



The Federation of Pakistan
Chambers of Commerce & Industry

Budget Highlights

Budget Speech and Finance Bill
FY 2026 - 27



Policy Advisory Board of FPCCI





Acknowledgements & Disclaimer

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Disclaimer:

All data, information and analysis provided in this document are accurate and to the best of our knowledge and understanding, in case you have any feedback, suggestions, and input, feel free to reach out to us at: pru@fpcci.org.pk.

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Part - 1

Economic Overview and Key Macroeconomic Developments

The Federal Budget 2026-27 has been presented against the backdrop of improving macroeconomic stability and gradual economic recovery. According to the Finance Minister, Pakistan's economy has transitioned from a period of severe external sector stress and high inflation towards a more stable economic environment characterized by lower inflation, improved fiscal indicators, stronger foreign exchange reserves, and renewed investor confidence. During FY 2025-26, real GDP growth is estimated at 3.7 percent, supported by growth in both the industrial and services sectors. Large Scale Manufacturing (LSM), which remained under pressure in previous years, recorded a growth of 6.1 percent, while the services sector expanded by 4.1 percent. Per capita income increased to USD 1,901 and the size of the economy reached approximately USD 452 billion.

The Government has highlighted significant progress in macroeconomic stabilization. Inflation declined sharply from historically high levels witnessed in recent years, while the policy rate was reduced from 22 percent to 11.5 percent. Fiscal consolidation efforts resulted in an improvement in the primary balance and a reduction in the fiscal deficit. The tax-to-GDP ratio increased to 10.3 percent, reflecting enhanced revenue mobilization efforts and improvements in tax administration. External sector indicators also showed improvement. Foreign exchange reserves surpassed USD 17 billion, workers' remittances are expected to exceed USD 41 billion, and Pakistan received sovereign credit rating upgrades from major international rating agencies. The Government attributes these developments to improved economic management, structural reforms, and successful engagement with international financial institutions.

The Budget 2026-27 seeks to consolidate these gains through a continued focus on fiscal discipline, tax administration reforms, tariff rationalization, export promotion, digitalization, privatization, and private sector-led growth. The Government has set a GDP growth target of 4.0 percent, inflation target of 8.2 percent, and fiscal deficit target of 3.6 percent of GDP for FY 2026-27. In addition to macroeconomic stabilization, the Government has emphasized reforms in the energy sector, privatization, digital payments, youth development, IT exports, agricultural financing, and trade facilitation. Several initiatives, including tariff rationalization under the National Tariff Policy 2025-30, expansion of digital tax administration systems, implementation of track-and-trace mechanisms, and promotion of industrial competitiveness, have been highlighted as key pillars of the Government's economic strategy.

Key Takeaways

- a) Macroeconomic stability has improved significantly, particularly in terms of inflation, foreign exchange reserves, fiscal consolidation, and sovereign credit outlook.
- b) Economic growth has recovered; however, the projected growth rate remains below Pakistan's long-term development and employment generation requirements.
- c) Remittances continue to be a major source of external sector support, while export growth remains relatively modest compared to regional competitors.
- d) Debt servicing continues to dominate federal expenditure, accounting for over Rs. 8 trillion, highlighting the need for sustained fiscal reforms.
- e) The Government's reform agenda places significant emphasis on tax digitization, compliance management, privatization, tariff rationalization, and energy sector restructuring.
- f) While the Government reports improvements in investment sentiment and private sector activity, the sustainability of these gains will depend on continued structural reforms, political stability, export competitiveness, and productivity enhancement.



The following table summarizes the key economic indicators, budget targets, public sector development allocations, and major reform initiatives highlighted by the Finance Minister during the Budget Speech 2026-27.

Table 1: Key Economic Indicators, Budget Targets, and Major Reforms Initiatives Highlighted in the Federal Budget Speech 2026-27

S. No.	Indicator	Score	Details
Key Economic Indicators			
1	GDP Growth	3.7%	Economic growth reached 3.7% during FY 2025-26 despite challenges arising from floods and regional geopolitical developments.
2	Large Scale Manufacturing (LSM) Growth	6.1%	Large Scale Manufacturing recorded growth of 6.1% during FY 2025-26.
3	Services Sector Growth	4.1%	The services sector grew by 4.1% during FY 2025-26.
4	Size of Economy	USD 452 Billion	Pakistan's economy reached USD 452 billion, marking a new milestone.
5	Per Capita Income	USD 1,901	Per capita income increased from USD 1,751 in the previous year to USD 1,901.
6	Policy Rate	11.5%	The policy rate declined from 22% to 11.5% during the year.
7	Foreign Exchange Reserves	USD 17+ Billion	Foreign exchange reserves increased from below USD 4 billion three years ago to over USD 17 billion, sufficient for nearly three months of imports.
8	Workers' Remittances	USD 38 Billion (11 Months)	Workers' remittances reached USD 38 billion during the first eleven months of FY 2025-26 and are projected to exceed USD 41 billion by year-end.
9	Expected Full-Year Remittances	USD 41 Billion	Remittances are expected to cross the historic level of USD 41 billion during FY 2025-26.
10	Tax-to-GDP Ratio	10.3%	The tax-to-GDP ratio increased from 8.5% in FY 2022-23 to 10.3% in FY 2025-26.
11	Fiscal Deficit	4.0% of GDP	The fiscal deficit declined from 7.8% of GDP in June 2023 to an estimated 4.0% of GDP by the end of FY 2025-26.
12	Primary Balance	1.6% Surplus	The primary balance improved from a deficit of 0.7% of GDP two years ago to a surplus of 1.6% of GDP in FY 2025-26.
13	Inflation	Approximately 7%	Average inflation declined from 23.4% in the previous year to approximately 7% in FY 2025-26.
14	Sovereign Credit Ratings	Rating Upgrades	Pakistan received sovereign rating upgrades from Moody's, Fitch Ratings and S&P Global Ratings during the year.



S. No.	Indicator	Score	Details
Key Budget Indicators (Allocations / Targets)			
1	GDP Growth Target	4.0%	Economic growth target for FY 2026-27.
2	Inflation Target	8.2%	Average inflation target for FY 2026-27.
3	Fiscal Deficit	3.6% of GDP	Budgeted fiscal deficit for FY 2026-27.
4	Primary Surplus	2.0% of GDP	Targeted primary surplus.
5	FBR Revenue Target	Rs. 15,264 Billion	Represents an increase of 17.6% over the current year.
6	Provincial Share	Rs. 8,848 Billion	Share of provinces under NFC arrangements.
7	Federal Non-Tax Revenue	Rs. 5,336 Billion	Estimated federal non-tax revenues.
8	Total Federal Expenditure	Rs. 18,771 Billion	Total expenditure budgeted for FY 2026-27.
9	Markup Payments	Rs. 8,054 Billion	Allocation for debt servicing.
10	Defence Budget	Rs. 3,000 Billion	Defence expenditure allocation.
11	Civil Administration	Rs. 1,071 Billion	Budgetary allocation for civil administration.
12	Pensions	Rs. 1,169 Billion	Pension-related expenditures.
13	Subsidies	Rs. 1,091 Billion	Budgeted subsidy allocation.
14	BISP Allocation	Rs. 838 Billion	Increased by 17% over the previous year.
15	Kafalat Programme Coverage	12 Million Families	Expansion of beneficiary coverage under BISP.
Public Sector Development Programme (PSDP) Allocations			
1	National PSDP	Rs. 3,675 Billion	Total national development programme allocation.
2	Federal PSDP	Rs. 1,000 Billion	Federal Public Sector Development Programme allocation.
3	Transport & Communications	Rs. 365 Billion	Sectoral allocation under PSDP.
4	Power Sector	Rs. 116.2 Billion	Allocation for power sector projects.
5	Water Resources	Rs. 103.1 Billion	Allocation for water-related infrastructure and projects.
6	Physical Planning & Housing	Rs. 54.6 Billion	Allocation for housing and planning initiatives.
7	Education Sector	Allocation Included	Development allocations provided under PSDP.
8	Health Sector	Allocation Included	Development allocations provided under PSDP.
9	AJK, GB & Merged Districts	Allocation Included	Special allocations for less developed and strategic regions.

S. No.	Indicator	Score	Details
Other Indicators (Financial Markets, FBR Transformation, Financial Inclusion, Trade & Tariff Reforms)			
1	Euro Bond Issuance	USD 750 Million	Pakistan successfully issued a Euro Bond during FY 2025-26.
2	Panda Bond Issuance	2.5% Markup	Pakistan issued its first Panda Bond on the occasion of the 75th anniversary of Pakistan-China relations. Demand was reported at five times the offered amount.
3	Corporate Sector Profitability	+22%	Corporate profits increased by 22% during January-March 2026 compared to the corresponding period last year.
4	New PSX Investors	173,000	Pakistan Stock Exchange added a record 173,000 new investors, primarily youth.
5	Initial Public Offerings (IPOs)	11 IPOs	Eleven IPOs were issued during FY 2025-26.
6	New Company Registrations	39,000	Approximately 39,000 new companies were registered with SECP during the year.
7	Foreign Investment Interest	Multiple Global Firms	Global companies including Google, Alibaba Group, ARAMCO and BYD are investing in Pakistan.
8	First Women Bank	Initiated	Privatization process initiated during FY 2025-26.
9	Pakistan International Airlines (PIA)	Completed	PIA transferred to the private sector through a live auction on 23 December 2025 for Rs. 185 billion.
10	Five-Year Privatization Plan	Ongoing	Covers GENCOs, DISCOs, banks, insurance companies and airports.
11	DISCO Privatization	Under Process	Expressions of interest issued for the first batch of three DISCOs.
12	FBR Revenue Collection	Rs. 13 Trillion	Revenue increased from Rs. 7.2 trillion in FY 2022-23 to an estimated Rs. 13 trillion in FY 2025-26.
13	AI-Based Production Monitoring	102 Units	Implemented in 27 cement factories and 75 sugar mills using video analytics, AI and machine learning technologies.
14	Additional Revenue Impact	Rs. 61 Billion	Expected revenue impact from production monitoring systems.
15	Compliance Risk Management System	840 Cases	More than 840 high-risk cases identified.
16	Tax Impact of Risk Cases	Rs. 34 Billion	Estimated tax impact identified through compliance systems.
17	Expansion of Monitoring Systems	Ongoing	Coverage to be extended to textiles, beverages, iron & steel, edible oil and other sectors.
18	ZarKhez Programme	Rs. 300 Billion	Collateral-free digital financing for 750,000 small farmers.
19	PM Apna Ghar Scheme	5% Markup	Low-cost housing finance for low- and middle-income groups.



S. No.	Indicator	Score	Details
20	PAVE Programme	Nationwide	Subsidized financing for electric bikes and electric rickshaws.
21	PM Fan Replacement Programme	Nationwide	Replacement of old fans with energy-efficient alternatives.
22	Social Impact Financing	Rs. 7.1 Billion	Includes Pakistan Skills Impact Bond and Agri Storage Financing Facility.
23	Digital Transactions	10.1 Billion	Annual digital transactions reached 10.1 billion.
24	Digital Merchants	1.67 Million	Merchants connected to digital payment systems.
25	Youth Population	67%	Share of population below 30 years of age.
26	NAVTC Skills Training	515,000 Youth	Youth trained under skills development programmes.
27	Employment Placement Rate	53%	Employment rate achieved by trained youth.
28	Youth Business & Agriculture Loans	Rs. 258 Billion	Financing disbursed since January 2023.
29	Loan Beneficiaries	534,000+	Youth benefiting from business and agriculture financing schemes.
30	Youth Population	67%	Share of population below 30 years of age.
31	NAVTC Skills Training	515,000 Youth	Youth trained under skills development programmes.
32	Export Development Surcharge	Abolished	The 0.25% Export Development Surcharge on export income has been abolished.
33	Export Finance Scheme (EFS) Markup	4.5%	Markup under the Export Finance Scheme reduced from 19% to 4.5%.
34	Tariff Rationalization	7,500 Tariff Lines	Tariffs reduced on approximately 7,500 tariff lines under the National Tariff Policy 2025-30.
35	Business Benefit	Rs. 120 Billion+	Tariff reforms are expected to provide benefits exceeding Rs. 120 billion to businesses.
36	Power Sector Subsidy Savings	Rs. 143 Billion+	Savings achieved against budgeted power sector subsidies.
37	IPP Renegotiations	Rs. 3.7 Trillion	Renegotiation of IPP contracts expected to generate savings of approximately Rs. 3.7 trillion.
38	CTBCM Launch	Implemented	Competitive Trading Bilateral Contract Market launched to transition away from the single-buyer electricity model.
39	Circular Debt	Net-Zero Accumulation	No additional accumulation of circular debt reported during the year.
40	LNG Contract Renegotiation	USD 1.2 Billion Savings	Renegotiated LNG agreements with Qatar and Italy, reducing 35 cargoes for 2026.



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41	Offshore Exploration Blocks	24 Blocks	Offshore exploration blocks awarded after 20 years.
42	Expected E&P Investment	USD 1 Billion+	Expected investment in exploration and production activities during FY 2026-27.
43	IT Export Growth	20%+	IT exports reported to be growing at more than 20% annually.
44	Expected IT Exports	USD 4.5 Billion	IT exports expected to reach USD 4.5 billion during FY 2025-26.
45	5G Spectrum Auction	Completed	5G spectrum successfully auctioned.
46	5G Rollout	5 Cities	5G services launched in five cities.
47	IT & AI Skills Training	1 Million Youth	Nearly one million youth trained in Information Technology and Artificial Intelligence.
48	National Debt	68.5% of GDP	National debt reduced from 75% of GDP in 2023 to an estimated 68.5% of GDP.
49	SIFC-Facilitated Economic Zone	6,860 Acres	Pakistan Steel Mills Economic Zone facilitated through SIFC.
50	Strategic Infrastructure Project	Ongoing	Thar Coal Railway Project facilitated through SIFC.
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Income Tax Highlights

Policy Advisory Board of FPCCI





Part II: Taxation Proposals

Chapter 1: Amendments Proposed in Income Tax Ordinance, 2001

1.1. Tax on Salaried Class

The Federal Budget 2026-27 provides relief to salaried individuals through a reduction in their overall tax burden. The previously applicable **9% surcharge on salaried individuals has been abolished**, while income tax rates have been reduced across various income slabs. These measures are expected to lower the tax liability of salaried taxpayers and enhance their disposable income.

The revised tax slabs and the corresponding impact on salary tax liability are presented in the tables below.

Table 2: The Revised Salary Income Tax Schedule FY 2026-27

FY 2025-26 (PKR)		FY 2026-27 (PKR)	
Annual Tax Salary	Tax Rate	Annual Tax Salary	Tax Rate
Up to 600,000	0%	Up to 600,000	0%
600,000 – 1,200,000	1% of the amount exceeding Rs. 600K	600,000 – 1,200,000	1% of the amount exceeding Rs. 600K
1,200,001 – 2,200,000	Rs. 6,000 + 11% on amount exceeding Rs. 1,200,000	1,200,001 – 2,200,000	Rs. 6,000 + 11% on amount exceeding Rs. 1,200,000
2,200,001 – 3,200,000	Rs. 116,000 + 23% on amount exceeding Rs. 2,200,000	2,200,001 – 3,200,000	Rs. 116,000 + 20% on amount exceeding Rs. 2,200,000
3,200,001 – 4,100,000	Rs. 346,000 + 30% on amount exceeding Rs. 3,200,000	3,200,001 – 4,100,000	Rs. 316,000 + 25% on amount exceeding Rs. 3,200,000
Above 4,100,000	Rs. 616,000 + 35% on amount exceeding Rs. 4,100,000	4,100,001 – 5,600,000	Rs. 541,000 + 29% on amount exceeding Rs. 4,100,000
4,100,001 – 5,600,000		5,600,001 – 7,000,000	Rs. 976,000 + 32% on amount exceeding Rs. 5,600,000
5,600,001 – 7,000,000		Above 7,000,000	Rs. 1,424,000 + 35% on amount exceeding Rs. 7,000,000
Above 7,000,000			

Table 3: The Benefit of Revised Salary Tax Slab FY 2026-27

Annual Tax				Per Month Tax			
Annual Salary	FY 2025-26	FY 2026-27	Difference	Monthly Salary	FY 2025-26	FY 2026-27	Difference
600,000	-	-	-	50,000	-	-	-
1,200,000	6,000	6,000	-	100,000	500	500	-
1,800,000	72,000	72,000	-	150,000	6,000	6,000	-
2,400,000	162,000	156,000	6,000	200,000	13,500	13,000	500
3,000,000	300,000	276,000	24,000	250,000	25,000	23,000	2,000
3,600,000	466,000	416,000	50,000	300,000	38,833	34,667	4,167
4,200,000	651,000	570,000	81,000	350,000	54,250	47,500	6,750
4,800,000	861,000	744,000	117,000	400,000	71,750	62,000	9,750
5,400,000	1,071,000	918,000	153,000	450,000	89,250	76,500	12,750
6,000,000	1,281,000	1,104,000	177,000	500,000	106,750	92,000	14,750
6,600,000	1,491,000	1,296,000	195,000	550,000	124,250	108,000	16,250
7,200,000	1,701,000	1,494,000	207,000	600,000	141,750	124,500	17,250
7,800,000	1,911,000	1,704,000	207,000	650,000	159,250	142,000	17,250
8,400,000	2,121,000	1,914,000	207,000	700,000	176,750	159,500	17,250
9,000,000	2,331,000	2,124,000	207,000	750,000	194,250	177,000	17,250
9,600,000	2,541,000	2,334,000	207,000	800,000	211,750	194,500	17,250
10,200,000	2,998,590	2,544,000	454,590	850,000	249,883	212,000	37,883
10,800,000	3,227,490	2,754,000	473,490	900,000	268,958	229,500	39,458
11,400,000	3,456,390	2,964,000	492,390	950,000	288,033	247,000	41,033
12,000,000	3,685,290	3,174,000	511,290	1,000,000	307,108	264,500	42,608
12,600,000	3,914,190	3,384,000	530,190	1,050,000	326,183	282,000	44,183
13,200,000	4,143,090	3,594,000	549,090	1,100,000	345,258	299,500	45,758

1.2. Super Tax

The super tax under Section 4C of the Income Tax Ordinance, 2001 has been abolished on 06 slabs, whereas the tax for top slab (Income > Rs. 500 million) has been reduced to 8% from 10% with few exclusions.

Table 4: Revised Super Tax under Section 4C of ITO, 2001

Income	Tax Rate (FY 2025-26)	Tax Rate (FY 2026-27)
150 – 200 Million	1%	0% of the income
200 – 250 Million	1.5%	
250 - 300 Million	2.5%	
300 - 350 Million	3.5%	
350 – 400 Million	5.5%	
400 – 500 Million	7.5%	
500 Million above	10%	8% of the Income
Banking Companies, oil & gas and minerals explorations & production companies, and persons driving income from sale of fertilizers	As per above slabs	10% of the income, if income exceeds Rs. 150 million

1.3. Tax on Exporters

- a) **Exports of IT & ITes:** The exporters of IT & ITes are charged 0.25% as FTR, which was set to expire on June 30, 2026. This concessional rate has been extended till June 30, 2029.
- b) **Tax on Exporters (Goods):** Presently, exporters are subject to 1% as Minimum Tax and 1% as Advance Tax. It proposed to charge consolidated 1.25% tax, which will be minimum tax.
- c) **Super Tax on Exporters:** It has also been proposed to remove super tax on exporters.

1.4. Withholding Taxes on Sale and Purchase of Immovable Property – Section 236C and 236K

The proposed amendments in the withholding tax rates on sale and purchase of immovable properties are provided as under:

S. No.	Amount	Existing Rate Filers	Proposed Rate Filers	Rates Non-filers	Existing Rates Late Filers
<i>Sale of Property – Section 236C</i>					
1	Amount of consideration < Rs. 50 Million	4.5%	2.75%	11.5% (No Change)	7.5% (Withdrawn)
2	Amount of consideration is in between Rs. 50 Million – Rs. 100 Million	5%			8.5% (Withdrawn)
3	Amount of consideration < Rs. 50 Million	5.5%			9.5% (Withdrawn)
<i>Purchase of Property – Section 236C</i>					
1	Where fair market value < Rs. 50 Million	1.5%	1.5%	10.5% (No Change)	4.5% (Withdrawn)
2	Where fair market value is in between Rs. 50 Million – Rs. 100 Million	2%			14.5% (No Change)
3	Where fair market value exceeds Rs. 100 Million	2.5%			18.5% (No Change)



1.5. Other Amendments in Income Tax Ordinance 2001, 2001

S. No.	Measure	Details
1	Capital Value Tax (Foreign Assets)	Completely abolished
2	Credit Card Transactions (Abroad)	WHT reduced from 5% to 0.5%.
3	Small Retailers	Retailers with annual sales up to Rs. 200 million may opt for a 1% fixed tax on turnover. Eligible retailers opting for the scheme will be exempt from POS integration requirements and routine audits and will receive a Green QR Code certification.
4	WHT Expansion	WHT provisions extended to individuals and AOPs purchasing goods from unregistered suppliers.
5	Section 7E – Tax on Deemed Income	This section is proposed to be omitted from Income Tax Ordinance, 2001, in line with judgment of the Federal Constitutional Court
6	WHT on Digital Content Creators	It is proposed to charge WHT @ 5% of gross receipts, in case of resident, not appearing on ATL, the rate shall be increased by 100%. a) For residents, the WHT is Minimum Tax. b) For non-residents, the WHT is Final Tax.
7	E-Commerce WHT to become Adjustable for Businesses with Turnover > Rs. 200 million.	Last year, the tax on sale of goods through digital e-commerce platforms was imposed, as Final Tax. The proposed amendment is to make this WHT adjustable for businesses with turnover more than Rs. 200 million.
8	WHT of Reduced Minimum Tax for: a) Pharmaceuticals; b) FMCG; c) Cigarette Distributors	a) Presently, distributors of Pharmaceuticals, FMCGs, and cigarettes are charged 0.25% under Section 113 on Turnover. This exemption is proposed to be withdrawn, consequently, subject to 1.25% of standard rate. b) Additionally, a separate reduced minimum tax rate of 0.5% is introduced for Packaged Foods; Fertilizers; Locally Manufactured Mobile Phones; Sugar; and Electronics will be subject to 0.5% under Section 113.
9	Disallowance of Expense for Non-Integrated Businesses	The Finance Bill proposes to revise the existing provisions relating to businesses that fail to integrate their systems with the FBR. Currently, expenditure attributable to sales made through non-integrated systems may be disallowed up to 8% of the relevant expenditure. Under the proposed amendment, a taxpayer who fails to install the prescribed electronic resources or operate as an integrated enterprise in accordance with FBR requirements shall face disallowance of 5% of the total expenditure claimed for tax purposes. The proposal seeks to encourage digital integration and strengthen compliance with FBR's documentation and reporting framework.



S. No.	Measure	Details
10	Withholding Taxes as Minimum Tax Rates	The proposed amendment allows the Federal Govt, to reduce the rate of such minimum taxes up to minimum rate of 1%, for specified persons. The proposal for reduction shall be approved by the National Assembly.
11	Taxation of Life Insurance and Family Takaful Proceeds	The budget proposes the introduction of a final withholding tax on gains derived from life insurance policies, family takaful certificates, and similar long-term savings arrangements. Tax shall be levied on the net amount received by the policyholder after deducting the total premiums or contributions paid. The applicable tax rate shall be 15% where proceeds are received within one year of policy issuance and 10% where encashment occurs after one year but before completion of seven years. The proposed tax shall not apply to payments arising due to the death or disability of the policyholder, nor to proceeds received after completion of a seven-year holding period.
12	Section 21 (Disallowance of Expenditure for Non-Integrated Businesses)	Under the proposed mechanism, businesses that fail to install the prescribed electronic system or do not operate as integrated enterprises in accordance with FBR requirements shall face disallowance of 5% of their total claimed expenditure. This replaces the existing provision under which only expenditure attributable to non-integrated sales is disallowed, subject to a maximum limit of 8% of such expenditure.
13	Section 64D (Tax Credit for FBR Integration Systems)	The Finance Bill proposes to revise the tax credit available for investment in FBR integration systems. Under the proposed framework, the credit shall be available on capital expenditure incurred for the purchase, acquisition, installation, or implementation of equipment, hardware, software, and other electronic components used exclusively for integration with FBR systems. The tax credit shall be allowed at 10% of the qualifying investment made by persons required to integrate their systems under the Income Tax and Sales Tax laws. The credit shall not be available on operational or maintenance expenses and may only be claimed against income taxable under the normal tax regime.
14	Exemption Certificate for NPOs	The proposed amendment empowers Commissioner to issue WHT exemption certificate to approved NPOs, such certificate shall remain valid throughout the tax year.



S. No.	Measure	Details
15	WHT Rates on Services under Section 153(1)(b)	The proposed amendments are as follows: a) A reduced rate for some sectors is proposed to be 7% instead of 6%. b) A separate category of independent professional services is introduced @ 15% i.e. doctors, lawyers, accountants, etc. c) A general WHT rate for services is reduced to 14% from 15%. d) A reduced WHT rate of 12% has been proposed for terminal or port services.
16	WHT on Capital Gains from Debt & Govt. Securities	It is proposed to increase WHT to 20% from 15% on capital gains from Debt and Govt. securities.
17	Minimum Tax for Manufacturers of Iron and Steel under Section 153(3)	It is proposed to withdraw the existing exemption from minimum tax available to manufacturers of iron and steel products under section 153(3). Consequently, such manufacturers shall become subject to the minimum tax regime applicable to other taxpayers. However, corporate manufacturers may continue to avail the provisions relating to adjustment or carry-forward of excess minimum tax in accordance with the applicable provisions of the Income Tax Ordinance, 2001.
18	Withdrawal of Tax Concessions for Large Trading Houses	It is proposed to withdraw the preferential tax treatment currently available to large trading houses. Consequently, such entities shall no longer be exempt from withholding tax on receipts from the sale of goods and will cease to benefit from the reduced minimum tax rate of 1% under section 113. Following the proposed amendment, large trading houses will be subject to the standard withholding tax and minimum tax provisions applicable to other taxpayers.
19	Section 236Y (Advance Tax on Foreign Payments through Cards.	It is proposed to reduce WHT on foreign payments made through credit or debit cards from 5% to 0.5%.
20	Establishment of Independent Case Scrutiny Committee for Tax Litigation	The Finance Bill proposes the establishment of an Independent Case Scrutiny Committee to evaluate and determine whether tax disputes should be pursued by the FBR before the High Courts, the Federal Constitutional Court, or the Supreme Court of Pakistan. The decisions of the Committee shall be binding on the tax authorities. The Committee shall comprise a retired Judge of the Supreme Court of Pakistan, an advocate with at least fifteen years of experience in tax and commercial litigation, and a serving or retired FBR officer not below BS-20.



S. No.	Measure	Details
21	Mandatory Electronic Integration with FBR System	The Finance Bill proposes to authorize the FBR to require specified persons or categories of taxpayers to install prescribed electronic systems and operate as integrated enterprises for the collection, storage, verification, and transmission of transaction-related data relevant to tax administration. The proposed measure aims to strengthen digital documentation and real-time monitoring of economic activities. Non-compliance with the integration requirements shall attract penalties of Rs. 1 million for the first violation and Rs. 2 million for each subsequent violation.
22	Enhanced Penalties for Non-Compliance with Information Sharing Requirements	The Finance Bill proposes stricter penalties for failure to furnish information required under section 175A and for non-compliance with prescribed integration requirements. Under the proposed framework, a penalty of Rs. 500,000 shall be imposed for the first default, while each subsequent violation shall attract a penalty of Rs. 1 million. The liability for such penalties shall rest with the principal officer of the organization, being the individual responsible for the overall administration and operational management of the entity, regardless of official designation.
23	Banking Information Framework	The Finance Bill proposes to broaden the scope of the banking information sharing regime by extending reporting and information access requirements beyond scheduled banks. Under the proposed framework, the FBR may also obtain relevant financial information from the State Bank of Pakistan, microfinance banks, and Electronic Money Institutions (EMIs). Additionally, the State Bank of Pakistan has been empowered to establish, operate, and maintain a secure centralized virtual repository of banking data to facilitate the collection, storage, and sharing of financial information for regulatory and tax administration purposes.
24	Enhanced Audit and Valuation Powers of Commissioner Inland Revenue	The Finance Bill proposes to empower the Commissioner Inland Revenue, during the course of a tax audit, to require a taxpayer to obtain a re-audit of financial statements, inventory valuation by a cost accountant, or actuarial valuation by an actuary, where considered necessary. Such powers may be exercised in cases involving complex accounts, high transaction volumes, concerns regarding the accuracy of records, the specialized nature of business activities, or for the protection of revenue interests. The proposed action shall be subject to providing the taxpayer an opportunity of being heard and obtaining prior approval from the Chief Commissioner. The professionals engaged for such assignments shall be selected from panels notified by the FBR.



S. No.	Measure	Details												
25	Clarification of "Tax Payable" for Late Filing Penalty	The Finance Bill proposes to clarify the basis for calculating penalties applicable to late filing of income tax returns. Under the proposed amendment, "tax payable" for the purpose of determining the penalty shall be the higher of the tax chargeable for the relevant tax year or the highest amount of tax payable by the taxpayer in any of the three immediately preceding tax years for which returns were duly filed. The proposal is intended to strengthen compliance and discourage repeated delays in filing tax returns.												
26	Penalties for Non-Compliance During Audit Proceedings	<p>The bill has proposed following penalties for failure to comply with audit notices:</p> <table border="1"> <thead> <tr> <th>Default</th> <th>Existing Penalty</th> <th>Proposed Penalty</th> </tr> </thead> <tbody> <tr> <td>First non-compliance</td> <td>Rs. 25,000</td> <td>Rs. 100,000</td> </tr> <tr> <td>First non-compliance</td> <td>Rs. 50,000</td> <td>Rs. 200,000</td> </tr> <tr> <td>First non-compliance</td> <td>Rs. 100,000</td> <td>Rs. 300,000</td> </tr> </tbody> </table>	Default	Existing Penalty	Proposed Penalty	First non-compliance	Rs. 25,000	Rs. 100,000	First non-compliance	Rs. 50,000	Rs. 200,000	First non-compliance	Rs. 100,000	Rs. 300,000
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27	Penalty for False Statements	The bill has proposed to increase penalty from Rs. 25,000 to Rs. 500,000 and from 50% to 100% of tax amount, whichever is higher.												
28	Penalty for Concealment in Proceedings under Section 111	The bill has proposed to increase penalty for concealment under section 111 from Rs. 100,000 to Rs. 1 million.												
29	Penalty for failure to Deduct or Collect WHT	<p>The bill has proposed to increase penalty on failure to deduct or collect WHT from Rs. 40,000 to Rs. 500,000</p> <p>And</p> <p>The principle officer of organization involved may be personally held liable to pay penalty of Rs. 500,000.</p>												
30	Penalty for Inaccurate Returns extended to Individuals	Presently, companies & AoPs are liable to pay Rs. 500,000 or 10% of tax chargeable, whichever is higher. This provision has also been extended to individuals.												
31	New Penalty for Unverified WHT Credits	The bill has proposed, where taxpayer claims tax credit that are not verifiable from FBR's electronic records, the penalty shall be equal to the amount of excess tax credit claimed.												
32	Increase in ATL Restoration Fee	<p>The bill proposed to increase penalties if taxpayer file return after due date:</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Existing Fee</th> <th>Proposed Fee</th> </tr> </thead> <tbody> <tr> <td>Individual</td> <td>Rs. 1,000</td> <td>Rs. 25,000</td> </tr> <tr> <td>AOP</td> <td>Rs. 10,000</td> <td>Rs. 50,000</td> </tr> <tr> <td>Company</td> <td>Rs. 100,000</td> <td>Rs. 100,000</td> </tr> </tbody> </table>	Category	Existing Fee	Proposed Fee	Individual	Rs. 1,000	Rs. 25,000	AOP	Rs. 10,000	Rs. 50,000	Company	Rs. 100,000	Rs. 100,000
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S. No.	Measure	Details
33	Abolition of WHT on Foreign Dubbed Media Content	The Finance Bill proposes to abolish the withholding tax currently applicable to foreign television dramas, serials, and plays dubbed in Urdu, as well as advertisements featuring foreign actors that are certified by the relevant licensing authority. The proposal would remove the existing minimum tax burden on such media content and advertising productions.
34	Tax Scheme for Retailers	It is proposed that the Retailers with annual sales of Rs 200 million or less can opt for a 1% fixed tax on sales. They are exempt from POS machines and routine audits, indicated by a green QR code plate.

Sales Tax Highlights

Policy Advisory Board of FPCCI



Chapter 2: Amendments Proposed in Sales Tax Act, 1990

S. No.	Section / Schedule	Details
1	Section 2	<p>a) The definitions of "advance receipt invoice (1AA is added)", "algorithmic settlement mechanism (1AAA is added)", "electronic invoicing system (9AB is added)", "National faceless centre (17A)", "production monitoring system (22)(1A)" are added.</p> <p>b) The traders with turnover less than Rs. 200 million are excluded from Tier-1 category.</p> <p>c) Earlier, the retailer who has acquired Point of Sale system was considered as Tier-1 retailer. However, this provision has been withdrawn.</p> <p>d) Earlier, there was threshold specified by Board, if withholding under Section 236G and 236H crossed that limit, such trader was also considered as Tier-1 retailer. Now the application of 236G and 236H WH threshold will only apply in cases where turnover exceeds Rs. 200 million.</p>
2	Section 8B (Input Tax Adjustment)	In addition to existing clauses, the new proviso is added in sub-section (1): <i>"Provided further also that the Board may by notification in the official Gazette, reduce or enhance the limit provided in this sub-section for any registered person on the basis of compliance or non-compliance with the production monitoring, digital invoicing, e-bility, POS, or any other electronic system prescribed by the Board for digital integration of data."</i>
3	Section 9 (Debit & Credit Note)	The debit and credit notes will now be governed by the mechanism including electronic adjustments.
4	Section 11H (Faceless audit and assessment) is inserted.	This amendment introduces a faceless audit and assessment system , where tax audits, assessment orders, and rectifications for selected cases will be conducted digitally as prescribed by FBR, without physical interaction between taxpayer and tax officers. Any hearings or statements required during the process will be conducted through e-hearing, while keeping the identity of the tax officer confidential.
5	Section 21 (deregistration, blacklisting, and suspension of registration)	<p>This amendment expands the grounds for action under Section 21(2) by including taxpayers who fail to comply with electronic invoicing integration requirements (Section 23(5) & (6)) or FBR's electronic monitoring/track-and-trace system (Section 40C).</p> <p>If a person or business:</p> <ol style="list-style-type: none"> does not integrate their invoicing system with FBR's real-time reporting system, or fails to comply with mandatory e-invoicing for Tier-1 retailers, or does not comply with FBR's electronic monitoring/track-and-trace requirements, <p>then they will now be treated as non-compliant under Section 21(2) and may face the relevant legal consequences (such as restrictions, penalties, or enforcement actions under the Act).</p>



S. No.	Section / Schedule	Details
6	Section 23 (Tax Invoices)	The amendment requires that not only taxable supplies but also exempt supplies must issue a tax invoice, including advance receipt invoices, and that all invoices must carry a verifiable and unique FBR invoice number, replacing the earlier requirement of only serially numbered invoices.
7	Section 25 (Audit of Sales Tax Affairs)	The subsection 8A is inserted in Section 25. a) This amendment empowers the Commissioner to require a taxpayer, with prior approval, to undergo re-audit of accounts or revaluation of inventory by a nominated accountant/cost accountant if accounts are complex, doubtful, or high-risk. b) It also requires the tax officer to issue a formal audit report after completing the audit and obtaining the taxpayer's explanation on all observations.
8	Section 30A (Directorate General [Intelligence & Investigation] of Inland Revenue) is inserted.	The Section 30AA (faceless jurisdiction) is inserted: a) This amendment establishes a new Directorate General (Field Compliance) Inland Revenue within FBR and defines its structure, including officers from DG to Assistant Directors. b) It empowers the FBR Board to assign it functions, jurisdiction, and even confer it the powers of tax authorities under Section 30, enabling it to conduct enforcement and compliance-related actions.
9	Section 30DDDB (Directorate General [Field Formation] Inland Revenue) is inserted	The Section 30DDDB is inserted: a) This amendment introduces a "faceless jurisdiction" system , where tax functions are assigned to a National Faceless Centre through algorithm-based allocation, and the identity of tax officers remains confidential from taxpayers. b) It also allows transfer between faceless and traditional jurisdictions and validates all actions even if the officer's identity or jurisdiction is not disclosed.
10	Section 32C (National Faceless Center) is inserted	The Section 32C is inserted: a) This provision establishes a National Faceless Centre under FBR , where audit, assessment, and compliance functions are handled digitally by separate officers assigned through algorithms. b) All communication and case handling will be done electronically, removing physical interaction between taxpayers and tax officers.



S. No.	Section / Schedule	Details
11	Section 33 (Offences, Penalties and Punishments)	<p>The following amendment are proposed in Section 33:</p> <ul style="list-style-type: none"> a) Where any person fails to furnish a return within due date: such person shall now pay penalty of Rs. 50K instead of Rs. 10K and Rs. 2K instead of Rs. 200 rupees will be charged per day after 10 days of due date. b) Where a person fails to issue invoice: such person shall now pay penalty of Rs. 25K instead of 5K or 5% instead of 3% of the amount of tax involved, whichever is higher. c) Where any person who un-authorizedly issues an invoice in which an amount of tax is specified: such person shall now pay penalty of Rs. 50K instead of 10K or 10% instead of 5% of the amount of tax involved, whichever is higher. d) Where any person who fails to deposit the amount of tax due: such person shall now pay penalty of Rs. 50K instead of 10K or 5% of the amount of tax involved, whichever is higher. e) Where any person who is required to apply for registration fails to register: such person shall now pay penalty of Rs. 50K instead of Rs. 10K. f) Where any person who fails maintain records under this Act: such person shall now pay penalty of Rs. 50K instead of Rs. 10K. g) Where any person, who is required to integrate his business for monitoring, etc. fails to register: such person shall be liable to pay penalty of up to Rs. 1 million rupees, in case he is failed to register within one month of first penalty, the second penalty of up to Rs. 5 million will be charged instead of premises closure. h) A new s.no. 29 is added in Section 33, which states in cases of fake and flying invoices, such person shall be liable to pay penalty equal to invoice value and show cause notice will be issued along with name to be placed on a publically accessible simulated invoice issuers. i) A new s.no. 30 is added in Section 33, which states in cases where input tax credit claimed does not match to corresponding output tax declared: such person shall be liable to pay penalty of 20% of the unmatched amount along with reversal of credit and payment of default surcharge under Section 34. j) A new s.no. 31 is added in Section 33, which states that in cases where registered person claims input tax credit on the basis of invoices issued by a person who is on simulated invoice issuers, and such person fails to reverse the input tax credit within 60 days: such person shall pay penalty of 20% of the unreversed input tax credit along with default surcharge under Section 34.



S. No.	Section / Schedule	Details
12	Section 40C (Monitoring or Tracking by Electronic or other means).	<p>The amendments in Section 40C are proposed:</p> <ul style="list-style-type: none"> a) This amendment strengthens FBR's track-and-trace and production monitoring system, requiring all taxable goods to be affixed with tax stamps, barcodes, or monitored through electronic systems before sale or movement. b) It also provides that any goods found without proper monitoring compliance can be seized and confiscated along with the transport vehicle used for their movement
13	Section 40F (Sale of confiscated goods by auction) is inserted	<p>The Section 40F is inserted:</p> <ul style="list-style-type: none"> a) This new section allows confiscated goods to be sold through public or electronic auction, with proceeds first used to cover sale expenses, taxes, penalties, and government dues. b) Any remaining balance is returned to the owner (up to declared value of goods), otherwise it is deposited into the government treasury if unclaimed within six months.
14	Section 45C (Faceless Appeals) is inserted	<p>The Section 45C is inserted:</p> <ul style="list-style-type: none"> a) This amendment introduces faceless appeals under the National Faceless Centre, where appeals filed under Section 45B can be processed digitally without physical interaction. b) All existing provisions of the appeals system will continue to apply, but the entire process may be handled in a faceless (online/algorithm-based) manner as prescribed by FBR.
15	Section 47AA (Algorithmic Settlement mechanism) is inserted	<p>The Section 47AA is inserted:</p> <ul style="list-style-type: none"> a) This amendment introduces an algorithm-based tax settlement system, where FBR may offer automated settlement amounts to taxpayers based on compliance history, audit stage, and risk factors. b) If the taxpayer accepts and pays within 10 days, the relevant tax issues for that case are closed (abated), but other unrelated issues or tax periods can still be pursued separately.



S. No.	Section / Schedule	Details																																												
16	Section 47AAA (Independent case scrutiny committee) is inserted	<p>The Section 47AAA is inserted:</p> <p>a) This amendment establishes an Independent Case Scrutiny Committee that must first approve any tax litigation or appeals filed by the Commissioner before High Courts or higher courts. The committee's recommendations are binding on FBR officers, and its members (including a retired judge, senior lawyer, and FBR officer) are given legal protection from prosecution or suits for their decisions.</p>																																												
17	Section 56B (Disclosure of information by a public servant) is amended	<p>a) This amendment allows FBR to share sector-wise sales tax return data among registered taxpayers of the same sector, subject to strict confidentiality rules, to promote market transparency and improve compliance.</p> <p>b) However, it creates an exception to tax confidentiality by permitting controlled data sharing within sectors under conditions set by the Board.</p>																																												
18	Third Schedule Expansion	<p>Scope of Third Schedule expanded to Fast-Moving Consumer Goods (FMCGs). The details of items are as follows:</p> <table border="1"> <thead> <tr> <th>Description</th> <th>HS Codes</th> </tr> </thead> <tbody> <tr> <td><i>Vegetable and animal fats and oils, sold in retail packing.</i></td> <td>Respective Headings</td> </tr> <tr> <td><i>Sugar Confectionary, sold in retail packing.</i></td> <td>Respective Headings</td> </tr> <tr> <td><i>Pasta, etc.</i></td> <td>19.02</td> </tr> <tr> <td><i>Sauces, ketchup, etc.</i></td> <td>Respective Headings</td> </tr> <tr> <td><i>Fermented beverages in retail</i></td> <td>Respective Headings</td> </tr> <tr> <td><i>Petroleum Jelly, etc.</i></td> <td>27.12</td> </tr> <tr> <td><i>Insecticides, rodenticides, etc.</i></td> <td>38.08</td> </tr> <tr> <td><i>Plates, sheets, film, etc.</i></td> <td>39.19, 39.20, 39.21</td> </tr> <tr> <td><i>Tableware, kitchenware</i></td> <td>Chapter 39</td> </tr> <tr> <td><i>Trunks, suit cases, etc.</i></td> <td>42.02</td> </tr> <tr> <td><i>Footwear (all types)</i></td> <td>Respective Headings</td> </tr> <tr> <td><i>Bathroom accessories, etc.</i></td> <td>Respective Headings</td> </tr> <tr> <td><i>Crockery Items, etc.</i></td> <td>Respective Headings</td> </tr> <tr> <td><i>Car & automobile accessories in retail</i></td> <td>Respective Headings</td> </tr> <tr> <td><i>Milk, fat filled milk, in retail.</i></td> <td>Respective Headings</td> </tr> <tr> <td><i>Preparations for use on the hair, in retail</i></td> <td>33.05</td> </tr> <tr> <td><i>Pre shave, shaving etc, in retail</i></td> <td>33.07</td> </tr> <tr> <td><i>Toilets or facial tissues stocks, etc, retail</i></td> <td>4803.000, 48.18</td> </tr> <tr> <td><i>Jams, fruit jellies, etc. retail</i></td> <td>20.07, 20.08</td> </tr> <tr> <td><i>Household utensils, etc.</i></td> <td>Respective Headings</td> </tr> <tr> <td><i>Ceramic products, etc. in retail</i></td> <td>69.10</td> </tr> </tbody> </table>	Description	HS Codes	<i>Vegetable and animal fats and oils, sold in retail packing.</i>	Respective Headings	<i>Sugar Confectionary, sold in retail packing.</i>	Respective Headings	<i>Pasta, etc.</i>	19.02	<i>Sauces, ketchup, etc.</i>	Respective Headings	<i>Fermented beverages in retail</i>	Respective Headings	<i>Petroleum Jelly, etc.</i>	27.12	<i>Insecticides, rodenticides, etc.</i>	38.08	<i>Plates, sheets, film, etc.</i>	39.19, 39.20, 39.21	<i>Tableware, kitchenware</i>	Chapter 39	<i>Trunks, suit cases, etc.</i>	42.02	<i>Footwear (all types)</i>	Respective Headings	<i>Bathroom accessories, etc.</i>	Respective Headings	<i>Crockery Items, etc.</i>	Respective Headings	<i>Car & automobile accessories in retail</i>	Respective Headings	<i>Milk, fat filled milk, in retail.</i>	Respective Headings	<i>Preparations for use on the hair, in retail</i>	33.05	<i>Pre shave, shaving etc, in retail</i>	33.07	<i>Toilets or facial tissues stocks, etc, retail</i>	4803.000, 48.18	<i>Jams, fruit jellies, etc. retail</i>	20.07, 20.08	<i>Household utensils, etc.</i>	Respective Headings	<i>Ceramic products, etc. in retail</i>	69.10
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<i>Preparations for use on the hair, in retail</i>	33.05																																													
<i>Pre shave, shaving etc, in retail</i>	33.07																																													
<i>Toilets or facial tissues stocks, etc, retail</i>	4803.000, 48.18																																													
<i>Jams, fruit jellies, etc. retail</i>	20.07, 20.08																																													
<i>Household utensils, etc.</i>	Respective Headings																																													
<i>Ceramic products, etc. in retail</i>	69.10																																													



S. No.	Section / Schedule	Details
19	Sixth Schedule (Exemption)	<p>Following items are added into sixth schedule:</p> <ul style="list-style-type: none"> a) The Magazines are now exempted from Sales Tax. b) The imports of EVs in CKD form i.e. small cars or SUVs up to 50 Kwh, Light commercial vehicles up to 150 Kwh is extended till 30th June 2027. c) The import or lease of aircrafts and parts by PIACL, the scope has been extended (8801.000, 8802.2000, 8804.000, 8805.2900, 8807.3000, 9104.0010, 8544.2000, 7007.1900, and 9931 including 8802.1200, 8802.3000, 8802.4000). d) Contraceptives (3926.9020 and 4014.0030) e) Female Sanitary Pads / Tampons (9619.0030) f) Imports of Tankers, Dredgers, Floating or submersible drilling or production platform, etc. (8901.2000, 8905.1000, 8905.2000, 8905.9000, 8901.9000) g) Import of bullet proof vehicles by Federal Govt. for SCO Summit & by Federal or Prov. Govt. for threat of terrorism (Respective Headings) h) Import of machinery / equipment for upgradation of existing refinery, etc. subject to approvals (8419.8990, 8419.5000, 8419.8990, 8418.6990, 8417.8000, 8413.7090, 8413.5000, 8414.8090, 8417.8000, 8421.3990) i) Import of machinery equipment, raw materials, etc. by Karachi Shipyard & Engineering Works Limited (Respective Headings)
20	Eighth Schedule (Reduced Rates)	<ul style="list-style-type: none"> a) The reduced rate of 1% Sales Tax on locally assembled EVs i.e. small cars or SUVs up to 50 Kwh, Light commercial vehicles up to 150 Kwh is extended till 30th June 2027. b) The reduced rate of 1% will be charged on imports of electric trucks in CBU condition with 25 or seats will carry.
21	Eleventh Schedule (Withholding of Sales Tax)	<ul style="list-style-type: none"> a) The AoPs and Individuals are now required to withhold 5% of gross value of supplies in case of persons other than active taxpayer. b) The registered persons engaged in toll manufacturing are now required to withhold "four times of tax charged on conversion charges" in case of persons other than active taxpayers.
22	Twelfth Schedule (Minimum Value Addition Tax on imports)	<ul style="list-style-type: none"> a) Presently, manufacturer avails exemption from 3% value addition tax on imported raw materials and intermediary goods by declaring in-house consumption (excl. 7204.4990, 7204.4940, 7404.0090) b) However, if manufacturer sells such goods in the same state (including repacked or bulk form), the exempted tax along with default surcharge shall become payable. Furthermore, if such non-manufacturing sales exceed 50% of total imports in a financial year, the importer will also be liable to prosecution.

FED Highlights

Policy Advisory Board of FPCCI



3. Amendments in Federal Excise Act, 2005

S. No.	Section / Schedule	Details
1	Restriction on Pricing of New Cigarette Brand Variants	The Finance Bill proposes to restrict cigarette manufacturers and importers from introducing or selling new variants of existing cigarette brands at prices lower than the lowest prevailing price of the respective brand. For this purpose, the benchmark price shall be the lowest actual retail price of the existing brand as on the date of announcement of the Federal Budget for the relevant financial year. The proposal is intended to prevent the introduction of lower-priced brand variants that could undermine the applicable excise duty structure and tax administration framework for tobacco products.
2	Federal Excise Duty on Imported Vehicles and Electric Vehicles	The Finance Bill proposes to extend until 30 June 2027 the existing Federal Excise Duty (FED) rates applicable to imported motor cars, SUVs, and other passenger vehicles based on engine capacity. In addition, a new FED regime has been introduced for imported electric vehicles (EVs) in Completely Built Unit (CBU) condition for personal use, whereby EVs valued up to Rs. 20 million shall remain exempt, while those valued between Rs. 20 million and Rs. 30 million shall be subject to 30% FED and those exceeding Rs. 30 million shall attract 40% FED. The Bill further proposes enhanced FED rates of 40% and 41% on imported vehicles with engine capacities exceeding 2,000cc up to 3,000cc and above 3,000cc, respectively, including specified electric vehicles, station wagons, racing cars, and double-cabin (4x4) pickup vehicles.
3	Rationalization of Federal Excise Duty (FED) rates on selected products and services	The Finance Bill proposes a number of changes to the Federal Excise Duty regime. <ul style="list-style-type: none"> a) FED on acetate tow is proposed to be reduced from Rs. 44,000 per kilogram to Rs. 10,000 per kilogram. b) The FED on e-liquids used in electronic cigarette kits is proposed to be revised to a fixed rate of Rs. 16,000 per kilogram. Certain hydration drinks and electrolyte beverages meeting prescribed criteria relating to sugar and sweetener content are proposed to be excluded from the existing FED applicable to sugary beverages. c) The scope of FED at 5% ad valorem is proposed to be extended to include base lubricating oil in addition to lubricating oil. d) A new FED of Rs. 80 per litre is proposed on petroleum-based solvents, including petroleum top naphtha, white spirit/mineral turpentine oil (MTO), and solvent oil. e) Furthermore, FED on international air travel in club, business, and first-class categories is proposed to be reduced.
4	Levy of Federal Excise Duty in Sales Tax Mode on Petroleum Solvents	The Finance Bill proposes to levy Federal Excise Duty (FED) in sales tax mode on Petroleum Top Naphtha, White Spirit/ Mineral Turpentine Oil (MTO), and Solvent Oil, whether imported or locally produced. Under the proposed mechanism, FED paid on these products shall be adjustable against sales tax liabilities and, similarly, sales tax paid shall be adjustable against FED liabilities. The measure is intended to strengthen documentation, improve tax administration, and facilitate input tax adjustment within the indirect tax regime.



4. Tax Relief Measures

S. No.	Section / Schedule	Details
1	Government Employees' Salaries	7% Increase
2	Pensioners	7% Increase
3	Minimum Wage	10% Increase



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