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PIDE Research Report - National Tariff Policy 2025-30

Comparing Like with Like - Tariffs in NTP 2025-30

An analysis of where Pakistan stands in the region, with automobiles as a case study

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SUMMARY

Like for like only in part.

National Tariff Policy (NTP) 2025-30 concludes that Pakistan's tariffs are the highest in South Asia by adding its additional customs duty (ACD, 3.65 percent) and regulatory duty (RD, 4.57 percent) to its 10.3 percent customs duty average, and comparing the total of 18.5 percent with comparators' customs duty alone. That comparison is only partly like for like. Counting para-tariffs for every economy narrows the reported gaps: from 10.1 to about 2 percentage points against Sri Lanka and from 4.4 to about 2 points against Bangladesh.

Among the most highly protected.

On customs duty alone, Pakistan's average ranks in the **middle** of the five economies compared, below India and Bangladesh. Including para-tariffs for every economy, Pakistan is among the most highly protected economies in the comparison: at 18.5 percent, its average is about double Viet Nam's and Thailand's, 1.5 points above India's 17.0 and about 2 points above Sri Lanka's 16.5 and Bangladesh's 16.4. The precise ranking depends on which taxes are counted, notably Bangladesh's supplementary duty, and on reference years.

Not a light regime.

Pakistan has the **second-highest share** of HS six-digit subheadings with duties above 15 percent among the nine economies the NTP lists, and its cascaded structure generates high effective protection: the World Bank estimated 143 percent for motor vehicles and parts taken together, at 2019 tariffs.

Low on cars, high on parts.

Since July 2026, Pakistan’s customs duty on fully built (CBU) cars, 30-50 percent, has been below that of India, Viet Nam and Thailand. This rate is before additional customs duty, regulatory duty and federal excise duty. Above 2,000cc it is also before the new special excise duty of 86-92 percent on imported cars, which offsets the duty cuts on large cars. Pakistan’s duties on kits and parts are among the highest of the five: 29 percent on commercially imported parts and up to 46 percent on localised parts.

The NTP's reductions for autos.

The evidence supports reducing kit and parts duties. Regional comparison alone cannot establish whether a 15 percent duty on fully built cars by FY2029-30 is appropriate for Pakistan. It shows that such a rate would fall below every comparator's MFN rate, and the reported targets of the Auto Policy 2026-31 differ from it, so the end-point needs a domestic justification and should follow the cuts on inputs.

The policy’s concern is also with complexity and bias.

The NTP aims to remove anti-export bias and the dispersion of rates across lines, which raises compliance costs, invites rent-seeking and makes it hard for firms to plan. It treats simplifying the Fifth Schedule, and establishing a level playing field between producers serving the domestic market and those competing abroad, as being as important as lowering average rates.

Policy implications.

Compare like with like in tariff policy documents, publish effective rates of protection alongside nominal rates, settle the end-point for fully built cars, and cut duties on inputs ahead of duties on finished cars, for a fixed period.

About the figures.

Unless attributed to another source, the figures in this report are PIDE estimates compiled from national tariff schedules, WTO data and secondary sources. Many comparator rates are provisional, marked as such in tables and figures, and will be revised as line-level data are verified.

1. Introduction

In 2019, Pakistan undertook a directional change with regard to its trade tariff through the first National Tariff Policy (NTP) for the years 2019-24. This policy was designed with the objective of improving manufacturing and export competitiveness by providing lower-duty access to imported raw materials and inputs. NTP 2019-24 aimed to remove tariff anomalies that distort prices and to reduce the cost of doing business. Improving consumer welfare was also cited as a primary objective of the policy (Ministry of Commerce, 2019).

The first NTP was a framework of objectives, principles and guidelines rather than a schedule of rate changes. It stated that tariffs would be employed "as an instrument of trade policy rather than revenue", with duties on inputs lowered and additional customs and regulatory duties gradually reduced. It also made strategic protection time-bound, to be phased out so that domestic industry becomes globally competitive, while retaining the principle of cascading, under which tariffs rise with each stage of processing so that tariffs on inputs are no higher than tariffs on the finished product (Ministry of Commerce, 2019).

A PIDE review of NTP 2019-24 welcomed its move away from revenue as the aim of tariff policy, but noted that it carried forward three principles from earlier practice: cascading, strategic protection and import substitution (Qadir, 2020). The review argued that a cascaded tariff "ends up being a tax on top of a tax", compounding protection for downstream sectors, and that it may promote rent-seeking, reduce productivity and hurt consumer welfare. It observed that protection promised as temporary had rarely been withdrawn, and that industries given high protection, automobiles, sugar and paper among them, had not become competitive. It also noted that interest groups pressed for ACD and RD, whose coverage had grown, and recommended removing both, eliminating SROs and backing the policy with a time-bound implementation plan.

The second NTP for the years 2025-30 outlines the next steps for Pakistan’s shift towards a much more liberalised tariff structure. While acknowledging the broader objectives of the first NTP, the second NTP introduced more targeted interventions aimed at improving competitiveness, attracting investment through removing tariff anomalies to improve consumer welfare and promote export-led growth (Ministry of Commerce, 2025).

Moreover, the second NTP set yearly targets for simplification of tariff slabs, reduction of customs duty, elimination of ACD and RD, and reducing the simple average tariff to 9.7 percent by FY2029-30, from 20.19 percent in FY2024-25 (Ministry of Commerce, 2025). It acknowledges that the current tariff structure "follows a cascading principle" and commits to eliminating ACD within four years and RD within five, in line with the 2020 review's recommendation. It also confirms the trend the review identified: of 7,589 tariff lines, with ACD applying to approximately 7,476 and RD applying to 1,996 (Ministry of Commerce, 2025).

2. The Tariff Debate

The policy interventions and tariff rationalisation measures outlined in the second NTP have received mixed views from the academic and research community, policy experts, and the industry. While the objectives of the NTP are widely appreciated, the extent of reduction in import tariffs has been strongly opposed by some of the leading voices of the private sector, including the assemblers' and parts manufacturers' associations (PakWheels, 2026b; Business Recorder, 2026a). A few primary reasons for disagreement include fear of loss of domestic market competitiveness, criticism of the tariff comparison with regional economies, and the threat of job losses in the local industry due to increased competition from imported goods.

Most recently, the regional comparison of tariffs outlined in the second NTP came under discuss-

ion and debate at the PSDE International Conference and AGM in October 2026. During the panel discussion on 'Customs and Tariff Reforms for Exports Take-off', an industry representative expressed the view that the comparable tariffs mentioned in the NTP summed customs duty and para-tariffs (ACD and RD) for Pakistan but compared the total with only the customs duty of other economies, inflating Pakistan's tariff incidence. While it was refuted by members of the team that designed the policy and were part of the panel discussion, it has sparked a debate in policy and academic circles. This report aims to review tariffs across a few of the countries mentioned in the policy and assess the evidence behind the argument of Pakistan's tariff incidence being inflated in the policy.

The comparison raised at the panel is in section 4 of NTP 2025-30 (Ministry of Commerce, 2025, pp. 4-5). Citing the WTO Tariff Profiles 2024, the policy states that Pakistan's simple average MFN applied tariff of 10.3 percent, "combined with 3.65% ACD and 4.57% RD makes it the highest in South Asia". The comparator figures it gives, including India's 17.0, Bangladesh's 14.1, Thailand's 9.8 and Viet Nam's 9.4 percent, are simple average MFN applied tariffs, which count customs duty alone. The industry representative's description of the comparison is therefore accurate. Whether the comparison overstates Pakistan's position depends on the comparators' own para-tariffs. Section 6 sets out PIDE's like-for-like estimates of them.

This report therefore asks three questions: Is the NTP's regional comparison like for like? Where does Pakistan rank when each layer of protection is compared on the same basis? And, for automobiles, does the evidence support the scale of tariff reduction set out in the NTP and the new auto policy?

To find answers to these questions, section 3 sets out the three layers of protection referred to throughout. Sections 4 and 5 describe Pakistan's tariff structure and its history. Section 6 compares economy-wide tariffs, including the NTP's own comparison and a like-for-like chart, and section 7 compares automobile tariffs and assesses the NTP's cuts for the sector. Section 8 considers what the findings mean for parts manufacturers, assemblers and consumers, and section 9 sets out the main findings, policy implications and areas for further research.

3. Measuring protection: three layers

The ranking depends on which layers are measured. Each comparison in this report is therefore shown on three layers. NTP 2025-30 compares Pakistan on the second layer with its comparators on the first (section 6). Section 6 then restates the comparison with para-tariffs included for every economy.

Understanding para-tariffs

According to Article II:1(b) of GATT 1994, a para-tariff refers to "other duties or charges of any kind imposed on or in connection with importation". The International Classification of Non-Tariff Measures of UNCTAD lists these as para-tariff measures in Chapter F. The test is that the charge falls only on imports. A tax which is also levied on the like domestic product is not protection. It is, therefore, excluded under Articles II:2(a) and III of GATT.

This distinction is important not only for identifying which charges constitute para-tariffs but also for assessing their implications for the structure of protection across industries. In particular, the combined effect of tariffs on finished goods and their inputs determines the extent of effective protection.

Effective protection measures what a tariff structure does to an industry's value added rather than to the price of its output. Where duties are low on inputs and high on finished goods, the nominal tariff on the finished good understates the protection it gives: because inputs enter cheaply, the effective rate of protection on value added is much higher than the nominal rate. This is how cascading generates high effective protection (Varela et al., 2020).

Table 1. Three layers of protection, by country

Layer	What is measured	Pakistan	India	Bangladesh*	Viet Nam	Thailand
1. Statutory duty	Headline MFN customs duty	Customs duty (First Schedule)	Basic customs duty	Customs duty	MFN import duty	MFN import duty
2. Para-tariffs	Layer 1 plus tariffs charged only on imports	ACD, RD	1. Social Welfare Surcharge(SWS) 2. Agriculture Infrastructure & Development Cess (AIDC) 3. Health Cess	RD	None of note	None of note
3. Other taxes applied on imports	Layer 2 plus domestic taxes levied on imports and domestic sales alike	1. Sales Tax 2. Additional Sales Tax 3. Withholding Income Tax 4. Federal Excise duty(FED) 5. Special excise duty (SED) on imported cars	1. IGST 2. GST Compensation Cess 3. Additional customs duty matching excise on non-GST goods (crude, petrol, diesel, ATF, natural gas), incl. Road & Infrastructure Cess and NCCD	1. VAT 2. Advance Income Tax	1.Special consumption tax 2. Environment protection tax 3. VAT	1. VAT 2. Excise 3. Interior tax on excise

Note: Scope and limits. Rates are statutory and refer to new petrol passenger cars and their kits and parts; trucks, two- and three-wheelers and electric vehicles are mentioned only where they illuminate the main comparison. Rates are shown as published percentages of CIF value, not compounded into landed cost. Historical data for the comparators are limited, and several comparator rates are based on secondary sources.

4. Pakistan's tariff structure today

Pakistan's import charges comprise five cumulative components, and the NTP 2025-30 is phasing out two of them. The FY2026-27 budget is the second phase of implementing the second NTP. As proposed in the budget, it cut ACD on 2,107 tariff lines from 4 to 2 percent and on 449 lines from 6 to 4 percent, and cut RD above 20 percent to 20 percent on 359 lines (Nukta, 2026); these line counts are budget proposals as reported, not counts from the final notifications.

Table 2. Pakistan's import charges, FY2026-27

Component	Legal basis	Structure in FY2026-27	NTP 2025-30 direction
Customs duty	Customs Act 1969, First Schedule	Main slabs of 0, 5, 10, 15 and 20 percent; higher rates of 25 to 50 percent mainly on vehicles and parts; 90 percent on alcoholic beverages	Four slabs (0, 5, 10, 15 percent); maximum 15 percent
Additional customs duty	s.18(5); SRO 1063(I)/2026	2 percent on the 20 percent slab and on imports under SROs 655 and 656; 4 percent on the 25 percent slab and above; 2 percent on CKD cars above 1,000cc; nil on CKD up to 1,000cc and CBU up to 850cc	Eliminated by FY2028-29
Regulatory duty	s.18(3); SRO 1064(I)/2026; SRO 1065(I)/2026	Maximum cut from 90 to 50 percent in July 2025; 8 or 20 percent on most imported cars in FY2026-27; 30 percent on commercial used-car imports	Eliminated by FY2029-30
Concessions	Fifth Schedule; SROs 655(I), 656(I) and 693(I)/2006	Concessionary rates for industrial inputs, CKD kits, vendor inputs and electric-vehicle parts	Fifth Schedule phased out over four to five years
Import-stage domestic taxes	Sales Tax Act, Federal Excise Act, Income Tax Ordinance	Sales tax 18 percent (25 percent on some vehicles); FED and the new SED on imported cars; advance income tax	Outside NTP scope

Source: FBR (2026a, 2026b, 2026c, 2026d, 2026e); Ministry of Commerce (2025); Nukta (2026); ProPakistani (2025).

Note: Customs duty slabs are a count of the FY2026-27 tariff lines. ACD rates were taken from published SRO; the RD order rates were taken from (SRO 1064(I)/2026).

5. Pakistan's tariff history, 1987 to 2026

Pakistan's tariffs fell sharply from the late 1980s to 2002, rose again through para-tariffs over the following two decades (Varela et al., 2020), and are now being cut a second time. However, in every year for which data were found, automobiles stayed above the general maximum tariff.

Table 3. Pakistan's tariff history, 1987 to 2026

Year	Economy-wide	Automobiles
1986-87	Maximum tariff 225 percent	Deletion (localisation) programme, begun in the 1980s
1994	Weighted average tariff 56 percent	No auto-specific figure found
1997-98	Maximum tariff 45 percent	No auto-specific change found
2001-02	Maximum cut from 35 to 30 percent (2001), then to 25 percent with four bands of 25, 20, 10 and 5 percent (2002)	Autos kept above the general maximum
2005	Weighted average 15.2 percent (as reported in 2006)	CBU duties cut from 75-150 percent to 50-75 percent (1 July 2005)
2006	No economy-wide change	Tariff-Based System: SRO 656(I)/2006 sets concessionary kit duty; SRO 693(I)/2006 levies ACD on localised components in kits
2010, 2014-15	Simple average MFN 13.9 percent (2010) and 14.3 percent (2014-15), customs duty only	Automotive Development Policy 2016-21 adds new-entrant incentives
2019	First NTP (2019-24); RD and ACD widespread; Pakistan the seventh most protected economy on the Overall Trade Restrictiveness Index	Effective protection for motor vehicles and parts, taken together, 143 percent at 2019 tariffs
2021	NTP 2019-24 in force	AIDEP 2021-26: customs duty on non-localised parts 30 percent and localised parts 46 percent (15 and 30 percent for new models)
July 2025	NTP 2025-30 begins; baseline simple average 20.2 percent including para-tariffs; maximum RD 50 percent	ACD on vehicles cut from 7 to 6 percent; RD on 1,801-3,000cc SUVs and 4x4s cut from 90 to 40 percent
July 2026	Second NTP phase: ACD cut on 2,556 lines; RD capped at 20 percent on 359 lines;	CBU duty cut to 30-50 percent; ACD 4 percent above 850cc; RD 8 or 20 percent; new 86-92 percent SED on imported petrol cars above 2,000cc; parts at 25 percent customs duty
FY2029-30 target	Simple average 9.7 percent; ACD and RD removed;	Auto Policy 2026-31, as reported: CBU 35-115 percent by engine size; kits 10 percent non-localised, 15 percent localised

Source: Iqbal et al. (2015); Najib and Qadir (2026); USTR (2002, 2006); FBR (2006b, 2006c); Varela et al. (2020); Dawn (2021); ProPakistani (2025); PakWheels (2025b); FBR (2026a, 2026b, 2026d); PakWheels (2026a); Ministry of Commerce (2025); Rizvi (2026).

Note: the averages mix measures: some count customs duty only, others include para-tariffs.

The economy-wide trend reversed twice, but automobiles stayed above the general maximum tariff in every year for which data were found.

6. Tariff Data Sources, Measurement, and Cross-Country Comparisons

The NTP's comparison

On the WTO Tariff Profiles, which give simple average MFN tariffs at the HS six-digit level[1], Pakistan ranks third of the five, above Viet Nam and Thailand and below India and Bangladesh. These measures are based on tariff data that national statistical agencies share with WTO and in general the para-tariffs are not included in this average measure. However, because in some cases countries report customs duties alongside para-tariffs, the average rates listed in the WTO Tariff Profiles lack direct comparability. Despite these structural discrepancies, these metrics remain the most comprehensive and reliable data available.

In NTP 2025-30, adding para-tariffs raises Pakistan's average tariff from 10.3 to 18.52 percent, about 1.8 times the customs duty alone. For comparator countries, however, para-tariffs were either assumed to be included in the figures reported in WTO tariff profiles or treated as negligible. This asymmetry complicates direct cross-country comparisons.

Pakistan is widely regarded as a highly protected economy, a perception reinforced by comparisons of its reported tariffs with those of other countries. The literature on Pakistan's international trade frequently draws on WTO tariff data, alongside national figures on para-tariffs and other taxes on imports, to characterise Pakistan as one of the most highly protected economies in the world. Beyond the academic literature, the World Bank's analysis of import duties highlights two structural features of Pakistan's tariff regime (Varela et al., 2020). In 2018, Pakistan's customs duties were almost twice the world average and three times those of East Asia and the Pacific. Moreover, the weighted tariff gap between consumer goods and raw materials stood at 8.1 percentage points in Pakistan, compared with just 1 percentage point in East Asia and the Pacific. This tariff escalation matters because the level of effective protection depends not only on the average tariff but also on how tariffs vary across final goods and intermediate inputs.

Nevertheless, a like-for-like cross-country comparison remains necessary. Such a comparison would require consistent treatment of para-tariffs and other import taxes across countries before drawing firm conclusions about Pakistan's relative level of tariff protection. Table 4 sets out the figures NTP 2025-30 cites. On customs duty alone, Pakistan's average of 10.3 percent is below WTO reported average tariff of India, Bangladesh, and Nepal, and just below the South Asian average of 10.57 percent. It becomes the highest in South Asia only when ACD and RD are added, for a total of 18.52 percent, while the comparators' para-tariffs are not separately added.

1.WTO tariff profiles report average of MFN tariffs at HS six-digit level (tariffs at national tariff line level are first averaged at HS six-digit level). In other words, the reported measure is average of averages but it is done mainly because tariffs across countries are comparable only up to HS six-digit level.

Table 4. Average tariffs reported by the WTO and cited in NTP 2025-30

Country	Simple average MFN, % (year)	Trade-weighted MFN, % (year)	Duty-free lines, %	Simple average bound, %	Binding coverage, %
Pakistan (customs duty)	10.3 (2023); 9.5 (2025)	6.6 (2024)	44.0 (2025)	60.8	98.6
Pakistan incl. ACD and RD	20.2 (NTP baseline)	10.6 (2024 -25; coverage of para-tariffs not stated)	Not reported	Not applicable	Not applicable
Bangladesh incl. RD and SD	Not reported	15.4 (FY2026)	Not reported	Not applicable	Not applicable
India	15.8 (2025)	7.9 (2024)	4.0	48.5	74.4
Bangladesh	14.1 (2024)	8.8 (2018)	4.3	155.1	17.6
Viet Nam	9.5 (2025)	5.1 (2025)	Not retrieved	11.7	100
Thailand	9.3 (2024)	6.0 (2024)	37.8	26.8	75.9

Source: WTO (2026a); Ministry of Commerce (2025, Table 1 and s. 6.1); Financial Express (2026).

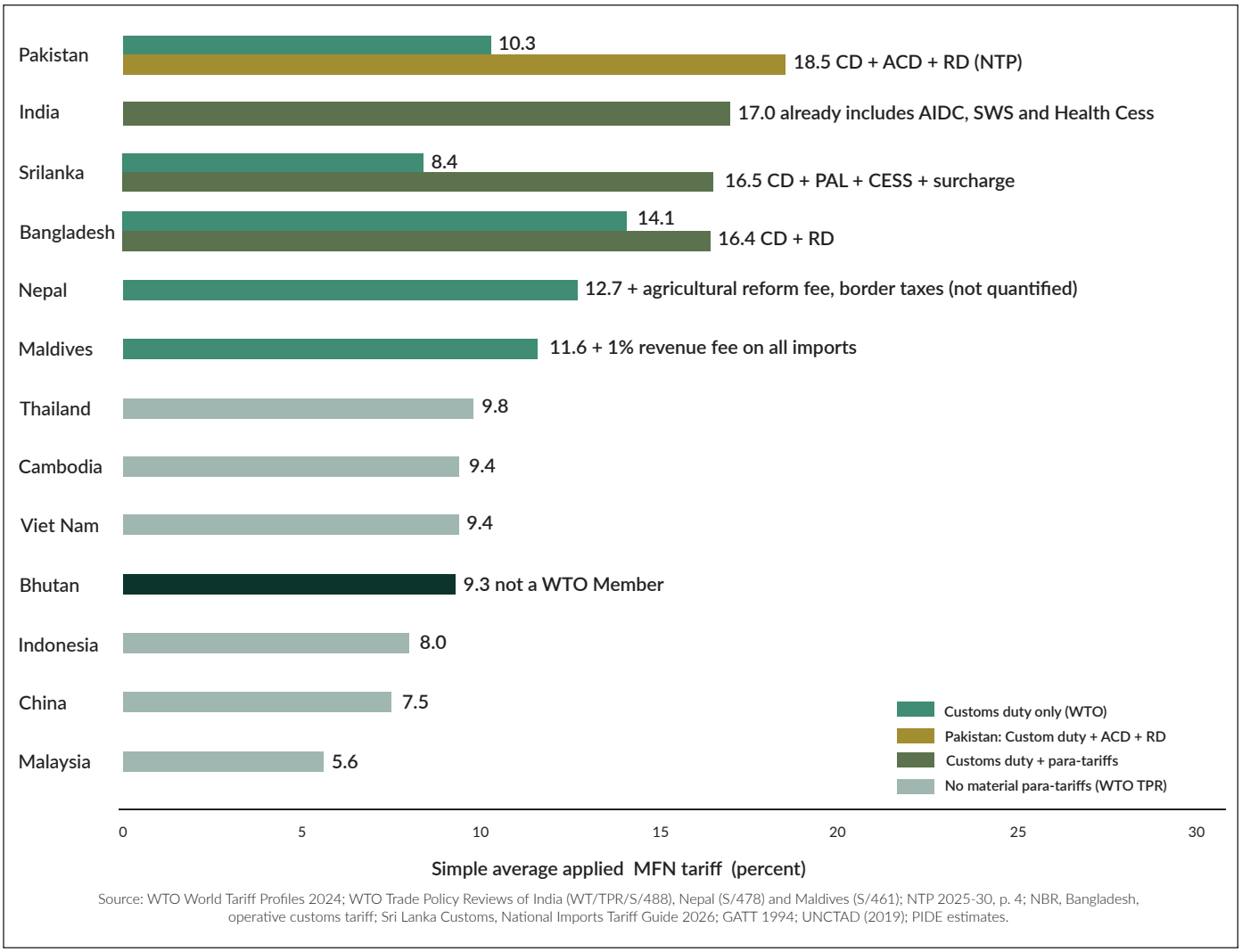
Note: India's WTO average already includes its cesses and surcharge. India's 17.0 percent in Figure 1 is the 2023 figure from World Tariff Profiles 2024, as cited in the NTP; this table shows the WTO's later figure. Pakistan's customs duty row is from World Tariff Profiles 2024 (2023 data), as cited in the NTP; the WTO's current profile gives 9.5 percent (2025).

Like-for-like comparison

The NTP compares Pakistan's total of 18.5 percent, customs duty plus ACD and RD, with the customs duty alone of other countries, and on this basis Pakistan appears to have the highest tariff in the region. The comparison is not like-for-like, however. Other countries also levy duties and charges on imports over and above the customs duty, and if these are included for Pakistan they must be included for the others as well. Figure 1 presents the comparison on that consistent basis for thirteen countries.

The case for the NTP's method is that ACD and RD are real charges on Pakistan's imports, and they belong in any measure of its protection. Against Viet Nam and Thailand, which levy no para-tariffs of note (section 3), the comparison is like for like, and Pakistan's 18.5 percent is about double their averages. Against India it is also like for like, because the WTO figure already includes its cesses. When comparing with Sri Lanka and Bangladesh, however, the NTP leaves out their para-tariffs. Once those are added, the gaps narrow, and Pakistan stays at the top of the South Asian group. The NTP's Table 1 in NTP 2025-30 gives a higher total for Pakistan of 20.19 percent in FY2024-25, because it is computed at tariff-line level and not at the HS six-digit level. The tariff-line basis is the right one for setting five-year targets, but not for international comparison.

Figure 1: Simple Average Applied MFN Tariff, with and without Para-Tariffs, Selected Countries (percent)



Source: WTO World Tariff Profiles 2024; WTO Trade Policy Reviews of India (WT/TPR/S/488), Nepal (S/478) and Maldives (S/461); NTP 2025-30, p. 4; NBR, Bangladesh, operative customs tariff; Sri Lanka Customs, National Imports Tariff Guide 2026; GATT 1994; UNCTAD (2019); PIDE estimates.

Sri Lanka's average customs duty is only 8.4 percent. With the Ports and Airports Development Levy (PAL), the cess and the surcharge, it almost doubles to 16.5 percent. The Social Security Contribution Levy (SSCL) is left out because domestic producers also pay it, so it is not a para-tariff. Bangladesh's average rises from 14.1 to 16.4 percent once regulatory duty is added. Supplementary duty is excluded because it is also levied on domestic supply, similar to Sri Lanka's SSCL. Both figures follow the WTO method of averaging within each HS six-digit subheading. The same method reproduces the WTO's customs-duty-only figures of 14.1 and 8.4 percent, which gives confidence in the estimates.

India's average requires no adjustment. According to the latest Trade Policy Review, the WTO treats India's applied MFN tariff as the basic customs duty plus the Agriculture Infrastructure and Development Cess (AIDC), the Health Cess and the Social Welfare Surcharge (SWS), and the NTP's 17.0 percent is taken here to include them. The data for India has been rechecked against India's own tariff schedule for 2025-26, and the WTO average is reproduced only when the cesses are included. The Trade Policy Review's own average, at the national eight-digit level for FY2025-26, is 15.7 percent including these levies (WTO, 2026b). The Tariff Profiles figure of 17.0 percent is retained for consistency with the other economies; on the lower figure, Pakistan's lead over India would widen to about 2.8 points.

Nepal and Maldives have small para-tariffs. There is an agricultural reform fee on imports, and a revenue fee of 1 percent on all imports. Neither is likely to close a gap of about 6 percentage points with Pakistan. Thailand, Cambodia, Viet Nam, Indonesia, China and Malaysia levy no para-tariffs of note according to their Trade Policy Reviews, and their averages range from 5.6 to 9.8 percent. Bhutan is not a WTO Member and has no Trade Policy Review.

On the adjusted basis, Pakistan is among the most highly protected economies in the comparison, and its estimated average is the highest. At 18.5 percent, it is 1.5 percentage points above India's and about 2 points above Sri Lanka's and Bangladesh's. The gap with Nepal and Maldives is about 6 points or more, and Pakistan's average ranges from about twice that of Thailand, Viet Nam and Cambodia to more than three times Malaysia's. The like-for-like comparison narrows the gap shown in the NTP. Against Sri Lanka it falls from 10.1 to about 2 percentage points, and against Bangladesh from 4.4 to about 2 percentage points. On these estimates Pakistan keeps the top position.

> On customs duty alone, Pakistan's overall tariffs rank in the middle of the group, below India and Bangladesh. Once para-tariffs are included for every economy, they are among the highest in the comparison and about double Viet Nam's and Thailand's. The NTP is right about Viet Nam and Thailand, and it overstates the gap against Sri Lanka and Bangladesh, but on these estimates Pakistan's position near the top holds. Neither is the regime a light one. Its tariff peaks are among the most frequent in the region, and it is cascading, rather than the average level, that generates high effective protection.

7. Automobiles compared: CBU, CKD and parts

While there is a broad disagreement from various industry representatives on the tariff rationalisation being undertaken through the NTP, the tariff reduction within the automobile sector has seen particular focus and debate. Therefore, one can compare the regional tariff incidence on automobile and auto parts imports to evaluate whether the scale of tariff reduction in the automobile industry is based on evidence.

NTP 2025-30 gives the automobile sector particular attention. It notes that tariff peaks above 20 percent are "mainly in the auto sector", and it lowers the top customs duty band in steps: from 20-50 percent in FY2026-27 to 20-40 percent, then 15-30 percent, and to a flat 15 percent by FY2029-30 (Ministry of Commerce, 2025, Table 2). The NTP also states that a new auto policy, from 1 July 2026, will review SROs 655, 656 and 693, eliminate ACD and RD on the sector and reduce customs duty, and that quantitative restrictions on used-vehicle imports will be removed subject to quality and environmental standards (Ministry of Commerce, 2025). On 20 October 2026 the Prime Minister approved the draft Auto Policy 2026-31, which now goes to the federal cabinet for in-principle approval and then to parliament (Ali, 2026). Its text has not been published, so the tariff targets cited in this report are taken from press reports. The FY2026-27 CBU duties of 30-50 percent fall within the year II band.

For cars up to 1,800cc, Pakistan's border charges on fully built cars are now below the MFN rates of India, Viet Nam and Thailand, but above Bangladesh's customs duty. Above 1,800cc they are similar to India's and Viet Nam's. Its duties on kits and parts are among the highest of the five on the available evidence. Rates are current at October 2026.

PAKISTAN'S RELATIVE POSITION AMONG THE FIVE

Table 5. Pakistan's relative position among the five

Measure	Pakistan	Comparators	Pakistan's position
Economy-wide average, customs duty only	10.3% (2023)	9.3-15.8%	Middle
Economy-wide average incl. para-tariffs	18.5-20.2% (NTP)	Bangladesh 16.4% (CD+RD); India 17.0%; Sri Lanka 16.5%; Viet Nam and Thailand few para-tariffs	Among the highest (like for like)
CBU statutory duty, up to 1,000cc	30% (up to 850cc), 35% (851-1,000cc)	25% (Bangladesh) to 80% (Thailand, provisional)	Below most
CBU statutory duty, 1,801-3,000cc	50%	25% (Bangladesh) to 80% (Thailand, provisional)	Below most
CBU border charges above 1,800cc	74%	About 28% (Bangladesh) to 110% (India, above USD40,000); India 70% below USD40,000	Middle
CBU incl. import-based taxes above 2,000cc	74% + FED 30% + SED 86%	India, Viet Nam, Thailand lower; Bangladesh likely higher	Above most
Kit duty paid by assemblers	30% (up to 1,000cc); 32% above	0% (Viet Nam, qualifying) to 30% (Thailand, provisional)	Above most (provisional)
Parts, commercial imports	29% (25% + 4% ACD)	0% (Viet Nam, qualifying) to 30% (Thailand, provisional)	Above most (provisional)

Note: Positions rank Pakistan against the four comparators: Lowest, Below most, Middle, Above most, Highest. Positions marked provisional are based on comparator figures taken from unofficial sources.



Fully built cars

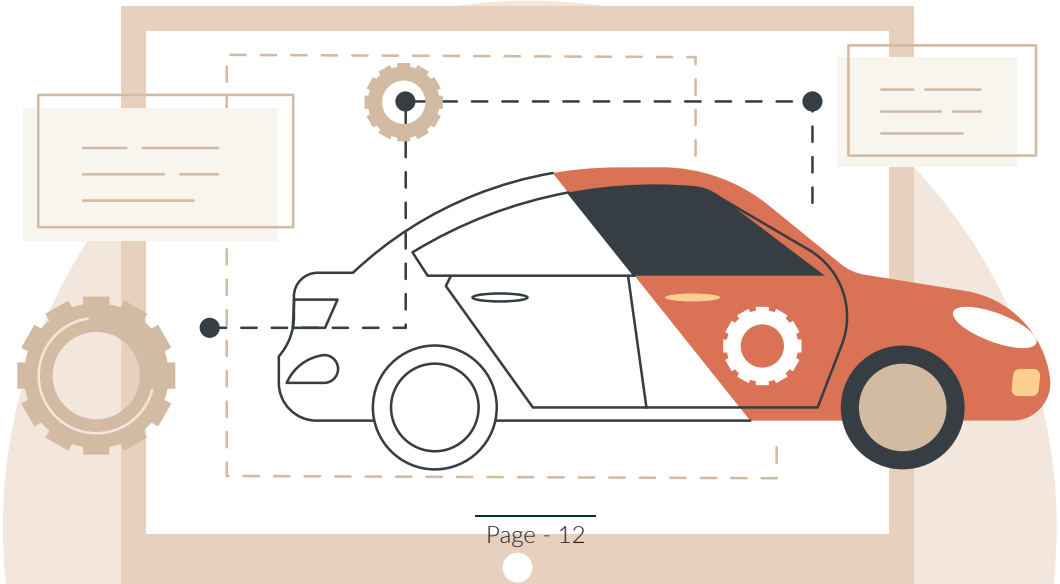
Table 6. Duties on fully built cars, by layer

Country	Layer 1: statutory duty	Layer 2: with para-tariffs	Layer 3: import-based taxes	Preferences
Pakistan	30% (up to 850cc), 35% (851-1,000), 40% (1,001-1,500), 45% (1,501-1,800), 50% (above 1,800)	30% up to 850cc; 39-47% (851-1,000); 44-52% (1,001-1,300); 52% (1,301-1,500); 57% (1,501-1,800); 74% above 1,800 (ACD 4% above 850cc; RD 8% or 20%)	FED 2.5-40%; SED 86% (2,001-3,000cc) and 92% (above 3,000cc) on imported petrol cars only	Treatment of cars under Pakistan's FTAs not checked
India	70%	70% if CIF up to USD40,000 within engine limits (including surcharge); 110% above (AIDC 40%)	None: GST 18% or 40% applies equally to local cars	UK and EU deals cut car duties within quotas (not checked)
Bangladesh	25%	28-30% (RD 3%; tiers revised in FY2026-27)	Supplementary duty graduated by engine size; total tax incidence 155.88% on 1,200-1,600cc	SAFTA lines not checked
VietNam	70% on most lines (2020 handbook); 50% and 32% on three large-car lines since 2025	Same as layer 1	Special consumption tax of 35-150% applies to local cars too	0% under ATIGA
Thailand	80% (provisional)	Same as layer 1	CO2-based excise applies to local cars too	0% under ATIGA

Source: FBR (2026a, 2026b, 2026d); PakWheels (2026a); EY (2023); Autocar India (2025); TBS (2026); Baker McKenzie (2020); Vietnam Briefing (2025); Renndriver (2026).

Note: Pakistan's RD on cars of 851 1,300cc is shown as a range because the RD order lists 8 percent on these lines while press summaries of the Finance Act show none.

The case of used cars differs markedly. Pakistan's commercial used imports pay 30 percent RD, cut from 40 percent for FY2026-27 (FBR, 2026e; Haider, 2026), and like other regulatory duties it is due to be eliminated by FY2029-30 (Ministry of Commerce, 2025); and the age limit on commercial imports was removed in the second phase of tariff rationalisation (Business Recorder, 2026b). India is reported to charge 70 percent basic customs duty plus 67.5 percent AIDC on used cars (Spinny, 2026).



Kits and parts

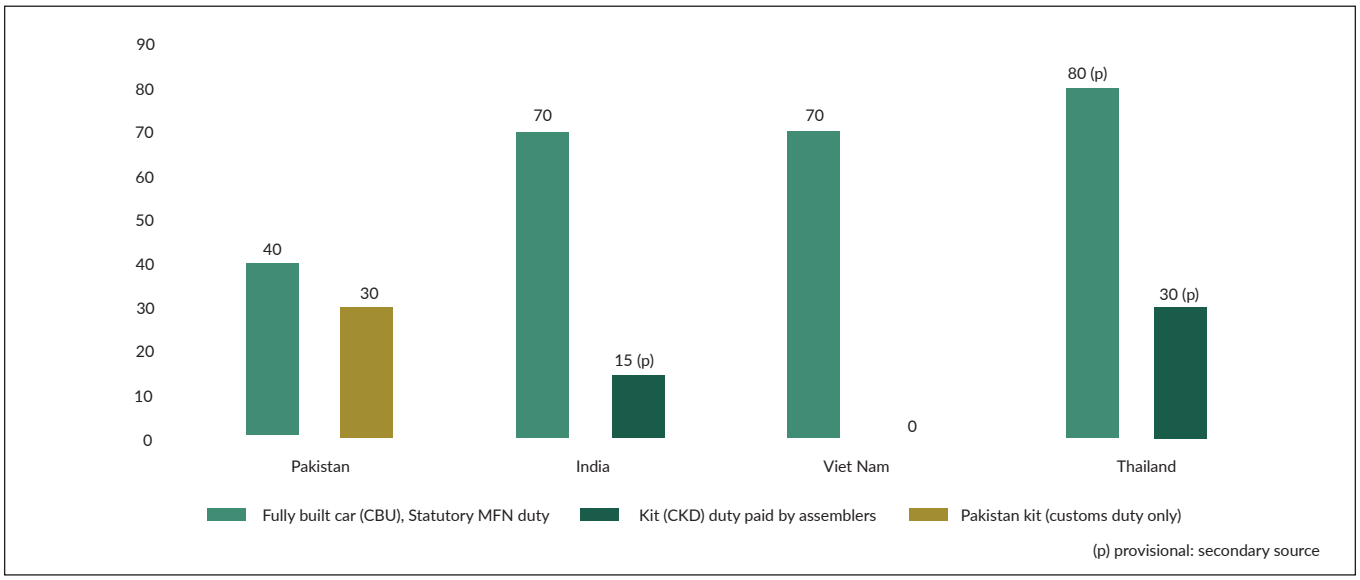
Table 7. Duties on kits and parts

Country	CKD kits	Parts
Pakistan	Statutory duty on kit lines equals the CBU rate for each engine band (30-50%). Assemblers pay the SRO 656(I)/2006 concessionary rate: 30% up to 1,000cc (S.R.O. 02(I)/2023) with no ACD, and 30% plus 2% ACD above 1,000cc. Localised parts paid 46% customs duty under AIDEP 2021-26, and PAMA reports up to 46% in FY2026-27; SRO 693(I)/2006 also levies ACD on listed localised components in kits, at 17.5% in the text consolidated to 2013; the current rate has not been confirmed.	Commercial imports pay 25% customs duty plus 4% ACD, 29% in all. Vendors' inputs under SRO 655(I)/2006 pay concessionary duty plus 2% ACD. RD on heading 87.08 appears to be nil (not confirmed).
India	15% basic customs duty for kits without pre-assembled engine and gearbox; 35% for semi-knocked-down kits (provisional)	GST 18% for imported and local parts alike
Bangladesh	Locally assembled cars up to 2,500cc pay 25-35% total tax	Total tax on parts capped at 10% for qualifying manufacturers
Viet Nam	0% on parts for qualifying assemblers under the Duty Incentive Programme (heading 98.49)	Same programme; MFN parts rates not retrieved
Thailand	About 30% (provisional)	2.5-30% (provisional)

Source: FBR (2026a, 2026b, 2026c); FBR (2006a, 2006b, 2006c); FBR (2023); Dawn (2021); PakWheels (2026b); Spinny (2026); IANS (2025); TBS (2024); LuatVietnam (2023); Renndriver (2026); Moneymgmnt (2026).

Note: Bangladesh's parts figure comes from an industry document quoting the Automobile Industry Development Policy 2021.

Figure 2. Statutory customs duty on a fully built mid-size car (1,001-1,500cc) against duty on its kit, per cent of CIF value; para-tariffs excluded



Note: Pakistan's kit bar shows customs duty only (30 per cent); kits above 1,000cc also pay 2 per cent ACD. India's and Thailand's kit rates and Thailand's CBU rate are based on secondary sources and are provisional (p). Bangladesh is omitted because its kit figures are total-tax rates. (Annex A)

Assessment: do the auto tariff cuts follow the evidence?

The evidence answers the third question differently for fully built cars and for the inputs to assembly.

Table 8. The NTP's end-points against current rates and comparators

Product	Pakistan, FY2026-27	Comparators (MFN)	NTP end-point, year V	Verdict
CBU, statutory duty	30-50%	25% (Bangladesh); 70% (India, Viet Nam); 80% (Thailand, provisional)	15% (top band)	Would fall below every comparator's MFN rate
Kits	30% (plus 2% ACD above 1,000cc)	0% (Viet Nam, qualifying assemblers); 15% (India, provisional); about 30% (Thailand, provisional)	15% or less (all slabs); Auto Policy 2026-31 target 10-15% (reported)	Moves Pakistan towards the group
Parts, commercial imports	29%	0% (Viet Nam, qualifying assemblers) to 30% (Thailand, provisional)	15% or less, with ACD removed	Moves Pakistan towards the group
Localised parts	Up to 46%	Not compared	15% or less; Auto Policy 2026-31 target 15% (reported)	Largest cut; consistent with the evidence

On kits and parts, where Pakistan's duties are among the highest of the five, the NTP's cuts move Pakistan towards regional practice and are supported by the evidence. On fully built cars the position is different. Pakistan's statutory duty is already below three of the four comparators, and the NTP's schedule takes the band above 20 percent to 15 percent by year V, below every comparator's MFN rate, including Bangladesh's 25 percent (Ministry of Commerce, 2025, Table 2). Viet Nam and Thailand do import ASEAN-origin cars at zero duty, but Pakistan has no comparable regional arrangement. The reported Auto Policy 2026-31 targets for CBUs, 35-115 percent by engine size, are inconsistent with the NTP's 15 percent; the policy's text has not been published, so which end-point applies is unresolved (Rizvi, 2026; Ali, 2026). Import-based taxes outside the NTP's scope, including the 86-92 percent SED on large imported cars, will keep the total burden on many imported cars well above the customs duty alone. Regional comparison alone cannot establish whether a 15 percent duty on fully built cars is appropriate for Pakistan; that depends on the cost structure of local assembly, the path of input duties and the revenue role of import taxes. What the comparison shows is that the end-point would be unusually low by regional standards, so it needs a domestic justification.

> The evidence supports the NTP's cuts to kit, parts and localised-parts duties. Regional comparison alone cannot settle the end-point for fully built cars: a 15 percent duty would fall below every comparator's MFN rate, and the two government policies disagree on it. Cutting duties on inputs first and furthest would raise effective protection for assembly during the transition; that margin should be time-bound and tied to performance benchmarks.

8. What the findings mean for industry and consumers

Section 7 compared automobile tariffs across the five countries. This section considers what that comparison means for the three groups with most at stake: parts manufacturers, whose protection comes from CKD kits and parts duties; assemblers, who largely argue that the FY2026-27 schedule is inverted against local assembly; and consumers, who pay for protection through prices.

8.1 Parts manufacturers

For parts manufacturers, the comparison gives a mixed picture. Pakistan's headline CBU duty is below that of three of the four comparators, but on every measure that bears on the vendor industry's own protection, Pakistan's duties are higher.

Table 9. Is Pakistan's protection lower than the comparators'?

Measure	Is Pakistan lower than all four?	Basis
CBU statutory duty, small and mid-size	No. Lower than India, Viet Nam and Thailand; higher than Bangladesh (25%)	FY2026-27 customs duty of 30-45%
CBU incl. para-tariffs	No; the gap narrows above 1,800cc (74%)	ACD and RD still apply above 1,300cc
CBU incl. import-based taxes, large cars	No. Above India, Viet Nam and Thailand; likely below Bangladesh	SED of 86-92% on imports only
CBU duty on preferential trade	Not comparable. Viet Nam and Thailand import ASEAN-origin cars at 0%	Pakistan's preferential treatment of cars not checked
Kit duty	No. Above India 15% and Viet Nam (0%); similar to Bangladesh assemblers and Thailand	30% plus 2% ACD above 1,000cc
Parts duty	No. Above Viet Nam and Bangladesh concessionary rates; India and Thailand unverified	29% on commercial imports; up to 46% on localised parts under AIDEP 2021-26
Before July 2026	No. CBU duty of 50-100% plus RD of up to 50% exceeded India and Viet Nam above 1,800cc	Finance Act 2025 rates

A comparison confined to CBU duty overstates the vendor case. Parts makers are protected by kit and localised-parts tariffs, not by CBU duty, and the World Bank put effective protection for motor vehicles and parts, taken together as one sector, at 143 percent at 2019 tariffs, among the highest of any Pakistani sector (Varela et al., 2020). The estimate does not show how that protection divides between component manufacturers and assemblers, and it predates the FY2025-26 and FY2026-27 cuts. The comparison is also less informative than it appears: Thailand and Viet Nam pair high MFN car duties with zero-duty trade inside ASEAN, and Viet Nam adds zero duty on parts for qualifying assemblers. PIDE has argued for a single tariff rate on auto parts regardless of localisation status (Najib & Qadir, 2026).

The same duties play opposite roles for the two groups. For parts manufacturers, duties on parts and localised components protect their output. For assemblers, they are input costs, which reduce the protection that CBU duty gives to assembly. A single sector-wide estimate cannot separate

the two, which is why section 9 proposes recomputing effective protection for assembly and for components separately.

8.2 Assemblers (OEMs)

For assemblers the relevant measure is the margin between CBU duty and the duty on the kits and parts they import, because that margin protects assembly. On a like-for-like basis, Pakistan's margin is zero for the smallest cars and positive above 850cc; it is not inverted.

Table 10. Assembly margins: CBU border charge less kit duty

Segment	CBU border charge, %	Kit duty, %	Margin, points
Pakistan, up to 850cc	30	30 (no ACD)	0
Pakistan, 851-1,000cc	39-47	30 (no ACD)	9-17
Pakistan, 1,301-1,500cc	52	32	20
Pakistan, above 1,800cc	74	32	42, plus FED and SED
India	70 (110 above USD40,000)	15 plus surcharge	About 55-95
Viet Nam	70 MFN; 0 from ASEAN	0 for qualifying assemblers	About 70 against MFN; about 0 against ASEAN
Thailand	80 MFN; 0 from ASEAN	About 30	About 50 against MFN

- **The inversion claim compares mismatched segments.** The Pakistan Automotive Manufacturers Association (PAMA) has described the FY2026-27 schedule as inverted, setting the 30 percent duty on CBUs up to 850cc against 32 percent on CKD kits (PakWheels, 2026b). The 30 percent CBU rate applies only up to 850cc; the 32 percent kit rate applies to kits above 1,000cc, whose CBUs pay 44-74 percent at the border. Kits up to 1,000cc pay 30 percent with no ACD.
- **Equal nominal duties do not mean zero protection.** With equal output and input tariffs, effective protection on assembly equals the nominal rate, here about 30 percent. The pressure on assembly margins arises from localised parts at up to 46 percent, which raise assemblers' input costs above the CBU benchmark. Conversely, cutting duties on kits and parts while CBU duty is unchanged raises effective protection for assembly; the phasing recommended in this report does so deliberately, as a transitional margin.
- **Used-car imports pose the greater competitive threat.** Commercial used imports pay 30 percent RD, falling to zero by FY2029-30, with no age limit (section 7).

Table 11. Proposed tariff positions on autos

Position	CBU duty	Kits / non-localised parts	Localised parts	Source
Pakistan Association of Automotive Parts and Accessories Manufacturers (PAAPAM)	50%	30%	40%	Business Recorder (2026a)
Assemblers, as reported	Not stated	10%	10%	PakWheels (2025a)
Auto Policy 2026-31 target, FY2030-31	35-45% up to 1,500cc	10%	15%	Rizvi (2026)

For assemblers, the comparison shows that CBU duty is already low relative to peers. That strengthens the case for lowering kit and parts duties rather than raising CBU duty, and for cutting input duties before CBU duties, as section 7 concludes. The government's reported targets align more closely with the assemblers' position on kits than with the parts manufacturers'.

8.3 Consumers

For consumers, the regional comparison of headline tariffs is largely irrelevant. Most Pakistani buyers do not pay the headline CBU rate; they buy locally assembled cars priced behind kit and parts duties, sales tax and a supply-constrained market. The cost of protection reaches them through prices. The cheapest new car costs about 32 months of average household income in Pakistan, against about 14 in India and about 11 in Thailand (PIDE estimates; CICDE, 2026). That is more than twice India's figure and nearly three times Thailand's. The figures use mean household income (mean consumption for India) because Pakistan's median is not published, so they understate the burden on a typical household.

- **The gains are genuine but limited in scope.** Since July 2026, buyers of small imported cars face lower border charges than they would in India, Viet Nam or Thailand, and the used-car import regime is being liberalised.
- **The cost of protection is borne in local prices.** Installed capacity exceeds 500,000 units, against annual sales that have struggled to exceed 200,000 (Najib & Qadir, 2026); the market has not grown into the capacity it was protected to build.
- **The tax burden has shifted towards larger vehicles.** Above 2,000cc the 86-92 percent SED broadly offsets thecuts in customs and regulatory duty, leaving the total burden on large imported cars unchanged or higher.
- **Comparator experience.** India cut GST on small cars to 18 percent in September 2025, equally for imported and local cars (IANS, 2025).

> A comparison of headline CBU duties says little about protection and less about affordability; the measures that matter are kit and parts duties and the income burden of a car.

9. Main findings, policy implications and further research

Main findings

- **The NTP's comparison is like for like only where comparators levy no para-tariffs or their figure already includes them, as for India.** On customs duty alone, Pakistan's average is below India's, Bangladesh's and Nepal's on the NTP's own figures. Including para-tariffs for every economy, it is about double Viet Nam's and Thailand's and Pakistan is among the most highly protected economies in the comparison, at 18.5 percent against India's 17.0, Sri Lanka's 16.5 and Bangladesh's 16.4. The NTP overstates the gap against Sri Lanka and Bangladesh; the precise ranking depends on the treatment of Bangladesh's supplementary duty and on reference years.
- **For automobiles, Pakistan's tariffs are low on cars and high on parts.** Since July 2026 Pakistan's CBU statutory duty is below three of the four comparators; on kit and parts tariffs it is among the highest of the five.
- **Protection is concentrated on kits and parts.** Kit, localised-parts and parts duties are among the highest in the group on available evidence, consistent with the World Bank's estimate of 143 percent effective protection for motor vehicles and parts taken together, at 2019 tariffs.
- **The evidence supports the NTP's cuts on kits and parts; regional comparison alone cannot settle its end-point for fully built cars. A 15 percent top band would put Pakistan's CBU duty below every comparator's MFN rate and differs from the reported Auto Policy 2026-31 targets, so it needs a domestic justification.**
- **Assemblers' inversion claim is overstated but identifies a genuine distortion.** The principal pressure arises from localised parts, not small-car CBUs.

Policy implications

- **Compare like with like in tariff policy documents.** Report Pakistan's and comparators' averages on the same basis: customs duty only, and including para-tariffs wherever comparators' schedules allow.
- **Publish effective rates of protection alongside nominal rates,** so that comparisons in the NTP process cover kits and parts and not only CBUs.
- **Phase down kit and localised-parts duties toward the Auto Policy 2026-31 targets** under the conditionality framework of time-bound protection, performance benchmarks and phased reduction (Qadir et al., 2024).
- **Move to a single tariff rate on auto parts regardless of localisation status,** as PIDE has recommended (Najib & Qadir, 2026).
- **Settle the end-point for fully built cars.** Reconcile the NTP's 15 percent top band with the Auto Policy 2026-31 targets, and phase cuts on kits and parts ahead of cuts on CBUs so that assembly keeps a margin while it adjusts, with that margin time-bound and tied to performance benchmarks.
- **Institutionalise a consumer welfare assessment** using income burden rather than nominal price comparisons.

Areas for future research

- **Recompute effective protection** for vehicles and parts after the 2025-26 cuts, using the FY2026-27 schedule and current SROs.
- **Build comparator time series** of simple and weighted averages since 1990 and HS 87 averages from WTO and UN TRAINS data.
- **Compare retail prices and income burden** for matched models across the five countries.
- **Compute para-tariff-inclusive averages** for all five countries from line-level national schedules on a common basis, to replace the PIDE estimates for Bangladesh and Sri Lanka and the WTO figure for India used in section 6.

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Annex A. Data

Table A1. Rates and sources used in the report

Country	Item	Rate	Source
Pakistan	CBU customs duty by engine band, FY2026-27	30 / 35 / 40 / 45 / 50%	FBR (2026b)
Pakistan	CBU RD, FY2026-27	8% or 20%; 851-1,300cc	FBR (2026d), PakWheels (2026a)
Pakistan	FED and SED on imported cars	FED 2.5-40%; SED 86-92%	PakWheels (2026a)
Pakistan	ACD by slab and on kits	2% / 4%; kits above 1,000cc 2%	FBR (2026a)
Pakistan	Kit lines, statutory	Same as CBU band	FBR (2026b)
Pakistan	Kit duty, concessionary, up to 1,000cc	30%	S.R.O. 02(I)/2023 amending SRO 656(I)/2006
Pakistan	Kit duty, concessionary, above 1,000cc	30% + 2% ACD	PakWheels (2026b)
Pakistan	Parts, 87.08, statutory	25% + 4% ACD	FBR (2026a, 2026b)
Pakistan	Localised parts, AIDEP 2021-26 / FY2026-27	46% / up to 46%	Dawn (2021) / PakWheels (2026b)
Pakistan	Hybrid-specific parts	4% (HEV) / 3% (PHEV)	FBR (2026c)
Pakistan	Used cars, commercial	RD 30%	FBR (2026e)
India	CBU	70%; 70% + 40% AIDC above USD40,000	EY (2023); Autocar India (2025)
India	Used cars	70% + 67.5% AIDC	Spinny (2026)
India	CKD / SKD	15% / 35%	Spinny (2026)
India	GST on cars and parts	18% / 40%; parts 18%	IANS (2025)
Bangladesh	CBU customs duty	25%	NBR tariff schedule, Chapter 87 (extract)
Bangladesh	Weighted average incl. RD and SD	15.4%	Financial Express (2026)
Bangladesh	Total tax incidence, 1,200-1,600cc	155.88%	TBS (2026)
Bangladesh	Local assembly / parts	25-35% / 10%	TBS (2024)
Viet Nam	CBU MFN	70%; 50% and 32% on three lines	Baker McKenzie (2020); Vietnam Briefing (2025)
Viet Nam	Parts for qualifying assemblers	0%	LuatVietnam (2023)
Thailand	CBU / CKD / parts	80% / about 30% / 2.5-30%	Renndriver (2026); Moneymgmnt (2026)
All	Economy-wide averages	See section 6	WTO (2026a)
Pakistan	Effective protection, motor vehicles and parts, 2019	143%	Varela et al. (2020)

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