

Federal Budget 2026-27

Economic & Tax Impact — Client Summary

Sector-wise assessment of the Finance Bill 2026 and Economic Survey 2025-26, prepared for clients & partners of the ContexAi.org Group.

The bottom line

3.6%

of GDP — fiscal deficit

4th straight primary surplus (2.0%)

+17.6%

FBR revenue target

PKR 15.26trn — bet on enforcement

3.7%

FY26 GDP growth

4-year high; CPI back up to 11.7% (May)

- ▶ **A consolidation budget that still gives relief** — outlay PKR 18.77trn (+20%), deficit inside IMF EFF limits, yet it funds salaried tax cuts, a super-tax cut and halved property transaction taxes.
- ▶ **Paid for by enforcement, not new rates** — ~PKR 220bn of new measures; the revenue bet is documentation (faceless audit, e-invoicing, production monitoring, PKR 100mn+ deposit reporting, 5–25x penalties).
- ▶ **Macro improving but fragile** — balanced current account and ~USD 22.6bn reserves, but May CPI 11.7% and SBP at 11.5%. We see FY27 growth 3.0–4.0%, inflation 8–10%, PKR -5–8%, easing in 2H — if the US–Iran ceasefire holds.
- ▶ **Winners:** construction/cement, IT, textiles/exporters, pharma, local auto assembly.
- ▶ **Losers:** banks, E&P, fertilizer (no super-tax relief); branded FMCG/dairy; steel; debt funds & life insurance; non-filers.

FY26 outturn vs FY27 framework

FY2025-26 — actual / provisional

GDP growth	3.7%
Avg CPI (10M) / May	6.2% / 11.7%
Policy rate	11.5%
Current account	≈ balanced
FX reserves (total)	~\$22.6bn
Remittances	\$41.3bn
IMF EFF 3rd review	cleared May-26

FY2026-27 — targets & ContexAi view

GDP growth (gov / CXA)	4.0% / 3.0-3.5%
Inflation (gov / CXA)	8.2% / 9-10%
PKR (CXA)	-5 to -8%
CAD	0.7% GDP
Policy path	ease in 2HFY27
Consol. deficit (CXA)	~4.0% risk
Swing factor	ME / oil / ceasefire

Swing factor: ~81% of fuel imports and ~55% of remittances are GCC-linked; IMF baseline puts the war drag at -0.6pp growth / +1.5pp CPI (up to -1.5pp downside).

Budget FY2026-27 at a glance

PKR bn	FY26 rev.	FY27 budget	Δ
Total outlay	15,642	18,771	+20%
FBR revenue	12,983	15,264	+17.6%
Markup / debt servicing	6,937	8,054	+16%
Defence	2,588	3,000	+16%
BISP	—	838	+17%
Federal PSDP (national 3,675)	820*	1,000	+22%
Fiscal deficit (consolidated)	3.0% GDP	3.6% GDP	—
Primary balance	+2.5% GDP	+2.0% GDP	—

Read the budget by the primary surplus and interest burden, not the headline deficit: interest is ~43% of outlay and ~69% of net federal receipts — zero slippage room. *FY26 PSDP actual spend.

Principal tax measures

Relief

- ▶ Salaried: 4 slab cuts + 9% surcharge withdrawn (up to ~Rs 889k/yr saved)
- ▶ Super tax abolished Rs 150–500mn; 10%→8% above Rs 500mn
- ▶ Section 7E deemed rental income omitted
- ▶ Property WHT halved (236C 2.75%, 236K 1.25% flat)
- ▶ IT/ITeS 0.25% export regime extended to TY2029

Revenue & enforcement

- ▶ ~20 consumer categories to 18% ST on retail price (MRP stage)
- ▶ Steel taxed on electricity units; distributor min-tax 0.25%→0.5%
- ▶ Debt-securities CGT WHT 15%→20%; new 5% creator-income WHT
- ▶ Life-insurance payout gains taxed; FED Rs 80/l on solvents
- ▶ Central Data Hub: banks report Rs 100mn+ deposits; penalties 5–25x

Carve-outs & customs

- ▶ **Excluded from super-tax relief:** banks, petroleum E&P, fertilizer manufacturers (10% stays).
- ▶ **Customs:** duty abolished on 100+ raw materials for cancer/serious-disease medicines; National Tariff Policy year-two input cuts (item schedules provisional).
- ▶ **Non-filers:** late-filer property category scrapped; enhanced non-ATL rates extended to listed-securities CGT; CVT on foreign assets abolished; inherited-property cost stepped up to FMV.

Where each sector lands (1 of 2)

Sector	Rating	Key driver
Construction, Cement & Real Estate	Strongly Positive	7E gone; property WHT halved; PSDP infra Rs 603bn + ADPs Rs 2.2trn
IT, Telecom & Digital	Strongly Positive	0.25% export FTR to TY2029; \$1bn AI programme; 5G auction
Textiles & Export Industries	Positive	Export levy ~2%→1.25%; duty-free machinery; tariff cuts; weak demand risk
Pharma & Healthcare	Positive	Duty-free 100+ APIs; health PSDP Rs 25.1bn; PKR risk on inputs
Autos (local assembly)	Positive	40-41% SED shields locals; EV CKD to Jun-27; imports penalised
Salaried Class & Households	Positive	Slab cuts + surcharge gone; pay +7%, BISP +17%; MRP price pass-through
Capital Markets	Positive	Super-tax cut = +2-4% EPS ex-carve-outs; debt-fund WHT 20% negative
SMEs & Small Retail	Mildly Positive	WHT threshold to Rs 200mn; fixed-tax scheme; e-invoicing cost

Where each sector lands (2 of 2)

Sector	Rating	Key driver
Agriculture & Food Security	Mixed	No GST on fertilizer/pesticides; Green Pakistan; weak offtake, floods
Energy — OMCs & Refineries	Mixed	Solvent FED aids OMCs; refinery-upgrade exemptions; oil down helps
Energy — E&P / Fertilizer	Neutral-Negative	No super-tax relief; softer oil cuts E&P revenue; weak fertilizer offtake
Banking & Financial Services	Neutral-Negative	No super-tax relief; heaviest compliance build; macro & fee offsets
FMCG, Dairy & Branded Food	Negative	MRP-stage 18% ST across ~20 categories; distributor min-tax doubled
Steel	Negative-Neutral	Electricity-based ST assessment; offset by construction demand
Tobacco & Beverages	Negative	Production monitoring, price floor, e-liquids +65%; formal players gain

Winners, losers & what to do

WINNERS — lean in

- ▶ **Construction/Cement/REIT** — re-run feasibilities at new transaction taxes; REIT structures more attractive.
- ▶ **IT** — lock multi-year export contracts under the extended FTR; bid on AI/5G procurement.
- ▶ **Textiles** — model margins at 1.25% min-tax and weaker PKR; accelerate duty-free BMR.
- ▶ **Pharma** — re-cost oncology lines on duty-free APIs; pursue PSDP health procurement.
- ▶ **Local autos** — press localisation & EV-line window before Jun-27.

WATCH / MANAGE

- ▶ **Banks** — start the Rs 100mn deposit-reporting build now; no super-tax relief.
- ▶ **FMCG/Dairy** — reprint MRPs & re-do distributor terms before 1 July; fund MRP-stage tax.
- ▶ **Steel** — re-model unit economics on the electricity-consumption base.
- ▶ **Debt-fund investors** — revisit allocations at 20% CGT WHT; check ATL before disposals.
- ▶ **All** — verify gazette items (236K rate, fixed-tax scheme, EV/vehicle levies).

Base / upside / downside scenarios

BASE — stabilisation holds

Most likely

Ceasefire holds, IMF reviews pass, FBR ~90%+ of target → growth 3-4%, CPI 8-10%, PKR -5-8%, easing in 2H, equities re-rate.

UPSIDE — reform compounding

Possible

Oil in the \$70s, enforcement surprises, DISCO sales close, flows return → growth ~4.5%, CPI <8%, faster cuts, fresh KSE-100 highs.

DOWNSIDE — external shock

Material tail

ME re-escalation (Hormuz) or FBR shortfall forcing a mini-budget → growth -1.5pp, CPI +1.5pp+, PKR overshoot, cuts deferred, PSDP cut first.

How ContexAi can help

- ▶ Board / management briefings on sector-specific implications
- ▶ Bespoke tax-impact models for your business or portfolio
- ▶ Entity & transaction structuring around the new property, super-tax and export regimes
- ▶ Ongoing FY27 monitoring — gazette changes, IMF reviews, MPC decisions, mini-budget risk

Economy & Research Wing • ContexAi Consultancy

info@contexai.org • www.contexai.org