



AMENDMENTS TO PROVINCIAL SALES TAX ON SERVICES

FINANCE ACT 2024

Presented by;

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Agenda

- **Sindh Sales Tax on Services**
- **Khyber Pakhtunkhwa Sales Tax on Services**
- **Baluchistan Sales Tax on Services**
- **Changes in other Laws**

SINDH SALES TAX ON SERVICES

New Definitions Added

Following new definitions are added in section 2, thereby, bringing these services in the ambit of sales tax on services;

- Education services - Section 2(37A)
- Farmhouse - Section 2(41A)
- Hospitals and clinics - Section 2(50A)
- Medical practitioners and consultants - Section 2(59A)

Clause (51B) “indoor sports and game centres” has been deleted and a new clause (87A) has been inserted to widen the definition of sports and include all kind of sports, whether indoor or outdoor.

Section 5 (value of a taxable service)

- A proviso after clause (iii) of Clause (a) of section 5 has been added and consideration (gross amount charged by the service provider) has been defined to include;
 - i. any amount that is payable for the services provided; and
 - ii. any amount of reimbursable expenditure or cost incurred by the service provider and charged, in the course of provision of a service.

Now all kind of reimbursable expenses such as boarding, lodging etc. incurred by the Service Provider in provision of services are subject to tax.

Section 15A (Input tax credit not allowed)

- A proviso has been added after clause (k) to increase the allowable limit for the persons providing taxable telecommunication services in respect of adjustment of sales tax paid on goods and from 13% to 18%.

Section 26 (Records)

- A proviso in sub-section (1) has been added requiring a person to also maintain record of services provided outside Sindh in accordance with record prescribed under this section. Relevant proviso reproduced below;
 - Provided that in case where the registered person is engaged in providing taxable services (including exempt services) also in Provinces or areas outside Sindh, the record prescribed under this section shall inter-alia include the record for such Provinces or areas in such form and manner as would permit reconciliation or ascertainment of his tax liability in Sindh.

Sales tax rates (Second Schedule)

- Standard rate of tax has been increased from 13% to 15%.

Tariff heading	Description	New Rate
9801.2000	Services provided or rendered by Restaurants including the restaurants located in hotels, motels, guest houses and farmhouses	Rate of tax has been reduced to 8% , where payment against tax invoice is received through debit or credit cards, mobile wallets QR scanning.
9819.2000	Service provided or rendered by a foreign exchange dealer or exchange company or money changer or money exchanger	Previously were exempt. Now taxable at 3%
9815.1000	Medical practitioners and consultants, other than cosmetic and plastic surgery under Tariff Heading 9842.000	3%
9819.9000	Stand-alone cable TV operators	These were exempt up to 30 June 2024. Now taxable at 2%

Sales tax rates (Second Schedule)

Tariff heading	Description	New Rate
9845.0000 **	Distribution services provided by a registered person in relation to the drugs registered under the Drugs Act, 1976	Tax rate has been reduced to 5% without input tax adjustment
9857.0000	Education services (exceeding Rs. 500,000 / annum)	3% without input tax adjustment
9858.0000	Services of provision of rooms/beds by hospital and clinics for its indoor patients or day care patients	3% without input tax adjustment

** Value of taxable services = 8% of gross margin of such distributor; standard rate applicable to other than drugs distributor.

- Farm houses are now subject to sales tax, at the rate of 15% or such reduced as given in respective headings, via inclusion of farm houses in tariff headings 98.01, 9801.1000, 9801.6000.
- All kind of sports, whether indoor or outdoor, are taxable at 15%. Tariff heading 9821.2000 has been amended accordingly by substituting “Indoor sports” with the word “Sports”.
- Tariff heading 9836.0000 has been amended to include intra city transportation as well, subject to sales tax at 15%.

KHYBER PAKHTUNKHWA SALES TAX ON SERVICES

Collection Agent

Collection Agent has been defined and new section 14A has been inserted i.e. Special procedure for collection of tax through Collection Agent.

- "Collection Agent" means the State Bank of Pakistan or any other **scheduled bank or entity licensed** or authorized by the State Bank of Pakistan to **transfer money abroad** for the specified services;"
- The term and manner for collection and deposit of tax are to be prescribed by the Policy Board.

Input tax credit not allowed (Section 17)

Previous

- the services, where exemption or reduced rate of tax has been applied or allowed in the **Second Schedule** or through a notification issued under this Act, the recipient of such service shall not be entitled to adjust the input tax paid on reduced rate against output tax payable on the service or services provided or rendered by him at immediate next stage of supply chain

Amended

- such goods or services, as are liable to sales tax, at specific rate or at fixed rate or at such other rates, not based on value, or at a rate lesser than the standard rate of **fifteen percent in case of services or eighteen percent in case of goods**, as the case may be, and are used or consumed as inputs in the provision of a taxable service under this Act, the recipient of such services or goods shall not be entitled to adjust the input tax paid on reduced rate of tax against output tax, payable on the service or services provided or rendered by him at immediate next stage of supply chain

Input tax credit not allowed (Section 17)

- Two new clauses have been added after clause n;
 - such goods in respect of which input tax adjustment is barred under the Sales Tax Act, 1990; and
 - tax levied and paid on services under the ICT (Tax on Services) Ordinance, 2001, on the services received by such person.

Section 27

A new sub-section (1A) has been inserted in section 27 “Assessment of tax and recovery of tax not levied or short levied” for imposition of penalty and default surcharge in case of failure to comply with the notice of the Authority. The sub-section reads as follows;

- Where a person fails to file a return or files a return or makes payment of tax after the due date or fails to furnish any information, explanation, documents, record or any other details as may be required in a notice issued under sections 36, 37, 60, 16 and 63 or fails to comply with the provisions of sections 34 or 64 of this Act, **an order under this section shall be passed to the extent of imposition of penalty or default surcharge** in accordance with sections 53 and 54 of this Act.

Offences and Penalties (S-53)

- Serial No. 4A has been added to penalise registered persons who after integration of their computerised system with that of the Authority fails to comply with e-invoicing system or issue invoices outside the e-invoicing system. **Such default attracts penalty of higher of Rs. 100,000/- or 5% of tax involved.**
- **A penalty of Rs. 200,000/-, Rs. 500,000/- and Rs. 1Million for first, second and thrid instance of default** have been introduced via addition of Serial No. 7A for an offence of non-provision of record/information against a notice.

Default Surcharge (S-54)

- Default surcharge rate has been increase from 12% to 24% per annum.

and

- In case of tax fraud, the rate has been increased from 24% to 36% per annum.

Second Schedule

- Following changes have been made with respect to applicable rates on certain services:

S. No.	Sector Name	Rates: FY 2023-24	Rates: FY 2024-25
1	Services provided or rendered by hotels, motels, guest houses, resorts, restaurants....	15%	13%*
	Exemption and Reduced Tax Rates:		
	Services provided or rendered by local non-corporate stand-alone hotels or chains of such hotels (including guest houses, clubs and lodges etc.) and restaurants; provided that the Restaurant Invoice Management System (RIMS) shall compulsorily be installed and working properly on regular basis on all restaurants registered with the Authority.	8%	6%
	RIMS has been made mandatory; earlier RIMS installed business have been allowed further reduced rate of 5% under this category.		
	Traditional type restaurants, usually called as dhaba or conventional hut-type or similar other road/street side non-air-conditioned restaurants.	1%	2%
Traditional accommodation facilities like sarrayae or inns or open air over night bed provisioning services	1%	2%	

Second Schedule

S. No.	Sector Name	Rates: FY 2023-24	Rates: FY 2024-25
1	Marriage or wedding halls including pandals and shamiana	8%	11%
	Fixed Rate Tax - Wedding/Marriage/Shadi Halls:		
	CATEGORY-A: Capacity of 500 or above persons and located in posh area of a major city.		Rs. 25,000 / function
	CATEGORY-B: Capacity > 300 < 500 persons and located in a municipality.		Rs. 15,000 / function
	CATEGORY-C: Capacity < 300 persons and located in suburb or roadside outside main city.		Rs. 10,000 / function

The registered person may opt one of the tax regimes, i.e. %age or fixed tax. The existing registered person was required to give his option till 25 June 2024;

provided a person liable to be registered in future, shall give such option at the time of registration with the Authority.

Second Schedule

Health Care Services operating in the private sector have been brought in the ambit of sales tax and serial No. 1A has been inserted;

S. No.	Sector Name	Rates: FY 2024-25
1A	Services provided by Health Care Centers etc. in private sector.	5% of the charges (including fixed charges, if any) of such centers or hospital beds/rooms: provided that the said charges exceed Rs. 10,000/- per day per bed/room.

S. No.	Sector Name	Rates: FY 2023-24	Rates: FY 2024-25
5	Services provided by customs agent	Non-Corporate 8% Corporate 15%	Fixed tax of Rs. 3,000/- per goods declaration
6	Advertisement on print media	1%	2%
13	Services provided by persons engaged in contractual execution or performance of works	5%	15%
19	Practitioners, professionals, consultants or advisers legal profession or field. <i>(at the time of filing of case and proof of attorney shall be filed with the Power of Attorney)</i>		Rs. 500 / case

Second Schedule

S. No.	Sector Name	Rates: FY 2023-24	Rates: FY 2024-25
20	Cinematographic production, photographic services, recording services and telecasting or broadcasting services	1%	2%
21	Event management services	8%	10%
22	Exhibition, convention or carnival services	8%	5%
26	Health insurance services and services in respect of Government sponsored Sehat Card Plus Programme	1%	10%
27	Cold storage services	1%	2%
29A	Service provided as facilities for intra provincial and inter provincial travel or transportation (including carriage) of persons by road through buses, coaches, coasters, wagons, jeeps, cars, taxis and other motor vehicles primarily meant for passengers' transport or other travelling or transportation services. In case of inter-provincial transportation of persons by road through the above means, the value for the purposes of sales tax shall be reduced by 50% where such services originate or terminate in the Province.	-	5%

Second Schedule

S. No.	Sector Name	Rates: FY 2023-24	Rates: FY 2024-25
34	Services provided or rendered by under writers including sponsorship services.	1%	2%
36	Services provided or rendered by auctioneers.	1%	2%
39	Services provided or rendered 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	1%	2%
41	Ride-hailing or ride-hail services like Uber, Cream, Biker and Lyft etc.	2%	5%
44	Services relating to or in respect of the installation, erection, commissioning or other permanent structure-affixed/ linked/ tied placement (whether full or in part) of any industrial, mechanical or electrical plant, machinery or equipment (excluding installation of domestic equipment etc. for residential use).	1%	2%
46A	Management services including fund and asset management services	-	15%

BALUCHISTAN SALES TAX ON SERVICES

Fund and Asset Management Services

The following are the changes made to the Balochistan Sales Tax on Services Act, 2015 through Finance Act 2024.

Fund and Asset Management Services

Section 2(76A)

A definition for Fund and Asset Management services has been inserted, these services are taxable under tariff heading 9825.0000 at the rate of 15%

“Fund and Asset Management Services” includes the services provided or rendered in relation to assets management, portfolio management and all kinds of fund management”

Indoor Sports and Games Center And Ready Mix Concrete Service

Indoor Sports and Games Center

Section 2(85A)

A definition for Indoor Sports and Games Center has been inserted, these services are taxable under tariff heading 9821.2000 at the rate of 15%

“Indoor Sports and Games Center” by whatever name called, includes a person who provides or renders the facility of indoor sports or games whether for amusement, recreation or otherwise, for a consideration in its premises.

Ready Mix Concrete Service

Section 2(127A)

A definition for Ready Mix Concrete Service has been inserted, these services are taxable under tariff heading 9837.0000 at the rate of 15%

“Ready Mix Concrete Service” means the services provided or rendered in relation to presentation, batching, mixing, transportation or delivery of ready-mix concrete.

Software or IT Based System Development Consultant

Section 2(154B)

A definition for Software or IT Based System Development has been inserted, these services are taxable under tariff heading 9815.6000 at the rate of 4% (previously 15%)

“Software or IT Based System Development Consultant” means the person providing or rendering the services in relation to software or information technology, including;

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- (a) the development of software, network, or IT based system and maintenance thereof;
- (b) the study, analysis, design, and programming of software or IT based system;
- (c) the adaptation, up-gradation, customization, enhancement, integration, implementation, and other similar services related to software or IT based system;
- (d) web-hosting and cloud services;
- (e) provision of advice, guidance, consultancy, and assistance in matters related to software or IT based system including conducting feasibility studies on implementation of a system;
- (f) provision of specifications for a database design, implementation, and management;
- (g) provision of specifications to secure database;
- (h) provision of the right, whether by licensing or otherwise, to use software or IT based system for commercial exploitation including right to reproduce, distribute and sell the software components for creation of and inclusion in other software or IT based system products and the renewal of such a right or, license; and
- (i) provision of the right, whether by licensing or otherwise, to use or IT based system supplied electronically and the renewal of such a right or a license.

Standard or General Tax Rate Application Choice And Refund

Standard or General Tax Rate Application Choice

Section 16-D

A new section has been inserted to give choice to registered person to either opt to pay sales tax at standard rate and take input tax adjustment or reduced rate without input tax adjustment for any service or class of services chargeable to reduced rate of tax.

The option can only be exercised subject to prior permission from the Authority. The Company is required to intimate to the Authority at least one month in advance and is not entitled to revert to reduced rate without prior permission from the Authority.

Refund

Section 16-E

A new section has been inserted for refund claims. The claim for refunds is to be made within 1 year of the date of payment. Refund is not admissible if incidence of tax has been passed directly or indirectly to the consumer.

The manner and mode of payment of refund are to be prescribed by the Government.

Automatic Registration And Power to Call for Information

Automatic Registration

Section 26A

A new section has been added for taxpayers already registered with the Federal Board of Revenue for the purposes of sales tax / federal excise duty and providing taxable services in Balochistan, will be automatically registered for Balochistan Sales Tax on Services and the registered person will be intimated through email or SMS and by courier or post.

Power to Call for Information

Section 57A

Through insertion of section 57A, the Commissioner has the powers to require any person including a banking company to furnish such information or statement in connection with any investigation or inquiry in cases of tax fraud.

Second Schedule

- Second schedule has been amended for the following changes;

Tariff heading	Description	Previous rate	New rate
9801.5000	Services provided or rendered by marriage halls, lawns, mandap, pandal and shamiana including floral and decoration, etc.	15%	Rs.25,000 per month or 4% of the gross amount of services provided, whichever is higher, without input tax credit or adjustment.
9805.5200	Hajj operators	6%	0%
9815.6000	Software or IT based system developers and consultants	15%	4%
9854.0000	Tuition and coaching centers	15%	0%

ISLAMABAD CAPITAL TERRITORY – CAPITAL VALUE TAX

Capital Value Tax

The Capital Value Tax (CVT), introduced through the Finance Act 2022, has been imposed on farmhouses and residential houses located within the Islamabad Capital Territory based on their area, regardless of their value, as follows.

S. No	Assets Description	Rate
1	Farmhouse	Rs. 500,000 for the farmhouse with an area between 2,000 square yards and 4,000 square yards and Rs. 1,000,000 rupees if the area exceeds 4,000 square yards
2	Residential house	Rs 1,000,000 for the residential house with an area between 1,000 square yards to 2,000 square yards, and Rs 1,500,000 if the area exceeds 2,000 square yards

Farmhouse means as defined in clause (b) of sub-section (4) of section 7E of the Income Tax Ordinance)

Khyber Pakhtunkhwa – Changes in other laws

1. **The Stamp Act 1899**
2. **West Pakistan Urban Immovable Property Tax Act, 1958**
3. **The Khyber Pakhtunkhwa Real Estate Agents and Motor Vehicles Dealers (Regulation Of Business) Ordinance, 1983**
4. **The Khyber Pakhtunkhwa Finance Act, 1996**
5. **The Khyber Pakhtunkhwa Land Tax and Agriculture Income Tax Ordinance, 2000**
6. **Khyber Pakhtunkhwa Finance Act, 2010**
7. **Khyber Pakhtunkhwa Infrastructure Development Cess Act, 2022**
8. **Khyber Pakhtunkhwa Provincial Excise Duty (Un-manufactured Tobacco) Act, 2024**

The Stamp Act 1899

The Stamp duty for transfer of plots have been increased from a fixed charge to 2% of the value of plot (higher of FBR value or DC).

Article	Sector Name	Rates: FY 2023-24	Rates: FY 2024-25
6(A)	Allotment Order or Transfer of Allotment Order issued by a developer, builder, co-operative Society, housing society or housing authority, or any other body or organization providing open plots dwelling houses or built-up commercial premises; (i) in respect of residential open plots. (ii) in respect of commercial open plots.	 Rs. 1,200 per Marla Rs. 2,000 per Marla	 2% of the value of the plot as per Valuation Table of the FBR or DC, as the case may be, whichever is higher

In Article 23, stamp duty on “Conveyance” (not specifically otherwise provided in Schedule 1) has been reduced from 2% to 1% of the value of the property.

West Pakistan Urban Immovable Property Tax Act, 1958

The deadline for availing rebate of 20% on tax assessed has been moved from 31st December to 31st July

Section 4 has been amended for the following;

- i) Exemption has been extended to residential buildings with area up to **4.9 Marla** from earlier limit of area up to **3 Marla**.
- ii) Exemption provided to industrial units within jurisdiction of Khyber Pakhtunkhwa EZMIC has been withdrawn

West Pakistan Urban Immovable Property Tax Act, 1958

Existing Schedule-I and Schedule-II have been substituted with new schedules. Key changes are;

- i. Residential rates have been increased
- ii. A new table has been added in Schedule-I for tax calculated on %age basis in respect of residential property rented out to Government Institutions, Companies, Banks etc.
- iii. Schedule-II: Flat rate of 15% for commercial properties rented out has been changed various percentages applicable to respective categories given in Part A.
- iv. Locality factor rate has also been changed
- v. Tax for educational institutes has been changed from covered area basis to fixed tax, based on the locality.

The Khyber Pakhtunkhwa Real Estate Agents and Motor Vehicles Dealers (Regulation Of Business) Ordinance, 1983

- A person who intends to do business of a real estate agent or a motor vehicles dealer is required to be registered under this Ordinance.
- Section 5 is about registration and section 6 is about renewal.
- Now section 6A has been inserted for Fee for registration and its renewal, to be payable to the registering authority (District Excise and Taxation Officer);

One time registration fee	Rs. 20,000/-
Annual Renewal fee	Rs. 15,000/-

The Khyber Pakhtunkhwa Finance Act, 1996

- Sub-section (1) of section 11 of the Act has been substituted for the new rates.
- There shall be levied and collected Tobacco Development Cess on the transportation of the following categories of tobacco and its various parts at the following rates, namely:

S. No.	Description	Rates: FY 2023-24	Rates: FY 2024-25
(a)	for Virginia (flue-cured, barley and dark-air-cured)	Rs. 6.00 per kilogram	Rs. 50/- per kilogram or 03% of the invoice value, whichever is higher
(b)	for white Patta/Rustica tobacco including khaka, kara and Roth made of the main stalk (dandi) and stem of tobacco	Rs. 3.00 per kilogram	Rs. 30/- per kilogram or 03% of the invoice value, whichever is higher
(c)	for snuff / naswar	Rs. 2.5 per kilogram	Rs. 7.5/- per kilogram or 03% of the invoice value, whichever is higher."

The Khyber Pakhtunkhwa Land Tax and Agriculture Income Tax Ordinance, 2000

- Land tax has been increased and first schedule amended as follows;

S. No.	Kind / Area of Land	Per Acre Rate: FY 2023-24	Per Acre Rate: FY 2024-25
(a)	Slab of total cultivated land, computed as Irrigated land, by treating one irrigated Acre as equal to three* un-irrigated acres, excluding orchards:		
	(i) Not exceeding 1 acre;	Exempted	Exempted
	(ii) Up to 12 ^{1/2} acres; and	Rs. 225	Rs.300
	(iii) Above 12 ^{1/2} acres.	Rs. 340	Rs.500
(b)	Orchard		
	Up to 1Acre	Rs. 900	Rs. 1,000
	1 Acres to 5 Acres	Rs. 900	Rs. 2,000
	5 Acres to 12 ^{1/2}	Rs. 900	Rs.3,000
	Above 12 ^{1/2} Acres	Rs. 900	Rs.4,000

* Previously two

Khyber Pakhtunkhwa Finance Act, 2010

- Section 2 has been amended, and rate of tax on capital value of immovable property has been reduced from 2% to 1%.

Khyber Pakhtunkhwa Infrastructure Development Cess Act, 2022

- Section 3 of the Act has been substituted as follows;
 - Subject to the provisions of this Act, there shall be levied, collected and administered a cess at the rate of two percent (02%) on transportation, carriage or movement of goods,-
 - (a) manufactured or produced or traded or consumed in the Province at a value as determined by reference to the value determined or determinable under the Sales Tax Act, from such date as may be notified by the Government; and
 - (b) imported into or exported out of or transited through the Province at a value as determined for purposes of the Customs Act.
- The infrastructure development cess was first introduced through Khyber Pakhtunkhwa Finance Act, 2013 and rules for collection of cess were framed with tax rate of 1%.
- A notification dated 19 August 2022 was issued by the Finance department, levying 1% infrastructure development cess on the value of goods imported in the province.

Khyber Pakhtunkhwa Provincial Excise Duty (Un-manufactured Tobacco) Act, 2024

- A provincial excise duty on un-manufactured tobacco, produced and processed in the province, has been imposed to manage, control and reduce the use of tobacco and to establish an efficient and sustainable health care system.
- Under section 3, an excise duty is levied at the rate of Rs. 50 per kg on all un-manufactured tobacco produced within the province.
 - The excise duty is payable by the person at the time of removal of the un-manufactured tobacco from the Green Leaf Threshing Unit.
 - No movement of un-manufactured tobacco outside the province is allowed unless excise duty is paid thereon.

Registration

- Every Green Leaf Threshing Unit shall get itself registered with the Directorate General, Excise, Taxation and Narcotics Control, Khyber Pakhtunkhwa

Thank you!



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