



# PAKISTAN FEDERAL BUDGET 2023 – 24

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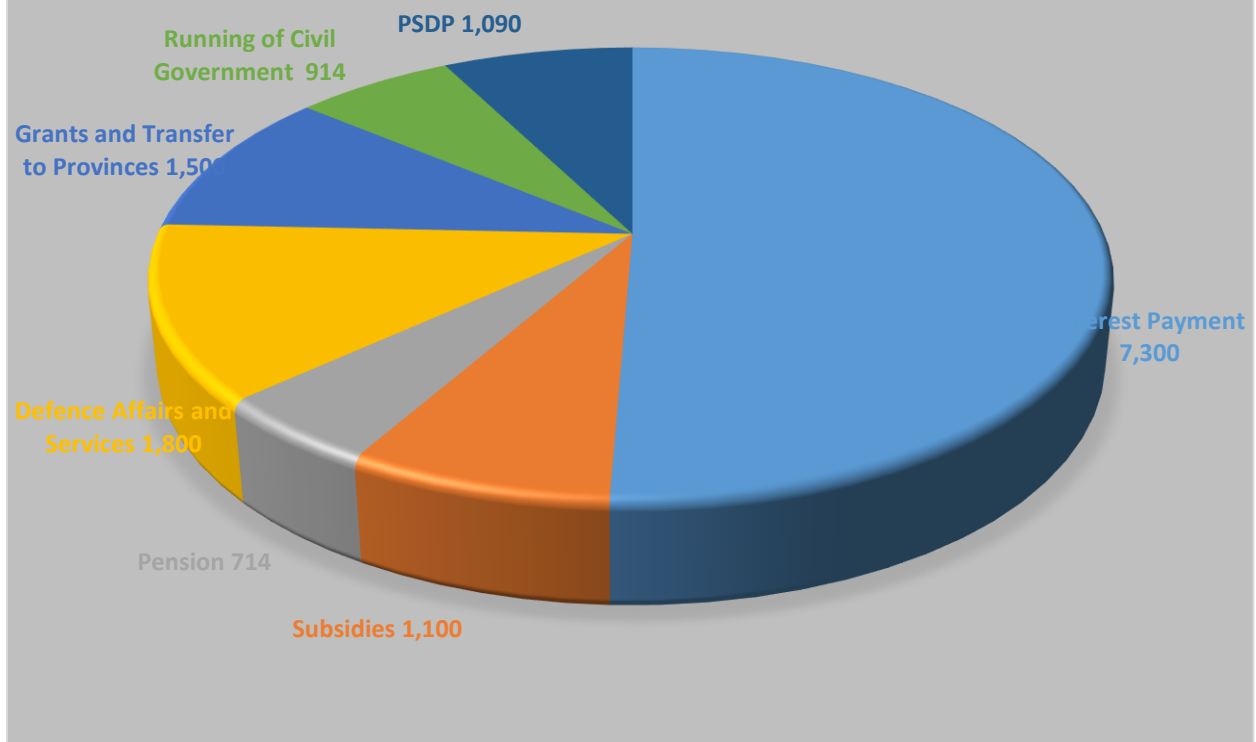
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# BUDGET 2023 24

DESCRIPTIONS	2024 – 23 BUDGETED	2023 – 22 BUDGETED	VARIANCE %
	PKR in billion		
<b>TAX REVENUE</b>			
<b>Direct Taxes</b>			
Taxes on Income Tax	3,714	2,558	45 %
Workers Welfare Fund	-	-	-
Workers Participation Fund	45	15	202 %
Others	-	-	-
	3,759	2,573	46%
<b>INDIRECT TAXES</b>			
Customs Duty	1,178	953	24%
Sales Tax	3,538	3,053	15%
Federal Excise Duty	725	402	80%
	5,441	7,004	23%
<b>TOTAL TAX REVENUE</b>	<b>9,200</b>	<b>7,004</b>	<b>31%</b>
<b>NON TAX REVENUE</b>			
Levies and Fee	869	35	238.2%
Income from Property and Enterprise	-	280	-
Receipts from Civil and Admin	2,094	354	492%
Miscellaneous Receipts	-	1331	-
<b>TOTAL NON TAX REVENUE</b>	<b>2,963</b>	<b>2,000</b>	<b>48 %</b>
<b>TOTAL REVENUE</b>	<b>12,163</b>	<b>9,004</b>	<b>35 %</b>

## EXPENDITURE OUTLAY ( PKR IN BILLIONS )



PSDP	Rs 1,090 Billion
Running Civil Government	Rs 914 billion
Grants and Transfer to Provinces	Rs 1,500 billion
Defence Affairs	Rs 1,800 Billion
Pension	Rs 714 billion
Subsidies	Rs 1,100 billion
Interest Payment	Rs 7,300 billion

# BUDGET HIGHLIGHTS

- Economic growth target fixed at 3.5% for fiscal year 2023-24
- Inflation forecasted to average at 21%
- Tax-to-GDP ratio to stand at 8.7%
- Current account deficit to projected at \$6 billion by end of fiscal year 2023-24
- Rs761 billion allocated for pension
- Agriculture credit limit enhanced from Rs1,800 billion to Rs2,250 billion
- Solarisation of 50,000 agriculture tubewells through Rs30 billion
- Withdrawal of all duties and taxes on imported seeds, combined harvesters, dryers and rice planters
- Rs10 billion earmarked for PM's Youth Business and Agriculture Loans scheme
- Rs6 billion subsidy announced on imported urea
- Targeted subsidy announced on wheat flour, ghee, pulses and rice
- 35% increase in salaries of government servants of grade 1-16 in the form of ad-hoc relief
- 30% increase in salaries of government servants of grade 17-22 in the form of ad-hoc relief
- No sales tax return by freelancers with exports of \$2,000 per month
- Increase in Benazir Income Support Programme allocation from Rs400 billion to Rs450 billion
- Upward revision in pensions and increase in minimum pension to Rs12,000
- Rs10 billion set aside for provisions of 100,000 laptops for students

- Exemption of custom duty on import of raw material for batteries, solar panels and inverters
- Customs Duty on import of agriculture tractors to be 10 % and 15 % as per certain conditions

# SALIENT FEATURES

## INCOME TAX

- The scope of entities falling under SME has been widened by including IT and IT enabled services and increasing the turnover limit to RS 850 million
- Under Foreign Investment Promotion and Protection Act all investors and shareholders of the qualified investment, their associates and companies specified in Second and Third Schedule shall be exempt from taxes and other provisions of the Ordinance to the extent provided in Second and Third Schedule to the said Act.
- Tax credit introduced for construction of house at lower of Rs 1 million or 10 % of assessed value of tax for that tax year
- Definitions of persons included as “associates” and “relative” amended
- An additional tax to be imposed on every person who has any income, profit or gains that have arisen due to any economic factor or factors that resulted in unexpected income, profits or gains whether or not disclosed in the financial statements. The applicability of this clause is on last preceding five years
- Establishment of International Centre of Tax Excellence
- Every banking company shall deduct advance adjustable tax at the rate of 0.6% of the cash withdrawal from a person whose name is not appearing in the active taxpayers’ list on the sum total of the payments for cash withdrawal in a day, exceeding fifty thousand rupees
- There has been introduced an advance tax of Rs 2,000 on employing any foreign worker domestically
- Exemption of advance tax of 2% at the time of sale and purchase of property by nonresident Pakistan nationals
- Every company, issuing bonus shares to the shareholders of the company, shall withhold ten percent of the bonus shares to be issued.

The bonus shares so issued to shareholders shall have a 10 % advance tax which will be final tax

- Tax holiday has been introduced for SMEs setup exclusively as Agro based industry in a rural area duly notified, subject to certain conditions
- Tax rate on commercial importers of goods classified in Part III of the Twelfth Schedule has been increased from 5.5% to 6% of the import value as increased by customs duty, sales tax and federal excise duty.
- Withholding tax from payments to non-residents' Permanent Establishments on account of sale of goods, rendering of services and execution of contracts increased by 1 % each
- Every banking company will be required to collect adjustable advance tax from transfer of any sum remitted outside Pakistan through credit, debit or prepaid cards. Rate of tax to be deducted on the above-referred transactions is to be increased from 1% to 5%.
- More extensive super tax slabs have been introduced with highest slab rate now being 10 %

S No	Income Slab	Rate of Tax 2023	Rate of Tax 2024
1.	Where income does not exceed Rs. 150 million	0 %	0 %
2.	Where income exceeds Rs. 150 million but does not exceed Rs. 200 million	1 %	1 %
3.	Where income exceeds Rs. 200 million but does not exceed Rs. 250 million	2 %	2 %
4.	Where income exceeds Rs. 250 million but does not exceed Rs. 300 million	3 %	3 %
5.	Where income exceeds Rs. 300 million but does not exceeds 350 million	4 %	4 %
6.	Where income exceeds Rs. 350 million but does not exceeds 400 million	4 %	6 %
7.	Where income exceeds Rs. 400 million but does not exceeds 500 million	4 %	8 %
8	Where income exceeds Rs. 500 million	4 %	10 %



- Minimum Tax based on turnover reduced to 1 % for listed companies and 1.25 % o for other cases
- Subject to certain conditions there is a reduction in tax liability on Income from business for tax years 2024 to tax years 2026 to youth enterprise in case of:

i) Individual or Association of Persons by 50% or Rs 2 million, whichever is lower; and

ii) Company by 50% or Rs 5 million, whichever is lower

- The taxable income arising from additional advances for IT and IT Enabled Services in Pakistan for banking companies for the tax years 2024 to 2025, shall be taxed at the rate of 20% instead of the rate provided in Division II of Part 1 of the First Schedule.

Taxable income subject to reduced rate of tax =  $A \times B/C$

Where

A. is taxable income of the banking company;

B. is net mark-up income earned from such additional advances for the tax year as declared in the annual accounts; and

C. is total of the net mark-up and non-mark-up` income of the banking company as per accounts.

- Powers and tax collection duties of NCCPL expanded
- The immunity limit for source of income explanation for foreign remittance within Pakistan has been increased to \$ 100,000 per annum.
- The definition of Permanent Establishment has been amended to widen the scope by including remote operations and services providing of foreign residents within Pakistan and hence their taxability
- The tax exemption on sale of immovable property or shares from Special Purpose Vehicle to from REIT has been further extended till June 30th 2024

## SALES TAX

- From the definition of goods and services the production, transmission and distribution of electricity has been excluded.
- Zero rating on imports made under first schedule of Foreign Investment (Promotion and Protection) Act, 2022
- Exemption restored on contraceptives, bovine semen, saplings, harvester, dryer for agriculture, No-till-direct seeder
- Reduced rate of 12% on supplies made from integrated retail outlets enhanced to 15%
- Jewelers and Retailers registered on the basis of covered area only excluded from definition of Tier-1 Retailers
- Sales tax on certain API and medicines reduced to 1 % with no input adjustment
- Exemption available to Tribal Areas on supply of electricity and imports of plant and machinery extended up to 30 June 2024

## CUSTOMS DUTY

- Customs Duty if imported by manufacturer or local assemblers if registered with sales tax has been exempted for the following :
  - i. certain raw materials for manufacture of PV modules
  - ii. parts of solar inverters
  - iii. parts of lithium batteries
  - iv. Solar PV Modules Panels manufacturing machinery and equipment.
  - v. Lithium ion batteries manufacturing machinery and equipment.
  - vi. Baby shrimp/prawns/juvenile for breeding in commercial fish farms and hatcheries.
  - vii. Paper of certain specifications, art cards and boards used for printing the Holy Quran;

- viii. (v) Organic composite solvents and thinners for manufacture of Butyl Acetate and Dibutyl Orthophthalates;
- ix. Roasted peanuts for manufacturing of Ready to Use Supplementary Foods (RUSF) & Ready to Use Therapeutic Foods (RUTF), subject to certain conditions;
- Exemption on the following items has been further extended
  - i. Import of specified goods by industries setup in erstwhile FATA areas extended to June 30, 2024; and
  - ii. Import of Flavoring powders for food preparation till June 30, 2024.
- to determine the customs value of any goods, the Director of Customs Valuation, instead of adopting, may only consult the values available in internationally acclaimed publications, periodicals, bulletins or official websites of manufacturers or indenters of goods
- Progressive penalty rates to be replaced with a fixed penalty for persons who fail to attach or electronically upload mandatory documents
- Reduced rate of CD of 3% is proposed to be extended till 30 June 2024 on import of flavoring powders by the manufacturers of snacks
- The act of carrying, transportation, removing, depositing, harboring, keeping, concealing, retailing, or enroute pilferage of transit goods in the term "Smuggle" is in relation to the territorial jurisdiction of Pakistan
- In order to In order to facilitate trade the warehousing period for perishable items has been extended to three months.
- Customs Duty on certain packaging material used for medicines to be reduced from 10 % to 5 %
- Custom Duty to be exempted on import of certain Active Pharmaceutical Ingredients
- Customs duty at 1% prescribed for fully dedicated LNG, LPG and CNG buses (CBU) to be withdrawn.