

TAG NEWS UPDATE

[OCTOBER 2026]

TAG INSIGHT

FISCAL AND ECONOMIC UPDATES FOR SEPTEMBER 2026



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THE QUARTER IN NUMBERS

10.3%

CPI inflation, September
(YoY)

11.5%

SBP policy rate, held 14
Sep

\$21.44bn

SBP reserves, 25 Sep

Rs276.79

PKR per US\$, 2 Oct

HIGHLIGHTS

RETURN DEADLINE EXTENDED.

Tax Year 2026 returns due 30 September may now be filed by 15 October 2026.

FACELESS AUDITS ARRIVE.

FBR has notified faceless audit and assessment rules for income tax, sales tax and federal excise. They apply only to cases the Board assigns.

SOCIAL MEDIA INCOME.

Creators are taxed on a views-based minimum income of Rs,195 per 1,000 YouTube views, with expenses capped at 30%.

AMLA AND TAX.

The Lahore High Court has held that I&I can act under AMLA without waiting for a tax assessment.

COMPANY FILINGS.

AGMs for 30 June year-ends are due by 28 October, with annual and UBO returns 30 days later.

ECONOMY.

Inflation reached 10.3% in September; the policy rate was held at 11.5%.

PAKISTAN ECONOMIC OUTLOOK

Quarter ended 30 September 2026

Pakistan ended the first quarter of FY27 (July–September 2026) with a strong external buffer but a sharp return of inflation. Headline CPI averaged 10.2% for the quarter, against 4.3% a year earlier, as Middle East conflict pushed up fuel and electricity costs. The State Bank held the policy rate at 11.5%, while reserves climbed to \$21.4bn on a \$3bn Eurobond and strong remittances. The trade deficit widened, so the current account remains the number to watch.

KEY INDICATORS

INDICATOR	LATEST	AS OF	COMPARISON
CPI inflation (YoY)	10.3%	Sep 2026	11.1% in Aug; 5.8% in Sep 2025
CPI inflation, Q1 average	10.2%	Jul-Sep 2026	4.3% in Jul-Sep 2025
SBP policy rate	11.5%	Held 14 Sep 2026	Unchanged; 7 of 10 MPC members in favour
SBP FX reserves	\$21.44bn	25 Sep 2026	Total liquid reserves \$26.77bn
PKR/USD (interbank)	Rs276.79	2 Oct 2026	SBP weighted-average bid rate
Current account	-\$543m	Jul-Aug 2026	-\$853m in Jul-Aug 2025
Workers' remittances	\$7.29bn	Jul-Aug 2026	+14.7% YoY
Exports	\$8.43bn	Jul-Sep 2026	+10.8% YoY
Imports	\$19.22bn	Jul-Sep 2026	+13.2% YoY
Trade deficit	\$10.79bn	Jul-Sep 2026	+15.1% YoY
KSE-100 index	168,637	2 Oct 2026	Briefly above 170,000 that day

September current-account and remittance data are due from the SBP in mid-October.

WHAT DROVE THE QUARTER

- **Energy-led inflation.** Inflation rose from 9.2% in July to 11.1% in August after conflict in the Middle East disrupted oil and LNG supply through the Strait of Hormuz. In September, food inflation eased to about 8%, but non-food inflation rose to 11.5% (urban) and 13.1% (rural). Electricity charges rose 15.3% month-on-month, and transport costs are up 27.4% year-on-year.
- **A cautious central bank.** The SBP held the policy rate at 11.5% and expects inflation to ease to the upper end of its 5–7% target by June 2027. It projects FY27 GDP growth at 3.5–4.5%, after 3.7% in FY26.
- **Stronger external buffers.** A \$3bn Eurobond and SBP dollar purchases lifted reserves to \$21.4bn. Remittances of about \$3.6bn a month kept the current-account deficit at \$543m in July–August, below last year's \$853m.
- **Fiscal support.** The SBP transferred a Rs1.9tn profit to the government, against Rs1.4tn in the budget, and tax collection was on target in July–August.
- **Trade under strain.** Exports grew 10.8%, but imports grew faster on costlier energy, so the quarterly trade deficit reached \$10.8bn. Exporters cite high costs, higher shipping charges, the halt in Afghan trade and delayed tax refunds.
- **IMF engagement.** A visiting IMF mission praised Pakistan's handling of fuel prices without budget strain or shortages. It pressed for faster gas-sector reform, where circular debt stands at Rs3.6tn; power-sector circular debt was Rs1.68tn at end-June.

OUTLOOK FOR OCTOBER–DECEMBER 2026

Inflation is likely to stay near 10% in the coming months. The policy rate is likely to stay at 11.5% until price pressures clearly ease, and a rate cut looks unlikely before 2027. Growth should hold near the SBP's 3.5–4.5% range if energy supply stays stable.

RISKS TO WATCH

- Oil and LNG prices, and safe passage through the Strait of Hormuz. October LNG cargoes are still being negotiated.
- Further electricity and gas tariff increases tied to IMF reforms. Petrol is already Rs392.76 per litre and LPG rose 8% ahead of winter.
- A widening trade deficit undoing the current-account improvement that remittances have delivered.
- Possible El Niño weather affecting crops and food prices.

WHAT IT MEANS FOR BUSINESSES AND HOUSEHOLDS

Plan for high financing costs to persist through year-end. Budget for higher utility and fuel bills. Exporters should factor longer shipping times and refund delays into their cash flow.

02 INCOME TAX

INCOME TAX

September 2026

FBR notified the final faceless audit and assessment rules, a views-based method for taxing social media income of residents and non-residents, an amendment to the DNFBP sanctions notification, and a two-week extension for Tax Year 2026 returns.

FACELESS AUDIT

KEY PROVISIONS:

- The rules apply only to those persons, incomes or cases that the Board specifically assigns to the Center under Section 122E(2). They start on the date the Board announces in the Gazette, which can differ for different types of cases.
- Audits under sections 177 and 214C; proceedings and orders under section 111 (unexplained income or assets); assessments, amended assessments, best judgment and provisional assessments (including sections 120, 121 and 122); and related steps such as notices under sections 176 and 177, collecting information, and imposing penalty or default surcharge. If a case is shared ("concurrent jurisdiction"), the powers not given to the Center stay with the regular Commissioner.
- Every notice, order, requisition, audit report or other communication from the Center must be generated on the FBR system, carry a Digital Identification Number (DIN), and be served in the manner provided in section 218.
- All replies, documents, evidence and applications from the taxpayer or the authorised representative must be submitted through the taxpayer's IRIS account, in the format specified by the Board.

- The Unit Officer may issue further notices, collect information from third parties, ask for physical verification, ask for expert help (valuation, forensic or sector experts) and require a statement on oath to be recorded through E-hearing. After considering the taxpayer's explanation, the officer issues the audit report with findings and reasons for rejecting any explanation. Where section 111 applies, the officer issues the notice, takes the taxpayer's reply and passes the findings to the Assessment unit. Once the audit report is issued, the audit work is complete and the case moves automatically to the officer doing the assessment.
- If an officer thinks the business, assets, investments or expenditure need to be checked on the ground, the officer records the reasons and sends the request to the Chief Commissioner of the Center, if approved, he can carry out the verification.
- A separate officer or unit reviews audit reports, adjudication notices and assessment orders against the law and facts, and may give observations to the Unit Officer to improve quality.
- The Chapter is not yet operational. It applies only after the Board notifies a commencement date and only to the persons, incomes or cases the Board assigns to the Center, so taxpayers should watch for further Gazette notifications.
- For assigned cases, taxpayers will no longer deal with a local tax officer. Notices will arrive through IRIS and all replies, documents and applications must be filed through the taxpayer's IRIS account, so the account and the authorised representative's access should be kept active and checked regularly.
- The Board can move a case between the Center and the regular Commissioner, so taxpayers should read each notice carefully to identify which authority is acting.

NON-RESIDENTS EARNING FROM SOCIAL MEDIA CONTENT

KEY PROVISIONS

- **Application and scope (Rules 19J and 19K).** The chapter covers non-resident persons earning income from social media content, to the extent that income is Pakistan-source under section 101(3B)(b) and the user threshold below is met.

WORKED EXAMPLE: 1,000,000 VIEWS IN A YEAR

Deemed remuneration: $\text{Rs}195 \times (1,000,000 \div 1,000)$	Rs195,000
Less: expenses, capped at 30% of revenue	(Rs58,500)
MINIMUM TAXABLE INCOME	Rs,136,500-/

If actual earnings were only Rs, 150,000-/ the higher deemed figure of Rs195,000 is still used unless the creator proves otherwise to the Commissioner. Tax on the minimum income is then worked out under the Ordinance, as the rules do not state a rate.

WHAT THIS MEANS FOR YOU

- Non-resident creators with more than Rs,50,000-/ users in Pakistan in a tax year, or more than 12,250 in any quarter, are now within the scope of Pakistani tax on the Pakistan-source part of their social media income.
- Quarterly advance tax and a special part in the annual return are required, so affected creators should register and plan filings accordingly.
- Expenses are limited to 30% of revenue, which may be lower than the real cost of producing content.

S.R.O. 1641(I)/2026 · NEW CHAPTER IIA, INCOME TAX RULES 2002

RESIDENTS EARNING FROM SOCIAL MEDIA CONTENT

WHAT THIS MEANS FOR YOU

- Every resident earning from social media content in Pakistan is covered, regardless of audience size, so even small creators should check their position.
- The same illustration applies as for non-residents: Rs,1,000,000-/ views give deemed remuneration of PKR 195,000-/, expenses are capped at 30% of revenue (PKR 58,500-/), and minimum income is PKR 136,500-/.
- Creators must pay advance tax each quarter and report the income in the special part of the return. A short declaration can be corrected by the Commissioner and the shortfall recovered.
- Creators whose actual earnings are lower than the views-based estimate should maintain platform statements, bank records and other evidence to satisfy the Commissioner.
- The notification does not state a commencement date, so the effective date should be confirmed from the Official Gazette publication.

S.R.O. 1659(I)/2026 · AMENDMENT TO S.R.O. 290(I)/2023

DNFBP PENALTIES RECOVERABLE FROM PERSONS HOLDING THEIR MONEY

WHAT THIS MEANS FOR YOU

- The change is mainly one of coverage and wording: Chapter XVI-A is now expressly included in the earlier notification, and its heading now refers to recovery of monetary penalties from persons holding money on behalf of a DNFBP.
- This indicates that monetary penalties imposed on a DNFBP for AML/CFT non-compliance may be recovered not only from the DNFBP but also from third parties holding its money, such as banks or other persons, using the recovery mechanism of that chapter.
- DNFBPs, such as dealers in precious metals and stones, real estate agents and accountants, should treat AML/CFT penalties as recoverable through this route and ensure timely compliance with the Regulations to avoid penalties.

TAX YEAR 2026 RETURN DEADLINE EXTENDED TO 15 OCTOBER

KEY POINTS

- **Who benefits.** The extension is for persons who were required to file their returns by 30th September, 2026. Taxpayers with a different due date are not covered by this circular.

ELECTRONIC SCRUTINY: SYSTEM-GENERATED INTIMATIONS BEFORE ACTION

WHAT THIS MEANS FOR YOU

- Registered persons should regularly check their IRIS account for system-generated advice or intimations, because the response period starts running from the intimation and is at least seven days.
- The rules give a chance to correct errors before any legal or penal action. Responding on time, with a clear explanation or a corrected return, can avoid escalation.
- A reminder is meant to follow if there is no response, but registered persons should not rely on it and should reply within the first period given.
- Every intimation, reply and action is recorded and shared with the jurisdictional officer, so a reply should be accurate and supported by documents.
- Mismatches between returns and other available data are likely to be flagged, so returns should be reconciled before filing.
- The rules do not say that action cannot follow if the issue is not resolved. The officer may still take action under the Act after analysing the response, or the lack of one.

E-INVOICING EXTENDED TO FEDERAL EXCISE AND ICT SERVICES TAX

WHAT THIS MEANS FOR YOU

- Manufacturers and other persons liable to Federal Excise duty, and service providers taxable under the ICT Ordinance, may be brought into electronic invoicing and integration with the FBR system, to the extent those laws make the common system applicable.
- A business already integrated for sales tax does not need a second technical integration for Federal Excise duty or ICT tax on services, and a single invoice can show all applicable taxes separately.
- Invoicing software and ERP systems should be updated to capture the new Federal Excise duty fields (duty type, rate, price per unit, amount, and SRO or Schedule reference and serial number).
- Debit notes, credit notes and advance receipt invoices must be issued electronically and records kept for six years.
- Invoices generated through the system must match what is declared in returns (including Annex-C). If an invoice is not accounted for, the officer can compute and recover the tax or duty and also take penal action, unless the invoice was cancelled through a legally approved mechanism.
- Audit and access to records for Federal Excise and ICT purposes follow their own laws, but the FBR can still carry out technical audits of the common e-invoicing system.
- The notification does not state a commencement date, and the extension applies only as far as the Federal Excise Act or the ICT Ordinance makes it applicable, so the effective date and scope should be confirmed from the Gazette and the related notifications.

SEALING OF PREMISES, PRODUCTION MONITORING AND SEIZURE OF GOODS

WHAT THIS MEANS FOR YOU

- Non-integrated persons other than Tier-1 retailers who are required to integrate or install monitoring now face a clear sealing procedure, and should treat integration deadlines as a serious compliance matter.

- Sealing needs a written order of the Chief Commissioner, a copy of which must be served before execution. If the failure was caused by a system fault, a vendor problem or a power or telecom outage, the person should record and report it, because the Commissioner must verify such claims during the inquiry.
- Sealed premises can be reopened only after the penalty is paid and the system is installed and certified error-free, so integration should be completed quickly.
- Manufacturers of specified goods must buy monitoring equipment only from Board-approved vendors, give access for inspection and maintenance, and not run production outside the system.
- Tax stamps, banderoles, stickers, labels or barcodes must be affixed before goods leave the premises. Unmarked goods, and the vehicles carrying them, can be seized and confiscated.
- Goods taxed on retail price must have the retail price printed as the Act requires. Otherwise they can be confiscated, though redemption on payment of a fine of at least twenty percent of the retail price may be allowed.
- Anyone whose goods or vehicle are seized should note the short timelines: a show-cause notice within seven days, at least fourteen days to reply, and adjudication within thirty days (extendable by fifteen). They should also ensure that the inventory and seizure memo are accurate and that appeal rights under the Act are preserved.
- The notification does not state a commencement date, and the Board will set start dates for monitoring by notification or special order, so the effective date for each sector should be confirmed.

MINIMUM VALUE FOR EDIBLE OIL AND GHEE

WHAT THIS MEANS FOR YOU

- Manufacturers and suppliers of edible oil and ghee cannot charge sales tax on a value lower than the minimum value for their brand category, even if their actual selling price is lower.
- The category of the brand decides the percentage (100%, 93% or 85%), so producers should confirm which category their brand falls in. Brands not listed in Category A or B fall in Category C.
- The Rs. 25 per kg reduction is available only to registered persons compliant with digital invoicing and the production monitoring system, so non-compliant persons will have a higher minimum value of Rs. 25 more per kg.
- The minimum value must be recalculated every month from the PBS weekly SPI published in the last week of the preceding month. For example, the September 2026 figures of Rs. 588, Rs. 547 and Rs. 500 follow the August example given in the notification.
- Where the actual selling value is higher than the minimum value, tax is payable on the actual higher value.
- The notification covers tax periods up to November 2026, so producers should watch for an extension or a revised notification after that.

PUNJAB CESS ON GOODS (ACT XXX OF 2015)

The amendment to Section 3 of Act XXX of 2015 imposes a 0.90% Punjab Cess on the customs-assessed value of goods manufactured, produced, consumed, imported into, or exported out of Punjab, whether or not customs clearance happens in Punjab. The Pakistan Single Window (PSW) portal is integrated with the Punjab Revenue Authority (PRA), so invoice details are expected to reflect electronically for computing, reporting, and collecting the cess. The document recommends treating the cess as a valid levy for taxpayers within scope and following the compliance requirements.

04 CORPORATE & REGULATORY

SECP, SBP, PSX AND LABOUR LAW UPDATES

September 2026

The most significant changes in SECP, SBP, PSX and labour law requirements for September 2026, from S.R.O.s, circulars and notifications, with the action each one calls for.

REMINDER: AGM AND ANNUAL RETURN FILING (YEAR ENDED JUNE 30, 2026)

WHAT CHANGED	WHAT YOU SHOULD DO
<p>AGM: Every company, other than a Single Member Company (SMC), must hold its AGM within 120 days from the close of its financial year. For the financial year ended June 30, 2026, the AGM is due by October 28, 2026.</p>	<p>Annual return: Following the AGM, file within 30 days from the date of AGM: Form A (Annual Return) where there is a change in particulars contained in the previous Annual Return; or Form 24 (No-Change Intimation) where there is no change.</p> <p>Filing timeline: if the AGM is held on October 28, 2026, Form A/Form 24 is due by November 27, 2026; where no AGM is held or the AGM is not concluded, Form A/Form 24 is due by January 30, 2027.</p>

REMINDER: ULTIMATE BENEFICIAL OWNERSHIP (UBO) RETURN (FORM-19)

WHAT CHANGED

WHAT YOU SHOULD DO

WHAT CHANGED

In the same notice, SECP reminded every company to complete its UBO compliance:

- (i) issue Form-16 notices to all members (for listed companies, the notice is required to be issued to every member or representative of every legal person or legal arrangement holding at least 5% of shares or voting rights);
- (ii) obtain UBO declarations (Form-17/Form-18); (iii) maintain the Register of UBOs; and (iv) file the UBO Return (Form-19).

Filing timeline: where an Annual Return is required, file Form-19 alongside the Annual Return, within 30 days from the date of AGM. Where an Annual Return is not required under the Act, Form-19 must still be filed within 30 days from the last day of the relevant calendar year. Example: for calendar year end December 31, 2026, Form-19 is due by January 30, 2027.

Penalties: fine up to Rs 10 million on the company and up to Rs 1 million on every responsible director/officer.

WHAT YOU SHOULD DO

All companies should confirm that Form-16 notices have been issued, Form-17/Form-18 declarations obtained and the Register of UBOs updated, and file Form-19 within the applicable timeline, together with Form A/Form 24 where an annual return is required.

Given the penalties for non-compliance, the company and its directors/officers should ensure the UBO information filed is accurate and complete.

PSX Pakistan Stock Exchange

ESG SUSTAIN PORTAL REGISTRATION FOR LISTED COMPANIES

WHAT CHANGED

PSX notified all listed companies and market intermediaries to register on SECP's ESG Sustain Portal and comply with applicable sustainability disclosure requirements (mandatory and voluntary frameworks notified by SECP). The notice follows PSX's December 19, 2025 notice on SECP's revised ESG disclosure guidelines issued on December 11, 2025.

WHAT YOU SHOULD DO

Listed companies and intermediaries should nominate a focal person and a sustainability e-mail address, request onboarding from the SECP ESG team, and set up internal processes to collect and report ESG data on a timely basis.

LABOUR

Labour laws

MINIMUM WAGE STATUS: PUNJAB AND OTHER JURISDICTIONS

WHAT CHANGED

As at October 1, 2026, no FY 2026–27 minimum wage notification has been issued for Punjab, where Rs 40,000 per month (26 working days) remains the notified rate. Other jurisdictions have announced higher figures in their budgets, including Khyber Pakhtunkhwa (Rs 45,000) and Gilgit-Baltistan (Rs 44,000).

WHAT YOU SHOULD DO

Punjab employers should continue to pay at least the notified rate, monitor the Punjab Labour & Human Resource Department for a new notification, and be prepared for a possible retrospective effective date, as in Sindh and ICT. Employers in KP and other regions should verify the notified (not just announced) rate and its effective date.

05 CLIENT BRIEF

MONEY LAUNDERING PROCEEDINGS IN TAX MATTERS

Lahore High Court, 24 September 2026

THE CASE

Mahmood Akbar v. Federal Board of Revenue etc., W.P. No. 2928 of 2026 (decided 24.09.2026, with 17 connected petitions)

1. WHAT WAS DECIDED

A Division Bench of the Lahore High Court dismissed all the petitions. The taxpayers had asked the Court to quash FIRs registered by the Directorate General of Intelligence & Investigation (I&I), Inland Revenue under the Anti-Money Laundering Act, 2010 (AMLA), arguing that no such action can begin until their tax liability has first been determined under the Income Tax Ordinance, 2001.

2. WHAT IT MEANS FOR CLIENTS

- The I&I can now proceed under AMLA against taxpayers even while assessments or appeals are pending, or after a favourable order up to the Tribunal.
- Notices and summons from I&I asking for the source of funds, properties, vehicles, shares or other assets must be taken seriously and answered with documents.
- Exposure is strongest where transactions look like circular sales, doubtful gifts, forged or inflated documents, or unexplained cash moving into assets.
- The department stated before the Court that it does not intend to arrest the petitioners, but this is conditional on their joining the investigation.
- Section 100D relief only protects against section 111 of the Ordinance. It is not a shield against AMLA, particularly where its conditions (genuine construction and investment through banking channels) are not met.

3. RECOMMENDED STEPS

- Forward any I&I notice, summons or FIR to us immediately and do not ignore the dates given.
- Keep ready the complete record of source of funds, bank trail, sale and purchase documents, and tax filings for the relevant years.
- Join the investigation through counsel, as non-cooperation may remove the protection from arrest.
- Do not move assets or alter records while any inquiry is pending.
- Reassess prior tax positions, especially where tax at stake exceeds Rs. 10 million.

— 06 CALENDAR

DATES TO WATCH

October 2026 and beyond

DATE	EVENT	NOTE
Mon 5 Oct	NEPRA hearing on the industrial incremental tariff	
Wed 7 Oct	PIB auction	SBP auction calendar
Wed 14 Oct	SBP T-bill auction	
Thu 15 Oct	Income tax return deadline, Tax Year 2026	For persons originally due 30 September (Circular No. 3 of 2026-27)
15–18 Oct	Sales tax return for September 2026	Exact date to be confirmed
Fri 16 Oct	SECP: comments close on the insolvency professionals framework	
Mon 26 Oct	SBP monetary policy decision	Analyst briefing 27 Oct; minutes 20 Nov
Wed 28 Oct	AGM deadline for companies with a 30 June year-end	120 days from year-end; single member companies excluded
Mon 2 Nov	October CPI release (PBS)	Date approximate

This newsletter summarises developments for general information only. It is not professional advice and should not be relied on for any specific matter. Notifications should be read in full, and effective dates confirmed from the Official Gazette, before action is taken. Please contact us to discuss how these changes affect you.

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