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Taxing Transparency:

How Pakistan's Super Tax Is Undermining Formal Sector Growth

Dear Friends

Progress under the current taxation regime remains an uphill task, particularly in light of recent measures introduced by the Federal Board of Revenue (FBR). The imposition of the so-called 'one-time' super tax—originally introduced in FY2022 as a 10% levy on high-earning sectors—has now been extended and even expanded in subsequent years. In FY2023 and FY2024, it remained applicable to companies with income exceeding Rs. 300 million, with rates ranging from 1% to 10% based on income brackets. This sends a discouraging signal to disciplined taxpayers operating in the formal sector.

Rather than rewarding compliance, such measures appear to penalize transparency and formality. For instance, the corporate sector—already contributing over 60% of total direct taxes despite representing a relatively smaller portion of the overall economy—is being disproportionately burdened. According to FBR data, large corporations, particularly in the banking, telecom, and FMCG sectors, have seen their effective tax rates exceed 40% when corporate tax, super tax, and other levies are factored in.

These ad hoc and retrospective tax measures risk derailing the early signs of economic recovery. The Pakistan Stock Exchange (PSX), which had been showing modest recovery, has already priced in the impact of these policy swings. Investor sentiment has been dampened amid growing fiscal uncertainty—otherwise, the PSX could have potentially surpassed the 150,000 index level by now.

A predictable, equitable, and growth-oriented tax policy is not merely a matter of fairness—it is essential to restoring business confidence, attracting long-term investment, and achieving sustainable economic growth.

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