

Economic & Tax Memorandum

Federal Budget 2026-27 & Finance Bill 2026 — Sector-wise Impact Assessment

Incorporating the Economic Survey of Pakistan 2025-26 (11 June 2026) and the Finance Bill, 2026 (12 June 2026)

Clients & Partners — ContexAi.org Group · CXA/ERW/2026/06/MEMO-01 · Revision 1

ContexAi Consultancy · Economy & Research Wing · 13 June 2026

Revision 1 reconciles our assessment against the leading professional commentaries now released — A.F. Ferguson & Co. (PwC), KPMG Taseer Hadi, Arif Habib Limited (AHL) and KASB — and resolves the items previously flagged for verification (see Section 8). All proposals are per the Finance Bill, 2026 (presented 12 June 2026) and remain subject to amendment until the Finance Act, 2026 takes effect on 1 July 2026. FX basis: USD 1 = PKR ~278.5.

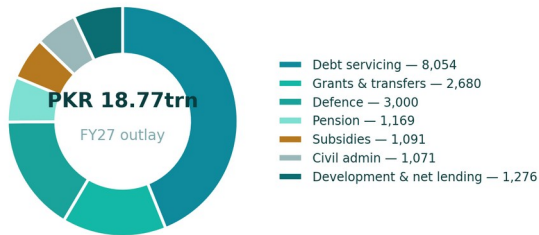
Dear Clients,

We are pleased to share ContexAi's assessment of Pakistan's Federal Budget 2026-27, read together with the Economic Survey 2025-26. This memorandum summarises the macro-fiscal framework, the principal tax measures, and — most importantly for your planning — the expected impact on each major sector of the economy, with suggested client actions.

1. Executive summary

- **A consolidation budget that still gives relief.** Total outlay PKR 18.77trn (+20%), FBR target PKR 15.26trn (+17.6%), fiscal deficit 3.6% of GDP and a fourth consecutive primary surplus (2.0% of GDP) — firmly inside IMF EFF parameters — yet it funds salaried-class relief, a super-tax cut and halved property transaction taxes.
- **Paid for by enforcement, not new rates.** New measures are modest (~PKR 220bn); the revenue bet is documentation — faceless audit and appeals, e-invoicing, production monitoring, a Central Data Hub with bank reporting of PKR 100mn+ deposits, and penalties indexed 5–25x. The 17.6% FBR growth target in a disinflating economy is the budget's biggest credibility variable.
- **Macro backdrop improving but fragile.** FY26 closed with GDP growth of 3.7% (a four-year high), a broadly balanced current account, remittances of ~USD 41.3bn and reserves of ~USD 22.6bn; but May CPI spiked to 11.7% on war-driven fuel prices and SBP hiked to 11.5% in April. We expect FY27 growth of 3.0–4.0%, inflation 8–10%, PKR depreciation of 5–8% and resumed easing in 2HFY27 — contingent on the US–Iran ceasefire holding (Brent ~USD 86 after a 20% retreat).
- **Clear sector winners.** Construction & cement (s.7E abolished, property WHT halved, PSDP-led pipeline), IT (0.25% export regime extended to TY2029), textiles/exporters (lower export levy, tariff cuts), pharma (duty-free APIs) and local auto assembly (protection from import levies).
- **Relative losers.** Banks, E&P and fertilizer are carved out of super-tax relief; branded FMCG/dairy absorbs MRP-based sales tax at the manufacturing stage; steel faces electricity-based assessment; debt-fund investors and life-insurance products face higher taxation; non-filers face a sharply harsher regime.
- **Equity-market read.** Budget-day KSE-100 closed +1.58% at ~172,400, cement-led; the super-tax cut implies 2–4% EPS upgrades ex-banks/E&P/fertilizer. AHL rates the budget net-positive for the market; KSE-100 trades at ~8.0x P/E with a ~6.3% dividend yield.

Where the money goes — FY27 federal outlay (PKR bn)



Revenue build-up — FBR target +17.6% to PKR 15.26trn

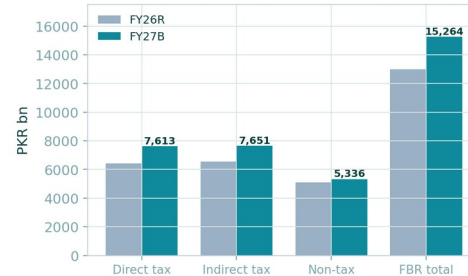


Exhibit 1: FY27 outlay composition (interest absorbs 43%). Exhibit 2: FBR revenue build-up. Sources: MoF / Annual Plan; AHL, KASB.

2. Macroeconomic setting

2.1 FY2025-26 outturn (Economic Survey)

Indicator	FY25	FY26 (prov.)	Reading
GDP growth	3.2%	3.7%	Four-year high despite floods & ME conflict; services 4.1%, industry 3.5%, agri 2.9%
Avg CPI (10M)	4.7%	6.2%	May-26 spiked to 11.7% YoY on fuel; petrol peaked at Rs 458/l in April
Policy rate	10.5–11.0%	11.5%	SBP hiked 100bps in Apr-26 — first hike in ~3 years; CRR cut 6% → 5%
Fiscal deficit (9M)	2.6% GDP	0.7% GDP	Primary surplus 3.2% of GDP (9M); markup payments fell ~Rs 1.5trn
Current account	surplus	≈ balanced	CAD ~USD 0.1–1.1bn; goods exports weak (-17% 10M); remittances +8.5% to \$41.3bn
FX reserves	\$16.6bn (SBP)	\$17.1bn (SBP)	Total ~\$22.6bn; SBP guiding >\$18bn by end-June after \$4.8bn repayments
IMF EFF	on track	3rd review cleared	Board approval 8 May 2026; ~\$1.2bn unlocked (EFF+RSF); cumulative ~\$4.8bn
KSE-100	—	+34.9% FYTD	~169–172k; peak 191k (Jan-26); M&A wave incl. PIA privatisation (~\$643m)

2.2 FY2026-27 framework and ContexAi view

Official targets: GDP growth 4.0% (agriculture 3.6%, industry 4.5%, services 4.2%), inflation 8.2%, CAD USD 3.6bn (0.7% of GDP), goods exports USD 32.9bn, remittances USD 42.4bn. ContexAi view: growth of 3.0–3.5% is more realistic given tight money and an 11.5% policy-rate plateau; inflation 9–10% with second-round energy effects fading in 2HFY27; PKR (now ~278.5/USD) to depreciate 5–8% as REER overvaluation unwinds under IMF pressure; and the consolidated deficit risks ~4.0% vs the 3.6% target if the FBR target or the optimistic PKR 1.79trn provincial surplus slips. The Middle East remains the swing factor: ~81% of fuel imports and ~55% of remittances originate in the GCC; the IMF baseline puts the war's drag at -0.6pp of FY27 growth (+1.5pp on CPI), up to -1.5pp in the downside.

3. Budget FY2026-27 at a glance

PKR bn	FY26 (rev.)	FY27 (budget)	Δ	Note
Total outlay	15,642	18,771	+20%	13.1% of GDP
FBR revenue	12,983	15,264	+17.6%	Direct 7,613 / ST 4,927 / customs 1,651 / FED 1,073
Non-tax revenue	5,093	5,336	+5%	PDL ~1,727 (+259) central; new gas surcharge 151
NFC transfers	7,592	8,848	+17%	PKR 13,350bn floor; above-floor reverts to federation (Art. 164)
Markup / debt servicing	6,937	8,054	+16%	42.9% of outlay; ~69% of net federal receipts
Defence	2,588	3,000	+16%	2.1% of GDP; post-conflict; Pak-Saudi defence pact
Pensions / Subsidies	—	1,169 / 1,091	—	Subsidies mainly power; Direct Subsidy Mechanism from Jan-27
BISP	—	838	+17%	10.2mn beneficiaries; stipend Rs 14,500/quarter
Federal PSDP (national)	820 (actual)	1,000 (3,675)	+22%	Provincial ADPs 2,224 + SOE 451; infrastructure Rs 603bn
Fiscal deficit (consol.)	3.0% GDP	3.6% GDP	—	Federal 4.9% less provincial surplus 1.2%
Primary balance	+2.5% GDP	+2.0% GDP	—	IMF anchor; fourth consecutive surplus

Judge this budget by the primary surplus and interest-to-revenue, not the headline deficit. Interest at ~43% of outlay leaves zero slippage room; salaries/pensions rise 7%, minimum wage +10%.

4. Principal tax measures — Finance Bill 2026

4.1 Salaried individuals — slabs cut, surcharge gone

Annual taxable income (PKR)	FY26 rate	FY27 proposed
Up to 600,000	0%	0%
600,001 – 1,200,000	1%	1%
1,200,001 – 2,200,000	6,000 + 11%	6,000 + 11%
2,200,001 – 3,200,000	116,000 + 23%	116,000 + 20%
3,200,001 – 4,100,000	346,000 + 30%	316,000 + 25%
4,100,001 – 5,600,000	616,000 + 35%	541,000 + 29% (new slab)
5,600,001 – 7,000,000	35%	976,000 + 32% (new slab)
Above 7,000,000	35%	1,424,000 + 35%

The 9% surcharge (s.4AB) on individuals/AOPs earning above PKR 10mn is withdrawn. Per AHL's worked schedule, annual savings run from ~PKR 6,000 at PKR 2.4mn income to ~PKR 207,000 at PKR 7.2–9.6mn and ~PKR 511,000 at PKR 12mn (surcharge effect dominates above PKR 10mn); no relief below PKR 2.2mn. Salaried persons contributed over PKR 550bn in FY25 (+55% YoY) — this is a partial give-back.

Salaried relief — annual tax saving, FY27 vs FY26

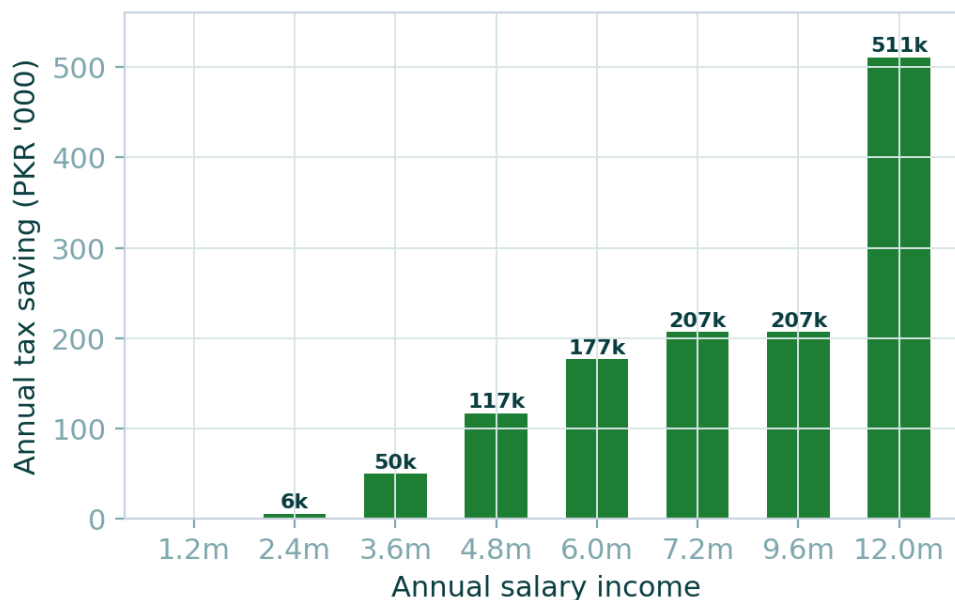


Exhibit: Annual salaried tax saving, FY27 vs FY26 (AHL worked schedule).

4.2 Corporate & investment

- **Super tax (s.4C):** all lower slabs (the 1%–7.5% bands from PKR 150–500mn) abolished; the rate above PKR 500mn cut 10% → 8%. Banks, petroleum E&P and fertilizer manufacturers stay at 10% (above PKR 150mn). Est. 2–4% EPS upgrade for the relieved listed universe (AHL, KASB). [AHL's summary table shows 10% retained above 500mn; its own commentary and KPMG/KASB confirm the cut to 8% — we follow the 8% reading.]
- **Section 7E deemed rental income:** omitted entirely — removal of a major irritant for property holders (confirmed A.F. Ferguson, KPMG, AHL).
- **Property WHT halved (resolved):** 236C (seller) 5.5% → 2.75%; 236K (buyer) 2.5% → 1.25% flat — the 1.25% buyer rate is confirmed by A.F. Ferguson, KPMG and AHL (KASB's 1.5% is the outlier). Round-trip transaction tax roughly halves.
- **Exporters:** 1% advance tax (s.147(6C)) withdrawn; export proceeds become a single 1.25% minimum tax (from ~2% effective). IT/ITes exports keep the 0.25% final regime to TY2029.
- **New levies:** life-insurance/takaful payout gains taxed (15% if <1yr; 10% 1–7yrs; nil ≥7yrs or on death); 5% WHT on social-media/creator revenues via banks/EMIs; debt-securities CGT WHT 15% → 20%; specified-services WHT 6% → 7%; minimum turnover tax for specified distributors/wholesalers 0.25% → 0.5% (ATL-conditional).
- **Equity-market settings unchanged:** no new CGT/dividend measures on listed equities; SPV securitisation income exempted; REIT/CIS retain exemption where 90% of income is distributed; Eighth-Schedule CGT opt-out withdrawn (NCCPL collection now mandatory).
- **Exporters — bigger relief than first read:** beyond the single 1.25% minimum tax, the 0.25% Export Development Surcharge is abolished and EFS financing is cut to ~4.5% with tenor extended 9 → 18 months (AHL, KASB) — a material competitiveness gain for textiles.

- **Card & compliance:** WHT on international card payments cut 5% → 0.5%; CVT on residents' foreign assets abolished; ATL late-filing surcharge raised sharply (company PKR 100k / AOP 50k / individual 25k).

4.3 Sales tax & FED

- **Third Schedule expansion:** ~20 consumer categories (dairy, edible oils, confectionery, sauces, cosmetics, footwear, ceramics, household plastics, auto accessories, etc.) move to 18% sales tax on printed retail price collected at the manufacturing/import stage — compressing distributor margins and adding working-capital cost; formal players gain vs informal.
- **Enforcement:** mandatory e-invoicing; sales-tax withholding extended to purchases from unregistered persons; 4x tax on unregistered toll manufacturing; 3% VAT on imported raw material resold unprocessed within 12 months; steel assessed on electricity units consumed; production monitoring (video analytics) for sugar, cement, tobacco, beverages and fertilizer.
- **Relief (resolved):** 18% GST on contraceptives abolished — now exempt (confirmed AHL and A.F. Ferguson; KASB's contrary reading is noted but is the minority view); EV concessions extended to 30-Jun-2027 (EV buses and CBU trucks at 1%); refinery-modernisation capital goods moved to the Sixth Schedule (exempt); ships/dredgers and PIACL aircraft parts exempt.
- **FED:** PKR 80/litre on petroleum solvents, naphtha and turpentine (anti-adulteration); a doubling of the Carbon Levy to PKR 5/litre on petrol/HSD/furnace oil (furnace oil brought in for the first time); 40–41% special excise on imported >2,000cc vehicles; FED on imported CBU EVs above PKR 20mn (30%/40% bands); e-liquids to PKR 16,500/kg; acetate tow (filter input) cut PKR 44,000 → 10,000/kg.

4.4 Air travel & vehicles — at a glance

Premium-cabin FED per ticket	FY26 (PKR)	FY27 (PKR)
Americas	350,000	50,000
Europe	210,000	40,000
Far East / Australia / Pacific	210,000	40,000
Middle East / Africa	105,000	25,000

Premium-cabin air-travel FED slashed ~80%

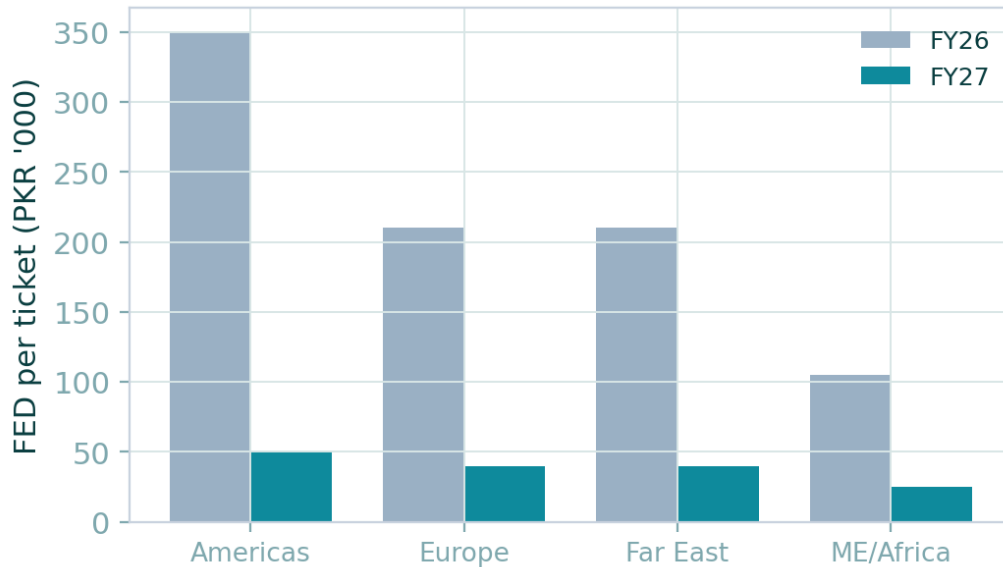


Exhibit: Premium-cabin air-travel FED reduced ~80%+ (resolved: reduced, not abolished). Source: MoF / AHL.

4.5 Customs & the new compliance architecture

- Customs (resolved scope):** customs duty withdrawn on critical cancer-treatment APIs and cut across ~92 industrial-input tariff lines; under National Tariff Policy 2025-30 year-two the simple-average customs duty eases 11.93% → 11.18%, additional customs duty 3.66% → 1.76% and regulatory duty 4.60% → 2.71% (overall 20.19% → 15.65%), with agricultural machinery exempted from CD/ACD/RD.
- Compliance:** National Faceless Centre; faceless audit, assessment and appeals; Algorithmic Settlement Mechanism; Central Data Hub with mandatory half-yearly bank/EMI reporting of accounts with deposits/withdrawals above PKR 100mn; ATL late-fees up 25-50x; penalties indexed 5-25x; 10% tax credit for FBR-integration investment vs expenditure disallowance for non-integration.
- Non-filers:** 'late-filer' property category scrapped (clean ATL/non-ATL split); enhanced non-ATL rates extended to CGT withholding on listed securities; CVT on residents' foreign assets abolished; inherited property cost stepped up to FMV; overseas Pakistanis on FCVA/NRVA accounts relieved of return filing.

Tariff rationalization — NTP 2025-30 glide path

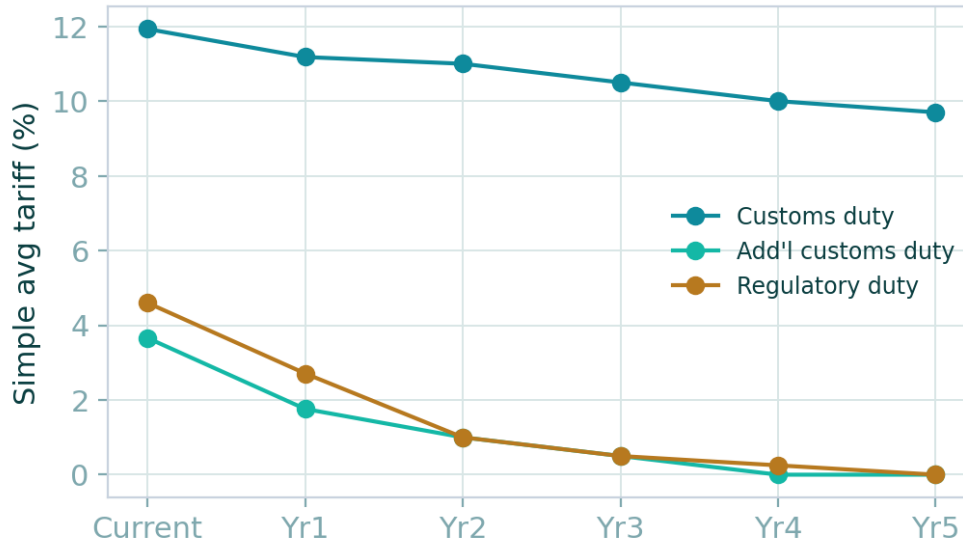


Exhibit: National Tariff Policy 2025-30 multi-year duty glide path. Source: NTP / AHL.

4.6 Notable spending & support measures

- **Small-retailer 'Asaan' fixed-tax scheme (resolved):** retailers with turnover up to PKR 200mn pay a minimum of PKR 25,000/year or 1% of sales — a low-friction route into the net (AHL).
- **Agriculture & housing:** 'Zarkhez Pakistan' extends PKR 300bn of financing to ~750,000 small farmers; a PKR 7.1bn Agri Storage Financing Facility; and the PM 'Apna Ghar' programme allocates PKR 71bn to affordable housing.
- **Power:** PKR 252bn IPP lump-provision (+66%) and a PKR 48bn Pakistan Energy Revolving Account support CPEC-IPP cash flows; power subsidy trimmed 7% to PKR 830bn on IPP renegotiations (~PKR 3.7trn lifetime savings).

5. Sector impact matrix

ContexAi sector verdict — FY27 budget net impact

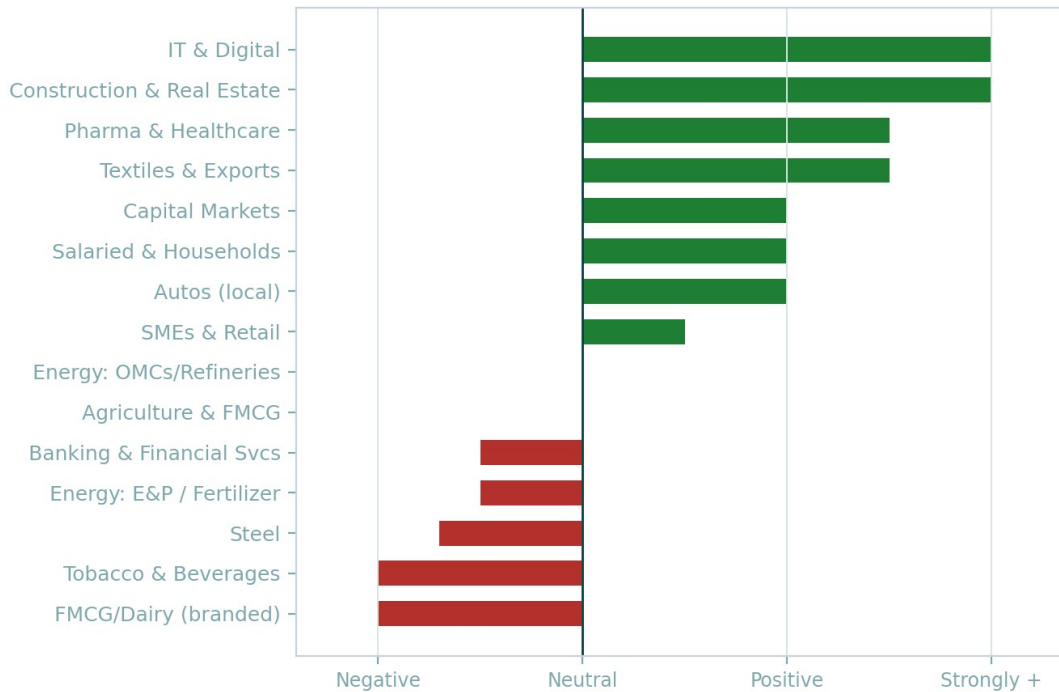


Exhibit: ContexAi net sector verdict on the FY27 budget.

Sector	ContexAi	Street (AHL)	Key drivers
Construction, Cement & Real Estate	Strongly Positive	Positive	7E gone; 236C/236K halved; PSDP infra Rs 603bn + ADPs Rs 2.2trn; Apna Ghar Rs 71bn; offset: cement production monitoring
IT, Telecom & Digital	Strongly Positive	Positive	0.25% export FTR to TY2029; card WHT 5%→0.5%; \$1bn AI; 5G auction; new 5% creator WHT
Textiles & Export Industries	Positive	Positive	Export tax 2%→1.25%; 0.25% EDS abolished; EFS 4.5% / 18-mo; duty-free machinery; risk: weak demand
Pharma & Healthcare	Positive	Positive	Duty-free cancer APIs + 92 tariff lines; contraceptives exempt; health PSDP Rs 25.1bn; risk: PKR vs prices
Autos (local assembly)	Positive	Neutral→Positive	40–41% SED + FED shield vs imports; EV CKD to Jun-27; negative for luxury CBU (e.g. INDU exposure)
Salaried Class & Households	Positive	Positive	Slab cuts + surcharge withdrawal; pay/pensions +7%, min wage +10%; BISP +17%; offset: MRP pass-through
Capital Markets	Positive	Positive	Super-tax cut = EPS event; no new equity taxes (PER ~8x, ~6.3% yield); negatives: debt CGT 20%, insurance-payout tax
SMEs & Small Retail	Mildly Positive	Positive	Asaan fixed tax (≤Rs 200mn: Rs 25k or 1%); WHT threshold to Rs 200mn; NTP cuts; cost: e-invoicing

Agriculture & Food Security	Mixed	Neutral→Positive	No GST on fertilizer/pesticides; Zarkhez Rs 300bn; agri-machinery duty-free; risks: floods, food inflation
Energy: OMCs & Refineries	Mixed	Mixed	Refinery-upgrade ST exemption (Positive); solvent FED + carbon levy mildly negative for OMC volumes
Energy: E&P / Fertilizer	Neutral-Negative	Neutral	Carved out of super-tax relief (10% stays); softer oil cuts E&P; fertilizer offtake weak
Banking & Financial Services	Neutral-Negative	Neutral	Excluded from super-tax relief; heaviest compliance build (Rs 100mn deposit reporting); macro & fee offsets
FMCG, Dairy & Branded Food	Negative	Neutral	MRP-stage 18% ST across ~20 categories (NATF, FFL, UPFL, Nestlé, FCEPL); distributor min-tax doubled
Steel	Negative-Neutral	Neutral	Electricity-based ST assessment raises working capital; offsets: construction demand, super-tax relief
Tobacco & Beverages	Negative	Mixed	Production monitoring + price floor + e-liquids +65%; acetate-tow duty cut helps filters; formal players gain

ContexAi vs street: our calls track AHL/KASB closely; we are more cautious on Banking and branded FMCG (we weight the new compliance and MRP-stage burdens that the street rates Neutral), and we separate refiners (positive) from OMCs (neutral) within Energy.

6. Sector memoranda

6.1 Construction, Cement & Real Estate [Strongly Positive]

The budget's clearest winner. Abolition of s.7E deemed income, halving of buyer/seller WHT (to 1.25%/2.75% flat) and removal of the late-filer penalty category cut round-trip property transaction costs from ~8% to ~4%, while inherited property gets an FMV cost step-up. On the demand side, federal PSDP rises 22% vs FY26 actual spend with infrastructure at Rs 603bn (N-25 Rs 100bn, M-6 Rs 30bn, ML-1 Rs 25bn), water at Rs 103bn (Dasu, Mohmand, Diamer-Bhasha, K-IV), provincial ADPs at Rs 2.22trn and a 150,000-unit housing programme. Cement led the budget-day rally (MLCF +4.5%, FCCL +3.9%); FY26 cement demand was already +10%. Watch: PSDP execution risk (FY26 was cut from Rs 1,000bn to Rs 820bn) and cement's inclusion in production monitoring.

- **Client actions:** Re-run project feasibilities at the new transaction-tax rates; sequence land acquisitions after 1 July; position for PSDP-linked order books (cement, EPC); REIT structures gain relative attractiveness — speak to our REIT advisory team.

6.2 Information Technology & Digital Economy [Strongly Positive]

Policy certainty is the prize: the 0.25% final tax on IT/ITeS exports is extended to TY2029, the international card WHT falls 5% → 0.5% (easing freelancer payment flows), and the state is funding a \$1bn National AI Ecosystem Development Program, a 5G auction with a 5–6-month rollout, IT parks (Islamabad/Karachi, Rs 11bn) and ~Rs 30bn of IT PSDP. The official \$7.3bn FY27 IT-export target is roughly double the current run-rate — directionally right, numerically heroic. The new 5% withholding on creator/social-media revenues (via banks/EMIs) is the first formalisation of the influencer economy; PKR depreciation is revenue-accretive for exporters.

- **Client actions:** Lock multi-year export contracts under the extended FTR window; route freelance receipts through formal channels at the new 0.5% card rate; build the 5% WHT into creator payout models; bid early on AI-programme and 5G-adjacent public procurement.

6.3 Textiles & Export Industries [Positive]

The cost of exporting falls on three fronts: the effective ~2% levy on export proceeds becomes a single 1.25% minimum tax; duty-free machinery imports continue (machinery imports +21% in FY26); and year-two NTP tariff cuts reduce input duties. Export refinance continuity (~4.5% markup) and an expected 5–8% PKR depreciation add competitiveness. The constraint is demand, not policy: FY26 goods exports fell ~17% (PBS) and US tariff policy remains a live risk against the \$32.9bn FY27 export target (~9% growth).

- **Client actions:** Model margins at the 1.25% minimum tax and PKR 290–300/USD; accelerate BMR under duty-free machinery; diversify market exposure beyond the US; verify item-level input-duty cuts when customs schedules are gazetted.

6.4 Pharmaceuticals & Healthcare [Positive]

Customs duty is abolished on 100+ raw materials/APIs for cancer and other serious-disease medicines — a direct COGS reduction for local manufacturers — alongside health PSDP of Rs 25.1bn (Jinnah Medical Complex, PIMS cancer hospital, Hepatitis-C and diabetes programmes) and a planned PharmEx export platform. Sanitary products and contraceptives gain sales-tax exemption (one commentary reads the family-planning exemption as withdrawn — we will confirm at gazette). The key risk remains a 5–8% PKR slide raising API costs faster than administered price adjustments.

- **Client actions:** Re-cost oncology/critical-care portfolios on duty-free inputs; pursue public-procurement pipelines attached to the PSDP health programmes; hedge API imports; track the DRAP pricing round against PKR.

6.5 Automobiles & Mobility [Positive]

Local assembly is shielded: imported vehicles above 2,000cc face a 40–41% special excise, imported CBU EVs above PKR 20mn face 30–40% FED, while local EV assembly concessions are extended to 30 June 2027 under the NEV Policy 2025-30. Auto demand grew ~31% in FY26, and lower rates plus salaried relief support FY27 volumes. Negatives: auto accessories join the Third Schedule (MRP-based ST), and PKR depreciation pressures CKD margins. Press reports of an additional environmental levy (10–19.5%) conflict with the Bill's SED — verify at gazette.

- **Client actions:** Local OEMs: press the localisation and EV-line window before Jun-27. Importers/dealers of >2,000cc and luxury EVs: pre-book landed costs now. Parts makers: NTP duty cuts improve the make-vs-import case.

6.6 Salaried Class & Households [Positive]

Four slab-rate cuts, two new intermediate slabs and withdrawal of the 9% surcharge deliver savings from PKR 30,000/yr (at PKR 3.2mn income) to ~PKR 889,000/yr (at PKR 24mn); nothing changes below PKR 2.2mn. Government salaries and pensions rise 7%, minimum wage 10%, and BISP expands 17% to Rs 838bn for 10.2mn beneficiaries. The give-back is partial — salaried tax paid rose ~55% last year — and July will bring MRP-tax price pass-through on packaged staples plus likely energy-tariff resets.

- **Client actions:** Update FY27 payroll withholding from 1 July; high earners should revisit salary-vs-dividend structuring now that the surcharge is gone; review life-insurance/unit-linked products — payout gains become taxable on policies surrendered within 7 years.

6.7 Capital Markets & Investments [Positive]

The super-tax cut is a direct EPS event (est. +2–4%) for the listed universe excluding banks, E&P and fertilizer; equity CGT/dividend rates are untouched; SPV securitisation income is exempted, supporting capital-market debt structures. The KSE-100 enters FY27 at ~7.9x P/E after a +35% FY26; brokerages see double-digit earnings growth and ~20% equity return potential vs 10–11% on fixed income. Negatives: debt-securities CGT withholding rises to 20%, non-filers lose the CGT carve-out on listed securities, and insurance-linked savings products lose tax efficiency.

- **Client actions:** Overweight budget beneficiaries (cement/construction, IT, autos) vs carve-out sectors; revisit fixed-income fund allocations at the 20% WHT; ensure ATL status before any disposal of listed securities after 1 July.

6.8 SMEs & Small Retail [Mildly Positive]

The withholding-exemption turnover threshold for small traders doubles to PKR 200mn, NTP tariff cuts name SMEs as beneficiaries, and a fixed-tax scheme for small retailers is enabled (commentaries diverge on the threshold — Rs 10mn vs Rs 200mn vs an electricity-slab basis — because the Bill only enables the scheme; operative rules follow). The stick: e-invoicing obligations, withholding on purchases from unregistered persons, and penalties indexed 5–25x make informality progressively expensive.

- **Client actions:** Register on both ATLs before 1 July (the 0.5% distributor minimum tax is ATL-conditional); budget for e-invoicing integration (a 10% tax credit applies); await the fixed-tax scheme rules before electing in.

6.9 Agriculture, Food Security & Rural Economy [Mixed]

No GST was imposed on fertilizer or pesticides — the feared measure that didn't happen — and the Green Pakistan Initiative, FMD/livestock traceability (Rs 7.35bn), Kisan-card credit (agri credit Rs 2.16trn in 9M) and a 3.6% sector growth target support the rural economy after a flood-hit 2.9% FY26. But fertilizer manufacturers keep the 10% super tax and enter production monitoring; offtake is weak (urea -3%, DAP -38% YoY in May); and the food-import bill (+15% to \$7.1bn in 9M) keeps import-substitution pressure high. Food inflation above 11% squeezes real rural incomes even as crop prices support nominal ones.

- **Client actions:** Agri-input businesses should expect volume recovery only with the kharif credit cycle; food processors — see the FMCG note on MRP taxation; agri-tech ventures — Green Pakistan smart-farm procurement is a live opportunity.

6.10 Energy — Power, OMCs & Refineries [Mixed]

Structural repair continues: FY26 circular-debt accumulation was held at net zero with Rs 1,225bn of stock settled, IPP renegotiations are estimated to yield ~Rs 3.7trn over time, the first CTBCM wholesale auction (~800 MW) comes in Sept-2026, DISCO privatisation Phase-1 (IESCO/GEPCO/FESCO) is in structuring, and a Direct Subsidy Mechanism launches Jan-2027 within a Rs 1,091bn subsidy envelope. For oil marketing, the PKR 80/l solvent FED closes the fuel-adulteration arbitrage; refineries get sales-tax-exempt capital goods for Euro-V upgrades. Falling crude (~\$86, -20% from peak) eases margins, tariffs and the import bill — if the ceasefire holds.

- **Client actions:** OMCs: quantify volume recovery from adulteration enforcement; refineries: bank the exemption in upgrade FIDs; industrial consumers: evaluate CTBCM wholesale procurement from Sept-26; investors: DISCO transactions open advisory and acquisition entry points.

6.11 Banking & Financial Services [Neutral-Negative]

Banks are excluded from super-tax relief (10% above PKR 150mn stays) and carry the heaviest new compliance load: half-yearly reporting of accounts with deposits/withdrawals above PKR 100mn into FBR's Central Data Hub, plus withholding-agent roles for creator-economy payments. The offsets are real: macro stability, resumed easing in 2HFY27, recovering private credit (+Rs 13.7trn to non-government), heavy sovereign issuance (Rs 6trn domestic financing), deposit formalisation as documentation bites, and fee pools from privatisations (DISCOs, HBFC) and rising capital-market activity.

- **Client actions:** Begin the s.165AB reporting build now (systems lead time); reprice corporate lending off an easing 2H curve; position advisory teams for privatisation and securitisation mandates (SPV income now exempt).

6.12 FMCG, Dairy & Branded Foods [Negative]

The Third Schedule expansion is the budget's stealth revenue engine: ~20 consumer categories — dairy and infant preparations, edible oils, confectionery, sauces, cosmetics, footwear, household plastics and more — move to 18% sales tax on printed retail price, collected at the manufacturing/import stage. That front-loads tax into manufacturer working capital, compresses distributor margins (whose minimum turnover tax also doubles to 0.5%), and will pass into shelf prices from July. The longer-run silver lining: documented branded players gain share as enforcement squeezes undocumented competition.

- **Client actions:** Reprint MRPs and renegotiate distributor terms before 1 July; model working-capital needs at MRP-stage taxation; use e-invoicing integration (10% tax credit) to lock the compliance advantage over informal rivals.

6.13 Steel & Engineering [Negative-Neutral]

Sales tax for the steel sector will be assessed on monthly electricity units consumed — a presumptive base that raises effective incidence for melters and re-rollers and removes under-declaration room. Offsets: the construction/PSDP demand wave, super-tax relief at the corporate level, and NTP tariff rationalisation on inputs. No direct relief measure for the sector was found in any commentary.

- **Client actions:** Re-model unit economics on the electricity-consumption base; energy efficiency now reduces tax as well as cost; capture PSDP/housing order flow to offset margin compression.

6.14 Tobacco, Beverages & Regulated Consumer [Negative]

Enforcement is the theme: production monitoring with video analytics, on-spot seizure of unstamped goods, a brand-variant price floor (no new variant below the brand's lowest budget-day price), e-liquids excise up ~65% to PKR 16,500/kg, and fermented beverages join MRP taxation. The acetate-tow duty cut (PKR 44,000 → 10,000/kg) targets smuggled-filter economics. Compliant multinationals are relatively advantaged; the illicit segment (an FBR-estimated Rs 160bn+ tax gap) is the target.

- **Client actions:** Formal players: support track-and-trace rollout and document illicit-trade displacement for pricing headroom; beverage makers: reformulate to the hydration carve-out (<=5g sugar/100ml) where viable.

7. Risks, scenarios & watch items

Scenario	Trigger	Likelihood	FY27 impact	Early-warning indicators
Base - stabilisation holds	Ceasefire holds; IMF reviews pass; FBR delivers ~90%+ of target	Most likely	Growth 3.0-4.0%; CPI 8-10%; PKR -5-8%; easing resumes 2H; equities re-rate	Monthly FBR vs ~Rs 1.27trn/m run-rate; oil <\$90; 4th EFF review
Upside - reform compounding	Oil in the \$70s; enforcement surprises; DISCO sales close; flows return	Possible	Growth ~4.5%; CPI <8%; faster rate cuts; KSE-100 fresh highs	FDI prints; privatisation milestones; T-bill cutoffs
Downside - external shock	ME re-escalation (Hormuz; 81% of fuel imports, ~55% remittances GCC-linked) or FBR shortfall forcing a mini-budget	Material tail	Growth -1.5pp; CPI +1.5pp+; PKR overshoot; cuts deferred; PSDP cut first	Brent >\$110; remittance dip; reserve drawdown; supplementary bill

- **Watch items:** the June MPC decision; the gazetted Finance Act vs the Bill (committee-stage changes are common); the carbon-levy and energy-tariff resets from 1 July; provincial budgets and the Rs 1.79trn surplus assumption; the 4th EFF review timetable; and the first clean post-budget PSX sessions.

8. Reconciliation - previously open points now resolved

Point	Resolution (Revision 1)	Authority
236K buyer WHT	1.25% flat (from 2.5%)	A.F. Ferguson, KPMG, AHL (KASB 1.5% is the outlier)
Small-retailer fixed tax	'Asaan' scheme: turnover <= PKR 200mn -> min PKR 25,000/yr or 1% of sales	AHL; A.F. Ferguson
Contraceptives / family planning	18% GST abolished - now exempt	AHL, A.F. Ferguson (KASB dissent noted)
Premium-cabin air-travel FED	Reduced ~80% (not abolished) - see 4.4 table	AHL, KPMG, A.F. Ferguson
Vehicle levy vs SED	Federal Excise (SED 40-41% >2,000cc; EV value bands) - not a separate levy	KPMG, AHL, A.F. Ferguson
Item-level customs	Cancer APIs duty-free + ~92 tariff lines; NTP year-two CD/ACD/RD cuts (4.5)	KPMG, AHL

Revision 1 is reconciled against A.F. Ferguson & Co. (PwC), KPMG Taseer Hadi & Co., Arif Habib Limited and KASB, in addition to the budget-day commentaries used in the first issue. Residual caveat: the Finance Act, 2026 as enacted may differ from the Bill at committee stage. This document is general analysis for clients of the ContexAi.org Group - it is not legal, tax or investment advice; obtain specific advice before transacting.

9. Principal sources

- The Finance Bill, 2026 (National Assembly, 12 June 2026); Annual Budget Statement / Budget in Brief FY2026-27
- Economic Survey of Pakistan 2025-26 (11 June 2026); Pakonomics Special Edition 2025-26 Highlights
- PSDP 2026-27 (Planning Commission); Highlights of Annual Plan 2026-27
- Professional tax commentaries: A.F. Ferguson & Co. (PwC) Tax Memorandum; KPMG Taseer Hadi Budget Red-Eye 2026; Arif Habib Limited 'Fiscal Space Opens Door to Relief'; KASB/KTrade Budget FY27; IEL; Advisiti; Tola Associates; APTA; Grow International; NBP Funds; RASG
- IMF Press Releases 26/095 (27 Mar 2026) & 26/147 (8 May 2026); SBP Monetary Policy Statement, April 2026
- Press & market data (12-13 June 2026): Business Recorder, Dawn, Bloom Pakistan, ProPakistani; PSX & PMEX closing data

We would be pleased to brief your board or management team on sector-specific implications, or to prepare bespoke impact models for your business. Please contact the Economy & Research Wing at info@contexai.org.

Yours sincerely,

Economy & Research Wing | ContexAi Consultancy - ContexAi Group