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PUNJAB SERVICE TAX MEMORANDUM 2025

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PREFACE

This Punjab Service Tax Memorandum summarizes crucial changes made in the Punjab Sales Tax on Services Act, 2012 as made through Punjab Finance Act 2025. All such amendments changes through this Act upon approval will be effective from 01 July 2025.

This Tax Memorandum contains the comments which represent our interpretation of the legislation. We, therefore, recommend that while considering their application to any particular case, reference be made to the specific wordings of the relevant statute(s).

The memorandum can also be accessed on our website www.mooreshekhamufti.com

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Tax Free Services

Section 3A

Through the Punjab Finance Act 2025, new provision has been added to introduce First Schedule for notifying Tax Free Services whereon no Punjab sales tax on services is applicable. First Schedule has been substituted with List of Tax Free Services to enforce negative list concept under Service Tax Regime.

Inadmissible Input Tax

Section 16B

The following new provisions have been enacted to disallow input tax on following instances:

Clause	Provisions
(nn)	tax free services including rendering and consumption of goods or services
(rr)	Amount of sales tax paid on: <ul style="list-style-type: none"> (i) telecommunication services in excess of nineteen and a half percent ad valorem (ii) carriage of goods by rail or road in excess of fifteen percent ad valorem (iii) other services in excess of sixteen percent ad valorem

Offence & Penalties

Section 48

Increase in Penalty

S. No.	Offence	Previous Penalties	New Penalties
15	Where any person: <ul style="list-style-type: none"> (a) avoids, denies or obstructs installation of electronic invoice monitoring system at a business premises; or (b) fails to comply with the electronic invoice monitoring system or issues invoices bypassing the system. 	Such person shall be liable to pay a penalty of up to one hundred thousand rupees, but not less than twenty five thousand rupees. In case of three acts of commission or omission, the business premises of such person may further be liable to be sealed for a period which may extend to one month.	Such person shall be liable to pay a penalty of up to one million rupees, but not less than four hundred thousand rupees. In case of three acts of commission or omission, the business premises of such person may further be liable to be sealed for a period which may extend to one month.



New Penalty

S. No.	Offence	Penalties
25	Where any person refuses to accept payments through digital means i.e. (debit/credit cards, mobile wallets or QR scanning).	Such person shall be liable to pay a penalty of up to one million rupees: Provided that the penalty shall not be less than four hundred thousand rupees on first and three hundred thousand rupees on each subsequent default: Provided further that in case of three acts of commission or omission, the business premises of such person may further be liable to be sealed for a period which may extend to one month.

FIRST SCHEDULE

Tax Free Services

New Entries

S. No.	Scope of Services	Conditions
4	Public transport service provided by the Federal or Provincial Governments or local Governments.	-
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	-
7	Services relating to religion, art, culture and sports provided by the Federal or Provincial Governments or local governments	-
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 international agencies.	Subject to exemption from federal taxes by the Federal Board of Revenue.



S. No.	Scope of Services	Conditions
18	Services provided by diplomatic missions.	-
19	Renting of personal dwellings for residential use.	-
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].	-
24	Advertisement including classified ads in newspapers, magazines, journals and periodicals.	-
25	Services provided by a foreign exchange dealer or exchange company or money changer or money exchanger.	-

Transposition from Previously Enacted Second Schedule

The following services were mentioned in previously enacted Second Schedule as Exclusion clauses. After amendments, the following services have been transposed from exclusion clauses to First Schedule as Tax Free Services:

S. No.	Scope of Services	Conditions	Reference of Sr. No. of Previous Second Schedule
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	68
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.	60



S. No.	Scope of Services	Conditions	Reference of Sr. No. of Previous Second Schedule
3	(i) General education services; and (ii) Education provided by the Federal, or Provincial Governments or local governments in public sector educational institutions.	-	24
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.	-	43 & 70
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.	15
11	Services provided in respect of insurance.	Only to the extent of: (a) marine insurance for export; and (b) crop insurance.	7
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-	Only to the extent: (i) where the tax is otherwise paid by registered persons as property developers, builders or promoters for building construction; or	14



S. No.	Scope of Services	Conditions	Reference of Sr. No. of Previous Second Schedule
	key projects) and similar other works.	<p>(ii) where the construction work is funded under an agreement of foreign grant-in-aid or involves construction of consular buildings; or</p> <p>(iii) residential construction projects where the covered area does not exceed 10,000 square feet for a house and 20,000 square feet for an apartment except where construction services are provided to construct more than one house or more than one apartment building; or</p> <p>(iv) where the construction services are provided to any registered person who is otherwise liable to pay sales tax as a property developer, builder and promoter.</p>	
13	Services provided for personal care by beauty parlors, salons, clinics, sliming clinics, spas (including saunas, Turkish baths and Jacuzzi) and similar other services.	Only to the extent of services provided in a parlour, salon or clinic where the facility of air-conditioning is not installed or is not available in the premises on any day of the financial year.	18
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'.	25
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.	54
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.	61



S. No.	Scope of Services	Conditions	Reference of Sr. No. of Previous Second Schedule
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.	58
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	16
21	Advertisement on television and radio or advertisement services showcasing of any product or service in video programmes, television programmes or motion pictures or music albums.	Only to the extent of: (a) sponsored by an agency of the Federal or Provincial Government for health education; or (b) financed out of funds provided by a Government under an agreement of foreign grant-in-aid; or (c) conveying public service message, if telecast on television by the World Wide Fund for Nature (WWF) or United Nations Children's Fund (UNICEF).	2
22	Services relating to pathological or diagnostic tests exclusively for medical treatment purposes.	None	42
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.	20



SECOND SCHEDULE

The following taxable services have been included in the newly substituted Second Schedule. These taxable services are transposed from previously enacted Second Schedule. New enacted Schedule comprises of three parts which are enumerated as follows:

Part I – Specified Services

S. No.	Description	Rate of Tax	Reference of Sr. No. of Previous Second Schedule
1	All services, except those specified in serial numbers 2 and 3 of this Part, Part-II and Part-III. Note: All kind services are now taxable including those which were previous mentioned in Second Schedule.	16%	1, 2,3,4,5,8, 9,10,12, 16,19,20,23,27, 28, 29,30, 31, 38, 39, 41, 42, 46, 47, 49, 51, 53, 55, 56, 57, 59, 62
2	Services provided by persons for carriage of goods by rail or road.	15% With input tax adjustment for service provider and service recipient.	48
3	Telecommunication services	19.5%	6

Part II - Fixed Taxed Services

S. No.	Description	Rate of Tax	Reference of Sr. No. of Previous Second Schedule
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.	15
2	Freight forwarding agents.	Rs. 1000 per bill of lading	21

Part III - Reduced Rate Services

S. No.	Description	Rate of Tax	Reference of Sr. No. of Previous Second Schedule
1	Hotels, motels and guest houses	(i) Five percent without input tax adjustment for non-corporate, non-franchise, non-chain	1



S. No.	Description	Rate of Tax	Reference of Sr. No. of Previous Second Schedule
		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.	1
3	Services provided in respect of insurance to a policy holder by an insurer, including a re-insurer for: a) fire insurance; b) goods insurance; c) health insurance; d) life insurance; e) marine insurance; f) theft insurance; and g) any other insurance.	(a) Zero percent without input tax adjustment for health insurance for individuals; and (b) Five percent for insurance agents and insurance brokers; (c) Sixteen percent of gross premium paid, for others.	7
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.	11
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	13



S. No.	Description	Rate of Tax	Reference of Sr. No. of Previous Second Schedule
		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) Note - Explanation is not reproduced for sake of brevity.	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.	14
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.	18
8	Information technology-enabled or information technology based services including software development, software customization, software maintenance, system support, system assembly, system integration, system designing and architecture, system analysis, system development, system operation, system maintenance, system up-gradation and modification, data warehousing or management, data entry operations, data migration or transfer, system security or protection, web designing, web development, web hosting, network designing, services relating to enterprise resource or management planning (including marketing of products), development and sale of smart phone	(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.	22



S. No.	Description	Rate of Tax	Reference of Sr. No. of Previous Second Schedule
	<p>applications or games, graphics designing, medical transcription, remote monitoring, telemedicine, insurance claim processing, online retrieval and database access or retrieval service.</p> <p>Explanation: This entry includes and shall be deemed to have always included real estate aggregators and streaming/over-the-top (OTT) services.</p>		
9	<p>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.</p>	<p>(a) Zero percent without input tax adjustment for training services related to Information Technology; and</p> <p>(b) Sixteen percent for others.</p>	24
10	<p>Services provided by tour operators and travel agents including all their allied services or facilities.</p>	Five percent without input tax adjustment.	25
11	<p>Manpower recruitment agents, including labour and manpower supplies.</p>	<p>(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</p>	26



S. No.	Description	Rate of Tax	Reference of Sr. No. of Previous Second Schedule
		(b) Sixteen percent for others.	
12	Services provided by property dealers and realtors.	Five percent without input tax adjustment.	32
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.	33
14	Services provided by architects, town planners, landscapers, landscape designers, [interior decorators and interior designers.	Five percent without input tax adjustment.	34
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.	35
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.	36
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.	40



S. No.	Description	Rate of Tax	Reference of Sr. No. of Previous Second Schedule
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.	43
19	Services provided by Laundries and dry cleaners	Five percent without input tax adjustment.	44
20	Services provided by Cable TV operators	Five percent without input tax adjustment.	45
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.	50
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.	52
23	Facilities for travel originating from Punjab by Air for domestic and international travel.	Five percent without input tax adjustment.	54
24	Services provided by skin and laser clinics, cosmetic and plastic surgeons and hair transplant services including consultation services.	Five percent without input tax adjustment.	60
25	Services provided by warehouses or depots for storage or cold storages including letting of space for storages.	Five percent without input tax adjustment.	61
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.	68



S. No.	Description	Rate of Tax	Reference of Sr. No. of Previous Second Schedule
27	Services provided by photography studios and event or occasion photographers/film-makers.	Five percent without input tax adjustment.	58
28	Parking services	Five percent without input tax adjustment.	63
29	Dress designing and stitching services.	Five percent without input tax adjustment.	64
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.	65
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.	66
32	Apartment house management, real estate management and services of rent collection.	Five percent without input tax adjustment.	67
33	Ride-Hailing Services Explanation: This entry includes and shall be deemed to have always included cab aggregators.	Five percent without input tax adjustment.	69
34	Entertainment services (including cinemas, theatres, concerts, circus, sports events, races, film, fashion shows and mobile stage shows)	Zero percent without input tax adjustment.	70



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