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SPECIAL ISSUE ON BUDGET & ECONOMY

Editorial

Dear Readers,

Assallamo alliekum;

It is a matter of great satisfaction that since 2013 the Pakistan Institute for Parliamentary Services (PIPS) has been providing multiple services to Members of Parliament especially before and during the annual budget sessions. In its 13th year of this exclusive service, the Institute's Economy and Budget Desk in the Research wing furnished comprehensive budget and sectoral research papers anticipatedly shared with more than 325 MNAs and 76 Senators before, during as well as post budget, (May-June, 2026) in addition to technical papers to MPs on demand.

The Institute also held a technical session for Hon MPs at the Provincial Assembly of Khyber Pakhtunkhwa on 22nd June, which was lauded as a rousingly exceptional post budget seminar by Members. Since March 2025, two PIPS researchers are providing technical assistance in analyzing audit paras for the Public Accounts Committee at the National Assembly of Pakistan and Team PIPS provided technical assistance in drafting more than 500 cut motions for 7 ministries in the budget session.

This June-July 2024 Issue being the 3rd consecutive BUDGET SPECIAL covers the demands for grants as approved by the National Assembly of Pakistan, the Senate of Pakistan consensus recommendations of federal budget 2026-27 and an analytical paper on Health of Pakistan Economy: Challenges and Way Forward. Please send your feedback or contact for any of our technical services at research@pips.gov.pk

Muhammad Rashid Mafzool Zaka
Director General (Research)



Group photo of the Honorable Members of the Provincial Assembly of Khyber Pakhtunkhwa with Honourable Speaker Babar Saleem Swati during Post-Budget Seminar, June 22, 2026.



Group photo of participants of Civic and Parliamentary Education Seminar for the faculty and students of COMSATS University Wah Campus at PIPS. July 15, 2026.



Group photo of participants of the orientation program organized for the Interns of the Pakistan Institute for Parliamentary Services, PIPS. July 1-2, 2026.

PARLIAMENTARY BUSINESS

**RECOMMENDATIONS OF THE SENATE OF PAKISTAN ON THE
FINANCE BILL, 2026
GENERAL CONSENSUS RECOMMENDATIONS ON BUDGET 2026-27**

Compiled by: Muhammad Hassan Aslam Marral
Assistant Research Officer

The Senate of Pakistan recommends to the National Assembly of Pakistan that:

1. One percent Final Tax Regime (FTR) for exporters should be reinstated.
2. The Senate of Pakistan recommends to the National Assembly of Pakistan that white uniform should be made compulsory for custom officers/officials deputed at the airports.
3. The Senate of Pakistan recommends to the National Assembly of Pakistan that a dedicated budgetary relief should be allocated for industrial electricity and gas tariffs; moreover, structural inequity of cross-subsidization should also be addressed without further delay.
4. The Senate of Pakistan recommends to the National Assembly of Pakistan that funds should be allocated for a one-time clearance of all outstanding refunds, as was done during COVID-19. Furthermore, taxpayers integrated with FBR's digital systems and e-invoicing where inputs and outputs are verified in real time should receive refunds within one month of filing without additional process.
5. The Senate of Pakistan recommends to the National Assembly of Pakistan that advance tax should be reduced from 15% to 8% on telecom services under section 236 of Income Tax Ordinance, 2001.
6. The Senate of Pakistan recommends to the National Assembly of Pakistan that in the Serial No.14 of Third Schedule of Sales Tax Act, 1990 the following amendment should be made:-
"Tea, excluding bulk tea in packing exceeding 5 kg" or "Tea sold in retail packing bearing a brand name/trade mark"
7. The Senate of Pakistan recommends to the National Assembly that the federal excised duty imposed on aerated beverages should be reduced to 15%.
8. The Senate of Pakistan recommends to the National Assembly of Pakistan that the 90% input tax adjustment limit should be abolished entirely or failing abolishment, the limit should be increased to at least 95% with any further adjustments by FBR permitted only upward and strictly conditional upon clearly define, published criteria.
9. The Senate of Pakistan recommends to the National Assembly of Pakistan that a phased implementation beginning with large composite unites should be made to give diversity of textile processes, including weaving, dyeing and stitching followed by medium and small units.
10. The Senate of Pakistan recommends to the National Assembly of Pakistan that sales tax refunds should be processed and disbursed within 72 hours in accordance with rule 39F of the sales tax rules, 2006 and the prescribed timeline should strictly be implemented for all refund claims including both faster-based and manual refunds to ensure uninterrupted cash flow for exporters, minimize working capital pressure, and strengthen the competitiveness of Pakistan's export sector.
11. The Senate of Pakistan recommends to the National Assembly of Pakistan that export receipts either be exempted from the advance receipt invoice requirement or be accommodated through a separate export-specific format.
12. The Senate of Pakistan recommends to the National Assembly of Pakistan that all export-related disputes, including valuation, classification, input consumption and bond audits, be prioritized under this system to reduce procedural delays.
13. The Senate of Pakistan recommends to the National Assembly of Pakistan explicit inclusion of loom monitoring systems, dye-house automation, ERP and production planning software, and energy monitoring systems to accelerate digital transformation across the towel manufacturing sector.

14. The Senate of Pakistan recommends to the National Assembly of Pakistan that turnover thresholds and technical support as well as an adequate transition period for SMEs should be provided.
15. The Senate of Pakistan recommends to the National Assembly of Pakistan that government should issue necessary directions to the FBR for issuance of Tax Exemption Certificates under Sections 159(I) and 151 of the Income Tax Ordinance, 2001 in favor of the Workers Welfare Board Sindh and the Sindh Employees' Social Security Institution.
16. The Senate of Pakistan recommends to the National Assembly of Pakistan that proposed increase under clause 24D should be withdrawn and retain the minimum tax rate at 0.25% for fertilizer distributors, dealers, sub-dealers and wholesalers.
17. The Senate of Pakistan recommends to the National Assembly of Pakistan that provisions of section 236H of the Income Tax Ordinance, 2001 should be withdrawn for the fertilizer sector or its rate be substantially reduced.
18. The Senate of Pakistan recommends to the National Assembly of Pakistan that the taxation framework applicable to fertilizer dealers and distributors should be rationalized to prevent excessive taxation on turnover-based transactions.
19. The Senate of Pakistan recommends to the National Assembly of Pakistan that the agriculture sector should be protected from additional indirect tax burdens that ultimately impact farmers and food production.
20. The Senate of Pakistan recommends to the National Assembly of Pakistan that sales tax exemption should be given on cotton seed (H Code 1207.2100) and Cotton Seed Cake (HS Code 2306.1000).
21. The Senate of Pakistan recommends to the National Assembly of Pakistan that the existing income tax deducted at source under Section 153(1)(c), currently ranging from approximately 7.5% to 8%, should be rationalized and retained as part of a simplified final tax regime.
22. The Senate of Pakistan recommends to the National Assembly of Pakistan that an additional final tax of 1% should be levied, resulting in a consolidated and final tax incidence of approximately 9% on gross turnover derived from government contracts.
23. The Senate of Pakistan recommends to the National Assembly of Pakistan that the aforesaid 9% tax should constitute the full and final tax liability of the contractor in respect of government contracts, eliminating the need for further withholding obligations, tax adjustments, reconciliations, and related compliance requirements.
24. The Senate of Pakistan recommends to the National Assembly of Pakistan that the legal provision in law should be provided so that FBR may issue exemption certificate to IT & IT enabled service providers who discharge their liability in advance or whose tax is either minimum or final discharge under law.
25. The Senate of Pakistan recommends to the National Assembly of Pakistan that batteries import with solar solutions should be subject to 20% CD and 4% - ACD (Chapter 8507).
26. The Senate of Pakistan recommends to the National Assembly of Pakistan that Litharge import should be subject to 20% CD and 4% ACD (Chapter 28.24).
27. The Senate of Pakistan recommends to the National Assembly of Pakistan that the Federal Government should approve a minimum recurring budget of Rest. I 30 billion in respect of universities for the FY2026-27.
28. The Senate of Pakistan recommends to the National Assembly of Pakistan that multi-year financing strategy should be adopted for the universities to ensure predictability and stability, as under:-

Fiscal Year	Recurring Budget
2026-27	Rs. 130 Billion
2027-28	Rs. 145 Billion
2028-29	Rs. 160 Billion
2029-30	Rs. 175 Billion
2030-31	Rs. 190 Billion

29. The Senate of Pakistan recommends to the National Assembly of Pakistan that the Government should restore previously available tax exemptions and incentives for university faculty or approve research allowance for the university teachers and research institutes.
30. The Senate of Pakistan recommends to the National Assembly of Pakistan that the Federal Government should establish a dedicated pension support mechanism for public universities.
31. The Senate of Pakistan recommends to the National Assembly of Pakistan that a dedicated funding should be allocated for research grants, innovation projects, patent development, technology commercialization and industry-academia partnership. Furthermore, additional support should be provided to ORICs, business incubation centers and technology transfer offices.
32. The Senate of Pakistan recommends to the National Assembly of Pakistan that legislative reforms should be introduced to empower universities to generate non-traditional revenue streams through technology parks, research centers, innovation hubs, industry partnership and endowment funds.
33. The Senate of Pakistan recommends to the National Assembly of Pakistan that Government should establish a competitive funding program to reward universities demonstrating excellence in research output, innovation and graduate employment.
34. The Senate of Pakistan recommends to the National Assembly of Pakistan that resident and visiting foreigners be allowed to bring alcoholic beverages for their own consumption.
35. The Senate of Pakistan recommends to the National Assembly of Pakistan that the medical allowance for federal government employees and pensioners, which have remained frozen since 2015, should be de-freeze.
36. The Senate of Pakistan recommends to the National Assembly of Pakistan that salary of the federal government employees should be increased by 15% at least.
37. The Senate of Pakistan recommends to the National Assembly of Pakistan that tax rates for salaried and low-income individuals should be reduced and tax exemptions threshold be increased to provide relief to the salaried and low-income classes in accordance with the percentage change in the national Consumer Price Index. Furthermore, targeted social protection programs for vulnerable households are expanded.
38. The Senate of Pakistan recommends to the National Assembly of Pakistan that GST on essential food items, medicines, educational materials, and agricultural inputs be reduced and imposing new taxes on basic necessities should be avoided as it disproportionately affected lower-income groups.
39. The Senate of Pakistan recommends to the National Assembly of Pakistan that funds should be allocated for reduction in electricity tariff along with provision of targeted subsidies for low-consumption domestic consumers. Furthermore, a transparent roadmap for reducing capacity payments and circular debt is introduced.
40. The Senate of Pakistan recommends to the National Assembly of Pakistan that taxes and duties on fertilizers, seeds, pesticides, diesel and agricultural machinery should be reduced to zero or minimum rate and allocations be increased for water conservation and agricultural research.
41. The Senate of Pakistan recommends to the National Assembly of Pakistan that federal allocations for public hospitals and primary healthcare should be increased and funding for higher education, scholarships, and vocational training programs be enhanced.
42. The Senate of Pakistan recommends to the National Assembly of Pakistan that all tax exemptions and concessions granted to specific sectors or entities be publicized and a periodic reporting also be made to the Parliament on public debt, circular debt, and major public-sector expenditures.
43. The Senate of Pakistan recommends to the National Assembly of Pakistan that non-development expenditure should be reduced where possible and a medium-term debt reduction strategy is presented before the Parliament.
44. The Senate of Pakistan recommends to the National Assembly of Pakistan that tax procedures for SEMs should be simplified and concessional financing and incentives be provided for employment-generating industries.

45. The Senate of Pakistan recommends to the National Assembly of Pakistan that allocations for flood protection, drought mitigation, and climate-resilient infrastructure should be increased.
46. The Senate of Pakistan recommends to the National Assembly of Pakistan that proposed taxation measures on essential commodities and the salaried class be reconsidered and instead tax base be broadened by eliminating preferential exemptions, enhancing tax administration, and ensuring equitable taxation of under taxed sectors, so as to protect ordinary citizens from further inflationary pressures.
47. The Senate of Pakistan recommends to the National Assembly of Pakistan that Section 3C(1) of the Petroleum Products (Petroleum Levy and Climate Support Levy), Ordinance, 1961 (XXV of 1961) be amended to delink payment of the levies from the conditions of the OGRA license.
48. The Senate of Pakistan recommends to the National Assembly of Pakistan that Section 3C(3) of the Petroleum Products (Petroleum Levy and Climate Support Levy), Ordinance, 1961 (XXV of 1961) be deleted and a proper right of appeal be provided, preserving the jurisdiction of the superior courts.
49. The Senate of Pakistan recommends to the National Assembly of Pakistan that Section 3C(5) of the Petroleum Products (Petroleum Levy and Climate Support Levy), Ordinance, 1961 (XXV of 1961) should be deleted or amended so that the new provisions apply prospectively only from the commencement of the Finance Act 2026.
50. The Senate of Pakistan recommends to the National Assembly of Pakistan that lithium-ion cells imported as raw material for local battery manufacturing be granted zero-rated status or substantial duty and tax relief.
51. The Senate of Pakistan recommends to the National Assembly of Pakistan that the Government should continue to collect applicable GST and other indirect taxes at the point of sale of the finished battery products after local value addition.
52. The Senate of Pakistan recommends to the National Assembly of Pakistan that the tariff structure for Pakistan's local lithium-ion battery manufacturing industry should be aligned with Pakistan's industrialization, localization, and clean energy objectives by incentivizing domestic assembly and manufacturing activities.
53. The Senate of Pakistan recommends to the National Assembly of Pakistan that HS. Code of stand-alone cells is separated from completely building imported battery packs.
54. The Senate of Pakistan recommends to the National Assembly of Pakistan that keeping in view of the impact of fixed charges, FC surcharge, and General Sales Tax (GST) being charged in electricity bills across the country especially on domestic consumers and low-income households, the Government should withdraw such additional charges/taxes in order to provide relief to the general public.
55. The Senate of Pakistan recommends to the National Assembly of Pakistan that tax incentives should be extended for IT exporters and freelancers for an additional ten years.
56. The Senate of Pakistan recommends to the National Assembly of Pakistan that taxation on luxury vehicles above 3000cc, luxury properties and non-productive assets should be increased, moreover, indirect taxes on essential goods be reduced.
57. The Senate of Pakistan recommends to the National Assembly of Pakistan that a dedicated federal transfer mechanism should be formulated to channel directly the development funds to elected local governments for strengthening grassroots governance.
58. The Senate of Pakistan recommends to the National Assembly of Pakistan that comprehensive documentation and taxation measures for high-value retail, real estate speculation and non-filer luxury transactions should be introduced.
59. The Senate of Pakistan recommends to the national Assembly of Pakistan that a dedicated Youth Employment Fund for skills development, IT training, apprenticeships, and entrepreneurship financing and startup incubation should be created.

60. The Senate of Pakistan recommends to the National Assembly of Pakistan that a fixed percentage of federal development funds should be allocated directly to elected local governments through transparent formula-based transfers.
61. The Senate of Pakistan recommends to the National Assembly of Pakistan that reduced property rates under 236C/236K should be kept only for first-time home buyers and houses under a defined value. Furthermore, for investors, files, plots and second homes, higher progressive rates are restored.
62. The Senate of Pakistan recommends to the National Assembly of Pakistan that sales tax exemption on family planning devices should be restored.
63. The Senate of Pakistan recommends to the National Assembly of Pakistan that sales tax at consumer price on food staples, school items, medicines, hygiene products, baby products and low-income household goods should be withdrawn.
64. The Senate of Pakistan recommends to the National Assembly of Pakistan that FED on petroleum-linked inputs should be withdrawn unless prices are protected.
65. The Senate of Pakistan recommends to the National Assembly of Pakistan that increases from 0.25% to 0.5% in minimum tax on distributors and wholesalers for food, medicine and essential supply chains should be withdrawn.
66. The Senate of Pakistan recommends to the National Assembly of Pakistan that sunset and disclosure clauses should be added in tax laws for all exemptions.
67. The Senate of Pakistan recommends to the National Assembly of Pakistan that FED, customs duty, regulatory duty and withholding taxes should be increased on following items:-
 - i. Imported chocolates, confectionery and premium food products.
 - ii. Imported soft drinks, energy drinks and luxury beverages.
 - iii. Imported cosmetics, perfumes and luxury personal-care products above a prescribed value.
 - iv. Luxury watches, jeweler and designer goods.
 - v. High-end mobile phones above a specified threshold.
 - vi. Imported luxury vehicles and SUVs above 1800cc.
 - vii. Introduce an additional Luxury Consumption Levy of 5-10% on non-essential imported consumer goods above a prescribed value.
68. The Senate of Pakistan recommends to the National Assembly of Pakistan that advance tax and registration taxes should be increased on new vehicles above I 300cc. luxury SUVs and double-cabin vehicles, Vehicles exceeding a prescribed value threshold.
69. The Senate of Pakistan recommends to the National Assembly of Pakistan that withholding tax, registration charges and transfer taxes should be reduced on the following:-
 - i. Second-hand vehicles up to 1300cc.
 - ii. Vehicles purchased by first-time owners.
 - iii. Locally assembled fuel-efficient and small-engine vehicles.
70. Cigarettes and tobacco products to ensure that annual tobacco tax increases exceed inflation and income growth, thereby reducing consumption and increasing revenue.
71. The Senate of Pakistan recommends to the National Assembly of Pakistan that in the Customs Act, 1969, in the Fifth Schedule, the exemption from customs duty presently extended to cancer-related active pharmaceutical ingredients shall be extended to finished oncology formulations and to the active pharmaceutical ingredients and finished preparations of cardiac, renal (including dialysis-related), diabetic, thalassemia and hepatitis medicines, to be specified by reference to their PCT codes; and a corresponding exemption shall be inserted in the Sixth Schedule to the Sales Tax Act, 1990.
72. The Senate of Pakistan recommends to the National Assembly of Pakistan that in the Sales Tax Act, 1990, in the Sixth Schedule, a new entry shall be inserted exempting from sales tax agricultural machinery already exempt from customs duty under the Fifth Schedule to the Customs Act, 1969,

together with drip and sprinkler irrigation systems and solar-powered irrigation equipment specified by reference to their PCT codes; and the corresponding customs exemption shall be retained and so extended.

73. The Senate of Pakistan recommends to the National Assembly of Pakistan that in the Fiscal Responsibility and Debt Limitation Act, 2005, after Section 5, a new section shall be inserted to provide:
 - (a) There shall be established a National Disaster Risk Financing Fund into which the Federal Government shall, in each financial year, appropriate an amount not less than a prescribed minimum percentage of current expenditure;
 - (b) The Fund shall be deployed through pre-arranged instruments, including budgetary reserves, contingent credit and risk-transfer mechanisms, in a layered manner; and
 - (c) The Federal Government shall lay before Parliament an annual statement of the Fund's status and utilization.
74. The Senate of Pakistan recommends to the National Assembly of Pakistan that in the Income Tax Ordinance, 2001, in the provision introduced under Clause 6(26) of the Finance Bill, 2026-27, the following provisos shall be inserted:

"Provided that no tax shall be withheld under this section from a resident person whose aggregate annual digital-content income does not exceed the basic exemption threshold applicable to individuals; and

Provided further that, for resident persons, the tax so withheld shall be adjustable against the final tax liability and shall not constitute a minimum or final tax.
75. The Senate of Pakistan recommends to the National Assembly of Pakistan that in the Public Finance Management Act, 2019, a new section shall be inserted to provide:
 - (a) The Federal Government shall ensure that gender-responsive allocations in each financial year are not less than a prescribed minimum proportion of the budget;
 - (b) Allocations for maternal health, safe public transport for women, and women's economic empowerment shall be ring-fenced and shall not be appropriated to other heads' and
 - (c) The Federal Government shall lay before Parliament an annual gender budget statement."
76. The Senate of Pakistan recommends to the national Assembly of Pakistan that sufficient funds should be allocated for construction of a proper approach road from Old Shujabad Road to the premises of Cadet College for Multan to enhance potential of the cadet college to cater to the education needs of area.
77. The Senate of Pakistan recommends to the national Assembly of Pakistan that the notification issued empowering Engineering Development Board (EDB) to issue fitness standard certificate on import of commercial used-cars should be withdrawn and PSQCA should be notified as principal authority for issuing such certification.
78. The Senate of Pakistan recommends to the National Assembly of Pakistan that in the Sales Tax Act, 1990, in the Sixth Schedule, the relief extended by the abolition of the tampon tax shall be expanded to exempt, or zero-rate, sanitary pads, menstrual cups, reusable menstrual products and the core maternal-health basket, to be specified, moreover, the Federal Government shall monitor and ensure that the resulting price benefit is passed on to consumers.
79. The Senate of Pakistan recommends to the National Assembly of Pakistan that in the law governing the Petroleum Levy, the following shall be inserted:
 - (a) The levy on each petroleum product shall not exceed a prescribed maximum per liter.
 - (b) A prescribed share of the proceeds of the levy shall be earmarked for clean-transport initiatives and for the protection of targeted energy subsidies.
 - (c) The Federal Government shall publish a quarterly statement of the rates, collections and utilization of the levy."

80. The Senate of Pakistan recommends to the National Assembly of Pakistan that a workable, achievable/rational policy should be introduced to bring non-filers into the tax net, especially retailers and wholesalers in this country moreover; a fixed income tax scheme along with sales tax should also be introduced for retailers and wholesalers.
81. The Senate of Pakistan recommends to the National Assembly of Pakistan that the minimum threshold should be Rs.1 billion for imposition of super tax.
82. The Senate of Pakistan recommends to the National Assembly of Pakistan that sales tax on educational stationery should be reinstated to zero rated because this country is far behind in having a decent educated youth among developing countries with the imposition of this tax.
83. The Senate of Pakistan recommends to the National Assembly of Pakistan that the petroleum levy on motorcycles should be completely abolished, and separate dispensing stations system dedicated to motorcycles should be introduced.

PUBLIC SECTOR DEVELOPMENT PROGRAMME (PSDP)

84. The Senate of Pakistan recommends to the National Assembly of Pakistan that no new schemes be included in the PSDP until substantial progress is achieved on ongoing schemes as the Committee observed that the existing throw-forward liability is already considerable, and the addition of New Schemes would further stretch available resources, resulting in delays in the completion on ongoing schemes.
85. The Senate of Pakistan recommends to the National Assembly of Pakistan the allocation of around Rs. 3,000 million additional funds under the PSDP 2026-2027 for the completion of the "Quetta Expo Centre (Revised) (PSDP Sr. No. 15)", contingent upon the resolution of all pending issues including those related to the project's location and subject to the availability of funds during the next financial year.
86. The Senate of Pakistan recommends to the National Assembly of Pakistan that the ongoing scheme "Establishment of Hub Special Economic Zone, Lasbela (PSDP share: Rs. 2,000 million) (PSDP Sr. No. 466)", be deleted in view of planning deficiencies, administrative mismanagement, lack of satisfactory progress, and non-availability of the requisite funding from the provincial government.
87. The Senate of Pakistan recommends to the National Assembly of Pakistan the deletion of the unapproved new scheme "Margalla Avenue Link Road to M-1 (PSDP Sr. No. 533)", as the Ministry was unable to adequately justify its inclusion under the Government's policy of allowing only national security and defence-related new schemes in the PSDP 2026-2027. The Committee therefore recommends its deletion as the scheme does not meet the stated criteria.
88. The Senate of Pakistan recommends to the National Assembly of Pakistan the allocation of Rs. 895 million additional funds under the PSDP 2026-2027 for the completion of "Construction of Hajj Complex at Lahore (PSDP Sr. No. 699)", contingent upon the availability of funds during the next financial year.
89. The Senate of Pakistan recommends to the National Assembly of Pakistan that the release of PSDP funds for all schemes previously executed by the defunct Pakistan Public Works Department (PWD) and presently being implemented by Provincial Governments be made contingent upon the submission of quarterly progress reports detailing both physical and financial progress. The Committee noted with concern that, despite its recommendation during the previous budget cycle, the transfer of schemes of the defunct PWD was not undertaken uniformly, with schemes in Sindh and Khyber Pakhtunkhwa being transferred to Pakistan Infrastructure Development Company Limited (PIDCL), whereas schemes in Punjab and Balochistan were transferred to the respective Provincial Governments. The Committee further noted that the latter category of schemes lacks a clearly defined federal oversight mechanism despite continued federal funding, and therefore considered it necessary that quarterly progress updates be furnished by the Provincial Governments prior to the release of funds for each subsequent quarter.

90. The Senate of Pakistan recommends to the national Assembly of Pakistan that alternative sources of funding be explored during the financial year 2026-2027 for the "Dualization of Kuchlak-Zhob Section of N-50 (305 KM) (PSDP Sr. No. 54)", as the project has experienced significant delays due to lack of funding. The Committee emphasized the strategic importance of the project and its critical role in regional connectivity and socio-economic development.
91. The Senate of Pakistan recommends to the National Assembly of Pakistan the release of an additional allocation of approximately Rs. 40 billion (over and above the current allocation of Rs. 30 billion) during the financial year 2026-2027 for the scheme "Construction of Hyderabad-Sukkur (306 KM), 6-Lane Divided, Fenced Motorway on Build Operate Transfer (BOT) Basis - 2nd Revised (PSDP Sr. No. 55)", subject to the satisfactory utilization of previously allocated funds and availability of resources during the financial year.
92. The Senate of Pakistan recommends to the National Assembly of Pakistan that the schemes "Construction of Nokundi-Mashkhel Road (I 03 KM) (PSDP Sr. No. 48)" and "Dualization of Kuchlak-Zhob Section of N-50 (305 KM) (PSDP Sr. No. 54)", be treated as an integrated corridor and accorded priority in funding and implementation, given their strategic importance for inter-provincial connectivity and regional development across three provinces.
93. The Senate of Pakistan recommends to the National Assembly of Pakistan that priority in the allocation and reallocation of PSDP funds be accorded to projects nearing completion, in order to ensure their timely completion, contain the growing throw-forward burden, and maximize the efficient use of scarce development resources.
94. The Senate of Pakistan recommends to the National Assembly of Pakistan the deletion of the new scheme "Establishment of Prime Minister's ESports Arenas and Training Centers in His - HEC (PSDP Sr. No. 437)", in view of prevailing fiscal constraints and the Government's policy of restricting new PSDP schemes to those related to national security and defence, the scheme does not qualify for inclusion or funding under PSDP 2026-2027.
95. The Senate of Pakistan recommends to the National Assembly of Pakistan that the scheme "500 KV HVDC Transmission System between Tajikistan and Pakistan for Central Asia-South Asia Transmission Interconnection (CASA- I 000), World Bank JDA-5409" (PSDP Sr. No. 627)", be reviewed with a view to revising and realigning the proposed route, as the current alignment passes through areas of low security, resulting in persistent project delays. The Committee therefore recommends consideration of alternative, more secure alignments to facilitate timely implementation.
96. The Senate of Pakistan recommends to the National Assembly of Pakistan that all financial liabilities and obligations arising from foreign-funded schemes under the Power Division, including foreign currency commitments, be fully and properly disclosed under the PSDP and related budget documents to ensure transparency and effective parliamentary oversight.
97. The Senate of Pakistan recommends to the National Assembly of Pakistan that, in respect of the scheme titled "Enhancement of Capacity of Federal Government Entities in Preparation of Policy/Programmes/Projects etc. (Umbrella Programme) (PSDP Sr. No. 665)", funds amounting to approximately Rs. 1.4 billion, on account of outstanding liabilities incurred during the period when the scheme was under the Planning Division, be transferred to the Privatization Division, which has recently been assigned responsibility for the said scheme, to ensure proper budgetary alignment and timely completion of the project.
98. The Senate of Pakistan recommends to the National Assembly of Pakistan the provision of additional allocation of funds for the scheme "Investment Project Financing (IPF) Component of Pakistan Raises Revenue Project (2nd Revised) (PSDP Sr. No. 703)", subject to the availability of funds during the financial year 2026-2027, as the scheme is nearing completion and requires additional funds for its timely completion.

PARLIAMENTARY BUSINESS

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

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CHARGED

S. No.	Service and Purpose	Demand No. as per Budget 2026-27	Budget Estimates Financial Year 2025-26	Budget Estimates Financial Year 2026-27	% 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 2026-27
1	Pakistan Post Office Department	27	5,000,000	5,000,000	0%	0.00002%	0.00001%
2	Superannuation Allowances and Pensions	46	5,927,662,000	6,935,607,000	15%	0.02060%	0.01702%
3	Grants, Subsidies and Misc. Expenditure	47	60,000,000,000	57,000,000,000	-5%	0.20852%	0.13991%
4	Foreign Missions	51	50,000,000	500,000,000	90%	0.00017%	0.00123%
5	Law and Justice Division	68	474,353,000	539,407,000	12%	0.00165%	0.00132%
6	National Assembly	75	6,852,250,000	7,968,915,000	14%	0.02381%	0.01956%
7	The Senate	76	6,174,623,000	6,452,907,000	4%	0.02146%	0.01584%
8	External Development Loans and Advances by the Federal Government	130	774,953,280,000	607,308,690,000	-28%	2.69326%	1.49064%
9	Staff, Household and Allowances of the President (Public)	---	933,746,000	963,799,000	3%	0.00325%	0.00237%
10	Staff, Household and Allowances of the President (Personal)	---	1,759,783,000	1,836,674,000	4%	0.00612%	0.00451%
11	Servicing of Foreign Debt	---	1,009,321,802,000	1,071,393,069,000	6%	3.50778%	2.62973%
12	Foreign Loans Repayment	---	5,472,221,703,000	5,836,274,764,000	6%	19.01809%	14.32511%

13	Repayment of Short Term Foreign Credits	---	199,810,000,000	130,292,360,000	-53%	0.69442%	0.31980%
14	Audit	---	9,008,606,000	9,820,163,000	8%	0.03131%	0.02410%
15	Servicing of Domestic Debt	---	7,197,928,198,000	6,982,606,931,000	-3%	25.01558%	17.13878%
16	Repayment of Domestic Debt	---	14,007,189,470,000	25,992,201,007,000	46%	48.68040%	63.79776%
17	Supreme Court	---	6,645,199,000	7,440,754,000	11%	0.02309%	0.01826%
18	Federal Constitutional Court of Pakistan	---		6,047,694,000			0.01484%
19	Islamabad High Court	---	2,170,331,000	2,366,933,000	8%	0.00754%	0.00581%
20	Election	---	9,869,363,000	10,577,573,000	7%	0.03430%	0.02596%
21	Federal Ombudsman Secretariat for Protection against Harassment of Women at work place	---	235,326,000	258,541,000	9%	0.00082%	0.00063%
22	Wafaqi Mohtasib	---	1,643,720,000	2,123,556,000	23%	0.00571%	0.00521%
23	Federal Tax Ombudsman	---	603,925,000	645,572,000	6%	0.00210%	0.00158%
	Total Charged		28,773,778,340,000	40,741,559,916,000	29%	100%	100%

VOTED

S. No.	Service and Purpose	Demand No. as per Budget 2026-27	Budget Estimates Financial Year 2025-26	Budget Estimates Financial Year 2026-27	% 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 2026-27
1	Cabinet	1	688,727,000	709,505,000	3%	0.0076%	0.0068%
2	Cabinet Division	2	4,215,971,000	5,941,454,000	29%	0.0464%	0.0570%
3	Emergency Relief and Repatriation	3	2,926,814,000	1,796,674,000	-63%	0.0322%	0.0173%
4	Atomic Energy	4	20,082,086,000	22,577,544,000	11%	0.2211%	0.2168%
5	Pakistan Nuclear Regulatory Authority	5	2,256,988,000	2,357,387,000	4%	0.0249%	0.0226%

6	Naya Pakistan Housing Development Authority	6	1,587,567,000	142,694,000	-1013%	0.0175%	0.0014%
7	Prime Minister's office (Internal)	7	857,721,000	895,499,000	4%	0.0094%	0.0086%
8	Prime Minister's office (Public)	8	896,542,000	921,203,000	3%	0.0099%	0.0088%
9	National Disaster Management Authority	9	908,293,000	1,048,376,000	13%	0.0100%	0.0101%
10	Board of Investment	10	806,183,000	858,109,000	6%	0.0089%	0.0082%
11	Prime Minister's Inspection Commission	11	153,039,000	199,842,000	23%	0.0017%	0.0019%
12	Special Technology Zone Authority	12	783,185,000	952,481,000	18%	0.0086%	0.0091%
13	National Anti-Money Laundering & Counter Financing of Terrorism Authority	13	200,000,000	205,225,000	3%	0.0022%	0.0020%
14	Cannabis Control & Regulatory Authority	14	200,000,000	250,225,000	20%	0.0022%	0.0024%
15	Establishment Division	15	9,814,828,000	10,177,181,000	4%	0.1081%	0.0977%
16	Federal Public Service Commission	16	1,376,533,000	1,473,723,000	7%	0.0152%	0.0142%
17	National School of Public Policy	17	3,391,048,000	3,514,750,000	4%	0.0373%	0.0337%
18	Civil Services Academy	18	2,000,283,000	2,087,757,000	4%	0.0220%	0.0200%
19	National Security Division	19	240,618,000	488,768,000	51%	0.0026%	0.0047%
20	Council of Common Intrest (Secreatriat)	20	112,937,000	117,902,000	4%	0.0012%	0.0011%
21	Special Investment Facilitation Council Division	21	340,000,000	354,365,000	4%	0.0037%	0.0034%
22	Intelligence Bureau Division	22	19,120,993,000	22,960,644,000	17%	0.2105%	0.2205%
23	Climate Change and Environmental Coordination Division	23	1,068,432,000	1,315,421,000	19%	0.0118%	0.0126%
24	Commerce Division	24	26,948,574,000	27,909,940,000	3%	0.2967%	0.2680%
25	Communications Division	25	313,680,000	354,958,000	12%	0.0035%	0.0034%
26	Other Expenditure of Communications Division	26	34,754,772,000	36,137,389,000	4%	0.3827%	0.3470%
27	Pakistan Post office Department	27	24,448,581,000	25,536,726,000	4%	0.2692%	0.2452%
28	Defence Division	28	13,892,136,000	17,100,707,000	19%	0.1530%	0.1642%
29	Federal Government Educational Institutions In Cantonments and Garrisons	29	15,908,116,000	17,582,031,000	10%	0.1752%	0.1688%
30	Airports Security Force	30	17,375,415,000	21,650,713,000	20%	0.1913%	0.2079%
31	Defence Services	31	2,550,000,000,000	3,000,000,000,000	15%	28.0790%	28.8056%
32	Defence Production Division	32	1,093,054,000	1,140,055,000	4%	0.0120%	0.0109%
33	Economic Affairs Division	33	943,571,000	985,301,000	4%	0.0104%	0.0095%
34	Miscellaneous Exp. of Economic Affairs Division	34	19,721,000,000	14,026,000,000	-41%	0.2172%	0.1347%

35	Power Division	35	636,903,702,000	578,837,216,000	-10%	7.0132%	5.5579%
36	Petroleum Division	36	2,168,792,000	1,111,666,000	-95%	0.0239%	0.0107%
37	Geological Survey of Pakistan	37	1,149,997,000	1,201,001,000	4%	0.0127%	0.0115%
38	Federal Education and Professional Training Division	38	37,244,789,000	42,748,356,000	13%	0.4101%	0.4105%
39	Higher Education Commission (HEC)	39	66,407,120,000	66,432,063,000	0%	0.7312%	0.6379%
40	National Rehmatul-Lil-Alameen Wa Khatamun Nabiyyin Authority	40	110,997,000	115,783,000	4%	0.0012%	0.0011%
41	National Vocational & Technical Training Commission (NAVTC)	41	1,147,013,000	1,092,300,000	-5%	0.0126%	0.0105%
42	National Heritage & Culture Division	42	2,495,625,000	2,604,635,000	4%	0.0275%	0.0250%
43	Finance Division	43	4,821,789,000	5,660,518,000	15%	0.0531%	0.0544%
44	Other Expenditure of Finance Division	44	8,690,682,000	9,873,311,000	12%	0.0957%	0.0948%
45	Controller General of Accounts	45	13,811,965,000	14,914,495,000	7%	0.1521%	0.1432%
46	Superannuation Allowances and Pensions	46	1,049,072,338,000	1,162,064,393,000	10%	11.5517%	11.1580%
47	Grants Subsidies & Miscellaneous Expenditure	47	1,836,345,000,000	2,504,467,460,000	27%	20.2207%	24.0475%
48	Revenue Division	48	101,517,000	106,012,000	4%	0.0011%	0.0010%
49	Federal Board of Revenue	49	83,099,626,000	85,604,176,000	3%	0.9150%	0.8220%
50	Foreign Affairs Division	50	4,504,072,000	5,012,472,000	10%	0.0496%	0.0481%
51	Foreign Missions	51	58,030,699,000	63,159,765,000	8%	0.6390%	0.6065%
52	Housing and Works Division	52	7,112,190,000	5,925,282,000	-20%	0.0783%	0.0569%
53	Human Rights Division	53	1,273,159,000	1,831,612,000	30%	0.0140%	0.0176%
54	National Commission for Human Rights	54	235,816,000	271,183,000	13%	0.0026%	0.0026%
55	National Commission on the Rights of Child	55	92,789,000	97,774,000	5%	0.0010%	0.0009%
56	National Commission on the Status of Women	56	118,750,000	131,967,000	10%	0.0013%	0.0013%
57	Industries and Production Division	57	30,476,126,000	22,882,028,000	-33%	0.3356%	0.2197%
58	Information and Broadcasting Division	58	5,757,378,000	11,014,503,000	48%	0.0634%	0.1058%
59	Miscellaneous Exp. of Information & Broadcasting Division	59	14,715,649,000	15,897,550,000	7%	0.1620%	0.1526%
60	Information Technology and Telecommunication Division	60	19,432,524,000	22,495,417,000	14%	0.2140%	0.2160%
61	Interior and Narcotics Control Division	61	26,218,316,000	26,651,923,000	2%	0.2887%	0.2559%
62	Other Expenditure of Interior Division	62	21,195,901,000	23,125,142,000	8%	0.2334%	0.2220%
63	Islamabad Capital Territory (ICT)	63	21,264,327,000	23,221,446,000	8%	0.2341%	0.2230%
64	Combined Civil Armed Forces	64	274,153,363,000	298,051,893,000	8%	3.0188%	2.8619%

65	National Counter Terrorism Authority	65	1,059,254,000	1,355,823,000	22%	0.0117%	0.0130%
66	Inter-Provincial Coordination Division	66	2,568,659,000	3,171,185,000	19%	0.0283%	0.0304%
67	Kashmir Affairs, Gilgit Baltistan and States and Frontier Regions Division	67	2,452,599,000	2,557,089,000	4%	0.0270%	0.0246%
68	Law and Justice Division	68	12,117,027,000	11,123,389,000	-9%	0.1334%	0.1068%
69	Federal Judicial Academy	69	339,536,000	354,570,000	4%	0.0037%	0.0034%
70	Federal Shariat Court	70	1,058,803,000	1,127,148,000	6%	0.0117%	0.0108%
71	Council of Islamic Ideology	71	257,223,000	322,355,000	20%	0.0028%	0.0031%
72	National Accountability Bureau	72	7,411,969,000	7,739,738,000	4%	0.0816%	0.0743%
73	District Judiciary, Islamabad Capital Territory	73	1,769,081,000	1,847,581,000	4%	0.0195%	0.0177%
74	Maritime Affairs Division	74	2,245,858,000	2,343,775,000	4%	0.0247%	0.0225%
75	National Assembly	75	9,437,875,000	9,035,765,000	-4%	0.1039%	0.0868%
76	The Senate	76	2,880,057,000	3,217,202,000	10%	0.0317%	0.0309%
77	National Food Security and Research Division	77	23,068,171,000	22,231,937,000	-4%	0.2540%	0.2135%
78	Pakistan Agriculture Research Council	78	6,724,522,000	7,291,498,000	8%	0.0740%	0.0700%
79	National Health Services, Regulations and Coordination Division	79	31,753,424,000	37,221,767,000	15%	0.3496%	0.3574%
80	Overseas Pakistanis and Human Resource Development Division	80	4,190,553,000	3,735,457,000	-12%	0.0461%	0.0359%
81	Parliamentary Affairs Division	81	828,763,000	1,208,800,000	31%	0.0091%	0.0116%
82	Planning, Development And Special Initiatives Division	82	9,859,321,000	9,584,220,000	-3%	0.1086%	0.0920%
83	Poverty Alleviation and Social Safety Division	83	10,232,450,000	806,272,000	-1169%	0.1127%	0.0077%
84	Benazir Income Support Programme	84	722,489,811,000	844,780,152,000	14%	7.9556%	8.1115%
85	Pakistan Bait-ul-Mal	85	14,202,168,000	14,390,094,000	1%	0.1564%	0.1382%
86	Privatisation Division	86	373,575,000	1,329,976,000	72%	0.0041%	0.0128%
87	Railways Division	87	70,457,832,000	70,478,151,000	0%	0.7758%	0.6767%
88	Religious Affairs and Inter-Faith Harmony Division	88	2,002,903,000	2,091,458,000	4%	0.0221%	0.0201%
89	Science and Technology Division	89	15,012,829,000	15,973,576,000	6%	0.1653%	0.1534%
90	Water Resources Division	90	4,067,036,000	4,241,496,000	4%	0.0448%	0.0407%
91	Federal Miscellaneous Investments & Other Loans and Advances	91	115,082,062,000	94,714,562,000	-22%	1.2672%	0.9094%
92	Development Expenditure of Cabinet Division	92	70,250,000,000	63,516,151,000	-11%	0.7735%	0.6099%

93	Development Expenditure of Board of Investment	93	1,105,430,000	760,950,000	-45%	0.0122%	0.0073%
94	Development Expenditure of Special Technology Zones Authority	94	138,280,000	563,849,000	75%	0.0015%	0.0054%
95	Development Expenditure of Establishment Division	95	495,359,000	1,786,080,000	72%	0.0055%	0.0171%
96	Development Expenditure of SUPARCO	96	5,418,523,000	4,895,000,000	-11%	0.0597%	0.0470%
97	Development Expenditure of Special Investment Facilitation Council Division	97	503,382,000	479,710,000	-5%	0.0055%	0.0046%
98	Development Expenditure of Climate Change and Environmental Coordination Division	98	2,783,650,000	2,477,760,000	-12%	0.0307%	0.0238%
99	Development Expenditure of Commerce Division	99	50,000,000	89,000,000	44%	0.0006%	0.0009%
100	Development Expenditure of Communications Division	100	7,159,150,000	4,439,540,000	-61%	0.0788%	0.0426%
101	Development Expenditure of Defence Division	101	11,553,835,000	10,902,500,000	-6%	0.1272%	0.1047%
102	Development Expenditure of Defence Production Division	102	1,786,000,000	979,840,000	-82%	0.0197%	0.0094%
103	Development Expenditure of Power Division	103	2,397,036,000	3,196,630,000	25%	0.0264%	0.0307%
104	Development Expenditure of Federal Education & Professional Training Division	104	13,680,000,000	28,411,490,000	52%	0.1506%	0.2728%
105	Development Expenditure of Higher Education Commission	105	39,488,216,000	46,000,000,000	14%	0.4348%	0.4417%
106	Development Expenditure of National Vocational & Technical Training Commission (NAVTTTC)	106	4,900,000,000	7,900,510,000	38%	0.0540%	0.0759%
107	Development Expenditure of National Heritage & Culture Division	107	1,676,074,000	445,000,000	-277%	0.0185%	0.0043%
108	Development Expenditure of Finance Division	108	851,580,000	1,440,000,000	41%	0.0094%	0.0138%
109	Other Development Expenditure	109	251,130,109,000	231,085,880,000	-9%	2.7653%	2.2189%

110	Development Expenditure of Revenue Division	110	7,150,000,000	11,570,000,000	38%	0.0787%	0.1111%
111	Development Expenditure of Human Rights Division		23,000,000			0.0003%	
112	Development Expenditure of Information & Broadcasting Division	111	1,616,321,000	659,252,000	-145%	0.0178%	0.0063%
113	Development Expenditure of Information Technology and Telecommunication Division	112	16,227,493,000	19,580,000,000	17%	0.1787%	0.1880%
114	Development Expenditure of Interior and Narcotics Control Division	113	12,908,444,000	21,824,900,000	41%	0.1421%	0.2096%
115	Development Expenditure of Inter Provincial Coordination Division	114	1,179,840,000	1,851,200,000	36%	0.0130%	0.0178%
116	Development Expenditure of Kashmir Affairs, Gilgit Baltistan and States and Frontier Regions Division	115	1,800,000,000	623,000,000	-189%	0.0198%	0.0060%
117	Development Expenditure of Law and Justice Division	116	1,912,481,000	2,403,000,000	20%	0.0211%	0.0231%
118	Development Expenditure of National Food Security and Research Division	117	4,253,738,000	4,183,000,000	-2%	0.0468%	0.0402%
119	Development Expenditure of National Health Services, Regulation & Coord. Division	118	14,343,500,000	16,064,500,000	11%	0.1579%	0.1542%
120	Development Expenditure of Parliamentary Affairs Division		2,500,000,000			0.0275%	
121	Development Expenditure of Privatization Division	119		410,290,000			0.0039%
122	Development Expenditure of Planning, Development and Special Initiatives Division	120	23,270,141,000	27,626,340,000	16%	0.2562%	0.2653%
123	Development Expenditure of Religious Affairs and Inter Faith Harmony Division	121	650,384,000	311,500,000	-109%	0.0072%	0.0030%
124	Development Exp of Science & Technology Division	122	4,792,687,000	3,567,120,000	-34%	0.0528%	0.0343%
125	Development Expenditure of Water Resources Division	123	82,779,433,000	55,251,070,000	-50%	0.9115%	0.5305%

126	Capital Outlay on Development of Atomic Energy	124	761,000,000	1,335,000,000	43%	0.0084%	0.0128%
127	External Development Loans and Advances of Communication Division	125	54,856,200,000	59,255,000,000	7%	0.6040%	0.5690%
128	Capital Outlay on Petroleum Division	126	718,580,000	311,800,000	-130%	0.0079%	0.0030%
129	External Development Loans and Advances of Power Division	127	72,106,914,000	76,607,502,000	6%	0.7940%	0.7356%
130	Capital Outlay on Federal Investments	128	1,489,920,000	2,359,678,000	37%	0.0164%	0.0227%
131	Development Loans and Advances By the Federal Government	129	183,758,219,000	169,210,378,000	-9%	2.0234%	1.6247%
132	External Development Loans and Advances by the Federal Government	130	2,100,000,000	2,300,000,000	9%	0.0231%	0.0221%
133	Capital Outlay on Civil Works	131	15,005,801,000	16,394,700,000	8%	0.1652%	0.1574%
134	Capital Outlay on Industrial Development	132	1,904,281,000	6,657,650,000	71%	0.0210%	0.0639%
135	Capital Outlay on Maritime Affairs Division	133	3,465,000,000	1,780,000,000	-95%	0.0382%	0.0171%
136	Capital Outlay on Railways Division	134	22,415,000,000	40,657,870,000	45%	0.2468%	0.3904%
137	External Development Loans and Advances of Water Resources Division	135	50,645,000,000	47,835,360,000	-6%	0.5577%	0.4593%
	Total Voted		9,081,523,060,000	10,414,648,927,000	13%	100%	100%
	Total Charged and Voted		37,855,301,400,000	51,156,208,843,000	26%		

Source: Website of Finance Division - Federal Budget 2026-27

ANALYSIS

Pakistan Federal Budget Fiscal Year (FY) 2026-27: GDP Growth, Public Debt and Sectoral Analysis

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1. Overview

On 12 June 2026, the Government of Pakistan (GoP) presented its PKR 18.771 trillion budget for FY2026-27. The budget sets a record FBR revenue target of PKR 15.264 trillion (up 17.6% from last year) and a debt servicing bill of PKR 8.054 trillion. PKR 8.848 trillion is part of the National Finance Commission (NFC) transfers to provinces. Support for industry and trade, as well as tax rates; have been reduced in several income slabs.

The government has also set a 4% growth target which is relatively achievable under the current conditions.

Unfortunately, the government usually highlights tax reliefs and incentives in their budget speeches but spends less time explaining where the respective revenues will come from. The debt servicing amount alone consumes 68.5% of the net federal revenue pool. The public debt burden, as a result, is the most binding limit on Pakistan's policymaking autonomy that may have serious repercussions for the economy.

Table 1: Major Budget Indicators (FY2027 vs FY2026)

Macro Indicators	FY2026 (Estimates)	FY2027 (Budget Target)
Real GDP Growth	3.7%	4.0%
Fiscal Deficit (% of GDP)	3.6%	3.6% (ceiling)
Primary Balance (% of GDP)	3.2%	Surplus 2.0%
FBR Tax Revenue	PKR 12,970 bn	PKR 15,264 bn
Non-Tax Revenue	PKR 5,146 bn	PKR 5,336 bn
Debt Servicing (Interest)	PKR 8207 bn	PKR 8,054 bn
Federal PSDP (Development)	PKR 1000 bn	PKR 1,000 bn
Pension Expenditures	PKR 1014 bn	PKR 1,169 bn

2. Fiscal Incentives and the 4% Growth Target

The government has set a real GDP growth target of 4% for FY2026–27, alongside a fiscal deficit ceiling of 3.6% of GDP and a primary surplus target of 2% of GDP. To support economic activity, particularly in industry, trade, and agriculture, several tax and financing measures have been introduced. These include capping the maximum Super Tax rate at 8% for incomes exceeding PKR 500 million, removing the surcharge on the highest salaried income bracket, abolishing the Capital Value Tax on offshore assets, and reducing the combined advance and minimum income tax on export revenues from 2.0% to

1.25% as a minimum tax. In addition, the government has announced targeted financing initiatives for farmers, including support under the Green Mobility initiative.

Last year, the GDP growth target was 3.7% despite the economy being on a roller coaster of multiple crises. The current target of 4% is therefore a relatively achievable one given that Pakistan is experiencing recovery in multiple sectors such as agriculture, industry (large-scale manufacturing) and services.

However, it is important to highlight that growth would still be import-intensive. The current account surplus achieved earlier was driven by remittances and compressed imports. Given that remittances are now likely to be meagre due to the Middle East crisis, recovery would take time.

Moreover, the federal Public Sector Development Programme (PSDP) allocation of PKR 1 trillion remains smaller than the government's interest payment obligations, meaning that total federal development spending is lower than the amount allocated for servicing public debt.

While the government expects higher Foreign Direct Investment (FDI), particularly in oil and gas exploration, foreign investors often take cues from broader domestic economic conditions and investment trends.

With the federal PSDP remaining limited relative to the economy's development needs, public investment may be insufficient to generate the scale of supply side expansion required to sustain higher growth. This concern is compounded by the fact that politically motivated projects can, at times, crowd out economically productive and high-return investments within the PSDP.

The budget targets private investment at 10.3% of GDP. While this represents an improvement, it remains below the levels typically observed in regional economies that have achieved sustained growth, many of which maintain private investment rates above 15% of GDP. At the same time, inflationary pressures persist, with inflation returning to double-digit levels during the past two months.

As wages and salaries adjust upward in response, many employees may move into higher tax brackets despite experiencing little or no increase in real purchasing power.¹ Consequently, the tax burden on salaried households is going to remain substantial, dampening consumption and broader economic activity.

3. Revenue Targets and Public Debt

A 17.6% increase in Federal Board of Revenue (FBR) tax revenues over the previous fiscal year is, however, rather ambitious given the government's 4% real GDP growth target. At the same time, development spending remains constrained and provincial development budgets have been reduced in several areas. Under these conditions, nominal GDP growth alone is unlikely to generate the additional revenues needed to meet fiscal targets.

¹ A phenomenon commonly known as bracket creep.

This remains a huge challenge. Pakistan's tax-to-GDP ratio continues to hover around 10-11%, well below that of many comparable emerging economies. Large segments of the economy, including the informal sector, agricultural income, and substantial portions of the retail and wholesale trade chain, continue to operate largely outside the formal tax net.

Without meaningful progress in broadening tax coverage and improving enforcement, sustaining the projected pace of revenue growth will prove difficult. If the FBR revenue target is missed by even 10%, it would create an additional revenue shortfall of approximately PKR 1.5 trillion, which would need to be financed through additional borrowing or expenditure cuts.

The central question, therefore, is how the government intends to achieve a 17.6% increase in FBR revenues while simultaneously reducing its debt burden. Given the projected pace of economic growth, such revenue gains will require more than economic expansion alone; they will depend on pragmatic improvements in tax compliance, enforcement and broadening of the tax base.

Questions also remain regarding the sustainability of the government's PKR 5,336 billion non-tax revenue target. Will it rely primarily on State Bank of Pakistan profits and Petroleum Levy collections, projected at PKR 1.44 trillion and PKR 1.68 trillion, respectively? If these revenue projections fall short, will the government once again turn to domestic and external borrowing, adding further to the public debt burden?

Similarly, it is unclear whether the incentives announced in the budget will be sufficient to generate meaningful export growth. Export competitiveness continues to be constrained by high energy costs, low productivity, logistical bottlenecks and structural weaknesses in the business environment.

Pakistan has achieved a degree of macroeconomic stability which is an important accomplishment. However, stability is not the same as growth. The fundamental question remains: where is the growth strategy?

Ultimately, every major spending category in the budget, including the PSDP, social sector allocations, subsidies, and the civil government budget, is determined by what remains after debt-servicing obligations are met. This is the defining reality of Pakistan's public finances and should serve as the starting point for any serious discussion of the federal budget.

4. Scale of the Debt Servicing Burden

The FY2026-27 budget allocates PKR 8.054 trillion to debt servicing and interest payments alone. This amount is more than 8-times the federal PSDP allocation, nearly 3-times the defence budget, almost 10-times the subsidy allocation, and exceeds the government's entire non-tax revenue target.

The scale of the debt burden becomes even clearer after fiscal transfers are considered.

Following the transfer of PKR 8.848 trillion to the provinces under the NFC Award, the federal government's net revenues are projected at approximately PKR 11.752 trillion. Of this amount, PKR 8.054 trillion (or nearly 68.5%) will be absorbed by debt servicing before a single school is funded, a single road is built, or a single hospital is staffed.

This highlights the central constraint facing Pakistan's public finances. Debt servicing is no longer simply another expenditure item; it is the dominant claim on federal revenues. As a result, the fiscal space available for development, social protection, infrastructure, and public service delivery remains severely constrained. Any meaningful discussion of the federal budget must therefore begin with the question of debt sustainability and the growing cost of servicing public debt.

5. Implications of the Debt Trap

The debt servicing trap is linked with 4 interrelated channels:

1. Direct crowding out: every rupee committed to interest is unavailable for education, health, or infrastructure.
2. Heavy government borrowing from domestic markets at elevated interest rates raises commercial lending costs, discouraging private sector credit expansion, investment, and job creation.
3. The need to roll over and service a growing domestic debt stock forces the government into continued heavy Treasury Bills (T-bills) and Pakistan Investment Bonds (PIBs) issuance, keeping the yield curve elevated, reinforcing high borrowing costs across the economy.
4. Off-budget quasi-fiscal liabilities, state-owned enterprise (SOE) guarantees, circular debt exposure, pension contingencies, add pressure that does not appear in the headline deficit figure but is ultimately borne by the Treasury and adds to the government's long-term fiscal burden.

Over the years, Pakistan has continued to present budgets affected by similar structural constraints. By end-June 2025, total public debt had reached PKR 80.6 trillion, or around 70% of GDP. Domestic debt alone increased from PKR 38.8 trillion in June 2023 to PKR 54.5 trillion in June 2025, reflecting the growing reliance on domestic borrowing. In FY2024-25, mark-up payments amounted to PKR 8.887 trillion, while pension payments stood at PKR 0.911 trillion. Together, debt servicing and pensions consumed nearly PKR 9.798 trillion, equivalent to about 57.5% of total federal expenditure of PKR 17.036 trillion.²

In recent years, Pakistan's budgetary framework has increasingly operated within the constraints of macroeconomic stabilization and the conditions attached to the country's USD 7 billion IMF Extended Fund Facility (EFF). Several key fiscal targets embedded in the FY2026-27 budget are in line with IMF programme commitments. These include the primary surplus target of 2% of GDP and the fiscal deficit ceiling of 3.6% of GDP. Consequently, the government's fiscal choices are linked to the need to maintain programme compliance, preserve macroeconomic stability, and sustain access to external financing.

However, compliance with IMF targets does not, by itself, resolve Pakistan's long-term debt challenge. As long as the fiscal deficit remains in the range of 3.6-5% of GDP and economic growth averages only 3-4% annually, the debt-to-GDP ratio is unlikely to decline substantially.

Durable debt reduction typically requires either a sustained primary surplus significantly above 2% of GDP over multiple years or economic growth that consistently exceeds the effective interest rate on the public debt stock. At present, neither condition appears firmly established. As a result, while the current fiscal strategy may help stabilize the economy in the short term, it is less clear whether it will lead to sustained debt reduction and higher long-term growth.

² Ministry of Finance. Annual Debt Review FY-2025.
https://finance.gov.pk/dpc0/annual_debt_review_2025.pdf.

In summary, Pakistan remains caught in a debt-servicing trap.

The government achieved a record primary surplus of 3.2% of GDP during the first nine months of FY2025-26, reflecting a notable improvement in fiscal discipline and revenue mobilisation. Yet, despite this achievement, the overall fiscal position remains constrained because the cost of servicing public debt continues to absorb a disproportionate share of government resources. The fundamental challenge is that even large primary surpluses are insufficient to offset the scale of interest payments on the existing debt stock.

The FY2026-27 budget allocates PKR 8.054 trillion to debt servicing, compared with just PKR 1 trillion for the federal PSDP.

In other words, the government plans to spend more than eight rupees on servicing past obligations for every rupee invested in future development. That ratio - roughly 8:1 - may be the single most important number in the budget because it captures the central constraint on Pakistan's fiscal and development trajectory.

Most other budgetary choices are ultimately shaped by what remains after debt-servicing obligations have been met.

6. Sectoral Analysis

The budget's sectoral allocations reveal government priorities not only through explicit commitments but also through the distribution of scarce fiscal resources. In FY2026-27, approximately PKR 7 trillion has been allocated across pensions, subsidies, civil administration, social protection, development spending, and other civilian functions for a population exceeding 240 million. The following analysis assesses the major sectoral allocations and their likely implications.

i. Energy Sector

Pakistan's energy sector remains one of the most significant sources of fiscal vulnerability. During FY2025-26, the government implemented a PKR 1.25 trillion bank-financed circular debt restructuring arrangement to manage accumulated liabilities in the power sector. While this eased immediate financial pressures, it did not fully address the structural causes of circular debt, including transmission and distribution losses, weak bill recovery, governance shortcomings, and inefficiencies within the energy value chain.

For FY2026-27, the government has allocated approximately PKR 1.091 trillion for energy-related subsidies and support measures. However, without sustained structural reforms, there is a risk that circular debt will continue to accumulate, recreating fiscal pressures in the years ahead. Continued losses in the power sector also impose broader economic costs by increasing the need for government support, raising the cost of electricity for households and businesses, and undermining industrial competitiveness. These pressures can ultimately contribute to inflationary pressures and constrain economic growth.

ii. Defence

The budget also highlights what may be described as a two-track fiscal structure. On one side are largely non-discretionary expenditures, debt servicing and security-related spending, which continue to command a growing share of public resources. On the other are development expenditures, which must compete for the limited fiscal space that remains.

The FY2026-27 budget allocates PKR 3 trillion for defence, representing a 17.65% increase over the previous year's allocation of PKR 2.55 trillion. Defence spending now exceeds 2% of GDP and accounts for nearly 16% of total federal expenditure.

By comparison, the federal PSDP stands at PKR 1 trillion, meaning that the government will spend three times more on defence than on federal development projects. Military pensions, budgeted separately, add a further PKR 822 billion to the overall security-related expenditure.

The increase reflects the government's assessment of a deteriorating and challenging regional and domestic security environment, including continued tensions with India, instability along the Afghan border, and persistent militant violence.

At a time when the government is pursuing fiscal consolidation under the IMF programme and limiting development expenditure, the budget reveals a relative prioritization of security-related spending over long-term public investment and underscores the difficult trade-offs confronting policymakers as they attempt to balance national security requirements, fiscal consolidation, and long-term economic development.

The question is whether Pakistan can simultaneously sustain elevated security expenditures, service a growing public debt burden, and generate the level of development investment required to accelerate economic growth?

iii. Social Safety Nets

The allocation of PKR 838 billion for the Benazir Income Support Programme (BISP), benefiting approximately 12 million families, is one of the more defensible elements of the FY2026-27 budget. Given prevailing inflationary pressures and the limited fiscal space available for broader welfare spending, protecting vulnerable households through targeted cash transfers remains both economically and socially justified.

However, the effectiveness of BISP could be enhanced by more explicitly linking benefit adjustments to major energy price shocks. Fuel levies, electricity tariff increases, and other energy sector reforms tend to have a disproportionate impact on low- and middle-income households by raising both direct energy costs and the prices of essential goods and services. In this context, BISP can serve not only as a poverty alleviation instrument but also as a mechanism to cushion vulnerable households against the regressive effects of energy sector adjustments. Such an approach would help preserve the purchasing power of low income families while maintaining the broader fiscal and energy reforms required for macroeconomic stability.

iv. Education and Health

Public spending on education and health in Pakistan remains low by regional and international standards. While these sectors are primarily the responsibility of provincial governments following the 18th Amendment, their financing ultimately depends on the fiscal resources available through NFC transfers and provincial own-source revenues.

The FY2026-27 budget assumes continued provincial fiscal surpluses to help achieve consolidated fiscal targets. However, this assumption may prove optimistic given the growing expenditure pressures facing provinces, particularly in education, healthcare, local government services, and public sector salaries. If

provinces are unable or unwilling to generate the projected surpluses, the federal government's fiscal consolidation strategy will come under pressure.

The broader concern is that persistent fiscal constraints at both the federal and provincial levels limit Pakistan's ability to invest adequately in human capital. Without sustained increases in education and health spending, improvements in productivity, labour force quality, and long-term economic growth are likely to remain constrained.

7. Way Forward

Pakistan's fiscal challenge is no longer merely one of balancing the annual budget; it is one of restoring long-term debt sustainability and creating fiscal space for growth-enhancing investments. This requires reforms that extend beyond a single budget cycle.

- Parliament should consider legislating a medium-term fiscal framework with clearly defined debt and fiscal targets, including minimum primary surplus requirements over a five-year horizon and automatic correction mechanisms when targets are missed. Such measures could include phased expenditure rationalization, limits on non-priority current spending, greater energy sector cost recovery, and stricter controls on the growth of the public sector wage bill.
- The PKR 8.054 trillion allocated for debt servicing captures only the explicit, on-budget cost of public debt. A comprehensive assessment of Pakistan's fiscal position should also incorporate contingent and quasi-fiscal liabilities, including State-Owned Enterprise (SOE) obligations, circular debt exposure, and unfunded pension commitments. These liabilities should be consolidated into a single public sector balance sheet and reported regularly. Fiscal sustainability cannot be accurately assessed without a transparent accounting of the government's full financial obligations.
- The current pace of reducing SOE losses suggests that achieving fiscal neutrality could take many years. The government should establish a legally empowered SOE restructuring authority mandated to classify enterprises within 18 months into strategic, commercial, or non-viable categories. Strategic entities should undergo governance and efficiency reforms, commercial entities should be prepared for privatisation or public-private partnerships, and non-viable enterprises should be subject to time-bound liquidation or divestment. Any restructuring programme should include adequately funded worker transition, retraining, and social protection measures to minimise the social costs of reform.
- The PKR 1.091 trillion allocated for subsidies can be justified if it is explicitly transitional, targeted, and linked to a credible reform agenda. Energy subsidies, in particular, should be accompanied by transparent and automatic tariff pass-through mechanisms to prevent the re-emergence of circular debt. Distribution companies (DISCOs) should operate under enforceable performance and loss reduction agreements, with clear accountability measures and financial penalties for persistent underperformance. At the same time, the PKR 838 billion allocation for the Benazir Income Support Programme (BISP) should be ring-fenced as the primary compensatory mechanism for low-income households affected by energy tariff adjustments and other fiscal reforms, ensuring that the burden of stabilization does not fall disproportionately on the most vulnerable segments of society.
- Achieving the FY2026-27 FBR revenue target of PKR 15.264 trillion will require a 17.6% increase in tax collection in an environment characterised by moderating inflation and a real GDP growth target of 4%. Such revenue growth is unlikely to be sustained through administrative measures alone. Durable gains will require broadening the tax base through

effective taxation of agricultural income, greater formalization of the retail and wholesale sectors, stronger documentation of economic activity, and more rigorous enforcement of capital gains and property-related taxes. Without meaningful progress in these areas, the burden of revenue mobilisation will continue to fall disproportionately on already compliant taxpayers, limiting both the fairness and sustainability of the tax system.

- Education and health spending should be protected through legislated minimum expenditure floors coordinated across federal and provincial governments under the NFC framework. As an immediate safeguard, consolidated public spending on education should not fall below 2% of GDP and health spending should not fall below 1% of GDP. However, these should be treated as minimum thresholds rather than policy objectives. A medium-term fiscal framework should commit to increasing education spending to at least 3% of GDP and health spending to at least 2% of GDP within five years. These expenditure floors should be protected from annual fiscal consolidation measures and recognised as strategic investments in human capital, productivity, and long-term economic growth. Without sustained improvements in education and health outcomes, Pakistan's prospects for achieving higher productivity, greater competitiveness, and sustained economic growth will remain constrained.
- Fiscal stabilization must be complemented by a credible growth strategy. Without sustained improvements in productivity, exports, investment, energy efficiency, and human capital, Pakistan risks remaining trapped in a cycle where economic gains are absorbed by debt servicing obligations rather than translated into long-term development.
- Parliament should require the government to publish a comprehensive white paper outlining a medium-term strategy for reducing Pakistan's dependence on IMF programmes and other balance-of-payments support facilities. The document should set out a clear direction towards financing the country's fiscal and external requirements through domestic resource mobilization, export growth, productivity improvements, and sustainable private investment. It should also include measurable milestones, implementation timelines, institutional responsibilities, and reform sequencing across taxation, energy, SOEs, public finance, and export competitiveness. The objective should be to establish a credible roadmap through which Pakistan can achieve durable macroeconomic stability without recurring reliance on external stabilization programmes.

8. Conclusion

The FY2026–27 budget reflects a stabilization strategy rather than a growth strategy. Its defining feature is the allocation of PKR 8.054 trillion to debt servicing compared to PKR 1 trillion for the federal PSDP: an 8:1 ratio that highlights the limited fiscal space available for development. While the ambitious revenue targets, increased defence allocation, and IMF-backed fiscal discipline may support macroeconomic stability, they do not by themselves resolve Pakistan's underlying growth challenge.

The key question for Parliament is whether this budget is accompanied by credible reforms to broaden the tax base, improve productivity, strengthen exports, and reduce the debt burden over time. Without sustained structural reforms, Pakistan risks remaining trapped in a cycle where debt servicing and essential obligations consume most public resources, leaving limited space for investment in future growth. If revenue gains from enforcement and compliance measures fall short of expectations, additional fiscal pressures may emerge during the course of the year.

Remarks of the Honorable Members of the Provincial Assembly of Khyber Pakhtunkhwa during the Post Budget Seminar held on June 22, 2026

Honourable Muhammad Anwar Khan MPA: *The seminars and capacity-building initiatives organized by PIPS for Parliamentarians have consistently proven to be highly productive and substantially enriching. I have found that the knowledge imparted during a single PIPS event often surpasses the cumulative learning acquired through years of practical experience and on-the-ground engagement.*

Honorable Mr. Nisar Baaz, MPA: *The Seminar featured detailed discussions on the formal budget preparation process, the setting of budgetary targets and key aspects related to revenue and expenditure.*

Honorable Ms. Amina Sardar, MPA: *The Post-Budget Seminar was highly beneficial for all members, as it has helped us better understand how to review and analyze the budget. The PIPS has consistently played an important role in supporting parliamentarians and enhancing their capacities.*

Honorable Ms. Aimen Jalil Jan, MPA: *The highly knowledgeable sessions by PIPS experts provided a clear and accessible analysis of key aspects that we may have overlooked. The seminar offered us valuable learning opportunities and helped clarify several ambiguities regarding the budget. Overall, the Post-Budget Seminar proved to be highly informative and beneficial.*

Syed Wiqar Shah, Secretary, Provincial Assembly of Khyber Pakhtunkhwa: *I would take this opportunity to acknowledge the significant role of PIPS as the premier parliamentary support institution serving legislatures across Pakistan. I express my appreciation for PIPS's valuable contribution in the development of a pre-promotion training module and the successful conduct of training for the inaugural batch of Assembly employees. Furthermore, I want to commend PIPS for its continued capacity-building programmes for the Honourable Members of the Assembly and I am confident about the prospects for deeper institutional collaboration in the future.*





Pakistan Institute for Parliamentary Services (PIPS) and the United Nations Development Program (UNDP) signed a Memorandum of Understanding to strengthen collaboration and partnership
June 22, 2026



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