



**The Federation of Pakistan**  
Chambers of Commerce & Industry

PROPOSALS FOR THE  
**FEDERAL BUDGET**  
**2026-2027**



# Vision



The Federation of Pakistan Chambers of Commerce and Industry (FPCCI), as the apex organization representing trade and industry in Pakistan, presents its Budget Proposals for the fiscal year 2026–27. In 2022, Pakistan’s economy faced significant challenges, characterized by a rising dollar rate and dwindling investor confidence fueled by economic instability. A pivotal economic recovery commenced in late 2022 when Prime Minister Mian Muhammad Shehbaz Sharif took initiative, engaged with the Managing Director of the IMF, and successfully secured a Standby Arrangement of US\$ 2.2 billion, thereby restoring the faith of international lenders and rebuilding trust in Pakistan, ultimately guiding the nation’s economy

back on course. As a member of the business community, I observed the country’s precarious condition with significant concern, which inspired my active participation in efforts to address the economic challenges, leading me to run for the presidency of FPCCI. In January 2024, with the grace of Almighty ALLAH, I was elected as President of FPCCI and became directly involved in the efforts to restore Pakistan’s economy.

Since 2024, the country has made commendable progress in restoring macroeconomic stability. Inflation has declined sharply to record lows, fiscal discipline has improved, and foreign exchange reserves have strengthened. Furthermore, our national resilience was unequivocally demonstrated during the victorious Marka-e-Haq in May 2025, proving that our nation can withstand and triumph over any external aggression or shocks. We hold a firm belief in the governance of Pakistan and the strategic direction set by our state. I am proud that ALLAH Almighty granted me the courage to do my bit in the rebuilding of a prosperous Pakistan. Today, I, as the President of FPCCI, along with my entire FPCCI team, wholeheartedly support this ongoing national recovery by staying shoulder by shoulder with our Honourable Prime Minister Mian Muhammad Shehbaz Sharif and the beloved Field Marshal, Syed Asim Munir. FPCCI deeply appreciates their leadership, as their coordinated efforts have been instrumental in navigating the economy through a period of significant stress.

At the same time, evolving global dynamics, particularly the ongoing Iran-US conflict, have introduced renewed uncertainty. However, amid these regional tensions, Pakistan has proudly stepped forward as a core mediator to facilitate dialogue and a ceasefire between the two nations. This historic mediation is a moment of immense national pride and a testament to the tireless diplomatic efforts and strategic foresight of our Honourable Prime Minister, Deputy Prime Minister & Foreign Minister, and Field Marshal.

The business community firmly believes that the Federal Budget FY2026–27 must reflect Pakistan’s strong diplomatic profile and convert these diplomatic gains into tangible economic outcomes for Pakistan. FPCCI under my humble leadership, will continue to support government initiatives aimed at economic stability, export growth, and industrial competitiveness. Moreover, I have the firm belief that we, the business community, can resolve all the challenges and hardships by engaging the government and therefore, FPCCI will continue to play its responsible role in maintaining market stability, business growth, investor confidence, etc. for a prosperous Pakistan as we did in the past years.

The recommendations presented in this document are centered on rationalization of taxes, elimination of distortions, improving the enforcement ecosystem, facilitation of businesses across sectors, exports enhancement, and value addition to ensure long-term economic resilience. “PAKISTAN HAMESHA ZINDABAD”.

## Atif Ikram Sheikh

President, FPCCI  
President, ECO - CCI  
Sr. Vice President, SAARC  
Vice President, CACCI

# Message



We are pleased to present the FPCCI Budget Proposals for FY2026–27 with a deep sense of optimism and commitment. Pakistan has endured a challenging economic landscape in recent years; however, through unified National efforts, the nation has made significant strides toward macroeconomic stabilization and has restored economic confidence. The Honourable Prime Minister Mian Muhammad Shehbaz Sharif, Field Marshal Syed Asim Munir and Finance Minister, Senator Muhammad Aurangzeb have significantly contributed to the stabilization of the economy, rebuilding investor trust, and directing Pakistan towards a more promising economic future. Currently, inflation has decreased

notably, and foreign exchange reserves have increased to over US\$21 billion as a result of structural reforms. Furthermore, the implementation of the one-window facility through the Special Investment Facilitation Council (SIFC) has greatly boosted confidence among businesses, consumers, and international stakeholders.

FPCCI as an apex body of the business community believes that sustainable and inclusive economic growth demands not only macroeconomic stabilization but also a foundation of institutional credibility, governance reforms, and a positive National reputation. To advance this objective, the FPCCI President Mr. Atif Ikram Sheikh introduced the Index of Transparency and Accountability in Pakistan (iTAP) in February 2026, collaborating with IPSOS, a prominent global survey organization. This initiative was intended to measure the difference between public perception and actual governance outcomes within essential public service institutions. The findings showed promising improvements in the experiences of citizens and greater public trust in governance and service provision.

FPCCI also understands that economic confidence is closely linked with National Security and diplomatic strength. Pakistan's successful handling of regional security challenges during Marka-e-Haq in May 2025 reinforced confidence within the business community regarding the country's resilience and institutional stability. In addition, Pakistan's proactive diplomatic involvement in alleviating US-Iran tensions, guided by the strategic vision of the Prime Minister, the security leadership of the Field Marshal, and the comprehensive efforts of the Deputy Prime Minister, has enhanced its reputation as a mature and responsible regional actor committed to fostering peace and stability.

As Chairman of the Policy Advisory Board, I have overseen the FPCCI's Policy Research Unit, which has been diligently assisting the Ministry of Commerce in trade negotiations and agreements by offering technical insights to enhance Pakistan's external trade framework. Additionally, at FPCCI, we are pursuing District, Sectoral Economy and international trade initiatives, and we believe that appointing Economic Commissioners at the district level could facilitate grassroots business support and strengthen the integration of local enterprises within both domestic and international markets.

At FPCCI, we believe, through rationalization of taxes, reduced compliance burden, export-oriented industrial support, and improved ease of doing business, Pakistan can build upon recent gains and move towards a stronger, more competitive, and economically resilient future. At this juncture, we have to decide whether we should continue with a "revenue-driven" economy model or adopt an "economy-driven" revenue approach for export enhancement and inclusive growth.

I also acknowledge and appreciate the leadership of President of FPCCI Mr. Atif Ikram Sheikh for his untiring efforts towards building a business-friendly and prosperous Pakistan. I also appreciate the member trade bodies and members / advisors of the Budget Advisory Council for their valuable inputs and guidance in the preparation of this document.

## Mian Zahid Hussain

(Sitara-e-Imtiaz, Hon. PhD)  
(Former IT Minister, Govt. of Sindh)  
Chairman, Advisory Council of Federal Budget FPCCI  
Chairman, Policy Advisory Board of FPCCI  
Chairman, FBR Advisory Council on Inland Revenue of FPCCI

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**Saquib Fayyaz Magoon**

» Senior Vice President «



**Abdul Muhamin Khan**

» Vice President «



**Asif Inam**

» Vice President «



**Asif Sakhi**

» Vice President «



**Aun Ali Syed**

» Vice President «



**Muhammad Aman Paracha**

» Vice President «



**Muhammad Raziq**

» Vice President «



**Nasir Khan**

» Vice President «



**Qurrat-ul-Ain**

» Vice President «



**Tariq Khan Jadoon**

» Vice President «



**Zain Iftikhar Ch.**

» Vice President «



**Zaki Aijaz**

» Vice President «

## Chairman of the Advisory Council on Federal Budget Proposals (2026-27)



### Mian Zahid Hussain

(Sitara-e-Imtiaz, Hon. PhD)  
(Former IT Minister, Govt. of Sindh)  
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Chairman, Policy Advisory Board of FPCCI  
Chairman, FBR Advisory Council on Inland Revenue of FPCCI

## Members of the Advisory Council on Federal Budget Proposals (2026-27)



### Mr. Zain Iftikhar Ch

Vice President  
FPCCI



### Mr. Abdul Mohamin Khan

Vice President FPCCI &  
Regional Chairman Sindh



### Mr. Zaki Aijaz

Vice President FPCCI &  
Regional Chairman Punjab



### Mr. Muhammad Aman Paracha

Vice President  
FPCCI



### Mr. Asif Sakhi

Vice President  
FPCCI



### Mr. Asif Inam

Vice President  
FPCCI



### Mr. Aun Ali Syed

Vice President  
FPCCI



### Mr. Nasir Khan

Vice President  
FPCCI



### Ms. Qurrat-ul-Ain

Vice President  
FPCCI

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**Engr. Haji Daroo Khan Achakzai**  
Member Executive Committee FPCCI /  
Former President FPCCI



**Mr. Shaukat Ahmed**  
Former Senior Vice President  
FPCCI



**Sheikh Khalid Tawab, SI**  
Former Senior Vice President  
FPCCI



**Mr. Muhammad Hanif Gohar**  
Former Senior Vice President  
FPCCI



**Syed Mazhar Ali Nasir**  
Senior Vice President  
FPCCI



**Mr. Zahid Ullah Shinwari**  
Member Executive Committee  
FPCCI



**Mr. Ahsan Zafar Bakhtawari**  
Member General Body  
FPCCI



**Mr. Ahmed Chinoy, HI, SI**  
Member General Body  
FPCCI



**Mr. Izhar-ul-Haq Qamar**  
Member General Body  
FPCCI



**Mr. Ghazanfar Ali Khan**  
Prominent Member  
FPCCI



**Mr. Muslim S. Mohamedi**  
Former Vice President  
FPCCI



**Mr. Khurram Ijaz**  
Former Vice President  
FPCCI



**Sheikh Umer Rehan**  
Former President  
KATI



**Mr. Muhammad Ahmed Waheed**  
Prominent Member FPCCI /  
Former President Islamabad FPCCI



**Mr. Liaquat Ali Sheikh**  
Prominent Member  
FPCCI

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**Mr. Sohail Ashraf Vohra**  
Prominent Member  
FPCCI



**Mr. Saleem Khan**  
Prominent Member  
FPCCI



**Mr. Zahid Umar**  
Prominent Member  
FPCCI



**Mr. Javed Khalili**  
Prominent Member  
FPCCI



**Mr. Abdul Rehman Khalili**  
Prominent Member  
FPCCI



**Mr. Sheeraz Ali Keerio**  
Prominent Member  
FPCCI



**Mr. Sajjad Mustafa Syed**  
Chairman, Pakistan Software Houses  
Association for IT & ITES (P@SHA)



**Mr. Jawed Kureishi**  
Chief Executive officer,  
Pakistan Business Council (PBC)

**Advisors of the Advisory Council on Federal Budget Proposals (2026-27)**



**Mr. Abdul Qadir Memon**

Founder & Chief Advisor,  
A. Qadir & Company



**Dr. Ashfaq Ahmed Tunio**

Tax Consultant



**Syed Tanvir Ahmad**

Former Member  
FBR



**Mr. Mahfuz-Ur-Rehman Pasha**

Member Executive Committee  
FPCCI



**Mr. Zeeshan Merchant**

Tax Consultant



**Mr. Razi Ahsan**

Advocate High Court & Tax  
Consultants



**Mr. Imtiaz Ali Solangi**

Lawyer & Tax Consultant / Former Member FBR

**FCCI Secretariat & Research Team**



**Brig. Iftikhar Opel, SI (M), Retd.**  
» Secretary General «



**Amjad Qureshi**  
Additional Secretary General



**Bilawal Suhag**  
Head, Policy Research Unit  
Secretary, Policy Advisory Board



**Ahmed Zaman Khan**  
Additional Secretary General



**Abdul Jawad Shaikh**  
Senior Researcher



**Ijlal Mansoor**  
Senior Researcher



**Uroosa Rasheed**  
Senior Researcher



**Adil Mustafa Shah**  
Senior Economist



**Saif Muhammad Shah**  
Senior Research Associate



**Mohammad Zain Farooqui**  
Research Associate



**Zeeshan Azam**  
Graphic Designer



**Muhammad Sohail**  
Deputy Manager FBR Affairs

## Document Control

<b>Document title</b>	Proposals for the Federal Budget 2026 - 27
<b>Issuing body</b>	The Federation of Pakistan Chambers of Commerce & Industry (FPCCI)
<b>Status</b>	Final Approved Manuscript
<b>Date</b>	May 12, 2026
<b>Classification</b>	Public
<b>Prepared by</b>	Policy Research Unit of FPCCI & FBR Wing of FPCCI
<b>Lead Authors</b>	Bilawal Suhag, Abdul Jawad Shaikh, Muhammad Sohail
<b>Layout &amp; Graphic Design</b>	Saif Muhammad Shah, Zeeshan Azam
<b>Reviewed by</b>	FPCCI's Budget Advisory Council, Policy Advisory Board of FPCCI & Tax Experts
<b>Approved by</b>	President FPCCI

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## **Preface**

FPCCI's Budget Proposals for FY2026-27 have been developed after a thorough consultative process, involving extensive engagement with member trade organizations, supported by detailed in-house deliberations on each recommendation. These proposals reflect the consolidated input of the business community across sectors and regions, ensuring that they are grounded in practical realities and aligned with the evolving structure and needs of Pakistan's economy.

The primary focus of the proposals is to enhance exports, expedite industrialization, and enhance revenue through economic growth instead of prioritizing revenue generation. Efforts are being concentrated on creating a conducive business environment through targeted policy interventions that foster value addition, boost competitiveness, and promote the formalization of economic activities. By aligning fiscal policies with actual economic activities, these recommendations aim to increase productive capacity, expand the export base, and ensure sustainable and inclusive economic growth.

The fundamental challenge facing Pakistan stems from a revenue-focused fiscal framework, where taxation policies are often oriented toward short-term collection goals rather than their long-term implications for economic growth. This strategy endangers investment, distorts market signals, and perpetuates informality. Consequently, FPCCI supports a strategic transition to a growth-oriented revenue model, where tax policy is synchronized with objectives of growth, competitiveness, and formalization. Achieving this necessitates the rationalization of withholding taxes, the removal of cascading tax burdens, the simplification of compliance processes, and the acceleration of digitalization to incorporate the informal economy, complemented by a district-level economic strategy that fosters localized industrial clusters, value chains, and region-specific comparative advantages.

In case of queries, questions and suggestions, please feel free to reach out at [pru@fpcci.org.pk](mailto:pru@fpcci.org.pk)



# **INCOME TAX PROPOSALS**

S. No.	Section / Clause / Rule	Recommendation / Suggested Change
01	Final Tax Regime for Exporters	<p><b>Goods Exports</b></p> <p>The withdrawal of the <b>Final Tax Regime (FTR)</b> for <b>exporters</b> of goods has significantly increased compliance requirements, documentation, tax-related uncertainty, and audit harassment. It is recommended to:</p> <p><b>a. Reinstate the Final Tax Regime (FTR) for exporters as full and final liability. This will reduce the compliance burden on Exporters. However, the rate of final tax may be negotiated with stakeholders.</b></p> <p><b>b. An option may be provided to individual exporters to opt between the Final Tax Regime or Normal Tax Regime as per their convenience in order to boost exports.</b></p> <p><b>Chamber/Association:</b> Faisalabad Chamber, APTMA, Textile Processing Mills, PRGMEA, Towel Manufacturers, FPCCI's Policy Research Unit, FPCCI EC &amp; GB, FPCCI's Budget Advisory Council, (Sialkot Chamber has come up with a detailed proposal which is mentioned at S. No. 49)</p>
02	Final Tax Regime for Exporters	<p><b>IT and IT-enabled Exports</b></p> <p>Currently, IT exports are around <b>USD 3.8 billion</b>, with the potential to grow to USD 10 billion. Presently, export revenues from IT and IT-enabled services are taxed at a <b>rate of 0.25%</b>, a rate that is renewed annually. To ensure long-term stability in policy and promote ongoing growth in this sector.</p> <p><i>It is recommended that the 0.25% tax rate be maintained till 2035.</i></p> <p><b>Chamber/Association:</b> PASHA, IT Exporters, FPCCI's Policy Research, FPCCI's Budget Advisory Council.</p>
03	SME's Turnover Threshold	<p>Presently SME turnover threshold is PKR 250 million, the same was inserted in definition of small company through <b>Finance Act, 2007</b>. Since then, the USD has appreciated against PKR by approximately 366%.</p> <p><i>It is recommended to increase this threshold from <b>PKR 250 million</b> to at least <b>PKR 500 million</b> to adjust currency depreciation impact. Further, the threshold should be linked with CPI.</i></p> <p><b>Chamber/Association:</b> Habib Sustainable Development (Pvt) Ltd., Sialkot Chamber, FPCCI's Policy Research Unit, FPCCI EC &amp; GB, FPCCI's Budget Advisory Council</p>
04	Corporate Income Tax	<p>Presently, the <b>Income Tax Rate for manufacturers</b> is 29% plus WWF 2% and WPPF 5%, totaling 36% which is too high and has compromised the business growth, modernization, new investment and FDI.</p> <p><i>It is recommended to reduce the tax rate from 29% to 20%.</i></p> <p><b>Chamber/Association:</b> Stock Brokers, Faisalabad Chamber, A number of business houses, FPCCI's Research Unit, FPCCI EC &amp; GB Members, Denim Manufacturing and Exporters, FPCCI's Budget Advisory Council</p>
05	Super Tax under Section 4B	<p>The Super Tax under Section 4B, was introduced in 2015 to fund the rehabilitation of temporarily displaced persons. The Federal Constitutional Court has passed judgment on Super Tax under Section 4B in favor of FBR. FBR's enforcement measures are draining the liquidity of businesses, additionally the department is charging default surcharge on outstanding amount.</p> <p><i>It is recommended to recover Super Tax in reasonable installments without default surcharge.</i></p> <p><b>Chamber/Association:</b> FPCCI's Research Unit, FPCCI's EC &amp; GB Members, Constructors, FPCCI's Budget Advisory Council</p>
06	Super Tax Under Section 4C	<p>The Super Tax under Section 4C was introduced in Tax Year 2022, which was continued in subsequent years and its scope was further expanded, resulting in lower liquidity for businesses, discouraged investments, business expansion, and encouraged capital flight.</p> <p><i>It is recommended that the Super Tax (4C) may be abolished completely, preferably from the manufacturing sector and for other sectors, it should be reduced considerably to enhance GDP growth.</i></p> <p><b>Chamber/Association:</b> Constructors, Stock Brokers, Large Steel Producers, Faisalabad Chamber, Quetta Chamber, FPCCI's Policy Research Unit, FPCCI EC &amp; GB, FPCCI's Budget Advisory Council</p>

S. No.	Section / Clause / Rule	Recommendation / Suggested Change
07	<p><b>Tax on Salaried Individuals (Section 149)</b></p>	<p>The <b>Salaried Individuals</b> are subject to income tax up to 35% along with a 9% surcharge. The resultant disposable income is not sufficient to cover education of children, health, and household expenses.</p> <p><i>It is recommended to:</i></p> <ol style="list-style-type: none"> <li>Reduce tax rate from 35% to 30%,</li> <li>Reduce / abolish 9% surcharge,</li> <li>Enhance non-tax slab from PKR 600K to PKR 1200K</li> <li>Allow tax credits for expenditure on education, health to encourage quality education and filler culture.</li> </ol> <p><b>Chamber/Association:</b> Jhelum Chamber, Stock Brokers, Large Steel Producers, Faisalabad Chamber, Quetta Chamber, FPCCI's Research Unit, FPCCI's Budget Advisory Council</p>
08	<p><b>Tax on Non- Salaried Individuals and AOPs</b></p>	<p>The <b>Non-Salaried Individuals &amp; AOPs</b> are subject to income tax up to 45% along with a 10% surcharge. The residual income is not sufficient to promote business, education of children, health etc.</p> <p><i>It is recommended to:</i></p> <ol style="list-style-type: none"> <li>Reduce tax rate from 45% to 35%,</li> <li>Reduce / abolish 10% surcharge,</li> <li>Enhance non-tax slab from PKR 600K to PKR 1200K</li> <li>Allow tax credits for expenditure on education, health to encourage quality education and filer culture.</li> </ol> <p><b>Chamber/Association:</b> Jhelum Chamber, Faisalabad Chamber, Quetta Chamber, Mirpurkhas Chamber, Islamabad Chamber, FPCCI Research Unit</p>
09	<p><b>WHT - Redundant Annual Statement</b></p>	<p>Taxpayers are currently required to file both quarterly and annual withholding statements. Since the data in the annual statement is the same as of the already submitted quarterly returns.</p> <p><i>It is recommended to discontinue the annual Withholding Tax (WHT) statement. Further, PRAL may auto consolidate four quarter statements and share editable digital copy with taxpayers.</i></p> <p><b>Chamber/Association:</b> FPCCI's Research Unit, FPCCI's Budget Advisory Council, FPCCI EC &amp; GB Members, Tax Experts.</p>
10	<p><b>Non- Compliance on part of Withholding Agent</b></p>	<p>In cases where the withholding agent has deducted tax from the taxpayer but did not deposit it within the due date to the government, and the taxpayer is held responsible by the FBR.</p> <p><i>It is recommended that the taxpayer may not face the consequences.</i></p> <p><b>Chamber/Association:</b> Constructors, FPCCI's Research Unit, FPCCI's Budget Advisory Council, FPCCI EC &amp; GB Members, Tax Experts.</p>
11	<p><b>Penalties for Inadvertent Delays and Errors</b></p>	<p>The penalties for non-filing, late filing or incorrect filing of withholding tax statements due to inadvertency may be rationalized and used for deterrence only.</p> <p><b>Chamber/Association:</b> FPCCI's Research Unit, FPCCI's Budget Advisory Council, FPCCI EC &amp; GB Members, Tax Experts.</p>

S. No.	Section / Clause / Rule	Recommendation / Suggested Change
12	<b>WHT - Reduce Rates under Sections 148, 153, 236G, and 236H.</b>	<p>The high rates of withholding tax under Section 148 (Imports) and Section 153 (Supply of Goods, Rendering or Providing of Services and Execution of Contracts), 236G, and 236H are “Advance Tax” in nature which traps the working capital of businesses, resulting in liquidity crunches and later on creating refund claims.</p> <p><i>It is recommended to revisit the mechanism and rationalize WHT rates. Taxes withheld under aforesaid sections may not be treated as minimum tax.</i></p> <p><b>Chamber/Association:</b> Pottery Manufacturing, Yarn Merchants, Islamabad Chamber, Paper Merchants, FPCCI’s Policy Research Unit, FPCCI EC &amp; GB, FPCCI’s Budget Advisory Council, Towel Manufacturers</p>
13	<b>WHT - Purchase of Goods under Section 153(1)(a)</b>	<p>The current threshold for applying withholding tax on the purchase of goods under Section 153(1)(a) of the Ordinance is above PKR 75,000 in aggregate during the financial year. Similarly, WHT on purchase of services under Section 153(1)(b) is PKR 30,000 in aggregate. Given the devaluation of Rupee, the threshold needs to be revisited.</p> <p><i>It is recommended to increase the limit from PKR 75,000 to PKR 250,000 for Goods and PKR 30,000 to PKR 150,000 for Services.</i></p> <p><b>Chamber/Association:</b> FPCCI’s Research Unit, FPCCI EC &amp; GB Members, FPCCI’s Budget Advisory Council</p>
14	<b>WHT - Rates on Services under Section 153(1)(b)</b>	<p>Under Section 153(1)(b), withholding tax rates for services are ranging from 1.5% to 15% depending on the nature of the service (e.g., transport, advertising, professional services, etc.). These are also treated in Minimum Tax Regime (MTR)</p> <p><i>It is recommended that the tax rates should be rationalized and the withheld amount may not be treated as minimum tax.</i></p> <p><b>Chamber/Association:</b> FPCCI’s Budget Advisory Council, FPCCI EC &amp; GB Members.</p>
15	<b>Turnover Tax, Section 113</b>	<p>The current flat rate of 1.25% on turnover is exorbitant in an era of high input costs, i.e., energy and raw materials, which has resulted in the cost of goods sold increasing manifold. Therefore, the incidence of this tax has increased tremendously and acts as a 'tax on capital' rather than a tax on income, especially for documented businesses that already face high compliance costs.</p> <p><i>It is recommended to reduce turnover tax from 1.25% to 0.5%.</i></p> <p><b>Chamber/Association:</b> Large Steel Producers, Faisalabad Chamber, Quetta Chamber, Steel - ReRolling Mills Association, FPCCI’s Policy Research Unit, FPCCI EC &amp; GB, FPCCI’s Budget Advisory Council, Towel Manufacturers</p>
16	<b>Turnover Tax under Section 113 on Sick Industrial Units</b>	<p>There is a lack of fiscal support for industrial units struggling to survive or those under formal restructuring. When a business is declared as “Sick Unit” or is undergoing a State Bank-mandated turnaround, every Pakistani Rupee of liquidity is vital for revival. Imposing a turnover tax on a struggling entity is counter productive and often leads to the permanent closure of industrial undertakings and loss of employment.</p> <p><i>It is recommended to grant a temporary two year waiver from Section 113 for industrial units officially declared as “Sick Units”.</i></p> <p><b>Chamber/Association:</b> Quetta Chamber, FPCCI’s Policy Research Unit, FPCCI EC &amp; GB, Islamabad Chamber, FPCCI’s Budget Advisory Council</p>

S. No.	Section / Clause / Rule	Recommendation / Suggested Change
17	<p><b>Minimum Tax Adjustment under Section 113 (2)(c)</b></p>	<p>Under Section 113(2)(c), the carry-forward period for Minimum Tax adjustment is limited to two (2) years immediately succeeding the tax year. Large-scale industrial expansions and Greenfield projects often face significant depreciation and high financial costs in their early years, preventing them from generating enough taxable profit to adjust their carry forward Minimum Tax within this short window.</p> <p><i>It is recommended to enhance the carry-forward period for Minimum Tax adjustment from two (2) years to five (5) years.</i></p> <p><b>Chamber/Association:</b> Large Steel Producers, FPCCI's Policy Research Unit, FPCCI EC &amp; GB, FPCCI's Budget Advisory Council</p>
18	<p><b>Tax on Builders and Developers under Section 7F</b></p>	<p>Under Section 7F (Finance Act, 2024), the taxable income of builders and developers is calculated at 10% of gross receipts from the construction and sale of residential, commercial, or other buildings; regardless of the actual income.</p> <p><i>It is recommended to withdraw Section 7F to encourage investment, enhance documentation, and stimulate growth in the construction sector, thereby generating economic activity across allied industries such as cement, steel, transport, and labor.</i></p> <p><b>Chamber/Association:</b> Constructors Association, Builders &amp; Developers Association, Islamabad Chamber, FPCCI's Policy Research Unit, FPCCI EC &amp; GB, FPCCI's Budget Advisory Council</p>
19	<p><b>Advance Tax on Purchase of Property under Section 236K</b></p>	<p>Under Section 236K, withholding tax is levied on the purchase of immovable property at rates of up to 2.5% where the fair market value exceeds PKR 100 million. This tax is imposed on the gross value of the transaction, regardless of the intended use of the property.</p> <p><i>It is recommended to abolish advance tax on first purchase of property by filer and introduce a uniform flat withholding tax rate of 1% under Section 236K across all property values.</i></p> <p><b>Chamber/Association:</b> Builders &amp; Developers Association, FPCCI's Policy Research Unit, FPCCI's Budget Advisory Council</p>
20	<p><b>Advance Tax on Sale of Property under Section 236C</b></p>	<p>Under Section 236C, withholding tax on the sale of immovable property is up to 5.5% where the gross consideration exceeds PKR 100 million. The tax is applied on the gross transaction value, irrespective of actual gain or loss, thereby placing a significant burden on sellers.</p> <p><i>It is recommended to reduce the withholding tax under Section 236C to a flat rate of 1% across all transaction values. A lower and uniform rate will facilitate documentation of property transactions, reduce incentives for under-reporting, and improve market transparency.</i></p> <p><b>Chamber/Association:</b> Builders &amp; Developers Association, Islamabad Chamber, FPCCI's Budget Advisory Council, FPCCI's Policy Research Unit</p>
21	<p><b>Advance Tax on Rental Income under Section 155</b></p>	<p>Individuals pay an advance tax on rental income of up to 25% for amounts exceeding PKR 2 million, while companies are taxed at a flat rate of 15%.</p> <p><i>It is recommended to lower the advance tax rate on rental income to a maximum of 10%, with a reduced slab for the lower income brackets.</i></p> <p><b>Chamber/Association:</b> Builders &amp; Developers Association, Islamabad Chamber, FPCCI's Budget Advisory Council, FPCCI's Policy Research Unit</p>

S. No.	Section / Clause / Rule	Recommendation / Suggested Change
22	Tax on Deemed Income under Section 7E	<p>The tax imposed under section 7E (FY 2022) was based on deemed income from immovable properties annually rather than on actual income. This was against the principle of income tax, and had discouraged investment in the real estate sector and largely caused the capital flight from Pakistan.</p> <p><i>It is recommended that the concept of deemed income may be abandoned in the light of the judgement of the Federal Constitutional Court (FCC) on section 7E.</i></p> <p><b>Chamber/Association:</b> Quetta Chamber, Builders &amp; Developers Association, Islamabad Chamber, FPCCI's Budget Advisory Council, FPCCI's Policy Research Unit</p>
23	Advance Income Tax under Section 147	<p>Under the existing framework of Section 147, advance income tax is calculated based on an assumed growth of 120% of the previous year's sales/ gross receipts, primarily due to the earlier absence of real-time sales data. This results in the automatic generation of advance tax liabilities and system-generated notices in IRIS, often disconnected from the taxpayer's actual business performance. In light of the Federal Board of Revenue's (FBR) implementation of e-invoicing, POS integration, and SRO 350, real-time sales data is now available and verifiable within the IRIS system.</p> <p><i>It is recommended that the presumption of 120% of prior-year sales has become redundant therefore, Section 147 be amended to link the computation of advance income tax with actual sales data.</i></p> <p><b>Chamber/Association:</b> Builders &amp; Developers Association, Islamabad Chamber, FPCCI's Budget Advisory Council, FPCCI's Policy Research Unit</p>
24	Powers to Enter and Search Premises under Section 175	<p>According to Section 175 of the ITO, the Commissioner or any officer designated by him in writing has immediate access to a taxpayer's premises, locations, accounts, and more. These powers are a tool to harass taxpayers, which ultimately undermines the achievement of Pakistan's macro-economic goals.</p> <p><i>It is recommended that Section 175 may be reviewed and written permission from the Chief Commissioner and District Magistrate should be required.</i></p> <p><b>Chamber/Association:</b> Faisalabad Chamber, Large Steel Producers, Constructors, Islamabad Chamber, FPCCI's Budget Advisory Council, FPCCI's Policy Research Unit</p>
25	Administrative Reforms related to Enforcements	<p>Discretionary powers granted under sections 111, 122 (4), 122 (5), 122 (5A), 122 (D), and 161 (1A) of the Income Tax Ordinance, 2001 are often exercised by the tax officers (Assistant / Deputy / Additional Commissioners) unilaterally which result in harassment of taxpayers. The burden of proof should rest with the department and the evidence should be communicated to the taxpayer with first notice.</p> <p><i>It is recommended to rationalize the above sections so that the powers are used equitably and taxpayers may not be harassed.</i></p> <p><b>Chamber/Association:</b> Sukkur Chamber, FPCCI's Research Unit, FPCCI EC &amp; GB Members, FPCCI's Budget Advisory Council</p>

S. No.	Section / Clause / Rule	Recommendation / Suggested Change
26	<b>Income Tax Refunds</b>	<p>Delays and procedural bottlenecks in income tax refunds may be streamlined through automated mechanisms:</p> <ol style="list-style-type: none"> <li>The auto-verified refunds may be processed without requiring appeals or issuance of separate refund orders.</li> <li>Refunds should be made adjustable against overall tax liabilities, including cross-adjustment between sales tax and income tax, to improve liquidity of the taxpayer and ease of doing business.</li> <li>The outstanding aggregated refunds may also be adjusted against the tax liability under Section 4C (Super Tax).</li> </ol> <p><b>Chamber/Association:</b> FPCCI's Research Unit, FPCCI EC &amp; GB Members, FPCCI's Budget Advisory Council, FPCCI's Policy Research Unit</p>
27	<b>Tax Rebates for Faculty, Researchers</b>	<p>Historically, a tax rebate of 40% was available to academic faculty and researchers, which was subsequently reduced to 25%, and zero percent rebate from Tax Year 2025 onwards. This has adversely impacted the retention and motivation of highly skilled professionals in the higher education sector.</p> <p><i>It is proposed to reinstate and enhance the tax rebate for academic faculty and researchers to support talent, promote research excellence, and strengthen Pakistan's higher education ecosystem.</i></p> <p><b>Chamber/Association:</b> Private Universities &amp; Institutes, FPCCI's Budget Advisory Council, FPCCI's Policy Research Unit</p>
28	<b>Capital Gain Tax under Section 37A</b>	<p>High capital gains tax rates deter investors and negatively affect industrial growth and stock market progress. It is proposed:</p> <ol style="list-style-type: none"> <li><b>Holding Period:</b> &lt; 1 year, 10% instead of current 15% rate.</li> <li><b>Holding Period:</b> 1 &lt; HP &lt; 2 year, 7.5% instead of current 12.5% rate</li> <li><b>Holding Period:</b> 2 &lt; HP &lt; 3 year, 5% instead of current 10% rate.</li> <li><b>Holding Period:</b> &gt; 3 years, 0% rate may be charged. instead of the current 7.5% rate.</li> </ol> <p><b>Chamber/Association:</b> Stock Brokers, FPCCI's Budget Advisory Council, FPCCI's Policy Research Unit</p>
29	<b>WHT on Importers of Industrial Raw Materials</b>	<p>Currently, commercial importers face higher tax rate under Section 148 as compared to manufacturers on the same industrial raw material. This creates incentive to misuse the facility provided to the manufacturers.</p> <p><i>It is recommended that the same rate under Section 148 may be applied to manufacturers as well as commercial importers on imports of industrial raw material.</i></p> <p><b>Chamber/Association:</b> Yarn Merchants, Islamabad Chamber, FPCCI's Budget Advisory Council, FPCCI's Policy Research Unit</p>
30	<b>Power of Commissioner under Clause (36)(C) of Section 2, to grant, renew, or revoke NPO status.</b>	<p>Currently the power of granting income tax exemption certificate to Non-Profit Organizations (NPOs) is with the Commissioner under <b>2(36)(C)</b> for a period of <b>three years</b> under Rule 214 of Income Tax Rules after submission of various documents. However, in practice the commissioner is not granting approvals as per said rule in some cases.</p> <p><i>It is recommended that</i></p> <ol style="list-style-type: none"> <li>Rule 214 shall be followed in true spirit in all cases.</li> <li>Institutions holding a valid certificate from the <b>Pakistan Centre for Philanthropy (PCP)</b> may be granted automatic eligibility under said Clause.</li> <li>Other exemptions under the <b>umbrella of 2(36)(C) for 3 years</b> i.e. <b>Section 150 (Dividends), 151 (Profit on Debt), 156 (Prize Bond, raffles, lotteries and similar winnings), and others may be granted immediately.</b></li> </ol> <p><b>Chamber/Association:</b> Private Universities and Institutes, Islamabad Chamber, FPCCI's Budget Advisory Council, FPCCI's Policy Research Unit</p>

S. No.	Section / Clause / Rule	Recommendation / Suggested Change
31	<b>Section 233 (Brokerage and Commission)</b>	<p>Subsequent to the abolishment of section 233A, the provisions applicable to brokerage and commission income under section 233 have again become applicable and advance tax at 12% is required to be deducted on such payments.</p> <p><i>It is recommended that Section 233 should not apply to members of the Stock Exchange, much like it did before the repeal of Section 233A.</i></p> <p><b>Chamber/Association:</b> Stock Brokers, FPCCI's Budget Advisory Council</p>
32	<b>Tax on Dividend Income under Section 5 on Income Tax Ordinance</b>	<p>Currently, the tax rate on dividends stands at 15%, which has deterred investments in stocks; since dividends are distributed from income that has already been taxed, it can lead to triple taxation in cases of intercorporate dividends.</p> <p><i>It is recommended that the rate of tax on dividends should be reduced to 10%.</i></p> <p><b>Chamber/Association:</b> Stock Brokers, Jhelum Chamber, Islamabad Chamber, FPCCI's Budget Advisory Council, FPCCI's Policy Research Unit</p>
33	<b>Section 147(1)(d)</b>	<p>Section 147(1)(d) does not allow tax credit of various deductions as mentioned in Section 147(1)(b), (c), and (d). against tax collected or deducted as final tax.</p> <p><i>It is recommended that tax deductions under any section made during the year may be adjusted against the tax liability under Section 147. This will address the liquidity problem of businesses and also, simplify the tax law.</i></p> <p><b>Chamber/Association:</b> Large Steel Producers, FPCCI's Budget Advisory Council, FPCCI's Policy Research Unit</p>
34	<b>Renewable energy Incentives</b>	<p>Pakistan spends USD 15–18 billion every year on energy imports; this weakens the PKR and forex reserves, increases circular debt, and industries suffer from high and unstable power costs.</p> <p><i>It is recommended to provide tax relief on imported equipment and machinery that is not locally produced for 5 years.</i></p> <p><b>Chamber/Association:</b> Habib Sustainable Development (Pvt) Ltd., FPCCI's Budget Advisory Council, FPCCI's Policy Research Unit</p>
35	<b>Lucky-draw and Income tax credit on POS-linked Retailers</b>	<p>Presently, over 30,000 POS systems are in place wherein, real-time e-invoicing is mandatory which is not used for the broadening of tax base.</p> <p><i>It is recommended</i></p> <ol style="list-style-type: none"> <li><i>Restore lucky draw scheme to eliminate fake invoices by some POS retailers and motivate buyers to obtain invoices.</i></li> <li><i>Customers of POS retailers should be eligible for a tax credit that they can claim on their tax returns. This would encourage purchases at POS retailers and help expand the tax base.</i></li> </ol> <p><b>Chamber/Association:</b> Chainstore, FPCCI's Budget Advisory Council, FPCCI's Policy Research Unit</p>

S. No.	Section / Clause / Rule	Recommendation / Suggested Change
36	Income Tax Ordinance Section 22 (Depreciable Assets)	<p>Currently, the depreciation rate for Plant and Machinery stands at 15%, which is inadequate for producing Healthcare Devices because the machinery used in this industry is capital intensive and quickly becomes obsolete, hindering investment in the sector.</p> <p><i>It is recommended to allow 100% depreciation in the first year for healthcare devices manufacturing plants and machinery to attract investment, generate employment, create import substitution, and make healthcare devices affordable for the masses.</i></p> <p><b>Chamber/Association:</b> Healthcare Devices, FPCCI's Budget Advisory Council, FPCCI's Policy Research Unit</p>
		<p>High cost of modern packaging machinery due to taxation. Provide tax credit or accelerated depreciation on packaging machinery.</p> <p><i>It is recommended to allow accelerated depreciation in the first year for packaging machinery and plants to attract investment, generate employment, and create import substitution.</i></p> <p><b>Chamber/Association:</b> Flexible Packaging, FPCCI's Budget Advisory Council, FPCCI's Policy Research Unit</p>
37	Grant Tax Holiday for the Medical Device Manufacturing Industry.	<p>Presently Pakistan imports Healthcare devices around USD 500 million annually which is a burden on the country's forex. There is a need to install this industry in Pakistan for import substitution.</p> <p><i>It is recommended to grant a "Five-year tax holiday for new medical device Manufacturing / Export Units."</i></p> <p><b>Chamber/Association:</b> Healthcare Devices, FPCCI's Budget Advisory Council, FPCCI's Policy Research Unit</p>
38	Bank Profit WHT	<p>Presently, under Section 151, bank profits are charged at a 20% withholding tax (WHT) which is too high for less affluent persons.</p> <p><i>It is recommended that rate of WHT on bank profits may be reduced from 20% to 10%</i></p> <p><b>Chamber/Association:</b> Jhelum Chamber, FPCCI's Budget Advisory Council, FPCCI's Policy Research Unit</p>
39	Non-filers burden	<p>The burden of taxes is too high on the compliant taxpayers which has become non-bearable by the time.</p> <p><i>It is recommended to ease the tax burden on compliant taxpayers by bringing non-filers into the tax system.</i></p> <p><b>Chamber/Association:</b> Jhelum Chamber, FPCCI's Budget Advisory Council, FPCCI's Policy Research Unit</p>
40	Section 21(m)	<p>Currently, under Section 21(m) any salary paid or payable exceeding PKR 32,000 should be paid through banking channels otherwise this expense will be disallowed.</p> <p><i>It is recommended to increase the limit of cash payments from PKR 32,000 to PKR 70,000 as the minimum wage threshold has risen due to PKR devaluation.</i></p> <p><b>Chamber/Association:</b> Faisalabad Chamber, FPCCI's Budget Advisory Council, FPCCI's Policy Research Unit</p>
41	Section 23 Initial Allowance on Plant and Machinery	<p>The present rate of initial allowance for the first year is 25% for the plant and machinery which was 50% until 2013. This reduction has limited capital modernization in the industry.</p> <p><i>It is recommended to increase the initial allowance from 25% to 50% for plant and machinery and introduce 25% for structures.</i></p> <p><b>Chamber/Association:</b> Faisalabad Chamber, FPCCI's Budget Advisory Council, FPCCI's Policy Research Unit</p>

S. No.	Section / Clause / Rule	Recommendation / Suggested Change
42	<b>Section 5A Tax on undistributed profits of Public Limited Companies</b>	<p>Presently, Public Companies are required to pay at least twenty percent of their profits to their shareholders, otherwise they will be liable to 5% tax on their accounting profit.</p> <p><i>It is recommended to discontinue aforesaid tax as this restricts the liberty of the board of directors of the company.</i></p> <p><b>Chamber/Association:</b> Faisalabad Chamber, FPCCI's Budget Advisory Council, FPCCI's Policy Research Unit</p>
43	<b>(Section 154(2) Omitted) Section 233</b>	<p>The withholding tax on the commission for export agents was previously addressed under Section 154(2), which was omitted in 2022, and is now covered under Section 233, imposing a 12% withholding tax on export agent commissions, which is too high keeping in view the higher volumes</p> <p><i>It is recommended to reduce withholding tax on export agent commissions from 12% to 1%,</i></p> <p><b>Chamber/Association:</b> Faisalabad Chamber, FPCCI's Budget Advisory Council, FPCCI's Policy Research Unit</p>
44	<b>Section 151 Profit on Debt</b>	<p>Presently, under Section 151, standard tax is applicable in cases where profit on debt exceeds PKR 5 million. It discourages investments in saving instruments and deposits.</p> <p><i>It is recommended to apply 15% final tax on the amounts even exceeding PKR 5 million.</i></p> <p><b>Chamber/Association:</b> Quetta Chamber, Islamabad, FPCCI's Budget Advisory Council, FPCCI's Policy Research Unit</p>
45	<b>Minimum Tax Regime (Sections 113, 148, 153)</b>	<p>The taxes charged under Sections 113 (turnover tax), 148 (imports), and 153 (supply of goods and Services) fall under Minimum Tax regime, which acts as a punitive measure for businesses suffering losses or operating on thin margins.</p> <p><i>It is recommended that minimum tax regime should be optional or shifted to FTR</i></p> <p><b>Chamber/Association:</b> Quetta Chamber, Islamabad Chambers, FPCCI's Budget Advisory Council, FPCCI's Policy Research Unit</p>
46	<b>Tax Credit for Expansion</b>	<p>Businesses need stronger incentives to reinvest profits into expansion, plant, machinery and digital infrastructure.</p> <p><i>It is recommended to Introduce a 10% Tax Credit for any business that reinvests profits into new plant and machinery or digital infrastructure.</i></p> <p><b>Chamber/Association:</b> Mirpurkhas Chamber, FPCCI's Budget Advisory Council, FPCCI's Policy Research Unit</p>
47	<b>Simplification of Income Tax Return.</b>	<p>Presently, the Income Tax Return comprises many pages with requirements of various forms to be annexed with the return. Forms bear mistakes and errors which complicates the submission of income tax returns.</p> <p><i>It is recommended that income tax returns may be more simplified with separate forms for income heads so that only the relevant income head forms may be filled, and the aforesaid "Forms" should be well-designed in advance so that the taxpayers may file their returns themselves without advanced expertise.</i></p> <p><b>Chamber/Association:</b> Denim Manufacturing and Exporters, Sialkot Chambers, FPCCI's Budget Advisory Council, Hunting &amp; Sporting Knives Swords and Accessories</p>

S. No.	Section / Clause / Rule	Recommendation / Suggested Change
48	SME Slab Taxation	<p>The Normal Tax Regime requires SMEs to maintain complex financial records, determine taxable income after multiple adjustments, and face frequent disputes with tax authorities regarding admissibility of expenses and profit determination. This system creates unnecessary compliance costs and discourages voluntary tax compliance.</p> <p><i>It is recommended to introduce a simplified turnover-based slab taxation system for SMEs Exporters, which would determine tax liability directly on turnover. Proposed structure:</i></p> <ul style="list-style-type: none"> <li>a. 1% tax on turnover up to PKR 500 Million</li> <li>b. 1.5% tax on turnover from PKR 500 Million to PKR 1.2 Billion</li> <li>c. 2% tax on turnover from PKR 1.2 Billion to PKR 2.0 Billion</li> </ul> <p>This approach will:</p> <ul style="list-style-type: none"> <li>a. Simplify tax compliance</li> <li>b. Reduce litigation and disputes</li> <li>c. Provide predictable revenue for the government</li> <li>d. Encourage documentation of businesses.</li> </ul> <p><b>Chamber/Association:</b> Sialkot Chamber, FPCCI's Budget Advisory Council</p> <p><i>(Note: This is second proposal on SME subject, first is discussed in Proposal No. 1)</i></p>
49	SME Ancillary Income	<p>SMEs often derive small amounts of income from sources such as:</p> <ul style="list-style-type: none"> <li>a. Rental income</li> <li>b. Dividend income</li> <li>c. Bank profit</li> </ul> <p>Under current interpretations, such income sources may create complications regarding eligibility for SME taxation.</p> <p><i>It is recommended that slight modification may be made in the definition of SME given at Section 2(59A) whereby the incomes other than business may be excluded.</i></p> <p><b>Chamber/Association:</b> Sialkot Chamber, FPCCI's Budget Advisory Council, FPCCI's Policy Research Unit</p>
50	Clause 45 Part IV / Section 153	<p>At present, exemption from withholding under Section 153 on purchases of goods and services is available only to manufacturer-cum-exporters under Clause 45 of Part IV of the Second Schedule.</p> <p>Commercial exporters are not covered, resulting in:</p> <ul style="list-style-type: none"> <li>a. Discriminatory treatment</li> <li>b. Unnecessary withholding deductions</li> <li>c. Liquidity constraints.</li> </ul> <p><i>It is recommended to amend Clause 45 of Part IV of the Second Schedule by replacing the term "manufacturer cum-exporter" with "exporter".</i></p> <p><b>Chamber/Association:</b> Sialkot Chamber, FPCCI's Budget Advisory Council, FPCCI's Policy Research Unit</p>
51	Section 65B	<p>The current tax credit of 10% on investment in plant and machinery is insufficient to incentivize large-scale modernization in the towel manufacturing sector. As a result, industries are slow to adopt advanced, energy efficient technologies, limiting productivity gains and export competitiveness.</p> <p>It is recommended that the tax credit on investment in plant and machinery be increased from 10% to 20%. This enhanced incentive will accelerate modernization, promote energy efficient production, and improve the sector's competitiveness in international markets.</p> <p><b>Chamber/Association:</b> Towel Manufacturers, FPCCI's Budget Advisory Council</p>

S. No.	Section / Clause / Rule	Recommendation / Suggested Change
52	<p><b>Capital Value Tax on Foreign Assets</b></p>	<p>Section 8 of the Finance Act 2022 imposes a 1% CVT on foreign assets above PKR 100m, which tantamount to a wealth tax and is similar to Section 7E, which was struck down by the FCC. It taxes ownership, not income. This is an additional levy which is not adjustable against the income tax liability.</p> <p><i>It is recommended that Section 8 (CVT on foreign assets) may be withdrawn.</i></p> <p><b>Chamber/Association:</b> FPCCI's Budget Advisory Council, FPCCI's Policy Research Unit</p>



**SALES  
TAX  
PROPOSALS**



S. No.	Section / Clause / Rule	Recommendation / Suggested Change
01	Further Tax under Section 3(1A)	<p>Further Tax was introduced in 1998, abolished in 2004 and then it was re-imposed in 2013 by insertion of subsection (1A) in section 3 of the Sales Tax Act, 1990. Its rate has been periodically enhanced, reaching 4% in 2023. The stated purpose of further tax is to discourage sales to unregistered persons. However, simple analysis reveals that this purpose has not been achieved and the number of real (tax-paying) registered persons has not increased. This provision was introduced to expand the tax net by discouraging the unregistered persons with the additional burden of further tax in addition to the standard sales tax, however it has been observed that instead of expanding the tax net, it has resulted in issuance of flying invoices which encourages bogus business transactions.</p> <p><i>It is recommended to withdraw “further tax” as it serves as an incentive for fictitious business transactions. Eliminating this tax will encourage genuine business practices and rectify the tax framework.</i></p> <p><b>Chamber/Association:</b> Pottery Manufacturing, Faisalabad Chamber, FPCCI’s Budget Advisory Council</p>
02	Sales Tax Refunds of all Exporters	<p>Currently, sales tax refunds for non-traditional and new exporters are processed through the ERS system, which has led to delays in disbursement, thereby constraining business liquidity.</p> <p><i>It is recommended to process refunds of all the exporters through the FASTER system as well because the post audit requirement is applicable to all tax payers.</i></p> <p><b>Chamber/Association:</b> Constructors, Ship Breakers’, Large Steel Producers, Faisalabad Chamber, FPCCI’s Budget Advisory Council, Hunting &amp; Sporting Knives Swords</p>
03	New Sales Tax Registration	<p>The Sales Tax Registration was online and automated before Finance Act 2024, however, presently the sales tax registration is subject to the approval of LRO and relevant RTO. Due to due diligence, the process of registration has become too complicated and lengthy for the taxpayers and discourages new sales tax registrations.</p> <p><i>It is recommended that registration for manufacturers / exporters should be automated with the subject to post-verification within 15 days.</i></p> <p><b>Chamber/Association:</b> FPCCI’s Research Unit, FPCCI’s EC &amp; GB, FPCCI’s Budget Advisory Council</p>
04	SRO 350(I)/ 2024	<p>a. <b>Provisional Tax Returns &amp; Auto-Deletion:</b> Instead of holding up the buyer’s return, FBR should develop a system to raise immediate alert where a supplier fails to file his return after issuing invoices/submitting Annexure-C, and then take prompt <b>recovery (suspension)</b> action against such supplier. Alternatively, the buyer’s return should only be held provisional if the amount of input tax from non-compliant suppliers exceeds a specific threshold (say, 10% of his total input tax or PKR 10 million).</p> <p>b. <b>Annexure - F Issues:</b> The Annexure-F may be kept “editable” for filling out changed figures of consumption, after auto-deletion of purchase invoices and the input tax. For the Annexure-A issues, the Recommendation in para (i) applies. <b>Additionally, Annexure A and Annexure F, should be allied, and any correction or changes in Annexure A should also be reflected in Annexure F. (annexure H1 and F, will never automatically connect, manual reconciliation will still be required)</b></p> <p>c. <b>Permission Required for High - Turnover:</b> Instead of prior permission, the system should raise alerts to the officer in cases of high turnover, who should then look at the business profile of the taxpayer including balance sheet, prior income tax returns, and tax payment history. In case of doubt, he may call for clarification electronically.</p> <p>d. <b>Prior Approval for Credit Notes:</b> Instead of forcing all taxpayers to approach the Commissioner, IRIS should generate alerts where a taxpayer issues credit notes exceeding a certain threshold. The Commissioner may then examine the profile of the taxpayer and seek electronic clarification or take action if there is reason to believe that undue or excess Credit Notes have been issued.</p>

S. No.	Section / Clause / Rule	Recommendation / Suggested Change
		<p>e. <b>Biometric Re-Verification:</b> Biometric Re-Verification is required annually which may be difficult for elderly or those living in a foreign country. The first biometric verification may be physical, the subsequent re-verifications should be made online through a mobile app linked with Nadra.</p> <p>f. <b>Submission of Balance Sheet:</b> The new sub-rule (f) in Rule 5(2) requires companies having a single shareholder/member to submit a balance sheet indicating the business capital, corresponding assets in banks. However, the balance sheet is already available to the department with the taxpayer's income tax return. FBR may issue an electronic notice to the taxpayer if the balance sheet is not available with the income tax return.</p> <p><b>Chamber/Association:</b> Tanners, FPCCI's Research Unit, FPCCI's Budget Advisory Council</p>
05	<p><b>Input Tax Adjustment under Section 8B</b></p>	<p>Section 8B was introduced as a "safety net" when the FBR's systems were manual or semi-automated, preventing taxpayers from using "fake and flying invoices" to wipe out their entire tax liability. At that time, FBR had no real-time way to verify if the supplier had actually paid the tax. <b>After the implementation</b> of the SRO 350 which acts as real-time <b>digital gatekeeper</b>, ensures that a buyer can only claim input tax if the supplier is Active/Operative and has uploaded the specific invoice in his <b>Annexure-C'</b>. In other words, the system performs a 100% audit of every invoice before a return is even filed. The risk of fake credits is virtually eliminated.</p> <p><i>It is recommended to improve the "Ease of Doing Business" and restore the true nature of VAT in Pakistan, it is proposed that section 8B be repealed.</i></p> <p><b>Chamber/Association:</b> Tanners, Large Steel Producers, Faisalabad Chamber, FPCCI's Budget Advisory Council, Towels Manufacturers</p>
06	<p><b>Sales Tax Refund</b></p>	<p><b>Refunds are delayed</b> which compromise business liquidity.</p> <p><b>It is recommended:</b></p> <ol style="list-style-type: none"> <li>Sales Tax Refunds for all exporters should be through the FASTER system immediately.</li> <li>Where refunds are auto-verified, the funds should be transferred into taxpayers account within 72 hours.</li> <li>The Refunds should be adjustable against Income Tax Liability including Section 4C and vice versa.</li> <li>The time-limit of 45 days for refunds available under Section 10, should be strictly adhered to.</li> </ol> <p><b>Chamber/Association:</b> FPCCI's Research Unit, FPCCI's Budget Advisory Council, Towel Manufacturers</p>
07	<p><b>Sales Tax on Pottery Industry</b></p>	<p>The pottery industry's supply chain largely comprises small-scale unregistered vendors who are not liable to be registered under the Sales Tax Act. They use Sui gas, electricity, and imported chemicals, in the production process which accounts for 90% of input cost. In addition, they use clay from unregistered sources. Their customers (shopkeepers) are unregistered hence the 18% sales tax, along with 4% further tax (totaling 22%) is chargeable. On the contrary, the unregistered manufacturers do not charge sales tax, similarly smuggled pottery is largely available in the market. Therefore the formal organized category is incapable to compete with the unregistered as well as smuggled goods.</p> <p>The pottery sector remains largely undocumented; therefore, the imposition of an 18% sales tax disproportionately burdens the small, documented segment of the industry. This creates an uneven playing field, rendering compliance financially unmanageable for formal businesses while incentivizing informality.</p> <p><i>It is recommended that sales tax may be reduced on the registered formal sector making them viable against the unregistered as well as smuggled pottery items. Or else, the taxes through the electricity and gas billing may be fixed at source in order to eliminate the informal sector.</i></p> <p><b>Chamber/Association:</b> Pottery, FPCCI's Budget Advisory Council</p>



S. No.	Section / Clause / Rule	Recommendation / Suggested Change
08	Sales Tax SRO for Ship-Breaking	<p>The Ship Breaking Industry generates two kinds of scrap: Re-Rollable and Re-Melting. Typically, re-rollable scrap accounts for 50% while re-melting makes up about 35%. FBR has applied sales tax based on the incorrect assumption that re-rollable scrap is 85%. Since the value of re-rollable scrap is greater than that of re-melting, classifying 85% as re-rollable and applying that tax rate results in the ship-breaker incurring a higher tax bill which makes them unviable in the competitive market.</p> <p>This does not just increase the tax but also, disallow the sales of re-melting scrap. valuation set by FBR for Re-Rollable Scrap which is 50% and the 35% is re-melting scrap. yet is compelled to pay Sales Tax on a higher rate for Re-Rollable Scrap.</p> <p><i>It is recommended to allow 50% adjustment on re-rollable scrap and 35% on heavy melting scrap.</i></p> <p><b>Chamber/Association:</b> Ship Breakers', FPCCI's Budget Advisory Council</p>
9	Exports of Ship-breaking Scraps	<p>The ship-breaking industry believes that they should be permitted to sell their products and materials, either fully or partially, in the local market, or export, or both. To facilitate all types of business transactions.</p> <p><i>It is recommended that the mechanism could be established as follows:</i></p> <ol style="list-style-type: none"> <li>a. <i>The ship-breaking industry may be included in the EFS.</i></li> <li>b. <i>All import stage taxes i.e., custom duty, withholding tax and sales tax, paid by ship-breakers may be adjusted by the industry against the goods they purchased from ship-breakers as raw materials.</i></li> <li>c. <i>The taxes i.e., customs duty, withholding tax and sales tax, paid by ship-breakers at the time of import and paid on utility bills etc. may become refundable against the goods exported by the ship-breakers.</i></li> <li>d. <i>In case, the ship-breaker sells goods to a registered dealer, the customs duty and withholding tax paid by him at the stage of import may become its cost and the sales tax will become adjustable through input/output, value addition mechanism.</i></li> <li>e. <i>In case, the ship-breaker sells goods to an unregistered dealer or consumer, the customs duty, withholding tax, and sales tax paid by the ship-breaker at the stage of import may be added in the cost plus further sales tax.</i></li> </ol> <p><b>Chamber/Association:</b> Ship Breakers', FPCCI's Budget Advisory Council</p>
10	Sales Tax Collection by five Separate Authorities (FBR and Provincial Revenue Authorities)	<p>Sales tax compliance presents challenges due to the presence of multiple tax authorities like FBR, PRA, SRB, BRA, and KPRA. Each authority has its own regulations, rules, return formats, registration obligations, procedures, tax rates, exemptions, restrictions on input tax adjustments, auditing practices, and timelines for compliance.</p> <p>This multiple tax system presents substantial difficulties for taxpayers, particularly for companies that operate across several provinces or provide both goods and services. Taxpayers are tasked with understanding and adhering to differing laws, filing multiple returns, managing distinct registrations, reconciling inter-jurisdictional tax adjustments, and interacting with various tax authorities. This complexity raises compliance costs, fosters uncertainty, and discourages the formalization of businesses and foreign investment.</p> <p><i>It is recommended that a <b>single window</b> for the registration, filing of return and payment of sales tax be established, allowing taxpayers to submit one consolidated sales tax return along with the due payments pertaining to all five revenue authorities.</i></p> <p><b>Chamber/Association:</b> Tanners, FPCCI's Budget Advisory Council</p>

S. No.	Section / Clause / Rule	Recommendation / Suggested Change
11	<p><b>Section 11E, and Section 37A (Assessment of Tax, and Arrest of a Person)</b></p>	<p>At present, the processes outlined in Section 11E for assessments are mutually exclusive from those in Section 37A. As a result, the department can file an FIR and detain the taxpayer under Section 37A without establishing a tax demand against him, which was mandated by the Honorable Supreme Court of Pakistan in the M/S Taj International Case. Unfortunately, Section 37A is sometimes exploited by certain tax officials.</p> <p><i>It is recommended that before lodging an FIR under Section 37A, the department should establish tax demand against the taxpayer under Section 11E and the same be upheld by at least one appellate authority.</i></p> <p><b>Chamber/Association:</b> Tanners, Policy Research Unit, FPCCI's Budget Advisory Council</p>
12	<p><b>Section 25, Audit of Sales Tax Affairs</b></p>	<p>As per law, the Commissioner of Inland Revenue on the basis of reasons to be recorded in writing, may direct the officer of Inland Revenue not below the rank of Assistant Commissioner to conduct audit of sales tax affairs of any registered person and issue a notice to such registered person intimating him regarding audit of sales tax affairs. This section is also grossly used to harass the taxpayers which discourages business activities.</p> <p><i>It is recommended that the audit should be conducted once in three years and application of this section may be rationalized with check and balance so that the taxpayers are not harassed by the tax authorities.</i></p> <p><b>Chamber/Association:</b> Tanners, Policy Research Unit, FPCCI's Budget Advisory Council</p>
13	<p><b>Section 38 (Authorized Officers to have Access to Premises, Stocks, Accounts, and Records), and Section 40 (Searches under Warrant)</b></p>	<p>Section 38 and 40 of the Sales Tax Act 1990 are being misused by FBR officers. FBR Staff raids and searches the premises of business places to harass the business community on mere presumption or suspicion.</p> <p><i>It is recommended that the powers under aforesaid sections may be rationalized to avoid harassment of taxpayers.</i></p> <p><b>Chamber/Association:</b> Tanners, FPCCI's Budget Advisory Council</p>
14	<p><b>Sections 23(3) and 40C of STA 1990 (E-invoicing for real time documentation)</b></p>	<p>Implemented before system readiness; dispatch weight often differs from receipt weight due to handling losses or third-party scales, conflicting with IFRS 15 (revenue recognition on transfer of control). This affects steel shipments where material weight variance is common.</p> <p><i>It is recommended to allow post-delivery weight adjustments if acknowledged by the customer; treat e-invoices as provisional and editable for 10 days post-issuance with a 5% against due refunds.</i></p> <p><b>Chamber/Association:</b> Large Steel Producers, FPCCI's Budget Advisory Council</p>
15	<p><b>Sales Tax Act, 1990 – Special Procedure for Marble &amp; Granite Sector</b></p>	<p>Compliance difficulties under Standard Sales Tax Regime due to fragmented supply chain, informal mining operations, cash-based transactions, input tax mismatches and high audit exposure.</p> <p><i>It is recommended to introduce Special Procedure to levy and collect sales tax at mining/extraction stage; integrate electronically with Provincial Mines &amp; Minerals Departments; collect tax at royalty stage; treat collected tax as full and final discharge; exempt downstream stakeholders from monthly return filing.</i></p> <p><b>Chamber/Association:</b> Abbottabad Chamber, FPCCI's Budget Advisory Council</p>

S. No.	Section / Clause / Rule	Recommendation / Suggested Change
16	GST roadmap	<p>Policy uncertainty; compliance “tax wedge” faced by documented, integrated retail has increased; competitive imbalance vis-a-vis the informal majority that undercuts through non-GST sales</p> <p><i>It is recommended to introduce a 3-year GST rate roadmap for goods by gradually reducing the standard Federal Sales Tax (GST) rate on taxable supplies of goods under the Sales Tax Act, 1990 from 18% to 15%, by 1 percentage point each year: FY2026-27: 18%–17%; FY2027-28: 17%–16%; FY2028-29: 16%–15%; publish this 3-year roadmap in the Finance Bill / accompanying policy statement</i></p> <p><b>Chamber/Association:</b> Chainstore, Islamabad Chambers, Paper Merchants, FPCCI’s Budget Advisory Council</p>
17	Tier-1 / POS Trigger	<p>Presently, a retailer who has acquired a point of sale for accepting payment through debt or credit cards, falls under Tier-1 Retailer Category under <b>clause (f) of Section 2(43A) of the Sales Tax Act, 1990</b>. Due to said clause, retailers are not accepting debit or credit card payments, thereby discouraging a cashless economy.</p> <p><i>It is recommended that the aforementioned clause may be omitted to encourage the cashless economy.</i></p> <p><b>Chamber/Association:</b> Chainstore, FPCCI’s Research Unit, Islamabad Chambers, FPCCI’s Budget Advisory Council</p>
18	Retail & Wholesale Formalisation	<p>A binding barrier to voluntary formalisation is fear of past periods, where under-declared businesses avoid entering the documented economy due to scrutiny over historical turnover, income, assets and records.</p> <p><i>It is recommended to introduce a Retail &amp; Wholesale Formalisation and Base-Deepening Package for FY2026-27 to increase tax-to-GDP by bringing untaxed/undertaxed retail and wholesale activity into the documented economy through a one-time, time-bound Past-Period Record Certainty Window and a micro-to-small-to-medium compliance ladder with simplified filings/payments and automatic graduation.</i></p> <p><b>Chamber/Association:</b> Chainstore, FPCCI’s Budget Advisory Council</p>
19	E-Commerce Withholding	<p>Sales tax withholding by multiple intermediaries in the e-commerce chain creates compliance bottlenecks, reconciliation issues, higher working-capital lockup and incentives to shift to informal channels and Cash on Delivery (COD) transactions.</p> <p><i>It is recommended that the subsequent multi-agent domestic sales tax withholding approach in the e-commerce chain should be replaced with a simpler compliance model and self-assessment / reporting framework.</i></p> <p><b>Chamber/Association:</b> Chainstore, FPCCI’s Budget Advisory Council</p>
20	Section 3 / Sixth Schedule	<p>Section 3 imposes a standard 18% sales tax on medical devices classified under various HS codes and registered with DRAP, making them unaffordable for low-income populations and discouraging investment in healthcare infrastructure.</p> <p><i>It is recommended to reduce Sales Tax from 18% to 1% on medical devices registered with DRAP (e.g., diagnostic equipment, surgical instruments, surgical disposables, implants).</i></p> <p><b>Chamber/Association:</b> Healthcare Devices, FPCCI’s Budget Advisory Council</p>
21	Sales Tax Special Procedure (Withholding) Rules, 2007	<p>Withholding tax at source on supplies to hospitals burdens suppliers of medical devices and creates compliance challenges.</p> <p><i>It is recommended to exempt supplies of medical devices to registered hospitals and clinics from withholding under the Sales Tax Special Procedure (Withholding) Rules, 2007.</i></p> <p><b>Chamber/Association:</b> Healthcare Devices, FPCCI’s Budget Advisory Council</p>

S. No.	Section / Clause / Rule	Recommendation / Suggested Change
22	Serial 81 of Eighth Schedule	<p>The proposal highlights a critical tax anomaly concerning the classification and taxation of homoeopathic substances under the relevant provisions of the Sales Tax Act.</p> <p><i>It is recommended that the said proposal highlights a critical tax anomaly concerning the classification and taxation of homoeopathic substances under the relevant provisions of the Sales Tax Act, and seeks necessary correction in accordance with the DRAP Act 2012.</i></p> <p><b>Chamber/Association:</b> Faisalabad Chamber, FPCCI's Budget Advisory Council</p>
23	Section 3(1A) Further Tax	<p>When registered taxpayers temporarily fall outside compliant taxpayer lists due to supply chain mismatch, further tax @4% is imposed.</p> <p><i>It is recommended to allow adjustments of further tax charged during non-compliant periods against current liabilities.</i></p> <p><b>Chamber/Association:</b> Faisalabad Chamber, Islamabad, FPCCI's Budget Advisory Council</p>
24	Section 8A Joint and Several Liability	<p>When a buyer purchases goods from a registered supplier, obtains a valid sales tax invoice, makes payment through the prescribed banking channel as per section 73 of the Sales Tax Act, and records the transaction in their sales tax return.</p> <p><i>It is recommended that the buyer should not be held responsible for subsequent default on the part of the supplier.</i></p> <p><b>Chamber/Association:</b> Faisalabad Chamber, FPCCI's Budget Advisory Council</p>
25	MRP SRO 1735(I)/2024	<p>According to S.R.O. 1735(I)/2024 dated 01 November 2024, a minimum retail price of PKR 1,200 per kg has been set for tea under HS Code 09.02 for sales tax, regardless of factors such as actual value, packing or size of consignment.</p> <p>As a consequence, formal tea importers and processors face a significant tax burden, particularly when bulk tea is imported in large sacks and then blended, processed, and packaged for retail purposes. This issue has grown more pressing since the Finance Act of 2025, which has already set in place a more comprehensive system for determining the retail price of goods imported falling under "Third Schedule". Hence, the continuation of S.R.O. 1735(I)/2024 is causing a conflicting valuation framework, resulting in higher tax burden on the formal tea sector.</p> <p>The issue is further aggravated by misuse of FATA/PATA exemptions and misdeclaration at dry ports, which places compliant importers at a disadvantage.</p> <p><i>It is recommended that S.R.O. 1735(I)/2024 should be rescinded or suitably amended with stakeholder consultation so that bulk tea imported for further processing, blending and repacking is taxed on actual import value or the standard mechanism applicable under the Sales Tax Act, 1990. Further, a mechanism may be devised to prevent misuse of FATA/PATA exemptions as well as misdeclarations at dry ports.</i></p> <p><b>Chamber/Association:</b> Tea Association, FPCCI's Budget Advisory Council</p>

S. No.	Section / Clause / Rule	Recommendation / Suggested Change
26	Serial 81 of the Eight Schedule of Sales Tax Act 1990	<p>In Serial 81 of the Eight Schedule of Sales Tax Act 1990, it is mentioned, “<i>Substances Registered as Drugs under the Drugs Act 1976 (XXXI of 1976)</i>”. Whereas, it should be “<i>Substances Registered as Drugs under the DRAP Act 2012</i>”. This change will be effective from 01 July 2024 so that it give relieve to affected business community facing discrimination cases and harassment from authorities since 01 July 2024.</p> <p><b>Chamber/Association:</b> Homeopathic Pharmaceutical, FPCCI’s Budget Advisory Council</p>
27	Sixth Schedule of Sales Tax Act 1990	<p>At present, raw poultry meat sold in branded packs by licensed processors attracts 18% Sales Tax, whereas raw meat sold in loose form by poultry shops remains exempt. This creates an uneven playing field in the market, discouraging formal processing and making licensed slaughterhouses commercially unviable.</p> <p><i>It is recommended that the 18% Sales Tax on raw poultry meat sold in branded packs by licensed processors be withdrawn to ensure uniform tax treatment between processed and loose poultry meat. This measure will create a level playing field for formal processing facilities, encourage investment in modern slaughterhouses and hygienic processing plants, and strengthen Pakistan’s export competitiveness through compliance with international quality standards. Furthermore, it will promote food safety and support the sustainable growth and modernization of the poultry sector.</i></p> <p><b>Chamber/Association:</b> Poultry, FPCCI’s Budget Advisory Council, FPCCI’s Policy Research Unit</p>
28	Section 3 (2) (b)	<p>Energy efficiency machinery used by industrial units is currently subject to Sales Tax, which increases the cost of adopting modern, energy-saving technologies. This discourages investment in efficiency improvements, despite their direct link to reduced production costs, lower energy consumption, and improved export competitiveness.</p> <p><i>It is recommended that Sales Tax on import of energy efficiency machinery to promote adoption of sustainable technologies. This will support cost reduction for industry, enhance export competitiveness, and contribute to energy conservation objectives with minimal fiscal impact.</i></p> <p><b>Chamber/Association:</b> Towel Manufacturers, FPCCI’s Budget Advisory Council, FPCCI’s Policy Research Unit</p>
29	Removal of Auto Parts from Third Schedule	<p>Under the Third Schedule of the Sales Tax Act, 1990, sales tax is charged on a retail price basis (MRP). This regime is designed for branded consumer goods with standardized packaging and pricing. Auto parts were included in the Third Schedule through the Finance Act 2019, despite the sector’s non-uniform pricing structure.</p> <p><i>It is recommended that auto parts may be removed from Third Schedule, it will restore value-based taxation, reduce compliance friction, and improve documentation without compromising revenue.</i></p> <p><b>Chamber/Association:</b> Automobile Spare Parts Importers &amp; Dealers, FPCCI’s Budget Advisory Council, FPCCI’s Policy Research Unit</p>



# **CUSTOMS PROPOSALS**

S. No.	Section / Clause / Rule	Recommendation / Suggested Change
01	<p><b>Definition of “Manufacture” under Rule 871 of EFS.</b></p>	<p>The Rule No. 871 of EFS requires an article to be transformed into a “distinct product” or put to “distinct use”. This excludes many professions i.e., old and used clothing, performing critical but basic operations such as sorting, grading, washing, ironing, and packing and exporting to African countries. Though customs duty is zero; exports become difficult due to delay in getting sales tax and income tax refunds in the normal export regime.</p> <p><i>It is recommended to include the items as mentioned above in EFS, the appropriate measure may be adopted, so that a large segment of this kind of businesses may be promoted in Pakistan for generating employment and foreign exchange earnings.</i></p> <p><b>Chamber/Association:</b> FPCCI’s Budget Advisory Council, FPCCI’s EC &amp; GB Members</p>
02	<p><b>Lack of Exit Provisions for Common Export Houses and Direct Manufacturers under EFS</b></p>	<p>Rules i.e. Rule 899 to 910 do not allow raw materials in Common Export Houses to be cleared on payment of duties if an export order is cancelled, a facility that is available under general Export Facilitation Scheme categories. Additionally, the anomaly is also present in case of direct manufacturers.</p> <p><i>It is recommended to amend EFS Rules to allow Common Export Houses and direct manufacturers to clear unutilized raw materials on payment of applicable duties and taxes, if orders are cancelled or the exporter is unable to fulfill export orders for various un-avoidable reasons as charged under normal imports.</i></p> <p><b>Chamber/Association:</b> FPCCI’s Budget Advisory Council, FPCCI’s EC &amp; GB Members</p>
03	<p><b>Systemic Hardships in PSW / WeBOC</b></p>	<p>While rules <b>877 (4)</b> says that if IOCO fails to process the case within 60 days the user shall be allowed acquisition of 25% of the value of goods against a bank guarantee. The provision of <b>25% provisional permission</b> is not available in the electronic modules of PSW/WeBOC to implement this facility, causing operational problems for the exporters.</p> <p><i>It is recommended that the FBR may provide this facility in the digital EFS modules to enable the exporter to get a 25% provisional quota on bank guarantee to fulfill his export obligations.</i></p> <p><b>Chamber/Association:</b> FPCCI’s Budget Advisory Council, FPCCI’s EC &amp; GB Members</p>
04	<p><b>Delayed Adjudication Cycles under EFS</b></p>	<p>Shipments are frequently halted for low-risk issues such as slight weight discrepancies, the use of two analysis cards, minor excesses in raw material utilization, or pending brand-holder permissions. These do not involve the export of banned items but result in critical shipment delays. The contraventions go through a lengthy process involving the Law Department and the Adjudication Collectorate. This cycle typically takes a long time, during which the vessel departs, resulting in the cancellation of time-sensitive export orders.</p> <p><i>FPCCI is of the view that all such cases may be decided under Summary Adjudication Trial on the request of the exporter and a decision should be issued within 24 hours.</i></p> <p><b>Chamber/Association:</b> FPCCI’s Budget Advisory Council, FPCCI’s EC &amp; GB Members</p>
05	<p><b>Minor Technical Contraventions under EFS</b></p>	<p>Under <b>SRO 499</b>, the same high-threshold penalties applied to imports are also imposed on exports. Since most export cases do not involve the evasion of duties or taxes, applying import-stage penalties on the export sector is illogical and fundamentally flawed. It is recommended that a separate export penalty table in SRO 499 may be inserted. A dedicated table with a lower penalty threshold must be introduced for export-related offenses. Penalties should only be aggressive in cases of serious, proven evasion, not for technical or procedural errors.</p> <p><b>Chamber/Association:</b> FPCCI’s Budget Advisory Council, FPCCI’s EC &amp; GB Members</p>

S. No.	Section / Clause / Rule	Recommendation / Suggested Change
06	Lack of Transparency in Determination of amount of Bank Guarantees	<p>The <b>WeBOC/PSW system</b> automatically calculates the amount of import duties / taxes involved in the import of quota of input materials (as is done in case of all import GDs including VR items and then importer pay duties and taxes) and exporter then makes a bank guarantees from the bank to be submitted to the Export Collectorate. The Customs staff at times exercise arbitrary discretion regarding the value of Bank or Insurance Guarantees, rejecting the amount disregarding <b>WeBOC system calculations</b> and sometimes ask for double the amount of BG as they increase the value of the item arbitrarily rejecting the systems (WEBOCs/PSW) calculations of import duties/taxes.</p> <p><i>It is recommended that the <b>WeBOC/PSW system</b> should be made fully autonomous for the calculation and acceptance of guarantees. Once a guarantee matches the system-generated value, it should be accepted automatically without requiring manual approval of the staff regarding the amount of BG/Ins Guarantee. If a guarantee must be verified, the process should be digitized and time-bound to a maximum of 48 hours to ensure that Pakistan's export competitiveness is not compromised by administrative friction.</i></p> <p><b>Chamber/Association:</b> FPCCI's Budget Advisory Council, FPCCI's EC &amp; GB Members</p>
07	Documentation under Rule 872	<p>The documentation is another issue. Customs job is to demand only prescribed documents under the Rules. The lower staff demands irrelevant papers like EPA (Environmental Protection Agency), land papers, SITE NOC etc. The plea is that it has been written in the Rules that no law is being contravened. If the customs department is going to check every law then how export applications can be processed. Every department has its own mandate and let them work in their own jurisdiction. Details of exact documents should be specified in the Rules in consultation with relevant Chamber and TDAP.</p> <p><i>It is recommended that the rules should clearly specify that the application should be processed on the basis of documents. This list can be expanded by the FBR but an exporter should know exact requirements and should not be left to the discretion of the lower staff to cause delay by demanding extra irrelevant documents.</i></p> <p><b>Chamber/Association:</b> FPCCI's Budget Advisory Council, FPCCI's Policy Research Unit</p>
08	Retail and Bulk Packaging	<p>The packaging industry in Pakistan has remained largely stagnant due to a lack of targeted policy support, limited technological advancement, and an overreliance on imported finished goods in retail packaging. Despite its potential to drive value addition, job creation, and support allied sectors like agriculture, food, and pharmaceuticals, the industry faces challenges such as high production costs, outdated machinery, and limited incentives for bulk processing and local packaging.</p> <p><i>It is recommended to unlock its growth, a strategic shift is needed to encourage local manufacturing and reduce dependence on imported retail-ready products. To give a boost to the packaging industry and to increase employment, it is proposed that all tariff lines wherein items are imported in retail packing, such Tariff lines may be split into two categories: one, bulk packing and other retail packing. The retail packing should attract 5% excess custom duty then the bulk imports, e.g., food items, shampoos, cans, sachets. This measure will support the local packaging and manufacturing industry.</i></p> <p><b>Chamber/Association:</b> FPCCI's Budget Advisory Council, PAPGAI, FPCCI's Policy Research Unit</p>

S. No.	Section / Clause / Rule	Recommendation / Suggested Change
09	<p>SRO 450(I)/2001 or current active rules regarding the assessment and examination of plastic scrap</p>	<p>Imported polymer waste is currently treated as scrap under restrictive import and clearance regimes, despite being a critical input for the recycling industry. At the same time, local availability of polymer waste is insufficient to meet industrial demand, constraining production capacity and export potential. This regulatory classification gap limits the growth of recycling units and prevents them from being recognized as value-adding industrial entities.</p> <p><i>It is recommended that imported polymer waste be classified as “Industrial Raw Material” for registered recycling units, with simplified customs clearance procedures. As local supply is insufficient, imported waste is essential to sustain production and support export-oriented recycling. This requires amendments in the Import Policy Order and relevant Customs Rules governing waste/scrap imports.</i></p> <p><b>Chamber/Association:</b> Polymer Waste Importers and Recyclers, FPCCI’s Policy Research Unit</p>
10	<p>Clause (a) of Section 30 (A) of the Customs Act 1969 (IV of 1969)</p>	<p>Through Finance Act 2025, the 4th proviso of Section 79 of the customs act is inserted wherein it was allowed to file the goods declaration without payment of taxes in case of pre-arrival of Gd filing and allowed completion of Gd. Hence the rate of duty applicable to any imported goods if cleared through CCS shall be the rate in force at the time filing of Gd.</p> <p><i>It is recommended that clause (a) of Section 30A of the customs act may kindly be considered to amend as the Date of Filing of Goods Declaration.</i></p> <p><b>Chamber/Association:</b> Customs Agents, FPCCI’s Policy Research Unit</p>



# **GENERAL PROPOSALS**

S. No.	Section / Clause / Rule	Recommendation / Suggested Change
01	Support for Industry in Gilgit Baltistan	<p>Presently, Gilgit-Baltistan’s immense potential as a gateway remains underutilized due to the lack of a specialized trade infrastructure connecting Pakistan to China and Central Asia. Additionally, local exporters in Gilgit-Baltistan face significant hurdles and complex regulatory barriers when attempting to access the Chinese market.</p> <p><i>It is recommended that a <b>China-style Free Trade Zone (FTZ)</b> in Gilgit-Baltistan may be established to transform the region into a high-capacity regional trade hub and industrial center along with implementing easier trade terms for exports from GB to China.</i></p> <p><b>Chamber/Association:</b> Nagar Chamber, FPCCI’s Budget Advisory Council</p>
02	Ensuring Data Driven Budgeting and Policy Planning	<p>Pakistan’s planning and budgeting system relies on outdated and fragmented data, leading to inaccurate population estimates and weak sectoral targeting. Lack of real-time, verified, and spatially accurate information results in misallocation of resources and inefficient policy decisions.</p> <p><i>It is recommended to establish a National Data Verification and Integration Authority to ensure unified and reliable data for national planning. This should include GPS/GIS-based data systems, annual mini-censuses, sectoral audits, functional urban reclassification, and an open data platform to strengthen transparency and evidence-based policymaking.</i></p> <p><b>Chamber/Association:</b> Hyderabad Chamber of Small Traders, FPCCI Budget Advisory Council</p>
03	Support for hunting knives, sporting knives, swords, and allied accessories	<p>The hunting, sporting knives, swords, and accessories sector is largely SME-based and faces high production costs due to expensive raw materials, energy, and logistics. The sector is further constrained by limited financing, delayed refunds, technology gaps, weak access to key export markets, and inadequate industrial infrastructure and skills support.</p> <p><i>It is recommended that the sector be transformed into a modern, technology-driven, export-oriented manufacturing base through integrated policy support. This should include technology upgradation, raw material facilitation, concessional finance, improved market access, simplified tax and refund systems, relocation to modern industrial estates, enhanced e-commerce access, and establishment of a dedicated technology institute through public-private partnership.</i></p> <p><b>Chamber/Association:</b> Hunting &amp; Sporting Knives Swords and Accessories, FPCCI Budget Advisory Council</p>
04	Promotion of Women-Led Enterprises in Abbottabad and Hazara Region	<p>Women entrepreneurs in Abbottabad and the broader Hazara region remain structurally underrepresented despite strong potential in agriculture, handicrafts, tourism, and home-based enterprises. Key barriers include lack of CNICs, limited access to finance, weak value addition and training facilities, poor market linkages, regulatory hurdles for small businesses, and insufficient institutional support, including for Women Chambers of Commerce.</p> <p><i>It is recommended that the Government launch a comprehensive Women Entrepreneurship &amp; Regional Economic Development Initiative for Abbottabad and Hazara. This should include mobile CNIC facilitation, low-interest and interest-free financing schemes, sector-specific training and value addition support, simplified regulatory frameworks, dedicated regional development allocations, and structured financial and institutional support for Women Chambers of Commerce to strengthen women-led enterprise development.</i></p> <p><b>Chamber/Association:</b> Abbottabad Women Chamber, FPCCI Budget Advisory Council</p>

S. No.	Section / Clause / Rule	Recommendation / Suggested Change
05	Promotion of Film Producers	<p>The domestic film sector is operating below its potential due to weak competitiveness, limited access to formal financing, and absence of an international-standard incentive regime. As a result, Pakistan remains a less attractive destination for high-value film production, restricting growth, investment, and global integration of the industry.</p> <p><i>It is recommended that a Production Rebate Mechanism of 30% to 35% on qualifying local expenditures be introduced to attract domestic production and foreign direct investment. Additionally, dedicated financing facilities should be established through commercial banks with government-backed guarantees to provide affordable and structured funding for film producers.</i></p> <p><b>Chamber/Association:</b> Film Producers, FPCCI Budget Advisory Council</p>
06	Attracting Foreign Direct Investments	<p>Foreign direct investment inflows remain constrained due to an unstable and uncertain business environment, weak regulatory predictability, and infrastructure gaps. Additional challenges include limited skilled workforce availability and insufficient integration with global markets and investment networks, reducing Pakistan's attractiveness for long-term international investors.</p> <p><i>It is recommended that a coordinated FDI attraction strategy be adopted based on five pillars: ensuring policy and regulatory stability, offering targeted fiscal incentives such as tax holidays and tariff reductions, investing in critical infrastructure (energy and transport), developing a skilled and globally competitive workforce, and strengthening international economic partnerships to enhance market access and technology transfer.</i></p> <p><b>Chamber/Association:</b> Charsadda Chamber, FPCCI Budget Advisory Council</p>
07	SME Development in Hunza	<p>The Hunza region's small traders and SMEs across sectors such as woodwork, gemstones, tourism, fruits, and handicrafts face limited access to formal markets, finance, and modern infrastructure. Weak digital integration, skill gaps, and an underdeveloped business environment constrain export-led growth, formalization, and investment inflows, particularly affecting youth and women participation.</p> <p><i>It is recommended that factors PKR 8.01 billion be allocated for FY 2026-27 to support an integrated development program for export-led growth and SME formalization in Hunza. The initiative should focus on digital inclusion, youth and women employment, infrastructure development, skilled workforce training, transparent regulatory frameworks, and targeted tax incentives to enhance competitiveness and attract foreign direct investment for sustainable economic development.</i></p> <p><b>Chamber/Association:</b> Hunza Small Traders Chamber, FPCCI Budget Advisory Council</p>

S. No.	Section / Clause / Rule	Recommendation / Suggested Change
08	Roadmap for Economic Stabilization & Sustainable Growth	<p>The Malakand region’s economic competitiveness is constrained by high production and energy costs, inefficient logistics and taxation systems, weak infrastructure quality control, and limited integration into regional markets such as Central Asia. In addition, informal trade structures, unmanaged urban encroachments, underutilized hydro potential, and inadequate funding for climate resilience and higher education further weaken sustainable economic development.</p> <p><i>It is recommended that the government stabilize the economy by shifting from broad relief packages to targeted energy subsidies for electricity, gas, and fuel to reduce industrial costs. Key reforms should include streamlined e-taxation systems, strict accountability for infrastructure projects, development of designated vendor markets, promotion of small hydro projects through private sector participation, and dedicated budget allocations for climate change mitigation and higher education to ensure long-term sustainable growth.</i></p> <p><b>Chamber/Association:</b> Malakand Chamber, FPCCI Budget Advisory Council</p>
09	Initiative for Global Trade Promotion & SME Market Access	<p>Pakistan’s SMEs and export-oriented industries have limited participation in international exhibitions and weak access to structured global B2B networking platforms. This restricts their market access, reduces visibility of Pakistani products, and limits the country’s ability to position itself as a competitive investment and trade destination.</p> <p><i>It is recommended that PKR 269 million be allocated to enhance Pakistan’s global trade footprint through international exhibitions and high-impact B2B networking opportunities. The initiative will support SMEs in accessing international markets, strengthen collaboration with global exhibition bodies, and promote Pakistan as a premier investment destination to drive sustainable export growth.</i></p> <p><b>Chamber/Association:</b> Pakistan Association of Exhibition Industry, FPCCI Budget Advisory Council</p>
10	Support for Gems and Jewellery Sector	<p>Pakistan possesses significant reserves of high-quality precious and semi-precious gemstones such as emerald, ruby, topaz, peridot, aquamarine, and tourmaline. However, the sector lacks modern cutting and polishing technology, resulting in value loss, frequent damage during processing, and limited domestic value addition. Consequently, export earnings remain suboptimal despite strong natural resource potential.</p> <p><i>It is recommended that the government support the establishment and upgradation of modern gemstone cutting and polishing facilities with advanced technology. This will enhance value addition within the country, reduce processing losses, and significantly increase export revenues by enabling higher-quality finished gemstone products for international markets.</i></p> <p><b>Chamber/Association:</b> Gems Jewellery Traders and Exporters, FPCCI Budget Advisory Council</p>



# The Federation of Pakistan Chambers of Commerce & Industry

**FPCCI HEAD OFFICE, KARACHI**  
Federation House, Tariq Sayeed Complex,  
Main Clifton, Karachi, Pakistan  
Tel: 021-35873691-94 Fax: 021-35874332  
E-mail: [info@fpcci.org.pk](mailto:info@fpcci.org.pk), Web: [www.fpcci.org.pk](http://www.fpcci.org.pk)

**FPCCI CAPITAL OFFICE, ISLAMABAD**  
Eml: [islamabad.capital@fpcci.org.pk](mailto:islamabad.capital@fpcci.org.pk)

**FPCCI REGIONAL OFFICE, LAHORE**  
Eml: [lahore.regional@fpcci.org.pk](mailto:lahore.regional@fpcci.org.pk)

**FPCCI REGIONAL OFFICE, PESHAWAR**  
Eml: [peshawar.regional@fpcci.org.pk](mailto:peshawar.regional@fpcci.org.pk)

**FPCCI REGIONAL OFFICE, QUETTA**  
Eml: [quetta.regional@fpcci.org.pk](mailto:quetta.regional@fpcci.org.pk)

**FPCCI REGIONAL OFFICE, GILGIT BALTISTAN**  
Eml: [gilgit.regional@fpcci.org.pk](mailto:gilgit.regional@fpcci.org.pk)

**FPCCI REGIONAL OFFICE, GWADAR**  
Eml: [gwadar.regional@fpcci.org.pk](mailto:gwadar.regional@fpcci.org.pk)