

# Day Break

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## Key macroeconomic targets for FY25

GDP size: PKR 124.1 trillion

GDP growth: +3.6%

Services: +4.1%

Agriculture: +2.0%

Industry: +4.4%

Inflation: +12.0%

## Pakistan Federal Budget

### Initial Impression: Pakistan Budget 2024-25

- Finance minister presented the Budget 2025, with a total outlay of PKR 18.88 trillion.
- Tax Revenue target has been set at PKR 12.97 trillion whereas current expenditure is PKR 17.2 trillion.
- Overall budget deficit for FY25 is projected at PKR 7.3 trillion or PKR 5.9% of the GDP.
- GDP growth for FY25 is targeted at 3.6% whereas inflation is estimated at 12.0%.

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## Federal Budget 2024-25

We review key summary points from 2024-25 budget speech announced on 12<sup>th</sup> June, 2024. The budget for the fiscal year has a total outlay of PKR 18.88 trillion. The revenue target is set at PKR 12.97 trillion, with non-tax revenue estimated to be PKR 3.59 trillion. Notably, interest payments will account for a significant portion, totaling PKR 9.78 trillion, which is approximately 75% of the tax revenues. In terms of development expenditure, the government has allocated PKR 1.67 trillion, with the federal PSDP (Public Sector Development Program) set at PKR 1.40 trillion. As a result, the federal budgeted deficit for the year stands at PKR 8.5 trillion or 6.8% of the GDP, representing a decline compared to 7.9% in the previous fiscal year. Overall deficit for FY25 is budgeted at 5.9% compared to 7.4% in FY24.

Exhibit: Federal Budget 2025, at a glance in PKR trillion			
Total Resources	18.88	Total Expenditure	18.88
Tax Revenue	12.97	Current	17.20
Non-Tax Revenue	4.85	Interest Payments	9.78
Gross Revenue	17.82	Pension	1.01
Less: Provincial Share	7.44	Defense	2.12
<b>Net Revenue</b>	<b>10.38</b>	Grants to provinces	1.78
Non-bank Borrowing	2.66	Subsidies	1.36
Net External Borrowing	0.67	Running of Civil Govt	0.84
Bank Borrowing	5.14	Provision for Emergency and others	0.31
Privatization	0.03	Development	1.67
		Federal PSDP	1.40
		Net lending	0.27

Source: IGI Research, Newsprint, Ministry of Finance

Exhibit: Budget 2025, at a glance				
in PKR Billion				
	FY24B	FY24R	FY25B	Change (%)
Net Receipts	6,979	6,772	10,377	53%
FBR Taxes	9,415	9,252	12,970	40%
Direct Taxes	4,255	3,721	5,512	48%
Indirect Taxes	5,160	5,531	7,458	35%
Non-Tax Revenue	2,963	2,947	4,845	64%
Provincial Share	5,399	5,427	7,438	37%
Total Expenditure	14,485	15,160	18,877	25%
Current Expenditure	13,344	14,232	17,203	21%
Mark-up Payments	7,303	8,251	9,775	18%
Domestic	6,430	7,211	8,736	21%
Foreign	872	1,040	1,039	0%
Defence	1,804	1,854	2,122	14%
PSDP	950	659	1,400	112%
Budget Balance	(6,905)	(7,849)	(7,283)	-7%
Primary Balance	397	402	2,492	520%
% of GDP				
FBR Taxes	8.9%	8.7%	10.4%	
Non-Tax Revenue	2.8%	2.8%	3.9%	
Total Expenditure	13.7%	14.3%	15.2%	
Current Expenditure	12.6%	13.4%	13.9%	
Budget Balance	-6.5%	-7.4%	-5.9%	
Primary Balance	0.4%	0.4%	2.0%	

Source: Ministry of Finance, IGI Research

## Macro-Economic Targets

### Macro-Economic Targets

- GDP growth is targeted at 3.6% (current 2.4%)
- C/a Deficit is targeted at US\$ 3.7bn (current US\$ 0.2bn for 10MFY24)
- Exports are targeted to reach US\$ 40.5bn (current US\$ 25.7bn)
- Imports are targeted to reach US\$ 68.1bn (current US\$ 43.4bn).
- Inflation is targeted at 12.0% (current 24.5%).

## Key Budgetary Highlights

### Fiscal Balance Targets

- Budget deficit targeted to reach 4.9% of the gdp (current 6.0% of gdp)
- Primary budget surplus targeted to reach 2.0% of the gdp (current surplus 0.4% of gdp)

### Revenue Targets

- Total Gross Revenue will increase to PKR 17.82trn (+46%).
- FBR tax collection is targeted at PKR 12.97trn (up by +40%)

- Provincial tax collection is estimated at PKR 7.44trn versus PKR 5.53trn (+37%y)
- Non-tax revenue is estimated at PKR 4.85trn versus PKR 2.95trn (up by +64%)
- Total net receipts are budgeted at PKR 10.38trn (+53%y)

#### **Expenditure Targets**

- Debt servicing cost projected at PKR 9.78trn up +18%y (current PKR 8.25trn)
- Domestic debt servicing cost projected at PKR 8.74trn (+21%y)
- Foreign debt servicing cost PKR 1.04trn (+0%y)
- Subsidy amount increased to PKR 1.36trn from current PKR 1.07trn.
- Defense budget projected to grow by +14% to PKR 2.12trn (current 1.85trn)
- Pension amount increase to PKR 1.01trn from PKR 0.82trn.
- Running of civil government budget increase PKR 0.75trn from PKR 0.84trn.

#### **Development Targets**

- Under development budget, PSDP has been increased to PKR 1.4trn (current PKR 0.66trn)

## Key Budgetary Measures

### Key Salient Features of Federal Budget 2025

#### Key Tax Measures

##### Custom Duty measures

##### Revenue Measures:

- Custom duty exemption on import of luxury electric cars has been proposed to be withdrawn.
- Exemption of custom duty on import of Hybrid electric vehicles has been withdrawn.
- Increase in custom duty on Steel and paper products.
- Increase in custom duty on import of glass products.

##### Relief Measures

- Reduction in Custom duties on import of raw material for manufacturing of Solar Panels who are registered.

#### Sales Tax Measures

##### Revenue Measures:

- Imposition of Standard GST rate of 18% on Mobile phones.
- Sales tax exemptions zero rating and reductions have been withdrawn on various products.
- TIER-1 retailers of textile and leather products will pay 18% GST instead of 15%.

##### Streamlining Measures:

- Default surcharge rate to be aligned with Policy Rate at KIBOR +3%.
- Iron and steel scrap to be exempted from Sales tax to eliminate fake/flying invoices.
- Exemption of sales tax is proposed to be withdrawn from FATA/PATA region.

#### Income Tax Measures

##### Revenue measures

- It is proposed that rate of dividend derived from a mutual fund which earns 50% or more of its income from profit on debt be enhanced from 15% to 25%.
- Rates of Income tax on salaried class have been increased with changes in threshold for each slab. For non-salaried/AOPs, rate of tax has been

increased and thresholds have also been revised with maximum tax rate of 45%.

- Advance WHT on Wholesalers, Retailers & Distributors for Non-Filers to increase from 1% to 2.25%.
- Advance tax to be imposed based on value of the cars instead of engine capacity. Rate of tax, however, will differ based on engine capacity.
- PDL on MS and HSD increased by PKR 20/ltr to PKR 80/ltr. On LDO, HOBC and E-10 it has been increased by PKR 25/ltr to PKR 75/ltr.
- Imposition of WHT on coal, paper, copper and plastic scrap.
- For exporters 1% final tax is applicable which is being proposed to be moved to normal tax.
- CGT on sale of securities of 15% applicable for filers irrespective of holding period for securities acquired after 01-Jul-2024.
- CGT on sale of securities for non-filers has been increased to maximum of 45% based on holding period slabs.
- CGT on immoveable properties for filers to be charged 15% irrespective of holding period.
- CGT on immoveable properties for non-filers has been increased to maximum of 45% based on holding period slabs.
- Advance tax of purchase of immoveable property has been imposed and divided in to 3 categories namely filer, non-filer and late filer.

### Relief measures

- Extension of income tax exemption for FATA/PATA has been extended by 1 year.

### FED Measures

#### Key Revenue Measures:

- FED on cement has been increased by PKR 1/kg (PKR 50/bag) to PKR 3/kg (PKR 150/bag).
- FED on Acetate tow cigarette filter at PKR 44,000/kg.
- FED of 5% imposed on new commercial and residential plots to reduce speculation.
- FED on nicotine pouches has been imposed at PKR 2,000/kg.

### Other Measures

- Increase of 15% in pension of retired government employees has been proposed.

- Electronic sales invoicing made mandatory for all.
- Contributory pension scheme for new employees to be applicable which would make future pension liability fully funded.
- Salaries of Government employees to be increased 25%.

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