Chapter 04

Fiscal Development

Despite the challenging economic conditions, both domestically and globally, Pakistan's current fiscal situation remains resilient. The primary balance, a key indicator for debt sustainability, remained in surplus at 1.5 percent of GDP during July-March FY 2024. This achievement instills confidence that Pakistan is on track to meet its end-of-FY 2024 primary balance target.

The Fiscal Risk Statement 2023-24 highlighted that the fiscal position was vulnerable to changes in key macroeconomic variables, especially GDP growth, interest rates, inflation, and exchange rates. Given the ongoing global and domestic economic conditions, the economy's slow but steady recovery was expected in FY 2024. Furthermore, a gradual decrease in the inflation rate was anticipated due to improvements in the supply chain and stabilization of the Pakistani rupee. However, during FY 2024, there was a relatively slow improvement in economic activities, and a slower adjustment in inflation was observed. Nevertheless, there was an improvement in revenue collection due to government efforts, though this was largely offset by a significant challenge emerging from mounting pressure on expenditures, mainly due to higher markup payments. However, the fiscal deficit stood at 3.7 percent of GDP during July-March FY 2024, the same as recorded last year.

Pakistan's fiscal policy is not without its challenges. Persistent fiscal deficits and debt, compounded by global and domestic factors, have posed significant hurdles over the past two years. The country's fiscal accounts have been strained by unprecedented expenditures and moderate revenue growth. The situation was further exacerbated by the massive floods during the initial months of FY 2023, which led to significant domestic supply disruptions and added pressure on inflation. Import compression policies and a contraction in industrial activities have also hindered revenue generation efforts. These factors have created numerous challenges for Pakistan's struggling economy, particularly in terms of fiscal sustainability.

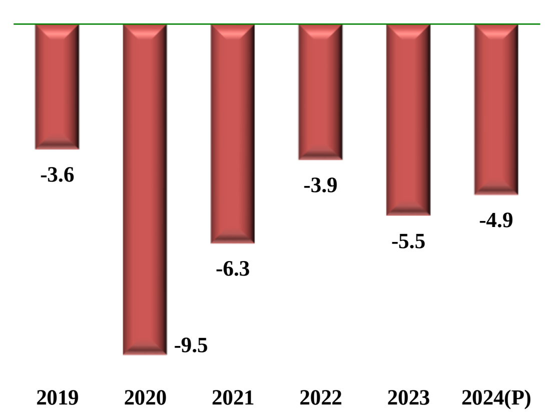
In response to the challenges, the government is actively improving public finances by implementing reforms and initiatives related to revenue and spending. The measures are primarily focused on enhancing revenue collection through tax policy and administration reforms. Additionally, efforts are being made to strengthen public financial management, ensure transparent spending, and improve debt management. These reforms aim to reduce reliance on borrowing, mitigate debt-related risks, and create room for social assistance and development spending. Ultimately, these changes will promote a more equitable growth path and enable the government to manage fiscal risks better.

Global Fiscal Performance

It is crucial to ensure sustainable public finances to create enough space for essential investments, and efficient public service delivery, and to enable governments to handle future economic shocks effectively. Despite a stable global economic outlook, fiscal policy faces new challenges due to increased spending pressures, mainly because of elections in over 80 economies. This challenge is made worse by existing high debt and deficit issues and high interest rates, limiting the fiscal space in many countries. In addition to these challenges, escalating geopolitical tensions and natural disasters could further strain budgetary accounts.

Thus, even in 2023, the global fiscal deficits and debts are higher than the pre-pandemic projections after four years of the COVID-19 pandemic outbreak. The global fiscal deficit increased from 3.9 percent of the worldwide GDP in 2022 to 5.5 percent in 2023, alongside an uptick in global public debt from 91.3 percent to 93.2 percent during the same period. However, the fiscal deficit is expected to reduce to 4.9 percent of GDP in 2024. Continuing the modest fiscal consolidation over the medium term, the fiscal deficit is expected to stabilize at 4.3 percent of GDP by 2029[1]. Given the emerging challenges for fiscal policy, a gradual fiscal consolidation is essential to ensure sustainable public finances.

Fig-4.1: Global Fiscal Deficit % of GDP



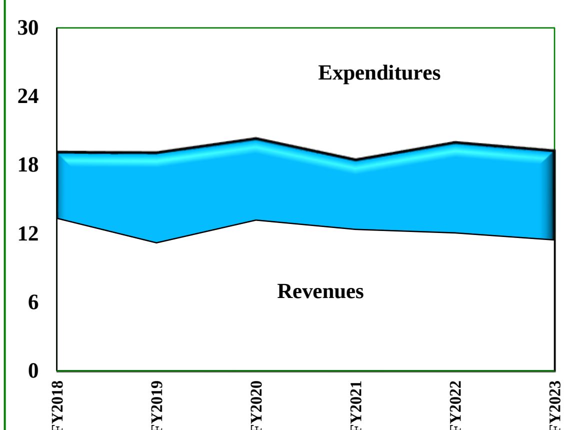
Source: Fiscal Monitor, April 2024. IMF

Pakistan's Fiscal Performance (FY 2023)

Before delving into the current year, it is necessary to analyze fiscal performance for FY 2023 based on complete information.

The expansionary fiscal policy stance adopted in FY 2022 brought substantial risks for fiscal sustainability in Pakistan as the revenue expenditure gap widened significantly. Realizing the significant risks for fiscal sustainability due to the expansionary fiscal policy stance in FY 2022, the fiscal strategy in FY 2023 was centered on controlling the fiscal deficit and maintaining the primary balance at a sustainable level. Thus, effective resource mobilization and prudent expenditure management were budgeted. Nonetheless, the factors that surfaced at the domestic and global levels significantly impeded the efforts to improve the fiscal accounts. Factors like the international economic and geopolitical situation coupled with massive floods at the start of FY 2023, tight financial conditions, high inflationary pressures, exchange rate depreciation, and tight monetary policies triggered a significant contraction in economic activities.

Fig-4.2: Revenue-Expenditure Gap (% of GDP)



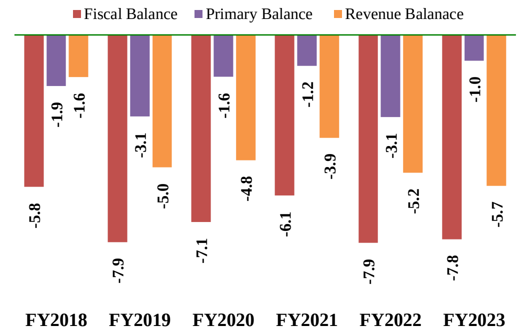
Source: Budget wing & EA Wing's calculations

The massive floods escalated the need for flood-related expenditures while simultaneously, the contraction in economic activities significantly hampered revenue mobilization efforts. Consequently, the fiscal deficit stood at 7.8 percent of GDP in FY 2023, slightly lower than the 7.9 percent of GDP recorded in FY 2022. However, the government's prudent measures helped achieve a restricted growth in non-mark-up expenditures. Thus, the primary deficit improved to 1.0 percent of GDP in FY 2023 from 3.1 percent in FY 2022.

[1] Fiscal Monitor, April 2024; Fiscal Policy in the Great Election Year. IMF

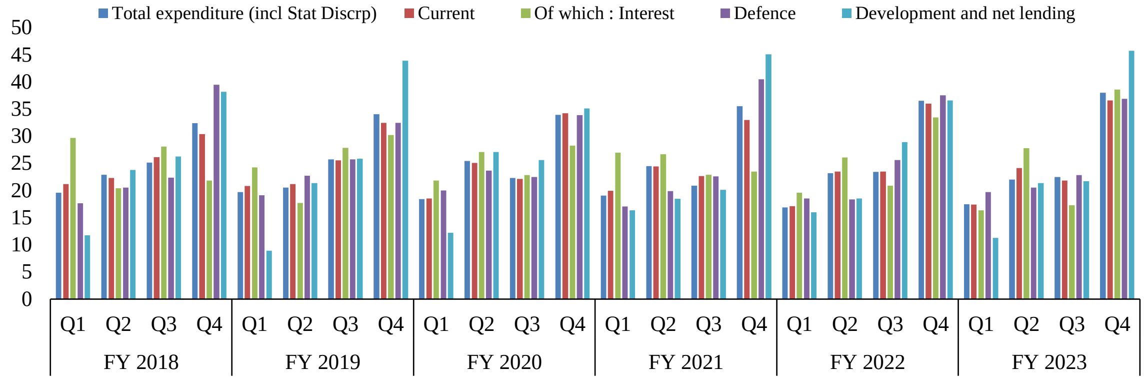
Quarter-wise analysis shows that the fiscal deficit was 3.7 percent of GDP in the first three-quarters of FY 2023. However, the deficit increased considerably in the last quarter, reaching 4.1 percent of GDP. This sharp increase indicates a historical rigidity in expenditures rising substantially towards the end of the fiscal year, contributing to a higher overall deficit in the final quarter. Fig 4.4 shows the quarter-wise share of expenditures in total expenditures, which underscores the rise in the last two quarters.

Fig-4.3: Fiscal Indicators % of GDP



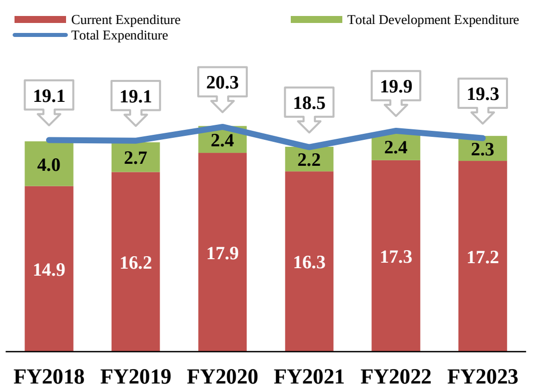
Source: Budget wing & EA wing's calculations

Fig-4.4: Quarter-Wise Share of Expenditures in Total Expenditure (%)



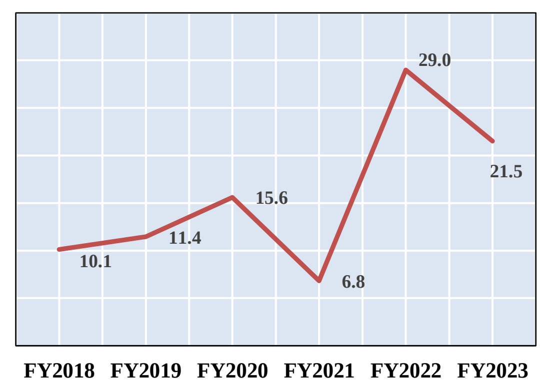
Source: Pakistan Fiscal Operations & EA wing's calculations

Fig-4.5: Expenditure % of GDP



Source: Budget wing & EA wing's calculations

Fig-4.6: Growth in Total Expenditure (%)

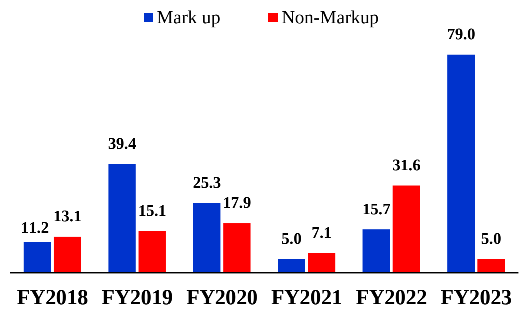


Source: Budget wing & EA wing's calculations

Despite unprecedented challenges, the government continued its efforts to control expenditures through austerity measures. As a result, total spending reached 19.3 percent of GDP in FY 2023, down from 19.9 percent in FY 2022.

Notably, the growth in current expenditures reduced to 25.4 percent in FY 2023 compared to 26.8 percent recorded in FY 2022. This moderation in current spending was observed on the back of limited growth in non-mark-up current expenditures, primarily driven by a sharp decline in subsidies and grants. On the contrary, the markup spending grew significantly by 79.0 percent in FY 2023 against 15.7 percent growth in FY 2022. This increase has been attributed to elevated global and domestic interest rates compounded by rupee depreciation, thus increasing the debt servicing cost. The markup payments on domestic and foreign debt surged 74.5 percent and 114.7, respectively, in FY 2023. Similarly, the share of markup payments in current expenditure increased to 39 percent in FY 2023 from 28 percent in FY 2022. The trend in component-wise spending is presented in Table 4.1.

Fig-4.7: Growth in Current Expenditure (%)



Source: Budget wing & EA wing's calculations

Table 4.1: Trends in Components of Expenditure (% of GDP)

Year	Total Expenditure	Current Expenditure	Markup Payments	Defense	Development Expenditure*	Non-Interest Non-Defence Exp	Fiscal Deficit	Revenue Deficit/ Surplus	Primary Balance
FY2016	17.7	14.3	3.9	2.3	4.0	11.5	4.1	-0.8	-0.3
FY2017	19.1	14.6	3.8	2.5	4.8	12.8	5.2	-0.7	-1.4
FY2018	19.1	14.9	3.8	2.6	4.0	12.7	5.8	-1.6	-1.9
FY2019	19.1	16.2	4.8	2.6	2.7	11.7	7.9	-5.0	-3.1
FY2020	20.3	17.9	5.5	2.6	2.4	12.2	7.1	-4.8	-1.6
FY2021	18.5	16.3	4.9	2.4	2.2	11.2	6.1	-3.9	-1.2
FY2022	19.9	17.3	4.8	2.1	2.4	13.1	7.9	-5.2	-3.1
FY2023	19.3	17.2	6.8	1.9	2.3	10.6	7.8	-5.7	-1.0
FY2024 B.E	19.2	16.9	6.9	1.7	2.2	10.6	6.5	-4.2	0.4

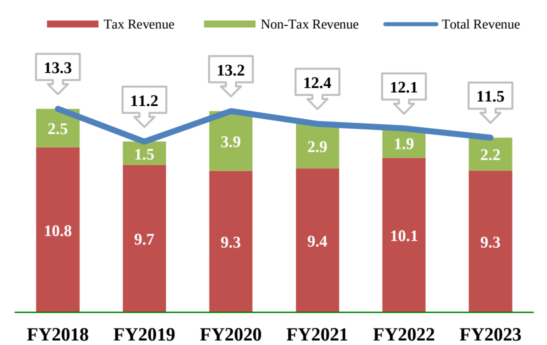
* excluding net lending

Source: Budget Wing, Finance Division, and EA Wing's Calculations

Total development expenditures and net lending grew by 17.8 percent in FY 2023 against a 26.0 percent increase in FY 2022. The deceleration was primarily attributed to the slow pace of growth in provincial development spending during the year. Federal PSDP (including development grants to provinces) witnessed a sharp rise of 33.1 percent during FY 2023, following a contraction of 16.4 percent in the preceding year. On the other hand, the provincial government restricted development spending growth to 2.0 percent in FY 2023, following a substantial growth of 58.0 percent in FY 2022. During the year, the government prioritized vital development projects and followed a strategy to rationalize the expenditures so that more resources could be available for flood-related activities.

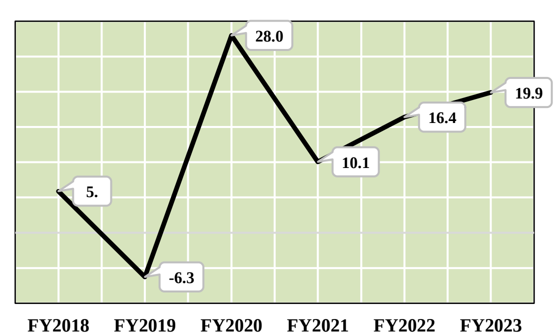
On the revenue side, total revenues increased by 19.9 percent, reaching 11.5 percent of GDP in FY 2023, compared to 16.4 percent growth in FY 2022, reaching 12.1 percent of GDP. The accelerated revenue growth is mainly due to 41.8 percent increase in non-tax collection during FY 2023, against the contraction of 21.5 percent registered in FY 2022.

Fig-4.8: Revenues % of GDP



Source: Budget wing & EA wing's calculations

Fig-4.9: Growth in Revenues (%)



Source: Budget wing & EA wing's calculations

Higher receipts from the petroleum levy have driven substantial growth in the non-tax collection due to a gradual increase in PDL from Rs 10 (July 2022) to Rs 50 per liter (November,2022). As a result of this adjustment, receipts under the petroleum levy surged by more than 300 percent, reaching Rs 579.9 billion in FY 2023 compared to Rs 127.5 billion in FY 2022. In contrast, the growth in tax collection was reduced to 15.7 percent in FY 2023 from 28.1 percent in FY 2022. The tax collection efforts faced numerous challenges due to massive floods, import compression, economic slowdown, a considerable decline in LSM output, and zero rating on petroleum products to relieve the masses. Additionally, ad-hoc exemptions were granted on taxes for procuring flood-related goods, both domestically and through imports. Collectively, these factors significantly impeded overall tax collection efforts.

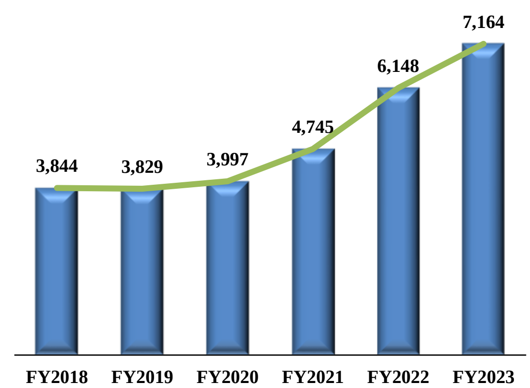
On the provincial side, all four provinces posted a combined surplus of Rs 154.6 billion, which was not only less than the budget target of Rs 750 billion but also lower than Rs 351.0 billion recorded in FY 2022. The deceleration in provincial surplus has been observed due to the slow pace of revenue growth relative to expenditures. Punjab, Sindh, and Khyber Pakhtunkhwa generated a surplus of Rs 90.1 billion, Rs 50.4 billion, and Rs 16.6 billion, respectively, while Balochistan posted a deficit of Rs 2.5 billion in FY 2023.

Structure of Tax Revenues

During FY 2023, the government took various measures to improve tax collection. However, the contraction in economic activities emerged as a substantial challenge that caused tax revenues to remain below the revised target of Rs 7,200 billion. The FBR tax-to-GDP ratio was reduced to 8.5 percent in FY 2023.

The FBR tax-to-GDP ratio has remained between 8.4 and 9.8 percent during the last six years. A narrow tax base, massive tax evasion and avoidance, lack of effective enforcement, poor documentation, exemptions/concessions, and fragmentation across provinces have significantly affected the ratio.

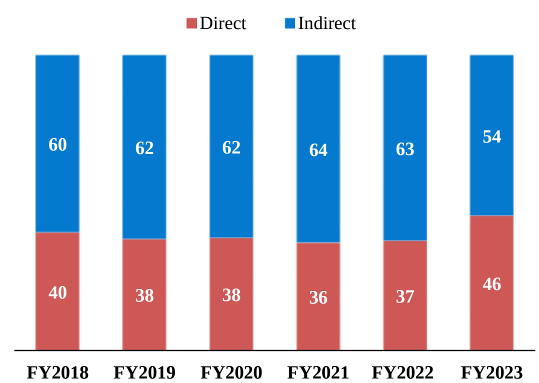
Fig-4.10: FBR Tax Revenues (Rs Bilion)



Source: FBR

Nevertheless, amidst unprecedented challenges, the FBR managed to achieve a growth rate of 16.5 percent to reach Rs 7163.8 billion in FY 2023 compared to Rs 6148.5 billion in FY 2022. Within total, direct taxes remained the primary revenue-generating source with 43.1 percent growth, followed by 15.3 percent growth in FED and 2.4 percent from sales tax. Meanwhile, revenues from customs duty registered a decline of 7.9 percent, owing to the import compression policy.

Fig-4.11: Shares in Total FBR Tax Collection %



Source: FBR & EA wing's calculations

Indirect taxes are constantly dominating the composition of Pakistan's tax revenues. However, the government is taking various measures to improve the collection of direct taxes. The strategy to make taxation progressive and equitable by shifting the tax burden to society's wealthiest and affluent groups helped in robust growth in direct taxes. Furthermore, the share of direct taxes in total FBR revenues also increased significantly to 46 percent in FY 2023 from 37.2 percent in FY2022. On the other hand, the contribution of indirect taxes was reduced to 54.4 percent from 62.8 percent in FY2022. The component-wise share indicates that sales tax accounted for 36.2 percent, FED for 5.2 percent, and customs for 13.0 percent in total FBR tax collection in FY 2023. The structure of FBR tax revenues is given in table 4.2:

Table 4.2: Structure of Federal Tax Revenue Rs billion

Year	Total (FBR)	Tax Rev as % of GDP	Direct Taxes	Indirect Taxes			
				Customs	Sales	Excise	Total
FY2016	3,112.7	9.5	1,217.3	404.6	1,302.7	188.1	1,895.4
			[39.1]	{21.3}	{68.8}	{9.9}	[60.9]
FY2017	3,367.9	9.5	1,344.2	496.8	1,329.0	197.9	2,023.7
			[39.9]	{24.5}	{65.7}	{9.8}	[60.1]
FY2018	3,843.8	9.8	1,536.6	608.4	1,485.3	213.5	2,307.2
			[39.7]	{26.4}	{64.4}	{9.3}	[60.0]
FY2019	3,828.5	8.7	1,445.5	685.6	1,459.2	238.2	2,383.0
			[37.8]	{28.8}	{61.2}	{10.0}	[62.2]
FY2020	3,997.4	8.4	1,523.4	626.6	1,596.9	250.5	2,474.0
			[38.1]	{25.3}	{64.5}	{10.1}	[61.9]
FY2021	4,745.0	8.5	1,731.3	748.4	1,988.3	277.0	3,013.7
			[36.5]	{24.8}	{66.0}	{9.2}	[63.5]
FY2022	6,148.5	9.2	2,284.9	1,010.7	2,532.2	320.7	3,863.6
			[37.2]	{26.2}	{65.5}	{8.3}	[62.8]
FY2023	7,163.8	8.5	3,269.8	930.9	2,593.3	369.8	3,894.0
			[45.6]	{23.9}	{66.6}	{9.5}	[54.4]
FY 2024 B.E	9,415.0	8.9	4,255.0	1,211.0	3,411.0	538.0	5,160.0
			[45.2]	{23.5}	{66.1}	{10.4}	{54.8}

B.E: Budget Estimate *[]as % of total taxes {} as % of indirect taxes*

Source: Federal Board of Revenue

Fiscal Performance (July-March FY 2024)

In FY 2024, the government's fiscal consolidation efforts focused on optimal resource mobilization through various revenue measures announced in Budget 2023-24 and expenditure control through austerity measures.

It is widely acknowledged that consolidation success rises with a favorable external and domestic environment, particularly high economic growth and low interest rates. In Pakistan, efforts to achieve fiscal consolidation contributed to an improvement in revenue growth relative to expenditures; however, higher interest payments due to higher internal and domestic interest rates put pressure on spending and brought significant challenges for better fiscal management. For FY 2024, the fiscal deficit was budgeted at 6.5 percent of GDP. However, it is projected to surpass the budget estimate by the end of FY 2024 due to rising markup payments.

Table 4.3: Consolidated Revenue & Expenditure of the Government

	FY 2024 B.E	July-March (Rs billion)		Growth
		FY2024	FY2023	
A. Total Revenue	13,377.0	9,780.4	6,938.2	41.0
% of GDP	12.6	9.2	8.3	
a) Tax Revenue	10,283.0	7,262.5	5,617.7	29.3
% of GDP	9.7	6.8	6.7	
Federal (FBR Taxes)	9,415.0	6,711.5	5,155.9	30.2
% of GDP	8.9	6.3	6.1	
Provincial Tax Revenue	868.0	551.0	461.8	19.3
b) Non-Tax Revenue	3,094.0	2,517.9	1,320.5	90.7
% of GDP	2.9	2.4	1.6	
B. Total Expenditure	20,278.0	13,682.8	10,016.9	36.6
% of GDP	19.2	12.9	11.9	
a) Current Expenditure	17,842.0	12,333.3	9,244.6	33.4
% of GDP	16.9	11.6	11.0	
Federal	13,248.0	9,123.7	6,607.9	38.1

Table 4.3: Consolidated Revenue & Expenditure of the Government

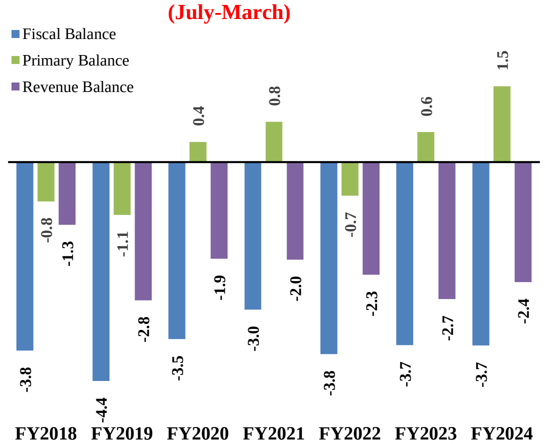
	FY 2024 B.E	July-March (Rs billion)		Growth
		FY2024	FY2023	
Markup Payments	7,303.0	5,517.8	3,582.4	54.0
% of GDP	6.9	5.2	4.3	
Defence	1,804.0	1,222.4	1,000.7	22.2
% of GDP	1.7	1.2	1.2	
Provincial	4,594.0	3,209.6	2,636.7	21.7
b) Development Expenditure & net lending	2,436.0	1,142.8	1,060.4	7.8
% of GDP	2.3	1.1	1.3	
PSDP	2,283.0	1,158.1	1,014.0	14.2
c) Net Lending	153.0	-15.3	46.5	
e) Statistical discrepancy	-	206.8	-288.1	
C. Overall Fiscal Balance	-6,901.0	-3,902.4	-3,078.7	26.8
As % of GDP	-6.5	-3.7	-3.7	
D. Primary Balance	402.0	1,615.4	503.8	
% of GDP	0.4	1.5	0.6	
Financing	6,901.0	3,902.4	3,078.7	26.8
i) External Sources	2,724.0	493.8	-682.8	
ii) Domestic	4,177.0	3,408.6	3,761.5	-9.4
- Bank	2,256.0	3,786.6	1,958.8	93.3
- Non-Bank	1,906.0	-378.0	1,802.7	
Privatization Proceeds	15.0	0.0	0.0	
GDP at Market Prices	105,817	106,045*	83,875**	26.4

*: Provisional GDP estimate for FY 2024, **Revised GDP for FY2023

Source: Budget Wing, Finance Division

During July-March FY 2024, the fiscal deficit widened by 26.8 percent. In terms of GDP, it stood at 3.7 percent of GDP, the same as last year. The government fetched Rs 3,408.6 billion from domestic sources and Rs 493.8 billion from external sources to finance the deficit.

Fig-4.12: Fiscal Indicators % of GDP (July-March)

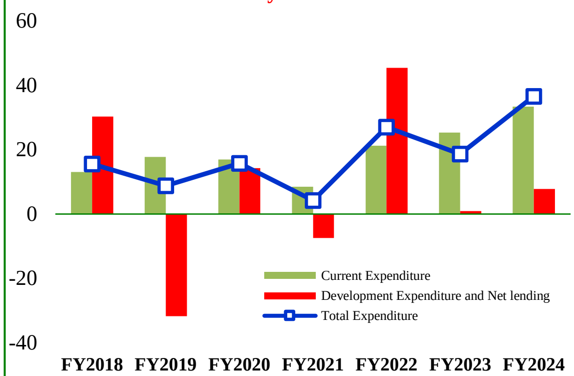


Source: Budget wing & EA wing's calculations

Measures to control non-mark-up spending and revenue mobilization helped improve the primary surplus to Rs 1615.4 billion (1.5 percent of GDP) during July-March FY 2024 from Rs 503.8 billion (0.6 percent of GDP) last year. The government's prudent fiscal management enabled it to meet its primary expenditures, as shown by continuous improvement in the primary surplus. Similarly, the revenue deficit improved to 2.4 percent of GDP in July-March FY 2024 from 2.7 percent of GDP registered last year.

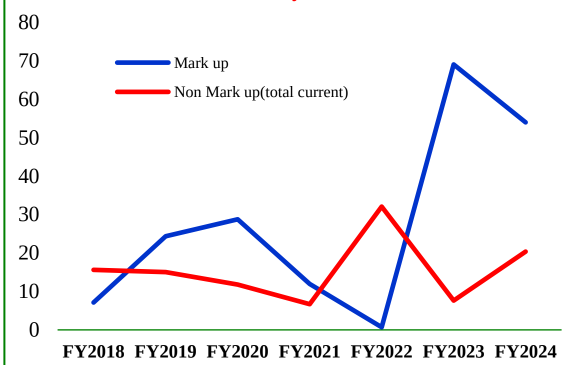
According to the consolidated fiscal operations, total expenditure increased by 36.6 percent to Rs 13,682.8 billion in July-March FY 2024 from Rs 10,016.9 billion in the same period last year. Within total expenditures, current expenditures increased to Rs 12,333.3 billion during July-March FY 2024 from Rs 9,244.6 billion in FY 2023, showing a growth of 33.4 percent. The sharp rise in current expenditures is primarily attributed to a 54 percent increase in markup payments during the first nine months of FY 2024. In absolute terms, the markup payments increased to Rs 5,517.8 billion during July-March FY 2024 from Rs 3,582.4 billion in the same period last year. During July-March FY 2024, since external financing remained within the medium-term debt risk targets of 40 percent, significant borrowing had to be raised from domestic debt capital markets. In this regard, during the said period, more than 70 percent of domestic debt stock was comprised of floating rate instruments, and a higher policy rate of 22 percent during the year triggered a sharp rise in domestic debt servicing. Consequently, the domestic debt servicing increased by 54.7 percent to reach Rs 4,807.6 billion during July-March FY 2024, from Rs 3,107.7 billion last year.

Fig-4.13: Growth in Expenditures (%)
July-March



Source: Budget wing & EA wing's calculations

Fig-4.14: Growth in Current Expenditures (%)
July-March



Source: Budget wing & EA wing's calculations

In FY 2024, the government implemented a cautious expenditure management strategy to release both current and development expenditures while recognizing the potential risks to fiscal accounts stemming from the domestic and internal economic environment. Various austerity measures have been implemented to control expenditures and conserve resources. These measures were disseminated in February 2023, including a complete ban on purchasing all durable goods/new vehicles, serving single-dish meals at government events, and a 15 percent annualized budget slash. The measures will remain until June 2024, except for certain concessions for the Public Sector Development Programme during FY 2024. Therefore, a moratorium on the procurement of machinery/equipment from the current budgetary provision and purchase of vehicles & creation of new posts from both the development and recurrent budget continued to remain in force. On the other hand, a high-level austerity committee chaired by the Finance Minister has also been constituted to relax the ban on a case-to-case basis to address items under the ban warranting procurement under extreme circumstances.

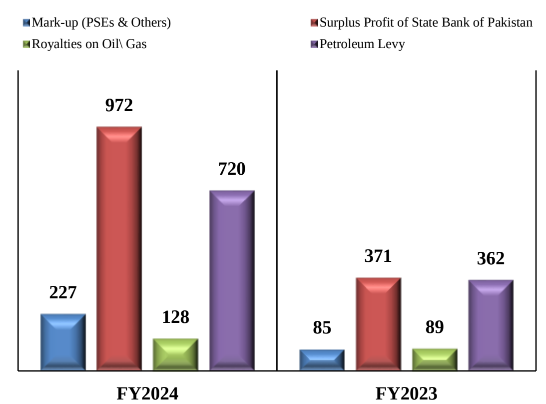
The cautious expenditure approach helped restrict the growth in non-mark-up current spending to 20.4 percent during July-March FY 2024 relative to mark-up expenditures. Within non-mark-up total expenses, the expenditures under subsidies were reduced by 9.8 percent to reach Rs 473.2 billion during July-March FY 2024 from 524.4 billion last year. The subsidy decline is primarily attributed to a 77.9 percent decline in petroleum subsidies. It reduced from Rs 96.3 billion during July-March FY 2024 to Rs 21.2 billion in the same period last year. Similarly, the power sector triggered subsidies worth Rs 383.7 billion during July-March FY 2024, 1.3 percent lower than Rs 388.9 billion the previous year. Further break up shows that during July-March FY 2024, Rs 26.0 billion was provided to the Utility Store Corporation, and Rs 12.3 billion was for various flood-related activities.

On the other hand, expenditures on grants to others increased by 26.3 percent to Rs 779.9 billion during July-March FY 2024 from Rs 617.5 billion last year. The increase is primarily attributed to higher spending under contingent liabilities, reimbursement of TT charges for remittances, the Benazir Income support program, ECP, and the National Disaster Risk Management Fund under the ADB loan.

During July-March FY 2024, total development expenditures grew 14.2 percent to Rs 1,158.1 billion compared to Rs 1,014.0 billion last year. The Federal PSDP (including development grants to provinces) stood at Rs 321.6 billion during July-March FY 2024 against Rs 328.8 billion last year, showing a decline of 2.2 percent. Considering the limited fiscal space, priority has been given to the ongoing national significant projects nearing completion. Priority was given to sectoral allocation to infrastructure projects, followed by the social sector. Within the infrastructure sector, the main focused areas are energy, transport and communication, water resources, and physical planning & housing.

Despite confronting challenges in managing expenditures, the consolidation efforts helped improve the revenue collection that outpaced the growth in expenditures during July-March FY 2024. Total revenues grew 41.0 percent to Rs 9,780.4 billion in July-March FY 2024 from Rs 6,938.2 billion during July-March FY 2023. The substantial revenue increase has been attributed primarily to a sharp rise in non-tax revenues, which grew by 90.7 percent to Rs 2,517.9 billion during July-March FY 2024 against Rs 1,320.5 billion last year. The considerable improvement in the non-tax collection has been realized on the back of higher receipts from SBP profit, petroleum levy, markup (PSEs & others), and royalties on oil/gas, etc.

Fig-4.15: Non Tax Revenues (Rs billion)



Source: Pakistan's Fiscal Operations, Budget wing

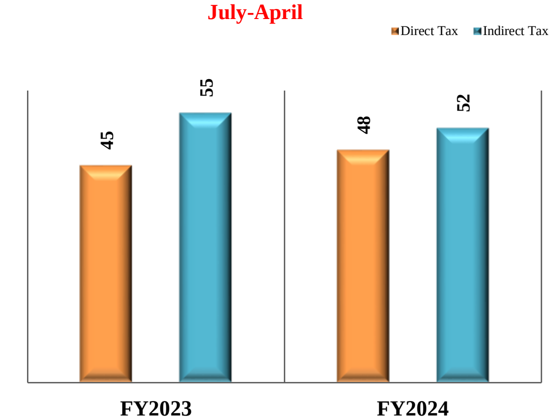
Similarly, total tax collection (federal and provincial) grew by 29.3 percent to Rs 7,262.5 billion during July-March FY 2024, up from Rs 5,617.7 billion last year. FBR tax collection increased 30.2 percent to Rs 6,711.5 billion during July-March FY 2024, up from Rs 5,155.9 billion the previous year. A considerable improvement in tax collection has been observed due to various tax-enhancing measures implemented under the Finance Act 2023.

In the wake of multifaceted challenges, the government's fiscal performance during the first nine months of FY 2024 is a testament to its resolve to continue consolidating efforts to strengthen revenue mobilization and control expenditures. This approach will ensure debt sustainability and create ample fiscal space for much-needed social and development spending.

FBR Tax Collection (July-April FY 2024)

In FY 2024, the FBR tax collection target was Rs 9415 billion. Various new tax policies and administrative measures were introduced to achieve this target. These measures yielded substantial results, particularly in strengthening the collection of domestic taxes. Furthermore, removing import restrictions facilitated a recovery in tax revenues derived from import-related sources. This achievement is noteworthy, especially considering the contraction observed in FY 2023.

Fig-4.16: Contribution In Total FBR Tax (%)
July-April



Source: FBR & EA wing's calculations

FBR net provisional tax collection grew 30.6 percent to Rs 7,361.9 billion in July-April FY 2024 against Rs 5,637.9 billion last year. The domestic tax collection registered 32.3 percent growth to reach 6,464.3 billion during July-April FY 2024 from Rs 4,886.1 billion the previous year. An amount of Rs 411.1 billion has been paid back as refunds during July-April FY 2024 against Rs 282.0 billion in the same period of last year.

During July-April FY 2024, direct tax share increased considerably to 48 percent from 45 percent last year. Meanwhile, the contribution of indirect taxes was reduced to 52 percent in July-

April FY 2024 from 55 percent last year. The increasing share of direct taxes shows a positive development consistent with progressive taxation principles. Tax-wise details are presented in the following Table:

Table 4.4: FRB Tax Collection

Revenue Heads	FY2023 Actual	July-April (Rs million) FY2023	July-April (Rs million) FY 2024(*)	% Change
Income Tax				
Gross		2,528,767	3,561,456	40.8
Refund/Rebate		13,858	48,232	248.0
Net	**3,269,828**	**2,514,909**	**3,513,224**	**39.7**
Indirect Tax				
Gross		3,391,212	4,211,527	24.2
Refund/Rebate		268,190	362,895	35.3
Net	**3,894,009**	**3,123,022**	**3,848,632**	**23.2**
Sales Tax				
Gross		2,327,534	2,836,909	21.9
Refund/Rebate		237,543	338,443	42.5
Net	**2,593,287**	**2,089,991**	**2,498,466**	**19.5**
Federal Excise				
Gross		283,947	453,092	59.6
Refund/Rebate		2,783	513	-81.6
Net	**369,779**	**281,164**	**452,579**	**61.0**
Customs				
Gross		779,731	921,526	18.2
Refund/Rebate		27,864	23,939	-14.1
Net	**930,943**	**751,867**	**897,587**	**19.4**
Total Tax Collection				
Gross	0	5,919,979	7,772,983	31.3
Refund/Rebate	0	282,048	411,127	45.8
Net	**7,163,837**	**5,637,931**	**7,361,856**	**30.6**

*Provisional.

Source: FBR

The revenues from direct taxes have increased significantly, rising by 39.7 percent in the first ten months of FY 2024. The net collection increased to Rs 3,513.2 billion in July-April FY 2024 from Rs 2,514.9 billion recorded in the same period last year. The bulk of tax revenue is generated through income tax. A significant share of income tax is contributed through contracts, imports, profit payout, etc. The tax payments with tax declaration and collection on demand have also shown high growth.

Within indirect taxes, sales tax collection grew by 19.5 percent during July-April FY 2024. The net sales tax collection increased to Rs 2,498.5 billion from Rs 2,090.0 billion last year. Sales tax on imports contributed about 61 percent of total sales tax during July-April FY 2024, while the domestic sector contributed the rest.

The collection of federal excise duties (FED) increased sharply by 61.0 percent during July-April FY 2024. The net collection stood at Rs 452.6 billion during July-April FY 2024, against Rs 281.2 billion during the same period last year. The major revenue spinners of FED are cigarettes, cement, concentrates used in beverages/food, motor cars, and air travel.

Customs duty grew by 19.4 percent to reach 897.6 billion during July-April FY 2024 from Rs 751.9 billion in the same period last year. Mineral fuels, vehicles, edible oil, and machinery have been the significant revenue spinners of customs duty.

The FBR tax collection performance is exhibiting a steady upward trend, indicating the effectiveness of both tax policy and administrative measures. However, the rapid advancement in financial systems and digital payments poses a compelling requirement to align the systems and processes with technology-driven shifts. FBR, a prime revenue organization, is undergoing a reform process to make it a modern and efficient organization for the best outcome. FBR could further enhance revenue collection and, consequently, the tax to GDP ratio by focusing on technology advancement measures.

Box-I: Major initiatives and achievements

Income Tax Policy Measures

- **Enhancing the Scope of Super Tax on High-Earning Persons U/S 4C:** To broaden the scope of Super Tax and bring progressivity in Super Tax rates, additional income slabs and additional rates of Super Tax was imposed, which will be applicable across the board on all persons for the tax year 2023 and onwards.
- **Re-Introduction of Advance Withholding Tax on Cash Withdrawal from Banking Companies:** An advance adjustable tax of 0.6 percent will be collected from non-ATL persons on cash withdrawals aggregating more than Rs 50,000 per day from a bank.
- **Increase in Withholding Tax Rates on the Supply of Goods, on the rendering of Services, and the Execution of Contracts:** The withholding tax rates on transactions made by resident and non-resident persons who have Permanent Establishment in Pakistan are increased by 1 percent of their existing rates, as they have not been increased in five years or more.
- **Re-introduction of withholding tax as a final tax on bonus shares issued by companies:** The withholding tax is levied on the issuance of bonus shares to shareholders at the rate of 10 percent for ATL persons and 20 percent for persons non-ATL persons to capture the tax base involving the issuance of bonus shares. The amount of 10 percent will be calculated as the end-day price in the case of listed companies and for others as prescribed under the Rules.
- **Enhancing the withholding tax rates on payments:** To curb the outflow of foreign exchange, the withholding tax rates against payment through debit/credit card to non-residents were increased from the current 1 percent to 5 percent for ATL persons and from 2 percent to 10 percent for non-ATL persons.
- **Imposition of withholding tax on payments to foreign domestic helpers employed in Pakistan:** Every foreign domestic helper is paid an average of US $ 500-600 per month. Therefore, an amount of Rs 200,000 Advance tax on the employer or sponsor of a foreign domestic helper was levied. The Pakistan authority issuing the work permit to such foreign domestic helpers will collect this advance tax from the employer or sponsor at the time of issuance of the work permit.
- **Imposition of Additional Tax on Income Profits and Gains:** Following the international best practices, to provide for higher taxation of exceptional profits arising to any person or class of persons in the country, a general provision of law in the Income Tax Ordinance, 2001 was incorporated which will provide for the imposition of additional tax on income profits and gains as disclosed in the financial statements of any person or class of persons up to a rate of 50 percent. Commonly, this taxation measure is known globally as windfall profit tax.

Customs Measures

- To address the issue of dry port congestion and reduce the dwell time/clearance time, further dry ports and Customs stations have been notified, namely Dry Port Jia Bagga, M/s Sky Media (Pvt) Ltd, Karachi, and M/s Seaboard Logistics (SMC-PVT) Ltd, Karachi, as customs ports, declaration of M/s. Qasim Freight Station Off-dock Terminal Karachi, and enhancement of the area of existing customs stations.
- To address the shortage of petroleum products in the country, the Federal Government introduced a Scheme for the import, domestic sale, and re-export of petroleum products on foreign supplier's accounts under the customs bonded facilities. To operationalize the Scheme, FBR notified rules in consultation with Ministries and other stakeholders.
- The Export Facilitation Scheme (EFS) has emerged as the leading export-oriented scheme aiming to facilitate exporters through single administrative documents, focusing on small and medium enterprises. At present, more than 1500 exporters are using this scheme. The scope of International Toll Manufacturing was established in coordination with the State Bank of Pakistan.

Measures Relating to Reforms and Modernization

i. FBR has made commendable progress under the domestic resource mobilization programme (DRM) funded by the Asian Development Bank (ADB). Some of the key achievements under the DRM program are as follows:
   - Conducted and published findings of a specially designed independent third-party survey to monitor taxpayer perceptions regarding access to and quality of FBR products and services for the corporate sector.

- Established the legal framework and implemented the Synchronized Withholding Administration and Payment System (SWAPS) through the National Assembly's approval and established the Directorate General of Digital Initiatives and Member (Digital Initiatives) to promote digital transformation and automation in tax administration.
- Approved and implemented an Information and Cybersecurity Governance Framework to upgrade its cybersecurity architecture. In this regard, FBR successfully rolled out IRIS 2.0 for greater efficiency and enhanced user satisfaction.
- Introduced a model tax treaty and tax treaty policy framework and a manual for exchanging information on request (EOIR), consistent with international tax transparency and cooperation standards.

ii. FBR has also made commendable progress under the Pakistan Raises Revenue Project (PRRP) funded by the World Bank during the reporting period in broadening the tax base and facilitating compliance. Some of the key achievements under the Pakistan Raises Revenue Program are as follows:

- Compiled and published the Tax Expenditure Report and Evidence-Based Revenue Forecast Report for FY 2023.
- Piloted a Single Portal and Single Sales Tax Return with Provincial Revenue Administrations for the Telecom Sector.
- The percentage of GDs through red and yellow channels has decreased to 29 percent.
- Track & Trace System has been implemented in the Tobacco Sector in FY 2023 and verified by the Independent Verification Agents (IVA).

Others

- **Automation of Audit monitoring system/Audit Dashboard:** In an endeavor to transform FBR into a modern and dynamic entity, the manual Monthly Performance Reports (MPRs) for audit have been replaced with an integrated computerization system, namely the Audit Dashboard/Audit Management Integrated System (AMIS).
- **Launching initial Compliance Risk Register (CRR):** FBR has established a Compliance Risk Management Directorate as a step forward in identifying, assessing, and prioritizing compliance risks. The Directorate would identify compliance risks and suggest remedial measures to address compliance risks for revenue leakages, focusing on broadening the tax base, enhancing domestic revenue collection, and curbing tax leakages. For this purpose, the Directorate is launching an initial Compliance Risk Register (CRR) and a CRM dashboard with Machine Learning Techniques.
- **FBR signed an agreement with KARANDAAZ Pakistan to digitize the tax system**: FBR agreed on March 15th, 2024, with Karandaaz Pakistan the Digitalization of the Tax System to transform FBR into a Digital Tax Administration. Such initiatives will reduce the cost of taxpayer compliance, document the economy, expand the tax base, and lead FBR on a sustainable path to revenue growth. The initiative aligns with Karandaaz Pakistan's sponsor, the Bill and Melinda Gates Foundation's Digital Public Infrastructure work stream, and will help build a robust ecosystem for Pakistan Digital Stack.
- To deal with the smuggling menace in Pakistan, a comprehensive National Anti Smuggling Strategy has been prepared in consultation with the relevant stakeholders. This strategy proposes targeted interventions at both strategic and tactical levels by setting short-, medium-, and long-term goals. Pakistan Customs also beefed up its anti-smuggling operations, which resulted in the seizure of goods worth Rs 81.6 billion during FY 2024, compared to the seizure of goods worth Rs 45.3 billion last year.
- Similarly, FBR has taken various measures to broaden its tax base during the fiscal year. In this regard, it is worth mentioning the launching of the Tajir Dost Scheme (TDS) to register 3.3 million retailers initially through voluntary registration using the Tax Assan App in April 2024, which will become compulsory in May 2024. It applies to all traders except those with branches in multiple cities and companies.

Source: FBR

Provincial Budget

According to the overview of the provincial budget, total expenditures of all the provinces are budgeted to increase by 26.4 percent to Rs 7,119.1 billion in FY 2024 against the revised estimate of Rs 5,631.1 billion in FY 2023.

Overall provincial revenues are budgeted to increase by 28.7 percent to Rs 6,755.9 billion from the revised estimates of Rs 5,251.3 billion in FY 2023. Tax and non-tax revenues are expected to rise by 28.9 and 22.9 percent, respectively.

Table 4.5: Overview of Provincial Budgets Rs billion

Item	Punjab		Sindh		Khyber Pakhtunkhwa		Balochistan		Total	
	FY2023 (R.E)	FY2024 (B.E)	FY2023 (R.E)	FY2024 (B.E)	FY2023 (R.E)	FY2024 (B.E)	FY2023 (R.E)	FY2024 (B.E)	FY2023 (R.E)	FY2024 (B.E)
Total Prov. Own Taxes	306.0	347.0	335.0	437.9	52.7	57.8	29.8	37.6	723.5	880.3
Share in Federal Taxes (D.Pool)	2,064.9	2,706.0	979.8	1,283.9	656.8	856.5	388.0	475.4	4,089.5	5,321.8
Total Tax Revenues	2,370.9	3,053.0	1,314.8	1,721.8	709.5	914.3	417.8	513.0	4,813.0	6,202.1
Total Non-Tax Revenues	93.7	91.3	90.0	93.3	75.8	76.2	28.8	93.6	288.3	354.4
All Others	8.6	9.1	22.6	47.5	112.6	126.7	6.2	16.1	150.0	199.4
Total Revenues	2,473.2	3,153.4	1,427.4	1,862.6	897.9	1,117.2	452.8	622.7	5,251.3	6,755.9
Current Expenditures	1,600.0	1,760.0	1,296.6	1,411.2	966.7	1,242.0	351.4	400.0	4,214.7	4,813.2
Development Expenditures	649.0	863.0	406.3	735.1	219.0	439.1	142.1	268.7	1,416.4	2,305.9
Total Expenditures	2,249.0	2,623.0	1,702.9	2,146.3	1,185.7	1,681.1	493.5	668.7	5,631.1	7,119.1

Source: Provincial Finance Wing. Finance Division

Provincial Fiscal Operations

According to the distribution of resources under the 7th NFC Award, Federal transfers to provinces (divisible pool and straight transfers) are budgeted at Rs 5454.4 billion in FY 2024. During July-March FY 2024, federal transfers to provinces reached Rs 3,815.1 billion, up from Rs 2,953.1 billion last year, an increase of 29.2 percent. The province-wise share of provinces during FY 2024 is budgeted as follows: Punjab: Rs 2,719.2 billion, Sindh: Rs 1,345.4 billion, Khyber Pakhtunkhwa: Rs 895.2 billion, inclusive of 1 percent war on terror, and Balochistan: Rs 494.6 billion.

Performance (July-March FY 2024)

During July-March FY 2024, the combined surplus of all the provinces declined by 5 percent to Rs 435.4 billion from Rs 456.0 billion last year. Sindh and Punjab contributed to this lower surplus during the period. Meanwhile, the surplus posted by Khyber Pakhtunkhwa and Balochistan witnessed a sharp rise.

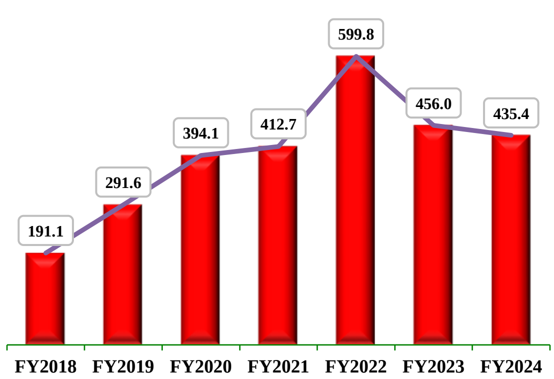
Table 4.6: Overview of Provincial Fiscal Operations Rs billion

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	July-March	
									FY2024	FY2023
A. Tax Revenue	**2,145.4**	**2,287.6**	**2,618.8**	**2,799.6**	**2,917.6**	**3,250.3**	**4,201.4**	**4,873.0**	**4,366.1**	**3,414.9**
Provincial Taxes	283.3	321.8	401.4	401.8	413.6	508.4	612.4	649.6	551.0	461.8
Share in Federal Taxes	1,862.2	1,965.8	2,217.4	2,397.8	2,504.0	2,741.9	3,589.0	4,223.5	3,815.1	2,953.1
B. Non Tax Revenue	**93.3**	**79.5**	**146.7**	**86.3**	**102.4**	**150.3**	**128.3**	**165.9**	**158.9**	**105.8**
C. All Others	**55.1**	**61.2**	**173.0**	**110.0**	**221.0**	**327.5**	**357.8**	**260.5**	**277.3**	**156.3**
Total Revenue (A+B+C)	**2,293.9**	**2,428.2**	**2,938.5**	**2,995.9**	**3,241.0**	**3,728.0**	**4,687.5**	**5,299.4**	**4,802.3**	**3,677.0**
a. Current Expenditure	1,559.8	1,739.3	2,080.7	2,350.8	2,541.9	2,844.2	3,200.8	3,859.6	3,267.5	2,662.7
b. Development Expenditure	592.4	852.2	880.1	506.2	622.0	770.2	1,216.6	1,241.0	887.9	721.0
c. Statistical Discrepancy	-65.7	-147.4	-4.8	-51.1	-147.9	-200.0	-80.9	44.2	211.5	-162.8
Total Expenditure (a+b+c)	**2,086.5**	**2,444.1**	**2,956.0**	**2,805.9**	**3,016.1**	**3,414.4**	**4,336.5**	**5,144.8**	**4,366.9**	**3,221.0**
Overall Balance	**207.4**	**-15.9**	**-17.5**	**190.0**	**224.9**	**313.6**	**351.0**	**154.6**	**435.4**	**456.0**

Source: Pakistan Fiscal Operations

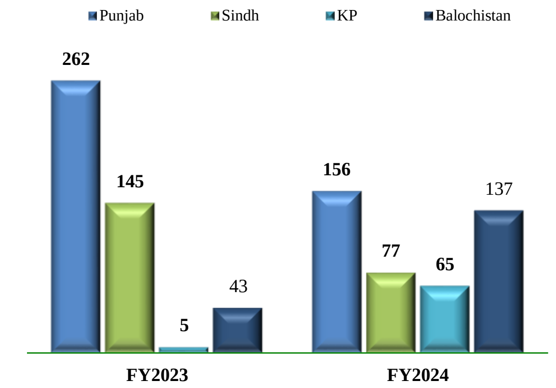
The decline in surplus is primarily attributed to higher expenditure growth relative to revenue during the period. Total provincial revenues increased 30.6 percent to reach Rs 4,802.3 billion in July-March FY 2024 from Rs 3,677.0 billion last year. Within total revenues, provincial own revenue receipts grew by 25.1 percent to Rs 709.9 billion during July-March FY 2024 against Rs 567.6 billion the previous year.

Fig-4.17: Combined Provincial Surplus (Rs billion) July-March



Source: Pakistan Fiscal Operations

Fig-4.18: Province-Wise Surplus (Rs billion) July-March



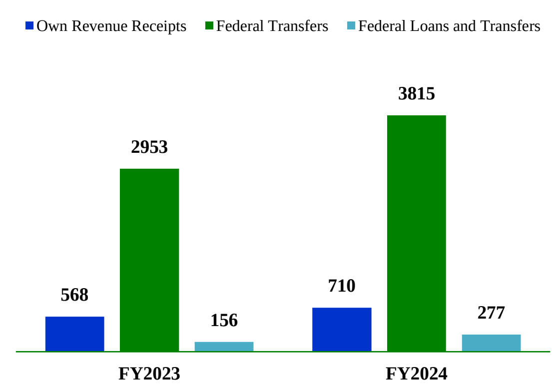
Source: Pakistan Fiscal Operations

Revenue mobilization efforts at the provincial level remained critical in improving the collection of both tax and non-tax revenues. Provincial tax grew significantly by 19.3 percent in July-March FY 2024, reaching Rs 551.0 billion from Rs 461.8 billion last year. The increase in provincial taxes has been observed on the back of higher receipts from land revenues, capital value tax on immovable property, C.V.T (moveable) property, sales tax on services GST, and provincial excise. On the other hand, non-tax collection witnessed a sharp rise of 50.2 percent to Rs 158.9 billion during July-March FY 2024 compared to Rs 105.8 billion in the same period last year. Higher receipts from markup, profits from hydroelectricity, law & order, social services, and general admin receipts- fiscal administration, etc. played a vital role in jacking up the collection from non-tax revenues.

Despite an increase in provinces' own revenue receipts, federal transfers grew 29.2 percent to Rs 3,815.1 billion from Rs 2,953.1 billion during July-March FY 2024. Overall, the revenue performance indicates that although provincial revenue receipts grew significantly during July-March FY 2024, federal transfers continued to be the primary source of revenues, accounting for 79.4 percent during the year.

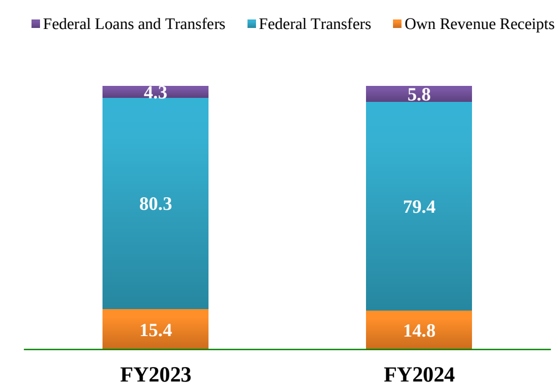
Provincial expenditures increased by 35.6 percent to Rs 4,366.9 during July-March FY 2024, compared to Rs 3,221.0 billion in the comparable period last year. Within total provincial spending, current expenditures increased by 22.7 percent to Rs 3,267.5 billion in July-March FY 2024, compared to Rs 2,662.7 billion the previous year.

Fig-4.19: Provincial Revenues Rs billion (July-March)



Source: Pakistan Fiscal Operations

Fig-4.20: Contribution in Total Provincial Revenues (%)



Source: Pakistan Fiscal Operations & EA wing calculations

After witnessing a contraction of 0.4 percent last year, provincial development spending grew by 23.1 percent to Rs 887.9 billion during July-March FY 2024 against Rs 721.0 billion the previous year. Under the development spending, the provincial expenditures witnessed a rise in public order & safety with higher spending incurred for police and administration of public order, economic affairs (agriculture, food, irrigation, forestry & fishing, and construction & transports), housing & community, recreational, culture & religion, education affairs & services, and social protection.

Public Financial Management Reforms (PFM)

The Public Finance Management Act was promulgated in 2019 under the PforR programme, to strengthen public finance management to improve fiscal policy implementation for better macroeconomic management, resource mobilization, and expenditure management. The status of rules/regulations formulated in pursuance of the PFM Act is under:

- Receipt and Payment Rules (Under Process).
- Grant in Aid Rules (Finalized as Under Process).
- General Financial Rules (drafted in consultation with the stakeholders & Under Review).
- Management of Foreign Grants (Under Process).
- The Financial Management and Powers of Principal Accounting Officers Regulations, 2021, are being revised in consultation with stakeholders to incorporate desired amendments into the existing regulations.
- Regulations for the Chief Finance & Account Officers and Chief Internal Auditors are under review.

The World Bank Programme, "Public Financial Management and Accountability to Support Service Delivery Programme for Results (PforR)," became effective in December 2017. It was successfully closed on 31st October 2023, with a disbursement of US $ 37.59 million in December 2023, contributing to a total disbursement of US $ 380 million since the programme's inception. Key to its success were attaining 8 Disbursement Linked Indicators (DLIs) and numerous Disbursement Linked Results (DLRs). The program's primary objective was to improve PFM and procurement systems, fostering better management and accountability within the healthcare and education sectors.

Concluding Remarks

Ensuring Pakistan's fiscal sustainability is crucial for addressing the country's debt vulnerabilities. The government is actively working to strengthen public finances through various initiatives and reforms related to both revenue and expenditure. Efforts are being directed toward improving debt management, ensuring government spending transparency, and enhancing public financial management. These reforms, which include establishing additional funds for social and development initiatives, will help the government achieve inclusive and sustainable growth.

To achieve fiscal consolidation in the FY2025 budget, the government will continue to implement prudent expenditure policies and focus on generating additional revenue through policy reforms. However, the external environment presents challenges, including constraints on the global financial system, volatile commodity prices, and heightened geopolitical tensions, which can impact Pakistan's fiscal sustainability.

TABLE 4.1

FEDERAL GOVERNMENT OVERALL BUDGETARY POSITION

Rs million

Fiscal Year / Item	2022-23	2023-24 July-March (P)
A. REVENUE		
FBR Tax Revenue (1 +2)	7,169,140	6,711,514
1 Direct Taxes	3,272,402	3,264,705
2 Indirect Taxes	3,896,738	3,446,809
i. Customs	934,823	807,805
ii. Sales Tax	2,592,136	2,237,107
iii. Federal Excise	369,779	401,897
Non-Tax Revenue	1,710,730	2,416,948
Gross Revenue Receipts	8,879,870	9,128,462
B. EXPENDITURE		
Current Expenditure	10,732,028	9,201,503
i. Defence	1,585,502	1,222,398
ii. Mark-up payments	5,695,916	5,517,832
iii. Grants	1,069,993	857,700
vi. Others*	2,380,617	1,603,573
Development Expenditure and Net Lending	890,356	454,340
Statistical Discrepancy	-289,958	-4,712
Total Expenditure	11,332,426	9,651,131

P : Provisional

Source: Budget Wing, Finance Division, Islamabad

*: Includes other categories not shown here

TABLE 4.2

SUMMARY OF PUBLIC FINANCE (CONSOLIDATED FEDERAL & PROVINCIAL GOVERNMENTS)

Rs million

Fiscal Year / Items	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 Jul-Mar (P)
Total Revenues (i+ii)	5,228,014	4,900,724	6,272,168	6,903,370	8,035,383	9,633,505	9,780,421
Federal	4,679,945	4,412,625	5,756,162	6,244,698	7,294,720	8,818,070	9,070,561
Provincial	548,069	488,099	516,006	658,672	740,663	815,435	709,860
i) Tax Revenues	4,243,520	4,231,272	4,411,538	5,272,699	6,755,168	7,818,699	7,262,483
Federal	3,842,148	3,829,469	3,997,921	4,764,302	6,142,802	7,169,140	6,711,514
Provincial	401,372	401,803	413,617	508,397	612,366	649,559	550,969
ii) Non-Tax Revenues	984,494	669,452	1,860,630	1,630,671	1,280,215	1,814,806	2,517,938
Federal	837,797	583,156	1,758,241	1,480,396	1,151,918	1,648,930	2,359,047
Provincial	146,697	86,296	102,389	150,275	128,297	165,876	158,891
Total Expenditures (a+b+c+d)	7,488,395	8,345,640	9,648,488	10,306,691	13,295,275	16,154,950	13,682,837
a) Current	5,854,267	7,104,030	8,532,020	9,084,010	11,521,375	14,447,833	12,333,295
Federal	3,789,767	4,776,150	6,016,192	6,264,821	8,354,104	10,650,028	9,123,737
Provincial	2,064,500	2,327,880	2,515,828	2,819,189	3,167,271	3,797,805	3,209,558
b) Development	1,584,057	1,178,442	1,155,213	1,238,738	1,617,050	1,892,992	1,158,081
c) Net Lending to PSE's	37,625	40,750	48,528	76,938	40,372	59,876	-15,300
d) Statistical Discrepancy	12,446	22,418	-87,273	-92,995	116,478	-245,750	206,761
Overall Balance	-2,260,381	-3,444,916	-3,376,320	-3,403,321	-5,259,892	-6,521,445	-3,902,416
Primary Balance	-760,459	-1,353,790	-756,581	-653,592	-2,077,460	-825,529	1,615,416
Financing (net)	2,260,380	3,444,916	3,376,320	3,403,321	5,259,892	6,521,445	3,902,416
External (net)	785,166	416,706	895,510	1,338,091	1,178,410	-679,848	493,815
Domestic (i+ii+iii)	1,475,214	3,028,210	2,480,810	2,065,230	4,081,482	7,201,293	3,408,601
i) Non-Bank	352,719	764,986	540,250	196,189	980,570	3,672,703	-377,980
ii) Bank	1,120,495	2,263,224	1,940,561	1,869,041	3,100,912	3,528,590	3,786,581
iii) Privatization Proceeds	-	2,000	-	-	-	-	-
Memorandum Item							
GDP (mp) in Rs billion	66,658	83,875	106,045	55,836	66,658	83,875	106,045
	(As Percent of GDP at Market Price)						
Total Revenue	13.3	11.2	13.2	12.4	12.1	11.5	9.2
Tax Revenue	10.8	9.7	9.3	9.4	10.1	9.3	6.8
Non-Tax Revenue	2.5	1.5	3.9	2.9	1.9	2.2	2.4
Expenditure	19.1	19.1	20.3	18.5	20.0	19.3	12.9
Current	14.9	16.2	17.9	16.3	17.3	17.2	11.6
Development Expenditure & net Lending	4.1	2.8	2.5	2.4	2.5	2.3	1.1
Overall Balance	-5.8	-7.9	-7.1	-6.1	-7.9	-7.8	-3.7
Primary Balance	-1.9	-3.1	-1.6	-1.2	-3.1	-1.0	1.5

P : Provisional

Source: Budget Wing, Finance Division, Islamabad

Note: Beginning from FY2016, Pakistan's GDP was rebased at 2015-16 Prices from the old base of 2005-06. Therefore, wherever, GDP appears in the denominator the number prior to FY2016 are not comparable.

/1: During FY2021, the fiscal accounts have been reclassified in line with the implementation of PFM procedures. According to the reclassification, federal taxes other than FBR have now been included in non-tax revenue. To make the data comparable, the fiscal indicators since FY2016 have also been reclassified.

* : Finalized, ** : Revised

TABLE 4.3

CONSOLIDATED FEDERAL & PROVINCIAL GOVERNMENT REVENUES

Rs million

Fiscal Year/Items			2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 Jul-Mar (P)
Total Revenue (I+II)			5,228,014	4,900,724	6,272,168	6,903,370	8,035,383	9,633,505	9,780,421
		Federal	4,679,945	4,412,625	5,756,162	6,244,698	7,294,720	8,818,070	9,070,561
		Provincial	548,069	488,099	516,006	658,672	740,663	815,435	709,860
I.	Tax Revenues		4,243,520	4,231,272	4,411,538	5,272,699	6,755,168	7,818,699	7,262,483
	Federal (A+B)		3,842,148	3,829,469	3,997,921	4,764,302	6,142,802	7,169,140	6,711,514
	A.	Direct Taxes	1,536,636	1,445,594	1,524,252	1,731,860	2,280,470	3,272,402	3,264,705
	B.	Indirect Taxes	2,305,512	2,383,875	2,473,669	3,032,442	3,862,332	3,896,738	3,446,809
		i. Excise Duty	205,877	233,591	250,470	277,072	320,978	369,779	401,897
		ii. Sales Tax	1,491,310	1,464,887	1,596,821	1,990,186	2,531,856	2,592,136	2,237,107
		iii. Customs	608,325	685,397	626,378	765,184	1,009,498	934,823	807,805
	Provincial		401,372	401,803	413,617	508,397	612,366	649,559	550,969
		Sales Tax on services GST	223,860	202,881	232,969	293,645	355,720	416,973	353,223
		Excise Duty	8,554	9,274	7,643	8,218	8,896	9,619	8,793
		Stamp Duties	62,754	70,396	59,148	55,217	70,888	65,191	44,775
		Motor Vehicle Taxes	24,123	24,850	17,979	26,779	36,219	31,705	24,979
		Others*	82,081	94,402	95,878	124,538	140,643	126,071	119,199
II.	Non-Tax Revenues		984,494	669,452	1,860,630	1,630,671	1,280,215	1,814,806	2,517,938
		Federal	837,797	583,156	1,758,241	1,480,396	1,151,918	1,648,930	2,359,047
		Provincial	146,697	86,296	102,389	150,275	128,297	165,876	158,891
	Surcharges**		203,086	211,612	306,037	447,177	147,901	590,582	738,225
		i. Gas	24,212	5,304	12,356	22,523	20,372	10,672	18,633
		ii. Petroleum	178,874	206,308	293,681	424,654	127,529	579,910	719,592

P: Provisional

Source: Budget Wing, Finance Division

*** : It also includes property tax**

**** : Non-Tax Revenues under these heads are exclusively Federal**

Note : According to the re-classification, of data as per PFM procedures, federal taxes other than FBR have now been included under Non tax revenues

TABLE 4.4

CONSOLIDATED FEDERAL & PROVINCIAL GOVERNMENT EXPENDITURES

Rs million

Fiscal Year/Items	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 Jul-Mar
Current Expenditure	5,854,267	7,104,030	8,532,020	9,084,010	11,521,374	14,447,833	12,333,295
Federal	3,789,767	4,776,150	6,016,192	6,264,821	8,354,103	10,650,028	9,123,737
Defence	1,030,407	1,146,793	1,213,281	1,316,189	1,411,646	1,585,502	1,222,398
Mark-up Payments	1,499,922	2,091,126	2,619,739	2,749,729	3,182,432	5,695,916	5,517,832
Subsidies	114,194	195,345	359,923	425,023	1,529,609	1,080,262	473,166
Others	1,145,244	1,342,886	1,823,249	1,773,651	2,230,416	2,288,347	1,910,341
Provincial	2,064,500	2,327,880	2,515,828	2,819,189	3,167,271	3,797,805	3,209,558
Development Expenditure	1,584,057	1,178,442	1,155,213	1,238,738	1,617,050	1,892,992	1,158,081
Net Lending to PSEs	37,625	40,750	48,528	76,938	40,372	59,876	-15,300
Statistical Discrepancy	12,446	22,418	-87,273	-92,995	116,478	-245,750	206,761
Expenditure Booked excl discrepancy	7,475,949	8,323,222	9,735,761	10,399,686	13,178,796	16,400,701	13,476,076
Total Expenditure	7,488,395	8,345,640	9,648,488	10,306,691	13,295,274	16,154,951	13,682,837
Memorandum Items:	(Percent Growth over preceding period)						
Current Expenditure	12.6	21.3	20.1	6.5	26.8	25.4	
Defence	16.0	11.3	5.8	8.5	7.3	12.3	
Mark-up Payments	11.2	39.4	25.3	5.0	15.7	79.0	
Current Subsidies	-25.7	71.1	84.2	18.1	259.9	-29.4	
Development Expenditure	-6.5	-25.6	-2.0	7.2	30.5	17.1	
Expenditure Booked excl discrepancy	8.7	11.3	17.0	6.8	26.7	24.4	
Total Expenditure	10.1	11.4	15.6	6.8	29.0	21.5	
	As % of total expenditures						
Current Expenditure	78.2	85.1	88.4	88.1	86.7	89.4	90.1
Defence	13.8	13.7	12.6	12.8	10.6	9.8	8.9
Mark-up Payments	20.0	25.1	27.2	26.7	23.9	35.3	40.3
Subsidies	1.5	2.3	3.7	4.1	11.5	6.7	3.5
Development Expenditure*	21.7	14.6	12.5	12.8	12.5	12.1	8.4

P: Provisional

Source: Budget Wing, Finance Division

* : Include Net Lending

TABLE 4.5

DEBT SERVICING

							Rs million
Fiscal Year / Item	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24 Jul-Mar**
A. Mark-up Payments	1,499,922	2,091,126	2,619,739	2,749,729	3,182,432	5,695,916	5,517,832
Servicing of Domestic Debt	1,322,645	1,820,821	2,313,133	2,523,811	2,828,572	4,936,025	4,807,599
Servicing of Foreign Debt	177,277	270,305	306,606	225,918	353,860	759,891	710,233
B. Repayment/Amortization of Foreign Debt	450,189	974,001	1,362,353	940,278	1,681,088	3,087,445	1,340,959
C. Total Debt Servicing (A+B)	1,950,111	3,065,127	3,982,092	3,690,007	4,863,520	8,783,361	6,858,791
MEMORANDUM ITEMS				(As Percent of GDP)			
Servicing of Domestic Debt	3.4	4.2	4.9	4.5	4.2	5.9	4.5
Servicing of Foreign Debt	0.5	0.6	0.6	0.4	0.5	0.9	0.7
Repayment/Amortization of Foreign Debt	1.1	2.2	2.9	1.7	2.5	3.7	1.3
Total Debt Servicing	5	7	8.4	6.6	7.3	10.5	6.5

P: Provisional **Source: Budget Wing, Finance Division**