



AKD Securities Limited

# FEDERAL BUDGET

## 2026-27

**Additional provincial support provides room  
for relief while adhering to IMF targets**



# Federal Budget FY27



AKD Securities Limited  
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Prices as of: Jun 12, 2026  
KSE-100 Index 172,399.90

KSE- ALL MARKET CAPITALIZATION  
Pkr 19,120bn (US\$68.70bn)

1Yr KSE-ALL SHARE AVG ADT VALUE  
Pkr55,509mn (US\$197.74mn)

## Additional provincial support provides room for relief while adhering to IMF targets

**New provincial grants providing sigh of relief:** The Federal Budget for FY27 is projected with a fiscal deficit of 3.6% of GDP primarily due to contribution from provinces to the tune of Pkr1.0tn in addition to provincial surplus and an estimated 17.6% growth in tax revenues. Provincial contribution through grant created room for gov't to initiate new programs of Pkr680bn apart from setting aside Pkr750bn for contingent liabilities and emergencies. The government aims to stimulate economic growth through tax reductions for the salaried class, the abolition of the Super Tax for lower earning firms, relief measures for exporters, and the continuation of tax incentives for IT firms for the next three years.

**Market to remain positive:** The budget is positive for the overall market, given the absence of aggressive revenue-generating measures, the abolition of the Super Tax for companies with profitability below Pkr500mn, and the reduction in the tax rate to 8% for companies with profitability exceeding Pkr500mn. However, the reduced rate is not applicable to the Financials, Fertilizer, and E&P sectors. The government's continued reliance on Islamic financing instruments is also positive for the PSX. The reduction in Advance Tax and Withholding Tax (WHT) for exporters, the extension of the Export Financing Scheme (EFS), and the abolition of the Export Development Surcharge are positive for the Textile and Cement sectors. Moreover, the Cement sector is expected to benefit from lower taxes on immovable property and higher allocations for development expenditure. Meanwhile, the abolition of GST on the import of machinery for refinery upgradation is expected to be positive for the Refinery sector.

**Budget target demands increased coordination with provinces:** The government has set an attainable tax revenue increase target of 17.8% in the context of a nominal GDP growth of 12.2% for FY27. This requires additional taxation measures of ~Pkr700bn achievable through improved revenue mobilization while enhancing tax nets, particularly FBR taxation reforms. Moreover, fiscal deficit demands progressing on comprehensive fiscal reforms in coordination with provinces as indicated by collection of grants from provinces amounting to Pkr1.0tn under new arrangement along with 30.1% higher provincial transfers and enhanced reliance on provinces for PSDP allocation. Federal gov't also budgeted recoveries of loan worth Pkr407bn from provinces for FY27.

**Super Tax moving towards elimination:** The government appears to be on the path toward eliminating the Super Tax, as additional support from the provinces has created fiscal space. After reducing the Super Tax by 0.5% last year for companies with income between Pkr200mn and Pkr500mn, the government has now abolished the Super Tax for companies with profitability below Pkr500mn and reduced it by 2% for companies with profits above Pkr500mn. This measure is expected to provide relief to approximately 67% of companies listed on the PSX, with the beneficiaries almost evenly split between those receiving a complete abolition and those benefiting from a reduced Super Tax rate.

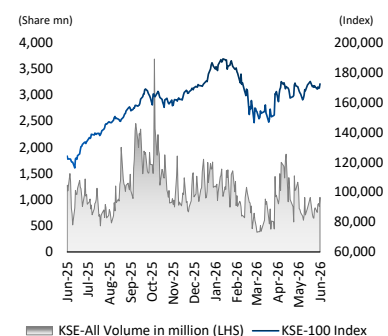
**PSX—Winners and losers:** The budget is positive for the cement and construction materials sectors, supported by a significantly higher overall PSDP allocation of Pkr3.7tn for the coming year, reduction in taxes on sale and purchase of immovable assets and allocation of Pkr71bn for subsidized PM Apna Ghar scheme. Moreover, reduction in taxes for exporters along with enhanced allocation for subsidized financing schemes would be positive for Textile and Cements. However, auto sector faces slightly stricter measures with increased GST on hybrids and FED on some vehicles. Our top picks include OGDC, PPL, UBL, MEBL, HBL, FFC, ENGROH, PSO, LUCK, FCCL, INDU, ILP and SYS.

### Key Macro targets stipulated in FY27 Budget

Indicator	
GDP Growth (%)	4.0%
Fiscal Deficit (% of GDP)	3.6%
Primary Balance (% of GDP)	2.0%
FBR Revenue Collection (PkrRtn)	15.3
Total Expenditure (PkrRtn)	18.8
Interest Expense (PkrRtn)	8.1
PSDP - Federal (PkrRtn)	1.0
Petroleum Levy Target (PkrRtn)	1.7

Source: MoF & AKD Research

### KSE100 Index Performance



Source: PSX & AKD Research

## Major budgetary measures

Sector	Impact	Budgetary measure
Corporates	Positive	Abolishment of Super tax on income upto Pkr500mn
		Reduction of super tax to 8% from 10% on income above Pkr500mn, excluding Banking, E&P, and Fertilizer sector
Cement and Steel	Positive	Reduction in WHT on property transactions to 2.75% for seller and 1.25% for buyer
		Higher allocation of PSDP to support demand from public sector construction
		Allocation of Pkr71bn for PM Apna Ghar Scheme to provide subsidized house financing
		Export development surcharge of 0.25% has been abolished
		Electricity-based sales-tax collection on melters/re-rollers/composite units, with refunds gated to digital integration
Banks	Neutral	Super tax remained unchanged at 10%
		WHT on cross-border transaction reduced to 0.5% from 5%
Automobiles	Mixed	Increase in subsidy towards PM Apna Ghar Program
		Rationalized GST on Hybrids/PHEV to 18% from 8.5%-12.75%
		Customs Duty concession on imports of EV related parts extended till FY27
		GST on imported trucks reduced to 1%
		Imposition of additional FED of 40%/41% on cars above 2,000cc and 3,000cc
OMCs	Positive	Imposition of value-based FED on imported EVs priced above Pkr20mn
		PDL target for FY27 set at Pkr1.7tn, up from revised target of Pkr1.5tn in FY26
Refinery	Positive	FED of Pkr80/liter on petroleum solvents (naphtha, white spirit/MTT, solvent oil)
Refinery	Positive	GST exemption on Machinery imports for upgradation of existing refineries
Pharmaceuticals	Positive	Exemption of Custom duty on APIs of Cancer drugs
Technology	Positive	Extension of 0.25% final-tax regime on ITes and services up till FY29
Fertilizer	Neutral	Super tax remained unchanged at 10%
Textiles	Positive	Final Minimum turnover tax reduced to 1.25% from 2% (including 1% advance tax)
		Export development surcharge of 0.25% has been abolished
		EFS duration increased to 18 months, from existing 9 months
FMCG	Positive	Inclusion of products in Third schedule to fix GST at retail price
Investment companies	Negative	Minimum turnover tax on telecom infrastructure increased to 7% from 6%
		Minimum turnover tax on terminals decreased to 12% from 15%
		Allocation of Pkr252bn to contain circular debt would benefit ENGROH

# Federal Budget FY27

## Pakistan Economy





## Budget adhering to IMF targets

(PkrBn)	FY26BE	FY26R	FY27BE
<b>Revenue Receipts</b>			
<b>Tax Revenues</b>	<b>14,131</b>	<b>12,983</b>	<b>15,264</b>
Direct	6,902	6,432	7,613
<i>Income tax</i>	6,811	6,331	7,481
Indirect	7,229	6,551	7,651
<i>Customs Duties</i>	1,588	1,366	1,651
<i>Sales Tax</i>	4,753	4,334	4,927
<i>Federal Excise</i>	888	851	1,073
Non-Tax Revenue	5,147	5,093	5,336
<i>Petroleum Levy</i>	1,468	1,498	1,677
<i>SBP Profit</i>	2,400	2,428	1,436
<b><i>Grants from provinces</i></b>	-	-	<b>1,035</b>
Gross Revenue Receipts	19,278	18,076	20,600
Less: Provincial Transfers	8,206	7,592	8,848
<b>Net Revenue Receipts</b>	<b>11,072</b>	<b>10,485</b>	<b>11,751</b>
<b>Expenditures</b>			
<b>Current Expenditure</b>	<b>16,286</b>	<b>15,006</b>	<b>17,495</b>
<b>Debt Servicing</b>	<b>8,207</b>	<b>6,937</b>	<b>8,054</b>
Defense	2,550	2,588	3,000
Grants	1,928	1,971	2,680
<i>BISP</i>	716	706	838
Subsidies (current)	1,186	1,157	1,091
<i>Subsidy to WAPDA/PEPCO</i>	911	768	667
<i>Subsidy to KESC</i>	125	125	163
Subsidy to others	150	264	261
Provision for emergency	389	275	430
Others	2,026	2,078	2,240
Development Expenditure	1,000	820	1,000
Net Lending	287	(184)	276
<b>Total Expenditure (Federal)</b>	<b>17,573</b>	<b>15,642</b>	<b>18,771</b>
Federal Fiscal Deficit	(6,501)	(5,157)	(7,020)
Est. Provincial Cash Balance	1,464	1,379	1,794
<b>Consolidated Fiscal Deficit</b>	<b>(5,037)</b>	<b>(3,778)</b>	<b>(5,226)</b>
<b>As % of GDP</b>	<b>-3.9%</b>	<b>-3.0%</b>	<b>-3.6%</b>
<b>Primary Balance</b>	<b>3,170</b>	<b>3,159</b>	<b>2,828</b>
<b>As % of GDP</b>	<b>2.4%</b>	<b>2.5%</b>	<b>2.0%</b>
<b>GDP</b>	<b>129,567</b>	<b>126,870</b>	<b>143,604</b>



# Targeting 17.6% growth in tax collection with 4.0% GDP growth

### GDP Growth



FY26P: 3.7%  
FY27B: 4.0%

### Inflation



FY27B: 8.2%

### Agriculture



FY27B: 3.8%

### Industrial



FY27B: 4.0%

### Services



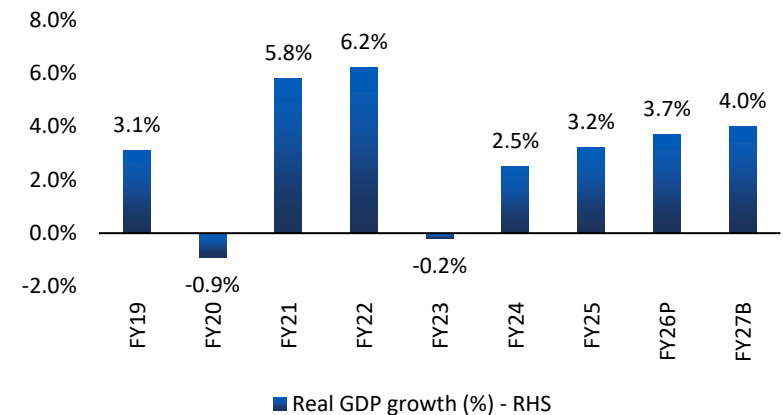
FY27B: 4.2%

- FBR revenue is set at PkR15.3tn for FY27, up 17.6%YoY compared to the revised FY26 amount of PkR13.0tn. The tax collection growth target is aggressively set in the context of nominal GDP growth of 12.2% demanding additional raising of ~PkR697bn. FBR must rely on implementation of existing tax measures along with expansion of tax net to cover incremental revenue.
- Government has relied equally on direct taxes and indirect taxes for the tax collection measures. Both the FBR tax collection and primary balance targets are in line with the IMF estimates due to fixation of divisible pool at PkR13.4tn.
- Simultaneously, within Budget'27, gov't has tried to reduce burden on salaried class by reducing tax rates while abolishing tax surcharge. Moreover, elimination of super tax on companies earning less than PkR500mn will remove tax burden on SMEs and reduction of super tax to 8% on above PkR500mn profit, barring Financial, Fertilizer and E&P sectors, would be positive for stock market.
- Total expenditure is budgeted at PkR18.8tn up by 20%YoY, primarily due to 36.0%YoY and 22.0%YoY increase in grants and development spending while current expenditures budgeted at PkR17.5tn. The fiscal deficit for the year is projected at 3.6% of GDP with a primary surplus of 2.0% of GDP, compared to a fiscal deficit of 3.0% and primary surplus of 2.5% expected in FY26. Overall, the fiscal deficit target depends on the recovery of PkR1.8tn in surplus from provinces, which is 30% more than collection estimated for last year.

## Pakistan GDP at constant prices (%)

	FY25	FY26	FY27P
<b>Agricultural sector</b>	<b>1.5%</b>	<b>2.9%</b>	<b>3.8%</b>
Important Crops	-13.2%	0.7%	3.6%
Other Crops	-19.7%	2.4%	4.2%
Cotton ginning	-19.0%	0.1%	2.5%
<b>Industrial Sector</b>	<b>5.6%</b>	<b>3.5%</b>	<b>4.0%</b>
Manufacturing	2.0%	6.6%	5.8%
Large Scale	-0.7%	6.1%	4.5%
Energy	29.6%	-10.6%	1.1%
Construction	8.8%	5.7%	2.2%
<b>Services sector</b>	<b>3.1%</b>	<b>4.1%</b>	<b>4.2%</b>
Wholesale & Retail trade	0.5%	3.7%	4.2%
Communication etc.	7.0%	7.5%	7.7%
General Govt. services	8.6%	8.5%	4.0%
<b>GDP</b>	<b>3.2%</b>	<b>3.7%</b>	<b>4.0%</b>

## GDP growth set to surpass 4% in FY27





## Provinces grants to create room for new initiative of PkR700bn

### Tax Revenue



FY26P: 10.2% of GDP  
FY27B: 10.6% of GDP

### Expenditure



FY26P: 12.3% of GDP  
FY27B: 13.1% of GDP

- On the non-tax side, Federal gov't is targeting to raise PkR1.0tn as a grant from provinces under new arrangement apart from increasing collection from Petroleum Levy. Profit from SBP is expected to reduce drastically by 40.9%YoY to PkR1.4tn due to lower interest rates. Moreover, Petroleum levy target of PkR1.7tn could be achievable as normalization of oil prices on settlement of US-Iran conflict would create room for higher collection.
- Within Current Expenditures, the biggest head that can clearly be seen on the rise is grants with increase of 36.0%YoY to PkR2.7tn as gov't creates room for programs of PkR609bn including PkR361bn set aside for New Economic Initiative. Moreover, mark-up on debt targeted at PkR8.1tn with increase of 16.1%YoY.
- Unlike past, subsidies are estimated to reduce by 5.7%YoY to PkR1.1tn due to 13.2%YoY reduction in subsidy to power sector despite allocation of PKR71bn for PM Apna Ghar Scheme and enhanced allocation for mark-up subsidy to support SBP EFS.
- Defense expenditures are projected at PkR3.0tn with an increase of 15.9%YoY.

### Revenue Receipts

(PkRbn)	Budget 2025-26	Revised 2025-26	Budget 2026-27
<b>FBR Taxes (I + II)</b>	<b>14,131</b>	<b>12,983</b>	<b>15,264</b>
<b>I. Direct Taxes</b>	6,902	6,432	7,613
Income Tax	6,811	6,331	7,481
Capital Value Tax	17	20	27
Workers Welfare Fund	26	8	22
Workers Profit Participation Fund	48	72	84
<b>II. Indirect Taxes</b>	<b>7,229</b>	<b>6,551</b>	<b>7,651</b>
Customs Duties	1,588	1,366	1,651
Sales Tax	4,753	4,334	4,927
Federal Excise	888	851	1,073

### Non tax Revenue Receipts

(PkRbn)	Budget 2025-26	Revised 2025-26	Budget 2026-27
Petroleum Levy	1,468	1,498	1,676
Dividends	206	201	130
SBP Profit	2,400	2,428	1,436
Royalty on natural gas	138	85	95
Grants from provinces	0	0	1,035
Climate support levy	0	48	50
<b>Total</b>	<b>5,147</b>	<b>5,093</b>	<b>5,336</b>

Source: MoF & AKD Research

**Debt Servicing**



FY26P: PkR6.9tn  
FY27B: PkR8.1tn

**Pension**



FY26P: PkR1.1tn  
FY27B: PkR1.2tn

**Levy**



FY26P: PkR1.5tn  
FY27B: PkR1.7tn

- On the Capital Receipts side, local financing is projected at PkR2.1tn in FY27 compared to PkR2.9tn expected in FY26, which implies lower OMO injections as witnessed in previous years. Within domestic capital receipts, Sukuk stands (Ijara Sukuk and Bai-mujjal Ijara Sukuk) as the biggest mode of financing with PkR1.0tn to be raised through these instrument(s).
- The targeted amount is insufficient to meet Government’s stated agenda of moving towards Islamic financing by 2027. However, this shift to Islamic mode of financing would also lower gov’t debt cost given local investor preference for these papers.
- While PkR350bn of incremental debt has been targeted through T-bills compared to retirement of PkR589bn revised target for FY26, whereas PkR386bn is targeted through PIBs.
- On the external financing front, Pakistan is projecting gross financing at PkR6.8tn with net financing of PkR813bn. This target is quite realistic given better credit rating on the back of improving macroeconomic situation of the country amid currency stability. This time around, Pakistan may access the Chinese capital market through the continued issuance of Panda bonds, while also pursuing incremental Eurobond issuances, following its recent success in both markets.

Current Expenditure			
(PkRbn)	Budget 2025-26	Revised 2025-26	Budget 2026-27
Mark up on Domestic Debt	7,197	6,007	6,983
Mark up on Foreign Debt	1,009	931	1,071
Pension	1,055	1,055	1,169
Defence Affairs & Services	2,550	2,588	3,000
Grants and Transfers	1,928	1,971	2,680
Subsidies	1,186	1,157	1,091
Running on Civil Government	971	1,021	1,071
Others	389	276	430
<b>Total</b>	<b>16,286</b>	<b>15,006</b>	<b>17,495</b>

Net Capital Receipts			
(PkRbn)	Budget 2025-26	Revised 2025-26	Budget 2026-27
Pakistan Investment Bonds (PIBs)	147	48	386
Ijara Sukuk Bonds	1,100	844	300
Treasury Bills	500	590	350
Bai-Muajjal Ijara Sukuk	897	636	700
Recoveries of loans from provinces	584	584	407
<b>Total</b>	<b>3,267</b>	<b>2,888</b>	<b>2,186</b>

External Resources			
(PkRbn)	Budget 2025-26	Revised 2025-26	Budget 2026-27
External Receipts	5,778	5,025	6,780
Foreign Loans and Repayment (-)	5,472	3,326	5,836
Repayment of Short Term Credits (-)	200	164	130
<b>Total</b>	<b>106</b>	<b>1,534</b>	<b>813</b>

# Federal Budget FY27

## Key Budgetary Measures



- New Special Excise Duty of 40–41% introduced on imported/large-engine vehicles (40% on >2000–3000cc; 41% on >3000cc), adding onto existing vehicle FED and extending to EV 4-wheelers until 30 June 2027.
- FED imposed on imported personal-use CBU EVs: 0% up to PkR20mn, 30% on PkR20–30mn, and 40% above PkR30mn.
- WHT on services is raised to 7% (vs. 6% previously) for listed services. Furthermore, a new 14% on other services and a 15% on independent professionals (doctors, lawyers, architects, accountants, software developers) and 1.5% on media advertising.
- WHT on digitally-ordered goods and services is raised to 20% (vs. 15% previously), implemented at the point of order.
- Concessional minimum-tax rate for ATL distributors/dealers of packaged food, fertilizer, mobiles, sugar and electronics doubled to 0.5% (from 0.25%), with cement, steel, edible oil and retailers removed from the concession.
- New FED of PkR80/liter levied on petroleum solvents namely top naphtha, white spirit/MTT and solvent oil.
- E-liquid FED raised and simplified to a flat PkR16,500/kg (vs. PkR10,000/kg or 65% of retail, whichever higher).
- A new tax on life-insurance payouts is introduced at 15% where a policy matures (e.g. payout of death) within one year and 10% between one and seven years.
- A new 5% WHT is imposed on social-media and influencer revenue routed through banking channels, deducted by banks and NBFIs at the point of credit.
- GST on hybrid and PHEV rationalized to 18% from 8.5-12.75%.
- Removal of exemption of capital gain tax on disposal of securities for NBFCs, modarabas, and companies dealing in debt securities.
- Increase in surcharge payable on late tax filing. Surcharge of PkR100k on companies, PkR50k on AOP, and PkR25k on individuals.
- Capital gain tax on debt securities on IPS account is increased to 20% from 15%.

- Salary tax slabs rationalized downward, with the PkR2.2–3.2mn band cut to 20% (vs. 23%) and the PkR3.2–4.1mn band to 25% (vs. 30%). Moreover, two new bands (29% and 32%) are inserted and 35% top rate applies above PkR7mn.
- The 9% surcharge on salaried income exceeding PkR10mn is abolished.
- Super tax on six corporate slabs upto PkR150mn–PkR500mn (1%–7.5%) are now abolished, with top slab (PBT>PkR500mn) reduced from 10% to 8%. However, this reduction does not apply to Banks, E&Ps and Fertilizer companies.
- Section 7E tax on deemed income from immovable property, which was a notional 5% of fair market value is abolished entirely.
- Advance tax on sale of immovable property cut and flattened to 2.75% (vs. 4.5%–5.5%), and on purchase to 1.25% (vs. 1.5%–2.5%).
- The 0.25% concessional rate on IT and IT-enabled services export proceeds is extended three years to tax year 2029.
- Acetate tow FED slashed to PkR10,000/kg from PkR44,000/kg.
- Exemption of duties on APIs of cancer related drugs.
- Reduction in duties of agricultural machinery and transport vehicles for construction companies.
- GST on imported EV trucks reduced to 1%.
- Reduction of tax on terminal and port services to 12% from 15%.
- 0.25% advanced export surcharge abolished and exporter minimum tax reduced to 1.25% (from 2% previously) and EFS markup also cut to 4.5%.
- Low-sugar hydration/electrolyte drinks ( $\leq 5$ g sugar/100ml, no artificial sweetener) carved out of the 20% sugary-drinks FED (targeted at sports/electrolyte beverage segment).
- GST exempted for capital expenditures for refining, shipbuilding and aviation sectors, covering machinery imported for the upgradation of existing refineries, capital goods imported by Karachi Shipyard & Engineering Works Limited, and a widened PIACL exemption which now extends to ground-handling equipment, service vehicles, catering equipment and fuel trucks.
- EV local-assembly incentives extended one year to 30 June 2027, for 4-wheel small cars/SUVs ( $\leq 50$ kWh) and LCVs ( $\leq 150$ kWh) carried forward.
- Income of qualifying Special Purpose Vehicles (SPVs) established for asset-backed securitization exempted, to facilitate capital-market development.
- Turnover threshold for withholding-tax exemption of small traders raised from PkR100mn to PkR200mn.
- Capital Value Tax (CVT) on foreign assets of resident Pakistanis abolished.
- WHT on cross-border credit/debit card transactions cut from 5% to 0.5%.



# Proposed Changes In Salary Tax & Super Tax

## Budget FY26-27 - Proposed Changes In Salary Slabs & Tax Rate

S#	Taxable Income	Old Rate of Tax	New Rate of Tax
1	Where taxable income does not exceed PkR600,000/-	0%	<b>0%</b>
2	Where taxable income exceeds PkR600,000 but does not exceed PkR1,200,000	1%	<b>1%</b>
3	Where taxable income exceeds PkR1,200,000 but does not exceed PkR2,200,000	11%	<b>11%</b>
4	Where taxable income exceeds PkR2,200,000 but does not exceed PkR3,200,000	23%	<b>20%</b>
5	Where taxable income exceeds PkR3,200,000 but does not exceed PkR4,100,000	30%	<b>25%</b>
6	Where taxable income exceeds PkR4,100,000 but does not exceed PkR5,600,000	35%	<b>29%</b>
7	Where taxable income exceeds PkR5,600,000 but does not exceed PkR7,000,000	35%	<b>32%</b>
8	Where taxable income exceeds PkR7,000,000	35%	<b>35%</b>

## Budget FY26-27 - Proposed Changes In Super tax

Super tax rate on corporates, excluding Banks, E&Ps and Fertilizer companies			
S#	Taxable Income	Old Rate of Tax	New Rate of Tax
1	Where income does not exceed PkR150mn	0.0%	<b>0.00%</b>
2	Where income exceeds PkR150mn but does not exceed PkR200mn	1.0%	<b>0.00%</b>
3	Where income exceeds PkR200mn but does not exceed PkR250mn	1.5%	<b>0.00%</b>
4	Where income exceeds PkR250mn but does not exceed PkR300mn	2.5%	<b>0.00%</b>
5	Where income exceeds PkR300mn but does not exceed PkR350mn	3.5%	<b>0.00%</b>
6	Where income exceeds PkR350mn but does not exceed PkR400mn	5.5%	<b>0.00%</b>
7	Where income exceeds PkR400mn but does not exceed PkR500mn	7.5%	<b>0.00%</b>
8	Where income exceeds PkR500mn	10.0%	<b>8.00%</b>

# Federal Budget FY27

## Sectors Review



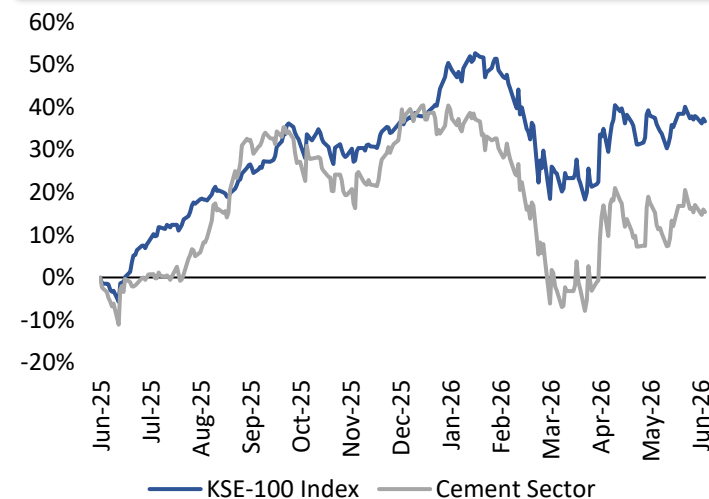
## Key Measures

- ❑ PSDP allocation increased to PkR3.7tn compared to revised target of FY26.
- ❑ Property transaction taxes cut on sale to 2.75% (from 4.5–5.5%), and purchase to 1.25% (from 1.5–2.5%)
- ❑ Section 7E deemed-income tax on property (5% of Fair Market Value) abolished.
- ❑ Increase in subsidy for PM Apna Ghar Scheme.
- ❑ Export development surcharge of 0.25% has been abolished.
- ❑ Reduction of Customs Duty on vehicles for construction companies to 10% from 20%.
- ❑ Super tax reduced for large corporates to 8% above PkR500mn (from up to 10%), nil on the PkR150–500mn band.
- ❑ Steel shifted to electricity-based sales-tax collection on melters/re-rollers/composite units, with refunds gated to digital integration.

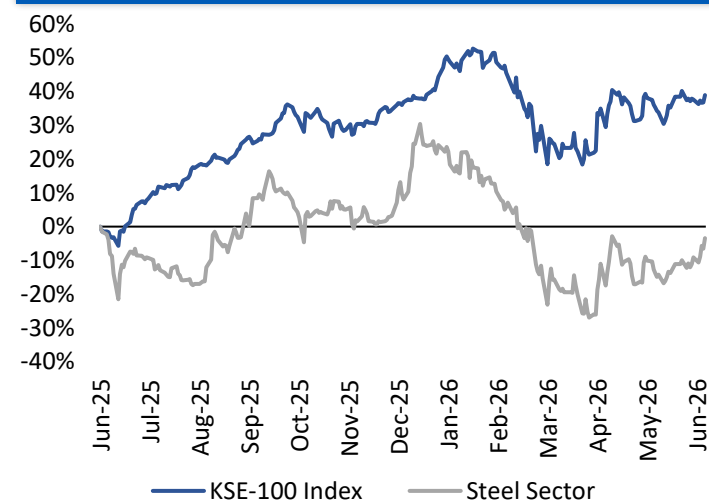
## Comments

- ❑ Higher PSDP allocation would increase public sector demand, supporting demand for cement and steel.
- ❑ The property package (reduction in transfer cost and section 7E removal) should revive investments in real estate and drive cement and long-steel demand.
- ❑ Subsidized housing finance would support the construction demand.
- ❑ Abolishment of export development surcharge enhance exports contribution margins. Positive for LUCK, DGKC, ACPL, POWER, and MUGHAL.
- ❑ Electricity-based steel collection pushes documentation in favor of listed re-rollers.
- ❑ Super-tax relief on the >PkR500mn band is directly EPS-accretive for large-cap cement and steel players.

### Cement Sector vs. KSE100 Index



### Steel Sector vs. KSE100 Index

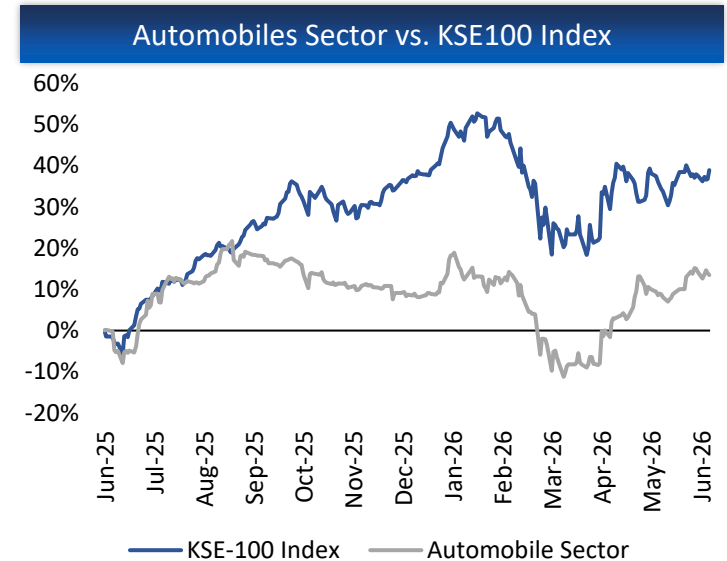


## Key Measures:

- ❑ GST on Hybrid and PHEV rationalized to 18% from 8.5%-12.75%.
- ❑ New Special Excise Duty of 40–41% on large-engine imported vehicles (40% >2000–3000cc; 41% >3000cc), adding onto the existing vehicle FED.
- ❑ Value-based FED on imported CBU EVs: 0% up to Pkr20mn, 30% Pkr20–30mn, 40% above Pkr30mn.
- ❑ EV local-assembly incentives extended till FY27 (1% GST for small cars/SUVs ≤50kWh and LCVs ≤150kWh; 50% concessional duty on EV-related parts). Moreover, 1% GST concession extended to electric trucks as well.
- ❑ Potential reduction in duties on CKD imports under NTP26-30.

## Comments

- ❑ Domestic auto assemblers are expected to benefit from income-related relief measures (salary and super tax reductions), which should support consumer demand.
- ❑ The proposed increase in GST on hybrids and PHEVs is likely to raise vehicle prices, potentially impacting sales volumes. Alternatively, if OEMs absorb the higher GST, it would pressure their margins. Negative for SAZEW and NPL.
- ❑ Increased taxation on imported vehicles to partially offset the impact of reduction in duties under NTP26-30.
- ❑ Concessions for locally assembled EVs have been extended until FY27, encouraging shift toward EV segment. Positive for BYD and LUCK.



Source: PSX & AKD Research

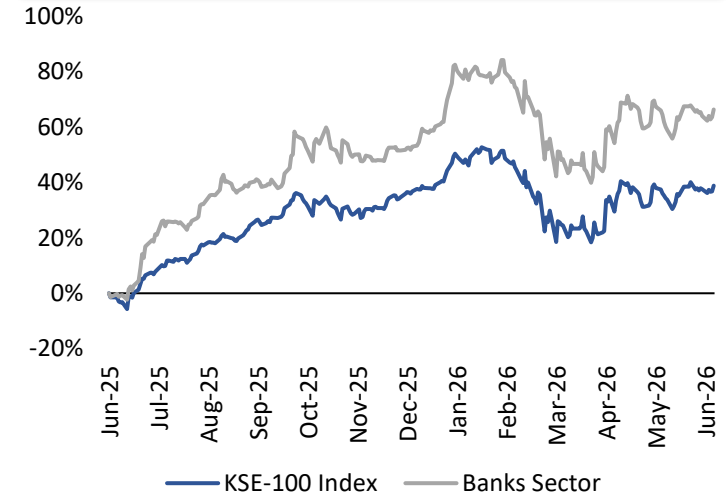
## Key Measures

- Super tax maintained at 10% for Banks.
- Reduction on salaried taxes and super tax for corporates.
- Income of asset-backed-securitization SPVs exempted, supporting structured-finance activity.
- WHT on cross-border transaction reduced to 0.5% from 5%.
- Allocation under PM Apna Ghar Scheme to provide subsidized housing.
- Minimum turnover tax on telecom infrastructure increased to 7%.
- Reduction of tax on terminal and port services to 12% from 15%.
- Allocation of containment of circular debt set at PKR252bn for FY27.

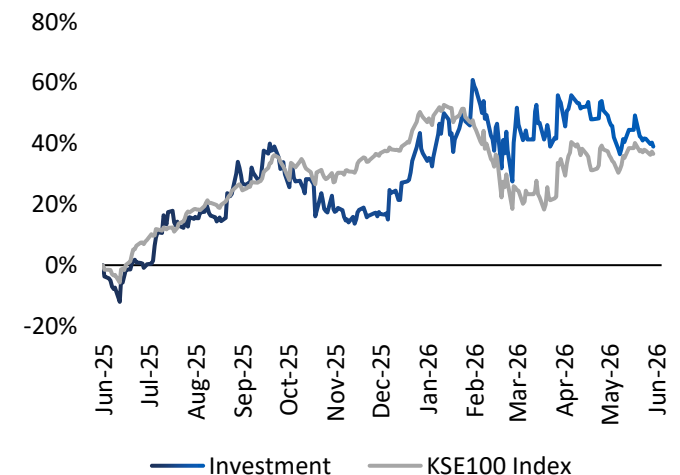
## Comments

- Higher disposable incomes from salary and super tax reductions to enhance deposit growth and elevate formal channel activity.
- Subsidized Housing program would enhance advances growth.
- We believe deposit growth to reduce OMO requirement.
- The SPV securitization exemption is positive for banks active in structured finance.
- Increase in MTR on telecom infrastructure would negatively impact country's largest telecom operator 'Deodar', though we expect the impact to be diluted with increasing profitability. Negative for ENGROH.
- Decline in minimum taxation on terminal would enhance profitability of Engro Elengy terminal. Positive for ENGROH.
- Reduction in circular debt would positively impact cashflows of power companies. Positive for HUBC, LUCK, ENGROH, and FFC.

### Banking Sector vs. KSE100 Index



### Investment Companies Sector vs. KSE100 Index



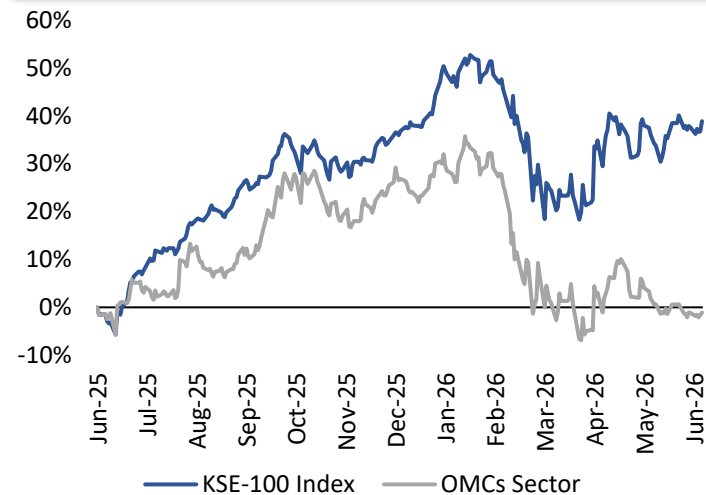
## Key Measures

- ❑ Sales-tax exemption on machinery for upgradation of existing refineries, supporting the refinery upgradation/BMR drive to be presented in upcoming refinery upgradation policy.
- ❑ New FED of PkR80/liter on petroleum solvents (naphtha, white spirit/MTT, solvent oil).
- ❑ Petroleum Development Levy (PDL) collection target has been set at PkR1.7tn for FY27, up from the revised PkR1.5tn in FY26.

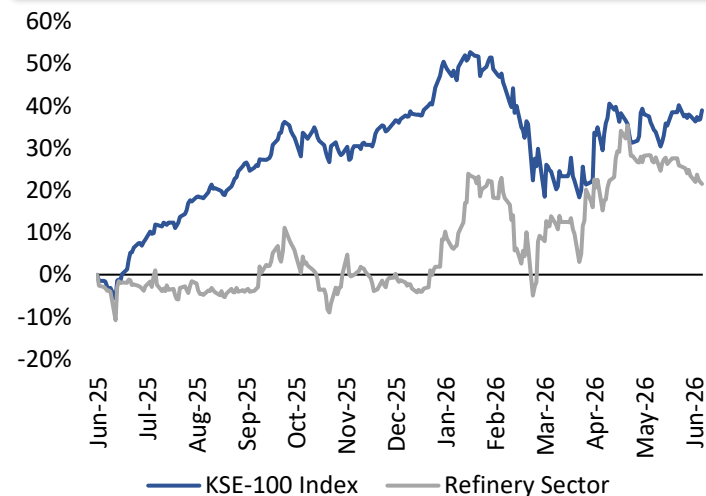
## Comments

- ❑ Refineries remain the winners as the imported capex exemption lowers the capital cost of long-pending brownfield upgradations.
- ❑ The PkR80/liter solvent FED to deter adulteration in motor-vehicle fuels, and eventually uplift formal OMC sales.
- ❑ The petroleum levy target seems attainable, assuming growth of 4% in volumes for FY27 under the current PDL setting and the eventual resolution of geopolitical conflicts.

### OMCs Sector vs. KSE100 Index



### Refinery Sector vs. KSE100 Index



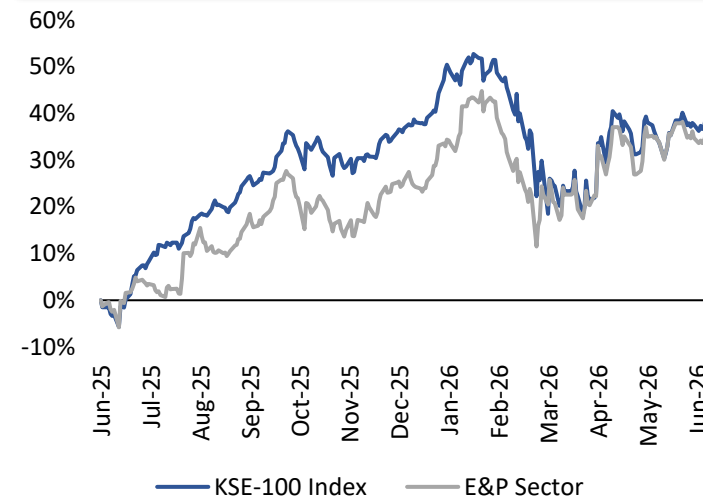
### Key Measures

- Government FY27 dividend budgeted at ~Pkr16.4/7.9/21.1 per share for OGDC, PPL and MARI, respectively.
- E&Ps excluded from the super tax relief and held at the full rate up to 10% on corporates earning with threshold lowered to Pkr150mn.

### Comments

- The government's FY27 dividend budget signals continued reliance on strong E&P cash.
- The super-tax carve-out leaves E&Ps paying higher than peers, but is a continuation of the status quo rather than additional taxation.

E&P Sector vs. KSE100 Index



 Fertilizer — Neutral to Positive

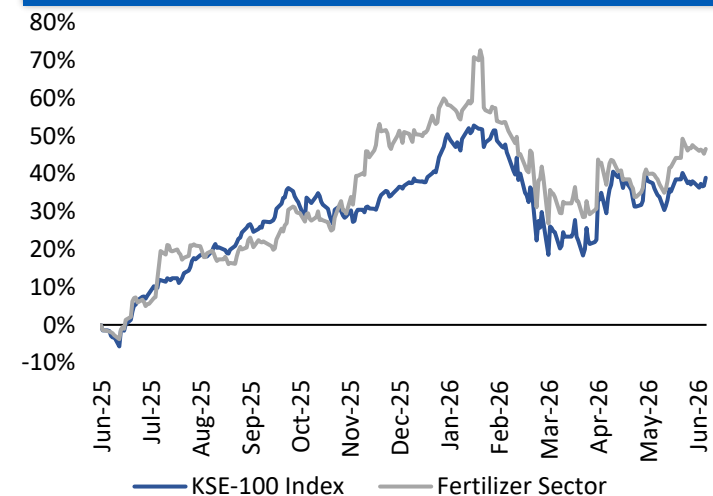
### Key Measures

- Super tax remain unchanged at 10%.
- Exemption of CD, ACD and RD on import of Agricultural Machinery.
- Subsidy allocation to Fertilizer plants for Production & supply of urea, along with allocation for import of urea.

### Comments

- Allocation of subsidy for supply of urea can be utilized for farmers support program, leading to improvement in demand.
- We do not foresee utilization of the urea import subsidy, given elevated local inventory position.
- Exemption of duties on agricultural machinery would positively impact farm economics and support corporate farming initiatives.

Fertilizer Sector vs. KSE100 Index

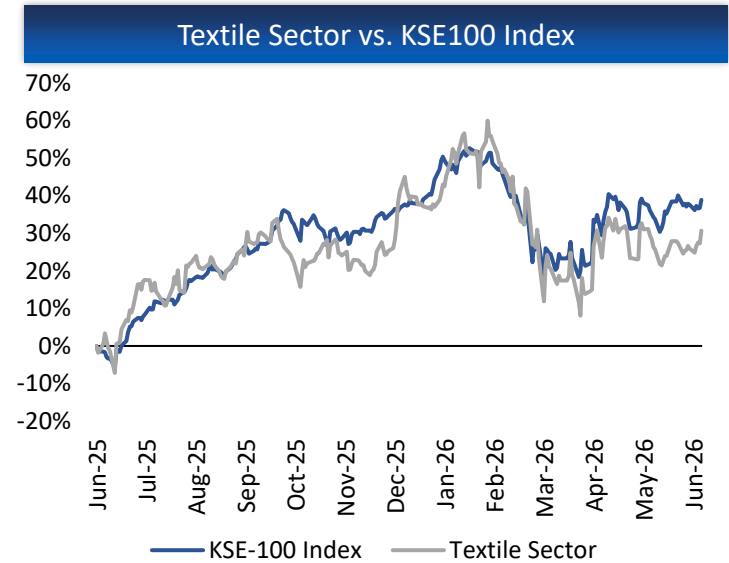



**Key Measures**

- Final Minimum turnover tax reduced to 1.25% from 2% (including 1% advance tax).
- Export development surcharge of 0.25% has been abolished.
- Extension of the Export Finance Scheme (EFS) utilization period from 9 months to 18 months.
- Enhanced allocation for mark-up subsidy to support SBP EFS.

**Comments**

- Reduction in MTR would positively impact companies' profitability. In addition, abolishment of advance tax would ease exporters cashflows. Positive for ILP, NML, NCL, and GATM.
- Higher allocation for EFS would enhance working capital availability at cheaper rates.



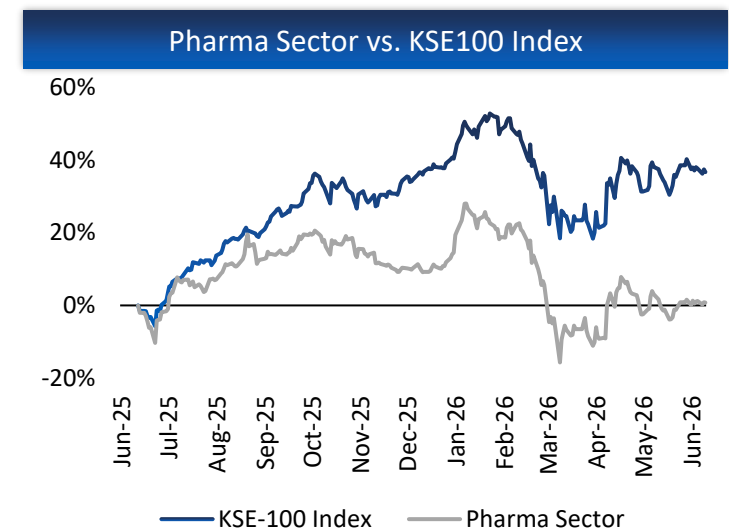
 Pharmaceutical Sector — Positive

**Key Measures**

- Exemption of duties on APIs related to cancer.
- GST exemption on contraceptives.

**Comments**

- Would support growth and profitability of oncology segment. Positive for AGP, FERROZ, GLAXO.

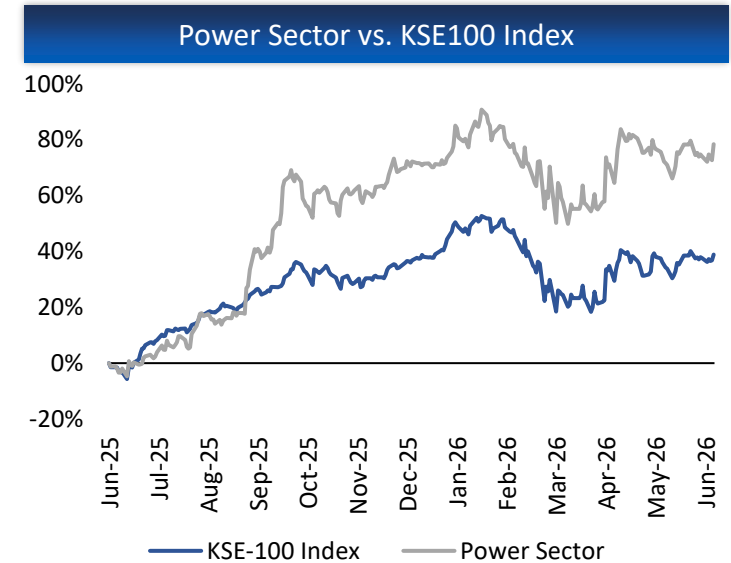


### Key Measures

- ❑ Power sector subsidy set at Pkr830bn for FY27 (vs. Pkr893bn in FY26). Notably, tariff differential subsidy (TDS) for DISCOs and K-Electric stand at Pkr248bn/163bn, while payments towards IPPs are budgeted at nil for the year (vs. Pkr200bn in SPLY).
- ❑ New head under the allocation of containment of circular debt set at Pkr252bn for FY27.

### Comments

- ❑ Power sector subsidy including the budgeted containment of circular debt will keep the buildup of power sector arrears in check, standing as positive for entire energy chain. Positive for HUBC.



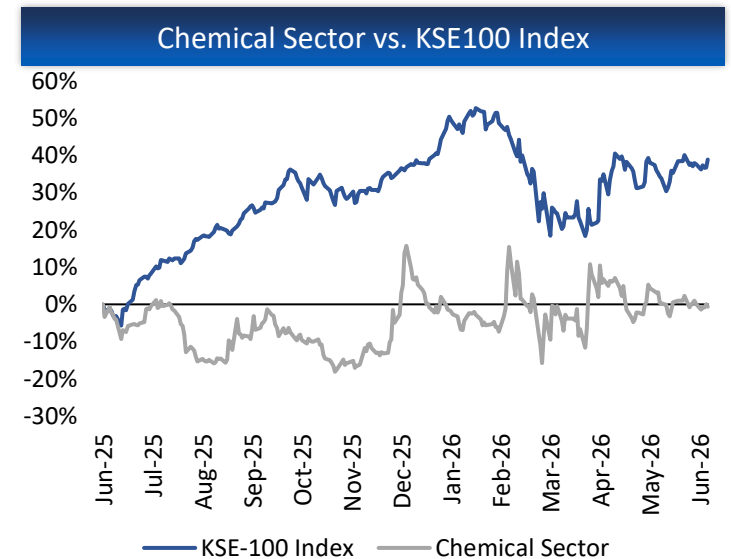
## Chemicals — Neutral

### Key Measures

- ❑ Pesticides moved towards third schedule retail-price sales taxation, shifting towards printed retail price collected upfront.
- ❑ New FED of Pkr80/liter on petroleum solvents (naphtha, white spirit/MTT, solvent oil), raising input costs for solvent-intensive users (paints, coatings, adhesives).

### Comments

- ❑ Solvent-based names (paints/coatings) face a new input-cost headwind, while polymer/PTA producers are largely insulated.



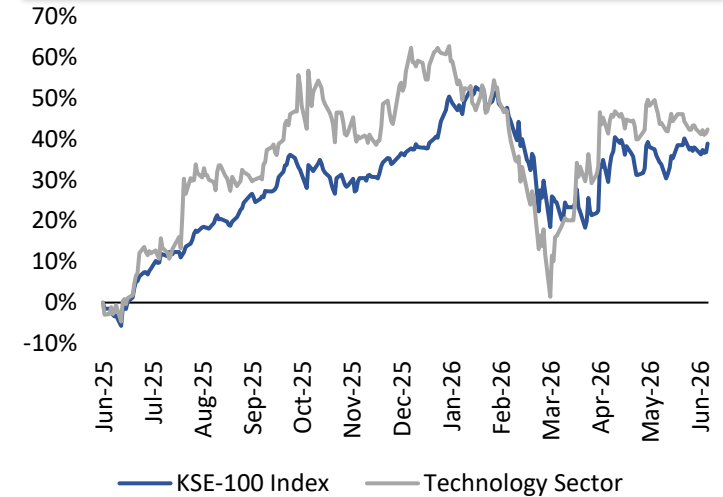
## Key Measures

- ❑ Extension of 0.25% final-tax regime on ITes and services up till FY29.

## Comments

- ❑ Lower taxation would support IT exports growth, encourage reinvestment, and improve profitability. Positive for SYS, NETSOL, and AVN.

Technology Sector vs. KSE100 Index



# FMCG & Miscellaneous — Neutral

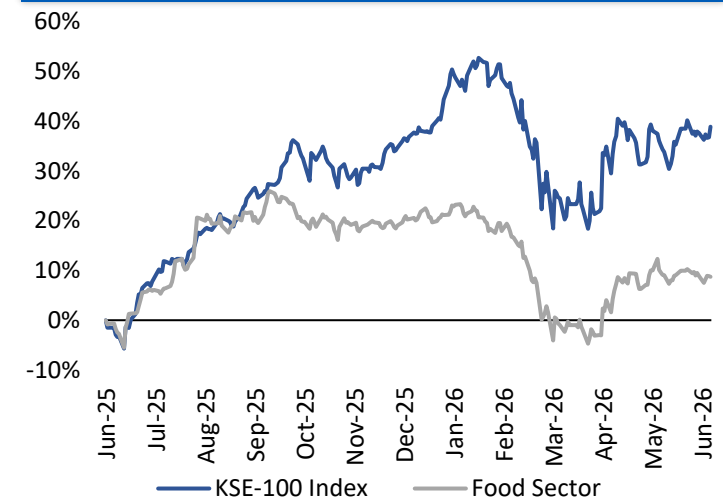
## Key Measures

- ❑ Inclusion of products in Third schedule.
- ❑ Exclusion of FED on hydration and WHO complaint sport/electrolyte beverages
- ❑ Acetate tow FED reduced to PkR10,000/kg from PkR44,000/kg.
- ❑ Increase in duty on Aluminum lids for can manufacturers.

## Comments

- ❑ Inclusion in third schedule would streamline the GST taxation collection and ease pressure from informal players. Positive for UPFL, NESTLE, NATF, FCEPL, FFL, and COLG.
- ❑ Reduction in acetate tow would slightly ease cost for cigarette manufacturers. Marginally positive for PAKT and KHTC.
- ❑ Costs would increase for aluminum can manufacturing. Slightly negative for PABC and NESTLE.

FMCG Sector vs. KSE100 Index





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