

Finance Minister's Speech

Budget 2023-24

Part I

Mr. Speaker!

1. I am thankful and grateful to Allah and it is my privilege to present before this august House the FY 2023-24 budget, which is the coalition government's second budget.
2. Before I share the details of FY 2023-24 budget, I would like to present a comparative analysis of Mian Muhammad Nawaz Sharif's government from 2013-18 and Pakistan Tehreek-e-Insaaf's inept government 2018-24.

You would recall that till FY 2016-17, under Prime Minister Mian Muhammad Nawaz Sharif, Pakistan's economic growth rate had reached 6.1%. Inflation was at 4% while food inflation averaged only 2%. Policy rate was 5.5% and Pakistan's Stock Exchange was 5th in the world and number 1 in South Asia. Pakistan was progressing towards prosperity and economic development and the world recognized it. Price Waterhouse Coopers projected that Pakistan was going to become a member of G-20 by 2030. The rupee was stable and foreign exchange reserves had reached the historically high figure of \$24 billion.

New power projects were timely completed. As a result, the country got rid of 12-16 hours of load shedding and a big hurdle to economic growth was overcome. Furthermore, infrastructure, construction of highways, mass transit systems and employment opportunities were created. Concessional loans were made available to common man. This was an era of prosperity, stability and growth. You may recall that in FY 2017-18, it was the first time that the target for federal development budget surpassed a trillion rupees and was set at Rs.1,001 billion. This has not been done since then.

The menace of terrorism was controlled in the whole country. This was possible due to Zarb-e-Azab and Rud-ul-Fassad operations and thanks to the sacrifices of the Armed Forces of Pakistan, terrorism was uprooted. There was political stability and peace in the country.

Mr. Speaker!

In this time of prosperity, a conspiracy was hatched, and a selected government was put in place in August 2018. Because of the economic mismanagement of this selected government, Pakistan which was the 24th largest economy in the world in 2017, dropped to 47th by 2022.

Mr. Speaker!

3. Today Pakistan is going through the most difficult period in its history. The entire blame for this economic mess rests on the shoulders of Pakistan Tehreek-e-Insaaf. The present economic circumstances are a result of mismanagement, corruption, animosity and nepotism of the previous government. It is, therefore, pertinent that I present the economic situation of FY 2021-22 before this august House.

4. Because of wrong economic policies of the PTI Government, Current Account Deficit reached \$17.5 billion and foreign exchange reserves were nose diving. Completion of the IMF program was extremely important, but the PTI government deliberately damaged this program at a critical juncture. Petrol and electricity prices were lowered by giving subsidy. This was a direct violation of the IMF program. You may recall that the previous Finance Minister called two provincial Finance Ministers and pressurized them to not do their national duty to sabotage the IMF program.

This was like laying landmines for any incoming government. These violations not only increased the fiscal deficit but were also a cause of trust deficit between Pakistan and the IMF. On top of this, PTI tried to shift the blame on the new government. This was indeed deceitful. PTI believed that the economic situation would deteriorate to an extent that nobody would be able to save Pakistan from default. The wanted to distort the facts

and shift blame on the incoming government. This was an extremely irresponsible act and no patriotic political party should resort to such actions.

With the help of Allah and the hard work of the Prime Minister and the coalition partners, economic decisions are being taken to counter the designs of the enemies of the State. Allah Almighty has not only saved Pakistan but has also exposed these conspirers before the nation.

Mr. Speaker!

5. The biggest evidence of PTI government's economic failure was the dangerously high fiscal deficit, which was 7.9% of GDP in FY 2021-22. The primary deficit had reached 3.1% of GDP. Immediately after coming into power, the coalition government took steps to restore the IMF program. We were aware that difficult and painful economic decisions needed to be taken and these decisions would have inflationary consequences. Depreciation of Pak rupee and rising interest rates added to the miseries of the common man. The government opted to adopt a policy of 'siasat nahi riasat bachao' (save the State at the expense of political capital).

Mr. Speaker!

6. In June 2018, Public Debt stood at approximately Rs.25 trillion. Due to PTI's economic mismanagement and high budget deficit, the public debt had reached Rs.49 trillion by 2022. In its 4 years, PTI government raised debt equivalent to 96% of the entire debt raised in 71 years since Pakistan's creation. Similarly, the Public Debt and Liabilities during this period increased by 100%, from Rs.30 trillion to Rs.60 trillion. In June 2018, external debt and liabilities were \$95 billion. These had increased to \$130 billion by June 2022. As a result of this, the interest expenditure of government increased substantially, and debt servicing made Pakistan's economy more vulnerable.

Mr. Speaker!

7. In 2013, the PML(N) government inherited a circular debt of Rs.503 billion. This had increased to Rs.1,148 billion by 2018, an increase of Rs. 645 billion (yearly increase of Rs.129 billion). Because of PTI government's non-seriousness and lack of discipline,

power sector's woes increase significantly. In 4 years of PTI government, the circular debt increased by Rs.1,319 billion and reached Rs.2,467 billion (yearly increase of Rs.329 billion).

8. Fiscal deficit is critically importance to Pakistan's economic problems. The PTI government was a complete failure in enhancing tax revenues while ballooning expenditures. This is the reason that in PTI's four years, the fiscal deficit to GDP ratio was twice the deficit to GDP ratio in five years of PML(N) government.

Cognizant of this, the present government adopted austerity to reduce fiscal deficit. Untargeted subsidies were reduced to a large extent and grants were curtailed. As a result, the fiscal deficit has reduced to 7.0% of GDP as compared to last year's 7.9%. This is a significant reduction of approximately 1 percentage point in just one year. It is important to note that this reduction is despite the large increase in interest expenditure. In just a year, primary deficit has been lowered from 3.1% of GDP to 0.5%, showing a decrease of 2.6 percentage points.

9. It is as clear as daylight that present economic situation and the difficulties faced by the common man are a direct result of wrong economic policies, corruption and failures of the PTI government. I hope that the public is fully aware of the fact that the selected government preferred its political interests over national interests and destroyed the economy. Under the visionary leadership of Prime Minister Shehbaz Sharif, the coalition partners took office and saved the country from default at the cost of political capital. I urge the public to recognize who is trying to save the country and who is help bent on destroying it.

10. In this context, I consider it necessary to mention the tragic, shameful and anti-state events that took place on May 9. The armed terrorist groups, wearing the cloak of a political party, carried out heinous and organized conspiracy to undermine the integrity, reputation and dignity of the country. They completely ignored the sacrifices of the martyrs of the Armed Forces and committed the crime of desecrating their memorials. For the first time in the country's history, defense installations were subjected to brutality. Such anti-state elements have exposed themselves due to their nefarious activities. This group

does not deserve any leniency and mercy. All such elements should be punished strictly according to the laws of the land so that no one dares to participate in anti-state activities with such nefarious intentions in future.

Mr. Speaker!

11. The country's economy faced many internal and external challenges during the last one year. Last year, the people of Pakistan, especially of Sindh, Balochistan and Khyber Pakhtunkhwa faced the disaster of floods. The property and economic losses are estimated to be more than \$30 billion. The federal government and the provincial governments actively participated in the rehabilitation and resettlement of the flood-affected people.

Moreover, according to the estimates of FAO, a United Nations agency, the international food prices increased by 14.3% during 2022 compared to the year 2021. Pakistan is among the major importers of oil, wheat, pulses, edible oil and fertilizers for which payment must be made in foreign exchange, and this has led to an increase in inflation. In addition, the war in Ukraine, global increase in oil and gas prices and the increase in interest rates in western countries, have added to the economic difficulties of the country.

12. Another major problem of Pakistan's economy is Current Account Deficit (CAD). Due to the PTI government, CAD was \$17.5 billion in financial year 2021-22. As a result of timely actions of the present government, CAD has reduced by about 77%. With Allah's blessings, this deficit will be reduced to about 4 billion dollars at the end of financial year 2022-23. Similarly, the trade deficit, which was \$48 billion in FY 2021-22, is expected to be around \$26 billion in FY 2022-23 (reduction in trade deficit by about \$22 billion in a year). While reducing the CAD and trade deficit, the government has tried as much as possible to restrict only luxury goods and other non-essential imports to have minimal negative impact on the country's economic productivity.

Mr. Speaker!

13. Alhamdulillah the country has been spared from default and the decline in foreign exchange reserves has been mitigated due to tough decisions by the current coalition government. The government has fulfilled all the conditions of the ninth review of the IMF program. The IMF program is the top priority of the government. That is why the government remains engaged with the IMF. We are trying our best to sign the SLA as soon as possible and complete the ninth review of the program this month.

Mr. Speaker!

14. The government is aware of the hardships of the people and is taking all possible steps to provide relief to the people so they can be protected from the effects of inflation. Keeping inflation in mind, the government increased the rate of cash transfer under BISP by 25 percent a few months ago and increased the BISP budget from Rs 360 billion to Rs 400 billion. The new rate of cash transfer stands implemented from January 1, 2023.

Free flour was distributed in Punjab and Khyber Pakhtunkhwa. Apart from this, a subsidy of Rs.26 billion was given by the federal government through the Utility Stores Corporation to provide cheap food items to the people.

In the last one month, the government has reduced the prices of petroleum products twice. As a result, the price of petrol has been reduced by Rs. 20, of diesel by Rs. 35 and of light diesel by Rs.17. It is hoped that this will result in reducing inflation.

Mr. Speaker!

15. Since July 2022, the government has repaid nearly \$12 billion of external debt and all external repayments obligations are being met on time. Despite this, the country's foreign exchange reserves are at \$9.34 billion.

The government has also taken steps to establish better relations with friendly countries and development partners, which had deteriorated in the last few years. This will help in economic recovery. The government has also taken administrative measures to end the illegal remittance of foreign exchange, which is showing positive results.

Mr. Speaker!

16. The current government has given more than Rs.2,000 billion Kisaan package (farmer's package) to overcome the devastating effects of floods and for supporting the agricultural sector. I am happy to share that this package has had a positive impact on the economy. Despite the ravages of floods, there has been a growth of 1.5% in the agriculture sector. As a result of a bumper crop of wheat, wheat production is more than 28 million tones and the income of the farmer has increased. Rs. 1,500 to 2,000 billion has been added to the rural economy. This will have a positive impact on the overall economy of the country. Through Budget 2023-24, the government plans to continue the incentives for the agriculture sector, which I will share later. It is hoped that these measures will play an important role in the country's food security.

Mr. Speaker!

17. During the current financial year, the flood-affected areas could not play their role in the country's economy. The government has completed the rehabilitation work in these areas. For reconstruction, the government has initiated schemes worth Rs.578 billion and it is prayed that these areas will start recontributing to the economy by next year.

18. During the current financial year, due to domestic and external issues the LSM sector has shown a negative growth. One major reason is the lack of foreign exchange reserves due to which problems arose in the availability of raw materials. Keeping these circumstances in view, the LCs for raw material have been allowed on priority basis. The government plans to reverse this trend in the next financial year. The government of Prime Minister Mian Muhammad Shahbaz Sharif has decided that no new tax will be imposed on the industrial sector. Similarly, the fall in prices in global markets, reduction in inventory build-up in developed countries and better availability of raw materials, the LSM sector will show improvement.

19. As a result of the above measures, the country's economy is moving from a period of vulnerability to stability. With FY 2023-24 budget, with Allah's blessings, the country will move from stability to growth.

Mr. Speaker!

20. Now I would like to share with you the general direction of the FY 2023-24 budget. Despite improvement, the economy is still facing challenges. In view of this we have set a GDP growth target of only 3.5 percent for the next financial year which is a modest target. Despite the country heading towards general elections, the budget has been framed in a responsible manner rather than an election budget.

21. After extensive deliberations, we have selected those elements of real economy which can take the country back to a growth trajectory in the shortest period of time.

22. Our priority drivers of growth in the budget proposals are as follows:

i. Agriculture

The agriculture sector is the backbone of the country's economy. The following steps are proposed for this sector in the next financial year:

- The limit of agricultural loans has been increased from Rs.1,800 billion to Rs.2,250 billion.
- Electricity/diesel bills are among the biggest expenses of the farmer. An allocation Rs.30 billion has been made to switch 50,000 agricultural tube wells to solar energy in the next financial year.
- Quality seeds are critical to a good crop. In order to promote the use of quality seeds in the country, all taxes and duties are being abolished on their import. Similarly, customs duty is being abolished on the import of saplings.
- Harvesting period is getting shorter due to climate change. Also, if the farmer has to raise three crops, it is important to harvest the ripe crop as soon as possible. This requires combine harvesters. To promote the use of combine harvesters, it is proposed to exempt them from all duties and taxes.
- To increase rice production, Seeder, Rice Planters and Dryers are also proposed to be exempted from duties and taxes.

- Agro industry has the potential to revolutionize the rural economy. In the budget, an amount of Rs.5 billion has been allocated for the provision of concessional loan to agro industry.
- The real value addition of agricultural products is in their processing. This can reduce wastage, especially of fruits and vegetables. Apart from this, food processing units also provide employment opportunities. In this context, it has been decided that agro-based industrial units set up in rural areas, whose annual turnover will be up to Rs. 800 million, will get exemption from all taxes for 5 years.
- Under PM's Youth Business and Agriculture Loan Scheme, small and medium scale easy loans will be continued and for this purpose Rs.10 billion will be provided for markup subsidy in the next financial year.
- Rs.6 billion have been allocated for the subsidy on imported urea fertilizer for the next year.
- To increase productivity, small farmers will be provided with loans at low markup with the participation of provincial governments. A huge sum of Rs.10 billion has been allocated in this regard.

ii. IT and IT Enabled Services

IT and IT Enabled Services are the fastest growing sectors of the economy and have a significant share in exports. We are confident that this sector will prove to be an engine of growth in the coming years. Pakistan ranks second in the world in terms of the number of freelancers. The following steps are being taken to address the problems faced by them and to solve the problems of the sector in general:

- A concessional rate of income tax of 0.25 percent is applicable to increase IT exports. This facility will continue till June 30, 2026.
- Freelancers face difficulties in filing monthly sales tax returns. To facilitate the business environment, Freelancers having export volume up to \$24,000 per

annum have been exempted from sales tax registration and filing of returns. In addition, a simple single page income tax return is being developed for them.

- IT and IT enabled Service providers will be allowed to import software and hardware worth one percent of their exports without any tax. These imports are capped at \$50,000 per year.
- For Exporters of IT and IT Services, issuance of Automated Exemption Certificate will be ensured.
- The IT sector is being given the status of SMEs, with which this sector will get the benefit of concessional income tax rates.
- Venture capital is very important for IT business mentoring. Venture Capital Fund to provide business capital will be established with an allocation of Rs.5 billion from government resources.
- The current rate of sales tax on IT services is being reduced from 15% to 5% in ICT.
- To encourage lending in the IT sector, banks will benefit from a tax concession of 20% on earnings from lending to this sector.
- 50 thousand IT graduates will be given professional training in the next financial year.

iii. SMEs

SMEs are key to the economy. Unfortunately, we have not paid enough attention to their development so that they can contribute to the economy according to their potential. Following measures will be taken for SMEs in the budget financial year 2023-24:

- To encourage construction, agriculture and SMEs, earnings of banks from lending to these sectors will be subject to a concessional tax rate of 20% instead of 39% for the next two financial years i.e. up to 30th June 2025.
- In order to expand the tax concession regime for SMEs, turnover threshold is being increased from Rs.250 million to Rs.800 million.
- An amount of Rs.10 billion is being allocated in the next financial year for providing subsidized loans to small businesses through PM's Youth Loan Programme.

- Under a scheme of State Bank of Pakistan, SME loans can be refinanced only at 6% markup, but banks hesitate to give such loans due to lack of credit history of SME. In order to remove this obstacle, it has been decided that the Government of Pakistan will bear up to 20% risk of the new loans given in this regard.
- SME Assan Finance Scheme is being restarted.
- It is proposed to establish a separate Credit Rating Agency for SMEs.

iv. Industrial and export sectors

The industrial sector, especially the export industry, is the most important part of the country's economy. The following steps are being taken to promote exports:

- Export Council of Pakistan is being established under the leadership of the Prime Minister of Pakistan. This Council will hold at least one meeting every quarter and take decisions related to exports.
- To promote the export of Minerals and Metals, sales tax exemption will be given on any local purchase through any online marketplace.
- Export Facilitation Scheme has been launched. Under this, exporters will be facilitated.
- Minimum tax on all listed companies has been reduced from 1.25% to 1%.
- To promote the textile industry, 5% regulatory duty is being abolished on synthetic filament yarn which is not produced locally. The customs duty on Pet Scrap is being reduced from 20% to 11%. Manufacturers of capacitors, adhesive tape, mining machinery, rice mill machinery and machine tools are also being exempted from customs duty.

v. Overseas Pakistanis

Remittances are the most important source of foreign exchange. Their importance can be estimated from the fact that remittances are equal to 90% of our exports. The following incentives will be given to promote remittances through formal channels:

- Final Tax @ 2% is being abolished on purchase of immovable property through foreign remittance by Pakistanis living abroad

- A new "Diamond Card" is being issued in the category of Remittance Cards, which will be issued to those who send remittances of more than \$50,000 annually. The following privileges will be given for this category.
 - 🕒 One Non-Prohibited Bore License
 - 🕒 Free Passport
 - 🕒 Preferential access to Pakistani Embassies and Consulates
 - 🕒 Fast track immigration facility at Pakistani airports.
- A scheme will be launched to give prizes to remittance card holders through lottery.

vi. Education

There can be no two opinions on the importance of education. Although this subject is a provincial responsibility, the federal government contributes its full share in its promotion. Following steps are being taken in this regard:

- For Higher Education Commission Rs.65 billion has been allocated for current Expenditure and Rs.70 billion for development expenditure.
- Pakistan Endowment Fund is being established for financial support in education sector. Rs.5 billion is being kept in the budget for this purpose. It will provide scholarships to high school and college students based on merit. Our goal is that a gifted student should not be deprived of higher education due to lack of resources.
- Laptop Scheme was run in Punjab province during 2013-18 with great success. In the current financial year, the federal government will be distributing 1 lakh laptops to deserving students on merit. An amount of Rs.10 billion has been allocated in the next financial year to continue the same scheme.
- Sports are an essential part of education. Rs.5 billion have been kept in the budget for the development of sports in schools, colleges and at professional level.

vii. Women Empowerment

Rs.5 billion has been allocated for women empowerment in the budget. In this regard, projects like skill development, cheap loans for businesses and trainings for running a business will be provided. Tax rates have also been relaxed for women entrepreneurs.

viii. Youth Entrepreneurship

The youth of our country needs special attention of the government because today's youth are the guarantors of the bright future of this country. They can play a very important role in national development and prosperity. Therefore, it is proposed to reduce the tax rate by 50% on the income from the businesses started by youth or AOP consisting of youth for the next three years. This discount will be up to Rs.200,000 in case of Individual or AOP and up to Rs.500,000 in case of company. To avail this facility, the age of the business owner must be up to thirty years and the business should start on or after July 1, 2023. This will encourage young people to participate in business activities those business leaders having new business ideas will be able to come forward.

- Under the Prime Minister's Youth Program for Small Loans, Rs.10 billion has been allocated for providing loans at a discounted rate to start own business.
- Rs.5 billion has been allocated to give specialized training to the youth under the Prime Minister Youth Skills Programme.

Mr. Speaker!

ix. Encouragement of construction activities.

Construction sector plays a very important role in economic growth. More than forty industries are associated with this sector. To give incentives to builders and common people for construction of new houses and buildings, it is proposed that for the next three years a 10% concession in tax rate or Rs.5,000,000, whichever is lower, will be given on the business income of construction enterprise. Further, for those people who construct for their own, it is proposed that for three years they may be allowed a concession of 10% tax credit or Rs.1,000,000, whichever is less. This concession will be applicable to the construction projects starting from July 1, 2023 onwards.

- Tax incentives related to Real Estate Investment Trust (REIT) are being extended till June 30, 2024.

Mr. Speaker!

x. Alleviating the financial difficulties of the downtrodden sections of the country is also among the main priorities of this budget:

- Benazir Income Support Program (BISP) is a flagship program of the Government of Pakistan to combat poverty. In the financial year 2021-22, Rs.250 billion were allocated for this program. The current government increased the budget to Rs.360 billion in 2022-23. During the current financial year, this amount was further increased by Rs.40 billion to Rs.400 billion. During the next fiscal year, the government has proposed to provide Rs.450 billion in this regard. Some of the important schemes under this program are as follows:
 - ⌚ In the financial year 2023-24, under BISP, 9,300,000 families will be provided with cash transfer facility @ Rs 8,750 per quarter. For which Rs.346 billion has been allocated. The government will also increase the rate of cash transfer by matching inflation.
 - ⌚ The scope of Benazir Education Scholarship Program will be increased from 6,000,000 children to about 8,300,000. 52% of them are girls. More than Rs.55 billion have been earmarked for this purpose.
 - ⌚ 92,000 students will be given Benazir undergraduate scholarship for which Rs.6 billion has been allocated.
 - ⌚ The Benazir Development Program will continue in all districts and the number of children benefiting from the program will be increased to 1,500,000. An amount of Rs.32 billion has been allocated.
- An allocation of Rs.35 billion has been made for provision of targeted subsidy on flour, rice, sugar, pulses and ghee for the deserving people at Utility Stores Corporation.
- Rs.4 billion will be provided to Pakistan Baitul-Mal for the treatment and assistance of deserving people.

- Greek medicines are generally used by rural and low-income people, for the convenience of which the rate of sales tax on Greek medicines is being proposed at 1%.
- Used clothes are bought by low income earners and their import is currently subject to a 10% regulatory duty which is being abolished.
- A new scheme of micro deposits for low income people is being started from 1st July 2023 through National Savings Centers. The profit rate will be relatively high. The facility of opening this account digitally will also be available.

Mr. Speaker!

xi. Energy Sector:

Pakistan depends on imports for its energy needs. The increase in the price of these imports is a major cause of inflation. To reduce this cost, our government is determined to promote the use of Pakistani coal and solar energy. Following steps are being taken in this regard:

- Coal-fired power plants are being encouraged to use local coal.
- Raw material of solar panel, inverter and batteries are being exempted from Customs Duty.
- Crude oil and refined petrol products are a major part of our energy needs. Many times, in the past, there has been a shortage of these products in the country due to disruption in the supply chain. To deal with such a situation, the Bonded Bulk Storage Policy for POL products is being issued. Under this Policy, foreign suppliers will import crude oil and POL products from international market to Pakistan and store them in bonded bulk storage with their own financial resources. Refinery or Oil Marketing Companies will be allowed to purchase these products from foreign suppliers, when required.

Mr. Speaker!

23. I now present to the Honorable House the salient points of the revised budget for the current financial year 2022-23.

- In the current financial year, the revenue of FBR is expected to be around Rs.7,200 billion. In which the share of provinces will be Rs.4,129 billion.
- The non-tax revenue of the federal government is expected to be Rs.1,618 billion.
- The net revenue of the federation will be Rs.4,689 billion.
- The total expenditure is estimated at Rs.11,090 billion.
- Expenditure under PSDP is likely to be up to Rs.567 billion.
- About Rs.1,510 billion will be spent on defense.
- The total expenditure of the civil government will be Rs.553 billion, Rs.654 billion on pension, Rs.1,093 billion on subsidies and Rs.1,090 billion on grants.

Mr. Speaker!

24. I now present the figures for the next financial year 2023-24.

The economic growth rate for the next fiscal year is estimated at 3.5 percent. While the rate of inflation will be approximately 21 percent. Budget deficit will be 6.54 percent and primary surplus will be 0.4 percent of GDP. For the next financial year, the export target is \$30 billion while the remittance target is \$33 billion.

- Next year FBR revenue is estimated at Rs.9,200 billion in which the share of provinces will be Rs.5,276 billion.
- Federal non-tax revenues will be Rs.2,963 billion.
- The net income of the federal government will be Rs.6,887 billion.
- The total expenditure of the federal government is estimated at Rs.14,460 billion, out of which Rs.7,303 billion will be spent on interest payment.
- A budget of Rs.950 billion has been allocated for PSDP next year. Apart from this, after the additional amount of Rs.200 billion through Public Private Partnership, the overall development budget will be at the historical highest level of Rs.1,150 billion.

- Rs.1,804 billion will be provided for defense and Rs.714 billion for civil administration expenses. Rs.761 billion have been allocated for pension. An amount of Rs.1,074 billion has been earmarked as subsidy for electricity, gas and other sectors.
- A grant of Rs.1,464 billion has been allocated for Azad Kashmir, Gilgit-Baltistan, Khyber Pakhtunkhwa merged districts, BISP, HEC, Railways and other departments.
- Working Journalist Health Insurance Card, Artist Health Insurance Card will be issued. Apart from this, funds have been provided for the welfare of minorities, sports persons and students.
- A pension fund will be established to meet the liability of future pension expenditure.

Mr. Speaker!

25. Public Sector Development Program (PSDP):

The development budget plays an important role in the development of the country. Through the development budget, objectives such as increasing the efficiency of the economy, providing better infrastructure, human development, regional equity and increasing investments are achieved.

Rs.1,150 billion has been earmarked for the federal development program for the next financial year. While the size of the development program of the provinces is Rs.1,559 billion. Thus, the size of the development program at the national level will be Rs.2,709 billion. This amount is only 2.6% of GDP. The PML-N, in its previous tenure, had raised the volume of development expenditure to about 5 percent of GDP. Development resources have halved due to the devastation of the last four years. On the other hand, the developmental needs of the country have increased manifold. This situation requires that the development expenditure should be spent on the most important priorities of the country.

Salient features of the proposed PSDP for FY 2023-24:

- (i) Focus will be on 80% completed projects so that they can be finished by June 2024.
- (ii) 52% of PSDP has been earmarked for attracting foreign direct investment and providing state-of-the-art infrastructure.
- (iii) In the infrastructure sector, the proposed allocation for transport and communication is Rs.267 billion (which is 28 percent of the total volume), the allocation for the water sector is Rs.100 billion (11 percent). The proposed allocation for energy sector is Rs. 89 billion (9% of the total allocation), the proposed allocation for Physical Planning and Housing (PP&H) is Rs.43 billion i.e. 4% of the total allocation.
- (iv) Rs.108 billion have been proposed for the equitable development of different regions of Pakistan, out of which Rs.57 billion have been earmarked for the merged districts (NMDs) of Khyber Pakhtunkhwa, Rs.32.5 billion for AJ&K and Rs.28.5 billion for Gilgit-Baltistan. So that the development of these areas can be brought closer to other areas of the country.
- (v) Monitoring speedy completion of SEZs and maintenance of various projects under CPEC.
- (vi) To mitigate the effects of climate change and natural calamities, the strategies formulated under the Framework (4RFs) for the reconstruction and rehabilitation and the 5Es (Environment, Exports, E-Pakistan, Equity and Empowerment) will be implemented.
- (vii) Rs.244 billion has been earmarked for the development of the social sector, in which Rs.82 billion has been allocated for education, including higher education, and Rs.26 billion for the health sector.
- (viii) Rs.34 billion has been proposed for science and IT, while Rs.50 billion has been proposed for productive sectors (mineral industry, agriculture).
- (ix) The government is giving special attention to youth welfare, sports and skills development so that the youth can be prepared for practical life.
- (x) Special focus on projects in Balochistan to bridge the gap in the region compared to other regions.

a. Energy:

An amount of Rs.107 billion has been provided for the improvement of power generation, transmission and distribution.

The production capacity of electricity in the country has reached 41,000 megawatts. The share of hydropower is 25%. In the current situation, it is necessary to use the country's resources and renewable energy as much as possible in the production of electricity so that imports and electricity production cost can be reduced. Along with this, improving the power transmission system is also included in the government's priorities. Most of the focus in the PSDP is on improving transmission systems, increasing the use of renewable energy and water resources.

In the power sector, an amount of Rs.12 billion will be provided in the next financial year for the completion of coal fired Jamshoro Power Plant (1200 MW). Rs.16 billion has been allocated to advance the project of 500KV transmission line between Pakistan and Tajikistan. Rs.5 billion for improving the capacity of NTDC's existing grid stations, Rs.13 billion for transmission of electricity from Suki Kanari, Kohala and Mahal hydro plants and Rs.6 billion for transmission of electricity from Dasu hydropower plant.

b. Water Resources:

Last year, Rs.12 billion was provided for the completion of Mohmand Dam. An amount of Rs.10.5 billion is being allocated for this project in the next financial year as well. Similarly, provision of Rs.59 billion will be ensured on priority basis for Dasu Hydropower Project (2160 MW capacity). Rs. 20 billion will be provided for Diamir Bhasha Dam. Among other important projects, Rs.4.80 billion will be provided for the 969 MW Neelum Jhelum Hydropower Project, Rs.4.45 billion for increasing the capacity of Tarbela Hydropower and Rs.2.6 billion for the rehabilitation of Warsak Hydroelectric Power Station. These projects will increase water supply for the agricultural sector and generate affordable electricity.

Along with this, an amount of Rs.17.5 billion will also be provided for the K-4 Greater Water Supply Scheme to improve drinking water supply in Karachi.

c. Transport and Communication:

Rs.161 billion has been kept in the development budget for highways and other communication facilities. Public communication facilities give farmers access to markets and industry, supports trade and helps provide employment to millions of people. Our government has already completed mega transport and communication projects which have provided motorways to millions of people.

d. Social Sector:

Pakistan is striving to achieve the goals of SDGs. An amount of Rs.90 billion has been proposed for this purpose in the next financial year.

Part II

Mr. Speaker!

26. The main principles of this year's tax policy are:

- (i) Encouraging IT and IT enabled Services to increase exports.
- (ii) Promotion of foreign remittances to increase foreign exchange reserves.
- (iii) Patronage of local industries to increase economic growth.
- (iv) Construction, SMEs, and agricultural sector incentives.
- (v) Promotion of youth entrepreneurship in the country.
- (vi) Digitization of economy to increase the scope of taxation.
- (vii) Imposition of tax on rich people.
- (viii) Relief for low income class due to inflation.
- (ix) Increase in cost of transactions for non-filers.

Mr. Speaker!

27. No new tax is being imposed this year and the government is trying to give maximum relief to the people. The effort is to increase employment opportunities, facilitate business, encourage industries and exports. This can increase foreign exchange reserves. I have already explained most of the incentives in this regard.

Mr. Speaker!

28. Now I present the details of the measures regarding revenue measures of Income Tax:

- i. Increase in rate of withholding tax on supplies, contracts and services. Most of the economic activities are related to supply of goods, execution of contracts and provision of services. It is proposed to increase the tax rate by 1% to enhance the income of the government from these transactions. It will be applied to individuals, AOPs and Companies. Furthermore, it is proposed to increase tax rate by 1% on services on which concessionary tax is applicable. The proposal will not apply to rice, cottonseed, edible oil, print and electronic media and sports persons.
- ii. Rationalizing the Rates and Scope of Super Tax under Section 4C. Imposing tax on the rich is the guiding principle of Pakistan's Taxation Policy. Therefore, super tax was imposed on people with high income in Tax Year 2022. Its rate was to be gradually increased from one to four percent. In addition, 10% super tax was imposed on fifteen high income businesses and sectors. The minimum income limit for the implementation of super tax was fixed at Rs.150 million. For a progressive super tax, its rates are proposed to be increased gradually.
- iii. Rate of Withholding Tax on commercial imports. Commercial importers pay minimum tax at the time of import of goods. In contrast, industries pay tax on their profits. Therefore, there is a need to rationalize the rates of minimum tax on the income of commercial importers on import of goods because no tax is paid on use of these goods or profit. Therefore, it is proposed to increase the tax rate by 0.5% on the import of goods by commercial importers. Apart from this, the tax rates are already reduced rates. No increase in their rate is proposed.

- iv. Withholding Tax on bonus shares issued by companies. Some companies issue bonus shares instead of distributing cash dividend to avoid tax. Therefore, for the purpose of collecting tax on in-kind dividend, tax is being imposed on listed and non-listed companies at the rate of 10%.
- v. Tax on cash withdrawal from banks by Non-ATL persons. Taxation on cash withdrawal is an important tool to document the economy. Therefore, to document cash withdrawal by Non-ATL individuals and increase their transaction costs, 0.6% tax is being levied on cash withdrawal above Rs.50,000.
- vi. Withholding Tax on hiring foreign domestic worker. At present, around 3,000 foreign nationals are working as domestic helpers in rich families of Pakistan. On average, each domestic helper is paid up to \$6000 per year. It is proposed to levy WHT at the rate of Rs.200,000 on the amount paid to these domestic workers in one tax year.
- vii. Discouragement of foreign currency outflow. There is a need to not only increase foreign exchange reserves but also to close the loopholes that reduce it. In order to discourage the outflow of foreign currency through Credit / Debit Cards and Banking Channels, the current rate of withholding tax on filers is being increased from 1% to 5% while on non-filers this rate will be 10%.

29. Sales Tax and Federal Excise:

Mr. Speaker!

- i. The existing rate of GST on Tier-1 Retailers of Textiles and Leather products is being increased from 12% to 15%. Basically, this tax will be levied on expensive garments and products of branded textiles and leather. This tax is being imposed on the section of the society which can afford to buy such valuable items. It will not affect the common man.

Mr. Speaker!

30. One of the major responsibilities of the present government is to establish harmony between the provinces and to have a uniform and harmonious tax system in Pakistan. In 2018, the PML(N) government undertook the 25th Amendment to the Constitution and FATA and PATA were merged into Khyber Pakhtunkhwa and Balochistan. It is the responsibility of the government to implement this constitutional change effectively. The people of these areas were granted tax exemption for 5 years. This period is ending on 30th June 2023, which is being extended for another year.

31. There is always a dispute between tax collectors and those Tier-1 Retailers which pay tax based on covered area. On the strong insistence of the business community and to give relief to the retail sector, the condition of covered area in the definition of Tier-1 retailers is being removed.

32. The duties and taxes on import of old and used Asian make vehicles of up to 1800 cc were capped in 2005. Now the cap of duties and taxes for vehicles above 1300 CC is being removed.

33. On the demand of the Glass Manufacturers Association, to protect the localized glass, a regulatory duty of 15% to 30% is being imposed on the import of various types of such glass.

34. To encourage digital payments in the Federal Territory of Islamabad, the tax rate on credit card payments on restaurant services is being reduced from 15% to 5%.

Part Three

Relief measures

35. Relief Measures for Government Servants, Pensioners, Fixed Income Persons etc.

Mr. Speaker!

The government is aware of the plight of government employees. Due to inflation, the purchasing power of government employees has also decreased significantly. Despite severe financial problems and lack of resources, relief measures are being taken for government employees.

- To improve the purchasing power of government employees, the salaries are being increased in the form of Adhoc Relief Allowance.
- The following existing allowances are also being increased:
 - i. Daily Allowance and Mileage Allowance for official travel and overnight stay outside duty station.
 - ii. Additional Charge / Current Charge / Deputation Allowance
 - iii. Orderly Allowance
 - iv. Special Conveyance Allowance for Disabled
 - iv. Constant Attendant Allowance (Military)
 - vi. Driver Allowance of authorized pensioners
- The pension of government employees is being increased.
- The minimum pension of government employees is being increased to Rs 10,000.
- The minimum wage in ICT is being increased from 25 thousand to 30 thousand rupees.
- EOBI pension is proposed to be increased from Rs.8,500 to Rs.10,000.
- Schemes were launched in the last two budgets of Prime Minister Muhammad Nawaz Sharif in 1999-2000 and 2017-18 to help widows repay their debt. In financial year 2023-24, a similar scheme is being introduced for such widows with outstanding debt payable to House Building Finance Corporation. The remaining debt of these widows up to Rs.1,000,000 will be paid by the Government of Pakistan.
- Deposit limit in Shuhada Account of CDNS is being increased from Rs.5,000,000 to Rs.7,500,000.
- The deposit limit is also being increased from Rs.5,000,000 to Rs.7,500,000 in Behbood Savings Certificates.

Mr. Speaker!

36. Before I conclude my budget speech, I would like to reiterate that the zealous and enlightened people of Pakistan are fully aware who are true friends and well-wishers of the country and the nation and who is the enemy of the State and is responsible for economic crisis. Mian Muhammad Shahbaz Sharif as the Chief Minister of Punjab and now as the Prime Minister of Pakistan has served the people with full sincerity. The current coalition government has taken people-friendly measures in a short period of fourteen months despite severe financial difficulties and conspiracies. The country has truly been saved from default, taken out of crisis and brought to the path of stability. The PML(N) government brought the country out of trouble in the past and is committed, along with its allied parties, to take the country on the path of development.

Mr. Speaker!

37. I am deeply grateful to you for your attention and giving me an opportunity to present a people-friendly and balanced budget before this Honorable House and the people of Pakistan. There is no doubt that in the last 14 months, Pakistan has faced economic challenges, but I firmly believe that if we all strive for the betterment of this country, with faith in Allah and sincere intentions, we will regain our lost position soon and take the country back to its rightful place in the world. Allah willing!

May Allah be our supporter.

Pakistan Zindabad!