

Annex-2 Tax Expenditure

A Note on Tax Expenditure 2010-11

Tax expenditures for fiscal year 2009-10 and 2010-11 have been estimated Rs 166.772 billion and Rs 150.291 billion respectively. Detailed estimates are highlighted below :-

Income Tax :

The cost of exemptions in respect of direct taxes during 2009-10 and 2010-11 has been reflected in Table-1 :-

Table-1: Income Tax Expenditure for 2009-10 and 2010-11		(Rs in billion)	
S.No	Tax Expenditure Items	Estimated Revenue Loss	
		2009-10	2010-11
1	Pensions & Gratuity	0.075	0.087
2	Income from Funds, Board of Education, Universities and Computer Training Institutions	0.950	0.979
3	Donations and Contributions to Charitable Organizations	0.630	0.649
4	Independent Power Producers	0.852	0.870
5	Income from Certain Trust, Welfare and Charitable Institutions non-profitable Organization	1.350	1.360
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.	0.050	0.049
7	Export of Information Technology	0.812	0.724
8	Capital gains	21.910	21.840
9	Other sector and enterprise specific exemptions.	19.905	19.950
TOTAL:		46.534	46.508

Sales Tax :

Previously, sales tax exemptions were on tractors, fertilizers, pharmaceuticals, pesticides etc. However, the Federal Government rationalized the extent of exemptions and from 15-03-2011 onwards, tractors, pesticides and fertilizers were chargeable to sales tax. The cost of sales tax

exemptions has accordingly been worked out and is estimated to be Rs 25.323 billion for the fiscal years 2010-11. Followings are the main exemptions in sales tax and their cost of exemptions during 2009-10 and 2010-11 (Table-2).

Table-2: Tax Expenditure of Sales Tax for 2009-10 and 2010-11 (Rs in billion)

S.No	Sector	Estimated Revenue Loss	
		2009-10	2010-11
1	Fertilizer	8.797	6.854*
2	Tractors	6.246	4.867*
3	Pharmaceutical Products	3.754	4.129
4	Other	8.612	9.473
TOTAL:		27.409	25.323

*Cost of exemptions from 01-07-2010 to 14-03-2011

Customs :

Customs exemptions are mainly given on raw materials and components; plant, machinery and equipment imported by high-tech, priority and value added industries; imports 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 duty for fiscal year 2009-10 and 2010-11 (Table-3).

Table-3: Tax Expenditure of Customs for 2009-10 and 2010-11 (Rs in billion)

SRO No.& DATE	Description	Estimated Revenue Loss	
		2009-10	2010-11
558(I)/2004 01-07-2004	Concession of customs duty on goods imported from SAARC and ECO countries.	0.104	0.073
570(I)/2005 06-06-2005	Exemption from customs duty on imports from Sri Lanka	0.152	0.148
1296(I)2006 31-12-2005	Exemption from customs duty on imports from China	0.073	0.031
894(I)2006 31-08-2006	Exemption from customs duty on imports from Iran under Pak-Iran PTA.	0.005	0.004
1274(I)2006 29-12-2006	Exemption from customs duty on imports under SAFTA Agreement.	0.090	0.116
659(I)2007 30-06-2007	Exemption from customs duty on imports from China .	6.069	10.867
1151(I)2007 26-11-2007	Exemption from customs duty on goods imports from Mauritius	-	-
1261(I)2007 31-12-2007	Exemption from customs duty on imports from Malaysia .	2.221	2.895
71(I)/95 19-01-1995	Concession of customs duty on import of raw materials for manufacture of goods by such industries in special industrial zones	0.001	-
565(I)2006 05-06-2006	Conditional exemption of customs duty on import of raw materials and components etc. for manufacture of different sectors.	4.315	4.653
567(I)2006 05-06-2006	General and conditional exemption of customs duty.	22.566	30.277
678(I)2004 12-06-2004	Exemption of customs duty and sales tax to Oil Exploration and Production (E&P) companies on import of machinery equipment & vehicles	4.831	2.581
575(I)2006 05-06-2006	Exemption of customs duty and sales tax on import of machinery, equipment, apparatus and items .	11.980	13.712
655(I)2006 22-06-2006	Exemption from customs duty for vendors of Automotive Sector .	4.933	9.315
656 (I)2006 22-06-2006	Exemption from customs duty for OEMs of Automotive Sector .	18.378	19.073

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SRO No.& DATE	Description	Estimated Revenue Loss	
		2009-10	2010-11
809(I)2009 19-09-2009	Exemption from customs duty on import of machinery & equipment by Industrial units registered with Ministry of Textile Industry.	0.630	1.196
TOTAL:		76.348	94.941

Following is the consolidated summary of tax 2010-11 (Table-4).
expenditures for the fiscal year 2009-10 and

Table-4: Tax Expenditure of Federal Taxes for 2009-10 and 2010-11			(Rs in billion)
S.No	Type of Tax	2009-10	2010-11
1	Income Tax	46.534	46.508
2	Sales Tax	27.409	25.323
3	Customs Duties	76.348	94.941
TOTAL:		150.291	166.772