted on the similar pattern of TDS under Income Tax Act, 1961.</p> <p>2. If an employee is in employment of more than one employer and he gives a declaration to his employer/employers to the effect that he has obtained certificate of enrolment under section 2(6), then the employee shall pay tax on his own and no deduction shall be made by employer.</p> <p>3. There may be cases where the net taxable income of the employee was less than threshold limit in the previous year, but in the current year his net taxable income exceeds the threshold limit. In this case, the employer shall, in light of Form -16 filed by the employees, in the month February or March of the Financial Year, deduct the tax under Punjab State Development Tax Act, 2018 from the salaries/wages of all such employees and deposit the same.</p>			
7	Who is a person?	<p>1. Any person who is engaged in any profession, trade, calling or employment in the state of Punjab. Definition of person includes a sole</p>			

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		<p>proprietor, a partnership firm, a Hindu undivided family (HUF), a company, a society, a trust, a club, an institution, an association, a local authority, a department of any State, Union Territory or Central Government, a Government enterprise, a stationary body or any other body corporate.</p> <p>2. It shall be noted that in case the main place of business/ head office of a “person” is outside the State of Punjab, it does not preclude him from the definition of “Person”. In such cases, the local manager or agent of such “Person” shall come in the ambit of definition of “Person”.</p>
8	In a partnership firm, are the partners liable to get registered or only partnership firm has to obtain registration under the Act?	<p>1. Both partners and partnership are liable to get registered under the Act.</p> <p>Illustration: Mr. A and Mr. B are partners in XYZ partnership firm. All three are separate identities. Firm XYZ, Mr. A and Mr. B are covered under the definition of “Person”. All three will be liable to register under the Act. Their liability to pay tax under the Act will arise, if their net taxable income exceeds the threshold limit under the Income Tax Act, 1961.</p>
9	What type of registration has to be obtained by a company?	<p>Company falls under the definition of 'person' given in the Act. It shall be noted Company is a employer also. Thus, company shall obtain two types of registrations-individual and employer. Company will remit Rs. 2400/- per annum on its registration as individual and</p>

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		will remit tax in accordance with number of employees on its registration as employer.
10	Who is an employer?	Any person who has employed people and is responsible for disbursement of their salaries or wages is an employer under the Act. Employer includes Head of the Office or any establishment as well as managers or agents of the employer also.
11	Who is an employee?	<ul style="list-style-type: none"> • Any person who is employed for salaries or wages is an employee under the Act. <p>Employee includes:</p> <ol style="list-style-type: none"> 1. Person serving in a body, incorporated or not, which is owned or controlled by central government or any state government, having operations in any part of the State of Punjab. Such body may have headquarters outside the State of Punjab. • 2. Person serving in a body, incorporated or not, which is owned or controlled by State of Punjab, having operations in any part of the State of Punjab. Such body may have headquarters outside the State of Punjab. • 3. Government servant receiving pay from the State of Punjab even though his office is not in the State of Punjab. 4. Government servant receiving pay from central government/ state government and railway fund. • 5. Any person engaged in any employment of any employer not covered above.

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12	What are the conditions of registration for employers?	<p>1. An employer shall obtain a certificate of registration from competent authority within 60 days of commencement of Act.</p> <p>2. An employer who was not in existence at the time of commencement of the Act, shall obtain certificate of registration within a period of thirty days from date of his commencement of business. The designated officer shall issue such certificate of registration within 30 days of receipt of application.</p> <p>3. The government from time to time may exempt any person/class of persons from obtaining registration under the Act.</p> <p>4. Such exemption granted by the government shall be for the purpose of registration only and shall not be for payment of tax.</p>
13	What are the conditions for enrolment of individuals?	<p>1. The person, other than employee, shall obtain a certificate of enrolment from the designated officer.</p> <p>2. The person who was not in engaged in trade, calling, profession or employment at the time of commencement of the Act, shall obtain certificate of enrollment within a period of thirty days from date of his commencement of trade, calling, profession or employment. The designated officer shall issue such certificate of enrolment within 30 days of receipt of application.</p> <p>3. In the certificate the competent authority shall mention the amount of tax payable and by which date</p>

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		<p>the tax shall be paid.</p> <p>4. This certificate shall be deemed to be notice of demand.</p>
14	What is the rate of tax under the Act?	Rs. 200 per month i.e Rs. 2400 per annum
15	What is the procedure of deducting tax under the Act by the employer?	<p>i. 1. For employers of central or state government-</p> <p>a. DDO (Drawing and Disbursing Officer) shall be responsible for deduction of tax.</p> <p>b. This deduction shall be made every month</p> <p>2. For employers other than state and central government-</p> <p>a. Tax shall be deducted from the salary or wages monthly.</p> <p>b. The DDO shall enclose a statement with salaries or wages for the month of February showing deduction of tax for the period from March to February (or part thereof).</p> <p>c. In case any deduction has not been made then such deduction shall be made from the salary of February.</p>
16	What is the prescribed manner of payment of tax?	<p>1. Employers-</p> <p>a. Employer shall deduct tax from the salaries/ wages of employees.</p> <p>b. It shall be paid every month.</p> <p>c. Every payment shall be made by challan in form PSDT-8.</p> <p>2. Persons-</p> <p>a. The tax due for each year, as specified in the enrolment certificate shall be paid within one</p>

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		<p>month from the end of month of enrolment.</p> <p>b. This payment shall also be made by challan in form PSDT- 8.</p>
17	Will an enrolled person be required to pay tax during the period for which he is temporarily not engaged in any profession trade or calling?	No. A person shall be employed on regular basis. Regular basis means a period exceeding 180 days.
18	What is the due date for payment of tax?	The tax due for the month shall be deposited by the last day of the following month. E.g tax of April, 2021 shall be deposited latest by 31 st May 2021.
19	How shall return be filled under the Act?	<p>1. Employers- All employers shall make self-assessment of tax and file a return by due date showing salaries and wages paid by him and amount of tax collected.</p> <p>2. Persons- All persons enrolled under this Act shall carry out self-assessment of tax and file a return by due date showing annual gross income from his profession, trade, employment or calling and tax payable or paid by him.</p>
20	When shall returns be furnished?	<p>1. Employers-</p> <p>a. All employers shall furnish annual return in form PSDT- 6 for the financial year on or before 30th April. E.g. return for FY 2020-21 shall be filed latest by 30th April, 2021 or the date as extended by the Government.</p> <p>b. Every return shall be accompanied by proof of payment of tax.</p> <p>2. Persons-</p> <p>a. Return shall be furnished by enrolled person annually in form</p>

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		<p>PSDT-7 for the financial year on or before 30th April. E.g. return for FY 2020-21 shall be filed latest by 30th April, 2021 or the date as extended by the Government.</p> <p>b. Every return shall be accompanied by proof of payment of tax.</p>
21	What action will be taken if incorrect return is filed by employer or a person?	<p>a. Designated officer will scrutinize all returns filed by employer/ person.</p> <p>b. If any tax or interest is found to be due then designated officer will intimate the employer/person.</p> <p>c. This intimation will be deemed to be notice of demand.</p>
22	What is the time period of framing of assessment?	<p>a. The assessments can be made within a period of 3 years from last date of filing of return or actual date of filing of return whichever is later.</p> <p>b. In case of special assessments can be framed within a period of 6 years from last date of filing of return or actual date of filing of return whichever is later.</p> <p>c. The amount of tax assessed has to be paid within 15 days of receipt of demand notice.</p>
23	At what rate interest will be levied if employer fails to deduct tax at the time of payment of salary or wage or fails to deposit deducted tax in time?	Simple interest at the rate of 2 percent of the amount of tax due for each month tax remains unpaid.
24	At what rate interest will be levied if person fails to deposit tax in time?	Simple interest at the rate of 2 percent of the amount of tax due for each month tax remains unpaid.
25	Is there any provision for an employer or person to file a revised return?	An employer or person who after filling return discovers an omission or incorrect statement, he can file a

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		revised return before a notice of assessment or before expiry of 3 months from the end of the relevant year whichever is earlier.
26	For how long the records have to be maintained by employer / person?	The books of account and other documents shall be maintained for the same period as specified in the Income Tax Act 1961.
27	What are the important provisions with respect to appeal?	<p>a. Aggrieved employer or any person can appeal to Joint Commissioner of State Tax (GST), who is appointed as Appellate Authority under the Act.</p> <p>b. Order passed by appellate authority are appealable to the Tribunal.</p> <p>c. No appeal can be made after expiry of 60 days from the date of receipt of order.</p> <p>d. Appeal shall be entertained only if accompanied by proof of prior minimum payment of 50 percent of total amount due.</p>
28	What are the prescribed penalties under this Act?	<p>a. For failure to register or enrol- the penalty shall be Rs 50 for each day of delay</p> <p>b. For employer/person deliberately furnishing false information - the penalty amount shall be Rs. 5000.</p> <p>c. For employer/person failing to file return in the requisite time- the penalty shall be Rs 50 for each day of delay.</p> <p>d. For failure to make payment of any amount of tax in response to notice of demand- the penalty shall be 50 percent to the amount of tax due.</p>

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		<p>e. For failure to maintain books of account- the penalty shall be Rs 50 for each day of delay.</p> <p>f. For employer/enrolled person failing to comply with any provisions of the Act or rules framed under it-the penalty shall be Rs. 5000 only and if offense is a continuing one Rs. 50 per day during the period of continuation of the offense.</p>
28	Whether an organization which does not have any employee whose net taxable income exceeds threshold limit, needs registration under the Act or Not?	<p>1. In such case the organization need not obtain the registration as employer.</p> <p>2. As a employer liability to deduct tax from the salary/wages of the employees only accrues if the net taxable income of the employees exceeds threshold limit prescribed under Income Tax Act, 1961.</p> <p>3. But organization shall obtain certificate of enrollment as person.</p>