

Circular to members # 42/2025-26

August 26, 2025

US tariffs

Special incentives sought for key affected sectors



The Ministry of Commerce (MoC) has reportedly sought “special incentives” for the export-oriented sectors to be effected due to ad-valorem tariffs of 19 per cent imposed by the United States of America (USA), sources close to Commerce Minister told Business Recorder.

Commerce Minister Jam Kamal Khan has sought Prime Minister Shehbaz Sharif’s support for materialization of “handholding” incentives for to be affected sectors, the sources added.

Sharing the details, sources said the Commerce Minister has informed the Prime Minister that President USA Donald Trump in an executive order of April 2, 2025, announced national emergency by imposing a base additional ad-valorem tariff of 10 percent with effect from April 5, 2025 on imports from all trading partners and additional tariff ranging from 10 percent to 50 percent with effective from 9th April 2025, with 29 percent reciprocal tariff imposed on imports from Pakistan. On the directives of Prime Minister, the Ministry of Commerce on April 4, 2025 notified a Steering Committee (headed by the Finance Minister) and a Working Group (headed by the Secretary Commerce) to analyse the reciprocal tariffs in terms of their applicability on Pakistan’s exports and develop a strategy for subsequent trade negotiations with the U.S.

According to Commerce Minister, the base tariff of 10 percent additional ad-valorem tariffs took effect from April 5, 2025 on imports from all trading partners; however, the President of USA vide an executive order April 9, 2025 suspended implementation of additional tariff ranging from 10 percent to 50 percent on trading partners for period of 90 days, till July 9, 2025.

After thorough deliberation and consultation with private sector, the Ministry of Commerce formulated a strategy which Pakistani team led by the Finance Minister and Secretary Commerce negotiated with the US side through multiple rounds of virtual and in-person meetings in the USA. As a result of successful trade negotiations, Pakistan was able to get additional ad-valorem tariffs of 29 percent reduced to 19 percent, lower than its regional competitors like Bangladesh, Vietnam and India. These announcements were made by the USA vide Presidential Executive Order of July 31, 2025. Further, the USA on August 6, 2025 imposed additional tariff of 25 percent on India, giving Pakistan a competitive advantage of 31 percent.

Subsequently, on the directions of the Prime Minister, the Ministry of Commerce on August 11, 2025 held a meeting under the chairmanship of Federal Minister for Commerce and Special Assistant to the PM on Industries and Production with the leading exporters and SMEs from various sectors (including apparel and textiles, rice, salt, surgical goods, sports goods, electronics, food and agriculture, leather, and more) proposing to devise a way forward/ action plan to boost exports to the US.

Industry representatives, while appreciating the government's efforts in trade diplomacy, urged the government for favourable and predictable policy support aiming towards providing enabling business environment and reducing cost of manufacturing.

In order to keep the export industries regionally competitive through consistent and favourable policy interventions and materialize the future business opportunities in the US, the Commerce Ministry has submitted the following recommendations to the Prime Minister based upon consultation with the export sectors.

For the Finance Division, authorization to the Ministry of Commerce for sanctioning of balance amount of Rs. 12 billion in August 2025 (out of budgetary allocation of Rs 15 billion in FY 2025-26) for clearance of verified DLTl claims on first-in-first-out (FIFO) basis by the SBP and allocation of supplementary grant of Rs. 12.32 billion for clearance of remaining verified claims under Government Support Schemes in 2nd quarter of current FY 2025-26.

For Federal Board of Revenue (FBR): processing of future refunds within 72 hours as per Sales Tax Rules, 2006, revaluation of custom valuation of mango pulp, in consultation with the industry and withdrawal of sales tax on purchases from local manufacturers, as of June-2024 level, withdrawal of exclusions of the few products recently notified under Export Facilitation Scheme (EFS) and rationalisation of double taxation on exporters.

For Power Division: removal of cross subsidy from industrial power tariff.

For Petroleum Division: resolve the issue of arrears in bills of RLNG on the OGRA determination, for which industry has been asked to immediately make payments to avoid disconnections. Rationalisation of RLNG Tariff for industrial consumers, including removal of off-the-grid levy, cross subsidy and, price disparity among various consumers.

Maritime Affairs Division: Reduction of shipping time to the USA from 48 days to 24 days.

Commerce Ministry: Announcement of new Drawback of Local Taxes and Levies (DLTL) incentive schemes for exporters.

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