

# Comments on Provincial Finance Bills, 2025





# Foreword



This memorandum contains comments in respect of amendments, proposed through the Provincial Finance Bills, in respective provincial statutes providing for levy of sales tax on services.

The amendments proposed through the provincial Finance Bills will take effect from July 01, 2025 unless stated otherwise.

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# Preamble

The provincial sales tax landscape in Pakistan has undergone a significant structural transformation with the recent introduction of the **negative list regime** across all four provinces, Punjab, Sindh, Khyber Pakhtunkhwa, and Baluchistan. This marks a pivotal departure from the earlier positive list framework, wherein only the services explicitly enumerated in the relevant schedules of the respective provincial statutes were subject to sales tax. Under the new regime, all services are deemed taxable unless specifically excluded through a prescribed negative list.

This harmonised policy shift reflects a broader strategic objective to broaden the tax base, enhance transparency, and improve compliance, aligning provincial sales tax laws with international best practices. Notably, countries such as India have undertaken a similar reform path. The rationale behind this approach is to reduce classification disputes, eliminate tax arbitrage, and provide certainty and uniformity in tax treatment across sectors.

The introduction of the negative list regime in Pakistan offers several advantages:

- **Broader Tax Coverage:** All services are taxable by default unless exempted, helping plug revenue leakages.
- **Simplification and Transparency:** Reduces interpretational ambiguities and disputes over whether a particular service is covered under the positive list.
- **Administrative Efficiency:** Eases tax administration by eliminating the need to frequently update and expand the positive list.

However, the transition also poses certain challenges:

- **Compliance Burden:** Taxpayers unfamiliar with the new regime may face initial compliance difficulties, particularly small and medium service providers.
- **Over-taxation Risk:** Without clearly defined exclusions, there is a risk of taxing unintended or socially essential services.
- **Need for Clarity:** The scope and language of the negative list must be precise to avoid litigation and ensure uniform application across provinces.

This document sets out our comments on the recent significant changes introduced in the provincial sales tax on services legislations through respective provincial Finance Bills, 2025.

# Sindh Sales Tax on Services Act, 2011

## 1. Shift from Positive to Negative List Regime

Presently, only services explicitly listed in the Second Schedule are liable to Sindh sales tax. A key change proposed through the Bill is the replacement of existing positive list approach with a negative list. Under this model, all services shall be considered as taxable, unless they fall under a specific exemption list. This change appears to be aimed at broadening the tax base and streamlining the taxation of services in line with international practices.

Consequent to the adoption of the negative list regime, a number of related provisions have been amended to align the law with this revised approach. The Bill proposes a comprehensive overhaul of the definition of "taxable services" and the chargeability provisions relating to sales tax on services.

As a result of these amendments:

- a) The First Schedule now enumerates the services that are exempt from sales tax.
- b) The Second Schedule has been restructured into two distinct parts:
  - Part I specifies the services that are chargeable at rates higher than the standard rate; and
  - Part II identifies the services that are chargeable at rates lower than the standard rate.

This restructuring aims to streamline the classification and taxation of services under the proposed regime.

## 2. Definitions [Section 2]

### a. **Omission of several services definition and taxation through CPC code adoption [clause 19a]**

The Bill proposes to adopt the United Nations' Central Product Classification (CPC) Version 2.1 as the basis for classifying services. This represents a shift from the existing customized schedule. Adoption of CPC codes is expected to bring the provincial tax regime in line with international

standards, improve consistency in classification of services, and facilitate better comparability across sectors.

The Board is also empowered to prescribe service codes through notification, and its decision on classification-related matters shall be final. As a result of aligning with the CPC framework, several definitions have been proposed for omission.

### b. **Expanded definition of the term "Service"**

As per existing provision of the Act, the definition of "service" is linked to specific schedules. Consequent to the policy shift from a positive list of taxable services to a negative list, the corresponding amendment is proposed to align the definition with such structural change.

The proposed amendment seeks to broaden this definition by including any form of activity, benefit, or facility, whether tangible or intangible, along with arrangements involving the grant, surrender or transfer of rights. This revised scope is intended to cover a wider range of transactions and reduce ambiguity in interpretation.

## 3. Insertion of Explanation Regarding Federal Jurisdiction [Section 3(1)]:

An Explanation has been introduced to clarify that services falling within the scope of Entry 53 of the Federal Legislative List, such as terminal charges related to the transportation of goods or passengers by rail, air, or sea, do not fall within the taxing jurisdiction of the province. This Explanation appears to address the ongoing interpretational issues between provincial and federal authorities regarding the domain of taxation of such services. The proposed clarification is aimed at eliminating potential disputes in the future and bringing alignment with judicial pronouncements on the matter.

#### 4. Replacement of 'Registered Office' with 'Office'[Section 3(2),(3)&(4)]:

The Bill proposes to substitute the term "registered office" with the broader term "office," thereby extending the scope of taxability to include any physical place of business situated in Sindh. This amendment is likely intended to ensure that branch offices, project sites, or other operational locations within the province are treated as distinct economic units for the purpose of registration and compliance.

The proposed change also appears to address potential ambiguities or disputes around registration obligations, particularly in cases where a person does not maintain a formally registered office in Sindh. It brings clarity that the presence of a place of business or operational site within the province regardless of its registration status is sufficient to trigger registration and compliance requirements under the law.

#### 5. Exclusions from the Definition Economic Activity [Section 4]

The Bill proposes to exclude certain activities from the scope of "economic activity," including:

- Services by any court, Tribunal or similar institution established under any law for the time being in force in the performance of judicial or quasi-judicial functions; or
- Services performed by the Members of the Majlis-e-Shoora (Parliament), Members of Provincial Assemblies and Members of Local Government bodies in the course of their official duties; and
- The services performed in the course of duties by an individual who holds any post in pursuance of the provisions of the Constitution of the Islamic Republic of Pakistan in that capacity.

These exclusions reflect the principle that core public sector functions are not subject to sales tax.

#### 6. Reorganization of Second Schedule [Section 8(1)]

The Second Schedule is proposed to be reorganized into two separate parts to introduce differentiated tax treatment for specified services:

- Part I – includes services which will be subject to a tax rate higher than standard rate i.e. 15%.
- Part II – includes services taxable at a rate lower than the standard rate of 15%, subject to specific conditions and restrictions.

For services specified at S. Nos. 1, 7, 9, 19, 20, and 32, the reduced rate is available only if the service provider formally opts by e-filing in the prescribed manner; otherwise, the standard rate shall apply. General Condition: Input tax deduction shall not be admissible on such services unless the reduced rate option is not exercised and tax is paid at the standard rate.

This reorganization appears to be aimed at bringing greater rate transparency while providing flexibility to taxpayers operating in sectors eligible for relief. It also reinforces the requirement of active compliance by mandating an express option in certain cases to benefit from the reduced rate, thereby minimizing interpretational ambiguities in practical application.

#### 7. Revised Treatment of Exempt Services [Section 10]

The list of exempt services is proposed to be consolidated under a newly introduced First Schedule. This approach will improve accessibility and may help taxpayers more easily identify exempt transactions, subject to any conditions prescribed therein.

#### 8. Restriction on Input Tax Adjustment [Section 15A]

The Bill proposes to amend Section 15A(1)(k) of the Act, by replacing the figure "thirteen" with "fifteen." This change aligns the input tax adjustment limit with the prevailing standard sales tax rate in Sindh.



Under the existing provision, input tax on goods and services used in providing taxable services was restricted to 13%, even where the output service was taxed at 15%. This mismatch resulted in partial disallowance of input tax, increasing the effective tax burden.

The proposed amendment addresses this anomaly by allowing full input adjustment up to the standard rate, thereby bringing consistency in treatment and addressing concerns raised by taxpayers.

## 9. Registration [Section 24, Sub-section (1) Clause (b) and (c)]:

The Bill broadens the scope of mandatory registration by replacing the requirement to register only for services listed in the Second Schedule with a more general requirement for anyone providing a taxable service. This aligns with the negative list approach, where all services are taxable unless specifically exempted.

## 10. Offences and penalties [Section 43]

The Bill proposes revisions to certain offences under Section 43, primarily aimed at modifying penalty amounts and conditions attached to non-compliance. The key changes are summarised below:

S.No.	Offence	Existing Penalties	Proposed Penalties	Section reference
2	Where any person fails to furnish a return within the due date.	Such person shall be liable to a penalty of 10,000 rupees per month or a fraction thereof; provided that if a return is filed within ten days of the due date, a penalty of 300 rupees for each day of default shall be paid.	Such person shall be liable to pay penalty of <b>100 rupees</b> for each day of default in filing of the return beyond the prescribed due date.	30
3	Where any person fails to deposit the amount of tax due or any part thereof in the time or manner laid down under this Act or the rules made there under.	(a) Such person shall be liable to pay a penalty of 10,000 rupees per month or a fraction thereof or five percent of the total tax payable for that period (if default is more than 3 days) whichever is higher.	(a) Such person shall be liable to pay a penalty of 10,000 rupees or five percent of the total tax payable for that period (if default is more than 5 days) whichever is higher.	8, 17 and 66
7	Where any person who denies or obstructs the access of an authorized officer to the business premises, registered office or to any other place where records are kept, or otherwise refuses access to accounts or records.	Such person shall be liable to pay a penalty of 50,000 rupees or one hundred per cent of the tax payable for the tax periods to which the offence relates, whichever is higher	Such person shall be liable to pay a penalty of 100,000 rupees or one hundred per cent of the tax payable for the tax periods to which the offence relates, whichever is higher	27, 28 and 51

## 11. Appointment of the Appellate Tribunal [Section 60]

The eligibility criteria for appointment as Technical Member of the Appellate Tribunal is proposed to be revised. Under the existing law, a person must have served as Commissioner or Commissioner (Appeals), SRB for at least five years.

The Bill now requires a total of eight years' service as Commissioner, including at least three years in the capacity of Commissioner (Appeals). This change appears to be aimed at ensuring that persons appointed to the Tribunal possess adequate appellate experience. However, the enhanced requirement may reduce the pool of eligible candidates.

## 12. Issuance or Renewal of License or Permission [Section 72A]

Section 72A presently authorizes the Board to require that licenses or permissions be issued or renewed only after verifying that the applicant is registered under section 24, 24A, or 24B of the Act.

The Bill proposes to extend this provision by requiring that the person must also be an active taxpayer as defined under Section 2(1A) of the Act. The change is aimed at ensuring that persons seeking regulatory approvals not only hold registration but are also compliant with ongoing filing obligations under the law.

## 13. Classification of Services [Section 72B]

The Bill proposes to insert new section 72B, empowering the SRB to prescribe classification codes for services through notification in the official Gazette. The amendment seeks to promote uniformity and clarity in services categorization for tax administration purposes.

It is clarified that the inclusion or exclusion of a service in the classification code will not determine its taxability,

which will remain subject to the substantive charging provisions. In case of any disputes regarding classification, the decision of SRB shall be final. The amendment is administrative in nature and appears aimed at standardizing classification in line with international practices.

## 14. Taxability of services at the end of financial year [Section 72C]

The Bill proposes to insert a new section 72C, which seeks to preserve the tax treatment of services as it existed on June 30, 2025. Services taxable as of that date will continue to be taxed at the same rate unless expressly exempted or reduced under the Finance Act, 2025.

This provision appears to act as a saving clause to maintain continuity and avoid disruption in taxation due to restructuring of tax schedules. It may also help address potential litigation regarding retrospective application of changes.

## 15. Removal of difficulties [Section 74]

Under the existing law, the power to issue orders for removal of difficulties rests with the Provincial Government and is limited to a period of eight years from the commencement of the Sindh Finance Act, 2016.

The Bill proposes two key changes:

- The power is now to be exercised by the Board, subject to approval of the Government.
- A new three-year window is introduced, beginning from the commencement of the Sindh Finance Act, 2025.

This amendment shifts administrative authority to SRB, with a view to enabling timely resolution of interpretational or operational issues that may arise under the amended framework. The requirement of Government approval serves as a check against unilateral discretion.

## FIRST SCHEDULE

### (List of exempt services)

S.No.	CPC Code	Description	Conditions and Restrictions
1	54	Construction services except those falling under CPC code 546	<p>The exemption shall be applicable to services provided or rendered in relation to:-</p> <ol style="list-style-type: none"> <li>1) Construction and development of Export Processing Zone (EPZ), Special Economic Zone (SEZ) and diplomatic and consular buildings;</li> <li>2) Construction of an independent private residential house, having total covered area not exceeding 10,000 square feet meant for own use by the recipient of the services;</li> <li>3) Construction relating to such of the low-cost affordable public housing projects as are sponsored and funded by the Federal Government or by the Government of Sindh, subject to the condition that the houses are built or constructed on plot of upto 125 square yards or covered area of the apartment and flats so built or constructed under the project, does not exceed 900 square feet;</li> <li>4) Maintenance and repair in relation to agriculture, horticulture, animal husbandry and dairy farming; and</li> <li>5) Construction services related to construction work undertaken by a person whose annual turnover does not exceed four million rupees in a financial year.</li> </ol>
2	611	Wholesale trade services, except on a fee or contract basis	The exemption shall not be applicable to services provided or rendered by ship chandlers.
3	62	Retail trade services except those falling under CPC code 625	The exemption shall not be applicable to services provided or rendered on fee or contract basis.
4	63	Accommodation, food and beverage services	<p>The exemption shall be applicable to services provided or rendered in relation to -</p> <ol style="list-style-type: none"> <li>1) Clubs, whose initiation fee for members does not exceed thirty thousand rupees and whose monthly fee/subscription for the members also does not exceed five hundred rupees;</li> <li>2) Room or unit accommodation services for students in student residences attached to educational institutions;</li> <li>3) Food served by flight-kitchen on- board the conveyance leaving for a destination outside Pakistan; and</li> <li>4) Restaurants and caterers whose annual turnover does not exceed five million rupees in a financial year except those which are -</li> </ol>

S.No.	CPC Code	Description	Conditions and Restrictions
			<p>(i) air-conditioned on any day in a financial year or located within the building or premises of air-conditioned shopping malls or shopping plazas; or</p> <p>(ii) located within the building, premises or precincts of any hotel, motel, guest house, farmhouse or club whose services are liable to sales tax; or</p> <p>(iii) providing or rendering services in the building, premises or precincts, hall or lawn of any hotel, motel, guest house, farmhouse, marriage hall and lawn or club whose services are liable to sales tax; or</p> <p>(iv) franchisers or franchisees; or</p> <p>(v) having more than one branch or outlet in Sindh; or</p> <p>(vi) having total utility bills (gas, electricity and telephone) exceeding rupees forty thousand (Rs.40,000/-) in any month during a financial year.</p>
5	64	Passenger transport services	<p>The exemption shall not be applicable to services provided or rendered in relation to -</p> <ol style="list-style-type: none"> <li>1) Rent a car and vehicle rental services;</li> <li>2) Services provided or rendered by the owners or drivers of the vehicles using the cab aggregator services; and</li> <li>3) Chartered flight services within Sindh or originating from any air field in Sindh.</li> </ol>
6	672	Storage and warehousing services	The exemption shall be applicable to services provided or rendered in relation to food and agricultural commodities.
7	673	Supporting services for railway transport	N/A
8	69	Electricity, gas and water distribution (on own account) except those falling in CPC Code 69111	N/A
9	71110	Central banking services	N/A
10	713	Insurance and pension services (excluding reinsurance services), except compulsory social security services	<p>The exemption shall be applicable to services provided or rendered in relation to -</p> <ol style="list-style-type: none"> <li>1) Life insurance, other than group life insurance, of individuals for insurance policy coverage of upto five hundred thousand rupees;</li> <li>2) Crop Insurance;</li> <li>3) Health insurance services, other than group health insurance services, provided or rendered to individuals covered within the meaning of sub- clause (a) of clause (63) of section 2; and</li> <li>4) Marine insurance for exports.</li> </ol>



S.No.	CPC Code	Description	Conditions and Restrictions
11	71552	Financial market regulatory services	The exemption shall be applicable to services provided or rendered by the State Bank of Pakistan, Competition Commission of Pakistan and Securities and Exchange Commission of Pakistan.
12	7211	Rental or leasing services involving own or leased property	<p>The exemption shall be applicable to services provided or rendered in relation to -</p> <ol style="list-style-type: none"> <li>1) Renting of immovable property by a religious body to another religious body;</li> <li>2) Renting of vacant land or premises solely used for agriculture, aquaculture, farming, forestry or animal husbandry purposes; and</li> <li>3) Renting of buildings solely used for residential purposes or solely used as hostels and boarding homes of a recognized educational institution.</li> </ol>
13	7212	Trade services of building	N/A
	7213	Trade services of vacant and subdivided land	
14	7331	Licensing services for the right to use computer software and databases	The exemption shall be applicable to services exported and delivered outside Pakistan, subject to the condition that the value of export of the services is received in foreign exchange through banking channels in the business bank accounts of the registered person exporting the services and is also reported to the State Bank of Pakistan in the manner prescribed by the State Bank of Pakistan.
	8313	Information technology (IT) consulting and support services	
	8314	Information technology (IT) design and development services	
	8315	Hosting and information technology (IT) infrastructure provisioning services	
	8316	IT infrastructure and network management services	
15	81	Research and development services	The exemption shall be applicable to the services provided or rendered educational institutions recognized by the Higher Education Commission of Pakistan (HEC) and/or Sindh Higher Education Commission.
16	822	Accounting, auditing and bookkeeping services	The exemption shall be applicable to services exported and delivered outside Pakistan, subject to the condition that the value of export of the services is received in foreign exchange through banking channels in the business bank accounts of the registered person exporting the services and is also reported to the State Bank of Pakistan in the manner prescribed by the State Bank of Pakistan.
17	835	Veterinary services	N/A

S.No.	CPC Code	Description	Conditions and Restrictions
18	8363	Sales of advertising space or time (except on commission)	<p>The exemption shall be applicable to services provided or rendered in relation to -</p> <ul style="list-style-type: none"> <li>(i) Advertisements financed out of the funds provided by a government under grant in aid agreements;</li> <li>(ii) Advertisements conveying public service message in relation to polio eradication programme by UNICEF;</li> <li>(iii) Sale of advertising space in print media (except on commission) falling under CPC Code 83631; and</li> <li>(iv) Sale of internet advertising space (except on commission) on the website of such of the newspapers and periodicals as are published in Sindhi.</li> </ul>
19	844	News agency services	N/A
20	845	Library and archive services	N/A
21	853	Cleaning services	The exemption shall be applicable to the services provided or rendered in relation to fumigation and cleaning services for the purpose of agriculture, horticulture, animal husbandry or dairy farming.
22	855	Travel arrangement, tour operator and related services	<p>The exemption shall be applicable to tour operators' services provided or rendered in relation to -</p> <ul style="list-style-type: none"> <li>1) to Hajj and Umrah; and</li> <li>2) a journey organized or arranged for use by an educational institution other than a commercial, training or coaching centre, for imparting skill or knowledge or lesson on any subject or field.</li> </ul>
23	85931	Telephone call centre services	<p>The exemption shall be applicable to call centre services exported and delivered outside Pakistan, subject to the condition that the value of export of the services is received in foreign exchange through banking channels in the business bank accounts of the registered person exporting the services and is also reported to the State Bank of Pakistan in the manner prescribed by the State Bank of Pakistan.</p>
	85999	Other support services n.e.c.	
24	85961	Convention assistance and organization services	<p>The exemption shall be applicable to such convention assistance and organizing services as are provided or rendered by such marriage halls and lawns which are located on plots measuring 800 square yards or less; provided that they are not -</p> <ul style="list-style-type: none"> <li>1) located in air-conditioned premises; or</li> </ul>

S.No.	CPC Code	Description	Conditions and Restrictions
			2) located within the building, premises or precincts of a hotel, motel, guest house, farmhouse, restaurant or club whose services are liable to tax; or 3) owned, managed or operated by caterers whose services are liable to tax; or 4) franchisers or franchisees; or 5) having branches or more than one hall or lawn in Sindh.
25	861	Support and operation services to agriculture, hunting, forestry and fishing	The exemption shall not be applicable to the services provided or rendered in relation to "Support and operation services to hunting" falling under CPC Code 8613.
26	871	Maintenance and repair services of fabricated metal products, machinery and equipment	The exemption shall be applicable to services provided or rendered – 1) in relation to machinery and equipment used for the purpose of agriculture, horticulture, animal husbandry and dairy farming; 2) by auto workshop including authorized service station, whose annual turnover does not exceed rupees four million in a financial year; 3) by workshops for electric or electronic equipment or appliances, including computer hardware, whose annual turnover does not exceed rupees four million in a financial year; and 4) by car or automobile washing or similar stations, whose annual turnover does not exceed rupees four million in a financial year.
27	88	Manufacturing services on physical inputs owned by others	The exemption shall be applicable to services provided or rendered in relation to such manufacturing or processing for others on toll basis (as are levied to Federal sales tax under the Sales Tax Act, 1990) except the services provided to non-industrial consumer.
	892	Moulding, pressing, stamping, extruding and similar plastic manufacturing services	
	893	Casting, forging, stamping and similar metal manufacturing services	
28	8912	Printing and reproduction services of recorded media, on a fee or contract basis	The exemption shall be applicable to the services provided in respect of newspapers, periodicals, journals and text books.
29	91	Public administration and other services provided to the community as a whole; compulsory social security services	The exemption shall be applicable to services provided or rendered by the Federal Government, Government and the Local Governments.
30	92	Education services	The exemption shall not be applicable to -

S.No.	CPC Code	Description	Conditions and Restrictions
			1) the services where the amount of fee/charges for such services exceed rupees five hundred thousand per annum per student; and 2) sports education services falling in CPC Code 92912 provided by a person other than an individual.
31	931	Human health services	The exemption shall not be applicable to - 1) the services of cosmetic and plastic surgery for aesthetic purposes; 2) the services provided by medical practitioners and consultants where consultation fee or charges exceed rupees three thousand per session or visit; and 3) bed/room services of hospitals where per day charges for such rooms/beds, including all fixed charges, exceed rupees twenty five thousand per room/bed.
32	931	Human health services	The exemption shall be applicable to services provided or rendered by beauty parlours, beauty clinics and slimming clinics whose annual turnover does not exceed rupees two and a half million in a financial year, except those which are - 1) located within the building, premises and precincts of a hotel, motel, guest house or club whose services are liable to tax; or 2) franchisers or franchisees; or 3) having more than one branch or outlet in Sindh; or 4) having total utility (electric, gas and telephone) bill exceeding rupees twenty five thousand in any month
	972	Beauty and physical well-being services	during a financial year.
33	932	Residential care services for the elderly and disabled	N/A
	933	Other social services with accommodation	
	934	Social services without accommodation for the elderly and disabled	
	935	Other social services without accommodation	
34	944	Remediation services	The exemption shall be applicable to services provided or rendered by Government.
	949	Other environmental protection services n.e.c.	
35	95	Services of membership organizations	The exemption shall not be applicable to the services provided against charges and fees except against fixed membership fee.



S.No.	CPC Code	Description	Conditions and Restrictions
36	96150	Motion picture projection services	N/A
37	963	Services of performing and other artists	The exemption shall not be applicable to services provided or rendered by stage designers, set designers, lighting designers and costume designers.
38	964	Museum and preservation services	N/A
39	966	Services of athletes and related support services	N/A
40	971	Washing, cleaning and dyeing services	<p>The exemption shall be applicable to services provided or rendered by laundries and dry cleaners whose annual turnover does not exceed rupees two and a half million in a financial year except those which are –</p> <ol style="list-style-type: none"> <li>1) located within the building, premises and precincts of a hotel, motel, guest house or club whose services are liable to tax; or</li> <li>2) franchisers or franchisees; or</li> <li>3) having more than one branch or outlet in Sindh; or</li> <li>4) having total utility (electric, gas and telephone) bill exceeding rupees twenty five thousand in any month during a financial year.</li> </ol>
41	973	Funeral, cremation and undertaking services	N/A
42	98	Domestic services	N/A
43	99	Services provided by extraterritorial organizations and bodies	N/A
43	Respective CPC Codes	All services	<p>The exemption shall be available to the services provided by a person whose total annual turnover does not exceed rupees four million in a financial year, excluding the following:-</p> <ol style="list-style-type: none"> <li>1) Services provided to withholding agents as notified under section 13;</li> <li>2) Services provided to persons registered with SRB and businesses registered with FBR under the Sales Tax Act, 1990 or the Income Tax Ordinance, 2001;</li> <li>3) Services under the service categories where different exemption threshold based on annual turnover is provided under this Act; and</li> <li>4) Services which were not exempt on account of annual turnover threshold basis as on 30th June, 2025.</li> </ol>

## Second Schedule

### PART-I

#### List of Services subject to a rate higher than standard rate

S.No.	CPC code	Description	Rate
1	83159	Other hosting and IT infrastructure provisioning services provided in respect of colocation services	19.50%
2	841	Telephony and other telecommunications services	19.50%
3	842	Internet telecommunications services	19.50%
4	85230	Security systems services including vehicle tracking services and other tracking	19.50%
5	87340	Installation services of radio, television and communications equipment and apparatus provided by telephony, internet and security system service providers	19.50%

## PART-II

### List of Services liable to tax at a rate lower than standard rate

S. No	CPC Code	Description	Rate	Conditions and Restrictions
1	54	Construction services	8%	N/A
2	54	Construction services	5%	The rate shall apply to construction services in relation to Government Civil Works for which the expenditure is paid out of the expenditure budget of the Federal Government, Government or the Local Government or the Cantonment Board
3	612	Wholesale trade services on a fee or contract basis	(a) 8%	(a) The rate shall apply to the services provided or rendered by – <ul style="list-style-type: none"> <li>• Auctioneer; or</li> <li>• Car or automobile dealer</li> </ul> (b) The rate shall apply to the services provided or rendered by an Indenter from a place of business in Sindh for which the registered person receives the value of the services from a place outside Pakistan in foreign exchange through banking channels in the business bank account of the registered person in the manner prescribed by the State Bank of Pakistan.
	62	Retail trade service	(b) 3%	
4	633	Food serving services	8%	The rate shall apply to the services provided or rendered by restaurants including the restaurants located in hotels, motels, guest houses or farmhouses, where payment against tax invoices for restaurant services is received through debit or credit cards, mobile wallets or QR scanning
	634	Beverage serving services		
5	64115	Taxi services	5%	The rate shall apply to the services provided or rendered by the owners or drivers of the vehicles using the cab aggregator services.
6	64116	Rental services of passenger cars with operator	8%	The rate shall apply to the services provided or rendered by rent-a-car and vehicle rental service.
	64118	Local bus and coach charter services		
	660	Rental services of transport vehicles with operators		
7	6511	Road transport services of freight	8%	N/A
8	6511	Road transport services of freight	3%	The rate shall apply to the services provided or rendered by truck <i>addas</i> or through bus or wagon stands excluding transportation or carriage of –

S. No	CPC Code	Description	Rate	Conditions and Restrictions
				(a) petroleum oils through oil tankers; (b) automotive vehicles, classified under tariff headings of Chapter 87 of the First Schedule to the Customs Act, 1969 as are transported or carried through specialized vehicle carriers; and (c) goods and cargo through vehicles operated by Fleet Logistic Companies having not less than 25 vehicles in its fleet.
9	6513	Transport services via pipeline	8%	N/A
10	67410	Bus station services	5%	N/A
11	6742	Highway, bridge and tunnel operation Services	5%	N/A
12	67430	Parking lot services	5%	N/A
	67440	Towing services for commercial and private vehicles		
13	67910	Freight transport agency services and other freight transport services	Rs.1,000 (Rupees one thousand) per bill	The rate shall apply to the services provided or rendered by freight forwarding agents in respect of issuance of bill of lading, house bill of lading, airway bill and house airway bill.
14	71331	Motor vehicle insurance services	5%	This rate shall apply to motor vehicle third-party insurance as required under the Provincial Motor Vehicle Ordinance, 1965 (West Pakistan Ordinance No. XIX of 1965).
15	71592	Foreign exchange services	3%	The rate shall apply to the services involving consideration of "spread" charges as permitted by the State Bank of Pakistan in relation to the buying and selling of foreign currencies.
16	71610	Insurance brokerage and agency services	5%	N/A
17	7211	Real estate services involving own or leased property including rental or leasing services involving own or leased property	3%	The rate shall apply to the rental or leasing services including renting, letting, sub- letting, leasing, sub- leasing, licensing or similar other arrangements of immovable property for use in the course or furtherance of business or commerce.
18	722	Real estate services on a fee or contract basis	8%	The rate shall not apply to services falling under CPC code 7224.
19	733	Licensing services for the right to use intellectual property and similar products	8%	The rate shall not apply to services falling under CPC code 7331 and 7335.
	83960	Trademarks and franchises		



S. No	CPC Code	Description	Rate	Conditions and Restrictions
20	7331	Licensing services for the right to use computer software and databases	3%	The rate shall not apply to the services falling under CPC Code 83159
	83131	IT consulting services		
	83132	IT support services		
	8314	Information technology (IT) design and development services		
	8315	Hosting and information technology (IT) infrastructure provisioning services		
	8316	IT infrastructure and network management services		
	843	On-line content		
21	81	Research and development services	8%	N/A
22	82	Legal and accounting services	8%	N/A
23	83117	Business process management services including distribution services	5%	The rate shall apply to the supply chain management and distribution services provided or rendered by a registered person in relation to the drugs registered under the Drugs Act, 1976 (Act No. XXXI of 1976).
24	83214	Historical restoration architectural services	8%	N/A
25	838	Photography services and photographic processing services	8%	N/A
26	83919	Other specialty design services	5%	The rate shall apply to the services provided or rendered by Fashion Designers.
	83920	Design originals		
27	8461	Radio and television broadcast originals	8%	N/A
	8462	Radio and television channel programmes		
	9612	Motion picture, videotape, television and radio programme production services		
	96139	Other post-production services		
28	8463		8%	N/A

S. No	CPC Code	Description	Rate	Conditions and Restrictions
		Broadcasting services and multi-channel programme distribution services except PCP code 84631	2%	The rate shall apply to the services provided or rendered by "Stand-alone Cable TV Operators", for this purpose "Stand-alone Cable TV Operator" means a person whose principal activity is the provision of services of "Cable TV Operators" and whose other service-related business activity, if any, is restricted to the provision of the taxable services of "advertisement on cable TV network".
29	85240	Armoured car services	8%	N/A
	85250	Guard services		
	85290	Other security services		
30	853	Cleaning services	8%	N/A
31	855	Travel arrangement, tour operator and related services	5%	N/A
32	85931	Telephone call centre services	3%	The rate shall apply to the services provided or rendered by call centres.
	85991	Other information services		
33	85999	Other support services n.e.c.	8%	The rate shall apply to the services provided or rendered by an auctioneer.
34	871	Maintenance and repair services of fabricated metal products, machinery and equipment	8%	N/A
	872	Repair services of other goods		
35	88	Manufacturing services on physical inputs owned by others	8%	The rate shall apply to the services provided or rendered to non-industrial consumers.
36	891	Publishing, printing and reproduction services	5%	N/A
37	892	Moulding, pressing, stamping, extruding and similar plastic manufacturing services	8%	The rate shall apply to the services provided or rendered to non-industrial consumers.
	893	Casting, forging, stamping and similar metal manufacturing Services		

S. No	CPC Code	Description	Rate	Conditions and Restrictions
38	92	Education services	3%	The rate shall apply to - 1) the services where the amount of fee/charges for such services exceed rupees five hundred thousand per annum per student; and 2) the training services.
39	931	Human health services	3%	The rate shall apply to:- 1) the services provided or rendered by medical practitioners and consultants, other than the services in relation to cosmetic and plastic surgery, where consultant fee or charges exceed rupees three thousand per session or visit; and 2) bed/room services of hospital where per day charges for such rooms/beds, including all fixed charges, exceed rupees twenty five thousand per bed/room.
40	961	Audio-visual and related services	8%	N/A
41	965	Sports and recreational sports services	Rs. 200 per person	The rate shall apply to the services of entry in race club for witnessing race event.
42	965	Sports and recreational sports services	8%	N/A
43	969	Other amusement and recreational services	8%	N/A
44	971	Washing, cleaning and dyeing services	5%	N/A
45	972	Beauty and physical well-being services	8%	N/A
			5%	The rate shall apply to the services provided or rendered subject to the condition that - 1) the registered person integrates his POS with SRB's Computerized System for real-time reporting of each sale; and 2) no such service is provided without getting SRB's invoice number and printing the same along with SRB QR code.
46	97990	Other miscellaneous services n.e.c.	5%	N/A

# Punjab Sales Tax on Services Act 2012

## (Sales Tax on Services - Structural Shift and Key Proposals)

### Introduction:

The Bill laid before the Provincial Assembly on June 16, 2025, introduces a significant overhaul of the provincial sales tax regime on services under the Punjab Sales Tax on Services Act, 2012 (the "Act"). The Bill proposes a shift from the currently adopted positive list-based approach, where only enumerated services are taxable to a negative list regime, under which all services are taxable by default unless specifically declared tax-free. This transformation mirrors the approach already adopted in the Sindh and Khyber Pakhtunkhwa tax frameworks and reflects an intent to broaden the tax base substantially.

### Introduction of Tax-Free Services through Transition to a Negative List Regime (Section 3 and proposed section 3A)

The Bill proposes a reclassification of services by substituting the existing First and Second Schedules with newly structured First Schedule (Tax-Free Services) and Second Schedule (Taxable Services), dividing the latter into standard-rated, fixed-rated, and reduced-rated categories.

As a result, the scope of taxability will expand significantly, and certain previously non-taxable services will now fall within the ambit of provincial sales tax unless they are expressly excluded.

Under the presently applicable Second Schedule to the Act, all the services that are either taxable at the standard rate or enhanced/reduced rates are specified therein. The Bill now proposes to reorganize and reclassify the existing entries in the following manner:

- a) Tax-free services (by insertion of section 3A) to be those as specified in the new First Schedule;
- b) Taxable services (by amendment in section 3) to be those specified in the new Second Schedule as under:
  - Part I – Services subject to sales tax at standard sales tax rate;
  - Part II – Services subject to fixed tax rates; and
  - Part III – Services subject to tax at reduced rates.

As a result of the proposed amendments, a clear distinction has been established between 'tax-free services' and 'taxable services' and the overall scope of taxable services has been significantly expanded.

It is pertinent to note that there is no change in the tax treatment of services that are already subject to sales tax at reduced or fixed rates.

Consequent to the above proposed changes, any service not expressly listed as tax-free will become taxable from 1 July 2025. The proposed First and Second schedules are listed below:



## A. Tax-Free Services (Proposed First Schedule)

Sr. No.	Description of Service	Condition
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.

<b>Sr. No.</b>	<b>Description of Service</b>	<b>Condition</b>
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 (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 (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.
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.

Sr. No.	Description of Service	Condition
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: <ul style="list-style-type: none"> <li>(a) sponsored by an agency of the Federal or Provincial Government for health education; or</li> <li>(b) financed out of funds provided by a Government under an agreement of foreign grant-in-aid; or</li> <li>(c) conveying public service message, if telecast on television by the World Wide Fund for Nature (WWF) or United Nations Children's Fund (UNICEF).</li> </ul>
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.

## B. Taxable Services (Proposed Second Schedule)

### Part I – Standard Rated Services (16%)

Sr. No.	Description	Rate
1	All services, except those specified in serial numbers 2 and 3 of this Part, Part-II and Part-III.	16%
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	Telecommunication services	19.5%

### Part II – Fixed Tax Services

Sr. No.	Description	Rate
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. 1,000 per bill of lading

### Part III – Reduced Rate Services (5% or 0%)

Sr. No.	Category	Rate & Conditions
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;	Zero percent without input tax adjustment for health insurance for individuals; and  (b) Five percent for insurance agents and insurance brokers;

Sr. No.	Category	Rate & Conditions
	(c) health insurance; (d) life insurance; (e) marine insurance; (f) theft insurance; and (g) any other insurance.	(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 b) Five percent without input tax adjustment for services relating to educational institutions other than educational institutions for information technology; and c) Sixteen percent for others
6	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	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
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	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.

Sr. No.	Category	Rate & Conditions
	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.] [ <b>Explanation:</b> This entry includes and shall be deemed to have always included real estate aggregators and streaming/over-the-top (OTT) services.]	
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 as cutting, stitching, printing, manufacturing, fabrication, assembly, embellishment, adornments, display (including marketing, packing and delivery etc.)	Five percent without input tax adjustment.



Sr. No.	Category	Rate & Conditions
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	Five percent without input tax adjustment.

Sr. No.	Category	Rate & Conditions
	transplant services including consultation services.	
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 <b>Explanation:</b> 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.

## C. Other amendments

### Tax Credit not allowed (Section 16B)

The following categories are proposed to be excluded from input tax credit:

- Tax-free services;
- Tax paid on telecom services in excess of 19.5%;
- Tax paid on goods transport in excess of 15%;
- Tax paid on other services in excess of 16%.

### Records (Section 31)

Consequent to the introduction of the term “tax-free services”, the corresponding amendments are proposed in the section, requiring the maintenance of records of tax-free services in addition to taxable and exempt services.

### Penalties for Non-Compliance (Section 48)

- Failure to install or operate Electronic Invoice Monitoring System may now result in penalties ranging from Rs. 400,000 to Rs. 1 million, compared to the current range of Rs.25,000 to Rs.100,000.
- Digital payment enforcement: Businesses refusing to accept payments via digital methods (cards, QR, wallets) may face penalties up to Rs. 1 million, with minimum fines starting from Rs. 400,000. Repeated offenses may lead to sealing of premises for up to one month.

# Khyber-Pakhtunkhwa Sales Tax on Services Act, 2022

## 1. Definitions [Section 2]

### Collection Agent [Clause (m-i)]

The Bill proposes to broaden the definition of **"Collection Agent"**. While the existing definition was restricted to the **State Bank of Pakistan, scheduled banks, or licensed entities** authorized to remit funds abroad for specified services, the revised definition **empowers the Policy Board** to designate **any other person** as a collecting agent through official notification.

This change is likely aimed at improving **tax collection efficiency** on cross-border transactions by allowing the inclusion of **non-banking channels, fintech platforms, or other intermediaries** involved in remittance or payment facilitation.

### Due Dates [Clause (x)] and Return [Clause (aw)]

Clause (x) of section 2 relates to due dates which states that the **"due date"** for furnishing a return under **Chapter VI** of the Act is the **18th day of the month following the end of the tax period**.

Clause (aw) of section 2 relates to due dates which states that the **"return"** as a return required under Chapter VI, and includes any statement containing information mandated by the KPK STS Act or rules.

As these clauses were mistakenly referring to Chapter VI which pertains to invoicing, bookkeeping and audit proceedings. It is proposed vide the Bill to rectify this mistake by correctly referring to Chapter VII to remove ambiguity and align the provisions with the administrative intent.

### Service [Clause (aaa)]

As per the existing provision of clause (aaa) the term 'service' means anything which is not goods and includes facilities, amenities, utilities, or advantages by whatever name called, and are liable to sales tax on services as specified in the First Schedule." An explanation further

clarifies that a service remains a service even if its provision involves the use, supply, or consumption of goods, whether essential or incidental.

The proposed Bill significantly broadens the scope of the term "service." It now includes any utility, performance, provision, facilitation of facility or advantage rendered in the course of an economic activity whether contractual, professional, or otherwise including through digital, electronic, or online platforms. It also explicitly covers services resulting in the execution of an assignment, grant of right, currency exchange facilitation, or performance of a function.

The original explanation is retained (as Explanation-I), and a new Explanation-II is introduced, stating that unless specified otherwise by the Policy Board, services involved in the supply of goods shall continue to be treated as services.

The proposed amendment expands the tax net by clearly encompassing modern and non-traditional modes of service delivery, particularly digital and platform-based services.

The insertion of Explanation-II further clarifies the treatment of composite supplies, ensuring that service elements in goods-related transactions remain taxable unless expressly excluded. Overall, the changes enhance legal clarity, support revenue mobilization, and reflect the evolving service landscape.

## 2. Scope of Taxable Services [Section 3]

Under current provision, a *"taxable service"* is defined as the *provision of service listed in the Second Schedule*. The section further differentiates between services provided by registered persons from within the province (whether to residents or non-residents) and services provided by non-residents to residents in the course of economic activity.

Under proposed Bill, the put forth change seeks to substitute the existing language with a broader framework,

whereby *any provision of services is taxable except such services as are explicitly listed in the First Schedule, subject to the conditions specified therein, if any*. This represents a shift from a **positive listing approach** (where only services listed in the Second Schedule are taxable) to a **negative listing approach** (where all services are presumed taxable unless exempted via the First Schedule).

The proposed amendment fundamentally expands the **tax base** by treating all services as taxable by default, unless specifically exempted. This change simplifies the legislative structure, removes ambiguity about emerging or unlisted services, and aligns the tax regime with modern VAT principles. This may result in increased tax coverage, particularly of digital, consultancy, and cross-border services that previously may have fallen outside the defined list.

Further, as per sub-section (4) of section 3 of existing provision, the services listed in the First Schedule are not considered complete. It is expressly stated that all services mentioned in the Second Schedule are to be treated as taxable, regardless of whether they are included in the First Schedule. This dual reference framework sometimes led to ambiguity in classification and the tax treatment of services not clearly defined.

The proposed Bill empowers the management committee to notify or amend CPC codes, HS codes, or any other classification codes for services through official notification, specifically for administration, analysis, and facilitation purposes. Importantly, it is clarified that the inclusion or exclusion of services from these codes will not determine their taxability.

A further safeguard is introduced to affirm that all services that were taxable under the Second Schedule prior to 1st July 2025 will remain taxable, unless explicitly exempted in the First Schedule.

This proposed amendment enhances administrative flexibility by allowing the management committee to maintain and update service classifications for internal and compliance purposes, without altering the legal status of taxability. It also codifies the continuity of taxation for services that were already subject to tax, thereby avoiding disputes or misinterpretation due to changes in coding systems.

### 3. Economic Activity [Section 5(3)(a)]

Sub-section 3 of section 5 of the KPK STS Act, 2022 provides certain activities, which do not constitute as an economic activity. The Bill proposes to substitute clause (a) of sub-section 3 to limit the scope of this exclusion as follows:

- (a) Activities of an employee providing services in that capacity to an employer with whom he is in a direct relationship under a contract of employment;

However, by virtue of proviso, following shall nevertheless constitute as an economic activity:

- (a) The activities of an employee for which he earns any fee or commission, in addition to his salary agreed under contract of employment.
- (b) The activities of an employee hired or engaged by the employer to perform certain activities for a person other than the employer in connection with or in the course of furtherance of business of employer shall be treated as economic activity of the "employer".

The proposed amendment provides clearer guidelines by distinguishing regular employment services from activities that qualify as economic activities, particularly where additional fees or third-party services are involved.

### 4. Scope of tax and allied matters [Section 9(1)]

Sub-section (1) of section 9 of KPK STS Act, 2022 deals with the scope of tax and allied matters. Previously, it referred to Second Schedule for determining the rates applicable on services listed therein whereas a standard or general rate of fifteen percent was provided for all purposes of the Act.

The Bill proposes to re-word the sub-section in such a way so as to add emphasis on the general or standard rate of 15% applicable on all taxable services and refers to the specified rates provided in the Second Schedule (with

applicable conditions specified therein), by way of a proviso.

This appears to be a cosmetic change rather than being statutory in nature.

## 5. Power to Amend the Second Schedule [Section 12]

Section 12 of the KPK STS Act, 2022 empowers the Government to add, delete or amend an entry in the Second Schedule, either on its own motion or on recommendation of the Policy Board by a notification in the official Gazette.

The Bill proposes to expand these powers to First Schedule as well by insertion of the words "First Schedule and" before the Second Schedule. The proposed amendment allows the Government to amend not only the Second Schedule but also the First Schedule thereby significantly broadening the executive authority.

## 6. Input Tax Credit Not Allowed [Section 17(1)(c)]

Section 17 of the KPK STS Act, 2022 enlists certain payments against which a registered person shall not be entitled to claim, reclaim or adjust input tax adjustment. The clause (c) of the sub-section (1) provided for one such payment as follows along with other conditions:

- Amount exceeding fifty thousand rupees, excluding payment against utility

The Bill proposes to substitute the above with the words "payment of amounts of one or more transactions made to the same person in one tax period where the aggregate of such amounts exceeds fifty thousand rupees including the amount of sales tax but excluding any payments made on account of utility".

The proposed amendment refines the conditions under which input tax adjustment is disallowed for payments exceeding a certain threshold. Previously, input tax could not be claimed on any single payment

exceeding fifty thousand rupees, excluding utility payments. The new proposal introduces a more comprehensive criterion to capture structured payment splitting, a common tax avoidance tactic while still exempting essential utility payments.

## 7. Assessment of tax and recovery of tax not levied or short- levied [Section 27(5)]

Sub- section 5 of section 27 of the KPK STS Act, 2022 provides for a time frame for issuance of show cause notice and associated Order for a certain tax period. It further allows the imposition of default surcharge and exemption from default surcharge and penalty with reference to sections 54 and 55 of the Act. (Section 54: default surcharge, section 55: exemptions from penalty and default surcharge).

The Bill proposes to exclude the reference to section 55 and substitute it with section 53 (53: offences and penalties). The proposed amendment appears to be rectificatory in nature, aiming to correct the earlier reference to section 55, which should have been section 53 in the context of imposing penalties.

## 8. De-Registration [Section 33]

Section 33 of the KPK STS Act, 2022 deals with de-registration of a registered person by the Management Committee. The bill proposes to add reference to the "manner as prescribed by the regulations". The proposed addition ensures that the de-registration process is standardized and procedurally clear by aligning it with regulations prescribed by the authorities.

## 9. Records [Section 35]

Section 35 of the KPK STS Act, 2022 provides for the records to be maintained by the registered person related to providing or receiving a taxable service. The Bill proposes to add a new sub-section 1A as follows:



"(IA) In case where the registered person is engaged in providing taxable services, including exempt services, in other provinces or areas outside the Province, the record mentioned under sub-section (1) shall, inter-alia, include the record for such provinces or areas in such form and manner as may permit reconciliation or ascertainment of his tax liability in the Province."

The proposed addition introduces an additional compliance requirement for registered persons operating across provincial borders, mandating them to maintain separate, reconcilable records for services provided outside Khyber Pakhtunkhwa.

## 10. Return [Section 39]

Section 39 of the KPK STS Act, 2022 covers the furnishing of returns by the registered person. In sub-section (1) of section 39, after the words "Every registered person shall furnish" the bill

proposes to add words "through an e-file".

The proposed insertion mandates electronic filing of returns, promoting digitization and efficiency while reducing manual errors.

Furthermore, the time period for filing a revised return is proposed to be reduced from within six months to within 120 days of filing the original return.

## 11. Distribution of Powers [Section 44]

The bill proposes to substitute the word distribution with delegation in the marginal heading of section 44 of the KPK STS Act, 2022. This proposed change reflects a more administratively flexible approach of allocation of Authority down the functional hierarchy of the KPRA Authority.

## 12. Offences and Penalties [Section 53]

### Proposed new entry in the table

The following new entry in respect of offences specified therein are also proposed to be inserted in Table given in section 53:

Serial No.	Offences	Punishment or penalties	Competent Jurisdiction
4B	Where any person required to integrate or install the Restaurant Invoice Management System (RIMS), Invoice Management or any other prescribed e-invoicing system or computerized system, fails to integrate or install the Restaurant Invoice Management System (RIMS), Invoice Management or any other prescribed c-invoicing system.	Such person shall be liable to pay a penalty of rupees two hundred thousand (200,000) or five percent (05%) of the tax involved, whichever is higher, for each instance of non-compliance.	Officer of the Authority competent under this Act";

### 13. Pecuniary Jurisdiction in Appeals [Section 70A]

As per existing provisions of the Act, appeals are filed to Collector (Appeals) against assessment order. The Bill proposes to insert new section 70A whereby appeal to Collector (Appeals) shall only be filed if value of sales tax in assessment order does not exceed 5 million rupees. If it does, appeal shall be filed to the Appellate Tribunal. The cases currently pending before Collector (Appeals) having assessment value greater than 5 million rupees shall be transferred to Appellate Tribunal on and from 10<sup>th</sup> of July, 2025 and the Appellate Tribunal shall decide the case within 6 months from date of such transfer.

### 14. Recovery of Arrears of Tax [Section 74]

As per existing provisions of the Act, the Assistant Commissioner has the powers to recover short payment of sales tax due from the taxpayer. The Bill proposes to limit this power and recoveries shall only be initiated with prior approval of the Collector or any officer duly authorized by the Collector to grant approval in such matters.

### 15. Computerized System [Section 83]

As per existing provisions of the Act, business information gathered was confidential and no unauthorized person could have access to such information. The Bill proposes to allow sharing of such business information with FBR and sales tax authorities of other provinces subject to such arrangement or agreement on reciprocal and multilateral basis.

## Principles of Application and Interpretation:

The Bill proposes to insert "Principles of Application and Interpretation" immediately following the First and Second Schedules of the Act. The purpose of this insertion is to establish a binding interpretative framework for the application, scope, and construction of provisions related to the Schedules. The Bill proposes the following principles:

#### 1. Negative List Principle

The First Schedule to this Act shall operate as a Negative List. Accordingly, only those services which are explicitly specified in the First Schedule shall be treated as non-taxable. All other services not listed therein i.e. First schedule and not classified in the Second Schedule shall be presumed taxable at standard rate.

#### 2. Continuity of Taxability for Existing Services

All services listed in the Second Schedule **prior to 1st July 2025** shall continue to remain taxable, either at the rate prescribed therein or, where unspecified, at the **standard rate**, unless expressly declared non-taxable under the First Schedule (Negative List).

#### 3. Classification Codes for Reference Only

The Management Committee shall have the authority to prescribe or amend classification codes, including Harmonized System (HS) Codes and United Nations Central Product Classification (UN CPC) Codes, for purposes of referencing and classifying services. These codes shall be used solely for reference and accounting and shall not determine the taxability of any service. Taxability shall be determined based on the description of the service, whether expressly stated or falling within a class specified in the Second Schedule.

#### 4. Omission does Not Constitute Exemption

The **omission** of any service classification from the Second Schedule or from any notification issued by the

Management Committee shall **not affect the taxability** of such service. Such omission shall not be construed as a basis for exemption, non-levy, or immunity from tax.

## 5. Ancillary Services Part of Principal Service

Where the description of a principal or main service is not listed in the Second Schedule, it shall be deemed to include all ancillary, allied, auxiliary, connected, or related services, whether provided jointly or separately, as part of or in connection with the main service. The value of such related services shall be included in the taxable value of the principal service.

## 6. Exclusion of Durable Goods Procured for Clients

Where a service provider, acting in a professional capacity, procures any durable or reusable goods on behalf of a client, using client-provided funds, and the title of such goods remains with the client, the value of such goods shall be excluded from the taxable value of the service, provided that:

- No input tax adjustment shall be available on such goods;
- Input tax adjustment on consumable materials used by the service provider shall be allowed only to the extent permitted under the Act and rules.

## 7. Treatment of Corporate and Non-Corporate Entities.

Unless specified otherwise in the Second Schedule or a notification issued under this Act:

- Where a serial number does not differentiate between corporate and non-corporate entities, the same tax rate shall apply to both;
- If a tax rate is prescribed for non-corporate entities and no rate is specified for corporate entities under the same serial, then the standard rate shall apply to corporate entities.

## 8. Continuation of Existing Codes Until Amended

Unless otherwise amended or substituted by the Management Committee, the classification codes specified in the First and Second Schedules **prior to 1st July 2025** shall continue to apply to the respective services listed therein.

The proposed insertion of the "Principles of Application and Interpretation" into the KPK Sales Tax on Services Act, 2022, is expected to bring greater clarity and consistency in the determination of taxability, rate applicability, and classification of services. By establishing a binding interpretive framework, it will help reduce disputes, prevent tax avoidance through misclassification or omission, and ensure uniform enforcement across taxpayers.

## First Schedule

First Schedule of the Act provides a comprehensive list of taxable services through service classification codes. The Bill proposes to substitute this with list of services which are exempt subject to such exemption conditions.

Currently, only those services are taxable which are mentioned under the Second Schedule. After the proposed change, all services will be taxable except those mentioned in the First Schedule. This amendment marks a significant paradigm shift with far-reaching implications for service taxation in the province.

This change is aimed at broadening the scope of taxable services and granting exemption to low-income individuals and public-interest organizations. It also reflects the government's broader strategy of formalizing the tax base without burdening marginalized sectors, thereby promoting tax equity and administrative efficiency.

The newly proposed First Schedule, providing list of exempt services, is reproduced below:

Sr. No.	Description	Conditions for Exemption
1	Room or Unit Accommodation Services for Students in Student Residences.	Hostels exclusively meant for student accommodation and allied facilities.
2	Other Human Health Services.	Services to the extent of cosmetic treatment of burns or burned body parts provided by health care centers, hospitals or similar institutions.
3	Hairdressing and Barbers' Services.	Services as are provided by traditional barber shops operating in premises not exceeding 150 square feet in total floor area and without air-conditioning facilities or installations at business premises.
4	Dry-Cleaning Services, including for Product Cleaning Services.	Such Services are provided by small-sized, traditional, stand-alone launderers and dry cleaners that operate independently and are not part of any broader retail, commercial, or multi-service establishments and utilizing vintage or non-computerized machinery to maintain their conventional mode of service.
5	Tour Operator Services.	Such Services as are provided by Federal or Provincial Government departments exclusively related to Hajj.
6	Toll Manufacturing including Moulding, Pressing, Stamping, Extruding, and Similar Plastic Manufacturing Services, Iron and Steel Casting Services, Non-Ferrous Metal Casting Services, Metal Forging, Pressing, Stamping, Roll Forming and Power Metallurgy Services, including Dyeing and Coloring Services.	Such Services as are provided on a toll manufacturing basis which are part of commercial or industrial operations.

Sr. No.	Description	Conditions for Exemption
7	Airport Operation Services.	The fee, taxes or similar other charges received by Civil Aviation Authority as a regulatory body for or in respect of its official functions shall not be charged to tax even though such functions appear to be of the nature or character of services.
8	Wholesale trade services in relation to agricultural products, like grains, oil seeds, live animals, hides, and un-manufactured tobacco, food items such as fruits, vegetables, dairy, meat, seafood, beverages, and bakery products, textile and clothing including yarn, fabric, household linens, apparel, footwear, and accessories; household goods like furniture, appliances, lighting, cutlery, and glassware; consumer products such as books, stationary, toys, jewelry, and sports goods; construction materials including flat glass, ceramic fixtures, wallpaper, paints, and tools; industrial and chemical products like fertilizers, pharmaceutical, cosmetics, and cleaning materials; plant and machinery including motor vehicles, motorcycles, computers, telecommunication equipment, and industry-specific machinery.	For the purpose of clarity, "wholesale trade services" shall refer to the sale or resale of goods in bulk or large quantities to business, industrial, commercial, industrial or professional buyers, or to other wholesalers or retailers, wherein the goods are purchased in the wholesaler's own and intended for onward sale at a profit; provided that any activity involving the trade, distribution, or redistribution of goods carried out on behalf of others in exchange for a commission, fee, or any other form of consideration shall be treated as a taxable services.
9	Retail trade services in relation to agricultural products like grains, oil seeds, live animals, hides, and un-manufactured tobacco, food items such as fruits, vegetables, dairy, meat, seafood, beverages, and bakery products, textile and clothing including yarn, fabric, household linens, apparel, footwear, and accessories; household goods like furniture, appliances, lighting, cutlery, and glassware; consumer products such as books, stationary, toys, jewelry, and sports goods; construction materials including flat glass, ceramic fixtures, wallpaper, paints, and tools; industrial and chemical products like fertilizers, pharmaceutical, cosmetics, and cleaning materials; plant and machinery including motor vehicles, motorcycles, computers, telecommunication equipment, and industry-specific machinery.	Retail trade services limited to sale of goods in small quantities to individuals or households are exempt. Any trade on behalf of another entity for a commission, fee, or other consideration, including delivery or brokerage services, shall be treated as taxable services, including those conducted online or via delivery platforms.
10	Urban, suburban, and interurban railway passenger transport services; intra-provincial, intra-city and inter-city travel or transportation of persons by road through non-air-conditioned buses, coaches, wagons, jeeps, cars, taxis, and other motor vehicles primarily meant for passengers' transport, passenger transport by man or animal-drawn	Where such vehicles have an engine capacity below 660cc and services are not provided through online ride-hailing or app-based transportation services.

Sr. No.	Description	Conditions for Exemption
	vehicles including passenger transport vehicles through roads, inland water passenger transport by ferries, cruises, or other means; sightseeing services conducted by rail, water, or air including coastal and transoceanic water transport services of passengers by ships, domestic and international scheduled air passenger transport services and space passenger transport services.	
11	Coastal and Transoceanic water transport services of freight by refrigerator vessels, tankers, or container ships and space transport services of freight.	Only such services shall be deemed exempted which are not provided through subsidiaries or third-party infrastructural arrangements. All such services as are provided by businesses for installation, management, or maintenance of water distribution, steam, and air-conditioning systems shall remain taxable at applicable rate of tax.
12	Water distribution through mains on own account.	Only such services shall be deemed exempted which are not provided through subsidiaries or third-party infrastructural arrangements. All such services as are provided by businesses for installation, management, or maintenance of water distribution, steam, and air-conditioning systems shall remain taxable at applicable rate of tax.
13	Central banking services including financial market regulatory services.	Such services which are construed as core regulatory functions performed by the State Bank of Pakistan.
14	Basic research services in physical sciences, chemistry, biology and biotechnology.	The exemption shall be applied to services which are performed for academic research purposes and not on a commercial basis.
15	Veterinary services for pet animals, livestock, and other veterinary services.	The exemption shall apply to services as are provided by Government-owned or regulated bodies.
16	Library services.	
17	Government public services including executive and legislative services, financial and fiscal services, economic and social planning, statistical services, Government services to research and development. Public administrative services related health to education, health care, housing, community amenities, recreation, culture, religion,	Services as are provided by Federal, Provincial Governments or local governments in the public interest.



Sr. No.	Description	Conditions for Exemption
	agriculture, forestry, fishing, fuel, energy, distributive trades, general economic, commercial, and labor affairs. Services related to external affairs. Services related to external affairs, diplomatic and consular services, foreign economic and military aid, military and civil defense, police, fire protection, law courts, detention, rehabilitation of criminals, public order, and safety. Administrative services for sickness, maternity, temporary disablement. Government employee pensions, old-age, disability or survivors benefits, unemployment compensation, and family or child allowance programs.	
18	Services furnished by trade unions.	Such services are as provided without any charges or fees.
19	Religious services, services by political organizations, human rights organizations, environmental advocacy groups, other special group advocacy, and community facility support, youth associations, cultural and recreational associations.	Such services as are provided without profit motives and in the public interest.
20	Services of performing artists including original works of authors, composers and other artists.	Such services which are provided to reflect cultural and societal values and benefit the public at large; provided that services which are provided in live concerts, stage shows, dramas or similar commercial entertainment events shall remain taxable.
21	Services as are provided by museums including botanical and zoological garden services and nature reserve services including wildlife preservation.	Only such services which are intended for preservation of national heritage and natural resources.
22	Funeral, burial, crematorium, or mortuary services directly related to the preparation, handling, and final disposition of a deceased person, including embalming, storage, transportation of the deceased to a funeral site, cemetery, or crematorium, and the performance of burial, cremation, or interment ceremonies, provided by funeral homes, crematoria, cemeteries, or similar entities.	
23	Domestic services as are provided by individuals which are aimed at household help.	Only such services are exempted as are provided by individuals in their personal capacity, without the involvement of agents, manpower supply agencies, or

Sr. No.	Description	Conditions for Exemption
		any other intermediary entities engaged in arranging or providing individuals for the delivery of such domestic services.
24.	Services provided by extraterritorial organizations and bodies including services provided by foreign diplomatic missions.	Only such services which are aimed at non-market, non-commercial functions aimed at fostering global cooperation and addressing transnational challenges.
25.	Access to a road or bridge on payment of toll charges.	
26.	Education services.	Education services as are provided by schools, colleges and universities and includes tuition fee charged from their students.
27.	Members of Parliament (Majlis-e-Shoora) and Provincial Assemblies.	Only such services as are provided on non-commercial basis and without intention to furtherance of the personal businesses.
28.	Professional work of cutting, sewing, fitting, altering, or repairing clothes to meet individual specifications (excluding fashion designing).	
29.	Repair, maintenance, and restoration of footwear and related leather goods, including services such as resoling, reheeling, stitching, polishing, replacing zippers or buckles, and minor modifications to improve fit or extend the life of shoes, boots, sandals, and other leather accessories.	
30.	Services rendered by individuals such as laborers, electricians, carpenters, plumbers, painters, or similar service providers, directly to households or religious centres including mosques, on a daily wage or labor charge basis, without involvement of any contractor or manpower supply agencies.	Only such services as are provided by such individuals in their personal capacity and are rendered solely for domestic or non-commercial use and which are not utilized for furtherance of the business or to serve commercial interests of the service recipient.

## Second Schedule

The Second Schedule to the KPK STS Act currently specifies the rate of KPK sales tax applicable on various services. The current table to the Schedule however, does not bifurcate services between services liable to sales tax at standard rate, above standard rate and below standard rate.

The Bill proposes to substitute the Second Schedule by bifurcating the services between services subject to tax rates above standard rate (Part-I) and tax rates below standard rate (Part-II).

This proposed change could have a serious impact on businesses claiming sales tax input against services other than telecommunication services in KPK, as all the services mentioned in the Part-II are now subject to sales tax at the rate below standard rate. Resultantly, the input tax credit for such services will now be inadmissible as per the section 17(j) of the KPK STS Act.

The proposed table is reproduced as below:

### Part – I

#### Tax Rates above Standard Rate

Sr. No.	Description of Services	Headings	Rate of Tax
1.	Telecommunication and similar allied or ancillary services including:	9813.0000	Nineteen and a half Percent (19.5%)
		9813.1000	
	(a) Telephone services (including fixed line, wireless, cellular, wireless local loop, video, pre-paid, post-paid, pay phone cards and voicemail etc.);	9813.1010	
		9813.1020	
	(b) Messaging services (including short message service (SMS), multi media message service (MMS) and messaging through other digital applications etc.);	9813.2000	
		9813.3000	
		9813.4000	
	(c) Installation, provision, shifting, changing, conversion and restoration of telephone connections (including conversion of NWD connection to non NWD or vice versa) and similar other services;	9813.4010	
		9813.4020	
		9813.4030	
	(d) Bandwidth services (including copper-line/fiber-optic/co-axial cable/microwave/satellite-based, IP services, teleconferencing, 3G/4G/5G/LTE or similar other services;	9813.5000	
		9813.6000	
		9813.7000	
		9813.8000	
	(e) Telegraph and other services relating thereto;	9813.9000	
	(f) Tele fix including store and forward fax and similar other services; Internet services including e-mail, dial-up and other allied services;		
	(g) Broad band services for DSL connection (including copper-line/fiber optic/co-axial cable/ wireless/ satellite-based on WLL or cellular mobile networks) and similar other services;		

Sr. No.	Description of Services	Headings	Rate of Tax
	<p>(h) Data communication network services (DCNS including copper-line/co-axial cable/fiber-optic/wireless/radio/satellite-based, services relating to value added data, virtual private network (VPN) and digital signature) and similar other services;</p> <p>(i) Long distance international (LDI) services;</p> <p>(j) Local loop or other similar services; Audio text services (including tele-text, trunk radio, paging or similar other services);</p> <p>(k) Voice paging services (including radio paging, vehicle or other object (whether or otherwise) tracking and burglar alarm etc.) and other similar services;</p> <p>(l) Rental either full, partial or on sharing basis of space, place or any other facility or arrangement on towers or other structures or installations for any purposes;</p> <p>(m) Internet-based cable TV services whether as a single service or otherwise; and such services as are provided by Internet Service Providers (ISPs) providing Television Services, including Cable TV, IPTV, Internet-Based TV or Services delivered through Digital Boxes or Android-Based Devices, with or without internet connectivity i.e. Vehicle Tracking, tracking and alarm services, burglar and security alarm services etc; and</p> <p>(n) All other similar allied, ancillary or auxiliary services.</p> <p><b>Explanation:</b> In case of incoming international calls, charges received by telecom service providers abroad shall be taxed on tax fraction formula basis only to the extent to which such charges are shared or received by such domestic service providers treating the charges so shared or received as tax-inclusive.</p>		

## Part – II

### Tax Rates below Standard Rate

Sr. No.	Description of Services	Headings	Rate of Tax
2.	<p>The following services provided or rendered by entities, enterprises, or undertakings including all such services, facilities, utilities, entertainments, comforts, enjoyments or amusements etc.</p> <p>i. whole range of services including accommodation, food supplies and laundry etc. provided or rendered by all categories of non-corporate hostels and messes.</p> <p>ii. Services provided or rendered by local non-corporate stand-alone restaurants, hotels or chains of such hotels (including food service supply chains), ice cream parlors.</p> <p>iii. Clubs including such clubs as, though run on mutuality basis, are operated in commercial mode, manner or style.</p> <p>iv. In case of traditional type non-corporate restaurants usually called as dhaba or conventional hut-type or similar other road/street side non-air-conditioned restaurants usually serving limited range of pre-cooked or pre-prepared food items with informal seating environment (located or operating anywhere in the Province) including traditional accommodation facilities like sarrayae or inns or open air over night bed provisioning services generally located or available around or in the vicinity of railway stations, bus or wagon stands (stations) provided by non-corporate entities and the charges for overnight stay do not exceed rupees three hundred per bed.</p> <p>v. Tax shall be charged on fixed rate basis in respect of wedding/ marriage/ shadi halls as per the following categories:</p> <p>CATEGORY – A: Where the wedding hall is having a capacity of 500 or above persons and located in posh area of a major city,</p> <p>CATEGORY – B: Where the wedding hall is having a capacity of more than 300 but less than 500 persons and located in municipality, and</p> <p>CATEGORY – C: Where the wedding hall is having a capacity of less than 300 persons and located in suburb or roadside outside main city.</p> <p>vi. In case of caterers whether stand-alone or otherwise, food provisioning/food servicing or food supply facilities, suppliers of prepared</p>	<p>9801.0000</p> <p>9801.1000</p> <p>9801.2000</p> <p>9801.3000</p> <p>9801.4000</p> <p>9801.5000</p> <p>9801.6000</p> <p>9801.7000</p> <p>9801.8000</p> <p>9801.9000</p>	<p>(i) Five Percent (5%) without any input tax adjustment.</p> <p>(ii) Ten percent (10%) without input tax adjustment</p> <p>(iii) Ten percent (10%) without input tax adjustment:</p> <p>Provided that for clause (ii) &amp; (iii) Six Percent (06%) rate shall be applicable where payment against restaurant and hotel services is received through debit, credit or prepaid cards, mobile wallets or QR scanning subject to the condition that no input tax adjustment or refund shall be admissible.</p> <p>(iv) Two percent (02%) without input tax adjustment</p>

Sr. No.	Description of Services	Headings	Rate of Tax
	<p>eatables and drinkables, pandals and shamianas.</p> <p>vii. In case of non-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, subject to the compliance to all such conditions and procedures, as may be prescribed by the Authority, in this behalf</p> <p><b><u>Mandatory Condition of Installation of RIMS/IMRS:</u></b></p> <p>Every service provider, providing services of restaurants, hotels, food business or any other similar business shall integrate or install the Restaurant Invoice Management System (RIMS), Invoice Management or any other prescribed e-invoicing system or computerized system, for the purpose of issuing sales tax invoices.</p> <p><b><u>General Clarifications:</u></b></p> <p><b>Clarification I:</b> Six percent (06%) rate shall also be applicable for all corporate sector entities, providing services throughout the provinces, where payment against restaurant and hotel services is received through debit, credit or any other prepaid cards, mobile wallets or QR scanning subject to the condition that no input tax adjustment or refund shall be admissible. In case payment is received in cash, the applicable tax rate shall be the standard rate of tax.</p> <p><b>Clarification II:</b> It is clarified for the removal of any doubt that the services of this entry include "takeaway" or "home or door-step delivery" transactions of the restaurants or other categories or types of food serving outlets either as a part of their overall services or as an exclusive activity.</p> <p><b>Clarification III:</b> Wedding halls/Marriage/ Shadi Halls/marques/lawns not availing fixed tax option shall charge standard rate of tax on the total value of services. However, all the wedding halls opting to charge fixed tax on per function basis shall mandatorily intimate the respective tax jurisdiction before charging fixed tax. The wedding halls or other similar business entities shall in no case revert back to standard rate of tax without approval of the Management Committee.</p> <p><b><u>General Tax Relief:</u></b> Any person or class of persons who, during the tax periods from July 2022 to June 2025, provided services taxable under Serial No. 1 of the Second Schedule to the Act, have inadvertently</p>		<p>Category A; Rs. 50,000 per Function</p> <p>Category B: Rs. 20,000 per Function, and</p> <p>Category C: Rs. 10,000 per Function.</p> <p>(vi) Five percent (5%) without input tax adjustment.</p> <p>(vii) Ten percent (10%) without input tax adjustment, however Six Percent (06%) rate shall be applicable where payment against</p>



Sr. No.	Description of Services	Headings	Rate of Tax
	<p>omitted to charge sales tax and consequently failed to deposit sales tax during the respective tax periods may deposit the outstanding tax amount as arrears through self-assessment or detection, without payment of any additional penalty for non-payment or default surcharge:</p> <p>Provided that in cases where proceedings under section 27 and 60 of the Act have been initiated, pending or completed before 01<sup>st</sup> July 2025, the said person or class of persons may settle their tax liabilities by making payment of the principal amount of tax and without payment of any additional penalty for non-payment or default surcharge:</p> <p>Provided further that this concession is conditional upon full payment of all tax arrears by 30<sup>th</sup> September 2025 and shall be applicable only in cases where the sales tax on services has not been charged.</p>		restaurant and hotel services is received through debit, credit or prepaid cards, mobile wallets or QR scanning subject to the condition that no input tax adjustment or refund shall be admissible.
3.	Services provided by health care centers etc. in private sector.	9821.1000	<p>Five percent (05%) (without input tax adjustment) of the charges (including fixed charges, if any) of such centers or hospital beds/rooms:</p> <p>Provided that the said charges exceed rupees 10,000/- per day per bed/room/.</p>
4.	Services provided or rendered by beauty parlors, beauty clinics, health care centers, cosmetic or plastic surgery centers / clinics, hair transplant centers or clinics, health clubs, gyms (including yoga centers with or without yoga teaching classes system or arrangements), physical fitness centers, massage centers, pedicure/ manicure centers, swimming pools and similar other establishments, undertakings, enterprises or entities including hair dressing, hair colouring/dying and barber services.	9811.0000 9811.1000 9811.2000 9811.3000 9811.4000 9811.9000 9821.1000 9821.4000 9821.5000	Five percent (5%) without any input tax adjustment.

Sr. No.	Description of Services	Headings	Rate of Tax
5.	<p>Services provided or rendered by medium sized stand-alone or launderers and dry cleaners including carpet or sofa set or similar furniture items cleaners or washers shall be charged at reduced rate:</p> <p>Provided that laundries and dry-cleaning or other similar businesses operating under chain-business-system with or without any business brand name or operating as a part of businesses providing hotel or other accommodation services and in all such cases, the rate of tax shall be standard rate of tax.</p>	9808.0000 9808.1000 9808.2000 9808.3000 9808.4000 9808.9000	Two percent (2%) without any input tax adjustment.
6.	<p>(a) Services provided or rendered by non-corporate entities, not registered with SECP, 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), stock brokers, share transfer agents, business support or business or asset management agents, tour operators, travel agents, recruiting/recruitment agents, labour or man power supply services, insurance agents, commission agents, distribution agents including whole sale trade services on commission basis and similar other persons engaged in business transaction work or activity against commission or similar charges, other than those provided by corporate entities;</p> <p>(b) Business support services shall be charged to tax;</p> <p>(c) The Customs Agent shall pay tax at the fixed rate.</p> <p>(d) In case of travel agents providing services for arrangement of performance of Hajj and Umrah, a fixed rate shall be charged as follows:</p> <p>(i) for Umrah services; and</p> <p>(ii) for Hajj services.</p> <p><b>Explanation – I:</b> The persons falling in this category do not generally have any investment or investment-related interest in the business though they may have their own infrastructure or other resources to carry out such work or activity.</p> <p><b>Explanation – II:</b> The persons covered in this category shall pay tax to the Authority in all such cases where their clients, customers or buyers are located in the Province regardless of the location of such person's business or office elsewhere and regardless whether or not documentation or other related formalities of their transactions with such</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>Eight percent (8%) without any input tax adjustment.</p> <p>Five percent (5%) without any input tax adjustment/</p> <p>Fixed Rate of Rupees 3,000/- per Goods Declaration.</p> <p>Rs 5000 for each person between age 13 and 60 years;</p> <p>Rs 10000 for each person between age 13 and 60 years.</p>

Sr. No.	Description of Services	Headings	Rate of Tax
	clients, customers or buyers is done or are carried out in the said Province or elsewhere.  <b>Explanation – III:</b> All corporate entities, providing services under this entry shall charge tax at standard rate.		
7.	<p>(a) Advertisements on TV including cable TV networks, radio, CCTV, newspapers, periodicals, magazines and similar other publications, websites and internet, poles or similar structures, bill boards, electronic bill boards, hoarding boards, signboards and similar other medium of advertisement display, lease or renting of space whether on constructed or erected structure or otherwise for the purposes of displaying advertisements in any manner and other advertisement services including services provided or rendered by advertising agents.</p> <p>(b) In case of advertisements on or through print media of all types and forms.</p> <p><b>Explanation – I:</b> In case of renting or leasing of space for advertisements' purposes by Government or public sector or para-public sector development or institutions, the whole amount of tax due shall be with held or deducted and paid directly to the Authority by such authorities, departments or institutions.</p> <p><b>Explanation – II:</b> In case of advertisements relayed, telecasted or print-media-circulated in more than one Provincial jurisdictions, tax shall be paid to the Authority on apportionment basis keeping in view the population ratio of the province of Khyber Pakhtunkhwa in the aggregate population of all such jurisdictions.</p>	9802.0000 9802.1000 9802.2000 9802.3000 9802.4000 9802.5000 9802.6000 9802.7000 9802.8000 9802.9000 9806.5000	Ten percent (10%) without any input tax adjustment.  Two percent (2%) without any input tax adjustment.
8.	<p>Services provided or rendered by <b>non-corporate entities</b> in matters of sale, purchase, rent or hire (other than rent-a-car) under any kind or type of arrangements with the client or the principal:</p> <p>(a) Property dealers, property agents and realtors.</p> <p>(b) Car and other automobile dealers (whether old or new).</p> <p>(c) Dealers of electrical or electronic equipment's appliances or other similar goods (whether old or new). Dealers of plant and machinery including construction machinery and similar capital goods.</p> <p>(d) Dealers of other second-hand goods.</p>	9807.0000 9807.1000 9807.2000 9807.3000 9807.3000 9807.9000	Two percent (2%) without any input tax adjustment.

Sr. No.	Description of Services	Headings	Rate of Tax
	<p>(e) Renting services in respect of plant, machinery including construction machinery and other equipment's etc.</p> <p><b>Explanation:</b> For the purpose of clarity, the services falling under this entry which are provided by corporate entities shall remain taxable at standard rate of tax.</p>		
9.	<p>(a) Service provided by non-corporate specialized workshops or under takings:</p> <ul style="list-style-type: none"> <li>i. Auto-workshops whether or not providing other allied or extended services.</li> <li>ii. Workshops for industrial, construction, earth-moving or other similar heavy duty or special purpose machinery.</li> <li>iii. Workshops for heavy or light duty electric, electrical or electronic machinery (such as transformers, generators, turbines, motors, pumps, rotators, power accumulators, transmission networks or systems etc.) equipment or appliances etc., including computer hardware and allied equipment's or appliances etc.</li> <li>iv. Services provided in respect of their pair or maintenance of aircrafts, helicopters and other flying objects</li> <li>v. Car washing, including compounding and polishing etc., or similar service stations.</li> <li>vi. Other workshops or workshop-type businesses.</li> </ul> <p>(b) In case of stand-alone car wash (car wash station) services;</p> <p>(c) In case of authorized automobile dealers' workshops (whole range of their workshop services including car wash etc.)</p> <p>Explanation: For the purpose of clarity, the services falling under this entry which are provided by corporate entities shall remain taxable at standard rate of tax.</p>	<p>9820.0000</p> <p>9820.1000</p> <p>9820.2000</p> <p>9820.3000</p> <p>9820.4000</p> <p>9820.9000</p>	<p>Five percent (5%) without any input tax adjustment.</p> <p>Two percent (2%) without any input tax adjustment.</p> <p>Ten percent (10%) without any input tax adjustment.</p>
10.	<p>Services provided or rendered by non-corporate specialized agencies:</p> <p>(a) Security agencies including their activities relating but not limited to providing cash or precious articles' transportation or movement security, tracking services and security alarm services.</p>	<p>9818.0000</p> <p>9818.1000</p> <p>9818.2000</p> <p>9818.3000</p> <p>9818.4000</p>	<p>Ten percent (10%) without any input tax adjustment.</p>

Sr. No.	Description of Services	Headings	Rate of Tax
	<p>(b) Credit rating or similar evaluation or revaluation agencies.</p> <p>(c) Project including business project planning or preparation agencies.</p> <p>(d) Market research or market survey agencies.</p> <p>(e) Private detective or intelligence service providing agencies.</p> <p>(f) Other similar agencies.</p> <p><b>Explanation:</b> For the purpose of clarity, the services falling under this entry which are provided by corporate entities shall remain taxable at standard rate of tax.</p>	<p>9818.5000</p> <p>9818.9000</p>	
11.	<p>(a) Services provided by construction contractors, architects, civil engineers, land or property surveyors, construction consultants, designing and supervision consultants, town or real estate or property promoters, developers or planners including interior decorators or allied or ancillary professions:</p> <ol style="list-style-type: none"> <li>Construction services rendered or provided in respect of the construction of structures, buildings, roads, bridges, under passes or flyovers (and other civil works), electro0mechanical works, turn-key and Engineering, Procurement and Construction (EPC) projects and similar other works involving construction activity.</li> <li>Architects and civil engineers or town promoters, developers, planners.</li> <li>Town, real estate or property promoters, developers or planners.</li> <li>Services pf contractors of allied works such as electrical, mechanical, gas fittings, plumbing, water boring, wood works, plastering, flooring, steel work, paint and other finishing work or works.</li> <li>Interior decorators.</li> <li>Landscaping or land development designers including land surveyors.</li> <li>Other similar, allied or ancillary services.</li> </ol> <p>(b) Government funded construction projects including ADP/PSDP- funded projects and construction of hydropower projects the rate of Tax shall be charged.</p>	<p>9815.0000</p> <p>9815.1000</p> <p>9815.2000</p> <p>9815.3000</p> <p>9815.4000</p> <p>9815.9000</p> <p>9819.5000</p>	Five percent (5%) without any input tax adjustment.

Sr. No.	Description of Services	Headings	Rate of Tax
	<p>(c) In case of land development, tax shall be charged at specific fixed tax.</p> <p>(d) In case of commercial construction of residential buildings, flats or apartments, commercial plazas, malls, towers or complexes etc., tax shall be charged.</p> <p><b>Exemption:</b> Full exemption on:</p> <p>(a) The construction work in respect of development of industrial estates/zones, consular buildings and construction works under international tenders based on and funded from foreign grants-in-aid agreements or arrangements.</p> <p>(b) Residential construction and allied works in respect of the Prime Minister's Naya Pakistan Housing Scheme.</p> <p>(c) The projects initiated or under taken under Government's Annual Development Programme (ADP) provided either such projects have been initiated or complete donor before 30<sup>th</sup> June, 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 titled to this exemption regardless of the schedule of payments relating thereto).</p> <p>(d) 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 30<sup>th</sup> 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 30<sup>th</sup> June, 2021.</p> <p>(e) 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><b>Condition:</b> 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 not deposited or paid) on or before 30<sup>th</sup> June, 2021 on any ground whatsoever.</p>		<p>Four percent (4%) without any input tax adjustment.</p> <p>One hundred rupees (Rs. 100 only) per square yard of the total (aggregate or gross) developed land without any segregation, fragmentation, segmentation, splitting or slicing with reference to the factual or intended use whether immediate or subsequent and no input tax adjustment shall be admissible in this regard.</p> <p>Fifty Rupees (Rs. 50 only) per</p>

Sr. No.	Description of Services	Headings	Rate of Tax
	<p><b>Explanation:</b> 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><b>Clarification:</b> For the purpose of removal of any doubt, it is clarified that for the purpose of this serial number:</p> <ul style="list-style-type: none"> <li>(i) Construction services shall also cover all such construction and allied services as are financed and funded either under Annual Development Program (ADP) or under Public Sector Development Program (PSDP); and</li> <li>(ii) Self-construction of residential houses for personal use shall not be liable to tax.</li> <li>(iii) Construction services shall include construction works of power (including hydro-power) 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.</li> <li>(iv) The tax rate of 4% shall not be applicable on such ADP funded projects as are approved or initiated before 01<sup>st</sup> July 2025.</li> </ul>		square feet of the covered area without any input tax adjustment.
12.	<p>Digital or IT-based services in whatever form or manner or under whatever arrangement, including but not limited to:</p> <ul style="list-style-type: none"> <li>(a) Web design and development;</li> <li>(b) Mobile App development;</li> <li>(c) Server management;</li> <li>(d) page-speed optimization, UX/UI optimization;</li> <li>(e) PPC marketing, blogging;</li> <li>(f) Google Ad Words, Facebook advertising, Instagram advertising;</li> </ul>	9850.0000	Five percent (05%) without any input tax adjustment.



Sr. No.	Description of Services	Headings	Rate of Tax
	<p>(g) Custom software development, assessment and road map development, software maintenance and support services, supply or sale of any other software or software product or products through any medium;</p> <p>(h) Online digital marketing services such as search engine optimization (SEO);</p> <p>(i) Social media marketing, content marketing, affiliate marketing, influencer marketing, email marketing, viral marketing services, etc.</p> <p>(j) IT or Digital Based, including Cloud-based Content Streaming, Live Streaming, Cloud-Based OTT (over-the-top) Platforms, On-Demand Streaming Services, Cross Platform Accessibility, VOD (video-on-demand) Libraries, including any other similar Subscription-Based Services.</p>		
13.	<p>Services relating to works or projects in respect of exploration and production (E&amp;P) or mining of minerals, oil and gas including licensing, renting or re-renting, leasing or re-leasing, surveys, geo-map development, equipment mobility, product evaluation, product marketing and other services or activities related or allied thereto.</p> <p><b>Explanation:</b> In case of oil, gas and mining sector or industry, tax shall be charged on both the fee (by whatever name called) paid for the purposes of lease or license including renewal thereof and on the royalty:</p> <p>Provided that where such fee or royalty is received by a government department or authority, the tax shall be paid on receipt basis directly by such department or authority.</p> <p><b>Clarification:</b></p> <p>The Services relating to works or projects in respect of exploration and production (E&amp;P) or mining of minerals and Oil &amp; Gas including surveys, geo-map development, equipment mobility, product evaluation, product marketing and other services or activities related or allied thereto shall be chargeable at the standard rate of tax.</p>	9845.0000	<p>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.</p>
14.	<p>The services provided or rendered by non-corporate entities in respect of Airport services (including passenger facilitation, car parking, cargo handling, cargo warehousing or storage, aviation support services, flight kitchen supplies, renting of special purpose machinery, equipment, vehicles, porter age, quarantine and other fumigation or vaccination,</p>	9830.0000	<p>Ten percent (10%) without any input tax adjustment.</p>

Sr. No.	Description of Services	Headings	Rate of Tax
	janitorial services, aircraft cleansing services, aircraft maintenance services, jet or other fuel supply services etc.  Explanation: For the purpose of clarity, the services falling under this entry which are provided by corporate entities shall remain taxable at standard rate of tax.		
15.	The services provided or rendered by non-corporate entities in respect of Dry port services including operation of a dry port such as inward/outward transportation/movement of goods, cargo handling, cargo storage or ware housing, loading/unloading of cargo, booking or discharge of cargo, services relating to inspections, certification or similar or other type of services-related activities in respect of cargo etc.  <b>Explanation:</b> For the purpose of clarity, the services falling under this entry which are provided by corporate entities shall remain taxable at standard rate of tax.	9843.0000	Ten percent (10%) without any input tax adjustment.
16.	<p>(a) Services provided or rendered by practitioners, professionals, consultants and advisers (by whatever name called) in the irrespective fields or disciplines:</p> <ul style="list-style-type: none"> <li>i. Medical, dental or allied health fields or disciplines including para-medics and specialized technicians of medical fields.</li> <li>ii. Human resource management or development (including training services)</li> <li>iii. Veterinary and allied sciences including pet care.</li> <li>iv. Law and allied fields or disciplines.</li> <li>v. Financial, accountancy, cost accountancy, audit, tax management or tax affairs and similar other fields or disciplines.</li> <li>vi. Business planning, business management, business reforms, business communication including hospitality administration and similar other fields or disciplines.</li> <li>vii. Software or IT-based system development or management or similar other such fields.</li> <li>viii. Similar services in other fields, disciplines or regimes.</li> </ul> <p>(b) In case of practitioners, professionals, consultants or advisers of medical (including dental) and legal professions or fields, the rate of tax shall charge.</p>	9816.0000 9816.1000 9816.2000 9816.3000 9816.4000 9816.5000 9816.6000 9816.9000 9826.0000	Five percent (5%) without any input tax adjustment.  Two percent (2%) without any input tax adjustment.  Fixed Rate of Rupees 500/- per each case without any input tax adjustment.

Sr. No.	Description of Services	Headings	Rate of Tax
	(c) In case of practitioners, professionals, consultants or advisers of legal profession or field, tax shall be deposited as fixed sales tax at the time of filing of each case, appeal or petition and proof of which shall be attached with the Power of Attorney.		
17.	<p>Cinematographic production, photographic services, recording services and telecasting or broadcasting services including:</p> <p>(a) Filmmaking or film production including drama production whether in serials or otherwise.</p> <p>(b) Telecasting or broadcasting services (other than TV cable operators).</p> <p>(c) Videotape and recording services, sound recording services, TV/Radio production house services.</p> <p>(d) Photographic services (services of photography or photographers).</p> <p>(e) Other similar, allied, ancillary or auxiliary services.</p>	<p>9803.0000</p> <p>9803.1000</p> <p>9803.2000</p> <p>9803.3000</p> <p>9803.4000</p> <p>9803.5000</p> <p>9803.9000</p>	Two percent (02%) without any input tax adjustment.
18.	<p>Event management services provided or rendered by non-corporate entities whether cover in gall or any of the processes like planning, budgeting, scheduling, site selection, acquiring necessary permits, coordinating transportation and parking, arranging for speakers or entertainers, arranging décor, event security, catering, picturing, video filming, musical enjoyment so or any other allied or connected task.</p> <p><b>Explanation:</b> For the purpose of clarity, the services falling under this entry which are provided by corporate entities shall remain taxable at standard rate of tax.</p>	9846.0000	Ten percent (10%) without any input tax adjustment.
19.	The services provided or rendered by non-corporate entities in respect of exhibition, convention or carnival services and allied services including renting of purpose-specific property or space for such events.	9825.0000	Five percent (05%) without any input tax adjustment.
20.	Cable TV operators other than those providing internet-based TV services whether composite, multiple, bundled or otherwise which are chargeable to tax under telecommunication services.	9819.9000	Five percent (05%) without any input tax adjustment.
21.	Services provided or rendered by call centres (by whatever name called) engaged in mediating business, trade or sale/purchase transactions	9837.0000	Two percent (2%) without any input tax adjustment.

Sr. No.	Description of Services	Headings	Rate of Tax
	between the sellers and buyers whether located inside or outside the country.		
22.	The services provided or rendered by non-corporate entities in respect of storage and warehousing services including public bounded warehouses, cold storages and yard surplices used for storage of empty or loaded containers on rental or charges basis including cold storage services (including other forms of warehousing of agricultural produce) regardless of their corporate or non-corporate status.	9844.0000	Ten percent (10%) without any input tax adjustment.
23.	Container terminal services provided by non-corporate entities including services of storage or warehousing of containers either imported or meant for export including transshipment or transit.	9841.0000	Ten percent (10%) without any input tax adjustment.
24.	Services provided as facilities for intra and inter-provincial including intra and inter city travel or transportation (including carriage) of persons by road (passenger transportation).  <b>Clarification:</b> In case of inter-provincial transportation of persons by road through above means, the value for the purposes of sales tax shall be reduced by 50% where such services originate or terminate in the province.	9804.4000 9805.9000	Five percent (05%) without any input tax adjustment.
25.	Services provided by private laboratories, scientific laboratories, mechanical laboratories, chemical laboratories, electrical or electronics laboratories, pathological laboratories, Forensic laboratories medical diagnostic laboratories including technical services relating to X-rays, CT scan, MR Imaging (MRI), ultrasound, echo etc. or other such laboratories.	9817.0000 9817.1000 9817.2000 9817.3000 9817.4000 9817.5000 9817.6000 9817.9000	Five percent (05%) without any input tax adjustment.
26.	Valuation or assessment services including competency and eligibility testing services and services involving written tests with or without interviews for job or work recruitment or selection for any other purposes.  <b>Explanation:</b> For the purpose of this entry, valuation or assessment includes revaluation, reassessment or repetition thereof.	9848.0000	Five percent (05%) without any input tax adjustment.
27.	The following services of Pakistan Railways whether falling under this serial No. or elsewhere in this	9805.2000	Two percent (02%) without

Sr. No.	Description of Services	Headings	Rate of Tax
	<p>Schedule, shall be liable to tax at the rate of Two Percent (2%) without any input tax adjustment:</p> <p>(i) courier services in relation to the speedy, fast, quick or urgent mail, parcel or cargo services provided; and</p> <p>(ii) services provided for inland carriage of goods against freight or carriage charges.</p>	9805.3000	any input tax adjustment.
28.	Services provided or rendered by under writers including sponsorship services.	9819.1100	Two percent (02%) without any input tax adjustment.
29.	Services provided or rendered by indenters and similar intermediaries.	9819.1200	Two percent (02%) without any input tax adjustment.
30.	Services provided or rendered by auctioneers.	9819.9100	Two percent (02%) without any input tax adjustment.
31.	Services provided or rendered by non-corporate entities 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.	9834.0000	Two percent (02%) without any input tax adjustment.
32.	<p>Rent-a-car or rent-a-cab services.</p> <p><b>Explanation:</b> The persons engaged in providing or rendering service so rent-a-car or cab shall pay tax regardless of the category of the vehicle or logistics used in respect of such services.</p>	9819.3000	Five percent (5%)
33.	Ride-hailing or ride-hail services like Uber, Cream, Biker and Lyft etc. regardless of the mode, manner or dynamics of the business system involved in such services.	9851.0000	Five percent (05%) without any input tax adjustment.
34.	Online Market Place (OMP) including online platform or portal services including online booking and reservation services by whatever name called (other than ride-hailing or ride-hail services).	9852.0000	Five percent (05%) without any input tax adjustment.
35.	Services provided or rendered by non-corporate entities relating to or in respect of the installation, erection, commissioning or other permanent structure- affixed/ linked/ tied placement (whether	9853.0000	Two percent (02%) without any input tax adjustment.

Sr. No.	Description of Services	Headings	Rate of Tax
	<p>full or in part) of any industrial, mechanical or electrical plant, machinery or equipment (excluding installation of domestic equipment's etc. for residential use).</p> <p><b>Explanation:</b> The factors like new, reconditioned, repaired, over hauled or old status of the equipment's or carrying out any work/process or works/processes related thereto, shall not affect the levy of tax under this heading.</p>		
36.	Apartment/Flats maintenance fee or charges including House Management, Real Estate Management Services of Rent Collection.		Five percent (05%) without any input tax adjustment.
37.	Parking, Towing, and Valet Services are provided either on a contractual basis or directly to customers.		Five percent (05%) without any input tax adjustment.

# Balochistan Sales Tax on Services Act, 2015

## 1. Definitions [Section 2]

### **CPC [Clause 36A]**

The Bill proposes to introduce a new clause 36A where the term "CPC" (Central Product Classification) will be defined. CPC will be used as a system for classifying services/products and aligning them with the international standards set by the United Nations Statistics Division (UNSD).

This change will introduce a standardized framework for classifying services/products, simplifying tax and regulatory compliance for businesses involved in international transactions.

## 2. Service [Clause 147]

The existing clause 147 defines "service" as anything that is not considered goods, with an inclusive reference to services listed in the First Schedule to the Act. It further clarifies that a service remains classified as such regardless of whether the provision of the service involves the use, supply, or consumption of goods, either as an essential or incidental aspect.

The proposed change to clause 147 seeks to redefine "service" by explicitly including activities, facilities, utilities, or advantages such as the granting, assignment, cession, or surrender of rights. The impact of this change will be to broaden the scope of what is classified as a service, potentially improving the accuracy and consistency of tax administration.

## 3. Tax Fraud [Clause 171]

Clause (171) defines "Tax Fraud" and outlines various fraudulent activities, one of which involves the failure to file the prescribed tax return or statement for four consecutive months or more. The existing language specifically uses "months" as the time frame for non-compliance in relation to tax return filing.

The proposed change substitutes the word "months" with "tax periods" in Sub-clause (g) of Clause (171). This change aims to make the time frame aligned with the tax periods defined by the Act, rather than being tied to calendar months.

## 4. Whistleblower [Clause 186]

Clause (186) currently defines "Whistleblower" by referring to the definition provided in Section 72D of the Sales Tax Act, 1990. This links the term directly to the existing framework of the federal Sales Tax Act, maintaining consistency with that law's definitions.

The proposed change substitutes the reference to the Sales Tax Act, 1990, with a definition provided in Section 91, sub-section (5) of the Baluchistan Services Act. This revision places the definition of "Whistleblower" within the context of the Baluchistan Services Act rather than relying on an external statute.

## 5. Taxable Service [Section 3]

In the existing provisions of Section 3, sub-section (1) defines taxable services as those listed in Second Schedule and provided by a person from their office or place of business in Baluchistan during the course of an economic activity, including both the commencement and termination of the activity. It further clarifies that this applies to services provided regardless of whether the recipient is a resident or non-resident. Sub-section (2) specifies that if a service listed in the Second Schedule is provided by a non-resident person to a resident person in the course of economic activity, it shall be treated as a taxable service.

Consequent to the proposed introduction of the negative list through First Schedule, the corresponding amendments are proposed in sub-



sections (1) and (2) to simplify the definition by stating that every service provided by a person from their office or place of business in Baluchistan is a taxable service during the course of an economic activity.

Moreover, in sub-section (2), the change narrows the scope, specifying that a service provided by a non-resident person to a resident person is taxable if the non-resident is not a registered person. This shift in focus aims to clarify the taxability of services provided by non-residents to residents.

## 6. Application of Principles of Origin and Reverse Charge in Certain Situations [Section 4]

Sub-section (2) of Section 4 requires that when a recipient of taxable services is a person registered under the Act, the registered person must deduct the full amount of tax for the service received and pay it to the Government.

Further, the sub-section (5) deals with taxable services that originate from outside Pakistan but are received or terminate in Baluchistan. Under the existing provisions, the recipient of such services in Baluchistan is responsible for paying the tax to the Government, ensuring that foreign service providers' activities within Baluchistan are taxed appropriately.

The proposed change in sub-section (2) adds the phrase "as a withholding agent" after "registered under the Act," explicitly clarifying the role of the registered person in deducting and remitting tax. This modification makes it clear that registered persons must act as withholding agents for tax on services received even if they are not registered as a service provider. In sub-section (5), the proposed change introduces a proviso requiring telecommunication companies in Pakistan to pay tax on incoming international calls on a reverse charge basis. The tax would apply to the charges received by these companies for the transmission and delivery of such calls in Baluchistan.

Further, the Bill also proposes to introduce a new sub-section (9) in Section 4, giving the Government the authority to specify additional categories of taxable services for which the tax must be paid on a reverse charge basis by the recipient. This new sub-section allows the Government to notify, through the official Gazette, which services will fall under this reverse charge mechanism. This proposed change will introduce flexibility by allowing the Government to define additional service categories subject to reverse charge. This could help the Government address emerging sectors or situations where a reverse charge mechanism would improve tax compliance.

## 7. Amendment in Second Schedule [Section 5]

The Section 5 currently grants the Authority, with government approval, the power to amend the Second Schedule of the Act by adding, modifying, or deleting entries related to the classification, description, and tax rates of services. This power allows for adjustments to the tax structure on services within the limits of the minimum rate prescribed in the Second Schedule.

Consequent to the proposed transition from a positive list to a negative list, the proposed corresponding change amends the existing Section 5 by naming the section to "Power to amend Schedules", and by giving the Government the authority to amend any Schedule to the Act, including but not limited to the Second Schedule, upon the recommendation of the Authority.

This amendment broadens the scope of modifications beyond just the Second Schedule and allows for the inclusion or exclusion of services, changes in the classification or description of services, and alterations in tax rates.

The proposed change expands the Government's power to amend any of the Schedules under the Act, not just the Second Schedule. This will allow for a more flexible and responsive approach to tax administration, enabling quicker adjustments to the tax structure as needed.

## 8. Economic Activity [Section 6]

Presently, the section defines "economic activity" broadly as any activity carried on by a person that involves or is intended to involve the provision of services to another person. The existing definition includes activities such as business, trade, profession, or leasing of property, regardless of whether it is for profit. It also considers one-time business transactions or concerns as economic activities.

The proposed changes to Section 6 seek to significantly expand the definition of "economic activity." The changes seek to clarify that economic activity can occur whether or not for profit, regularly or occasionally, and includes activities like trade, commerce, manufacture, and non-profit services.

The new definition also covers services provided via digital, electronic, or virtual means, such as online platforms or remote services, even if the service provider does not have a physical presence in Baluchistan.

Furthermore, it introduces specific criteria to determine if a person is conducting economic activity in Baluchistan, including where the service is provided from, received, or consumed, as well as where the service provider maintains a presence or billing address. The exclusion related to employee services is refined, particularly excluding services performed by third-party manpower suppliers or contractors, under certain conditions.

The proposed change broadens the scope of "economic activity," making it more inclusive and better suited to modern business practices, particularly in the digital economy. The inclusion of services provided through online platforms and virtual means will ensure that remote services and cross-border transactions are captured under the definition, which is important in an increasingly digital global economy.

The clarification of when economic activity is deemed to occur in Baluchistan, regardless of physical presence, will ensure that businesses

engaging in remote or digital activities cannot easily evade local tax obligations.

The refined exclusion for employee services introduces more precision, ensuring that third-party labor and outsourced services are treated as part of the economic activity, which could lead to better tax compliance in sectors reliant on contract labor.

## 9. Value of a Taxable Service [Section 7]

The sub-section (4) of Section 7 currently states that if a service is provided for no consideration or for a consideration lower than the price at which the service is provided to others, the value of the service will be deemed to be the open market price for that service.

The proposed change in sub-section (4) introduces a proviso that clarifies the terms "consideration" and "consideration in money." It defines "consideration" as the gross amount charged by the service provider for the taxable services and includes any reimbursable expenditures or costs incurred during the provision of the service. This clarification ensures that not only the actual payment for the service but also any associated costs that the provider charges are included in the calculation of the service's value.

The addition of this proviso in sub-section (4) expands the definition of "consideration" to include not just the amount paid for the service but also any reimbursable costs incurred by the service provider. This change ensures that service providers cannot exclude additional costs (e.g., expenses for materials or third-party services) when determining the taxable value of their services, leading to a more accurate assessment of tax liabilities.

## 10. Provision of Services over a Period of Time [Section 9]

Section 9 outlines the treatment of services provided over a period of time, where payment is made on a periodic basis. The provision specifies that such services shall be treated as multiple

distinct services, each corresponding to a part of the service for which the payment is made.

The proposed change aims to add a sentence before the illustrations in sub-section (1), stating: "The following examples illustrate the application of sub-section (1). These examples are not comprehensive and are meant for illustrative purposes only." This modification explicitly frames the illustrations as examples meant to clarify the application of the provision, rather than as exhaustive or conclusive rules.

## 11. Scope of Tax and Allied Matters [Section 10]

The current Section 10 outlines the scope of tax on taxable services. Sub-section (1) stipulates that the tax on the value of a taxable service shall be charged, levied, collected, and paid at the rates specified in the Second Schedule, in accordance with the provisions of the Baluchistan STS Act and the rules. Sub-section (2) provides the Authority, with government approval, the power to set higher, lower, fixed, or specific rates for certain taxable services through notifications in the official Gazette. Sub-section (3) allows for exemptions from the tax for services provided by certain persons or classes of persons, based on the annual turnover threshold, subject to government approval.

The proposed substitution introduces significant changes to Section 10 as a result of a major policy shift from a positive list of taxable services to a negative list.

Accordingly, Sub-section (1) specifies a fixed tax rate of 15% on the value of taxable services. Sub-section (2) introduces an exemption for services specified in the First Schedule, subject to the provisions of Section 12.

Sub-sections (3) and (4) allow for the tax to be charged at higher or lower rates as specified in the Second and Third Schedules, respectively.

Sub-section (5) grants the government the authority to set specific tax rates for

certain registered persons or classes of registered persons.

Lastly, sub-section (6) maintains the provision for exempting persons or classes of persons from tax based on their annual turnover, with the conditions and thresholds determined by the government.

The proposed change aims to simplify the tax structure by setting a clear, fixed rate of 15% for taxable services. However, it also introduces flexibility with the possibility of charging higher or lower rates for specific services, as detailed in the Second and Third Schedules. This could lead to a more nuanced approach to taxation, depending on the nature of the service.

The exemption of services listed in the First Schedule, along with the ability to apply differentiated tax rates based on turnover, could benefit smaller businesses by providing tax relief. However, the shift towards a fixed tax rate could reduce some flexibility in responding to industry-specific or economic changes, requiring more frequent amendments to the Schedules.

## 12. Transitional Provision [Section 10A]

Vide the section 10A the Bill proposes to introduce a transitional provision specifying that all services not listed in the First Schedule shall be deemed taxable, effective from July 1, 2025. This means that services not included in the proposed First Schedule will automatically become subject to tax from that date, bringing them into the scope of taxable services. Additionally, any exemptions that were previously granted through notifications will remain valid until they are amended, rescinded, or replaced by the Authority.

This proposed amendment seeks to change the concept of chargeability of Baluchistan STS, which is currently applicable on services listed in the Second Schedule, as per the specified rates.

## 13. Person Liable to Pay Tax [Section 11]

In Section 11, sub-section (1) currently states that the liability to pay tax for a taxable service lies with the registered person providing the service, in accordance with Section 3(1). This means only service providers who are registered under the Act are held responsible for paying the tax on the services they provide. Sub-section (4) clarifies that tax can be collected from multiple persons if they are jointly or severally liable under Section 19.

The proposed change to sub-section (1) removes the word "registered", which broadens the scope of tax liability to all service providers, regardless of their registration status. This means that both registered and unregistered service providers will be responsible for paying tax on the taxable services they provide. Additionally, a new sub-section (5) is added, stating that no person shall be absolved of tax liability under the Act due to a lack of registration, reinforcing that even unregistered entities are liable for taxes on taxable services.

This change aims to ensure a more comprehensive tax base and increase compliance among businesses that were previously unregistered but still providing taxable services.

## 14. Exemptions [Section 12]

Section 12 currently provides the Authority with the power to exempt certain taxable services, persons, or areas from all or part of the tax. Sub-section (1) outlines the authority to grant exemptions either for specific services, for certain service providers, or for recipients of services, including international organizations and specific areas of Baluchistan. The exemptions can be applied under specific conditions and with government approval.

The proposed changes modify Section 12 by substituting the entire section. In sub-section (1), the proposed change clarifies that services specified in the First Schedule will be exempt from tax, subject to conditions set by the government. Sub-section (2) keeps the same framework for exemptions,

allowing the Authority to exempt services, service providers, recipients, or regions from the tax with government approval. The proposed change allows these exemptions to be applied retroactively, but the new sub-section (3) applies this retroactive provision to notifications issued under sub-section (2).

This proposed change introduces greater clarity by specifying that services in the First Schedule are exempt from tax, making it easier to understand which services are eligible for exemptions.

## 15. Special Procedure and Tax Withholding Provisions [Section 14]

In sub-section (1) of Section 14, the Authority is granted the power to prescribe special procedures for various aspects of tax administration, such as tax payment, registration, bookkeeping, invoicing, and related matters for specific services or classes of services.

The proposed amendment to sub-section (1) expands the scope by explicitly adding the valuation of taxable services to the list of matters for which the Authority can prescribe special procedures. Additionally, the special procedures will be subject to the limitations and conditions specified in the notification issued by the Authority.

Further, the sub-section (3) currently holds any person or class of persons who fail to withhold or deposit the tax, or who fail to do so properly, personally liable for the amount of tax due to the government.

The proposed change in sub-section (3) broadens the scope of liability by not only including the tax and default surcharge but also the penalty for non-compliance.

## 16. Special Procedure and Tax Withholding Provisions [Section 14(3)]

Sub-section 3 of section 14 of the BSTSA, 2015 provides that a person who fails to withhold or deduct the tax or having deducted, fails to deposit the

same in Government Treasury shall be personally liable to pay the amount of tax and the amount of default surcharge thereon to the Government in the prescribed manner.

The Bill proposes to modify the above personal liability so as to include the amount of penalty as an additional component along with amount of tax and default surcharge.

## 17. Special Procedure for collection of tax, etc. [Section 14A]

The Bill proposes to add a new sub-section 14A as follows:

- (1) Notwithstanding anything contained in this Act; the Authority may require any other person or class of persons, not necessarily being a service provider or a service recipient in a particular transaction to collect full or part of the tax charged from another person or class of persons on the provision of any taxable service or class of taxable services and to deposit the tax so collected, in the Government treasury within such time and in such manner as the Authority may, by notification in the official Gazette, specify.
- (2) For the purposes of subsection (1), the special procedure prescribed for collection and payment of tax may also provide for registration, book keeping; invoicing or billing requirements, returns, statements and other related matters in respect of any service or class of services, as may be specified,
- (3) Where a person or class of persons is required to collect full or part of the tax on the provision of any taxable service or class of taxable services and either fails to collect the tax or having collected the tax, fails to deposit the tax in the Government treasury, such person or class of persons shall be personally liable to pay the amount of tax, the amount of default surcharge and the amount of penalty to the Government in the prescribed manner."

The proposed provision grants the Balochistan Revenue Authority (BRA) significant discretionary powers to designate **any person or class of persons** regardless of whether they are service providers or recipients for collection of tax. This is a **significant extension of liability** where tax collection responsibility is shifted to intermediaries or facilitators.

## 18. Certain transactions not admissible [Section 16A(1)]

Section 16A of the BSTSA, 2015 mentions certain payments which are not admissible for input tax purpose. The sub-section (1) provided for one such payment as follows along with other conditions:

- Payment of tax amount for a transaction exceeding value of fifty thousand rupees"

The Bill proposes to substitute the above with the words "payment of amounts of one or more transactions made to the same person in one tax period where the aggregate of such amounts exceeds fifty thousand rupees including the amount of sales tax but excluding any payments made on account of utility".

The current rule applies only to individual transactions over PKR 50,000, allowing potential split-up of large payments into smaller ones to avoid disallowance. The amendment addresses this loophole by capturing aggregate payments made to the same person in a tax period. Further, the threshold of PKR 50,000 now includes **sales tax**, providing clarity on how the limit is computed.

In addition, the bill proposes to substitute phrase "business account of service recipient to the business account of service provider" by "business bank account of service recipient to the business bank account of service provider". The substitution intends to make it clear that formal banking channels are required for admissible transactions, particularly for input tax purposes.



## 19. Input Tax Credit Not Allowed [Section 16B(1)]

Section 16B of the BSTSA, 2015 enlists certain payments against which a registered person shall not be entitled to claim, reclaim or adjust input tax adjustment. The bill proposes to rectify certain grammatical errors and add clarity to certain terms as follows:

- In clause bb of the sub-section (1) the words "who does not hold registered number" has been replaced with "who does not hold registration number";
- In clause f of the sub-section (1), clarity has been added to the term capital goods by way of insertion of the following explanation in brackets "(plant, machinery, equipment and others)"
- In clause g of the sub-section (1), the existing clause has been replaced without substituting the subclauses as follows:

Existing clause: "goods and services acquired for personal or non-business consumption, excluding the following ones directly used and consumed in the economic activity of a registered person in provision of the services paying sales tax at a rate not less than fifteen percent ad valorem,"

Proposed amendment: "the following goods or services, excluding the ones directly used and consumed by a registered person in provision of the services paying sales tax at a rate not less than fifteen per cent ad valorem"

The amendment is a drafting change whereby the conditions for disallowing input tax and the exclusions remain unaltered.

- Clause (k) of the sub-section (1), the existing provisio has been removed and shifted under clause (l) of sub-section (1). Further, this special allowance available to telecom sector, who are charging sales tax at the rate of nineteen and a half percent, to adjust/claim input tax on goods and services subject to ad valorem sales tax not exceeding

seventeen percent has proposed to be increased to eighteen percent.

- The existing clause (p) has been substituted so as to disallow the sales tax paid to Federal or Other provincial Governments, if the concerned Federal or Provincial law explicitly or otherwise bars the adjustment of tax levied and paid under this Act.

## 20. Extent of Adjustment of Input Tax [Section 16CC]

The Bill proposes to add a new section 16CC stating that notwithstanding anything contained in this Act, a registered person shall not be allowed to adjust input tax in a tax period in excess of ninety percent of the output tax for that tax period.

This addition of this section limits input tax adjustment to a maximum of 90% of the output tax payable in a given tax period to prevent excessive input claims. This amendment aligns with section 8B of the Sales Tax Act, 1990.

## 21. Standard or general tax rate application choice [Section 16-D]

The Bill proposes to re-name section 16-D as 16D. Sub-section (1) of Section 16-D of the Act, 2015 provides a choice to a registered person or class of registered persons to opt for a standard or general rate of tax and take the input tax adjustment as admissible under the Act. This choice is currently available on the services chargeable to reduced rate of tax under the Second Schedule.

The Bill proposes to substitute the word Second Schedule with third Schedule which has been proposed to be named as Third Schedule under another proposition of this Bill. This is to give effect to the renaming and re-referencing of the proposed change of name of existing Part B of Second Schedule as Third Schedule.

## 22. Collection of excess Tax [Section 17]

Sub-section (1) of section 17 of the BSTSA, 2015 relates to the collection of excess tax by any person who has collected or collects tax or charge, which was not payable and incidence of which has been passed on. The section provides that such excess tax shall be paid to the Government.

The bill proposes to replace the word “collects” with “deducted or withheld” thereby broadening the scope of Section 17(1) by including tax amounts that are **deducted or withheld and** not just over-collected amounts.

## 23. Joint and Several Liability of Registered Persons Where Tax Unpaid [Section 19]

The section 19(1) of the BSTSA, 2015 holds a registered person receiving a taxable service from another registered person, jointly and severally liable for the payment of any unpaid amount of tax where he has knowledge or reasonable grounds to suspect that any amount of tax will go unpaid.

The bill proposes to remove the word registered from the title of the section, replace the words “registered person” with “person” and “another registered person” with “another person”. The proposed amendment broadens the scope of Section 19(1) by removing the “registered” status requirement. It expands the enforcement capability of BRA by allowing the tax authority to pursue **any person** involved in a taxable transaction regardless of registration status, if they knew or ought to have known that non-payment of tax.

Further, the bill proposes to insert the sub-section (3) providing that notwithstanding anything contained in this section, it shall be the responsibility of a person 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 or transactions, in the

manner as provided under this Act and the rules made under the Act.

By way of insertion of this new sub-section, the Authority intends to sensitize every service recipient to take necessary steps to possibly rule out the tax leakage.

## 24. Sales of Taxable activity or transfer of ownership [Section 20]

Sub-section (1) of section 20 of the BSTSA, 2015 deals with sale, transfer or other disposition of the ownership of a business providing taxable services as an on-going concern. The Bill proposes to insert a new sub-section 1A clarifying that in case of sale or transfer of a business, providing taxable services as an ongoing concern, by a registered person to a non-registered person, such registered person shall be required to account for and pay the tax on the services provided by him.

## 25. Registration [Section 25]

Sub-section (1) of section 25 of the BSTSA, 2015 provides criteria for a person who shall be registered under the Act. The Bill proposes to insert a new clause bb which reads as follows:

“(bb) is a withholding agent under this Act”

As a result, it appears that all the withholding agents in BRA are now liable to be registered as a service provider and they will also be required to file sales tax return instead of withholding statement.

In addition, the bill also proposes to insert a new sub-section 3A after sub-section 3 which provides that any person, who is not registered or required to be registered for the purposes of this Act, whether as a service-provider or otherwise but is required to withhold and pay or otherwise pay tax in terms of any provisions of this Act or rules, shall be deemed as a registered person for all legal purposes under this Act, including non-filing or non-submission of any information or document and such person shall, regardless of the place of residence, business or other activity,



comply with such registration, enrolment or other obligations or formalities as may be specified by the Authority.

The aforesaid provision **closes loopholes** where unregistered individuals/entities might otherwise avoid compliance and ensures **legal enforcement** against those parties even if they claim not to be registered.

Further to the above, the bill has proposed to insert yet another sub-section 3AA which states the Authority may, through notification in the official Gazette, require any person or class of persons engaged in providing only exempt service or services to necessarily obtain registration under this Act and file return in such form and manner as my specified in the notification.

## 26. Suspension of Registration [Section 28(1)]

Sub-section (1) of section 28 of the BSTSA, 2015 authorizes the Authority or its Officer to temporarily inactivate the registration of a person if it is satisfied with certain conditions mentioned therein. The Bill proposes to add the words "or suspend" after the words "temporarily inactivate" in the aforesaid sub-section (1).

The amendment would **broaden the Authority's powers**, giving them **explicit legal cover to suspend registration with strict interim consequences**.

## 27. Issuance of Tax Invoices [section 30]

Section 30 of the BSTS Act, 2015 deals with the issuance of tax invoices by registered persons providing taxable services. It mandates that invoices must include specified particulars such as names and registration numbers of both service provider and recipient, description of services, tax amount, and values inclusive/exclusive of tax. As per the existing sub-section (3), BRA or its authorized officer may require a registered person or class of persons to issue electronic invoices and transmit them to the Authority, subject to conditions notified in the official Gazette.

The Bill proposes the following key amendments to modernize and enhance compliance under this section:

### 1. Substitution of Sub-section (3):

The Bill proposes to substitute sub-section (3) to permit a registered person providing taxable services to:

- Voluntarily issue electronic invoices to any recipient (whether registered or not);
- Transmit images/statements of such invoices to both the BRA and Commissioner;
- Do so subject to conditions and restrictions notified by BRA.

### 2. Insertion of Clause (g) in Sub-section (1):

A new clause (g) is proposed to be added, requiring tax invoices to include the "applicable rate of the tax". This enhances the transparency and completeness of invoicing requirements by ensuring the tax rate is explicitly stated.

### 3. Substitution of Sub-section (2):

The existing sub-section (2) is proposed to be replaced to allow BRA to specify a modified format of invoices for different services or persons and to prescribe the procedure for issuance and authentication of such invoices through a notification in the official Gazette.

This proposed amendment is aimed at encouraging voluntary digitization of tax invoices, with a view to modernizing compliance systems. It introduces greater flexibility in invoice design and enhances the Authority's ability to tailor invoicing requirements based on sector or taxpayer profile, while also promoting technological integration and standardization.

## 28. Issuance of Tax Invoices [section 31]

The section 31 of the BSTS Act, 2015 lays down detailed requirements for recordkeeping, bank account declarations, e-invoicing, and submission of audited accounts by registered persons. The law aims to ensure transparency, traceability, and effective assessment of tax liability through proper documentation.

Under the existing Section 31(5), registered persons whose accounts are subject to audit under the Companies Act, 2017 or any other applicable law are required to submit a copy of annual audited accounts and an auditor's certificate confirming tax payment and identifying any shortfall.

The Bill proposes to substitute Section 31(5) of the Balochistan Sales Tax on Services Act, 2015, requiring registered persons whose accounts are audited under the Companies Act, 2017 or any other law to submit a printed copy of the annual audited accounts, along with an auditor's certificate confirming payment of due tax and any deficiency therein. These documents must be submitted to the concerned BRA officer within 60 days from the date of the audit report.

## 29. Audit Proceedings [Section 33]

Section 33 of the BSTS Act, 2015 lays down the legal framework for conducting audit proceedings by officers of the Balochistan Revenue Authority (BRA). It empowers authorized officers to initiate audits based on submitted returns, maintained records, or electronically stored data. The law also permits inquiries in cases involving suspected tax fraud or evasion. Previously, an enabling provision allowed audits to be conducted electronically, through video links or other modes as notified.

The Bill proposes to insert a new sub-section (3AA) after the existing sub-section (3A) in Section 33. The proposed provision authorizes an officer of the Authority, with permission from the Commissioner, to conduct audit proceedings at the registered person's place of business or office. The officer may direct the taxpayer to produce relevant records and documents at such premises, as indicated in the audit notice.

The insertion of sub-section (3AA) under Section 33 enhances BRA's audit framework by empowering officers, with Commissioner's approval, to conduct on-site audits at the taxpayer's business premises.

## 30. Return [Section 35]

Section 35 of the BSTS Act, 2015 covers the furnishing of returns by the

registered person. In sub-section (1) of section 35, after the words "Every registered person shall furnish" the bill proposes to add words "through an e-file".

The proposed insertion mandates electronic filing of returns, promoting digitization and efficiency while reducing manual errors.

The proposed insertion of sub-section (7) significantly expands the compliance framework of the Balochistan Sales Tax on Services Act, 2015. It empowers the BRA to require non-taxable and exempt service providers to submit regular declarations or returns, despite not having a tax liability. The objective is to enhance documentation and transparency, especially in sectors currently outside the tax net, by capturing verifiable data on exempt activities.

Importantly, while no sales tax liability will arise directly from non-filing of these returns, penalties for non-compliance may still apply, equating non-filing of such declarations with the non-filing of regular returns.

## 31. Appointment of Authorities [Section 39]

Under the existing provisions of Section 39, the BRA is empowered to appoint various officers by notification in the official Gazette for the purposes of administering the Act. These include the Commissioner, Commissioner (Appeals), and other field officers.

The bill proposes two key amendments in section 39:

### 1. Insertion of Clauses (i) and (j) in Sub-section (1):

The Bill proposes to include the designation of "Inspector of the Baluchistan Revenue Authority" and "any officer of the Baluchistan Revenue Authority with any other designation" under the list of appointable authorities.

### 2. Substitution of Sub-section (3):

The existing sub-section (3), which previously created a tiered reporting line including Additional Commissioners, is

proposed to be replaced. The revised version simplifies the structure by clearly stating that Deputy Commissioners and Assistant Commissioners shall be subordinate to the Commissioner.

These amendments appear to be administrative in nature, aiming to provide the Authority with greater structural flexibility and a simplified chain of command.

## 32. Powers [Section 40]

Under the existing law, Section 40(1) provides that any officer appointed under Section 39 shall exercise the powers and perform the duties assigned to him under the Act and rules. It further authorizes such an officer to exercise the powers and discharge the duties of any officer subordinate to him, thereby establishing a clear delegation framework within the BRA.

The Bill 2024 proposes to insert the words “, pecuniary and territorial jurisdiction,” after the words “shall exercise such powers” in sub-section (1). This amendment explicitly recognizes that an officer’s powers are not only defined by the Act and rules but are also limited or determined by their pecuniary and territorial jurisdiction as prescribed.

## 33. Distribution of Powers [Section 41]

The Bill proposes to substitute the word distribution with delegation in the marginal heading of section 41 of the BSTS Act, 2015. This proposed change reflects a more administratively flexible approach of allocation of Authority down the functional hierarchy of the BRA Authority.

Further, the Bill proposes to substitute the words “An Additional Commissioner” with “A Deputy Commissioner” in clause (a) of sub-section (1) of Section 41 of the BSTS Act, 2015, thereby enabling the Authority to delegate the powers or functions of a Commissioner directly to a Deputy Commissioner, whether by name or by designation.

The Bill also proposes to omit Clause (b) of sub-section (1), which currently allows

a Deputy Commissioner to exercise the powers or functions of an Additional Commissioner.

The Bill has also proposed to add a new sub-section (4) after sub-section (3), which provides that an officer empowered as Commissioner (Appeals) shall not hear appeals against his own original orders. In such cases, the Authority is required to make alternate arrangements. This amendment strengthens impartiality and procedural fairness within the appellate framework.

## 34. Application of the Code of Criminal Procedure, 1898 [Section 44]

The Bill proposes to insert a proviso to sub-section (2) of Section 44 which seeks to clarify that proceedings before the Special Judge shall not preclude the Authority’s officers from independently completing adjudication or assessment proceedings relating to tax, default surcharge, or penalties in the same matter.

## 35. Persons who may conduct Prosecutions [Section 47]

Section 47 of the BSTS Act, 2015 empowers an officer not below the rank of Assistant Commissioner to conduct prosecution before a Special Judge on behalf of the Government. It also provides that the Authority with the approval or direction of the Government can only withdraw a prosecution.

The Bill proposes to insert a new Section 47A, allowing any person, including the Government, the Authority, or its officers, to file an appeal before the High Court against any order or decision passed by a Special Judge under the Baluchistan Sales Tax on Services Act or the Code of Criminal Procedure, 1898.

This proposed section provides a clear statutory appellate remedy, aligning the adjudication process under the BRA framework with broader principles of judicial oversight and procedural fairness.

## 36. Offences and Penalties [Section 48]

The Bill proposes to amend Serial No. 1 of the penalty table under Section 48(2), thereby expanding the scope of non-compliance by:

1. Inserting the words “or receiving” after “before providing”; and
2. Omitting the word “taxable” before “services”.

As a result, the offence will now cover failure to register before providing or receiving any services, regardless of whether the services are taxable or exempt. This reflects a shift toward a broader compliance regime, likely aimed at bringing more service providers and recipients within the registration framework, enhancing traceability, and improving overall documentation in the service sector.

Sr. No.	Offence	Penalty
2B	The Bill proposes to substitute Sr. No. 2B and the newly substituted Sr. No. 2B states that where a person avoids, defies, fails to comply with the e-invoicing system or issues invoices outside the e-invoicing system or refuses, denies, or obstructs the enforcement of the provisions of section 60A in any manner. This change reinforces digital enforcement by making e-invoicing compliance legally binding and acts as a strong deterrent against tax evasion through undocumented sales.	Such person shall be liable to pay a penalty of upto one hundred thousand rupees, but not less than ten thousand rupees. In case of repetition of the offence, the business premises of such person shall further be liable to sealing. Such person shall further be liable, upon conviction by a Special Judge, to imprisonment which may extend to one year or with fine which may extend to one hundred thousand rupees or with both.
2C	The Bill proposes to insert new penalty as Sr. No. 2C whereby where a person avoids, defies, delays or fails to deposit the amount of service fee levied under the Balochistan Sales Tax on Services Special Procedure (online Integration of Business) Rules, 2022 or fails to report the service fee in the sales tax return in the prescribed manner.	Such person shall be liable to a penalty of rupees one hundred thousand or twice the amount of service fee involved, whichever is higher. Such person shall further be liable, upon conviction by the Special Judge, to imprisonment which may extend to one year or with fine which may extend to one hundred thousand rupees, or with both.
5	The Bill proposes to substitute Sr. No. 5 which says that where any person fails to provide the required record or refuses to allow the officer of the Authority to take extracts from or make copies of the record or fails to appear before an officer of Authority or fails to answer any question put to him. Provided that if record is not produced despite issuance of three notices over a period of three months, it shall be considered as sufficient evidence that the person has failed to maintain record.	Such person shall be liable to pay penalty of one hundred thousand rupees on every default.  Such person shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to one year or fine which may extend to 100,000 rupees or with both.
7A	The Bill proposes to insert new penalty as Sr. No. 7A, where a person denies or obstructs the entry or access of the officer of the Authority posted to	Such person shall be liable to a penalty of 100,000 rupees or twice the amount of the minimum tax, as

Sr. No.	Offence	Penalty
	his business premises or fails to facilitate the officer of the Authority in the discharge of his duty to monitor the provision of services by such person.	may be assessed or determined under section 24, whichever is higher. Such person shall further be liable, upon conviction by the Special Judge, to imprisonment which may extend to one year or with fine which may extend to one hundred thousand rupees, or with both.
10	In Sr. No. 10, the Bill proposes to insert an additional offence that any person refuses to receive any notice or order issued by an officer of the Authority. The new offence reads as follows:  Where any person refuses to receive any notice or order issued by an officer of the Authority or obstructs any officer of the Authority in the performance of his official duties under this Act or the rules.	The penalty under this Sr. No. 10 remains unchanged.
14	The offence under this Sr. No. 14 remains unchanged.	In Sr. No. 14, the penalty for offence was such person shall be liable to pay a penalty of twenty five thousand rupees or one hundred per cent of the amount equal to the loss caused to sales tax revenue. The Bill proposes to impose the penalty on whichever is higher.

### 37. Default Surcharge [Section 49]

As per existing provisions of the Act, the period of default is to be calculated from the sixteenth day following the due date of the tax period to which the default relates. The Bill proposes to omit the word "sixteenth". This change is aimed to calculate the default surcharge from the correct due date as in certain cases, the due date is not always the sixteenth day of the month.

### 38. Exemption from Penalty and Default Surcharge [Section 50]

As per existing provisions of the Act, penalty and default surcharge may be waived by Authority with approval of Government. The Bill proposes to substitute existing section 50 with new section 50 which grants exemption from

payment of penalty or default surcharge to any registered person or taxable service. Such exemption can only be granted by the Authority, through a notification in the official Gazette and subject to such conditions and limitations as may be specified in such notification.

### 39. Recovery of Tax Not Levied or Short-levied [Section 52]

Currently, notice for short payment of sales tax shall be served within 5 years from end of financial year to which the relevant period relates. The Bill proposes to increase this time period to 8 years.

## 40. Short Paid Amounts Recoverable without Notice [Section 52A]

The existing law allows recovery by attaching bank account without a show cause notice where a registered person pays less tax than declared in their return. However, the proposed amendment broadens the scope substantially by empowering authorities to recover such amounts not only when evident from the return but also when detected through records, materials, or even computer systems seized from business premises. Such recovery can only be exercised with prior Approval of Commissioner or Authority. Furthermore, no penalty shall be imposed without a show cause notice.

The proposed amendment to Section 52A marks a major shift towards stricter and more technology-driven tax enforcement. This change significantly enhances the Authority's powers to detect and recover concealed tax, promoting compliance through stronger oversight. Overall, this amendment is expected to enhance revenue recovery while incorporating procedural safeguards to ensure fairness.

## 41. Authorized Officers to have Access to Premises, Stocks, Accounts and Records [Section 56]

Section 56 pertains to powers of tax officers to have access to premises, stocks, accounts and records of taxpayer. The Bill proposes to insert new sub-section (4) which formalizes the process for documenting records and materials taken into custody during inspections. It mandates preparation of an inventory statement, jointly signed by the tax officer and the taxpayer or their representative. Importantly, refusal to sign by the taxpayer does not affect the statement's validity. This amendment enhances transparency and legal certainty in enforcement actions, aiming to reduce disputes over record seizure while safeguarding the Authority's position.

## 42. Powers of Adjudication [Section 60]

Section 60 outlines the officer-level authority for adjudication of cases under the Act based on the value of tax involved. Currently, Additional Commissioner did not have any restriction as to the amount of tax involved or amount erroneously refunded, Deputy Commissioner had powers of adjudication to the amount of tax involved or amount erroneously refunded not exceeding 5 million rupees and Assistant Commissioner had powers of adjudication to the amount of tax involved or amount erroneously refunded not exceeding 2 million rupees.

The Bill proposes to shift the powers of Additional Commissioner to Deputy Commissioner and the powers of Deputy Commissioner to Assistant Commissioner. These amendments lower the level of adjudicating officers, shifting powers downward in the hierarchy. This may expedite case processing but also reflects a decentralization of authority to junior officers, potentially increasing their role in frontline enforcement.

## 43. Decision in Appeal [Section 65]

Section 65 of the Act deals with the procedure and powers of the Commissioner (Appeals) in deciding appeals. Currently, the Act states that the Commissioner (Appeals) shall not remand back the case for de novo consideration.

The Bill proposes to empower the Commissioner (Appeals) to remand back the case for de novo consideration, in special circumstances, for reasons and purposes to be recorded by the Commissioner (Appeals) in writing.

## 44. Appeal to the Appellate Tribunal [Section 67]

As per existing provisions of the Act, an officer not below the rank of Additional Commissioner may appeal to the Appellate Tribunal if he objects to the order passed by Commissioner (Appeals). The Bill proposes to shift the



power to file appeal to the Appellate Tribunal down to the Deputy Commissioner.

As per existing provisions of the Act, the fee for appeal to Appellate Tribunal is two thousand rupees. The Bill proposes to increase the fee to twenty thousand rupees.

## 45. Alternate Dispute Resolution [Section 71]

As per existing provisions the Act, the Authority shall constitute an Alternate Dispute Resolution Committee comprising of 3 persons one of them shall be an officer not below the rank of Additional Commissioner. The Bill proposes to shift the hierarchy down to an officer not below the rank of the Deputy Commissioner.

## 46. Power to Make Rules [Section 78]

As per existing provisions of the Act, the Authority has power to make rules with the Approval of Government. The Bill proposes to omit the Approval of Government to make rules.

## 47. Classification of Services [Section 78B]

The Bill proposes to insert new Section 78B which defines a classification system for services. New Section mandates that:

- i. The Authority may, for the purposes of assessment, enforcement, administration, and facilitation under this Act, prescribe a classification system for services, including the adoption of the Central Product Classification (CPC) as issued and updated by the United Nations Statistics Division (UNSD), or any other classification framework, through notification in the official Gazette. Provided that the inclusion or exclusion of any service from a code so prescribed shall not, by itself, determine the taxability or otherwise of such service.

- ii. Any service, whether or not previously classified under the Harmonized System (HS) codes or described in any other definitions, shall, from the effective date of such notification, be classified in accordance with the system prescribed by the Authority.
- iii. No tax, exemption, liability, recovery, assessment, or other action taken under a prior classification system shall be rendered invalid solely because of the adoption of a new classification system.
- iv. In case of any inconsistency, ambiguity, overlap, or transitional complication arising from the adoption or application of a new classification system, the Authority may, by notification in the official Gazette, issue clarifications, prescribe transitional arrangements, or take such other measures as may be necessary for the effective implementation of this Act.

This section introduces a formal and standardized service classification system, ensuring consistency in tax administration. It aligns provincial tax practices with international standards like CPC, promoting clarity, transparency, and comparability. It is also aimed at improving accuracy in tax assessments by defining services more clearly and is aimed Reduce disputes related to misclassification or ambiguous service descriptions.

## 48. Computerized System [Section 79]

As per existing provisions of the Act, business information gathered was confidential and no unauthorized person could have access to such information. The Bill proposes to allow sharing of such business information with FBR and sales tax authorities of other provinces subject to such arrangement or agreement on reciprocal and multilateral basis.



## First Schedule

First Schedule of the Act provides a comprehensive list of taxable services through service classification codes. The Bill proposes to substitute this with list of services which are exempt subject to such exemption conditions. Currently, only those services are taxable which are mentioned in the Second Schedule.

After the proposed change, all services will be taxable at the rate of 15% except those mentioned in the First Schedule. This amendment marks a significant paradigm shift with far-reaching implications for service taxation in the province.

This change is aimed at broadening the scope of taxable services and granting an exemption to low-income individuals and public-interest organizations. It also reflects the government's broader strategy of formalizing the tax base without burdening marginalized sectors, thereby promoting tax equity and administrative efficiency.

The newly proposed First Schedule is reproduced below:

Sr. No.	Description	Conditions for Exemption
1	Accommodation, food and beverage services	<p>Services provided or rendered by caterers whose turnover does not exceed 2.5 million rupees in a financial year:</p> <p>Provided that the exemption shall not apply in case of service provider-</p> <ul style="list-style-type: none"> <li>(i) located within the building, premises or precincts of any hotel, motel, guest house, farmhouse or club whose services are liable to sales tax;</li> <li>(ii) providing or rendering services in the building, premises, precincts, hall or lawn of any hotel, motel, guest house, farmhouse, marriage hall or lawn or club whose services are liable to sales tax;</li> <li>(iii) which are franchisers or franchises;</li> <li>(iv) having branches or more than one outlet; and</li> </ul> <p>whose total utility bills (gas, electricity and telephone) exceed Rs. 40,000/- in any month during a financial year or have a solar setup for electricity generation or are using LPG.</p>
2	Tour Operators	Services provided or rendered by tour operators in relation to Hajj and Umrah tour packages.
3	Renting of immovable property services	Renting of immovable property services provided or rendered to an individual person whose income does not exceed the maximum amount that is not chargeable to tax under the Income Tax Ordinance 2001(XLIX of 2001)
4	Service provided or rendered by persons engaged in contractual execution of work or furnishing supplies	Services provided or rendered by persons engaged in contractual execution of work or furnishing supplies in relation to the text books, published for free distribution amongst students free of cost, against the order Balochistan Textbook Board subject to the conditions that the Balochistan Textbook Board:-

Sr. No.	Description	Conditions for Exemption
		<p>a) assigns the work to a person duly registered under the Balochistan Sales Tax on Services Act, 2015; and</p> <p>b) furnishes, to the Authority, statement on quarterly basis, showing name of person/contractor, BNTN, value of such contract, along with certificate about the free of cost distribution of such textbooks amongst the students.</p>
5	Storage and warehousing services	The exemption shall apply to services provided or rendered in relation to food and agricultural commodities.
6	Central banking services	The exemption shall be applicable to services provided or rendered by the State Bank of Pakistan.
7	Legal and accounting services	Where the services are rendered and funded under an agreement of foreign grant-in-aid or interest free loan.
8	Management consulting and management services	Where the services are rendered and funded under an agreement of foreign grant-in-aid or interest free loan
9	Architectural advisory services	Where the services are rendered and funded under an agreement of foreign grant-in-aid or interest free loan
10	Veterinary services	
11	Advertising services and the provision of advertising space or time	<p>(i) Advertisements financed out of funds provided by the Government under grant-in-aid agreements.</p> <p>(ii) Advertisements conveying a public service message in relation to the polio eradication program by UNICEF.</p>
13	Support and operation services to agriculture, hunting, forestry and fishing	<p>The exemption shall be applicable to services provided or rendered in relation to:</p> <p>(1) services of provision of agricultural machinery with crew and operators; or</p> <p>(2) support and operation services to hunting.</p>
14	Maintenance and repair services of fabricated metal products, machinery and equipment	The exemption shall be applicable to services provided or rendered in relation to machinery and equipment used for the purpose of agriculture, horticulture, animal husbandry and dairy farming.
15	Public administration and other services provided to the community as a whole,	The exemption shall apply to services provided or rendered by the Federal Government, Government of Balochistan and Local governments.

Sr. No.	Description	Conditions for Exemption
	compulsory social security services	
16	Education services	
17	Services provided or rendered by hospitals and clinics	Services of provision of rooms/beds by hospitals and clinics for its indoor patients or day-care patients where the per day charges (including allied fixed charges, if any) for such rooms/beds below Rs. 40,000 per room/bed.
18	Accountants and auditors	Accountants and auditors' services exported and delivered by registered persons outside Pakistan subject to the condition that the value of export of the services is received in foreign exchange through banking channels in the business bank accounts of the registered person exporting the services and is also reported to the State Bank of Pakistan in the manner prescribed by the State Bank of Pakistan.
19	Software or IT based system development consultants	Software or IT-based system development consultants' services exported, by registered persons, outside Pakistan subject to the condition that the value of export of the services is received in foreign exchange through banking channels in the business bank accounts of the registered person exporting the services and is also reported to the State Bank of Pakistan in the manner prescribed by the State Bank of Pakistan.
20	Fumigation services	(i) Public health fumigation services provided or rendered by the Federal, Provincial or Local Government and Cantonment Boards; and (ii) Agricultural fumigation services.
21	Construction services	Construction services related to: (i) Construction and development of EPZ, SEZ, and diplomatic and consular buildings. (ii) Construction of an independent private residential house, other than a residential unit, having a total covered area not exceeding 10,000 square feet; and (iii) Construction relating to such of the low cost affordable public housing projects as are sponsored and funded by the Federal Government or by Government of Balochistan subject to the condition that the houses are built or constructed on plot of up to 125 square yards or the covered area of the apartment and flats, so built or constructed under the project, does not exceed 900 square feet. (iv) Construction Services for which payment is made from Provincial Consolidated Fund and Federal Consolidated Fund in respect of works approved and started before FY 2016-17 and

Sr. No.	Description	Conditions for Exemption
		still ongoing, subject to the condition that no project/scheme cost revision in the PCI has been made after 2016-17.
22	Services provided or rendered by call centres	Call center services exported and delivered by registered persons to persons outside Pakistan subject to the condition that the value of the export of the service is received in foreign exchange through banking channels in the business bank accounts of registered person exporting the services and is also reported to the State Bank of Pakistan in the manner prescribed by the State Bank of Pakistan.
23	Marine insurance	Marine insurance for export.
24	Residential care services for the elderly and disabled; and	The exemption shall apply to services provided or rendered by a home or hostel which is exclusively used for the aged or special persons or children and is run by or under the control of such a charitable or educational institution as are eligible for tax credit under section 100C of the Income Tax Ordinance, 2001 (Ordinance No. XLIX of 2001).
25	Other social services with accommodation	The exemption shall be applicable to services provided or rendered by a home or hostel which is run by or under the control of such a charitable or educational institution as are eligible for tax credit under section 100C of the Income Tax Ordinance, 2001 (Ordinance No. XLIX of 2001).
26	Services provided by extraterritorial organizations and bodies	
27	Protection of foreign investment of US\$ 1.5 Billion or more.	All foreign investment of US\$ 1.5 billion or more, made into the province of Balochistan, in any All foreign investment of US\$ 1.5 billion or more, made into the province of Balochistan, in any.

## Second Schedule

As per existing provisions of the Act, the tax on the value of a taxable service shall be charged, levied, collected, and paid at the rates specified in the Second Schedule. The Bill proposes to substitute Second Schedule with new list of services to be charged at higher rate of tax. The newly proposed Second Schedule is reproduced below:

<b>Sr. No.</b>	<b>Description</b>	<b>Rate</b>
1	Hosting and information technology (IT) infrastructure provisioning services	19.50%
2	Telecommunications services, including telephony, mobile services, and data transmission	19.50%
3	Internet telecommunications services	19.50%
4	Security systems services (including electronic surveillance and vehicle tracking)	19.50%
5	Installation services of radio, television and communications equipment and apparatus	19.50%

## Third Schedule

The Bill proposes to introduce a Third Schedule to the Balochistan STS Act, which highlights services on which sales tax shall be charged, levied, collected and paid at lower rate without input tax adjustment. The proposed rates and conditions are reproduced below:

Sr. No. (1)	Description of Services (2)	Rate (3)	Conditions (4)
1	Services provided or rendered by restaurants, including café, coffee houses, food huts, ice-cream shops and eateries.	8%	Input tax credit/adjustment shall not be admissible.
		2%	<p>(i) The registered person installs POS machine for electronic issuance of invoices or receipts and gets all such machines linked up with BRA web portal to the satisfaction of BRA;</p> <p>(ii) The registered person issues his tax invoice/bills of charges or receipts electronically and no tax invoice/bill of charges or receipt is issued otherwise except through the POS of the registered person; and</p> <p>(iii) Input tax credit/ adjustment shall not be admissible.</p> <p>Provided that this reduced rate shall not apply in case of the restaurants:-</p> <p>(a) which are located within the building, premises or precincts of a hotel, motel, guest house or club whose services are liable to tax;</p> <p>(b) which are franchisers or franchisees;</p>
2	Services provided or rendered by marriage halls, lawns, mandap, pandal and shamiana, including floral and decoration, etc.	10,000 rupees per event or 2% of Service fees, whichever is higher.	Input tax credit/adjustment shall not be admissible.
3	Customs Agents	1000 Rupees per Goods Declaration	<p>Services provided by Customs Agents in respect of the issuance of a goods declaration and</p> <p>Input tax credit/adjustment shall not be admissible.</p>
4	Travel agents	100 Rupees per Air Ticket	Services provided by Travel Agents in respect of the issuance of domestic and international air Tickets

Sr. No. (1)	Description of Services (2)	Rate (3)	Conditions (4)
			Input tax credit/adjustment shall not be admissible.
5	Tour operators	5%	Input tax credit/adjustment shall not be admissible.
6	Recruiting agents	5%	Standalone Recruiting Agents involved in recruitment of individuals and group of individuals for overseas employment in countries outside Pakistan
7	Services on purchase or sale or hiring of immoveable property	5%	Input tax credit/adjustment shall not be admissible.
8	Services on renting of immovable property	3%	Input tax credit/ adjustment shall not be admissible.
9	Car or automobile dealers	10%	Input tax credit/ adjustment shall not be admissible.
10	Services provided or rendered by property developers or promoters for:  a) development of purchased or leased land for conversion into residential or commercial plots.  (b) construction of residential or commercial units	(a) 100 rupees per square yard of land; and  (b) 50 rupees per square foot of constructed covered area.	Input tax credit/adjustment shall not be admissible.
11	Service provided or rendered by persons engaged in contractual execution of work or furnishing supplies	4%	Services in relation to Government Civil Works for which the expenditure is paid out of the expenditure budget of the Federal Government or the Provincial Government or the Local Government, or the Cantonment Board  Input tax credit/ adjustment shall not be available.
12	Services provided or rendered for personal care by beauty parlours, beauty clinics, slimming clinics or centres and others	5%	Input tax credit/ adjustment shall not be admissible.
		2%	The registered person installs POS machine for electronic issuance of invoices or receipts and gets all such machines linked up with BRA web portal to the satisfaction of BRA;



Sr. No. (1)	Description of Services (2)	Rate (3)	Conditions (4)
			<p>The registered person issues his tax invoice/bills of charges or receipts electronically and no tax invoice/bill of charges or receipt is issued otherwise except through the POS of the registered person; and</p> <p>Input tax credit/ adjustment shall not be admissible.</p>
13	Services provided or rendered by laundries and dry cleaners	5%	<p>Services provided or rendered by stand- alone laundries and dry cleaners:-</p> <p>Input tax credit/ adjustment shall not be admissible.</p>
14	Service provided or rendered by a foreign exchange dealer or exchange company or money changer	3%	<p>Services provided or rendered by a foreign exchange dealer or exchange company or money changer in consideration of "spread" charges as permitted by the State Bank of Pakistan in relation to the buying and selling of foreign currencies; and</p> <p>Input tax credit/ adjustment shall not be admissible.</p>
15	<p>Property developers or Promoters.</p> <p>a) development of purchased or leased land for conversion into residential or commercial plots.</p> <p>(b) construction of residential or commercial units</p>	<p>100 rupees per square yard of land; and</p> <p>50 rupees per square foot of constructed covered area</p>	Input tax credit/adjustment shall not be admissible.
16	Medical practitioners and consultants	2% or Rs 3000 per month which is higher	Input tax credit/adjustment shall not be admissible.
17	Legal practitioners and Consultants	2% or Rs 100 per Case	<p>(i) Rs 100/ shall be deposited as fixed Sales tax at the time of filing of each case, appeal, or petition, and proof of which shall be attached with the power of Attorney/Vakalat Nama.</p> <p>(ii) The fixed rate specified under column (3) shall not be applicable to all services provided or rendered by Corporate Law Consultants.</p> <p>Input tax credit/ adjustment shall not be admissible.</p>

<b>Sr. No. (1)</b>	<b>Description of Services (2)</b>	<b>Rate (3)</b>	<b>Conditions (4)</b>
18	Accountants and auditors	8%	The reduced rate specified in column (3) shall apply only in relation to accounting and auditing services provided or rendered by accountants and auditors.  Input tax credit/ adjustment shall not be admissible.
19	Technical, scientific and engineering consultants	6%	i) Where expenditure is paid out of the budget of the Federal Government or the Provincial Government or the Local Government, or the Cantonment Board  ii) Input tax credit/ adjustment shall not be available.
20	Software or IT based system development consultants	2%	The registered person electronically submits his election/option; and  Input tax credit/adjustment shall not be admissible.
21	Other consultants including tax consultants, human resources and personnel development consultants	8%	Input tax credit/ adjustment shall not be admissible.
22	Services provided or rendered by laboratories relating to pathological, radiological or diagnostic test of patients	2%	Input tax credit/ adjustment shall not be admissible.
23	Indenters	3%	Services provided or rendered by an indenter from a place of business in Balochistan for which the registered person receives the value of the services from a place outside Pakistan in foreign  exchange through banking channels in the business bank account of the registered person in the manner prescribed by the State Bank of Pakistan; and  Input tax credit/adjustment shall not be admissible.
24	Commission agents	4%	Input tax credit/ adjustment shall not be admissible.

<b>Sr. No. (1)</b>	<b>Description of Services (2)</b>	<b>Rate (3)</b>	<b>Conditions (4)</b>
25	Money exchanger	3%	Services provided or rendered by money exchanger in consideration of "spread" charges as permitted by the State Bank of Pakistan in relation to the buying and selling of foreign currencies.  Input tax credit/ adjustment shall not be admissible.
26	Rent a car and automobile rental Service	8%	Input tax credit/ adjustment shall not be admissible.
27	Cable TV Operators	2%	The reduced rate of 2% as specified in column (3) shall apply on the services of "Stand-alone Cable TV Operators".  Input tax credit/adjustment shall not be admissible.
28	Auctioneers	10%	Input tax credit/adjustment shall not be admissible.
29	Health care center, gyms or physical fitness center, etc	2%	The registered person installs POS machine for electronic issuance of the invoices or receipts and gets all such machines linked up with BRA web portal to the satisfaction of BRA;  The registered person issues his tax invoices/bill of charges or receipts electronically and no tax invoice or/bill of charges or receipt is issued otherwise except through the POS of the registered person; and  Input tax credit/adjustment shall not be admissible.
30	Janitorial services	10%	Input tax credit/ adjustment shall not be admissible.
31	Dredging or desilting Services	10%	Input tax credit/ adjustment shall not be admissible.
32	Franchise services	10%	Input tax credit/adjustment shall not be admissible.
33	Construction services	8%	Input tax credit/adjustment shall not be admissible.

Sr. No. (1)	Description of Services (2)	Rate (3)	Conditions (4)
		1%	Construction services in relation to Government Civil Works for which the expenditure is paid out of the expenditure budget of the Federal Government or the Provincial Government or the Local Government, or the Cantonment Board  Input tax credit/ adjustment shall not be available.
34	Services provided or rendered by corporate law consultants	8%	Input tax credit/ adjustment shall not be admissible.
35	Services provided or rendered by call centres	2%	The registered person electronically submits his election or option:  Input tax credit/adjustment shall not be admissible.
36	Services provided or rendered by persons engaged in transportation or carriage of goods by road or through pipeline or conduit	10%	Input tax credit/adjustment shall not be admissible.
		3%	Services provided or rendered by persons engaged in transportation or carriage of goods by road or through truck <i>addas</i> or through bus/wagon stands excluding road transportation or carriage of petroleum oils through oil tankers  Input tax credit/adjustment shall not be admissible.
37	Intellectual Property Services	10%	Input tax credit/adjustment shall not be admissible.
38	Cosmetic and plastic surgery and Transplantation	4%	Input tax credit/adjustment shall not be admissible
39	Supply chain management or distribution (including delivery) services	10%	Input tax credit/adjustment shall not be admissible.
40	Services provided or rendered by cab aggregator and the services provided or rendered by the owners or drivers of the vehicles using the cab aggregator services	2%	Input tax credit/adjustment shall not be admissible
41	Warehouse or depots for storage or cold storages	5%	Input tax credit/adjustment shall not be admissible.

<b>Sr. No. (1)</b>	<b>Description of Services (2)</b>	<b>Rate (3)</b>	<b>Conditions (4)</b>
42	Training services	5%	Input tax credit/adjustment shall not be admissible.
43	Insurance agents	5%	Input tax credit/adjustment shall not be admissible.
44	Services provided or rendered by hospitals and clinics	2%	Input tax credit/adjustment shall not be admissible

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
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
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## About Yousuf Adil

Yousuf Adil, Chartered Accountants provides Audit & Assurance, Consulting, Risk and Financial Advisory and Tax & Legal services, through over 725 professionals in four cities across Pakistan.

For more information, please visit our website at [www.yousufadil.com](http://www.yousufadil.com)

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