

# The Pakistan Business Council

## Proposals for the Federal Budget 2026–27

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Income Tax · Sales Tax · Customs · SDG Commitments

PBCC

## 1. Overview of the Pakistan Business Council

The Pakistan Business Council (PBC) is Pakistan's preeminent business advocacy body, supported by over a hundred of the largest local and multinational companies. Together, they generate **40% of annual exports**, contribute **a third of direct taxes**, employ **more than 3 million people**, and their combined turnover represents **every sixth Rupee of Pakistan's GDP**.

PBC is neither a trade body nor an industry association. Its advocacy aims to improve the general business climate for the formal sector — evidence-based, drawing on international and regional best practices.

PBC enjoys an excellent working relationship with the Ministries of Finance, Commerce, Environment, Industries, Planning, and Food Security, as well as major regulators including the SECP, SBP, NTC, and CCP.

The PBC's overarching theme of **Make-in-Pakistan** has identified three strategic platforms: **Make More / Make Better**, **Grow More / Grow Better**, and **Serve More / Serve Better** — focused on generating jobs, promoting value-added exports, and reducing reliance on unnecessary imports.

PBC firmly believes that for Pakistan to be on the road to becoming a **middle-income country by 2030**, a revival of its manufacturing sector is imperative. The services sector also has considerable unrealized potential.

PBC's website, [www.pbc.org.pk](http://www.pbc.org.pk), contains over 300 studies and provides more information about the organization, its members, and the scope of its work.

### 1.1 Four Pillars of a Sound Fiscal Policy

<b>Pillar 1 — Grow the Income Base</b>	Incentivize investment, promote competition, encourage scale and efficiency, create jobs, generate exports, reduce import reliance.
<b>Pillar 2 — Equitable Tax Burden</b>	Use smart technology to bring everyone with taxable income into the tax base, distributing the burden equitably.
<b>Pillar 3 — Globally Competitive Rates</b>	Levy taxes and duties at rates competitive with regional and global standards to retain investment and talent.
<b>Pillar 4 — Separate Policy from Collection</b>	Ensure enforcement capability without harassment. Separate tax policy from tax collection for greater efficacy.

### 1.2 Critical Assessment of the Current Regime

- Pakistan's fiscal regime lacks all four essential elements — it discourages investment and extracts the maximum possible in a predatory manner from a narrow set of taxpayers.
- Pakistan's tax rates and import tariffs are among Asia's highest, incentivizing tax evasion and driving businesses into the informal economy.
- FBR's transformation plans focus on auditing high taxpayers rather than bringing new taxpayers into the net.

- The current system taxes turnover as a proxy for profit, burdening even loss-making businesses with minimum taxes.
- The formal sector is treated as unpaid tax collectors through withholding obligations — contrary to global norms.
- Dividends are taxed at multiple stages, discouraging corporate group formation and PSX listings.
- Salaried employees pay significantly higher taxes than Indian counterparts, causing brain drain abroad and to the informal sector.
- Capital Value Tax on overseas assets is causing wealthy Pakistanis to surrender nationality — undermining FDI attraction.
- **Thoughtlessly pursuing a higher tax-to-GDP ratio is ineffectual without a sound, well-integrated fiscal policy responding to the economy's long-term needs.**

## 2. PBC Member Companies & Affiliates

The following organizations are members of the Pakistan Business Council, representing the backbone of Pakistan's formal sector economy.

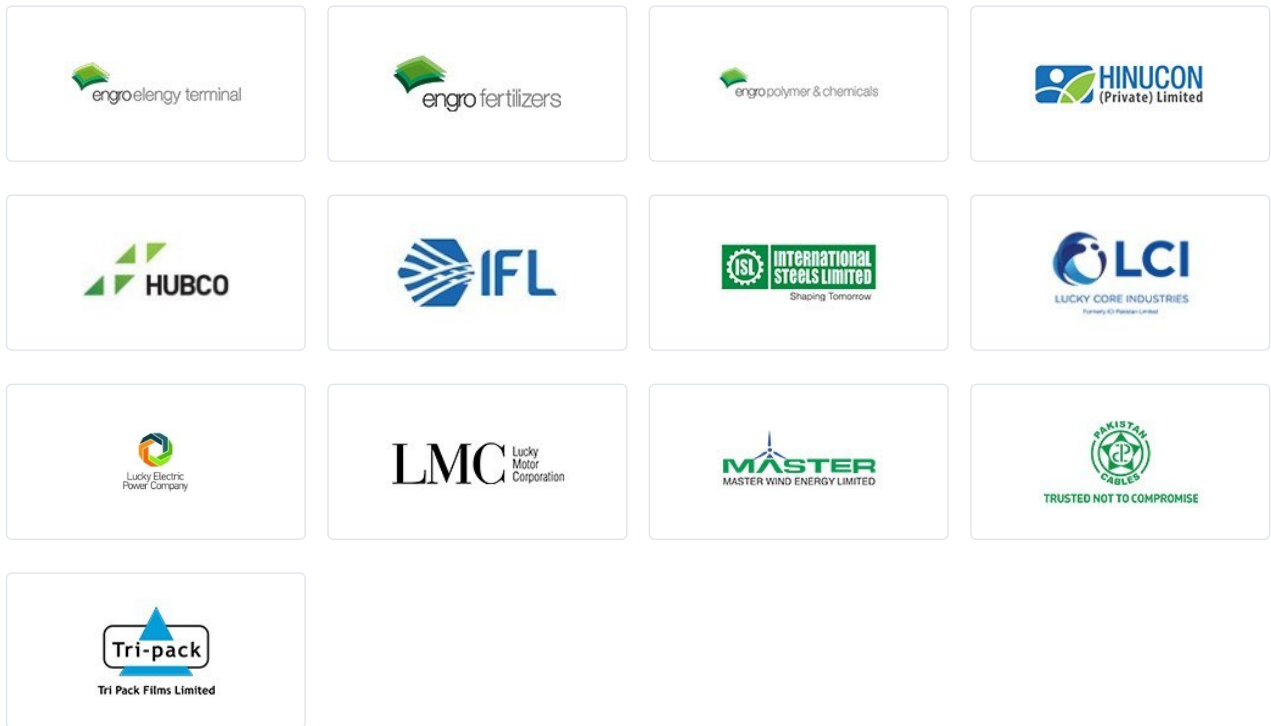
### 2.1 Member Companies







## 2.2 PBC Affiliates



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## 4. Executive Summary

The Pakistan Business Council presents its comprehensive tax reform proposals for the Federal Budget 2026–27. These proposals represent the collective voice of Pakistan's most significant formal sector contributors — companies that together account for 40% of exports, a third of direct taxes, and employment of over 3 million Pakistanis.

### 4.1 Key Challenges Facing the Formal Economy

- **Predatory Taxation of the Documented Sector:** Effective tax rates on individual shareholders can reach 68.09%. Corporate taxes are among Asia's highest, actively discouraging investment.
- **Rampant Informality:** Nearly 40% of Pakistan's GDP operates undocumented. Currency in circulation stands at PKR 11 trillion (mid-April 2026).
- **Export Competitiveness Under Threat:** Multiple layers of advance tax, minimum taxes on export realisation, and EFS distortions are severely impacting exporters' working capital.
- **Under-Invoicing & Trade Fraud:** Massive under-invoicing by commercial importers, misuse of ATT, and smuggling from Iran are destroying domestic industry.
- **Brain Drain & Capital Flight:** High salary taxes are driving professionals abroad. CVT on overseas assets is causing wealthy Pakistanis to surrender nationality.
- **Liquidity Crises from Delayed Refunds:** Section 8B restrictions, FASTER refund delays, and withholding accumulation are tying up working capital of compliant businesses.
- **Legal Uncertainty & Harassment:** Arbitrary commissioner powers to amend returns and repeated audits undermine voluntary compliance and investor confidence.

### 4.2 PBC's Strategic Asks for Budget 2026–27

Area	PBC Ask
<b>Super Tax</b>	Eliminate or set defined timeline; apply on progressive basis
<b>Corporate Tax Rate</b>	Reduce from 29% to 25% over 3 years; listed companies first
<b>Non-Filer Penalties</b>	Significantly increase withholding rates to create real compliance incentive
<b>Export Relief</b>	Withdraw 1% advance tax on export realization; fix EFS distortions
<b>Capital Gain Tax</b>	Remove CGT on sale of shares in unlisted public and private limited companies after holding period of 6 years.
<b>Minimum Tax</b>	Abolish for listed companies; reduce for others; extend carry-forward to 10 years
<b>Under-Invoicing</b>	Mandate EDI for FTA imports; publish customs clearance values
<b>Group Taxation</b>	Reinstate ICD exemption; remove surrender of losses restriction
<b>Capital Value Tax</b>	Abolish or reduce to 0.25% with credit against income tax
<b>Salary Tax</b>	Remove 9% surcharge; restore top bracket threshold to Rs. 120M

<b>Refunds &amp; Liquidity</b>	Deem refund assessed after 60 days; consolidate exemption process
<b>Section 8B</b>	Abolish for listed and loss-making companies
<b>Real Estate Valuation</b>	Align FBR property values with market values

### 4.3 Summary of Impact

- Broaden the tax base by bringing the informal sector into the documented economy.
- Reduce the cost of doing business for the formal sector, enabling reinvestment and expansion.
- Improve export competitiveness by removing punitive taxes and fixing EFS distortions.
- Stem the outflow of capital and talent by rationalising salary taxes and CVT.
- Increase government revenues through a broader, more compliant tax base.
- Align Pakistan's fiscal regime with regional best practices for greater FDI attractiveness.
- Support Pakistan's SDG commitments through targeted ESG fiscal incentives.

*PBC appreciates the limited space under the IMF program and proposes a phased reform agenda — revenue-neutral in the short run and revenue-positive over a 3–5 year horizon.*

## 5. Major Proposals for the Finance Bill (Budget) 2026

The following fifteen proposals represent PBC's priority asks. Proposals 5.1–5.13 address structural distortions. Proposals 5.14 and 5.15 address non-filer compliance and trade fraud respectively.

### Proposal 5.1 — Income Tax

ISSUE	PROPOSAL	RATIONALE
<p><b>Super Tax — Section 4C</b></p> <p>Super Tax was imposed retrospectively via Finance Act 2022. It is not progressive — applied on entire profit once a threshold is crossed. The effective tax rate on individual shareholders in a holding company structure can reach <b>68.09%</b>.</p>	<p>Eliminate Super Tax or specify a defined timeline. Apply on a <b>progressive marginal basis</b>. For export industries, eliminate entirely to encourage reinvestment.</p>	<p>Effective shareholder tax rates of 68.09% actively discourage reinvestment and export-oriented growth.</p>

### Proposal 5.2 — Income Tax

ISSUE	PROPOSAL	RATIONALE
<p><b>Corporate Income Tax Rate Reduction</b></p> <p>All companies (except banks) are taxed at 29% — among the highest rates in Asia, making Pakistan uncompetitive versus regional peers.</p>	<p>Gradually reduce from <b>29% to 25%</b> over three years. Listed companies should receive the first benefit to encourage PSX listings.</p>	<p>Reduces cost of doing business and promotes investment, job creation, and regional competitiveness.</p>

### Proposal 5.3 — Income Tax

ISSUE	PROPOSAL	RATIONALE
<p><b>Taxation of the Services Sector</b></p> <p>Services sector faces minimum tax at 15% under Section 153(1)(b). Advance tax under Section 235 on electricity creates refund positions. Import of capital items under Section 148 cannot be adjusted unlike industrial undertakings.</p>	<p>Tax listed services companies under the <b>normal tax regime</b>. Insert enabling provisions in Sections 235 and 159 for exemption certificates. Make Section 148(7) advance tax on capital imports adjustable for the services sector.</p>	<p>Supports the formal services sector to grow and compete in regional and global markets.</p>

### Proposal 5.4 — Income Tax

ISSUE	PROPOSAL	RATIONALE
<p><b>Tax on Salary &amp; Surcharge Removal</b></p> <p>Following compression of income tax brackets in Budget 2023–24, higher tax incidence is causing brain drain. A surcharge of 9% (via FA 2026) applies on salaries exceeding Rs. 10 million per annum.</p>	<p>Remove the 9% surcharge on taxable salary income above Rs. 10 million. Restore the highest tax bracket of 35% to apply on income in excess of <b>Rs. 120 million per annum</b> (as in TY 2022–23).</p>	<p>Experienced professionals are moving abroad or to the informal sector. Stemming brain drain is critical for the formal tax-paying sector.</p>

**Proposal 5.5 — Income Tax**

ISSUE	PROPOSAL	RATIONALE
<p><b>Withholding Advance Tax on Export Realization</b></p> <p>In addition to minimum tax at 1% on export realization, an extra 1% advance tax is collected — not treated as minimum tax. Due to rising utility costs, exporters cannot break even. Refunds take 2–3 years to realize.</p>	<p>Withdraw the <b>1% advance income tax withholding on export realization</b>. This measure diverts exporters' working capital to government financing — contradicting the PM's Export-led Growth agenda.</p>	<p>Removes undue financial strain on direct exporters, improves liquidity, and aligns fiscal policy with the national export growth agenda.</p>

**Proposal 5.6 — Income Tax**

ISSUE	PROPOSAL	RATIONALE
<p><b>Minimum Tax — Section 113</b></p> <p>Minimum turnover tax rate of 1.25% is high and unrealistic. Carry-forward reduced from 3 to 2 years, adversely impacting startups and large capex companies.</p>	<p>Abolish minimum tax for all <b>listed companies</b>. For others, reduce by 0.25% annually to 0.5% by TY 2028. Restore carry-forward to <b>10 years</b>. Refund minimum tax paid above normal tax for loss-reporting companies.</p>	<p>Listed companies are subject to stringent regulations. Penalizing them with minimum tax discourages listing and formal sector growth.</p>

**Proposal 5.7 — Sales Tax**

ISSUE	PROPOSAL	RATIONALE
<p><b>Distortions in Export Facilitation Scheme (EFS)</b></p> <p>Certain imported raw materials were removed from EFS scope via FA 2024. Zero-rating on domestic procurement by EFS-authorized persons was abolished. Local supplies to EFS units are now taxable at 18%, incentivizing importation over local sourcing.</p>	<p>All imported raw materials should be available under EFS at <b>zero sales tax</b>. Reinstate zero-rating on local inputs supplied to EFS units.</p>	<p>Improves competitiveness of Pakistani exporters and promotes local sourcing over imports.</p>

**Proposal 5.8 — Income Tax**

ISSUE	PROPOSAL	RATIONALE
<p><b>Capital Value Tax (CVT) Section 8, FA 2022</b></p> <p>CVT is levied on declared foreign assets on top of income tax already paid. Combining CVT and income tax on a \$100 bank deposit at 4% interest amounts to 60% of income. The tax is contested in the Supreme Court and is causing wealthy Pakistanis to surrender passports.</p>	<p>Abolish CVT on declared foreign assets. If retained, reduce to <b>0.25%</b> of actual cost with full credit against income tax. Restore Tax Residency criteria to pre-FA 2022 position.</p>	<p>Reduces incentive for Pakistanis to relocate abroad, retains national wealth, and improves Pakistan's FDI image.</p>

**Proposal 5.9 — Income Tax**

ISSUE	PROPOSAL	RATIONALE
<p><b>Group Taxation &amp; Inter-Corporate Dividends</b></p> <p>ICD exemption removed in 2016, reinstated in 2019, removed again in 2021 under a mistaken interpretation. Clause 1A of Section 59B restricts surrender of losses to holding percentage. Consolidated Group IT returns are procedurally burdensome.</p>	<p>Insert in Section 59B: <i>'Distribution of dividends within companies eligible for group relief shall not be deemed a taxable event.'</i> Delete Clause 1A of Section 59B. Abolish consolidated Group Income Tax return requirement.</p>	<p>Aligns Pakistan's laws with the majority of countries globally. Promotes corporate consolidation, scale, and formal sector growth.</p>

**Proposal 5.10 — Income Tax**

ISSUE	PROPOSAL	RATIONALE
<p><b>Cash Transactions &amp; Documenting the Economy</b></p> <p>Currency in circulation as of mid-April 2026 stood at approximately <b>PKR 11 trillion</b>. An estimated <b>40% of Pakistan's GDP</b> operates in the undocumented economy. Cash enables tax evasion at scale.</p>	<p>Promote mobile wallets and digital payments to bring informal MSEs into the formal banking system. FBR should offer cashback incentives, tax exemptions, or lower fees on digital payments. Implement a cross-government digital payment ecosystem.</p>	<p>Digital transactions leave an electronic trail that widens the tax base and reduces the shadow economy.</p>

**Proposal 5.11 — Income Tax**

ISSUE	PROPOSAL	RATIONALE
<p><b>Capital Gains Tax on Shares of Private / Unlisted Companies</b></p> <p>Gains on listed company shares and land after 6 years are exempt. However, gains on private/unlisted company shares are taxable irrespective of holding period — diverting investment toward non-productive land.</p>	<p>Grant tax exemption on <b>disposal of shares of private/public unlisted companies after a holding period of 6 years</b>, consistent with treatment of land and listed company shares.</p>	<p>Diverts investment from non-revenue generating land to revenue, employment, and export-generating industries. Promotes M&amp;A; activity in Pakistan.</p>

**Proposal 5.12 — Income Tax**

ISSUE	PROPOSAL	RATIONALE
<p><b>Advance Tax on Imports &amp; Sales — Sections 148 &amp; 153</b></p> <p>Companies pay advance tax under Section 147, plus advance tax on imports at 1–5.5% and on sale of goods at 5% and services at 9%. Multi-layered advance tax creates large refund positions and ties up working capital.</p>	<p>Manufacturers importing for own consumption should be <b>exempt from advanced income tax at import stage</b>. Alternatively, Commissioners should issue Withholding Exemption Certificates valid for one full year within 24 hours. For SEZ industries, valid for a minimum of <b>5 years</b>.</p>	<p>Reduces cost of doing business and frees up working capital for productive investment.</p>

**Proposal 5.13 — Income Tax**

ISSUE	PROPOSAL	RATIONALE
<b>FBR Property Valuation &amp; Real Estate</b> A wide gap exists between actual market values of immovable properties and FBR-notified values. This differential encourages parking of undeclared wealth in real estate at below-market values.	FBR values for immovable properties should be revised to reflect <b>actual market values</b> . A comparison of Zameen.com valuations with FBR values illustrates the extent of the discrepancy.	Discourages parking of black money in real estate and brings property transactions into the documented economy.

**Proposal 5.14 — Income Tax**

ISSUE	PROPOSAL	RATIONALE
<b>Proposed Differential: Filer vs. Non-Filer Withholding Tax Rates</b> The filer/non-filer differential is insufficient — non-filers simply pass on withholding costs to consumers rather than being incentivized to file. Large amounts are collected from non-filers but no effective effort has been made to increase the tax base.	Significantly widen the withholding tax differential across key transactions: electricity bills, gas bills, vehicle purchases, property sales, credit card foreign payments, and vehicle registration. Detailed rate table follows below.	Creates a real compliance incentive. Forces non-filers to bear a meaningfully higher cost of remaining outside the tax net.

**5.14.1 Non-Filer Withholding Tax Rate Table**

Specific proposed rates to widen the filer/non-filer differential:

Description	Section	Existing	Proposed
Electricity bills — non-filer industrial connection (no STRN)	235	5.00%	<b>20.00%</b>
Electricity bills — non-filer commercial connection (no STRN)	235	12.00%	<b>20.00%</b>
Electricity bills — non-filer domestic (bill > Rs. 100,000/month)	235	7.50%	<b>30.00%</b>
Retail & marriage halls — extra sales tax (in addition to 18%)	SRO 1222	17% (>Rs.50K)	<b>25% (&gt;Rs.1L); 30% (&gt;Rs.2L/month)</b>
Gas bills — non-filer industrial/commercial connection	New	N/A	<b>20%</b>
Advance income tax on intl business class tickets (replacing FED)	New	FED applicable	<b>Rs.75,000–250,000 by route</b>
Annual advance tax — vehicles 2000cc and above (non-filer)	234	Rs.20,000	<b>Rs.100,000</b>

Description	Section	Existing	Proposed
Vehicle purchase by non-filer — 2001cc to 2500cc	231B	21.00%	<b>42.00%</b>
Vehicle purchase by non-filer — 2501cc to 3000cc	231B	27.00%	<b>54.00%</b>
Vehicle purchase by non-filer — 3001cc and above	231B	36.00%	<b>72.00%</b>
Sale of immovable property above 450 sq yards urban areas (non-filer)	236C	11.50%	<b>22.00%</b>
Purchase/sale of land parcels by societies — applicable but not collected	236C/236K	Not collected	<b>Enforce: societies liable to collect &amp; deposit</b>
Foreign payments by non-filers via credit cards; limit to be 50% of filers	236Y	10%	<b>20%</b>

Note: Advance income tax for filers should remain intact or be reduced to further increase the gap.

#### 5.14.2 Additional Tax Base Broadening Measures

- Tax real estate: of the estimated PKR 500 billion untaxed potential, a 10% realization would yield PKR 50 billion.
- Agriculture: address parking of undeclared wealth in agricultural land. If provincial tax is not paid, allow federal authorities to collect.
- Enforce wealth statement requirements — currently not being enforced by FBR despite being required.
- Publicize sales tax payments of large restaurants online to ensure full declaration of sales.

#### Proposal 5.15 — Customs / Income Tax

ISSUE	PROPOSAL	RATIONALE
<p><b>Measures to Curb Massive Under-Invoicing by Commercial Importers</b></p> <p>Across-the-board under-invoicing and dumping is destroying domestic industry. Customs clearance values are not publicly available. Misuse of Afghan Transit Trade (ATT) and smuggling from Iran are causing major revenue leakage.</p>	<p>Make customs clearance values publicly available. Mandate EDI for FTA imports from China. Fix Import Trade Prices in consultation with local manufacturers. Amend Customs Act to allow manufacturers to participate in fixing ITPs. Require auditor certificate that 70% of imports are sold to registered manufacturers.</p>	<p>Transparency discourages mis-declaration. Protects domestic industry and increases indirect tax revenues.</p>

## 5A. Additional Proposals for the Finance Bill (Budget) 2026

The following nineteen additional proposals address specific technical anomalies, procedural inefficiencies, and structural distortions.

### Proposal A.1 — Sales Tax

ISSUE	PROPOSAL	RATIONALE
<p><b>Sales Tax Refunds — FASTER Mechanism (Rule 39B)</b></p> <p>Despite restoration of non-traditional exporters' eligibility in October 2024, refunds are subject to arbitrary caps of 1.5–3% without notification or transparent criteria.</p>	<p>Amend Rule 39B to extend the 12% refund cap uniformly to all exporters. Eliminate arbitrary and fluctuating caps.</p>	<p>Provides cash flow certainty for exporters and supports URAAN Pakistan's export diversification targets.</p>

### Proposal A.2 — Sales Tax

ISSUE	PROPOSAL	RATIONALE
<p><b>Section 8B — Input Tax Restriction (50% Export Threshold)</b></p> <p>Section 8B restricts input tax to 90% of output tax. The 50% zero-rated supply exemption threshold is almost impossible to meet since exports do not contribute to output tax.</p>	<p>Reduce the zero-rated supply condition from 50% to 30% on a monthly basis for all exporters.</p>	<p>Allows manufacturers with surplus capacity to pursue export opportunities without Section 8B penalties.</p>

### Proposal A.3 — Customs

ISSUE	PROPOSAL	RATIONALE
<p><b>Misuse of Afghan Transit Trade (ATT) &amp; Smuggling</b></p> <p>Misuse of ATT is a major issue for the formal sector. Smuggling from Iran is causing irreparable loss to industry and FBR revenues.</p>	<p>Charge ATT goods with Pakistani duties/taxes deposited in USD with State Bank and transferred to Afghan Government. Apply quantitative restrictions based on consumption. Take up smuggling from Iran at inter-governmental level.</p>	<p>Protects domestic industry from unfair competition via ATT misuse and smuggling.</p>

### Proposal A.4 — Income Tax

ISSUE	PROPOSAL	RATIONALE
<p><b>25% Tax on Dividends from Exempt Entities (FA 2019)</b></p> <p>Via Finance Act 2019, dividend taxation was raised from 15% to 25% on dividends from exempt entities, nullifying fiscal incentives such as SEZ exemptions.</p>	<p>Reinstate the pre-Finance Act 2019 rate of 15% on dividends from exempt entities.</p>	<p>Ensure fiscal incentives such as SEZ exemptions achieve their intended economic objectives.</p>

**Proposal A.5 — Sales Tax**

ISSUE	PROPOSAL	RATIONALE
<p><b>Flying Invoices — Further Tax Rate</b></p> <p>The 4% further tax on supplies to unregistered persons incentivizes the issuance of flying invoices by unscrupulous persons.</p>	Reduce the rate of further tax to <b>1% or maximum 1.5%</b> .	Discourages flying invoices while encouraging proper reporting of sales to unregistered persons.

**Proposal A.6 — Income Tax**

ISSUE	PROPOSAL	RATIONALE
<p><b>Section 236Z — Bonus Shares</b></p> <p>Section 236Z requires 10% withholding on bonus shares at fair market value. However, bonus shares do not result in income — they divide the value of existing shares. This 10% final tax reduces overall government revenue versus the prior CGT system.</p>	Reconsider Section 236Z. Bonus shares represent capitalization of retained earnings — not a taxable income event. Cost should be treated appropriately for future CGT calculation.	The current provision reduces overall tax revenue and creates inequity between private and listed companies.

**Proposal A.7 — Income Tax**

ISSUE	PROPOSAL	RATIONALE
<p><b>SEZ Entities — Withholding Tax under Clause 126E</b></p> <p>SEZ Zone Enterprise income is exempt for 10 years. However, SEZ entities remain subject to withholding under Sections 148, 153, 236K etc., requiring refund claims that defeat the exemption.</p>	Reduce all withholding tax provisions to <b>0%</b> for SEZ Zone Enterprises for the duration of their income tax exemption.	No rational basis exists for collecting advance income tax when the entity's income is fully exempt.

**Proposal A.8 — Income Tax**

ISSUE	PROPOSAL	RATIONALE
<p><b>Inconsistency in Dealer vs. Retailer Advance Tax (236G &amp; 236H)</b></p> <p>Advance tax on sales to dealers (Section 236G) is 0.1%, while on sales to retailers (Section 236H) it is 0.5%. Companies find it challenging to determine whether a customer qualifies as a dealer or retailer.</p>	Make the advance tax rate consistent at <b>0.1%</b> for both dealers and retailers.	Reduces compliance complexity and cost of doing business.

**Proposal A.9 — Income Tax**

ISSUE	PROPOSAL	RATIONALE
<p><b>SRO 250 of 2019 — Electronic Monitoring Cost</b></p> <p>SRO 250 of 2019 requires manufacturers to pay for electronic monitoring and tracking of their output, creating additional cost and potential for harassment.</p>	Amend SRO 250 to ensure manufacturers do not bear monitoring cost. Alternatively, allow <b>100% tax credit</b> for investment in electronic monitoring systems, in line with Section 64D.	Reduces cost of doing business and aligns treatment with other compliance technology investments.

**Proposal A.10 — Income Tax**

ISSUE	PROPOSAL	RATIONALE
<p><b>Exemption Under Section 152 — Non-Resident Payments</b></p> <p>For exemption on payments to non-residents, a notice must be submitted to the Commissioner for approval before every single payment — burdensome and time-consuming.</p>	<p>Exemption under Section 152 should be available based on the <b>approved agreement</b> (as ratified by SBP), not on a payment-by-payment basis.</p>	<p>To promote FDI and reduce the cost of doing business for companies with ongoing non-resident contractual relationships.</p>

**Proposal A.11 — Income Tax**

ISSUE	PROPOSAL	RATIONALE
<p><b>Amendment to Section 170 — Refund Deemed Assessment</b></p> <p>Taxpayers who file refund applications face delays. Until an order is passed, they cannot adjust the refund against future liabilities — creating liquidity challenges.</p>	<p>If a refund application is not disposed of within <b>60 days</b>, the amount claimed shall be <b>deemed assessed</b> and allowed for adjustment against future tax liabilities.</p>	<p>Improves liquidity for compliant taxpayers, reduces litigation, and encourages timely disposal by FBR.</p>

**Proposal A.12 — Income Tax**

ISSUE	PROPOSAL	RATIONALE
<p><b>Consolidation of Exemption Certificate Provisions</b></p> <p>Exemption certificate provisions are scattered across multiple sections, causing ambiguity and delays. Tax authorities consider revenues but not estimated tax deductions when computing advance tax.</p>	<p>Consolidate under Section 159. If not disposed of within <b>30 days</b>, exemption shall be <b>deemed granted</b>. Rejection orders must be appealable within 30 days. Estimated withholdings should be considered alongside revenues.</p>	<p>Streamlines exemption certificate issuance and reduces compliance costs and procedural delays.</p>

**Proposal A.13 — Income Tax**

ISSUE	PROPOSAL	RATIONALE
<p><b>Section 147(6B) Commissioner's Power to Reject Estimates</b></p> <p>Section 147(6B) empowers the Commissioner to reject advance tax estimates and recover tax based on their own assessment without due process.</p>	<p>Withdraw Section 147(6B) entirely. Retain existing deterrents for underpayment and ensure recovery aligns with due process.</p>	<p>Prevents misuse of discretionary powers by tax authorities and encourages voluntary compliance.</p>

**Proposal A.14 — Income Tax**

ISSUE	PROPOSAL	RATIONALE
<p><b>Section 153 — Uniform Exemption for Manufacturers</b></p> <p>Only public limited manufacturing companies can obtain 100% exemption certificates; other manufacturers get reduced rate certificates — inequitable. Commercial importers often understate import liabilities, causing revenue leakage.</p>	<p>Allow <b>all manufacturers</b> to obtain 100% exemption certificates once advance tax is discharged. Apply minimal withholding (0.1–0.2%) on commercial importer sales to capture transaction data.</p>	<p>Creates a level playing field for manufacturers and improves monitoring of commercial importers.</p>

**Proposal A.15 — Income Tax**

ISSUE	PROPOSAL	RATIONALE
<p><b>Section 122(5A) Commissioner's Power to Amend Returns</b></p> <p>The Commissioner can amend a return as many times as deemed appropriate. The Board can extend time limitations to 10–15 years — creating perpetual legal uncertainty.</p>	<p>Restrict amendments to issues <b>conclusively decided in favour of FBR by the High Court or Supreme Court</b>. Tribunal-level decisions shall not qualify. Introduce clear statutory guidelines.</p>	<p>Enhance taxpayer confidence, ensures certainty in tax assessments, and reduces unnecessary litigation.</p>

**Proposal A.16 — Sales Tax**

ISSUE	PROPOSAL	RATIONALE
<p><b>Section 8B — Loss-Making &amp; Listed Companies</b></p> <p>Section 8B results in huge sales tax carry-forward balances piling up month-on-month. Loss-making companies face double jeopardy: minimum turnover tax AND Section 8B. With integrated returns, fake input tax is practically impossible.</p>	<p>Abolish Section 8B entirely, or at minimum for: (a) <b>Listed companies</b>; and (b) <b>companies reporting losses</b> in the preceding financial year.</p>	<p>The original purpose of Section 8B no longer applies given integrated return systems.</p>

**Proposal A.17 — Income Tax / Sales Tax / Customs**

ISSUE	PROPOSAL	RATIONALE
<p><b>Fake Manufacturer Registrations by Commercial Importers</b></p> <p>Many commercial importers import under fake 'manufacturer' registration to attract reduced duties and income tax, causing revenue loss and undermining genuine manufacturers.</p>	<p>Compare electricity/gas expenses to HS-code sales and import ratios from tax returns. Require auditor certificates that at least 70% of imports are exported or sold to registered manufacturers. Amend IRIS to trace sales along commercial importer supply chains.</p>	<p>Prevents revenue loss from fake registrations and provides a level playing field for genuine manufacturers.</p>

**Proposal A.18 — Sales Tax**

ISSUE	PROPOSAL	RATIONALE
<p><b>Sales Tax Audit Frequency — Sections 25(2) &amp; 72B</b></p> <p>Sales Tax audit can be carried out every year — unlike Income Tax which is restricted to once every 4 years.</p>	<p>In line with Income Tax, <b>Sales Tax audit should be conducted only once every 4 years</b>.</p>	<p>Reduces compliance burden and harassment of legitimate businesses.</p>

**Proposal A.19 — Income Tax / Sales Tax / Customs**

ISSUE	PROPOSAL	RATIONALE
<p><b>Inter-Tax Refund / Adjustment — Section 10, 66, Rule 34</b></p> <p>Cash flows are tied up in FBR refunds while taxpayers are simultaneously required to pay assessed tax liabilities.</p>	<p>Any liability of Customs Duty, FED, Sales Tax, or Income Tax should, on <b>written request</b>, be adjustable against a sanctioned/approved refund of any of these taxes.</p>	<p>Frees up working capital by allowing cross-tax adjustments where refunds have already been approved.</p>

## 6. Helping Pakistan Meet its SDG Targets

The Pakistan Business Council is fully committed to supporting Pakistan's obligations under the United Nations Sustainable Development Goals. However, the current fiscal framework contains provisions that actively work against these objectives.

Objective	Issue	Recommendation	Rationale
Support Pakistan's commitment to UN SDGs and address climate change effects	Excessive sales tax withholding at 14.4% of applicable sales tax applied via FA 2024 on purchases of plastic waste or paper/paperboard waste. Applies whether purchase is from a registered or unregistered person, making formal recycling uneconomic.	<b>Abolish sales tax withholding on purchases from registered persons</b> in the recycling sector. Since the withholding is tax-neutral for registered suppliers, removal has no revenue cost.	Withholding tax drives suppliers to unregistered recyclers, removing goods from the documented economy. Abolishing it on registered transactions will generate both sales tax and income tax on ultimate sales.

PBC urges the Government to consider broader ESG fiscal incentives, including:

- Tax credits or accelerated depreciation for investments in renewable energy and energy efficiency.
- Customs duty and sales tax relief on import of machinery used for recycling and clean production.
- Incentives for companies achieving verified reductions in carbon emissions or water usage.
- Recognition and fiscal support for companies adopting internationally certified ESG reporting standards.

## 7. Summary & Closing Remarks

The Pakistan Business Council presents these proposals in the spirit of constructive partnership with the Federal Government. The documented formal sector has demonstrated its commitment to Pakistan through decades of investment, employment, and tax compliance. These proposals are not a request for exemption from taxation, but for a fair, rational, and growth-oriented fiscal framework.

Section	Focus Area	Proposals	Primary Objective
5.1–5.13	Major Proposals — Finance Bill 2026	13	Remove structural distortions; reduce cost of doing business
5.14	Non-Filer Withholding Tax Rates	14 measures	Create real compliance incentive; broaden tax base
5.15	Under-Invoicing & Trade Fraud	11 measures	Protect domestic industry; increase customs revenues
5A.1–5A.19	Additional Proposals — Finance Bill 2026	19	Technical fixes; procedural improvements; reduce harassment
6	SDG & Climate Change Support	1+	Support Pakistan's UN SDG commitments through fiscal incentives

PBC appreciates the limited space under the IMF program and proposes a **phased reform agenda** — beginning with revenue-neutral measures in the short term, building towards comprehensive restructuring over 3–5 years.

**The Pakistan Business Council**  
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