

# Tax Expenditure

Tax expenditure for FY2017 has been estimated at Rs.415.751 billion. Detailed estimates are highlighted below:

## A. Income Tax

Tax expenditure in respect of direct taxes during FY2017 has been reflected in Table-1:

Table-1: Tax Expenditure of Direct Taxes during FY2017		(Rs. in Million)
S. No.	Tax Expenditure on various exemptions and concessions	Estimated Revenue Loss FY2017
1	Enhanced tax credit on employment generation under section 64B of the Ordinance.	150
2	Enhanced tax credit for making sales to registered persons under section 65A of the Ordinance.	200
3	Extension in time limit for availing tax credit for balancing, modernization and replacement of plant and machinery under section 65B of the Ordinance up to 30.6.2019.	500
4	Extension in time limit for availing tax credit for enlistment in stock exchange under section 65C of the Ordinance.	5
5	Tax credit for establishing new industry under section 65D of the Ordinance	300
6	Tax credit for expansion of existing plant or new project under section 65E of the Ordinance	200
7	Extending exemption to export of IT services under clause (133) of Part-I of the Second Schedule	100
8	Enhancing limit of interest on house building loan under section 64A of the Income Tax Ordinance, 2001.	50
9	Rationalization of corporate tax rates	12,000
10	Relief on education expenses	500
<b>Total</b>		<b>14,005</b>

## B. Sales Tax

Major exemptions in sales tax and their tax expenditures during FY2017 are presented in Table-2.

Table-2: Tax Expenditure of Sales Tax for FY2017		(Rs. in Billion)
SRO	Loss of Sales Tax due to Exemptions	
SRO 1125(I)/2011, dated 31.12.2011 (leather, textile, carpets, surgical goods etc.)		50.4
Import under 5 <sup>th</sup> Schedule		0.56
Local supply under 5 <sup>th</sup> Schedule		25.8
Imports under 6 <sup>th</sup> Schedule		67.6
Local supply under 6 <sup>th</sup> Schedule		89.3
Imports under 8 <sup>th</sup> Schedule		16.4
<b>Grand Total</b>		<b>250.06</b>

**C. Customs Duties**

Following is the break-up of estimates of tax expenditure of main exemptions in Customs Duties for FY2017.

<b>Table-3: Cost of Customs Duty Exemption for FY2017</b>			<b>(Rs. in Million)</b>
<b>S.No</b>	<b>SRO No. &amp; Date FTA As/PTA</b>	<b>Description</b>	<b>Cost of Exemption (Estimated) FY2017</b>
1	558(I)/2004 01.07.2004	Concession of customs duty on goods imported from <b>SAARC</b> and <b>ECO</b> countries	73
2	894(I)/2006 31.08.2006	Exemption from customs duty on import into Pakistan from Iran under <b>Pak-Iran PTA</b> .	0
3	1274(I)/2006 29.12.2006	Exemption from customs duty on imports into Pakistan from under <b>SAFTA</b> Agreement	1,184
4	659(I)/2007 30.06.2007	Exemption from customs duty on import into Pakistan from <b>China</b>	31,618
5	1151(I)/2007 26.11.2007	Exemption from customs duty on goods imported from <b>Mauritius</b> .	27
6	741(I)/2013 28.08.2013	Exemption from customs duty on import into Pakistan from <b>Indonesia</b> under <b>Pak-Indonesia PTA</b> .	3,309
7	280(I)/2014 08.04.2014	Exemption from customs duty on imports from <b>Sri Lanka</b>	2,538
8	1261(I)/2007 31.12.2007	Exemption from customs duty on import into Pakistan from <b>Malaysia</b>	1,983
<b>General Concessions: Automobile sector, E &amp; P, Textile, Energy and others</b>			
9	565(I)/2006 05.06.2006	Conditional exemption of customs duty on import of raw materials and components etc. for manufacture of certain goods (Survey based)	2,276
10	678(I)/2004 12.6.2004	Exemption of customs duty and sales tax to Exploration and Production (E&P) companies on import of machinery equipment & vehicles etc..	6,282
11	655(I)/2006 22.06.2006	Exemption from customs duty for vendors of Automotive Sector	17,668
12	656(I)/2006 22.06.2006	Exemption from customs duty for OEMs of Automotive Sector	21,827
13	* 809(I)/2009 19.09.2009	Exemption of Machinery & Equipment, if imported by Textile Industrial Units	-
14	5th Schedule	Concessions under 5th Schedule	62,901
<b>Total</b>			<b>151,686</b>

Source: PRAL + WeBOC

\*: SRO.809(I)/2006 was rescinded in the Budget 2016-17. However, remaining concessions have been shifted to Part-IV of 5<sup>th</sup> Schedule to the Customs Act.

Following is the consolidated summary of tax expenditure for the FY 2017 in Table-4.

<b>Table 4: Tax Expenditure of Federal Taxes for FY 2017</b>		<b>(Rs. in billion)</b>
<b>S. No.</b>	<b>Type of Tax</b>	<b>FY2017</b>
1.	Income Tax	14.005
2.	Sales Tax	250.06
3.	Customs Duty	151.686
<b>Total</b>		<b>415.751</b>

Source: Federal Board of Revenue