Budget Speech 2017-18

Bismillahir-Rehmanir-Rahim

PART-I

Mr. Speaker,

1. Today I present the fifth consecutive budget of the PML(N) government with Allah's (SW) blessings and mercy.

Mr. Speaker,

2. It is for the first time that a fifth consecutive budget is being presented by the same Prime Minister and Finance Minister. This is reflection of strengthening of democracy for which the entire nation can feel proud. And it is with great humility that I thank Allah (SW) that He has given this opportunity to an ordinary person like me.

3. Before I go into the details of the next financial year's budget, I would like to give a brief resume of the distance that we have traversed in the last four years. It would not be an exaggeration on my part to say that in June 2013 Pakistan was on the brink of default on its financial commitments. Our Forex reserves were at an historic low covering only two weeks' worth of imports. Large payments were falling due and what to say of the commercial banks even the multi-lateral development partners were shy of undertaking any new business with Pakistan. The FBR revenues had grown only by 3.38% for that year, expenditure was high and the result was a fiscal deficit of over 8% of GDP. Energy outages were pandemic, the load-

shedding hours in a day were longer than those in which electricity was available. Load shedding in cities was for 12 to 14 hours while in villages was 16 to 18 hours. The writing on the wall was obvious. From macroeconomic perspective, Pakistan's economy was declared as unstable internationally.

4. Today Pakistan is on the cusp of a high growth trajectory. Our GDP has grown this year by 5.3% which is a 10-year high. Foreign exchange reserves are at a comfortable level, sufficient to cover about 4 months of imports; tax revenues have increased by 81% over the last four years translating into an average annual increase of 20%; since 2013 credit to private sector has increased by over five times; fiscal deficit will be around 4.2 percent; there has been over 40% increase in imports of capital goods this year; gas availability has improved, and load-shedding for industry has been eliminated and substantially reduced for commercial and domestic sectors - Inshallah next year will be the year of complete elimination of load shedding.

5. The writing on the wall is obvious even today - only the message has changed. Today globally credible institutions like PriceWaterhouseCoopers have said that "Pakistan economy is set to be among the 20 largest economies (G20) of the World by 2030". The whole of the nation deserves to take credit for this impressive turnaround and we thank Allah (SWT). Without His help this would not have been possible in such a short time.

Mr. Speaker,

6. I would like to take this opportunity to congratulate the Parliament, the Prime Minister Nawaz Sharif, and indeed the entire nation that after a long-time Pakistan

has this year borrowed loans only for national development. Earlier we were not only borrowing for our national development needs but also for our non-development expenditure. This was leading us to a downward economic spiral where we had to borrow to cover our expenses and a very large percentage of the budget was being spent on debt servicing. This turnaround has been made possible by prudent fiscal management, continued focus on enhancing revenues and reducing non-development expenditure. This is not an ordinary achievement. Borrowing for development is acceptable for any country or an organisation as the socio-economic returns outweigh the cost of borrowing. Investing in the people of Pakistan and its infrastructure will lead to even higher, sustainable and inclusive growth.

7. I would like to inform this house that as per the party manifesto of PML(N), Pakistan has successfully completed its reform programme. During this period difficult key structural reforms in the country have been implemented. Completion of the programme has strengthened confidence of the international community in government's economic agenda. The government has put the country on the path of self-sustenance which is being internationally recognised and is reflected in the improved ratings by all major rating agencies including Moody's, S&P and Fitch.

Where we were 4 years' ago and where we are today?

Comparative Economic Performance 2012-13 vs. 2016-17

Mr. Speaker,

8. I would now present before this august House the main highlights of Pakistan's economic performance in the last four years:

(1) **Real GDP Growth** at 5.28% this year is the highest in the past decade. Four years' ago, the economic growth was 3.68%. Considering that the World economy is likely to grow by 3.5% this year, Pakistan's economy is performing better than most countries in the World. There has an improvement in every aspect due in Pakistan due to economic growth. For the first time the size of the economy has surpassed $300 bilion;

(2) *Alhamdolilah*, our **agriculture sector** has turned around. The sector has performed impressively this year. Compared to last year's stagnation this sector has registered a robust 3.46% growth. All major crops including Wheat, Cotton, Sugarcane and Maize have registered healthy growth. This turnaround in agriculture from stagnant growth is a result of the Prime Minister's *Kisaan* package announced in September 2015 and the extraordinary measures approved by this house as part of budget 2016-17;

(3) **Industrial production** grew by 5.02% and businesses are now hiring additional workers.

(4) **Services sector** - which includes banks, retail, transportation, housing, etc. - grew by 5.98%;

(5) On average, income of each Pakistani has increased by 22% since fiscal year 2012-13. **Per capita income** today stands at $1,629 as compared to $1,334 four years ago;

(6) **Inflation** was on average 12% between 2008-13. In this current year inflation is expected to be around 4.3%;

(7) **Fiscal deficit:** The government followed a policy of fiscal consolidation because of which fiscal deficit reduced from 8.2% to the current year's 4.2%. This was achieved through higher revenue collection through improved administration and broadening of the tax base, undoing decades-old concessionary SRO and curtailing non-development expenditure of the government;

(8) **FBR Revenues:** In fiscal year 2012-13 FBR collection was Rs.1,946 billion. For the current year the target is Rs.3,521 billion. This represents a historic increase of 81% in the last 4 years with average annual growth of 20%. Tax to GDP ratio which was 10.1% in fiscal year 2012-13 is likely to increase to 13.2% this year;

(9) **Policy rate of State Bank of Pakistan** has come down from 9.5% in June 2013 to the current 45-year low of 5.75%. Similarly, mark-up rates of Export Refinance Facility have been reduced from 9.5% in June 2013 to 3% in July 2016. In addition, the mark-up rate on Long Term Finance Facility has been gradually reduced from 11.4% in June 2013 to 6% for exporters and 5% for textile sector. This has led to a spurt in credit to the private sector;

(10) Resultantly **Credit to private sector** has grown to Rs.507 billion till May of this year, as compared to Rs.93 billion in fiscal year 2012-13, resulting in expansion of business activity in the country;

(11) **Agriculture credit** was Rs.336 billion four year's ago which at the end of 2016 was Rs.600 billion and is targeted to increase to Rs.700 billion during the current financial year;

(12) **Imports:** Imports have been recorded at $37.8 billion during July-April showing an upward trajectory compared to the same period last year. This vibrancy in imports is attributable to over 40% increase in capital machinery, industrial raw material and petroleum products and the increased investment under the CPEC projects focused on energy and infrastructure sectors. All of this augurs well for Pakistan's economy in the near future;

(13) **Exports** during the first ten months of this year have shown an overall minor decrease of 1.28% compared to 7.8% decline during the same period last year. This reversal has been the result of timely support by the government to exporters in shape of a comprehensive package of Rs.180 billion in January 2017 and efforts of our exporters;

(14) **Foreign Exchange Reserves:** In June 2013 foreign exchange reserves held with the State Bank were $6.3 billion which included short-term swap of $2 billion for which payments were to be made within weeks. This means that the real reserves were $4.3 billion. Our foreign exchange reserves currently stand at a comfortable level of $16 billion despite a larger than expected trade deficit mainly due to increased import of capital goods. If we include foreign exchange

deposits with commercial banks, the total foreign exchange reserves of the country have increased to around $21 billion;

(15) **Exchange Rate:** Inter bank rate of dollar on 30th June 2013 was Rs.99.66. Within a few months this rate increased to around Rs.111. After better economic management and increase in foreign reserves the exchange rate reverted to Rs.99. Due to political disturbances between August and December 2014 the rate again increased close to 104.80. Since then this rate is the same;

(16) **Remittances:** Over the past four years, Pakistani workers and professionals working abroad have contributed a substantial amount of remittances which increased from $13.9 billion to $19.9 billion. This 40% increase was made possible due to government's revival and payment of outstanding dues of Pakistan Remittance Initiative. The remittances for the first ten months of the current FY stand at $15.6 billion and are expected to grow in the last two months due to Ramazan and Eid despite challenging economic situation in the gulf region. I thank the hard-working Pakistanis abroad who used banking channels to send money to their relatives and friends in Pakistan and I appeal them to use banking channels to send remittances so that they can be contribute to Pakistan's economy;

(17) **Pakistan Stock exchange**: The merger of the three stock exchanges was completed in January 2016 after successful resolution of issues pending for over a decade. Since then, Pakistan Stock Exchange has

graduated from frontier to emerging markets in the Morgan Stanley Capital International (MSCI) Index. It has been declared as Asia's best performer and 5th best performing market in the World by Bloomberg. It is note worthy that the index has increased from 19,916 on 11 May 2013 to over 52,000 points currently. And during this period market capitalisation has increased from $51 billion to $97.3 billion depicting a 90% increase;

(18) **Registration of New Companies:** This year 5,855 new companies have been incorporated till March. Four years ago, in the entire financial year 3,960 companies were incorporated;

(19) **Enactment of Economic Laws**: For an economy to unleash its growth potential, there has to be in place an enabling legal and regulatory environment. Realising the constraints that a less than effective legal framework imposes on efficient governance and service delivery, the government has in its tenure completed 24 pieces of legislation in different sectors of the economy including; Benami Transactions Prohibition Act, Special Economic Zones Amendment Act, Deposit Protection Corporation Act, Credit Bureau Act, Corporate Restructuring Companies Act, National Energy Efficiency and Conservation Act, Anti-Money Laundering Act, Gas Theft Control and Recovery Ordinance, and Limited Liability Partnership Act. 10 new pieces of legislation are currently in the process which would lead to further augment the enabling legal environment required for a flourishing economy;

(20) **Companies Law:** The Parliament has approved the companies law 2017 only this week. I thank congratulate both the houses. This law has replaced the 33-year old Companies Ordinance of 1984. This is a major reform to consolidate the provisions / laws relating to companies so as to encourage and promote corporatisation in Pakistan based on the best international practices. This law will simplify procedures creating ease of starting and doing business and protect investors. It addresses issues related to protection of minority shareholders and creditors, eases regulatory compliance requirements for smaller companies, and among others provides relaxation for registration of agricultural promotion companies for the development of agriculture sector. Keeping in view the importance of women, the new law will allow women membership in boards of directors of listed companies;

(21) **Ease of Doing Business:** Reforms have been undertaken to make it easy for firms to do business in the country. As a result, Pakistan's ranking in the World Bank's ease of Doing Business index improved from 148 to 144 in the report launched in 2016, based on performance in 2015. Pakistan was also recognised as one of the top ten reforming countries in the World. On the basis of additional reforms undertaken during the period 2016, Pakistan expects further improvement in the ranking of World Bank's Doing Business report to be published in October 2017;

(22) To encourage documentation in the economy, for the first time registered prize bonds of Rs.40,000 have been introduced. Registered bonds of different denominations will be introduced in FY 2017-18**;**

Mr. Speaker,

9. The above accomplishments are the result of timely but difficult decisions that the government has taken over the past four years. We are resolved to continue the journey towards structural reforms with stabilisation measures. I would now highlight some of the key reforms that have been undertaken this year:

(1) We have signed the letter of intent to join '**Open Government Partnership'** initiative. The OGP is a global partnership of over 70 countries including most of the developed countries. While a country can show its intent to join, its membership is by invitation only when you meet its criteria. The fact that we met 15 of its 16 criteria; and Pakistan was formally invited to join OGP on the 7th December 2016, which itself speaks of the major improvements that Pakistan has made in transparency and openness in its governance;

(2) **OECD's Multilateral Convention:** In the last budget speech, I said that we were trying our best to sign the OECD's Multilateral Convention on Mutual Administrative Assistance in Tax Matters. This was based on our commitment to fight tax evasion and avoidance. In January 2014, after Federal Cabinet's approval we started the journey. Since then, the Coordinating Body (CB) of the Multilateral Convention evaluated Pakistan's laws. Based on their

recommendations, this Parliament made changes to income tax laws through Finance Bills 2015 and 2016 after which Pakistan received invitation to join the Convention in July 2016. On 14th September 2016, representing Pakistan I signed the joining documents of the Convention. As a result of joining this Convention, in the matters of tax at an international stage, we will be able to receive details in coming years. This will help us improve our tax governance and tax avoidance will be effectively tackled;

(3) **Agreement on Avoidance of Double Taxation (AADT):** We have also now signed the revised agreement on Avoidance of Double Taxation with Switzerland. Pakistan's existing Agreement with Switzerland signed in 2005, and enforced in 2008, was deficient for meaningful exchange of information with reference to the internationally accepted standard. Therefore, this government took the initiative in August 2013 to renegotiate the AADT and with consistent efforts, was able to update the Article on exchange of information in the treaty. The revised treaty is now in the process of ratification and shall become effective thereafter. Under the agreement for the purposes of tax, details will be available regarding financial books and banking. I would also like to point out that renegotiations took longer than expected because the Swiss side was seeking extraordinary concessions in return. *Alhamdolilah*, we have been able to successfully include these negotiations without conceding any concessions.

10. These reform efforts have improved Pakistan’s image abroad and sent a message to the international community that Pakistan’s believes in joining the World in promoting good governance, transparency, and accountability at all levels.

Mr. Speaker,

11. The brief overview of main economic performance indicators that I have just presented clearly demonstrate that over the past four years’ after achieving macroeconomic stability our government’s focus as per the Vision of the Prime Minister Nawaz Sharif is higher, inclusive and sustainable growth path.

Mr. Speaker,

12. I have mentioned some of the structural reforms undertaken during the past four years. From next year, our top priority will be to consolidate and build on the economic gains achieved so far. In this regard, I will now discuss next year’s economic targets.

Mr. Speaker,

13. Economic targets of FY 2017-18:

(1) Increase in real GDP growth of 6%;

(2) Investment to GDP 17%;

(3) Development budget of Rs.1,001 billion

(4) Inflation below 6%;

(5) Budget deficit at 4.1% of GDP;

(6) Tax to GDP ratio at 13.7%;

(7) Foreign exchange reserves level that can cover a minimum of 4 months of imports;

(8) Net public debt to GDP ratio below 60% of GDP;

(9) Continuation of targeted social interventions.

Initiatives to achieve targets - Main Elements of Budget Strategy

Mr. Speaker,

14. In order to achieve the above targets, we have defined a strategy which includes the following details:

(1) **FBR revenues** are targeted to increase by 14% while the Federal expenditures will grow by 11%;

(2) Non-tax receipts of the Federal government are budgeted to increase by 7%.

(3) By keeping the current expenditure under tight control, we will be able to create substantial space for development. Federal PSDP for the next year is budgeted at Rs.1,001 billion. This is 40% higher than revised estimates of Rs.715 billion for the current financial year.

If we add the provincial ADPs the outlay for development of FY 2017-18 would be a whopping Rs.2.1 trillion;

(4) At the same time, current expenditure will be contained below the level of inflation;

(5) **New initiatives** are being announced for agriculture, financial sector, exports, textile, social sector and employment. This is being done with the aim to boost our economic activity even further. The purpose is to increase job prospects and incomes of the people. I will present these initiatives in a short-while;

(6) **Tax incentives** are being announced with the aim to give facilitation to the agriculture, SMEs, and IT sectors;

(7) Under the leadership and personal supervision of Prime Minister Nawaz Sharif through Cabinet Committee on Energy, approximately **10,000 MW of electricity** will be added to the national grid by summer 2018. This will Inshallah eliminate load shedding;

(8) Investments will be made to speed up the process of development of **Gwadar** including development of airport, hospital and desalination plant;

(9) Around 5.5 million women-led families in the country who do not have economic means for sustenance will continued to be provided with cash transfer of Rs.19,338 per annum. For this purpose, Rs.121

billion are proposed to be allocated to **Benazir Income Support Programme**. This allocation has increased to 300% of Rs.40 billion in fiscal year 2012-13. During this period, the number of recipient families have increased from 3.7 million families in 2013 to around 5.5 million. In addition, around 1.3 million primary school children are receiving cash grants;

(10) The state will continue to subsidise bills of the low-income domestic consumers up to 300 units per month in shape of **electricity subsidy**. For the farmers in Balochistan, the Federal Government will pay a portion of their electricity bills to run agriculture tube wells. The Federal Government's will continue to provide electricity subsidies on tube-wells in Balochistan. Off-peak rate of Rs.5.35 per unit for agriculture tube-wells will continue in the FY 2017-18. An amount of Rs.118 billion has been proposed in the FY 2017-18 for these measures;

(11) The **Prime Minister's youth schemes** which include business loan scheme, interest free loan scheme, training scheme, skill development programme, fee reimbursement, and laptop programme will continue. For this purpose Rs.20 billion is proposed in the fiscal year 2017-18.

Special Initiatives 2017-18

Mr. Speaker,

15. Under the leadership of the Prime Minister we are committed to serve people of this country. This nation deserves a better and brighter future. In this regard, I will now present special initiatives:

Welfare Schemes

16. **BISP Beneficiary Graduation Program - Grants to Self-Sustaining Individuals**: Previously, the poverty incidence in the country was measured under the Food-Energy Intake methodology in which the poverty headcount that was 34.7% in 2002 reduced to 9.3% in 2014. However, Pakistan has now also adopted a new methodology based on the Cost-of-Basic-Needs (CBN) formula of World Bank. Under this methodology, the poverty headcount which was over 64% in 2002 has reduced to 29.5% in FY 2014. While the government is providing support to people with limited income, it is also encouraging the beneficiaries of Benazir Income Support Programme to learn skills and start their own enterprises so that they can graduate out of the scheme. To finalise this transition the government is announcing a new scheme. In the FY 2017-18, BISP beneficiary families who are willing to start their own businesses will be provided with training as well as a one-time cash grant of Rs.50,000 to start their own business and become productive members of society. Initially this grant is proposed to be provided to 250,000 families. The beneficiaries will therefore, be able to graduate from this programme.

17. **Off grid solutions in small cities**: In order to facilitate provision of electricity to remote areas and small cities where there are no transmission lines, the Government, in partnership with the World Bank, will introduce solar-powered off-grid electricity system for residents of small towns and cities in sparsely populated areas of the country with special focus on Balochistan.

Agriculture Sector

18. Agriculture is the mainstay for the people and the economy of Pakistan. Keeping in view the primacy of agriculture in the rural economy the Prime Minister announced a *Kisaan* Package in 2015 with a total financial outlay of Rs.341 billion which included direct support to rice and cotton farmers, reduced taxes on agriculture machinery from 45% to 9%, reduced Sales Tax on cold chain machinery from 17% to 7%, a tax holiday for agriculture delivery chain for three years, provision of mark-up free loans to the farmers for solar tube wells, reduced sales tax on pesticides and seed, reduced mark-up for agricultural loans, subsidised crop insurance and increased volume of agricultural loans.

19. In order to give further boost to agriculture sector, a number of new supportive initiatives were taken in budget 2016-17 including; crop loan insurance scheme, livestock insurance scheme, concession of customs duty on the dairy, livestock and poultry sectors, elimination of sales tax on pesticides, exemption of customs duty on cool chain machinery and silos, and reduction in fertilizer prices. As a result, the staple agriculture input of urea fertilizer reduced to Rs.1,400 per bag as compared to Rs.1,800 last year and DAP prices reduced from Rs.4,200 per bag to Rs.2,500 per bag. Reduction in prizes of fertilizer was achieved through a mix of subsidies and tax

concessions. The outcomes of these measures are evident in increase in offtake of fertilizers and production of major crops. As a result of these measures a stagnant agriculture sector has grown by 3.46% in FY 2016-17. All of these schemes and initiatives shall continue in next FY 2017-18.

20. The following new measures are being proposed in the next year's budget:

(1) **Reduced mark-up rates:** Mark-up rates currently charged ranges between 14% to 15%. I am happy to announce that from 1st July 2017, ZTBL and National Bank of Pakistan will launch a new scheme for small farmers with holdings of 12.5 acres who will be provided agricultural loans at a reduced rate of 9.9% per annum. The other features of the scheme are:

i. Small loan of up to Rs.50,000 per farmer will be provided;

ii. Two million loans shall be provided by ZTBL, NBP and other banks;

iii. State Bank of Pakistan will monitor the implementation of this new scheme.

(2) **Enhancement in the target of agriculture credit:** Credit availability for the small farmers is a major constraint in the use of farm inputs. In order to facilitate the farmers, the volume of agriculture credit is being enhanced to Rs.1,001 billion from the last year's target of Rs.700 billion which will be an increase of 43%. My

Parliamentarian colleagues may kindly note that this target exactly matches Federal development budget of Rs.1,001 billion for the FY 2017-18;

(3) **Maintaining Fertilizer Prices:**

i. As a further measure to support farmers, the government has already decided to sell the existing stock of imported Urea Fertilizer available with NFML at a concessional Rs.1,000 per bag;

ii. In order to create ease of disbursement of subsidy on DAP, it has been decided that DAP will be subject to fixed sales tax. As a result, GST is being reduced from Rs.400 to Rs.100. This will have a subsidy impact of Rs.13.8 billion;

iii. Through reduction in tax rates and subsidy the price of per bag of Urea shall be maintained up to Rs.1,400 per bag in the FY 2017-18. This will have a subsidy impact of Rs.11.6 billion;

iv. Prices of NP, NPK, SSP and CAN fertilizers will also be maintained at their current price levels through appropriate tax adjustments.

(4) **Use of Land Revenue Records for Mortgage Financing:** In order to facilitate the farmers in obtaining credit from banks, the State Bank of Pakistan shall take steps to align the banking system with

the Land Record Management Information System for mortgaging of a property by the banks/farmers. Use of these automated records will help farmers in obtaining credit;

(5) **Plants Breeders Rights Registry** is being established to register new high quality seeds. This is aimed at increasing crop yields in the country;

(6) **Cheap electricity for agri-tube wells:** The government will continue provision of subsidised tariff on agri-tube wells at the rate of Rs.5.35 per unit in FY 2017-18. This is estimated to cost around Rs.27 billion in FY 2017-18;

(7) **Production Index Units** will be increased from Rs.4,000 to Rs.5,000. This will facilitate farmers to obtain maximum credit from the banks;

(8) **Agriculture Tax Relief Measures:**

i. **Combined harvesters:** There is a growing trend of using combined harvesters. However, the combined harvesters currently being imported are 20 - 30 years old and are almost junk. As a result, the harvesting losses can be as high as 10%. In order to reduce these losses, it has been decided to encourage the import of newer agriculture machinery. Accordingly, it has been decided to reduce the customs duty and sales tax at import stage to 0% 5 years on new and up to 5 years old combined harvesters machinery.

ii. **Removal of GST on imported sunflower and canola hybrid seeds-** GST on imported sunflower and canola hybrid seeds is being removed;

iii. **Reduction of sales tax rate on imported machinery for poultry-** Sales tax rate from 17% to 7% on certain imported machinery/equipment for poultry is being made;

iv. Sales tax on import and local supply of agricultural diesel engines between 3 to 36 Horse Power for tube-wells currently having rate of 17% is proposed to be exempted.

Export Promotion and Textile

Mr. Speaker,

21. Textile sector is the backbone of Pakistan's economy and significantly contributes in the employment, usage of raw material, exports and economic growth. In view of its importance, the Government has provided special packages for the this sector since 2013. I would like to recapitulate some of the important measures:

(1) Mark-up rate on **Long Term Financing Facility** stands reduced from 11.4% to 5%;

(2) Duty free import of textile machinery is allowed;

(3) Uninterrupted supply of electricity and gas is ensured for the textile sector;

(4) Technology Up-gradation Fund (TUF) Scheme 2016-19 for the textile sector has been introduced;

(5) Prime Minister's package for exporters was announced in January 2017 in which the centre-piece is the textile sector;

(6) The government made five export oriented sectors - including textile, leather, sports goods, surgical goods and carpets - as part of **zero-rated sales tax regime** last year. This will continue during the next financial year;

(7) Similarly **duty free import of textile machinery** will continue.

22. All the measures announced in FY 2016-17 will be continued in FY 2017-18. Maintaining our past tradition of supporting the textile sector, following measures are proposed in the FY 2017-18:

(1) To stabilise cotton prices in the country, a system of cotton hedge trading for the domestic cotton will be initiated in consultation with stakeholders;

(2) In consultation with public and private stakeholders, the government will launch **Brand Development fund** for textile sector;

(3) The approval process of **establishment of 1,000 stitching units** has been completed and its implementation will start during FY 2017-18 and shall be completed in three years;

(4) Textile Ministry will launch the first ever **online textile business/trade portal for textiles using B2B (business to business) and B2C (business to consumer) mode**. This will bring Pakistan textiles' value chain in line with global marketing practices.

23. Pakistan's exports have suffered due to slow-down in global trade and reduction in commodity prices. To increase exports, the government implemented a number of initiatives which will also continue for the next year:

(1) Mark-up rates of Export Refinance Facility have been reduced from 9.5% in June 2013 to 3% in July 2016. In addition, the mark-up rate on Long Term Finance Facility has been gradually reduced from 11.4% in June 2013 to 6% in 2015. These initiatives have resulted in reduction of input costs for exporters.

24. In addition, new initiatives are as follows;

(1) The custom duty on raw-hides and skins will be reduced to zero;

(2) Stamping foil used in producing high value added finished leather will also be exempted from customs duty;

(3) Rice exporters are facing difficulties in marketing due to long distances from their potential market. In order to facilitate the export

of rice, it is being decided in principle to allow warehousing of rice outside Pakistan. Ministry of Commerce, State Bank and Rice Export Association of Pakistan will develop details of this scheme.

Housing Sector

25. **Risk Sharing Guarantee Scheme:** There is over 1 million shortage of housing units in the country. Every year an additional demand of 300,000 units is being added to this gap. Availability of long-term financing is a major hurdle. The banks are shy of offering long-term financing. In order to overcome this hurdle to housing loans, Risk Sharing Guarantee Scheme for low-income housing will be launched. Under this scheme, the Government will provide 40 percent credit guarantee cover to Banks and DFIs for home financing for up to Rs.1 million. Rs.6 billion have been allocated for this purpose. It has been decided that this facility will also be made available through micro-finance banks.

Infrastructure Finance

26. To fulfil the needs of infrastructure, the government has increased development spending on permanent basis. The government has consistently increased its development spending to match the financing needs of infrastructure sector. In addition to financing for public sector infrastructure the government is also facilitating private sector investment and finance in infrastructure through a range of policy instruments and regulations. These include a Public Private Partnership framework, new prudential regulations for infrastructure finance and development of new institutions and instruments.

(1) **Pakistan Development Fund** (PDF) has been created which will be made fully operational soon. PDF will provide long-term infrastructure financing for commercially viable public sector and PPP projects. The international development partners have expressed their interest to provide further support through PDF;

(2) **Pakistan Infrastructure Bank (PIB)**: Pakistan Infrastructure Bank (PIB) will also be established to provide infrastructure financing for commercially viable private sector projects. This effort will be spearheaded by the IFC with a 20% equity of the Government through PDF, while the remaining share will be private sector. The Bank is expected to assist in introducing innovative project financing tools such as building domestic infrastructure bond market and creating contingent financing products which include credit guarantees, credit default swaps, foreign currency liquidity facility and refinancing options;

(3) **Public Private Partnership Act:** The PPP authority bill has been enacted by the Parliament recently. This Act provides a regulatory framework for promotion of financing public-private-partnership projects in the country. This will also cater to the requirement of viability gap funding of large sized public sector projects.

Financial Sector

27. In recent years, our financial sector has demonstrated good performance. To further strengthen the financial sector in the country following measures are being taken:

(1) **Financial Inclusion:** In order to increase access to financial services for the vast majority of the people, the government is implementing the National Financial Inclusion Strategy. For the next year, the following initiatives are being proposed:

i. A Rs.8 billion fund will be created at the State Bank of Pakistan to provide loans to low-income segments through microfinance banks;

ii. In order to facilitate transactions through mobile banking, e-gateway systems, mobile banking, the Government is establishing a state-of-the-art e-gateway systems at the State Bank of Pakistan at a cost of Rs.200 million. Technical training and handholding of the service delivery organisations shall also be undertaken through this project;

iii. **Exemption from withholding tax on Cash Withdrawals by Branchless Banking Agents-** exemptions on withholding tax will be given on withdrawal of cash from branchless banking;

iv. **Pakistan Micro Finance Investment Company:** The Government of Pakistan in 2016 launched Pakistan Microfinance Investment Company (PMIC) jointly with DFID and KFW to augment the availability of capital for Micro Finance institutions. It is estimated that this will lead to doubling of small loans;

(2) **Disaster Risk Management Fund:** This fund has been created with the main aim to provide disaster risk management and preparedness assistance to communities. An Endowment Fund of Rs.12.58 billion has been created..

Small and Medium Enterprises (SMEs)

28. SMEs are the backbone of any economy. Unfortunately, the growth of SMEs is stunted in Pakistan. Any growth that we witness is in the informal sector. The following new measures are being announced:

(a) **Access to finance for SMEs:** The biggest constraint of the SMEs sector is access to credit. Banks are generally reluctant to offer credit to the SME sector because of high risk attached to the sector. In order to enable banks to provide financing to SME sector, the Government is planning to introduce Risk Mitigation Facility for Small and Medium Enterprises through a Rs.3.5 billion fund to be established in the SBP. The facility will cater to both Islamic and conventional banking products;

(b) **Innovation Challenge Fund**: Investment in new technologies is imperative to give impetus to small businesses to keep pace with the changing market requirements. Technologies are involved at all levels of industry and supply chain uses continuous upgrade and improvement to maintain profitability. To cater this requirement of SMEs, the Government is announcing establishment of an Innovation Challenge Fund with Rs.500 million. This fund will be professionally managed in collaboration with the key technology universities of Pakistan;

(c) **Secure Transaction registry for Movable Property:** In order to encourage SME and agriculture lending the Government has passed Financial Institutions Secure Transactions Act 2016. The law provides for establishment of an electronic registry which will enable the small borrowers in SME and agriculture sector to obtain small loans by pledging their moveable property. Federal Government shall establish the registry during the next financial year.

Information Technology

29. From agricultural revolution to the industrial revolution, the World is now undergoing an information revolution. It is leading to the use of Information Technology in every sector of human activity be it communication, banking, trading, learning, entertainment, e-commerce, government and management. Just as machines have extended man’s mechanical power and his convenience and

comfort, Information Technology is extending man's mind or brain or intellectual power. In future, the gap between industrialised and non-industrial countries will become less pronounced than the one between IT enabled societies and others. The Government of Pakistan is cognizant of this challenge and has taken a number of measures in past and we will continue with similar measures. New measures for this sector are as follows:

(a) The Government will set up a **IT software park** in Islamabad with the help of Korean Government at a cost of 6 billion rupees. The financial arrangements for this have been concluded and the construction work shall start soon;

(b) The **start-up software houses** shall be exempted from Income Tax for the first 3 years;

(c) Exports of IT services from Islamabad and other Federal territories shall be exempted from Sales Tax;

(d) IT export houses/ companies shall be allowed to open Foreign Exchange Accounts in Pakistan on the condition that deposit in these accounts shall only be allowed through remittances from abroad in respect of their export earnings. They will be allowed to use these accounts for meeting business related payments outside Pakistan;

(e) Mobile phones are an important element in providing IT connectivity. The mobile telephony is heavily taxed. It has been decided to provide a relief to common man by reducing the withholding income tax on cell phone call from 14% to 12.5% and Federal Excise Duty from 18.5% to 17%. We hope that in the same spirit the provincial government shall also reduce the rate of sales tax on mobile telephony;

(f) In order to encourage use of smart / android phones - custom duty shall be reduced from Rs.1,000 to Rs.650;

(g) Import duty is being reduced on mobile telecom products.

Development Plan - PSDP

Mr. Speaker,

30. Our development agenda for this year continues to be in line with the vision of the Prime Minister for achieving higher, sustainable and inclusive growth, with the aim to reduce poverty, build up human capital, improve infrastructure, balanced development, improve food security, water and energy security. The Federal Government's development expenditure is now over three times compared to that of Rs.324 billion in 2012-13. The Federal PSDP is being increased to Rs.1,001 billion - which when compared with the revised estimates of Rs.715 billion, is 40% higher than last year. The total size of the development budget of the Federal Government and that of provinces is Rs.2,113 billion up from revised estimates of Rs.1,539 billion (Federal Rs 715 Billion and Provincial ADPs Rs 824 Billion). This means that the overall government sector has geared up to enhance its share of development

spending by 37%. This will result in creation of millions of jobs. Increase in development expenditure will also lead to increase in investment by the private sector.

31. As we all know, development of infrastructure and energy has generally been neglected in the past. Our government has completely reversed this trend. Today, most of the Federal development budget is allocated for roads and communication infrastructure, and energy. This is a major shift in our economic policy and this shift is the foundation of our future economic growth projections. Infrastructure has been allocated 67% of the total development outlay. Highest priority has been accorded to transport and communication sector with an allocation of Rs.411 billion including Rs.320 billion for national highways, Rs.43 billion for railways and Rs.44 billion for other projects including aviation schemes.

32. The housing and population census is currently underway after 19 years but we do not anticipate any major shift in age composition. Youth under the age of 20 will continue to be the largest portion of our population. Therefore, our development plan is focused on development in human and social capital, education, health, empowerment of women, poverty alleviation, job creation and addressing inequality.

Mr. Speaker,

33. I would like to highlight the key programmes of Federal Government's development budget:

Energy

34. Being an energy deficient country, Pakistan is unable to actualise its economic potential. By 2018 Inshallah 10,000 MW of additional electricity will become part of the national grid. In addition, financial close have taken place for 15,000 MW of electricity generation projects beyond 2018. In this regard, the government is proposing Rs.401 billion for power sector development including investment of Rs.317 billion to be undertaken by WAPDA for the next year. A new programme called 'Energy for All' is being introduced with an initial outlay of Rs.12.5 billion. Some of the key projects in which the government will invest are as follows:

(1) Rs.76.5 billion have been allocated for the two LNG based power plants in Balloki and Haveli Bahadurshah. Both projects will be completed during the year, and generate 2,400 MWs of electricity;
(2) Rs.54 billion have been allocated for Dasu Hydro Power project. In stage-I the project is envisaged to generate 2,160 MW of electricity;
(3) Rs.21 billion have been allocated for construction of Diamer Bhasha Dam - Lot 1 which will generate 4,500 MW of electricity;
(4) For Neelum Jehlum Hydro Power Project Rs.19.6 billion have been allocated. Through this project 969 MW of electricity will be generated. This project shall also be completed during the year;
(5) Rs.16.4 billion have been allocated for completing fourth extension of Tarbela Hydel Power which will generate 1,410 MW of electricity;
(6) Rs.16.2 billion have been allocated for installation of 1,200 MW coal fired power plant in Jamshoro;

(7) In addition, work on two Karachi Nuclear Power Projects with combined capability of 2,200 MW and Chashma Civil Nuclear Power plant with 600 MW capacity will be continued;

35. The gap between generation and demand of electricity is only one facet of the challenge that we face. In the past, no significant investments have been made in the areas of transmission and distribution. The result is that even if we improve our generation, we will not be able to deliver electricity to the consumer. Since this year we are taking emergent measures to rectify the situation. The Matiari Lahore transmission line is being built. This is backed by a heavy investment in grid-stations and distribution lines across the country.

Water

36. Pakistan is likely to become a water scarce country if investments in this sector are not made. The government is therefore, placing increased emphasis on building dams and canals / water courses. Other than the large hydro power projects that I have mentioned above, the government is allocating Rs.38 billion for the development of water sector. Key projects such as extension of right bank outfall drain (RBOD - II), RBOD - I and Kaachi Canal will be given the largest share in the water sector portfolio. Priority will be accorded to completion of Kaachi Canal. Collectively, these three projects will be allocated Rs.17.7 billion. In addition, a number of water sector projects in Balochistan, Khyber Pakhtunkhwa, Punjab and Sindh will be continued to address the water shortage in the provinces.

National Highways

37. Pakistan's geographical location provides a comparative advantage in connecting the regional countries. Over the past three years' the government has focused on building deficient infrastructure with the view to translate the comparative advantage into sustainable economic growth. For the next year, we propose a massive outlay of Rs.320 billion as compared to Rs.188 billion allocated in the outgoing year. This represents the largest increase of 70% for development of roads, motorways, highways and bridges. The investment is being enhanced from Rs.51 billion in 2013. Key projects of this sector are as follows:

(1) Rs.48 billion have been allocated for 230 KM Lahore-Abdul-Hakeem section;

(2) Rs.35 billion have been allocated for 387 KM Multan-Sukkur section;

(3) Rs.2.5 billion have been allocated for Sukkur-Hyderabad section. This project is being undertaken with private sector partnership;

(4) Rapid progress is underway on Karachi Hyderabad motorway. One part of this has been inaugurated;

(5) Rs.38 billion have allocated for construction of Hakla to Yarik D.I Khan Motorway;

(6) Rs.10 billion have been allocated for construction of Faisalabad-Khanewal expressway (184 KM);

(7) Burhan Havelian expressway is allocated Rs.3 billion;

(8) Rs.26 billion have been allocate for Thakot to Havelian;

(9) Rs.2.7 billion are allocated for restoration of Dera Ismail Khan Mughal Kot and Zhob road;

(10) Rs.2.5 billion have been allocation in Balochistan for Khuzdar and Panjgoor - Hoshab, Bisma, Sohrab Section and Gaward Turbat Hoashab section.

Railways

38. Improving Railways infrastructure and improving its services is an important policy initiative of the government. Railways provides cheap, reliable and fast mode of transport. Over the past four years, an impressive turnaround has been achieved. Each year revenues are increasing, passenger and freight services are being improved, and new locomotives and rolling stock are being added. The government is fully committed to reinvigorate our national asset. Accordingly, Rs.42.9 billion have been proposed for the next year's budget. Allocations for the next year in the key projects include:

(a) Rs.15.8 billion for the procurement / manufacturing of 75 Nos new locomotives;

(b) Rs.4.5 billion for the procurement / manufacturing of 830 high capacity bogie freight wagons and 250 passenger coaches; and

(c) The backbone of Pakistan's infrastructure is the Peshawar to Karachi Railways - technically called the ML-1. A Memorandum of Understanding has been signed with China for its improvement and upgradation. This is a massive project which will introduce the next generation of railways in Pakistan;

(d) Rs.4.2 billion for preliminary design / drawings for upgrade / rehabilitation of ML-1 line and establishment of dryport near Havelian have been allocated in next year's budget.

Human Development

39. Human development occupies a central focus in Vision 2025. The government will continue to invest in this area. For this reason, allocations in the Higher Education Commission are proposed to be increased from Rs.21.5 billion in the current year to Rs.35.7 billion in the next financial year. In addition to PSDP, HEC will be allocated Rs.60.2 billion for recurrent budget. For the Ministry of National Health Services, Regulations and Coordination allocations have been increased from Rs.25 billion to Rs.49 billion. This means that investment is being doubled as compared to the outgoing year. A new programme for hospitals with the cost of Rs.80 billion is being started for which Rs.8 billion have been allocated for next year. In addition, the Phase-II of Prime Minister's national health programme is being launched with the total cost of Rs.10 billion. Investments in vertical health programmes including EPI, Family Planning and Primary Health care and Population welfare programmes are being enhanced as compared to the last year.

40. Two-thirds of all ailments are water-borne. Clean drinking water is a cine quo non for improvement in the public health. A special programme by the name of 'Clean Drinking Water for all' is being launched for which Rs.12.5 billion are proposed to be allocated for the next year's budget. Furthermore, Rs.30 billion are being proposed for the Prime Minister's SDG programme which would focus on national commitments to improvement in the social indicators.

Development of Gwadar

41. Development of Gwadar is fundamental to development of China-Pakistan Economic Corridor. A comprehensive plan is being implemented for the road link networks, expansion and modernisation of the airport, and development of the area. 31 projects for development of Gwadar are provided in 2017-18 for this purpose which include projects such as implementation of Gwadar master plan, New Gwadar international airport, a 200-bed hospital, 200 MW power generation, and desalination plant.

42. CPEC projects would enter into their third year of implementation during 2017-18. Funds to the tune of Rs.180 billion have been proposed for CPEC and its supporting projects during the next financial year.

Special Areas

43. For fast track development in Special Areas, Rs.62 billion have been allocated. On the direction of the Prime Minister, the development funds for Azad Jammu and Kashmir and Gilgit Baltistan have been increased from Rs.25.75 billion in FY 2016-17 to Rs.43.64 billion for the FY 2017-18 - which is a historic increase of 69%, and Rs.26.9 billion are being allocated for Federally Administered Tribal Areas (FATA).

Peace and Security

44. On the directions of the Prime Minister an operation was started in September 2013 to bring back joys of Karachi. Very positive results have been obtained through this.

45. Pakistan is a frontline state in the global ware against terror. We as a nation have in both men and material suffered heavy losses. In June 2014 the Government decided to launch a major offensive against the last safe heavens of the terrorists in North Waziristan and tribal areas, and the Pak Military started operation Zarb-e-Azb. Nation is proud of the fact that Pakistan's brave armed forces defeated covered enemies who would attack in hiding. Some were killed, some were captured while some ran away. This victory is the result of hard work of our valiant soldiers. Today the entire World faces terrorism but no military has had such a comprehensive victory as Pak Army did. Our Jawans spent time away from their lovedones even in difficult times, embraced Martyrdom, got disabled but they did not lose courage and at last we succeeded. Terrorists were eliminated from Waziristan and other tribal areas. At times the terrorists cross border but face our brave offices and valiant officers.

46. On behalf of the Prime Minister, to recognise the brave sacrifices of brave pillar, I announce today that a 10% increase will be given on the pay of all officers and Jawans as special allowance. This allowance will be in addition to the increase in pay that will be announced.

47. Large operations like Zarb-e-Azb require vast sums. This is our national duty against terrorism for which provision of resources is the responsibility of the entire

nation. For this reason, over the past three years the government has been paying Rs.90 to Rs.100 billion each year directly or indirectly. Directly for the spending on military operations and indirectly on the rehabilitation, return, reconstruction of the area. In this regard, the National Security Committee recommended that 3% of Gross Divisible Pool should be allocated for this national duty. This matter is under discussion in the CCI and NFC.

48. Similarly, for Kashmir, Gilgit Baltistan and FATA discussions to allocate 3% of Gross Divisible Pool are underway with the provinces. In the last National Economic Council meeting the Prime Minister of AJK, the Chief Minister of Gilgit Baltistan and the Governor of Khyber Pakhtunkhwa as the President's Agent for FATA had made an impassioned plea that they were also part of Pakistan. They also have a right on the divisible pool.

49. I would like to clarify that the delay in decision of 3+3 of the Gross Divisible Pool for this purpose, has been the cause for delay in the finalising the NFC Award. I would request my fellow parliamentarians to lend their support vis-à-vis the provincial governments for this just and fair allocation.

Mr. Speaker,

Budget Estimates 2017-18

50. I would now like to present key budget numbers for the budget year 2017-18:

(a) The total revenue is estimated at Rs.5,310. This includes FBR tax estimate of Rs.4,013 billion as compared to revised estimate of

Rs.3,521 billion. As compared to revised estimates of FY 2016-17 the total revenue is being increased by 12.1%. While the FBR tax revenue is estimated to increase by 14%;

(b) Out of the total revenues, the provincial governments share is estimated to be Rs.2,384 billion as compared to Rs.2,121 billion revised estimates for 2016-17, showing an increase of about around 12.4%. These resources will be utilized by the provincial governments in enhancing human development and security of the people.;

(c) After transfer to provincial governments, the net revenue of the Federal Government is estimated at Rs.2,926 billion in 2017-18 as compared to revised estimates of Rs.2,616 billion in the current financial year.

(d) Total expenditure for FY 2017-18, is budgeted at Rs.4,753 billion compared to the revised estimates of Rs.4,256 billion for 2016-17, showing an increase of 11.7%. Out of the total expenditure highest increase is accorded to the development budget.

(e) The defence budget is proposed at Rs.920 billion against the revised budget of Rs.841 billion in the FY 2016-17;

(f) As I had said earlier, the PSDP budget is being increased from revised estimates of Rs.715 billion to Rs.1,001 showing a 40% increase;

(g) The result of the above revenue and expenditure estimates is that the budget deficit will be reduced to 4.1% of GDP as opposed to 4.2% of GDP of revised budget estimate in the financial year in 2016-17.

PART-II

FBR Tax

51. During the last four years, the government initiated far-reaching structural and administrative reforms for moving towards a more efficient and equitable tax system. The comprehensive strategy for medium term period aims at increasing tax-to-GDP ratio to a respectable level of 15 percent.

52. FBR initiated a historic exercise to eliminate discriminatory concessions and exemptions. Concessions and tax exemptions above Rs.300 Billion were withdrawn in three years. Other areas of reforms included broadening of tax base, increasing the cost of non-compliance, tariff reforms, simplification of business processes for taxpayer's facilitation and effective enforcement through enhanced use of automation.

53. Moving in the same direction, the broad principle of the proposed taxation measures for FY 2017-18 include consolidation of the gains made in the period of this government through extension of differential taxation for rewarding compliance and penalizing non-compliance, protection of domestic industry, removal of distortions, cutting down on discretion, measures for ease of doing business, providing incentives for growth and employment generation and increase in the share of direct taxes.

54. I have already placed before the house, in earlier part of the speech, the tax relief and growth measures that have been proposed for the different sectors of the economy.

55. Now I shall place before the House further relief and tax measures that are proposed to be introduced in the current Budget starting with income tax measures.

INCOME TAX

RELIEF MEASURES

56. **Rationalizing Corporate Tax Rate-** As per government policy and in order to encourage corporatization, corporate tax rates are being reduced by 1% each year starting from 35% in TY 2013 and coming down to 30% in TY 2018. As per our commitment the corporate tax rate will be 30% for the next year i.e.TY 2018.

57. **Incentives for Islamic Banking-** On the recommendation of the State Bank of Pakistan and to promote Islamic mode of Financing tax neutrality for Islamic Banking instruments such as - Musharika , Ijarah, Murabaha as compared with conventional banking is proposed to be provided.

58. **Providing Relief to Compliant Taxpayers-** In order to encourage compliant taxpayers, withholding tax on registration of motor vehicles is proposed to be reduced from Rs 10,000 to Rs 7,500 for engine capacity upto 850 CC, from Rs 20,000 to Rs 15,000 for engine capacity between 851 CC to 1,000 CC and from Rs 30,000 to Rs 25,000 for engine capacity between 1001 CC to 1,300 CC. The rates for non-filers will remain unchanged.

59. **Exemption from Withholding Tax on Vehicles Leased Under the Prime Ministers Youth Loan Scheme –** To provide relief to the unemployed youth, exemption from collection of advance tax on vehicles leased under the Prime Ministers Youth Loan Scheme is proposed.

60. **Relief on Education Expenses-** In order to provide relief on education expenses which are unbearable for low income groups, individuals having taxable income less than Rs. 1 million were given tax relief equal to 5% of school fee up to Rs. 60,000 per child per annum in the Budget for 2016-17.The threshold for availing deduction for education expense is proposed to be enhanced upto taxable income of Rs 1.5M per annum. This will provide added relief for medium income groups.

61. **Enhancement of Threshold for Payment of Advance Tax-** At present every individual deriving income above Rs 500,000 is required to pay advance tax in four installments on the basis of tax paid for the last tax year. This threshold of Rs 500,000 is in place since 1st July 2010 and is now proposed to be enhanced to Rs.1, 000,000 in order to facilitate small taxpayers.

62. **Enhancing the Limit of Raw Material Importable under Exemption Certificate-** The limit for importing raw material by manufacturers through exemption from income tax at import stage is proposed to be enhanced from 110% of the quantity imported in the last year to 125% of the quantity imported in the last year to promote industrial expansion and facilitate industry.

63. **Enhancement of limit on sale promotion expenses by pharmaceutical sector-** In the Budget of 2016-17 a limit of 5% of turnover was placed for sale promotion expenses by pharmaceutical sector. This has caused hardship for the

sector and stopped its growth. Therefore, the limit of 5% is proposed to be enhanced to 10% of turnover.

64. **Reduction of withholding tax rates on Fast Moving Consumer Goods-** Distributors of Fast Moving Consumer Goods are operating at low profit margins and therefore minimum tax u/s 113 is chargeable at reduced rate of 0.2%. However, FMCG distributors were subject to normal rate of withholding tax on their supplies. In Budget 2016-17 Withholding tax rate on supplies for distributors of FMCG, was reduced from 4% to 3% for companies and from 4.5% to 3.5% for others. The withholding tax rates are still on the higher side and are therefore, proposed to be reduced Reduction from 3.5% to 2.5%. There will be no reduction on the rates for non-filers.

65. **Facility of Revision of Withholding Tax Statement-** On the demand of withholding agents they are being granted the right to revise their withholding tax statements in the case of any error or omission within 60 days of filing the statement.

66. **Right of Appeal against Orders Passed due to Non-Filing of Returns-** Under the current law in case of non-filing of return a provisional assessment order is issued by the department and the tax becomes payable after 45 days. Taxpayer cannot file an appeal against such order. On the demand of taxpayers and to address the genuine grievances in hardship cases, this system is proposed to be done away with. It is proposed that instead of provisional assessment order an appealable order may be passed on default of non-filing of return.

67. **Tax Credit on Enlistment in Stock Exchange-** In the Budget for 2016-17 20% tax credit on tax payable for enlistment in stock exchange was made available

for 2 years instead of 1 year. SECP has commended this measure and has recommended that in order to make this measure really successful credit at a reduced may also be made available for the next two years. It is accordingly proposed to allow tax credit at a rate of 20% for the first two years of enlistment and at a rate of 10% for the succeeding two years.

68. **Enhancement of Exemption Limit for Withholding Tax on Insurance Premium-** In order to broaden the tax base and to encourage compliance with tax laws, adjustable withholding tax at the rate of 1% on life insurance premium to be collected from non-filers was introduced in the Budget for 2016-17. This withholding tax is collectable only if annual premium is not less than Rs. 200,000. On the demand of the insurance sector the basic limit is proposed to be enhanced to Rs. 300,000. The filers will continue to remain exempted from this withholding tax.

69. Exemption to Income of certain Non-Proft Organizations- Gulab Devi Chest Hospital, Pakistan Poverty Alleviation Fund and National Academy of Performing Arts are Non-Profit Organizations engaged in philanthropic and social welfare sectors. Their income is proposed to be exempted from income tax by inclusion of their names in Clause (66) of Part I of the second schedule to the Income Tax Ordinance 2001.

REVENUE MEASURES

70. I will now present the revenue measures proposed to be taken under the Income Tax law.

71. **Enhancement of Tax Rate on Dividend- Flat rate of 12.5% is proposed to be enhanced to 15% flat rate-** Reduced rates of tax for certain types of dividend will remain unchanged. Rates for dividend paid by mutual funds are also proposed to be enhanced from existing 10% to 12.5% in line with the increase on general dividend.

72. **Rationalization of Slab Rates for Interest Income-** Interest income is subject to progressive rates of 10%, 12.5% and 15% for interest income upto Rs. 25 Million, between Rs 25 Million and Rs. 50 Million and above Rs. 50 Million respectively. It is proposed to maintain the existing rates but the slabs on which they are to be made applicable are proposed to be changed to upto Rs. 5 Million, between Rs. 5 to Rs. 25 Million and above Rs. 25 Million respectively. This will increase progressivity of the taxation of interest income and make the taxation more equitable.

73. **Rationalization of Taxation of Capital Gain on Securities-** The existing three tier rate structure for capital gain tax on securities is proposed to be replaced with a single rate of 15% for filers and 20% for non-filers for simplification and promotion of stock market transactions. This will remove the incentive for holding the securities for longer periods just to reduce incidence of taxation and promote the transactions in stock exchange.

74. **Withdrawal of Tax Credit on Sales Made to Sales Tax Registered Persons-** Currently tax credit @ 3% of tax liability is available to all manufacturers who make 90% of their sales to Sales Tax registered persons. It is proposed to withdraw this tax credit as it has not achieved its desired objectives and is being

used a means of getting tax break of 3% without any consequent benefit in the form of increase of sales tax registration.

75. **Extension in Super Tax-** in the budget for the financial year 2015-16 a tax on the income of the affluent and rich individuals, association of persons and companies earning income above Rs. 500 million at a rate of 4% of income for banking companies and 3% of income for all others was levied. This tax was extended for one more year through Budget for the year 2016-17. Since the circumstances that necessitated this measure are still continuing, it is proposed to extend this measure by one year for tax year 2017.

Mr. Speaker,

76. **Taxation for Not Distributing Dividend-** The government in an attempt to ensure that the small shareholders get return on their investments and to protect interest of shareholders by encouraging companies to distribute dividend, through budget 2015-16 made an amendment in Income Tax Ordinance 2001 to provide that any public company which has derived profits for the year but does not distribute cash dividends within six months of the end of the tax year or distributes dividends to such an extent that its reserves remain are in excess of 100% of its paid up capital, the excess amount shall be taxed at the rate of 10%.

77. Presently, there is exemption from tax on undistributed reserves if the lesser of at least 40% of after tax profit or; 50% of the paid up capital, is distributed as dividend. SECP has pointed out that the latter condition of distributing 50% of the paid up capital has minimized the effectiveness of this provision and the desired objectives are not being achieved. Therefore, on the recommendations of the SECP

this condition is proposed to be omitted. It is also being proposed that if profits are not distributed, 10% tax shall be levied on the profits for the year and not on the reserves.

78. **Increase in the Rate of Minimum Tax on Turnover-** The government has progressively reduced the rate of Corporate Tax to encourage the taxpayers to declare their actual profits. However, it has been observed that profit declarations have not improved and a large number of companies and other businesses are still paying only minimum tax on their turnover. The rate of minimum tax on turnover is proposed to be increased from1% to 1.25%. This will encourage the organized and compliant sector in whose case the rate will be reduced from 31% to 30% and to create disincentive for entities not declaring their actual profits.

79. **Withholding Tax at the Time of Collection of Tobacco Cess-** Production and sale of illicit and non-duty paid cigarettes has assumed threatening proportions. Non duty paid cigarettes not only cause loss of revenue but also pose a serious health risk due to lack of quality controls and regulatory oversight. Government is taking several initiatives to curb the sale and production of illicit tobacco products. In order to document sale of tobacco so as to get information regarding the persons engaged in production of cigarettes and the extent of their production, it is proposed that Pakistan Tobacco Board or its contractor for collection of tobacco cess shall collect withholding tax @ 5%, at the time of collecting cess on tobacco.

Mr. Speaker,

80. **Taxation of Builders & Land Developers**- On the recommendation of association of builders and developers and in order to bring this sector in to tax net

and to eliminate disputes a final tax regime on the basis of fixed tax per unit area was announced for builders and land developers in the last budget but it failed to achieve the desired results and is proposed to be withdrawn.

81. **Enhancing the Rate of Withholding Tax on Sale of Electronic Goods to Retailers-** At present withholding tax at the rate of 0.5% is to be collected by dealers, distributors and wholesalers of electronics at the time of sale to retailers. On the demand of Electronics Retailers Association the rate is being increased to 1%.

82. **Differential Tax rates for non-filers-** Present Government on the demand of taxpayers introduced the policy of higher rates of withholding tax for non-filers in order to penalize the persons staying out of tax net and to provide an incentive for joining the tax net. The policy paid dividends and the number of return filers increased from 750,000 to 1,225,000 in three years. As a continuation and further strengthening of the policy, the rates of withholding taxes for non-filers on payments received for contracts, supplies and services, payments to non-residents, rental income, prizes on prize bonds and lotteries, commission, sale by auction, collection on gas bill of CNG stations and sale by manufacturers and commercial importers to distributors, dealers and wholesalers are proposed to be further enhanced. The withholding tax rates for filers will be maintained and there will be no increase for filers.

83. **Non-Profit Organizations -** At present if non-profit organisations do not spend more than 75% of their income on charitable and welfare activities, they lose the status of non-profit-organisation and their entire income is taxed at 30%. To remove this hardship it is proposed that if non-profit-organisations are unable to

spend more than 75% of their income on charitable and welfare activities, the amount not spent shall be taxed at the rate of 10% and their status of non-profit-organisation shall remain intact. It is also proposed to prescribe a limit of 15% on administrative and management expenses.

SALES TAX AND FEDERAL EXCISE DUTY

RELIEF MEASURES

84. Now I will present relief measures that are proposed to be introduced in the Sales Tax and Federal Excise law during the current Budget:

85. **Withdrawal of extra tax on lubricating oils supplied by OMCs-** Withdrawal of extra tax @ 2% on lubricating oils supplied by Oil Marketing Companies is proposed to prevent hardship to businesses purchasing lubricating oils.

86. **Reduction in sales tax on local supply of Hybrid Electric Vehicles-** In order to promote use of energy efficient motor vehicles the reduced rates of sales tax available at import stage are proposed to be made applicable on local supply of these vehicles as well.

87. **Automatic Stay of Recovery of till Decision of Appeal-** To prevent hardship to taxpayers it is proposed to provide for automatic stay of the amount of sales tax involved in an order that is the subject matter of an appeal till the decision of Commissioner (Appeals) subject to payment of 25% of the principal amount. This relief will be also available for recovery of Federal Excise duty.

88. **Exemption from sales tax on premixes for growth stunting-** To provide exemption from sales tax to specific premixes for checking growing incidence of growth stunting. General exemption already available under the Sixth Schedule is proposed to be extended and its scope enhanced.

89. **Withdrawal of sales tax withholding on supplies from registered to other registered persons-** It is proposed to withdraw sales tax withholding on supplies from registered persons to other registered persons in order to provide ease of doing business. However, withholding of sales tax will continue in the case of supplies to government departments.

90. **Reduction in Sales Tax on Poultry Machinery-** Sales Tax on seven different types of machinery for use in poultry control sheds is proposed to be reduced from 17% to 7%. This will encourage new investment and promote poultry production.

91. **Reduction in Sales Tax on Certain Services-** Certain services have been subjected to sales tax by the provinces at reduced rates without any input adjustment. To bring uniformity and provide relief to the service providers in Islamabad Capital Territory similar reduction in sales tax rates is proposed.

92. **Reduction in the Rate of Sales Tax on Multimedia Projector-** For the promotion of the use of multimedia projectors in educational institutions the rate of sales tax is being reduced from 17% to 10%. The rate of the custom duty on multimedia projectors is already at the rate of 3%.

REVENUE MEASURES

93. **Increase in the Rate of FED on cement-** Cement sector is registering substantial growth and therefore must contribute in governmental revenues. Increase in FED on cement from Rs.1/ kg to Rs.1.25/ kg is therefore proposed. It is expected that there will be no impact on cement prices and the cement industry will absorb the increase in FED.

94. **Sales Tax on Retail Sales of Zero-Rated Sectors-** The inputs of the five major export oriented sectors were zero-rated in the last budget. The retail sales by these sectors were subjected to sales tax at 5%. Now, after consultation with the retailers in these sectors the rate of sales tax is proposed to be enhanced to 6%.

95. **Levy of sales tax on commercial import of fabrics-** Sales tax on commercial import of fabrics, presently at zero percent, is proposed to be collected @ 10% to provide competitive edge to the local producers of fabrics.

96. **Enhancement of Federal Excise duty on cigarettes-** in order to enhance duty from this non-essential sector, to discourage cigarette smoking and to arrest the declining revenue trends from this sector, the rate of duty is enhanced on the existing tiers of the cigarettes. Moreover, a new tier is being introduced this year to document and curb the menace of illicit trade of sub-standard low priced cigarettes.

97. **Increase and rationalization of sales tax on steel Sector –** in order to rationalize the rate of sales tax on steel sector, the existing rate of Rs 9/unit of

electricity is being enhanced to Rs 10.5 in consultation with the industry and corresponding increase shall be made in ship breaking and other allied industry. To promote the ease of doing business the issues of the steel industry shall be resolved in consultation with the industry.

CUSTOMS

98. Now the proposals relating to Customs duty are being presented before the house:

99. **New HS Code Version 2017-** World Customs Organization Harmonized Commodity Description and Coding System popularly known as HS System is one of those very important conventions which makes the seamless transaction of goods possible across international borders. After every five years WCO reviews and updates this convention. WCO has adopted new HS Version with effect from 1st January 2017. Pakistan being signatory to the HS Convention is obliged to adopt the new version from the next financial year i.e. 1st July 2017.

100. The Amendments in HS 2017 will affect the classification of around 15% of goods traded in the world. The majority of changes in HS 2017 have been introduced to address environmental and social issues. Besides, the new version has also introduced new product classifications to reflect changes in manufacturing processes and technological advances. The implementation of new Version will not only fulfil the legal requirement but will also greatly facilitate importers, exporters and all other stakeholders doing business and having interaction at the international level.

101. **Relief for Poultry Farming Sectors-** Poultry Sector is not only providing affordable chicken meat to middle class families of the country but it is also playing vital role in the economy of the country. To provide further relief, it is proposed that 5% Regulatory Duty on the import of Grand Parent and Parent Stock of Chicken may be withdrawn and Customs Duty may be reduced from 11% 3%. Similarly, it is also proposed that Customs Duty may be reduced on the import of Hatching Eggs from 11% to 3%. This will substantially reduce their cost of inputs and boost further expansion.

102. Government is making efforts to flourish mechanised farming so that productivity can be enhanced and the sector can contribute in the economy. There is a customs duty exemption on new combined harvesters however, there is a 3% duty on old and used harvesters. To give relief to the agriculture sector and as the recommendations of Ministry of National Food Security exemption on customs duty will extend to new and up to 5-year old and used harvesters so that their import cost is reduced.

103. **Ostrich Farming-** Ostrich farming has started in the country which will not only enhance the portion of protein in the diet but in future will also contribute in the export of meat from the country. To encourage Ostrich Farming, it is proposed that Customs Duty may be exempted on the import of Ostriches.

104. **Relief for Health Sector-** Health Sector has always been the priority of the Government. Many incentives are currently in place to encourage the provision of quality and cost-effective treatment to the patients. Like previous years, this year as well following measures are proposed for this Sector;

(1) To encourage the use in Pharma, bio technology and life sciences, Customs Duty on the import of Pre-fabricated Modular Clean Rooms is proposed to be reduced from 20% to 3%. This will help in the protection from environmental contamination;

(2) Fabric, (Non-woven) is used in the pharmaceutical sector for manufacturing of bandages, surgical gowns, wound dressings etc. Currently, this fabric is importable @ 16% customs duty. To provide relief to the pharmaceutical sector and reduce cost for patients it is proposed that rate of customs duty may be reduced from 16% to 5%;

(3) Machinery, equipment, apparatus, appliances, Wheelchairs, medical, surgical, dental furniture and spares etc. import are allowed duty free by charitable non-profit making institutions operating hospitals of fifty beds, hospitals run by the Federal or a Provincial Governments. By amending the relevant provision, now the scope of this exemption is being expanded by including Hospitals of Armed Forces, Fauji Foundation, and Pakistan Atomic Energy Commission;

(4) Electric Cigarettes are currently not properly classified and therefore, are subject to only 3% customs duty. Keeping in view the harmful effects on health, it is proposed that Electric Cigarettes may be properly classified with 20% customs duty.

105. **Betel Nuts/Betel leaves-** In the Budget for FY 2016-17, rates of duty on betel nuts and betel leaves were enhanced to discourage their use in the country. This

year again Regulatory Duty on betel nuts is being increased from 10% to 25% besides Rs. 200/kg RD is proposed to levied on the import of betel leaves.

106. **Relief for the Industrial Sector-**

(1) Industrial development plays a pivotal role in economic uplift. It raises the productive capacity of the people and creates ever-increasing employment opportunities. Due to importance of this sector in the economy, Government always tries to create conducive environment for the growth of this sector. Like previous year, this year as well, Government is proposing several measures to provide relief to the industrial sector;

(2) Aluminium waste scrap is the primary raw material for different industries like auto parts, fans and utensils manufacturing etc. This raw material is currently subject to 3% Customs Duty and 10% Regulatory Duty. To provide relief to the industry, it is proposed to reduce the rate of Regulatory Duty from 10% to 5%;

(3) Metalized yarn is used in the traditional wearing. Its industry is currently facing problem due to high tariff rates on its raw material and low rate on its finished product. To provide relief to this industry, it is proposed that 5% RD may be levied on its finished product while rate of customs duty on its vital raw materials may be reduced from 20% to 11%.

(4) Government is taking various steps to improve the life standard of the middle and lower middle classes. Baby Diapers are important for the hygiene of the infants. Keeping in view the demand of baby diapers in the country and investment plans by diaper manufacturers, there is a need to incentivize domestic manufacturing. It is, therefore, proposed that customs duty may be reduced on raw materials, not locally produced, from 16% to 11% and from 20% to 16% for manufacturers of Baby Diapers.

(5) Telecommunication sector is one of the important pillars of the economic development in the country. To further incentivize this sector, currently leviable customs duties at the rates of 11% and 16%, are being withdrawn and a uniform rate of 9% Regulatory Duty is being levied on telecom equipment.

107. **Wood Sector-** To give boost to the wood sector, it is further proposed that customs duty on veneer sheets may be reduced from current 16% to 11%.

Mr. Speaker,

108. **Auto Sector Proposals-** following measures are proposed:

(1) Current concessionary rate of customs duty and taxes, which is 50% of the total applicable duty and taxes, will continue on the import of Hybrid Electric Vehicles (HEVs) up to 1800 CC and 25% concession on total duty and taxes will be available for vehicles with engine capacity between 1801 and 2500 CC.

(2) Auto Development Policy 2016-17 provides for incentivizing fully electric vehicles to promote fuel conservation and arrest environmental degradation. A package for relief in duty on these vehicles will be announced within three months.

(3) Currently ten components for local assembly/manufacturing of Trailers can be imported at concessionary rate of 5% Customs duty. On the recommendation of EDB Eleven (11) more components are being included in view of diversified requirement of trailers for upcoming CPEC projects.

109. **Review of Regulatory and Add. Duties-** Regulatory and Additional Duties were put in place to protect local industries in face of unprecedented fluctuation of commodity prices in the international market. Pakistan is not the only country to take such measures to protect the local economy from the external shocks. Government is periodically reviewing these measures. On the recommendation of the State Bank of Pakistan regulatory duty on various items is being enhanced;

110. **Concessions on import of Set Top Boxes etc.-** Last year, on the recommendation of PEMRA and to promote Digital Technology in the country, import of Set Top Boxes, TV broadcast transmitter, Reception apparatus etc. were allowed to be imported at concessionary rate of 11%. This facility is available till 30-6-2017. Now it is proposed that the date of this concession may be extended till 30-6-2018. Concessionary rate of sales tax at 5% is also proposed to be extended till 30-6-2018.

PART III

RELIEF MEASURES

111. Provision of relief to the people of Pakistan is the our foremost priority. In this regard, I am pleased to announce the following relief measures:

112. **Welfare Scheme for families of *Shuhada* (Martyrs)**: The nation as a whole is successfully engaged in the war against terror. This effort is valiantly being led by our brave soldiers many of whom have embraced martyrdom. The nation fully recognises the sacrifices made by them and their family members. For the welfare of their families, the Government is launching a new scheme through Central Directorate of National Savings (CDNS). Under this scheme, a guaranteed and enhanced profit will be given to the families of *Shuhada*.

113. **Scheme for disabled persons**: Special persons are equal citizens of Pakistan and deserve preferential treatment because of immense challenges that they face in their lives. In the past, a 2% quota was allocated for appointment of special persons in government organisations. In the new Companies Law 2017, this provision is proposed to be extended to public and publically listed companies. Furthermore, the government is committed to enhance the financial prospects of this deserving segment of society. It is therefore proposed that in addition to pensioners and widows this segment may be made eligible to invest in '*Behbood* Saving Certificates' which provides higher profits;

114. **Pakistan Bait Al Maal-** From Rs.4 billion budget in FY 2016-17, the budget for 2017-18 is proposed to be increased to Rs.6 billion - which is a 50% increase. The budget will be utilised for financial assistance to individuals, child support programme, orphanages through Pakistan Sweet Homes and Thalassemia Centre for treatment for poor children.

115. **Loan write off for widows**: In 1999 PML government introduced a scheme for paying loans under House Building Finance Corporation on behalf of windows up to the value of Rs.350,000. This scheme is being relaunched with increase of limit to Rs.500,000 and will be applicable for widows who have not remarried;

116. **Facilitating pensioners, widows and elderly:** CDNS serves a large number of pensioners, widows and elderly. Cumbersome manual procedures result in difficulties for its customers. The CDNS has become member of the banking clearing house which has reduced transaction clearance time from average 6 days to 1-2 days. To further facilitate its customers, CNDS will connect its branch on-line offering 24/7 customer call and complaint centre, debit cards for accessing ATMs, mobile and internet banking. One-fourth of the total customer access will be achieved by June 2018;

117. **Facilitating the ex-patriates:** Overseas Pakistanis, the sixth largest diaspora in the world, are an asset for the country. They seek investment opportunities in their home country but there are a few opportunities outside the real estate sector. In order to provide one such investment, the Government plans to invite the Pakistani diaspora to invest in infrastructure development of the country. For this purpose, the Government will issue a sovereign non-convertible Bond million specifically for the

overseas Pakistanis with a rupee coupon. This initiative will be undertaken by Pakistan Development Fund which will only finance financially and commercially viable projects. The proceeds will serve the financing needs of commercially viable projects of national importance while providing good returns to the investors. To further facilitate investment by the Pakistan diaspora in the real estate sector, CDA shall announce an exclusive sector for ex-pat Pakistanis.

118. **Sales tax refunds:** All the pending sales tax refunds whose RPOs have been sanctioned by 30th April 2017 shall be paid in two parts. RPOs upto the value of Rs.1 million will be paid till 15 July, and the remaining RPOs will be paid till 14th August 2017.

Relief Measures for Government Employees and Pensioners

Mr. Speaker,

119. I would now like to announce relief measures for the government employees and pensioners:

(1) In the budget speech FY 2016-17 three allowances were merged. However, the 2008 adhoc relief allowance to the Army and the 2010 adhoc relief allowance for the civilians was not merged. There has been a consistent demand to merge these allowance. I am pleased to announce that it has been decided and give a 10% adhoc relief allowance on the merged salary to all civil and armed forces employees. For Armed Forces, Zarb-e-Azb allowance, that I have already discussed, would be in addition to this;

(2) 10% increase is also being proposed in pensions;

(3) Up to BPS-5 employees are being exempted from paying house-rent charges at the rate of 5%;

(4) Daily allowance - domestic - is being increased by 60%;

(5) Orderly allowance is being revised from Rs.12,000 to Rs.14,000;

(6) Rate for transportation of dead bodies and local burial of are being revised from Rs.1,600 to Rs.4,800 and Rs.5,000 to Rs.15,000 respectively;

(7) Constant attendant allowance admissible to Armed Forces and CAF is being increased from Rs.3,000 to Rs.7,000;

(8) Different allowances for offices and sailors of Pakistan Navy are being revised including; hard-lying pay, compensation for batman, uniform allowance and ration allowance;

(9) Design allowance is being increased by 50%;

(10) For employees of Pakistan Post, certain rates of allowances are being revised;

(11) The Jawans of the Frontier Constabulary are performing their duties all over Pakistan. In order to make their salary structure attractive it had been decided to allow them a Rs.8,000 per month fixed allowance. One-third of that allowance has been allowed w.e.f 1st March 2017; the one-third of it will be allowed from 1st July 2017 and the balance one-third from 1st July 2018;

The above measures are estimated to cost an additional Rs.125 billion. It should be remembered that additional amount in last year's increase in salary and allowances was Rs.67 billion.

(12) Minimum wage: On the pattern of increase in the pay of Government employees the minimum wage of labour for their benefit is being increased from Rs.14,000 to Rs.15,000 per month.

PART IV

Vision 2018-23

Mr. Speaker,

120. By the Grace of Allah (SWT) the will of the nation and the vision of Prime Minister Nawaz Sharif and the with prayers of the nation, we have been able to put Pakistan back on growth trajectory. Now we need to further strengthen our economy in order to take the economy on the path of higher, sustainable and inclusive economic growth.

121. Pakistan, now needs to focus on second generation reforms including deepening of financial market, improving ease of doing business, enforcing property rights, improving regulatory apparatus, enforcing rule of law, creating a credible and efficient judicial system and to build an institutional foundation that can sustain economic growth and give protection against external shocks.

122. In our chequered history of 70 years we have had periods of high growth. Unfortunately, these hard earned gains were frittered away by subsequent epochs of poor governance and economic mismanagement. In this honorable house I today invite all the political parties nay the entire nation to agree to an economic vision. Whoever wins the next general election can implement this consensus based policy to ensure the development of the country.

123. The key elements of this economic vision should be:

(a) **Economic growth**: We should target growth consistently at above 7%. Over the next five years the key drivers of economic growth should be investments and the environment of competition and innovation with the private sector as an engine of growth. The government institutions should be reformed to focus on improved service delivery and better regulations to support the growth momentum. Governance, transparency, accountability and business-friendly environment should become the key focus of our policies;

(b) **Sustainable economic environment:** Macroeconomic stability should be fostered through fiscal consolidation. While tax rates should be rationalised to facilitate the private sector, emphasis should be on broadening the tax base, and reforming FBR. A new National Finance Commission Award, that balances the functional responsibilities and budgets of Federal and provincial governments should be announced with the view to support service delivery at the provincial level. Focus on results in our plans and budgets should be enhanced with the view to provide better services to the people;

(c) **Poverty alleviation:** At the centre of our economic policymaking is the goal of poverty alleviation. Over the next five years we should focus on provision of welfare services to the low-income segments of the society with the aim to reduce poverty from the current 29% to less than 10%;

(d) **Energy security:** With increased economic growth, the demand for energy in Pakistan is likely to rise considerably. In addition to the 15,000 MW in the pipeline to come in generation mode in period beyond 2018, we should plan to add another 10,000 MW of electricity, and another 2 - 3 billion cubic gas per day. In order to achieve these targets, we must aim to implement regional connectivity projects;

(e) **Food security:** Improvements in yields of staple crops and import substitution of imported food items should be pursued to ensure availability of essential food items for all at affordable prices;

(f) **Water security:** Water security is necessary for our agriculture and consumption. A considerable amount of water passes through our rivers each year. Absence of dams means that a lot of water is wasted which we should preserve. Over the next five years we should concentrate on substantially completing Diamer Bhasha dams, and simultaneously improving water conservancy;

(g) **Reforming Public Sector Enterprises:** Over the next five years we foresee corporatisation and efficiency improvements of public sector enterprises;

(h) **Export competitiveness:** As I had said earlier, our exports have suffered due to slow-down in international trade and decline in commodity prices. Going forward, we should focus on enhancing export competitiveness and taking our export to GDP ratio to around 12%;

(i) **Regional connectivity:** We should complete the CPEC infrastructure projects in the shortest possible time and start reaping the benefits of regional connectivity.

(j) **Regional disparity:** We should ensure that regional disparity in all socio-economic indicators are annihilated by focusing our attention on the less developed areas.

124. Not only our vision but our goal must be that by the end of the next term of this Parliament:

(a) Every child should be in school;

(b) Infant Mortality Rate and Maternal Mortality Rate should be reduced by half;

(c) Every child should be immunised;

(d) All citizens should have access to clean drinking water;

(e) There will universal use of latrines;

(f) Every youth should be skilled;

(g) Women should be empowered. Above 30% of women should be in the labour force;

(h) Each house-hold should have electricity;

(i) Our per capita income should be doubled;

(j) The overwhelming majority of our citizens will be financially and digitally integrated.

Concluding Remarks

Mr. Speaker,

125. With Allah's (SWT) mercy we have been successful in improving the economic situation in the country. Pakistan today is far more prosperous as compared to four years back and its citizens are looking forward to better lives for themselves and their children. It is time we focus on gearing up our resources, show unity in our approach, and work together for meeting common cause of the welfare of the people. While we have come a long way, by no means we can be complacent. Infact we consider this a beginning and need to redouble our efforts to join the top 20 global economies even earlier then already predicted 2030. This will only be possible for the entire Pakistani nation agrees on economic agenda and implement it with full concentration.

126. Allah (SWT) has said in *Surah Al-Emran* 'وَاعْتَصِمُواْ بِحَبْلِ اللهِ جَمِيعًا وَلاَ تَفَرَّقُواْ' - "And hold fast, all of you together, to the Rope of Allah and be not divided among yourselves". Under the light of this Quranic verse I would urge the entire nation that they should unite for this economic vision.

127. It is part our belief that Uswa-e-Hasana of the Holy Prophet (PBUH) is the best example for us. However, it is globally acknowledged by Muslims and Non-Muslims alike that the best mode of Government was the State of Medinah during the life of the Prophet (PBUH). Mr. Speaker, that model is as relevant today as ever. We in our policy must embed the spirit of that ideal state the hallmark of which was Rule of Law, Transparency, Meritocracy, Social-protection, and Good governance.

Mr. Speaker,

128. If we follow this model it is my faith that the dream of Quaid-e-Azam and Allama Iqba's will be realized quickly and Pakistan will become sovereign, prosperous, honorable and developed nation.

کی محمدؐ سے وفا تو نے تو ہم تیرے ہیں
یہ جہاں چیز ہے کیا لوح و قلم تیرے ہیں

PAKISTAN PAINDABAD

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