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A Brief of Provincial Tax Laws, 2026

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Preamble

The Provincial Assemblies of Punjab, Sindh, KPK and Balochistan approved the respective Finance Bills 2026 with certain amendments proposed therein and after the assent of the Governors of respective Provinces, the Provincial Finance Acts, 2026 have been enacted.

This publication contains a review of changes made in various indirect taxation laws of Punjab, Sindh, KPK and Balochistan through respective Provincial Finance Acts, 2026.

This document contains comments, which represent our interpretation of the legislations. We recommend that while considering their application to any particular case reference be made to the specific wordings of the relevant statute.

Contents

Punjab Finance Act, 2026

The Punjab Urban Immovable Property Tax Act, 1958

The Punjab Finance Act makes it mandatory to make payment of tax under the Act through electronic / e-pay system.

Under the existing provisions, late payment surcharge is imposed on a monthly basis where tax payable under the Act remains unpaid after 31 October, with the surcharge accruing on the first day of each month of default.

The Punjab Finance Act replaced the monthly mechanism with a quarterly surcharge regime. Under the amendment, late payment surcharge will be levied on the first day of October, January, April, and July in respect of tax remaining unpaid as of 30 September, 31 December, 31 March, and 30 June, respectively.

The Punjab Motor Vehicles Taxation Act, 1958

The annual rates of tax applicable under the Act are proposed to be enhanced in following manner:

Description of motor vehicles	Existing tax	Proposed tax
Vehicles (including tricycles / trucks / trailers / delivery vans) used for the transport or haulage of goods or materials, according to maximum laden capacity in kgs:		
– Exceeding 4060 upto 8120	Rs 2,200	Rs 6,600
– Exceeding 8120 upto 12000	Rs 4,000	Rs 12,000
– Exceeding 12000 upto 16000	Rs 6,000	Rs 18,000
– above 16000	Rs 8,000	Rs 24,000
Other vehicles with engine power exceeding 1000 cc but not exceeding 2000 cc.	0.2% of the invoice value	0.3% of the invoice value
Other vehicles with engine power exceeding 2000 cc	0.3% of the invoice value	0.4% of the invoice value

The Punjab Finance Act, 1973

The Punjab Finance Act abolished cotton fee, presently applicable at a rate of 10 paisa per kg on receipt of raw cotton at ginning factories.

The Punjab Sales Tax on Services Act, 2012

Amendment in existing definitions

Active Taxpayer

The Punjab Finance Act has substituted the definition of "active taxpayer" under section 2(1) of the Act. Under the revised definition, an active taxpayer means a registered person:

- whose registration has neither been suspended nor blacklisted by the Punjab Revenue Authority ("Authority"); and
- who has not failed to file a tax return by the prescribed due date for the two most recent consecutive tax periods.

Under the existing provisions, a registered person qualifies as an active taxpayer if it has filed a tax return for at least one of the preceding three consecutive tax periods. This amendment adopts a significantly stricter approach by excluding a registered person from the definition of an active taxpayer if it fails to file its tax returns by the prescribed due date for the last two consecutive tax periods.

Restrictions linked to Active Taxpayer status

The Punjab Finance Act enlists the following measures linked to active taxpayer status:

- A new clause (ff) is inserted in section 16B(1) to disallow the adjustment of input tax in respect of goods or services acquired against invoices issued by persons who do not appear on the Active Taxpayers List (ATL) maintained by the Punjab Revenue Authority (PRA) or the Federal Board of Revenue (FBR).
- At present, section 76A empowers the Punjab Revenue Authority ("Authority"), with the prior approval of the Government and through a notification published in the official Gazette, to require any authority responsible for issuing licenses, permits, or no-objection certificates (NOCs) for carrying on an economic activity constituting a taxable service to withhold the issuance of such licenses, permits, or NOCs unless the applicant is duly registered under the Act.
- The Punjab Finance Act proposes to substitute section 76A in its entirety, introducing the following significant changes:

  Removal of Government approval requirement: The Authority will no longer be required to obtain prior approval from the Government before exercising its powers under this section.

  Expansion of the scope of restrictions: In addition to restricting authorities responsible for issuing or renewing licences, permits, and no-objection certificates (NOCs), the Authority will also be empowered to direct procuring agencies not to award contracts to contractors, bidders, suppliers, or consultants unless the relevant licensing/NOC authority or procuring agency, as applicable, has verified that the concerned person:

  - is duly registered under the Act; and
  - appears on the Active Taxpayers List (ATL)

  Relief for newly established businesses: Newly established businesses are proposed to be exempt from these requirements for a period of six months from the date of establishment. These measures collectively seek to make active taxpayer status a precondition for accessing input tax benefits, government licenses and public contracts.

Restrictions on Input Tax Adjustment

The Punjab Finance Act introduces the following amendments to further restrict the extent and timing of input tax adjustment.

Reduction in the adjustable input tax limit (amendment to section 16C)

The maximum permissible input tax adjustment is proposed to be reduced from 90% to 80% of the output tax payable for the relevant tax period. Consequently, a registered person will be required to discharge at least 20% of its output tax liability in cash, irrespective of the amount of admissible input tax available.

Deferred adjustment of input tax on capital goods (insertion of section 16CC)

A new section 16CC is proposed to provide that input tax attributable to capital goods, machinery, and fixed assets shall be adjusted against output tax in twelve (12) equal monthly instalments, instead of being claimed in full in the tax period in which the acquisition is made. This amendment defers the benefit of input tax on capital acquisitions over a period of one year, which may have an adverse impact on taxpayers' cash flows.

Risk-Based Evaluation System

The Punjab Finance Act introduced a risk-based evaluation system through the insertion of section 16CCC, representing a significant shift towards a data-driven approach for the verification of input tax claims and refund processing.

The key features of the proposed framework are as follows:

Risk identification and monitoring

The Authority may establish a risk-based evaluation system to identify, assess, and monitor risks associated with input tax claims, adjustments, tax credits, and refund claims.

Consequences of identified risks

Where a risk is identified, the Authority may defer the admissibility of an input tax or refund claim, disallow the adjustment or credit of input tax, require the taxpayer to furnish additional information or documentary evidence, or select the case for audit.

Opportunity of being heard and review mechanism

Before taking any adverse action, the Authority is required to provide the registered person with an opportunity of being heard. A person aggrieved by such action may file an application before the Commissioner within thirty days of the order.

Enforcement Amendments

Delegation of Investigative Powers

The Punjab Finance Act amended section 56 to empower the Commissioner to authorize any officer to enter the business premises of a registered person, inspect stock, accounts, and records, and conduct inquiries or investigations in cases involving suspected tax fraud. Under the existing provisions, these powers vest with the Authority and may only be exercised through a notification published in the official Gazette.

Enhancement of Monetary Jurisdiction

The Punjab Finance Act expanded the monetary jurisdiction of tax authorities under section 60:

- The jurisdiction of an Assistant Commissioner/Deputy Commissioner is proposed to be increased from cases involving tax amounts of up to Rs. 10 million to up to Rs. 50 million.

- Similarly, the jurisdiction of Enforcement Officers/Audit-cum-Risk Compliance Officers is proposed to be enhanced from up to Rs. 5 million to up to Rs. 25 million.

Tax-Free Services to Taxable Services

The Punjab Finance Act withdraws the tax exemption currently available to services provided by foreign exchange dealers, exchange companies, money changers, and money exchangers by removing Serial No. 25 from the First Schedule to the Act.

The exempt entry is relocated to Part III of the Second Schedule (Serial No. 35), thereby making such services taxable at the rate of 3%, without the entitlement to adjust input tax.

The provision further clarifies that the 3% tax shall apply to services involving spread charges, as permitted by the State Bank of Pakistan, in relation to the buying and selling of foreign currency.

Increase in Concessional Rate

The Punjab Finance Act amends concessionary tax rates prescribed under Part III of the Second Schedule to the Act.

The changes related to clause (a) of the following entries, which currently provide for a reduced tax rate of 5% subject to specified conditions. The applicable conditions are proposed to be revised as set out below.
No changes have been made to clause (b) of these entries, under which the standard tax rate of 16% will continue to apply where the conditions prescribed under clause (a) are not fulfilled.

S. No.	Description of Service	Current Position	Proposed Change
1	Hotels, motels and guest houses	(a) Five percent without input tax adjustment for non-corporate, non-franchise, non-chain business with less than twenty rooms	(a) Eight percent without input tax adjustment where payment against services is received through debit or credit cards, mobile wallets or QR scanning
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 ready to eat food service outlet etc.	(a) Five percent without input tax adjustment where payment against services is received through debit or credit cards, mobile wallets or QR scanning.	(a) Eight percent without input tax adjustment where payment against services is received through debit or credit cards, mobile wallets or QR scanning.
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.	(a) Eight percent without input tax adjustment for services provided to end consumers.
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	(a) Five percent without input tax adjustment for services relating to accountancy, audit, tax or corporate law consultancy.	(a) Eight percent without input tax adjustment for services relating to accountancy, audit, tax or corporate law consultancy.

S. No.	Description of Service	Current Position	Proposed Change
	corporate law consultants, whether individual or otherwise.		

In respect of the following entries, the currently prescribed rate of 5% without input tax adjustment is proposed to be increased to 8% without input tax adjustment.

S. No.	Description of Service
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)
10	Service provided by tour operators and travel agents including all their allied services and facilities.
12	Services provided by property dealer and realtors.
14	Services provided by architects, town planners, landscapers, landscape designer, interior decorators and interior designers.
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.
19	Services provided by laundry and dry cleaners
25	Services provided by warehouse or depots for storage or cold storages including letting of space for storages.
30	Renting of bulldozers, excavators, cranes, construction equipment, scaffolding, framework and shuttering, generators, storage containers, Refrigerator, shelf or rack renting, etc
32	Apartment house management, real estate management and services of rent collection.

Event management services has been omitted from Sr. No. 9 of Part III of Second Schedule and reclassified as a separate entry under Sr. No. 36 of the same Part, wherein it shall be liable to tax at the rate of 8%, with no admissibility of input tax adjustment.

Enhancement of Penalties

The Punjab Finance Act proposes to enhance several penalties under section 48(2) of the Act:

S. No. 5 (failure to provide information to the Authority)

The penalty structure has been revised. For an individual, the maximum penalty is Rs. 100,000 for the first default and each subsequent default. For a company or an association of persons, the maximum penalty is Rs. 500,000 for the first default and each subsequent default.

S. No. 16 (Intentional damage to, or interference with, the Electronic Invoice Monitoring System by any person, or obstruction in the transmission of invoice data)

The penalty is enhanced from "one hundred thousand" to "five hundred thousand".

S. No. 17 (Failure to issue a tax invoice)

The penalty is enhanced from "twenty thousand" to "five hundred thousand" on first default, and from "fifty thousand" to "one million" on subsequent default.

S. No. 20 (Failure to comply with electronic invoicing system)

The maximum penalty is proposed to be increased from Rs. 100,000 (subject to a minimum of Rs. 25,000) to Rs. 500,000.

Approval for First Schedule Notifications

The Punjab Finance Act amended section 5(3) by inserting the words "First or". As a result, any notification issued to amend the First Schedule (which lists tax-free services) will also be required to be laid before the Provincial Assembly for legislative oversight, similar to notifications issued in respect of the Second Schedule.

The Punjab Motor Vehicle Transaction Licensees Act, 2015

The Punjab Finance Act inserted a new section 3A to designate motor vehicle transaction licensees as withholding agents at the point of sale. Motor vehicle transaction licensees are dealers and agents licensed under the Punjab Motor Vehicle Transaction Licensee Act, 2015, who undertake vehicle registration-related transactions on behalf of vehicle owners.

Under the proposed provision, a licensee will not be permitted to deliver a sold vehicle to the purchaser unless:

- the vehicle has been registered under the Provincial Motor Vehicles Ordinance, 1965;
- all prescribed fees, taxes, duties, and other charges have been duly withheld and deposited with the Government; and
- standardized number plates approved by the Government have been affixed to the vehicle.

In the event of non-compliance, the licensee will be liable to pay the prescribed fees, taxes, duties, and other charges, together with a penalty equal to the amount so payable, in the prescribed manner.

De-registration

Currently, any person registered under SSTA 2011 believes that he does not require to be registered, may e-file an application to the Board for de-registration and on receipt of the application, the Board or any officer of the SRB shall dispose of the application within a period of three months from the date of receipt of the application. The Act has enhanced the time for the disposal of the application from three months to 180 days.

The Act has also inserted a new sub-section, whereby the obligations and liabilities of the person relating to the tax periods when he provided any taxable services shall not be affected owing to the fact that he has e-filed his de-registration application or that he has ceased to be a registered person.

Offences and Penalties

The Act has introduced a penalty of upto Rs. 1,000,000 but not less than Rs. 100,000 on any person who designs, develops, customizes or supplies invoicing software not conforming to the requirements of Rule 29 of SSTR 2011 or Rule 6 of Online Integration of Business Rules 2022.

Registered person to display notice, message or information

The Act has introduced a new section whereby, on the advice of the Commissioner, the registered person shall be required to display any notice, message or information through print or multi-media at a conspicuous place in his premises accessible to the general public for awareness of the customers or the general public relating to tax matters.

Appeal before Commissioner (Appeals)

Currently, in deciding an appeal, the Commissioner (Appeals) is empowered to make further inquiry as may be necessary. However, there is no time limit provided for completion of such inquiry. The Act has given the time-limitation for the inquiry which should be completed within a period of 60 days from the date of order for inquiry by the Commissioner (Appeals). However, the Act has excluded 60 days being time-limitation for inquiry, from the time provided to the Commissioner (Appeals) in deciding the appeal.

Recovery of arrears of tax

Presently, no recovery notice is issued where a taxpayer files an appeal before Commissioner (Appeals) and pays 10% of the amount of tax due subject to the condition that the appeal has not been decided by the Commissioner (Appeals). The Act has included the auto-stay option in the case of appeal filed before Appellate Tribunal. However, the payment for availing auto-stay has been enhanced from 10% to 20% of the tax due in cases where appeals to be filed before Commissioner or Appellate Tribunal.

Disclosure of information

The Act has introduced a new section whereby an officer of the SRB, Member, Secretary, Chairman or any public servant shall not disclose any particulars containing –

a) any statement made, return furnished, accounts or documents produced under the provisions of SSTA 2011;

b) any evidence given, or affidavit or deposition made in the course of any proceedings under the SSTA 2011; or

c) any record of any assessment proceeding or any proceeding relating to the recovery of a demand.

However, any person while executing any provision of SSTA 2011 may disclose such particulars to any person as and when necessary. Besides, Federal Government or a Provincial Government would also be authorized to have access to such information. Moreover, such information would also be provided to any department or authority under an agreement made by the Board on bilateral or multilateral basis to enable such department or authority to enforce a tax or levy.

FIRST SCHEDULE

List of exempt services

The Act has inserted/substituted certain services in the list of exempt services:

S. No.	CPC Code	Description	Existing Conditions and Restrictions	Enacted Conditions and Restrictions	Comments
6	672	Storage and warehousing services	Applicable to food and agricultural commodities	Applicable to food grains and fresh vegetables and fruits not subjected to further processing	Restriction on exemption
10	713	Insurance and pension services (excluding reinsurance services), except compulsory social security services	Applicable to: (1) Life insurance, other than group life insurance, of individuals for insurance policy coverage upto Rs. 500,000.	Applicable to: (1) Life insurance, other than group life insurance, of individuals for insurance policy coverage upto Rs. 3,500,000.	Enhancement in the exemption threshold of individuals' life insurance policy coverage
10A	714	Reinsurance services		Applicable to crop insurance and marine insurance for exports	New re-insurance exemption
30	92	Education services	Not applicable to: (1) where fee/charges exceed Rs. 500,000 per annum per student; and (2) sports education under CPC 92912 provided by a person other than an individual	Applicable to: (1) pre-primary, primary, secondary, post-secondary non-tertiary and tertiary education services under CPC 921-925 where fee/charges do not exceed Rs. 500,000 per annum per student; (2) sports education services under CPC 92912 provided by an individual being not an employee; and (3) special education for the children with special needs and education under adult literacy program.	Rationalization and introduction of exemption

SECOND SCHEDULE

PART-II

List of services liable to reduced rate

The Act has re-inserted and restructured the rate in the list of services liable to reduced rate:

S. No.	CPC Code	Description	Rate	Enacted Conditions and Restrictions	Comments
1	54540	Ready-mix concreate services	8%	Reduced rate shall only be availed through e-filing option	Re-insertion
1A	54232	Services of dredging and rock and silt removal	8%	Nil	Re-insertion
1B	54	Construction services	(a) Rs. 100 per square yard of land; and (b) Rs. 50 per square foot of constructed covered area	Applicable to property developers or promoters	Restructuring the rate

The Act has deleted certain services from the list of services liable to reduced rate. Consequently, standard rate of Sindh sales tax shall be levied.

S. No.	CPC Code	Description	Rate	Comments
1	54	Construction services	8%	Presently, the construction services which include ready-mix concrete services, dredging and rock and silt removal services are chargeable to Sindh sales tax @ 15% with the option to avail reduced rate of 8% subject to e-filing the option. Now, through the Act, the Sindh sales tax @ 15% shall be applied with no option to avail reduced rate of 8% for construction services other than ready-mix concrete services, dredging and rock and silt removal services and services of property developers or promoters.
7	6511	Transportation of petroleum oils through oil tankers	8%	Presently, the road transport services of freight including transportation of petroleum oils through oil tankers are chargeable to Sindh sales tax @ 15% with the option to avail reduced rate of 8% subject to e-filing the option. Now, through the Act, the Sindh sales tax @ 15% shall be applied with no option to avail reduced rate of 8% on transportation of petroleum oils through oil tankers.

S. No.	CPC Code	Description	Rate	Comments
22	82	Accounting, auditing and bookkeeping services	8%	Presently, legal and accounting services which include auditing, bookkeeping, tax consultancy and preparation services and insolvency and receivership services are chargeable to Sindh sales tax at the reduced rate of 8%. Now, through the Act, the Sindh sales tax @ 15% shall be applied on accounting, auditing and bookkeeping services.
34	871	Maintenance and repair services of fabricated metal products, machinery and equipment	8%	Presently, maintenance and repair services of fabricated metal products, machinery and equipment as well as repair services of other goods are chargeable to Sindh sales tax at the reduced rate of 8%. Now, through the Act, the Sindh sales tax @ 15% shall be applied on maintenance and repair services of fabricated metal products, machinery and equipment.

The Act has increased/decreased the rate in the list of services liable to reduced rate:

<table>
<tr><th>S. No.</th><th>CPC Code</th><th>Description</th><th>Existing Rate</th><th>Enacted rate</th><th>Enacted Conditions and Restrictions</th></tr>
<tr><td rowspan="2">16</td><td rowspan="2">71610</td><td rowspan="2">Insurance brokerage and agency services</td><td rowspan="2">5%</td><td>2%</td><td>Applicable to insurance agents</td></tr>
<tr><td>3%</td><td>Applicable to insurance brokers</td></tr>
<tr><td rowspan="2">38</td><td>92</td><td>Education services</td><td rowspan="2">3%</td><td>3%</td><td>Applicable to education services under CPC 921-925 where fee/charges exceed Rs. 500,000 per annum per student and other education and training services under CPC 929 other than CPC 9292</td></tr>
<tr><td>9292</td><td>Education support services</td><td>5%</td><td>Nil</td></tr>
<tr><td rowspan="2">45</td><td rowspan="2">972</td><td>Beauty and physical well-being services</td><td>8%</td><td rowspan="2">8%</td><td rowspan="2">No condition in relation to integration with SRB's Computerized System for real-time reporting of each sales, etc.</td></tr>
<tr><td>If integrated with SRB</td><td>5%</td></tr>
</table>

Khyber Pakhtunkhwa Finance Act, 2026

Definition of ‘Point of Sale System’ introduced [Section 2(an-i)]

A new definition of “Point of Sale System” is inserted which broadly covers any software, application, platform, device, terminal, cloud-based system or other digital arrangement used by a registered person, whether directly or through a service provider, for generating, issuing, processing, storing, transmitting or reporting invoices and other fiscal documents relating to taxable services. The amendment significantly expands the scope of a "Point of Sale System" beyond traditional POS terminals to include software, cloud-based platforms, and other digital solutions. As a result, a wider range of technology-enabled businesses may become subject to regulatory and compliance requirements.

Definition of ‘Tax Fraud’ expanded [Section 2(aai)]

The definition of the term “Tax Fraud” is revised and expanded with the insertion of new sub-clause (ix) under Section 2(aai), extending definition beyond registered service providers to IT vendors, POS integrators and other software contractors involved in relevant digital systems whereby aiding, facilitating or enabling, directly or indirectly, any act or omission resulting in suppression, concealment, alteration, non-recording or misreporting of taxable activity or related data. This change expands tax fraud exposure beyond the registered service providers to include IT vendors, POS integrators, and other software contractors.

No specific permission required by companies to revert to reduced rate option [Section 18]

Prior to amendment, where a registered ‘company’ wanted to opt to pay sales tax at the standard rate instead of reduced rate under Section 18(1) in order to claim input tax adjustment, it was not permitted to revert to the reduced rate without prior approval of the Management Committee. This proviso is amended and consequently, the restriction specifically applicable to companies is removed, thereby providing greater flexibility to companies to switch back to the reduced rate, subject to compliance with the general permission requirements prescribed under Section 18(2).

Exposure of ‘Joint and Several’ liability broadened [Section 22]

The joint and several liability framework under section 22 is expanded by inserting a new sub-section (2), which extends the exposure from service recipients to POS providers, integrators, installers, operators and maintainers of POS systems. Such persons may become jointly and severally liable for the full amount of unpaid tax including penalty and default surcharge, where they aid or facilitate or have knowledge or reasonable grounds to suspect that such systems are being used for the suppression of taxable data, design or operate a POS system in a manner resulting in non-payment or have knowledge of misuse and fail to take reasonable corrective measures. "Reasonable grounds to suspect" and "failure to take reasonable measures" shall include continued provision of services, technical support or system access despite indications of manipulation, suppression or non-compliance in the recording or reporting of taxable transactions or taxable activity or data. The amendment substantially broadens the joint and several liability regime by extending potential tax exposure to POS service providers and technology intermediaries involved.

Broadening of scope of penalties and default surcharge [Section 27(1A)]

Prior to amendment, Section 27(1A) restricted the issuance of penalty/default surcharge orders for failure to file return or return filed after due date, delayed payment of tax, or non-furnishing of information to specific notices issued under Sections 36, 37, 60, 61 and 63, or to contraventions of Sections 34 and 64. The amended Section 27(1A) has removed these specific references and instead permits the issuance of penalty orders for non-compliance with any notice issued under the KPKSTA 2022, contravention of any provision of the KPKSTA 2022, or commission of any offence prescribed in the Table under Section 53.

As a result, safeguards of limiting penalty proceedings to a defined set of provisions no longer apply and amended Section 27(1A) significantly broadens the circumstances in which penalty orders may be issued. In practical terms, taxpayers may become exposed to formal penalty proceedings arising from non-compliance under any provision of the KPKSTA 2022, thereby expanding the Authority's enforcement powers.

Electronic integration, e-invoicing and digital compliance [Section 34A]

A new Section34A is inserted, empowering the Government of Khyber Pakhtunkhwa to prescribe requirements, obligations, procedures and mechanisms for real-time sharing, transmission, integration, recording, verification and monitoring of invoices or transaction data with the Authority. The Government of Khyber Pakhtunkhwa has also been authorized to prescribe standards and compliance requirements for implementation of e-invoicing for specified services or classes of services, impose fee, service charges or cost-recovery charges, and introduce incentive or reward schemes to promote tax compliance and invoice verification. The enabling provision provides broad rule-making powers, with the detailed implementation framework, including applicable thresholds, timelines and compliance requirements, to be prescribed through subsequent notifications. This amendment signals a move towards mandatory real-time e-invoicing integration under the Khyber Pakhtunkhwa sales tax regime. Businesses should consider undertaking an early readiness assessment and budgeting for the anticipated technology, integration and compliance costs associated with future implementation requirements.

Offences and penalties rationalized and broadened [Section 53]

The entire offences and penalty table under Section 53 is substituted, thereby rationalizing the penalty structure and enhancing penalties for various defaults. The amended table also introduces new offence categories relating to non-compliance with POS and e-invoicing integration requirements, including failure to ensure real-time transmission and manipulation of transactional data. The revised Table is as follows:

S. No.	Offences	Penalty or Punishment	Competent Jurisdiction
1.	Where a person who is required to apply for registration under this Act fails to make an application for registration before providing any taxable services.	A penalty of two hundred thousand rupees or five percent of the amount of the tax he would have been liable to pay had he been registered, whichever is higher; provided that in the case of non-compliance of compulsory registration, the minimum penalty shall be four hundred thousand rupees.	Officer of the Authority competent under this Act.
2.	Where a person who is required to get himself registered under this Act, fails to get registered within ninety days of providing taxable services or who fails to comply with compulsory registration.	Imprisonment for a term which may extend to one year, or with fine which may extend to the amount of the tax he would have been liable to pay had he been registered, or with both.	Special Judge.
3.	Where any person fails to intimate any change in particulars of registration, including the particulars relating to business address, business bank accounts, economic activity or any other particulars as specified in the rules or regulations, within a period of fifteen days from the date of such change.	A penalty of twenty-five thousand rupees.	Officer of the Authority competent under this Act.

S. No.	Offences	Penalty or Punishment	Competent Jurisdiction
4.	Where a person fails to furnish a return within the due date.	A penalty of ten thousand rupees per tax period or a fraction thereof provided that if a return is filed within ten days of the due date, he shall pay a penalty of three hundred rupees for each day of default.	Officer of the Authority competent under this Act.
5.	Where a person fails to issue tax invoice or issues tax invoice which is contrary to the provision of sections 34 and 34A of this Act.	A penalty of two hundred thousand rupees or five percent of the tax involved, whichever is higher.	Officer of the Authority competent under this Act.
6.	Where any person required to integrate or install the Restaurant Invoice Management System (RIMS), Invoice Management and Reporting System (IMRS) or any other prescribed e-invoicing system or computerized system, fails to integrate or install the Restaurant Invoice Management System (RIMS), Invoice Management and Reporting System (IMRS) or any other prescribed e-invoicing system.	A penalty of five hundred thousand rupees or five percent of the tax involved, whichever is higher, for each instance of non-compliance.	Officer of the Authority competent under this Act.
7.	Where any registered person, who after integration of its Point of Sale System with the computer system of the Authority i.e., through Restaurant Invoice Management System (RIMS) or Invoice Management and Reporting System (IMRS) or any other prescribed system, fails to comply with e-invoicing system or issues invoices outside the e-invoicing system or failed to upload invoices on Restaurants Invoice Management System (RIMS) or Invoice Management and Reporting System (IMRS) or any other prescribed system on real-time basis or any other prescribed manner.	A penalty of two hundred thousand rupees or five percent of the tax involved, whichever is higher, for each instance of non-compliance.	Officer of the Authority competent under this Act.
8.	Any integrator, vendor or Point of Sale System service provider who fails to integrate, connect, maintain or ensure real-time transmission of data between the computerized system or point of sale system of a registered person and the computerized system of the Authority or who manipulates, tampers with, suppresses, alters, falsifies or causes generation of false, incomplete or misleading transactional data, invoices or records, or committing a tax fraud.	A penalty of five hundred thousand rupees or five percent of the total value of the sales suppressed, whichever is higher.	Officer of the Authority competent under this Act.
9.	Any person, who issues an invoice, for which he is not authorized to issue, in which an	A penalty of five hundred thousand rupees or five per cent of the	Officer of the Authority competent

S. No.	Offences	Penalty or Punishment	Competent Jurisdiction
	amount of tax is specified or charged, including committing a tax fraud.	amount of the tax involved, whichever is higher.	under this Act.
10.	Where a person fails to deposit the amount of the tax due or any part thereof in time or in the manner provided under this Act or the rules made or notifications issued thereunder.	A penalty of fifty thousand rupees or five percent of the tax payable for that period, whichever is higher; provided that no penalty shall be levied if any miscalculation is made for the first time during a financial year.	Officer of the Authority competent under this Act.
11.	If a person does not pay the amount of tax due even after the expiry of a period of sixty days of issuance of the notice for such payment by an officer, not below the rank of Assistant Collector.	Imprisonment for a term which may extend to three years, or with fine which may extend to the amount of the unpaid tax, or with both.	Special Judge.
12.	Where a person fails to properly maintain or retain records required under this Act.	A penalty of one hundred thousand rupees or five percent of the total tax paid or assessed on the basis of available information, to be payable for the tax period or periods for which he has failed to maintain the required record, whichever is higher.	Officer of the Authority competent under this Act.
13.	Where a registered person, including a person compulsorily registered under this Act, who, in non-compliance to the provisions of this Act, fails to produce information/records/documents on receipt of a notice by an officer of the Authority, not below the rank of Assistant Collector, or refuses to allow the officer of the Authority to take extracts from or make copies of the document or record or information or data or fails to appear before an officer of Authority or fails to answer any question put to him.	A penalty of two hundred thousand rupees for the first instance of non-compliance. In case of non-compliance for the second time, such person shall be liable to pay a penalty of five hundred thousand rupees. In case of non-compliance for the third time, such person shall be liable to pay a penalty of one million rupees.	Officer of the Authority competent under this Act.
14.	Where a person knowingly, deliberately, intentionally or fraudulently— (a) submits a false, fake, untrue or forged document to the Management Committee or any of officer of the Authority; or (b) destroys, alters, mutilates or falsifies the records including a tax invoice; or (c) makes a false statement, false declaration, false representation or false personification, or gives any false data or information; or (d) commits, causes to commit, or attempts to commit tax fraud, or abets or connives in the commission of tax fraud.	(i) A penalty of five hundred thousand rupees or one hundred percent of the tax payable for the tax period or periods to which the offence relates, whichever is higher. (ii) Imprisonment for a term which may extend to five years or with fine which may extend to an amount equal to the tax payable for the tax period or periods to which the offence relates, or with both.	(i) Officer of the Authority competent under this Act. (ii) Special Judge.

S. No.	Offences	Penalty or Punishment	Competent Jurisdiction
15.	Where a person violates any embargo placed on providing of service or violates the restrictions imposed vide sealing of business premises in connection with recovery of tax.	(i) A penalty of one hundred thousand rupees or ten percent of the amount of the tax sought to be recovered, whichever is higher. (ii) Imprisonment for a term which may extend to one year, or with fine which may extend to an amount equal to the amount of the tax sought to be recovered, or with both.	(i) Officer of the Authority competent under this Act. (ii) Special Judge.
16.	Where a person obstructs any officer of the Authority in the performance of his official duties under this Act.	(i) A penalty of one hundred thousand rupees or one hundred percent of the tax payable for the tax period to which the offence of such person relates, whichever is higher. (ii) Imprisonment for a term which may extend to one year or with fine not exceeding fifty thousand rupees or with both.	(i) Officer of the Authority competent under this Act. (ii) Special Judge.
17.	Where any person refuses to receive any notice or order issued by an officer of the Authority or obstructs any officer of the Authority in the performance of his official duties under this Act or the rules made thereunder.	(i) A penalty of one hundred thousand rupees or one hundred per cent of the tax payable for the tax period(s) to which the offence relates, whichever is higher. (ii) Imprisonment for a term which may extend to one year or with fine not exceeding one hundred thousand rupees or with both.	(i) Officer of the Authority competent under this Act. (ii) Special Judge.
18.	Where a person repeats an offence for which a punishment is provided under this Act.	Such person shall be liable to punishment equal to twice the punishment provided under this Act for such offence.	Officer of the Authority competent under this Act or Special Judge, as the case may be.
19.	Where a person— (a) knowingly and without any lawful authority or excuse gains access to the computerized system of the Authority; or (b) uses, discloses or publishes or otherwise disseminates, without any lawful authority or excuse, any information obtained from the said system; or (c) falsifies any record or information stored in the said system; or (d) knowingly or dishonestly damages or impairs the said system; or (e) knowingly or dishonestly damages or impairs any duplicate	(i) A penalty of two hundred thousand rupees or one hundred percent of the amount equal to the loss caused to the tax revenue. (ii) Imprisonment for a term which may extend to three years, or with fine which may extend to an amount equal to the loss caused to the tax revenue, or with both.	(i) Officer of the Authority competent under this Act. (ii) Special Judge.

S. No.	Offences	Penalty or Punishment	Competent Jurisdiction
	tape or disc or other medium on which any information obtained from the said system is kept or stored; or (f) uses, without any lawful authority or excuse, unique user identifier of any other registered user to authenticate a transmission of information to the said system; or fails to comply with or contravenes any of the conditions prescribed for security of unique user identifier.		
20.	Where any person intentionally, deliberately or fraudulently intervenes, alters or damages any electronically filed invoices mechanism or system prescribed or specified for the purpose of avoiding correct payment of due tax.	(i) A penalty of two hundred thousand rupees or one hundred percent of the amount equal to the loss caused or believed to be caused, to the tax revenue, whichever is higher. (ii) Imprisonment for a term which may extend to three years, or with fine which may extend to an amount equal to the loss caused to the tax revenue, or with both.	(i) Officer of the Authority competent under this Act. (ii) Special Judge.
21.	Where an officer of the Authority acts or conducts in a manner resulting in vexatious prosecution or undue detriment of a taxpayer.	Imprisonment for a term which may extend to three years or with fine not exceeding fifty thousand rupees or with both.	Special Judge.
22.	Where a bank fails to attach or delays in attaching the bank account of the person from whom tax is sought to be recovered, specified in the notice issued by the officer of the Authority or fails or delays in payment of such amount.	(i) Such bank or bank branch manager, as the case may be shall be liable to penalty of five hundred thousand rupees or five percent of the amount of tax involved, whichever is higher. (ii) The concerned officer of such bank shall further be liable, upon conviction by the Special Judge, to imprisonment which may extend to one year or with fine which may extend to five percent of the amount of tax involved, or with both.	(i) Officer of the Authority competent under this Act. (ii) Special Judge.
23.	Where a person fails to withhold or withholds but fails to deposit the tax or where a collection agent fails to collect or collects but fails to deposit the tax.	A penalty of fifty thousand rupees or five percent of the amount of tax involved, whichever is higher.	Officer of the Authority competent under this Act.
24.	Where an individual, who during the course of business is making the payment on behalf of	A penalty of twenty-five thousand rupees or five percent of the	Officer of the Authority competent

S. No.	Offences	Penalty or Punishment	Competent Jurisdiction
	the withholding agent but fails to withhold or deposit the due tax.	amount of tax involved, whichever is higher.	under this Act.
25.	Where any person — (a) fails to make the payment of consideration for goods or services from the business bank account to the service-provider or supplier of goods, as the case may be; or (b) fails to receive the payment of consideration for services in the business bank account of the service-provider.	(i) A penalty of fifty thousand rupees or ten percent of the amount of consideration or transaction involved, whichever is higher. (ii) Further be liable, upon conviction by the Special Judge, to imprisonment for a term which may extend to six months, or with fine or with fine not exceeding twenty thousand rupees or with both.	(i) Officer of the Authority competent under this Act. (ii) Special Judge.
26.	Where a person fails to fulfill any of the conditions, limitations or restrictions prescribed in a notification issued under any of the provisions of this Act or the rules made thereunder, or where a person contravenes any provision of this Act or the rules made thereunder for which no penalty has specifically been provided in this Act.	A penalty of twenty-five thousand rupees or three percent of the tax payable for the tax period to which the offence relates, whichever is higher.	Officer of the Authority competent under this Act.

Inspection powers expanded to cover both physical and digital records with added procedural safeguards [Section 60]

Section 60 has been amended whereby an authorized officer exercising inspection powers is now required to furnish a copy of the approval granted by the Management Committee or Collector to the registered person or its representative before or at the time of undertaking inspection, and to submit a report to the approving authority thereafter. This amendment introduces an additional procedural safeguard by enabling taxpayers to verify that the inspecting officer has been duly authorized.

Furthermore, an explanation is also inserted to clarify that inspection powers extend to any storage facility, electronic device, digital medium, compartment, shelf or any other place within business premises where records, documents, data or invoices are reasonably believed to be kept or concealed; thereby expanding the scope of inspection to cover both physical and digital records.

Bank account attachment mechanism strengthened [Section 74]

An amendment has been in Section 74 to strengthen recovery powers of the Authority in relation to attachment of bank accounts. The amendment provides that a notice issued to any bank operating in Khyber Pakhtunkhwa shall be binding on the bank as a whole and the bank may not refuse or delay compliance merely on the basis that the relevant account is maintained at a branch outside the province.

The amendment further enhances consequences for non-compliance by enhancing personal penalty on bank officers who refuse compliance or are found involved in manipulation, not exceeding five hundred thousand rupees or five percent of the amount of tax, whichever is higher.

Government funded project defined [Second Schedule Part-II]

A clarification is inserted in serial no. 11(b) of Part II of the Second Schedule defining the term “government funded project” for the purposes of the KPKSTA 2022. The newly inserted clarification expands the definition of "government funded project" to broadly cover any construction, erection, installation, development, rehabilitation, expansion, improvement, repair or maintenance project that is wholly or partly financed, funded, sponsored or supported, directly or indirectly, through public funds. The definition includes projects financed through the Annual Development Programme (ADP), Public Sector Development Programme (PSDP), grants, loans, budgetary allocations, revenues, receipts, own-source revenues or other public financing arrangements of Federal or Provincial ministries, departments, authorities, corporations, autonomous or semi-autonomous bodies, statutory bodies, public sector organizations, state-owned enterprises, local governments and other public sector entities established under Federal or Provincial law. The clarification significantly broadens the scope of projects that may qualify as government funded by adopting an expansive definition of public financing. This is expected to provide greater certainty in determining the applicable tax treatment of projects involving direct or indirect public sector funding.

Taxation of Government-funded construction project [Second Schedule Part-II]

Serial no. 44 of Part II of the Second Schedule is substituted, revising the tax treatment for government-funded and Annual Development Programme (ADP) projects by prescribing sales tax at 4%, without input tax adjustment, on construction and other projects funded or budgeted through ADP schemes and approved on or after 1 July 2025. Further, exemption has been provided to specified social welfare projects, including those relating to poverty alleviation, women and child welfare, support for persons with disabilities, skill development, employment generation, food or cash assistance, and shelter homes for orphans, widows and the elderly.

The amendment provides tax treatment for ongoing projects (including subsequent modifications) approved between 1 July 2021 and 30 June 2025, for which sales tax shall apply at 2%. However, tax rate of 2% shall not apply in cases where upward adjustment is made in the applicable Market Rate System (MRS), Schedule of Rates (SOR), Composite Schedule of Rates (CSR) or any other Government notified rate forming the basis of the original work order, contract or agreement.

Reduced rate taxation introduced for virtual asset and digital trading services [Second Schedule Part-II]

A new reduced rate taxable service under serial no. 45 of Part II of the Second Schedule is inserted, whereby services provided through any digital, electronic or online platform, exchange, application or interface that enables, facilitates, intermediates or executes the buying, selling, exchange, forecasting, transfer or trading of virtual assets, digital assets, financial instruments, commodities, securities, derivatives or other tradable instruments between two or more persons shall be subject to sales tax at the rate of 5% without input tax adjustment. Consideration for such services includes fee, commission, spread, markup or any similar charge. The amendment further clarifies that "virtual asset" and "virtual asset services" shall carry the meaning assigned under the Virtual Assets Act 2026, or as may be defined by the Management Committee. The taxability of such services shall be determined based on their economic substance and functional nature, irrespective of nomenclature, designation or legal form, thereby extending the levy to exchanges, brokers, wallet providers, custodial platforms and similar intermediaries. The amendment signals a policy shift towards taxation of the evolving digital asset ecosystem, with broad drafting aimed at capturing a wide range of intermediaries operating in virtual and digital trading markets.

Balochistan Finance Act, 2026

Definitions omitted

The Act has deleted the following definitions related to specific services:

- Banking
- Forward Contract
- Telecommunication Service
- Truck Aggregator

Definition of ‘Service Provider’ amended

The Act has amended the definition of ‘Service Provider’ by substituting the phrase ‘provision or providing’ with the phrase ‘Providing or rendering.

Place of business

The Act has expanded the scope of the definition of ‘Place of business in Balochistan’ to include factory premises irrespective of the location of registered office of such factory or company.

Taxable service

Sub-section (6) of Section 3 referred to the First and Second Schedules to the Balochistan Sales Tax Act, 2015 (BSTA 2015) as they existed prior to the promulgation of the Balochistan Finance Act, 2025. Consequent to the amendments introduced through the Balochistan Finance Act, 2025, this sub-section became redundant which has now been omitted.

Scope of tax and allied matters

The Act has inserted new sub-section (4A) in Section 10 of BSTA 2015 that no person shall be exempted from any tax liability imposed under this Act on the ground that such person has not been registered under this Act or the Rules made thereunder.

Collection of excess tax

The Act has inserted new sub-section (1A) in Section 17 of BSTA 2015 that notwithstanding anything contained in any law or any judgment , decree, or order of a court, no refund of any tax or amount paid under this Act shall be granted to any person unless such person discharge onus that the incidence of the tax has not been passed on to any other person including the recipient of the services.

Taxability of services as at 30 June 2025

The Act has introduced Section 78C which clarifies that notwithstanding the amendments made through the Balochistan Finance Act, 2025, the services on which tax was levied, charged and collected shall continue to be levied, charged and collected at the same rate unless expressly exempted or subjected to reduced rate.

Removal of difficulties in adopting negative list method

The Act has introduced new section 78D whereby the authority may issue order directing that the provisions of BSTA 2015 after adopting negative list method shall have effect subject to modification or addition or omission. However, the order shall not be issued after the expiry of three years from the commencement of Balochistan Finance Act, 2025.

First Schedule

(List of exempt services)

- The Act has inserted new conditions or modified the existing conditions provided in the list of exempt services:

Serial No.	Description	Existing Condition for Exemption	Enacted Conditions and Restrictions	Comments, if any
2	Tour Operators	Services provided or rendered by tour operators in relation to Hajj and Umrah tour package	Services provided or rendered by tour operators only **to the extent** of Hajj and Umrah tour package The registered person shall file monthly sales tax return for each tax period	The condition of filing of sales tax return is now mandatory for claiming exemption for Hajj and Umrah tour package
13	Support and operation services to agriculture, hunting, forestry and fishing	The exemption shall be applicable to services provided or rendered in relation to: (1) Services of provision of agricultural machinery with crew and operators; or (2) Support and operation services to hunting.	The exemption shall be applicable to services provided or rendered in relation to services of provision of agricultural machinery with crew and operators	Exemption of sales tax on support and operation services in relation to hunting has been omitted
16	Education services	Nil	The exemption shall not be applicable to- (1) Education institutions run for commercial purposes; and (2) Sports education services	The amendment has abolished the exemption on education services provided by educational institutions run for commercial purposes and sports education services.
17	Services provided or rendered by hospitals and clinics	Services of provision of room/beds by hospitals and clinics for its indoor patient or day-care patient	The exemption shall not be applicable to- (1) The services of cosmetic and plastic	The amendment has abolished the exemption from sales tax on hospital/clinic services providing cosmetic and plastic surgery for aesthetic

Serial No.	Description	Existing Condition for Exemption	Enacted Conditions and Restrictions	Comments, if any
		where the per day charges (including allied fixed charges, if any) for such rooms/beds below Rs. 40,000 per room/bed;	surgery for aesthetic purposes; and (2) The bed/room services of hospitals where per day charges for such rooms/beds, including all fixed charges, exceed rupees ten thousand per room/bed per day	purposes. Further, the threshold limit of per day room charges for all hospital/clinic services to Rs. 10,000

- The Act has introduced the following new services in the list of exempt services:

Serial No.	Description	Conditions for exemption
28	Passenger transport services	The exemption shall not be applicable to services provided or rendered in relation to,- (1) Rent a car and vehicle rental services; (2) Services provided or rendered by the owners or drivers of the vehicles using the cab aggregator services; and (3) Chartered flight services within Balochistan or originating from any airfield in Balochistan
29	Insurance premiums	The exemption shall be only applicable to such insurance premiums charged by the company designed under the Balochistan Public Property Insurance Act, 2026, on insurance policies covering risks situated, policyholder's resident or registered, in the Provinces of Balochistan.
30	Reinsurance premiums	The exemption shall be only applicable to such reinsurance premiums paid by the Company designated under the Balochistan Public Property Insurance Act, 2026, in respect of cessions or retrocessions arising from policies referred to in entry (29) above.
31	Services provided or rendered associated to Export Processing Zone	This exemption shall only be applicable to services provided or rendered in any Export Processing Zone, as notified by the Federal Government, and wherein, the Government of Balochistan has a profit sharing up to 10%. Further, this exemption shall be applicable for a period of 15 years and limited to such services which are related to such investments and operations made by foreign investors only. Furthermore, this exemption shall take effect from the date of commencement of operations by such factory, or industry, or industrial undertaking as notified by the Government. Explanation: the expressions "factory", "industry" and "industrial undertaking" used in this provision, shall have the same meaning as assigned to them in the Balochistan Industrial Development and Regulations Act, 2025 (Act No. X of 2025).]

Third Schedule

(List of services liable to reduced rate)

- The Act has increased/rationalized the rate in the list of services liable to reduced rate:

S. No.	Description	Existing Rate	Enacted rate	Comments, if any
1	Services provided or rendered by restaurants, including cafe, coffee houses, food huts, ice-cream shops and eateries	2%	4%	The subject reduction in rate is specific for restaurants having POS machine for issuance of invoices
2	Services provided or rendered by marriage halls, lawns, mandap, pandal and shamiana, including floral and decoration, etc.	10,000 rupees per event or 2% of services fees, whichever is higher	10,000 rupees per event or 4% of services fees, whichever is higher	
19	Technical, scientific and engineering consultants	6%	8%	
24	Commission agents	4%	8%	
38	Cosmetic and plastic surgery and Transplantations	4%	6% or Rs. 50,000 per month, whichever is higher	

- The Act has relaxed the condition of reduced rate on following services:

Serial No.	Description	Rate	Comments
11	Services provided or rendered by person engaged in contractual execution of work or furnishing supplies	1%	Presently, 1% is applicable on all projects inserted in the PSDP since promulgation of the Act including all the taxes due to be paid against those projects. Now, this condition has been omitted.
33	Construction Services	1%	Presently, 1% is applicable on all projects inserted in the PSDP since promulgation of the Act including all the taxes due to be paid against those projects. Now, this condition has been omitted.

- The Act has introduced new services in the list of services liable to reduced rate:

S. No.	Description	Enacted rate	Enacted Conditions
45	Education Services	0%	Input tax credit/adjustment shall not be admissible.
46	Services provided or rendered by Hospitals/ Institutes and Clinics.	3%	Input tax credit/adjustment shall not be admissible.

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