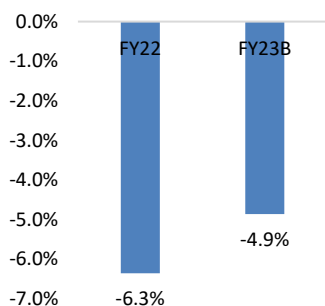


Budget

Fiscal Deficit as %GDP



Pakistan Federal Budget

Initial Impressions: Pakistan Budget 2022-23

- Minister of Finance presented the budget for fiscal year 2022-23, with a total outlay for budget is set at PKR 9.5trn, this size is roughly +12% higher than last year.
- Budget deficit targeted to reach 4.9% of the gdp (current 6.3% of gdp).
- Primary budget deficit targeted to reach 0.2% of the gdp (current 0.7% of gdp).
- FBR tax collection is targeted at PKR 7.0trn (up by +17%)
- GDP growth is target at 5.0% (current 5.97%). Current account Deficit are targeted at 2.2% of the gdp (current 4.1% of the gdp). Inflation is targeted at 11.5% (current 11.7%)
- Under development budget, PSDP has been increased to PKR 800bn (current PKR 500bn)

Federal Budget 2022-23

We review key summary points from 2022-23 budget speech announced on 10th June, 2022.

Minister of Finance presented the budget for fiscal year 2022-23, with a total outlay for budget is set at PKR 9.5trn, this size is roughly +12% higher than last year.

Exhibit: Federal Budget 202-23 Budget snapshot

In PKRbn	FY22	FY23B	Chg. %
FBR Tax Revenue	5,829	7,004	20%
Non Tax Revenue	2,080	2,000	-4%
Gross Revenue	7,909	9,004	14%
Less: Transfer to Provinces	(3,412)	(4,100)	20%
Federal Net Revenue	4,497	4,904	9%
Total Outlay	8,487	9,502	12%
Federal Budget Deficit	(3,990)	(4,598)	15%
Provincial Surplus	570	800	40%
Overall Budget Deficit	(3,420)	(3,798)	11%
Overall Fiscal Deficit as %GDP	-6.3%	-4.9%	
Primary Deficit	(360)	152	n.m.
Primary Deficit as %GDP	-0.7%	0.2%	
Nominal GDP	53,867	78,197	45%

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Macro-economic targets

Macro-economic targets

- GDP growth is target at 5.0% (current 5.97%)
- Current account Deficit are targeted at 2.2% of the gdp (current 4.1% of the gdp)
- Exports are targeted to reach US\$ 35bn (current US\$ 31.3bn)
- Imports are targeted to reach US\$ 70bn (current US\$ 76bn)
- Remittances are targeted to reach US\$ 33.2bn (current US\$ 31.1bn)
- Inflation is targeted at 11.5% (current 11.7%)

Key Budgetary highlights

Fiscal balance targets

- Budget deficit targeted to reach 4.9% of the gdp (current 6.3% of gdp)
- Primary budget deficit targeted to reach 0.2% of the gdp (current 0.7% of gdp)

Revenue targets

- Total Gross Revenue will increase to PKR 9.0trn (+14%).
- FBR tax collection is targeted at PKR 7.0trn (up by +20%)
- Provincial tax collection is estimated at PKR 4.1trn versus PKR 3.4trn (+20%y)
- Non-tax revenue are estimated at PKR 2.0trn versus PKR 2.1trn (4%)
- Total tax revenue; net of FBR to PKR 4.9trn (+9%y)

Expenditure Targets

- Debt servicing cost projected at PKR 3.95trn up +26%y (current PKR 3.14trn)
- Domestic debt servicing cost projected at PKR 3.4trn (+24%y)
- Foreign debt servicing cost PKR 511bn (+37%y)
- Subsidy amount cut down to PKR 699bn from current PKR 1,515bn (down by 54%)
- Defense budget projected to grow by +5% to PKR 1.53trn (current 1.45trn)
- Petroleum subsidy currently provided under Price Differential Claims (PDC) reduced to PKR 71bn from current PKR 248bn
- Pension amount increase to PKR 530bn from PKR 525bn
- Running of civil government budget increase PKR 550bn; up by +4%y (current PKR 530bn)

Development Targets

- Under development budget, PSDP has been increased to PKR 800bn (current PKR 500bn)
- Funds allocated for Infrastructure development are projected at PKR 395bn, for electricity development PKR 73bn and transport PKR 202bn.

Key Tax Measures

- Non-filer tax increased by 100% to 200%
- Minimum tax bracket raised from PKR 0.4mn to PKR 0.6mn for small businesses
- Pakistan raises minimum income tax to 1.2m rupees from 0.6m rupees
- Individual holding more than one property valuing Rs25 million will be charged tax at 1% of the fair market value of the property
- Pakistan to increase tax on cars above 1600cc
- Small business retailers will be taxed within the range of Rs 3,000-Rs10,000
- Higher Income persons whom have net income excess of Rs300mn will be subject to an additional 2% tax.
- Capital Gain Tax (CGT) holding structure changed from current 4 years to 6 years.
- External Payments made through credit cards, debit cards and prepaid cards will be subject to 1% tax rate.
- Banks are now subject to 3% Windfall Tax which will take the cumulative tax rates for the banks at 42%.
- Advance Tax (AT) will now be charged 2% of the value of Electric Vehicle (EV)

Key Tax Relief Measures

- Changes in income tax slabs and rates
- Taxable profits limit on saving certificates, pensioner benefit, and martyrs family welfare account investments is reduced from 10% to 5%.
- Complete custom duty exemption on pharmaceutical ingredients, basic raw materials used in manufacturing of various kinds of medicines.
- Industry and business depreciation cost is changed from 50% to 100% for the first year.

Exemptions

- Imported Raw Material for manufacturing industries will be subject to adjustable tax rates
- Zero tax on agriculture machinery and input including tractor, wheat, rice, seeds and distribution
- Tax breaks to IT, agriculture, food security, renewable energy, education, youth income
- First aid bandages and other important medical supplies would now will be not charged any custom duty
- Tax Rebates of 5 -10 years on entertainment industry
- Removal of tax on tractors, agri machinery, wheat and rice
- Pakistan removes tax on import of solar panel

- 8% Withholding tax on Distributors and producers of Entertainment industry abolished
- PKR 17 billion has been allocated for IT exports
- Pakistan proposes fuel cuts for government employees
- People who consume less than 200 units of electricity (within a month) will be able to get solar panels on easy installments from the bank
- 15% increase in the salary of Government officials
- PKR 17 billion has been allocated for IT exports

Export Facilitation & Ease of Doing Business

- Zero load shedding for industrial feeders
- Rationalization of taxes for textile sector
- Export duty drawbacks (DLTL) will be expedited immediately. Currently the pending amount is PKR 40.5bn.
- BISP payment increased by PKR 2,000/person and Number of families increased by 6million.
- Under “Youth Employment Policy” upto PKR 0.5million interest free loans will be provided, upto PKR 25 million low interest loans.

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