A GUIDE ON ISLAMABAD SALES TAX ON SERVICES RATES 2026-27

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Preamble

Sales tax on services in Islamabad Capital Territory (ICT) is little bit simple with a small list of taxable services.

With frequent changes through annual federal budget, notifications and SROs issued by the Federal Board of Revenue, businesses and professionals often find it challenging to stay fully updated.

This guide has been prepared to make things easier.

It brings together ICT Sales Tax on Services rates for the financial year 2026–27 in one place and explains them clearly.

Services have been divided into logical categories such as standard rate, reduced rate, zero-rated and exempted services, so readers can quickly identify what applies to them.

Rather than repeating legal language, the aim of this handbook is to present the law in a simple, readable, and usable format. So, business owners, accountants, students and consultants can refer to in their day-to-day work.

While every effort has been made to ensure accuracy based on the existing law and FBR notifications, this guide should be used as a reference, not a substitute for the law itself.

I dedicate this guide to my family and parents. And with their support, I have been able to build my accounting, tax and business consultancy.

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A Brief Overview of Islamabad Sales Tax

The Islamabad Capital Territory (Tax on Services) Ordinance, 2001 (the Ordinance) governs the Sales tax on services which are rendered in ICT. The Federal Board of Revenue (FBR) has authority to levy and collect sales tax on taxable services which are rendered in ICT.

The rates are:

1. Standard rate – 15%
2. Reduced rate – 5%
3. Zero rate – 0%
4. Exempted Services

Taxpayers cannot clam input tax credit against reduced-rate and zero-rated services. Some standard rate services have option of taxation at reduced rates. This guide has separate section on it.

Standard Rate of Sales Tax on Services

Table-1 of the ICT Sales Tax on Services Ordinance 2001 specifies services which are taxed at standard rates.

Sr. No as per Table 1	**Services and Service Providers**	**PCT Headings (HS codes)**	**Sales Tax**
1(i)	Hotels, motels, guest houses, farmhouses, marriage halls, lawns, clubs and caterers	98.01 series	Tax will be 5% if customer pays via credit or debit card, mobile wallet or QR code. Otherwise, sales tax will be 15% if customer pays bill in cash.
1(ii)	Restaurants including cafes, food and ice-cream parlors, coffee house, coffee shops, deras, food huts, eateries, resorts and similar cooked, prepared or ready-to-eat food service outlets etc.	98.01 series	Same as above in 1(i)
2	Advertisements on TV and radio excluding exempted one(s).	9802.1000 & 9802.2000	15%
3	Services provided by stevedores, customs agents and ship chandlers	98.05 series	15%
4	Courier and cargo services provided by the courier companies via road	9808.0000 9804.9000	15%
5	Construction services excluding the exempted one(s).	Respective heading	15%

Sr. No as per Table 1	Services and Service Providers	PCT Headings (HS codes)	Sales Tax
6	Services provided by the property developers and promoters (including the allied services). For the purpose of calculation of sales tax on services, the actual purchase value or documented cost of land will not be considered. Let's assume, cost of a house construction is Rs.7 million and plot costed Rs.10 million. The contractor will charge sales tax on the basis of Rs. 7 million.	9807.0000 and 98.14 series	Rs.100/sq. yard for land development and Rs.50/sq. ft for building construction
7	Provision of services or execution of word under a contract excluding the exempted one(s).	9809.0000	15%
8	Personal care services rendered by beauty parlours, salons, slimming clinics, pedicure centres and body massage centres. Personal care services also include plastic and cosmetic surgery. Standard rate (15%) will be applied if these businesses: 1. Have annual revenue exceeding Rs. 3.6 million or 2. Are operating in air-conditioning facility (AC is installed or it is available at the premises).	9810.0000 9821.4000 and 9821.5000	15%
9	Management consultancy services	9815.4000, 9819.9300	15%
10	Freight forwarding agents, packers and movers	9805.3000, 9819.1400	15%
11	IT and IT-enabled services Explanation: **IT services** cover software development, software maintenance, system integration, web design, web development, web hosting and network design. **IT enabled services** cover inbound or outbound call centres, medical transcription, remote monitoring, graphics design, accounting	Respective headings	15%

Sr. No as per Table 1	Services and Service Providers	PCT Headings (HS codes)	Sales Tax
	services, human resources (HR) services, telemedicine centres, data entry operations, cloud computing services, data storage services, locally produced television programs and insurance claims processing.		
12	Technical, scientific and engineering consultants	9815.9000	15%
13	Services provided by other consultants (other than those mentioned in serial no.12 above) including HR, market research and credit rating services	9815.9000 9818.3000 9818.2000	15%
14	Tour operators and travel agents (other than Hajj / Umrah services)	9805.5100 9805.5000 9803.9000	15%
15	Manpower recruitment and labour supply agents	9805.6000	15%
16	Security agencies	9818.1000	15%
17	Advertising agents	9805.7000	15%
18	Services provided by share transfer and depository agents. These services also include recording and maintenance of securities; and registration of transfer of shares, securities and derivatives.	9805.9000	15%
19	Business support services	9805.9200	15%
20	Fashion designers (textile, leather, jewellery, dress etc.) Serial 20 covers all the allied services like marketing, packing, delivery and display, etc.	9819.6000	15%
21	Architects, town planners and interior decorators	9814.1000 9814.9000	15%
22	Rent-a-car services	9819.3000	15%
23	Specialized workshops (such as auto, machinery, industrial design, construction machinery, household electronics, computer hardware, etc.), services stations, car wash and other workshops	98.20 series	15%

Sr. No as per Table 1	Services and Service Providers	PCT Headings (HS codes)	Sales Tax
24	Fumigation, maintenance (building and equipment both), cleaning, janitorial, dredging or de-silting services and other similar services.	98.22 series	15%
25	Underwriters, commission agents, indenters, brokers (other than stock) and auctioneers.	9819.1100, 9819.1200, 9819.1300 and 9819.9100	15%
26	Laboratories (other than pathological / diagnostic labs)	98.17 series	15%
27	Health clubs, gyms, physical fitness centres, indoor sports, game centers and sauna / body massage centres.	9821.1000 9821.2000 9821.4000	15%
28	Laundries and dry cleaners	9811.0000	15%
29	Cable TV operators	9819.9000	15%
30	Technical analysis and testing services	9819.9400	15%
31	TV / radio program producers and production houses	-	15%
32	Pipeline and conduit transportation	-	15%
33	Fund and asset management services	-	15%
34	Inland ports, air ports, dry ports and terminal operators including public warehouses.	-	15%
35	Technical inspection, certification and quality control services.	-	15%
36	Erection, commissioning and installation services	-	15%
37	Event management services	-	15%
38	Valuation, competency and eligibility testing services excluding education testing services provided or rendered under a bilateral or multilateral agreement signed by the Government of Pakistan	-	15%
39	Exhibition and convention services	-	15%
40	Mining of minerals, oil and gas services	-	15%
41	Property dealers and realtors	-	15%
42	Call centres	-	15%
43	Car and automobile dealers	-	15%

Sr. No as per Table 1	Services and Service Providers	PCT Headings (HS codes)	Sales Tax
44	Advertisement on billboards, signboards, websites and internet.	9802.9000	15%
45	Landscape designers	9814.4000	15%
46	Sponsorship services	9805.9100	15%
47	Legal practitioners and consultants	9815.2000	15%
48	Accountants and auditors	9815.3000	15%
49	Stockbrokers including future brokers and commodity brokers, money exchangers, videographers, photographers, surveyors, art painters, auctioneers and registrar to an issue.	9819.1000, 9819.2000, 9819.5000, 9819.7000, 9819.8000, 9819.9100, 9819.9500 and 9819.9090	15%
50	Race clubs (entry, admission and other services)	-	15%
51	Corporate law consultants	9815.9000	15%
52	Visa processing and migration consultancy	-	15%
53	Debt collection and recovery services	-	15%
54	Supply chain and distribution services	-	15%
55	Inter-city transportation or carriage of goods	-	15%
56	Ready-mix concrete services	-	15%
57	Public relations services	-	15%
58	Training and coaching (other than education)	-	15%
59	Cleaning, janitorial, waste collection and processing	9822.2000, 9822.3000 and 9822.9000	15%
60	Electric power transmission services	-	15%

Reduced Rate Services

Table-2 of the ICT Sales Tax Ordinance 2001 includes services that are charged at reduced rates and zero rates.

Sr. No as per Table 2	**Services and Service Providers**	**PCT Headings (HS codes)**	**Sales Tax**
2	Personal care services rendered by beauty parlours, salons, slimming clinics and plastic surgery services, body massage centers and these businesses: 1. Have annual revenue less than Rs. 3.6 million or 2. Are not operating in air-conditioning facility (AC is not installed or it is not available)	9810.0000, 9821.4000 and 9821.5000	5%
3	Freight forwarding agents, packers and movers	9805.3000 and 9819.1400	5% or Rs.1000 per bill of lading whichever is higher
4	Tour operators and travel agents (other than Hajj / Umrah services)	9803.9000, 9805.5000 and 9805.5100	5%
5	Specialized workshops (auto, machinery, electronics, computer hardware etc.)	98.20 series	5%
6	Health clubs, gyms, indoor sports, sauna, game centers	9821.1000 9821.2000 9821.4000	5%
7	Laundries and dry cleaners	9811.0000	5%
9	Car / automobile dealers	-	5%
10	Marriage halls, lawns, pandal, shamiana services and caterers	-	5%
11	Software / IT-based system development consultants	9815.6000	5%

Option of Taxation at Reduced Rate

Following businesses can opt reduced rate of 5%. If they opt it, they will not enjoy the facility of claiming input tax credit. It means that businesses cannot claim sales tax which they have paid for rendering their services.

1. Tour operators and travel agents
2. Freight forwarding agents, packers and movers
3. Specialized workshops like auto, machinery, electronics, computer hardware etc.
4. Health clubs, gyms, indoor sports, sauna, and game centers
5. Laundries and dry cleaners
6. Car and automobile dealers
7. Marriage halls and lawns, pandal, shamiana service providers and caterers
8. Software houses and IT based system development consultants

Zero-Rated Services

Below are zero-rated services.

Sr. No as per Table 2	Services and Service Providers	PCT Headings (HS codes)
1	Construction projects including those executed by international tenders under the foreign funds.	9814.2000 and 9824.0000
8	Services provided by property dealers and realtors.	Respective headings
12	Services provided by property developers and promoters (including allied services) relating to low-cost housing schemes sponsored or approved by Naya Pakistan Housing and Development Authority or under Government's Ehsaas programme.	9807.0000 and respective sub-headings of 98.14

Services Exempted from Sales Tax

Table-1 of the ICT (Tax on Services) Ordinance 2001 also covers exempted services.

Sr. No as per Table 1	Services and Service Providers	PCT Headings (HS codes)
2	Advertisements on TV and radio which are sponsored by: 1. The Federal or Provincial Government for health education; 2. The Population Welfare Division relating to educational promotion campaign; 3. The Government funds under the grant-in-aid agreement; and 4. The World-Wide Fund for Nature (WWF) or United Nations Children's Fund (UNICEF) for conveying public service messages.	9802.1000, 9802.2000
5	Construction projects where: 1. Cost (excluding actual and documented cost of land) of industrial and commercial projects does not exceed Rs.50 million per annum; 2. Tax is already paid Under "Property Developer or Promoter" Regime; 3. Government (including cantonment boards) executes civil work; 4. International tenders execute projects under the foreign funds; 5. Industrial zones and consular buildings are constructed; 6. Income-tax exempted organizations execute construction; and 7. Covered area does not exceed 10,000 square feet for houses and 20,000 square feet for apartments (residential projects).	9824.0000 and 9814.2000
7	Execution of contract where: 1. Annual total value of the contractual work or supplies does not exceed Rs. 50 million; and 2. It involves printing or supplies of books.	Respective headings
14	Hajj and Umrah Services	Respective headings
58	Educational services Schools, colleges and universities (operating in Islamabad Capital Territory) can't charge sales tax.	Respective headings

Disclaimer

This guide is for general information only and it has been prepared on the basis of ICT (Tax on Services) Ordinance 2001 (updated for FY 2026–27) and the Federal Finance Act 2026. Tax laws change from time to time, and the applicability of a rule may vary depending on individual circumstances.

This handbook should not be treated as professional tax advice. For specific guidance, please consult a qualified tax professional or refer to the latest notifications issued by the Islamabad Revenue Authority.

References

1. ICT (Tax on Services) Ordinance 2001 updated up to 30th June 2026.
2. SROs, notifications and circulars issued by FBR.
3. The Federal Finance Act 2026.

Closing Remarks

Islamabad sales tax on services touches almost every sector of the economy, from small service providers to large corporate businesses. Correctly identifying the nature of a service and applying the right tax rate is essential to avoid unnecessary costs, penalties, and disputes with tax authorities.

This guide attempts to simplify a complex subject by presenting the applicable rates for FY 2026–27 in a clear and structured way. However, tax laws evolve, and the application of sales tax can vary depending on the facts of each case. For this reason, readers are encouraged to remain attentive to new FBR notifications and seek professional advice where situations are unclear or involve higher risk.

At **ConSerIC Accountants**, we believe that informed taxpayers make better decisions. Our goal is to help individuals and businesses understand their obligations, comply with confidence, and focus on growth without being overwhelmed by technicalities.

If you need assistance with registration, return filing, audits, advisory matters, or sales tax planning, our team will be glad to support you—always serving with dignity.

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