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ICMA'S BUDGET 2025-26 COMPENDIUM: INSIGHTS, ANALYSIS & IMPACT

Research and Publications Department

Institute of Cost and Management Accountants of Pakistan

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"ICMA remains committed to promoting financial awareness and providing professional guidance through timely insights. This Budget Compendium reflects our continued efforts to help stakeholders better understand key policy measures and their economic impact.

Aamir Ijaz Khan, FCMA
Exective Director ICMA

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MESSAGE FROM VICE PRESIDENT & CHAIRMAN, RESEARCH AND PUBLICATIONS COMMITTEE

It is my pleasure to present the **ICMA's Budget 2025-26 Compendium,** developed by the Research and Publications (R&P) Department of ICMA Pakistan. This publication reflects our continued commitment to providing timely, research-driven insights on Pakistan's fiscal and economic policies—particularly at a time when informed analysis is critical for both policy and practice.

The compendium presents a brief analysis of the Finance Act 2025 in comparison with the Finance Bill 2025, highlighting key changes and amendments, along with a comparison of budgetary allocations for FY2025–26 vis-à-vis FY2024–25. It also includes findings from the ICMA–Gallup Post Budget 2025–26 Survey, reflecting the views of ICMA members and stakeholders, as well as the R&P Department's Public Poll, which captures responses from ordinary citizens on how the budget affects daily life.

I would like to extend my sincere appreciation to the distinguished experts who contributed their valuable insights to this edition: Dr. Hafiz A. Pasha, Dr. Manzoor Ahmad, Dr. Ikram ul Haq, Syed Asad Ali Shah, and Prof. Dr. Nooreen Mujahid. Their input has added significant depth and relevance to our analysis.

We are also thankful to industry leaders Mr. Saquib Fayyaz Magoon, Mr. Usman Shaukat, Mr. Junaid Naqi, and Mr. M. Zubair Motiwala for sharing their perspectives on the budget's implications for business and trade.

I commend the R&P Department for producing this concise, well-balanced, and informative publication. I am confident it will serve as a valuable resource for policymakers, professionals, tax practitioners, academicians, ICMA members and students, seeking a clearer understanding of Budget 2025–26 and its wider impact on the economy.

Muhammad Yasin, FCMA

EXPERTS' INSIGHT ON BUDGET 2025-26

(Exclusively for ICMA's Budget 2025-26 Compendium)

A Fragile Budget

The federal budget of 2025-26 is an ambitious budget. It targets for a quantum reduction in the consolidated federal and provincial budget deficit to 3.9% of the GDP only. This implies a quantum reduction of almost 2% of the GDP from the overall budget deficit of under 6% in 2024-25. The last time there was a budget deficit of below 4% of the GDP was over two decades ago.

The fundamental problem with this ambitious target of deficit reduction is that it based on a larger number of fragile projections, both on the revenue and expenditure side. The failure to achieve some of these targets will lead to a quantum jump in the size of the overall fiscal deficit.

Dr. Hafiz A. Pasha
Former Federal Finance Minister, Renowned Economist & Professor Emeritus to BNU

The first questionable projection is of the FBR revenues. They are expected to rise from Rs. 11,900 billion in 2024-25 to Rs. 14,131 billion in 2025-26, with a growth rate of almost 19%. The normal growth in the absence of any tax measures is likely to be close to 12%, in line with the projected nominal GDP growth rate. Therefore, an additional growth rate of 7% will have to be achieved by withdrawal of exemptions, higher tax rates and improvements in tax administration.

Detailed examination of the measures in the federal budget reveal that they are not strong enough to generate fully the additional revenues of Rs. 833 billion.

The projections of federal non-tax revenues are also problematic. The biggest concern relates to the expectation that the SBP will continue to generate profits of a massive Rs. 2,400 billion, as in 2024-25 of Rs. 2,619 billion. There has been a halving of interest rates and this will inevitably lead to a big reduction in SBP profits. The IMF Staff Report has projected an almost 50% reduction in these profits. Also, the recent upsurge in international oil prices has now made the target increase in the petroleum levy of over 28% now highly unlikely.

Turning to the expenditure side, it is truly remarkable that current expenditure is actually expected to decline in absolute terms by Rs. 104 billion, despite a Rs. 369 billion increase in the defense budget, because of the security situation.

The surprise is that debt servicing will be lower than the 2024-25 level by as much as Rs. 685 billion. This can only happen if there is a quantum reduction in interest rates in 2025-26.

Only nominal increases are anticipated in staff emoluments and pensions, despite the apparent commitment to raise salaries by 10% and pensions by 7%. The subsidy bill is expected to also contract by Rs. 192 billion.

The overall budget deficit is anticipated to be reduced significantly by a very high combined provincial cash surplus of as much as Rs. 1,464 billion, almost 45% above the level last year.

Already, the announcement of the four provincial budgets for 2025-26 has indicated that this target of a provincial cash surplus of Rs. 1500 billion is unattainable. The only province which has budgeted for a sizeable surplus is Punjab.

The 3.9% of the GDP target for the consolidated budget deficit and a 2% of the GDP primary surplus will remain elusive for the above reasons. The IMF Program may flounder due to the deviation from the budgeted numbers. On top of all this, there is the overriding uncertainty due to the regional security situation. This may impact negatively on key economic magnitudes in 2025-26.

Budget 2025–26 and Pakistan's East Asia Moment

The Budget 2025–26 signals a major shift in Pakistan's trade policy, aiming to move away from decades of protectionism toward a more open, globally integrated economy. Termed "Pakistan's East Asia moment" by the Finance Minister, the reform agenda draws inspiration from countries like Vietnam and South Korea that liberalized trade, attracted foreign investment, and pursued export-led industrial growth.

While many developing countries reduced trade barriers during the 1990–2010 globalization wave, Pakistan reversed earlier liberalization by reintroducing regulatory and additional customs duties post-2008. As a result, Pakistan is now among the top 10% of countries with the highest trade restrictions, according to the IMF.

Dr. Manzoor Ahmad
Member of Prime Minister's Committee on Tariff Reform Implementation, Former Pakistan's Ambassador to WTO and FAO's Representative to UN Geneva

This protectionist stance has weakened Pakistan's export performance and industrial competitiveness. Export share in GDP fell from 15% in the 1990s to just 10% in 2024, the lowest in South Asia. Meanwhile, the trade deficit now exceeds total exports, and domestic producers are incentivized to serve the protected local market rather than export.

A key contributor to this distortion has been Pakistan's complex and cascaded tariff structure: lower duties on raw materials and high rates on finished goods. While intended to promote import substitution, it has created inefficiencies and discouraged investment in competitive export sectors.

The budget proposes to simplify the tariff structure to just four slabs of 0%, 5%, 10%, and 15%, replacing a system with dozens of rates. One-third of tariff lines currently carry rates above 20%, which is internationally considered as a tariff peak. Additionally, all special exemptions and concessions will be phased out. These exemptions, which now cost over Rs. 550 billion annually, have disproportionately benefited large firms while sidelining SMEs.

This simplification will particularly benefit small and medium enterprises (SMEs), which make up 40% of GDP, over one-third of exports, and 80% of non-agricultural employment. Unlike large corporations, SMEs lack the resources to navigate complex duty structures or lobby for exemptions.

According to the World Bank, this is one of the most ambitious tariff liberalization programs by any developing country in the last two decades. Once implemented, it could help transform Pakistan into a competitive, export-driven economy.

Lower tariffs will reduce input and machinery costs, enabling firms to improve product quality and boost exports. They will also help attract export-oriented foreign direct investment, particularly from companies seeking alternative production hubs in global value chains. This will open new opportunities in sectors like engineering, electronics, and agro-processing.

By shifting resources away from protected domestic markets to globally competitive export sectors, the reforms will stimulate investment in high-potential industries like pharmaceuticals and engineering goods. Simpler, predictable tariffs will also level the playing field for SMEs and encourage productivity-led growth.

The World Bank estimates these reforms could boost exports by 14% and create around 350,000 jobs. Indirect employment will also rise through expanded demand for transport, logistics, and financial services.

In sum, the 2025–26 budget lays the groundwork for a historic transformation towards openness, fairness, and sustained industrial growth. If implemented consistently, this could mark the beginning of Pakistan's long-overdue economic takeoff.

Reforming Tax for Growth

The budget for fiscal year 2025–26 and Finance Bill 2025 (as amended) show obsession with taxation to meet the target of FBR fixed illogically and irrationally by the International Monetary Fund for fiscal year 2025–26 at Rs. 14.13 trillion.

Over the period, taxation, oppressive and erratic, has been destroying Pakistan's economic growth that should have been the top priority to provide jobs to millions of young people. Had we concentrated on growth, tax could have been increased as a consequence. No economy can enhance taxes without growth.

Dr. Ikram ul Haq
Advocate Supreme Court, Adjunct Faculty, LUMS, & Member Advisory Body
Pakistan Institute of Development Economics (PIDE)

Under all IMF programs, the over emphasis on taxation in isolation of economic conditions has been counterproductive. The existing tax system with high tax rates and a narrow tax base needs reversal of policy and revamping of the entire tax system. We have multiple taxes, administered by federal and provincial governments, through over 30 departments. It creates problems of compliance by the businesses.

We must move towards a single federalized tax agency, as is the case with the Canada Revenue Authority, that also disburses social benefits to all citizens. Canada, like Pakistan, is a federation. It will create ease of compliance and reduction in the cost of collection of taxes.

We must also reduce the corporate tax rate to 20% to promote documentation. In the absence of a fair and just tax system, we will remain in the clutches of IMF. In the fiscal year ending June 30, 2024, total tax expenditure was Rs. 5.8 trillion.

It is shocking that while the taxpayers, especially salaried persons, are being taxed heavily, tax exemptions have registered a phenomenal increase from Rs. 3.8 trillion in the fiscal year ending June 30, 2023. Thus, the issue is not that of fiscal space but tax exemptions, high tax rates, and unchecked wasteful expenditures on large but inefficient governments at federal and provincial levels.

We must give powers to local elected governments to collect property and other local taxes to provide services of education, health, transport, clean drinking water, and other civic amenities to their residents, as envisaged under Article 140A of the Constitution. Unless we do these structural changes, our budgets will remain anti-business and anti-people.

Budget 2025-26: IMF Gets Its Surplus, the People Get Austerity

Pakistan's Rs. 17.6 trillion Federal Budget for FY2025-26 has sailed through the National Assembly, designed with one objective in mind: to stay the course set by the IMF. With a targeted primary surplus of 2.4% and a fiscal deficit capped at 3.9% of GDP, the budget ticks all the boxes needed to unlock support from the lender of last resort—the IMF.

But in the scramble to meet these targets, the budget lays bare a troubling reality: ordinary citizens remain an afterthought. Once again, the numbers are balanced not by expanding opportunity but by shrinking investment and raising taxes in an already overburdened economy. And once again, the cost of compliance is passed down to those least equipped to bear it.

Syed Asad Ali Shah
Former Advisor on Finance to Chief Minister Sindh and CEO, Asad Ali Shah Associates

Austerity Dressed as Strategy - The new budget sets a tax collection target of Rs14.1 trillion, driven by new taxes worth Rs463 billion and enforcement measures expected to generate another Rs. 389 billion. Yet the structure of the tax system remains regressive and narrow. Large agriculturists, the real estate sector, and vast segments of retail—where much of the informal wealth lies—have largely been spared, despite repeated promises of reform.

Meanwhile, development spending has been cut to just Rs. 1 trillion, down from the earlier Rs1.4 trillion. Even this reduced amount is unlikely to yield results, as the long-promised shift toward public-private partnerships remains unimplemented. Development spending is now on par with the combined civil and military pension bill—an alarming indication of how legacy obligations continue to crowd out forward-looking investments. Infrastructure, education, and health—already underfunded—are now set to stagnate further.

A Budget for Creditors, Not Citizens - More than Rs. 8.2 trillion—nearly half of the total outlay—will go toward interest payments on existing debt. Another Rs. 2.55 trillion is earmarked for Defence. Subsidies, set at Rs. 1.1 trillion, appear sizable on paper but shrink drastically when viewed against inflation and population growth.

What emerges is not a budget for growth but a ledger of obligations: servicing debt, sustaining security, and shielding entrenched interests. Missing is any meaningful commitment to job creation, service delivery, or long-term human development.

Even modest relief measures - like the reduction in tax rates for lower-income brackets or the rollback of proposed duties on solar panels—are mere gestures. They do little to counteract the broader squeeze on fiscal space, which continues to prioritize external conditions over domestic equity.

Unrealistic Growth Assumptions - The government projects GDP growth at 4.2% for FY26, despite a stagnant investment climate, high energy costs, tight monetary policy, and no major public sector stimulus. Private sector confidence remains low, weighed down by policy unpredictability and regulatory inconsistency.

Revenue expectations rest on ambitious assumptions about enforcement and compliance—an uphill task in a country where tax morale is low and evasion is widespread. The projections may look good on paper, but history suggests they'll be missed. And when they are, the adjustment will likely come through more cuts or more debt.

The Cost of Elite Paralysis - While it's tempting to blame the IMF for the harshness of this fiscal path, the real culprit lies closer to home. For decades, Pakistan has avoided taxing politically sensitive sectors, reforming loss-making public enterprises, or broadening the tax base. Instead, it leans on external financing—mostly to repay past debts—and short-term compliance to cover up deeper dysfunction.

The IMF provides a framework for fiscal responsibility. It neither prohibits investment in people nor dictates how equity should be achieved. The decisions to preserve privilege and burden the public are made in Islamabad, not Washington. Yet, Washington too seems to have run out of fresh ideas.

Time to Choose a Different Future - A sustainable fiscal path should not mean suppressing opportunity. It must mean ending elite capture, modernizing public services, and unlocking Pakistan's vast human potential. This budget signals none of that.

What we are witnessing is not strategic austerity—it is surrender dressed up as discipline. It is a document that may pass the IMF's test, but it fails the national conscience. The numbers may add up, but the social contract is falling apart.

Pakistan cannot afford another year where stability is purchased at the people's expense. The poor don't need promises. They need a government that counts them in.

Pakistan's Economic Crossroads: Insights from 2025–26 Federal Budget

Pakistan's Federal Budget 2025–26 can be appreciated due to its mixed performance, with substantial gains alongside persistent challenges. The economy posted a US$1.9 billion account surplus, driven by a 31% rise in remittances and a controlled trade deficit. With rebounded textile and apparel, the economy has improved its fiscal indicators, with a 2.6% deficit, 3.0% primary surplus, and more substantial revenue. Thoughtfully, good progress can be observed in clean energy and climate finance that signals growing stability. Yet lagged growth of 2.7% vs. a 3.6% target, and a 13.49% drop in primary crops, cannot be overlooked. Education, health, and climate adaptation remain underfunded, while energy demand stays weak.

Prof. Dr. Nooreen Mujahid
Director, Applied Economics Research Centre (AERC), University of Karachi

The message is clear: no economy can achieve inclusive and sustained growth while neglecting education and health. Despite a 19.4% rise in total government expenditure, the bulk has gone toward current spending, leaving development allocations insufficient to drive long-term transformation. This misalignment must be corrected.

At the same time, structural weaknesses in the real economy remain pressing. Agriculture, a vital sector for employment and food security, grew by only 0.6%, while primary crop output declined by 13.49%, mainly due to erratic weather and declining sowing activity. Large-scale manufacturing contracted by 1.5%, and mining declined by 3.4%, indicating deep-rooted inefficiencies. These trends underscore the need for targeted policy and investment reforms to revitalize lagging sectors, promote industrial diversification, and unlock productivity growth.

Climate resilience must also be elevated from peripheral attention to a central development priority. While clean energy now contributes 53.7% of electricity generation and Pakistan has secured US$1.4 billion from the IMF's Resilience and Sustainability Facility (RSF), adaptation efforts remain hampered by weak institutional coordination. With record-high temperatures and increasing climate volatility, reactive planning is no longer an option.

It can be inferred that the Federal Budget 2025–26 reflects progress in restoring fiscal stability, yet it reflects a systemic neglect of the most critical pillar of future growth. The economy also risks failing to harness its demographic dividend without decisive action.

Therefore, to sustain the gains of FY2025 and build long-term resilience, Pakistan must recalibrate its development agenda, placing human capital, structural reform, and climate adaptation at the center of policy priorities. Similarly, stagnant health spending continues to result in high infant mortality and workforce shortages—conditions that undermine productivity and weaken the country's human capital base. To move from stabilization to sustainable development, Pakistan must shift from reactive budgeting to strategic reform, with people, productivity, and climate resilience at the core.

Pakistan must create a more stable, transparent policy environment to attract domestic and international investors, especially in technology, green energy, and value-added sectors.

INDUSTRY'S VIEWPOINT ON BUDGET 2025-26

Saquib Fayyaz Magoon

Senior Vice President
The Federation of Pakistan Chambers of Commerce and Industry (FPCCI)

The Federal Budget 2025–26 reflects a challenging balancing act between the government's commitment to fiscal consolidation and the pressing need to stimulate growth in a fragile economic environment. While the budget introduces several welcome reforms, its implementation and impact will ultimately depend on policy consistency, institutional capacity, and meaningful engagement with the private sector.

On the positive side, the budget demonstrates a serious intent toward broadening the tax base and formalizing the economy. Measures such as expanding the documentation drive, introducing e-invoicing, AI-based audit systems, and faceless audits signal a strategic shift toward a digital, transparent, and less discretionary tax regime. If executed fairly and effectively, these reforms could help improve compliance and reduce the burden on already-taxed formal businesses.

Similarly, steps toward improving debt management—including refinancing plans, Panda bonds, and longer maturity periods—indicate prudent fiscal thinking. The budget also acknowledges the need for energy sector reform, circular debt reduction, and SOE restructuring—critical issues that have long hampered business confidence and investor inflows.

That said, the private sector has concerns. The reliance on indirect taxation—especially through increased GST coverage and federal excise duties—risks fueling inflation and squeezing consumer demand. Industries already operating under thin margins fear that input cost hikes will erode competitiveness and discourage investment, especially in export-oriented and import-substitution sectors.

Moreover, the withdrawal of sector-specific tax exemptions without transitional frameworks may hit struggling industries, particularly those still recovering from recent macroeconomic shocks. A clearer roadmap for facilitating SMEs, rather than increasing compliance costs upfront, would have strengthened the reform agenda.

The absence of a robust industrial development strategy in the budget is another missed opportunity. While infrastructure and digitization are mentioned, there is little in terms of direct incentives for manufacturing, value addition, or innovation. The lack of a long-term tariff rationalization policy and energy cost stabilization plan continues to create uncertainty for domestic producers.

We also welcome the emphasis on climate resilience, energy diversification, and digital economy reforms, which reflect long-term strategic thinking. However, these ambitions require cross-sectoral coordination, capacity building, and budgetary support—none of which are detailed adequately.

The government's macroeconomic targets—a primary surplus of 1%, GDP growth of 3.6%–4%, and inflation moderation to 12%—are encouraging but ambitious, especially in light of global uncertainties, debt overhang, and weak domestic consumption. The budget's success will depend heavily on post-budget implementation discipline, inter-agency collaboration, and regular industry consultation.

In conclusion, Budget 2025–26 marks a step in the right direction, particularly in terms of documentation, automation, and fiscal prudence. Yet, for sustainable growth, policy must move beyond revenue mobilization and focus on private sector facilitation, export enhancement, and industrial revival. The FPCCI encourages the government to institutionalize a quarterly feedback mechanism with business representatives to ensure ongoing alignment between fiscal policy and economic realities.

Usman Shaukat

President
Rawalpindi Chamber of Commerce and Industry (RCCI)

We, at the Rawalpindi Chamber of Commerce and Industry (RCCI), have voiced serious concerns over the Federal Budget 2025–26, terming it as "traditional and controlled rather than balanced." We believe that the budget fails to meet the pressing needs of the business community, particularly in the areas of export promotion, energy pricing, and ease of doing business.

We have criticized the lack of meaningful initiatives aimed at reducing the cost of doing business, improving the investment climate, or boosting industrial output. We are concerned that the proposed fiscal measures would likely fuel inflation, potentially pushing it to 7.5%, which would further erode purchasing power and strain small and medium enterprises (SMEs).

While we acknowledge the government's initiative to engage stakeholders through early consultations, we express disappointment that RCCI's recommendations were largely disregarded or implemented with significant delays. "Consultation without implementation is just window dressing."

A key point of contention is the inclusion of Section 37AA in the Finance Bill 2025–26, which grants officers of the Federal Board of Revenue (FBR) extensive powers to arrest and prosecute taxpayers without due process. We strongly oppose this provision, as it is draconian in nature and opens the door to potential misuse and harassment of the business community.

We urge the government to immediately withdraw Section 37AA. Measures intended to increase compliance should be rooted in transparency and trust—not coercion. Unfortunately, this step reflects a shift from facilitation to intimidation, which is counterproductive to fostering a cooperative tax environment.

We also reject the imposition of new taxes, including the proposed 18% General Sales Tax (GST) on solar panels and the new carbon levy. These measures will not only burden ordinary citizens but also dampen industrial growth and slow down Pakistan's transition to renewable energy.

However, we do note a few positive aspects in the budget. The relief provided to the salaried class, modest reductions in corporate and super taxes, and a support package for the construction industry are "steps in the right direction." Nevertheless, we stress that these measures fall short of creating a robust and inclusive economic environment.

Unfortunately, the government failed to introduce export-led initiatives or practical steps to reduce the cost of energy, the cost of capital, or interest rates. The overall budget fails to meet the expectations of the business community.

Commenting on the Economic Survey released earlier, we acknowledge some encouraging macroeconomic indicators: GDP growth reaching 2.68%, a significant drop in inflation, and the reduction of the policy interest rate from 22% to 11%. We also highlight a $1.9 billion current account surplus and foreign exchange reserves rising to $16.64 billion—developments that have helped stabilize the rupee and restore investor confidence.

"These figures show the economy is on the mend, but stabilization is only the beginning. The real challenge lies ahead: implementing deep, sustained structural reforms that can drive long-term growth and prosperity."

RCCI calls on the government to re-evaluate its fiscal priorities and adopt a collaborative approach that treats the business community as partners in national development rather than as mere revenue sources.

Junaid Naqi

President
Korangi Association of Trade and Industry (KATI)

The business community has responded to the Federal Budget 2025–26 with cautious optimism, recognizing its potential for positive change while expressing concerns over its increased compliance burden. At its core, the budget aims to broaden the tax base by formalizing the digital and informal sectors, accelerate revenue mobilization in line with IMF obligations, and introduce select incentives to bolster export competitiveness and climate-focused investment. While official projections highlight a reduction of the fiscal deficit to around five percent of GDP and a notable rise in FBR tax receipts to Rs. 14.1 trillion—signaling nearly 19 percent growth—the business sector stresses that these targets are attainable only through streamlined compliance mechanisms and genuine, durable energy reforms.

There is broad approval among industry stakeholders for the lowering of personal income tax slabs for middle-income groups and the modest easing of the super tax, measures regarded as critical in sustaining purchasing power during a period of anemic domestic demand. Similarly, the abolition of Federal Excise Duty on the first property transfer and a reduction in stamp duty for Islamabad real estate have been welcomed by construction and allied sectors, who view these steps as pro-growth signals. Exporters, for their part, support the government's commitment to tariff rationalization under the National Tariff Policy 2025–30, anticipating a more predictable cost environment and the mitigation of longstanding anti-export biases.

Yet, beneath this surface, significant reservations persist. The doubling of advance tax on cash withdrawals and stringent new banking restrictions for non-filers are seen as exacerbating liquidity pressures for small and medium-sized enterprises, many of which already operate on razor-thin margins. The removal of the petroleum levy cap and the introduction of a carbon levy are widely feared to translate into higher fuel costs, with a disproportionate impact on logistics and agro-processing, further eroding profitability. The sharp reduction in the Public Sector Development Program—down by 29 percent—raises the specter of a sudden contraction in demand for local contractors, cement, and steel manufacturers. Meanwhile, e-commerce stakeholders express concern that the aggregate tax burden on sellers could exceed 19 percent of gross revenues, potentially undermining the sector's competitiveness and long-term viability.

From a tax and compliance perspective, the introduction of the Digital Presence Proceeds Tax (DPPT) at five percent is recognized as a necessary adaptation to global digital tax norms and is projected to yield up to Rs. 330 billion annually if cross-border platforms cooperate. Nevertheless, businesses call for alignment with OECD rules to prevent double taxation and foster a level playing field. The mandatory implementation of e-bilty and cargo-tracking, intended as anti-smuggling measures, is supported in principle by logistics operators, though concerns remain regarding initial compliance costs and data integration hurdles. Manufacturers have largely accepted risk-based input-tax deferral algorithms and credits, but call for greater transparency in audit-selection procedures to avoid arbitrary delays.

Sectoral analysis reveals both opportunities and obstacles. The digital and e-commerce sector may benefit from the adoption of a final-tax regime and the shifting of withholding responsibilities to payment gateways and couriers, though a congested compliance calendar and strict penalties could deter micro-entrepreneurs. In manufacturing and export, reductions in customs duty slabs and phased-down regulatory duties are expected to ease raw material costs; however, persistently high energy tariffs and the ongoing threat of surcharges linked to circular debt may negate these gains unless cross-subsidy frameworks are rationalized. The phased carbon levy is anticipated to soften immediate shocks for energy and logistics, but the absence of a fuel-price stabilization fund leaves businesses exposed to volatile international oil prices.

On the macroeconomic front, projected GDP growth of 4.2 percent is regarded as feasible if development expenditure is realized and export rebates are promptly delivered. Yet, a rise in GST on essentials and increased energy levies risk reigniting double-digit inflation, undermining household incomes and demand.

While a reduction in the policy rate is welcomed, future monetary easing is seen as dependent on exchange rate stability and disciplined external account management. In the short term, firms anticipate a slowdown in capital investment and a modest uptick in working capital costs. Over the medium term, successful implementation of new taxes could enhance Pakistan's credit profile and lower external borrowing costs, partially offsetting initial adjustment pains.

Industry voices urge government vigilance against potential revenue shortfalls that might trigger a mid-year mini-budget, advocating for quarterly FBR scorecards and timely reviews of new tax measures. There are calls for streamlined tax portals, phased compliance rollouts, energy price hedging mechanisms, and transparent execution trackers for development spending. In articulating their forward agenda, business leaders demand a predictable, stable tax regime, sector-specific compliance pilots, urgent energy cost rationalization, export incentives tied to value addition, and monthly public reporting on government finances.

Ultimately, while Budget 2025–26 lays the groundwork for modernization and fiscal resilience, its success will rest on the state's responsiveness to industry's operational concerns and its ability to deliver a transparent, stable business environment—conditions vital for catalyzing genuine economic revival.

M. Zubair Motiwala

Former President, Karachi Chamber of Commerce and Industry (KCCI) &
Former Chairman, Trade Development Authority of Pakistan (TDAP)

I would like to express my concerns regarding the recently announced budget for 2025–2026. It appears that the budget has been formulated under significant pressure from the IMF, with a primary focus on revenue collection through stringent measures. This approach is likely to further strain the business community, which is already grappling with various challenges.

The budget lacks confidence-building measures that could encourage investment and stimulate economic growth. The discretionary powers granted to the Federal Board of Revenue (FBR) under Section 37A are particularly concerning, as they allow for arrests without prior warning or show-cause notices. This provision may create an atmosphere of uncertainty and undermine investor confidence.

Furthermore, the decision to tax the solar industry, which was previously encouraged by the government, seems counterproductive. The targets set for revenue collection also appear unrealistic, given the shortfall in meeting targets in the previous year.

In my view, the budget does not provide any meaningful incentives for investment or policy consistency that would benefit the business community or foreign investors. I believe it is essential for the government to adopt a more flexible approach, taking into account the current economic environment and the challenges faced by the trade and industry sectors.

ICMA-GALLUP POST-BUDGET 2025-26 SURVEY REPORT

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GALLUP PAKISTAN
Affiliated with Gallup International
Pakistan's Foremost Social Research Lab

Preamble

The Finance Minister, Mr. Muhammad Aurangzeb, unveiled the Federal Budget 2025-26 along with the Finance Bill 2025 in the National Assembly of Pakistan on 10th June 2025. The Budget, with an outlay of Rs. 17.57 trillion, reflects a careful balance between fiscal consolidation and economic growth under IMF commitments. With an ambitious tax target of Rs. 14.13 trillion, it focuses on expanding the tax base and strengthening compliance.

To capture feedback from ICMA members and other key stakeholders on the Federal Budget 2025–26, ICMA Pakistan, in collaboration with Gallup, conducted a joint Post-Budget Survey. The results are featured in this ICMA's Budget 2025-26 Compendium, published by the ICMA Research and Publications Department. We hope our members, students, and broader readership find the insights timely, relevant, and insightful.

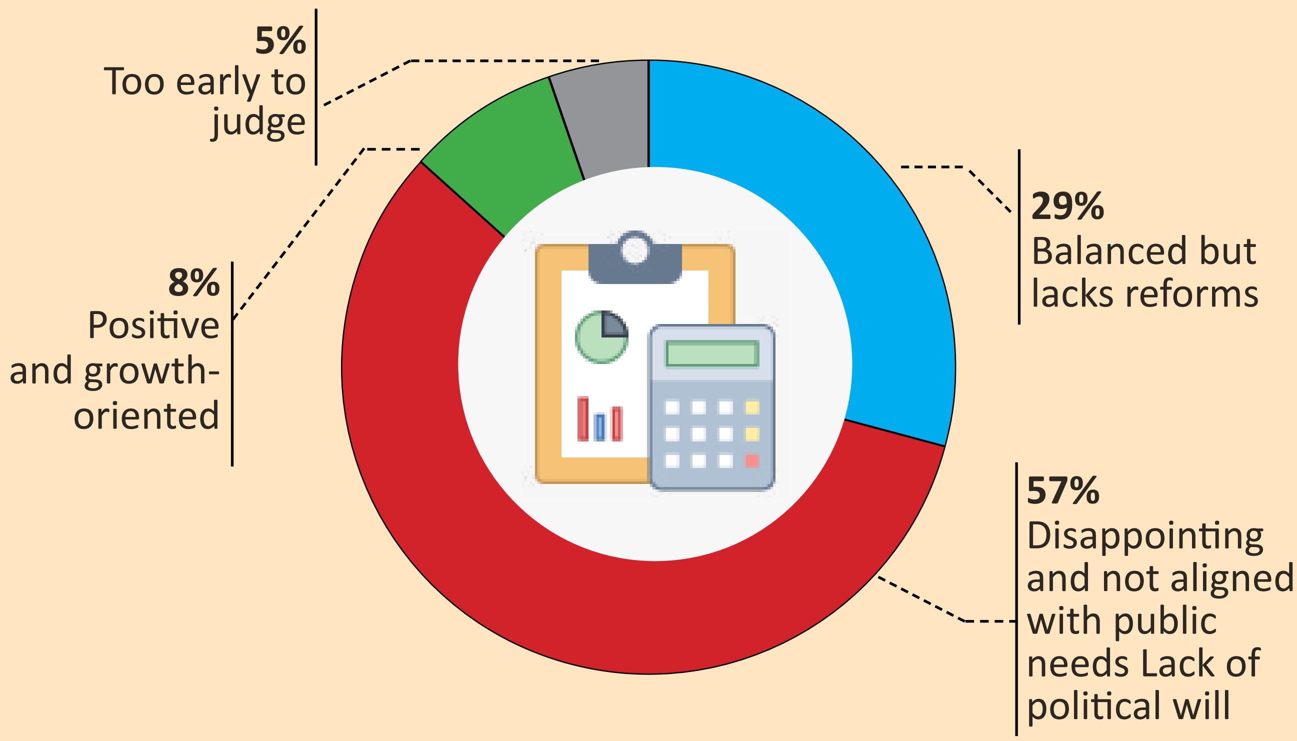
Survey Methodology

The survey questionnaire was developed by the ICMA Research and Publications Department and shared with Gallup Pakistan, which converted it into an online format for digital data collection. Gallup distributed the survey to ICMA members, businesses, and other stakeholders via email, followed by reminders through phone and WhatsApp. The collected responses were analyzed using empirical tools and submitted to ICMA for review and value addition.

57% consider the Federal Budget 2025-26 as Disappointing and not aligned with public needs

When asked about their overall view of the Federal Budget 2025–26, 57% of respondents found it disappointing and not aligned with public needs, citing a lack of political will. In contrast, 29% considered it balanced but lacking in reforms, 8% viewed it as positive and growth-oriented, while 5% felt it was too early to judge.

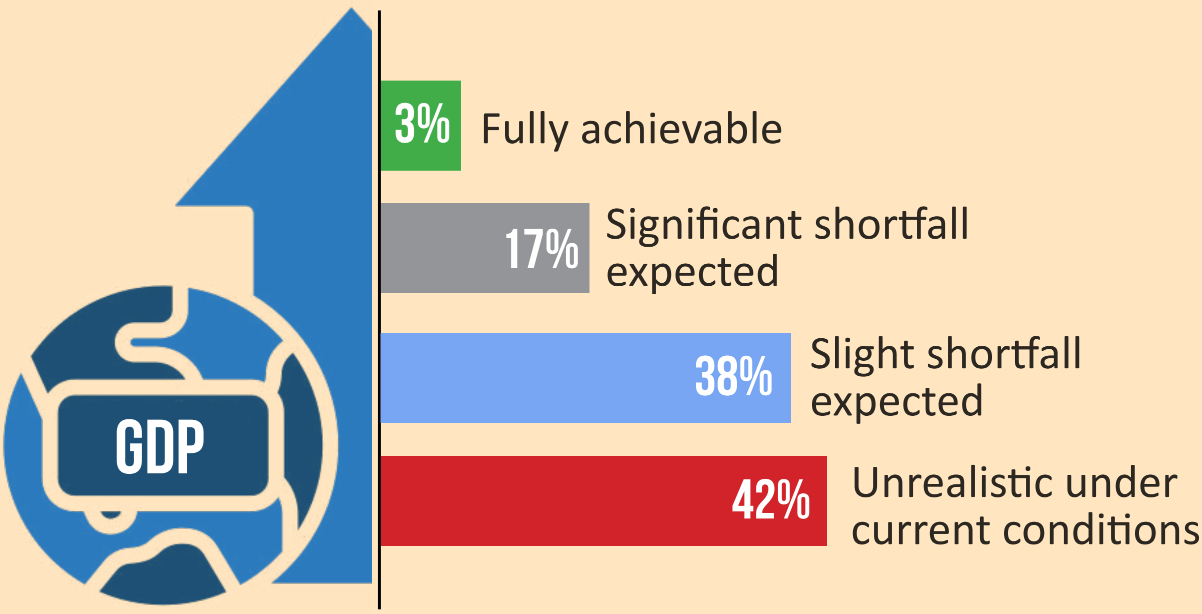
What is your overall opinion of the Federal Budget 2025-26?



42% view 4.2% GDP Growth Target as Unrealistic

A majority of respondents expressed skepticism about the 4.2% GDP growth target for FY2025–26. About 42% believe it is unrealistic under current conditions, 38% expect a slight shortfall, 17% foresee a significant shortfall, and only 3% consider the target fully achievable—highlighting widespread doubt over its feasibility.

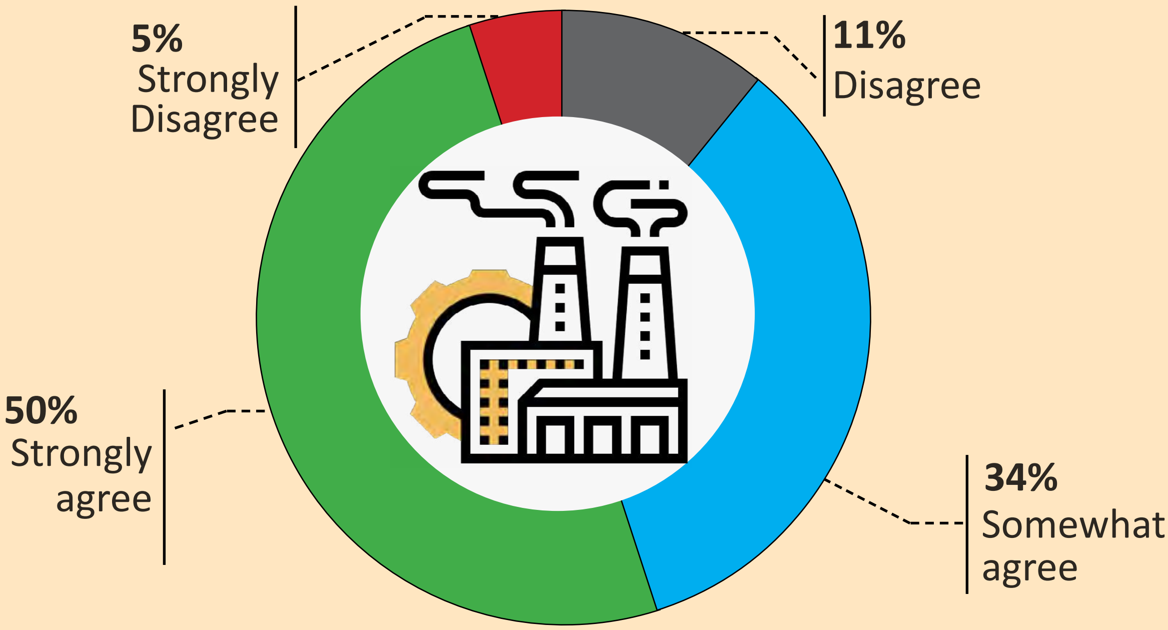
Do you think the GDP Growth target of 4.2% for FY2025-26 is realistic?



50% say Budget 2025–26 Lacks Long-Term Economic Focus

According to the survey, 50% of respondents strongly agree that the budget falls short on long-term planning for economic and industrial growth, while 34% somewhat agree. Only 11% disagreed and 5% strongly disagreed, indicating widespread concern over the lack of strategic direction.

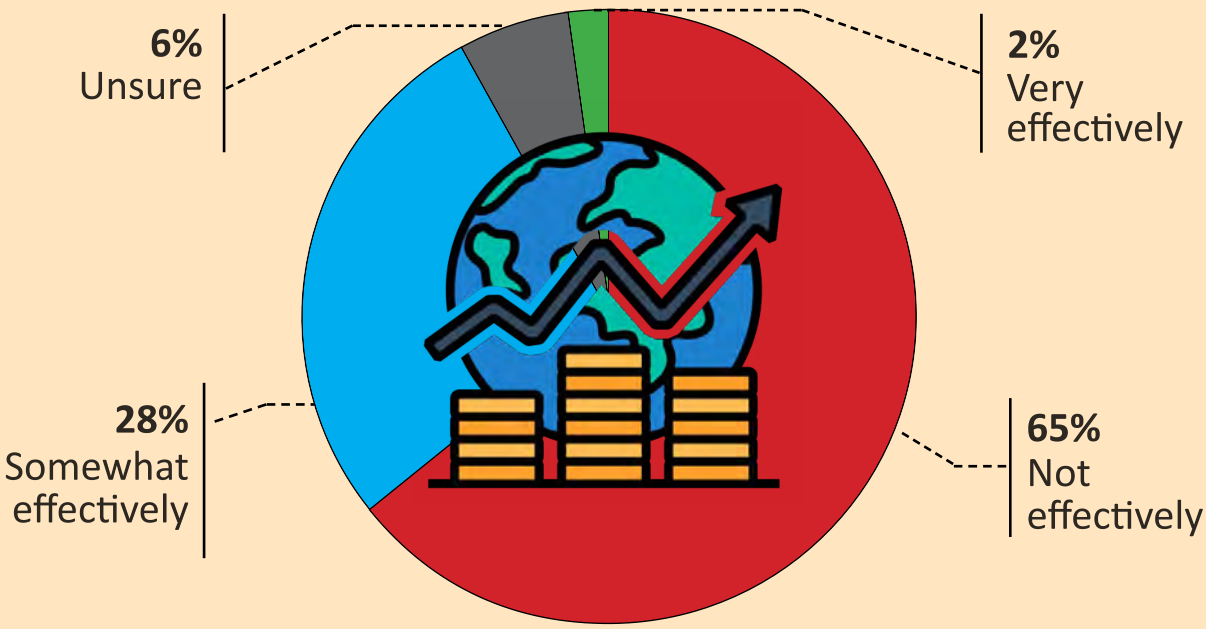
Do you think Budget 2025-26 lacks a clear focus on long-term economic planning and industrial growth?



65% say Budget 2025–26 Fails to Address Major Economic Challenges

A majority of 65% of respondents believe Budget 2025–26 is ineffective in tackling Pakistan's key economic issues. While 28% consider it somewhat effective, only 2% find it very effective, and 6% remain unsure—reflecting broad skepticism about the budget's ability to address core challenges.

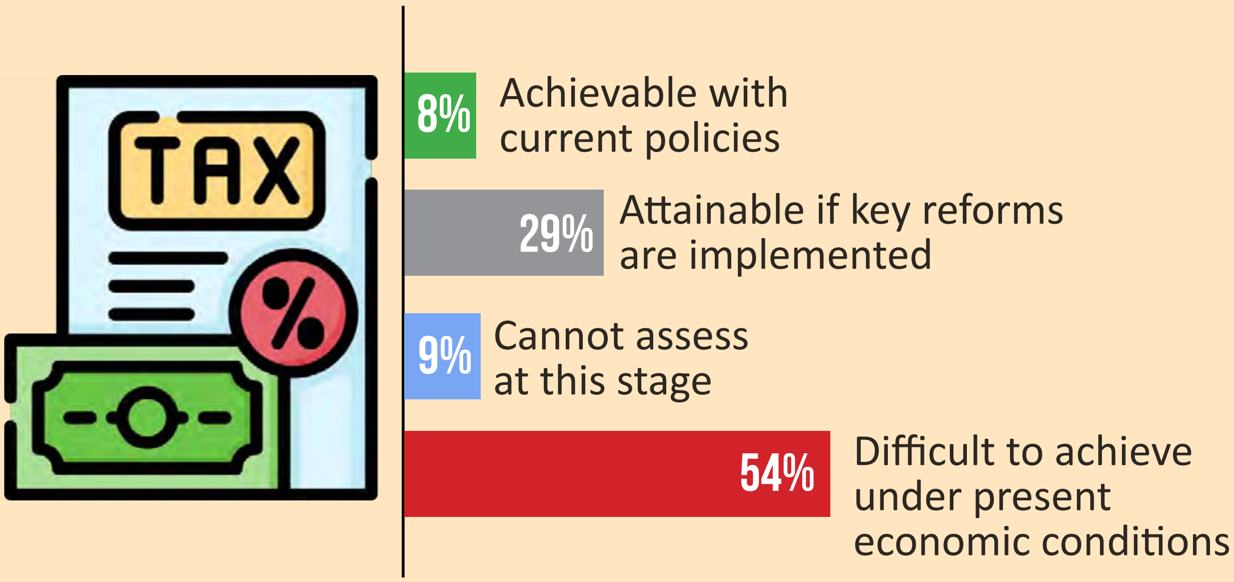
Overall, how effectively does Budget 2025-26 address Pakistan's major economic challenges?



54% doubt FBR's Rs. 14.3 Trillion Tax Target Under Current Conditions

A majority of 54% believe the FBR's tax collection target is difficult to achieve given the present economic environment. While 29% consider it attainable if key reforms are implemented, only 8% find it achievable under existing policies, and 9% remain uncertain—highlighting cautious optimism amid prevailing concerns.

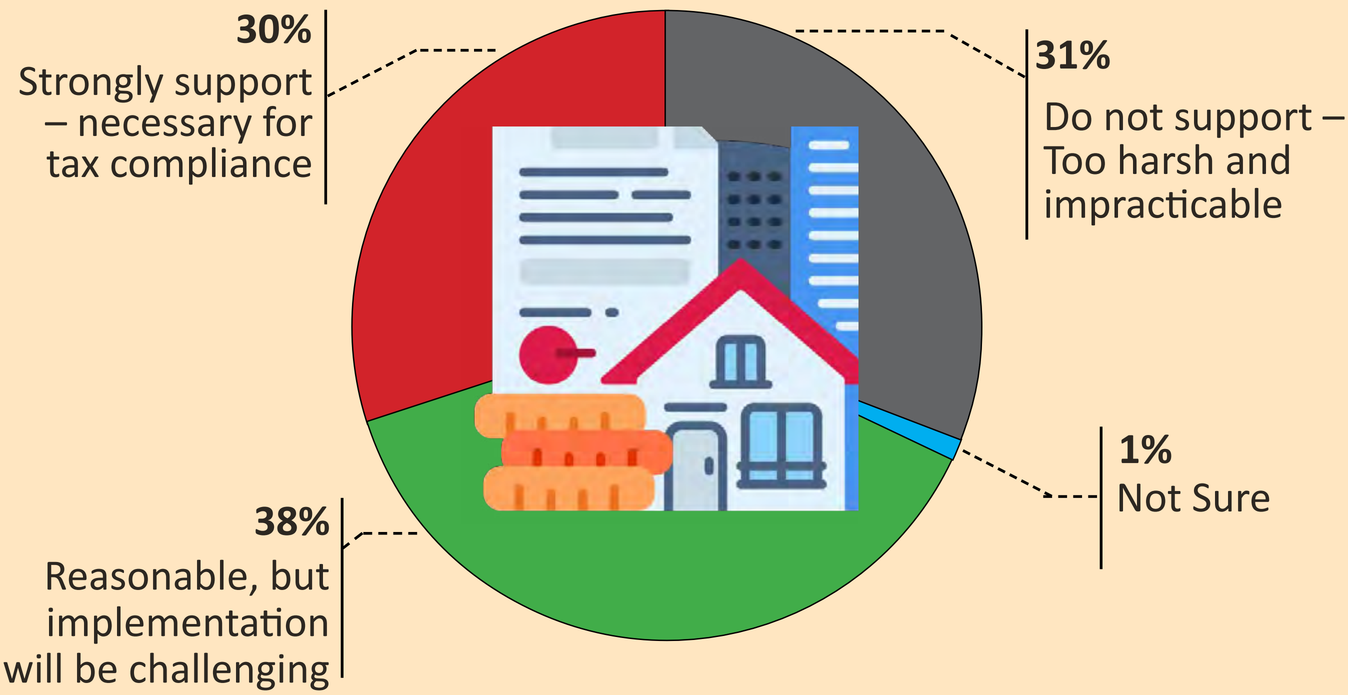
What is your opinion on the FBR's tax collection target of Rs 14.3 trillion set in the budget?



38% say Non-Filer Restrictions Are Reasonable but Hard to Enforce

Survey results show that 38% of respondents consider the restrictions on non-filers—such as bans on property and vehicle purchases—as reasonable but difficult to implement. Another 30% strongly support the measures as necessary for tax compliance, while 31% oppose them as too harsh. Only 1% were unsure, reflecting a divided public opinion on the policy.

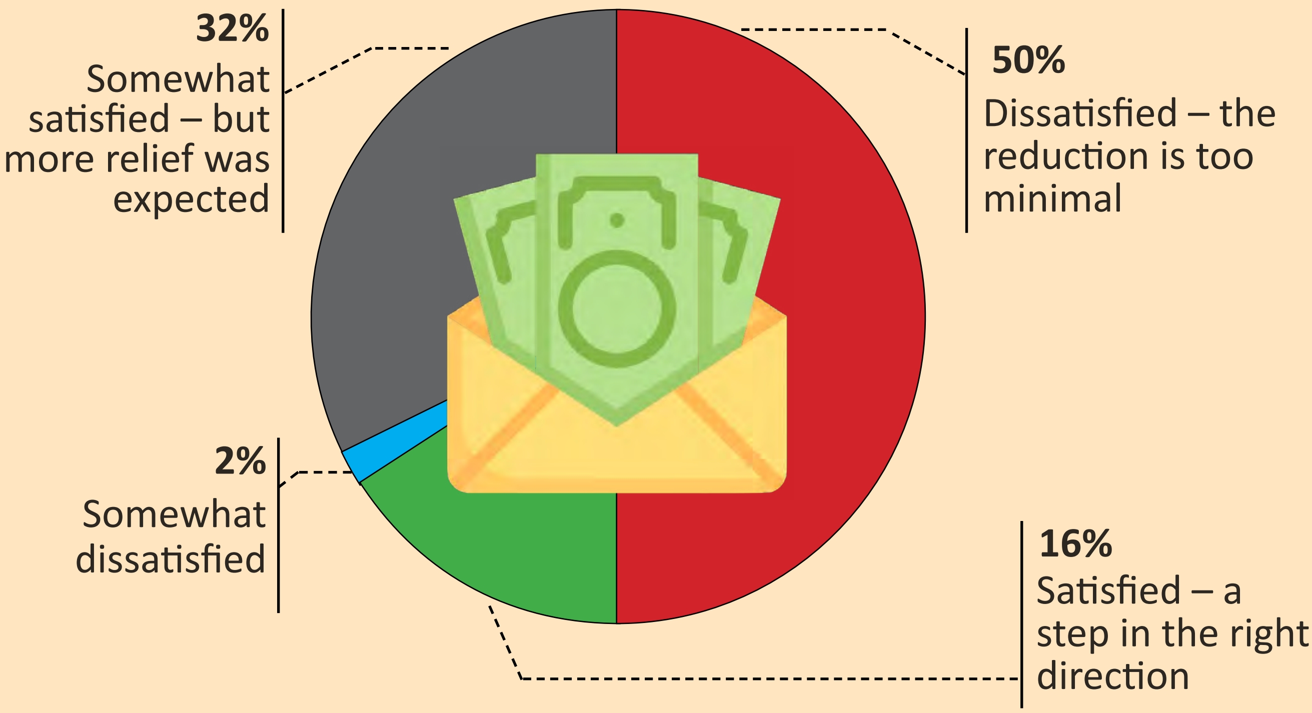
What is your opinion on the restrictions imposed on non-filers in the Budget 2025-26, such as the ban on purchasing property and vehicles?



50% dissatisfied with minimal tax relief for salaried individuals

Half of the respondents (50%) expressed dissatisfaction with the limited tax relief provided to salaried individuals in Budget 2025–26, calling it too minimal. While 32% were somewhat satisfied but expected more, only 16% viewed it as adequate, and 2% were somewhat dissatisfied—highlighting broad disappointment over the lack of meaningful relief for the salaried class.

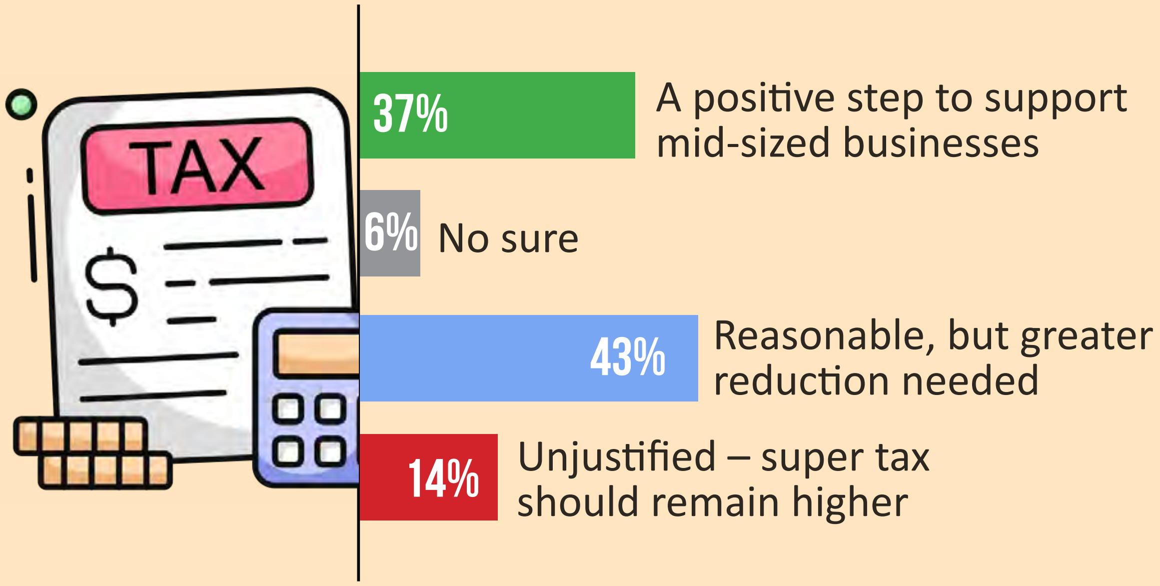
The Budget 2025-26 provides limited tax relief to salaried individuals by slightly reducing tax rates. How satisfied are you with this measure?



43% view 0.5% Super Tax Cut as Reasonable but Not Enough

In response to the 0.5% super tax reduction for companies earning Rs 200–500 million, 43% of respondents felt the move was reasonable but insufficient, calling for a more substantial cut. Another 37% saw it as a positive step toward supporting mid-sized businesses, while 14% viewed the relief as unjustified. Only 6% were unsure, reflecting cautious approval with expectations for stronger tax relief.

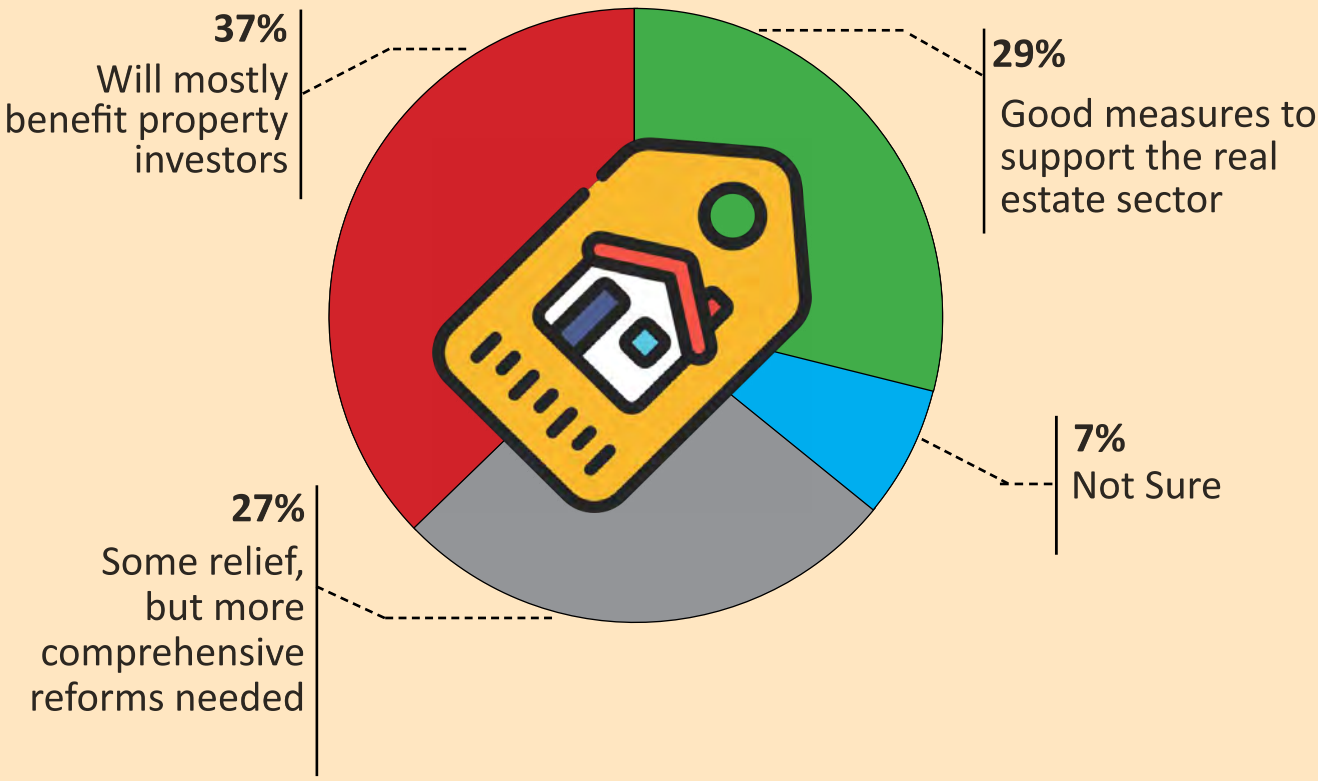
The Budget 2025-26 reduces super tax by 0.5% for companies earning Rs 200-500 million. How do you view this step?



66% see Property Tax Relief as Beneficial, but Opinions Split on Who Gains Most

A combined 66% of respondents view the reduction in withholding tax and removal of FED on property transfers as beneficial—37% believe it primarily favors property investors, while 29% see it as support for the real estate sector. Meanwhile, 27% call for broader reforms, indicating that many remain concerned about the limited reach of these measures.

The Budget 2025-26 proposes to reduce withholding tax on property purchases and abolish the 7% FED on commercial property transfers. What is your opinion on these changes?



59% say Budget 2025–26 Underfunds All Key Sectors

According to the survey, 59% of respondents believe that Budget 2025–26 fails to adequately fund essential public sectors. Another 33% specifically highlight education and health as underfunded, while smaller percentages point to shortfalls in social protection, climate action, and agriculture—indicating broad concern over limited investment in critical areas.

In your view, which sector has received insufficient funding in Budget 2025-26?

2%
Agriculture

33%
Education and Health

3%
Environment and Climate Action

3%
Social Protection and Poverty Alleviation

All of the above
59%

69% reject FBR's Arrest Proposal Over Misuse and Business Confidence Concerns

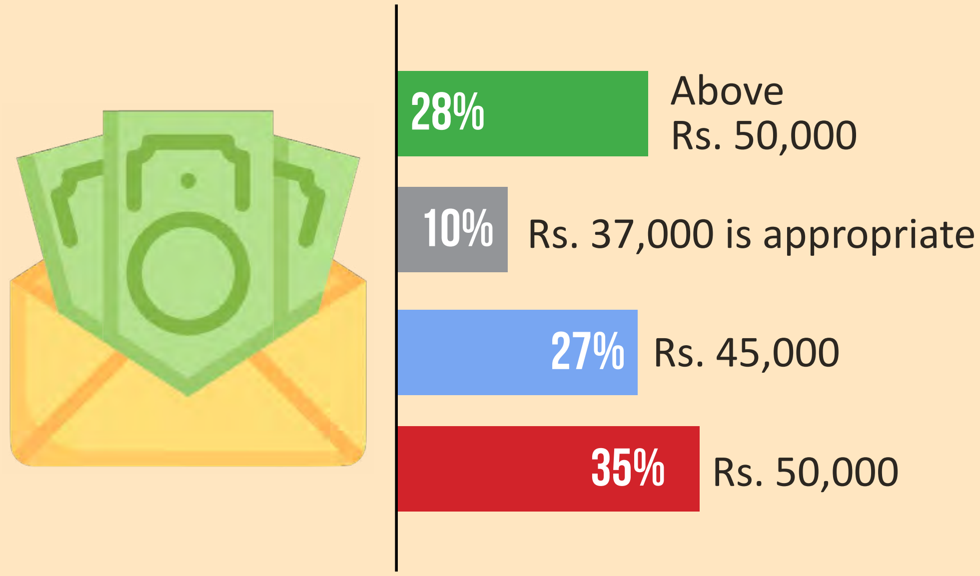
According to the survey, 69% of respondents strongly oppose the FBR's proposal to arrest CEOs, CFOs, and board members for tax fraud, citing potential misuse and its negative impact on business confidence. Another 14% are somewhat opposed, calling for stronger safeguards. Only 18% support the measure, indicating that the proposal is widely viewed as excessive and in need of careful oversight.

Do you support the FBR's proposal to arrest CEOs, CFOs and board members for tax fraud under the Finance Bill 2025-26?

63% support Raising Minimum Wage to Rs. 50,000 or Above

Survey findings show that 63% of respondents believe the minimum monthly wage should be Rs. 50,000 or higher—35% favoring Rs. 50,000 and 28% suggesting an even higher amount. Another 27% support Rs. 45,000, while only 10% find the current Rs. 37,000 adequate. The results highlight strong public demand for a meaningful wage increase in line with rising living costs.

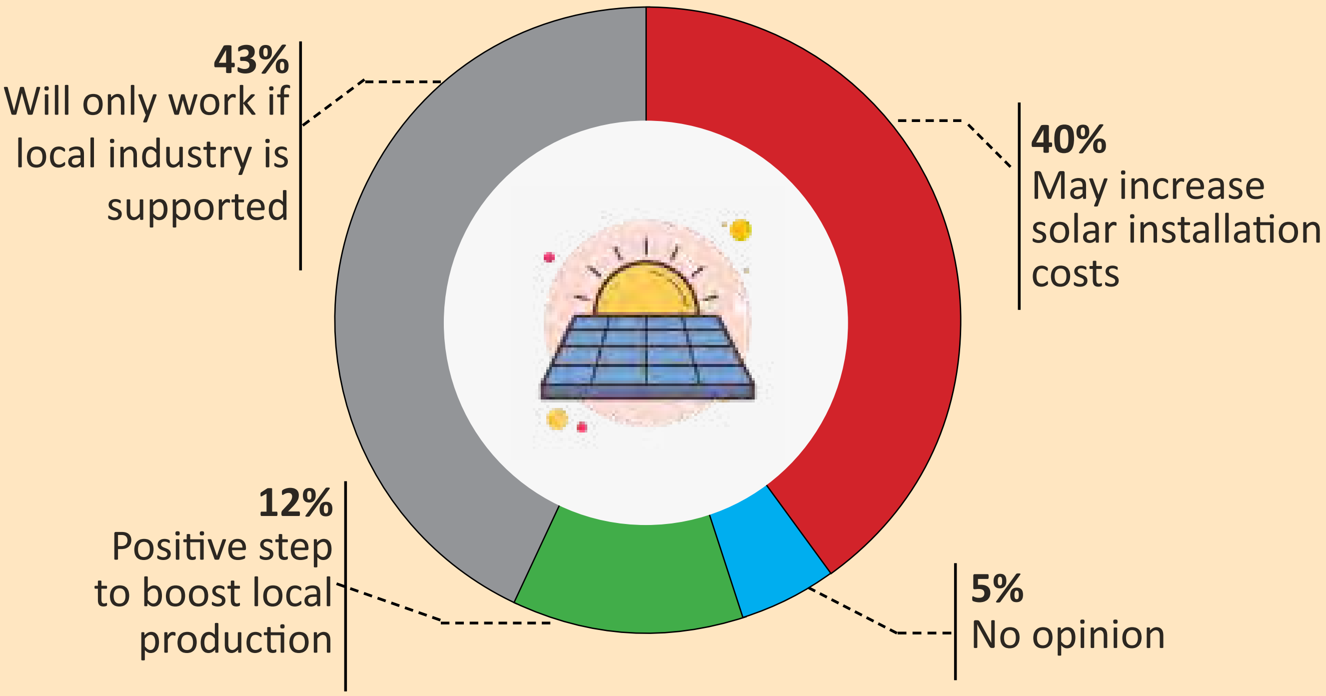
The minimum monthly wage remains unchanged at Rs 37,000 in Budget 2025-26. What do you think would have been a more suitable level?



43% say 18% Tax on Imported Solar Panels Depends on Local Industry Support

According to the survey, 43% of respondents believe the proposed 18% sales tax on imported solar panels is only viable if the local industry is adequately supported. Another 40% fear the move could drive up installation costs, while just 12% view it as a positive step toward promoting domestic manufacturing. The results highlight concerns over affordability, policy readiness, and the capacity of the local solar industry.

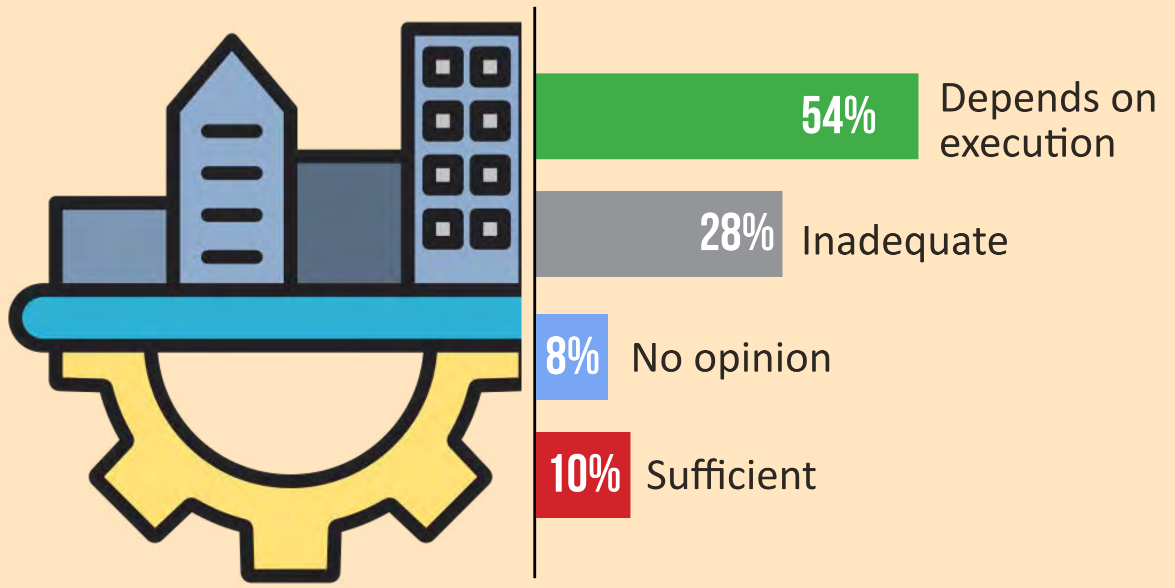
The budget proposes an 18% sales tax on imported solar panels to promote local manufacturing. What is your opinion?



54% say success of Rs. 1 trillion PSDP allocation depends on implementation

The survey shows that 54% of respondents believe the Rs. 1 trillion allocated for development projects under the PSDP will only be effective if properly executed. Meanwhile, 28% consider the amount insufficient to meet Pakistan's infrastructure and industrial needs, and only 10% find it adequate. The responses reflect cautious optimism, with concerns centered on implementation challenges.

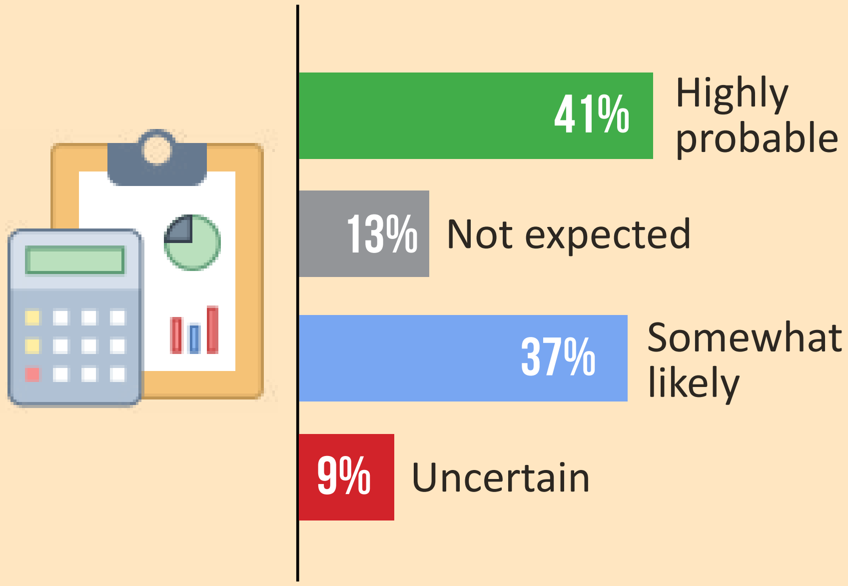
Budget 2025-26 allocates Rs 1 trillion for development projects under PSDP. Is this sufficient for Pakistan's infrastructure and industrial needs?



41% expect a mini-budget to address fiscal gaps in Budget 2025–26

According to the survey, 41% of respondents believe a mini-budget is highly probable in the coming months to address potential fiscal shortfalls in Budget 2025–26. Another 37% see it as somewhat likely, while only 13% do not expect one, and 9% remain uncertain. The findings reflect widespread concern over the budget's ability to maintain fiscal stability without further adjustments.

Do you think the government will introduce a mini-budget in the coming months to address a potential shortfall in Budget 2025-26?



DISCLAIMER

The views expressed by the survey participants do not necessarily reflect the official viewpoint of the Institute of Cost and Management Accountants of Pakistan. Furthermore, Gallup Pakistan has conducted this poll according to the ESOMAR Code of Ethics and internationally recognized principles of scientific polling. The results of this Report do not represent views held by the authors or Gallup Pakistan. The results only represent public opinion, computed based on views expressed by anonymous respondents.

PUBLIC PULSE ON BUDGET 2025–26: WHAT CITIZENS ARE SAYING

Summary

To gauge public sentiment on the Federal Budget 2025–26, the Research and Publications Department of ICMA Pakistan conducted a poll following the budget announcement on June 10, 2025. The objective of this poll was to gather feedback from ordinary citizens on whether the budget measures address their everyday needs and concerns.

The results from five key poll questions reveal broad public disappointment. A majority of respondents expressed dissatisfaction, particularly pointing to the lack of relief for the middle class and salaried individuals, as well as rising concerns over inflation and utility costs.

Key Findings

1

- **63% said the budget did not meet their expectations, while 20% had no expectations, indicating limited public confidence.**

2

- **72% felt it offered no meaningful relief to the middle class, though 8% acknowledged some support.**

3

- **71% anticipate a significant rise in prices of essential goods, underlining inflation as a major concern.**

4

- **79% saw no reduction in utility bills, highlighting continued pressure from energy costs.**

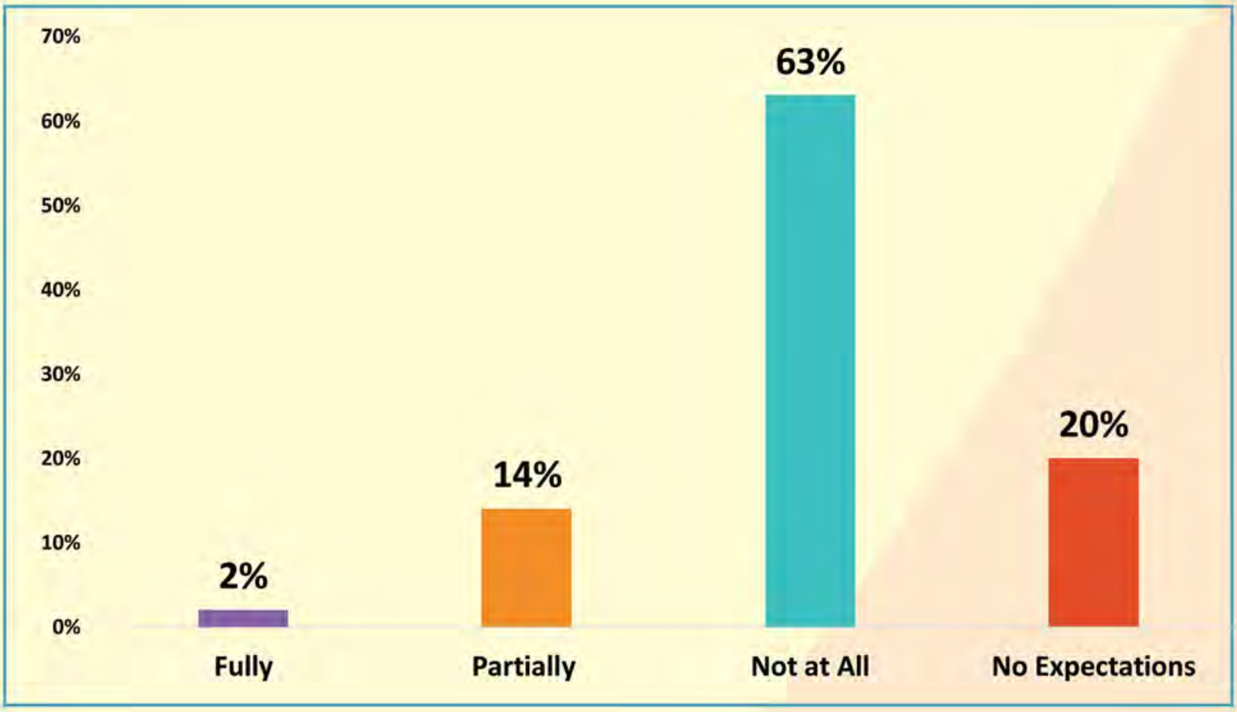
5

- **Among salaried individuals, 58% reported no relief, while 36% noted some or significant benefit.**

The feedback suggests that while the budget outlines strategic goals, many citizens are still looking for tangible, day-to-day relief. These insights highlight the importance of aligning future policies more closely with the real-life economic challenges faced by the public.

Poll Questions and Brief Analysis

Q.1. Did the Budget 2025-26 Meet Your Expectations as a Common Citizen?

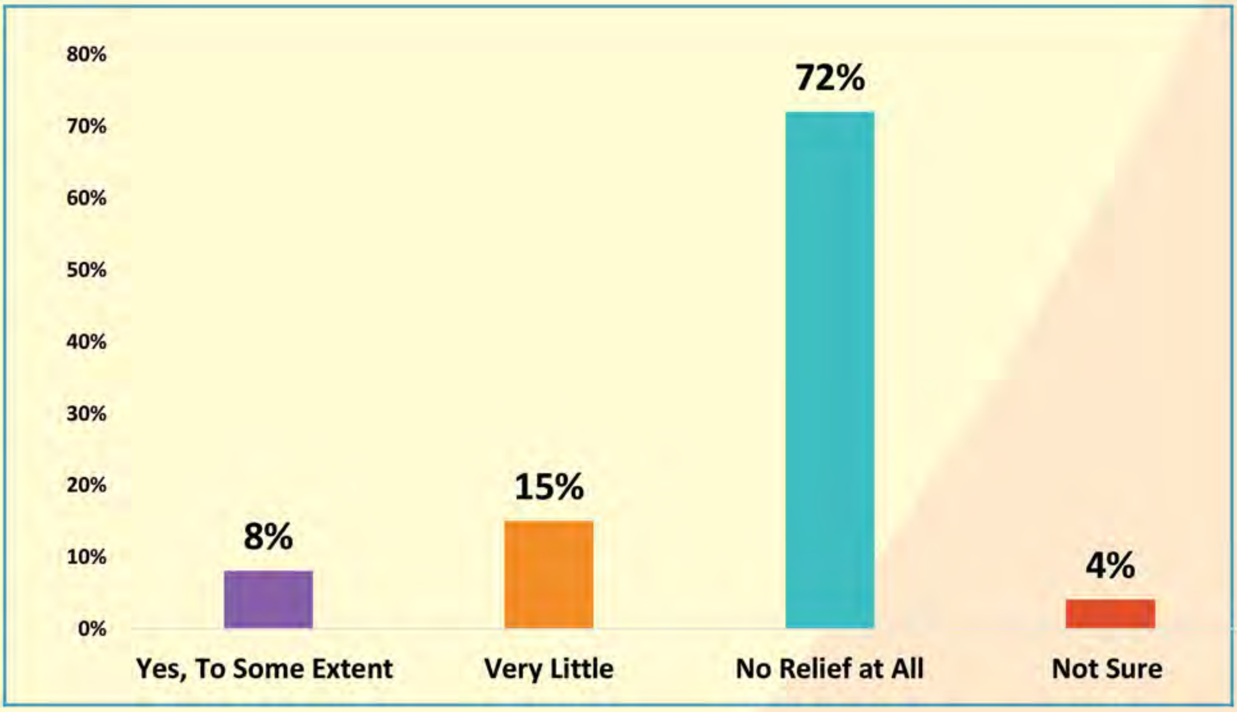


A staggering 63% of respondents said the budget did not meet their expectations at all, signaling deep public dissatisfaction. Only 2% felt it fully met their needs, while 14% found it partially satisfactory. Another 20% had no expectations, highlighting growing disillusionment and a lack of trust in the budget process.

These findings reveal a clear disconnect between government priorities and public sentiment, emphasizing the urgent need for more inclusive, transparent, and citizen-focused economic planning.

Source: *ICMA Poll Analysis.*

Q.2. Has the Budget Provided Meaningful Relief to the Middle Class?

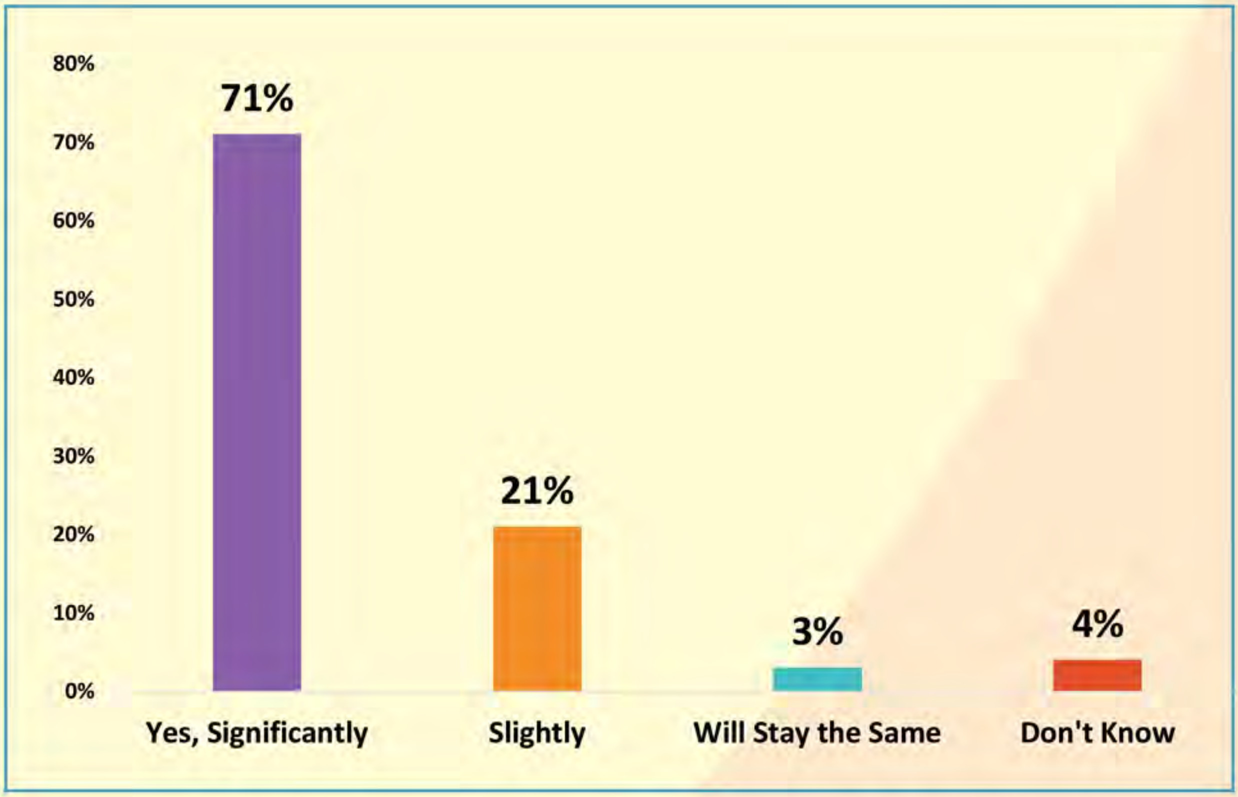


An overwhelming 72% of respondents said the budget offered no relief at all to the middle class, highlighting widespread frustration and a sense of neglect. Only 8% believed it provided relief to some extent, while 15% felt the relief was very limited. A small portion (4%) remained uncertain.

These results reflect deep dissatisfaction among the middle-income segment — the backbone of the economy — and point to an urgent need for targeted, tangible measures that directly ease their financial burden and restore public confidence.

Source: *ICMA Poll Analysis.*

Q.3. Do You Think Prices of Everyday Items Will Go Up After This Budget?

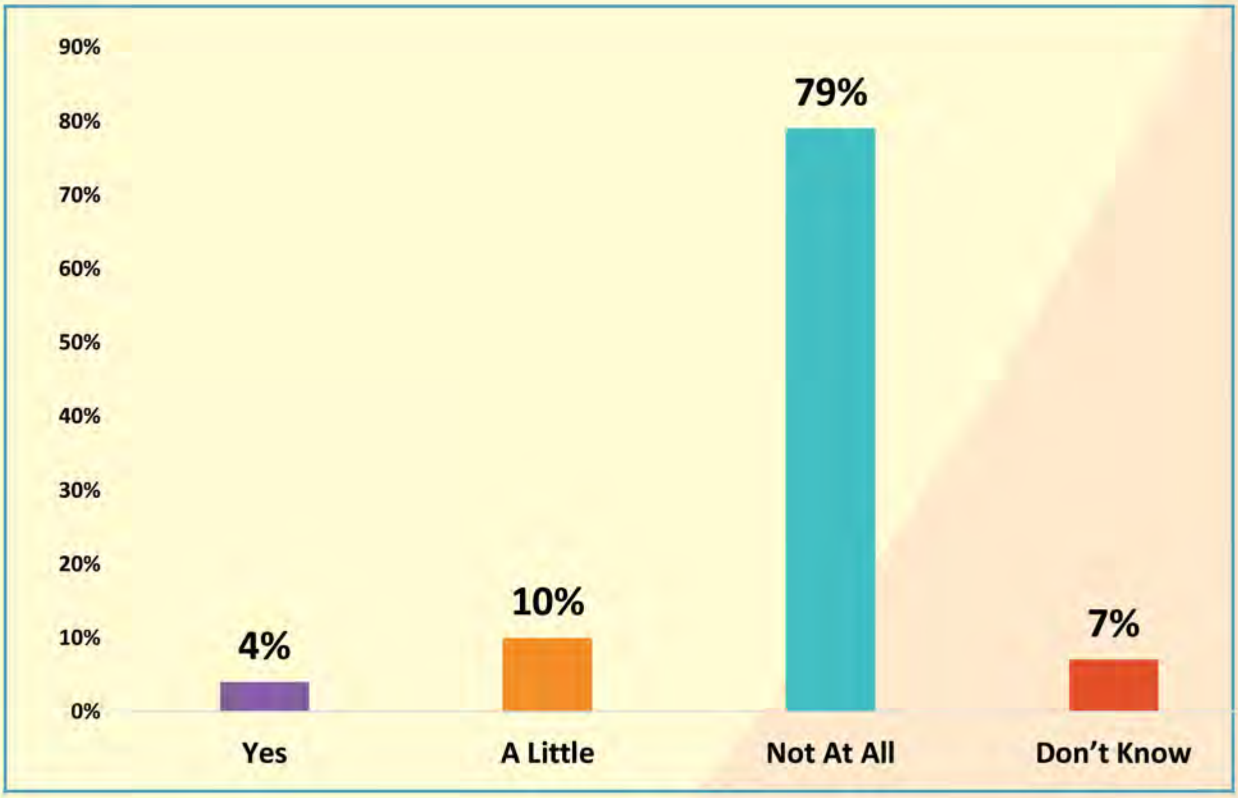


A clear majority — 71% of respondents — believe prices will rise significantly, indicating strong public concern over inflationary impact. Another 21% expect a slight increase, while only 3% think prices will remain stable. 4% were unsure.

The response reflects widespread fear that the budget will fuel inflation, further straining household finances. This underscores the need for stronger price-control measures and policies aimed at shielding the public — especially vulnerable groups — from rising living costs.

Source: *ICMA Poll Analysis.*

Q.4. Has Budget 2025–26 Done Enough to Reduce Utility Bills (Electricity, Gas)?

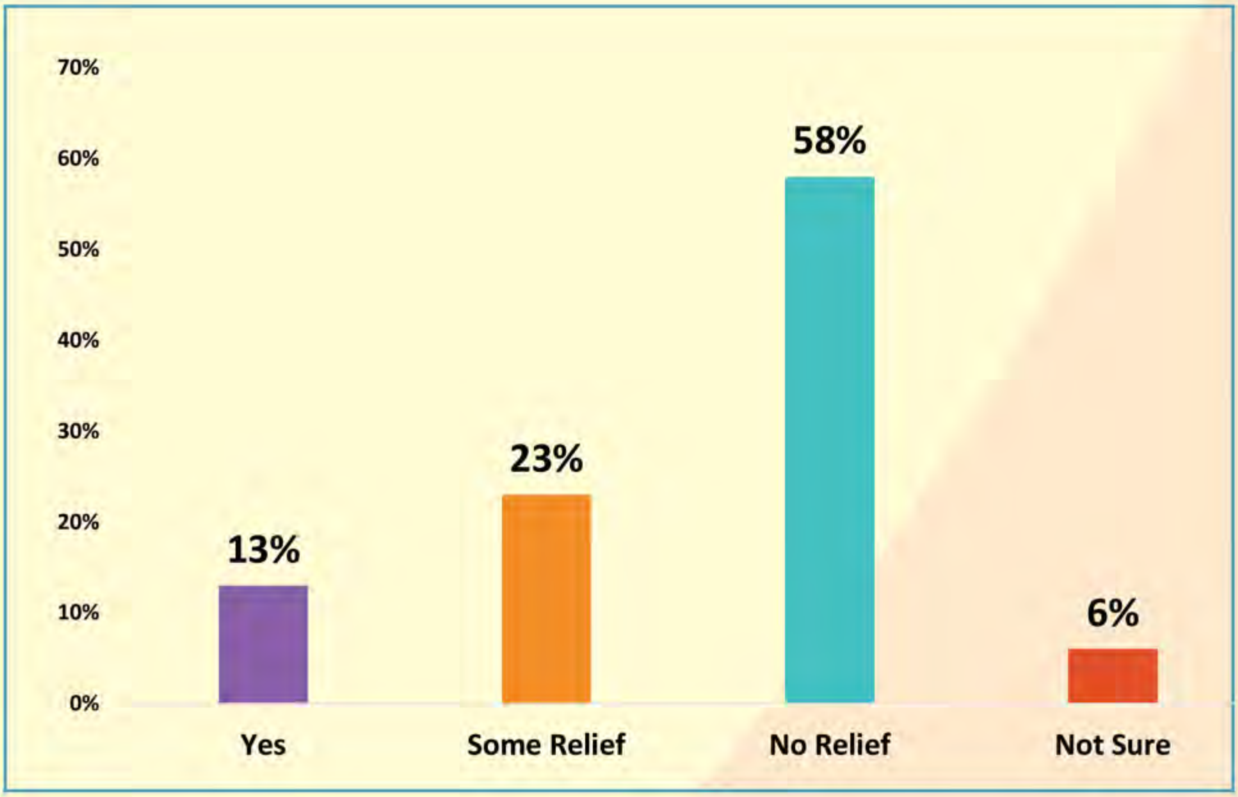


A dominant 79% of respondents said the budget has done nothing at all to reduce utility bills, reflecting overwhelming dissatisfaction with energy-related measures. Only 4% felt it adequately addressed the issue, while 10% said it helped a little. 7% were unsure.

These results highlight public frustration with high electricity and gas costs and suggest that the budget has failed to provide meaningful relief in one of the most critical areas affecting household expenses. It signals an urgent need for effective energy reforms and subsidy mechanisms to ease the burden on citizens.

Source: *ICMA Poll Analysis.*

Q.5. Did Budget 2025–26 Offer You Any Relief as a Salaried Person?



A significant 58% of respondents said the budget provided no relief to salaried individuals, indicating strong dissatisfaction from the working class. Only 13% felt they received significant relief, while 23% acknowledged some relief. 6% were uncertain.

These findings reveal that the majority of salaried citizens feel overlooked, despite being a key tax-contributing segment. The results underscore the need for more meaningful income tax reforms, inflation adjustments, and financial support for salaried individuals to ensure fair economic participation and protection.

Source: *ICMA Poll Analysis.*

COMPARATIVE REVIEW OF BUDGET ALLOCATIONS: FY2025–26 VS. FY2024–25

Federal Budget Allocations

FY 2025-26 vs FY 2024-25

Budget Allocations	FY 2024-25 (Actual)	FY 2025-26 (Estimated)
Total Budget Outlay	Rs. 18.89 trillion	Rs. 17.573 trillion
Nominal GDP	Rs. 114.692 trillion	Rs. 129.567 trillion
GDP Growth	3.6%	4.2%
Tax to GDP Ratio	10.4%	10.9%
Inflation	4.7%	7.5%
Tax collection	Rs. 11.900 trillion	Rs. 14.131 trillion
Non-Tax Revenue	Rs. 4.902 trillion	Rs. 5.147 trillion
Total Revenue	Rs. 16.802 trillion	Rs. 19.278 trillion

Source: *Ministry of Finance, Federal Budget 2025-26*

Budget Allocations	FY 2024-25 (Actual)	FY 2025-26 (Estimated)
Net Revenue	Rs. 9.805 trillion	Rs. 11.072 trillion
Total Federal Expenditure	Rs. 17.249 trillion	Rs. 17.573 trillion
Current Expenditure	Rs. 16.390 trillion	Rs. 16.286 trillion
Overall Fiscal Deficit as % of GDP	5.6%	3.9%
Primary Surplus as % of GDP	2.2%	2.4%
Defence Affairs & Services	Rs. 2.18 trillion	Rs. 2.55 trillion
Federal PSDP	Rs. 1.4 trillion	Rs. 1 trillion
Benazir Income Support Program	Rs. 0.592 trillion	Rs. 0.716 trillion
Privatization Proceeds	Rs. 30 billion	Rs. 87 billion

Source: *Ministry of Finance, Federal Budget 2025-26*

FINANCE BILL 2025 VS. FINANCE ACT 2025:

- KEY AMENDMENTS AND REVISIONS

1) Definitions & Legal Clarifications

	Proposal in Finance Bill 2025	Enacted through the Finance Act 2025
1.	Defined "Tax Fraud" to include withholding tax violations, along with a detailed explanation.	The definition was revised. Withholding tax violations were removed; new measures such as possession of taxable goods and making taxable supplies without registration were added. The Explanation was omitted.
2.	The definition of "courier" included "food delivery platforms and ecommerce delivery services".	The Finance Act omitted the words "food delivery and e-commerce platforms" from the definition of "courier," generalizing it to include any entity delivering goods and collecting cash for sellers, including logistics and ride-hailing services.
3.	Defined "e-commerce" to include both goods and services.	The definition was limited to the sale of goods; "services" were excluded.

2) Income & Corporate Tax Measures

	Proposal in Finance Bill 2025	Enacted through the Finance Act 2025
1.	Proposed 20% tax on profit from bank deposits; 15% for other cases under Section 7B.	A 20% tax was also applied to profit from government securities earned by non-individuals.
2.	No tax proposed on high-income pensioners.	A 5% tax was introduced on annual pension income exceeding Rs. 10 million.

3) Digital Economy & E-Commerce Taxation

	Proposal in Finance Bill 2025	Enacted through the Finance Act 2025
1.	No exemption provided for imports by digital service providers.	A customs tax exemption was added if the recipient is liable under the Digital Presence Proceeds Levy Act, 2025, and tax is collected by a payment intermediary.
2.	Proposed 0.25% to 2% withholding tax on digital and Cash on Delivery (COD) transactions.	The rates were simplified to a flat 1% on digital payments and 2% on Cash on Delivery via courier, regardless of transaction value.
3.	Tax collected by intermediary or courier would be final discharge of liability for all vendors.	Final discharge of tax liability was limited to cottage industry and non–Tier-I retailers only.

4) Levy Adjustments (Petroleum & Fuel Sector)

	Proposal in Finance Bill 2025	Enacted through the Finance Act 2025
1.	Introduced a Carbon Levy at Rs. 2.5/litre (FY 2025–26) and Rs. 5/litre (FY 2026–27).	The levy was renamed to Climate Support Levy; rates remained unchanged.

5) Sales Tax & Excise Adjustments

	Proposal in Finance Bill 2025	Enacted through the Finance Act 2025
1.	No excise duty on day-old chicks.	Rs. 10 per chick Federal Excise Duty (FED) was imposed.
2.	No specific GST treatment for photovoltaic cells.	A 10% GST was imposed on photovoltaic cells, whether or not assembled.

6) Property, Capital Gains & Stamp Duty Measures

	Proposal in Finance Bill 2025	Enacted through the Finance Act 2025
1.	**No specific exemption for residential capital gains.**	Clause 104A was added to exempt capital gain on one self-occupied home held for over 15 years.
2.	**Introduced minimum 4% fair market rent requirement for commercial property.**	This provision was omitted entirely and withdrawn.
3.	**Stamp duty of 1% for filers, 2% for non-filers in Islamabad Capital Territory (ICT).**	A flat 1% stamp duty was applied; filer/non-filer distinction removed.
4.	**Ban on property purchase by ineligible persons.**	The purchase of immovable property by an ineligible person is permitted if the value is up to Rs. 100 million.

7) Administrative Powers & Enforcement Controls

	Proposal in Finance Bill 2025	Enacted through the Finance Act 2025
1.	FBR allowed to arrest Tax fraud without oversight.	The power was retained but requires formal approvals.
2.	Commissioner could bar bank accounts of unregistered persons.	A phased approach was adopted: initially suspend operation for 3 days, repeat suspension and then a permanent bar.

ASSESSING THE SHORT- AND LONG-TERM IMPACTS OF FINANCE ACT 2025 PROVISIONS ON PAKISTAN'S ECONOMY

Preamble

This analytical segment, prepared by the ICMA Research and Publications Department, offers a structured evaluation of the key provisions of the Finance Act 2025 and their expected impact on Pakistan’s economy in both the short term (1–2 years) and medium term (5–6 years). Each measure is assessed for its immediate effects—such as revenue generation, compliance challenges, and market response—and its long-term implications, including sectoral growth, structural transformation, and fiscal sustainability. The aim is to provide policymakers, professionals, and stakeholders with a clear, evidence-based understanding of how these fiscal changes may shape public finances, business activity, and overall economic wellbeing.

For each measure in the Finance Act 2025, this section includes:

- Identification of the relevant section of the Finance Act 2025.
- A summary of key changes in tax rates, exemptions, levies, or compliance requirements.
- An assessment of the likely impact over the next two years, focusing on revenue effects, taxpayer response, and short-term challenges.
- A longer-term outlook (5 to 6 years), highlighting possible structural benefits, risks of market concentration, and effects on economic and fiscal stability.

This analysis goes beyond listing changes. It explains how each amendment could affect the economy—both in terms of opportunities (like formalization, sector growth, and attracting investment) and possible challenges (such as inflation, fairness issues, and administrative burden). By offering a clear short- and long-term view, this compendium supports informed discussion and helps shape better policies for sustainable growth and public finance.

Finance Act 2025

Taxation of Recreational Clubs:

Recreational clubs with membership fees over Rs 1 million are not considered Non-Profit Organizations, and their income is taxable under Section 18 of the Ordinance. *(p. 56 & 58)*

Short-term Impact

- **Impact on Membership Fees:** With the new tax burden, some clubs may raise their membership charges. This could discourage new members and slightly weaken demand in the upscale leisure sector.
- **Immediate Revenue Gains:** Taxing elite recreational clubs those charging over Rs 1 million for membership will bring in some additional revenue. It also underscores the FBR's intent to broaden the tax base.

Long-term Impact

- **Enhanced Tax Equity & Fairness:** By removing special treatment for ultra-wealthy clubs, this policy addresses privileged tax exemptions and strengthens the integrity of Pakistan's tax system.
- **Strengthened Fiscal Position:** Although the initial revenue may be limited but consistent taxation of niche high-income segments can gradually increase funds for development, health, and education initiatives.

Finance Act 2025

Surcharge on Salaries Over Rs 10 Million:

Under the Section 4AB Surcharge on Salaried Individuals, the tax rate for salaried individuals with taxable income exceeding Rs. 10 million, the rate of surcharge is proposed to be reduced from 10% to 9%. *(p. 71)*

Short-term Impact

- **Positive Signal to the Formal Economy:** By addressing the concerns of honest taxpayers—especially around inflation and expense claims, this move will ease tensions and enhance formal-sector sentiment.
- **Modest Revenue Impact:** While revenue loss is minimal, there's a trade-off as the government forgoes some funds in favour of building trust amongst salaried taxpayers.

Long-term Impact

- **Enhancing Perceptions of Fairness:** The salaried class has long felt unfairly taxed while informal and non-filers escape scrutiny. This surcharge reduction will restore some trust in the system's fairness.
- **Encouraging Formalization:** By easing burdens on the formal sector, the government could gain the moral authority to target compliance in informal sectors, promoting a more equitable tax base.

Finance Act 2025

Tax on Digital Presence:

The Digital Presence Proceeds Tax Act, 2025 imposes a 5% withholding tax on payments to foreign digital vendors earning over Rs 1 million annually from Pakistan, if they meet local presence criteria. Banks and fintechs must deduct and remit the tax to curb tax base erosion. *(p. 120-124)*

Short-term Impact

- Compliance Enforcement: Withholding via payment intermediaries ensures better enforcement and minimizes evasion.
- Additional Revenue for the Treasury: The new measure helps reclaim taxes from digital transactions previously untaxed, easing fiscal pressures.
- Higher Costs Passed to Consumers: The tax is likely to be passed on to users through higher prices for digital services like social media ads, subscriptions, and e-commerce.

Long-term Impact

- Encourages Equitable Taxation: Positions Pakistan among countries taxing digital services, enhancing global fiscal credibility, especially important within OECD's Base Erosion and Profit Shifting (BEPS) framework.
- International Tax Disputes: May conflict with double taxation treaties and raise concerns over targeting foreign firms, risking challenges under international tax norms.

Finance Act 2025

NTN & Payment Compliance:

Two changes under the Income Tax Ordinance, 2001 are made: (1) The 10% expense disallowance for transactions with non-NTN suppliers won't apply to direct purchases of agricultural produce; (2) Payments over Rs 200,000 per invoice must be made through banking or digital channels, or 50% of the expense will be disallowed. *(p. 58)*

Short-term Impact

- Relief for Agri Supply Chain: Exemption from NTN requirement for growers reduces compliance burden for businesses sourcing directly from the agricultural sector, ensuring uninterrupted supply and lower operational costs.
- Shift Toward Banking Channels: Mandatory digital/banking payments above Rs 200,000 may create short-term challenges for cash-reliant businesses, especially SMEs, as they adjust to formal banking transactions.

Long-term Impact

- Enhanced Documentation & Formal Economy: Encourages businesses to formalize transactions and expand digital payment adoption, supporting broader tax base growth and economic transparency.
- Agriculture Sector Integration: Promotes inclusion of the agriculture sector into the formal economy without overburdening small growers, potentially increasing tax compliance over time.
- Reduced Informality & Leakages: Strengthens audit trails and reduces leakage in high-value transactions, contributing to better fiscal management and deeper financial inclusion.

Finance Act 2025

Sales Tax on E-commerce:

Serial No. 8 of the 11th Schedule to the Sales Tax Act, 1990 has been revised. Payment intermediaries (e.g., banks, gateways) are now subject to 1% tax, while courier companies must collect 2% sales tax on cash-on-delivery transactions for online sellers in Pakistan. Both now serve as withholding agents. *(p. 90)*

Short-term Impact

- **Level Playing Field for Formal Retail:** These measures help balance the tax burden between documented e-commerce platforms and informal brick-and-mortar shops, enhancing fairness and protecting existing formal businesses.

- **Immediate Revenue Enhancement:** Withholding agents like banks, payment gateways, and courier services ensure automatic collection of 1–2% sales tax and withholding tax, boosting state revenue quickly and minimizing tax evasion.

Long-term Impact

- **Expansion of the Formal Tax Base:** Capturing previously untaxed online transactions helps document and tax a significant high-growth segment of the economy supporting broader fiscal reforms.

- **Sectoral Stability & Growth Prospect:** By integrating the e-commerce sector into formal economic policy can help FBR build conditions for sustainable investment and predictability leading to long-term sectoral growth.

Finance Act 2025

Tax Credit for Home Loan Borrowers:

Under the Section 63A, individuals who finance the construction or purchase of a modest personal residence (house ≤ 2,500 sq ft land or flat ≤ 2,000 sq ft) with loans from scheduled banks, SECP-regulated institutions, government bodies, or listed companies may claim a tax credit on the interest ("profit on debt"), rent-share, or appreciation-share payments. The credit equals the lesser of the actual finance cost paid or 30 % of taxable income (pro-rated against the tax liability). Once claimed for one property, it cannot be used again for another property for the next 15 years. *(p. 60-62)*

Short-term Impact

- **Boost to Homeownership & Mortgage Uptake:** Lowers effective borrowing costs, making home loans more attractive for middle-income families and encouraging banks to develop tailored mortgage products—deepening Pakistan's formal credit market.

- **Boost to Industries & Jobs:** Increased housing demand fuels allied industries (cement, steel, tiles, paint, appliances), construction services, and labor markets, generating jobs and boosting GDP.

Long-term Impact

- **Enhanced Labor Mobility & Productivity:** Easier access to affordable housing supports worker relocation and stability, improving productivity and sustaining demand for construction-related services.

- **Broader Tax Base & Compliance:** Formalization of housing finance encourages greater documentation and tax compliance, aiding FBR's long-term revenue goals despite a short-term reduction in revenues.

Finance Act 2025

Advance Property Withholding Tax:

Under the Finance Act 2025, Section 236C increases advance withholding tax rates for property sellers who are active filers to 4.5% for sales up to Rs 50 million, 5% for sales between Rs 50–100 million, and 5.5% for sales exceeding Rs 100 million—up from the previous rates of 3%, 3.5%, and 4%, respectively. In contrast, Section 236K reduces the advance tax rates for property buyers who are filers to 1.5%, 2%, and 2.5% for the same respective value brackets, down from the previous 3%, 3.5%, and 4%. *(p. 94)*

Short-term Impact

- Seller-Side Pressure: Higher taxes on property sellers may temporarily reduce market activity, as developers and homeowners adjust to increased costs.
- Buyer-Side Relief: A 1.5% reduction in buyer-side taxes helps offset costs, supporting property demand and maintaining transaction momentum despite seller-side strain.

Long-term Impact

- Formalization & Transparency: Adjusted withholding taxes, especially focused on high-value transactions, encourage accurate property valuation and reduce under-reporting, helping to bring more real estate into the formal tax system, a move that could boost long-term tax compliance.
- Black Market Risk: There's a possibility that buyers and sellers may circumvent the system by reverting to under-the-table or informal dealings to avoid higher withholdings especially where enforcement is weak.

Finance Act 2025

Property Sale Tax Exemption Rules:

Under Section 236C captial gains on the sale of residential property are no longer automatically exempt under section 37(1A). Sellers can now claim exemption from advance tax under section 236C only once in 15 years by obtaining a certificate from the Commissioner, provided the property has been:

(a) in personal use for 15 years,

(b) declared in the wealth statement for 15 years, and

(c) recorded as a personal residence in the tax record. *(p. 76)*

Short-term Impact

- Advance Tax Rise: The requirement of exemption certificates under section 236C may increase advance tax revenue from residential property sales, narrowing fiscal gaps quickly
- Short-term Sales slowdown: Sellers likely to delay transactions until eligible for exemption, leading to a temporary slowdown in real estate turnover.

Long-term Impact

- Property Records to Boost Compliance: Mandatory documentation encourages tracking of high-value property holdings, improving data and tax compliance over time .
- Slower Turnover in the High-End Property Market: Compliance burdens and stricter exemption rules may discourage frequent transactions, potentially reducing liquidity in the upper segments of the real estate market.

Finance Act 2025

25% Tax Rebate for Educators and Researchers:

Clause (3A) inserted via Finance Act 2025 grants a 25% reduction in tax payable by full-time teachers and researchers employed in non-profit institutions recognized by the HEC, a Board of Education, or a recognized University, including government research institutions. The rebate applies only to salary income and excludes medical professionals earning from private practice or patient fees. It is effective retrospectively from July 1, 2022, and remains valid up to Tax Year 2025. *(p. 104-105)*

Short-term Impact

- **Direct Benefit to Teachers and Researchers:** Provides much-needed tax relief to the teaching and research community in recognized institutions, enhancing their disposable income during inflationary pressure.

- **Revenue Pressure in FY2025–26:** Retroactive application may lead to refunds or reduced collections, narrowing fiscal space.

Long-term Impact

- **Ends After 2025:** No continued benefit or incentive for future compliance beyond the expiry year.

- **Creates Uncertainty:** Retroactive, time-bound relief followed by sudden withdrawal may create uncertainty in taxpayer expectations, undermining confidence in future fiscal policymaking.

Finance Act 2025

Tax Slabs for Individuals (Tax Year 2025):

As per the Finance Act 2025, under the First Schedule, Part I, Division I, clause (2) of the Income Tax Ordinance, 2001, revised income tax slabs have been introduced for salaried individuals. No tax is applicable on annual income up to Rs. 600,000. For income between Rs. 600,001 and Rs. 4.1 million, tax is applied progressively, starting from 1% and increasing up to 30% across various brackets. Incomes exceeding Rs. 4.1 million are subject to a base tax of Rs. 616,000, plus 35% on the amount exceeding that threshold. *(p.84-85)*

Short-term Impact

- **Boost to Tax Filing Rates:** The simplified and more favorable tax structure may motivate new or previously hesitant taxpayers to file returns, helping Pakistan grow its active taxpayer base, which currently stands at just 1.3% of the population .

- **Revenue Risk in the Short Run:** While consumption may get a boost, reduced tax rates can cut immediate fiscal inflows, complicating Pakistan's efforts to meet its FY 26 revenue target of Rs. 14.13 trillion, highest in the history.

Long-term Impact

- **Improved Compliance Incentives:** Reduced tax burden for middle-income earners encourages return filing and supports efforts to raise Pakistan's low tax-to-GDP ratio.

- **Formal Economy Growth & Investment Stimulus:** Lighter tax burdens support formal sector expansion, boosting savings, investment, and economic stability aligned with successful regional tax and digitization reforms.

Finance Act 2025

Pension Threshold:

Under the Finance Act 2025, a new sub-section (2A) has been added to Section 12 of the Income Tax Ordinance, 2001, introducing a tiered tax treatment for pension income received from a former employer. Pension income up to Rs. 10 million per year will be completely exempt from tax (0%). If the pension amount exceeds Rs. 10 million, then only the amount exceeding Rs. 10 million will be subject to tax at a rate of 5%. *(p.57)*

Short-term Impact

- **Modest revenue gain:** This 5% tax on only the excess above Rs. 10 million is expected to generate limited but positive revenue to federal receipts.

- **Fiscal Flexibility with IMF Compliance:** The measure supports IMF-recommended efforts to increase revenue from higher-income segments. It also offers short-term fiscal space that can be used for development spending or debt reduction.

Long-term Impact

- **Fairness and Expanded Base:** Applying tax only to higher pensions promotes equity while ensuring wealthier retirees to contribute modestly. It integrates pension income into the formal tax net and improves long-term revenue potential.

- **Pension System Strain & Complexity:** With pension liabilities rising rapidly, forecasted to reach unsustainable levels, this measure alone may prove inadequate in addressing long-term fiscal pressures.

Finance Act 2025

Withholding Rate Profit-on-Debt:

Under Section 7B of the Income Tax Ordinance, tax on profit on debt is now differentiated based on the source: A 20% tax applies to interest earned from banking companies and financial institutions, paid on any account or deposit. Similarly, yields from government securities (under Section 151(1)(c)) paid to non-individuals are also taxed at 20%. In all other cases such as interest from private loans or non-institutional sources the tax rate remains at 15%. *(p.89)*

Short-term Impact

- **Savings Discouragement:** Higher taxes on interest income may discourage savings through formal channels, reducing deposits in banks. This could dampen banks' liquidity and limit banks' capacity to lend, especially to SMEs.

- **Increased Tax Revenue:** The increased tax rate of 20% on interest earned from banking companies, financial institutions, and government securities might generate more revenue for the government in the short term. This could help bridge the tax collection gap and support the government's fiscal goals.

Long-term Impact

- **Increased Formalization:** The higher tax rate on interest from banking and financial institutions might encourage individuals and businesses to explore alternative investment options. However, the formal financial sector could still grow due to increased financial inclusion and stability.

- **Investment Patterns:** The differentiated tax rates might influence investment decisions, potentially leading to a shift towards private lending or other investment avenues with more favorable tax treatment.

Finance Act 2025

Advance Tax on Cash Withdrawals:

As per the Finance Act 2025, Section 231AB of the Income Tax Ordinance, 2001 has been amended to increase the advance tax rate on daily cash withdrawals exceeding Rs. 50,000 by non-filers. The rate has been raised from 0.6% to 0.8%, aiming to encourage documentation and widen the tax net. *(p.83)*

Short-term Impact

- **Boost in Tax Compliance:** The higher rate encourages non-filers to register and adopt formal financial channels, supporting broader tax documentation efforts under IMF-RSA benchmarks.
- **Short-Term Consumer Impact:** Individuals who depend heavily on cash, especially in the informal sector may face marginally higher transaction costs, potentially curbing consumption or operational cash flow.

Long-term Impact

- **Formalization of Economy:** By discouraging cash transactions, the government aims to promote digital payments and financial transparency, potentially reducing the size of the informal economy.
- **Improved Monetary Control:** More cash circulating outside banks makes monetary policy less effective and complicates efforts to manage inflation and liquidity. Reduced cash circulation will help better control over inflation and liquidity trends.

Finance Act 2025

Super Tax Rate Adjustment for High-Earning Brackets:

As per Section 4C, Division IIB of Part I of the First Schedule of the Income Tax Ordinance, 2001, amended through the Finance Act 2025, a 0.5% reduction in super tax rates has been introduced for high-income individuals earning between Rs 200 million and Rs 500 million. The highest slab (above Rs 500 million) remains unchanged at 10%. This adjustment is intended to ease the burden on upper-income taxpayers without significantly affecting government revenue. *(p.85-88)*

Short-term Impact

- **Boost in Investment Confidence:** The reduced super tax may incentivize high-income individuals to reinvest in domestic markets, supporting short-term economic growth.
- **Reduced Brain Drain:** The slight reduction in surcharge for high-income earners might help mitigate “brain drain” by making it more attractive for skilled professionals to stay in Pakistan.

Long-term Impact

- **Revenue Shortfall:** Reduced tax rates might lead to decreased government revenue, limiting public spending on essential services.
- **Economic Stimulus:** Targeted tax relief could lead to increased consumer spending, stimulating economic activity and potentially creating jobs.

Finance Act 2025

Tax on Mutual Fund Income:

Under the Finance Act 2025, a new clause (ba) has been inserted in Division III, Part I of the First Schedule of the Income Tax Ordinance, 2001, introducing a revised tax regime for mutual funds. Under this provision, debt-based mutual funds will now be taxed at a rate of 25%, while equity-based mutual funds will be subject to a lower tax rate of 15%. *(p. 88)*

Short-term Impact

- **Reduced Attractiveness:** Higher tax rates could make mutual funds less attractive to investors, especially foreign investors, which might lead to lower inflows into capital markets.
- **Impact on Middle-Class Investors:** Mutual funds are a popular investment option for middle-income groups. Increased tax rates might reduce their participation in the financial market, potentially affecting their savings and investment habits.

Long-term Impact

- **Impact on Financial Inclusion:** The increased tax rate might undermine the government's efforts to promote financial inclusion and formal savings, especially among the middle class and freelancers.
- **Increased Government Revenue for Infrastructure Development:** The revenue generated from the tax on mutual funds could be utilized for infrastructure development, potentially improving the business environment and promoting economic growth.

Finance Act 2025

Taxation of E-commerce Payments:

The Finance Act 2025 introduces a withholding tax on digital transactions in e-commerce platforms. Payment intermediaries and courier services are responsible for withholding tax based on payment methods:

- Digital/banking payments:
- 1% for payments up to Rs 10,000
- 2% for payments between Rs 10,001 and 20,000
- 0.25% for payments over Rs 20,000

-Cash-on-delivery (CoD) payments:
- 0.25% for electronic and electrical goods
- 2% for clothing, apparel, and garments
- 1% for all other goods
This tax applies to digitally ordered goods or services. *(p. 89)*

Short-term Impact

- **Impact on Small Businesses:** Small and medium-sized enterprises (SMEs) might face challenges due to increased costs and compliance burdens, potentially affecting their profitability and sustainability.
- **Formalization of Economy:** The tax measures aim to bring the digital economy into the tax net, promoting formalization and potentially reducing the size of the informal economy.

Long-term Impact

- **Enhanced Data Collection:** The tax on digital transactions will provide valuable data for the government, supporting more informed policy-making and improved economic planning.
- **Enhanced Transparency and Accountability:** The tax on digital transactions could promote transparency and accountability in financial transactions, potentially reducing corruption and improving governance.
- **Changes in Delivery Models**: The tax policy might lead to changes in delivery models, potentially affecting the way COD services operate and interact with customers.
- **Changes in Transaction Volumes:** The tax policy might lead to changes in transaction volumes, potentially affecting banks' revenue from transaction fees.

Finance Act 2025

Mandatory Registration for E-Commerce Vendors:

A new sub-section (1A) inserted under Section 181 of the Income Tax Ordinance, 2001 requires that every online marketplace or courier service involved in e-commerce in Pakistan, by supplying or delivering digitally ordered goods or services, must not allow any vendor to use its platform for transactions unless the vendor is registered under the Sales Tax Act, 1990 and the Income Tax Ordinance, 2001. *(p.25)*

Short-term Impact

- **Formalization of E-Commerce:** Mandatory vendor registration under sales and income tax laws can help boost government revenues from the fast-growing e-commerce sector.
- **Small Vendors Face Entry Barriers:** Smaller sellers may face friction registering and complying, potentially limiting the diversity of products and increasing operational costs temporarily.

Long-term Impact

- **Better Data and Oversight:** This measure encourages vendors to enter the formal economy, improving data tracking, regulatory oversight, and consumer protection.
- **Formal E-Commerce to Spur:** A more regulated, transparent e-commerce ecosystem may attract local and foreign investment, driving sustainable sector growth.

Finance Act 2025

Tax Provision for IT Sector:

As per the Finance Act 2025, sub-section (2A) of section 152 of the Income Tax Ordinance, 2001 has been amended to increase the general withholding tax rate from 4% to 8%. However, a new proviso has been inserted under Division III, specifying that the tax rate shall remain 4% in the case of IT services and IT-enabled services, as defined under section 2 of the Ordinance. This maintains a concessional rate for the IT sector to support its growth while adjusting rates for other service categories. *(p.92)*

Short-term Impact

- **Increased Costs for Businesses:** The increased withholding tax rate from 4% to 8% on certain services could lead to higher costs for businesses, potentially affecting their profitability and sustainability.
- **Increased Revenue Generation:** The increased withholding tax rate on specified services is expected to generate additional revenue for the government, which could help reduce the budget deficit and support public spending.

Long-term Impact

- **Changes in Business Models:** The tax differential might lead to changes in business models, with companies potentially restructuring their operations to take advantage of the lower tax rate for IT services and IT-enabled services.
- **Impact on Service Exports:** The increased tax rate might affect Pakistan's competitiveness in service exports, possibly affecting foreign exchange inflows and trade balance.

Finance Act 2025

Climate Support Levy Introduction:

A new levy has been introduced to address environmental concerns from fuel consumption. It will be applied in two phases on Motor Spirit, High-Speed Diesel, and Furnace Oil starting at Rs. 2.5 per liter in FY 2025-26 and increasing to Rs. 5 per liter in FY 2026-27. This levy is in addition to the existing Petroleum Levy. *(p. 1-2)*

Short-term Impact

- **Enhanced Climate Resilience:** The funds generated will help build climate resilience in Pakistan, reducing the country's vulnerability to climate-related risks such as floods and droughts.

- **Better Investment Planning:** Funds are expected to support improved public investment in sustainable water use, disaster preparedness, and climate-resilient infrastructure.

Long-term Impact

- **Support for Green Transition:** If revenues are directed toward green initiatives such as electric vehicle incentives and renewable infrastructure it would align with the IMF-backed climate transition and can gradually reduce fossil fuel dependency.

- **Inflationary Pressure:** Without targeted subsidies or climate spending, the levy disproportionately impacts low-income and transport-dependent households suppressing consumption. This risk may marginally reduce long-term consumer spending and slightly slowing economic growth.

Finance Act 2025

New Energy Vehicles Adoption Levy Act, 2025:

This Act imposes a levy on all locally manufactured or imported vehicles that run on fossil fuels (like petrol or diesel) to promote the use of electric and zero-emission vehicles in Pakistan. New energy vehicles, export-only vehicles, and diplomatic vehicles are exempted. The collected funds will support the adoption of eco-friendly transport. The levy will be collected like sales tax or import duty, and the government may revise rates or grant further exemptions as needed. *(p. 125-128)*

Short-term Impact

- **Revenue for Green Infrastructure:** Initial levy collections can be allocated to EV charging stations and power grid upgrades, helping launch green infrastructure without straining the federal budget.

- **Higher Upfront Vehicle Costs:** Dealers and consumers of fossil-fuel vehicles will face immediate price increases, potentially depressing overall vehicle sales and impacting auto-sector turnover.

Long-term Impact

- **Domestic Manufacturing Growth:** Local assembly and component industries (batteries, motors, chargers, etc.) will expand to meet rising EV demand, creating new value chains and reducing import dependency.

- **Stranded Assets & Job Losses:** Parts suppliers, mechanics, and related logistics for ICE (internal-combustion engines) may face contraction, requiring workforce retraining and policy support to manage the transition.

Finance Act 2025

Photovoltaic Cell Taxation:

As per Table-1 of the Eighth Schedule to the Sales Tax Act, 1990, the Finance Act 2025 imposes a 10% sales tax on photovoltaic cells, whether assembled into modules or panels or not. This measure aims to streamline taxation in the renewable energy sector, encourage domestic production, and improve revenue collection without entirely discouraging solar adoption. *(p.52)*

Short-term Impact

- **Domestic Assembly Incentive:** By taxing all imported cells uniformly, the policy encourages investors to develop local module-assembly and panel-manufacturing facilities in Pakistan, kick-starting new green manufacturing jobs and supply chains.
- **Higher Upfront Solar Costs:** Importers and system-integrators will face 10% higher input costs, potentially raising prices for end-users of rooftop and grid-tied solar, which could slow down adoption rates among cost-sensitive households and small businesses.

Long-term Impact

- **Slower Solar Adoption:** Elevated module costs may keep end-user prices higher than in competing markets, dragging out payback periods and slowing the pace of new installations especially among cost-sensitive commercial and off-grid users.
- **Enhanced Energy Security:** A stronger local manufacturing base reduces dependence on imported modules over time, improving Pakistan's ability to expand solar capacity without foreign-exchange fluctuations.

Finance Act 2025

Tax Restrictions for Ineligible Persons

Under Section 114C of the Income Tax Ordinance, 2001 (inserted via the Finance Act 2025), individuals classified as ineligible persons—those who have not filed a tax return or failed to declare assets—are required to obtain a tax eligibility certificate before engaging in specific high-value financial activities.

These restricted transactions include: (1) Purchasing a vehicle exceeding Rs. 7 million. (2) Transferring residential property worth over Rs. 50 million or commercial property worth over Rs. 100 million. (3) Making new investments in securities above Rs. 50 million. (4) Withdrawing more than Rs. 100 million in cash from bank accounts in a tax year. These thresholds aim to promote tax compliance by ensuring that only registered and compliant taxpayers can undertake major financial transactions. *(p.114-115)*

Short-term Impact

- **Increased Tax Filings and Documentation:** Individuals previously operating outside the tax net may be compelled to file returns or declare assets to participate in high-value transactions. This can immediately increase FBR's taxpayer base.
- **Discouragement of Undocumented Wealth:** Linking major transactions to tax compliance limits the flow of black money into real estate, vehicles, and securities, thereby increasing the share of documented economic activity.

Long-term Impact

- **Cleaner Investment Channels:** With high-value property, vehicle, and securities transactions linked to declared income, money laundering and benami practices may decline, enhancing transparency in financial markets.
- **Shift in Market Dynamics:** Informal investors may stay out of high-value segments, potentially reducing liquidity in sectors such as real estate and luxury vehicles. However, this could result in a smaller but more transparent and tax-compliant marketplace.

Finance Act 2025

FED on Day-Old Chicks:

A new FED of Rs 10 per day-old chick has been introduced under the poultry sector provisions in the Federal Excise Act. This means that hatcheries are now required to pay this duty on every chick they hatch. It's expected to widen the tax net and generate additional revenue estimated at Rs 15 billion annually, given the production of around 1.5 billion chicks per year. *(p. 117)*

Short-term Impact

- **Improved Regulatory Oversight:** As hatcheries comply with excise reporting requirements, the government gains better data on production volumes and industry practices, aiding policy and planning.

- **Pressure on hatcheries:** The levy slightly raises the cost of poultry hatcheries, potentially feeding into higher prices for chicks and eggs. However, poultry firms may absorb some of this cost, mitigating any near-term inflationary effect.

Long-term Impact

- **Improved Equity in Taxation:** The tax helps ensure large commercial poultry producers contribute their fair share, reducing the disproportionate burden on salaried individuals and urban taxpayers.

- **Minimal GDP Impact:** If the duty significantly raises chick prices, it could slightly limit hatchery growth. Still, the sector's overall expansion trend suggests the negative impact on GDP is likely to be minimal given sustained domestic demand.

Finance Act 2025

Cargo Tracking and e-Bilty:

The Finance Act 2025 mandates a digital Cargo Tracking System notified by FBR, making e-Bilty the official transport document. All in-transit goods must carry tax invoices linked with e-Bilty under Section 40C of the Sales Tax Act and Section 83C of the Customs Act. Tier-1 retailers and other designated taxpayers are required to adopt real-time e-invoicing through FBR-approved integrators. Penalties include Rs 50,000 for tampering with e-Bilty (plus tax recovery), Rs 300,000 to Rs 1 million for failure to comply with digital reporting, and up to Rs 10 million fine and 10 years' imprisonment for tax fraud. These measures aim to enhance transparency, prevent evasion, and expand the tax base. *(p.18-19, 30-37).*

Short-term Impact

- **Reduced Smuggling and Tax Evasion:** Real-time cargo tracking and mandatory e-Bilty-linked invoicing will close key loopholes in goods movement. This will help curb under-invoicing and smuggling, boosting indirect tax collections from transported goods.

- **Enhanced Investor Confidence:** Greater transparency and predictability in customs and excise processes will make Pakistan more attractive for cross-border trade and warehousing investments.

Long-term Impact

- **Broader Formalization:** Widespread adoption of e-invoicing and cargo tracking will bring many previously informal logistics and trading operations into the tax net, solidifying Pakistan's indirect-tax base.

- **Spillovers into Other Sectors:** Success in cargo tracking integration will encourage similar digital adoption in agriculture (e-mandi platforms), manufacturing (smart factories), and retail (omni-channel inventory).

Disclaimer: The Finance Act 2025's impact is assessed over a 1–2 year horizon (short term) and a 5–6 year horizon (long term)

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