

BUDGET AT A GLANCE

2026-2027



Income Tax

The following amendments have been proposed under the Finance Bill

1. Relief in Income Tax Rates for Salaried Individuals

Reduction in income tax rates for salaried individuals earning above Rs. 2.2 million through revised tax slabs.

TAX RATES FOR SALARIED INDIVIDUALS

S#	TAXABLE INCOME	RATE
1	Where the taxable income does not exceed Rs. 600,000	0%
2	Where the taxable income exceeds Rs. 600,000 but does not exceed Rs.1,200,000	1% of the amount exceeding Rs 600,000
3	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,200,000	Rs. 6,000 + 11% of the amount exceeding Rs. 1,200,000
4	Where taxable income exceeds Rs. 2,200,000 but does not exceed Rs. 3,200,000	Rs. 116,000 + 20% of the amount exceeding Rs. 2,200,000
5	Where taxable income exceeds Rs. 3,200,000 but does not exceed Rs. 4,100,000	Rs. 316,000 + 25% of the amount exceeding Rs. 3,200,000
6	Where taxable income exceeds Rs. 4,100,000 but does not exceed Rs. 5,600,000	Rs. 541,000 + 29% of the amount exceeding Rs. 4,100,000.
7	Where taxable income exceeds Rs. 5,600,000 but does not exceed Rs. 7,000,000	Rs. 976,000 + 32% of the amount exceeding Rs. 5,600,000.
8	Where taxable income exceeds Rs. 7,000,000	Rs. 1,424,000 + 35% of the amount exceeding Rs. 7,000,000.

2. Super Tax Rationalization:

Super Tax abolished with income up to Rs. 500 million & reduced from 10% to 8% for persons with income exceeding Rs. 500 million.

3. Abolition of Surcharge (Section 4AB):

Abolition of surcharge @ 9% under Section 4AB for salaried taxpayers.

4. Abolition of Deemed Income on Property (Section 7E):

Abolition of Tax @ 1% under Section 7E relating to deemed income from immovable property.

5. Reduction in Advance Tax on Immovable Property Transactions:

Reduction in advance tax on sale and purchase of immovable property Sections 236C (4.5% to 5.5%) reduced to 2.75% and 236K (1.5% to 2.5%) reduced to flat 1.5%.

6. Reduction in Export Proceeds Tax:

Reduction in tax collection on export proceeds from 2% to 1.25% (minimum tax).

7. Extension of Concessional Tax Rate for IT Services:

Extension of the concessional 0.25% tax rate for IT services exporters up to **Tax Year 2029**.

8. Reduction in Tax on Digital Foreign Payments:

Reduction in advance tax on foreign payments through debit, credit cards from 5% to 0.5%.

9. E-Commerce Tax Adjustments:

Tax deducted on e-commerce transactions will be adjustable for sellers with turnover above Rs. 200 million

10. Special Procedure for Small Trader & Shopkeepers:

Special Procedure for Small Trader & Shopkeepers having turnover up to 200 Million has been proposed under the Fixed Tax Scheme. They will pay Rs. 25,000 with the annual return and will not be subject to routine audit, WHT liability, or POS integration requirements.

11. Tax on Life Insurance & Takaful Policies:

A new tax has been introduced on gains from life insurance and family takaful policy payouts. The tax rate will be 15% if the payout is received within one year and 10% if received after one year but before seven years.

12. Incentives for Digital Compliance:

Introduction of a 10% tax credit on investment in electronic resources integrated with FBR systems.

13. Exemptions for Charitable Organizations:

Income tax exemption has been extended to Pakistan Red Crescent Society, Shaheen Foundation, Bahria Foundation, SIUT and Dawat-e-Hadiya. These organizations will not be required to obtain exemption approval from the Commissioner

14. Abolition of Capital Value Tax (CVT) on Foreign Assets:

Abolition of Capital Value Tax (CVT) on foreign movable and immovable assets owned by resident Pakistanis.

15. Tax on Digital Content Income:

Introduction of a 5% withholding tax on income derived from social media and digital content platforms.

16. Enhancement of Withholding Tax on Specified Services:

Withholding tax on specified services has been increased from 6% to 7%. Separate withholding tax rates have been prescribed for independent professionals @ 15% and other services @ 14%.

17. Revision of the Minimum Tax for Distributors and Wholesalers:

Revision of minimum tax rate for distributors, dealers, sub-dealers, and wholesalers of specified sectors from 0.25% to 0.5%, subject to documentation requirements.

18. Introduction of Faceless Tax System:

Introduction of faceless audit, assessment, and appellate proceedings through the National Faceless Centre.

19. Digital Filing Requirement:

Mandatory filing of financial statements in machine-readable formats.

20. Algorithmic Cross-Matching of Banking and Tax Data:

Banking companies and Electronic Money Institutions will be required to electronically share information on high-value deposits and withdrawals for algorithmic comparison with tax declarations to identify discrepancies and broaden the tax base.

SALES TAX

Proposed Sales Tax Administration and Compliance Measures

1. Streamlining Tier 1 – Retailer:

By mentioning turnover limit of Rs. 200 million or more.

2. Faceless Appeals, Audits and Assessments:

Introduction of electronic, faceless audits, assessments, rectifications, and e-hearings, with complete confidentiality of tax officials' identities.

3. Expanded De-registration and Blacklisting:

Suspension or blacklisting of taxpayers for non-compliance with e-invoicing, production monitoring, or tax stamp requirements.

4. Enhanced Audit Powers:

Empowerment of Commissioners to order specialized re-audits and inventory re-valuations; reduction of voluntary tax deposit threshold during audits to 50%. Further proposed in the bill that proper sales tax audit report will be issued before finalization of assessment.

5. Algorithm Case Allocation:

Establishment of a National Faceless Centre for automated case allocation and anonymous handling of tax matters.

6. Issuance of Sales Tax Invoice:

Tax Invoice shall also be issued in respect of exempt supplies

Penalties

1. Late filing of Returns:

Significant increase from 10,000 to 50,000 and per day penalty increase from 200 to 2,000 in penalties.

2. Late payment of Sales Tax:

Significant increase from 10,000 to 50,000 or five percent of sales tax whichever is higher.

Proposed Sales Tax Schedule Amendments

1. Expansion of Retail Price Taxation:

Inclusion of a wide range of retail-packed consumer goods, including FMCGs like food products, cosmetics, footwear, household items, plastics, car accessories, and sanitary ware.

2. New Sales Tax Exemptions:

Exemptions for Newsprints, Books & Magazines, Contraceptives, Sanitary Pads. Further, the import of Bullet Proof Vehicles for Federal Government.

3. Concessional Rate for Electric Transport:

Reduced sales tax rate of 1% on CBU electric trucks and large electric buses (25 seats or more) till 30 June 2027.

Proposed Withholding Tax Measures

1. Broadened Withholding Tax Network:

Imposition of withholding tax obligations on individuals and Associations of Persons (AOPs) for Purchases from unregistered persons.

2. Toll Manufacturing Compliance:

Imposition of withholding tax at four times of the tax charged on conversion charges.

3. Imposition / recovery of 3% VAT:

From the Manufacturer if the imported raw material is sold in same state.



sales tax



FEDERAL EXCISE DUTY (FED)

- New FED of Rs.80 per litre imposed on petroleum top naphtha, white spirit or MTT, and solvent oil.
- FED on imported petrol and diesel vehicles increased to 40% (2000cc–3000cc) and 41% (above 3000cc).
- Imported electric vehicles (CBU) remain exempt up to Rs.20 million with higher-value EVs attracting FED of 30%–40%.

CUSTOMS & IMPORT DUTIES

- Customs Duty (CD) rates have been rationalized with duties reduced from 20% to 15% and 10%, existing 15% and 10% to 10% and 5%, and existing 5% to 0% on 92 tariff lines, primarily covering industrial inputs.
- Reduction of Additional Customs Duty (ACD) from 6% to 4% on 449 Tariff Lines.
- Reduction of Additional Customs Duty (ACD) from 4% to 2% on 2,107 Tariff Lines.
- Elimination of Additional Customs Duty (ACD) from 2% to 0% on 569 Tariff Lines.
- Agricultural machinery has been exempted from CD, ACD and Regulatory Duty (RD).
- Customs Duty exemption granted on specified cancer-related Active Pharmaceutical Ingredients (APIs).

KEY MEASURES AFFECTING THE GENERAL PUBLIC

1. GOVERNMENT EMPLOYEES & PENSIONERS

- Federal Government employees have been granted a 10% increase in basic pay.
- Pension has been increased by 7%.

2. PETROLEUM & ENERGY RELATED MEASURES

- The Finance Bill introduces amendments relating to Petroleum Levy and Climate Support Levy, including provisions concerning payment, recovery, surcharge and mandatory reporting.
- No direct increase in domestic electricity tariffs, gas tariffs or water charges has been proposed in the Finance Bill.

Our Services

TAXATION

- NTN Registration
- General Sales Tax Registration (GST)
- Provincial Service ST Returns (SST)
- Individuals Annual Income Tax Return (ITR)
- AOPs Annual Income Tax Return (ITR)
- Companies Annual Return of Income (ITR)
- Withholding Tax Statements (WHTS) Filing
- Monthly General Sales Tax Return Filing (GST)
- Monthly Service Sales Tax Return Filing (SST)
- Tax Consultancy
- Tax Management
- Tax Audit
- Income Tax Refund Claims
- Sales Tax Refund Claims
- Appeal Proceedings
- Tribunal Filing

LEGAL ADVISORY

- Trademark Copyright
- Intellectual Property Organization
- NGO/NPO Registration
- Partnership Deed Registration
- Trust Deed Registration
- Society Registration
- Joint Venture Registration
- WPPF Registration & Compliances
- Contract & Agreement Drafting
- Gift Deed Preparation
- PPRA Registration
- PSEB/PASHA Registration
- License & Renewal
- PF Registration & Compliances
- Gratuity Fund Registration & Compliances
- KCCI Registration

ACCOUNTANCY

- Accounting & Book Keeping
- Feasibility Reporting
- Preparation & Review of Annual Financial Statements
- Management Reporting (Annually, Semi-Annually & Quarterly)
- Internal Audit
- GAP Analysis
- Budgeting
- Valuation
- Financial Analysis
- Financial Advisory
- ERP Implementation
- Outsourcing

CORPORATE

- Company Incorporation
- Annual & Statutory Forms Filing
- Appointment of CEO/ Director/ Auditor
- Change in Principal Business Activity
- Enhancement of Authorized Capital
- Enhancement of Paid-up Capital
- Ultimate Beneficial Ownership (UBO)
- Transfer of Shares Documents Filing
- SECP Notice & Showcause Reply
- Company Windingup in SECP
- Conversion of physical shares into book entry form
- Corporate Outsourcing

☎ +92 300 825 1660 | +92 21 3433 0002 & 04 ✉ tax@sanaullah.co

🌐 www.sanaullah.co 📍 SMCHS, Karachi

Taxation | Accountancy | Corporate | Legal Advisory

