

The logo of the Punjab Revenue Authority (PRA) is a circular emblem. It features a green outer ring with the text "PUNJAB REVENUE AUTHORITY" in white. Inside the ring, the letters "PRA" are written in a large, blue, serif font. Below "PRA" is the tagline "Gateway To Development" in a smaller, blue, sans-serif font. At the bottom of the inner circle, there is a blue gear icon flanked by two golden wheat stalks. Below the gear and wheat, there are three wavy blue lines representing water.

THE PUNJAB SALES TAX
ON
SERVICES ACT 2012

Government of Punjab

Punjab Revenue Authority

Government of Punjab

CHAPTER I PRELIMINARY

1. Short title, extent and commencement.—

- (1) This Act may be cited as the Punjab Sales Tax on Services Act 2012.
- (2) It shall extend to the whole of the Punjab.
- (3) This Act shall come into force on and from such date as the Government may, by a notification in the official Gazette, specify.
- (4) Notwithstanding sub-section (3), the Government may, by notification in the official Gazette, specify services or class or classes of services in respect of which tax shall be collected and paid with effect from the date subsequent to and different from the date of the commencement of this Act.

2. Definitions.— In this Act—

- (1) “Appellate Tribunal” means the Appellate Tribunal established under any law and notified by the Government as the Appellate Tribunal for purposes of the Act;
 - (2) “arrears”, in relation to a person, shall mean, on any day, the tax due and payable by the person under the Act or the rules before that day but which has not yet been paid;
 - (3) “Assistant Commissioner” means a person appointed as an Assistant Commissioner of the Authority;
 - (4) “Associates” or “associated persons” refer to—
 - (a) two persons, where the relationship between them is such that one may reasonably be expected to act in accordance with the intentions of the other, or both persons may reasonably be expected to act in accordance with the intentions of a third person but two persons shall not be associates solely by reason of the fact that one person is an employee of the other or both persons are employees of a third person;
 - (b) Without prejudice to the generality of paragraph (a) and subject to paragraph (c), the following persons shall always be treated as associates:—
 - (i) an individual and a relative of that individual;
 - (ii) members of an association of persons;
 - (iii) a member of an association of persons and the association, where the member, either alone or together with an associate or associates under another application of this section controls fifty per cent or more of the rights to income or capital of the association;
 - (iv) a shareholder in a company and the company, where the shareholder, either alone or together with an associate or associates under another application of this section, controls either directly or through one or more interposed persons—
 - a. fifty *per cent* or more of the voting power in the company;
 - b. fifty *per cent* or more of the rights to dividends; or
 - c. fifty *per cent* or more of the rights to capital; and
 - (v) two companies, where a person, either alone or together with an associate or associates under another application of this section, controls either directly or through one or more interposed persons—
 - a. fifty *per cent* or more of the voting power in both companies;
 - b. fifty *per cent* or more of the rights to dividends in both companies;
 - c. fifty *per cent* or more of the rights to capital in both companies; and
 - (c) Two persons shall not be associates under sub-paragraph (i) or (ii) of paragraph (b) where the Commissioner is satisfied that neither person may reasonably be expected to act in accordance with the intentions of the other.
- Explanation.**— The expression ‘relative in relation to an individual’ means—
- (i) an ancestor, a descendant of any of the grandparents, or an adopted child of the individual or of a spouse of the individual; or
 - (ii) a spouse of the individual or of any person specified at (i);
- (5) “Association of persons” includes a firm, any artificial or juridical person and body of persons formed under a foreign law, but does not include a company;
 - (6) “Authority” means Punjab Revenue Authority established under any law;

- (7) “Banking company” means a banking company as defined in the Banking Companies Ordinance, 1962 (*LVII of 1962*) and includes any body corporate which transacts the business of banking in the Punjab;
- (8) “Commissioner” means a person appointed as Commissioner of the Authority;
- (9) “Commissioner (Appeals)” means a person appointed as Commissioner (Appeals) of the Authority;
- (10) “Common taxpayer identification number” means the registration number or any other number or identification code allocated to a registered person;
- (11) “Company” means—
 - (a) a company as defined in the Companies Ordinance, 1984 (*XLVII of 1984*);
 - (b) a body corporate formed by or under any law;
 - (c) a *modarba* and any other Islamic financial institution;
 - (d) a body incorporated outside Pakistan;
 - (e) a trust, a co-operative society or a finance society or any other society established or constituted by or under any law; or
 - (f) a foreign association, whether incorporated or not, which the Authority has, by general or special order, declared to be a company for purposes of the Act;
- (12) “Computerized system” means any comprehensive information technology system, including its development, up gradation or updatation, to be used by the Authority or any other office as may be notified by the Authority, for carrying out the purposes of the Act;
- (13) “Default surcharge” means the default surcharge levied under the Act;
- (14) “Defaulter” means a person and, in the case of company or firm, every director of the company or partner of the firm and includes guarantors or successors, who fail to pay the arrears of tax under the Act and the rules;
- (15) “Deputy Commissioner” means a person appointed as a Deputy Commissioner of the Authority;
- (16) “Document” includes any electronic data, computer programmes, computer tapes, computer disks, micro-films or any other medium or mode for the storage *or conveyance* of such data;
- (17) “due date” in relation to the furnishing of a return under Chapter VI means the 15th day of the month following the end of the tax period, or such other date as the Authority may, by notification in the official Gazette, specify;
- (18) “Economic activity” shall have the meaning given to it in section 6;
- (19) “e-intermediary” means a person appointed as e-intermediary under the Act;
- (20) “Exempt service” means a service which is exempt from the tax under section 12;
- (21) “FBR” means the Federal Board of Revenue established under the Federal Board of Revenue Act, 2007;
- (22) “Financial year” means the period from 1st July of a year to 30th June of the following year;
- (23) “Firm” means the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all;
- (24) “Goods” include every kind of movable property other than actionable claims, money, stocks, shares and securities but does not include a service defined under the Act;
- (25) “Government” means Government of the Punjab;
- (26) “Inter-bank rate” means the Karachi inter-bank offered rate prevalent on the first day of each quarter of a financial year;
- (27) “Officer of the Authority” means any officer of the Authority;
- (28) “Open market price” shall have the meaning as given to it in section 8;
- (29) “Person” means—
 - (a) an individual;
 - (b) a company;
 - (c) Federal Government;
 - (d) a Provincial Government;
 - (e) a local authority or local government; or
 - (f) a foreign government, a political subdivision of a foreign government, or public international organization;

Explanation.– The use of the word “he” in the Act shall be taken to refer to any or all mentioned from (a) to (f) as required in the context of the relevant provision;

- (30) “Place of business” means that a person–
- (a) owns, rents, shares or in any other manner occupies a space in the Punjab from where he carries on an economic activity whether wholly or partially; or
 - (b) Carries on an economic activity whether wholly or partially through any other person such as an agent, associate, franchise, branch, office, or otherwise in the Punjab but does not include a liaison office;
- (31) “Prescribed” means prescribed by the rules;
- (32) “Registration number” means the number allocated to a registered person for purposes of the Act;
- (33) “registered person” means a person who is registered or is liable to be registered under the Act but the person liable to be registered and has not registered shall not be entitled to any benefit available to a registered person under any of the provisions of the Act or the rules;
- (34) “Return” means any return required to be furnished under Chapter VI of the Act;
- (35) “Resident” means–
- (a) An individual who, in a financial year, has–
 - (i) a place of business, whole or part thereof, in the Punjab in any mode, style or manner; or
 - (ii) his permanent address, as listed in the individual’s national identity card, in the Punjab; or
 - (iii) a permanent representative to act on his behalf or to provide service on his behalf in the Punjab.
 - (b) An association of persons or a company which, in a financial year, has–
 - (i) Its registered office in the Punjab; or
 - (ii) Its place of business, whole or part thereof, in the Punjab in any mode, style or manner; or
 - (iii) A permanent representative to act on its behalf or to provide service on its behalf in the Punjab; or
 - (iv) The control or management of the affairs of the association of persons is situated in the Punjab at any time during the financial year;
- (36) “Rules” means the rules made under the Act;
- (37) “Schedule” means a Schedule appended to the Act;
- (38) “Service” or “services” means anything which is not goods or providing of which is not a supply of goods and shall include but not limited to the services listed in First Schedule;
- Explanation.**– A service shall remain and continue to be treated as service regardless whether or not rendering thereof involves any use, supply or consumption of any goods either as an essential or as an incidental aspect of such rendering;
- (39) “short-paid” means where a registered person pays an amount of tax less than the tax due owing to miscalculation or incorrect assessment of the tax amount due for a tax period;
- (40) “Similar service” means any other service which is the same as, or closely resembles with, the other service in character, quality, quantity, functionality, materials, or reputation;
- (41) “Special Judge” means a Special Judge appointed under section 42;
- (42) “Tax” means and includes–
- (a) The tax, additional tax, or default surcharge levied under the Act;
 - (b) A fine, penalty or fee imposed or charged under the Act; and
 - (c) Any other sum payable or recoverable under the Act or rules;
- (43) “Tax fraud” means knowingly, dishonestly or fraudulently and without any lawful excuse–
- (a) Doing of any act or causing to do any act; or
 - (b) Omitting to take any action or causing the omission of any action, including providing of taxable services without being registered under the Act; or
 - (c) Falsifying or causing falsification of tax invoices or other tax documents or records; or

- (d) Acting in contravention of the duties or obligations imposed under the Act or rules or instructions issued thereunder – with the intention of understating or suppressing the tax liability or underpaying the tax liability;
- (44) “Tax period” means a period of one month or such other period as the Authority may, by notification in the official Gazette, specify;
- (45) “Taxable service” shall have the meaning as given to it in section 3; and
- (46) “Value of a taxable service” shall have the meaning as given to it in section 7.

3. Taxable service.– (1) Subject to such exclusion as mentioned in Second Schedule, a taxable service is a service listed in Second Schedule, which is provided by a person from his office or place of business in the Punjab in the course of an economic activity, including the commencement or termination of the activity.

Explanation.– This sub-section deals with services provided by a person regardless whether such services are provided to a resident person or a non-resident person.

(2) If a service listed in Second Schedule is provided to a resident person by a non-resident person in the course of an economic activity, including the commencement or termination of the activity, it shall be treated as a taxable service.

Explanation.– This sub-section deals with services provided by a non-resident person to a resident person whether or not the end consumers, if any, of such services are identifiable for purposes of this Act or the rules.

- (3) For purposes of sub-section (2), where a person has a registered office or place of business in the Punjab and another outside the Punjab, the registered office or place of business in the Punjab and that outside the Punjab shall be treated as separate legal persons.
- (4) The Authority may, with prior approval of the Government, by notification in the official Gazette, prescribe rules for determining the conditions under which a particular service or class of service shall be considered to have been provided by a person from his registered office or place of business in the Punjab.
- (5) For purposes of this Act and the rules, providing of service shall, where the context so requires, include rendering, supply, initiation, origination, execution, reception, consumption or termination of a service whether in whole or in part.

4. Application of principles of origin and reverse charge in certain situations.– (1) Where a person is providing taxable services in a Province other than the Punjab but the recipient of such services is resident of the Punjab or is otherwise availing such services in the Punjab and has charged tax accordingly, the person providing such services shall pay the amount of tax so charged to the Government.

- (2) Where the recipient of a taxable service is a person registered under the Act, he shall deduct the whole amount of tax in respect of the service received and pay the same with the Government.
- (3) Where a person is providing taxable services in more than one Province or territory in Pakistan including the Punjab, such person shall be liable to pay tax to the Government to the extent the tax is charged from a person resident in the Punjab or from a person who is otherwise availing such services in the Punjab.
- (4) Where rendering of a taxable service originates from the Punjab but terminates outside Pakistan, such person shall be required to pay tax on such service to the Government.
- (5) Where a taxable service originates from outside Pakistan but is received or terminates in the Punjab, the recipient of such service shall be liable to pay the tax to the Government.
- (6) The persons who are required to pay the tax to the Government in terms of sub-sections (1), (2), (3), (4) and (5) shall be liable to registration for purposes of this Act and the rules.
- (7) All questions or disputes relating to the application of the principle of origin given in this section shall be resolved in terms of the already recorded understanding between the Federal Government and the

Provincial Governments on the implementation of reformed General Sales Tax provided that pendency of any such question or dispute shall not absolve the concerned person from his obligation to deposit the tax.

- (8) The provisions of this section shall apply notwithstanding any other provision of this Act or the rules and the Government may specify special procedure to regulate the provisions of this section.

5. Amendment in Second Schedule.— (1) The Government may, by notification in the official Gazette, make an amendment in Second Schedule by modifying, adding or deleting any entry or entries with reference to the classification, if any, description of any service or class of services and the rate or rates of tax chargeable on any service or class of services not exceeding the maximum rate prescribed in Second Schedule.

- (2) A notification issued under sub-section (1) shall be effective from such date as may be specified in the notification but such date shall not be prior to the date on which the notification is published in the official Gazette.

- (3) The Government shall at the time of presenting the Annual Budget Statement for the next financial year, lay before the Provincial Assembly of the Punjab all the notifications relating to the amendments in the Second Schedule during the current financial year.

6. Economic activity.— (1) An economic activity means any activity carried on whether continuously, regularly or otherwise by a person that involves or is intended to involve the provision of services to another person and includes—

- (a) an activity carried on in the form of a business, including a profession, calling, trade, or undertaking of any kind, whether or not the activity is undertaken for any consideration or profit;
- (b) the supply of movable property by way of lease, license or such similar arrangement; and
- (c) a one-time transaction or concern in the nature of a business or trade.

- (2) Anything done or undertaken during the commencement or termination of an economic activity shall be construed as part of the economic activity.

- (3) An economic activity does not include—

- (a) the activities of an employee providing services in that capacity to an employer; or
- (b) a private recreational pursuit or hobby of an individual.

7. Value of a taxable service.— (1) The value of a taxable service is the consideration (by whatever name called such as charges or price) in money including all the Federal and the Provincial duties, taxes or charges, if any, which the person providing a service receives from the recipient of the service but does not include the amount of the tax.

- (2) In case the consideration for a service is in kind or is partly in kind and partly in money, the value of the service shall mean the open market price of the service as determined under section 8 excluding the amount of the tax.

- (3) In case the person who provides the service and the recipient of the service are associated persons and the service is supplied for no consideration or for a consideration which is lower than the price at which the person provides the service to other persons who are not associated persons, the value of the service shall mean the price at which the service is provided to such other persons but does not include the tax.

- (4) In case a person provides a service for no consideration or for a consideration which is lower than the price at which such a service is provided by such person, the value of the service shall mean the open market price for such a service.

- (5) In case of trade discounts, the value of the service shall mean the discounted price, excluding the amount of the tax, provided the invoice shows that the discounted price and the related tax and the discount allowed is in conformity with customary business practice.

- (6) In case there is reason to believe that the value of a service has not been correctly declared in the invoice or for any special nature of transaction it is difficult to ascertain the value of a service, the value of the service shall be the open market price.
- (7) Notwithstanding anything in sub-sections (1) to (6), where the Authority deems it necessary, it may, by notification in the official Gazette, fix the value of any service or class of services and for that purpose fix different values for different classes or descriptions of the same or similar types of services but if the value at which the service is provided is higher than the value fixed by the Authority, the value of the service shall, unless otherwise directed by the Authority, be the value at which the service is provided.

Explanation.— For the purpose of this section, the value of the utilities or facilities, if any, ancillary to providing of taxable services shall be included in the value of such services.

- (8) The Authority may, by notification in the official Gazette, issue valuation rules for any service or class of services for purposes of assessment or determination and payment of tax under this Act and prescribe threshold, parameters, standards, methods, formula, criteria or bases for the determination of value of any taxable service or class of taxable services and the assessment of the tax on any service or class of services.

8. Open market price.— (1) The open market price of a service is—

- (a) The price, the service would fetch in an open market transaction freely entered into between persons who are not associated persons; or
- (b) if it is not possible to determine an amount under paragraph (a), the price a similar service would fetch in an open market transaction freely made between persons who are not associated persons, adjusted to take account of the differences between the similar service and the actual service,
- (c) Determined on the basis of the market conditions prevailing at the time and place at which the service is provided.

(2) If the open market price of a service cannot be determined under sub-section (1), it may be determined by using any method or formula specified by the Authority for calculating an objective approximation of the price, the service would fetch in an open market transaction freely made between persons who are not associates.

9. Provision of services over a period of time.— (1) Where a service is provided over a period of time and payment for the same is made on a periodic basis, the service shall be treated as comprising two or more separate and distinct services each corresponding to the part of the service to which each separate part of the consideration relates.

ILLUSTRATIONS

- (a) Where services are provided for a two year period and payment is made on a semi-annual basis, the provision of services for each six month period constitutes a separate service.
- (b) Where an insurance company provides an insurance policy over a five year period and receives a premium on an annual basis, each premium relates to a separate service.

Note: The above illustrations are merely explanatory and shall not be construed as conclusive in any manner whatsoever.

- (2) This section does not apply to services for which payment is made on installments basis.