

EXCLUSIVE INTERVIEW



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Mr. Khurram Schehzad Advisor to Finance Minister Government of Pakistan

ICMA: What are the key priorities of the 2025–26 Federal budget, and how do you see them addressing Pakistan’s current economic challenges such as high inflation, low growth, and fiscal stress?

Khurram Schehzad: The Federal Budget FY26 is centered around accelerating structural reforms, stabilizing macroeconomic indicators, and reshaping fiscal governance. The government has prioritized inclusive economic transformation through targeted allocations to high-impact sectors—agriculture, SMEs, youth and women-led enterprises, EVs, and affordable housing. A hallmark of this year’s budget is the historic tariff rationalization to promote industrial recovery and job creation. Rather than austerity, the approach is smart reprioritization: supporting the vulnerable, revitalizing key sectors, and maintaining inflation control. Under the

leadership of Finance Minister, Senator Muhammad Aurangzeb, the budget marks a shift from incremental policy to bold, reform-driven governance.

ICMA: With the FBR’s tax collection target set at Rs. 14.13 trillion, what concrete steps are being taken to ensure this target is realistic and does not overburden the economy?

Khurram Schehzad: The FBR’s FY26 revenue target, requiring 22% growth (vs. 26% already achieved in FY25 despite very low inflation), is rooted more in ongoing enforcement, not new taxes. Digitalization of real-time invoicing, POS monitoring, track and trace, and withholding integration are deepening compliance without burdening honest taxpayers.

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A total of around Rs. 865 billion was collected through enforcement in FY25 - a historic achievement. With continued economic recovery and digital expansion, FBR is expected to meet the target while creating room for future tax rationalization. The government's strategy reflects fiscal discipline aligned with social inclusion, economic growth, and fairness.

ICMA: What is the expected impact of the budget on economic revival and growth in the country?

Khurram Schehzad: The FY26 budget is crafted as a growth catalyst. It redirects expenditure from unproductive subsidies toward high-return sectors—agri-tech, housing, SMEs, EVs and youth businesses. These allocations are designed to foster innovation, inclusion, and private-sector-led development. The resolution of circular debt worth PKR 1.275 trillion, targeted mortgages, and equity-promoting tax reforms have improved investor confidence. The goal is to create a self-sustaining, export-oriented economy that unlocks jobs, enhances productivity, and boosts GDP while reducing systemic vulnerabilities.

ICMA: How does the government intend to broaden the tax base and ensure equitable taxation?

Khurram Schehzad: Tax base expansion is being achieved through digital enforcement, not higher rates. The FBR has launched AI-powered audits, digitized invoicing, faceless customs, and automated production tracking—identifying over 390,000 non-filers with at least PKR 280+ billion in potential. Simplified tax returns (only a handful of fields for self-filing, compared to 800+ fields earlier) and harmonized return filing aim to enhance voluntary compliance. The government is reducing distortions, eliminating exemptions, and

aligning rates with regional benchmarks to promote horizontal and vertical equity. Further, the direction of travel has changed after long, where the most relief has been given to the formal salaried class, corporates and construction sectors. The direction is clear: a fairer, simpler, and more progressive tax system.

ICMA: Are there any plans to promote savings and investment, especially in productive sectors?

Khurram Schehzad: Yes. FY26 promotes productive investments via targeted financing schemes and reduced input costs. Through collaboration with banks and PBA, PKR 200 billion in youth loans, EV financing for women and gig workers, and a 36% increase in SME credit lines have been launched. Tariff reforms further reduce cost burdens on manufacturers. Coupled with a credible debt trajectory and controlled inflation, these measures will help improve domestic savings and investment. The emphasis is on inclusive entrepreneurship and long-term capital formation across emerging sectors.

ICMA: How is the government addressing the energy sector's circular debt problem?

Khurram Schehzad: The government has rolled out a landmark PKR 1.275 trillion circular debt resolution plan with no additional burden on consumers. This unprecedented move, designed with banking sector input, aims to restore financial sustainability in the energy chain. It complements other reforms like energy conservation, EV adoption, and solarization. By addressing longstanding inefficiencies and arrears, the government is rebuilding trust in the power sector and signaling reform seriousness to investors.

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ICMA: Broadening the tax base is important, but how can it be done without adding more burden on existing taxpayers, especially those in the formal sector?

Khurram Schehzad: FY26 marks a paradigm shift - toward fairness through technology. The FBR is expanding the net via data analytics, digital audits, real-time tracking, and automated compliance. Instead of raising taxes, the focus is on expanding coverage - targeting high-net-worth individuals, retailers, and undocumented incomes. Reforms like faceless assessment, simplified returns, and sector-specific audits are making compliance easier and less adversarial. This approach preserves incentives for compliant taxpayers while driving equity and broadening the base sustainably.

ICMA: Given persistent federal deficits and provincial surpluses, do you believe the NFC Award needs to be revised? If so, what changes do you propose?

Khurram Schehzad: There are both schools of thought, in favor and against. However, more voices are emerging toward recalibration of the NFC Award. It is learnt that the current formula is overly reliant on population. A revised framework may be more tilted toward rewarding provincial performance - especially in revenue generation, social services, and development outcomes. Pakistan needs to also move toward harmonized taxation, integrated databases, and coordinated subsidy reforms. A dynamic, performance-linked NFC will enhance federal cohesion, fiscal sustainability, and service delivery across provinces.

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ICMA: What incentives does the budget offer to attract foreign direct investment, particularly in manufacturing, technology, and renewable energy?

Khurram Schehzad: Budget FY26 aligns with the National Tariff Policy (2025–30) to deliver a comprehensive investment incentive package. Tariff rationalization has cut Customs Duties, Additional Customs Duties, and Regulatory Duties - especially on raw materials and intermediate goods—lowering costs for manufacturers. Over 900 tariff lines now fall under the 0% slab, and the maximum RD has been halved from 90% to 50%. Renewable energy equipment enjoys full exemptions to attract clean-tech FDI. These reforms are backed by one-window facilitation, regulatory clarity, and circular debt resolution. Foreign investment flows exceeded \$1.2 billion, and interest in EVs, agriculture, food, technology, defense, mining & minerals, and solar manufacturing, is rising - demonstrating growing investor confidence in country's economic outlook.

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ICMA: Privatization is back on the agenda. Which sectors are prioritized, and how will the process ensure transparency and investor confidence?

Khurram Schehzad: Privatization momentum has accelerated since April 2025. EOIs for PIA have been renewed with strong investor response. The Roosevelt Hotel JV has been approved, and marked progress has been made on HBFC and ZTBL. Three DISCOs are being fast-tracked, with transaction advisors onboard. The Cabinet Committee on Privatization ensures transparency, supported by IFC-aligned protocols and digital bidding platforms. So far, 24 SOEs have been added to the privatization list. The objective is clear: reduce fiscal burden, improve efficiency, and unlock private capital for public assets in a transparent, competitive manner.

The Editorial Board thanks Mr. Khurram Schehzad, Advisor to Finance Minister, Government of Pakistan for sparing his precious time to give an exclusive interview for Chartered Management Accountant Journal.