

TAG NEWS UPDATE

DECEMBER 2025

HAPPY NEW YEAR

We present a consolidated overview of economic and regulatory developments in Pakistan for December 2025.



1. ECONOMIC UPDATE

Pakistan's Economy Grows 3.7% in 1Q of FY26

Pakistan's economy recorded 3.7% growth in the first quarter of FY26, marking a significant improvement in overall economic performance.

- The industrial sector reached an 8-year high, driven by improved manufacturing output and stabilization measures.
- Growth reflects increased economic activity, gradual recovery in demand, and improving business sentiment.
- The performance provides cautious optimism for investors and businesses amid ongoing structural reforms.
- Trade deficit persists at \$16.2 billion, reflecting ongoing import-export imbalances

INDICATOR	APPROX. VALUE (2025)
Real GDP Growth	2.7–3.0% (FY)
1Q FY26 Growth	3.7%
Nominal GDP (USD)	\$410–412 billion
GDP (PPP)	\$1.67 trillion
GDP per Capita	Nominal ~\$1,700 / PPP ~\$6,950
Inflation (CPI)	4.5–6%
Policy Interest Rate	10.5–11%
External Debt	\$130–135 billion
Trade Deficit	Persistent

Impact:

The economic momentum supports industrial expansion, employment generation, and improved fiscal sustainability, creating a more favorable environment for businesses.



2. PHARMACEUTICAL INDUSTRY UPDATE

Pakistan’s pharmaceutical sector delivered one of its strongest performances in decades, with exports rising sharply in FY25 to approximately USD 457 million, reflecting robust year-on-year growth and positioning pharmaceuticals among the country’s fastest-growing export segments. When allied therapeutic products are included, total exports moved close to the USD 1 billion threshold, highlighting the sector’s expanding global footprint.



3. FINANCIAL INCLUSION UPDATE: P-FII LAUNCHED

- SBP launched the P-FII, showing 58.1% financial inclusion in 2024.
- The index tracks access, usage, and service quality across 69 indicators.
- Supports NFIS 2024–28 and evidence-based policymaking.



4. ENERGY & POWER SECTOR UPDATE

Expected Reduction in Electricity Tariff

Electricity prices are likely to decline by 72 paisa per unit under the Monthly Fuel Adjustment (MFA) mechanism, subject to NEPRA approval, following a petition by CPPA.

Key Figures (November 2025):

- Units supplied: 7.813 billion
- Average generation cost: Rs. 6.16 per unit

Fuel Mix:

- Hydropower 39.16% | Nuclear 25.23%
- Local coal 9.34% | Imported coal 5.06%
- Gas 8.44% | Imported LNG 8.64%

Impact:

Potential short-term consumer relief amid high electricity bills.



5. REGULATORY UPDATES

Sales Tax: Revised Minimum Values for Steel Products

The Federal Board of Revenue (FBR) has revised the minimum sales taxable values for locally produced steel goods, linked to the average national retail prices published monthly by the Pakistan Bureau of Statistics (PBS).

Steel bars & long profiles: Average PBS retail price (major cities) minus Rs. 1,500 per metric ton

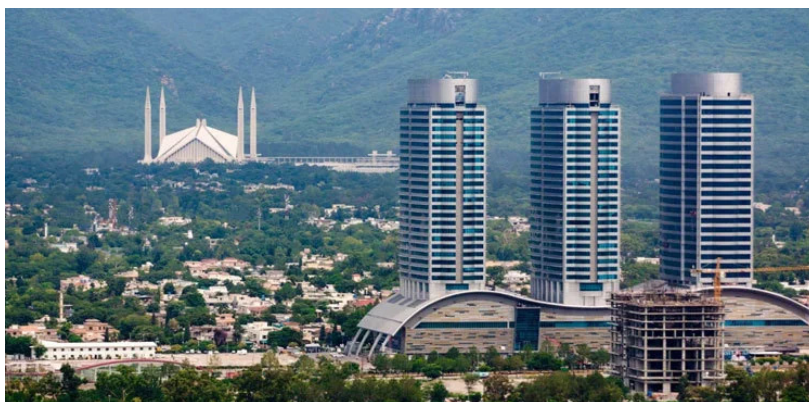
Steel billets: 85% of the steel bars' value

Steel ingots/bala: 80% of the steel bars' value

Ship plates: 75% of the steel bars' value

Impact:

Manufacturers and traders must reassess pricing models and sales tax calculations.



Income Tax: Islamabad Property Valuation (Suspended)

Through S.R.O. 2392(I)/2025 dated December 08, 2025, FBR revised the Fair Market Values of immovable properties in Islamabad. However, implementation has been suspended until January 2026 for further review.

Expansion of Active Taxpayer List (ATL)

Under S.R.O. 2423(I)/2025, persons appearing on the ATL of Azad Jammu & Kashmir and Gilgit-Baltistan are now deemed active taxpayers on the FBR's ATL.

Benefit: Reduced withholding tax rates and facilitation of cross-regional transactions.

Conditional Tax Exemption Imports into Gilgit-Baltistan

S.R.O. 2488(I)/2025 grants conditional exemption from Sales Tax, Income Tax, and Federal Excise Duty on specified imports into Gilgit-Baltistan, subject to:

- Clearance via Customs Dry Port, Sost
- Import by GB-domiciled persons
- Online consignment-wise authorization
- Rs. 4 billion annual quota (first-come, first-served)
- Exclusive consumption within Gilgit-Baltistan

Imports

exceeding the quota or used outside GB remain fully taxable.





Targeted Audits of Exporters

Following the shift to the Minimum Tax Regime under the Finance Act 2024, FBR has initiated a targeted exporter scrutiny drive.

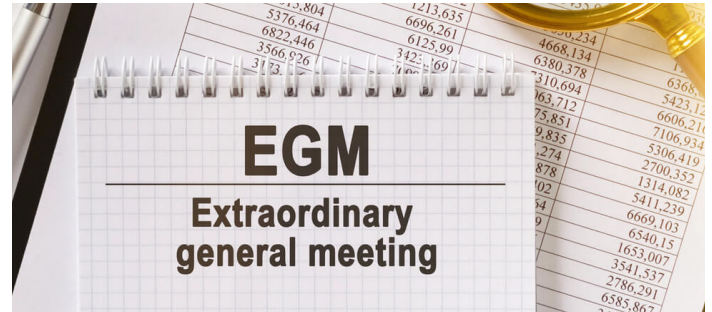
- Identification of the top 10–30 exporters in Karachi, Lahore, and Islamabad
- Lists due in January 2026

Corporate Law: Validity of EGMs

Case: Mian Waqar-ud-Din v. United Industries Limited

Court: Lahore High Court

The Court ruled that Extraordinary General Meetings (EGMs) may lawfully approve matters usually reserved for AGMs where exceptional circumstances exist. Courts favored pragmatic, compliance-oriented governance over procedural technicalities.



6. KEY JUDICIAL & LEGAL DEVELOPMENTS

Supreme Court Electricity Duty on Captive Power

- **Case:** Government of Punjab v. Kunjah Textile Mills & Others
- **Citation:** 2025 SCMR 239

The Supreme Court held that electricity generated and consumed internally by industrial units does not attract electricity duty, even where capacity exceeds 500 KW.

Key Points:

- Electricity duty is not a general levy
- Self-consumption is not a taxable event
- The definition of “licensee” alone does not create tax liability
- Tax statutes must be interpreted strictly in favor of taxpayers



Trademark Law: Jurisdiction in Revocation Proceedings

Citation: 2025 SLD 3730 = 2025 CLD 313

Court: Lahore High Court

The Court held that once a trademark infringement suit is pending before a court, the Registrar of Trade Marks lacks jurisdiction to revoke or rectify the same trademark. Ex parte revocation orders during pendency are void.



7. LABOUR LAW & WORKERS' RIGHTS UPDATE

Punjab Minimum Wage Increase: December 2025

The Punjab Government had implemented a significant wage revision:

Monthly minimum wage: PKR 40,000

Daily wages:

- Skilled: Rs. 1,975
- Semi-skilled: Rs. 1,558
- Unskilled: Rs. 1,538

Enforcement:

Enhanced inspections and penalties for non-compliance are now active.



8. INTERNAL AUDIT INDUSTRY UPDATE

Global & Pakistan Developments

- Adoption of Global Internal Audit Standards (GIAS) effective 2025
- Expansion of professional pathways, including IIA – Internal Audit Practitioner (IAP)
- Increased focus on AI governance, cybersecurity, and technology risks
- IMF observations highlighted weak public-sector internal audit structures in Pakistan
- Public sector reforms aim to align audit practices with international standards



9. Mandatory M-Tag Requirement: Islamabad Entry

The Government has made M-Tag installation mandatory for entry into Islamabad.

- The deadline for M-Tag installation has been extended by 15 days, now effective up to 15 January 2026
- The extension was granted following the Interior Ministry's directions due to the heavy public rush
- Vehicles without M-Tag may face entry restrictions and enforcement actions

Advisory:

Businesses, logistics operators, fleet owners, and individuals should ensure timely M-Tag installation to avoid operational disruptions and penalties.

CONCLUSION

The developments in December 2025 underscore the need for robust compliance systems, informed decision-making, and proactive governance frameworks. TAG and Co. Chartered Accountants remains committed to supporting clients through timely insights and practical advisory solutions.



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