Tax Expenditure 2026

Tax expenditure has been estimated at Rs 2,353 billion. Detailed estimates are highlighted below:

Income Tax

Tax expenditure in respect of income tax has been reflected in Table 1:

Table 1: Income Tax Expenditure Summary Rs million

Tax Heads	FY 2025
Exemptions Under Part VII of Chapter III	0
Deductible Allowances	4,014
Tax Credits	75,940
Exemption from Total Income	437,996
Reduction in Tax Rates	50,712
Reduction in Tax Liability	10,911
Exemption from Specific Provisions	125
SROs Related Exemptions	-
Total Income Tax Expenditure	**579,698**

Sales Tax

Sales tax-related tax expenditures are presented in Table 2:

Table 2: Sales Tax Expenditure Summary Rs million

Tax Heads	FY 2025
Fifth Schedule (Zero Rating)	8,774
Sixth Schedule (Local supplies)	305,628
Sixth Schedule (Imports)	261,324
Eighth Schedule (Reduced Rates)	635,841
Ninth Schedule (Cellular Mobile Phones)	0
Twelfth Schedule (Additional Tax)	57,879
SROs (Local supplies)	3,802
SROs (Import)	729
Various Sections (Zero Rating)	0
Total Sales Tax Expenditure	1,273,977

Customs

Following is the break-up of the tax expenditure of Customs Duties presented in Table 3:

Table 3: Customs Duty Expenditure Summary Rs million

Tax Heads	FY 2025
Chapter - 99	17,710
FTA & PTA	0
Fifth Schedule	205,655
General Concessions: Automobile sector, E&Ps, CPEC, etc.	275,772
Exports	0
Total Customs Expenditure	**499,136**

The following is the consolidated summary of tax expenditure reflected in Table 4:

Table 4: Tax Expenditure Estimates Rs billion

Tax Heads	FY 2025
Income Tax	579.7
Sales Tax	1,273.98
Customs Duty	499.14
Overall Tax Expenditures	**2,352.81**