

NATIONAL TAXPAYERS CONVENTION 2026

Organised by Prime Institute

15TH - 16TH MAY, 2026

ISLAMABAD

EVENT REPORT



Executive Summary

The inaugural National Tax Payers Convention (NTC) 2026 represents a paradigm shift in Pakistan's macroeconomic discourse. Traditionally, public and institutional narratives have focused exclusively on expanding the tax-to-GDP ratio through coercive enforcement. This convention established a counter-narrative, bringing together compliant corporate leaders, small and medium enterprises (SMEs), salaried professionals, tax lawyers, and cross-party parliamentarians to demand a structural transition from an extractive tax mechanism to a partnership-based system built on public trust, procedural simplicity, and economic growth.

Over two days of intensive deliberations, participants reached a consensus: **Pakistan's current fiscal framework is fundamentally broken, unsustainable, and actively penalizes compliant sectors while subsidizing informality.** Key thematic discussions highlighted how hyper-complexity, overlapping federal-provincial jurisdictions, target-driven administrative harassment, and regressive indirect taxation have led to massive industrial closures, capital flight, and a severe breach of the social contract. The convention culminated in the formal, unanimous adoption of the TPAP Charter of Demands 2026 and the Tax Payers Bill of Rights, providing a detailed roadmap for immediate legislative implementation in the upcoming federal budget.

The House unanimously passed the 15-Point Charter of Demands and the 50-Point Tax Payers' Bill of Rights.

450+ Participants

35 Guest Speakers

12 Sessions in 2 Days



Demand for a structural transition from an extractive tax mechanism to a partnership-based system built on public trust, procedural simplicity, and economic growth.

ACTIONABLE POLICY RECOMMENDATIONS: The 15-Point Charter of Demands

1 Fiscal Discipline & Transparency

Mandate public expenditure transparency; drastically reduce wasteful government administrative overheads before adjusting tax rates.

2 Low-Rate, Broad-Based, Flat Taxes

Replace the complex, fluctuating tiered systems with stable, low-rate, predictable flat taxes to provide long-term investment certainty.

3 Direct Taxation as Primary Tool

Shift the revenue collection anchor from regressive indirect consumption taxes to equitable direct income and wealth taxation tools.

4 Elimination of Sectoral Exemptions

Remove all preferential tax treatments, special exemptions, and elite-centric amnesty schemes; distribute the tax base equally across all economic sectors.

5 Abolishment of Presumptive Regimes

Completely eliminate the Minimum Tax Regime and Turnover Taxation; return all corporate and individual entities to an actual income-based tax calculation.

6 Tariff Reduction on Industrial Inputs

Lower and streamline import duties and regulatory levies on raw materials to reduce domestic inflation and increase export competitiveness.

7 Harmonization of Federal-Provincial Sales Tax

Consolidate the fragmented provincial and federal sales tax structures on goods and services into a single, unified, digitized national portal.

8 Universal 1-Page Multilingual Returns

Simplify tax return documentation into a robust, mobile-friendly, automated one-page form accessible in regional languages to eliminate professional entry barriers.

9 Tax Incentives for Corporatization

Structure tax policies to actively incentivize formal business incorporation; provide temporary fiscal holidays for newly registered formal entities.

10 Reduction of Compliance Costs

Minimize the regulatory paperwork and compliance overheads imposed on taxpayers and businesses acting as withholding agents.

11 Revenue Machinery Accountability

Introduce strict financial and administrative penalties for tax officials who intentionally issue frivolous or patently illegal tax demands.

12 Eradication of Advanced GST Collection

Prohibit the advance collection of GST at the import or manufacturing stage; collect sales tax exclusively at the point of final consumption to unlock corporate cash flow.

13 Implementation of Negative Income Tax

Establish a programmatic Negative Income Tax mechanism directly integrated with national identity frameworks to provide targeted relief to citizens below the poverty line.

14 Result-Oriented R&D Credits

Introduce strict performance-linked, auditable tax credits for industrial Research and Development (R&D) to stimulate tech localization and exports.

15 National Tax Payers Day

Declare May 15th as National Taxpayers' Day to institutionalize cultural respect, celebrate legal compliance, and issue Taxpayer Honor Cards.

Convening Context and Parliamentary Engagement

The first National Tax Payers Convention (NTC) 2026 introduces a critical counter-narrative to Pakistan's traditional fiscal policy discourse. Historically, tax collection targets are set to achieve fiscal balance. The convention focused on economic activity-driven fiscal policy, tax rationalisation, procedural simplicity, and certainty in tax policy for the private sector, bringing together compliant corporate leaders, small and medium enterprises (SMEs), salaried professionals, tax lawyers, and cross-party parliamentarians to demand a structural transition from an extractive tax mechanism to a partnership-based system.

Government Perspective and Budgetary Realities

Representing the executive branch, **Mr. Bilal Azhar Kayani (Minister of State for Finance and Railways)** acknowledged the severe fiscal constraints facing the state but extended a cooperative hand to the assembly. Key policy disclosures from the Minister included:

- **Salaried Class Disparity:** The government explicitly recognizes that the existing tax burden on the formal salaried class is highly disproportionate and unfair, promising administrative attempts to address this in the upcoming budget.
- **Enhanced Legislative Oversight:** For the first time, structural budget scrutiny has expanded into a two-tiered parliamentary process across both the National Assembly and Senate Standing Committees on Finance, increasing legislative oversight over the Federal Board of Revenue (FBR).
- **Super Tax Phase-Out:** The executive is actively finalizing an exit path from the economically distorting Super Tax regime to lower corporate friction.
- **FBR Administrative Reforms:** The Prime Minister is directly spearheading systemic digital transformations, including 'Faceless Customs' to eliminate human interaction, and implementing automated Compliance Risk Management Engines driven by Artificial Intelligence (AI).
- **Tariff Rationalization:** The state has formalized a 5-year National Tariff Policy aimed at prioritizing tariff reductions on raw materials and machinery, systematically dismantling regulatory duties (RD) and additional customs duties (ACD), condensing import tariffs into four clean slabs (0%, 5%, 10%, and 15%) to boost domestic industrial manufacturing competitiveness.
- **Digitization and Cashless Initiatives:** Under the 'Cashless Pakistan' initiative, specific timelines are set for the full digitization of all government-to-person (G2P) and person-to-government (P2G) transactions, alongside legal frameworks mandating that every retailer offer a minimum of one digital payment gateway.



Bilal Azhar Kayani

Minister of State for Finance and Railways

Key Tax Issues and Structural On-Ground Challenges

The core of the convention's proceedings lay in an uncompromising diagnostic analysis of the structural failures embedded within the current tax regime, categorized across distinct economic dimensions:

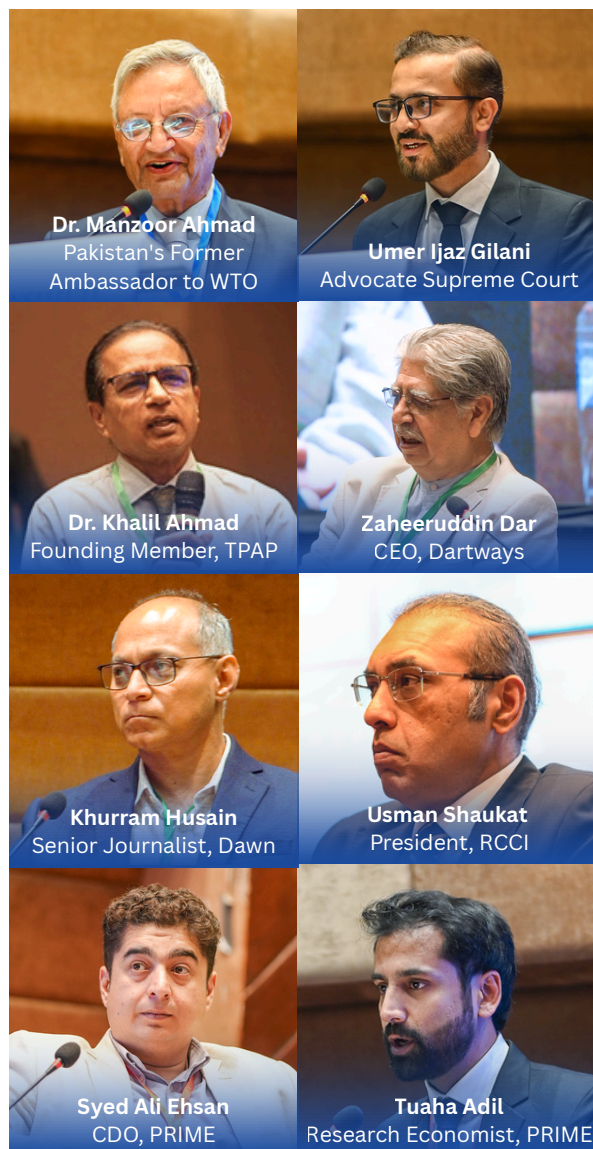
The 'Compliance Penalty' and Market Distortions

Delegates from the private sector detailed a pervasive phenomenon termed the 'compliance penalty.' In Pakistan, the undocumented informal economy accounts for approximately 90% of the retail sector (comprising 3.7 million unregistered shopkeepers). By imposing a high General Sales Tax (GST) of 18% alongside layered withholding regimes, the state effectively grants an 18% price advantage to non-compliant businesses. This distortion has crushed the profit margins of the documented formal sector, making transparency a commercial liability and forcing several multinational corporations to exit the country.

Systemic Complexity and Legal Instability

Legal authorities led by Dr. Ikramul Haq and senior practitioners highlighted that the country's tax code remains largely unchanged from the colonial period and is intentionally complex. Dr. Ikramul Haq added, "The British didn't tax agricultural income because the Princely States were their supporters. We blindly accepted this without understanding the historical context."

The continuous influx of Statutory Regulatory Orders (SROs), parallel legislative interpretations, and excessive amendments have made the law incomprehensible. A single section within the current Income Tax Ordinance contains over 170 contradictory footnotes. In comparison to developed or rapidly growing economies where tax laws remain stable for decades (e.g., Germany and the UK, matching very few amendments over 10-20 years), Pakistan's annual Finance Bill serves as a tool for short-term revenue tinkering rather than coherent structural mapping.





Asfandiyar Farrukh
Chairman, Chainstore
Association of Pakistan

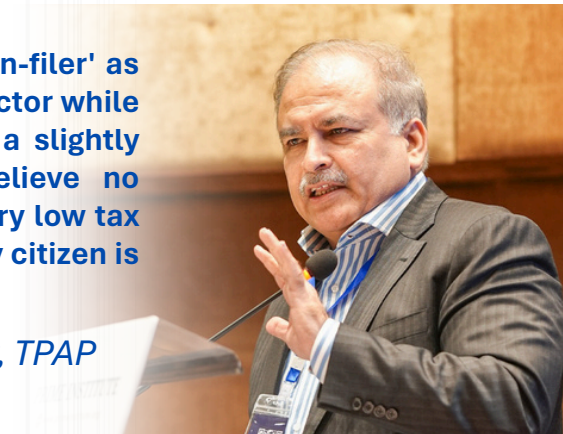
Anwar Kashif Mumtaz
National Convener, TPAP

Dr Ikramul Haq
Advocate Supreme Court

Ahmed Bashir
Advocate High Court

“The current structure officially accepts the 'non-filer' as a legitimate entity. We penalize the organized sector while allowing those against the state to operate at a slightly higher tax rate without documentation. I believe no income should be exempt. We should have a very low tax rate (even 1% or 2%) for everyone to ensure every citizen is in the documentation net.”

— *Anwar Kashif Mumtaz, National Convener, TPAP*



Arbitrary Regimes: Minimum Tax and Withholding Burdens

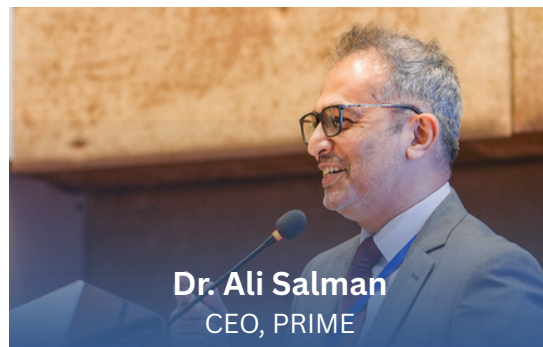
Representatives from the Pakistan Association of Large Steel Producers and the Constructors Association of Pakistan heavily criticized the Minimum Tax Regime (MTR) and the turning of corporate entities into unpaid withholding tax agents. The MTR forces companies to calculate liabilities based on artificial gross turnover percentages rather than actual net profitability, severely distorting corporate financial reporting and rendering firms unbankable. Furthermore, forcing contractors to act as withholding agents across highly fragmented supply chains (such as verifying individual tax filership of remote, transient daily-wage laborers) adds severe administrative costs and compliance friction.

"The revenue of the government does not increase through this hyper-complexity; rather, the leverage and rent-seeking opportunities for the tax machinery and its officers increase. The FBR views the taxpayer as a suspect to be extorted, rather than a partner in national development."

— *Arshad Dad, Chief Advisor, Constructors Association of Pakistan*

Thematic Policy Insight: 'Taxing Connectivity' Report Launch

The official launch of the PRIME research report titled '**Taxing Connectivity: How Fiscal Policy Deepens the Digital Divide.**' Presented by Dr. Ali Salman, CEO, PRIME, alongside tech industry leader Wahaj Siraj, CEO, Nayatel, as a discussant, the report delivered a critical macro-fiscal warning: telecom connectivity is the foundational circulatory system of a modern economy, yet the state is aggressively taxing it as an unproductive luxury.



Key Data Points and Structural Disparities Highlighted:

- **The Asia-Pacific Usage Gap:** While 81% of the Pakistani population physically resides within a 3G/4G coverage footprint, the actual usage rate is significantly lower. This mismatch represents the largest infrastructure-to-usage gap in the entire Asia-Pacific region, driven entirely by cost barriers.
- **Gender Digital Divide:** A stark gender disparity persists; only 58% of women in Pakistan have independent access to a mobile phone, compared to 93% of men, severely retarding financial inclusion and digital literacy.
- **Failure of Deceptive Protectionism:** The Mobile Manufacturing Policy 2020 completely failed its targeted milestone of achieving 49% local value addition by 2023. Actual local value addition remains below 10%, with local manufacturing limited to low-end structural assembly of completely imported kits. Consequently, only 5% of active mobile handsets in Pakistan are 5G-enabled.
- **Globally Extractive Tariffs:** Pakistan ranks as one of the most heavily taxed telecommunications markets globally. Basic import tariffs on low-end smartphones sit at 23%, climbing exponentially to over 50% for standard devices (\$700+). Cumulative service taxes (AIT, GST, and FED) on regular telecom usage amount to 37%.



"The imposition of a 15% Advanced Income Tax (AIT) on mobile top-ups is functionally unconstitutional. Over 95% of the country's mobile users earn less than the taxable threshold of Rs. 600,000 per annum. The state extracts Rs. 200 billion annually from the poorest segments through this mechanism, fully aware that these individuals lack the financial literacy or legal means to ever file for a compliance refund."

— Wahaj Siraj, CEO of Nayatel

Specific Policy Reversals Mandated by the Report:

- **Flat Smartphone Sales Tax:** Immediately transition away from the highly complex tiered import tax matrix to a flat, predictable 18% sales tax across all smartphone tiers.
- **Eradicate AIT on Non-Fileers:** Statutorily abolish the collection of Advanced Income Tax from telecommunications users falling below the formal legal income tax threshold.
- **Strategic Performance-Linked Policy:** Re-orient the industrial mobile manufacturing policy away from blanket tariff barriers toward performance-linked incentives tied strictly to genuine technology export volumes.

Political Economy and Cross-Party Fiscal Visions

The convention featured a high-level political economy panel moderated by senior journalist Khurram Husain, showcasing the fiscal policy alignment of mainstream political parties. The session revealed deep systemic convergence regarding the breakdown of the country's fiscal apparatus:



Dr. Nafisa Shah (Member National Assembly): Representing the Pakistan People's Party (PPP), she defended the structural legacy of the 18th Amendment and advocated for deeper downward devolution of taxing powers to local governments. She argued that provincial revenue authorities have consistently outperformed the centralized federal FBR in efficiency since the amendment. Furthermore, she criticized the federal government's broken energy policy, pointing out that ordinary citizens are forced to bear the multi-trillion-rupee burden of stranded capacity payments for IPPs and expensive LNG contracts due to federal procurement failures.

Senator Zeeshan Khanzada (Senate Finance Committee): Representing Pakistan Tehreek-e-Insaf (PTI), he noted that short-term, donor-driven ad-hocism has crippled industrial planning. He emphasized that base-broadening cannot occur without a long-term strategy that minimizes direct taxation on productive sectors, citing past attempts to document retailers that were halted due to political instability and lack of cross-party protection.



Dr. Aasim Sajjad Akhtar: Representing the Awami Workers Party (AWP), he argued that tax policy must be viewed purely as a progressive redistributive tool. He strongly opposed flat taxes, advocating for a 50% to 60% direct tax bracket on the ultra-wealthy elite to fund public health, universal education, and basic safety nets.

Syed Firasat Shah: Representing Jamaat-e-Islami (JI), he delivered a critique of elite capture and institutional expenditure. He highlighted the fundamental injustice of imposing an exponential 1000% increase on the Petroleum Development Levy (PDL) since 2015—now reaching Rs. 117 per liter, including built-in margins—which directly crushes lower-middle-class transport costs, while the ruling elite maintains extensive luxury protocols, private jets, and subsidized energy perks.



Technical and Legal Framework Reform Roadmap

The Tax Litigation and Framework panels, featuring senior economists Dr. Nadeem Ul Haque, Sakib Sherani, and legal advocates Aziz Nishtar and Umer Ijaz Gilani, provided concrete structural answers to guide legislative reform:

- **Abolish the 'Non-Filer' Category:** The legal fiction of the 'Non-Filer' category must be statutorily abolished. In Pakistan, the non-filer status functions as an institutional mechanism that legalizes tax evasion by allowing individuals to escape formal documentation via a marginal transaction surcharge. The state must transition to an automated system where every citizen holding a CNIC is a registered taxpayer.
- **Institutional Tax Certainty:** The continuous issuance of ad-hoc SROs driven by sector-specific industrial lobbying must be entirely replaced by a stable, multi-year fiscal framework. Retrospective taxation must be legally banned to restore foreign and domestic investor confidence.



"We need Tax Certainty. A business should know what its tax liability will be for at least the next 3–5 years. The current practice of changing the rules of the game mid-way is a deterrent to Foreign Direct Investment (FDI)."

— Aziz Nishtar, Advocate Supreme Court & Managing Partner, Nishtar & Zafar



- **GST Rationalization:** Sakib Sherani stated, "That brings us to the informal economy. When you have a GST of 18%, you are essentially giving a 18% head start to anyone who chooses to stay undocumented. We are incentivizing informality. We need to lower the rates significantly, say to 10%, to make it more expensive to evade than to comply."
- **Social Contract needs a Fix:** Dr. Kaiser Bengali marked taxation as a Social Contract. If the state doesn't provide quality education, health, and security, the citizen will always see taxes as a 'protection fee' rather than a contribution to the nation.
- **Judicial Specialization and ADR:** To unclog the judicial apparatus, alternative dispute resolution (ADR) frameworks must be structurally independent of the FBR's administrative influence, backed by specialized, permanent tax benches within the High Courts to resolve disputes within a strict 90-day window.



The event concluded with a recommendation to celebrate the National Tax Payers Day on the 15th of May every year.

Prime Institute is grateful to **Atlas Network** for the support and sponsorship of the 1st National Taxpayers Convention 2026.

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