

**TRUSTPOINT CONSULTANTS**

TAX · ADVISORY · ASSURANCE

BUDGET BRIEF

The Finance Bill 2026–27

explained, simply.

A plain-language guide to every major change in Income Tax, Sales Tax, Customs and Federal Excise — and what each change means for you, your salary, your business and your investments.

JURISDICTION

Pakistan
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As tabled · subject to
enactment

EDITION

English

A map for the pages ahead

This brief distils the **Finance Bill 2026** — the document the Federal Government has placed before the National Assembly — into language a non-specialist can act on. Throughout, we use three simple tags:

- RELIEF** a change that *reduces* your tax or cost. **COST** a change that *raises* tax, cost or compliance.
- WATCH** a structural or enforcement change to be aware of.

IMPORTANT These are **proposals** in a money Bill. They take effect from 1 July 2026 *after* the National Assembly passes the Finance Act, and may change during debate. Figures and rates are taken from the Bill as tabled; always confirm the final enacted position before relying on it for a transaction.

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Executive summary

If you read nothing else, read this. The 2026–27 Bill is built on three ideas: **give the salaried class and the property market visible relief**, **cut the cost of imported industrial inputs**, and **tighten the net through data, digital invoicing and faceless enforcement**.

Lower headline rates for individuals and large companies, paid for by a far wider and better-documented base — that is the trade at the heart of this budget.

Salaried relief

New intermediate slabs; the 35% top rate now starts at Rs 7m (was Rs 4.1m); the 9% surcharge on high earners is abolished.

Super tax eased

No super tax below Rs 500m of income (except banks, oil & gas E&P and fertiliser); the 10% top rate falls to 8%.

Cheaper inputs for industry

Customs duty, additional customs duty and regulatory duty cut across thousands of tariff lines under the National Tariff Policy.

The digital net tightens

Banks must report deposits/withdrawals over Rs 100m for algorithmic cross-matching; new tax on social-media earnings.

Faceless everything

A National Faceless Centre will run audits, assessments and appeals with the officer's identity hidden from the taxpayer.

Property made cheaper to transact

Seller advance tax cut to a flat 2.75%, buyer to 1.25%; the Section 7E tax on "deemed" rental income is scrapped.

Exporters & IT favoured

Export tax cut from 2% to 1.25%; the 0.25% concession for IT / IT-enabled exports extended to tax year 2029.

Overseas Pakistanis eased

Capital Value Tax on foreign movable & immovable assets of residents abolished; non-resident accounts streamlined.

Consumers pay more on branded goods

~20 new packaged-good categories move to sales tax on the printed retail price; FED rises on vaping, fuel solvents and luxury cars.

Heavier penalties

Sales-tax and income-tax penalties multiplied several-fold; new offences for fake/"flying" invoices and mismatched input tax.

THE ONE-LINE TAKEAWAY If you are salaried, own property, export, or run a company under Rs 500m, this budget is good news. If you trade in cash, deal in undocumented invoices, buy luxury imports, or vape — it costs you more.

Who wins, who pays

A one-glance verdict for each kind of taxpayer. Details and numbers follow in the chapters.

The salaried person **NET WINNER**

- Middle and upper slabs cut by 3–6 percentage points.
- 35% rate now bites only above Rs 7m (was Rs 4.1m).
- 9% surcharge on income above Rs 10m gone.
- Annual saving ranges from nil (low income) to Rs 500,000+ (high income).

The small businessman / shopkeeper

MIXED

- Special procedure for small traders & shopkeepers (section 99B) broadened — fixed tax & simpler filing.
- But: tax credit for digital integration, and pressure to register.
- Distributors/dealers minimum tax up 0.25% → 0.5%.
- Cash & undocumented dealing gets riskier and costlier.

The large business / industrialist

NET WINNER

- Super tax removed below Rs 500m income; top rate 10% → 8%.
- Cheaper imported raw materials and machinery.
- 10% tax credit for FBR system integration.
- Banks, oil & gas E&P and fertiliser excluded from super-tax relief.

The property owner / investor **NET WINNER**

- Section 7E "deemed income" tax abolished.
- Seller advance tax flat 2.75%; buyer flat 1.25%.
- Clear cost basis for inherited property & family settlements.

The stock-market investor **MIXED**

- NCCPL's role in computing capital gains expanded.
- Non-filers lose shelter from higher CGT rates on listed shares.
- Strong nudge to file returns and join the ATL.

Overseas / foreign-asset holder

NET WINNER

- Capital Value Tax on residents' foreign assets abolished.
- Non-resident rupee/foreign-currency accounts streamlined.
- Filing exemptions clarified for NRVA/FCVA holders.

Content creator / freelancer **MIXED**

- Influencers/creators: new 5% withholding on social-media earnings via banks (minimum tax for residents).
- IT & IT-enabled service exporters: 0.25% concession kept — now extended to 2029.
- Independent professionals (incl. software engineers): service withholding set at 15%.

The everyday consumer **PAYS MORE**

- Branded packaged foods, cosmetics, footwear, crockery etc. taxed on printed retail price.
- Higher FED on vaping, certain fuels and luxury cars.
- Relief: sanitary pads & tampons exempt; magazines & books exempt.

Income Tax Ordinance, 2001

The chapter most people feel directly — salary, property, savings, business income and the fast-expanding machinery of documentation.

3.1 Salaried individuals — real, visible relief

The salary tax table has been re-cut. The two lowest slabs are unchanged, so anyone earning up to **Rs 2.2 million a year (~Rs 183,000/month)** sees no change. Above that, rates fall and — crucially — two new *intermediate* slabs (29% and 32%) are inserted so that the punishing 35% rate now begins only above **Rs 7 million** instead of Rs 4.1 million. Separately, the **9% surcharge** that applied to individuals earning over Rs 10 million is **abolished**.

SALARIED INCOME TAX — CURRENT (2025-26) VS PROPOSED (2026-27)

Annual taxable income	Current rate on the slab	Proposed rate on the slab
Up to Rs 600,000	0%	0%
600,000 – 1,200,000	1%	1%
1,200,000 – 2,200,000	11%	11%
2,200,000 – 3,200,000	23%	20%
3,200,000 – 4,100,000	30%	25%
4,100,000 – 5,600,000	35%	29%
5,600,000 – 7,000,000	35%	32%
Above 7,000,000	35%	35%
Surcharge (income > Rs 10m)	9% of tax	Abolished

What it means in rupees — worked examples

Tax computed on the slab tables above (excluding any personal credits). "Saving" is the annual fall in tax.

ESTIMATED ANNUAL TAX — SALARIED INDIVIDUAL

Monthly salary	Annual income	Tax now (25-26)	Tax proposed (26-27)	Annual saving	Per month
Rs 100,000	1,200,000	6,000	6,000	0	0
Rs 183,000	2,200,000	116,000	116,000	0	0
Rs 267,000	3,200,000	346,000	316,000	30,000	2,500
Rs 342,000	4,100,000	616,000	541,000	75,000	6,250
Rs 467,000	5,600,000	1,141,000	976,000	165,000	13,750
Rs 583,000	7,000,000	1,631,000	1,424,000	207,000	17,250
Rs 1,000,000	12,000,000	3,685,290	3,174,000	511,290	42,608

RELIEF — SALARIED CLASS No change up to Rs 2.2m a year. Above that everyone gains, and the gain grows with income because of the new 29% / 32% slabs and the removal of the 9% surcharge. A person on Rs 1m/month keeps roughly **Rs 0.5 million more** a year.

3.2 Super tax (Section 4C) — rationalised for larger firms

Super tax previously climbed in steps from 1% (income over Rs 150m) up to 10% (over Rs 500m). The Bill collapses this for ordinary businesses:

- **RELIEF** **No super tax at all below Rs 500m** of income for most persons (previously it began at Rs 150m).
- **RELIEF** Above Rs 500m the top rate drops from **10% to 8%**.
- **CARVE-OUT** **Banking companies, oil & gas exploration & production, and fertiliser** keep paying 10% (from Rs 150m) — they are explicitly excluded from the relief.

3.3 Real estate — cheaper to buy, sell and hold

- **RELIEF** **Section 7E abolished.** The tax on "deemed" income (a notional 5% rental value) from capital assets is gone — removing a much-litigated levy and the 7E certificate hurdle on property transfers.
- **RELIEF** **Seller advance tax (236C):** replaced by a flat **2.75%** (previously a slab of 4.5%–5.5% by value).
- **RELIEF** **Buyer advance tax (236K):** replaced by a flat **1.25%** (previously 1.5%–2.5% by value).
- **CLARITY** The **cost** of inherited property is now fixed at its fair-market value on the date of the original owner's death; transfers by family settlement after death are treated as inheritance, not sale.

3.4 Exporters & the IT sector

- **RELIEF** Total tax on export proceeds reduced from **2% to 1.25%** (the separate 1% advance tax under section 147(6C) is removed and the export withholding set at 1.25%).
- **RELIEF** The concessionary **0.25%** tax rate for exporters of **IT and IT-enabled services** is extended from 2026 to **tax year 2029**.

- **WATCH** A new **10% tax credit** (Section 64D) on money invested in hardware/software to integrate with FBR's systems.

3.5 The digital economy — new taxes, new reporting

- **NEW TAX** **Social-media & influencer income (Section 154B)**: banks and financial institutions will deduct **5%** on amounts received from platforms such as YouTube, Facebook, Instagram and TikTok — minimum tax for residents, final tax for non-residents.
- **RELIEF** **Foreign card spending**: advance tax on debit/credit/prepaid card payments abroad cut from **5% to 0.5%**.
- **WATCH** **E-commerce**: tax deducted on online sales becomes *adjustable* (not final) for sellers with turnover above Rs 200m.
- **RELIEF** Advance tax on **foreign TV plays & advertisements** withdrawn (Section 236CA omitted).

3.6 A new tax on life-insurance "investment" policies

To curb the use of life-insurance products as a tax shelter, a new tax (Sections 7G / 151B) applies to the *gain* portion of a payout — i.e., the amount received *less* premiums paid:

- **NEW TAX** **15%** if the policy is cashed within 1 year of issue; **10%** between 1 and 7 years. Deducted by the insurer as a final tax.
- **EXEMPT** Payouts on **death, disability**, or after **7 years** from issue are not taxed — protecting genuine long-term and protection policies.

3.7 Professionals & services — withholding re-rated

- Specified services general rate raised from **6% to 7%**.
- **NEW CATEGORY** **Independent professionals** (doctors, lawyers, architects, accountants, software engineers/developers working on their own): **15%**.
- Advertising services to print/electronic media: **1.5%**; other services: **14%**; terminal/port services: **12%**.

3.8 Investors & non-filers

- **COMPLIANCE PUSH** Non-filers lose their shelter from the **enhanced (Tenth Schedule) rates** on capital gains from listed securities — a strong reason to file and join the ATL.
- **WATCH** **NCCPL's** role in computing and collecting capital-gains tax on listed shares is expanded (banks, insurers and mutual funds compute under section 37A but continue to deposit tax).

3.9 Overseas Pakistanis

- **RELIEF** **Capital Value Tax** on **foreign movable and immovable assets** of resident Pakistanis is **abolished** (amendment to the Finance Act 2022).
- **RELIEF** Treatment of **FCVA / FCBVA / NRVA / NRBVA** accounts streamlined; filing and Section 181 (registration) relief extended to these account-holders where their Pakistan income is limited to specified categories.

3.10 Documentation, data & enforcement — the quiet revolution

- **BIG ONE** **Bank data cross-matching (Section 165AB):** banks & e-money institutions must report account-holders whose deposits or withdrawals exceed **Rs 100 million** in a six-month period — fed into a Central Data Hub and algorithmically matched against tax declarations. The data is processed without any officer seeing it; only "gross mismatches" go to the Faceless Centre.
- **WATCH** **National Faceless Centre & faceless audit/assessment/appeal:** proceedings run electronically with the officer's identity (even face and voice) kept confidential.
- **WATCH** **Algorithmic Settlement Mechanism:** the system can offer a taxpayer a computed settlement; accept within 10 days and pay, and the issue is closed with no separate penalty or default surcharge.
- **COST** Failure to install prescribed electronic resources / integrate can mean **disallowance of up to 5% of expenses** and penalties of Rs 1m+ per default.
- **COST** Penalties broadly enhanced — e.g., claiming withholding credit in excess of what was actually deposited now carries a penalty equal to the excess.

Sales Tax Act, 1990

Where the budget reaches into the supermarket trolley — and squeezes the undocumented supply chain.

4.1 The Third Schedule expands — tax on the printed price

Goods in the **Third Schedule** are taxed at their **retail (printed) price**, with the manufacturer paying the full sales tax up front. The Bill adds roughly **20 new categories** of everyday branded, retail-packed goods, including:

- Cooking oils, ghee & vegetable/animal fats; milk & infant milk preparations; jams; sugar confectionery; pasta; sauces & ketchup; fermented beverages.
- Footwear (all types); plastic tableware, household & storage items; trunks, bags & cases; crockery; ceramic & sanitaryware; bathroom fittings & taps.
- Hair, shaving, cosmetic & toilet preparations; toilet/facial tissue; car & automobile accessories; household utensils (steel, aluminium, melamine); insecticides; petroleum jelly & waxes.

COST — EVERYDAY CONSUMER For branded, packaged versions, sales tax is charged on the **full printed retail price** rather than a lower ex-factory value — expect modest price effects on documented brands and a push to print MRPs and integrate invoicing.

4.2 Tightening the documented chain

- **WATCH Tier-1 retailer** now includes any retailer with turnover of **Rs 200 million** or more (including turnover "worked back" from withholding under 236G/236H).
- **COST Steel sector** (melters, re-rollers, composite units) can be taxed on **electricity units consumed**, with adjustment/refund only for those who integrate production-monitoring and digital invoicing.
- **COST Toll (contract) manufacturers** must withhold sales tax from unregistered buyers — at **four times** the tax on conversion charges.
- **COST 3% value-addition tax** on commercial importers who sell imported goods in the same state; abuse of the in-house-consumption waiver can lead to prosecution.
- **COST** Withholding by AOPs and individuals from unregistered persons expanded.

4.3 Relief measures

- **RELIEF Sanitary pads & tampons exempt** — the so-called "tampon tax" is abolished.
- **RELIEF Newsprint, books & magazines** exempt (excluding brochures/leaflets/directories).
- **RELIEF Electric-vehicle CKD** import exemption extended to 30 June 2027; reduced-rate EV buses/trucks at 1%.
- **RELIEF** Exemptions for refinery up-gradation capital goods, shipping/vessel imports, aircraft & parts (PIACL), and SCO-summit / counter-terrorism imports.

4.4 Enforcement & penalties

- **COST** Penalties multiplied — many minimums raised from Rs 10,000 to Rs 50,000; failure-to-register/integrate up to Rs 1m, then Rs 5m, with **premises liable to be sealed**.
- **NEW OFFENCES** Issuing a **fake/"flying" (simulated) invoice** — penalty equal to its face value, plus public listing on a "simulated invoice issuers register" and automatic reversal of input tax for anyone who used it; **20%** penalties for unmatched or un-reversed input tax.
- **WATCH** New enforcement machinery — faceless audit, jurisdiction and appeals through a National Faceless Centre; algorithmic settlement; production-monitoring & video-analytics; auction of confiscated goods; and audit by chartered / cost accountants.

Customs Act, 1969

The most outward-facing chapter: a deliberate, multi-year lowering of tariff walls to cut input costs — paired with sharper teeth against smuggling.

5.1 Tariff rationalisation (National Tariff Policy 2025–30)

A broad, phased reduction in import duties aimed at cheaper industrial inputs and a simpler tariff:

- **RELIEF Customs Duty:** cut on 92 input lines — e.g., 20%→15% and 10%, 15%/10%→10%/5%, and 5%→0%.
- **RELIEF Additional Customs Duty (ACD):** 6%→4% on 449 lines; 4%→2% on 2,107 lines; **2%→0% on 569 lines.**
- **RELIEF Regulatory Duty (RD):** capped at 20% (359 lines); cut 20% across 1,347 lines; reduced or eliminated on 208 low-rate lines.

RELIEF — INDUSTRY & CONSUMERS Lower duties on raw materials, intermediates and machinery reduce manufacturing costs. Over time this should ease prices on locally made goods and improve export competitiveness.

5.2 Targeted exemptions

- **RELIEF Cancer APIs** (active pharmaceutical ingredients) exempt; **agricultural machinery** exempt from CD, ACD and RD.
- **RELIEF** Construction-sector specialised vehicles 20%→10%; **defence imports** exempt; bullet-proof vehicles for the **SCO summit** and counter-terrorism exempt.
- Fifth Schedule cleaned up: concessions deleted where they equalled or exceeded the general tariff.

5.3 Enforcement & administration

- **WATCH Faceless adjudication** via virtual proceedings; legal cover for non-intrusive **cargo scanning**; "State warehouse" defined.
- **COST** Penalty on terminal operators for ignoring delay/detention certificates raised from **Rs 0.5m to Rs 10m**; new penalty for illegal removal of goods from state warehouses (up to twice value + up to 5 years' imprisonment).
- **WATCH** Special Judges empowered to **freeze assets** in illegal cross-border fund-transfer cases; "removal" of smuggled goods broadly defined; Independent Case Scrutiny Committees to curb frivolous appeals; service of notice via newspaper where the accused is untraceable.

Federal Excise Act, 2005

A "related" law amended alongside the main three — and the one most visible at the petrol pump, the car showroom and the airport.

6.1 Vaping & beverages

- **COST** **E-liquid for e-cigarettes:** FED raised to **Rs 16,500 per kg** (from Rs 10,000), removing the old "65% of retail price" alternative.
- **RELIEF** **WHO-standard hydration / electrolyte (sports) beverages** — without excess sugar or artificial sweetener — taken out of FED.

6.2 Petroleum & lubricants

- **COST** New FED on **petroleum top naphtha, white spirit / mineral turpentine, and solvent oil** — **Rs 80 per litre** each (and brought into VAT mode).
- **COST** FED on **lubricating & base-lubricating oils** — **5% ad valorem**.

6.3 Luxury & imported vehicles

- **COST** A new **Table 1A** imposes FED on **imported cars/SUVs: 40%** (2000–3000cc) and **41%** (over 3000cc).
- **COST** FED on **imported electric cars/SUVs/pickups (CBU) for personal use:** 0% up to Rs 20m import value, **30%** Rs 20–30m, **40%** above Rs 30m.

6.4 Air travel

- **RELIEF** FED on **club / business / first-class international tickets** reduced — e.g., Rs 50,000 (Americas), Rs 25,000 (Middle East & Africa), Rs 40,000 (Europe; Far East/Australia/Pacific).
- **RELIEF** FED on **acetate tow** cut from Rs 44,000 to Rs 10,000 per kg; EV CKD exemption extended to 30 June 2027.

Other measures & what to do now

Two smaller laws were touched — and a short, practical checklist to act on this budget.

7.1 Islamabad vehicle token tax (Motor Vehicles Taxation Act)

- Token tax in Islamabad Capital Territory moves largely to a **value basis**: e.g., up to 1000cc a flat Rs 20,000; 1001–2000cc at **0.25% of invoice value**; 2001cc and above at **0.35%**. Revised tables also for cabs, public-service and commercial/loading vehicles.

7.2 Petroleum Levy & Climate Support Levy Ordinance

- The levy framework is modernised: lubricant reclaimers brought in, a **late-payment surcharge** and a 90-day recovery mechanism via the Commissioner (IR), plus **monthly reporting** and an annual audited certificate from oil companies, refineries and licensees.

7.3 Your action checklist

If you are salaried

- Re-do your monthly tax estimate on the new slabs — your take-home should rise if you earn over Rs 2.2m/year.
- Confirm your employer updates payroll from July 2026.

If you own / trade property

- Factor the lower 2.75% / 1.25% advance taxes and the end of 7E into pending deals.
- For inherited property, document the fair-market value at the date of death as your cost.

If you run a business

- Plan for digital invoicing & FBR integration — and claim the 10% integration tax credit.
- Review whether the Rs 200m turnover line makes you a Tier-1 retailer.
- Stress-test cash dealings against the new Rs 100m bank-reporting net.

If you earn online / abroad

- Expect 5% withholding on social-media receipts; keep records of platform income.
- IT/ITeS exporters — lock in the 0.25% regime to 2029.
- Overseas Pakistanis — review account structure (FCVA/NRVA) for the new reliefs.

7.4 How Trustpoint can help

Every change in this brief has a practical decision behind it. These are the areas where our team works with clients most often — and where the 2026-27 measures create the clearest need to plan ahead.

Salary & payroll planning

Re-modelling take-home pay under the new slabs and advising employers on July-2026 payroll updates.

Real-estate transactions

236C / 236K planning, transacting after the end of Section 7E, and fixing the cost basis of inherited property.

Corporate & super-tax strategy

Planning for companies near the Rs 500m super-tax line, including the banking, E&P and fertiliser carve-outs.

Digital compliance & FBR integration

E-invoicing, production-monitoring and integration — and claiming the new 10% integration tax credit.

Audit & dispute resolution

Representation in faceless audits, assessments and appeals, and the algorithmic settlement mechanism.

Data-readiness & documentation

Preparing individuals and businesses for the Rs 100m bank-data cross-matching net and wider reporting.

ABOUT THIS BRIEF

Trustpoint Consultants — Tax, Advisory & Assurance. This Budget Brief is a plain-language summary prepared for general guidance only, based on the Finance Bill 2026 as tabled before the National Assembly and the tax statutes in force as at the date of preparation. Rate and threshold changes are drawn from the Bill's own text; macro customs figures (e.g. the number of tariff lines affected) are FBR's published Salient-Features numbers and are not independently line-verified. It is **not** tax, legal or financial advice, and must not be relied upon for any specific transaction or filing. Rates, thresholds and provisions are proposals and may change before, during or after enactment of the Finance Act 2026. Worked examples are illustrative, computed on slab rates only and ignore personal credits, allowances and surcharges that may apply to a given case. Always obtain professional advice on your particular circumstances. © 2026 Trustpoint Consultants. All rights reserved.



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ABOUT TRUSTPOINT

Trustpoint Consultants is a Karachi-based professional services firm specialising in taxation, business advisory and assurance. We work with salaried professionals, families, small businesses and large industrial groups to turn complex tax change into clear, confident decisions.

Have a question about how the 2026-27 budget affects you or your business? We would be glad to help — reach out below.

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