

TAG NEWS UPDATE

February 2026

Economy During War-Time

Welcome to the February 2026 edition of our newsletter, where we bring you the latest updates and changes in the realms of labor law, income tax, and sales tax. Stay informed on the critical developments that can impact your business operations and compliance strategies.



Labour Law Updates: Punjab Labour Code 2026

The Punjab Labour Code 2026, effective from February 10, 2026, introduces significant changes in the labor landscape in Punjab. Here's a quick rundown of the most important updates:

1. Minimum Wage Update

Punjab has increased the minimum wage for daily-wage workers across all skill levels:

- **Monthly minimum wage:** PKR 40,000
- **Skilled workers:** PKR 1,975/day
- **Semi-skilled workers:** PKR 1,558/day
- **Unskilled workers:** PKR 1,538/day

Enforcement measures are now more stringent, with active monitoring by labor inspectors to ensure compliance.

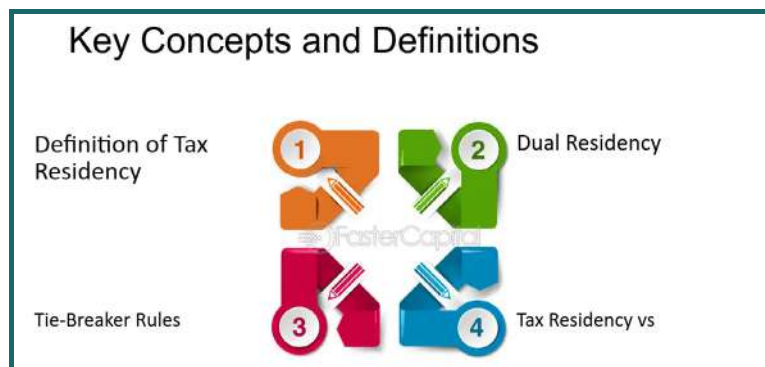
2. Punjab Labour Code

The Punjab Labour Code 2026 consolidates multiple outdated labour laws into a single legal framework, aiming to simplify regulations and enhance enforcement.



3. Protection of Home-Based Workers

The Punjab Home-Based Workers Act continues to be implemented, offering protection and benefits like social security, maternity benefits, medical care, and injury compensation.



4. Key Definitions

The Code introduces clear definitions for important terms such as "accident," "employer," "employee," "worker," and "wages," which will directly impact payroll calculations, leave entitlements, and terminations.



5. Statutory Penalties for Non-Compliance

Significant penalties for non-compliance have been introduced for violations like failing to comply with working hours, rest intervals, and non-payment of overtime wages.



Income Tax Updates

In the world of income tax, the Federal Board of Revenue (FBR) has made notable changes:

1. Revision of Property Values

The FBR issued S.R.O. 163(I)/2026 on February 2, 2026, revising the fair market value for immovable property. The updated valuation for properties in Islamabad and Sialkot is now in effect.

2. E-Invoicing in Income Tax

The FBR is moving toward a digital economy by mandating e-invoicing and online integration of specific businesses, including retailers, service providers, and institutions, with the FBR's computerized system. The new framework, effective under SRO 288(I)/2026, aims to increase transparency, enhance compliance, and improve the documentation of the economy.



Sales Tax Update

The FBR has introduced several changes in the sales tax landscape for February 2026:

1. Adjustment of Inadmissible Input Tax

FBR has introduced a provision allowing taxpayers to adjust previously claimed inadmissible input tax in their current sales tax returns. This update will simplify the process for rectifying mistakes without revising past returns.

2. Sales Tax Withholding for E-Commerce

With the introduction of sales tax withholding at 2% for digital goods under the Finance Act 2025, FBR has added a new section to the sales tax return, allowing e-commerce businesses to adjust the sales tax withheld by intermediaries (like payment processors and delivery service providers).

3. Input Tax Adjustments for Auction Goods by FTN Holders

FBR has launched an online IRIS application for the adjustment of input tax for goods purchased in an auction by FTN (Free Tax Number) holders. Taxpayers are advised to apply promptly for these adjustments.

We hope this update helps you stay on track with the evolving legal landscape. For any questions or personalized consultations on these updates, please feel free to contact TAG & CO. Chartered Accountants.

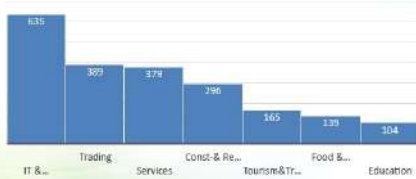


SECP New Company Registrations During February 2025

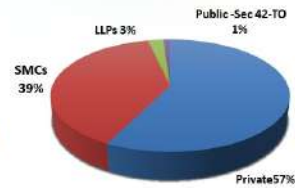
New Companies Registered
3,046

Total Registered Companies
246,608

Incorporation by Sector



Incorporation by Type



www.secp.gov.pk

SECP Updates February 2026

Conversion of Physical Shares

CDC has announced a fee relief package, at SECP's request, to help unlisted companies convert physical shares into electronic (book-entry) form. Companies are encouraged to complete the dematerialization process within the prescribed timeframe.



Foreign Investment in Pakistan

Over the last three years, 79 foreign companies have started operations in Pakistan with investments of around Rs 40.7 billion in sectors such as energy, logistics, IT, and agriculture, reflecting growing investor confidence.



Stamp Duty Waiver for Corporate Mergers

The Punjab Government has waived stamp duty on property transfers arising from court-approved mergers and SECP-approved schemes of arrangement, reducing restructuring costs for companies.



Corporate Growth

SECP registered 3,444 new companies in February 2026, bringing the total to 287,049 companies. Out of these, 82 companies include foreign shareholding, indicating continued international investment interest.



1. Strong Remittance Inflows & External Sector Signals

- Pakistan received around \$3.3 billion in foreign remittances in February 2026, with a notable contribution from Pakistani expatriates in the United Arab Emirates, Saudi Arabia, and other Gulf states.
- Remittances continue to be a critical source of foreign exchange, helping support reserves and the overall balance of payments position.

Comparative Annual Figures:

FY 2025: Pakistan received around USD 30.3 billion in total remittances.

FY 2024: Remittances were approximately USD 27.3 billion.

Monetary Policy and Inflation Control



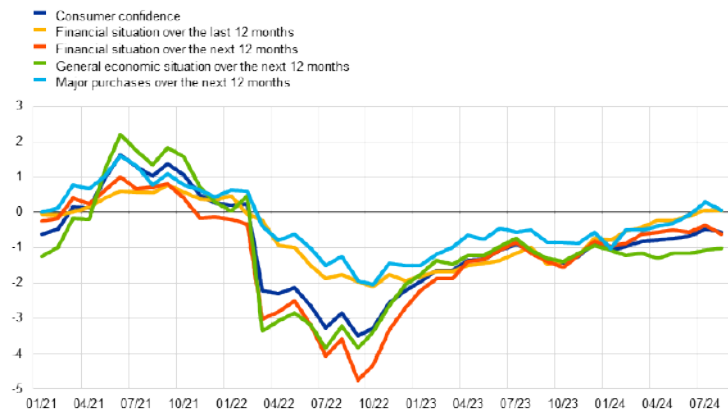
2. Monetary Policy and Inflation Outlook

- The State Bank of Pakistan (SBP) maintained its policy rate at 10.5% in early March following the February decision, citing external risks and inflation pressures from rising global energy prices.
- Inflation rose to about 7% in February, up from 5.8% in January, with core inflation near 7.6%, reflecting pass-through from higher fuel prices and import costs.



3. IMF Discussions & Reform Program Progress

- Pakistan engaged with the International Monetary Fund (IMF) on the third review of the Extended Fund Facility (EFF) and second Resilience & Sustainability Facility (RSF). Progress was acknowledged, with discussions continuing into March.
- Talks have focused on fiscal consolidation, tight monetary policy, energy sector viability reforms, structural reforms, and mitigating the impact of global developments (especially energy market volatility).



5. Consumer Confidence & Economic Sentiment

A market survey (conducted in early February) showed a rise in consumer confidence, increasing about 4 percentage points over two years, indicating improving public sentiment alongside structural stabilization efforts.



4. Government Policy Engagements & Export Agenda

- The Ministry of Finance held meetings with textile exporters and banking leaders to strengthen export competitiveness, support industrial growth, and refine policy frameworks for investment and trade.



6. Geopolitical Energy Shock & Economic Risks

- While not a purely domestic economic event, heightened geopolitical tensions in the Middle East (notably disruptions to Strait of Hormuz shipping) in February spilled over into Pakistan's economic landscape:
 - Pressure on fuel prices and inflation.
 - Initiatives by the government and the Navy to secure energy supply routes took shape in early March, rooted in February-era developments.
- These risks have raised concerns among policymakers and analysts about inflation persistence and external stability

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IMPACT ON PAKISTAN ECONOMY OF IRAN AND US WAR

1. Inflationary Pressure

The conflict is likely to exert upward pressure on inflation through increased import costs and supply chain disruptions. A rise in global commodity prices and freight charges may translate into higher domestic prices of essential goods. Consequently, cost-push inflation may intensify, affecting both consumers' purchasing power and business operating costs.

2. Monetary Policy (Interest Rate)

In light of rising inflationary expectations, the State Bank of Pakistan may adopt a cautious stance in its monetary policy. The possibility of further reduction in policy rate may be limited, and in case of persistent inflationary pressure, tightening measures cannot be ruled out. This may increase the cost of borrowing and impact investment activities.

3. Exchange Rate (PKR vs USD)

The external account of Pakistan may come under stress due to higher import payments and reduced foreign inflows in uncertain global conditions. This may put pressure on the Pakistani Rupee against the US Dollar. A weaker currency further amplifies imported inflation and increases the burden of servicing external debt.

4. Energy and Fuel Prices

International market volatility may lead to higher domestic fuel and energy prices. Any upward revision in these prices has a cascading effect on transportation, electricity generation, and industrial production, thereby increasing overall cost structures in the economy.



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