

# TAX EXPENDITURE REPORT - 2023

Tax expenditure has been estimated at Rs 2,239.6 billion. Detailed estimates are highlighted below:

## Income Tax

Tax expenditure in respect of income taxes has been reflected in Table 1.

<b>Table 1: Income Tax Expenditure Summary</b>	Rs Million
Exemptions and Tax Concessions given in Part VII of Chapter III of ITO, 2001	26,834
Deductible Allowances are given in Part IX of Chapter III of ITO, 2001	14,506
Tax Credits given in Part X of Chapter III of ITO, 2001	52,133
Income Exempt from Tax given in Part I of Second Schedule of ITO, 2001	232,398
Reduction in Tax Rates given in Part II of Second Schedule of ITO, 2001	24,444
Reduction in Tax Liability given in Part III of Second Schedule of ITO, 2001	4,738
Exemption from Specific Provisions given in Part IV of Second Schedule of ITO, 2001	68,841
<b>Total Income Tax Expenditure</b>	<b>423,894</b>

## Sales Tax

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

<b>Table 2: Sales Tax Expenditure Summary</b>	Rs Million
Zero Rating under Fifth Schedule to Sales Tax Act 1990	139,448
Exemptions are given to POL Products Through Various SROs	632,950
Exemption under Sixth Schedule on (Imports)	257,537
Exemption under Sixth Schedule on Local Supplies	133,178
Reduced Rates Under Eighth Schedule	129,906
Sales Tax on Cellular Mobile Phones under Ninth Schedule	1,021
<b>Total Sales Tax Expenditure</b>	<b>1,294,040</b>

## Customs

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

<b>Table 3: Customs Duty Expenditure Summary</b>	Rs Million
Chapter-99 Exemptions	22,240
FTA & PTA Exemptions	102,658
Fifth Schedule Exemptions & Concessions	172,978
General Concessions: Automobile sector, E&Ps, CPEC, etc.	192,950
Export Related Exemptions	30,878
<b>Total Customs Duty Expenditure</b>	<b>521,704</b>

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

<b>Table 4: Tax Expenditure of Federal Taxes</b>	Rs Billion
Income Tax	423.9
Sales Tax	1,294.0
Customs Duty	521.7
<b>Total Tax Expenditure Estimates</b>	<b>2,239.6</b>

Note: Current Tax Expenditure report has been prepared on the basis of FY2021-22 data.