

BUDGET BRIEF

2026-27

Budget Brief 2026-27

A Report on the Budget Proposal and the Amendments to the
Customs Act 1969, Sales Tax Act 1990 and Federal Excise Act 2005

PREFACE

This memorandum has been prepared to apprise our clients and associates of the significant changes proposed through the Finance Bill, 2026, laid. Our commentary focuses on amendments to the Customs Act, 1969 and the Sales Tax Act, 1990 and allied levies affecting importers, exporters, and the trading community, with reference to related sales tax, federal excise, and income tax provisions where relevant.

The contents are based on the Bill as introduced and remain subject to amendment before enactment. This memorandum is intended as a ready reference, not as professional advice, and no decision should be taken solely on its basis. We would be pleased to offer guidance tailored to specific circumstances upon request.

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1. Budget Brief — Overview

The Finance Bill, 2026 implements the Federal Budget for FY 2026–27. The customs and indirect-tax package rests on three guiding principles: strategic tariff rationalisation under the National Tariff Policy (NTP) 2025–30; simplification, trade facilitation and system efficiency; and targeted public-health relief and economic stimulus. A strong, common thread across all four tax statutes is digitalisation and enforcement — faceless administration, electronic invoicing and monitoring, algorithmic settlement, and tougher penalties.

1.1 Customs Duty (CD) rationalisation — 92 tariff lines

Existing Customs Duty	Reduced to
20%	15% and 10%
15% and 10%	10% and 5%
5%	0%

Applies to input goods of various industrial sectors across 92 tariff lines.

1.2 Additional Customs Duty (ACD)

From	To	Tariff lines
6%	4%	449
4%	2%	2,107
2%	0% (eliminated)	569

1.3 Regulatory Duty (RD) review

Measure	Tariff lines
RD above 20% brought down and capped at 20%	359
20% reduction on all RD rates between 2.5% and 20%	1,347
RD of 2.5%, 2% and 1% reduced by 20% or eliminated	208

In addition, 15 new PCT codes were created and 2 amended for trade facilitation and statistics.

1.4 Cross-cutting themes

- **Digital administration:** a National Faceless Centre and faceless audit/assessment/appeals and algorithmic settlement proposed to appear across Customs, Sales Tax, Income Tax and Federal Excise.
- **Documentation & monitoring:** electronic invoicing, advance receipt invoices, production-monitoring systems and banking-data cross-matching proposed.
- **Enforcement & anti-fraud:** steeper penalties, an anti-fake-invoice regime, asset freezing, and independent litigation-scrutiny committees proposed.
- **Relief:** lower input tariffs, public-health and sector exemptions, and reduced income-tax slabs for salaried persons proposed.

1.5 Salient Features

a) Customs

- It is proposed to delete such entries from the Fifth Schedule of Custom Act, 1969 where concessionary rate of Custom Duties equals or exceeds the First Schedule general tariff.
- It is proposed to exempt Custom Duty on **critical cancer-related Active Pharmaceutical Ingredients** (APIs) under the Fifth Schedule of Custom Act.
- It is proposed to reduce Customs Duty from 20% to 10% on specialized **construction related vehicles** for construction sector under the Fifth Schedule.
- It is proposed to exempt custom duty on import on **Defence Imports** under the Fifth Schedule.
- It is proposed to exempt Custom Duties on import of **Agricultural Machinery** under the Fifth Schedule of Custom Act, 1969.
- Available exemption on **Diagnostic Kit/ Equipment** under Table E, Part II of 5th Schedule of Custom Act has been proposed to be omitted.
- It is proposed to exempt Custom Duty on import of **bullet proof vehicles** for Shanghai Cooperation Organization Summit and for the import of bullet proof vehicles by Federal or Provincial government, for the on-going war against terrorism.
- It has been proposed to give legal cover to **Scanning of cargo** to facilitate non-intrusive process of “Scanning” under the Act.
- It is proposed to authorize the FBR to **rationalize the penalties** and prescribe appeal mechanism and exempt specified class of goods or Customs stations from such penalty through Rules; for delayed GD filing/clearance of goods at ports, and also authorized Collectors to reduce such penalties.
- The maximum penalty on terminal operators for **failure to honor Delay Detention Certificates** issued by Customs has been proposed to be increased from Rs. 500,000 to Rs. 10,000,000.
- It is proposed to introduce **Faceless Adjudication** to avoid face to face interaction between adjudicating officer and the respondents through virtual proceedings to enhance transparency, efficiency and quick disposal of cases.

b) Sales Tax

- Sales Tax on **Newsprint, books, and magazines** is proposed to be exempted.
- Exemption of Sales Tax available on import of **CKD electric vehicles** is proposed to be extended till 30-06-2027.
- It is proposed to enhance the scope of exemption on **parts of aircraft for import and lease by M/s PIACL**.
- Sales Tax on **Contraceptives and Sanitary Pads / Tampons** is proposed to be exempted.
- Sales Tax on **Dredgers, Tankers and similar Floating Structures** and vessels have been proposed to be exempted.
- It is proposed to exempt Sales Tax on import of **bullet proof vehicles** for Shanghai Cooperation Organization Summit and for the import of bullet proof vehicles by Federal or Provincial government, for the on-going war against terrorism.
- It is proposed to exempt Sales Tax on import of machinery/ equipment for **upgradation of existing refineries**.
- It is proposed to exempt Sales Tax on import of machinery, equipment, raw materials, components and other capital goods imported by **Karachi Shipyard and Engineering Works Limited**.
- Sales Tax on **Electric Truck (8704.6030)** has been proposed to be reduced to 1% under Eight Schedule.

c) Federal Excise Duty

- FED applicable on **Acetate Tow** has been proposed to be reduced to Rs. 10,000/ KG from Rs. 44,000/ KG..
- FED applicable on **E-Liquids for electric cigarette kit** has been proposed to be fixed at Rs. 16,500/ KG.
- FED applicable on imported and locally assembled **motor cars, SUVs and other motor vehicles, excluding auto rickshaws**, principally designed for the transport of persons has been proposed to be extended till 30th June 2027.
- FED on import of CBU **Electric cars, Electric SUV and Electric Pickup** for personal use has been proposed to be applied as per below table

Import Value exceeding PKR 20 million and upto PKR 30 million	30%
Import Value exceeding PKR 30 million	40%

- The bill has proposed to exclude **hydration drinks or electrolyte beverages** specifically formulated to support hydration, electrolytes replenishment not containing sugar exceeding 5g/100 ml or artificial sweetener from currently applicable FED under S # 59 of 1st Schedule of FED Act.
- FED @ 5% ad valorem has been proposed to be applied on **base lubricating oils** falling under HS Code 2710.1993.
- FED has been proposed to be applied on (i) **Petroleum top Naphtha**, (ii) **White Spirit/ Mineral Turpentine Oil** and (iii) **Solvent Oil**.
- It is proposed to exempt Federal Excise Duty on import of **bullet proof vehicles** for Shanghai Cooperation Organization (SCO) Summit and for the import of bullet proof vehicles by Federal or Provincial government, for the on-going war against terrorism.

2. Changes Proposed in the Customs Act, 1969

Clause 4 proposes fourteen sets of amendments to the Customs Act, 1969 (IV of 1969). The clause-by-clause position, with the official purpose stated in the Notes on Clauses, is set out below.

Clause	Provision	Change and purpose
4(1)	Section 2	New definition of “State warehouse” (place authorised by the Collector to store detained/seized/confiscated goods) for legal clarity.
4(2)	Section 19(5)	“2026” substituted with “2027” — the validity period of notifications issued under Section 19 has been extended to 30 th June 2027.
4(3)	Section 32(3)/(3A)	Words “in a case” deleted — mis-declaration cases turn on the revenue involved, not the number of goods declarations.
4(4)	Section 80(4)	“Scanned” inserted alongside “examined” — legal cover for non-intrusive examination (scanning).
4(5)	Section 82	To empower the Board to prescribe rules regarding penalties for delayed filing of Goods Declarations and delayed removal of goods from ports. Collectors have also been empowered to reduce penalties were justified, while an appeal mechanism may be prescribed through rules.
4(6)	Section 156(1)	Penalty raised Rs. 0.5m → Rs. 10m; for failure by terminal operator to entertain Delay and Detention Certificates issued by Customs.
4(7)	Section 157	Explanation that “removal” includes, and shall be deemed to have always included, every act of carrying, transporting, depositing, harbouring, keeping, concealing, retailing, or any other act involving movement of smuggled goods.
4(8)	Section 170	Substituted — any authority must hand seized confiscable goods to Customs without awaiting its own proceedings.
4(9)	Section 179(6)	Faceless / virtual adjudication introduced. The amendment seeks to reduce direct interaction between adjudicating officers and respondents while improving transparency, efficiency and speed of case disposal.
4(10)	Section 185A(6)	Special Judge empowered to freeze an accused’s assets during trial (illegal fund transfer).
4(11)	Section 196JJ	New Independent Case Scrutiny Committee to approve higher-court appeals/references.
4(12)	Section 215	New mode of service (CPC 1908); service of notices, summons and orders through publication in newspapers in accordance with the Code of Civil Procedure, 1908 where the respondent is not traceable.
4(13)	First Schedule	Amended to give effect to the CD/ACD/RD tariff rationalisation.

2.1 Customs penalty changes proposed (Section 156(1))

S.No	Offence	Existing	Proposed
7A	Terminal operator not honouring a delay-and-detention certificate	Rs. 500,000	Rs. 10 million
62A	Involvement/abetment in removal, substitution, damage or tampering of goods at a State Warehouse	— (new)	Up to 2× value of goods; up to 5 yrs imprisonment and/or fine on conviction
83	Officer of an authority bound under s.170 who fails to deposit impugned goods with Customs	Existing entry	Reworded to cover this default

3. Changes in First Schedule of Custom Act (Custom Tariff)

PCT Code	Description (2026)	CD% 2025	CD% 2026	Change (Δ)	Status / New-heading note
1201.1010	For Sowing	—	0	new	New line — split from 1201.1000
1201.1020	For oil Extraction	—	0	new	New line — split from 1201.1000
1201.1090	Other	—	0	new	New line — split from 1201.1000
1205.1010	For Sowing	—	5	new	New line — split from 1205.1000
1205.1020	For oil Extraction	—	5	new	New line — split from 1205.1000
1205.1090	Other	—	5	new	New line — split from 1205.1000
1205.9010	For Sowing	—	0	new	New line — split from 1205.9000
1205.9020	For oil Extraction	—	0	new	New line — split from 1205.9000
1205.9090	Other	—	0	new	New line — split from 1205.9000
1702.1110	Lactose	10	5	-5	Reduced
2207.2000	Ethyl alcohol & other spirits, denatured, of any strength	50	30	-20	Reduced
2401.1000	Tobacco, not stemmed/striped	10	5	-5	Reduced
2401.2000	Tobacco, partly or wholly stemmed/striped	10	5	-5	Reduced
2401.3000	Tobacco refuse	10	5	-5	Reduced
2710.1915	Deodorized Kerosene Oil	—	10	new	New line under 2710.19
2710.1999	Other	20	15	-5	Reduced
2815.1100	Solid	20	15	-5	Reduced
2836.3000	Sodium hydrogencarbonate (Sodium bicarbonate)	20	15	-5	Reduced
2915.1100	Formic acid	15	10	-5	Reduced
3002.4900	Other	10	5	-5	Reduced
3208.9030	Photoluminescent paint	—	10	new	New line under 3208.90
3209.9020	Photoluminescent paint	—	10	new	New line under 3209.90
3212.1000	Stamping foils	5	0	-5	Reduced
3214.9010	Silicone sealant	10	10	0	Spelling corrected: 'Silicon'→'Silicone' sealant
3402.3900	Other	20	15	-5	Reduced
3825.1010	Solid Recovered Fuel (SRF)	—	20	new	New line — split from 3825.1000
3825.1090	Other	—	20	new	New line — split from 3825.1000
3915.1000	Of polymers of ethylene	20	15	-5	Reduced
3915.2000	Of polymers of styrene	20	15	-5	Reduced
3915.3000	Of polymers of vinyl chloride	20	15	-5	Reduced
3915.9000	Of other plastics	20	15	-5	Reduced
3916.2000	Of polymers of vinyl chloride	20	15	-5	Reduced
3916.9000	Of other plastics	20	15	-5	Reduced
3917.2390	Other	20	15	-5	Reduced
3917.2900	Of other plastics	20	15	-5	Reduced
3917.3100	Flexible tubes, pipes & hoses, min burst pressure 27.6 MPa	20	15	-5	Reduced

3917.3990	Other	20	15	-5	Reduced
3917.4000	Fittings	20	15	-5	Reduced
3918.1000	Of polymers of vinyl chloride	20	15	-5	Reduced
3920.3000	Of polymers of styrene	20	15	-5	Reduced
3920.4300	Containing >=6% plasticisers	20	15	-5	Reduced
3920.4910	Polyvinyl Chloride (PVC) Rigid film	20	15	-5	Reduced
3920.5900	Other	20	15	-5	Reduced
3920.6100	Of polycarbonates	20	15	-5	Reduced
3920.6390	Other	20	15	-5	Reduced
3920.6900	Of other polyesters	15	10	-5	Reduced
3920.7900	Of other cellulose derivatives	20	15	-5	Reduced
3920.9400	Of phenolic resins	20	15	-5	Reduced
3920.9900	Of other plastics	20	15	-5	Reduced
3921.9090	Other	15	10	-5	Reduced
3923.3010	Bottles	20	15	-5	Reduced
3923.5000	Stoppers, lids, caps and other closures	20	15	-5	Reduced
3925.2000	Doors, windows and their frames and thresholds for doors	20	15	-5	Reduced
3925.3000	Shutters, blinds (incl. Venetian) and similar articles & parts	20	15	-5	Reduced
3925.9000	Other	20	15	-5	Reduced
3926.9099	Other	20	15	-5	Reduced
4004.0020	Shredded tyre scrap (cut into pieces)	20	10	-10	Reduced
4004.0090	Other	20	10	-10	Reduced
4016.9320	Washers and other seals of rubber	15	10	-5	Reduced
4810.1310	Art paper	20	15	-5	Reduced
4810.1320	Writing paper, coated or impregnated	20	15	-5	Reduced
4810.1390	Other	20	15	-5	Reduced
4810.1400	In sheets, one side <=435mm & other <=297mm (unfolded)	20	15	-5	Reduced
4810.1910	Writing paper	20	15	-5	Reduced
4810.1990	Other	20	15	-5	Reduced
4810.2200	Light-weight coated paper	20	15	-5	Reduced
4810.2900	Other	20	15	-5	Reduced
4810.3100	Bleached, >95% chemical wood fibre, <=150 g/m2	20	15	-5	Reduced
4810.3200	Bleached, >95% chemical wood fibre, >150 g/m2	20	15	-5	Reduced
4810.3900	Other	20	15	-5	Reduced
4811.5910	Thermal Paper	15	15	0	Renamed: 'Thermal fax paper'→'Thermal Paper'
5503.2020	Recycled/regenerated polyester staple fiber	—	5	new	New line under 5503.20
6309.1010	Worn clothing	—	5	new	New line — split from 6309.0000
6309.1020	Worn shoes	—	5	new	New line — split from 6309.0000
6309.1090	Other	—	5	new	New line — split from 6309.0000
6805.3000	On a base of other materials	20	15	-5	Reduced

6902.2010	Capable of resisting temperature upto 1600 °C	20	15	-5	Reduced
7309.0000	Reservoirs, tanks and similar containers	20	0	-20	Reduced
7312.1020	Rope	20	15	-5	Reduced
7607.1100	Rolled but not further worked	15	10	-5	Reduced
7607.1990	Other	15	10	-5	Reduced
7610.9000	Other	20	15	-5	Reduced
8413.5000	Other reciprocating positive displacement pumps	20	15	-5	Reduced
8413.7011	Submersible pump, 5 to 10 inches diameters	10	0	-10	Reduced
8413.7019	Other	5	0	-5	Reduced
8413.8100	Pumps	20	0	-20	Reduced
8419.8990	Other	20	15	-5	Reduced
8419.9090	Other	20	15	-5	Reduced
8421.9990	Other	20	15	-5	Reduced
8448.4210	Reeds	20	15	-5	Reduced
8479.8960	Flat/Conical base silos for grain storage (WCO 59th Session)	—	0	new	New line under 8479.89
8483.4090	Other	20	15	-5	Reduced
8483.6099	Other	20	15	-5	Reduced
8483.9090	Other	20	15	-5	Reduced
8501.5230	Geared motors	20	15	-5	Reduced
8501.5290	Other	20	15	-5	Reduced
8504.2100	Power handling capacity not exceeding 650 kVA	20	15	-5	Reduced
8504.2300	Power handling capacity exceeding 10,000 kVA	20	15	-5	Reduced
8504.3300	Power handling >16 kVA but not exceeding 500 kVA	20	15	-5	Reduced
8504.3400	Power handling capacity exceeding 500 kVA	20	15	-5	Reduced
8524.1100	Of liquid crystals	20	15	-5	Reduced
8532.2900	Other	20	15	-5	Reduced
8535.3010	For a voltage upto 145 kV	20	15	-5	Reduced
8535.4010	For a voltage upto 245 kV	20	15	-5	Reduced
8536.2090	Other	20	15	-5	Reduced
8536.9090	Other	20	15	-5	Reduced
8537.2000	For a voltage exceeding 1,000 V	20	15	-5	Reduced
8546.9000	Other	20	15	-5	Reduced
8547.9000	Other	15	10	-5	Reduced
8609.0000	Containers for transport by one or more modes	10	0	-10	Reduced
8701.9400	Exceeding 75 kW but not exceeding 130 kW	10	0	-10	Reduced
8701.9500	Exceeding 130 kW	10	0	-10	Reduced
8704.6030	Electric Trucks (CBU), g.v.w. exceeding 5 tonnes	30	30	0	Description refined to g.v.w. exceeding 5 tonnes
8704.6040	Electric Trucks (CBU), g.v.w. not exceeding 5 tonnes	—	30	new	New line — split from 8704.6030 'Electric trucks (CBU)'
8716.2090	Other	15	0	-15	Reduced
8716.8090	Other	15	0	-15	Reduced

8716.9000	Parts	35	0	-35	Reduced
9406.9030	Silos	20	0	-20	Reduced
9620.0000	Monopods, bipods, tripods and similar articles	20	15	-5	Reduced
9923	(i) Currency Notes, unused stamps, (ii) Security threads and invisible fibers for manufacture of currency notes, subject to NoC from the State Bank of Pakistan and Pakistan Security Printing Corporation	0	0	Substitute	Substitute — Chapter 99 special classification
9942	(i) Following goods imported by Federal Government, Provincial Government or such states and territories as are or may be included in Pakistan, under technical cooperation (grant) for security purposes subject to NOC from Ministry of Interior and subject to the condition that the goods shall not be sold or otherwise disposed-of without prior approval of the FBR and payment of customs duties and taxes leviable at the time of import: - 1. Bulletproof Bus (PCT codes 8702.2090, 8702.3090, 8702.4090, 8702.9030, 8702.9040, 8702.9050, 8702.9090) 2. Bulletproof Hiace Van (PCT 8702.1090) 3. Bulletproof Coaster (PCT 8702.2090, 8702.3090, 8702.4090) 4. Bulletproof Double Cabin (PCT code 8704.2190) 5. Bulletproof SSUV (703.2260, 8703.2313, 8703.2323, 8703.2490, 8703.3223, 8703.3390) 6. Jammers (8543.7090) 7. Bulletproof Jacket (6210.4000) 8. Bulletproof Helmet (6506.1000); (ii) Bullet Proof Vehicles imported by the Federal Government for Shanghai Cooperation Organization (SCO) Summit logistics arrangements, on recommendation of the Ministry of Foreign Affairs and NoC from the Ministry of Interior & Narcotics Control; and (iii) Bullet-proof vehicles for use by any Federal or Provincial government department to address threat arising due to any terrorism related activity, on the recommendation of the Ministry of Interior and Narcotics, subject to the approval of the Federal government.	0	0	Substitute	Substitute — Chapter 99 special classification

4. Changes Proposed in the Fifth Schedule of Custom Act, 1969

Under Clause 4(14), the entire Fifth Schedule is proposed to be **substituted** by the version in the Second Schedule to the Bill (referenced to the new section 18(1A)). The substituted Schedule keeps its Part structure — starting with Part-I on import of plant, machinery, equipment and capital goods for various industries — with the usual local-manufacturing certification and online declaration conditions under section 155D.

The substantive policy changes from the Budget review of the exemption regime are:

Measure	Effect
Pruning of redundant concessions	Deletion of entries where concessionary CD equals or exceeds the First Schedule general tariff (no longer beneficial).
Cancer APIs	Exemption of Customs Duty on critical cancer-related Active Pharmaceutical Ingredients.
Construction vehicles	Customs Duty on specialised construction-related vehicles reduced from 20% to 10%.
Defence imports	Exemption of Customs Duty on defence imports.
Agricultural machinery	Exemption of CD, ACD and RD on import of agricultural machinery.
Bullet-proof vehicles	Exemption of CD for the SCO summit and for Federal/Provincial government use in the campaign against terrorism.

4.1 Part I — Plant, Machinery, Equipment & Capital Goods

- **Preamble / conditions** New proviso is proposed to be added after the local-manufacturing conditions: "the condition of local manufacturing shall not be applicable against Sr. No. 15A (oil refining) and 29 of the Table." (2025 had no such waiver for these serials.)
- **Sr. 5 — Hospitals / medical institutes (Equipment A):** sub-entry A(8) "Contrast Media Injections (for use in Angiography & MRI etc.)" (3822.1900 / 3822.9000, 5%) is now proposed to be Omitted.
- **Sr. 15A — Oil refining (Hydro-cracking):** condition is proposed to be changed from "Nil" to a full certification/disposal regime:
 - Ministry of Energy (Petroleum Division) must certify the refinery is an approved project under the relevant Petroleum Refining Policy, along with OGRA certification as the regulatory authority and Annex-B certification that goods are bona fide for use in petroleum oil refining;
 - adds the standard 10-year non-disposal / FBR-approval clauses, and notably specifies that on unauthorized disposal duties are recoverable at statutory rates "and at the current exchange rate" (new wording, not present anywhere in the 2025 schedule).
- **Sr. 21 — Solar energy items (item 6: machinery for manufacturing units of Solar Cells, Panels, Inverters & Batteries):** a large number of the listed manufacturing-equipment sub-items are proposed to be Omitted, e.g. laser cutting machine for cells, cell sorting machines & testers, conveyor belts, non-electric dryers, threading/tapping machines, brazing/soldering machines, SMT pick-and-place / wave-soldering machines, wire cutting & stripping, crimping machines, weighing kettles & conveying systems, high-speed homogenizer, DCS control components, pole-piece cathode/rolling machines, spot-welding plant, auxiliary equipment, and numerous battery test rigs (vibration/drop/crush/flame testers).

- **Sr. 27 — Construction-company vehicles (Dumpers, truck conveyors, transit/concrete trucks, crane lorries):** exempted rate of duty is proposed to be reduced from 20% to 10% across all six sub-items.
- **Sr. 39 — Tourism Projects:** the industrial-laundry block is proposed to be removed — items 16 (Washer Extractor), 17 (Flatwork Ironer), 18 (Dry-Cleaning Machine), 19 (Tumbler Dryer) and 20 (Other Laundry equipment & accessories) are now Omitted.

No new top-level serial numbers were added in Part I; the table still runs to Sr. 39.

4.2 Part II — Pharmaceutical APIs, Excipients, Drugs, Packing & Diagnostics

- **Table A — Active Pharmaceutical Ingredients (APIs) — major expansion:** Entries grew from 381 (2025) to 479 (2026) — roughly 98 new APIs added (all at 0% customs duty). The proposed additions are dominated by oncology / specialised drugs and pharmaceutical intermediates, including (selected):
 - Oncology & biologics: Asciminib, Abiraterone Acetate, Azacitidine, Bortezomib, Cabozantinib HCl, Capecitabine USP, Cisplatin, Carboplatin, Cyclophosphamide, Cytarabine, Daunorubicin, Doxorubicin, Epirubicin, Idarubicin, Imatinib Mesylate (β -form), Lenalidomide, Lenvatinib, Nilotinib, Olaparib, Osimertinib, Palbociclib, Pazopanib HCl, Pemetrexed Disodium, Mycophenolate Mofetil/Sodium.
 - Antibiotic / antiviral intermediates and other APIs: 6-APA, 7-ADCA and various cephalosporin/ penicillin/ fluoroquinolone intermediates, Ledipasvir/ Remdesivir/ Sitagliptin/ Montelukast/ Valsartan intermediates, Caffeine, Levofloxacin, Cefadroxil/ Ciprofloxacin/ Moxifloxacin/ Cefixime group, TMP technical, Sodium Fusidate (Sr. 479).
- **Tables B (Excipients/Chemicals) and C (Drugs):** No material changes proposed.
- **Table D (Packing Materials / Raw Materials for Packing):** No material changes proposed.
- **Table E — Diagnostic Kits / Equipment — entirely removed:** The whole table (67 entries such as bilirubin/ferritin/HCV/HIV/PCR/pregnancy/urine kits and reagents, previously at 5% with a few at 0%) is proposed to be "[Omitted]". The concessionary regime for diagnostic kits under the Fifth Schedule is proposed to be withdrawn.

4.3 Part III — Raw Materials/Inputs for Poultry & Textile Sectors; Other Goods

- This Part was heavily pruned. About 40 entries are proposed to be Omitted in 2026 (active in 2025):

Sr.	Item	Rate
1	Breeding bulls	0%
3	Bovine semen	0%
5	Spices (mixtures, Note 1(b) Ch.9)	11%
7	Sunflower seeds	0%
8	Mustard seeds	0%
9	Canola seeds	0%
10	Carrageenan Food Gel	11%
15	Mixes & doughs for bakers' wares	11%
20	Growth promoter premix	10%
21	Vitamin premix	10%
22	Choline Chloride	10%
23	Mineral premix	10%
24	Cattle Feed Premix	5%
25	Vitamin B12 (feed grade)	10%
26	Vitamin H2 (feed grade)	10%
28	Poultry feed preparation (coccidiostats)	10%
29	Calf Milk Replacer (CMR)	10%
30	Growth promoter premix (poultry feed)	5%
31	Unground (phosphate)	0%
32	Chrysotile Asbestos	15%
33	Phosphoric acid	0%
34	Ethylene	0%
35	Para-xylene / Acetic acid / Hydrogen Bromide / Palladium on carbon (Lotte)	0%
36	Ethylene Dichloride	0%
37	Ethylene glycol (MEG)	0%
39	Furazolidone (feed grade)	10%
40	Paprika Liquid	11%
41	Stamping Foils	0%
45	Pesticides (Agri. Pesticides Ordinance 1971)	0%
46	Other pesticides	0%
47	Herbicides/anti-sprouting/PGRs (3808.9310)	0%
48	Herbicides/anti-sprouting/PGRs (3808.9390)	0%
50	Linear Alkyl Benzene	0%
53	Polyamide-6/-11/-12 etc.	0%
54	Other polyamides in primary form	0%
55	Poly(methylene phenyl isocyanate) (crude/polymeric MDI)	5%
58	PE + NW laminate sheet	16%
70	Uncoated paper & paperboard (liquid-food packaging)	15%
110	Lithium iron phosphate battery (Li-Fe-PO4)	8%
154	Unmanufactured tobacco; tobacco refuse	5%

- **Sr. 96 (aluminium beverage cans):** both sub-items — aluminium-alloy coils (7606.1200) and aluminium lids (8309.9010) are now proposed to be omitted.
- **Sr. 104 (SIM/smart-card inputs):** the Glue-Tape-Lamination sub-item (5807.1030) proposed to be omitted.
- **Sr. 111 (diapers/sanitary napkins manufacturer):** several nonwoven sub-items (5603 series) proposed to be omitted.
- **Sr. 116 (home appliances):** refrigerant-gas R-410 and several other sub-items (e.g. copper capillary tube, inner-grooved tube, aluminium stucco sheet, filter driers and the LCD/LED glass-board item) proposed to be omitted.

4.4 Part IV — Machinery & Equipment for the Textile Sector — heavily cut

- The list of qualifying PCT codes (0% if imported by registered textile/apparel manufacturer-cum-exporters) is proposed to be reduced from 47 entries to 6. Retained: S.No. 15 (8446.1000), 16 (8446.2100), 44 (8448.3110), 45 (8448.3190), 46 (8448.3330), 47 (8502.1390).

4.5 Part V(A) — Electric Vehicles (EV) CBU & Parts (EV Policy 2020)

- **2-3 wheelers (auto-rickshaw, 3-wheeler loader, motorcycle):** The CBU/CKD concession window is proposed to be reset from "5 years w.e.f. 1 July 2020" to "from 1 July 2025 till 30 June 2027."
- **Sr. 7 (EV ≤ US\$50,000):** Concession is proposed to be extended to "w.e.f. 1 July 2022 till 30 June 2027" (was till 30 June 2026).
- **Sr. 8 and the Table-II 4-wheeler CKD concessions:** End-date proposed to be moved from 30 June 2026 → 30 June 2027.

4.6 Part VI — Aviation (National Aviation Policy 2023)

- **Sr. 1 (Aircraft, 0%):** the PIA-specific clause "on and from the 19th March, 2015" is proposed removed; the entry will reads that the exemption is admissible.

4.7 Part VIII — Joint Border Sustenance Markets

- No significant change proposed.

4.8 Fifth Schedule to the Customs Act, 1969 — Changes 2025 → 2026

Part	Serial / Item	Change type	2025	2026 / Effect
I (preamble)	Local-manufacturing conditions	Added	—	New proviso: condition not applicable to Sr. 15A and 29
I	Sr. 5 — A(8) Contrast Media Injections	Omitted	5% (3822.1900/3822.9000)	Omitted
I	Sr. 15A — Oil refining (Hydro-cracking)	Modified	Condition: "Nil"	OGRA / Ministry of Energy certification under Petroleum Refining Policy + 10-yr disposal regime; recovery "at current exchange rate"
I	Sr. 20 — item 6 (solar cell/panel/inverter/battery mfg machinery)	Partial omission	Many sub-items listed	Numerous sub-items omitted
I	Sr. 27 — Construction-company vehicles (all 6 items)	Rate Reduced	20%	10%
I	Sr. 39 — Tourism, items 16–20 (industrial laundry equipment)	Omitted	Active (various rates)	Omitted
II — Table A	Active Pharmaceutical Ingredients (APIs)	Expansion	381 entries	479 entries (~98 new APIs added at 0%; see "New APIs" sheet)
II — Table E	Diagnostic Kits / Equipment	Omitted	67 entries (mostly 5%)	Whole table removed — "[Omitted]"
III	Sr. 1, 3	Omitted	Breeding bulls / Bovine semen (0%)	Omitted
III	Sr. 5, 10, 15, 40	Omitted	Spices / Carrageenan / Mixes-doughs / Paprika (11%)	Omitted
III	Sr. 7, 8, 9	Omitted	Sunflower / Mustard / Canola seeds (0%)	Omitted
III	Sr. 20–26, 28–30, 39	Omitted	Feed premixes / vitamins / CMR / Furazolidone (5–10%)	Omitted
III	Sr. 31, 33	Omitted	Unground phosphate / Phosphoric acid (0%)	Omitted
III	Sr. 32	Omitted	Chrysotile Asbestos (15%)	Omitted
III	Sr. 34, 35, 36, 37	Omitted	Ethylene / Para-xylene group (Lotte) / EDC / MEG (0%)	Omitted
III	Sr. 41	Omitted	Stamping Foils (0%)	Omitted
III	Sr. 45, 46, 47, 48	Omitted	Pesticides / herbicides (0%)	Omitted
III	Sr. 50, 53, 54, 55	Omitted	Linear Alkyl Benzene / polyamides / MDI	Omitted
III	Sr. 58	Omitted	PE + NW laminate sheet (16%)	Omitted
III	Sr. 70	Omitted	Uncoated paper / paperboard (15%)	Omitted
III	Sr. 110	Omitted	Li-Fe-PO4 battery (8%)	Omitted
III	Sr. 154	Omitted	Unmanufactured tobacco (5%)	Omitted
III	Sr. 104, 108, 111, 116,	Partial omission	Various sub-items	Selected sub-items omitted
IV	Textile machinery list	Partial omission	47 entries (all 0%)	Only 6 retained (S.No. 15, 16, 44, 45, 46, 47); rest omitted
V(A)	2-3 wheeler EV CBU/CKD	Date change	"5 yrs w.e.f. 1 Jul 2020"	"1 Jul 2025 – 30 Jun 2027"
V(A)	4-wheeler EV (Sr. 7, 8, Table-II)	Date change	till 30 Jun 2026	till 30 Jun 2027
V(B)	Hybrid vehicles	No change	—	Unchanged
V(C)	Agricultural tractors	No change	—	Unchanged
VI	Sr. 1 — Aircraft	Clause removed	"admissible from 19 Mar 2015 (PIA)"	PIA-specific date clause removed
VII	Miscellaneous	No change	Omitted	Remains omitted
VIII	Border markets	No change	—	Unchanged

5. Changes Proposed in the Sales Tax Act, 1990

Clause 5 proposes twenty-two sets of amendments, grouped here as relief, revenue and streamlining/digitalization. The clause map is followed by detailed tables for definitions, penalties, anti-fraud offences and schedules.

Clause	Provision	Proposed Change
5(1)	Section 2	Several new definitions proposed to be added/amended. Tier-1 retailer changes (turnover > Rs. 200m).
5(2)	Section 6	Steel sector to be taxed on per-unit electricity consumption (adjustable; monthly refunds for integrated persons).
5(3)	Section 8B	Board empowered to enhance/reduce input-tax adjustment limit based on digital-integration compliance.
5(4)	Section 9	Debit/credit notes to be adjusted electronically as prescribed.
5(5)	Section 11H	Faceless audit and assessment introduced
5(7)	Section 23	Invoice to be required for exempt supplies; introduces advance receipt invoice with unique FBR number.
5(8)	Section 25	Re-audit/re-valuation by accountant/cost accountant; "audit report" wording; pre-deposit cut to 50%.
5(9)	Section 30AA	Faceless jurisdiction introduced.
5(10)	Section 30DDDB	Directorate General (Field Compliance), Inland Revenue establishes.
5(11)	Section 32C	National Faceless Centre established.
5(13)	Section 40C	Production monitoring/video analytics; non-compliant goods + conveyance liable to seizure/confiscation.
5(14)	Section 40F	Confiscated goods to be sold by public auction (including electronically, under PPRA Rules 2014), with a set order for applying the proceeds.
5(15)	Section 45C	Appeals under section 45B may be processed through the National faceless centre
5(16)	Sections 47AA & 47AAA	Algorithmic settlement mechanism introduced; Independent Case Scrutiny Committee established.
5(17)	Section 56B(3)	The Board can share sector-level sales-tax-return data among registered persons of the same sector under non-disclosure agreements.

6. Changes Proposed in the Third Schedule of Sales Tax Act, 1990

Around 20 categories of consumer goods are proposed to be added (S.Nos 56–75), so that sales tax is paid on retail/printed price at the import stage. The categories include:

S.No.	Description	HS Code
56	Vegetable and animal fats and oils, sold in retail packing.	Respective Heading
56	Sugar Confectionary, sold in retail packing.	Respective Heading
57	Pasta, whether or not cooked or stuffed (with meat or other substances) or otherwise prepared, such as spaghetti, macaroni, noodles, lasagne, gnocchi, ravioli, cannelloni; couscous, whether or not prepared, sold in retail packing.	19.02
58	Sauces, ketchup and other preparations therefor; mixed condiments and mixed seasonings; mustard flour and meal and prepared mustard, sold in retail packing.	Respective Heading
59	Fermented beverages, sold in retail packing.	Respective Heading
60	Petroleum jelly, paraffin wax, micro- crystalline petroleum wax, slack wax, ozokerite, lignite wax, peat wax, other mineral waxes, and similar products obtained by synthesis or by other processes, whether or not coloured, sold in retail packing.	27.12
61	Insecticides, rodenticides, fungicides, herbicides, anti- sprouting products and plant- growth regulators, disinfectants and similar products, put up in forms or packings for retail sale or as preparations or articles put up in forms or packings for retail sale.	38.08
62	Plates, sheets, film, foil, tape, strip and other flat shapes, of plastics, whether or not in rolls, sold in retail packing.	39.19, 39.20, 39.21
63	Tableware, kitchenware, plastic furniture, storage items, hygienic or toilet articles, and allied other household articles of plastics, sold in retail packing.	Chapter 39
64	Trunks, suit- cases, vanity- cases, executive- cases, briefcases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling- bags, insulated food or beverages bags, toilet bags, rucksacks, handbags, shopping- bags, wallets, purses, map- cases, cigarette- cases, tobacco- pouches, tool bags, sports bags, bottle- cases, jewellery boxes, powder- boxes, cutlery cases and similar containers, of leather or of composition leather, of sheeting of plastics, of textile materials, of vulcanised fibre or of paperboard, or wholly or mainly covered with such materials or with paper, put up for retail sale.	42.02
65	Footwear (all types)	Respective Heading
66	Bathroom accessories and bath items, sanitaryware including taps, showerheads, fittings, mixers, valves and other washroom accessories and fixtures, sold in retail packing	Respective Heading
67	Crockery Items, sold in retail packing	Respective Heading
68	Car and automobile accessories, sold in retail packing	Respective Heading
69	Milk, fat filled milk, preparations suitable for infants, and other products of milk, sold in retail packing	Respective Heading
70	Preparations for use on the hair, sold in retail packing	33.05
71	Pre- shave, shaving or after- shave preparations, personal deodorants, bath preparations, depilatories and other perfumery, cosmetic or toilet preparations, not elsewhere specified or included; prepared room deodorisers, whether or not perfumed or having disinfectant properties, sold in retail packing	33.07
72	Toilet or facial tissue stock, towel or napkin stock and similar paper of a kind used for household or sanitary purposes, cellulose wadding and webs of cellulose fibres, whether or not creped, crinkled, embossed, perforated, surface- coloured, surface- decorated or printed, in rolls or sheets, put up for retail sale.	4803.0000, 48.18
73	Jams, fruit jellies, marmalades, fruit or nut puree and fruit or nut pastes, obtained by cooking, whether or not containing added sugar or other sweetening matter, other fruit and vegetable preparations, sold in retail packing	20.07, 20.08
74	Household utensils, including Stainless steel, aluminum, melamine and other utensils and tableware.	Respective Heading

7. Changes Proposed in the Sixth Schedule of Sales Tax Act, 1990

- Below entries are proposed to be amended/ added in Table 1 of Sixth Schedule of Sales Tax Act.

Entry	Proposed Change	Description	HS Code
S.No 32	Substituted	Newsprint, books, and magazines but excluding brochures, leaflets and directories.	4902.1000 and 4902.9000
S.No 157	Substituted	Import of CKD (in kit form) of following electric vehicles (4 wheelers) by local manufacturers till 30th June 2027 : (i) Small cars/SUVs with 50 Kwh battery or below; and (ii) Light commercial vehicles (LCVs) with 150 kw	Respective headings
S.No 181	Substituted	Import or lease of aircrafts and parts thereof by Pakistan International Airlines Corporation Limited (PIACL) Provided that the custom authorities shall ensure that the quantities of things imported are limited to the requirements of materials and articles to be used in operations and maintenance of the aircrafts operated by the airline: Provided further that the ground handling equipment, service and operation vehicles, catering equipment and fuel trucks, not manufactured locally, and imported shall be used within airport premises as aforesaid.	8802.1200 8802.3000 8802.4000 8801.0000, 8802.2000, 8804.0000 8805.2900 8807.3000 9104.0010 8544.2000 7007.1900 and 9931.”
S.No 182	New Entry	Contraceptives	3926.9020 and 4014.1000
S.No 183	New Entry	Female Sanitary Pads / Tampons	9619.0030
S.No 184	New Entry	Imports of: – Tankers, – Dredgers, – Floating or submersible drilling, or production platforms, – Others floating structures and vessels. – Other vessels for the transportation of goods Excluding Cruise ships, excursion boats and similar vessels principally designed for the transport of persons; ferry- boats of all kinds Provided that the quantity of imported goods under this entry shall be approved by Ministry of Maritime Affairs	
S.No 185	New Entry	Import of bullet proof vehicles by the: (i) Federal Government for logistic arrangements for Shanghai Cooperation Organization (SCO) summit subject to the prior approval from the Ministry of Foreign Affairs and the Ministry of Interior and Narcotics Control (ii) By the Federal Government or Provincial Government for threat of terrorism against a public functionary as determined by the Ministry of Interior and Narcotics Control, subject to approval by the Federal Government.	

- Below entries are proposed to be added in Table 3 of Sixth Schedule of Sales Tax Act.

Entry	Description	HS Code	Condition
S.No 23	<p>Import of following machinery/ equipment for upgradation of existing refineries:</p> <ol style="list-style-type: none"> Reactors, Shell and Tube Exchangers, Vessels (Strippers/ Separators/ K.O. Drums), Trim Coolers, Air Coolers (Condensers), Fired Heaters, Centrifugal Pumps, Reciprocating Pumps, Centrifugal Compressors, Reciprocating Compressors, Steam Reformer Furnaces, Filters, <p>Provided that all such imports shall be essentially made for expansion of balancing, modernization, and rehabilitation of existing refineries and the quantity imported by each refinery shall be approved by Ministry of Petroleum and Natural Resources.</p>	<p>8419.8990, 8419.5000, 8419.8990, 8418.6990, 8419.8990, 8417.8000, 8413.7090, 8413.5000, 8414.8090, 8414.8090, 8417.8000, 8421.3990</p>	The goods shall be imported directly by the refinery after approval by the division concerned.
S.No 24	Import of machinery, equipment, raw materials, components and other capital goods, by Karachi Shipyard and Engineering Works Limited	Respective headings as approved by the concerned Division	The Division dealing with the subject matter shall certify in the prescribed manner and format as per Annex-B that the imported goods are bona fide requirement. The authorized officer of the Ministry shall furnish all relevant information online to Pakistan Customs Computerized System against a specific user ID and password obtained under section 155D of the Customs Act, 1969.”;

8. Changes Proposed in the Eight Schedule of Sales Tax Act, 1990

- Below entries are proposed to be substituted in Table in the Eight Schedule of Sales Tax Act.

Entry	Description	HS Code	Rate of Sales Tax	Condition
S.No 71	Following locally manufactured or assembled electric vehicles (4 wheelers) till 30th June, 2027: (i) Small cars/ SUVs with 50 Kwh battery or below; and (ii) Light commercial vehicles (LCVs) with 150 kwh battery or below	Respective heading	1%	If supplied locally
S.No 80	EV transport buses of 25 seats or more and Electric Trucks in CBU condition	8702.4090 8704.6030	1%	

9. Changes Proposed in the Twelfth Schedule of Sales Tax Act, 1990

- New provisos imposing **3% value-addition tax** where imported goods are supplied in the same state, and **prosecution** where the waiver is abused and more than 50% of a year’s imports are on-sold unchanged.

10. Changes in the Federal Excise Act, 2005 (Clause 7)

10.1 Revenue measures

- **S. No. 7a Table -1:** FED applicable on Acetate Tow has been proposed to be reduced to Rs. 10,000/ KG from Rs. 44,000/ KG.
- **S. No. 8a Table – 1:** FED applicable on E-Liquids for electric cigarette kit has been proposed to be fixed at Rs. 16,500/ KG.
- **S. 55 and 55b Table – 1:** FED applicable on imported and locally assembled motor cars, SUVs and other motor vehicles, excluding auto rickshaws, principally designed for the transport of persons has been proposed to be extended till 30th June 2027.
- **S. No. 59 Table – 1:** The bill has proposed to exclude hydration drinks or electrolyte beverages specifically formulated to support hydration, electrolytes replenishment not containing sugar exceeding 5g/100 ml or artificial sweetener from currently applicable FED under S # 59 of 1st Schedule of FED Act.
- Below entries are proposed to be added/substituted in Table 1 in the First Schedule of Federal Excise Act, 2005

Entry	Proposed Changes	Description	HS Code	Rate of Sales Tax
S.No 55	Substituted	Electric cars, electric SUVs, and electric pickup vehicles, imported for personal use in CBU condition, of import value including Custom Duty:- (a) Not exceeding PKR 20 million (b) exceeding PKR 20 million and upto PKR 30 million (c) exceeding PKR 30 million	Respective Heading	0% 30% 40%”
S.No 63	Substituted	Lubricating oil and base lubricating oils	2710.1951 2710.1952 2710.1953 2710.1993	Five percent ad valorem
65	Added	(i) Petroleum top Naphtha (ii) White Spirit/Mineral Turpentine Oil (MTT) (iii) Solvent Oil	2710.1942 2710.1240 2710.1250	(i) Rs. 80 per liter (ii) Rs. 80 per liter (iii) Rs. 80 per liter.”;

- After Table-1, the following new Table 1A has proposed to be inserted

S. No.	Description	Heading/ sub-heading Number	Rate of Duty
1.	Imported motor cars, SUVs and other motor vehicles, excluding auto rickshaws, principally designed for the transport of persons (other than those of headings 87.02), and till the 30th day of June 2027 electric vehicles (4 wheelers) including station wagons, double cabin (4x4) pickup vehicles and racing cars: (a) of cylinder capacity exceeding 2000cc but not exceeding 3000cc (b) of cylinder capacity exceeding 3000cc	87.03 8704.2190 8704.3190	40% ad val. 41% ad val

- **In the 3rd Schedule, Table – I:** It is proposed to exempt Federal Excise Duty on import of bullet proof vehicles for Shanghai Cooperation Organization (SCO) Summit and for the import of bullet proof vehicles by Federal or Provincial government, for the on-oing war against terrorism.