



FEDERAL BUDGET 2026

PRESENTED | JUNE 12, 2026

KEY RELIEF, TAX MEASURES & TARGETS



01



SALARIED CLASS RELIEF

(Per Month Income)

- Income tax reduced across 4 salary slabs:
 - PKR 1.83 – 2.67 lakh: 23% → 20%
 - PKR 2.67 – 3.42 lakh: 30% → 25%
 - PKR 3.42 – 4.67 lakh: 35% → 25%
 - PKR 4.67 – 5.83 lakh: 35% → 35%
- Surcharge on salaried individuals abolished
- Surcharge per year:
 - Last year: 9%; now eliminated entirely

02



SUPER TAX REDUCTION

- Business income above PKR 50 crore: 10% → 8%
- Applies across all 4 business income slabs
- Existing surcharge remains for banks, oil & gas exploration, and fertilizer companies

03



CONSTRUCTION SECTOR

- Sales tax on wholesale building materials: 2.5% → 1.25%
- Sales tax on retail building materials: 5.5% → 2.75%



04

IT & EXPORT SECTOR RELIEF

- Income tax on IT export earnings reduced to 0.25%
- FTR concession for IT extended from 30 June 2026 to 30 June 2029
- Export Development Surcharge of 0.25% abolished
- Export Facilitation Scheme markup reduced to 4.5%
- Refund period extended: 9 months → 18 months



SMALL RETAILERS – FIXED TAX SYSTEM

- New Fixed Tax System under Section 998
- For small retailers with annual sales of PKR 10 crore or less
- Tax: 1% of annual sales
- Input withholding tax can be adjusted
- No POS machine required
- Green-card QR code for verification
- Single-page brochure in Urdu and regional languages



FEDERAL EXCISE DUTY (FED) CHANGES

- FED imposed on petroleum-based solvents: white spirit, petroleum naphtha, and mineral turpentine oil
- These are currently taxed at only PKR 80/unit and are used for fuel adulteration
- FED on SUVs above 2000cc–3000cc is increasing
- PKR 2 crore FED on luxury EVs above 3000cc
- Business-class international travel FED for privileged classes abolished



OTHER MEASURES

- Withholding tax on international credit/debit card transactions: 5% → 0.5% per transaction
- Capital Value Tax on holding foreign assets eliminated
- Sales tax on sanitary pads and contraceptives abolished
- Sales tax Third Schedule expanded to include FMCO categories
- Non-registered suppliers will trigger withholding tax obligations on buyers (individuals and AOPs)
- Penalties are being inflation-adjusted for the first time in 7 years
- Digital integration fines are also proposed



FBR NEW OPERATING MODEL

- National Faceless Centre to separate discretionary and non-discretionary tax functions
- All audits and assessments to run in Single Blind and Double Blind modes
- Officers will not know taxpayer identity
- Case assignment will be algorithmic
- Algorithmic Settlement Mechanism with Central Data Hub
- Discrepancy detection and settlement through IRIS portal
- Human intervention to be removed from the process



TO PROVIDE ALL THESE RELIEFS, THE GOVT SEEMS SERIOUS IN BROADENING TAX BASE AND IMPROVING ENFORCEMENT



09 REVENUE & MACRO TARGETS



FBR gross revenue target (FY27):
PKR 15,264 billion



Growth in FBR gross revenue target:
+17.6% YoY



Non-tax revenue target:
PKR 5,336 billion



Fiscal deficit target:
3.6% of GDP



Projected GDP growth:
4%



Average inflation: around
8.2%