

**Circular to members # 176/2026-27**

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## ***PBC calls for tax policy reforms, compliance framework***



The Pakistan Business Council (PBC) has unveiled a comprehensive set of proposals for the Federal Budget 2026-27, calling for wide-ranging reforms in tax policy, compliance framework and investment environment to support documented businesses and promote sustainable economic growth.

In its detailed submission, the PBC stressed the need to reduce excessive discretionary powers of tax authorities, simplify procedures, and create a predictable fiscal regime. The Council argued that the current tax structure discourages documentation and investment due to frequent policy changes and intrusive enforcement practices.

A key concern raised by the PBC relates to Section 122(5A) of the Income Tax Ordinance, which empowers tax officials to repeatedly amend already concluded tax assessments. The Council noted that such unlimited powers create uncertainty for taxpayers even years after filing returns. It proposed that amendments under this section should be restricted only to matters that have been conclusively decided in favour of the Federal Board of Revenue (FBR) by higher courts, thereby ensuring finality and legal certainty.

The business body also strongly criticised Section 8B of the Sales Tax Act, describing it as outdated and counterproductive. It argued that the provision, which restricts input tax adjustment, results in accumulation of refundable credits and liquidity constraints for compliant businesses, particularly listed and loss-making companies. According to the PBC, the original objective of curbing fake invoicing has largely been addressed through digitisation and integration of tax systems, making the continuation of Section 8B unnecessary.

Highlighting loopholes in the system, the Council pointed out that many commercial importers are misusing “manufacturer” status to avail lower customs duties and tax concessions. To address this, it recommended stricter registration checks, including verification of electricity and gas consumption, production capacity, and supply chain linkages through the FBR’s IRIS system. Such measures, it said, would help protect genuine manufacturers and curb revenue leakages.

On audit practices, the PBC called for rationalisation of sales tax audits, proposing that they should be conducted once every four years in line with income tax audit provisions, instead of the current practice of frequent and repetitive audits. It maintained that excessive audits increase compliance costs, disrupt business operations and create opportunities for harassment.

The Council also underscored the issue of delayed tax refunds, which it said locks up significant working capital of businesses. It proposed allowing cross-adjustment of verified and approved refunds against outstanding liabilities across various tax heads, including income tax, sales tax and customs duty. This, it argued, would ease liquidity pressures and improve cash flow for the corporate sector.

In addition to tax administration reforms, the PBC placed strong emphasis on environmental sustainability and climate resilience. It recommended abolishing sales tax withholding on purchases from registered recycling sector entities to encourage documentation and growth of the circular economy.

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Nadia Iqbal Soomro  
Deputy Secretary  
021-34544035 Ext: 103