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PROVINCIAL ASSEMBLY OF THE PUNJAB

NOTIFICATION

July 01, 2026

No. PAP/Legis-2(140)/2026/806. The Punjab Finance Bill 2026, having been passed by Provincial Assembly of the Punjab on June 27, 2026, and assented to by Governor of the Punjab on July 01, 2026, is hereby published as an Act of Provincial Assembly of the Punjab.

THE PUNJAB FINANCE ACT 2026

ACT L OF 2026

[First published, after having received the assent of the Governor of the Punjab, in the Gazette of the Punjab (Extraordinary) dated July 01, 2026.]

An

Act

to levy, alter and rationalize certain taxes, fees and duties in the Punjab.

It is necessary in public interest to levy, alter and rationalize certain taxes, fees and duties in the Punjab and the matters ancillary thereto and connected therewith.

It is hereby enacted by Provincial Assembly of the Punjab as follows:

1. Short title, extent and commencement.– (1) This Act shall be called the Punjab Finance Act 2026.

(2) It shall come into force on and from the first day of July 2026.

2. Amendment of Act V of 1958.– In the Punjab Urban Immovable Property Tax Act, 1958 (V of 1958), in section 12:

(a) in sub-section (1), after the words "shall be paid", the word "electronically" shall be inserted; and

(b) in sub-section 3, for the words "every month of delay" and the expression "31st day of October", the expression "October, January, April and July" and "30th September, 31st December, 31st March and 30th June" shall be substituted respectively.

3. Amendment of Act XXXII of 1958.– In the Punjab Motor Vehicles Taxation Act, 1958 (XXXII of 1958), in the Schedule, in third column, under the heading **Annual Rate of Tax**:

(a) at S.No.2, for the figures "2200", "4000", "6000" and "8000", the figures "6600", "12000", "18000" and "24000" shall be substituted respectively; and

(b) at S. No. 4, against clauses (b) and (c), for the expressions "0.2%" and "0.3%", the expressions "0.3%" and "0.4%" shall be substituted respectively.

4. **Amendment of Act XIV of 1973.**– In the Punjab Finance Act, 1973 (XIV of 1973), in the Sixth Schedule, at Serial. No.9, the entries in columns 1 to 3 shall be omitted.

5. **Amendment of Act XLII of 2012.**– In the Punjab Sales Tax on Services Act 2012 (XLII of 2012):

(a) in section 2, for sub-section (1), the following shall be substituted:

"(1) "active taxpayer" means a registered person who does not fall in any of the following:

(i) whose registration has been suspended or blacklisted by the Authority; and

(ii) who has failed to file the return by the due date for the last two consecutive tax periods;";

(b) in section 5, in sub-section (3), after the words "amendments in the", the words "First or" shall be inserted;

(c) in section 16B, in sub-section (1), after clause (f), the following shall be inserted:

"(ff) the goods and services received against invoices issued by the persons not appearing in the active taxpayers list of the Authority or FBR;";

(d) in section 16C, in sub-section (1), for the word "ninety", the word "eighty" shall be substituted;

(e) after section 16C, the following shall be inserted:

"**16CC. Adjustment of input tax on certain goods and services.**– Notwithstanding anything contained in section 16C and subject to section 16B, input tax on capital goods, machinery, and fixed assets shall be adjusted against output tax in twelve equal monthly instalments.

16CCC. Input tax management through risk-based evaluation system.– (1) Notwithstanding anything contained in this Act or the rules, the Authority may establish, administer, and implement a risk-based evaluation system for the purpose of identifying, analyzing, evaluating, and monitoring the risks associated with the input tax claims, adjustments, credits, and refunds.

(2) The Authority may, on the basis of risk parameters, data analytics, or any other relevant information, establish and maintain a risk register for the categorization and profiling of taxpayers, suppliers, transactions, or classes thereof, for the purposes of risk assessment, compliance monitoring, and enforcement under this Act.

(3) Where any input tax claim or adjustment is identified as carrying risk, the Authority may, for the reasons to be recorded in writing and subject to such procedure as may be prescribed:

(a) defer the admissibility of such claim pending for verification; or

(b) disallow input tax credit or adjustment, in whole or in part; or

(c) require the registered person to furnish additional information or evidence; or

(d) select the case for audit or investigation.

(4) All input tax claims, credits, adjustments, or refunds shall be subject to verification, evaluation, and determination through the risk management system established by the Authority under this Act.

(5) No adverse action under this section shall be taken without providing an opportunity of being heard to the person to be affected thereby.

(6) The person, aggrieved by the action taken under this section, may contest such action by filing application along with relevant documents before the Commissioner concerned, who shall decide such application within thirty days.

(7) The Authority may prescribe the manner of operation, risk parameters, safeguards, and governance framework of the risk management system.";

(f) in section 48, in sub-section (2):

(i) at S. No. 5, in column 3, for the existing entries, the following shall be substituted:

"Such person in case of:

(a) an individual, shall pay a penalty up to one hundred thousand rupees for the first default and one hundred thousand rupees for each subsequent default; and

(b) a company or association of persons, shall pay a penalty up to five hundred thousand rupees for the first default and five hundred thousand rupees for each subsequent default.";

(ii) at S. No. 16, in column 3, for the words "one hundred", the words "five hundred" shall be substituted;

(iii) at S. No. 17, in column 3, for the words "twenty" and "fifty thousand", the words "five hundred" and "one million" shall be substituted respectively;

(iv) at S. No. 20, in column 3, for the words "one hundred thousand rupees, but not less than twenty five", the words "five hundred" shall be substituted;

(g) in section 56, in sub-section (1), for the word "Authority", the word "Commissioner" shall be substituted and thereafter the words "by notification in the official Gazette" shall be omitted;

(h) in section 60, in sub-section (1):

(i) in clause (b), for the word "ten", the word "fifty" shall be substituted; and

(ii) in clause (c), for the word "five", the expression "twenty-five" shall be substituted;

(i) for section 76A, the following shall be substituted:

"**76A. Power to restrain certain authorities.–** The Authority may, by notification in the official Gazette, require that:

(a) any authority competent to issue or renew a license or to grant permission or to issue no objection certificate to any person to engage in an economic activity which is a taxable service, shall not issue or renew such license or grant permission or issue no objection certificate unless the licensee or the grantee furnishes the evidence that he is a duly registered person under the Act and is on the active taxpayers list of the Authority; and

(b) any procuring agency awarding or renewing any contract constituting taxable services shall not award or renew contract, unless the bidder, contractor, supplier or consultant is a registered person and is also on the active taxpayers list under the Act:

provided that a newly established business shall be exempt from the application of this section for a period of six months from the date of its registration.";

j) in the **FIRST SCHEDULE**, at S/N 25, the entries in columns (1) to (3) shall be omitted; and

') in the **SECOND SCHEDULE**, in **PART-III [REDUCED RATE SERVICES]**:

(i) at S/N 1, in column (4), for the existing clauses, the following shall be substituted:

"(a) eight 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.";

(ii) at S/N 2, S/N 4, in clause (a), S/N 10, S/N 12, S/N 14, S/N 15, in clause (a), S/N 18, S/N 19, S/N 22, in clause (a), S/N 25, S/N 30, S/N 32, in column (4), for the word "Five", the word "Eight" shall be substituted;

(iii) at S/N 9, in column 2, the expression "event management services (whole range and variety of their services regardless of separate or individual classification thereof)," shall be omitted; and

(iv) after S/N 34, the following shall be added:

"35.	Foreign exchange services provided by any person including exchange company, Forex Dealer and Money Changer shall pay the tax leviable on the services rendered or provided to any person in respect of currency exchange.	Respective headings	Three percent without input tax adjustment. Explanation: 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.
36.	Event management services (whole range and variety of their services regardless of separate or individual classification thereof).	Respective headings	Eight percent without input tax adjustment.".

6. **Amendment of XXVII of 2015.–** In the Punjab Motor Vehicle Transaction Licensees Act 2015 (XXVII of 2015), after section 3, the following shall be inserted:

"**3-A. Motor vehicle transaction licensee to act as withholding agent.–** (1) All motor vehicle transaction licensees shall act as the withholding agents for the purposes of the Act.

(2) No authorized dealers shall act without obtaining motor vehicle transaction license under the Act.

(3) No motor vehicle transaction licensee shall deliver the sold vehicle to the owner or any other person unless:

(a) such motor vehicle is registered in terms of the Ordinance;

(b) all prescribed fee, taxes and such other duties and charges have been withheld and deposited to the Government in such manner as may be prescribed; and

(c) standardized number plates, as approved by the Government, have been displayed on such motor vehicle.

(4) In case of any violation of sub-section (3), the motor vehicle licensee shall be liable to pay the amount of prescribed fee, taxes, duties and other charges along with the fine equal to the said amount in such manner as may be prescribed.".

Ch Amer Habib
Secretary General