

June 13th, 2026
Detailed Report



FEDERAL BUDGET FY2027

Maintaining Fiscal Discipline
While Delivering Targeted Relief



Pakistan Federal Budget

Federal Budget FY27: Maintaining Fiscal Discipline While Delivering Targeted Relief

- Minister of Finance presented budget for fiscal year 2026-27 on 12th of June, 2026 provided some insights into state of economic affairs.
- The budget for the fiscal year has a total outlay of PKR 18.77tn. The revenue target is set at PKR 15.26tn (+18%/y/y), whereas non-tax revenues collection is budgeted at PKR 5.34tn (+5%/y/y).
- Budget 2026-27 is likely to be positive for stock market with no major change in corporate tax rate, CGT rates and tax on dividend. Moreover, drop in super tax rate is likely to improve profitability for all companies excluding banks, fertilizer and E&P sector while reduced tax rate for exporters is also likely to be positive.
- Thus, we expect Budget 2026-27 to be market positive. Cements, Steel, Pharmaceutical, Refinery, Textile, Technology & Communication and Tobacco sector are likely to have positive impact while rest of the sectors are likely to have neutral impact.

Federal Budget 2026-27

Minister of Finance presented budget for fiscal year 2026-27 on 12th of June, 2026 provided some insights into state of economic affairs.

Key budget numbers at a glance

The budget for the fiscal year has a total outlay of PKR 18.77tn. The revenue target is set at PKR 15.26tn (+18%/y/y), whereas non-tax revenues collection is budgeted at PKR 5.34tn (+5%/y/y).

On expenditure side, interest payments of PKR 8.05tn (up by +16%/y/y) will take roughly 43% of the total budget outlay or ~53% of the tax revenues. In terms of development expenditure, the government has allocated PKR 1.27tn, with the federal PSDP (Public Sector Development Program) set at PKR 1.0tn.

Moreover, Federal Budget deficit for 2026 has been revised down to PKR 5.16tn against an initial estimate of PKR 6.50tn; reflecting a 20% variation.

For 2027, government projects a Federal Budget deficit of PKR 7.02tn or 4.9% of the GDP a widening of 13%/y/y from previous year revised deficit. For FY27, Government has estimated Overall Budget Deficit of PKR 5.23trn or 3.6% of GDP against FY26 revised deficit of PKR 3.78trn or 3.0% of the GDP.

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Exhibit: Snapshot of Budget 2026-27			
in PKRbn	FY26B	FY26R	FY27B
Tax Revenues	14,131	12,983	15,264
Direct tax	6,902	6,432	7,613
Indirect tax	7,229	6,551	7,651
Sales Tax	4,753	4,334	4,927
Income Tax	6,811	6,331	7,481
Custom Duties	1,588	1,366	1,651
Non-Tax Revenues	5,147	5,093	5,336
Petroleum levy	1,468	1,498	1,677
Gross Revenue	19,278	18,076	20,600
Provincial Share	-8,206	-7,592	-8,848
Net Revenue Receipts	11,072	10,485	11,751
Current Expenditure	16,286	15,006	17,495
Interest Payments	8,207	6,937	8,054
Defense	2,550	2,588	3,000
Subsidies	1,186	1,157	1,091
Others	4,343	4,324	5,350
Development & Net Lending	1,287	636	1,276
Total Expenditure	17,573	15,642	18,771
Federal Budget Bal.	-6,501	-5,157	-7,020
Provincial Surplus	1,464	1,379	1,794
Overall Budget Bal.	-5,037	-3,778	-5,226
%age of GDP	-3.89%	-2.98%	-3.64%
Primary Budget Bal.	3,170	3,159	2,828
%age of GDP	2.45%	2.49%	1.97%

Source: Ministry of Finance, IGI Research

Economic Outlook: GDP expected to grow by 4.0% in 2027

On the economic side of things, government projecting a GDP growth rate of 4.0% in 2027 from 3.70% achieved in 2026 ([Pakistan Economic Survey 2025](#)). The government is placing emphasis on the robust performance of the agriculture and industrial sector, targeting a growth rate of 4.5% and 4.3% respectively compared to the previous year of 1.2% each. Services sector growth is expected at 4.5% in 2026. However, the government projects average inflation rate of 8.2% in 2027, up from 6.2% in 11MFY26.

On external front, imports are expected to reach US\$ 70bn, representing a 10.6% increase from the estimated import bill of US\$ 58.3bn in FY26

(based on 10MFY26 rolling estimates). Likewise, exports are estimated to grow at a pace of 6.5%, reaching US\$ 32.9bn.

Exhibit: Snapshot of Macroeconomic Projection		
%	2026R	2027B
GDP Size (PKRtn)	127	144
GDP Growth	3.70%	4.00%
Inflation	6.2%	8.2%
Exports (US\$ bn)*	26	33
Imports (US\$ bn)*	53	70
FBR Tax (% of GDP)	10.23%	10.63%
Overall Deficit (% of GDP)	-2.98%	-3.64%
Primary Deficit (% of GDP)	2.49%	1.97%

Source: Ministry of Finance, PBS, IGI Research, *(July-to-April for FY26)

Revenue: Tax Revenues to increase by 18%

The government aims to increase tax revenue by 18%/y/y to PKR 15.26tn. With tax revenue target of PKR 15.26tn, tax-to-GDP target would increase by 0.4 percentage points to 10.6%, compared to the average of around 9.6% over the past five years.

Major contribution in tax revenues is expected to come from income tax, amounting to PKR 7.48tn (+18% y/y). Sales tax is projected to contribute PKR 4.93tn (+14% y/y), followed by custom duties of PKR 1.65tn (+21% y/y).

Non-tax revenue's contribution to gross revenue will drop by 2.3 percentage points to 26% from the previous year to PKR 5.34tn (+5%/y/y), mainly due to a +12%/y increase in Petroleum Levy, amounting to PKR 1.68tn. It is worth noting that the collection of petroleum levy in 2026 amounted to PKR 1.50tn, increasing by 2% against budgeted amount of PKR 1.47tn.

Exhibit: Dividends on Government investment from Listed Companies			
PKR/share			
Companies	FY26B	FY26R	FY27B
NBP	9.6	35.1	38.1
PPL	21.1	8.2	7.9
MARI	14.9	21.7	21.1
PSO	12.5	8.8	12.5
SNGP	12.5	3.0	3.5
SSGC	0.0	0.5	0.5
OGDC	25.9	15.9	16.4
PAKRI	2.1	1.0	1.8
FFC	30.6	29.7	33.1
PNSC	26.7	28.0	28.9
PTC	0.7	0.0	0.3

Source: MoF, PSX, IGI Research

Expenditure: Decline in Mark-up Payments and Subsidies to Restrict Overall Growth

The government has set a target for current expenditures at PKR 17.49tn, representing an increase of +17%/y/y. A major portion of this expenditure, approximately 46%, will be allocated to servicing debt, which is expected to increase by +16%/y/y to reach PKR 8.05tn. More importantly, debt servicing is estimated to decline to 53% of tax revenues, compared to 58% budgeted in 2026.

Under other expenditure categories, the defense budget is expected to increase by 16% y/y to PKR 3.0tn, while subsidies are projected to decline to PKR 1.09tn, down by 6%/y/y, primarily due to lower subsidies for power sector and absence of PM Austerity Fund. Under grants and transfer, Benazir Income Support Program (BISP) has been increased to PKR 838bn compared to PKR 706bn in 2026.

In terms of development, the government has maintained the quantum of the Federal Public Sector Development Program (PSDP) to PKR 1.0tn, compared to last year's allocation of PKR 1.0tn. In terms of GDP, the proportion of PSDP is expected to dropped to 0.7%, down from 0.8% compared to previous year budgeted, well below historic average of ~1.5% during the period of 2021-2025.

Targeting another year of primary surplus

The Government is targeting yet another primary surplus of 2.0% of GDP, which is in line with IMF conditions and projection of 2.0% of GDP. Higher primary surplus may be attributable PKR 5.34tn in non-tax revenues for FY27. Increased non-tax revenue is primarily driven by higher PDL target and grants/receipts from provinces under Article-164 of PKR 1.04trn.

Fiscal Constraints Limit Relief Measures

Budget 2026-27 continues to reflect fiscal consolidation with restricted spending. The proposed budget seems to keep a balance between relief measure such as reduction in super tax and relief for salaried class while balancing it through reinforcement measures, provincial support and broadening of tax net such as retailers. However, deficit is likely to expand owing to higher mark-up payments, defense spending and other initiatives while keeping a lid on development spending and subsidies. Nevertheless, the budget aims to provide support to lower income segment with BISP allocation increase to PKR 838bn. Considering overall budget direction, the budget seems to remain in line with IMF conditions to ensure economic stability and maintaining fiscal discipline.

Exhibit: Overall Budget Deficit to expand by 38% in 2027

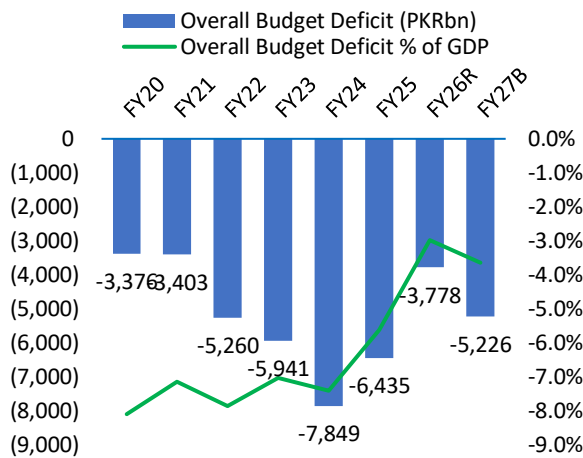


Exhibit: FBR Revenues to grow by 18% in 2027

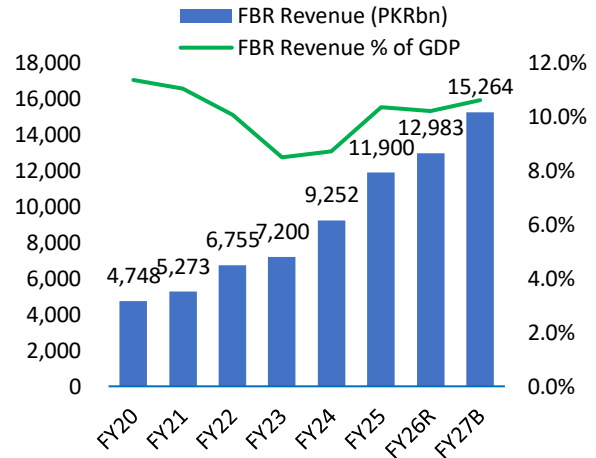


Exhibit: Markup payments to contract by 5.6% in 2027

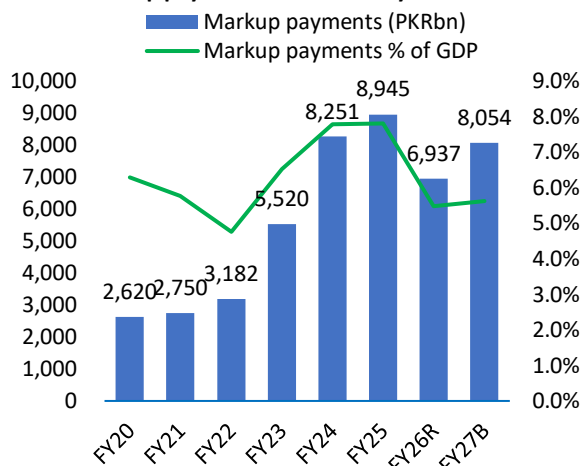


Exhibit: Total Expenditure to increase 13.1% of GDP in 2027

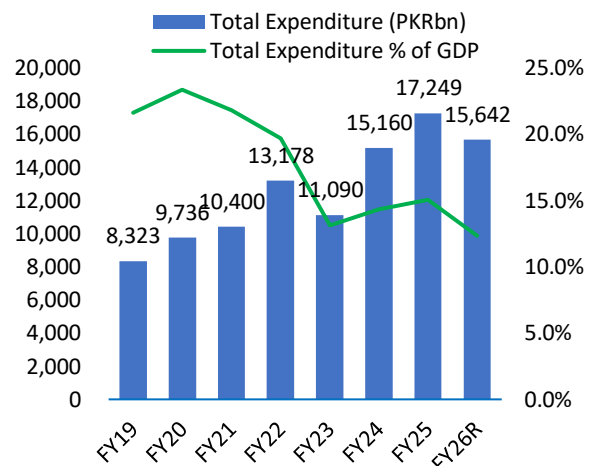


Exhibit: Petroleum levy to increase to PKR 1.68tn in 2027

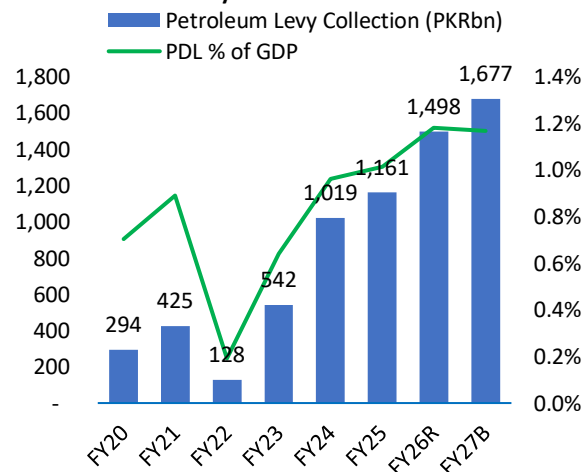
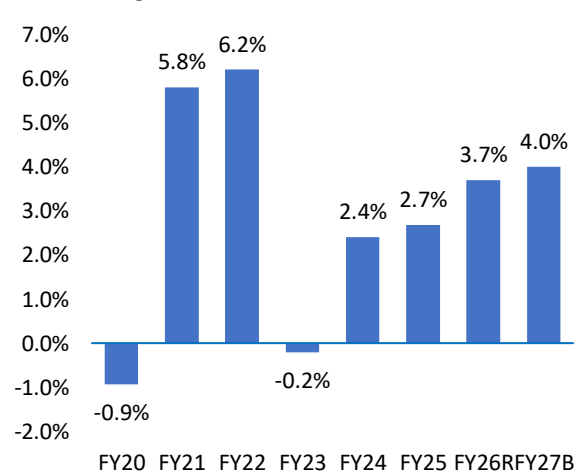


Exhibit: GDP growth estimated at 4.0% in 2027



Source: Ministry of Finance, PBS, IGI Research

Exhibit: Pakistan Fiscal balance							
in PKR bn	2021	2022	2023	2024	2025	2026R	2027B
Total Revenue	6,903	8,035	8,818	12,199	16,802	18,076	20,600
Tax Revenues	5,273	6,755	7,200	9,252	11,900	12,983	15,264
Non-Tax Revenues	1,631	1,280	1,618	2,947	4,902	5,093	5,336
Current Expenditure	9,084	11,521	10,528	14,232	16,390	15,006	17,495
Interest Payments	2,750	3,182	5,520	8,251	8,945	6,937	8,054
Defense	1,316	1,412	1,587	1,854	2,181	2,588	3,000
Development Expenditure	1,316	1,657	562	928	859	636	1,276
Primary Deficit	-654	-2,077	(421)	402	2,510	3,159	2,828
Budget Deficit	-3,403	-5,260	-5,941	-7,849	-6,435	-3,778	-5,226
%age of gdp							
Total Revenue	14.47%	12.00%	10.42%	11.50%	14.65%	14.25%	14.34%
Tax Revenues	11.05%	10.09%	8.50%	8.72%	10.38%	10.23%	10.63%
Non-Tax Revenues	3.42%	1.91%	1.91%	2.78%	4.27%	4.01%	3.72%
Current Expenditure	19.04%	17.21%	12.44%	13.42%	14.29%	11.83%	12.18%
Interest Payments	5.76%	4.75%	6.52%	7.78%	7.80%	5.47%	5.61%
Defense	2.76%	2.11%	1.87%	1.75%	1.90%	2.04%	2.09%
Development Expenditure	2.76%	2.47%	0.66%	0.88%	0.75%	0.50%	0.89%
Primary Deficit	-1.37%	-3.10%	-0.50%	0.38%	2.19%	2.49%	1.97%
Budget Deficit	-7.13%	-7.86%	-7.02%	-7.40%	-5.61%	-2.98%	-3.64%

Source: Ministry of Finance, IGI Research

Key Features of Federal Budget 2027

Income Tax Measures

Revenue measures

- Minimum tax rate for distributors and wholesalers has been increased from 0.25% to 0.5% subject to meeting documentation required.
- Imposition of tax on sham life insurance policies to discourage misuse of life insurance policies.
- Introduction of Withholding Tax (WHT) on income of digital content creators and social media influencers.
- Exemption from higher tax rates on capital gains from listed securities for non-ATL persons has been withdrawn.
- Banks and electronic money institutions will report high-value transactions for comparison with tax returns to detect mismatches.
- Businesses may be required to install systems for real-time reporting; non-compliance may lead to disallowed expenses.

- Penalties for non-compliance (late filings, integration failures, incorrect withholding claims, etc.) have been increased.
- Fixed tax asan scheme for retailers earning up to PKR 200mn. The retailers will pay minimum PKR 25,000 annually or 1% of the sales.

Relief measures

- Super tax for first 6 slabs has been removed with earnings up to PKR 500mn while income above PKR 500mn will attract super tax at the rate of 8% from previous 10%. These concessions however, do not apply to banking, E&P and fertilizer sectors.

Exhibit: Super Tax rates on high earning individuals			
S.No	Income	Current	Revised (Excluding Banks, E&Ps and Fertilizer)
1	Upto PKR 150mn	0%	0%
2	PKR 150mn to PKR 200mn	1%	0%
3	PKR 200mn to PKR 250mn	1.5%	0%
4	PKR 250mn to PKR 300mn	2.50%	0%
5	PKR 300mn to PKR 350mn	3.50%	0%
6	PKR 350mn to PKR 400mn	5.50%	0%
7	PKR 400mn to PKR 500mn	7.50%	0%
8	Greater than PKR 500mn	10%	8%

Source: Income Tax Ordinance, Finance Bill 2025, IGI Research

- Tax rates for salaried individuals has been reduced. For Individuals earnings above PKR 3.2mn tax rates remain unchanged while fixed tax amount has been reduced with addition of 2 new slabs. Surcharge rate of 9% has been abolished for salaried individuals.

Exhibit: Income tax rates for Salaried Individuals	
Current Tax Slabs for Salaried Individuals	
Up to PKR 0.6mn	0%
PKR 0.6mn to PKR 1.2mn	1% above PKR 0.6mn
PKR 1.2mn to PKR 2.2mn	PKR 0.006mn + 11% above PKR 1.2mn
PKR 2.2mn to PKR 3.2mn	PKR 0.116mn + 23% above PKR 2.2mn
PKR 3.2mn to PKR 4.1mn	PKR 0.346mn + 30% above PKR 3.2mn
Greater than PKR 4.1mn	PKR 0.616mn + 35% above PKR 4.1mn

Revised - Tax Slabs for Income Individuals - As per finance bill 2026	
Tax Slabs for Salaried Individuals	
Up to PKR 0.6mn	0%
PKR 0.6mn to PKR 1.2mn	1% above PKR 0.6mn
PKR 1.2mn to PKR 2.2mn	PKR 0.006mn + 11% above PKR 1.2mn
PKR 2.2mn to PKR 3.2mn	PKR 0.116mn + 20% above PKR 2.2mn

PKR 3.2mn to PKR 4.1mn	PKR 0.316mn + 25% above PKR 3.2mn
PKR 4.1mn to PKR 5.6 mn	PKR 0.541mn + 29% above PKR 4.1mn
PKR 5.6 mn to PKR 7.0 mn	PKR 0.976mn + 32% above PKR 5.6mn
Greater than PKR 7.0 mn	PKR 1.424mn + 35% above PKR 7.0mn

Source: Income Tax Ordinance, Finance Bill 2026, IGI Research

- For relief to exporters, Tax on export proceeds has been reduced from 2% (1% WHT and 1% advance tax) to 1.25% which will be the minimum tax rate and EFS markup reduced to 4.5%. Reduced tax rate of 0.25% for exporters of IT and IT enabled services has been extended till Jun-29 from Jun-26 previously.
- WHT on purchase of property for filers has been reduced to 1.50% from 2.5% while tax on property sales has been reduced from 5.5% to 2.75%.

Exhibit: Advance tax on sale of immovable property			
S. No	Gross amount of consideration	Proposed Rate	Current Rate
1	Less than PKR 50 Million		4.5%
2	Greater than PKR 50 Million and Less than 100 Million	2.75%	5.0%
3	Greater than PKR 100 Million		5.5%

Source: Income Tax Ordinance, Finance Bill 2026, IGI Research

Exhibit: Advance tax on purchase of immovable property			
S. No	FMV of Immovable Property	Proposed Rate	Current Rate
1	FMV < PKR 50 Million		1.5%
2	PKR 50 Million < FMV < PKR 100 Million	1.50%	2.0%
3	FMV > PKR 100 Million		2.5%

Source: Income Tax Ordinance, Finance Bill 2026, IGI Research

- Capital Value Tax on movable and immovable foreign owned property abolished.
- Section 7E, imposing tax on deemed income from immovable property, has been abolished.
- Advance tax on e-commerce transactions shall be adjustable for sellers having turnover of more than PKR 200mn.
- Reduction in advance tax on foreign transactions made through debit, credit and prepaid cards has been reduced to 0.5% from 5% previously.
- A 10% tax credit on investments in FBR-integrated electronic systems has been introduced.

- Advance tax on payments for foreign television plays and advertisements has been withdrawn.
- Income tax exemption has been extended to specified charitable and welfare organizations, eliminating the need for annual exemption approvals.
- Income of qualifying Special Purpose Vehicles established for asset-backed securitization has been exempted from taxation.
- Capital Value Tax on foreign movable and immovable assets of resident Pakistanis has been abolished.
- The turnover threshold for withholding tax exemption for small traders has been increased from PKR 100 million to PKR 200 million.
- Eligible Funds and nonprofit organizations meeting prescribed conditions shall be entitled to automatic issuance of exemption certificates.
- Law regarding cost basis determination of inherited immovable property and tax treatment of family settlements after death has been clarified

Streamlining Measures

- A National Faceless Centre to be established to conduct faceless audits, assessments and appeals.
- The role of NCCPL in computation and determination of capital gains on listed securities has been expanded and clarified.
- Companies shall be required to submit financial statements in electronically readable formats to facilitate automated processing and analysis.
- The scope of special procedures for small traders and shopkeepers has been expanded through amendments in section 99B.
- Introduction of provisions to define authorized shipping agents and strengthen taxation and improve compliance relating to non-resident shipping operations.

Sales Tax Measures

Revenue Measures:

- Charging a 3% VAT to manufacturers who resell imported raw materials exactly as they bought them.
- Expansion of the Third Schedule to ensure sales tax collection at consumer price by manufacturers at the manufacturing stage.
- Broadening sales tax withholding rules for AOPs and individuals when buying from unregistered businesses.

Relief Measures

- Extension of the exemption on the import of CKD for electric vehicles up to 30-Jun-27.
- Expansion of the exemption scope for the import and lease of aircraft parts by PIACL.
- Grant of sales tax exemption to promote strategic investment in the shipping sector.
- Grant of exemption on strategic imports for the SCO Summit and counter-terrorism purposes.
- Sales tax exemption on the import of capital goods for the upgradation and overhaul of existing refineries.

Streamlining Measures:

- Requiring businesses to issue formal tax invoices for exempt supplies as well (Section 23).
- Enabling the seizure and confiscation of goods lacking official tax stamps or stickers.
- Introducing new protocols for auctioning confiscated goods.
- Launching an automated Algorithmic Settlement.
- Forming an Independent Case Scrutiny Committee.
- Updating the "Tier-1 Retailer" definition to include any retailer with an annual turnover of 200 million or more.
- Adding a legal explanation to clarify exactly when goods are considered "delivered" to a recipient.
- Enabling electronic debit and credit notes for tax adjustments under Section 9.
- Sub Sec 2 of Section 21 revised to crack down on fake or flying invoices and fraudulent tax activities.

Custom Duty measures

Relief Measures

- Customs Duty exemption granted on critical cancer-treatment Active Pharmaceutical Ingredients (APIs) to support the healthcare sector.
- Reduction of Customs Duty from 20% to 10% on specialized construction related vehicles for construction sector.
- Exemption of CD on import on Defence Imports.
- Customs Duty (CD), Additional Customs Duty (ACD), and Regulatory Duty (RD) exemptions have been granted on the import of agricultural machinery to support the agriculture sector.

- The maximum penalty on terminal operators for failure to honor Delay Detention Certificates issued by Customs has been increased from PKR 0.5mn to PKR 10mn.
- Deletion of entries from the Fifth Schedule where concessionary CD equals or exceeds the First Schedule general tariff.

FED Measures

Revenue Measures

- FED on e-cigarette liquid increased 65% to PKR 16,500/kg.
- FED of PKR 80/ltr imposed on petroleum derivatives including naphtha, solvent oil, turpentine, base oil and base lubricating oil.
- FED on vehicles above 2,000CC and Electric Vehicles prices above PKR 20mn increased while duty on vehicles above 3,000CC also proposed to be increased.

Exhibit: FED of EV CBUs			
S. No	Import Value	Existing Rate FY26	Proposed Rate (FY27)
1	< PKR 20mn	0%	0%
2	PKR 20mn – PKR 30mn	0%	30%
3	> PKR 30mn	0%	40%

Source: Finance Bill 2026, IGI Research

Exhibit: FED of CBUs			
S. No	Engine Size	Existing Rate FY26	Proposed Rate (FY27)
1	< 1000cc	2.5%	2.5%
2	1001 – 1799cc	10.0%	10.0%
3	1800 – 2000cc	30.0%	30.0%
4	2001 – 3000cc	30.0%	40.0%
5	> 3000cc	40.0%	41.0%

Source: Finance Bill 2026, IGI Research

Key Relief Measures:

- FED on foreign business class air travel has been abolished.
- EV support continued through one-year extension of FED exemption on imported EV CKD kits (till Jun-27).
- FED on acetate tow cut by 77% (PKR 44,000/kg to PKR 10,000/kg).

Other Measures

- 7% increase in pension for federal retired employees.

Budget likely to be positive for Market

Budget 2026-27 is likely to be positive for stock market with no major change in corporate tax rate, CGT rates and tax on dividend. Moreover, drop in super tax rate is likely to improve profitability for all companies excluding banks, fertilizer and E&P sector while reduced tax rate for exporters is also likely to improve cash position. However, drop in tax rates on sale and purchase of immovable property is likely to attract investment in real estate sector and could impact activity in stock market. Nevertheless, proposed budget continues to reflect fiscal discipline under IMF program with restricted spending and lower subsidies amid higher debt servicing while providing relief to low income segment through provincial support.

Thus, we expect Budget 2026-27 to be market positive. Cements, Steel, Pharmaceutical, Refinery, Textile, Technology & Communication and Tobacco sector are likely to have positive impact while rest of the sectors are likely to have neutral impact. 2% reduction in super tax is likely to increase earnings by 3.2%-3.9% while for holding companies impact would be lower.

Market and Corporate Earnings		Positive
Budgetary Measures	Comments	Impact
No change in tax rates on capital gains and dividends	There has been no change in capital gains tax and tax on dividend income, which is likely to bode well for the market.	Neutral
Reduction in super tax on income below PKR 500mn	Super tax rate has been abolished for companies earning up PKR 500mn annually while tax rate of 10% for income above PKR 500mn has been reduced to 8%. However, this excludes Banks, Fertilizer and E&P sector.	Positive
Tax on exports proceeds reduced to 1.25% from 2%	Reduction in tax on export proceeds is likely to be positive for all export based companies. This should improve cash position of the companies. EFS rate reduced to 4.5% while EDS abolished.	Positive
Reduction in tax on sale/purchase of property	Tax rates on sale and purchase of property has been reduced to flat rate of 2.75% and 1.5% respectively. This could encourage investment in to real estate sector.	Neutral-Negative

Below is a summary of budgetary impacts of sectors listed on stock market.

Sectors	Budget Impact	Sectors	Budget Impact
Pharmaceuticals	Positive	Power	Neutral
Steel	Positive	E&P	Neutral
Cements	Positive	Chemicals	Neutral
Textile	Positive	Fertilizer	Neutral
Tobacco	Positive	Banks	Neutral
Refineries	Positive	Autos	Neutral
IT & Communication	Positive	OMC	Neutral

Fertilizer		Neutral
Budgetary Measures	Comments	Impact
No Super Tax Relief	Fertilizer sector has been excluded from super tax relief measures and will continue to pay tax at 10% for income over PKR 500mn.	Neutral - Negative
Collateral free loan for small farmers	Collateral free loan of PKR 300bn under “Zarkhizi” scheme to 750k small farmers.	Neutral
Subsidy Allocation for Urea	The Government has allocated PKR 5.8bn for the production and supply of urea.	Neutral
Increase in Minimum Tax rate for Fertilizer dealers	The minimum tax rate for dealers of fertilizers has increased from 0.25% to 0.5%.	Negative

Automobile Assemblers		Neutral
Budgetary Measures	Comments	Impact
Excise Duty on Imported Vehicles	Excise Duty of 40% has been imposed on imported vehicles with engine capacities of 2000cc-3000cc, while 41% for vehicles over 3000cc. Vehicles with value of over PKR 20mn and up to 30mn will be subject to a duty of 30%, while vehicles over PKR 30mn will be subject to a 40% duty.	Neutral - Positive
Concessional GST on Electric Vehicles (EVs)	Concessional sales Tax of 1% has been extended until Jun-2027.	Positive
Customs Duty on import of EV CKD	The Government has also extended the exemption on customs duty for EV CKD until Jun-2027.	Positive
GST relief for buses, cars and rickshaws	The government has extended the 1% sales tax relief on buses, cars, and rickshaws for another year.	Positive
Sales tax on CBU EV trucks reduced to 1%	This should encourage shift towards EV adoption but will likely reduce protection for local manufacturers.	Neutral
CD, ACD and RD reduced on inputs under National Tariff Policy	This will reduce the input cost for OEMs.	Positive
GST concession on Hybrid not extended	GST concession offered for hybrid vehicles has not been extended which expires on 30-Jun-26.	Negative

Cements		Positive
Budgetary Measures	Comments	Impact
Reduction in Advance Tax Rates on sale and purchase of property	The purchase and sale of shares have been rationalized to flat rates of 2.75% and 1.5%, respectively, replacing the previous tiered structure of 4.5–5.5% and 1.5–2.5%. This should lower cost of transaction and encourage investment in real estate sector supporting demand for construction sector.	Positive
Federal PSDP allocation	The Government has allocated PKR 1tn for PSDP which will support infrastructure development.	Positive
Apna Ghar Scheme	The government has allocated Rs71 billion to the Apna Ghar Scheme for the development of 500,000 homes.	Positive
Carbon levy and PDL on Furnace oil	Imposition of carbon levy of PKR 2.5/ltr and Petroleum levy on Furnace oil may likely impact margins of cement companies.	Neutral-Negative

Steel		Positive
Budgetary Measures	Comments	Impact
Revisions to the Super Tax Regime	The government has eliminated super tax on profits below Rs500 million, while reducing the applicable rate from 10% to 8% for profits exceeding Rs500 million.	Positive

Taxation has been reverted to a consumption-based mechanism, with tax liability determined by electricity units consumed.	The reintroduction of electricity consumption-based tax collection for steel melters, re-rollers, and composite units is expected to favor documented players and enhance sector formalization.	Positive
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Oil & Gas (OMCs, Refinery & E&Ps)		Neutral
Budgetary Measures	Comments	Impact
Carbon Levy of PKR 5.0/ltr on MS, HSD and FO	The Government has proposed to increase carbon levy to PKR 5.0/ltr on MS, HSD and FO for FY27. Petroleum levy will be applicable separately at rates determined by Federal Government. This will likely be neutral for OMCs as increase in prices would be marginal.	Neutral
PDL target of PKR 1.67trn for FY27, up by 14%/y	Higher PDL collection target will likely have a slight negative impact on volumes as sector volumes are already being impacted by higher prices. As this cost is passed over to end consumer, it is unlikely to impact profitability.	Neutral-Negative
Exemption of sales tax on import of capital goods for upgradation and overhaul of existing refineries	Removal of GST on capital goods for upgradation and overhaul is likely to be positive for refineries as this would reduce cost and facilitate upgradation projects.	Positive for Refineries

Power		Neutral
Budgetary Measures	Comments	Impact
First power auction in Sep-26 under CTBCM of about 800MW	This should promote competition and provide pricing efficiency and private sector participation in the power sector.	Neutral - Positive
Power subsidy to drop to PKR 0.83tn	The Govt. has proposed to reduce the power subsidies from PKR 1.04tn to PKR 0.83tn.	Neutral
PKR 116.2bn allocation under Federal PSDP for major hydropower projects	Development of hydropower projects are likely to increase power generation capacity and lower cost of generation within the sector.	Neutral - Positive

Technology & Communication		Positive
Budgetary Measures	Comments	Impact
Tax levy on export earnings	Tax on export proceeds (1% WHT and 1% advance tax) has been reduced from 2% to 1.25% to support export growth.	Positive
The FTR regime has been extended by three years to June 2029.	The IT sector, currently subject to a 0.25% turnover tax under the FTR regime expiring on 30 June 2026, has now been granted a three-year extension until June 2029.	Positive
Rebate/Subsidy on Exports of Mobile Phones	No rebates or subsidies have been announced for mobile phone exports, which, though expected, remains a neutral-to-negative signal for the sector.	Neutral - Negative

Textile		Positive
Budgetary Measures	Comments	Impact
Easing of the Super Tax Regime	The government has abolished super tax on profits of up to Rs500 million, previously subject to rates ranging from 1% to 7%, while lowering the rate applicable to profits above Rs500 million from 10% to 8%.	Positive
Discontinuation of the Export Development Surcharge	The 0.25% charge has been abolished.	Positive
Tax Reduction on export proceeds	Tax collection of 2% (1% WHT and 1% advance) on export proceeds has been reduced to 1.25%.	Positive

Banking		Neutral
Budgetary Measures	Comments	Impact
No Super Tax Relief	Banking sector has been excluded from super tax relief measures and will continue to pay tax at 10% for income over PKR 500mn.	Negative
WHT on International Transactions	Reduction in withholding tax (WHT) on international debit and credit card transactions from 5.0% to 0.5%.	Positive
High-Value Transaction Reporting	Banks and electronic money institutions will be required to report high-value transactions for comparison with tax returns to detect mismatches.	Neutral

Pharmaceuticals		Positive
Budgetary Measures	Comments	Impact
Super tax relief	The proposed 2 percentage point reduction in super tax is expected to have a positive CY27E EPS impact.	Positive
Removal of customs duties on key Active Pharmaceutical Ingredients (APIs).	The government has proposed to completely abolish customs duty on imported APIs used in the local manufacturing of Medicines for cancer treatment and various other diseases.	Positive
Sales Tax Exemption on contraceptives.	GST of 18% on contraceptive products has been abolished.	Positive

Other Sector		
Sector	Comments	Impact
Real Estate	7E deemed income tax has been abolished.	Neutral - Positive
	Advance tax on sale and purchase of immoveable property has been reduced.	Positive
	Heirs can now use the value of property at inheritance and not the original purchase price which should lower capital gain when selling.	Positive
	Government has allocated PKR 16.4bn for housing sector while PKR 71bn has been allocated for 'Apna Ghar Program'.	Positive
Tobacco	Reduction of FED on acetate tow to PKR 10,000 from PKR 44,000.	Positive
	Increase in FED on e-liquids used in e-cigarettes by 65% to PKR 16,500/kg. Nicotine pouches to be taxed at 18%.	Neutral - Positive
	Illegal or unregistered cigarettes can be seized and destroyed if without proper tax stamps. Manufacturers and importers cannot introduce cheaper new variant of an existing brand to prevent price undercutting within same brand.	Neutral - Positive
Food	Efforts to curb sales of counterfeited products along with tax relief for salaried class is likely to support volume growth for consumer companies.	Neutral - Positive
	FMCG's included in the 3 rd schedule of Sales tax act will likely increase the prices of goods as they will be taxed at 18% which could negatively impact volumes. This could include edible oil, dairy products, personal care, tissue papers, pasta, sauces, etc.	Neutral - Negative
Chemical	FED of PKR 80/ltr imposed on Naptha, Solvent oil and white spirit which would increase input cost for chemical companies such as BERGER, BUXLY.	Negative
Insurance	Tax rate of 15% will be applied to life insurance payments under 1 year while 10% for payments between 1-7 years. No tax will be deducted if payment is made on account of death, disability or completion of 7 years. This should discourage misuse of life insurance policy and consumers could benefit from intended purpose of life insurance.	Neutral

9 Important Disclaimer and Disclosures

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