

June 14, 2025

Senator Muhammad Aurangzeb,  
Federal Minister for Finance and Revenue  
Islamabad

Dear Senator Muhammad Aurangzeb,

On behalf of the Pakistan Business Council (PBC), I had requested your office for time on 17th June to meet and discuss several issues related to the budget proposals for the FY25/26. In advance of this we would like to share our deep concerns with some of the changes under consideration.

From a country on the brink of default less than three years ago, the current economic stability owes much to your determined leadership. The raging fire of inflation has been doused, borrowing cost has declined sharply, fiscal deficit is in control, current account is in surplus, two IMF tranches have been approved, and the Rupee is stable.

A substantial contribution to securing the IMF program, and the resultant solvency, is the formal sector's disproportionate contribution to taxes in the FY24/25 budget. PBC and its members saw this as a sacrifice and a national duty. PBC, for the FY25/26 sought, and has so far been denied a roadmap of gradual reduction in taxes. Neither has the critical need to support exports at a time of considerable uncertainty due to US tariffs been addressed. Instead, we note and are alarmed at the draconian powers proposed to be granted to the FBR. If past practice is anything to go by, these will most likely be misused to harass the formal tax paying sector.

The Finance Bill 2025 proposes to grant FBR officers dangerous and excessive powers as follows:

- Section 11E enables tax assessment and recovery based on suspicion without proper investigation;
- Section 14AE allows arbitrary seizure of business premises and property without adequate safeguards;
- Section 32B empowers private auditors with quasi-legal authority over businesses;
- Section 33 introduces 10-year prison terms and Rs10 million fines for broadly defined "tax fraud" that business errors are likely to be classified;
- Section 37AA authorises arrest without warrant based on mere suspicion of tax fraud—a power that invites abuse and harassment;
- Section 37B permits 14-day detention of businesspersons, extendable through magistrates;

- Overriding the principle of client/advisor relationship, Section 58C will grant the FBR access to the offices of tax advisers and firms where discrepancies in returns are suspected.

We are surprised that the aforementioned powers do not differentiate between major taxpayers and the informal sector. You have often quoted that industry which represents 18% of GDP contributes 60% of taxes. Banks too are major taxpayers. Pakistan's investment level is the lowest in South Asia. Anti-business measures such as those proposed will further damage the already poor investment climate.

PBC was amongst the first business body to make strategic recommendations this year in the hope that the budget will be more than a mere mathematical balancing exercise lacking longer-term strategic objectives. The core of our proposals was to derive higher taxes from the growth of the formal sector and address the key economic imperatives of exports and indigenization of inputs. We are disappointed that the powers proposed for the FBR will do the exact opposite of encouraging investment and look forward to meeting you soon to discuss this urgent issue.

Yours sincerely,



Ehsan Malik