



Parker Russell-A.J.S.
CHARTERED ACCOUNTANTS

SYNOPSIS ON PROPOSED BUDGET

2026-27



**KEY TAX
PROPOSALS**



**ECONOMIC
OUTLOOK**



**BUSINESS
IMPACT**



**COMPLIANCE
FOCUS**

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FOREWORD



Hello our distinguished readers!

We hope that this document finds you in good health.

With this document, we aim to provide a comprehensive explanation of the main features of the Proposed Finance Bill 2026-2027. Our intention is to present a clear and thorough understanding of the suggested amendments included in the Proposed Finance Bill for the fiscal year 2027, as announced on June 12, 2026. We strive to convey this information in the most straightforward and possible accessible manner.

This overview consists of brief explanations of the considerable changes in the Income Tax, Sales Tax and Federal Excise, presented in the proposed Finance Bill, 2026-27.

The purpose of this overview is to generally guide and provide some guidance with the objective of keeping our clients and staff in line with the proposed changes in laws. We are not responsible for any loss occurring to any person acting or refraining from action as a result of our publications. The users are always advised to solicit professional counsel before exercising any action or interpreting any legal provisions and acting upon.

We thank you all on behalf of our team for taking the time to read this overview. Your feedback is invaluable to us, and we welcome any comments or questions you may have regarding the Proposed Finance Bill 2026-2027.

TEAM PARKER RUSSELL A.JS. CHARTERED ACCOUNTANTS

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HIGHLIGHTS

PAKISTAN

ECONOMIC SURVEY

2026-2027

PAK

KEY INDICATORS

(FY2026)

GDP Growth

3.70% ▲



■ **Agriculture**

2.89% ▲



■ **Industries**

3.51% ▲



■ **Services**

4.09% ▲



Per Capita Income (US\$)

1,901 ▲



Investment

14.38%
(as % of GDP)



Savings

14.13%
(as % of GDP)





KEY INDICATORS

(FY2026)

GROW

Agriculture	2.89% ▲	
Crops	1.44% ▲	
Livestock	3.75% ▲	
Forestry	2.02% ▲	
Fishing	1.66% ▲	

INPUTS

Agriculture Credit (Jul-Mar FY2026)	15% ▲	
Fertilizer Off-Take (Jul-Mar FY2026)	3.8 (Million Tonne)	
Certified Seeds Availability (Jul-Mar FY2026)	767.9 (Million Tonne)	



KEY INDICATORS

(Jul-Mar FY2026)

LSM Growth Rate	6.5% ▲	
Textile Growth	0.7% ▲	
Wearing Apparel	6.6% ▲	
Food	9.8% ▲	
Coke & Petroleum Products	10.9% ▲	
Chemicals	-1.4% ▼	
Pharmaceutical	-5.1% ▼	
Mining & Quarrying	0.4% ▲	

THE INCOME TAX ORDINANCE, 2001

PROPOSED AMMENDMENTS

A. RELIEF MEASURES:

1. Reduction in tax rates for salaried individuals:

Income tax rates for salaried taxpayers have been reduced through restructuring of tax slabs. Additional intermediate slabs have been introduced and the threshold for the maximum tax rate of 35% has been increased from Rs. 4.1 million to Rs. 7 million. The new slab rates are as under:

S. No.	Taxable Income	Rate of Tax
1.	Where taxable income does not exceed Rs. 600,000/-	0%
2.	Where taxable income exceeds Rs. 600,000/- but does not exceed Rs. 1,200,000	1% of the amount exceeding Rs. 600,000/-
3.	Where taxable income exceeds Rs. 1,200,000/- but does not exceed Rs. 2,200,000	Rs. 6,000 + 11% of the amount exceeding Rs. 1,200,000/-
4.	Where taxable income exceeds Rs. 2,200,000/- but does not exceed Rs. 3,200,000	Rs. 116,000 + 20% of the amount exceeding Rs. 2,200,000/-
5.	Where taxable income exceeds Rs. 3,200,000/- but does not exceed Rs. 4,100,000	Rs. 316,000 + 25% of the amount exceeding Rs. 3,200,000/-
6.	Where taxable income exceeds Rs. 4,100,000/- but does not exceed Rs. 5,600,000	Rs. 541,000 + 29% of the amount exceeding Rs. 4,100,000/-
7.	Where taxable income exceeds Rs. 5,600,000/- but does not exceed Rs. 7,000,000	Rs. 976,000 + 32% of the amount exceeding Rs. 5,600,000/-
8.	Where taxable income exceeds Rs. 7,000,000/-	Rs. 1,424,000 + 35% of the amount exceeding Rs. 7,000,000/-

2. Abolition of tax on deemed income from immovable property:

Section 7E, relating to taxation of deemed income from capital assets situated in Pakistan, has been omitted. This relief measure is due to the judgement of Federal Constitution Court of Pakistan in which it was held that deemed income of immovable property is declared ultra vires.

3. Rationalization of Super Tax:

Super Tax has been abolished for persons having income of up to Rs. 500 million. The rate has been reduced from 10% to 8% for persons having income of more than Rs. 500 million. However, these concessions do not apply to banking, ENP and fertilizer sectors.

The proposed new slab rates for tax year 2027 are as under:

S. No.	Income under section 4C and person	Rate of Tax
1.	Income of a banking company exceeding Rs. 150 million	10% of the income
2.	Income of a person, whose income is computed as per Part I of the Fifth Schedule, exceeding Rs. 150 million, so far as it does not exceed the limit specified in rule 4 of that part	10% of the income
3	Income of a person, engaged in deriving income from sale of any kind of fertilizer, exceeding Rs. 150 million.	10% of the income
4	Income of a person other than those mentioned in S. No. 1, 2 and 3, exceeding Rs. 500 million	8% of the income

4. Reduction in advance tax on sale of immovable property:

The rate of tax to be collected under section 236C shall be 2.75% of the gross amount of the consideration received. Previously, the rate of tax varies from 4.5% to 5.5% on the basis of the value of the property. The concept of late filer has been removed.

5. Reduction in advance tax on Purchase of immovable property:

The rate of tax to be collected under section 236K shall be 1.25% of the gross amount of the consideration received. Previously, the rate of tax varies from 1.5% to 2.5% on the basis of the value of the property. The concept of late filer has been removed.

6. Rationalization of tax collection from exporters:

Tax collection on export proceeds has been reduced from 2 % to 1.25% in order to encourage exports. It also synchronizes with other line of business as prescribed under section 113 of the Income Tax Ordinance, 2001.

7. Extension of concessionary tax rate for IT and IT-enabled services exports:

The reduced tax rate of 0.25% for exporters of IT and IT-enabled services has been extended from 2026 up to Tax Year 2029.

8. Reduction in tax on foreign payments through cards:

Advance tax on foreign remittances made through debit, credit and prepaid cards has been reduced from 5% to 0.5%

9. Adjustability of tax on e-commerce transactions:

Previously the tax on payments for digital transactions in E-commerce platform introduced through finance act 2025 is @1% on digital banking transactions and 2% on COD. It constitutes final tax regime. Now it is proposed that Tax deducted on e-commerce transactions shall be adjustable for sellers having turnover exceeding Rs.200 million.

10. Tax credit for integration with FBR systems:

A tax credit equal to 10% of the investment made in electronic resources for integration with FBR's computerized systems has been introduced to facilitate documentation and digital compliance.

11. Withdrawal of advance tax on foreign TV plays and advertisements:

Advance tax on payments for foreign television plays and advertisements has been withdrawn.

12. Exemptions for welfare and charitable entities:

Income tax exemption has been extended to specified charitable and welfare organizations including Pakistan Red Crescent Society, Shaheen Foundation, Bahria Foundation, SIUT and Dawat-e-Hadiya. These entities already had approval u/s 2(36) of the Ordinance and two exemptions as available in Clause 66 of Part I of the First Schedule. This exemption facilitates the entities as they are not required to obtain exemption from the Commissioner every year.

13. Facilitation for Resident Pakistanis on ownership of foreign moveable and immovable assets:

Currently Capital Value Tax is being charged on foreign movable and immovable assets of resident Pakistanis. The same is proposed to be abolished.

14. Enhanced turnover threshold for withholding exemption of small traders:

The turnover threshold for exemption from withholding tax for small traders has been increased from Rs. 100 million to Rs. 200 million.

15. Automatic issuance of exemption certificates for whole year:

Funds and eligible non-profit organizations meeting prescribed conditions shall be entitled to issuance of exemption certificates for the whole financial year.

16. Determination of cost of inherited immovable property and family settlements:

The law has been clarified regarding determination of cost basis of inherited immovable property and tax treatment of family settlements after death. The cost of such property in the hands of that individual shall be the fair market value of the property on the day of the death of the original owner.

B. REVENUE MEASURES:

1. Tax on sham life insurance policies:

In order to discourage misuse of life insurance policies and to reduce arbitrage through sham life insurance policies, a tax has been proposed on such schemes. The new rates are as under:

S. NO.	Description	Rate of Tax
1	Where payout or benefit is made within one year from the date of issuance of the life insurance policy, family takaful certificate or plan	15%
2	Where payout or benefit is made after one year but before completion of seven years from the date of issuance of the life insurance policy, family takaful certificate or plan	10%

2. Withholding tax on income from social media platforms:

A withholding tax regime has been introduced on revenues received by digital content creators and social media influencers from platforms such as YouTube, Facebook, Instagram and TikTok. Banking and financial institutions shall deduct tax on such receipts.

The rate of tax to be deducted under section 151B shall –

- (a) 5% in case of resident persons whose name appearing in the Active Taxpayers' List; and
- (b) 5% in case of non-resident person:

Provided that tax collected under clause (b) shall be final tax.

3. Rationalization of withholding tax rates on services:

The withholding tax structure on services has been revised. The rate for specified services has been enhanced, independent professionals have been separately categorized and rates for certain other services have been rationalized. The withholding tax rate on specified services u/s 153(1)(b) has been enhanced from 6% to 7%. The tax rates on certain professionals such as doctors, lawyers, architects, software engineers and developers are now subject to withholding tax @ 15% on the professional receipts. 14% of the gross amount in case of the services other than mentioned above.

4. Revision of minimum tax rate for distributors and wholesalers:

The reduced minimum tax rate for distributors, dealers, sub-dealers and wholesalers of specified sectors has been increased from 0.25% to 0.5%, subject to prescribed documentation requirements.

5. Integration of the banking data with business transactions:

Banking companies and Electronic Money Institutions shall electronically provide information relating to high-value deposits and withdrawals for algorithmic comparison with tax declarations to identify significant mismatches and broaden the tax base. The Board has been empowered to require specified persons to install electronic resources and integrate business systems for real-time reporting of transactions. Failure to comply may result in disallowance of expenditure.

6. Rationalization of penalty regime:

Penalties for non-compliance, including failure to furnish statements, integration failures, late inclusion in ATL and incorrect withholding tax claims, have been enhanced to improve deterrence and adjust inflation.

C. OTHER IMPORTANT AMMENDMENT:

1. Inadmissible Business Expenditure:

5% of the expenditures claimed by any person will be disallowed who fails to install electronic resource as an integrated enterprise required by law. Previously, 80% of the expenditures attributable to sales would be disallowed.

D. STREAMLINING MEASURES:

1. Establishment of National Faceless Centre:

A National Faceless Centre is being established to conduct faceless audits, assessments and appeals through technology-driven processes, reducing taxpayer interface and enhancing transparency.

2. Streamlining of Alternative Dispute Resolution (ADR):

The ADR framework has been revised to improve efficiency and facilitate quicker resolution of tax disputes.

3. Streamlining computation of capital gains on listed securities:

The role of NCCPL in computation and determination of capital gains on listed securities has been expanded and clarified.

4. Mandatory electronic filing and machine-readable financial statements:

Companies shall be required to submit financial statements in electronically readable formats to facilitate automated processing and analysis.

5. Special audit through accountants, cost accountants and actuaries:

The Commissioner has been empowered to require re-audit, inventory valuation or actuarial valuation by independent experts in appropriate cases.

6. Engagement of audit experts and rationalization of disclosure provisions:

The Board has been enabled to engage specialists and strengthen disclosure mechanisms to improve audit effectiveness and compliance.

7. Broadening of special procedure for small traders and shopkeepers:

The scope of special procedures for small traders and shopkeepers has been expanded through amendments in section 99B.

THE SALES TAX ACT, 1990

PROPOSED AMMENDMENTS

A. RELIEF MEASURES

1. Grant of exemption from sales tax to magazines

It is proposed to include “magazine” in serial no.32 and shall be exempt from charge of sales tax.

2. Extension in exemption on import of CKD for electric vehicles till 30.06.2027

It is proposed to extend the period of exemption on import of CKD for Electric Vehicles from June 30th 2026 to till June 30th 2027.

3. Following Enhancement in scope of exemption on parts of aircrafts for import and lease by M/s PIACL is proposed;

Import or lease of aircrafts and parts thereof by Pakistan International Airlines Corporation Limited (PIACL)

Provided that the custom authorities shall ensure that the quantities of things imported are limited to the requirements of materials and articles to be used in operations and maintenance of the aircrafts operated by the airline:

Provided further that the ground handling equipment, service and operation vehicles, catering equipment and fuel trucks, not manufactured locally, and imported shall be used within airport premises as aforesaid.

4. Exemption of sales tax to boost strategic investment in shipping.
Following new entry is added in SIXTH SCHEDULE

Import of:

- Tankers,
 - Dredgers,
 - Floating or submersible drilling, or production platforms,
 - Others floating structures and vessels.
 - Other vessels for the transportation of goods Excluding Cruise ships, excursion boats and similar vessels principally designed for the transport of persons; ferry- boats of all kinds
- Provided that the quantity of imported goods under this entry shall be approved by Ministry of Maritime Affairs

5. Exemption to strategic imports for SCO summit and counter terrorism

Following new entry is added in SIXTH SCHEDULE.

Import of bullet proof vehicles by the:

Federal Government for logistic arrangements for Shanghai Cooperation Organization (SCO) summit subject to the prior approval from the Ministry of Foreign Affairs and the Ministry of Interior and Narcotics Control (ii) By the Federal Government or Provincial Government for threat of terrorism against a public functionary as determined by the Ministry of Interior and Narcotics Control, subject to approval by the Federal Government.

6. Exemption of sales tax on import of capital goods for upgradation and overhaul of existing refineries.

Import of following machinery/ equipment for upgradation of existing refineries:

1. Reactors,
2. Shell and Tube Exchangers,
3. Vessels (Strippers/ Separators/ K.O. Drums),
4. Trim Coolers,
5. Air Coolers (Condensers),
6. Fired Heaters,
7. Centrifugal Pumps,
8. Reciprocating Pumps,
9. Centrifugal Compressors,
10. Reciprocating Compressors,
11. Steam Reformer Furnaces,
12. Filters,

Provided that all such imports shall be essentially made for expansion of balancing, modernization, and rehabilitation of existing refineries and the quantity imported by each refinery shall be approved by Ministry of Petroleum and Natural Resources.

Import of machinery, equipment, raw materials, components and other capital goods, By Karachi Shipyard and Engineering Works Limited

7. Extension in date of sunset for electric vehicles till 30.06.2027

It is proposed to extend the period to charge 1% on locally manufactured or assembled Electric Vehicles (four wheelers) from June 30th2026 to till June 30th2027.

B. REVENUE MEASURES

A. Expansion of Third Schedule to ensure payment of sales tax at consumer price by the manufacturers at manufacturing stage.

New Third Schedule entries (retail packing)	New Third Schedule entries (retail packing)
Vegetable & animal fats and oils	Trunks, suitcases, handbags, wallets, travel & sports bags
Sugar confectionery	Footwear — all types
Pasta, noodles, macaroni, couscous	Bathroom accessories & sanitaryware (taps, showers, fittings)
Sauces, ketchup, condiments, mustard	Crockery items
Fermented beverages	Car and automobile accessories
Petroleum jelly, paraffin & mineral waxes	Milk, fat-filled milk, infant preparations & other milk products
Insecticides, fungicides, herbicides, disinfectants (retail)	Hair preparations
Plastic plates, sheets, film, foil & tape	Shaving preparations, deodorants, cosmetics & toiletries
Plastic tableware, kitchenware, furniture & household articles	Toilet/facial tissue, towel & napkin stock
Jams, jellies, marmalades, fruit & vegetable preparations	Household utensils (stainless steel, aluminum, melamine)
Ceramic products incl. wash basins, commodes, tiles & sanitary products	

Documentation: e-invoicing and withholding sales tax

- Every registered person must issue, for each transaction including exempt supplies and advance receipts, an invoice bearing a verifiable and unique FBR invoice number through the Board's computerized system via a licensed integrator (section 23 substituted); timelines will be notified, and non-compliance becomes a ground for suspension under section 21(2).
- Sales-tax withholding on purchases from unregistered persons — previously a companies-only obligation — extends to AOPs and individuals (Eleventh Schedule, S. No. 4), pushing registration pressure deep into supply chains. A new entry taxes unregistered toll manufacturing at four times the tax charged on conversion charges (S. No. 14).
- The 'wholesaler-cum-retailer' limb of the Tier-1 retailer definition is confined to turnover above PKR 200 million (section 2(43A)), focusing POS-integration obligations on genuinely large players.

- Audit is re-sequenced around an audit report with the taxpayer's explanations (section 25); voluntary deposit of evaded tax with default surcharge before show-cause settles at 25% of penalty, and after show-cause at 50% — mirroring the income-tax settlement philosophy. Commissioner powers for specialist re-audit and inventory revaluation are added.
- The Board may share sector-wise sales-tax return data among registered persons of the same sector under strict non-disclosure agreements 'to create market equity' (section 56B(3)) — a first-of-its-kind transparency tool aimed at exposing under-declaration to honest competitors.

Faceless administration and penalties

The income-tax architecture is replicated wholesale: faceless audit and assessment (new section 11H), faceless jurisdiction (30AA), a Directorate General (Field Compliance) (30DDDB), the National Faceless Centre (32C), faceless appeals (45C), the Algorithmic Settlement Mechanism (47AA) and the Independent Case Scrutiny Committee (47AAA). Penalties under section 33 are escalated — the general non-filing penalty rises from PKR 10,000 to PKR 50,000 (daily default amounts ten-fold), invoice-related penalties from PKR 5,000 or 3% to PKR 25,000 or 5%, and three new entries (S. Nos. 29–31) penalize digital-integration defaults.

C. STREAMLINING MEASURES

- i. Insertion definition of advance receipt invoice, algorithmic settlement mechanism, electronic invoicing system, national faceless center and production monitoring system
- ii. Streamlining of definition tier-1 retailers. Inclusion of retailer having two hundred million or more annual turnover, in the category of tier-1 retailer
- iii. Addition of new proviso in section 6 to impose tax on steel sector on the basis of monthly electricity units consumed
- iv. Insertion of proviso in section 9 for adjustment through issuance of debit and credit notes electronically.
- v. Insertion of new section 11H for faceless audit and assessment.
- vi. Substitution of sub-section (2) of section 21 to discourage fake/flying invoices and fraudulent activities
- vii. Issuance of invoice against exempt supplies is now compulsory.

THE FEDERAL EXCISE ACT, 2005

PROPOSED AMMENDMENTS

The proposed budgetary measures pertaining to Federal Excise for FY 2026-27 are:

A. RELIEF MEASURES

- i. Reduction in Federal Excise Duty on foreign travel
- ii. Reduction in FED on import of acetate tow Rs. 44,000/- to Rs. 10,000/-
- iii. Removing Federal Excise Duty on WHO standard compliant sports/ electrolytes replenishing beverages
- iv. Exemption to strategic imports of vehicle for SCO summit and counterterrorism
- v. Extension of Exemption on Import of CKD kits for electric vehicles for one year extended to 30.06.2027

B. REVENUE MEASURES

- i. Imposition of FED at Rs. 16,500/- from Rs. 10,000/- per kg e-liquid for electronic cigarettes. This measure also removes the highest possible tariff of 65% of the retail price imposed under the previous regime.
- ii. Imposition of FED on Naphtha, solvent oil and turpentine etc.
- iii. Imposition of FED on luxury EVs and other Luxury Vehicles
- iv. Imposition of FED on base oil, base lubricating oil in addition to lubricating oil
- v. Insertion of New Table 1A of the First Schedule to the Federal Excise Act, 2005 for imposition of FED on luxury imported vehicles

C. STREAMLINING MEASURES

- i. Insertion definition of advance receipt invoice, algorithmic settlement mechanism, electronic invoicing system, national faceless center and production monitoring system
- ii. Addition of New Section 7A, for adoption of Faceless Audit and Assessment
- iii. Substitution of Sub-Section (1) of Section 18 for issuance of invoice for dutiable and zero-rated supply of goods
- iv. Substitution of Sub-Section (4) of Section 19 – penalty for destruction of goods without approval of the Commissioner.
- v. Substitution of Sub-Section (1) of Section 26 – seizure of counterfeited cigarette and beverages and other goods without tax stamp, barcodes etc.
- vi. Substitution of Sub-Section (1) of Section 27 – seizure and destruction of counterfeited cigarettes and beverages
- vii. Insertion of Section 34AA – establishment of Independent Case Scrutiny Committee
- viii. Substitution of Section 45A of The Federal Excise Act, 2005 – monitoring or tracking by electronic or other means of excisable goods
- ix. Insertion of New Sub-Section (3A) In Section 46, hiring of auditors or accountant for conducting for specialized where the Commissioner deem necessary on account of complexity of financial transaction
- x. Addition of new entry in Second Schedule to make FED levied on above mentioned petroleum products in VAT mode



AHMAD JABBAR
FCA, FPFA, M.COM
FOUNDING PARTNER
HEAD OF TAXATION -PAK



JUNAID SUBHANI
FCA, FPFA, M.COM
SENIOR PARTNER AUDIT AND ASSURANCE



MUHAMMAD ZEESHAN ABID
FCA, FPFA, M.COM
SENIOR PARTNER BUSINESS ADVISORY

TEAM TAX – PRAJS

Mr. Salman Khurshid
Senior manager taxation

Mr. Amir Masood
Manager direct taxation

Mr. Talha Ahmed
Manager indirect taxation

Mr. Anwaar Hussain
Manager direct taxation

Mr. Waqas Aslam
Manager direct taxation

Mr. Shafiq ur Rehman
Manager indirect taxation

CONTACT US



HEAD OFFICE:

FAISALABAD OFFICE: Office#1, 6th Floor, Legacy Tower, Kohinoor City, Faisalabad.

Tel: 041-8502082- 83

info.fsd@parkerrussell.pk

102, QM, The Plaza, Block 9,
Kehkashan, Clifton, Karachi.

Tel+92-21-35361701, 3-4

info.khi@parkerrussell.pk

KARACHI OFFICE

33/I-A, Queens Road, Behind
Queens Centre, Lahore.

Tel:+92-4236299250

Info.lhr2@parkerrussell.pk

LAHORE OFFICE - 2

38h Fatimiyya Road, Johar
Town Phase-2, Lahore.

Tel: +92-302-4514512

Info.lhr1@parkerrussell.pk

LAHORE OFFICE - 1

Office # 2, 2nd floor, Ace
Uptown-2, Plot # 22-B, Near
Islamabad International
Hospital , E-11/2 Islamabad
Tel: +92-51-2762012

info.isb@parkerrussell.pk

ISL AMABAD OFFICE