



**Al Meezan**  
Investment Management Ltd.

# FEDERAL BUDGET 2023-24



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# Federal Budget FY23-24

## Macro Summary

Key Budget Indicators		FY19 Actual	FY20 Actual	FY21 Actual	FY22 Actual	FY23 Initial	FY23 Revised	FY24 Budget
<b>Key macro indicators</b>								
GDP	PKR bn	43,798	47,540	55,796	66,950	78,197	84,658	105,817
Fiscal Deficit	"	-7.8%	-7.3%	-6.1%	-7.9%	-4.9%	-7.0%	-6.5%
Primary deficit/surplus	"	-3.0%	-1.8%	-1.2%	-3.1%	0.2%	-0.5%	0.4%
<b>Revenue:</b>								
Tax revenue	PKR bn	3,829	3,998	4,764	6,143	7,470	7,200	9,200
Petroleum Levy	"	206	294	425	128	855	542	869
GIDC	"	21	9	19	19	30	9	40
Non-tax revenue	"	606	1,784	1,505	1,185	1,935	1,618	2,963
Gross Revenue	"	4,436	5,782	6,270	7,328	9,405	8,818	12,163
Transfer to Provinces	"	2,398	2,504	2,742	3,589	4,373	4,129	5,276
Net Revenue	"	2,038	3,278	3,528	3,739	5,032	4,689	6,887
<b>Expenditure:</b>								
Total Expenditure	PKR bn	5,599	6,819	7,245	9,350	9,579	11,090	14,461
Current	"	4,804	6,093	6,349	8,452	8,709	10,528	13,320
Domestic	"	1,821	2,313	2,524	2,829	3,439	4,795	6,430
Foreign	"	270	307	226	354	511	725	872
Mark-up payments	"	2,091	2,620	2,750	3,182	3,950	5,520	7,303
Development	"	732	688	695	558	727	714	950
PSDP	"	562	622	667	558	727	714	950
Provincial Surplus	PKR bn	139	77	314	351	750	459	650
<b>Key Fiscal Accounts as % of GDP</b>								
Gross Revenue	% GDP	10.1%	12.2%	11.2%	10.9%	12.0%	10.4%	11.5%
Tax revenue	"	8.7%	8.4%	8.5%	9.2%	9.6%	8.5%	8.7%
Non-Tax revenue	"	1.4%	3.8%	2.7%	1.8%	2.5%	1.9%	2.8%
Total Expenditure	% GDP	12.8%	14.3%	13.0%	14.0%	12.2%	13.1%	13.7%
Current Expenditure	"	11.0%	12.8%	11.4%	12.6%	11.1%	12.4%	12.6%
Markup payments	"	4.8%	5.5%	4.9%	4.8%	5.1%	6.5%	6.9%
Development Expenditure	"	1.7%	1.4%	1.2%	0.8%	0.9%	0.8%	0.9%



# Federal Budget FY23-24

## General:

- The following changes has been proposed in super tax. (Table in appendix)
- A new tax of upto 50% may be levied on income resulting from economic factors including but not limited to international price fluctuation having bearing on any commodity price in Pakistan and foreign currency fluctuation. The new tax can be applied for any of the preceding five tax years from tax year 2023 and onwards.
- It has been proposed that following will no longer be part of Tier-1 retailer:
  - a retailer, whose shop measures one thousand square feet in area or more
  - a person engaged in supply of articles of jewelry
- It has been proposed that an equivalent of USD100,000 foreign exchange can be remitted from outside Pakistan through normal banking channels without any need for explanation about the source of the amount. Previously the amount was PKR5Mn
- Profits and gains of a SME setup exclusively as agro based industry in a rural area after 1<sup>st</sup> day of July, 2023 shall be exempt from income tax
- Tax on start-ups set up by youth shall be reduced by 1) 50% or PKR2Mn in case of individuals or associate of persons or 2) 50% or PKR5Mn in case of company, whichever is lower, for the tax year 2024 to 2026
- It has been proposed to extend exemption on machinery and equipment imported by erstwhile FATA areas till June, 2024.

## Capital Markets:

- It has been proposed to impose 10% WHT on bonus shares
- It has been proposed to reduce minimum turnover tax on listed companies reduced from 1.25% to 1%
- A new scheme based on Micro-Deposits to be introduced for low-income individuals through the National Savings Centers.

## Real Estate:

- It has been proposed that 2% advance tax on purchase or transfer of immovable property shall not apply on non-resident individual who have acquired the said immovable property through a Foreign Currency Value Account or NRP Rupee Value Account
- Profits and gains accruing to a person on the sale of immovable property to any type of REIT shall be exempt from income tax till Jun-24 (previously Jun-23)



# Federal Budget FY23-24

## Sectors Impacts:

### **Banks:**

- It has been proposed that 0.6% advance taxes on cash withdrawal be imposed on sum exceeding 50,000 for individuals whose name is not appearing in the active taxpayers' list
- Advance tax on amount remitted abroad through credit, debit or prepaid cards shall be increased from 1% to 5% (2% to 10% for person not on the active tax payers list)
- Taxable income arising from additional advances to 1) micro, small and medium enterprises, 2) low cost housing, 3) farm credit was subject to reduced tax of 20% till 2023. Now it is proposed to extend this incentive till 2025. Additionally, similar incentive has been proposed for lending to IT Services and IT Enabled Services.
- It has been proposed that for non-resident banking company, profit on debt and capital gains from federal government's sovereign debt or a sovereign debt instrument shall be exempt from income tax.
- The GoP plans to issue PKR1,800bn Ijara Sukuk, up 100% YoY from PKR901bn last year

### **Cement & Steel:**

- PSDP budgeted for FY24 is at PKR950bn, 33% higher than PKR714bn for FY23
- The bill has proposed that for tax years 2024 to 2026, individuals shall be entitled to a 10% tax credit (upto a maximum of PKR1mn) for construction of a new house
- Income of builders on new construction projects shall be reduced by 10% or PKR5Mn, whichever is lower, for the tax year 2024 to 2026

### **Chemicals & Fertilizer:**

- Customs duties on liquid caustic soda is being increased from PKR4,000/tons to 16%
- As against PKR18bn subsidy in FY23 for fertilizer, GoP has not allocated any subsidy for fertilizer in FY24.

### **OMC:**

- The finance minister in his speech shared that bonded bulk storage shall introduced for POL products

### **Autos:**

- It has been proposed to reduce customs duty from 10% to 5% on non-localized (CKD) of Heavy Commercial Vehicles
- It has been proposed to withdraw capping of the fixed duties and taxes on the import of old and used vehicles of Asian Makes above 1300 CC



# Federal Budget FY23-24

## **E&P:**

- It has been recommended to exempt income from Reko Diq project
- GoP has budgeted PKR121bn as dividend income up 49% from the revised numbers of PKR82bn.

## **Textile:**

- It has been proposed that sales tax increased from 12% to 15% on finished fabric and locally manufactured and finished articles of textile sold through retail outlets integrated with FBR's computerized system
- It has been proposed to reduce of customs duty on import of pet scrap for manufactures of polyester filament yarn
- It has been proposed to remove 5% regulatory duty on type of Synthetic Filament Yarn which is not produced locally

## **Pharmaceuticals:**

- It has been proposed to include 1 API and 3 drugs duty free

## **Technology/IT:**

- Export proceeds of IT services or IT Enabled services was subject to 0.25% tax under FTR for indefinite period, now this is limited till 2026
- It is proposed that software exporters will be for eligible concession duty on imported goods equivalent to 1% of their export proceeds of the previous financial year. These imports will be capped at USD 50,000 per year

## **Power/IPPs:**

- Subsidies for IPPs has been increased by 72% from PKR180bn to PKR310bn
- It has been proposed to exempt raw material for solar panel, inverter and batteries from custom duty

## **Others:**

- It has been proposed to increase export regulatory duty on Molasses from 10% to 15%
- It has been proposed to Increase regulatory duty on import of articles of glass (used in vehicles)



# Federal Budget FY23-24

## Annexure:

### Super tax table:

Super tax % of Income	Current	Tax year 2023 & onwards
Income does not exceed PKR150Mn	0%	0%
Exceeds PKR150Mn less than PKR200Mn	1%	1%
Exceeds PKR200Mn less than PKR250Mn	2%	2%
Exceeds PKR250Mn less than PKR300Mn	3%	3%
Exceeds PKR300Mn less than PKR350Mn	4%	4%
Exceeds PKR350Mn less than PKR400Mn	4%	6%
Exceeds PKR400Mn less than PKR500Mn	4%	8%
Exceeds PKR500Mn	4%	10%



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