

## Annexure II

# Tax Expenditure

Tax expenditure for FY2018 has been estimated at Rs 540.98 billion. Detailed estimates are highlighted below:

### Income Tax

Tax expenditure in respect of direct taxes during FY2018 has been reflected in Table 1:

<b>Table-1: Tax Expenditure of Direct Taxes during FY2018</b>		<b>Rs in billion</b>
<b>S. No.</b>	<b>Tax Expenditure on various exemptions and concessions</b>	<b>Estimated Revenue Loss FY2018</b>
1	Credit u/s 64A regarding interest on house building	1.040
2	Credit u/s 64AB deductible allowance on education expenses	0.057
3	Credit u/s 65B. Tax Credit availed for balancing modernization and replacement of plant & machinery (excluding BF credits)	34.714
4	Credit u/s 65C	0.190
5	Credit u/s 65D	3.321
6	Credit u/s	4.480
7	Tax loss due to exempt business income claimed by IPPs under clause (132) of Part 1 of the Second Schedule of Income Tax Ordinance 2001	17.929
8	Tax loss due to exemption to export of IT services under clause (133) of Part 1 of the Second Schedule of income Tax Ordinance 2001	0.046
<b>Total</b>		<b>61.777</b>

### Sales Tax

Major exemptions in sales tax and their tax expenditures during FY2018 are presented in Table 2.

<b>Table-2: Tax Expenditure of Sales Tax for FY2018</b>		<b>Rs in billion</b>
<b>SRO</b>	<b>Loss of Sales Tax due to Exemptions</b>	
SRO 1125(I)/2011, dated 31.12.2011 (leather, textile, carpets, surgical goods etc.)		61.3
Import under 5 <sup>th</sup> Schedule		0.75
Local supply under 5 <sup>th</sup> Schedule		27.6
Imports under 6 <sup>th</sup> Schedule		75.9
Local supply under 6 <sup>th</sup> Schedule		96.2
Imports under 8 <sup>th</sup> Schedule		19.3
<b>Grand Total</b>		<b>281.05</b>

### Customs

Following is the break-up of estimates of tax expenditure of main exemptions in Customs Duties for FY2018.

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Table-3: Cost of Customs Duty Exemption for FY2018			Rs. in Million
S.No	SRO No. & Date	Description	Cost of Exemption (Estimated) FY2018
	<b>FTAs/PTAs</b>		
1	659(I)/2007 30.06.2007	Exemption from customs duty on import into Pakistan from <b>China</b>	31,415
2	1296(I)/2005 31.12.2005	Exemption from customs duty on import into Pakistan from <b>China</b>	1
3	497(I)/2009 13.06.2009	Concession of customs duty on import into Pakistan <b>China</b>	9
4	558(I)/2004 01.07.2004	Concession of customs duty on goods imported from <b>SAARC</b> and <b>ECO</b> countries	274
5	894(I)/2006 31.08.2006	Exemption from customs duty on import into Pakistan from Iran under <b>Pak-Iran PTA</b> .	0
6	1274(I)/2006 29.12.2006	Exemption from customs duty on imports into Pakistan from under <b>SAFTA</b> Agreement	1,329
7	1151(I)/2007 26.11.2007	Exemption from customs duty on goods imported from <b>Mauritius</b> .	15
8	1261(I)/2007 31.12.2007	Exemption from customs duty on import into Pakistan from Malaysia	2,674
9	280(I)/2014 08.04.2014 570(I)/2005 06.06.2005	Exemption from customs duty on imports from <b>Sri Lanka</b>	2,802
10	741(I)/2013 28.08.2013	Exemption from customs duty on import into Pakistan from Indonesia	3,865
	<b>General Concessions: Automobile sector, E &amp; P Companies, CPEC etc</b>		
11	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)	2,897
12	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..	4,640
13	655(I)/2006 22.06.2006	Exemption from customs duty for vendors of Automotive Sector	18,899
14	656(I)/2006 22.06.2006	Exemption from customs duty for OEMs of Automotive Sector	35,030
15	<b>39(I)/2017</b> <b>23.01.2017</b>	Exemption from customs duty on cotton	1,496
16	<b>642(I)/2016</b> <b>27.07.2016</b>	Exemption from customs duty for CPEC	397
17	5th Schedule 26.06.2014	Concessions under Fifth Schedule to the Customs Act, 1969	92,408
<b>Total</b>			<b>198,151</b>

Source: PRAL

Following is the consolidated summary of tax expenditure for the FY 2018 in Table 4.

Table 4: Tax Expenditure of Federal Taxes for FY 2018 (Rs. billion)		
S. No.	Type of Tax	FY2018
1.	Income Tax	61.78
2.	Sales Tax	281.05
3.	Customs Duty	198.15
<b>Total :</b>		<b>540.98</b>

Source: Federal Board of Revenue.