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

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Preamble

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Sales tax on services in Punjab can feel complicated, especially when different services are taxed at different rates and under different regimes.

With frequent changes through annual budget, notifications and SROs issued by the Punjab Revenue Authority (PRA), businesses and professionals often find it challenging to stay fully updated.

This guide has been prepared to make things easier.

It brings together the Punjab Sales Tax on Services rates for the financial year 2026–27 in one place and explains them in a clear and practical manner.

Services have been divided into logical categories such as standard rate, reduced rate, fixed tax, zero-rated, and tax-free 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 PRA 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 Punjab Sales Tax

Punjab Sales Tax on Services Act, 2012 (the Act) governs the Sales tax on services which are rendered in the province of Punjab. The Punjab Revenue Authority (PRA) levies and collects sales tax on such services.

The rates are:

1. Standard rate – 16%
2. Higher than standard rate – 19.5% (Telecommunication services)
3. Lower than standard rate – 15% (Carriage of goods by rail or road)
4. Reduced rate – 3%, 5% and 8%
5. Zero rate – 0%
6. Tax free – Nil
7. Fixed rates for property developers and freight forwarding agents

Remember!

1. Taxpayers cannot clam input tax credit against reduced-rate and zero-rated services.
2. For some standard rate services, there is an option of taxation at reduced rate

Avoid double taxation on construction projects!

If a registered builder or developer is already paying sales tax on the construction project, the contractor working for them will not need to pay sales tax again.

If the person receiving the construction service is already paying the sales tax in their capacity as a developer or builder, the contractor again will not pay sales tax.

Standard Rate of Sales Tax on Services

Below is the detailed list of standard rates of Punjab sales tax on services

Sr. No	Services and Service Providers	PCT Headings (HS Codes)	Option of Taxation at reduced rate (5% or 8%)	Sales Tax on Services
1	Hotels, motels and guest houses (corporate, franchisee, part of or operating chain businesses, they have 20 or more rooms)	9801.1000	Yes at 8%	16%
2	Restaurants including cafes, food parlors, coffee houses, coffee shops, deras, food huts, eateries, resorts and similar cooked, prepared or ready-to- eat food service outlets etc.	98.01 series	Yes at 8%	16% The sales tax will be 8% (without input tax adjustment) if customer pays via credit or debit cards, mobile wallets or by scanning the QR codes.
3	Rent-a-car services (including renting of all categories of vehicles for the transportation of persons) provided to customers other than end consumers.	9819.3000	No	16%
4	Authorized car and automobile dealers including car companies	9806.3000 9845.0000	No	16%
5	Brokerage (other than stock) and indenting services including agents, brokers, under-writers and auctioneers	9829.0000 9819.1200 9819.1100 9819.1300 9819.9100	No	16%
6	Actuaries, liquidators, receivers, auctioneers and practicing company secretaries	Respective headings	No	16% whereas corporate law consultancy services are taxed at 8%.

Sr. No	Services and Service Providers	PCT Headings (HS Codes)	Option of Taxation at reduced rate (5% or 8%)	Sales Tax on Services
7	Telecommunication services (There is a long list of such services which fall under this category. A separate section is covering these services.	98.12 series	No	19.5%
8	Carriage of goods by rail or road	98.04 series	No	15% with input tax adjustment for service provider and service recipient
9	Construction services and projects excluding government civil works and tax- free projects.	9814.2000, 9824.0000	Only available for govt civil work	16%
10	Property developers and promoters (standard regime)	9807.0000	No	16%
11	Management consultancy services	9815.4000	No	16%
12	Technical, scientific and engineering consultants	9815.9000	No	16%
13	Advertising agents (with some exclusions mentioned in the separate section of this guide)	9805.7000	No	16%
14	Insurance services other than individual health insurance. Punjab sales tax act also specifies these standard rate insurances: fire, goods, health (other than individual), life, marine and theft.	98.13 series	No	16%
15	HR, training and personnel development services	Respective headings	No	16%

Sr. No	Services and Service Providers	PCT Headings (HS Codes)	Option of Taxation at reduced rate (5% or 8%)	Sales Tax on Services
16	Exhibition and convention services	Respective headings	No	16%
17	Valuation & evaluation services	Respective headings	No	16%
18	Certification, verification & equivalence services	Respective headings	No	16%
19	Market research or sales and marketing services	Respective headings	No	16%
20	On-line marketing and marketing agencies	Respective headings	No	16%
21	Surveying services	Respective headings	No	16%
22	General training or coaching (other than relating to Information Technology)	Respective headings	No	16%
23	Credit rating agencies	Respective headings	No	16%
24	Franchise services including intellectual property rights and licensing other than: (a) Relating to educational institutions for information technology (sales tax: 0%) (b) Relating to all other educational institutions (sales tax: 5%)	Respective headings	Only available for non-IT educational institutions	16%

Fixed Tax Services

The services listed in below table are taxed at fixed rate.

Sr. No.	Services and Service Providers	PCT Headings (HS Codes)	Rate of Sales Tax on Services
1	Services provided by property developers, builders, and promoters (including their allied services)	9807.0000 and respective sub-headings of 98.14	Rs.100 per sq. yard for land development; Rs.50 per sq. ft for building construction
2	Freight forwarding agents	9805.3000	Rs.1,000 per bill of lading

Reduced Rate Services

Adjustment of input tax against reduced rate services is not available.

Sr. No	Services and Service Providers	PCT Headings (HS Codes)	Rate of Sales Tax on Services
1	Hotels, motels, guest houses (non-corporate, non-franchise, not a part of chain businesses, and they have less than 20 rooms)	9801.1000	8%
2	Marriage halls, lawns, marquees, shamiana and catering services which also include flower supplies, decoration; and rental of marriage halls (space), sound systems and furniture; and other ancillary / allied services.	9801.3000 and 9801.5000	8%
3	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.	9801.2000 and 9801.9000	8% if customer pays via credit or debit cards, mobile wallets (Easypaisa, JazzCash, SadaPay, Naya Pay etc.) or by scanning the QR codes.
4	Franchise services including intellectual property rights and licensing	9823.0000 9839.0000 and respective headings	5% for services relating to educational institutions other

Sr. No	Services and Service Providers	PCT Headings (HS Codes)	Rate of Sales Tax on Services
			than those for information technology
5	Beauty parlors, salons, spas, slimming clinics, saunas, Turkish baths, Jacuzzi and other similar businesses. It also covers personal care services.	9810.0000 9848.0000 9847.0000 9821.4000 9821.5000 9815.7000	5%
6	Specific services like health care, gym, physical fitness, indoor sports, games, amusement parks, arcades and other recreation facilities, and body or sauna massage etc.	9821.1000 9821.2000 9821.4000	8%
7	Services provided by Laundries and dry cleaners	9811.0000	8%
8	Services provided by Cable TV operators	9819.9000	5%
9	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.	Respective headings	5%
10	Accountancy, audit, tax and corporate law consultancy services	Respective headings	8%
11	Domestic and international air travel	9803.1000 9803.1100	5%
12	Skin and laser clinics, cosmetic and plastic surgeons including hair transplant services and consultation services.	Respective headings	5%
13	Warehouses, depots and cold storages including the spaces for cold storages	9833.0000	8%
14	Photo studios, photographers and film makers	9817.7000	5%
15	Parking services	Respective headings	5%
16	Dress designing and stitching	Respective headings	5%
17	Rental of bulldozers, cranes, construction equipment, generators, storage containers, refrigerators including shelf and rack renting	Respective headings	8%
18	Scaffolding and shuttering services	Respective headings	8%
19	Textile treatment services including dyeing, edging, cutting, cloth treating, water proofing, embroidery, engraving, fabric bleaching, knitting, leather staining, leather working, preshrinking, colour separation, pattern printing and shoe making services	Respective headings	5%

Sr. No	Services and Service Providers	PCT Headings (HS Codes)	Rate of Sales Tax on Services
20	Apartment house management, real estate management and collection of rent services	Respective headings	8%
21	Ride hailing services	Respective headings	5%
22	IT enabled services such as: • Software maintenance & support • System operation or system administration • Web design, web development, web hosting • Network design • Data warehousing, data migration, data processing • Cybersecurity / system protection • ERP / enterprise resource planning services • Development & sale of smartphone apps or games • Graphics designing • Medical transcription • Telemedicine & remote monitoring • Insurance claim processing • Online retrieval / database access services	Respective headings	5% however IT and software-based development services are zero rated.
23	Services provided by tour operators and travel agents including all their allied services or facilities.	9805.5100 9805.5000 9803.9000.	5%
24	Manpower recruitment agents, including labour and manpower supplies. And these services are fixed by the Bureau of Emigration and Overseas Employment	9805.6000	5%
25	Property Dealers and Realtors	9806.2000 9844.0000	8%
26	Architects, town planners, landscapers, landscape designers, interior decorators and interior designers.	9814.1000, 9814.9000, 9814.4000	8%
27	Rent-a-car services (including renting of all categories of vehicles for the transportation of persons) provided to end consumers	9819.3000	8%
28	Unauthorized car and automobile dealers	9806.3000 9845.0000	5%
29	Agricultural produce and home chefs	Respective headings	5%
30	Insurance agents and insurance brokers	98.13	5%
31	Construction projects relating to government civil works	Respective headings	5%

Sr. No	Services and Service Providers	PCT Headings (HS Codes)	Rate of Sales Tax on Services
32	Foreign exchange services and money exchangers	Respective headings	3%
33	Event management services	Respective headings	8%

Zero-Rated Services

Punjab Sales Tax on Services Act 2012 outlines following services for which sales tax is zero.

1. Individual health insurance
2. Selling of franchises including intellectual property rights by educational institutions of information technology
3. Services provided by software or IT-based system development persons
4. Training services relating to information technology for example software development, web designing, digital skills etc.
5. Bed room charges of hospitals exceeding Rs. 6,000 per day
6. Medical consultation or visit fee exceeding Rs.1,500 per visit or consultation
7. Entertainment services including cinemas, theatres, concerts, circus, sports events, races, films, stage shows and fashion shows.
8. Software and IT-based system development such as:
    a. Software development
    b. Software customization
    c. System development
    d. System design & architecture
    e. System up-gradation or modification
    f. Development of IT-based systems

Tax Free Services - Exempted Services

The section 3A and First Schedule of the Punjab sales tax act specifies tax free services.

Government offered services – tax free

Services offered by the Government (Federal, Provincial and Local) are exempted from sales tax.

1. Healthcare services. The services include doctor consultation and visit fees and bed or room charges in public sector hospitals.
2. Education service (which are offered in public sector educational institutions).

3. Public transport service
4. Registration services including passport and identity cards services.
5. Postal and courier services provided to the Government.
6. Services relating to religion, art, culture and sports
7. Services relating to physical fitness, entertainment, amusement and learning like gymnasiums, sport clubs, playgrounds, zoological and botanical gardens, museums, libraries, parks, etc.

Construction projects – tax free

Below mentioned construction projects are tax free:

1. Government sponsored housing projects
2. Construction of houses in the notified areas under the approved Affordable Private Housing Scheme
3. Construction projects sponsored under the foreign grants
4. Construction of consular buildings
5. Construction of residential buildings where covered area 10,000 square feet for a house and 20,000 square feet for an apartment. But if contractor is building more than one house or an apartment building, then this exemption will not be applied.

Other services – tax free

In addition to the government offered services, following activities, services and service providers are also exempt in Punjab.

1. Skin care services, laser treatments, cosmetic treatment, hair transplant, plastic surgery and consultation provided to acid and burn victims.
2. General education services (schools, colleges, universities). Professional training and education are taxable.
3. Crop insurance
4. Marine insurance for the export purposes
5. Renting of personal residential properties for residential purpose
6. Services provided by diplomatic missions
7. Tour operators and travel agents only to the extent of Hajj/Umrah (including Ziyarat)
8. Air travel of diplomats and supernumerary crew
9. Storage of agricultural produce for the personal use
10. Parlours, salons, sliming spas and beauty clinics where the facility of air- conditioning is not installed or is not available in the premises on any day of the financial year
11. Individual photographers operating from small road side shops (declared by PRA)

12. Contractual execution of works or finished goods only to the extent of services related to the contracts involving supplies or printing of books
13. Advertisement including classified ads in newspapers, magazines, journals and periodicals
14. Pathological or diagnostic tests exclusively for medical treatment purposes.
15. Toll manufacturing, job processing, conversion charges, industrial packaging, commercial packaging, outsourced industrial and commercial processing.
16. Only the government fees charged by ports, airports, dry ports, and bonded warehouses are tax-free.

Advertisement Services

In Punjab, certain advertisement services are not taxable under the First Schedule of the Punjab Sales Tax on Services Act.

Print media advertisements including classified ads in newspapers, magazines, journals, and periodicals are fully exempt unconditionally.

However, electronic media advertisements are exempt if they are sponsored by:

1. The Federal or Provincial Government for health education only;
2. The Government funds under the grant-in-aid agreements and arrangements; and
3. The World-Wide Fund for Nature (WWF) or United Nations Children's Fund (UNICEF) for conveying public service messages.

Apart from above mentioned exemptions, all other commercial advertisement services are taxable in Punjab at standard rate.

Telecommunication services

The telecommunication services are heavily taxed in Punjab at fixed rate of 19.5%. Punjab does not offer any sales tax exemption to telecom sector.

Let's see a breakdown of telecom services in below table.

Sr. No.	Category of telecom services (Taxable)	Services
1	Voice and calling	• Landline connections (fixed line) • Wireless telephones • Mobile phones • Wireless local loop (WLL) • Video telephone services • Payphone cards

		• Prepaid calling cards • Voice mails
2	Messaging and texting	• SMS (Short Message Service) • MMS (Multimedia Message Service) • Any other texting service
3	Internet, data and broadband	Internet services via: • Dial-up • Broadband • Email • Data communication network services (DCNS) • Value added services Bandwidth and connectivity services via: • Copper lines • Fiber-optic lines • Co-axial cables • Microwave links • Satellite links
4	Traditional telecom services	• Telegraph • Telex • Telefax • Store and forward fax • Audio text and tele-text services
5	Paging, tracking and security services	• Trunk radio services • Paging, voice paging and radio paging • Vehicle tracking services • Burglar and security alarm services

Government civil works – Concessional rates

In Punjab, government civil works are normally taxed at 5% without input tax adjustment, but the sales tax law also keeps two special legacy rates of 1% and 0% for older public sector projects where budgets and financing were locked during and before the financial year 2016-17.

These concessional rates apply only to long-running development schemes. It simply protects legacy public projects from tax changes.

Civil Work started during financial year 2016-17

The 1% rate applies to government and cantonment board civil works launched during FY 2016–17, as well as projects funded through foreign loans finalized after 1 July 2016, and PSDP projects falling in the same category.

Civil Work started before financial year 2016-17

The 0% rate is reserved for even older schemes which were initiated before FY 2016–17, or those funded through foreign loans negotiated on or before 1 July 2016, including older PSDP and cantonment board projects.

Disclaimer

This guide is for general information only and it has been prepared on the basis of the Punjab Sales Tax on Services Act, 2012 (updated for FY 2026–27). 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 Punjab Revenue Authority.

References

1. Punjab Sales Tax on Services Act, 2012 (updated up to Finance Act 2026).
2. Notifications and circulars issued by Punjab Revenue Authority.

Closing Remarks

Punjab 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 practical application of sales tax can vary depending on the facts of each case. For this reason, readers are encouraged to remain attentive to new PRA 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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