

Tax Expenditure

The Federal Board of Revenue (FBR) estimates tax expenditures for 2009-10 at approximately Rs. 147.14 billion. Details of estimates of tax-wise tax expenditure during the fiscal year 2009-10 have been highlighted below:

Income Tax

Section 53 of the Income Tax Ordinance, 2001 empowers the Federal Government to exempt from tax any income or classes of income, or persons. The cost of exemptions in respect of direct taxes during 2009-10 has been reflected in Table 1:

S.No.	Tax Expenditure Items	Estimated Revenue Loss	
		2008-09	2009-10
1.	Pensions & Gratuity	0.0540	0.075
2.	Income from Funds, Board of Education, Universities and Computer Training Institutions	0.828	0.950
3.	Donations and Contributions to Charitable Organizations	0.517	0.630
4.	Independent Power Producers	0.772	0.852
5.	Income from Certain Trust, Welfare and Charitable institutions non-profitable organization.	1.050	1.350
6.	Profits on Debt/interest from government securities and certain foreign currency accounts/books profit on debt earned by certain non-residents individuals and institutions	0.025	0.050
7.	Export of Information Technology	0.602	0.812
8.	Capital gains	18.760	21.910
9.	Other Sector and enterprise specific exemptions	17.897	19.905
	Total:	40.505	46.534

Source: Federal Board of Revenue

Sales Tax

Key exemptions of Sales Tax are Tractors, Fertilizer Pharmaceuticals etc. The cost of Sales Tax exemptions is estimated to be Rs.27.409 billion for the fiscal year 2009-10. Followings are the main exemptions in

Sales Tax and their cost of exemption during in fiscal year 2009-10 [Table 2].

S.No.	Sector	Estimated Revenue Loss	
		2008-09	2009-10
1.	Fertilizer	8.20	8.797
2.	Tractors	5.7	6.246
3.	Pharmaceutical products	3.1	3.754
4.	Others	0.50	8.612
	Total:	17.5	27.409

Source: Federal Board of Revenue

Custom

Customs exemptions are mainly given on raw materials and components; plant, machinery and equipment imported by high-tech, priority and value added industries; import for energy sector projects; and exemptions to exploration and production companies. Some of these exemptions are due to international contractual obligations. Following is the break-up of main exemptions in customs duties for fiscal year 2009-10 [Table 3].

S.No	SRO No. & Date	Description	Estimate Revenue Loss	
			2008-09	2009-10
1	410(1)/2001, dated 18.6.2001 Superseded by 1065(1)/2005, dated 20.10.2004 then superseded by 492(1)/2009.	Conditional exemption of customs duty and sales tax on temporarily imported goods for subsequent exportation.	2.335	2.525
2	456(1)/2004, dated 12.6.2004 Superseded by 565(1)/2005 dated 6.6.2005 then superseded by 565(1)/2006, dated 5.6.2006	Conditional exemption of customs duty on import of raw materials and components etc. for manufacture of certain goods (Survey based)	2.839	3.822
3	567(1)/2005, dated 6.6.2004 Superseded by 567(1)/2006 dated 5.6.2006	General and conditional exemption of customs duty (non survey)	18.121	21.299
4	678(1)/2004, dated 12.6.2004	Exemption of customs duty and sales tax to exploration and production(E&P) companies on import of machinery equipment & vehicles etc.	4.401	5.117
5	570(1)/2005, dated 6.6.2005	Concession of customs duty on goods imported from Sri Lanka.	0.036	0.153
6	575(1)/2005, dated 6.6.2005 Superseded by 575(1)/2006 dated 5.6.2006	Exemption from customs duty and sales tax on import of specified machinery, equipment, apparatus and items.	11.189	11.555
7	Others SROs		22.361	28.726
	Total:		61.282	73.197

Source: Federal Board of Revenue

According to the Federal Board of Revenue (FBR), the consolidated summary of tax expenditures for the fiscal year 2009-10 is as shown in Table 4.

S.No.	Type of Tax	2008-09	2009-10
1.	Income Tax	40.864	46.534
2.	Sales Tax	17.5	27.409
3.	Customs Duties	61.282	73.197
	Total	119.646	147.140

Source: Federal Board of Revenue