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## Annex-II

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# Tax Expenditure

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### Tax Expenditure Estimates – FY2022

Tax expenditure for FY2022 has been estimated at Rs 1,482.319 billion. Detailed estimates are highlighted below:

#### Income Tax

Tax expenditure in respect of income taxes during FY2022 has been reflected in Table 1:

**Table 1: Income Tax Expenditure Summary**

Exemption Heads	Tax Expenditure (Rs million)		Growth Rate (%)
	FY2021	FY2022	
Allowances	37,318	10,625	-71.5
Tax Credits	105,342	65,465	-37.9
Exemptions from Total Income	267,115	232,852	-12.8
Reduction in Tax Rates	124	195	57.1
Reduction in Tax Liability	2,839	3,285	15.7
Exemption from Specific Provisions	2,687	61,076	2,173.0
Others / Miscellaneous	32,621	26,164	-19.8
<b>Total Income Tax Expenditure</b>	<b>448,046</b>	<b>399,662</b>	<b>-10.8</b>

Source: Federal Board of Revenue

#### Sales Tax

Major exemptions in sales tax and their tax expenditures during FY2022 are presented in Table 2.

**Table 2: Sales Tax Expenditure Summary**

Exemption Heads	Tax Expenditure (Rs million)		Growth Rate (%)
	FY2021	FY2022	
Zero Rating under 5th Schedule to Sales Tax Act 1990	12,887	33,422	159.4
Exemption under 6th Schedule on (Imports)	173,808	327,656	88.5
Exemption under 6th Schedule on Local supplies	156,134	139,046	-10.9
Reduced Rates Under 8th Schedule	208,531	193,722	-7.1
Sales Tax on cellular Mobile Phones under 9th Schedule	27,096	45,919	69.5
<b>Total Sales Tax Expenditure</b>	<b>578,456</b>	<b>739,767</b>	<b>27.9</b>

Source: Federal Board of Revenue

## Customs

Following is the break-up of estimates of tax expenditure of main exemptions in Customs Duties for FY2022.

Exemption Heads	Tax Expenditure (Rs million)		Growth Rate (%)
	FY2021	FY2022	
Chapter-99 Exemptions	12,635	15,963	26.3
FTA & PTA Exemptions	34,210	46,105	34.8
5 <sup>th</sup> Schedule Exemptions & Concessions	137,418	168,754	22.8
General Concessions: Automobile sector, E&Ps, CPEC, etc.	55,877	60,987	9.1
Export Related Exemptions	47,631	51,081	7.2
<b>Total Customs Expenditure</b>	<b>287,771</b>	<b>342,890</b>	<b>19.2</b>

Source: Federal Board of Revenue

Following is the consolidated summary of tax expenditure for FY2022 in Table 4.

S.#	Types of Tax	FY2021	FY2022
1	Income Tax	448.046	399.662
2	Sales Tax	578.456	739.767
3	Customs Duty	287.771	342.890
<b>Total Tax expenditure Estimates</b>		<b>1,314.273</b>	<b>1,482.319</b>

Source: Federal Board of Revenue