



Lucky Investments

Invest with Trust

FEDERAL BUDGET FY27

A Balancing Act



ECONOMIC STABILITY

Strengthening
macroeconomic
resilience.



INDUSTRIAL GROWTH

Boosting production,
exports and
innovation.



HUMAN CAPITAL DEVELOPMENT

Investing in education,
health and skills for
a better tomorrow.



INCLUSIVE & SUSTAINABLE GROWTH

Creating opportunities
for all, leaving no one
behind.



INFRASTRUCTURE & CONNECTIVITY

Building a modern,
connected and
competitive Pakistan.



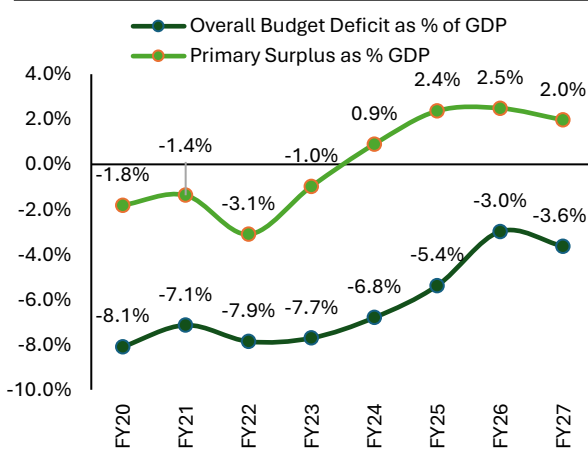


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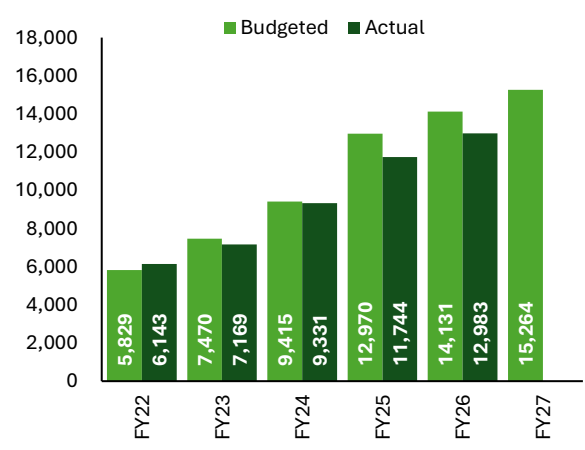
Key Highlights of the Budget FY27

Fig 01: Budget Deficit as % of GDP



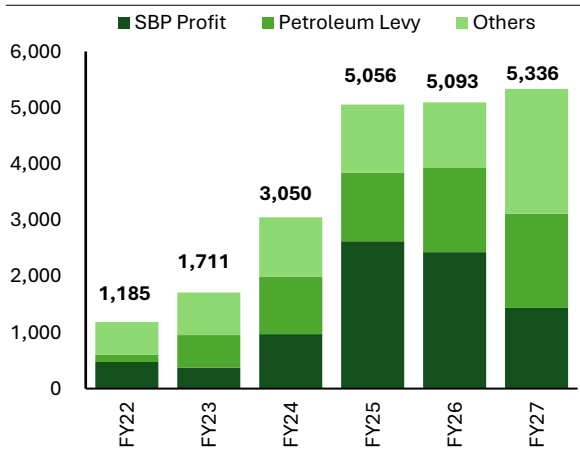
Source: Budget Documents, Lucky Research

Fig 02: Tax Revenues (PKR bn)



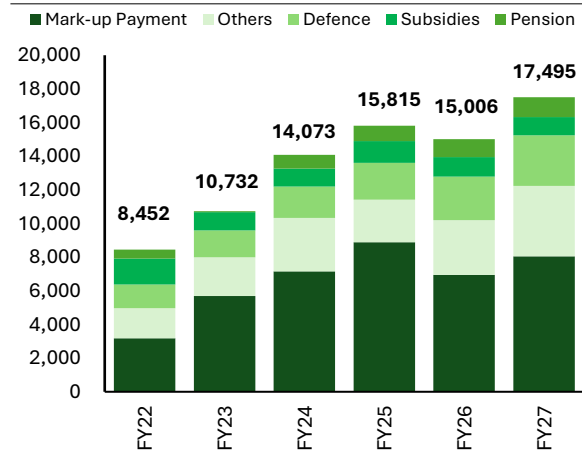
Source: Budget Documents, Lucky Research

Fig 03: Non-tax revenues Breakup (PKR bn)



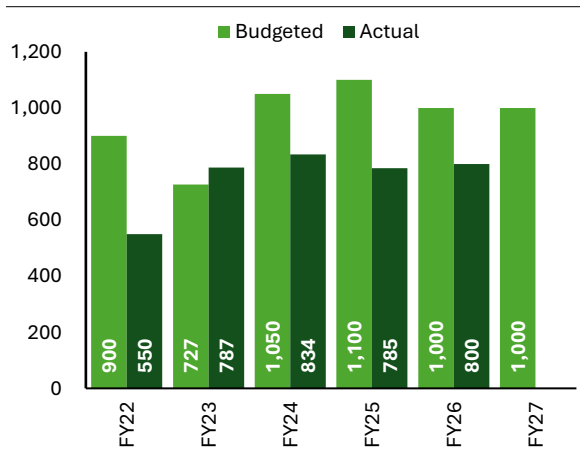
Source: Budget Documents, Lucky Research

Fig 04: Current Expenditure (PKR bn)



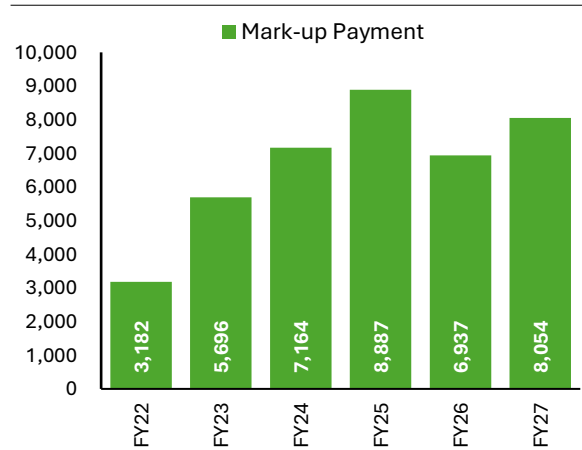
Source: Budget Documents, Lucky Research

Fig 05: Federal PSDP (PKR bn)



Source: Budget Documents, Lucky Research

Fig 06: Mark-up Payment (PKR bn)



Source: Budget Documents, Lucky Research

Executive Summary

The FY27 Budget is moderately positive for businesses and overall corporate profitability. It delivered some key market expectations, including a moderate reduction in super tax and some relief in income taxes for the salaried (middle) class. At the same time, it **avoided adopting populist measures** such as reverting the export sectors to final tax regime and budgeting a large increase in the PSDP allocation, which could have undermined the IMF program.

Fiscal targets are broadly aligned with IMF targets, but projections for revenue collection seem ambitious given the government has proposed relief on several fronts, without bringing any new visible tax measures. The government projects GDP growth of 4.0% for FY27, which is lower than the budgeted growth of 4.2% for previous year. Overall, **the government is hoping that efficiency and overhauling the FBR through greater digitalization and better implementation of taxation on retailers will lift overall tax collection**, despite potential headwinds (prolonged crisis in the Middle East).

The construction and real estate sectors have received targeted support through reduced advance tax rates on property transactions. Exporters — particularly IT and textile — benefit from extended tax exemptions and the removal of the 1% advance tax on goods exports. **The EV segment also received policy continuity** with exemptions on CKD kit imports extended to June 2027. At the same time, some negative measures have been avoided. The government has extended the concessionary income tax rates for IT service exporters until end-2029.

Taxation on capital gains and dividends for the equity market participants is unchanged—which is positive for Equity market. However, the government has proposed an increase in the capital gain tax rate on sale of certain debt securities from 15% to 20%. Taxation on transactions in the real estate sector has also been rationalized, which could trigger renewed activity and a rebound in prices in that sector. On balance, we think that liquidity will continue to flow into the Equity market from other asset classes. **Hence, we expect a positive initial reaction from the Equity market.**

Nonetheless, we think there is **the risk that the IMF may push for greater tax measures** as collection targets may face the risk of sluggish economic growth in Pakistan. As such, we do not rule out the possibility of a mini budget.

Key Measures

Key Relief Measures

- Salaried tax slabs restructured into 8 brackets with new intermediate slabs; 35% threshold raised from PKR 4.1mn to PKR 7mn (lower rates across all middle brackets)
- Super Tax discontinued for income up to PKR500mn; reduced from 10% to 8% above PKR500mn (banking, E&P, fertilizer excluded)
- Section 7E (deemed income on immovable property) abolished after FCC ruling.
- Advance tax on property sale flat at 2.75% (from 4.5–5.5%). Adv. tax on property purchase flat at 1.25% (from 1.5–2.5%). Late-filer category removed.
- Export proceeds tax cut from 2% to 1.25% to boost competitiveness
- IT/IT-enabled services 0.25% concessionary export tax rate extended to for 3 years
- Card-based foreign remittance advance tax slashed from 5% to 0.5%
- Capital Value Tax abolished on foreign movable/immovable assets of resident Pakistanis
- Sales tax exemptions applied to magazines, EV CKD kits (extended to end-2027), PIACL aircraft parts, tampons and ship imports.
- FED reduced on foreign travel; FED on acetate tow cut; FED removed on WHO-compliant sports/ electrolyte drinks
- Withholding tax exemption threshold for small traders raised from PKR 100mn to PKR 200mn
- CD exempted on cancer-related APIs, defence imports, agricultural machinery (also ACD/RD), and bulletproof vehicles for SCO summit/anti-terror ops

Key Revenue Measures

- Third Schedule expanded — manufacturers must collect sales tax at retail price for food, household goods, footwear, cosmetics, toiletries, and many new categories
- Mandatory e-invoicing through FBR-licensed integrators for all registered persons; non-compliance triggers suspension
- 5% withholding tax on social media income for ATL residents and non-residents
- Withholding tax on services raised from 6% to 7%. On independent professionals (doctors, lawyers, architects, software engineers) and asset management services, WHT now at 15%
- Minimum tax for distributors/wholesalers doubled from 0.25% to 0.5%
- Banks/EMIs must share high-value deposit/withdrawal data for algorithmic cross-matching with tax returns
- FED on e-cigarette e-liquid raised from Rs10,000 to Rs16,500/kg (replacing the earlier 65% retail-price tariff)
- FED imposed on luxury imported vehicles and luxury EVs
- 3% VAT imposed on imported raw material sold in the same state by manufacturers
- New FED on Naphtha, solvent oil, turpentine, base oil/lubricating oil
- Tier-1 retailer definition expanded to include businesses with turnover \geq Rs200m
- New section 6 proviso taxing the steel sector based on monthly electricity consumption
- For persons not on the active taxpayers list, the exclusion, of higher CGT on listed securities, is being withdrawn

Fiscal Metrics



Budget Outlay

FY27B: PKR 18.8tn
FY26R: PKR 15.6tn
YoY: +20%

Current Expenditure

FY27B: PKR 17.5tn
FY26R: PKR 15.0tn
YoY: +17%

Federal PSDP

FY27B: PKR 1.0tn
FY26R: PKR 0.8tn
YoY: +22%



FBR Tax Revenues

FY27B: PKR 15.3tn
FY26R: PKR 13.0tn
YoY: +18%

Non-Tax Revenues

FY27B: PKR 5.3tn
FY26R: PKR 5.1tn
YoY: +4.8%



Budget Deficit

FY27B: PKR 5.2tn
FY26R: PKR 3.8tn
YoY: +38%



Budget Deficit as % of GDP

FY27B: 3.6%
FY26R: 3.0%

Primary Balance as % of GDP

FY27B: 2.0%
FY26R: 2.5%



GDP (Nominal)

FY27B: PKR 143.6tn
FY26R: PKR 126.9tn
YoY: +13%

Inflation

FY27B: 8.2%
FY26R: 7.1%

Macro Projections

The government is targeting a fiscal deficit of 3.6% of GDP for FY27, compared with an estimated 3.0% for FY26, while the primary balance is estimated at 2.0% versus 2.5% in FY26. Both targets are in line with IMF projections, as per the third review conducted during March–April 2026.

Tax revenues are expected to grow 18% YoY, on the back of similar growth in both direct and indirect taxes — 18% and 17% YoY respectively — reaching approximately PKR 7.60 trillion each. Overall tax revenue growth is projected to **outpace nominal GDP growth of around 12.0%** (comprising real GDP growth of 4.0% and inflation of 8.0% for FY27). This is despite several tax relief measures, including lower income tax rates for the salaried class and changes in super tax (a waiver on income under PKR500mn, and a 2% reduction in super tax for sectors excluding Banks, E&P, and Fertilizer). **Some new measures have also been proposed**, such as a tax on premature withdrawals from life insurance plans.

For direct income tax growth, the government is counting on higher collections from retailers through the Tajir Dost Scheme, alongside an aggressive push for enhanced digitalization at the FBR — including faceless interaction systems and algorithmic settlement mechanisms — and stricter penalties for non-compliance. Growth in indirect taxes is driven by projected increases of 21%/26% YoY in customs duty and FED collections, partly supported by higher imports (up 10% YoY during 11MFY26).

On non-tax revenues, the government is assuming a 41% YoY decline in SBP profits, partly offset by a 12% YoY increase in petroleum levy collections. Assuming flat petroleum consumption in FY27, the government may need to raise the combined levy on petrol and diesel moderately — we estimate, by PKR 10/liter to PKR 170/liter from the current PKR 160/liter. The government has also budgeted provincial grants under Article 164 worth PKR 1.0 trillion and privatization proceeds of PKR 161 billion.

On the expenditure side, **the government has budgeted a 16% YoY increase in debt servicing**, which in our view suggests continued reliance on domestic borrowing to finance the fiscal deficit. The defense budget is estimated to rise 16% to PKR 3.0 trillion, with the increase in "physical assets" accounting for nearly half of the total increase. PSDP allocation remains at PKR1.0tn, which is around the same level budgeted last year (~PKR1.1tn) but the revised target of PKR0.9bn towards to the end of FY26. **Given the ambitious targets for tax collections, and the risks to Pakistan's economic growth from geopolitical tensions, we think PSDP targets will likely be cut again** through the year (as happened all the last five years).

Table: Federal Budget and Consolidated Fiscal Deficit

PKR bn	FY24A	FY25A	FY26B	FY26R	FY27B	FY27B vs FY26R
FEDERAL REVENUE						
Tax Revenues	9,311	11,744	14,131	12,983	15,264	18%
Direct	4,531	5,792	6,902	6,432	7,613	18%
Indirect	4,780	5,953	7,229	6,551	7,651	17%
Customs Duty	1,104	1,285	1,588	1,366	1,651	21%
Sales Tax	3,099	3,901	4,753	4,334	4,927	14%
Federal Excise Duty	577	767	888	851	1,073	26%
Non-Tax Revenue	3,050	5,056	5,147	5,093	5,336	5%
SBP Profit	972	2,620	2,400	2,428	1,436	-41%
Petroleum Levy	1,019	1,220	1,468	1,498	1,677	12%
Others	1,059	1,217	1,279	1,167	2,224	91%
Gross Revenue Receipts	12,361	16,801	19,278	18,076	20,600	14%
Less: Provincial Transfers	5,264	6,854	8,206	7,592	8,848	17%
Net Federal Revenue (A)	7,098	9,947	11,072	10,484	11,751	12%
EXPENDITURES						
Current Expenditure	14,073	15,815	16,286	15,006	17,495	17%
Mark-up Payments (d)	8,160	8,887	8,207	6,937	8,054	16%
Mark-up on Domestic Debt	7,164	7,997	7,197	6,007	6,983	16%
Mark-up on Foreign Debt	996	890	1,009	931	1,071	15%
Pension	808	911	1,055	1,055	1,169	11%
Defense	1,859	2,194	2,550	2,588	3,000	16%
Grant and Transfers	1,395	1,633	1,928	1,971	2,680	36%
Subsidies	1,067	1,298	1,186	1,157	1,091	-6%
Running of Civil Govt	784	892	971	1,021	1,071	5%
Others	0	0	389	276	430	56%
Development Expenditure	1,031	1,414	1,287	636	1,276	101%
PSDP - Federal	732	1,049	1,000	821	1,000	22%
Net Lending	299	365	287	(185)	276	-249%
Total Expenditure (Federal) (B)	14,823	17,036	17,573	15,642	18,771	20%
Federal Fiscal Deficit (A-B)	(7,725)	(7,089)	(6,501)	(5,158)	(7,020)	36%
FINANCING						
Net External Financing	321	619	106	106	813	667%
Net Domestic Financing	7,403	5,549	6,309	6,309	6,046	-4%
Privatization Proceeds	1	0	87	87	161	85%
Provincial Surplus (C)	518	921	1,464	1,380	1,794	30%
Consolidated Fiscal Deficit (A-B+C)	(7,207)	(6,168)	(5,037)	(3,778)	(5,226)	38%
As % of GDP	-6.8%	-5.4%	-3.9%	-3.0%	-3.6%	-1%
Primary Balance (A-B+C+D)	953	2,719	3,170	3,159	2,828	-10%
As % of GDP	0.9%	2.4%	2.4%	2.5%	2.0%	-1%

Source: MoF, Lucky Research

*A-Actual, B-Budgeted, R-Revised

Market & Sector Specific Proposals

Stock Market			
Proposal	Details	Impact	Comments
Super Tax Reduction	Super tax has been abolished for taxable income for persons earning below PKR 500 million. For persons with earnings above PKR 500 million, the rate has been reduced from 10% to 8% (excluding Fertilizer, E&P and Banking sectors)	Positive	Key positive anticipated by the market came through in the budget, which will significantly reduce the tax burden for mostly cyclical sectors
Corporate Tax Regime Unchanged	No changes are proposed for corporate tax rate and turnover tax rates	Neutral	Corporate tax remains at 29% for non-banks and turnover tax remains 1.25% for non-energy companies
Higher Tax on Debt Investments	Capital gains tax on Debt instruments under 153A increased from 15% to 20%	Neutral	Potentially, it will maintain the rotation of money from fixed income securities into equities
Export Sector Relief	The government eliminated the 0.25% Export Development Surcharge on export income.	Positive	To reduce the cost of doing business for exporters
Status Quo on Equity Taxation	No changes in taxation of dividends and capital gains.	Neutral	This area has already been targeted in past budgets.

General proposals			
Proposal	Details	Impact	Comments
Expanded Tier-1 Retail Coverage	Retailer with revenues >PKR200mn have been added in Tier 1 retailer category	Neutral	Tax system of 1% of revenue with minimum levy of PKR 25,000.
Digitalization Incentives for Retailers	10% tax credit for investment made on electronics for FBR system	Neutral	Promoting digitization in the sector for better tax compliance
National Tariff Rationalization (NTP 2025-2030)	Reduction of the existing Customs Duty (CD) from 20% to 15% and 10%, existing 15% and 10% to 10% and 5%, and existing 5% to 0% respectively for input goods of different industrial sectors on 92 tariff lines.	Neutral	Details will become clearer with the release of NTP, potentially around the time the Budget is passed in parliament.
Reduction in Additional Customs Duty rates	Reduction of ACD from 6% to 4% on 449 Tariff lines. Reduction of ACD from 4% to 2% on 2,107 Tariff lines. Elimination of ACD from 2% to 0% on 569 Tariff lines.	Neutral	As per plans shared with the IMF. This has broadly increased competition for industries due to lower import duties.
Lower Regulatory Duty Burden	RDs greater than 20% are brought down to under 20% for 359 Tariff lines. 20% reduction on all RD rates between 2.5% and 20% across 1,347 Tariff lines. RD rates of 2.5%, 2% and 1% are reduced by 20% or completely eliminated for 208 Tariff lines.	Neutral	RD is planned to be phased out by 2030; hence such reductions will feature in future budgets as well.

Stricter Digital Compliance	De-registration, blacklisting and suspension of registration if invoicing system not integrated in real time	Government's focus toward greater digitalization and documentation.
Foreign Asset Tax Relief	Capital Value Tax on foreign assets held by resident Pakistanis has been abolished	
Pakistan Public Debt	Government budgets a net increase in public debt of PKR 1.76tn while the net increase in Ijara Sukuk issues budgeted to increase by PKR 300bn compared with the PKR 843bn net increase in FY26.	

Banks			
Proposal	Details	Impact	Comments
Super Tax maintained	No change in super tax (10%)	Neutral	As banking is a heavyweight sector; overall corporate profitability (KSE100 index) will not rise substantially, all else the same.
Lower Withholding Tax on International Transactions	WHT rate on international card transactions reduced from 5% to 0.5%	Neutral	Should lead to an increase in transaction volumes

Fertilizer			
Proposal	Details	Impact	Comments
Super Tax maintained	Fertilizer sector is excluded from relief on super tax	Neutral	Sector heavily subsidized and hence did not get the relief
Duty Exemption on Agricultural Machinery	Exemption of ACD, RD and CD on agriculture machinery	Neutral	May benefit FFC for investment in coal-to-gas fertilizer plant
Fertilizer subsidy	PKR 5.8bn is budgeted for production and supply for fertilizer plant	Neutral	It is quite a nominal amount
GIDC	PKR 2.2bn GIDC is budgeted for FY27	Neutral	Not much collection targeted

Energy Sector			
Proposal	Details	Impact	Comments
Petroleum Development Levy	PDL levy is budgeted to be increased by 11.9% to PKR 1.7tn	Neutral	We estimate ~PKR 10/liter increase in PDL to meet the required target (assuming petrol/diesel consumption remains flat)
Dividends	Government budgeted DPS of OGDC, PPL in FY27 are similar to FY26 (lower than budgeted FY26)	Neutral	DPS of PKR 16/sh of OGDC and PKR 8/sh for PPL are budgeted
Circular debt	PKR 252bn earmarked for circular debt settlement	Positive	Potentially for gas circular debt settlement
Power subsidy	PKR 1tn same as last year	Neutral	This will partially be disbursed through BISP from Jan 2027
Higher Carbon Levy	Carbon Levy will be increased by PKR 2.5/liter to PKR 5/liter	Neutral	No change proposed in FY27 Finance Bill but was included in the Finance Act FY26

Continued Tariff Subsidy Support	DISCOs (including K-Electric) expected to be allocated PKR 830bn under tariff differential subsidy	Neutral	Subsidy allocation for tariff differential has increased from PKR 125 to 163bn
Duty Exemption for Refinery Upgrades	Import of machinery/equipment for upgradation of existing refineries is proposed to be exempted	Positive	Positive move towards refinery upgradation project but demand of removal from sales tax exemption of petroleum product is unchanged
No Windfall Tax	No windfall tax on inventory gains are proposed	Positive	This was a feared measure which didn't come through
FED Imposed on Naphtha	FED of PKR 80/liter is proposed on Naphtha, White Spirit and Solvency oil	Positive	It would help to curb illegal fuel adulteration from Iran.

Cement and Construction

Proposal	Details	Impact	Comments
Higher Public Housing Allocation	PSDP for FY27 has been set at PKR 1 trillion – Housing and Work division's budget increased to PKR16.4bn (up +9%)	Positive	Government is looking to support the construction and real estate sector after two to three years of scaling back of public infrastructure spending. This will drive higher cement demand (potentially double-digit growth in domestic sales).
Affordable Housing Finance	Prime Minister's Apna Ghar Program to provide mortgages at 5.0% rate for the first 10 years. Then the rate converts to a variable rate of 1-yr KIBOR + 3%. About PKR71.0bn has been earmarked for this scheme.	Positive	
Climate-Resilient Housing Initiative	Budget allocates a total of PKR 54.6 billion from provincial and federal funds has been allocated for 150,000 climate-resistant houses across 10 cities	Positive	
Lower Property Transaction Taxes	Reduction in advance tax on sale and purchase of immovable property: Advance tax rates under sections 236C (4.5 to 5.5%) and 236K (1.5 to 2.5%) have been reduced and converted into lower flat rates of 2.75% and 1.5%.	Positive	
Deemed Income Tax Abolished	Removal of tax on deemed income under Section 7E.	Neutral	
Export Tax Relief	Export Development surcharge of 0.25% removed	Positive	
Foreign Asset Tax Abolished	Capital Value Tax is being charged on foreign movable and immovable assets of resident Pakistanis is proposed to be abolished	Positive	

Steel

Proposal	Details	Impact	Comments
Gradual GST Increase in FATA/PATA	Phase-wise increase of GST on FATA/PATA from 10% in FY26 to 12% in FY27.	Positive	As passed in FY26 Finance Bill, GST on goods from FATA/PATA will rise by 2ppt to 12%

Import Duty Rationalization	Duties rationalization and reduction	Positive	It would reduce the import cost
Electricity-Based Taxation Framework	The government has proposed to link the tax with the monthly electricity usage and will be subject to refunds	Positive	Steel prices would decline if producers are able to net their power bills with their tax liability/payments

Automobiles

Proposal	Details	Impact	Comments
Extended Tax Relief for EV CKDs	Extension in the ST on EV CKDs extended to 30 June 2027 from 2026	Positive	
Extension of Vehicle FED Regime	FED on imported and locally manufactured vehicle (including EVs) to be extended to 30 June 2027 from June 2026	Positive	
Higher Vehicle Token Tax	Token tax is proposed to be increased from PKR 2k-8k to up to 0.35% of invoice value	Negative	There has been some favorable changes in the budget for the sector with extensions of the exemptions for EVs. However, upcoming Auto policy will provide further details
Sales Tax on CBU EV Trucks	ST of 1% is proposed on CBU EV Trucks	Positive	
Value-Based FED on Premium EVs	FED introduced on CBU EV cars, SUV and pick-ups is proposed <PKR 20mn → 0%, PKR 20mn < >PKR 30mn → 30% and >PKR 30mn → 40%	Negative	Multiple proposals were suggested to discourage luxury vehicles and tax the rich class
Higher FED on Imported Vehicles	FED introduced on Imported 4-wheelers (incl. EVs) - till 30 June 2027 2000cc < > 3000cc → 40% ad val > 3000cc → 41% ad val	Negative	
Status Quo for Hybrid Vehicle Taxes	There is no update on changes in sales tax and custom duties for HEVs and PHEVs	Neutral	

Technology

Proposal	Details	Impact	Comments
Extension of Preferential Tax Regime for IT	The 0.25% final tax applicable to IT and IT-enabled services has been extended up to 30 June 2029.	Positive	Concessionary taxation regime for IT exporters to continue until end-2029 (it was feared that it would be discontinued).
Lower WHT on International Card Transactions	WHT rate on international card transactions reduced from 5% to 0.5%	Positive	Broadly positive for ecommerce
Withholding Tax on Digital Creators	Income earned by social media influencers and digital content creators will now be subject to a 5% withholding tax.	Neutral	This does not affect any company in the listed space

FMCGs			
Proposal	Details	Impact	Comments
Restoration of Standard Minimum Tax	Withdrawal of minimum tax of 0.25% to standard 1.25% is proposed	Negative	Bottom line will still be affected by Normal tax Regime
Retail Price-Based Sales Tax	Bill proposed collection on ST based on retail price for several goods including sauces, Ketchup, mixed condiments, mixed seasonings, jam, jellies, milk and infant milk	Negative	It would increase prices of the products
Lower FED on Acetate Tow Imports	Reduction in FED on import of acetate tow from PKR 44k to PKR 10k	Positive	Lower packaging cost for tobacco sector
Higher FED on E-Cigarette Liquids	Increase in FED on import of e-cigarette liquids from PKR 10k to PKR 16.5k	Negative	No impact on listed tobacco companies

Textiles			
Proposal	Details	Impact	Comments
Export Surcharge Abolished	Export Development Surcharge of 0.25% has been eliminated on export income.	Positive	It will reduce export cost and improve regional competitiveness
Lower Tax Burden for Exporters	The reduction in advance Income tax and Minimum tax on exporters from 2% to 1.25% Minimum Tax. (Advance tax proposed to be omitted)	Positive	This will improve the cashflows of exporters

Pharmaceutical			
Proposal	Details	Impact	Comments
Duty Exemption on Cancer APIs	Customs duty on cancer-related Active Pharmaceutical Ingredients (APIs) proposed to be abolished	Neutral	Budget was overall Neutral for the sector with some notable changes in duties on pharmaceutical inputs.
Lower Duties on Pharma Inputs	Regulatory duty reductions have been introduced on various pharmaceutical inputs	Neutral	
Restoration of Standard Minimum Tax	Withdrawal of minimum tax of 0.25% to standard 1.25% is proposed	Neutral	
Tax Relief on Essential Healthcare Products	Tax abolished on sanitary pads and contraceptives	Positive	



Measures for Mutual Funds

AMC & other NBFCs			
Proposal	Details	Impact	Comments
Exemption certificates for mutual funds, REITs and other CIS	Mutual Funds, REITs and other Collective Investment Schemes are exempt from tax if they distribute 90% of the accounting income for the respective tax year.	Neutral	They will be eligible for an exemption certificate for the entire subsequent tax year.
CGT on mutual funds, CIS and REIT schemes	Presently, a mutual fund, collective investment scheme or REIT scheme are to deduct capital gain tax at specified rates. It has been proposed that the said rates mentioned in the proviso are applicable for the purpose of chargeability as well.	Neutral	Both the charge and deduction operate at 25% uniformly The 15% rate is ring-fenced exclusively to stock funds where dividend receipts fall short of capital gains
Expansion of NCCPL regime	NCCPL to compute CGT for banks, insurance companies, and mutual funds, though payment mechanism for such entities remains unchanged.	Neutral	NCCPL shall compute the CGT as per section 37A of the ITO, while the aforesaid entities shall continue to deposit tax on capital gains under the applicable provisions of the Ordinance.

Our Conclusion

The FY27 Federal Budget reflects a measured and pragmatic approach aimed at balancing fiscal consolidation requirements under the IMF program with the need to support economic growth and private sector activity. A GDP growth assumption of 4.0% is reasonable given the external backdrop and important to meet IMF's fiscal targets. While revenue targets seem ambitious, the government has not given in to popular pressure and largely avoided disruptive taxation measures. Instead, it focused on broadening the tax base, digitalization, and improving compliance mechanisms.

The continuation of fiscal discipline (3-4% fiscal deficit with moderate growth in borrowings), maintenance of a primary surplus, and targeted relief measures for exporters, construction, real estate, and technology sectors are broadly **supportive for corporate profitability and investor sentiment. This should ultimately create the fiscal space for greater reforms, in the Energy sectors and with SOEs, and also development spending in the medium term.**

The preservation of existing tax treatment for equities, coupled with a higher tax burden on direct investment in certain debt instruments (e.g. T-bill PIBs etc.), **reinforces the attractiveness of equities as an asset class.** Meanwhile, supportive measures for housing, infrastructure, and exports could provide additional momentum to economic activity during FY27.

However, risks remain in the form of geopolitical uncertainty, potential IMF-driven revenue measures, slower-than-expected economic growth, and elevated fiscal financing requirements. **On balance, we believe the budget is moderately positive for financial markets and supports a constructive medium-term outlook for Pakistan's economy and capital markets.**

Investment Strategy

Given the current macroeconomic backdrop, budget proposals, and market valuations, investors should consider maintaining a diversified allocation across asset classes aligned with their risk profile and investment horizon.

For Conservative Investors

Investors seeking capital preservation and liquidity may consider maintaining exposure to Shariah-compliant money market and short-duration income strategies through:

- Lucky Islamic Money Market Fund
- Lucky Islamic Cash Fund
- Lucky Islamic Income Fund
- Lucky Islamic Fixed Term Fund

These funds remain suitable for investors seeking competitive returns with relatively lower volatility and flexibility in uncertain market conditions. The return profile on the funds has lately improved due to increase in SBP policy rate.

For Growth-Oriented Investors

The budget's positive stance toward equities, unchanged taxation on capital gains and dividends, attractive market valuations, and supportive measures for sectors such as construction, technology, exports, and selected cyclical industries strengthen the case for long-term equity investing. Investors with a higher risk tolerance and longer investment horizon may consider:

- Lucky Islamic Stock Fund
- Lucky Islamic Pension Fund (Favoring Equity Allocation)
- Lucky Islamic Energy Fund

The recent market correction has resulted in more attractive valuations, while improving earnings prospects and continued economic reforms could provide opportunities for long-term capital appreciation.

For Investors favoring High Dividend-Yield Stocks

Lucky Investments is launching **Lucky Islamic Dividend Yield Fund** on 1 July 2026. The new fund is suitable for investors with a medium to long-term horizon and who prefer high dividend-yield stocks over high-growth stocks.

Portfolio Positioning Outlook



In our view, a combination of Core exposure to Shariah-compliant equities & Strategic allocation to income and stable return funds as a hedge against any geopolitical uncertainty offers an appropriate investment framework for navigating FY27. Investors should continue to align their portfolio allocation with their financial objectives, risk tolerance, and investment horizon while maintaining a disciplined long-term approach to wealth creation.

Our Investment Theme for FY27

"Stay Invested, Stay Diversified, and Position for Long-Term Growth."

Lucky Investments Limited Team

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Our Shariah Advisor is Mufti Muhammad Hassaan Kaleem whose registration reference number is (SECP/IFD/SA/002)