

ANNEX-II

Tax Expenditure

Tax expenditure for FY2019 has been estimated at Rs.972.4 billion. Detailed estimates are highlighted below:

Income Tax

Tax expenditure in respect of direct taxes during FY2019 has been reflected in Table 1:

Table-1: Tax Expenditure of Direct Taxes during FY2019		(Rs. billion)
S.#	Tax expenditure on various exemption/concessions	Estimated revenue loss FY2019
1.	Tax credit for charitable donations u/s 61	2.448
2.	Tax credits u/s 64A	1.191
3.	Tax credit u/s 64AB deductible allowance on education expenses	0.067
4.	Tax credit for employment generation by manufacturers u/s 64B	0.0096
5.	Tax credit for investment in balancing, modernization and replacement of plant & machinery u/s 65B	90.954
6.	Tax credit for enlistment u/s 65C	0.356
7.	Tax credit for newly established industrial undertakings u/s 65D	5.487
8.	Tax credit for industrial undertakings established before the first day of July, 2011 u/s 65E	6.458
9.	Tax credit u/s 100C	13.977
10.	Tax credit for investment in shares and insurance u/62	2.055
11.	Tax loss due to exempt business income claimed by IPPs under clause (132) of Part I of the Second Schedule	18.034
12.	Tax loss due to exemption to export of IT services under clause (133) of Part I of Second Schedule.	0.608
	Total	141.645

Sales Tax

Major exemptions in sales tax and their tax expenditures during FY2019 are presented in Table 2.

Table-2: Tax Expenditure of Sales Tax for FY201 9		Rs. in Billion
SRO	Loss of sales tax due to exemptions projected for FY2019, based On July-March figures	
SRO 1125(1)/2011, dated 31.12.2011 (leather, textile, carpets, surgical goods etc.)		86.7
Import under 5 th Schedule		0.59
Local supply under 5 th Schedule		53.5
Imports under 6 th Schedule.		53.7
Local supply under 6 th Schedule		247.3
Imports under 8 th Schedule		62.7
Local supply under 8 th Schedule		93.3
Grand Total		597.7

Customs

Following is the break-up of estimates of tax expenditure of main exemptions in Customs Duties for FY2019.

Table-3: Cost of Customs Duty Exemption for FY2019			Rs. in Million
S.#	SRO No. & Date	Description	Cost of Exemption (Estimated)
FTAs/PTAs			
1.	558(I)/2004 01.07.2004	Concession of customs duty on goods imported from SAARC and ECO countries	348.8
2.	1296(I)/2005 31.12.2005	Exemption from customs duty on import into Pakistan from China	2.5
3.	894(I)/2006 31.08.2006	Exemption from customs duty on import into Pakistan from Iran under Pak-Iran PTA .	0.0
4.	1274(I)/2006 29.12.2006	Exemption from customs duty on imports into Pakistan from under SAFTA Agreement	1,614.8
5.	659(I)/2007 30.06.2007	Exemption from customs duty on import into Pakistan from China	31,620.7
6.	1151(I)/2007 26.11.2007	Exemption from customs duty on goods imported from Mauritius	6.0
7.	1261(I)/2007 31.12.2007	Exemption from customs duty on import into Pakistan from Malaysia	3,162.7
8.	741(I)/2013 28.08.2013	Exemption from customs duty on import into Pakistan from Indonesia under Pak-Indonesia PTA .	3,950.0
9.	280(I)/2014 08.04.2014	Exemption from customs duty on imports from Sri Lanka	2,401.6
General Concessions: Automobile sector, E&P Companies, CPEC, etc.			
10.	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)	4,755.1
11.	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.	5,725.7
12.	655(I)/2006 22.06.2006	Exemption from customs duty for vendors of Automotive Sector	26,604.4
13.	656(I)/2006 22.06.2006	Exemption from customs duty for OEMs of Automotive Sector	38,818.8
14.	39(I)/2017 23.01.2017	Exemption from Customs Duty on Cotton	2,275.9
15.	642(I)/2016 27.07.2016	Exemption from Customs Duty for CPEC	1,009.2
16.	40(I)/2017 25.01.2017	Exemption from Customs Duty for Lahore Orange Line Metro Train	749.1
17.	Chapter 99	Exemptions [Special Classification Provisions]	10,530.8
18.	5th Schedule	Exemptions/ concessions	99,558.0
Total:			233,134.0

Tax Expenditure

Following is the consolidated summary of tax expenditure for the FY 2019 in Table 4.

Table 4: Tax Expenditure of Federal Taxes for FY 2019		(Rs. billion)
S. #	Type of Tax	FY2019
1.	Income Tax	141.6
2.	Sales Tax	597.7
3.	Customs Duty	233.1
Total :		972.4

Source: Federal Board of Revenue.
