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## Editorial

Dear Readers,

Assallamo alliekum;

As envisioned by the annual workplan, the Pakistan Institute for Parliamentary Services (PIPS) provided multi-dimensional services to Members of Parliament during the budget session. PIPS Economy and Budget Desk catered for comprehensive budget and sectoral analysis anticipatedly shared with more than 325 MNAs and 45 Senators, in addition to technical papers to MPs on demand throughout the budget debate. The Institute also held five technical sessions on state of economy and annual budget for Members of National Parliament as well as Provincial Assemblies. These events witnessed interactive participation by more than 200 Hon MPs and 150 plus secretariat staff at the national and provincial legislatures. These were joint events with EU MuP project being implemented by GIZ and PIPS.

An Eight-member team of Research and Legislation wings of the Institute assisted opposition Members in preparation of more than 530 cut motions for seven key ministries. Since, March 2025 two PIPS researchers are deputed to provide technical assistance to the PAC analyzing more than 400 paras and grants for last 21 meetings. It is a matter of satisfaction that the PIPS Board of Governors meeting chaired by the Hon. Syed Yousaf Raza Gilani, Chairman Senate/President PIPS BoG on June 27, 2025 eulogized the services offered by team PIPS and unanimously approved the business plan along with budget of the Institute for FY 2025-26. Hon Federal Minister for Finance and Revenue Senator Muhammad Aurangzeb in his closing speech in budget session of the National Assembly of Pakistan also recognised the team PIPS' services to MPs throughout the budget session. We are indebted to Hon. Leadership and Members of all Legislatures for their support and ownership of the Institute as a national asset.

This June-July 2025 Issue of the PIPS Parliamentary Research Digest being BUDGET SPECIAL includes an absorbing analytical article on State of Pakistan Economy: Issues, Challenges and Way Forward, the demands for grants as approved by the National Assembly of Pakistan as well as the Senate of Pakistan consensus recommendations of federal budget 2025-26.

Please send your feedback or contact for any of our technical services at research@pips.gov.pk

**Muhammad Rashid Mafzool Zaka**
**Director General (Research)**

**PIPS Board of Governors meeting presided by Honorable Chairman Senate of Pakistan/President PIPS BoG Syed Yousaf Raza Gilani, Friday, June 27, 2025**

**PIPS Knowledge-Sharing Session on Understanding Federal Budget 2025-26 Analysis and Recommendations for the Honorable Senators, Wednesday, June 11, 2025**

**Group Photo of Honorable Deputy Speaker Ms. Suriya Bibi and Members of the Provincial Assembly of Khyber Pakhtunkhwa at PIPS Session on State of Economy & Annual Budget, Peshawar: Monday, June 16, 2025**

**ANALYSIS**

# Analyzing Pakistan's Federal Budget FY 2025–26

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Adjunct Faculty, PIPS Budget and Economy Desk

## Introduction

The Finance Minister recently presented the federal budget for the fiscal year 2025–26. In this note, we explain the key features of the budget in simple terms, including how the government plans to raise and spend money, what targets have been set, and what risks or challenges may lie ahead. The aim is to help members of Parliament understand the budget's priorities, implications, and overall direction.

## 1. Economic Performance in the Previous Year (2024–25)

Before presenting the budget for the new year, the Finance Minister reviewed Pakistan's economic performance in the ongoing year (FY 2024–25). Some important points were:

i. **Primary Fiscal Surplus:** This is when the government's revenues are more than its spending, excluding interest payments on debt. For FY 2024–25, Pakistan had a primary surplus of 2.4% of GDP, a positive sign of fiscal discipline.

ii. **Inflation:** Inflation (increase in prices) fell significantly, from 29.2% last year to just 4.7% this year. This shows prices have become more stable, helping ordinary citizens and businesses.

iii. **Current Account Balance:** Pakistan shifted from a current account deficit of $1.7 billion last year to a surplus of $1.5 billion this year. This means the country earned more foreign exchange than it spent.

iv. **Exchange Rate and Reserves**: The exchange rate was more stable, supported by record-high inward remittances of $38 billion from overseas Pakistanis. As a result, SBP's foreign exchange reserves increased by $2 billion and are expected to reach $14 billion by the end of FY 2024–25.

However, the speech did not mention a key economic indicator, the GDP growth rate. This may be because the growth was lower than Pakistan's average over the years and below what is needed, given our large population and economic potential.

## 2. Government's Economic Targets for FY 2025–26

Looking ahead, the government has set the following primary targets:

i. **GDP Growth:** 4.2% (higher than last year and the IMF's forecast, but still moderate given Pakistan's long-term needs)
ii. **Inflation:** 7.5% (a slight increase, but still much lower than previous years)
iii. **Fiscal Deficit:** 3.9% of GDP
iv. **Primary Surplus:** 2.4% of GDP (same as last year)

It is worth noting that the budget speech did not present a clear target for the external balance (exports vs imports). The external account will likely go into deficit again due to increased imports to support higher economic growth. The government could have acknowledged this and explained that it is part of the growth strategy.

**3. How the Government Plans to Raise Revenue**

The government's total revenues come from two primary sources:

**i. FBR (Tax) Revenue:** Rs. 14,131 billion

This is 18.75% higher than the revised estimate for the ongoing year. It includes:

a) **Direct Taxes (49% of total FBR revenue):** Mostly income tax. These are taxes collected from individuals and businesses based on earnings.
b) **Indirect Taxes (51%):** These include sales tax, customs duties, and excise duties, taxes that are built into the prices of goods and services.

**Among indirect taxes:**

i. Sales Tax will contribute about 66%
ii. Customs Duties about 22%
iii. Federal Excise Duty (FED) around 12%

The sharp 18.75% increase in FBR revenue is ambitious because the economy is expected to grow by only 13% in nominal terms. If the economy underperforms, tax collection may fall short again, as in FY 2024-25 (by Rs. 1,070 billion). If the target is still strictly enforced, it may slow down economic activity, unless the extra collection comes from broadening the tax base and not burdening existing taxpayers.

**ii. Non-Tax Revenue: Rs. 5,147 billion**

This is a 5% increase over last year's revised estimate. The primary sources are:

**i.** SBP (State Bank of Pakistan) profits: Rs. 2,400 billion
**ii.** Petroleum Levy: Rs. 1,468 billion (a 26.5% increase)
**iii.** These two account for over 75% of non-tax revenues.

**4. Resource Distribution between Federal and Provincial Governments**

Under the National Finance Commission (NFC) formula:

Provinces will receive Rs. 8,206 billion, which includes:

a) Rs. 7,989 billion from the divisible pool
b) Rs. 217 billion in straight transfers (e.g., royalties)

This is a 17.3% increase from last year. The provincial shares in combined divisible pool taxes and straight transfers are:

i. Punjab: 49.7%
ii. Sindh: 24.9%
iii. Khyber Pakhtunkhwa: 16.4%
iv. Balochistan: 9.1%

**5. Federal Government Spending Plan**

The total federal expenditure is budgeted at Rs. 17,573 billion, including:

i. Current Expenditure: Rs. 16,286 billion
ii. Development + Net Lending: Rs. 1,287 billion
iii. This creates a federal deficit of Rs. 6,501 billion, which will be financed through:
iv. Net external financing: Rs. 106 billion
v. Domestic borrowing: Rs. 6,309 billion
vi. Privatization proceeds: Rs. 87 billion

**6. Fiscal Deficit and Primary Surplus**

Provincial Surplus is estimated at Rs. 1,464 billion. This lowers the consolidated (federal + provincial) fiscal deficit to Rs. 5,037 billion (3.9% of GDP), better than last year's 5.6%. The primary surplus is Rs. 3,170 billion (2.4% of GDP), including the provincial surplus.

However, the fiscal deficit still exceeds the 3.5% legal limit set in the Fiscal Responsibility and Debt Limitation Act, 2005.

**7. Current Expenditure – Where the Money Goes**

Current expenditure is slightly lower (0.6%) than last year's revised estimate. Major items include:

i. Interest Payments: Rs. 8,207 billion (50.4% of current budget); down 8.3% from last year due to falling interest rates
ii. Defence: Rs. 2,560 billion (15.7%)
iii. Grants and Transfers: Rs. 1,922 billion (11.8%)
iv. Pensions: Rs. 1,063 billion (6.5%)

v. Subsidies: Rs. 1,186 billion (7.3%)
vi. Running Civil Government: Rs. 984 billion (6%)
vii. Emergency and Others: Rs. 385 billion (2.4%)

A large part of spending still goes toward non-productive areas such as debt servicing and pensions, with less focus on economic development or social sectors.

**8. Selected Sectors' Analysis of Current Expenditures**

**i. Economic Affairs**

Despite slow growth, spending on economic affairs (like energy, transport, and agriculture) has been reduced from Rs. 365 billion to Rs. 242 billion.

**ii. Environment**

Budget for environment protection dropped from Rs. 7.3 billion to Rs. 3.2 billion. This contradicts the government's public statements on climate change.

**9. Subsidies – Focused Mainly on Power Sector**

Subsidies have been reduced by 14% overall:

i. **Power Sector:** Rs. 1,036 billion (87% of total subsidies), though reduced by 13%
ii. **Petroleum Subsidy**: Cut from Rs. 18.4 billion to Rs. 1.2 billion

This positive trend shows better targeting and reforms, especially in the power sector.

**10. Development Spending (PSDP)**

The Public Sector Development Programme (PSDP) has been cut by Rs. 100 billion to Rs. 1,287 billion. In real terms (adjusted for inflation), this is a 17.2% decline, which is worrying because:

i. PSDP spending has a high multiplier effect (it boosts economic activity and jobs)
ii. Many important sectors are getting less funding, including:
iii. Climate Change Division: down 50%
iv. Commerce: down 98%
v. Federal Education: down 10%
vi. Higher Education Commission: down 35%
vii. IT & Telecom: down 32%
viii. Food Security and Agriculture: down 82%
ix. SUPARCO: down 78%
x. Water Resources: down 28%

This suggests the government is not investing enough in long-term development, or in line with its stated priorities, like climate change, education, and food security.

**11. Final Observations**

The budget has many positive signals, like:

i. Lower inflation
ii. Reduced interest payments
iii. Controlled subsidies
iv. Commitment to primary surplus
v. However, there are also areas of concern:
vi. Development spending is falling
vii. Key social and productive sectors are underfunded
viii. Revenue targets may be unrealistic
ix. Growth may remain low and unequal
x. The revenue targets, especially for FBR, are ambitious and may be difficult to meet unless:
xi. Economic growth is higher than expected (unlikely)
xii. The tax net is expanded significantly (challenging in the short term)
xiii. If revenue targets are not met, the government may:
xiv. Cut back further on development spending
xv. Increase borrowing
xvi. Introduce more taxes mid-year
xvii. All these options come with costs, either to economic growth, public services, or citizens' pockets.

**Conclusion**

In simple terms, this budget reflects the government's attempt to show fiscal discipline while managing limited resources. While there are signs of macroeconomic stability, development and growth, especially inclusive growth, have not been prioritized in the same way. Parliamentarians should use this budget discussion as an opportunity to demand better investment in sectors that matter most for Pakistan's future: education, agriculture, energy, environment, and innovation.

With prudent oversight and timely corrections, the budget can still be made more effective and responsive to the needs of citizens.

INFORMATION

# Federal Budget 2025-26 - Demands for Grants and Appropriations As Approved by National Assembly

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Adjunct Faculty, PIPS Budget and Economy Desk

## CHARGED

| S. No. | Service and Purpose | Demand No. as per Budget 2025-26 | Budget Estimates Financial Year 2024-25 | Budget Estimates Financial Year 2025-26 | % Wise Increase/ Decrease with Prev. FY Original Estimates | Vertical Allocation to each head as of Total Charged 2025-26 | Vertical Allocation to each head as of Total Charged 2025-26 |
|---|---|---|---|---|---|---|---|
| 1 | Pakistan Post Office Department | 27. | 5,000,000 | 5,000,000 | 0% | 0.00001% | 0.00002% |
| 2 | Superannuation Allowances and Pensions | 46. | 5,187,718,000 | 5,927,662,000 | 12% | 0.01501% | 0.02060% |
| 3 | Grants, Subsidies and Misc. Expenditure | 47. | 47,000,000,000 | 60,000,000,000 | 22% | 0.13601% | 0.20852% |
| 4 | Foreign Missions | 51. | 50,000,000 | 50,000,000 | 0% | 0.00014% | 0.00017% |
| 5 | Law and Justice Division | 68. | 388,287,000 | 474,353,000 | 18% | 0.00112% | 0.00165% |
| 6 | National Assembly | 75. | 7,292,880,000 | 6,852,250,000 | -6% | 0.02110% | 0.02381% |
| 7 | The Senate | 76. | 5,178,202,000 | 6,174,623,000 | 16% | 0.01499% | 0.02146% |
| 8 | External Development Loans and Advances by the Federal Government Federal Government | 131. | 617,000,000,000 | 774,953,280,000 | 20% | 1.78553% | 2.69326% |
| 9 | Staff, Household and Allowances of the President (Public) | — | 862,603,000 | 933,746,000 | 8% | 0.00250% | 0.00325% |
| 10 | Staff, Household and Allowances of the President (Personal) | — | 1,417,502,000 | 1,759,783,000 | 19% | 0.00410% | 0.00612% |
| 11 | Servicing of Foreign Debt | — | 1,038,601,753,000 | 1,009,321,802,000 | -3% | 3.00560% | 3.50778% |
| 12 | Foreign Loans Repayment | — | 4,989,963,354,000 | 5,472,221,703,000 | 9% | 14.44040% | 19.01809% |
| 13 | Repayment of Short Term Foreign Credits | — | 29,500,000,000 | 199,810,000,000 | 85% | 0.08537% | 0.69442% |
| 14 | Audit | — | 8,639,479,000 | 9,008,606,000 | 4% | 0.02500% | 0.03131% |
| 15 | Servicing of Domestic Debt | — | 8,736,398,247,000 | 7,197,928,198,000 | -21% | 25.28217% | 25.01558% |
| 16 | Repayment of Domestic Debt | — | 19,050,034,320,000 | 14,007,189,470,000 | -36% | 55.12869% | 48.68040% |
| 17 | Supreme Court | — | 4,401,720,000 | 6,645,199,000 | 34% | 0.01274% | 0.02309% |
| 18 | Islamabad High Court | — | 1,874,362,000 | 2,170,331,000 | 14% | 0.00542% | 0.00754% |
| 19 | Election | — | 9,635,002,000 | 9,869,363,000 | 2% | 0.02788% | 0.03430% |
| 20 | Federal Ombudsman Secretariat for Protection against Harassment of Women at work place | — | 184,426,000 | 235,326,000 | 22% | 0.00053% | 0.00082% |
| 21 | Wafaqi Mohtasib | — | 1,526,695,000 | 1,643,720,000 | 7% | 0.00442% | 0.00571% |
| 22 | Federal Tax Ombudsman | — | 430,367,000 | 603,925,000 | 29% | 0.00125% | 0.00210% |
| | **Total Charged** | | **34,555,571,917,000** | **28,773,778,340,000** | **-20%** | **100%** | **100%** |

## VOTED

| S. No. | Service and Purpose | Demand No. as per Budget 2025-26 | Budget Estimates Financial Year 2024-25 | Budget Estimates Financial Year 2025-26 | % Wise Increase/ Decrease with Prev. FY Original Estimates | Vertical Allocation to each head as of Total Voted 2025-26 | Vertical Allocation to each head as of Total Voted 2025-26 |
|---|---|---|---|---|---|---|---|
| 1 | Cabinet | 1 | 351,895,000 | 688,727,000 | 49% | 0.0040% | 0.0076% |
| 2 | Cabinet Division | 2 | 3,334,404,000 | 4,215,971,000 | 21% | 0.0375% | 0.0464% |
| 3 | Emergency Relief and Repatriation | 3 | 889,342,000 | 2,926,814,000 | 70% | 0.0100% | 0.0322% |
| 4 | Atomic Energy | 4 | 19,266,440,000 | 20,082,086,000 | 4% | 0.2169% | 0.2211% |
| 5 | Pakistan Nuclear Regulatory Authority | 5 | 1,861,659,000 | 2,256,988,000 | 18% | 0.0210% | 0.0249% |
| 6 | Naya Pakistan Housing Development Authority | 6 | 1,564,215,000 | 1,587,567,000 | 1% | 0.0176% | 0.0175% |
| 7 | Prime Minister's office (Internal) | 7 | 793,742,000 | 857,721,000 | 7% | 0.0089% | 0.0094% |
| 8 | Prime Minister's office (Public) | 8 | 860,520,000 | 896,542,000 | 4% | 0.0097% | 0.0099% |
| 9 | National Disaster Management Authority | 9 | 822,979,000 | 908,293,000 | 9% | 0.0093% | 0.0100% |
| 10 | Board of Investment | 10 | 1,271,635,000 | 806,183,000 | -58% | 0.0143% | 0.0089% |
| 11 | Prime Minister's Inspection Commission | 11 | 146,904,000 | 153,039,000 | 4% | 0.0017% | 0.0017% |
| 12 | Special Technology Zone Authority | 12 | 750,301,000 | 783,185,000 | 4% | 0.0084% | 0.0086% |
| 13 | National Anti-Money Laundering & Counter Financing of Terrorism Authority | 13 | | 200,000,000 | | | 0.0022% |
| 14 | Cannabis Control & Regulatory Authority | 14 | | 200,000,000 | | | 0.0022% |
| 15 | Establishment Division | 15 | 9,669,274,000 | 9,814,828,000 | 1% | 0.1088% | 0.1081% |
| 16 | Federal Public Service Commission | 16 | 1,338,443,000 | 1,376,533,000 | 3% | 0.0151% | 0.0152% |
| 17 | National School of Public Policy | 17 | 3,368,514,000 | 3,391,048,000 | 1% | 0.0379% | 0.0373% |
| 18 | Civil Services Academy | 18 | 1,725,243,000 | 2,000,283,000 | 14% | 0.0194% | 0.0220% |
| 19 | National Security Division | 19 | 230,559,000 | 240,618,000 | 4% | 0.0026% | 0.0026% |
| 20 | Council of Common Interest (Secretariat) | 20 | 103,489,000 | 112,937,000 | 8% | 0.0012% | 0.0012% |
| 21 | Special Investment Facilitation Council Division | 21 | | 340,000,000 | | | 0.0037% |
| 22 | Intelligence Bureau Division | 22 | 18,324,914,000 | 19,120,993,000 | 4% | 0.2063% | 0.2105% |
| 23 | Climate Change and Environmental Coordination Division | 23 | 1,010,266,000 | 1,068,432,000 | 5% | 0.0114% | 0.0118% |
| 24 | Commerce Division | 24 | 20,530,465,000 | 26,948,574,000 | 24% | 0.2311% | 0.2967% |
| 25 | Communications Division | 25 | 303,499,000 | 313,680,000 | 3.2% | 0.0034% | 0.0035% |
| 26 | Other Expenditure of Communications Division | 26 | 33,714,329,000 | 34,754,772,000 | 3% | 0.3795% | 0.3827% |
| 27 | Pakistan Post office Department | 27 | 23,469,231,000 | 24,448,581,000 | 4% | 0.2642% | 0.2692% |
| 28 | Aviation Division* | - | 4,484,685,000 | | | 0.0505% | |
| 29 | Defence Division* | 28 | 7,864,904,000 | 13,892,136,000 | 43% | 0.0885% | 0.1530% |
| 30 | Federal Government Educational Institutions In Cantonments and Garrisons | 29 | 14,319,239,000 | 15,908,116,000 | 10% | 0.1612% | 0.1752% |
| 31 | Airports Security Force | 30 | 14,383,411,000 | 17,375,415,000 | | | 0.1913% |
| 32 | Defence Services | 31 | 2,122,000,000,000 | 2,550,000,000,000 | 17% | 23.8875% | 28.0790% |
| 33 | Defence Production Division | 32 | 1,094,950,000 | 1,093,054,000 | 0% | 0.0123% | 0.0120% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 34 | Economic Affairs Division | 33 | 905,153,000 | 943,571,000 | 4% | 0.0102% | 0.0104% |
| 35 | Miscellaneous Exp. of Economic Affairs Division | 34 | 29,775,115,000 | 19,721,000,000 | -51% | 0.3352% | 0.2172% |
| 36 | Power Division | 35 | 681,754,342,000 | 636,903,702,000 | -7% | 7.6746% | 7.0132% |
| 37 | Petroleum Division | 36 | 19,304,392,000 | 2,168,792,000 | -790% | 0.2173% | 0.0239% |
| 38 | Geological Survey of Pakistan | 37 | 1,103,401,000 | 1,149,997,000 | 4% | 0.0124% | 0.0127% |
| 39 | Federal Education and Professional Training Division | 38 | 39,337,345,000 | 37,244,789,000 | -6% | 0.4428% | 0.4101% |
| 40 | Higher Education Commission (HEC) | 39 | 66,331,450,000 | 66,407,120,000 | 0.1% | 0.7467% | 0.7312% |
| 41 | National Rehmatul-Lil-Alameen Wa Khatamun Nabiyyin Authority | 40 | 101,751,000 | 110,997,000 | 8.3% | 0.0011% | 0.0012% |
| 42 | National Vocational & Technical Training Commission (NAVTTC) | 41 | 716,059,000 | 1,147,013,000 | 38% | 0.0081% | 0.0126% |
| 43 | National Heritage & Culture Division | 42 | 2,294,684,000 | 2,495,625,000 | 8% | 0.0258% | 0.0275% |
| 44 | Finance Division | 43 | 4,391,619,000 | 4,821,789,000 | 9% | 0.0494% | 0.0531% |
| 45 | Other Expenditure of Finance Division | 44 | 7,076,340,000 | 8,690,682,000 | 19% | 0.0797% | 0.0957% |
| 46 | Controller General of Accounts | 45 | 13,268,115,000 | 13,811,965,000 | 4% | 0.1494% | 0.1521% |
| 47 | Superannuation Allowances and Pensions | 46 | 1,008,812,282,000 | 1,049,072,338,000 | 4% | 11.3563% | 11.5517% |
| 48 | Grants Subsidies & Miscellaneous Expenditure | 47 | 1,815,567,000,000 | 1,836,345,000,000 | 1% | 20.4380% | 20.2207% |
| 49 | Revenue Division | 48 | 109,269,000 | 101,517,000 | -8% | 0.0012% | 0.0011% |
| 50 | Federal Board of Revenue | 49 | 52,231,010,000 | 83,099,626,000 | 37% | 0.5880% | 0.9150% |
| 51 | Foreign Affairs Division | 50 | 4,316,098,000 | 4,504,072,000 | 4% | 0.0486% | 0.0496% |
| 52 | Foreign Missions | 51 | 47,547,182,000 | 58,030,699,000 | 18% | 0.5352% | 0.6390% |
| 53 | Housing and Works Division | 52 | 8,552,499,000 | 7,112,190,000 | -20% | 0.0963% | 0.0783% |
| 54 | Human Rights Division | 53 | 1,158,791,000 | 1,273,159,000 | 9% | 0.0130% | 0.0140% |
| 55 | National Commission for Human Rights | 54 | 183,711,000 | 235,816,000 | 22% | 0.0021% | 0.0026% |
| 56 | National Commission on the Rights of Child | 55 | 81,300,000 | 92,789,000 | | 0.0009% | 0.0010% |
| 57 | National Commission on the Status of Women | 56 | 118,316,000 | 118,750,000 | | 0.0013% | 0.0013% |
| 58 | Industries and Production Division | 57 | 75,931,177,000 | 30,476,126,000 | -149% | 0.8548% | 0.3356% |
| 59 | Information and Broadcasting Division | 58 | 5,326,839,000 | 5,757,378,000 | 7% | 0.0600% | 0.0634% |
| 60 | Miscellaneous Exp. of Information & Broadcasting Division | 59 | 11,518,000,000 | 14,715,649,000 | 22% | 0.1297% | 0.1620% |
| 61 | Information Technology and Telecommunication Division | 60 | 40,126,857,000 | 19,432,524,000 | -106% | 0.4517% | 0.2140% |
| 62 | Interior and Narcotics Control Division** | 61 | 15,361,805,000 | 26,218,316,000 | 41% | 0.1729% | 0.2887% |
| 63 | Other Expenditure of Interior Division | 62 | 10,778,277,000 | 21,195,901,000 | 49% | 0.1213% | 0.2334% |
| 64 | Islamabad Capital Territory (ICT) | 63 | 20,411,971,000 | 21,264,327,000 | 4% | 0.2298% | 0.2341% |
| 65 | Combined Civil Armed Forces | 64 | 232,371,793,000 | 274,153,363,000 | 15% | 2.6158% | 3.0188% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 66 | National Counter Terrorism Authority | 65 | 1,015,317,000 | 1,059,254,000 | 4% | 0.0114% | 0.0117% |
| 67 | Inter-Provincial Coordination Division | 66 | 2,451,003,000 | 2,568,659,000 | 5% | 0.0276% | 0.0283% |
| 68 | Kashmir Affairs and Gilgit Baltistan Division | 67 | 1,518,970,000 | 2,452,599,000 | 38% | 0.0171% | 0.0270% |
| 69 | Law and Justice Division | 68 | 8,273,381,000 | 12,117,027,000 | 32% | 0.0931% | 0.1334% |
| 70 | Federal Judicial Academy | 69 | 324,925,000 | 339,536,000 | 4% | 0.0037% | 0.0037% |
| 71 | Federal Shariat Court | 70 | 928,357,000 | 1,058,803,000 | 12% | 0.0105% | 0.0117% |
| 72 | Council of Islamic Ideology | 71 | 237,394,000 | 257,223,000 | 8% | 0.0027% | 0.0028% |
| 73 | National Accountability Bureau | 72 | 7,110,063,000 | 7,411,969,000 | 4% | 0.0800% | 0.0816% |
| 74 | District Judiciary, Islamabad Capital Territory | 73 | 1,368,404,000 | 1,769,081,000 | 23% | 0.0154% | 0.0195% |
| 75 | Maritime Affairs Division | 74 | 2,150,468,000 | 2,245,858,000 | 4% | 0.0242% | 0.0247% |
| 76 | Narcotics Control Division** | - | 7,603,952,000 | | | 0.0856% | |
| 77 | National Assembly | 75 | 5,443,872,000 | 9,437,875,000 | 42% | 0.0613% | 0.1039% |
| 78 | The Senate | 76 | 2,063,964,000 | 2,880,057,000 | 28% | 0.0232% | 0.0317% |
| 79 | National Food Security and Research Division | 77 | 14,786,156,000 | 23,068,171,000 | 36% | 0.1664% | 0.2540% |
| 80 | Pakistan Agriculture Research Council | 78 | 6,410,222,000 | 6,724,522,000 | 5% | 0.0722% | 0.0740% |
| 81 | National Health Services, Regulations and Coordination | 79 | 27,867,633,000 | 31,753,424,000 | 12% | 0.3137% | 0.3496% |
| 82 | Overseas Pakistanis and Human Resource Development Division | 80 | 3,885,435,000 | 4,190,553,000 | 7% | 0.0437% | 0.0461% |
| 83 | Parliamentary Affairs Division | 81 | 794,628,000 | 828,763,000 | 4% | 0.0089% | 0.0091% |
| 84 | Planning, Development And Special Initiatives Division | 82 | 9,437,152,000 | 9,859,321,000 | 4% | 0.1062% | 0.1086% |
| 85 | Poverty Alleviation and Social Safety Division | 83 | 5,178,794,000 | 10,232,450,000 | 49% | 0.0583% | 0.1127% |
| 86 | Benazir Income Support Programme | 84 | 598,718,245,000 | 722,489,811,000 | 17% | 6.7398% | 7.9556% |
| 87 | Pakistan Bait-Ul-Mal | 85 | 14,008,528,000 | 14,202,168,000 | 1% | 0.1577% | 0.1564% |
| 88 | Privatization Division | 86 | 355,719,000 | 373,575,000 | 5% | 0.0040% | 0.0041% |
| 89 | Railways Division | 87 | 64,439,402,000 | 70,457,832,000 | 9% | 0.7254% | 0.7758% |
| 90 | Religious Affairs and Inter-Faith Harmony Division | 88 | 1,956,096,000 | 2,002,903,000 | 2% | 0.0220% | 0.0221% |
| 91 | Science and Technology Division | 89 | 14,411,072,000 | 15,012,829,000 | 4% | 0.1622% | 0.1653% |
| 92 | States and Frontier Regions Division | - | 978,211,000 | | | 0.0110% | |
| 93 | Water Resources Division | 90 | 3,885,643,000 | 4,067,036,000 | 4% | 0.0437% | 0.0448% |
| 94 | Federal Miscellaneous Investments & Other Loans and Advances | 91 | 148,976,000,000 | 115,082,062,000 | -29% | 1.6770% | 1.2672% |
| 95 | Development Expenditure of Aviation Division* | - | 7,302,997,000 | | | 0.0822% | |
| 96 | Development Expenditure of Cabinet Division | 92 | 75,271,777,000 | 70,250,000,000 | -7% | 0.8473% | 0.7735% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 97 | Development Expenditure of Board of Investment | 93 | 1,658,000,000 | 1,105,430,000 | -50% | 0.0187% | 0.0122% |
| 98 | Development Expenditure of Special Technology Zones Authority | 94 | 501,223,000 | 138,280,000 | -262% | 0.0056% | 0.0015% |
| 99 | Development Expenditure of Establishment Division | 95 | 921,000,000 | 495,359,000 | -86% | 0.0104% | 0.0055% |
| 100 | Development Expenditure of SUPARCO | 96 | 36,604,084,000 | 5,418,523,000 | -575.5% | 0.4121% | 0.0597% |
| 101 | Development Expenditure of Special Investment Facilitation Council Division | 97 | | 503,382,000 | | | 0.0055% |
| 102 | Development Expenditure of Climate Change and Environmental Coordination Division | 98 | 6,256,960,000 | 2,783,650,000 | -125% | 0.0704% | 0.0307% |
| 103 | Development Expenditure of Commerce Division | 99 | 2,205,282,000 | 50,000,000 | -4311% | 0.0248% | 0.0006% |
| 104 | Development Expenditure of Communications Division | 100 | 7,828,000,000 | 7,159,150,000 | -9% | 0.0881% | 0.0788% |
| 105 | Development Expenditure of Defence Division* | 101 | 5,636,000,000 | 11,553,835,000 | 51% | 0.0634% | 0.1272% |
| 106 | Development Expenditure of Defence Production Division | 102 | 3,776,000,000 | 1,786,000,000 | -111% | 0.0425% | 0.0197% |
| 107 | Development Expenditure of Power Division | 103 | 22,604,888,000 | 2,397,036,000 | -843% | 0.2545% | 0.0264% |
| 108 | Development Expenditure of Federal Education & Professional Training Division | 104 | 19,333,880,000 | 13,680,000,000 | -41% | 0.2176% | 0.1506% |
| 109 | Development Expenditure of Higher Education Commission | 105 | 66,315,000,000 | 39,488,216,000 | -68% | 0.7465% | 0.4348% |
| 110 | Development Expenditure of National Vocational & Technical Training Commission (NAVTTC) | 106 | 6,417,120,000 | 4,900,000,000 | -31% | 0.0722% | 0.0540% |
| 111 | Development Expenditure of National Heritage & Culture Division | 107 | 1,015,000,000 | 1,676,074,000 | 39% | 0.0114% | 0.0185% |
| 112 | Development Expenditure of Finance Division | 108 | 6,084,000,000 | 851,580,000 | -614% | 0.0685% | 0.0094% |
| 113 | Other Development Expenditure | 109 | 220,456,099,000 | 251,130,109,000 | 12% | 2.4817% | 2.7653% |
| 114 | Development Expenditure of Revenue Division | 110 | 17,696,000,000 | 7,150,000,000 | -147% | 0.1992% | 0.0787% |
| 115 | Development Expenditure of Human Rights Division | 111 | 104,000,000 | 23,000,000 | -352% | 0.0012% | 0.0003% |
| 116 | Development Expenditure of Information & Broadcasting Division | 112 | 1,075,000,000 | 1,616,321,000 | 33% | 0.0121% | 0.0178% |
| 117 | Development Expenditure of Information Technology and Telecommunication Division | 113 | 28,929,000,000 | 16,227,493,000 | -78% | 0.3257% | 0.1787% |
| 118 | Development Expenditure of Interior and Narcotics Control Division** | 114 | 9,070,000,000 | 12,908,444,000 | 30% | 0.1021% | 0.1421% |
| 119 | Development Expenditure of Inter Provincial Coordination Division | 115 | 3,650,000,000 | 1,179,840,000 | -209% | 0.0411% | 0.0130% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 120 | Development Expenditure of Law and Justice Division | 116 | 1,230,000,000 | 1,912,481,000 | 36% | 0.0138% | 0.0211% |
| 121 | Development Expenditure of Narcotics Control Division** | - | 169,505,000 | - | | 0.0019% | |
| 122 | Development Expenditure of National Food Security and Research Division | 117 | 41,250,000,000 | 4,253,738,000 | -870% | 0.4644% | 0.0468% |
| 123 | Development Expenditure of National Health Services, Regulation & Coord. Division | 118 | 27,000,000,000 | 14,343,500,000 | -88% | 0.3039% | 0.1579% |
| 124 | Development Expenditure of Parliamentary Affairs Division | 119 | - | 2,500,000,000 | | | 0.0275% |
| 125 | Development Expenditure of Planning, Development and Special Initiatives Division | 120 | 64,015,337,000 | 23,270,141,000 | -175% | 0.7206% | 0.2562% |
| 126 | Development Expenditure of Religious Affairs and Inter Faith Harmony Division | 121 | - | 650,384,000 | | 0.0000% | 0.0072% |
| 127 | Development Exp of Science & Technology Division | 122 | 7,149,514,000 | 4,792,687,000 | -49% | 0.0805% | 0.0528% |
| 128 | Development Expenditure of Kashmir Affairs, Gilgit Baltistan and States and Frontier Regions Division | 123 | 1,434,060,000 | 1,800,000,000 | 20% | 0.0161% | 0.0198% |
| 129 | Development Expenditure of Water Resources Division | 124 | 259,598,143,000 | 82,779,433,000 | -214% | 2.9223% | 0.9115% |
| 130 | Capital Outlay on Development of Atomic Energy | 125 | 25,000,000,000 | 761,000,000 | -3185% | 0.2814% | 0.0084% |
| 131 | External Development Loans and Advances of Communication Division | 126 | - | 54,856,200,000 | | | 0.6040% |
| 132 | Capital Outlay on Development of Pakistan Nuclear Regulatory Authority | - | 256,330,000 | | | 0.0029% | |
| 133 | Capital Outlay on Petroleum Division | 127 | 3,225,708,000 | 718,580,000 | -349% | 0.0363% | 0.0079% |
| 134 | External Development Loans and Advances of Power Division | 128 | - | 72,106,914,000 | | | 0.7940% |
| 135 | Capital Outlay on Federal Investments | 129 | 324,209,000 | 1,489,920,000 | 78% | 0.0036% | 0.0164% |
| 136 | Development Loans and Advances By the Federal Government | 130 | 206,911,413,000 | 183,758,219,000 | -13% | 2.3292% | 2.0234% |
| 137 | External Development Loans and Advances by the Federal Government*** | 131 | 128,317,642,000 | 2,100,000,000 | -6010% | 1.4445% | 0.0231% |
| 138 | Capital Outlay of Civil Works | 132 | 28,188,072,000 | 15,005,801,000 | -88% | 0.3173% | 0.1652% |
| 139 | Capital Outlay on Industrial Development | 133 | 4,918,758,000 | 1,904,281,000 | -158% | 0.0554% | 0.0210% |
| 140 | Capital Outlay on Maritime Affairs Division | 134 | 5,300,000,000 | 3,465,000,000 | -53% | 0.0597% | 0.0382% |
| 141 | Capital Outlay on Railways Division | 135 | 45,000,000,000 | 22,415,000,000 | -101% | 0.5066% | 0.2468% |
| 142 | External Development Loans and Advances of Water Resources Division | 136 | | 50,645,000,000 | | | 0.5577% |
| **Total Voted** | | | **8,883,292,401,000** | **9,081,523,060,000** | **2%** | **100%** | **100%** |
| **Total Charged and Voted** | | | **43,438,864,318,000** | **9,081,523,060,000** | **-378%** | | |

Source: Website of Finance Division - Federal Budget 2025-26

* FY 2025-26 - Aviation Division has been merged with Defence Division

** FY 2025-26 - Narcotics Control Division has been merged with Interior Division

## PARLIAMENTARY BUSINESS

# Recommendations of the Senate of Pakistan on the Finance Bill, 2025

## General Consensus Recommendations on Budget 2025-26

Compiled By

**Mr. Asif Ahmad**
Assistant Director (Research)

The Senate of Pakistan recommends to the National Assembly that:

1. The penalties for not clearing goods within specified time under Section 82 of the Customs Act, 1969 (IV OF 1969) should be 0.25 percent instead of 0.2 percent.
2. Clause 99A of the Second Schedule of the ITO, 2001 should be revived to allow RIET formations by real estate developers.
3. Zero rated sales tax on the basic educational stationary items should be restored through the Finance Bill, 2025.
4. 1% sales tax should also be imposed on homeopathic drugs instead of 18%, similar to Allopathic Drugs to address the anomaly.
5. The imposition of 3% additional taxes on the grandparents' chicks should be withdrawn.
6. The sales tax imposed on cotton yarn in Finance Bill, 2025, should also be imposed on Dyes and Chemical under EFS Scheme.
7. The federal excised duty imposed on aerated beverages should be reduced to 15%.
8. The federal excised duty imposed on formal juice industry should be reduced to 15%.
9. The newly proposed taxes (income tax and sales tax up to 2%) on online purchases should be immediately withdrawn to encourage growth of digital market place and e-commerce.
10. Steel sector should be exempted from tariff reform scheme until Pakistan reaches global competitiveness and tariff reduction should be linked to key performance milestones.
11. In Section 236C (Advance tax on sale or transfer of immovable property) and 236K (Advance tax on purchase of immovable property), the tax rates should be revised to be equal for both buyer and seller.
12. The withholding income tax rate be fixed at 1.5% to 2% for construction industry and the balance, if any, should be deposited by the tax payer with the annual income tax return.
13. The construction contractors should not be designated as withholding agents and 40% contract value should be allowed as cash transaction without any requirement.
14. The surplus cash lying with the whole public entities should be brought under the administrative control of Finance Division in order to facilitate its proper utilization for public good to ensure the fiscal policy for better macroeconomic management.
15. Government should provide immediate relief through a concessional withholding tax rate for print media services as done in case of IT services.
16. General subsidies, particularly those relating to fuel and electricity, be gradually rationalized to create fiscal space for targeted welfare programmes and most deserving segments of society. Moreover, to ensure effective targeting, the data available with

NADRA and financial institutions may be utilized for the identification of eligible beneficiaries.

17. A significant reduction ranging from 20% to 30% in non-essential and non-developmental public expenditures should be made and the saved funds be re-allocated towards initiatives focused on public welfare and service delivery.
18. Under-taxed sector such as real estate, retail trade, and agricultural income be appropriately integrated into the tax net.
19. Budgetary priorities be aligned to enhance the teacher's training, strengthening of primary healthcare infrastructure, and to promote digital learning platforms particularly in underserved and underprivileged regions of the country.
20. Small and medium enterprises (SMEs) be supported through easy access to credit, fiscal incentives, and simplified business registration processes. Furthermore, to improve export competitiveness, special emphasis be placed on promoting value-added products and incentivizing domestic industries for innovation and quality enhancement.
21. Budget allocation should not only be based on expenses but also on the results achieved and each department should be funded based on its performance.
22. Urban bodies like SMC, HMC, and KMC should be empowered through Modern facilities, Digital services, Funding for basic municipal functions and E-governance to promote transparency.
23. Salaries of government employees should be increased 50% instead of 10% as it is insufficient.
24. Small-scale farmers should be provided with adequate facilities in view of the lack of attention towards the agricultural sector which is facing serious decline.
25. The privatization of the national institutions should be stopped immediately.
26. Daily-wage employees should be made permanent and more employment opportunities should be created.
27. Imposition of 18% GST on solar panels should be withdrawn.
28. In Clause (4) of the Finance Bill, 2025, in paragraph (b), in the newly proposed sub-section (4), the following proviso shall be added, namely:-
    i. "Provided that the amount collected under this sub-section shall be spent through Provinces for environmental protection and combating climate changes effects"
29. Minimum wage should be fixed at Rs.50,000/- instead of Rs.37000/
30. The proposed 18% tax on 850 cc vehicles and lower should be reduced to 10%.
31. The following amendment should be made in the Finance Bill, 2025 to give relief to the salaried class:-

| Taxable Income | 2024-25 | 2025-26 | Proposal |
|---|---|---|---|
| Up to 600,000 | 0 | 0 | 0 |
| 600,001- 1200,000 | 5% | 1% | 0% |
| 1200,001-2200,000 | 30,000 plus 15% | 6000 plus 11% | 6000 plus 1% |
| 2200,001-3200,000 | 180,000 plus 25% | 116,000 plus 23% | 116,000 plus 2% |
| 3200,001-4100,000 | 430,000 plus 30% | 346,000 plus 30% | 346,000 plus 5% |
| Over 4100,000 | 700,000 plus 35% | 616,000 plus 35% | 616,000 plus 10% |

32. Disabled workers should be granted a monthly conveyance allowance at the rate of Rs.10,000 instead of the Rs.6,000.

**33.** Indirect taxes like GST, customs duty, and excise tax should be slashed by 50%, with a progressive shift to direct taxes.
**34.** The government should launch nationwide vocational and technical training programs aligned with local and international job markets.
**35.** At least 10% tax should be applied on annual agricultural income exceeding Rs.5 million.
**36.** Circular Debt Surcharge should not be imposed on the first 200 units of electricity bills.
**37.** Tax exemptions given to the elite class including corporations, real estate, and large agriculturist should be withdrawn.
**38.** The government should defer the IPPs capacity payments and renegotiating to reduce the same.
**39.** Stamp duty should be slashed to 0.5% for property purchases up to Rs.20 million for filers and 1% be fixed for non-filers to encourage formal property transactions, and support the real estate sector.
**40.** GST should be withdrawn from all essential commodities such as flour, pulses and medicines.
**41.** To broaden the tax base the large agricultural landowners, real estate developers, and stock market brokers should be taxed.
**42.** The increase in pension should be at least 20% instead of 7%.
**43.** The recurring grant as well as development grant of the Higher Education Commission should be at least Rs.80 billion.
**44.** The federal government should approve special grants for healthcare in Balochistan to build state of the art hospitals.
**45.** The EOBI Pensions should be increased from Rs.11,500/- to Rs.23,000 per month.
**46.** The family pensions should be for life to ensure the financial stability of surviving spouses.
**47.** The medical allowance for all the government servants should be increased by 200%.
**48.** The conveyance allowance for federal employees from BPS-01 to BPS-19 should be enhanced by at least 200% and the structure of conveyance allowance should be rationalized to reduce disparity between different grades.
**49.** The imports of used/old vehicles should be facilitated under the rules.
**50.** In the Customs Act, 1969 (IV OF 1969) though the Finance Bill, 2025, following amendment **should be made**:-
   1. **Amendment in Second Schedule:- i.** In the said Bill, in Second Schedule, Part V(B) Sr.No.1 in Column (4) for the expression "1%" the expression "0.5%" shall be substituted.
      i. In the said Bill, in Second Schedule, Part V(B) Sr.No.2 in Column (4) for the expression "1%" the expression "0.5%" shall be substituted.

**51.** The imports of used/old vehicles should be facilitated under the rules.
**52.** Sales tax rate on locally manufactured and imported tractors should be reduced to 5% enabling the farmers to purchase tractors.
**53.** Sales tax rate on locally manufactured and imported tractors should be reduced from 5% enabling the farmers to purchase tractors.
**54.** E-filing and e-bilty in the current form is not practical and should not be applied on local supplies as well as export consignment and it should be phased out in a manner where registered taxpayers get opportunity for upgrading system and equipment.

**55.** The SRO No.69(1)/2025, dated 29th January, 2025 regarding procedure for licensing, issuance of electronic sales tax invoices and integration of registered persons, should be withdrawn instead of extension.

**56.** Basic exemption on salary should be increased from Rs.600,000 to Rs.1,200,000/- and the income tax be charged on the income above Rs.1,200,000/- at the applicable rate of tax between Rs.600,000 and Rs.1,200,000.

**57.** In the Income Tax Ordinance, 2001(XLIX of 2001), the following amendments should be made:-

   a. In section 130, sub section (3) in clause (d), for the phrase," an officer", ", a retired officer" shall be replaced.
   b. In the Ordinance in section 130, sub section (3) in clause (d), for the word," in", "of" shall be replaced.
   c. In the Ordinance in section 130, sub section (3) in clause (e), for the phrase," an officer", ", a retired officer" shall be replaced.
   d. In the Ordinance in section 130, sub section (3) in clause (e), for the word," in", "of" shall be replaced.

**58.** In the Income Tax Ordinance, 2001(XLIX of 2001), in Section 7B, in sub-section (3), the paragraph (b) shall be omitted.

**59.** In the Income Tax Ordinance, 2001(XLIX of 2001), in First Schedule following amendment through the Finance Bill, 2025 should be made:-

   i. "In Division III, Part III of First Schedule, after the words "management service" the words;" Visiting faculty in Education Institution", shall be inserted, thereafter, a following proviso shall be added after the word "tour Services":-
      1. "Provided that, Tax deducted in this section for visiting faculty is final tax liability."

**60.** The Schemes of defunct PWD must be transferred to Government of Sindh as transferred to the other three provinces along with allocation and not to be executed by Federal Housing Division thorough a federal company.

**61.** The allocation for the institutions of Higher Education Division should be restored at Rs.4870 million as given in the Annual Plan Coordination Committee and assured by the PM.

**62.** The skillful technological and scientific research should also be incorporated in current budget.

**63.** Measures be taken for creation of emergency fund in order to cope with unexpected expenses.

**64.** That the budget should be contained on contingent plans in order to foster AI by collaborating and communication.

**65.** The sufficient funds should be allocated for mega project i.e. to establish a sustainable and export-oriented industry as long-term benefit to Pakistan.

**66.** In place of the Coal operated 300 megawatt at Gawadar, a Solar Park of the same capacity should be built.

**67.** Funds for Coal Gasification and manufacturing of fertilizer should be issued without further delay.

**68.** Companies establishing the renewable energy parks should be allowed to sell the generated electricity to consumer directly.

69. Companies establishing the renewable energy parks should be allowed to sell the generated electricity to consumer directly.
70. All adhoc allowances of the government employees should be merged into basic pay.
71. All adhoc allowances of the government employees should be merged into basic pay.
72. Funds allocated for Dams Construction should be increased for early completion.
73. Funds allocated for Dams Construction should be increased for early completion.
74. Development funds for climate adaption should be increased up to 10%.
75. Those citizens aged over 60 years should be exempted from withholding tax on profits earned through National Savings Schemes, including Behbood Savings Certificates and Pensioners' Benefit Accounts.
76. Cut off point for imposition of agricultural tax should be on landholding above 12.5 acres.
77. Government should suspend the additional digital transaction taxes on retail/service sectors for six months, pending a comprehensive Socioeconomic Impact Assessment (SIA).
78. Government should introduce quarterly parliamentary oversight reports on domestic and external debt servicing, and on direct subsidy transfers.
79. Government should reverse stamp duty and withholding tax reductions on real estate transactions exceeding Rs.50 million.
80. Government should reinstate custom duties and regulatory duties on imports related to luxury automobiles, high-end appliances, and industrial inputs for non-essential manufacturing. Furthermore, re-impose customs and regulatory duties on non-essential imports and industrial inputs for luxury production.
81. Government should impose a one-time 2% wealth tax on net assets above Rs.500 million and introduce windfall profit tax on industries earning greater than 20% net margin during inflationary periods (e.g., petroleum, banking, and telecom).
82. The Finance Bill should be amended to make the tax rebate permanent for full-time university and college teachers and accredited researchers and additionally, extend rebate to include vocational and technical instructors.
    a. (To be discussed by the Committee + same given by Senator Zeeshan)
83. Government should introduce a simplified national retail tax regime @ Rs.3,000/ month for small retailers (turnover less than Rs.5 million), with digital registration and mobile-based payment options and incentivize digital invoicing with tax credits.
84. All sales tax and custom duties should be abolished on hybrid vehicles up to 1300cc for a five-year period and further to create a Green Vehicle Fund to subsidize hybrid imports and support local assembly.
85. All sales tax and custom duties should be abolished on hybrid vehicles up to 1300cc for a five-year period and further to create a Green Vehicle Fund to subsidize hybrid imports and support local assembly.
86. To remove all federal taxes and reduce registration fees on hybrid vehicles up to 1300cc until 2027 and initiate Public-Private partnerships to install hybrid servicing centers.
87. To remove all federal taxes and reduce registration fees on hybrid vehicles up to 1300cc until 2027 and initiate Public-Private partnerships to install hybrid servicing centers.
88. Repeal clauses 9A and Section 236c in the Finance Bill 2025-26 should be repealed and ensured that all capital gains and property sales are subject to equal treatment, regardless of occupation.

**89.** Performance audit of all discretionary spending and re-allocate at least 25% of non-essential administrative and ceremonial expenses towards targeted welfare programs and pro-poor development schemes.

**90.** Measures be taken to enforce automatic expiry (sunset clauses) for all temporary taxes unless explicitly renewed by Parliament and to require annual justification reports for any extensions.

**91.** Government should formulate a comprehensive debt management plan to reduce the debt burden of the country.

**92.** Government should bring E-reforms in FBR procedures and working, make tax filing system easiest for a common man and raised tax to GDP ratio.

**93.** Government should reassess the levy rates and modify the levy rates (1%, 2%, 0.25%, and 5% on international platforms) to make sure they don't hinder the expansion of e-commerce or unfairly burden freelancers and small enterprises, thus promoting the growth of digital transactions.

**94.** Measures should be taken to legally monitor the Forex Market in order to generate more revenue.

**95.** Government should allocate funds for campaigns regarding compliance and awareness, enforcement and monitoring for EOBI registration. Furthermore, strict implementation should be ensured for provision of benefits to the employees especially mine workers.

**96.** Explicit and substantial funds should be allocated for technical and vocational training (TVET) programs for youth to directly address the skills mismatch in the labor market.

**97.** Government should introduce targeted fiscal incentives such as tax holidays or reduced corporate rates for youth-led startups, small digital sellers, and special registration regimes for freelancers, alongside financial incentives for growth.

**98.** Funds should be allocated for targeted hiring incentives for businesses employing young workers, combined with national entrepreneurship development grants and support for incubator networks to foster youth-led enterprises.

**99.** Strong approach should be adopted for fiscal consolidation in order to leverage provincial surpluses (estimated at Rs1.46 trillion) to reach the ambitious budget deficit reduction target of 3.9% of GDP (Rs5.04 trillion).

**100.** To reduce debt servicing costs (estimated at Rs8.2 trillion) and manage subsidy reductions (cut by 14% to Rs1.19 trillion) to drive expenditure containment of nearly Rs.2.26 trillion (2% of GDP).

**101.** Government should provide substantial tax breaks and incentives to faltering industries, such as real estate and construction.

**102.** $22 million should be allocated for Balochistan for rehabilitation of its people as they are still without homes after the floods of 2022.

**103.** All federal and provincial governments should be required to use climate budget tagging, which should be a fundamental public finance tool integrated into the IFMIS and Budget Call Circulars rather than a donor-driven endeavour.

**104.** Separate climate finance oversight authority should be created to keep an eye on fund distribution and guard against bureaucratic roadblocks or "green-washing", Furthermore, the Public Accounts Committee and Parliament should receive direct reports from this unit.

**105.** Provinces especially Balochistan should be given direct access to climate finance through federal guarantees and independent, open project implementation units.

**106.** Legally mandated timetable for the use of funds ought to be implemented.

**107.** For effective future response, NDMA should be reformed as a specialized, professionally staffed agency established at the federal and provincial levels.

**108.** Pakistan needs to advocate at COP30 to streamline disbursement guidelines and increase subnational direct access.

**109.** Pakistan government should establish a framework for climate aid transparency that mandates complete public disclosure of conversion rates, recipients, and delivery schedules.

**110.** In the underserved provinces, government should expand comparable public-private partnerships cantered on climate education, urban flood proofing, and local ecosystem restoration.

**111.** The sufficient funds be allocated for every healthcare establishment under the federal government to set up state of art mental health care and rehabilitation units out of their allocated budget.

**112.** The separate funds be allocated for establishment of teaching schools for mental healthcare and psychiatry education in all the medical teaching institutions of the country.

**113.** That expansion be made in the Tax Base and exemptions be removed while the large landholdings should be subject to progressive agricultural income taxes.

**114.** The lawyers as well as owners of mega shopping malls should also be included under the tax net.

**115.** The capital gain taxes on real estate transactions should be restored.

**116.** The tax base should be increased by requiring Electronic Tax Identification Numbers (e-TINs) associated with foreign travel, property ownership, and vehicle registration.

**117.** Since the current system burdens compliant taxpayers, therefore, most withholding taxes should be eliminated with the exception of those on salaries, dividends, interest, and non-resident payments.

**118.** Growing digital economy should be addressed by changing tax laws.

**119.** Tax structure should be simpler by changing low-rate, broad based and straightforward tax system.

**120.** Measures be taken to lowering the business taxes to stimulate private sector investment, support company growth, and increase job creation.

**121.** The individual income taxes should be reduced by 10% in order to raise disposable income, encourage consumer spending, and foster economic expansion.

**122.** An independent revenue agency should be created and artificial intelligence-driven enforcement powers should take the place of the Federal Board of Revenue (FBR).

**123.** A single federalized organization should be created that combines the FBR and provincial tax agencies to handle social and economic benefit program administration and tax collection.

**124.** Government should adopt digital harmonization and integration system for better e-government and compliance, digitally integrate taxpayer information databases from all government levels and sectors.

**125.** Government should use the National Tax Council (NTC) to completely harmonize the value-added tax (VAT) among the provinces.

**126.** Government should prioritize investment and rationalize expenditures for human resource development in the country.

**127.** At least 2% of the federal budget should be reallocated to a "Business Innovation Fund/Innofund" in order to assist SMEs, especially those run by women and young entrepreneurs, in overcoming financial access obstacles.

**128.** Move public spending toward a tax model based on the social contract, which would tie tax observance to the delivery of universal social services like healthcare, education, and pension and income support schemes.

**129.** Move public to lessen regional disparities and slow urban migration, reroute development funds to rural infrastructure, health care, and education.

**130.** There should be equity in the impact assessment as a standard component of the policy design process, evaluate budgets for their effects on income distribution as well as economic growth.

**131.** The Benazir Income Support Program (BISP) and other social protection programs should be expanded and integrated with larger social registries. Furthermore, examine pilot programs for Universal Basic Income in districts with exceptionally low incomes.

**132.** To improve accountability and match spending to public needs, citizens should also be involved in the budgeting process through open budget portals and consultations.

**133.** The government should defreeze the performance allowance of FBR employees and the same should be given on the current basic pay.

**134.** The appropriate amendment should be made in the Finance Bill, 2025, for the Customs Act, 1969 (IV OF 1969), Sales Tax Act, 1990, and Income Tax Ordinance, 2001, regarding the phrase “market place” anywhere in the bill, shall not include domestic e-commerce for the purposes of imposition of taxes/duties.

**PUBLIC SECTOR DEVELLPMENT PROGRAMME (PSDP)**

**135.** The proposals of schemes from the Members of Senate be considered by the Ministry of Planning, Development & Special Initiatives and Ministry of Finance and Revenue for inclusion in PSDP 2025-2026.

**136.** For allocation of additional funds under the PSDP 2025-2026 and to prioritize the project of Construction of Hyderabad-Sukkur (306 KM), 6-Lane divided, fenced Motorway - 2nd Revised (PSDP Sr# 64).

**137.** For allocation of additional funds for the scheme Infrastructure Development of Islamabad Technopolis (PSDP Sr# 6) under PSDP 2025-2026 as Technology-related schemes have now become especially important in the context of national development plans.

**138.** For inclusion of four schemes in the PSDP 2025-2026 of Defence Division from PSDP 2024-2025. The said schemes including Up-gradation of ASF Academy, Karachi Sr# 5, Construction of ASF Accommodation at Turbat Airport Sr# 7, Construction of Kote, Quarter Guard & Magazine at Panjgur Airport Sr# 9, Establishment Technology Assessment Lab Sr# 151 of PSDP 2024-2025, have been excluded from PSDP 2025-2026 but Defence Division informed that the schemes are near completion and will be completed within previous allocations.

**139.** The Senate of Pakistan while noting that Pak-PWD schemes have been transferred to respective provinces except Sindh province recommends to the National Assembly of Pakistan that all 27 schemes of defunct Pakistan Public Works Department (Pak-PWD) under the demand of Ministry of Housing and Works and Finance Division from Sindh

Province be immediately transferred to the Government of Sindh as to ensure adoption of unified policy across the country.

**140.** All schemes of now defunct Pakistan Public Works Department (Pak-PWD) under the demand of Ministry of Housing and Works and Finance Division be transferred to respective Provinces in keeping with the spirit of provincial autonomy.

**141.** For further allocation of funds under PSDP 2025-2026 and to prioritize the project of Establishment of Arshad Nadeem/ Shehbaz Sharif High Performance Sports Academy at Pakistan Sports Complex, Islamabad (P.M.'s Directive) (PSDP Sr# 528) in order to foster athletic talent, improve international sports competitiveness, and promote youth engagement.

**142.** To transfer scheme on the Construction of Additional Family Suites for the Members of Parliament including 500 Servant Quarters at G-5/2, Islamabad from Parliamentary Affairs Division (PSDP 2025-2026 Sr# 617) back to Interior Division (PSDP 2024-2025 Sr# 693) as CDA is the executing agency for said scheme. The Parliamentary Affairs Division also expressed reservations that they currently do not possess a Project Management Unit within the Division to execute this scheme.

**143.** For correction in amount of throw forward from Rs.2,988 million to Rs.2,800 million for un-approved new Scheme Hosting Community Support Program (HCSP) (PSDP Sr# 549) to align with the total cost of said project.

**144.** For deletion of un-approved new Scheme Hosting Community Support Program (HCSP) (PSDP Sr# 549) further recommending that the said scheme should be re-vamped after thorough consideration and consultation with provinces. It is noted that an allocation of Rs. 50 million has been made for this un-approved scheme.

**145.** For deletion of un-approved new scheme for Establishment of Agriculture Research Institute, Sheikhupura (PSDP Sr# 576) as existing research institutions can serve the same function. The Committee also recommends that the aim should be to strengthen and increase the capacity/ scope of existing research institutions rather than establishing new similar schemes. It is noted that an allocation of Rs.300 million has been made for this un-approved scheme.

**146.** For deletion of ongoing scheme for Construction of Faiz Ahmed Faiz Complex Narowal (Department of Pakistan Academy of Letters Islamabad) (PSDP Sr# 605) as funds have remained unutilized under PSDP since inception of scheme. This recommendation is in line with the stated policy of the Ministry of Planning, Development & Special Initiatives that projects with no expenditure since inception will be considered for deletion. It is noted that the project has remained inactive since its inception, with no expenditure incurred under the PSDP. Although Rs.483.510 million was allocated for FY 2024-25, no funds have been utilized to date. Furthermore, an allocation of Rs.250.000 million has been proposed for FY 2025-26, despite continued inactivity, reinforcing the case for deletion of the scheme.

**147.** For deletion of un-approved new scheme for Establishment of Allama Iqbal Culture and Research Center, Sialkot (PSDP Sr# 608) as existing research institution can serve the same function. The Committee also recommended that the aim should be to strengthen and increase the capacity/ scope of existing research institutions rather than establishing new similar schemes. It is noted that an allocation of Rs. 250 million has been made for this un-approved scheme.

**148.** For provision of Rupee Cover under allocation for PSDP 2025-2026 for timely payment of foreign commitments of Karachi Coastal Power Project (Unit 1 & 2) (PSDP Sr# 611) as the said scheme is near completion.

**149.** For provision of Rupee Cover under allocation for PSDP 2025-2026 for timely payment of foreign liabilities of Pakistan Multi-Mission Communication Satellite System (PakSat-MM1) (PSDP Sr# 754) as the said scheme is near completion and Mission launched in 2024.

**150.** For inclusion of three new schemes of Power Division, duly approved by ECNEC on 30.12.2024, but not included in PSDP 2025-2026, including Power Distribution Strengthening Project (LESCO) under ADB loan, Power Distribution Strengthening Project (MEPCO) under ADB loan, Power Distribution Strengthening Project (SEPCO) under ADB loan, as loan agreements have already been signed with ADB and disbursements from ADB are expected by third quarter of 2025.

**151.** For inclusion of a new scheme of Water Resources Division, duly approved by DDWP, i.e. Establishment of Project Coordination and Management Unit (PCMU) of FFC for implementation of FPSP-III, with total cost of Rs.581.231 million. The Ministry of Water Resources has agreed to meet cost from their current resources and committed that no additional funds will be demanded for said scheme as the unit is essential in execution of the Flood Protection Sector Project-III (FPSP-III) (PSDP Sr# 797).

**152.** For inclusion of a scheme of Water Resources Division from PSDP 2024-2025 (Capacity Building of office Pakistan Commissioner for Indus Waters (PCIW) Sr# 1034 total cost Rs. 888.301 million under PSDP 2024-2025 that has been excluded from PSDP 2025-2026 as the said scheme holds strategic importance following the recent transboundary water issues. The Ministry of Water Resources agreed to meet cost of the scheme from their current resources and committed that no additional funds will be demanded for said scheme.

**153.** The Senate of Pakistan observed provincial inequality in new schemes proposed by Higher Education Commission and recommends to the National Assembly of Pakistan that the Higher Education Commission ensures provincial balance be observed in new development schemes under PSDP in order to promote equitable access to higher education opportunities across all Provinces and regions of the country.

**154.** The Ministry of Planning, Development & Special Initiatives may ensure appropriate allocation of rupee cover to foreign-funded schemes by prioritizing critical and ongoing schemes for rupee cover allocation under the PSDP 2025-2026 to facilitate the smooth execution of said schemes and to meet foreign funding commitments without delay.

**155.** Ministries and Divisions implementing PSDP schemes ensure that their expenditures remain aligned with the quarterly fund release strategy issued by the Finance Division and the amount authorized by the Ministry of Planning, Development and Special Initiatives thereby ensuring smooth and timely execution of development projects.

**156.** The proposals of schemes from the Members of Senate be considered by the Ministry of Planning, Development & Special Initiatives and Ministry of Finance and Revenue for inclusion in PSDP 2025-2026.

**PIPS Research Client Satisfaction System**

(PRCSS) Excerpts of Members' Feedback on PIPS Economy & Budget Desk Services (May-July, 2025)

*The Members recent feedbacks on PIPS Technical Services are shared as under:*

1. **Honorable Member National Assembly of Pakistan, Moazzam Ali Khan Jatoi, feedback on May 22, 2025 (Technical Session on State of Economy and Budget Desk at PIPS Islamabad):** *I found PIPS session on State of Economy and Budget very helpful with comprehensive presentations of all its essential aspects.*

2. **Honorable Senator Shahadat Awan, feedback WhatsApp message on June 14, 2025:** *Thanks to PIPS Economy and Budget Desk for provision of imperative and quality researched analysis, which greatly assisted in strengthening my arguments in the budget debate, that were well appreciated by learned colleagues in the House.*

3. **Honorable Member National Assembly of Pakistan, Mr. Pullain Baloch Chairman SC on Information and Broadcasting feedback by WhatsApp, June 14, 2025:** *Thanks PIPS for sharing the anticipated budget papers.*

4. **Honorable MPA Ms. Suriya Bibi, Deputy Speaker, Provincial Assembly of Khyber Pakhtunkhwa, June 16, 2025 (PIPS technical session 0n State of Economy and Budget in Peshawar):** I applaud PIPS for a very comprehensive knowledge sharing session on Constitutional provisions on budget, State of National Economy and Interventions for improved provincial budget deliberated in a proactive Q and A session;

5. **Honorable Member National Assembly of Pakistan, Mr Riaz Fityana comments at PIPS desk at the Parliament House on June 18, 2025:** *PIPS deserves special appreciation for timely and professional services to MNAs during the National Assembly budget debate 2025.*

6. **Honorable Senator Barrister Zamir Ghumro, feedback by WhatsApp Message on June 19, 2025:** Thanks to PIPS for quick info on budget in brief and demands for grants, Grateful.

7. **Mr. Tanvir Ashraf Kaira, former MPA PA of Punjab and Minister for Finance, as panelist on PIPS Budget Session on June 21, 2025 (PIPS session in Lahore)**: *I found the Pakistan Institute for Parliamentary Services (PIPS) book on State of Economy and Budget very comprehensive and a quality publication very helpful to understand budget document; I urge all Members of the Provincial Assembly to make full use of this valuable resource.*

8. **Honorable Member National Assembly of Pakistan, Mr Amir Dogar, in parliamentary party meeting on June 26, 2025:** *We applaud the team of the Research and Legislation wing officers of the Pakistan Institute for Parliamentary Services, who sat with us day and night*

*throughout the budget session of the National Assembly to provide essential technical assistance in preparation of cut motions for more than seven ministries.*

9. **Honorable Omar Ayub Khan's Certificates of Appreciation to PIPS Research and Legislation wing officers deputed at the National Assembly during budget session on June 27, 2025:** This certificate is hereby awarded to team Pakistan Institute for Parliamentary Services, in recognition of their outstanding contribution during the Budget Session 2025-26 in the National Assembly of Pakistan. Dedicated support and professional excellence significantly strengthened the capacity of the Opposition to fulfill its constitutional responsibilities with clarity, effectiveness, and impact. His work exemplifies the commitment to the highest standards of public service.

10. **Honorable Syed Yousaf Raza Gilani, Chairman Senate/President PIPS Board of Governors, comments in Meeting of PIPS BoG, June 27, 2025:** *PIPS is a premier Institute dedicated to parliamentary strengthening and excellence, empowering Members of Parliament and staff through professional training and research services. PIPS performance has been excellent as more than 24 knowledge sharing orientations, workshops and roundtables were held since Dec., 2024 throughout the country, which were attended by 580 Members and 373 staffers of National Parliament and Provincial Legislatures. Furthermore, the Institute extended invaluable technical, legislative and research services to the Honourable Members and officers by producing 70 research papers and publishing two books.*

11. **Honorable Muhammad Aurangzeb, Federal Minister for Finance, closing budget session speech in the National Assembly of Pakistan on June 27, 2027:** I extend my gratitude to both the teams of the Pakistan Institute for Parliamentary Services (PIPS) who were readily available throughout the budget session in the Opposition Lobby for assistance in preparation of cut motions and the NA Library for provision of technical assistance to MPs on economy and budget.

12. **Honorable Speaker, Provincial Assembly of Punjab, Malik Muhammad Ahmad Khan, MPA, comments in PIPS BoG Meeting, June 27, 2025:** *The Provincial Assembly of Punjab is really benefitting from the capacity building initiatives of PIPS. We will be pleased to enhance provincial contribution to cater for the essential enhanced level of PIPS activities in the provincial assemblies.*

13. **Honorable Speaker, Provincial Assembly of Sindh, Syed Awais Qadir Shah, MPA, comments in PIPS BoG Meeting, June 27, 2025:** *PIPS team needs to be applauded as the results of last year's trainings were exceptionally good and beneficial for the Provincial Assembly Secretariat.*

14. **Honorable Speaker, Provincial Assembly of Balochistan, Mr. Abdul Khaliq Khan comments in PIPS BoG Meeting, June 27, 2025:** *We cherish our support to the Institute by all means and we expect enhanced number of PIPS trainings for the Provincial Assembly of Balochistan.*

15. **Honorable Speaker, Provincial Assembly of Khyber Pakhtunkhwa, Babar Khan Swati comments in PIPS BoG Meeting, June 27, 2025:** *PIPS services are a great contribution to capacity building of Members of Parliament and our staffers. Therefore, our Assembly recently passed an Act for regulating services of its employees, which has made PIPS trainings/tests as mandatory requirements for promotions to the next grades.*

16. **Honorable Member National Assembly of Pakistan, Ms. Zartaj Gul, in PIPS BoG Meeting, June 27, 2025:** *PIPS team comprise of professionals who provided imperative technical assistance to Members during the budget session.*

17. **Honorable Member National Assembly of Pakistan, Sahibzada Sibghatullah, visit to PIPS on July 10, 2025:** *Bundle of Thanks to Team Research PIPS for immediate briefing/advice and quality technical assistance regarding drafting a bill and oversight on two significant matters of national importance.*

18. **Honorable Senator Fauzia Arshad, feedback through WhatsApp, on July 15, 2025:** *I found the research products provided by the Pakistan Institute for Parliamentary Services (PIPS) team very useful.*


Honorable Speaker Abdul Khaliq Khan Achakzai, Provincial Assembly of Balochistan, chairing
PIPS One-Day Post-Budget Seminar on State of Economy-Challenges & Policy Recommendations for the
Honorable Members, Quetta: Wednesday, June 18, 2025

Group Photo of interns from National Assembly and Senate with Executive Director PIPS
Mr. Asim Khan Goraya, at PIPS Orientations dated June 23 & July 04, 2025

PIPS Technical Session on the State of Economy & Annual Budget 2025-26 chaired by Honorable Speaker Malik Muhammad Ahmad Khan with more than 110 Members of the Provincial Assembly of the Punjab, Lahore: Saturday, June 21, 2025

**PAKISTAN INSTITUTE FOR PARLIAMENTARY SERVICES**
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Pakistan Institute for Parliamentary Services was established in December 2008 through an Act of the Parliament to provide research, legislative and capacity building services to Honourable Parliamentarians and parliamentary functionaries.

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