

PUNJAB FINANCE BILL 2025
AMENDMENTS IN
PUNJAB SALES TAX ON
SERVICES ACT 2012,

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AMENDMENTS IN PUNJAB SALES TAX ON SERVICES ACT 2012

SECTION / CLAUSE	AMENDMENTS
SECTION 2(38) - DEFINITION OF SERVICE	Currently <i>“service”</i> or <i>“services”</i> means anything which is not goods or providing of which is not a supply of goods and shall include but not limited to the services listed in First Schedule. Now it is proposed to add word <i>“Second”</i> alongside <i>“First”</i> in the phrase <i>“services listed in First Schedule.”</i> This amendment has broadened the scope of reference to both schedules when defining services, ensuring taxability or exemptions apply consistently across them.
SECTION 3 – TAXABLE SERVICE	<p>Sub Section (1) before amendment stated that <i>“Subject to such exclusion as mentioned in Second Schedule, a taxable service is a service</i> listed in Second Schedule, which is provided by a person from his office or place of business in the Punjab in the course of an economic activity, including the commencement or termination of the activity”.</p> <p>After proposed amendment sub section (1) will state that <i>“Subject to section 3A, all services are taxable under this Act, including but not limited to the services</i> listed in Second Schedule, which is provided by a person from his office or place of business in the Punjab in the course of an economic activity, including the commencement or termination of the activity”</p> <p>Sub Section (2) before amendment stated that <i>“If a service listed in Second Schedule is provided to a resident person by a non-resident person in the course of an economic activity, including the commencement or termination of the activity, it shall be treated as a taxable service.”</i></p> <p>After proposed amendment sub section (2) will state that <i>“If a service, including but not limited to the services, listed in Second Schedule is provided to a resident person by a non-resident person in the course of an economic activity, including the commencement or termination of the activity, it shall be treated as a taxable service.”</i></p>

	Sub Section (6) has been proposed to be omitted , which states that “The services mentioned in the First Schedule are not exhaustive and all the services mentioned in the Second Schedule, rules and circulars shall be taxable services.”
SECTION 3A - TAX-FREE SERVICES (NEW SECTION)	New section states that “Notwithstanding anything contained in this Act and subject to any condition and to the extent specified therein; all services mentioned in the First Schedule shall be tax-free services under this Act.”
SECTION 5 - AMENDMENT IN SECOND SCHEDULE NEW HEADING - AMENDMENT IN SECOND SCHEDULE	<p>Sub Section (1) before amendment states that “The Government may, by notification in the official Gazette, make an amendment in <i>Second Schedule</i> by modifying, adding or deleting any entry or entries with reference to the classification, if any, description of any service or class of services and the rate or rates of tax chargeable on any service or class of services not exceeding the maximum rate prescribed in Second Schedule.”</p> <p>After amendment states that “The Government may, by notification in the official Gazette, make an amendment in <i>First or Second Schedule</i> by modifying, adding or deleting any entry or entries with reference to the classification, if any, description of any service or class of services and the rate or rates of tax chargeable on any service or class of services not exceeding the maximum rate prescribed in <i>Serial No. 1 of the Part-I of Second Schedule</i>.”</p>
SECTION 10A – OPTION TO CHARGE STANDARD RATE	The Amendment clarifies that this section applies specifically to Part-III of the Second Schedule (i.e., reduced-rate services). It prevents ambiguity and misuse of standard-rate opting privileges by delimiting eligible services.
SECTION 16B – TAX CREDIT NOT ALLOWED	<p>Some new clauses have been inserted. Now a registered person shall, also, not be entitled to claim input tax adjustment in respect of:</p> <ol style="list-style-type: none"> tax free services including rendering and consumption of goods or services amount of sales tax paid on: <ul style="list-style-type: none"> telecommunication services in excess of nineteen and a half percent ad valorem; carriage of goods by rail or road in excess of fifteen percent ad valorem; and other services in excess of sixteen percent ad valorem.

SECTION 31 – RECORDS	Alongside words “exempt services” in the section, “tax-free services” has been added. This amendment ensures proper documentation and segregation of tax-free activities from taxable or exempt activities—important for audit and compliance.
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SECTION 48 – OFFENCES AND PENALTIES.

S. No.	Offences	Penalties	Section
15	Where any person: (a) avoids, denies or obstructs installation of electronic invoice monitoring system at a business premises; or (b) fails to comply with the electronic invoice monitoring system or issues invoices bypassing the system.	Such person shall be liable to pay a penalty of up to <i>one million rupees</i> , but not less than <i>four hundred</i> thousand rupees. In case of three acts of commission or omission, the business premises of such person may further be liable to be sealed for a period which may extend to one month.	59A
25	Where any person refuses to accept payments through digital means i.e. (debit/credit cards, mobile wallets or QR scanning).	Such person shall be liable to pay a penalty of up to one million rupees: Provided that the penalty shall not be less than four hundred thousand rupees on first and three hundred thousand rupees on each subsequent default: Provided further that in case of three acts of commission or omission, the business premises of such person may further be liable to be sealed for a period which may extend to one month.	General

SUBSTITUTION OF FIRST AND SECOND SCHEDULE

FIRST SCHEDULE - TAX FREE SERVICES

SR. NO.	DESCRIPTION	CONDITIONS
1	Services related to healthcare provided by the Federal or Provincial Governments or local governments including consultation or visit fee of doctors, medical practitioners and medical specialists, bed or room charges, in public sector hospitals.	None
2	Services provided by skin and laser clinics, cosmetic and plastic surgeons and hair transplant services including consultation services.	Only to the extent of services provided to acid or burn victims.
3	(i) General education services; and (ii) Education provided by the Federal, or Provincial Governments or local governments in public sector educational institutions.	None
4	Public transport service provided by the Federal or Provincial Governments or local Governments.	None
5	Postal and courier services provided by the Federal or Provincial Governments or local governments.	Only to the extent of services provided to the Federal, Provincial Government Departments or local governments.
6	Registration services provided by Federal or Provincial Governments or local governments including passport and identity cards services	None
7	Services relating to religion, art, culture and sports provided by the Federal or Provincial Governments or local governments	None

8	Services relating to physical fitness, entertainment, amusement and learning provided by the Federal or Provincial Governments or local governments, such as gymnasiums, sports clubs, playgrounds, zoological and botanical gardens, museums, libraries, parks, etc.	None
9	Services provided by property developers, builders and promoters, including their allied services.	Only to the extent of affordable housing services provided under Government sponsored housing programs or any area notified for an Affordable Private Housing Scheme by the Punjab Housing and Town-Planning Agency (PHATA) covered under Rule 2(1)(k), Rule 35 and Rule 36 of the Punjab Housing and Town-Planning Agency (Affordable Private Housing Schemes Rules), 2020.
10	Services provided by: (i) a religious or charitable institution for the benefit of public registered under any law for the time being in force; (ii) international non-governmental organizations (INGOs) approved by the Federal Government; and (iii) international agencies.	Subject to exemption from federal taxes by the Federal Board of Revenue.
11	Services provided in respect of insurance.	Only to the extent of: (a) marine insurance for export; and (b) crop insurance.
12	Construction services and services provided by contractors of building (including water supply, gas supply and sanitary works), roads and bridges, electrical and mechanical works (including air conditioning), horticultural works, multi-discipline works (including turn-key projects) and similar other works.	Only to the extent: (i) where the tax is otherwise paid by registered persons as property developers, builders or promoters for building construction; or (ii) where the construction work is funded under an agreement of foreign grant-in-aid or involves construction of consular buildings; or

		<p>(iii) residential construction projects where the covered area does not exceed 10,000 square feet for a house and 20,000 square feet for an apartment except where construction services are provided to construct more than one house or more than one apartment building; or</p> <p>(iv) where the construction services are provided to any registered person who is otherwise liable to pay sales tax as a property developer, builder and promoter.</p>
13	Services provided for personal care by beauty parlors, salons, clinics, sliming clinics, spas (including saunas, Turkish baths and Jacuzzi) and similar other services.	Only to the extent of services provided in a parlour, salon or clinic where the facility of air-conditioning is not installed or is not available in the premises on any day of the financial year.
14	Services provided by tour operators and travel agents including all their allied services or facilities.	Only to the extent of Hajj and Umrah purposes including 'Ziyarat'.
15	Facilities for travel originating from Punjab by Air for domestic and international travel.	Only to the extent of Air travel services provided to Hajj or Umrah passengers, diplomats and supernumerary crew.
16	Services provided by warehouses or depots for storage or cold storages including letting of space for storages.	Only to the extent of storage of agriculture produce for the person's own consumption.
17	Services provided by photography studios and event or occasion photographers or film-makers.	Only to the extent of non-corporate (individual) photographers operating from small road-side shops declared as such by the Authority.
18	Services provided by diplomatic missions.	None

19	Renting of personal dwellings for residential use.	None
20	Services provided by persons engaged in contractual execution of works or furnishing supplies.	Only to the extent of services related to the contracts involving supplies or printing of books
21	Advertisement on television and radio or advertisement services showcasing of any product or service in video programmes, television programmes or motion pictures or music albums.	Only to the extent of: (a) sponsored by an agency of the Federal or Provincial Government for health education; or (b) financed out of funds provided by a Government under an agreement of foreign grant-in-aid; or (c) conveying public service message, if telecast on television by the World Wide Fund for Nature (WWF) or United Nations Children's Fund (UNICEF).
22	Services relating to pathological or diagnostic tests exclusively for medical treatment purposes.	None
23	Services provided in respect of manufacturing or processing on toll or job basis (against processing on conversion charges) [including industrial and commercial packaging services and similar outsourcing of industrial or commercial processes.	None
24	Advertisement including classified ads in newspapers, magazines, journals and periodicals.	None
25	Services provided by a foreign exchange dealer or exchange company or money changer or money exchanger.	None
26	Services provided by port operators (including airports and dry-ports) and allied services provided at ports and services provided by terminal operators including services in respect of public bonded warehouses.	Only to the extent of the amounts received by way of fee under any law or bye-law.

SECOND SCHEDULE - (TAXABLE SERVICES) - PART I

SR. NO.	DESCRIPTION	RATE OF TAX
1	All services, except those specified in serial numbers 2 and 3 of this Part, Part-II and Part-III.	Sixteen percent
2	Services provided by persons for carriage of goods by rail or road.	15% With input tax adjustment for service provider and service recipient.
3	<p>Telecommunication services:</p> <p>(a) telephone services;</p> <p>b) fixed line voice telephone service;</p> <p>(c) wireless telephone;</p> <p>(d) cellular telephone;</p> <p>(e) wireless local loop telephone;</p> <p>(f) video telephone;</p> <p>(g) payphone cards;</p> <p>(h) pre-paid calling cards;</p> <p>(i) voice mail service;</p> <p>(j) messaging service;</p> <p>(k) short message service (SMS);</p> <p>(l) multimedia message service (MMS);</p> <p>(m) bandwidth services used for voice and video telecommunication services:</p> <p>(i) copper line based;</p> <p>(ii) fiber-optic based;</p> <p>(iii) co-axial cable based;</p> <p>(iv) microwave based;</p> <p>(v) satellite based;</p> <p>(n) telegraph;</p> <p>(o) telex;</p> <p>(p) telefax;</p> <p>(q) store and forward fax services;</p> <p>(r) audio-text services;</p> <p>(s) tele-text services;</p> <p>(t) trunk radio services;</p> <p>(u) paging services;</p>	Nineteen and a half percent

	<p>(v) voice paging services;</p> <p>(w) radio paging services;</p> <p>(x) vehicle and other tracking services; and</p> <p>(y) burglar and security alarm services;</p> <p>(z) (i) internet services, whether dialup or broadband, including email services, data communication network services (DCNS) and value added data services;</p> <p>(ii) such charges payable on the international leased lines or bandwidth services used by:</p> <p>(a) software exporting firms registered with Pakistan Software Export Board; and</p> <p>(b) data and internet service providers licensed by the Pakistan Telecommunication Authority; and</p> <p>(iii) such charges payable on the international leased lines used by the software exporting firms registered with Pakistan Software Export Board for software exports.</p>	
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SECOND SCHEDULE – FIXED TAXED SERVICES - PART II

SR. NO.	DESCRIPTION	RATE OF TAX
1	Services provided by property developers, builders and promoters (including their allied services);	Rs.100 per square yard for land development and Rs.50 per square feet for building construction.
2	Freight forwarding agents.	Rs. 1000 per bill of lading

SECOND SCHEDULE – REDUCED RATE SERVICES - PART III

SR. NO.	DESCRIPTION	RATE OF TAX
1	Hotels, motels and guest houses	(i) Five percent without input tax adjustment for non-corporate, non-franchise, non-chain businesses with less than 20 rooms; and (ii) Sixteen percent for others
2	Marriage halls and lawns (by whatever name called) including pandal and shamiana services. Catering services (including all ancillary/allied services such as floral or other decoration, furnishing of space whether or not involving rental of equipment and accessories).	Five percent without input tax adjustment.
3	Services provided in respect of insurance to a policy holder by an insurer, including a re-insurer for: (a) fire insurance; (b) goods insurance; (c) health insurance; (d) life insurance; (e) marine insurance; (f) theft insurance; and (g) any other insurance.	(a) Zero percent without input tax adjustment for health insurance for individuals; and (b) Five percent for insurance agents and insurance brokers; (c) Sixteen percent of gross premium paid, for others.
4	Services provided by restaurants including cafes, food (including ice-cream) parlors, coffee houses, coffee shops, deras, food huts, eateries, resorts and similar cooked, prepared or ready-to-eat food service outlets etc.	(a) Five percent without input tax adjustment where payment against services is received through debit or credit cards, mobile wallets or QR scanning; and (b) Sixteen percent for others.
5	Franchise services including intellectual property rights and licensing	(a) Zero percent without input tax adjustment for services relating to educational institutions for information technology; and

		<p>(b) Five percent without input tax adjustment for services relating to educational institutions other than educational institutions for information technology; and</p> <p>(c) Sixteen percent for others.</p>
5	<p>[Construction services and services provided by contractors of building (including water supply, gas supply and sanitary works), roads and bridges, electrical and mechanical works (including air conditioning), horticultural works, multi-discipline works (including turn-key projects) and similar other works)</p> <p>Explanation: Notwithstanding the rate of 5% fixed in column 4, the following further reduced rates shall be applicable:</p> <p>(a) one per cent for all services specified at S.No.14 without input tax credit or adjustment to the extent of Government civil works including those of cantonment boards involved in the ongoing development schemes and projects launched during Financial Year 2016-17 and funded under the Annual Development Plan of the Punjab Government or funded through foreign loans where the negotiations were finalized after 1st of July 2016 or funded under Public Sector Development Program of the Federal Government or funded by the Cantonment Boards; and</p> <p>(b) zero per cent for all services specified at S.No.14 without input tax credit/adjustment to the extent of Government civil works including those of cantonment boards involved in the</p>	<p>five percent without input tax credit or adjustment in respect of Government civil works and sixteen percent with input tax credit or adjustment for others.</p>

	ongoing development schemes and projects launched prior to Financial Year 2016-17 and funded under the Annual Development Plan of the Punjab Government or funded through foreign loans where the negotiations were finalized as on 1st of July 2016 or funded under Public Sector Development Program of the Federal Government or funded by Cantonment Boards.	
7	Services provided for personal care by beauty parlors, salons, clinics, sliming clinics, spas (including saunas, Turkish baths and Jacuzzi) and similar other establishments.	Five percent without input tax adjustment.
8	Information technology-enabled or information technology based services including software development, software customization, software maintenance, system support, system assembly, system integration, system designing and architecture, system analysis, system development, system operation, system maintenance, system up-gradation and modification, data warehousing or management, data entry operations, data migration or transfer, system security or protection, web designing, web development, web hosting, network designing, services relating to enterprise resource or management planning (including marketing of products), development and sale of smart phone applications or games, graphics designing, medical transcription, remote monitoring, telemedicine, insurance claim processing, online retrieval and database access or retrieval service.] [Explanation: This entry includes and shall be deemed to have always included real estate aggregators and streaming/over-the-top (OTT) services.]	(a) Zero percent without input tax adjustment for services provided by software or IT-based system development persons; and (b) Five percent without input tax adjustment for others.

9	[Services provided by other consultants (by whatever name called or treated, whether as consultant or otherwise) including human resource and personnel development services, exhibition or convention services including provision of space, equipment, accessories and other allied services, event management services (whole range and variety of their services regardless of separate or individual classification thereof), valuation services, evaluation services (including competency and eligibility testing services), certification, verification and equivalence services, market research services, marketing or sales services (including marketing agencies and on line marketing or sales services), surveyors services, training or coaching services (other than general education services) and credit rating services.	(a) Zero percent without input tax adjustment for training services related to Information Technology; and (b) Sixteen percent for others.
10	Services provided by tour operators and travel agents including all their allied services or facilities.	Five percent without input tax adjustment.
11	Manpower recruitment agents, including labour and manpower supplies.	(a) Five percent without input tax adjustment for services where the value of service is fixed by the Bureau of Emigration and Overseas Employment; and (b) Sixteen percent for others.
12	Services provided by property dealers and realtors.	Five percent without input tax adjustment.
13	Services provided by fashion designers, including use of brand name, logo or house mark (whether or not registered) in the manufacturing or trading of products whether relating to textile, leather, jewellery or other product regimes including allied services such	Five percent without input tax adjustment.

	as cutting, stitching, printing, manufacturing, fabrication, assembly, embellishment, adornments, display (including marketing, packing and delivery etc.)	
14	Services provided by architects, town planners, landscapers, landscape designers, [interior decorators and interior designers.	Five percent without input tax adjustment.
15	Rent-a-car (including renting of all categories of vehicles meant for transportation of persons)	(a) Five percent without input tax adjustment for services provided to end consumers; and (b) Sixteen percent for others.
16	Car/automobile dealers	(a) Sixteen percent for services provided by companies or authorized dealers; and (b) Five percent without input tax adjustment, for others.
17	Brokerage (other than stock) and indenting services including <i>agents</i> , brokers, under-writers and auctioneers	(a) Five percent without input tax adjustment for services provided in respect of agricultural produce and home chefs; and (b) Sixteen percent for others.
18	Services provided in specified fields such as health care, gym, physical fitness, indoor sports, games, amusement parks, arcades and other recreation facilities, and body or sauna massage etc.	Five percent without input tax adjustment.
19	Services provided by Laundries and dry cleaners	Five percent without input tax adjustment.
20	Services provided by Cable TV operators	Five percent without input tax adjustment.

21	Services in relation to supply of tangible goods including machinery, equipment and appliances for use, without transferring right of possession and effective control of such machinery, equipment and appliances.	Five percent without input tax adjustment.
22	Services provided by accountants (including practicing chartered or cost accountants), auditors, actuaries, tax consultants (by whatever name called), practicing company secretaries, receivers, liquidators, auctioneers and corporate law consultants, whether individual or otherwise.	(a) Five percent without input tax adjustment for services relating to accountancy, audit, tax or corporate law consultancy; and (b) Sixteen percent for others.
23	Facilities for travel originating from Punjab by Air for domestic and international travel.	Five percent without input tax adjustment.
24	Services provided by skin and laser clinics, cosmetic and plastic surgeons and hair transplant services including consultation services.	Five percent without input tax adjustment.
25	Services provided by warehouses or depots for storage or cold storages including letting of space for storages.	Five percent without input tax adjustment.
26	(i) Medical consultation/visit fee exceeding Rs.1500 per consultation/visit of doctors, medical practitioners and medical specialists (ii) Bed/Room charges of hospitals exceeding Rs.6,000/- per day per bed/room.	Zero percent without input tax adjustment.
27	Services provided by photography studios and event or occasion photographers/film-makers.	Five percent without input tax adjustment.
28	Parking services	Five percent without input tax adjustment.

29	Dress designing and stitching services.	Five percent without input tax adjustment.
30	Rental of bulldozers, excavators, cranes, construction equipment, Scaffolding, framework and shuttering, generators, storage containers, Refrigerator, shelf or rack renting, etc	Five percent without input tax adjustment.
31	Services in respect of treatment of textile, leather but not limited to Dyeing services, Edging and cutting, cloth treating, water proofing, Embroidery, Engraving, Fabric bleaching, Knitting, Leather staining, Leather working, Pre shrinking, Colour separation services, pattern printing and shoe making services.	Five percent without input tax adjustment.
32	Apartment house management, real estate management and services of rent collection.	Five percent without input tax adjustment.
33	Ride-Hailing Services Explanation: This entry includes and shall be deemed to have always included cab aggregators.	Five percent without input tax adjustment.
34	Entertainment services (including cinemas, theatres, concerts, circus, sports events, races, film, fashion shows and mobile stage shows)	Zero percent without input tax adjustment.