

Press Statement for Media on FY Budget 26-27

The Overseas Investors Chamber of Commerce and Industry (OICCI) welcomes the Federal Budget 2025–26. Crafted under significant fiscal pressure, IMF commitments, external imbalances and the residual weight of years of consolidation, this is a budget that shows restraint, some structural ambition, and meaningful forward movement in select areas. It is not a perfect budget which will magically bring FDI into the country, but in difficult times, it is not an unserious one.

FBR's collection of Rs13 trillion as pointed by the Finance Minister is a milestone worth acknowledging. OICCI notes it as such. But the chamber must also state plainly: most of it was collected from those who were already paying. Organised businesses, formal sector companies and salaried taxpayers bore the brunt — visible, reachable and compliant — while the informal economy continued to expand unchecked. The cash economy has grown from Rs9 trillion last year to Rs12 trillion this year, a 33 percent surge in a single year. That is not a rounding error; it is a policy failure. Inaction on formalisation carries a measurable cost, and this number makes it undeniable.

OICCI welcomes the partial rationalisation of the super tax, abolition for income slabs between Rs150 million and Rs500 million, and a reduction from 10pc to 8pc for income above Rs500 million. It eases pressure on mid-sized formal enterprises and is consistent with the chamber's long-standing advocacy. But the core corporate income-tax rate remains unchanged; OICCI looks to the Finance Bill for further clarity and urges a broader rate reduction in due course.

The reduction in withholding and advance tax on export proceeds from 2pc to 1.25pc is a sensible step. Similarly, the rationalisation of advance tax rates in the real estate sector — sections 236C and 236K reduced to flat rates of 2.75% and 1.5% respectively — is a constructive step to revive the economic activity. The IT sector and selected input categories also benefit from targeted relief. These are good measures, and OICCI commends them.

The proposed National Faceless Assessment Centre and system-based assessment regime is among the more significant structural announcements in this budget. It promises to reduce taxpayer-officer contact, curtail field discretion and lower harassment risk for compliant companies, concerns OICCI members have raised for years. The intent is right; delivery will be what counts.

Two areas of serious concern must be recorded. First, there is no mention of restoration of sales tax status or introducing zero-rating on oil refineries and marketing companies. This is a huge burden on the OMCs which is also holding back an expansion investment of \$6-\$10 billion in the refinery sector.

Second, OICCI is deeply concerned that the budget makes no move to review the Minimum Tax on Turnover under Section 113 or the Alternate Minimum Tax under Section 153 of the Income Tax Ordinance, 2001. These provisions have long distorted the tax burden by imposing tax on turnover rather profit, particularly in low-margin sectors.

OICCI also notes the absence of any specific measures to accelerate corporate income-tax or sales-tax refund settlements. Pending refunds remain a material liquidity constraint on formal businesses. A clear, time-bound refund mechanism through the Finance Bill would send a strong signal of good faith to the investor community and the chamber urges the government to deliver one.

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