Press Release

OICCI urges key tax reforms to increase tax-to-GDP ratio to 14pc

KARACHI, April 29, 2025: The Overseas Investors Chamber of Commerce and Industry (OICCI) has released its recommendations for the Federal Budget 2025-26, outlining a comprehensive tax reform roadmap aimed at broadening the tax base, improving compliance, facilitating investment, and enhancing FBR's revenue generation. OICCI emphasized that a more equitable contribution across all sectors, proportionate to their share of GDP, could increase the tax-to-GDP ratio to approximately 14 percent, which currently stands at less than 10 percent.

Key among the recommendations is the reduction of the Corporate Tax Rate to 28 percent for FY 2025-26, with a structured plan to lower it by one percent annually, reaching 25 percent within five years. This progressive reduction will align Pakistan's corporate tax structure with other emerging economies and boost competitiveness.

To sustainably grow the tax base, OICCI stressed the urgent need for bringing traditionally under-taxed sectors — agriculture, real estate, and wholesale/retail trade — into the formal tax net.

OICCI also recommends reducing the sales tax rate on goods to 17 percent immediately, followed by a gradual one percent annual reduction to bring it down to 15 percent, matching the regional average. Harmonization of sales tax rates between the federal and provincial governments is critical to simplifying compliance and encouraging business growth.

The Chamber further calls for the gradual abolishment of the Super Tax within three years, to create a more predictable and business-friendly fiscal environment.

Additionally, the OICCI highlighted the persistent challenge posed by the illegal cigarette trade, which results in tax losses exceeding Rs300 billion annually. Strict enforcement measures are necessary to plug this major revenue leakage.

"Pakistan must act decisively to modernize its tax system," said OICCI President Yousaf Hussain. "Our proposals are focused on creating a transparent, predictable, and equitable taxation framework that encourages economic growth, investment, and job creation."

In the energy sector, OICCI recommends that all major petroleum products be treated as taxable supplies at the appropriate sales tax rates, ensuring a fairer and broader tax contribution from the sector.

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OICCI also urged measures to facilitate the release of over Rs120 billion in pending tax refunds by the Federal Board of Revenue (FBR), emphasizing that consistent and transparent policy implementation is critical to building investor confidence and attracting greater foreign direct investment (FDI).

One of the important OICCI's suggestions is to increase the taxable income threshold to Rs1.2 million annually per individual. However, to maintain and grow the number of taxpayers, mandatory tax filing should remain unchanged for all income earners earning in excess of Rs0.6 million.

In conclusion, OICCI Secretary General M. Abdul Aleem added, "With the right reforms and policy consistency, Pakistan can significantly expand its revenue base, restore business confidence, and position itself as a more attractive destination for investment."

The OICCI remains committed to supporting the government in developing policies that promote economic prosperity and sustainable growth.

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About OICCI:

The OICCI is the collective voice of major foreign investors in Pakistan, with over 200 members, from more than 30 countries. OICCI members contribute over one-third of Pakistan's total tax revenue and are involved in 14 sectors of the economy. They facilitate the transfer of technology and skills and provide employment to a significant number of people. About a fourth of OICCI member companies are listed on the Pakistan Stock Exchange, and many are associates of Global Fortune 500 companies. OICCI members also engage in corporate social responsibility activities benefiting 46 million persons from underprivileged communities.

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