



**FEDERAL
BUDGET
2022-23**

**BUDGET SPEECH
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For Finance and Revenue**

**Government of Pakistan
Finance Division
Islamabad**

PART-I

Mr. Speaker:

It is my honour to present before this august House the first Budget of Coalition Government. The coalition had bagged more than 60% votes in the last General Election. The representatives of all federating units are represented in this Government, therefore, the decisions taken for country's economy enjoy the greater backing of entire nation.

2. The Government is facing the difficult challenge of deteriorated economic conditions due to extremely poor performance during the last quarter to four years. Last Government has been taking revenge from Pakistan and its people continuously for quarter to four years for unknown reasons. Social structure get affected badly because of their short-sightedness. Economic growth had stopped and national unity fell apart. Poor governance had peaked during their era due to which common man was affected badly. Rupee experienced massive devaluation, consequently price of everything skyrocketed. The life of poor and middle class become miserable.

3. A naïve team had pushed the country towards disaster during the last quarter to four years. Every year, a different person used to present

budget and every year rather during the year economic policies of the government would change due to which confidence of investors and development partners was shaken. Those people were master in refuting what they had said earlier. The people of Pakistan used to see their U-turn time and again but as they were habitual, they continued to vary their stances before international fraternity and international financial institutions. This led to suspension of IMF programme in February, 2022 which was scheduled to complete in the same year. The fundamental reforms which were due to take place in 2019 were not initiated.

4. Fundamental reforms are required to correct the structural imbalances of economy. Such reforms usually face immediate public backlash but the dividend is that the foundations of economy are set on solid foundation.. Last government has been shying away from such reforms. Thus it has been pending all such reforms due to which the economy could not stand on its feet so far, therefore, prosperity remained elusive.

5. The incumbent government is short of time. The government could have easily passed on the buck to next Government to the detriment of country. In anticipation, we have decided to carry out all those reforms which will benefit to the economy and hence the country. The joining of

government was conscious decision in the backdrop of a deteriorating economy. We had two options; one was to leave the country in the situation in which it was and announce new elections but that would have ruined the economy and putting the country back on track would have been difficult. Therefore, we chose the second option and started taking difficult decisions. Indeed, this is a difficult way but this is the only path to sustainable progress. We have done it before, we can do it and we will do it. In-sha-Allah.

6. We always preferred national interest against our political interest. This time our first and foremost priority is the economic stability. A fundamental problem of our economy has been that the rate of economic growth remained 3 - 4 percent which is inconsistent with the growth rate of our population. In contrast to it, when the growth rate exceeded 5 - 6 percent, it led to uncontrollable current account deficit. The reason behind this phenomena is that to advance the economy we have been giving concession to affluent classes. This used to result in increase in imports while exports remained stagnant. This happened last year, rather the same happened every time. Therefore, we will have to think, we will have to find a solution as a nation. A way forward for our economy will be to give incentives to our middle and poor classes which will result in

increasing domestic production, in turn leading to improvement of agriculture.

7. We will have to improve the economic lot of the poor and assist them so that their income is increased. When the income of the poor increases, they buy goods and services which are produced domestically. Expenditures on such consumer goods do not result in increasing imports but the development process gets initiated in a country. By doing so, we can achieve sustainable and inclusive growth.

8. We will have to lay the foundation for economic growth. A sound foundation upon which a splendid edifice of sustainable growth can be constructed and which stays there with all its glory. We will have to focus on increasing exports as our growth formula. We will have to increase our Agricultural, IT and Industrial exports. We will have to increase the produce of our agriculture and will have to increase the competitiveness of our exports so that it can compete with the products of other countries in international market. We will have to enhance the ease of doing business to attract local and foreign investors. After importing machinery and raw material we will have to work for value addition for their thereafter. In this way our volume of export will exceed that of our exports.

Economic Situation and Planning

Mr. Speaker!

9. Every one knows that we are facing the challenge of putting a wrecked economy back on track. There has been economic instability during the quarter to four years. Historically high prices, foreign exchange problems, reckless borrowing on high rates, load shedding coupled with last government's failures to mitigate these problems have made the lives of people very difficult and miserable.

Mr. Speaker!

10. Owing to the bad governance during last quarter to four years, Pakistan stood third amongst sizeable countries in high prices. Seventy five million people are forced to live a poor life. The number increased by 20 million during the quarter to four years. During that period six million people lost their jobs. Previous government borrowed Rs 20,000 billion during its tenure of quarter to four years which is equal to 80% of the total debt taken since the times of Liaqat Ali, Khawaja Nazim-u-Din, Ayub Khan, Zulfikar Ali Bhutto, Mohtarma Benazir Bhutto, Main Muhammad Nawaz Sharif till Shahid Khaqan Abbasi and, Mr. Speaker including you during the last 71 years. It was because they spent phenomenally more

than their income and presented the four highest ever deficit laden budgets in the history of Pakistan. Their average budget deficit remained almost 8.6%. During this period our debt increased astronomically by almost Rs 5,000 billion annually and during current financial year it is expected to reach Rs 54,000 billion. Likewise the circular debt of power which we left at Rs 1,062 billion in May 2018 has reached Rs 2500 billion. Circular debt in gas sector for the first time in the history of country has risen to Rs 1,400 billion now.

11. During the tenure of my leader Main Muhammad Nawaz Sharif, rise in prices had been very modest. The price hike remained close to 5 percent. The lowest level of inflation i.e. 3.9% was recorded during that period. Owing to the poor governance of last quarter to four years, there has been a persistent price hike in Pakistan. The former Prime Minister used to say that he had not come into power to monitor the prices of onions and tomatoes, rather he had come into power to make the country great. I do not know how one can make the country great by grinding the common man into price hike.

12. I fail to understand as to why the prices of sugar and flour had gone up with the beginning of Imran Khan's Government. In 2013, sugar was being sold at the rate of Rs 55 per k.g and in 2018 when we left the

rate was Rs 53 per k.g. After 2018 sugar price sky rocketed, and exceeded Rs 140 per k.g. Then Prime Minister Shehbaz Sharif came into power and brought it back to the level of Rs 70 per k.g. Likewise when we left in 2018 flour price was Rs 35 per k.g which in *Naya Pakistan* reached Rs 80 per k.g. But again, Shehbaz Sharif came into power who managed to supply flour at Rs 40 per k.g. at Utility Stores and at a number of other specified stores. At the end of our tenure Pakistan was exporting sugar and flour but at the end of theirs we are importing both these items.

13. The prices of energy also played role in price hike during the tenure of last government. We had solved the power crisis to a large extent. The responsibility of deepening energy crises once again lies with wrong policy decisions of PTI Government during the last quarter to four years They leveled concocted allegations against very competitive LNG contract entered into by us, due to which many respectable leaders had to face jails We could have tolerated, had they managed economical LNG contracts. But instead of striking long term agreements at lowest rates that were available at that times due to Covid, they opted for costlier spot purchases. This is the reason we are compelled to buy LNG at high rates at the moment to meet our immediate needs. Despite all this, we were blamed and many honourable leaders, including myself, were sent

behind bars, our sisters and daughters were dragged into it and they are still facing cases in courts.

14. Towards the end of February, when Imran Khan led government sensed that they will have to leave then, they tried to create hurdles in the way of coalition government , but in fact these were landmines for the economy of Pakistan. The prices of petrol and diesel were reduced despite the fact that government was running on borrowed money. Because of that destructive act our country was caught in a grave economic situation. The rescue efforts are still going on.

15. Keeping in view the high petroleum prices, Prime Minister Shehbaz Sharif has decided to bail out the low income classes. Under his directives, it has been decided to pay Rs 2000 p.m as assistance to families having monthly income less than Rs 40,000 p.m. The decision has been implemented w.e.f. June, 2022 and the additional assistance is being provided to existing beneficiaries of BISP automatically. Now 60 million more people will be added to it who will be paid Rs. 2,000 p.m. This financial assistance has been included in fiscal year 2022-23 budget. It is not necessary to own a car or motorcycle, people who travel in buses can also benefit from it.

16. From 2013 to 2018 Pakistani currency remained stable but then due to miss governance of highest order the value of Pakistani Rupee fell by 61 percent and US dollar went from Rs 115 to Rs 189 between 2018 and 2022. Due to aftershocks of this economic mismanagement, it crossed the level of Rs 200 by now. But we have taken all necessary steps to stabilize our currency and we hope that In sha Allah it will become stable.

Budget Vision and Economic Priorities

Mr. Speaker!

17. Before going into the details of Budget, I would like to say something about the strategy and priorities of our government.

18. Prime Minister Shehbaz Sharif believes that maximum relief should be given to the people during these hard times especially to those poor people who cannot withstand the storm of price hike. Government has taken many steps for providing assistance and subsidies in this respect but in order to continue it we will have to provide resources. For the purpose there can be a special tax on higher income earnings to redirect the wealth towards poor people, so tax can be imposed on such income or on articles which are used mostly by affluent people and are used less

by middle class or poor people. In this way higher income people will have to face a nominal burden. Thus the rich can provide much needed relief to the poor.

Mr. Speaker!

19. The budget philosophy of our government is to increase agricultural productivity so that not only cultivated land increases but per acre yield also increases. Especially cultivation of edible oil producing crops like maize, sunflower and canola be increased so that agricultural imports can be decreased as well as current expenditure deficit. On the other hand, we will develop industries whose products can be exported. In this way we will have valuable foreign exchange and it will help correct the balance of external payments on durable basis.

Mr. Speaker!

20. It is imperative to improve the management of revenues being collected currently alongwith exploring the avenues for new sources. If the theft of revenues is curbed which has increased during last quarter to four years, we can increase revenue collection substantially. Moreover, we are making efforts to increase non tax revenues.

Austerity Measures

Mr. Speaker!

21. Austerity is our first priority when it comes to expenditures. Austerity in government expenditures is part and parcel of this budget. We are going to take concrete steps in this regard, we are not offering lip service. There will be a complete ban on purchase of vehicles. There will be a ban on purchase of furniture except for development projects. Petrol limit for government employees (officers) and Cabinet will be curtailed by 40 percent. There will be ban on foreign visits at Government expense except mandatory foreign visits.

Mr. Speaker!

22. There is an allocation of Rs 530 billion in budget for next financial year like several other countries, we are going to establish Pension Fund, for which funds have been allocated.

Macro-economic Framework

23. According to the vision of Prime Minister, our team has devised a medium term macro-economic framework to put the economy on track of growth. I firmly believe that the direction of our economy will be set right under his vision.

24. A gigantic challenge before us is to achieve growth without current account deficit. Next year at least 5 percent growth will be achieved without a balance of payment problem. During the next year, GDP will be increased from Rs 67 trillion to Rs 78.3 trillion.

25. **Inflation:** At present there the inflation stands at 11.7% which is the highest during the last 10 years. Government fully understands the reality that poor people are facing too many hardships. We are trying to lower prices by leveraging monetary and fiscal policy in a better way. Inflation will be brought down to 11.5 percent during the next financial year.

FBR Taxes:

26. In emerging market countries, tax to GDP ratio is around 16 percent but in Pakistan it is 8.6 percent at the moment. We plan to raise this ratio to 9.2 percent of GDP during next financial year. In 2017-18, we left this ratio at 11.1 percent.

27. **Gross Deficit:** Gross deficit that stands at 8.6 percent of GDP during the current fiscal year will be decreased gradually. In the next fiscal year, it will be decreased to 4.9 percent. Likewise, overall primary balance that is currently -2.4 percent of GDP, will be improved to +0.19 percent during the next fiscal year.

28. **Trade deficit:** Our Government is taking concrete steps to increase exports and arrest the growth in imports so that trade balance can be improved and price of dollar is corrected automatically. The imports which are expected US\$76 billion upto this year, will be decreased to the level of US\$ 70 billion during the next fiscal year. Our exports are US\$ 31.3 billion currently, steps will be taken to increase exports to US\$ 35 billion during next fiscal year. With these steps, current account balance of -4.1 percent of GDP will be decreased to -2.2 percent during next fiscal year.

29. **Remittances:** During current fiscal year foreign remittances are expected at US\$31.1 billion. It is estimated that remittances will increase to US\$ 33.2 billion during the next fiscal year.

30. **National Debt Servicing:** This year total interest payment expenditure will be Rs 3,144 billion. Out of which domestic interest payment is estimated Rs 2,770 billion and external interest payment is estimated at Rs 373 billion. In the next financial year, payments under this head is estimated to reach Rs 3,950 billion out of which Rs 3,439 billion will be domestic and Rs 511 billion will be foreign debt servicing.

31. **Public Debt:** Public debt in 2017-18 was Rs 25,000/- billion. In March 2022 it rose to Rs 44,365 billion i.e. 72.5% of GDP. We decreased the pace of borrowing by controlling expenditures in the last two months of the current financial year. Under the law Government's borrowing limit is fixed 60% of the GDP.

32. Under certain amendments in FRDLA, 2005, experts will be provided to Debt Management Office of Ministry of Finance. For efficient functioning, its mandate and powers are being enhanced so that management of debt can be founded on sound basis. At this moment I want to inform the house briefly that previous government while re-profiling debt, had planned to pay Rs 5,400 billion in 2029 in one go. Imagine, can the domestic money market arrange the entire amount in one go? Never! We are managing this huge payment by efficient fragmentation of this huge amount so that government and domestic market can honour it.

Budget Allocations

Mr. Speaker!

33. Before giving you the salient features of budgetary allocations, I would like to present an overview of total revenue and expenditures.

- During current financial year, FBR revenue is estimated at Rs 6,000 billion out of which provincial share will be Rs 3,512 billion. Net Federal revenue will be Rs 3,803 billion. Federal Government non tax revenue is expected to be Rs 1,315 billion. Total expenditure will be Rs 9,118 billion. PSDP expenditure will be Rs 550 billion Debt servicing will be Rs 3,144 billion.
- Defence expenditure will be Rs 1,450 billion. Running of Civil Government expenditure will be Rs 530 billion and subsidies will be Rs 1,515 billion. Grants will be Rs 1,090 billion.
- During next financial year, FBR revenue is estimated at Rs 7,004 billion out of which provincial share will be Rs 4,100 billion. Federal Government will have net revenue of Rs 4,904 billion whereas non tax revenue will be Rs 2,000 billion
- Federal government total expenditure is estimated at Rs 9,502 billion out of which debt serving will be Rs 3,950 billion and Rs 800 billion Budget is allocated for next year PSDP. There will be Rs 1,523 billion for defence and Rs 550 billion for civil administration expenses. Rupees 530 billion are allocated for pension. Rs 699 billion are allocated for targeted subsidies and Rs 1,242 billion are

allocated as grants which include grants for BISP, Bait-ul-Mall and other departments.

Benazir Income Support Programme

34. Now I share the steps taken for our poor and deserving sisters and brothers. We have increased Benazir Income Support Programme's allocation which was Rs 250 billion during 2021-22. In 2022-23, this allocation has been increased to Rs 364 billion. Moreover, an amount of Rs 12 billion is allocated against subsidies for Utility Store Corporation. An additional amount of Rs 5 billion has been allocated as Ramzan Package.

35. During the next financial year nine (09) million families will have access to Benazir Kafalat cash transfer programme facility under BISP for which an amount of Rs 266 billion has been allocated.

36. Benazir Educational Scholarship Programme will be extended to 10 million students, for this purpose an amount of more than Rs 35 billion has been allocated.

37. An additional 10,000 students will be provided Benazir under graduate scholarship, for this purpose an amount of more than Rs 9 billion has been allocated.

38. Benazir Nashw-o-Numa (Nutrition) Programme will be extended to all districts at an expenditure of around Rs 21.5 billion.

39. In addition, six billion rupees have been allocated for poor and the needy under Pakistan Bait-ul-Mal.

Power

Mr. Speaker!

40. Energy is of key importance for people, trade and industry. During first three months of our government, we have paid additional Rs 214 billion as subsidies to people to lessen the outstanding arrears left by previous government. An amount of Rs 570 billion is allocated under this head for next financial year so that common people are able to afford expenses on power, during this harsh summer.

41. We have released Rs 248 billion for the payment of petroleum sector outstanding arrears and have provided Rs 71 billion for next financial year. Soon we will announce new gas rates, under which gas will be supplied to industries on rates competitive with other regional countries, so that exports are increased.

Education:

Mr. Speaker!

42. Despite several financial constraints, and the fact that higher education is a devolved subject, we have allocated Rs 65 billion for Higher Education Commission (HEC) in current budget. Additionally, there is an allocation of Rs 44 billion for development schemes of HEC under PSDP, which is 67% higher than the previous financial year. This is a proof of our commitment to our youth. We are persuading provinces that in the coming years, they should assume more responsibility for higher education.

43. HEC budget comprises of 5,000 scholarships for Baluchistan and merged districts of Khyber Pakhtunkhwa. There is a special scheme for coastal regions of Baluchistan. One hundred thousand laptops will be given to students on easy installment all over the country. To upgrade the engineering and technology education funds have been provided for state of the art equipment.

Agriculture and Food Security

Mr. Speaker!

44. Agriculture is the backbone of our country's economy. Along with other measures, we have allocated Rs 21 billion to increase crop yield and uplift of livestock sector. Ministry of Food Security and Planning Commission, in consultation with provinces, have devised a three year growth strategy. The objectives of this strategy are to enhance production, increase farmers' income, counter the negative effects of climate changes, promote smart agriculture, self sufficiency, value addition and agro processing.

Incentives for Youth

Mr. Speaker!

45. Youth are an important asset of our country. A national youth commission will be established. There are various schemes for youth. An integrated system will be introduced to increase the role of educated youth in country's development. Under "Youth Employment Policy", two million youngsters' access to employment opportunities will be ensured. Young men and women will be provided interest free loan upto Rs 5,00,000. A loan scheme on low interest rate upto Rs

25,000,000 will be introduced. There will be 25% quota for women in loan schemes. To ensure the economic empowerment of young women, high-tech and other skills training will be imparted to them on priority basis. "Youth Development Centers" will be established all over the country.

46. Young people will be able to access an 'Integrated Job Portal' and guidance through these centers. In view of climate changes and productive activities of youngster, a 'Green Youth Movement' will be initiated. Funds will be provided for schemes on the basis of merit, free laptop on installments for everyone and for construction of 250 mini stadiums. For encouraging the youth talent and entrepreneurship, 'Innovation League' will be established. 'Talent Hunt and Sports Drive' Programme shall be devised for youngsters aged 11-25 years.

Industry and Trade

Mr. Speaker!

47. Industry is very important for every country. Products made in factory are not only exported but they meet the domestic demand too and provide livelihood for tens of thousands of people. Keeping in

view its importance, Ministry of Industries and Production, with the cooperation of Asian Development Bank, has started work on Industrial Policy.

48. For the last three years, payment of DLT claims arrears has been very slow. Prime Minister has directed to pay all the refund claims to exporters immediately. At present verified claims by State Bank of Pakistan worth Rs 40.5 billion are outstanding. We are paying this amount immediately. Likewise, despite financial difficulties, sales tax refunds are also being paid immediately. To provide uninterrupted power supply to industries, industrial feeders will be exempted from load-shedding.

Investment:

49. In order to promote investment in country, a new strategy is being chalked out under which an investor friendly environment will be provided and cumbersome procedures will be abolished. Our government is planning reforms in Dispute Resolution Mechanism for citizens and foreign investors. It will be ensured that the dispute resolution mechanism is economical, simple and effective.

50. International best practices will be adopted for the purpose which will include the alternate dispute resolution mechanism. These reforms will be introduced in consultation with superior judiciary so that it could immediately be implemented.

51. Previous Government did not establish even a single new special economic zone. Under CPEC, a lot of work on infrastructure had been completed till 2018 and now there is a need to use this infrastructure for economy. It was agreed with the Chinese Government that nine special economic zones would be established on CPEC route, investors from China and other countries will be facilitated to set up factories on these economic zones. However, previous government created many hurdles to slow this work. By now, despite lapse of considerable time, not a single special economic zone could be made operational.

52. Prime Minister Shehbaz Sharif has directed to make special economic zones at Rashkai in Khyber Pakhtunkhawa, Lahore in Punjab and Dhabe Ji in Sindh to be made operational as soon as possible by immediately providing them electricity and gas.

Promotion of Culture and Film Industry

53. Development of tourism, social diversity, for introducing culture and identity of Pakistan at international level, the development of film, culture, heritage and fine arts is inevitable. In 2018, first 'film and culture policy' was approved by Cabinet during our tenure. Unfortunately, no progress was made during the last four years. In the spirit of said policy of 2018, film has been declare industry with an amount of Rupees one billion, 'Binding Film Finance Fund' has been established for artists as well as 'Medical Insurance Policy'.

54. Five years' tax holiday for film procedures, and on establishing new Cinema houses, production houses, film museums, and tax rebate on export of film and drama for ten years, as well as producers income is exempted from Income Tax. 'National Film Institute' and 'Post Film Production Facility', and 'National Film Studio' receive an allocation of Rupees one billion. Cinema houses, Film museums and Post Production Facility is declared as 'CSR'. Relate is offered to foreign film producers to produce films and dramas at local level here. It will conditional to shoot upto 70% in Pakistan so that various regions get introduced and their tourism and culture flourish, as well as employment and youth skill get empowered.

55. Eight percent withholding tax on distributors and producers is being withdrawn. The import of machinery, equipment and other items shall be exempt from Custom Duty for five years. Finance Bill 2018 and Custom Act, 1969 is being amended through Finance Bill 2022 to introduce zero% sale tax and entertainment duty on import of equipment for film and drama. Because of these measures, Pakistan's film industry will be rejuvenated whereas Pakistan severed relation with international media will be restored. Encouragement of new talent will provide career opportunities to youth in film industry.

Public Sector Development Programme (PSDP)

Mr. Speaker!

56. An amount of Rs 800 billion has been allocated for Federal Public Sector Development Program. In 2017-18 we left Federal Development Budget at Rs 1,000 billion. When we assumed the responsibilities again, it has been slashed to almost a half.

57. Federal government should build such infrastructure with its funds that are used by the whole country. These people stopped the work on Gawadar Port because of their negligence and irresponsible

attitude. Gawadar, which is deepest water sea port in the region, at present is filled with sand and mud.

58. PTI government have also harmed my Quaid Mian Muhammad Nawaz Sharifs' vision to build a web of Motorways in the country and intentionally kept motorway routs from Chinese Boarder to Karachi and Gawadar incomplete at many points so that rout of progress may not bring prosperity to Pakistan. Similarly, they created hurdles to in fulfilling Mian Muhammad Nawaz Sharifs' dreams of developing ML-I connecting the whole Pakistan. They, even did not started work on this project which was capable of making Pakistan a modern country. During his tenure of quarter to four years Imran Khan just talked a lot but did nothing practically. In this way after having wasted nation's valuable times, he flew back to Bani Galla in Helicopter.

59. Now I am going to present priorities of development programme:

- i. We will focus on completion of ongoing projects so that funds spent on these projects may not go to waste.

- ii. Despite having the lowest population, comparatively the largest allocation is being spent on Balochistans' Development so that the province can be brought at par with other parts of the country.
- iii. PSDP allocation for provinces and special areas (Azad Kashmir and Gilgit Baltistan) has been increased to Rs 136 billion.
- iv. Dams that serve as water reservoirs are our utmost priority. Additional funds have been allocated for earlier completion of Mohmand Dam and Diamir Bhasha Dam under the directives of Prime Minister Shehbaz Sharif.
- v. Highway connecting both sea ports to China will be completed.
- vi. By expediting the completion of infrastructure projects and economic zones under CPEC, attention will be focused on economic growth and exports.

Infrastructure

60. Like always, development of infrastructure according to national needs is our first priority. A total of Rs 395 billion has been allocated for this purpose.

Powers/Electricity

1. Enhancing generation, transmission and distribution of electricity is government's priority. An amount of Rs 73 billion has been provided for power sector out of which Rs 12 billion will be spent on earlier completion of Mohamand Dam according to Prime Minister's announcement. These water reservoirs will also be used for agriculture. Earlier completion of this project will benefit farmers.

Water Resources

2. Water resources sector is closely linked with power sector. An amount of Rs 100 billion is included in the budget for big multi-purpose dams especially Diamir Bhasha, Mohamand Dam, Dasu Dam, Nai-Gaj Dam and commend area projects. Small dams, culverts, in less developed districts are also given priority. Power and water resources projects are interlinked for which a total of Rs 183 billion have been allocated.

Transport and Communication

3. An amount of Rs 202 billion has been allocated for highways and sea ports. Communication facility not only benefit industry and trade but also give market access to farmers rather tens of thousands of people get employment. It had been over distinction in the past that we started construction of motorways, completed them and today tens of thousands of people travel on these motorways daily. We are also utilizing private sector investment along with government investment on construction highways. Construction of highways through public private partnership will be encouraged.

Social Sector

Mr. Speaker

4. Pakistan is a signatory of SDGs and is striving to achieve targets of SDGs. People are directly provided with civic facilities under this programme. To make the lives of people, easy and to serve the underprivileged people, a hefty amount of Rs 70 billion has been allocated. In addition, Rs 40 billion has been allocated for various other schemes in social sector.

Education and Programme for Youth

5. Our government has given priority to the completion of ongoing projects. An allocation of Rs 51 billion in the budget for higher education project has been proposed.

Health

6. An amount of Rs 24 billion has been allocated to provide better health services to people, control and eradicate viral diseases, provision of medical equipments, vaccination and enhancement in the capacity of health establishment.

Climate Changes

7. We are not oblivious of importance of climate changes in a difficult time like this. An amount of Rs 10 billion has been allocated to meet this challenge which includes plantation and other projects for improving natural environment.

Science, Technology and IT

Mr. Speaker!

8. Government has allocated Rs 17 billion for imparting training in IT sector, providing youth with laptops, improving network and promoting IT export.

Agriculture and Food Security

9. An amount of Rs 11 billion has been allocated to modernize the agriculture sector and increase the use of machines, laser leveling of land, modernizing the irrigation, provision of quality seeds and exports of agriculture products.

Industry and Agriculture Produce

10. Steps to provide essential infrastructure and services for special economic zones are included in next year's schemes so that market share in domestic and international market can be enhanced. An amount of Rs 5 billion has been allocated for value added export based on latest technology, mineral sector and industry.

PART-II
(FBR Part I)

Mr. Speaker,

61. The guiding principles for this year's taxation policy are:

- 1 More emphasis on Direct Taxes namely Income Tax & Capital value Tax.
- 2 Taxing the unproductive assets
- 3 Taxing those who made exorbitant profits (windfall gain)
- 4 Protect the productive assets and
- 5 Bring equity through the distribution of wealth by taxing the wealthy.

62. As is known by everybody that Pakistan's investment climate and taxation structure do not encourage entrepreneurship. Rather it discourages new businesses and encourages investment in real estate. This is a multi-faceted menace. It is anti-growth.

63. It causes an artificial increase in the prices of real estate taking housing facilities out of the reach of the middle classes. The money generated from this dead investment is a major source of inflation and

social disharmony. We don't want to discourage the real estate sector but we want to steer this sector in a direction where it can become the engine of growth for cities. Our proposals aim at encouraging construction, and vertical growth, and discouraging speculative investment in open plots.

64. This Government intends to create a business-friendly environment. It has been unfortunate that the major thrust of recovery of income tax has been through withholding taxes. Adding fuel to fire, the presumptive tax regime that is largely run through withholding taxes has transformed its character from direct to indirect tax. Thus withholding tax regime has become inflationary in its nature. Moreover, it not only creates distortion in the taxation structure but also reduces the ease of doing business. This government aims at correcting this. We aim at reducing withholding taxes, converting final taxes to minimize taxes, and minimum taxes to adjustable taxes.

Mr. Speaker,

65. I now present proposals regarding income tax relief measures:

(i) The tax rate on salaried individuals

The basic threshold of taxable salary is proposed to be enhanced to 12 lac from the current 6 lac rupees for salaried

individuals. This would pass tens of billions of rupees benefit to salaried people. This will generate a positive economic cycle whereby this money would get transferred to the businesses as the disposable income of salaried people increases therefore ultimately, the government will benefit through the thriving of the business, the creation of more jobs, and tax revenues in the future.

(ii) The tax rate for Business individuals and AOPs

In the face of inflation, the basic threshold of exemption for business individuals and AOPs is proposed to be enhanced from 4 lac to 6 lac.

(iii) Reduction in the tax rate on Bahbood Certificates

Currently profit from investment in Behbood savings certificates, pensioners benefit accounts, and Shuhada family welfare accounts is taxed at a maximum rate of 10%. In order to provide further relief to pensioners, it shall be taxed at a maximum rate of 5%.

(iv) Fixed Tax Regime for retailers

A fixed tax regime for small retailers is being proposed wherein tax will be collected along with electricity bills along with simplified registration and reporting regime. The proposed tax will range from Rs.3000 to Rs.10,000 and this will be a final discharge of tax liability. I can reassure the business community that FBR will not probe further after payment of the fixed tax by a retailer.

(v) **Admissibility of 100% depreciation**

Industrial undertakings and other businesses are allowed to adjust 50% of depreciation charges in the first year. This is causing additional burden and difficulty for industrial undertakings. I propose to allow adjustment of 100% depreciation.

(vi) **Admissibility of tax collected from industrial undertakings at the import stage**

Mr. Speaker,

Advance income tax on imports is collected under the Twelfth schedule on the classification of goods into plant & machinery, raw materials, and finished goods. Certain finished goods so categorized are used by industrial undertakings as raw material.

They are not able to adjust this tax. It is causing a crunch in their working capital and this is an anomaly in the law. It is proposed that industrial undertakings be allowed to adjust tax deducted at the import stage on all materials.

I now present proposals for an equitable taxation structure with a pro-poor bias and encouraging investment in the productive sectors of the economy. Moreover, my proposals focus on taxing the rich and unproductive sectors.

(vii) Tax on deemed rental income

Mr. Speaker,

The major part of the wealth of rich people is parked in the real estate sector in Pakistan. This is a double-faceted menace. It leads to the accumulation of unproductive assets and raises the prices of housing for the poor and lower-income groups. We intend to correct this imbalance. Therefore, all persons who have more than one immovable property exceeding Rs.25 million situated in Pakistan shall be deemed to have received rent equal to 5% of the fair market value of the immovable property and shall pay tax at the rate of 1% of the

fair market value of the said property. However, one house of each individual will be excluded.

(viii) Tax on transactions of immovable properties

The current challenging times in Pakistan warrant huge sacrifices from the rich and affluent. It is about time that the privileged and affluent sections of society must come forward to play their pivotal role in the socio-economic development of Pakistan. We intend to provide a taxation structure where all classes of assets are taxed in an equitable manner. Unfortunately, our present taxation regime provides incentives for unproductive investments and taxes heavily the productive sectors. In order to correct this, capital gain all classes of assets is now proposed to be taxed at 15% in case, the holding period of such property is one year or less. The capital gain payable on such assets will reduce to zero after a holding period of 6 years, reducing tax liability by 2.5 % with each subsequent year.

Furthermore, the advance tax rate on the purchase and sale of property for filers is proposed to be enhanced to 2% from the current 1%. Moreover, in order to discourage the undocumented

economy, the advance tax rate for buyers of immovable property who are non-filers is proposed to be enhanced to 5%.

(ix) Tax on High Earning Persons

Mr. Speaker,

Pakistan is passing through unprecedented economic conditions. It's time our rich should come forward and pay taxes. In order to shift the tax burden from poor to rich, all persons inclusive of companies and associations of persons, earning an annual income of Rs. 300 million or more, are proposed to pay 2% tax.

(x) Increase in advance tax on luxury vehicles

In continuation of our policy to shift the burden of tax on the rich class, advance tax on motor *vehicles* exceeding 1600cc is proposed to be increased. Furthermore, advance tax shall also be collected at the rate of 2% of the value in cases of high value hybrid and electric vehicles. Additionally, the rate of tax for non-filers shall be enhanced to 200% from the current 100%.

(xi) Tax on windfall profits

The banking sector has earned windfall gains due to higher interest rates and risk-free investment in Government securities. In order to capture the real tax potential, the tax rate on banking companies is proposed to be enhanced to 45% from the current 39% inclusive of super tax.

I now present proposals regarding streamlining and enhancing documentation of economy

(xii) Criteria for becoming tax resident in Pakistan

Criteria for the resident person for the purpose of taxation are being modified. The current regime is being misused by wealthy individuals whereby they are not tax residents of any country therefore it is proposed that any citizen of Pakistan who is not a tax resident of any other country shall be treated as a tax resident of Pakistan.

(xiii) Advance tax on international card payments

Advance withholding tax at the rate of 1% for filers and 2% for non-filers shall be collected from persons remitting money outside Pakistan through credit, debit, and prepaid cards. However, this tax shall be adjustable against tax liability.

(Sales Tax & Federal Excise Measures

Mr. Speaker,

66. Coming to indirect taxes, Inland Revenue collection has shown a healthy growth in the overall tax collection of FBR.

67. Keeping in view the requirement of meeting the fiscal deficit, it is imperative that the government takes tough decisions for the overall benefit of the country and the government under the leadership of PM Mian Shahbaz Shareef has practically demonstrated that it has the capacity and will to take such decisions. Sales Tax is the backbone of revenue collection. But as per the vision of the PM, the present budgetary proposals aim to tax the sectors that have either remained out of the tax net or hovered in the periphery and not paid taxes as per the actual capacity.

While the government wants to collect its due share of taxes by broadening the base and focusing on previously un-attended sectors, in tandem with the vision of the PM, the government also wants to extend due relief in taxes, the effect of which will trickle down to common man.

Pakistan is suffering an acute shortage of energy. Thermal energy is expensive due to skyrocketing fuel prices. Renewable energy is the

possible way forward. It is proposed to exempt import and local supply of solar panels from sales tax. Besides, consumers using fewer than 200 units of electricity will be facilitated in obtaining soft loans on easy terms from the banks for the purchase of solar panels. This will not only promote eco-friendly use of energy but also save precious foreign exchange spent on the import of fuel and gas.

In order to facilitate agriculture, it is proposed to withdraw sales tax on the supply of tractors, agricultural implements, and various seeds including wheat, rice, maize, sunflowers, canola, and rice.

Charitable hospitals are contributing substantially to providing health facilities. It is proposed to extend complete exemption on import/donations to charitable hospitals and local supplies including electricity to charitable/ non-profit hospitals with 50 or more beds.

Mr. Speaker,

68. In order to facilitate taxpayers, some fundamental changes are being proposed in the Alternate Dispute Resolution mechanism through which a taxpayer whose tax liability is Rs.100 million or more, can benefit from the proposed mechanism. In this new mechanism, a taxpayer can

nominate his own representative while the second representative will be the Officer of FBR.

69. However, the third representative of ADRC will be nominated by mutual consultation of FBR and the taxpayer. Therefore, in this mechanism, two of the three members of ADRC will be nominated with the consent of the taxpayer. Not only the question of fact but also the question of law can be brought for resolution before the ADRC. The decision of ADRC will be made by the majority.

70. Therefore, I invite all the eligible taxpayers to benefit from the proposed dispute resolution mechanism. At the same time, I also welcome the entire business community to withdraw their cases pending with various courts and joint ADRC to settle disputes through this new mechanism. This will not only lessen the burden on the courts but also contribute significantly to taxpayers' facilitation.

(FBR Part II- Pakistan Customs)

Mr. Speaker

71. The Federal Government is firmly committed to presenting a pro-people, business-friendly, and growth-oriented Budget with the objective to provide relief to the common man and safeguard the poor from the negative impact of inflation. Extraordinary attention has been given and efforts have been made toward price controls besides simultaneously focusing on the factors which can be effective to prevent any phenomena that can generate recession and negatively affect the monetary policy. Multiple measures have been taken to address the negative impacts of many previous imprudent policies.

72. All our efforts are aimed to shift the focus from import-driven growth and tilt the balance in favor of some real long-term substantial growth. This will not only improve the living conditions of the common man but also contribute substantially towards the improvement of the financial credibility of Pakistan among the international economic community.

Mr. Speaker,

73. In this budget, the government is striving to strengthen agriculture. Various relief measures have been taken for farm mechanization and logistics. In order to give relief to the agricultural sector and farmers of the country, Customs duties exemption have been extended further on agricultural machinery pertaining to irrigation, drainage, harvesting/post-harvest handling and processing, greenhouse farming, and plant protection equipment as well as machinery, equipment, and other capital goods for miscellaneous agro-based industries.

74. To provide a boost and further strengthen the industrial economy, Customs Duty, Additional Customs Duty, and Regulatory Duty on around 400 tariff headings pertaining to different industrial/manufacturing sectors have been rationalized.

75. The Regulatory Duty(RD) regime has been reviewed and Regulatory Duties on multiple items have been either reduced or removed. However, it is also important to mention that in many cases Regulatory Duty was imposed with the intention to protect the local industry.

76. The Textile sector being the backbone of the economy, merits special attention, therefore, the tariff structure has been rationalized for synthetic filament yarn to meet the long-standing demand of the sector.

77. Furthermore, in view of the sensitivity of the pharmaceutical sector, more than 30 Active Pharmaceutical Ingredients (API) have been exempted from customs duties. Furthermore, raw materials of the first aid bandages manufacturing industry have also been exempted from customs duties so as to reduce the cost of local production of this important medical item. Besides, multiple exemptions/concessions in tariffs have also been given to many other sectors

Mr. Speaker,

78. All the above budget proposals, indeed, aim at strengthening the national economy and also promoting a transparent, effective, and equitable tax system that ensures taxpayers' facilitation and ease of doing business in the country.

79. These proposed budgetary measures will certainly facilitate the implementation of the vision of the incumbent regime. There is no denying the fact that the approximate revenue leakage in the country comes to Rs.3 Trillion and a comprehensive plan is already afoot to curb tax evasion and thereby maximize revenue collection.

PART-III

RELIEF MEASURES

Mr. Speaker

80. Despite the fact that country is facing a severe fiscal crisis now we are aware of the hardships faced by government employees. Price hike has affected the household spending badly, especially that of salaried class but in spite of the severe fiscal difficulties and lack of resources. Salaries of government employees are being increased by 10% in order to improve their purchasing power.

Mr. Speaker!

81. Everyone knows that our economy is under severe pressures. But everyone knows that we always preferred to serve the nation. The coalition government will eagerly sacrifice for coming out of this crisis. We promise that with public support and blessing of Allah we will stabilize the economy. In the end I appeal the whole nation that considering the situation of our homeland, it is the responsibility of every citizen to play their role for progress of our country. We will have to prove that we are a living nation.

May Allah Almighty help you

Long live Pakistan!