American Business Council
PAKISTAN

FEDERAL BUDGET PROPOSALS
2025 - 2026

For the consideration of
The Government of Pakistan

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ABOUT
THE AMERICAN BUSINESS COUNCIL OF PAKISTAN

The core objective of The American Business Council of Pakistan is to provide a solid and dynamic platform for American Investors to leverage the vast business and economic potential that Pakistan has to offer. It is an **independent, not-for-profit organization;** enabling U.S. investors in the country to collaborate since 1984.

The ABC works closely with relevant stakeholders, including the Government of Pakistan and the U.S. Mission, to help formulate policies that are conducive to the country's business and economic growth.

For over three decades, ABC has been the voice of around 60 members, most of which are **Fortune 500 companies**. The United States consistently ranks among the top resources of Foreign Direct Investment (FDI) in Pakistan, and ABC members account for a significant share in that investment. More importantly, ABC members adhere to high standards of corporate governance and transparency, and they bring cutting edge technologies and best practices to Pakistan.

The American Business Council of Pakistan has worked - and continues to work – to establish a level-playing field for American companies, protect U.S. investors and promote commerce between the United States and Pakistan.

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FINANCE & TAXATION PROPOSALS

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Preamble

The American Business Council appreciates the Government of Pakistan's continued efforts toward economic stability, tax reforms, and digital transformation. The measures taken in recent years reflect a strong commitment to broadening the tax base, enhancing transparency, and improving ease of doing business.

We acknowledge the strides made in tax automation and digital integration and encourage the government to further leverage technology to bring new taxpayers into the tax net while simultaneously reducing the compliance burden on registered corporate entities. A more efficient, technology-driven tax system will not only increase revenue collection but also foster economic growth, encourage formalization, and improve taxpayer confidence.

With this vision in mind, we present our budget proposals, focusing on pragmatic tax reforms that promote business sustainability, investment, and economic expansion, while ensuring fairness and ease of compliance for existing taxpayers. We remain committed to working alongside the government in achieving these goals.

#	Proposals	Page No.
1.	**Corporate Tax** To alleviate the burden on the corporate sector and enhance the competitiveness of businesses, it is proposed to decrease the corporate tax rate by at least 4%. Alternatively, a phased reduction, if not immediate, could be implemented over a period of four to five years, aiming to reach a more competitive rate.	09
2.	**Abolish MTR** It is proposed to abolish MTR for corporate sector. This will discourage undocumented sector and encourage new investors to form a corporation.	09
3.	**Quarterly Advance tax under Section 147 (6B) of the Income Tax Ordinance, 2001** The Commissioner's authority under Section 147(6B) should be eliminated to restore taxpayer confidence and align the advance tax regime with the self-assessment system.	10
4.	**Abolition of the Final Tax Regime (FTR) for Exporters and Introduction of Minimum Tax** The Final Tax Regime (FTR) for exports should be fully restored, ensuring that the 1% tax collected from export proceeds remains a final discharge of liability. The new minimum tax structure increases the effective tax burden on exporters, reducing their profitability and ability to compete in global markets.	10
5.	**Withholding tax on distributors of pharmaceuticals** It is proposed to remove the anomaly and correct the withholding rate for distributors of pharmaceutical products from 1% to 0.25%. A similar reduction has been done in 2021for distributors of FMCGs in which turnover Tax is in line with the withholding tax rate is 0.25%.	11
6.	**Income tax paid at import stage on raw materials for restaurants** Restaurant sector, especially International food chain, is importing items as raw material for further processing. Hence, restaurants should be treated as Industrial undertaking and income tax collected at import stage should be treated as "Adjustable".	11
7.	**ITO 2001 Section 153(4) of the Income Tax Ordinance, 2001** The restriction on the Commissioner's authority to issue a 100% withholding tax exemption certificate under Section 153(4) should be removed to streamline tax compliance and eliminate unnecessary bureaucratic hurdles.	11
8.	**Income Tax refund - Section 170(4) of the Income Tax Ordinance, 2001** It is proposed to verify and issue refund order within 30 days so that taxpayers can get their due tax refunds.	12

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#	Proposals	Page No.
9.	**Tax Credits on Investments (Section 65B)** To promote Foreign Direct Investment and Ease of Doing Business in the country, extension of such tax credits should be put in place. Tax credit for investment should be extended up to 30th June 2026. Moreover, the rate of tax credit should also be restored to 10%.	12
10.	**Compliant taxpayer is being penalized for the default of non-compliant dealer** It is proposed to omit Section 108B as it is penal action for registered person rather than unregistered persons.	12
11.	**Payment of tax Collected or Deducted under Section 160 of the Income Tax Ordinance, 2001** It is proposed that the taxpayers be allowed to deposit all withholding taxes collected within seven days on a fortnightly basis instead of each week.	13
12.	**WWF and WPPF** Allowed to Trans-provincial Entities: Section 60A of the ITO, 2001 should be amended and WWF paid to the provinces by a trans-provincial establishment should be treated as allowable expense.	13
13.	**Tax exemption on global minimum tax** It is recommended to replace tax exemption with tax credit to avoid any minimum tax.	14
14.	**Income Tax Refund Adjustment against Sales Tax Liability** It is proposed that the FBR issue a circular allowing adjustment of the refund ascertained by the Commissioner via refund order u/s 170 of ITO, 2001 with monthly sales tax liability.	14
15.	**Turnover Tax on SEZ** It is strongly recommended that turnover tax be entirely waived for businesses within Special Economic Zones. The tax-free status in SEZs aligns with the overarching goal of attracting investments, promoting economic growth, and encouraging businesses to thrive without unnecessary financial burdens.	14
16.	**Verification of income tax through ITMS** It is proposed to update ITMS so that the taxpayers can get their due tax refunds	14
17.	**Prize and Winnings** A clarification should be included in Section 156 with retrospective effect, explicitly defining ‘prizes and winnings’ as random winnings by chance, targeted toward end consumers. The amendment should exclude any cash or in-kind payments linked to key performance indicators (KPIs), including sales targets, from the scope of this section.	15

#	Subject	Proposal	Rationale
1.	**Corporate Tax** The current corporate tax rate in Pakistan stands at 39% (Inclusive of super-tax), imposing a substantial burden on a sector already contributing significantly to the economy. This high tax rate, compared to regional counterparts, including India (22%), Malaysia (24%), Indonesia (22%), Bangladesh (20%), and Philippines (25%), makes the cost of doing business in Pakistan comparatively higher. Even if compared with all the other Asian countries the average rate is 20% indicating a huge difference.	To alleviate the burden on the corporate sector and enhance the competitiveness of businesses, it is proposed to decrease the corporate tax rate by at least four percent. Alternatively, a phased reduction, if not immediate, could be implemented over a period of four to five years, aiming to reach a more competitive rate.	The current economic condition is unprecedented. Taxpayers are facing severe issues due to high inflation devaluation and interest rate. In that time, this higher tax rate is encouraging tax evasion and discouraging documentation of economy. Due to this situation, sustainability of MNCs are on stake and the HQs may start thinking on shifting their presence from Pakistan. Lowering the corporate tax rate contributes to the ease of doing business, making Pakistan a more favorable destination for businesses and potentially increasing overall tax revenue and encouraging more compliance.
2.	**Abolish MTR** Currently, three tax regimes are present under the Income Tax Ordinance, 2001: (a) Normal Income Tax Regime (NTR) (b) Minimum Tax Regime (MTR) Initially, MTR was introduced to broaden the tax base, tap the undocumented sectors of the economy and collect tax on business transactions i.e. at import stage or upon sales rather than on business profits. However, recently it has been observed that these regimes are being used as a policy tool wherein government is imposing taxes on transactions without differentiating documented and undocumented sectors. This is mainly affecting companies engaged in trading business/commercial imports (FMCG, automobile and etc.). Hence, defeating the purpose of tax base broadening and increasing cost of doing business.	It is proposed to abolish MTR for corporate sector.	This will discourage undocumented sector and encourage new investors to form a corporation.

#	Subject	Proposal	Rationale
3.	**Quarterly Advance tax under Section 147 (6B) of the Income Tax Ordinance, 2001** Under Section 147(6B) of the Income Tax Ordinance, 2001, the Commissioner has the authority to reject the taxpayer's estimate of advance tax payments. This provision undermines the principles of self-assessment, creating uncertainty and distrust among taxpayers. It also allows the tax department to interfere prematurely, even before the taxpayer has filed their annual return.	The Commissioner's authority under Section 147(6B) should be eliminated to restore taxpayer confidence and align the advance tax regime with the self-assessment system.	The self-assessment scheme empowers taxpayers to determine their own advance tax liability. Allowing the Commissioner to override estimates disrupts this autonomy and creates unnecessary administrative intervention.
4.	**Abolition of the Final Tax Regime (FTR) for Exporters and Introduction of Minimum Tax** The Finance Act 2024 (FA 2024) has fundamentally altered the tax regime for exporters by shifting from a simple and transparent 1% Final Tax Regime (FTR) to a minimum tax structure. The 1% tax collected on export proceeds is now treated as a minimum tax, rather than a final discharge of liability. Exporters are required to compute their taxable income/loss under normal tax provisions. If the 1% tax falls below the computed tax liability, they must pay the difference. Exporters are now subject to Super Tax, whereas previously, their income under FTR was exempt from this levy. A new provision under Section 147 (Advance Tax) mandates specified withholding agents to collect 1% advance income tax at the time of realization of export proceeds.	The Final Tax Regime (FTR) for exports should be fully restored, ensuring that the 1% tax collected from export proceeds remains a final discharge of liability. The new minimum tax structure increases the effective tax burden on exporters, reducing their profitability and ability to compete in global markets.	Restoring the Final Tax Regime (FTR) for exports is critical to incentivizing exports, securing foreign exchange reserves, and ensuring tax predictability for exporters.

#	Subject	Proposal	Rationale
5.	**Withholding tax on distributors of pharmaceuticals** Currently, the withholding tax on distributors of pharmaceuticals is 1%. However the turnover tax on distributors of pharmaceutical products is 0.25%. The turnover tax rate on pharma has been brought down due to the fact that the distributor operates business on very low margins. So in order to substantiate, the rate of turnover tax has been reduced to 0.25%. However, the withholding tax is still 1% which is not in line with the minimum tax.	It is proposed to remove the anomaly and correct the withholding rate for distributors of pharmaceutical products from 1% to 0.25%. A similar reduction has been done in 2021for distributors of FMCGs in which turnover Tax is in line with the withholding tax rate is 0.25%.	The relief sought will improve economic progress and more job opportunities and create balance in the distributor's business model.
6.	**Income tax paid at import stage on raw material for restaurants** Income tax collected under section 148 of ITO 2001 at import stage from restaurant is treating as FTR by considering restaurant as commercial importers instead of industrial Undertaking.	Restaurant sector, especially International food chain, is importing items as raw material for further processing. Hence, restaurant should be treated as Industrial undertaking and income tax collected at import stage should be treated as "Adjustable".	Section 148(7) of ITO 2001 refers two categories of importer i.e. commercial importer and industrial undertaking. International food chain does not fall under commercial importer, hence it should be treated as industrial undertaking.
7.	**ITO 2001 Section 153(4) of the Income Tax Ordinance, 2001** Under Section 153(4) of the Income Tax Ordinance, 2001, the Commissioner's authority to issue a 100% withholding tax exemption certificate has been restricted. This restriction has led to unnecessary administrative burdens for taxpayers and the tax department, despite the fact that eligible taxpayers already deposit advance tax in the national exchequer.	The restriction on the Commissioner's authority to issue a 100% withholding tax exemption certificate under Section 153(4) should be removed to streamline tax compliance and eliminate unnecessary bureaucratic hurdles.	The restriction forces businesses to collect withholding tax certificates from customers and then seek refunds, adding complexity and increasing compliance costs.

#	Subject	Proposal	Rationale
8.	**Income Tax refund - Section 170(4) of the Income Tax Ordinance, 2001** To enhance efficiency and transparency, a specific timeline should be established for FBR to complete the verification process and issue the order, ensuring alignment with the six-year record-keeping requirement.	It is proposed to verify and issue refund order within 30 days so that taxpayers can get their due tax refunds.	Implementing this measure will streamline processes, improve taxpayer confidence, and contribute to a more effective tax administration system.
9.	**Tax Credits on Investments (Section 65B)** Section 65B of Income Tax Ordinance, 2001 allowed a 10% tax credit to be claimed on investments in Plant & Machinery for the purposes of Extension, Expansion, Balancing, Modernization & Replacement by the taxpayers. The rate of tax credit reduced from 10% to 5% in Finance Act 2019; and further to 0% in Finance Act 2020.	To promote Foreign Direct Investment and Ease of Doing Business in the country, extension of such tax credits should be put in place. Tax credit for investment should be extended up to 30th June 2026. Moreover, the rate of tax credit should also be restored to 10%.	It is restricting Foreign Direct Investment which would result in job creation and increased tax revenues for the Government and would be beneficial for the economy in general.
10.	**Compliant taxpayer is being penalized for the default of non-compliant dealer** Finance Act, 2019 introduced section 108B which penalizing the complaint taxpayers for the non-compliance of dealers. 75% of dealer's margin will be added to the income of the supplier where the supplier makes supplies to a person who is not registered under the sales tax and is not on active tax payer list. Moreover, the margin of dealer is to be taken 10% for the purpose of making additions to the income of the supplier.	It is proposed to omit Section 108B as it is penal action for registered person rather than unregistered persons. The restriction on the Commissioner's authority to issue a 100% withholding tax exemption certificate under Section 153(4) should be removed to streamline tax compliance and eliminate unnecessary bureaucratic hurdles.	This will improve trust of taxpayers. The restriction forces businesses to collect withholding tax certificates from customers and then seek refunds, adding complexity and increasing compliance costs.

#	Subject	Proposal	Rationale
11.	**Payment of tax Collected or Deducted under Section 160 of the Income Tax Ordinance, 2001** Where the tax has been collected or deducted by a person other than the Federal Government or a Provincial Government, the same shall be paid to the Commissioner by way of credit to the Federal Government by remittance to the Government Treasury or deposit in an authorized branch of the State Bank of Pakistan or the National Bank of Pakistan, within Seven days from the end of each week ending on every Sunday.	It is proposed that the taxpayers be allowed to deposit all withholding taxes collected within seven days on fortnightly basis instead of each week.	This will ease the taxpayers as they are working as agents who are working for the Government without any remuneration.
12.	**WWF and WPPF** The provisions sections 60A and 60B, which disallow WWF and WPPF deductible allowances for trans- provincial entities where the said payments are made to Provincial authorities instead of Federal. In addition to the above, the Federal WPPF (applicable to trans-provincial entitles) itself is outdated and should be harmonized with the more recent Provincial laws. Especially the eligibility criteria under Federal and Provincial laws should be made consistent as there is a discrepancy in salary thresholds provided under the Federal and Provincial WPPF laws. Moreover, there are legal aspects in the Federal WPPF law that are not adequately clear and cause hindrance in discharging WPPF liability towards the employees. One example of such ambiguity is regarding the application of interest income earned on accumulated balance by a WPPF Fund where there are no eligible employees in a particular year for distribution.	Allowed to Trans-provincial Entities: Section 60A of the ITO, 2001 should be amended and WWF paid to the provinces by a trans-provincial establishment should be treated as allowable expense.	The provisions appear to be discriminatory as they put trans-provincial entities at a disadvantage as compared to entitles operating in a single province. The Provincial authorities nonetheless demand payments under their respective WWF and WPPF laws, and if paid to them, the allowance is disallowed by the FBR. Moreover, this is a violation of the constitutional right to do business on equal terms of such entities.

#	Subject	Proposal	Rationale
13.	**Tax exemption on global minimum tax** Pakistan under certain Geneva conventions will then be forced to enact it in its local legislative sys. OECD BEPS 2.0 Piller II recommends 15% global minimum tax. In case Pakistan provide tax exemption to any MNC then under Pillar II the ultimate parent company country will charge 15% tax in its jurisdiction on the profits earned by MNC in Pakistan.	It is recommended to replace tax exemption with tax credit to avoid any minimum tax.	To ensure attraction of SEZ for MNCs
14.	**Income Tax Refund Adjustment against Sales Tax Liability** Companies have huge income tax refunds pending with tax authorities.	It is proposed that the FBR issue a circular allowing adjustment of the refund ascertained by the Commissioner via refund order u/s 170 of ITO, 2001 with monthly sales tax liability.	Due to government's inability to encash/adjust the accumulated income tax refunds. This automatic adjustment will be much more effective, convenient and will ensure timely claimability of income tax refunds. Furthermore, this will also help to comply with IMF's condition relating to tax refund ceiling.
15.	**Turnover Tax on SEZ** The imposition of turnover tax on businesses operating within Special Economic Zones (SEZs) poses a significant challenge. The essence of SEZs lies in providing a conducive environment for economic activities, and subjecting these enterprises to turnover tax contradicts the fundamental purpose of establishing such zones.	It is strongly recommended that turnover tax be entirely waived for businesses within Special Economic Zones. The tax-free status in SEZs aligns with the overarching goal of attracting investments, promoting economic growth, and encouraging businesses to thrive without unnecessary financial burdens.	SEZs are designed to attract both local and foreign investments. Exempting businesses within these zones from turnover tax enhances their attractiveness to investors, fostering economic development. Many countries with successful SEZ models maintain a tax-free status within these zones. Aligning our tax policies with international best practices enhances our global competitiveness, attracting businesses on a larger scale.
16.	**Verification of income tax through ITMS** During income tax audits or at time of filing WHT exemption certificate, it has been observed that withholding tax in FBR ITMS system misses certain deductions and generally shows lower deductions	It is proposed to update ITMS so that the taxpayers can get their due tax refunds.	This will remove distortions and anomalies in the system.

#	Subject	Proposal	Rationale
	versus actual, which then become cumbersome activity to verify WHT from supporting documents.		
17.	**Prize and Winnings** The scope of section 156 of the Ordinance is not clarified and is frequently used by tax authorities to assess various discounts and similar incentives offered to supply chain members.	A clarification should be included in Section 156 with retrospective effect, explicitly defining 'prizes and winnings' as random winnings by chance, targeted toward end consumers. The amendment should exclude any cash or in-kind payments linked to key performance indicators (KPIs), including sales targets, from the scope of this section.	Sales-related incentives, such as rebates, discounts, or performance-based bonuses, are legitimate business expenditures and should not be treated as gambling or prize winnings.

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#	Proposals	Page No.
1.	**Limited Taxpayer Base Leading to Increased Burden on Existing Taxpayers** Taxpayers are submitting various declarations, such as sales tax returns and withholding tax statements, which include NTN/CNIC details of non-filers and unregistered individuals. However, this valuable data has not been effectively utilized to expand the tax base. a. It is recommended that the authorities leverage this information to enhance tax base broadening efforts. b. The FBR should release a quarterly report detailing the use of the database in efforts to broaden the tax base.	20
2.	**4% further tax on Inactive** Requirement of a Levy of Further Tax on supplies to inactive registered taxpayers should be omitted.	20
3.	**Sales Tax Claim on Royalty & Foreign Services via Reverse Charge Mechanism** MNCs are eligible to claim input sales tax from FBR on royalty services payments made to foreign service providers via reverse charge mechanism prescribed under SRB Circular No. 6 of 2020. Recently, due to FBR system glitch, it does not allow taxpayers to claim input sales tax paid to provincial authorities on royalty through reverse charge mechanism. The admissibility of input claim in view of sales tax on royalty fee paid to provincial authorities is never being disallowed by FBR through any notification. We ask FBR to immediately rectify the system and allow claimability on royalty fee as per applicable law which is currently unjustifiably denying the claims.	21
4.	**Lack of Level Playing Field in Beverage Industry** Serial No. 1 & 3 of Third Schedule of Sales Tax Act, 1990 is proposed to be deleted. Serial No. 4, 5 & 6 of First Schedule of Federal Excise Act, 2005 is proposed to be deleted.	22
5.	**Taxability of Confectionaries** Consider classifying the Confectioneries under the Third Schedule of the Sales Tax Act, 1990 (the Act)	22
6.	**Exemption of Sales Tax on Imported Personal Computers and Laptops** The exemption of personal computers and laptops from sales tax was initially implemented to promote the IT industry by making essential hardware affordable and accessible. Despite the absence of local manufacturing for these products, the imposition of a 10% sales tax, combined with the additional 4% for sales to unregistered persons, creates a financial barrier that undermines the government's narrative of fostering IT development. Given the critical role of IT hardware in driving innovation and digitalization, maintaining high tax rates on such imports runs counter to the broader goal of boosting the IT sector. It is proposed to Exempt these products from sales tax.	22

#	Proposals	Page No.
7.	**Third Schedule of ST Act, 1990** To maintain uniformity and transparency, confectioneries and wafers should be classified under the Third Schedule, ensuring that sales tax is levied on the retail price. This will simplify tax administration, improve compliance, and prevent revenue leakages.	23
8.	**Input Tax disallowance under Section 73(4) of the Sales Tax Act, 1990** We recommend that registered persons should not be penalized for the actions or status of unregistered persons. Input tax adjustment should remain permissible for taxable supplies made to unregistered persons, irrespective of any threshold, to ensure fairness and to avoid discouraging legitimate business transactions.	23
9.	**Sales tax on Advance payments Section 2(44) of the Sales tax Act, 1990** It is proposed that this provision be abolished. Imposing sales tax on advance payments without the issuance of an invoice creates operational difficulties for businesses, leading to unnecessary compliance burdens.	23
10.	**Additional Sales tax at the time of Import for commercial imports** This additional tax creates an unjustified financial burden on the pharmaceutical sector, which already operates under a reduced GST regime. It is proposed to exempt pharmaceutical products from additional sales tax	24
11.	**Sales tax refund claimed- Section 66 of the Income Tax Ordinance, 2001** It is proposed that the refund disbursement process be strictly enforced within the stipulated 90-day period to ensure timely liquidity for businesses and improve taxpayer confidence in the system.	24
12.	**Leaf processing** It is proposed not to only further maintain the measure but also ensure its true implementation at the Green Leaf Thrashings	24
13.	**Manufacturing & transportation of cigarettes from non-tariff to tariff areas** To curtail supplies of taxable goods brought from tax-exempt areas into taxable areas, it is proposed to implement SRO 96(I) issued in 2021 at the earliest (Building of check post)	24
14.	**Import Policy Order** The market is flooded with cigarette brands without Government mandated graphical health warning, selling across Pakistan. Compliance is to be ensured as the legislative angle is covered.	25

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#	Proposals	Page No.
15.	**Sales Tax on services by Restaurants in Islamabad** Federal Government is requested to the issuance of a notification in the official Gazette in exercise of the powers conferred on the Federal Government under section 3(2A)(a) of the ICT, 2001 read with section 3(2)(b) of the Sales Tax Act, 1990 to declare charging, collection and payment of sales tax on services provided by restaurants in ICT at the standard rate of 15% with adjustment of input tax, in a manner similar to mechanism introduced by PRA.	25
16.	**Sales Tax Withholding – Eleventh Schedule** It should make mandatory for registered persons to report the sales tax withholding of unregistered NTN/CNIC wise so it could help exchequer in broadening of tax base. Moreover, a minimum threshold of purchases should be prescribed for sales tax withholding similar to the exclusion given under Section 153 of the Income tax Ordinance, 2001. The rate of sales tax withholding should be reinstated to the original percentage i.e. 1% as the main objective is to capture the unregistered rather than increasing revenue collection.	25
17.	**Section 8B - Restriction on Input tax** It is proposed to omit Section 8B. It results in accumulation of legitimate input taxes and leads to an unnecessary financial burden for the tax payer in the form of mandatory payment of 10% of output tax while filing monthly sales tax return	26
18.	**Charitable or Non-Profit Organizations, including hospitals and educational institutions** It is suggested that supplies of goods to these institutions be charged to tax at the zero rate. It will help the taxpayers in claim their legitimate input tax credit.	26
19.	**Incentive on sales** Previously, a tax credit was available to taxpayers if their sales to persons registered under Sales Tax Act, 1990 constitute 90% of the total sales during the year. Such tax credit should be revived.	26
20.	**Further Tax** The expressions "person who has not obtained registration number" is quite vague and inadvertently covers all taxpayers whether required to be registered or not. This creates undue tax burden on taxpayers like service providers who otherwise are not required to be registered under the Act. It is proposed to issue suitable explanation in order to avoid excessive litigation.	27
21.	**Definition of Manufacturer** Principal in toll manufacturing setup should be included in the definition of manufacturer to remove the ambiguity of status of principal and toller in a toller arrangement.	27

#	Proposals	Page No.
22.	**CNIC condition under Section 23 of the Sales Tax Act, 1990** The requirement of disallowing input tax on non-declaration of CNIC / NTN by importer / manufactures to unregistered distributors should be omitted.	27
23.	**S.26(3) of the ST Act, 1990** To simplify compliance, the requirement for Commissioner's approval should be abolished, allowing taxpayers to revise their returns within 60 days without additional hurdles.	28
24.	**Sales tax on purchase and sale of goods by distributors** Addressing this matter necessitates collaboration between federal and provincial tax authorities to establish consensus-based guidelines for taxpayers. Such guidelines would clarify the application of sales tax laws in relation to distribution and subsequent supply arrangements, thereby reducing ambiguities and potential conflicts in tax administration.	28

#	Subject	Proposal	Rationale
1.	**Limited Taxpayer Base Leading to Increased Burden on Existing Taxpayers** The taxpayer base needs to expand significantly, as the current narrow base places an undue burden on existing taxpayers.	Taxpayers are submitting various declarations, such as sales tax returns and withholding tax statements, which include NTN/CNIC details of non-filers and unregistered individuals. However, this valuable data has not been effectively utilized to expand the tax base. a. It is recommended that the authorities leverage this information to enhance tax base broadening efforts. b. The FBR should release a quarterly report detailing the use of the database in efforts to broaden the tax base.	Instead of introducing new compliance requirements, optimizing the use of existing taxpayer data ensures efficiency and cost-effectiveness in the administration of taxes.
2.	**4% further tax on Inactive persons** Under section 3(1A) of the Act, a Further Tax at the rate four percent is required to be charged, levied and paid, in case of taxable supplies made to a person who has not obtained registration number or who is not an active taxpayer. When the taxpayer becomes inactive is defined in Section 2(1) of the Act which is enumerated as follows: 1- taxpayer failed to file income tax return 2- taxpayer failed to file sales tax return for two consecutive tax periods 3- blacklisted / suspended under S.26 of the Act	Requirement of Levy of Further Tax on supplies to inactive registered taxpayers should be omitted.	Earlier, it was restricted on sale to unregistered person, however, vide Finance Act, 2022, the scope of charging further tax is extended. Now seller has to check multiple status while issuance of every single invoice that whether the buyer is active or not. The status of buyer changes on real time basis and it becomes difficult to check the status everytime while issuing invoices. This cause hassle in doing business as levy of Further Tax is an important factor considered by the Companies whilst making any business decision for the sale margin and the supply chain management. The requirement of charging further tax should be simplified to encourage registered persons to do

#	Subject	Proposal	Rationale
	4- failed to file withholding statements under income tax		their business effectively. Moreover, to penalize unregistered persons via further tax is the responsibility of the state instead of passing on to this to registered persons. Again, this cause hardships in doing business and effects the business decisions of the registered taxpayer.
3.	**Sales Tax Claim on Royalty & Foreign Services via Reverse Charge Mechanism** Sales Tax Claim on Royalty & Foreign Services via Reverse Charge Mechanism Recenlty, FBR has imposed restrictions on the tax portal and companies are unable to claim sales tax adjustment via reverse charge mechanism. Previously, this adjustment was allowed by FBR but it has now been restricted.	MNCs are eligible to claim input sales tax from FBR on royalty services payments made to foreign service providers via reverse charge mechanism prescribed under SRB Circular No. 6 of 2020. Recently, due to FBR system glitch, it does not allow tax payer to claim input sales tax paid to provincial authorities on royalty through reverse charge mechanism. The admissibility of input claim in view of sales tax on roylaty fee paid to provincial authorities is never being disallowed by FBR through any notification. We ask FBR to immediately rectify the system and allow claimability on royalty fee as per applicable law which is currently unjustifiably denying the claims.	Leads to higher cost of business for multinational companies paying royalty.

#	Subject	Proposal	Rationale
4.	**Lack of Level Playing Field in Beverage Industry** The Aerated Waters & Fruit Juices are heavily taxed under Sales Tax Act, 1990 on retail price basis, due to which the manufacturers are not allowed to deduct on invoice trade discounts and bulk discounts to its consumers, resulting in investment of huge cash flows in tax payments instead of production capacity enhancements.	Serial No. 1 & 3 of Third Schedule of Sales Tax Act, 1990 is proposed to be deleted. Serial No. 4, 5 & 6 of First Schedule of Federal Excise Act, 2005 is proposed to be deleted.	This is causing limitation of further investments in Beverage Industry.
5.	**Taxability of Confectionaries** Confectioneries are currently chargeable to General Sales Tax @ 17% on the value of supply	Consider classifying the Confectioneries under the Third Schedule of the Sales Tax Act, 1990 (the Act)	Confectioneries are consumer items and have approximately the same nature as that of biscuits and beverages. Bringing confectioneries under the Third Schedule would help companies to effectively manage their supply / customer chain and would facilitate the Revenue Authority to ensure their due tax collection with no loss.
6.	**Exemption of Sales Tax on Imported Personal Computers and Laptops** The current sales tax rate on imported personal computers and laptops is set at 10%. Additionally, a 4% further tax is applicable on sales to unregistered persons, effectively increasing the tax burden to 14%. Initially, these products were exempted from sales tax to support the growth of the IT industry. However, in 2022, a 5% sales tax was introduced, which was further increased to 10% in 2024.	The exemption of personal computers and laptops from sales tax was initially implemented to promote the IT industry by making essential hardware affordable and accessible. Despite the absence of local manufacturing for these products, the imposition of a 10% sales tax, combined with the additional 4% for sales to unregistered persons, creates a financial barrier that undermines the government's narrative of fostering IT development. Given the critical role of IT hardware in driving innovation and digitalization, maintaining high tax rates on such	It will encourage investment in IT infrastructure, enable affordability for businesses and individuals, and contribute to the overall growth of the IT industry in Pakistan.

#	Subject	Proposal	Rationale
		imports runs counter to the broader goal of boosting the IT sector. It is proposed to Exempt these products from sales tax.	
7.	**Third Schedule of ST Act, 1990** It is proposed that confectioneries and wafers be classified under the Third Schedule of the Sales Tax Act, 1990, ensuring that sales tax is charged on the retail price instead of at the supply stage.	To maintain uniformity and transparency, confectioneries and wafers should be classified under the Third Schedule, ensuring that sales tax is levied on the retail price. This will simplify tax administration, improve compliance, and prevent revenue leakages.	Currently, confectioneries and wafers are not part of the Third Schedule, whereas biscuits and beverages which have a similar consumer nature are already classified under it. This discrepancy creates inconsistencies in tax treatment and hinders tax collection efficiency.
8.	**Input Tax disallowance under Section 73(4) of the Sales Tax Act, 1990** Section 73(4) of the Sales Tax Act, 1990 (the Act) previously restricted a registered person from claiming input tax attributable to taxable supplies made to unregistered persons exceeding one hundred million rupees in a financial year or ten million rupees in a tax period. This provision has since been withdrawn, with a new threshold limit to be introduced through a notification.	We recommend that registered persons should not be penalized for the actions or status of unregistered persons. Input tax adjustment should remain permissible for taxable supplies made to unregistered persons, irrespective of any threshold, to ensure fairness and to avoid discouraging legitimate business transactions.	Since majority of the distributors / suppliers are unregistered and to tap the vast geographical area, this causes hindrance in doing business to registered taxpayers as disallowance of input tax becomes their cost. Government should adopt different measures to document the economy and bring unregistered persons into tax net instead of penalizing duly registered taxpayers. Moreover, the manufacturer and importers are also required to declare NIC or NTN of unregistered distributors on tax invoices and this can fulfill the object of government to document economy, accordingly,registered suppliers should not be held accountable on supply to unregistered ones.
9.	**Sales tax on Advance payments Section 2(44) of the Sales tax Act, 1990** The Finance Act, 2024 expanded the definition of	It is proposed that this provision be abolished. Imposing sales tax on advance payments without the issuance of an invoice creates operational	This measure does not generate any incremental revenue for the FBR, however creating practical issues for taxpayers.

#	Subject	Proposal	Rationale
	supply to include advance payments received prior to delivery.	difficulties for businesses, leading to unnecessary compliance burdens.	
10.	**Additional Sales tax at the time of Import for commercial imports** Currently, an additional 3% sales tax is imposed on the import of pharmaceutical products, despite these products being subject to a 1% GST rate at the import stage.	This additional tax creates an unjustified financial burden on the pharmaceutical sector, which already operates under a reduced GST regime. It is proposed to exempt Pharmaceutical products from additional sales tax.	Imposing sales tax beyond the applicable standard rate results in increased costs and contradicts the intended tax structure. Rationalizing this levy will ensure fair taxation, reduce unnecessary financial strain, and support sector-specific tax policies.
11.	**Sales tax refund claimed- Section 66 of the Income Tax Ordinance, 2001** Sales tax refund applications filed under Section 66 are required to be processed within 90 days from the date of submission. However, in practice, taxpayers face significant delays in receiving Refund Payment Orders (RPOs), which impacts their cash flow and business operations.	It is proposed that the refund disbursement process be strictly enforced within the stipulated 90-day period to ensure timely liquidity for businesses and improve taxpayer confidence in the system.	Enforcing the 90-day refund disbursement timeline will not only enhance taxpayer confidence but also promote compliance and investment in the economy.
12.	**Leaf processing** SRO 1149 - FED act - "un manufactured tobacco"	It is proposed not to only further maintain the measure but also ensure its true implementation at the Green Leaf Thrashings	Ensuring all Green Leaf purchases are documented to curtail illicit cigarette trade in Pakistan.
13.	**Manufacturing & transportation of cigarettes from non-tariff to tariff areas** The manufacture of illicit cigarettes in non-tariff areas especially in the region of Azad Jammu and Kashmir continues to be the biggest pain point and a challenge to resolve. The constitutional ambiguities and inconsistency in legislation with regards to the constitutional status of AJ&K and the	To curtail supplies of taxable goods brought from tax-exempt areas into taxable areas, it is proposed to implement SRO 96(I) issued in 2021 at the earliest (Building of check post).	The illicit operators take full advantage of this legal loophole and we understand that a number of registered cigarette manufacturers in Pakistan have manufacturing facilities in AJ&K.

#	Subject	Proposal	Rationale
	tax treatment on the movement of goods between territories are still unclear and as a result, a high magnitude of non-tax paid cigarettes are entering Pakistan.		
14.	**Import Policy Order** Amendments in 2020 that prohibited custom clearance of cigarettes that do not comply with local packaging and labelling requirements.	Compliance is to be ensured as the legislative angle is covered.	The market is flooded with cigarette brands without Government mandated graphical health warning, selling across Pakistan.
15.	**Sales Tax on services by Restaurants in Islamabad** Through Finance Act, 2023 , ICT had reduced sales tax rate from 15% to 5% on services provided by restaurants including cafes, food (including ice-cream parlours), coffee houses, coffee shops, deras, food huts, eateries, resorts and similar cooked, prepared or ready-to-eat food service outlets etc., in case where payment is made through debit or credit cards, mobile wallets or QR scanning with restriction of input adjustment.	Federal Government is requested to the issuance of a notification in the official Gazette in exercise of the powers conferred on the Federal Government under section 3(2A)(a) of the ICT, 2001 read with section 3(2)(b) of the Sales Tax Act, 1990 to declare charging, collection and payment of sales tax on services provided by restaurants in ICT at the standard rate of 15% with adjustment of input tax, in a manner similar to mechanism introduced by PRA.	The international fast-food chain is facing the following adverse business implications. • Increase in cost of doing business with adverse impact on cash flows, liquidity, and expansion plans due to restriction on adjustment of input tax. • Operational challenges including maintaining dual menu cards for same product, increasing serving time, etc.
16.	**Sales Tax Withholding – Eleventh Schedule** Sales Tax withholding is required to be made while making payment to unregistered person and Inactive registered person without any threshold. Until June 2019, 1% Sales Tax was required to be withheld on payment to unregistered person. Subsequently the rate was increased to 5% vide Finance Act 2019 and therefore, 5% sales tax withholding is required to be made on gross value of	We would like to share our proposal as below: It should make mandatory for registered persons to report the sales tax withholding of unregistered NTN/CNIC wise so it could help exchequer in broadening of tax base. Moreover, a minimum threshold of purchases should be prescribed for sales tax withholding similar to the exclusion	This will boost the confidence of taxpayers. The documentation will help positive revenue impact for future.

#	Subject	Proposal	Rationale
	supplies from persons other than Active taxpayers. The rate of 5% is an additional burden on registered taxpayers as unregistered suppliers include said impact in their Prices and ultimately it becomes burden for registered taxpayers. Thus this needs to be rationalized.	given under Section 153 of the Income tax Ordinance, 2001. The rate of sales tax withholding should reinstate to the original percentage i.e. 1% as the main objective is to capture the unregistered rather than increasing revenue collection.	
17.	**Section 8B - Restriction on Input tax** Section 8B imposes restriction on input tax claim. A registered person can claim input tax upto 90% if the output tax is less than input tax.	It is proposed to omit Section 8B. It results in accumulation of legitimate input taxes and leads to an unnecessary financial burden for the tax payer in the form of mandatory payment of 10% of output tax while filing monthly sales tax return.	This will create ease of doing business for the taxpayers.
18.	**Charitable or Non-Profit Organizations, including hospitals and educational institutions** Goods supplied to hospitals run by the charitable hospitals run by the charitable hospitals of fifty beds or more are exempt from the purview of sales tax. Taxable supplies by the taxpayer is exempt and either sales tax is to be paid by taxpayer or they may allow the input tax claimed against such goods.	It is suggested that supplies of goods to these institutions be charged to tax at the zero rate. It will help the taxpayers in claim their legitimate input tax credit.	This will help taxpayers to claim their due tax credit.
19.	**Incentive on sales** Tax credit on sales to registered persons.	Previously, a tax credit was available to taxpayers if their sales to persons registered under Sales Tax Act, 1990 constitute 90% of the total sales during the year. Such tax credit should be revived.	Incentives for being registered with the national exchequer would promote documentation of economy and curb illegal practices of black marketing and tax evasions.

#	Subject	Proposal	Rationale
20.	**Further Tax** Further tax @4% has been levied on taxable supplies made to a taxpayer who has not obtained sales tax registration number.	The expressions "person who has not obtained registration number" is quite vague and inadvertently covers all taxpayers whether required to be registered or not. This creates undue tax burden on taxpayers like service providers who otherwise are not required to be registered under the Act. It is proposed to issue suitable explanation in order to avoid excessive litigation.	This will remove anomaly under the law.
21.	**Definition of Manufacturer** In section 153(7), definition of "Manufacturer" does not clearly specify inclusion of toll manufacturers.	Principal in toll manufacturing setup should be included in the definition of manufacturer to remove the ambiguity of status of principal and toller in a toller arrangement.	To being certainty and remove ambiguity.
22.	**CNIC condition under Section 23 of the Sales Tax Act, 1990** The manufactures or importers are required to declare CNIC / NTN of the unregistered distributors and in case of failure, the attributable input tax will be disallowed.	The requirement of disallowing input tax on non declaration of CNIC / NTN by importer / manufactures to unregistered distributors should be omitted.	In supply chain, the major contributors are manufacturers and importers. The requirement of declaring CNIC and in case of failure, disallowance of input tax is unjust with the major contributors of the economy. If a taxpayer is not obtaining registration under the Act and penalizing other is simply against the concept of equity. This requirement should be omitted as disallowance of input tax becomes cost of the supplier as it is quite unlikely to do business with all registered distributors as many of the distributors operate as unregistered and they are key source to reach the customer base.

#	Subject	Proposal	Rationale
23.	**S.26(3) of the ST Act, 1990** Currently, taxpayers are required to obtain the Commissioner's approval for revising a monthly sales tax return within 60 days of filing.	To simplify compliance, the requirement for Commissioner's approval should be abolished, allowing taxpayers to revise their returns within 60 days without additional hurdles.	This change will ensure timely corrections, reduce administrative burdens, and improve tax compliance efficiency.
24.	**Sales tax on purchase and sale of goods by distributors** Sales tax on purchase and sale of goods by distributors shall be exclusively administered by federation. The subject issue pertains to the overlapping imposition of sales tax on economic activities carried out by distributors. Consequently, it falls within the purview of the National Tax Council (NTC).	Addressing this matter necessitates collaboration between federal and provincial tax authorities to establish consensus-based guidelines for taxpayers. Such guidelines would clarify the application of sales tax laws in relation to distribution and subsequent supply arrangements, thereby reducing ambiguities and potential conflicts in tax administration.	Overlapping / dual taxation undermines the taxpayers' trust in revenue collection system and increases compliance burden. Uncertainty over tax obligations could deter investments and hinder the growth of businesses, particularly for distributors and suppliers.

Issues related to monthly filing of Sales Tax return

#	Subject	Proposal	Rationale
1.	The current challenge arises from the frequent amendments in the portal and businesses internal procedures, leaving insufficient time for timely submission of sale invoices. This time constraint particularly affects the Annex C submission, creating difficulties for businesses in uploading their sales invoices within the existing deadlines.	To address this issue and facilitate a more realistic timeframe, it is proposed to extend the deadlines for Annex C submissions. The suggested adjustment includes moving the deadlines from the 10th to the 12th for Annexure C submission, from the 15th to the 17th for payment, and from the 18th to the 20th for the final submission.	It will enhance overall compliance, reduce the risk of errors, and alleviate the administrative burden associated with meeting tight deadlines -Extra days allow businesses to make necessary adjustments to their internal processes and adapt to evolving portal requirements efficiently.
2.	As per the recent amendment, FBR has placed a restriction on importers, wholesalers, dealers and distributors on reporting of supplies only with those H.S. codes which were imported/ purchased during the last twelve months in their electronic sale tax return filing system. This restriction overlooks the nature of businesses dealing with bulk goods and services, often holding inventory for extended periods. The current timeframe does not align with the industry's operational dynamics.	To address this issue, it is suggested to either remove the restriction entirely or extend the period beyond the last twelve months.	This adjustment aims to ease the difficulties faced by importers and traders and distributors in filing sales tax returns.
3.	The current prescribed time limit for the issuance of a debit/credit note is 180 days. However, for businesses where goods are held for an extended period, this short duration poses a challenge. Sales/purchase returns are normal in such cases, and the 180-day time limit becomes a restraint for businesses to conduct their operations effectively.	To address this issue and provide businesses with more flexibility, it is recommended to extend the time limit for the issuance of debit/credit notes to at least 365 days.	This extension would enable businesses to adjust their input and output tax easily, accommodating the operational dynamics of industries where goods are held for an extended duration.

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#	Proposals	Page No.
1.	**Clarification on definitions (Dealers, Distributors, Retailers and Wholesalers) Application of Section 236G and 236H of the Income Tax Ordinance, 2001 [ITO, 2001]** • Consolidate and clarify the roles of collecting agents and the categories of persons from whom tax is to be collected, reducing redundancy and enhancing clarity. • Explicitly include provisions for sales from distributor to distributor, ensuring comprehensive coverage of all sales transactions. • Provide clear guidelines on the treatment of non-filer retailers not enrolled in IRIS, specifying the applicable section for advance tax collection. • Exclude the sectors like non-profitable organization, Hospitals, Doctors, service providers, restaurants, end consumers or other sectors who are not required to pay advance taxes. • For Tier-1 retailers with deductible withholding tax under Section 236H exceeding Rs. 100,000, the tax officer may register the taxpayer for sales tax purposes if dealing with taxable supplies. Exempt/Non-taxable supplies should be excluded from this requirement. • Clarify the position on advance tax collection in Gilgit-Baltistan to avoid ambiguity.	31
2.	**Super Tax under Section 4B and 4C of the Income Tax Ordinance, 2001** • Super Tax under Sections 4B and 4C was introduced for temporary and high-income levies but has since evolved into a burdensome and retrospective policy, disrupting business planning and deterring FDI. With the combined corporate and super tax rates reaching up to 39%—far above the regional average of 20%—the overall tax burden in Pakistan is uncompetitive. It is proposed to eliminate Super Tax, avoid retrospective taxation, and ensure prior consultation with the business community before introducing new tax measures.	32

Clarification on definitions (Dealers, Distributors, Retailers and Wholesalers) Application of Section 236G and 236H of the Income Tax Ordinance, 2001 [ITO, 2001]

Previously, advance tax under Sections 236G and 236H of the ITO, 2001, applied only to specific sectors. From 1st July 2024, it extends to all sectors except petroleum dealers. This change requires advance tax collection at the time of sales across the board. This causes difficulties and sales losses for taxpayers, hence redrafting these sections is urgently needed.

Section 236 G – Collecting Agent: **Manufacturer, Commercial Importer**

Persons from whom tax is required to be collected: Distributors, dealers, **wholesalers**

Section 236 H – Collecting Agent: **Manufacturer, Distributor, Dealer, Wholesaler, Commercial Importer**

Persons from whom tax is required to be collected: Retailers, every distributor or dealer to another **wholesaler**

The current tax framework presents several challenges in the roles of collecting agents and the entities from whom tax is required to be collected. Some of the issues are as under:

a. There is duplication in collecting agent and the persons whose tax is required to be collected under Section 236G and 236H of the ITO, 2001 creating an anomaly at the time of sales.
b. There is no provision for collecting advance tax at the time of sales from distributor to distributor, creating ambiguity.
c. Many retailers are non-filers and not enrolled in IRIS, making status verification impossible. They insist us charge at the lower side.
d. Taxpayers such as non-profitable organizations, hospitals, doctors, restaurants, end consumers, and service providers often claim exemption from advance tax under Sections 236G and 236H of the ITO, 2001. Clear exemptions for these sectors are necessary.
f. There is no specific exemption for advance tax collection in Gilgit-Baltistan.

Recommendation:
To mitigate these challenges and avoid further confusion and litigation, the following proposals are recommended:
a. Consolidate and clarify the roles of collecting agents and the categories of persons from whom tax is to be collected, reducing redundancy and enhancing clarity.
b. Explicitly include provisions for sales from distributor to distributor, ensuring comprehensive coverage of all sales transactions.
c. Provide clear guidelines on the treatment of non-filer retailers not enrolled in IRIS, specifying the applicable section for advance tax collection.
d. Exclude the sectors like non-profitable organization, Hospitals, Doctors, service providers, restaurants, end consumers or other sectors who are not required to pay advance taxes.
e. For Tier-1 retailers with deductible withholding tax under Section 236H exceeding Rs. 100,000, the tax officer may register the taxpayer for sales tax purposes if dealing with taxable supplies. Exempt/Non-taxable supplies should be excluded from this requirement.
f. Clarify the position on advance tax collection in Gilgit-Baltistan to avoid ambiguity.

Super Tax under Section 4B and 4C of the Income Tax Ordinance, 2001

Super Tax was imposed through Section 4B which was inserted vide Finance Act 2015 for rehabilitation of Temporary Displaced Persons (TDPs). Initially it was 4% and that was for temporary period and also it reduces by 1% every year. Another similar tax with the name of Super tax on High earning persons was introduced and inserted by the Finance Act, 2022 with another Section 4C. The Super tax was applicable from Tax year 2022 with retrospective effect at the rate of 10% for some specific sectors and 4% for rest of the sectors. Through Finance Act, 2023, the slab of Super Tax was introduced 10% tax is applicable on the income exceeds 500mn.

However, these fiscal policies have faced considerable resistance from taxpayers, who have raised valid concerns regarding their impact on businesses. The retrospective nature of these taxes not only disrupts financial planning but also poses obstacles to foreign direct investment (FDI). The lack of consistency in tax policies further deters prospective investors, creating an environment of uncertainty.

If we look at the corporate tax rate, it is 29%. However the total tax application is 39% (29%+10% super tax). Moreover, we have multiple tax regimes in Pakistan Minimum tax, Final tax and Normal Tax regime. The tax collected under the Minimum Tax regime is final tax. This cumulative rate surpasses the regional average by a substantial margin, hovering around 55% to 60%, making it nearly three times higher than the Asian average of 20%. In view of the above, it is proposed as below:-

1. Eliminate the levy of Super tax under Section 4B and 4C.

2. Avoid retrospective application of taxes. Implementing taxes prospectively ensures predictability and fairness in the tax system, facilitating better long-term planning for businesses.

3. Prior consultation with the business community is recommended before implementing any new tax measures. This collaborative approach not only enhances transparency but also minimizes the risk of future disputes and litigation.

#	Proposals	Page No.
1.	**SALARY TAXATION** • Reinstate the salary tax slabs for the year 2018-19 • Withdraw Surcharge tax from Salaried persons. • Deductible allowances for salaried class and should be allowed to be adjusted against section 149: - For educational expenses - Utility bills should also be treated as deductible allowances on actual expense basis. • Reestablish tax credits sections under Part IX of Chapter III that are previously omitted from Income Tax Ordinance 2001. - Investment in shares and insurance U/S 62 - Tax credit on investment in health insurance U/S62A • Clause 139 Part I (Exemption from total incomes) of Second Schedule (Exemptions and tax concession), medical allowance should be increased to 20%.	34
2.	**TRACK & TRACE** • ABC appreciates FBR's digital initiatives, particularly the Track & Trace system aimed at increasing tax revenue, reducing counterfeiting, and preventing smuggling in sectors like Tobacco, Cement, Sugar, and Fertilizer. However, ABC recommends implementing the system sector-wise instead of applying it across all sectors simultaneously. • For **Tobacco**, although the Track & Trace system was introduced in July 2022 with IMF support, enforcement has been weak. Illicit trade has increased, as non-compliant manufacturers continue to evade taxes. ABC stresses the need for uniform implementation and strict enforcement. • For **FMCG**, ABC proposes applying Track & Trace to high-risk, tax-evading categories such as shampoos, conditioners, soaps, detergents, hand wash, diapers, sanitary napkins, and shaving products, which are causing an estimated tax loss of PKR 3 billion annually. • For **Beverages**, ABC recommends not implementing the system, as this sector is already operating with high transparency. Introducing unique QR codes would disrupt the supply chain, reduce production efficiency, and increase costs—ultimately affecting product affordability for consumers.	36

The salary class faces an increasingly heavy tax burden, compounded by limited income. Each budgetary cycle seems to escalate this burden through adjustments in tax slabs and reductions in available deductions and tax credits. Notably, deductible allowance and tax credit under sections 60 (profit on debt) and 62 (investment in shares, insurance, mutual funds, and health insurance) respectively. Moreover, in addition to direct taxes under section 149, this class bears the brunt of indirect taxes on purchases and services. Utility bills, particularly, have become a significant strain on the economic strength of the middle and lower classes. Last year, the Surcharge imposed on salaried person significantly increased the tax liability of the salaried person. The inflation also adds to the financial strain on the salary class, with expenses climbing while their disposable income shrinks due to higher taxes. This situation not only unfair to the salary class but poses a serious threat to the economy, potentially leading to lasting negative effects. We would like to share the comparison of last 6 years which indicates incremental impact in tax rates:

Tax Slab		Annual Tax liability in terms of Rupees		Annual Tax liability in terms of Percentage		Incremental Impact
Salary P.M	Annual Income	TY 2019	TY 2025	TY 2019	TY 2025	2025 Vs 2019
50,000	600,000	1,000	-	0.17%	0.00%	-0.17%
100,000	1,200,000	2,000	30,000	0.17%	2.50%	2.33%
150,000	1,800,000	30,000	120,000	1.67%	6.67%	5.00%
200,000	2,400,000	60,000	230,000	2.50%	9.58%	7.08%
250,000	3,000,000	120,000	380,000	4.00%	12.67%	8.67%
300,000	3,600,000	180,000	550,000	5.00%	15.28%	10.28%
350,000	4,200,000	240,000	735,000	5.71%	17.50%	11.79%
400,000	4,800,000	300,000	945,000	6.25%	19.69%	13.44%
450,000	5,400,000	390,000	1,155,000	7.22%	21.39%	14.17%
500,000	6,000,000	480,000	1,365,000	8.00%	22.75%	14.75%
600,000	7,200,000	660,000	1,785,000	9.17%	24.79%	15.63%
800,000	9,600,000	1,020,000	2,625,000	10.63%	27.34%	16.72%
1,000,000	12,000,000	1,380,000	3,811,500	11.50%	31.76%	20.26%
1,500,000	18,000,000	2,280,000	6,121,500	12.67%	34.01%	21.34%
2,000,000	24,000,000	3,180,000	8,431,500	13.25%	35.13%	21.88%
3,000,000	36,000,000	4,980,000	13,051,500	13.83%	36.25%	22.42%
4,000,000	48,000,000	6,780,000	17,671,500	14.13%	36.82%	22.69%
5,000,000	60,000,000	8,580,000	22,291,500	14.30%	37.15%	22.85%
6,000,000	72,000,000	10,380,000	26,911,500	14.42%	37.38%	22.96%

SALARY TAXATION

1- Reinstate the salary tax slabs for the year 2018-19

2- Withdraw Surcharge tax from Salaried persons.

3- Deductible allowances for salaried class and should be allowed to be adjusted against section 149:

   a. For educational expenses
   b. Utility bills should also be treated as deductible allowances on actual expense basis.

4- Reestablish tax credits sections under Part IX of Chapter III that are previously omitted from Income Tax Ordinance 2001.

   a. Investment in shares and insurance U/S 62
   b. Tax credit on investment in health insurance U/S62A

5- Clause 139 Part I (Exemption from total incomes) of Second Schedule (Exemptions and tax concession), medical allowance should be increased to 20%.

ABC appreciates the efforts of FBR on its digital initiatives. We also commend the Track & Trace initiative which is to be rolled out across the Tobacco, Cement, Sugar and Fertilizer Sectors to enhance tax revenue, reduce counterfeiting and prevent the smuggling of illicit goods through the implementation of a robust, nationwide, electronic monitoring system of production volumes and by the affixation of tax stamps on various products at the production stage.

However, we believe that the same should be implemented sector-wise rather than apply the same in all sectors as mentioned above. ABC proposed the implementation as below:

Tobacco:

The Track & Trace System is a landmark initiative supported by the IMF, aimed at achieving much-needed improvements in the collection of sales tax and digitization in major sectors of the economy, including tobacco. However, since its implementation in July 2022, credible outcomes/gains have yet to be seen as enforcement remains a question mark.

FMCG:

To prevent the smuggling of illicit FMCG goods which leads to a loss of at least PKR 3 billion in tax revenue, it is recommended to implement it in the following categories: Shampoos, Conditioners, Soaps, Hand Wash, Detergents, Diapers, Sanitary Napkins, Shaving Razors, and Shaving Gels/Creams.

Beverages:

Track and trace is not necessary to implement in Beverages since they are operating with full transparency. Unique QR code implementation will cause knock-on delays throughout the value chain, reducing output levels. The additional cost of implementation of the system will also directly impact the affordability of the category and have an adverse impact.

INDUSTRY, TRADE & LOGISTICS PROPOSALS

INDUSTRY, TRADE & LOGISTICS PROPOSALS

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#	Proposals	Page No.
1.	**<u>25% Sales, Advertisements, and Promotions Expense Disallowance</u>** • We urge the government to either repeal this provision or amend it to ensure equitable treatment of both MNCs and local businesses. • To make up the loss of revenue, the government can consider adjusting the rate of tax for corporate taxpayers across the board.	40
2.	**<u>Beverage Industry Battles with 30% Volumetric Decline in Juices Category</u>** • We have heard that as part of the Government's recent proposals to the IMF, there **is a high likelihood of an increase in FED on beverages.** This would severely threaten the sector's viability. Any further tax increase would be counterproductive to the government's broader goal of revenue generation, potentially driving down consumption, reducing tax revenue, and stifling economic activity. • Based on the outlined challenges, we request for a consideration towards a reasonable reduction of FED on beverages **(from 20% to 15% on Aerated Waters & from 20% to 10% on Juices)**, as this adjustment would help alleviate the cost and inflation pressures on the industry, protect jobs, support farmers, and ultimately lead to **more sustainable growth both for the businesses & exchequer collection for FBR.**	41
3.	**<u>FED on Supply of Sugar to Manufacturers</u>** • **Level Playing Field:** Reduce the FED rate to Rs 5 per kg and expand its application to all sugar consumers, including the unorganized sector (e.g., bakeries, tea stalls). This will ensure equitable tax treatment and encourage broader compliance. • **Increase Government Revenue: Expanding FED to cover all consumers will generate much higher government revenue (5X~6X)**, while easing the burden on compliant manufacturers.	41
4.	**<u>Issuance of Income Tax Exemption Certificate under Section 159 of the Income Tax Ordinance for Non-Resident Companies.</u>** • Direct FBR to streamline and enforce the 30-day issuance timeline for exemption certificates under Section 159. • Establish an escalation mechanism for delayed applications. • Ensure inter-agency coordination (FBR-SBP) to facilitate timely repatriation and uphold investor confidence.	42
5.	**<u>Unlocking IT Sector Potential: Tax and Infrastructure Reforms to Attract FDI and Boost Growth</u>** • **Reform Tax Structure:** Introduce a fair tax system for freelancers, remote workers and corporate IT employees to encourage formalization and compliance. • **Redefine Remote Work Classification:** Clearly distinguish between freelancers and full-time remote employees of foreign entities to prevent tax leakage and ensure transparency. • **Formalize Informal Setups:** Redefine tax treatment of remote workers to distinguish between genuine freelancers and full-time employees of offshore entities. Curb tax leakage, promote regulatory transparency and create a level playing field for IT businesses operating formally in Pakistan.	42

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#	Proposals	Page No.
	• **Improve Digital Infrastructure:** Invest in high-speed, reliable internet nationwide to enhance productivity and maintain international competitiveness.	
6.	<u>**Combating Illicit Trade to Safeguard National Revenue and Promote Fair Competition**</u> • **Tighten Border and Market Enforcement:** Deploy advanced surveillance at borders and establish a dedicated enforcement unit to identify, confiscate and destroy illicit stocks across retail and manufacturing. • **Rationalize Import Duties and Incentivize Compliance:** Adjust tariffs to reduce the price gap between legal and smuggled goods, while offering tax incentives to businesses sourcing locally or through legal channels. • **Establish Interagency Coordination and Strengthen Penalties:** Form a specialized task force (FBR, Customs, LEAs) to combat smuggling networks, impose stricter penalties and confiscate smuggled items. • **Enforce Import Policy Compliance:** Ensure strict implementation of labelling, registration and certification requirements under the Import Policy Order. Penalize repeat violations and restrict market access for non-compliant importers.	43
7.	<u>**Enhancing Port Efficiency Through Cargo Shifting to CFS**</u> • **Mandate Cargo Shifting:** Enforce a 24-hour cargo transfer rule to CFS under Rule 554, Sections 9 & 10 of the Pakistan Customs Act, 1969, in line with international practices. • **Infrastructure Optimization:** Expand and equip CFS facilities to handle higher cargo volumes efficiently, easing pressure on seaports and expediting customs procedures. • **Environmental Benefit:** Reduce port-area traffic congestion and vehicle emissions, enhancing urban air quality and public health.	44
8.	<u>**Introduce New Tax Incentives for the Corporate Sector to Drive Growth in Exports and Sustainability**</u> • **Export Incentives:** introduce and enhance export rebates and tax concessions for companies increasing their export volumes (e.g., from X% to Y%). Simplify access to these incentives through digital platforms. • **Reduce Corporate Salaried Tax Structure:** Reduce income tax rates of the corporate salaried class particularly for middle income earners. This will incentivize formal employment, boost disposable incomes and encourage economic participation. Offer targeted tax rebates to corporates investing in solar energy, electric vehicle logistics and energy-efficient warehousing. • **Sustainability-linked Tax Benefits:** Offer targeted tax rebates to corporates investing in solar energy, electric vehicle logistics and energy-efficient warehousing. • **Trade Facilitation and Bilateral FTAs:** Ensure future Free Trade Agreements (FTAs) are negotiated bilaterally with active engagement from industry stakeholders (OICCI, chambers, Industry reps) to protect national interests and maximize benefits. Local Manufacturing and Import Substitution: Remove additional customs and regulatory duties on essential, non-local raw materials (e.g., PTA, Sulphur powder, petrochemicals) to boost domestic production. • **Customs and Freight Efficiency:** Accelerate full implementation of the Pakistan Single Window to streamline documentation, reduce delays and lower logistics costs for exporters.	45

#	Subject	Proposal	Rationale
1.	**25% Sales, Advertisements, and Promotions Expense Disallowance** • In the federal budget 2024-2025, a provision was introduced that disallows 25% of sales, promotion, advertisement, and publicity expenses if a company claims any deduction (in the tax year or the two preceding tax years) for royalty payments to an associate. This measure primarily targets multinational corporations (MNCs) and raises several serious concerns. • This current provision places MNCs at a significant disadvantage, as advertising and promotion expenses are vital for brand recognition and competitiveness in the consumer goods sector. • After the concerns were raised on the initial proposal in the bill, the final legislation was approved with an amendment that the disallowance will apply if, "on a notice issued by the Commissioner, the taxpayer fails to furnish any explanation or evidence that no benefit has been conferred on the associate. • The section gives excessive power to tax authorities to decide whether the foreign associate (royalty recipient) has received benefit of sales, promotion, advertisement, and publicity expense or not. The law does not outline any guiding principles basis which tax authorities have to decide the matter which lead to harassment of taxpayers as the tax authorities are not the subject matter experts.	• We urge the government to either repeal this provision or amend it to ensure equitable treatment of both MNCs and local businesses. • To make up the loss of revenue, the government can consider adjusting the rate of tax for corporate taxpayers across the board.	• A decline in advertising and promotional spending would hamper revenue growth for MNCs. We estimate a periodic, 8-10% drop revenue growth over the next two to 3 years, resulting in a PKR 25 billion loss to the national exchequer. Additionally, this policy may act as a deterrent to further MNC investments in Pakistan, stifling future foreign direct investment (FDI) opportunities. • Such policies may discourage new MNCs from entering the Pakistani market, ultimately limiting FDI and the broader economic development that accompanies it. • Pakistan, as a member of the World Trade Organization (WTO), is committed to maintaining fair and equal treatment for all businesses operating in the country. This provision may inadvertently create an imbalance by placing an additional burden on MNCs compared to local companies, which could have broader international implications and affect Pakistan's standing in the global trade community. This amendment is also against the foundation of Pakistan and USA Trade Treaty, that ensures to provide "Equal & Fair" opportunities.

#	Subject	Proposal	Rationale
2.	**25% Sales, Advertisements, and Promotions Expense Disallowance** • The beverage industry in Pakistan has been significantly strained due to the continuous increases in Federal Excise Tax (FED) over the past several years. Once a growth engine for the economy with no subsidies or exemptions, the industry is now facing a severe decline and struggles to maintain volumes amidst rising input costs. • We recognize the challenging decisions the government has had to make to ensure macro-economic stability. However, the increases in **FED on Aerated (Carbonated) Waters from 13% to 20% and on Juices from 0% to 10% in February 2023,** followed by an additional increase on **Juices from 10% to 20% in June 2023,** were unprecedented. • **The indirect taxes on beverages in Pakistan now stand at 38%** (when coupled with direct taxes), placing them at par with or even exceeding those in most developed countries. However, the broader economic circumstances in Pakistan are far more limiting, making these tax burdens particularly challenging. The recent boycott campaign have further fueled the nosedive of the industry.	• We have heard that as part of the Government's recent proposals to the IMF, there **is a high likelihood of an increase in FED on beverages.** This would severely threaten the sector's viability. Any further tax increase would be counterproductive to the government's broader goal of revenue generation, potentially driving down consumption, reducing tax revenue, and stifling economic activity. • Based on the outlined challenges, we request for a consideration towards a reasonable reduction of FED on beverages **(from 20% to 15% on Aerated Waters & from 20% to 10% on Juices),** as this adjustment would help alleviate the cost and inflation pressures on the industry, protect jobs, support farmers, and ultimately lead to **more sustainable growth both for the businesses & exchequer collection for FBR.**	• As a result of these tax increases, **the aerated waters industry volumes have witnessed a sharp decline of more than 30% in 2023 and ~12% in 2024 (second consecutive year), bringing us back to the industry's volume base of 2018 levels, with spare capacity of 50%.** • This policy change is extremely detrimental to both short-term and long-term industry growth. The beverage industry is heavily volume-driven, and taxes, combined with inflation, significantly impact volumes, ultimately affecting government revenues in the long run. • Specifically, **regarding juices,** the surge in **FED on juices from 0% to 20% last year,** enacted through the Finance (Supplementary) Bill 2023 and Finance Bill 2023-24, **resulted in a dramatic ~30% reduction in industry volumes** within a year. This sharp decline has adversely affected government revenue and has had a detrimental impact on farmers associated with the industry, whose livelihoods depend on this sector.
3.	**FED on Supply of Sugar to Manufacturers** • FED at PKR 15 per kg has been imposed on the supply of sugar to manufacturers via the Finance	Level Playing Field: Reduce the FED rate to Rs 5 per kg and expand its application to all sugar consumers, including the unorganized sector	

#	Subject	Proposal	Rationale
	Act 2024. This measure adds unnecessary pressure on manufacturers' margins during an economic crisis. • The erosion of consumer purchasing power means manufacturers cannot pass on this cost to consumers, forcing them to absorb it within already constrained profit margins. • This policy is discriminatory as it targets compliant taxpayers in the manufacturing sector, while the unorganized sector remains unaffected.	(e.g., bakeries, tea stalls). This will ensure equitable tax treatment and encourage broader compliance. • **Increase Government Revenue: Expanding FED to cover all consumers will generate much higher government revenue (5X~6X)**, while easing the burden on compliant manufacturers.	
4.	<u>**Issuance of Income Tax Exemption Certificate under Section 159 of the Income Tax Ordinance for Non-Resident Companies**</u> • Under Section 159 of the Income Tax Ordinance, non-resident companies without a Permanent Establishment (PE) in Pakistan—especially those covered under Double Taxation Agreements (DTAs) — are legally entitled to an Income Tax Exemption Certificate to avoid withholding tax under Section 152. The FBR is required to process these applications within 30 days.	• Direct FBR to streamline and enforce the 30-day issuance timeline for exemption certificates under Section 159. • Establish an escalation mechanism for delayed applications. • Ensure inter-agency coordination (FBR-SBP) to facilitate timely repatriation and uphold investor confidence.	• Since 2024, undue delays in issuing exemption certificates have disrupted repatriation of funds, causing contractual breaches, financial losses due to currency volatility and investor uncertainty. • The SBP requires this certificate for repatriation approvals, stalling foreign payments. • These delays undermine Pakistan's DTA commitments, hurt ease of doing business and discourage foreign investment.
5.	<u>**Unlocking IT Sector Potential: Tax and Infrastructure Reforms to Attract FDI and Boost Growth**</u> • Pakistan's IT sector holds immense potential to drive economic growth, attract FDI and create high paying jobs. However, despite contributing significantly to foreign exchange earnings and	• **Reform Tax Structure:** Introduce a fair tax system for freelancers, remote workers and corporate IT employees to encourage formalization and compliance. • **Redefine Remote Work Classification:** Clearly distinguish between	**Unfair Tax Structure:** • Corporate IT sector employees are taxed up to 35%, while freelancers and remote workers benefit from significantly lower tax rates or exemptions. • Many so-called remote workers are, in fact,

#	Subject	Proposal	Rationale
	talent development, the industry faces systemic challenges related to tax disparity and weak digital infrastructure.	freelancers and full-time remote employees of foreign entities to prevent tax leakage and ensure transparency. • **Formalize Informal Setups:** Redefine tax treatment of remote workers to distinguish between genuine freelancers and full-time employees of offshore entities. Curb tax leakage, promote regulatory transparency and create a level playing field for IT businesses operating formally in Pakistan. • **Improve Digital Infrastructure:** Invest in high-speed, reliable internet nationwide to enhance productivity and maintain international competitiveness.	full-time employees of foreign entities operating through informal setups in Pakistan, bypassing local tax systems. • This practice results in substantial tax revenue loss and makes Pakistan a less attractive destination for structured IT investment. **Digital Infrastructure Deficiency:** • A marked decline (30–40%) in internet speeds is affecting productivity and reliability in IT operations. • Poor connectivity undermines client confidence, especially among international partners, risking loss of business to regional competitors.
6.	**Combating Illicit Trade to Safeguard National Revenue and Promote Fair Competition** • The surge in smuggling of tyres, tiles, lubricants, food items, confectionery and Iranian oil has severely impacted formal businesses and national revenue. The tobacco and FMCG sectors also face significant excise duty evasion and under-invoicing. Smuggling of tyres alone causes over PKR 70 billion in annual losses. • Pakistan's Import Policy Order 2022 already restricts imports of certain goods and mandates registration, labelling and compliance checks.	• **Tighten Border and Market Enforcement:** Deploy advanced surveillance at borders and establish a dedicated enforcement unit to identify, confiscate and destroy illicit stocks across retail and manufacturing. • **Rationalize Import Duties and Incentivize Compliance:** Adjust tariffs to reduce the price gap between legal and smuggled goods, while offering tax incentives to businesses sourcing locally or through legal channels.	• Major tax revenue shortfalls for the government • Erosion of competitiveness for compliant businesses • Loss of foreign exchange and formal sector employment • Expansion of informal and illegal supply chains

#	Subject	Proposal	Rationale
	However, weak enforcement has enabled illegal supply chains to bypass these regulations and creating a parallel economy and undermining the formal sector.	• **Establish Interagency Coordination and Strengthen Penalties:** Form a specialized task force (FBR, Customs, LEAs) to combat smuggling networks, impose stricter penalties and confiscate smuggled items. • **Enforce Import Policy Compliance:** Ensure strict implementation of labelling, registration and certification requirements under the Import Policy Order. Penalize repeat violations and restrict market access for non-compliant importers.	
7.	**Enhancing Port Efficiency Through Cargo Shifting to CFS** • Pakistan's ports face persistent congestion due to cargo being retained at seaport terminals well beyond global standards. In contrast, countries like India, UAE, and others mandate shifting of cargo to Custom Bonded Container Freight Stations (CFS) within 24 hours to improve efficiency and reduce costs.	• **Mandate Cargo Shifting:** Enforce a 24-hour cargo transfer rule to CFS under Rule 554, Sections 9 & 10 of the Pakistan Customs Act, 1969, in line with international practices. • **Infrastructure Optimization:** Expand and equip CFS facilities to handle higher cargo volumes efficiently, easing pressure on seaports and expediting customs procedures. • **Environmental Benefit:** Reduce port-area traffic congestion and vehicle emissions, enhancing urban air quality and public health.	• Excessive demurrage and detention charges • Severe congestion and customs clearance delays • Elevated cost of doing business, affecting trade competitiveness • Environmental and public health risks due to prolonged traffic jams • Estimated economic loss of USD 650 million annually in demurrage and inefficiencies.

#	Subject	Proposal	Rationale
8.	**Introduce New Tax Incentives for Corporate Sector to Drive Growth in Exports and Sustainability** • Amid rising global competition and operational costs, Pakistan's exporters face shrinking margins and limited policy support. Concurrently, local manufacturing remains constrained due to high input costs and complex trade procedures.	• **Export Incentives:** Introduce and enhance export rebates and tax concessions for companies increasing their export volumes (e.g., from X% to Y%). Simplify access to these incentives through digital platforms. • **Reduce Corporate Salaried Tax Structure:** Reduce income tax rates of the corporate salaried class particularly for middle income earners. This will incentivize formal employment, boost disposable incomes and encourage economic participation. Offer targeted tax rebates to corporates investing in solar energy, electric vehicle logistics and energy-efficient warehousing. • **Sustainability-linked Tax Benefits:** Offer targeted tax rebates to corporates investing in solar energy, electric vehicle logistics and energy-efficient warehousing. • **Trade Facilitation and Bilateral FTAs:** Ensure future Free Trade Agreements (FTAs) are negotiated bilaterally with active engagement from industry stakeholders (OICCI, chambers, Industry reps) to protect national interests and maximize benefits.	• Weak export growth and reduced foreign exchange inflows. • Underutilization of trade agreements • High cost of production due to import duties on essential raw materials • Limited corporate investment in sustainable practices • Over taxation of salaried professionals discouraging formal sector participation.

#	Subject	Proposal	Rationale
		• **Local Manufacturing and Import Substitution:** Remove additional customs and regulatory duties on essential, non-local raw materials (e.g., PTA, sulphur powder, petrochemicals) to boost domestic production. • **Customs and Freight Efficiency:** Accelerate full implementation of the Pakistan Single Window to streamline documentation, reduce delays and lower logistics costs for exporters.	

AGRICULTURE & FOOD SERVICES PROPOSALS

American Business Council PAKISTAN

#	Proposals	Page No.
1.	**GM Crop Adoption in Country:** • The introduction of high-performance hybrid corn in Punjab has significantly boosted yield by over 200% and supported the growth of industries like poultry and silage. However, rising demand, pest issues, and declining farm economics now threaten sustained productivity. Although biotech corn was approved for commercialization in 2016 to address these challenges, its rollout remains stalled due to delays in biotech policy formulation. The industry urges the government to finalize the National Biotech Policy for Food Crops and permit full commercialization of GM corn to support local demand and potential exports.	49
2.	**FIRs on Substandard Pesticides:** • The agriculture industry in Punjab is facing pressure due to FIRs being filed against company executives based on pesticide test results from government labs, even when those individuals are not directly responsible, especially in multinational firms. The industry has long advocated for amending the Punjab Pesticide Act, under review since 2012, to resolve this issue. Given that pesticide quality can be affected by storage and environmental conditions, minor deviations should incur fines rather than criminal charges. The law must also clearly define categories like sub-standard or counterfeit products, with appropriate penalties for each.	50

GM Crop Adoption in Country

The advent of high-performance hybrid corn in Punjab has proven to be a game changer for the previously peripheral crop. In Punjab, over 95% of the corn cropping area is hybridized today, largely through the concerted effort of international companies operating in Pakistan. The consistent introduction of the latest corn hybrids over the past 20 years has resulted in more than 200% yield increase and added productivity, subsequently driving growth in downstream industry, especially poultry and silage.

Despite making appreciable gains towards greater crop productivity, corn crop is expected to struggle in achieving projected demand of downstream industry. Furthermore, emergent pest pressure and eroding farm economics continue to impede the farmers' ability to achieve optimal yield and enhance profitability.

In order to address this challenge, international companies mobilized resources and initiated their work within the prescribed regulatory process for the introduction of biotech corn in Pakistan. The technology, approved for commercialization in February 2016, is ideally suited to sustainably address emergent food security challenges in the country. However, the full commercialization of this technology has been halted on the name of framing biotech policy in the food crops, which has been pending for the last 6 years.

Industry has been requesting the Govt. to allow commercialization of GM Corn in country that can help to not only increase the productivity of our farmers but also help the local industries (poultry, dairy, wet milling etc.) to meet their demand and also has potential to export the corn grain to earn precious foreign exchange.

We are requesting Govt (Ministry of Climate Change & Ministry of National Food Security & Research) to provide the National Biotech Policy on Food Crops and allow for full commercialization of GM corn in country.

FIRs on Substandard Pesticides

Agriculture industry is under pressure due to unnecessary FIRs registered by the Agriculture Department of Punjab Govt. Pesticide samples from market are collected by the Pest Warning Deptt of Govt of Punjab and tested in Govt labs. Upon unfit sample test results from these labs, straightaway FIRs are registered against Owners/CEOs/GMs/MDs. Many at times the CEO/GMs/MDs are not owners but mere employees esp. for Multinational companies.

The only way to resolve this issue permanently is to process the Amended Punjab Pesticide Act that has been worked upon since 2012. This has been brought under discussion once again and industry has shared their view to change the respective law.

Pesticide being a chemical is highly susceptible to storage conditions, sunlight exposure, extreme temperatures (High as well as Low) and many other factors. So, a small variation in standard in no way reflects intentional release by manufacturer, distributor, dealer etc. and should be treated with heavy fines. Whereas, Sub-standard, Adulterated, Counterfeit, misbranded and Spurious categories must be clearly defined in the law and respective punishments be established accordingly.

PHARMACEUTICAL & CHEMICALS PROPOSALS

#	Proposals
1.	De criminalization of out of specs related matters
2.	Reduction in Customs Duties on prefabricated buildings/structures used in pharmaceutical manufacturing to support export growth and compliance with cGMP.
3.	Reduction in Customs Duties on key APIs and excipients to maintain the availability of affordable essential medicines.
4.	Withdrawal of Additional Customs Duty on items already at 0% to streamline cost structures.
5.	Waiver of IOCO certification requirements for pharma-specific packaging materials.
6.	Removal of restrictions on input-output sales tax adjustments to ensure financial viability.
7.	Elimination of the 3% minimum value addition tax on registered life-saving drugs, including biologicals.
8.	Restoration of the 10% tax credit under Section 65B for BMR-related investments.
9.	Amendment in Import Policy Order regarding shelf-life requirements from 75% to 50% at IGM filing to address practical challenges faced by importers.
10.	Legal reforms to protect licensed pharmaceutical companies from premature prosecutions based on unverified reports.
11.	Introduction of clear timelines for registration and licensing of therapeutic goods to reduce delays and encourage innovation.
12.	Strengthening the overall business environment by engaging SIFC to resolve policy fragmentation and support industry sustainability.

IT PROPOSALS

Executive Summary

Pakistan's IT and ITeS (Information Technology Enabled Services) sector has emerged as a significant contributor to exports and employment. However, inconsistent fiscal policies, infrastructural gaps, and taxation challenges are stifling growth. This policy brief proposes a series of budgetary reforms and investments, backed by international benchmarks and current data, to revitalize the sector and position Pakistan as a digital economy leader in South Asia.

#	Subject	Proposal	Rationale
1.	**Reinstate Zero-Rating for IT & ITeS Exports**	Reinstate zero-rated tax status to remove sales tax on export revenues.	• IT exporters face liquidity crunch due to delayed or denied tax refunds. • Zero-rating previously drove growth before its withdrawal.
2.	**Rationalize Advance Tax Deductions**	Eliminate or reduce advance tax on IT firms, especially SMEs and freelancers.	• Advance taxes disrupt cash flows and penalize startups. • Export-oriented tech firms operate on deferred payments.
3.	**Corporate Tax Incentives for IT Companies**	Lower corporate tax rate (e.g., 15%) for registered IT firms reinvesting into R&D or workforce.	• Incentivizes local innovation and upskilling.
4.	**Waive Customs Duties on IT Hardware & Equipment**	Zero custom duties on imports of IT hardware for registered companies.	• Reduces reliance on grey market. • Lowers costs of innovation and hardware prototyping.

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#	Subject	Proposal	Rationale
5.	**Curb Grey Market Trade**	Implement digital tracking and stricter enforcement to curb grey market trade of IT equipment.	• Grey market undercuts legitimate importers and tax revenue. • Encourages smuggling and compromises product quality and cybersecurity.
6.	**Incentives for Data Centers & Cloud Services**	05-year tax holiday and utility subsidies for Tier-3+ data centers with AI enabled services	• Encourage local hosting, reduce data exfiltration risk.
7.	**Startup & Venture Capital Ecosystem Support**	Establish a government-backed Tech Startup Fund with tax exemptions for early investors.	• Boosts investor confidence and startup survival rates.
8.	**Women in Tech Inclusion Policies**	Offer tax credits to companies with 30%+ female representation in tech roles.	• Tackles gender disparity and unlocks talent.
9.	**Digital Infrastructure Investment**	Allocate PKR 25 billion for fiber backbone expansion and public Wi-Fi in economic zones.	• Bridges digital divide and facilitates digital economy growth.
10.	**E-Governance and Digital Public Services**	Fund scalable AI-based e-governance tools and grant incentives to digitizing provinces.	• Improves service delivery and reduces corruption.
11.	**Strengthen Cybersecurity Capacity**	Set up a National Cybersecurity Grant Fund; mandate annual audits for critical infrastructure.	• Rising cyberattacks threaten national security.
12.	**Establish a Government-Private Tech Conglomerate for IPO**	Form a publicly traded national tech conglomerate by merging strategic government and private sector assets, with a goal of increasing IT exports fivefold.	• Leverages scale, branding, and combined expertise to compete globally. • IPO allows capital mobilization and international visibility.

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