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Pakistan Income Tax Guide 2026–27

Everything salaried individuals need to know about FBR's latest tax slabs, filing process, deadlines, and how to calculate take-home pay for Tax Year 2027.

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Tax Year 2027 · Effective July 1, 2026 · fasttaxcalculator.pk

Introduction to Pakistan Income Tax

Income tax in Pakistan is a direct tax administered by the Federal Board of Revenue (FBR) under the Income Tax Ordinance, 2001. It is charged on the income earned by individuals, associations of persons, and companies during a tax year, which runs from July 1 to June 30. For Tax Year 2027 (covering income earned between July 1, 2026 and June 30, 2027), the federal budget introduced meaningful relief for the salaried class, including restructured slabs and the removal of the high-income surcharge.

For most salaried employees, tax is not paid as a lump sum at the end of the year. Instead, it is deducted monthly at source by the employer, a mechanism known as withholding tax, and adjusted against the employee's final annual liability when the tax return is filed.

Who Pays Income Tax

Every resident individual whose taxable income exceeds the exempt threshold of Rs. 600,000 per year is liable to pay income tax in Pakistan. Residency is determined by physical presence: a person who stays in Pakistan for 183 days or more within a tax year is treated as a resident and is taxed on worldwide income, while a non-resident is taxed only on Pakistan-source income.

- **Salaried individuals** — taxed under the salary tax regime, with monthly withholding by the employer.
- **Business individuals and sole proprietors** — taxed under a separate, generally higher, non-salaried slab structure.
- **Associations of persons (AOPs) and partnerships** — taxed on partnership income.
- **Companies** — taxed under corporate tax rules, which are distinct from individual slabs.
- **Property owners, professionals (doctors, lawyers, accountants), and high-net-worth individuals** — required to file returns even where salary is not the primary income source.

Latest Tax Slabs (2026–27)

The Federal Budget 2026-27, presented on June 12, 2026 and effective from July 1, 2026, reduced income tax rates across four slabs for salaried individuals, introduced additional intermediate brackets, and raised the threshold for the top 35% rate from Rs. 4.1 million to Rs. 7 million. The 9% surcharge previously applicable to individuals earning above Rs. 10 million annually has also been fully abolished. The tax-free threshold remains unchanged at Rs. 600,000.

Annual Taxable Income (PKR)	Tax Rate
Up to 600,000	0%
600,001 – 1,200,000	1% of the amount exceeding 600,000
1,200,001 – 2,200,000	Rs. 6,000 + 11% of the amount exceeding 1,200,000
2,200,001 – 3,200,000	Rs. 116,000 + 20% of the amount exceeding 2,200,000
3,200,001 – 4,100,000	Rs. 316,000 + 25% of the amount exceeding 3,200,000
4,100,001 – 5,600,000	Rs. 541,000 + 29% of the amount exceeding 4,100,000
5,600,001 – 7,000,000	Rs. 976,000 + 32% of the amount exceeding 5,600,000
Above 7,000,000	Rs. 1,424,000 + 35% of the amount exceeding 7,000,000

> These slabs apply to salaried individuals for Tax Year 2027. Non-salaried individuals and business income are taxed under a separate slab structure with different rates. Always confirm rates against the official FBR notification once the Finance Act 2026 is formally gazetted.

Salary Tax Examples

The slab system is progressive — each rate applies only to the portion of income that falls within that bracket, not to the entire salary. The examples below illustrate annual tax liability at a few common income levels.

Monthly Salary	Annual Salary	Approx. Annual Tax	Approx. Monthly Tax
Rs. 50,000	Rs. 600,000	Rs. 0	Rs. 0

Rs. 100,000	Rs. 1,200,000	Rs. 6,000	Rs. 500
Rs. 150,000	Rs. 1,800,000	Rs. 72,000	Rs. 6,000
Rs. 250,000	Rs. 3,000,000	Rs. 276,000	Rs. 23,000
Rs. 400,000	Rs. 4,800,000	Rs. 744,000	Rs. 62,000

Worked example (Rs. 100,000/month): Annual income is Rs. 1,200,000. The first Rs. 600,000 is tax-free. The remaining Rs. 600,000 falls in the 1% bracket, giving an annual tax of Rs. 6,000, or Rs. 500 deducted per month by the employer.

For an exact, personalized breakdown based on your own salary, allowances, and deductions, use the calculator below rather than relying on approximations.

How Monthly Tax Is Calculated

Employers in Pakistan are required to withhold income tax from salary at source, on a monthly basis, under Section 149 of the Income Tax Ordinance. The calculation generally follows these steps:

1. **Annualize the salary.** The employer estimates the employee's total taxable income for the full tax year, based on the current monthly salary and any known bonuses or allowances.
2. **Deduct allowable exemptions.** Certain allowances and reimbursements may be excluded from taxable salary as permitted by law.
3. **Apply the relevant slab rate.** The annualized taxable income is run through the progressive slab table to determine total annual tax liability.
4. **Divide by twelve.** The annual tax figure is divided across the remaining months of the tax year to determine the monthly withholding amount.
5. **Adjust for mid-year changes.** If salary changes during the year, or if the employee changes jobs, the calculation is re-annualized to avoid over- or under-withholding.

Because this calculation depends on annualized projections, employees who receive irregular bonuses, overtime, or a mid-year raise often see their monthly tax deduction fluctuate even though their base salary hasn't changed.

Tax Credits

Pakistan's Income Tax Ordinance allows several credits and deductions that reduce a salaried individual's final tax liability. Common ones include:

- **Zakat contributions** — Zakat deducted under the Zakat and Ushr Ordinance is excluded from taxable income.
- **Approved pension fund contributions** — contributions to a voluntary pension scheme regulated by the SECP can qualify for tax credit, generally up to prescribed percentage limits of taxable income.
- **Profit on debt / markup on housing loans** — interest paid on loans obtained from banks or financial institutions for the construction or acquisition of a house may qualify for relief, subject to limits.
- **Charitable donations** — donations made to approved, tax-exempt non-profit organizations can qualify for a tax credit, subject to a percentage cap on taxable income.
- **Investment in shares and insurance** — investment in listed shares or life insurance premiums historically qualified for tax credit, subject to the specific rules in force for the tax year.

> Tax credit rules, caps, and eligibility change from year to year. Confirm current limits against the FBR's official Salient Features document for Tax Year 2027 before claiming any credit.

Filing Process

Salaried individuals whose income exceeds the taxable threshold, or who fall into any other mandatory-filing category, must submit an annual income tax return through the FBR's online portal, IRIS. The general process is:

1. **Register for a National Tax Number (NTN)** via the IRIS portal, if not already registered, using your CNIC.
2. **Log in to IRIS** and select the relevant tax year's return form (typically the "Declaration" form for salaried individuals).
3. **Enter your salary income** as reported by your employer, along with any other sources of income (property, business, other sources).
4. **Declare your assets** in the Wealth Statement, which is mandatory for most filers alongside the income tax return.

5. **Claim eligible tax credits and adjustments**, such as Zakat, pension contributions, or withholding tax already deducted.
6. **Verify and submit** the return electronically, and retain the acknowledgment/CPR as proof of filing.

Becoming an active filer (appearing on the FBR's Active Taxpayer List) also reduces withholding tax rates on many everyday transactions, including banking, vehicle registration, and property transfers, even if it does not change the salary tax itself.

Important Deadlines

Event	Typical Deadline
Tax year period	July 1 – June 30
Annual income tax return filing (salaried individuals)	September 30 following the end of the tax year (commonly extended by FBR)
Wealth Statement filing	Filed together with the annual return
Monthly withholding tax deposit (employers)	By the 7th–15th of the following month, as prescribed

FBR frequently issues extensions to the standard filing deadline close to the due date. It is advisable to file well before the deadline rather than relying on an extension being granted.

Common Mistakes

- **Not filing at all** — assuming that because tax is withheld by the employer, no return needs to be filed. Filing is still mandatory for most salaried individuals above the threshold, and missing it results in remaining a "non-filer" with higher withholding rates elsewhere.
- **Confusing gross and taxable salary** — forgetting to account for exempt allowances or benefits when estimating tax, leading to inaccurate self-calculations.
- **Missing the Wealth Statement** — filing the income tax return but skipping the accompanying wealth reconciliation, which can trigger notices from FBR.
- **Ignoring mid-year salary changes** — not accounting for a raise, bonus, or job change, which can cause under-withholding and an unexpected tax liability at filing time.
- **Failing to claim eligible credits** — overlooking Zakat, pension fund, or donation credits that could lower the final tax bill.
- **Missing the deadline** — late filing can result in penalties, starting at a minimum fixed amount and scaling with the tax payable.

FAQs

What is the tax-free income threshold for 2026–27?

Annual taxable income up to Rs. 600,000 (roughly Rs. 50,000 per month) remains completely exempt from income tax for Tax Year 2027.

Has the surcharge on high earners been removed?

Yes. The 9% surcharge that previously applied to individuals earning above Rs. 10 million annually has been fully abolished for Tax Year 2027.

Do I need to file a return if my employer already deducts tax?

In most cases, yes. Withholding by the employer covers payment of tax during the year, but salaried individuals above the taxable threshold are still required to file an annual return and wealth statement.

What happens if I file my return late?

Late filing can attract a penalty, generally a minimum fixed amount or a percentage of the tax payable per day of default, along with the loss of Active Taxpayer status until the return is filed.

Is the tax structure the same for non-salaried individuals?

No. Business individuals, sole proprietors, and other non-salaried taxpayers are taxed under a separate, generally higher slab structure than salaried employees.

Where can I quickly estimate my exact salary tax?

Use an online salary tax calculator to enter your monthly or annual salary and instantly see your estimated monthly and annual tax based on the current FBR slabs.

Click Here to Calculate Tax on Salary →
