

Media Coverage of Policy Viewpoint



Policy View Point: NO.49:2025

IMPACT OF TARIFF REDUCTION ON AUTOMOBILE INDUSTRY



Authors

- — **Mohammad Shaaf Najib**
Research Fellow
- — **Dr. Usman Qadir**
Senior Research Economist
Director (CITDE)

Web Edition

The News

<https://www.thenews.com.pk/latest/1342486-tariff-reforms-implementation-likely-to-cut-vehicle-prices>

Business Recorder

<https://www.brecorder.com/news/40382023/tariff-reforms-to-impact-positively-on-auto-sector-report>

Nation

<https://www.nation.com.pk/10-Sep-2025/pide-calls-for-developing-new-import-framework-for-vehicles>

Islamabad Post

<https://islamabadpost.com.pk/tariff-cuts-set-to-reshape-pakistans-auto-industry-pide-report/>

Daily Jang

<https://jang.com.pk/news/1508631>

Samaa News

<https://urdu.samaa.tv/2087342289>

HUM News

<https://humnews.pk/latest/548614/>

Express News

<https://www.express.pk/story/2777731/vehicle-prices-reduce-and-ownership-of-cars-increased-prediction-2777731>

24Urdu News

<https://www.24urdu.com/09-Sep-2025/144709>

Such TV

<https://www.suchtv.pk/urdu/business/item/149782-car-costs-drop,-ownership-up.html>

Lead Pakistan

<https://leadpakistan.com.pk/news/tariff-cuts-set-to-reshape-pakistans-auto-industry-pide-report/>

Pro Pakistani

<https://propakistani.pk/2025/09/09/pakistans-tariff-cuts-to-make-cars-more-affordable-report/>

Minute Mirror

<https://minutemirror.com.pk/car-prices-in-pakistan-set-to-drop-under-tariff-reforms-434642/>

Urdu Point

<https://www.urdupoint.com/en/business/tariff-cuts-set-to-reshape-pakistans-auto-2041027.html>

<https://www.urdupoint.com/business/news-detail/live-news-4547265.html>

Daily Aitadal

<https://aitadal.com.pk/%D8%A8%D8%B2%D9%86%D8%B3/%DA%AF%D8%A7%DA%91%DB%8C%D9%88%DA%BA-%DA%A9%DB%8C-%D9%82%DB%8C%D9%85%D8%AA-%D9%85%DB%8C%DA%BA-%DA%A9%D9%85%DB%8C-%D8%A7%D9%88%D8%B1-%DA%A9%D8%A7%D8%B1%D9%88%DA%BA-%DA%A9%DB%8C-%D9%85%D9%84%DA%A9%DB%8C/>

GTV News

<https://gtvnewshd.com/urdu/economy/2025/09/09/heres-a-good-news-for-those-wishing-to-buy-a-car-in-pakistan/>

INTERNATIONAL
THE NEWS

September 10, 2025

Tariff reforms implementation likely to cut vehicle prices

PIDE research says automobile manufacturers and assemblers should step out from behind their protected tariff walls, compete with firms operating outside Pakistan

By Mehtab Haider

ISLAMABAD: The prices of vehicles are expected to reduce in Pakistan with the implementation of tariff reforms, says a research study done by the Pakistan Institute of Development Economics (PIDE), an affiliate of the Planning Commission.

According to the report released on Tuesday, in recent years, when the taxes have remained high and production costs have also increased, vehicle affordability has become difficult for the general public.

With the reduction in import taxes on Completely Built Units (CBU) and a similar reduction in import tariffs for CKD kits, the prices of vehicles are expected to reduce. This will improve vehicle affordability among the general public and possi-

bly contribute to an increase in demand for vehicles. As a result, the improved demand will certainly have a positive impact on the industry and vehicle ownership.

For the automobile industry in particular, tariffs on CBUs will be reduced from 20% to 15% over five years, while used-vehicle tariffs will start with a 40% surcharge above new vehicle rates in FY26, decreasing annually by 10% and ending at parity by 2030.

The government also intends to abolish the "Fifth Schedule" exemptions and eliminate protectionist regulatory complexities. However, stakeholders in the industry have expressed concerns.

The local original equipment manufacturers (OEMs) caution that the sudden surge

Continued on page 9



THE NATION

September 10, 2025

PIDE calls for developing new import framework for vehicles

FAWAD YOUSAFZAI
ISLAMABAD

While calling for developing new import framework for vehicles, PIDE has recommended allowing commercial import of used Completely Built Units vehicles and mandatory business registration of the private vehicles dealers with the FBR. The recommendations were made by policy viewpoint titled "Impact of Tariff Reduction on Automobile Industry" released by Pakistan Institute of Development Economics (PIDE), which provides a holistic assessment of the impact of the government's five-year tariff reform plan on Pakistan's automobile industry.

According to the report, the reform plan, announced in the Federal Budget 2025-26, seeks to move Pakistan's economy from import substitution towards an export-led growth model. The reform will streamline the customs duty structure, reduce tariff slabs, and lower the average tariff rate from 19% to 9.5% by FY2030. Specifically, for the automobile sector, tariffs on CBUs will fall from 20% to 15% over five years, while surcharges on used vehicles will be gradually removed by 2030.

According to PIDE's analysts, these reforms will reshape the automobile industry in several ways. On the domestic front, increased competition from imports will push local manufacturers to enhance quality and efficiency. While smaller or weaker brands may struggle, established and globally integrated firms are expected to adapt and compete. Reduced tariffs on both Completely Built Units (CBUs) and Completely Knock Down (CKD) vehicles imports will lower production

costs, improve affordability, and potentially expand car ownership in Pakistan. While some jobs at OEMs may be at risk in the short run, new opportunities for businesses and employment are expected to emerge in import services, dealerships, after-sales and parts markets. The net affect though will depend significantly on how the existing automobile firms react and adapt to the policy change.

At the macroeconomic level, increased imports could raise import bill by \$4 billion, creating pressure on foreign exchange reserves and the exchange rate unless export growth keeps pace. Considering this, PIDE recommended that the government must en-

used to import used vehicles in the country; and suggested a vehicle quality based mechanism for commercial import of vehicles in the country to uphold safety standards while ensuring fair competition and promoting consumer welfare.

According to the report, currently in Pakistan, commercial import of used vehicles is not permitted. Instead, as per the rules, only Pakistani nationals living abroad can under following three schemes transfer a vehicle from abroad to Pakistan. Technically, any transfer of vehicle from abroad to Pakistan under these three schemes cannot be termed as an import of vehicle as no sale is supposedly occurring. A number of post-

lowed to private motor vehicle dealers. Business registration with the FBR must be mandatory for private motor vehicle dealers to import used CBU vehicles into the country. Commercial import of used CBU vehicles must be limited to only four auction grades as per the Japanese Automotive Standards Organization (JSAO) grading system. Attaching verified auction sheet must be mandatory for the registration of imported used CBU vehicles in the excise and taxation department.

In order to prevent the exploitation of three existing schemes, following measures must be taken: Vehicles shipped under the personal baggage, transfer of residence, and gift scheme must be taxed at a higher tariff as compared to commercial import vehicles. Vehicles shipped under the three schemes must not be sold in Pakistan for at least one year after excise registration. Vehicles shipped under the personal baggage or transfer residence scheme must be registered in Excise & Taxation department on the name of the shipper. Vehicles shipped under the gift scheme must be registered in Excise & Taxation department only against the name of the gift recipient. Gift recipient must be specified in the shipment documents. Import tariff must be higher for vehicles of bigger engine capacity to discourage import of high fuel consuming vehicles. A lower tariff must be imposed on import of Hybrid Electric Vehicle (HEVs) and Plug-in Hybrid Electric Vehicle (PHEVs) as compared to Internal Combustion Engine Vehicle (ICEVs) of equivalent engine capacity, to promote use and import of environment friendly vehicles, in line with the new NEV Policy.

PIDE proposes commercial import of used vehicles must be allowed with reduced tariff

save availability of the required foreign exchange to finance the increased import bill. PIDE also stressed on the need to stick to the policy change and not roll back after initial challenges that may arise as that would prove much more detrimental for the automobile industry and consumers both. For consumers, however, the reforms promise significant benefits, including increased and improved choice and availability of the vehicles along with competitive pricing.

Further, PIDE also recommended a new import framework particularly for the import of used cars in the country instead of the current mechanism where imports are done under three different schemes. PIDE noted that the loopholes within these schemes are being

used to import used vehicles in the country; and suggested a vehicle quality based mechanism for commercial import of vehicles in the country to uphold safety standards while ensuring fair competition and promoting consumer welfare. According to the report, currently in Pakistan, commercial import of used vehicles is not permitted. Instead, as per the rules, only Pakistani nationals living abroad can under following three schemes transfer a vehicle from abroad to Pakistan. Technically, any transfer of vehicle from abroad to Pakistan under these three schemes cannot be termed as an import of vehicle as no sale is supposedly occurring. A number of post-

accident damaged vehicles are also shipped into the country and refurbished locally before being sold in the secondary market. It is possible as the import criterion is pegged against manufacturing date and not vehicular condition. Consequently, it raises valid concerns regarding the on-road safety, security and overall quality of these refurbished vehicles. In line with the agreement with the IMF, as Pakistan steps towards decreasing import tariffs on the imports of new and used CBU vehicles, it is time that a new framework regarding import of used cars is developed.

PIDE proposed that commercial import of used vehicles must be allowed with reduced tariff. Commercial import of used CBU vehicles must be al-

Tariff cuts set to reshape Pakistan's auto industry: PIDE Report

■ ONLINE
ISLAMABAD

The Pakistan Institute of Development Economics (PIDE) has released its latest Policy Viewpoint titled "Impact of Tariff Reduction on Automobile Industry", authored by Mr. Mohammad Shaaf Najib and Dr. Usman Qadir. The report provides a holistic assessment of the impact of the government's five-year tariff reform plan on Pakistan's automobile industry. The reform plan, announced in the Federal Budget 2025-26, seeks to move Pakistan's economy from import substitution towards an export-led growth model. The reform will streamline the customs duty structure, reduce tariff slabs, and lower the average tariff rate from 19% to 9.5% by FY2030. Specifically, for the automobile sector, tariffs on Completely Built Units (CBUs) will fall from 20% to 15% over five years, while surcharges on used vehicles will be gradually removed by 2030.

According to PIDE's analysis, these reforms will reshape the automobile industry in several ways. On the domestic front, increased competition from imports will push local manufacturers to enhance quality and efficiency. While smaller or weaker brands may struggle, established and globally integrated firms are expected to adapt and compete. Reduced tariffs on both CBUs and CKD imports will lower production costs, improve affordability, and potentially expand car ownership in Pakistan. While some jobs at OEMs may be at risk in the short run, new op-

portunities for businesses and employment are expected to emerge in import services, dealerships, after-sales, and parts markets. The net effect though will depend significantly on how the existing automobile firms react and adapt to the policy change.

At the macroeconomic level, increased imports could raise Pakistan's import bill, creating pressure on foreign exchange reserves and the exchange rate unless export growth keeps pace. Considering this, PIDE recommends that the government must ensure availability of the required foreign exchange to finance the increased import bill. PIDE also stresses on the need to stick to the policy change and not roll back after initial challenges that may arise as that would prove much more detrimental for the automobile industry and consumers both. For consumers, however, the reforms promise significant benefits, including increased and improved choice and availability of the vehicles along with competitive pricing.

Further, PIDE also recommends a new import framework particularly for the import of used cars in the country instead of the current mechanism where imports are done under three different schemes. PIDE notes that the loopholes within these schemes are being used to import used vehicles in the country, and suggests a vehicle quality based mechanism for commercial import of vehicles in the country to uphold safety standards while ensuring fair competition and promoting consumer welfare.

Tariff cuts set to reshape Pakistan's auto industry

ISLAMABAD: The Pakistan Institute of Development Economics (PIDE) has released its latest Policy Viewpoint titled "Impact of Tariff Reduction on Automobile Industry", authored by Mr. Mohammad Shaaf Najib and Dr. Usman Qadir. The report provides a holistic assessment of the impact of the government's five-year tariff reform plan on Pakistan's automobile industry. The reform plan, announced in the Federal Budget 2025-26, seeks to move Pakistan's economy from import substitution towards an export-led growth model. The reform will streamline the customs duty structure, reduce tariff slabs, and lower the average tariff rate from 19% to 9.5% by FY2030. Specifically, for the automobile sector, tariffs on Completely Built Units (CBUs) will fall from 20% to 15% over five years, while surcharges on used vehicles will be gradually removed by 2030. According to PIDE's analysis, these reforms will reshape the automobile industry in several ways. On the domestic front, increased competition from imports will push local manufacturers to enhance quality and efficiency. While smaller or weaker brands may struggle, established and globally integrated firms are expected to adapt and compete. Reduced tariffs on both CBUs and CKD imports will lower production costs, improve affordability, and potentially expand car ownership in Pakistan. While some jobs at OEMs may be at risk in the short run, new opportunities for businesses and employment are expected to emerge in import services, dealerships, after-sales, and parts markets. The net affect though will depend significantly on how the existing automobile firms react and adapt to the policy change. At the macroeconomic level, increased imports could raise Pakistan's import bill, creating pressure on foreign exchange reserves and the exchange rate unless export growth keeps pace. Considering this, PIDE recommends that the government must ensure availability of the required foreign exchange to finance the increased import bill. PIDE also stresses on the need to stick to the policy change and not roll back after initial challenges that may arise as that would prove much more detrimental for the automobile industry and consumers both. For consumers, however, the reforms promise significant benefits, including increased and improved choice and availability of the vehicles along with competitive pricing. Further, PIDE also recommends a new import framework particularly for the import of used cars in the country instead of the current mechanism where imports are done under three different schemes. PIDE notes that the loopholes within these schemes are being used to import used vehicles in the country, and suggests a vehicle quality based mechanism for commercial import of vehicles in the country to uphold safety standards while ensuring fair competition and promoting consumer welfare. It has also been stressed to facilitate the development of a robust after-sales networks and stronger incentives for electric vehicles to ensure a smooth transition to an environmentally friendly future. The view point concludes by noting that tariff rationalization is not just an industrial reform but also a vital step towards consumer protection, modernization of the auto sector, and Pakistan's integration into global value chains.—DNA