

**Budget Speech 2018-19**  
**Bismillahir-Rehmanir-Rahim**

**PART-I**

**Mr. Speaker,**

1. It is my honour to present today the sixth budget of the PML(N) government to this Parliament. It is indeed a historic moment for the nation and the Parliament to celebrate. Despite challenges, we have achieved a highest growth in thirteen years, low inflationary environment, and overall macro-economic stability. I congratulate the nation and the Parliament.

**Mr. Speaker,**

2. Presentation of the budget 2018-19 is a solemn obligation of the present government. It is incumbent on this Parliament, before its term expires, to debate and pass Annual Budget for next year. Presentation of Federal budget is essential for provinces to estimate Federal fiscal transfers without which provincial government can neither formulate their budgets nor carry out their business. Passage of the budget is necessary for financial stability and continuity of government machinery. The next elected Government will be free to make changes in the budget priorities.

**Mr. Speaker,**

3. The budget being presented today reflects the vision of Mian Nawaz Sharif and aspirations and hopes of the people of Pakistan who voted for him as their Prime Minister in 2013. His absence today in the House is dearly missed.

**Mr. Speaker,**

4. I would like to take you back to May 2013 when we inherited a collapsed economy, low growth, high inflation and high fiscal deficit. Foreign Exchange reserves were at a historic low. International default seemed imminent and was widely predicted.

5. Let me remind this House that during the five years preceding 2013, average inflation was 12% and average GDP growth was 2.8%. Even worse, the country was in grip of a protracted energy crisis. There was 12-18 hours of electricity load shedding in urban and rural areas. Our country was facing large scale industrial shutdowns and labour layoffs. My farmer brothers did not have electricity to run tube wells. My sisters in urban areas did not have gas to heat hearths and cook food for their children.

**Mr. Speaker,**

6. Domestically, terrorism was widespread, and people were not feeling safe in their houses. Corruption and bad governance was common. Doom and gloom was pervasive, and nation's morale was at the lowest.

**Mr. Speaker,**

7. The PML(N) came into power in 2013 and immediately embarked upon a home-grown agenda. Economy, energy and good governance were the core

elements of that agenda. Under the leadership of Mian Nawaz Sharif we took on the challenges head on. For five years we worked long and hard, took painful decisions and never allowed our personal interests to be our preference. There has been only one motivation and that is serving the people who are the real masters in a democratic dispensation. As Abbas Tabish said:

بس اتنا کہنا ہے جمہوریت کے بارے میں  
قبول کیجئے جو فیصلہ عوام کریں

**Mr. Speaker,**

8. I will now present before this House the main achievements of our government in the area of economy;

- a. **Real GDP Growth.** Last year, our Government achieved GDP growth of 5.4% which was the highest growth rate in last 10 years. In contrast, the average GDP growth during the period 2008-12 was a paltry 2.8% per annum. For this year our growth is projected 5.8% which is the highest in last 13 years. This places Pakistan among the fastest growing economies.

The high growth rates over the last 5 years have produced unprecedented economic expansion. Size of the economy expanded from Rs.22,385 billion in FY2013 to Rs.34,396 billion in FY2018, while per capita income increased from Rs.129,005 in 2013 to Rs.180,204. Alhamdulillah, today Pakistan's economy is 24<sup>th</sup> largest economy in the World.

- b. **Agriculture.** Agriculture is the mainstay of our economy. Agriculture sector has shown the highest growth in the past 18 years of 3.8%. All major cash crops including cotton, rice, and sugarcane have contributed to this growth. This is the result of prudent policies pursued by our government during the last five years. In addition a special Kisaan package was announced by Mian Nawaz Sharif in 2015-16. Under this package, cost of fertilizers and pesticides were reduced, and cheaper credit was made available, and cash support was given to rice and cotton growers.
- c. **Industry.** Industrial production grew by 5.8% this year. This growth is the highest in a decade. It is driven by historically low interest rates and uninterrupted supply of electricity and gas after many long years of load shedding and darkness. A robust industrial sector is today generating several thousand additional jobs for our youth.
- d. **Services.** Services sector, which includes banking, retail, transportation etc. witnessed a remarkable growth of 6.4%. You will not be surprised now if I tell you that this too is one of the highest in a decade.
- e. **Inflation.** Inflation is the biggest tax on the poor people of Pakistan. Alhamdulillah, we have been able to curtail average inflation to less than 5 percent in the past five years, compared to 12 percent between 2008-13. In the first nine months of this year, inflation was only 3.8 percent while food inflation was only 2 percent. Over our last 5 years, people have enjoyed an unprecedented period of price stability.

- f. **Fiscal Deficit.** In FY2013, fiscal deficit was 8.2% of GDP. Our government pursued a policy of financial prudence and fiscal consolidation. During the current year, fiscal deficit will be contained below 5.5% of GDP. Public money is a trust and we will continue to spend it prudently.
- g. **FBR Revenues.** In FY2013, FBR tax collection was Rs.1,946 billion. For the current fiscal year, FBR revenue is projected to increase to Rs.3,935 billion which is two times increase in 5 years. Tax to GDP ratio which was 10.1% in 2013 will increase to 13.2% this year. Such phenomenal increase in tax collection in 5 years is not a small achievement. I want to thank taxpayers of Pakistan for this achievement.
- h. **Policy Rate of State Bank of Pakistan.** Policy rate came down from 9.5% in June 2013 to 5.75% in 2017, which was lowest in many decades. Similarly, mark up rates of Export Refinance Facility was reduced from 9.5% in 2013 to 3% in June 2016. Mark up rate on Long Term Finance Facility was also brought down from 11.4 % to 5-6%. Unprecedented low interest rates have allowed businesses and industry to grow and create jobs.
- i. **Agriculture Credit:** Five years ago, credit given to agriculturists was Rs.336 billion. At the end of February 2018, it stood at Rs.570 billion and it is expected to increase to Rs.800 billion by June 2018. In addition, interest rate of agriculture credit was also reduced significantly.

- j. **Credit to Private Sector:** Credit to private sector has grown by 383 percent, from Rs.93 billion in 2013 to Rs.441 billion by April 2018.
- k. **Exports.** Exports have been a challenging area of the economy due to both internal and external factors. As a result of concerted efforts, export package of Rs.180 billion as well as exchange rate adjustments exports have increased by 13% increase in the first nine months of this year and 24% in March on shipment basis. We expect this momentum to continue.
- l. **Imports.** Imports during the first nine months increased by 17% when compared with the same period last year. Higher imports are mainly driven by an increase in import of POL products, machinery and raw materials. These imports are augmenting productive capacity of the economy for higher export volumes in the future. With the completion of the CPEC related projects this year and the recent exchange rate adjustment, imports are likely to moderate.
- m. **Current Account.** Increase in productive imports has led to a widening of current account deficit to \$12 billion in the first nine months of the current fiscal year. Government has made adequate efforts to finance this deficit. I am certain that the foreign exchange reserves will be higher than their current level.
- n. **Foreign Direct Investment.** Foreign Direct Investment increased to \$2.7 billion in FY2017 from \$1.3 billion in 2013. During the first nine-months of the current fiscal year, it has increased to \$2.1 billion as against \$1.9 billion during the same period last year. Increased FDI

reflects confidence of international investors in policies of the present government.

- o. **Workers' Remittances.** Remittances by Pakistani's abroad jumped from only \$13.9 billion in 2013 to \$19.3 billion last year. This year In-Sha-Allah, we expect to end the year at more than US\$20 billion which will be a record for Pakistan.
- p. **Foreign Exchange Reserves.** When the government took office, the foreign exchange reserves had depleted to only US\$6.3 billion. Reserves increased to US\$19.4 billion by October 2016. However, the increased trade deficit has impacted the build-up of reserves. Presently reserves held with SBP stand at \$11 billion. The Government is taking necessary measures to ensure reserve adequacy.
- q. **Pakistan Stock Exchange.** Pakistan Stock Exchange performed exceptionally well to reach an all-time high of 53,124 points in May 2017 from 19,000 in May 2013. The market capitalisation reached almost US\$100 billion. As a result of political events the stock-exchange plunged to 37,919 in December 2017. However, the index has recovered to almost 46,000 points.
- r. **Registration of new Companies.** This year 8,349 companies were registered till March 2018 compared to 5,883 companies in the same period last year. During the last 5 years 33,285 new companies were registered as compared to 17,079 registrations between 2008-13. Registration of such large numbers of new companies reflects buoyancy of businesses.

- s. **Increase in Investment.** Better governance, business friendly policies and improved security conditions have brought investors back to Pakistan. China-Pakistan Economic Corridor is attracting large scale investments to key sectors of the economy including; energy, communication infrastructure, transportation, telecommunication, textile and construction. These investments addressed perpetual bottlenecks of energy and infrastructure and unleashed the growth momentum. A total of US\$223 billion were invested in the economy from both domestic and foreign sources over the five years as compared to US\$140 billion during 2008-13.
- t. **Energy Sector Development.** Five years back, electricity was not available for 16-18 hours to our people and businesses. The biggest promise we made during the last election to the nation was to eliminate electricity load shedding which stands fulfilled today. During the last sixty-six years of Pakistan's history, a total of 20,000 megawatts of generation capacity was added. In a short-term of five years, we have added 12,230 megawatts of new generation capacity. Mian Nawaz Sharif, my elder brother Khawaja Muhammad Asif and Chief Minister Punjab Mian Shebaz Sharif worked day and night for this success.

**Mr. Speaker,**

### **Structural Reforms during the last Five Years**

9. To accelerate economic growth, Prime Minister Shahid Khakaan Abbasi has lately announced 5-point economic reform package through which taxes have been

lowered. These are the biggest tax-cuts in the history of Pakistan. Some of the key features of this package are;

- a. Tax rates on individuals have been lowered. Complete tax exemption has been given to people who earn upto Rs.12 lakh per year or Rs.1 lakh per month. This exemption limit, which was previously Rs.4 lakh per year has been increased three times to Rs.12 lakh per year. Tax will be levied at the rate of 5 percent for income between two and four lakhs monthly. People earning above four lakh monthly will be taxed at the rate of 15 percent. In Pakistan highest tax burden was on the salaried middle-class which include teachers, doctors, lawyers, nurses, accountants. Reduced tax rates will significantly lower tax burden on this class.
- b. New initiatives in data-mining are being initiated to identify individuals who, despite earning taxable income, are not paying their due share in taxes. Government will now monitor potential taxpayers' financial records and issue notices on evidence of tax evasion.
- c. Now that tax rates have been reduced and data-mining methods have been introduced to identify assets, we are providing last chance to declare undeclared assets held inside the country. Undeclared incomes earned before 30<sup>th</sup> June 2017 and held as local assets (gold, bonds, property etc.) can be regularized on payment of 5% of the value of the asset. Dollar account holders in Pakistan who have purchased dollars through undeclared money can regularize them on a payment of 2%.

- d. Protection of Economic Reforms Act in 1992 was intended for liberalisation of economy and facilitation of foreign investment. This facility allowed free movement of foreign exchange in and out of the country without questions being asked. However, this law was misused by some elements for whitening of black money. We have plugged this loophole in the law. The law has been amended and now only the filers can make cash deposit in their foreign currency accounts. However, all inflows up to US\$100,000/year/person will continue without any questions from any agency about the source and enjoy tax exemptions. The FBR will have the right to ask for source of income from people bringing in more than US\$100,000/year/person.
- e. We are also allowing people to declare their foreign undeclared assets at 3 percent and undeclared liquid assets at 5 percent.
- f. To check under-declaration of land and property, the state is being given the power to purchase land and property at 100% of the declared value within six-months of its registration. Non-filers will be barred from procuring property above Rs.4 million. FBR rate on property is being abolished from 1<sup>st</sup> July 2018 and provinces have been advised to abolish DC rates. There will be a reduced tax incidence on property registration, with a maximum of 1% tax for filers. This reform measure is unprecedented and will help in documentation of the economy.

**Mr. Speaker,**

**Budget Strategy**

10. Following are the key targets of our budget strategy:

- a. Real GDP growth rate of 6.2%
- b. Inflation to remain below 6%
- c. Tax to GDP ratio of 13.8%
- d. Budget deficit of 4.9% of GDP
- e. Net Public Debt at 63.2% of GDP
- f. Foreign exchange reserves at \$15 billion, and
- g. Continuation of social protection programmes.

**Mr. Speaker,**

11. Our macroeconomic policy aims to address the imbalances of external account, while protecting economic growth. Over the medium-term we propose to continue reduction of fiscal deficit, maintain a cautious monetary stance, and embark upon next generation of reforms for strengthening investment climate, export promotion, and energy sector. Priority should be accorded to reducing losses in the public-sector enterprises and expanding tax base.

12. To achieve these goals, the following budget strategy is being proposed:

- a. FBR tax revenue target is proposed to be fixed at Rs.4,435 billion which is to be achieved through tax administration and compliance and not through any new tax measures. Tax base will be enhanced while tax rates are being lowered.

- b. The Government will continue investments in social protection - particularly Benazir Income Support Programme and continue initiatives for marginalised segments of the society through a targeted subsidy regime. For Benazir Income Support Programme, an amount of Rs.125 billion is being proposed in the budget, while Rs.179 billion has been earmarked as subsidies.
- c. The Prime Minister's Youth Scheme will continue. For this purpose, Rs.10 billion have been allocated.
- d. Total size of the PSDP is proposed as Rs.800 billion however, additional resources of Rs.230 billion will be financed through autonomous organisation, Public Private Partnership, and other means. Investments in the water, road infrastructure, electricity sector and China Pakistan Economic Corridor (CPEC) will be protected.

13. After the 7<sup>th</sup> National Finance Commission (NFC) Award, fiscal space of the Federal Government shrunk by 10 - 11% while its expenditure could not be reduced. The provinces received an additional transfer of Rs.2.5 trillion in 8 years which otherwise could have been spent by the Federal government. The Federal government also had to allocate substantial resources for special security and rehabilitation of TDPs.

### **Special Initiatives 2018-19**

**Mr. Speaker,**

14. Now I will present before the House special measures that we propose for the next year.

## Agriculture Sector

15. Actualising agriculture sector potential is imperative for sustainable higher GDP growth. Pakistan needs a second green revolution to achieve yield growth potential, investment in agriculture technology, research and development, cropping patterns more adaptable to climate change and in changing management and labour tenure practices.

16. A radical transition of agriculture sector can only be achieved moving away from subsidy driven approach to a market driven dynamic policy regime. Going forward Federal Government will leave the business of subsidies to provincial governments and will focus on building a conducive policy environment for research and development, productivity enhancement, market access, improvements in management, labour practices and technology. We are making a beginning by announcing the following measures:

- a. **Continuation of Incentives of FY 2017-18:** A number of incentives were announced in Budget 2017-18 including in agriculture credits, exemption of customs duty on harvesters, removal of GST on imported sunflower and canola seeds etc. All these incentives shall continue to be available during 2018-19.
- b. **Uniform Rate of GST on all Fertilizers:** Considering fertilizer as the critical farm input our government reduced the sales tax on fertilizer from a high of 17% to 4% on DAP, 5% on Urea and 9-11% on others. I am happy to announce that from 1<sup>st</sup> July there will be a reduced uniform GST rate of 2% on all fertilizers. This will eliminate distortions

in tax regime, further reduce fertilizer prices and promote use of balanced nutrients.

- c. It is also proposed to reduce GST on agriculture machinery from the current 7 percent to 5 percent.
- d. Further concessions in taxes and duties are being proposed for the dairy and livestock sector. Details will be announced in Part II of this speech.
- e. **Enhancing Cotton Production and Quality:** Producing high quality and large quantities of cotton is central to economic growth and exports. In terms of climatic conditions, water and soil availability Pakistan enjoys a natural advantage we are 5<sup>th</sup> largest cotton producing country in the World, but in terms of exports textile products we are ranked amongst the lowest. We need to dramatically improve both quality and productivity to achieve higher export values. The subject of cotton has been transferred to Ministry of National Food Security and Research from the Ministry of Textile Industry.

We are working with provincial governments to formulate and enforce a policy to halt conversion of cotton growing area into sugarcane growing area. Plant Breeders Rights Act, which had been facing prolonged delays over the last 15 years, has been recently enacted by our government. The Plant Breeders Rights Registry established under this law will help in producing higher yield varieties of cotton and other crops locally through availability of better quality seed.

- f. **Tariff subsidy on Agriculture tube wells:** Availability of water is necessary for crops. Government is presently providing electricity for agriculture tube well at reduced rates. During 2018-19, this scheme will continue in these areas where the Provincial Governments agree to share cost of subsidy on 50:50 basis.
- g. **Agriculture Research Support Fund:** The Government is proposing setting up an Agriculture Research Support Fund with an initial allocation of Rs.5 billion. The Fund will provide financial grants for research and development of modern plant and seed varieties for achieving higher crop yields. The Fund will be jointly managed by Finance Division and Ministry of National Food Security and Research.
- h. **Agriculture Technology Fund:** The Government of Pakistan is also proposing to establish a separate Fund for indigenization of agriculture technology with an initial allocation of Rs.5 billion. The Fund will be jointly managed by Finance Division and Ministry of National Food Security and Research. It will work with partner organizations and promote indigenization of agriculture technology.
- i. **Revamping of Agriculture Research Organizations:** Ministry of National Food Security and Research is working on a plan for restructuring and revamping of research organizations and institutes to convert them into world class state of the art platforms for research and development. Necessary financial support will be made available.

## **Export Promotion**

17. During the last five years we took several measures for promotion of textile and exports. These included reductions in markup rates of LTFF and ERF to historic lows of 5 percent and 3 percent respectively, duty free import of textile machinery, uninterrupted supply of gas and electricity for industries, zero-rating of five key export sectors, and introduction of export package of Rs.180 billion.

18. These were immediate measures to arrest decline in exports. We need to reset policy framework and move away from quick fixes approach to more robust, sustainable and market driven policy instruments. Going forward, we plan to rationalise subsidies and concurrently reduce cost of production. We are making a beginning through this Budget;

- a. **Zero-Rating Regime:** Five export sectors namely textiles, leather, sports goods, surgical goods and carpets shall continue to remain in zero-rated sales tax regime.
- b. The government has decided to provide freight support on export of potatoes. Details will be announced subsequently.
- c. **LTFF and ERF Rates:** Reduced mark-up rates shall continue to be available as per SBP policy under Long Term Finance Facility and Export Refinance Facility respectively.
- d. **Export Promotion Schemes under Textile Policy and Strategic Trade Policy Framework:** Incentives under various schemes of Textile Policy 2014-19 shall remain available during FY 2018-19. Ministry of Commerce is also working on Strategic Trade Policy

Framework 2018-23. An amount of Rs.10 billion is being allocated for various schemes under these policies.

- e. **Tariff Restructuring:** Tariffs on various lines, which are mainly industrial raw materials, are proposed to be reduced. Details shall be presented in Part-II of Finance Bill. Tariff Restructuring shall increase competitiveness of exports and help in reducing the current account deficit.
- f. **Export Sector Refunds:** The following measures are proposed to overcome the issue of refunds of exporters:
  - i. We are moving towards zero rating of import materials for export sector which will significantly reduce creation of new refund claims.
  - ii. Refund claims currently pending will be cleared in a phased manner over the next 12 months starting 1<sup>st</sup> July 2018.
  - iii. After 1<sup>st</sup> July 2018 all new refund claims will be paid as per the time stipulated in law and regulations on monthly basis and there will be no delay.
- g. In order to facilitate exports, the government is working on a new package. Keeping in view the prevailing circumstances, this package will focus on increase non-traditional and value-added exports.

## Financial Sector

19. **Remittances.** Remittances from overseas Pakistanis are a major source of foreign exchange earnings. To further encourage remittances through formal channels, the Government has decided to introduce following incentive in FY2018-19:

a. **Prize Scheme for overseas Pakistanis:** All home remittance transactions sent through commercial banks, exchange companies and other financial institutions will be included in monthly lucky draws. Details of the scheme are being finalized and shall be announced shortly by State Bank of Pakistan.

20. **Enhancement in the target of agriculture credit:** Access and availability of credit is very important for small farmers. Our government increased target of agriculture credit from Rs.315billion in 2013 to Rs.1,001 billion in 2018. For the next year, this target is being increased to Rs.1,100 billion.

21. **Production Index Units:** Similarly, keeping in view increase in cost of agriculture inputs and corresponding demand for credit, value of PIU will be increased to Rs.6,000. Value of PIU in 2013 was Rs.2,000 which we increased to Rs.5,000 during the outgoing year.

### **Film and Drama Industry**

**Mr. Speaker,**

22. In order to revive Pakistan's film industry, which used to be the third largest in world in the 1960s, the Government is announcing a fiscal package. The package will provide an enabling environment for film industry to flourish, and to project Pakistani culture. The main features of this fiscal incentive packages are:

- a. Reduction in custom duty to 3 percent on the import of film & drama production equipment and sales tax to 5 percent.
- b. Establishment of a revolving Fund for promotion of film and drama industry and to provide financial support to deserving artists.
- c. Rebate of 50% in Income tax to companies investing in film projects will be given for 5years.
- d. 50% tax rebate to income derived by foreign film makers from films made in Pakistan.

23. Further details of film-policy will be presented by my sister Maryum Aurangzeb in the next few days.

#### **Development of Karachi**

24. Karachi is the commercial and trading hub of Pakistan and has a major contribution in the country's revenue base. PML(N) Government after coming to office in 2013 successfully restored law and order in Karachi giving confidence to the business community and rejuvenating economic activity there. The Lahore, Multan metros were built by provincial funds, however the Green Line Rapid Transit System in Karachi is being funded by the Federal Government. In the current financial year, Rs.16 billion have been spent on this project. The road and bridges are ready, but the provincial government has not yet been able to issue contract for procurement of buses. On behalf of the Federal government, I am today offering that if Sindh government is unable to get busses for Karachi, the Federal Government will do so.

25. It was agreed during the time of the previous government that Federal government will pay 1/3rd of the cost of K4 water project in Karachi. However, no money was ever paid, and the project never took off the ground. It was the PML(N) government that started giving funds for the K4 and Mian Nawaz Sharif also agreed to pick 45% of the total cost. However, it is taking the provincial government a long time to complete the project due to which cost over-run have crossed 400%.

**Mr Speaker,**

26. Karachi is suffering from a severe water crisis. To solve this long-standing problem, the Federal government is today announcing a new scheme of sea water desalination plant. This plant will be built by the private sector and will produce 50 million gallons of water a day. In-Sha-Allah it will be my honour to play a role in solving the water problem for my city. For this purpose, the Federal government will bridge the viability gap in partnership with private sector.

27. Apart from the above, the Prime Minister has announced a Package of Rs.25 billion for Karachi. This Package includes providing infrastructural and other social sectors facilities. So far, three projects covering roads and flyovers and up-gradation of firefighting system has been approved and Rs.3.0 billion has been earmarked during current financial year. An allocation of Rs.5 billion has been proposed in the PSDP-2018-19. In addition, on my personal request the Minister for Planning Mr. Ahsan Iqbal has provided funds for expansion of Karachi Expo Centre.

### **Childhood Development**

**Mr. Speaker,**

28. **Education:** We are introducing a new programme to be called 100 100 100. This is a federal government's commitment to ensure that 100% Pakistani children will be enrolled in schools, 100% children will be retained in schools and finally, InshaAllah 100% will graduate from schools. This is a solemn commitment of not just of Prime Minister Shahid Khakaan Abbasi but the entire parliament to the children of Pakistan. Even after 70 years, we the leaders of Pakistan have failed the children of Pakistan. We have denied them the light of education. No more. Even though education is a devolved subject, but federal government will help, both financially and administratively, each and every province to achieve this goal. This is not about politics and parties. This is a national commitment that I make today to the children of Pakistan. We will educate you. And we will insist on 100 100 100.

29. **Nutrition:** Mr. Speaker, as a father of three children I am ashamed to tell you that 30% of my Pakistani children are stunted due to malnutrition and inadequate food. This Mr Speaker is a moment of reflection for all of us. No sir, this is a matter of shame for us. This is no more tolerable.

30. I am today allocating on the instructions of the Prime Minister at least Rs.10 billion for a programme that will end child stunting. But if this programme gets off the ground quickly and needs more money, I again promise on behalf of the entire parliament that we will provide through supplementary grants any amount that is needed to end child stunting. Standing today in front of this picture of babe-e-quam in this centre of Pakistani democracy I commit, on behalf my Prime Minister and this Parliament to end child stunting in Pakistan by 2020.

**Mr. Speaker,**

**Development Plan - PSDP**

31. During the past five years, our government emphasised on increase in development spending several times. The PML(N) government spent over Rs.3,000 billion, as compared to around Rs.1,300 billion spent during 2008-13. This is about 230 percent more. I am proud to say that, under the leadership of my brother Ahsan Iqbal, public money was spent with full fiduciary responsibility, transparency and financial integrity for the benefit of our people.

32. While PSDP investments were made in different sectors of the economy, I would like to highlight the China-Pakistan Economic Corridor (CPEC) upfront. Vision of Mian Nawaz Sharif, CPEC initiative has become a global brand of Pakistan. CPEC investments are mainly in energy, road and transport infrastructure and Gwadar. As part of CPEC, our Government initiated road projects that would link north of Pakistan with Gwadar. Trans-Pakistan corridor of motorways and special economic zones are designed to provide jobs, enhance manufacturing base, and increase prosperity and growth. Karachi Lahore Motorway, Thakot Havelian Motorway, Eastbay Expressway Gwadar, and many other link roads in Gilgit Baltistan, KPK, Punjab, Balochistan and Sindh are interlinking Pakistan like never before.

33. As part of CPEC, the Government has also finalized the plan to increase the speed of trains on Main Line-I from Peshawar to Karachi by 3 times. Current average speed of trains on ML-I is 55 Km per hour which will be increased to 160 Km per hour by 2021. The project envisages doubling of track from Karachi to Peshawar and from Taxila to Havelian. This requires an investment of more than \$8 billion. This will enable people to travel from North to South in 12 hours or even less.

**Mr. Speaker,**

**Energy**

34. Our government has invested heavily in Energy sector. The PML(N) government fulfilled its promise of availability of electricity and added generation capacity of 12,230 megawatts to the national grid. Let me highlight the key completed projects based on a diverse mix of low cost power generation sources including coal, RLNG, wind, solar and hydel:

- a. 969 MW Neelum Jehlum Hydropower project, a run-of-river hydropower project, which is an engineering marvel with 90% of the plant being underground in the high mountainous area
- b. Enhancement of Tarbela power station with addition of fourth unit contributing an additional 1,410 MW of power
- c. 3,600 MW of RLNG based power plants in Haveli Bahadur Shah, Bhikki and Balloki
- d. Pakistan's first super-critical coal fired power plants located in Sahiwal and Port Qasim Coal (north and south) have started operations
- e. 680 MW Chashma Nuclear Power Plants C-3 and C-4 have come online; and
- f. Over 1,000 MWs renewable energy projects with zero fuel costs.

**Mr. Speaker,**

35. However, these projects are not the end of our investments in the electricity sector. For the budget year 2018-19 the proposal is to invest Rs.138 billion in power sector. Key investments in the sector are proposed as follows:

- a. Rs.27.5 billion have been allocated for installation of two 600 MW coal fired power project in Jamshoro, Sindh
- b. Rs.76 billion have been allocated for Dasu Hydro Power Project for Stage-one in district Kohistan, Khyber Pakhtunkhwa
- c. Rs.32.5 billion have been allocated for Neelum Jhelum Hydro Power Project, and
- d. Rs.13.9 billion have been allocated for Tarbela Fourth Extension Hydro Power Project.

## **Water**

**Mr. Speaker,**

36. I would like to congratulate people of Pakistan on the recent approval of the construction of Diamer-Bhasha dam at an estimated cost of Rs.474 billion. The dam will have 6.4 million acres feet live storage capacity and an installed power capacity of 4,500 MWs. The project will increase national water storage capacity from 38 days to 45. In the budget 2018-19, the proposal is to allocate Rs.23.7 billion for the dam. Overall, investment in the water sector is being increased from Rs.36.7 billion in 2017-18 to Rs.79 billion in 2018-19.

## **National Highways**

37. Efficient road network is the key to economic prosperity. While recognizing this fact the PML (N) government has increased investments for highways from around Rs. 50 billion in 2012-13 to Rs. 320 billion in FY 2017-18. An amount of Rs.842 billion were allocated through the PSDP during last 5 years while off-budget financing of Rs. 500 billion was also arranged by employing innovative PPP modes. Through this investment 3,655 Km new roads have been added while 1,000 Km new roads were added by our predecessor in five years at the cost of Rs.123 billion.

38. Travelling experience between Peshawar and Lahore had been revolutionized by Mian Nawaz Sharif during the 1990s. During the current tenure he has ensured that the same experience is available throughout Pakistan. His dream of a Trans Pakistan Motorway is near its fulfilment and by the close of this fiscal year, the length of the motorways will be around 2,500 kilometres. Some of the key projects that have been completed include:

- a. 58 KMs of Faisalabad-Gojra motorway
- b. 136 KMs of Hyderabad-Karachi motorway
- c. 56 KMs of Khanewal-Multan motorway.

39. This year, we plan to complete the following key projects;

- a. Khuzdar Shahdadkot motorway
- b. 230KMs of Lahore-Multan motorway
- c. 62 KMs of Gojra-Shorkot motorway
- d. 64 KMs of Shorkot-Khanewal motorway

e. 91 KMs of Sialkot-Lahore motorway

f. 57 KMs of Hazara Motorway.

40. The North South connection on the western side is being improved by constructing high class motorways and highways from Burhan in Islamabad, Peshawar Motorway to DG Khan and thereon to Quetta via Zhob. This link will be completed by 2020. Mian Nawaz Sharif has already inaugurated the Gwadar-Quetta Link that has reduced the travel time between Gwadar and Quetta from more than 24 hours to 8 hours and, for the first time, made the Gwadar Port viable for Afghanistan and the Central Asian States.

41. In budget 2018-19, an allocation of Rs.310 billion is proposed.

### **Railways**

42. Over the past five years, revenue generation capability of Pakistan Railways has increased considerably. For budget year 2018-19, in addition to recurrent budget grant of Rs.35 billion, development budget investment is proposed at Rs.39 billion.

### **Development of Gwadar**

43. The dream to make Gwadar port fully operational for international trade is now gradually turning into a reality. For the budget year 2018-19 our main aim is to allocate required resources for the completion of on-going projects such as; Gwadar airport and its access road network, improving port facilities, development of a desalination plant for provision of clean-drinking water, upgrade of existing 50 bed

hospital to 300 beds, development of infrastructure for Gwadar export processing zone, construction of a China-Pakistan Economic Corridor Institute, and construction of dams. Thirty-one projects for development of Gwadar are part of the proposed PSDP 2018-19 with an estimated cost of Rs.137 billion.

### **Human Development**

44. While the social sector functions have been devolved to the provinces, the Federal Government continues to provide funding for higher education, primary health services, and programmes for youth. For this purpose, we are enhancing PSDP allocations for Higher Education Commission to Rs.57 billion, for primary health programmes to Rs.37 billion and for programmes for youth by Rs.10 billion. The Federal Government is also providing income support to more than 5 million families, and has also allocated funds for Pakistan Bait Al Maal, and Poverty Alleviation Fund. In addition, the Federal government is proposing to build 100 sport stadiums all over the country on cost-sharing basis with the provincial governments.

### **Health**

45. Our government introduced large-scale reforms in the health sector. It is government's top priority to provide quality health services to the people.

46. Even after devolution of health function to provinces, the Federal Government cannot abdicate itself from responsibilities in this sector. For the first time, poor people are being provided with quality health services through the Prime Minister's Health Programme. Under this programme 30 lakh families in 41 districts have been provide free of cost services in public and private hospitals.

47. The scope of this programme is being expanded to all districts in the country. This programme would help in achieving targets of Sustainable Development Goals and Universal Health Coverage.

48. In view of increasing cases of Hepatitis, a National Hepatitis Strategic Framework has been developed together with the provinces. Prices of Hepatitis drugs have been brought to the lowest level and its production in the country is encouraged.

49. Uninterrupted supply of vaccines has been ensured through the vaccination programme for mothers and children, and its storage and distribution systems are ISO certified.

50. Production of vaccines in National Institute of Health is made as per international standards. The production which was earlier un-operational, has been made operational.

51. Keeping in view the necessity of authentic data in policymaking, an international standard dashboard has been established at the federal level.

52. For the collection of correct statistics, the government has decided to undertake international standard survey after every 2 - 3 years.

### **Childhood disease detection and prevention**

**Mr Speaker,**

53. technology today provides simple and cheap solutions to many important problems. If trained and provided with the appropriate mobile phone app, teachers can look into students' eyes and detect many diseases. This will help detect

diseases at the very inception and allow easy and cheap prevention and cure. This programme will be started with the poorer districts of Pakistan and will be spread to all public schools in a few years. At an appropriate time we will also require the private schools to provide such service. For now I just request the more expensive schools to provide such service. The federal ministry of National Health Services will soon start providing guidelines on this subject.

### **Special Areas**

54. For the AJK and Gilgit Baltistan, an amount of Rs.44.7 billion is proposed to be allocated. For the people of AJK, we announce today a special project of Lipa Tunnel construction which will facilitate the local population. For FATA, Rs.24.5 billion have been proposed. To bring FATA in the mainstream, a ten-year FATA development plan with total outlay of Rs.100 billion has been approved. During 2018-19 Rs.10 billion are proposed to be provided.

### **Peace and Security**

55. Alhamdulillah, today Pakistan is more peaceful than it was five years ago. Our military and para-military apparatus has fought hard and laid their precious lives for our country. Last hideouts in North Waziristan have been eliminated through operation Zarb-e-Azb. I would like to salute the Jawans, Officers, civilians who have laid their lives for our today and future of our children.

56. Millions of people had to leave their homes in the areas of military operations. We will remember their sacrifices. The government wants to assure them that in this hour of need we will do our best to provide necessary rehabilitation and reconstruction facilities. Rs.90 billion have been allocated for this purpose in the budget 2018-19.

**Mr. Speaker,**

**Budget Estimates 2018-19**

57. I would now like to present key numbers for the budget year 2018-19:

- a. The Federal gross revenue is estimated at Rs.5,661 billion. As compared to revised estimates of Rs.4,992 billion in 2017-18, this is higher by 13.4 percent.
- b. This includes FBR tax estimate of Rs.4,435 billion as compared to revised estimate of Rs.3,935 billion.
- c. Out of the total revenues, the provincial governments share is estimated to be Rs.2,590 billion as compared to Rs.2,316 billion revised estimates for 2017-18, showing an increase of 11.8 percent. These resources will be utilized by the provincial governments in enhancing human development and security of the people.
- d. After transfer to provincial governments, the net revenue of the Federal Government is estimated at Rs.3,070 billion in 2018-19 as compared to revised estimates of Rs.2,676 billion in the current financial year.

- e. Total Federal expenditure for 2018-19 is budgeted at Rs.5,246 billion compared to the revised estimates of Rs.4,857 billion for 2017-18, showing an increase of 8 percent.
- f. Interest payments for 2018-19 have been budgeted at Rs.1,620 billion against the revised budget of Rs.1,526 billion for 2017-18.
- g. The defence budget is proposed at Rs.1,100 billion against the revised budget of Rs.999 billion in the 2017-18.
- h. Total size of Federal PSDP 2018-19 would be Rs.1,030 billion against revised estimates of Rs.750 billion.
- i. Provincial surplus is estimated at Rs.286 billion in 2018-19 against revised estimate of Rs.274 billion for 2017-18.
- j. Based on the above estimates budget deficit will be 4.9% of GDP as opposed to 5.5% of GDP of revised budget estimate in the financial year in 2017-18.

**PART II**

**FBR Tax**

**Mr. Speaker,**

58. Now I present part II of the speech which consists of tax proposals.

**Mr. Speaker,**

59. Before announcing relief measures specific to individual taxes I want to mention a few steps that will provide ease of doing business for the taxpayers and curtail the discretionary powers of the tax collectors.

60. Tax audit of a business involves considerable hassle and cost for the taxpayer. There are instances of taxpayers being subjected to multiple audits in successive years. In order to encourage compliant tax payers, selection for audit in respect of all three taxes; Income Tax, Sales Tax and Federal Excise Duty, has been made risk based and a case shall not be audited more than once in three years for each tax. This limitation will apply to selection of audit by the commissioner as well as FBR. The concept of composite audit will also be introduced to ensure that audit of tax affairs under all tax laws is undertaken simultaneously to avoid inconvenience to the tax payers. This approach shall serve as an encouragement for compliant taxpayers, and decrease the cost of compliance with tax laws.

61. Previously grant of stay by the Commissioner (Appeals) was subject to payment of 25% of tax liability. The condition has now been relaxed, and the payment is proposed to be reduced to 10%. It is expected that this will provide

substantial relief to taxpayers who are sometimes burdened with unrealistic tax demands.

62. Under the current law the decision of the ADRC is neither binding upon the FBR nor upon the taxpayer. It is proposed that composition of the members of ADRC maybe changed so that retired judge of a High Court and tax professionals may be included in the Committee in addition to representatives from FBR.

63. As per the Sales Tax Act, any commissioner or chief commission has authority to appoint staff at the premises of taxpayer, and monitor sales and production. Complaints have been received on the misuse of this authority. Therefore, this authority is being withdrawn from commissioners and chief commissioners. Now only FBR will use this authority based on evidence of variations in sectoral averages.

64. Now I shall place before the House further relief and tax measures that are proposed to be introduced in the current Budget starting with income tax measures

## **INCOME TAX**

### **RELIEF MEASURES**

65. It is widely recognized that a substantial portion of untaxed money is parked in the real estate sector. Furthermore, the practice of under declaring the value of properties viz-a-viz their actual market value is rampant. In a bid to address these challenges to ensure declaration of property transactions at actual market arte and discourage whitening of black money through investment in the real estate sector the Prime Minister had announced certain measures in his press conference on April 05, 2018. Accordingly the following measures are proposed to be adopted:

- a. The property transactions are proposed to be recorded on the value declared by the buyer and the seller
- b. The FBR notified rates are proposed to be abolished
- c. At the Federal level, a one percent adjustable advance tax from the purchaser on the declared value is proposed to replace the existing withholding tax on sellers and purchasers. It is proposed that the non filers may not be permitted to purchase property having declared value exceeding four million rupees.
- d. The provinces have been requested to abolish the provincial rates for the collection of stamp duty and to collect a total of one percent tax under stamp duty and capital value tax on the value declared by the buyer and the seller
- e. In order to deter under-declaration and consequent loss of revenue, it is proposed that FBR may hold a right to purchase any property within six months of registration by paying a certain amount over and above the declared value which may be 100 percent in the fiscal year 2018-2019, 75 percent in the fiscal year 2019-2020 and 50 percent in the fiscal year 2020-2021 and thereafter.
- f. In order to implement the above measures enabling provisions are proposed to be incorporated in the Income Tax Ordinance, 2001. Detailed procedure and the date of coming into force of the above measures are proposed to be notified later.

## **GRADUAL REDUCTION IN THE RATES OF SUPER TAX**

66. Super tax was imposed in 2015 for rehabilitation of internally displaced persons. It was continued in 2016 & 2017. Various organizations have demanded its abolition to reduce the effective tax rate. It is currently being charged @ 4% on banking companies & 3% on non-banking companies having income greater than 500 M. It is proposed that Super tax may be continued for the financial year 2017-18 but the rate may be reduced by 1% per year from financial year 2018-19 for both banking and non-banking companies.

### **RATIONALIZATION OF CORPORATE TAX RATE**

67. In consonance with the policy to reduce tax rates for individuals and AOPs, the Government has decided to likewise reduce corporate tax rates from 30% in tax year 2018 to 25% in tax year 2023. The corporate tax rate will be 29% in tax year 2019 and will be reduced by 1% each year up to tax year 2023.

### **REDUCTION IN TAX RATE ON UNDISTRIBUTED PROFITS**

68. Tax on undistributed profits is charged @ 7.5% on accounting profit if at least 40% of after-tax profits are not distributed within 6 months of the end of the year. Various professional bodies have insisted on relaxing the requirements to facilitate businesses in retaining earnings for investments. Therefore it is proposed that tax may be reduced from 7.5% to 5% and the condition of distributing 40% after-tax profits may be reduced to 20%.

### **REDUCED RATE OF TAX ON REIT DIVIDENDS**

69. In order to promote Real Estate Investment Trust, the rate of tax on dividends issued to the unit holders by REIT is proposed to be reduced from 12.5% to 7.5%.

**REDUCED RATE OF WITHHOLDING TAX ON BANK TRANSACTIONS ON NON-FILERS**

70. Tax @ 0.6% is charged on non-cash banking transactions from non-filers. The rate is proposed to be reduced from 0.6% to 0.4% on a permanent basis.

**INCREASE IN MINIMUM THRESHOLD OF TAX DEDUCTION ON PAYMENT FOR GOODS AND SERVICES.**

71. Under the existing law, tax is required to be deducted on payment for services exceeding Rs.10,000 and on goods exceeding Rs.25,000. Considering inflation over the years it is proposed that the threshold for tax deduction be enhanced to Rs.30,000 on payment for services and to Rs.75,000 on payment for goods.

**EXTENSION OF TAX CREDITS UP TO TAX YEAR 2021**

72. Currently tax credits are allowed under sections 65B, 65C, 65D and 65E for establishing a new industrial undertaking, purchase of machinery through equity and extension, expansion and BMR of machinery. However, in order to give an impetus to investments the cut-off date for being eligible for these tax credits is proposed to be extended up to 30.06.2021.

**EXEMPTION TO DEEP CONVERSION REFINERIES**

73. In order to promote setting up of deep conversion refineries it is proposed that such refineries with a capacity of minimum 100,000 barrels per day to be installed anywhere in Pakistan may be exempted from income tax for a period of 10 years. Further, such exemption may also be extended to existing refineries in cases where

capacity is expanded by installing deep conversion units with capacity of at least 100,000 barrels per day.

### **RATIONALIZATION OF TAX RATE ON IMPORT OF COAL**

74. Currently tax on import of coal is payable at the rate of, 5.5% for companies and 6% for persons other than companies. In order to decrease cost of production it is proposed that the rate of tax maybe reduced to 4%.

### **EXEMPTION TO WELFARE INSTITUTIONS**

75. In recognition of the meritorious services being performed by welfare institutions exemption is proposed to be granted to society for the welfare of suit, Aziz Tabba Foundation, Saylani welfare international trust and Al-Shifa eye hospital.

## **REVENUE MESASURES**

### **HIGHER TAX RATES FOR NON-FILERS**

76. In order to increase the cost of doing business higher for non-filers higher rates of tax withholding for non compliant taxpayers are being proposed. The withholding tax rates on sale of goods for non filers are proposed to be increased from existing 7% to 8% in the case of a company, and from existing 7.75% to 9% in non-corporate cases.

### **RETAINING THE NUMBER OF TAX FILERS**

77. Due to enhancement of the taxable limit of income to Rs.1.2 million, the number of filers will be substantially reduced. This will also result in loss of revenue. A nominal income tax may be imposed @ of Rs.1000 for income between

Rs.400,000 to Rs.800,000 and @ of Rs.2000 for income between Rs.800,000 to Rs.1,200,000

## **SALES TAX**

### **RELIEF MEASURES**

**Mr. Speaker,**

78. Now I shall present relief measures that are proposed to be introduced in the Sales Tax and Federal Excise law during the current Budget

### **EXEMPTION FROM SALES TAX AND CUSTOMS DUTY ON PAPER FOR PRINTING OF HOLY QURAN**

79. In order to provide concession to printers/publishers of Holy Quran, it is proposed that exemption from sales tax and Customs duty. This exemption will be available to federal and provincial governments as well as registered publishers of Holy Quran.

### **EXEMPTION FROM VALUE ADDITION TAX ON IMPORT OF LNG**

80. Value addition tax @ 3% is chargeable under Sales Tax Special Procedure Rules, 2007 to provide relief to this sector it is proposed that value addition tax @ 3% on import of RLNG may be removed. To address cash flow issues of Gas Distribution Companies, it is proposed that rate of sales tax may be reduced from 17% to 12% on import of LNG and supply of RLNG.

**EXEMPTION FROM SALES TAX FOR DAIRY, LIVESTOCK AND AGRICULTURE**

81. Urea is chargeable to sales tax @ 5%, DAP @ Rs.100 per 50 kg bag and other fertilizers like NP, NPK, SSP, CAN are also charged reduced fixed rates of sales tax. To promote agricultural growth reduction in rate of sales tax to 3% across the board on all fertilizers is proposed. It is further proposed that the rate of sales tax on supply of natural gas to fertilizers plant for use as feed stock, presently chargeable @ 10%, may be reduced to 5% to cater for cash flow issues of fertilizers manufacturers in view of reduction in rate of sales tax on fertilizers. Likewise, rate of sales tax on LNG imported by fertilizer manufacturers for use as feed stock is also proposed to be reduced from 5% to 0%.

82. To promote fish farming, 10% duty on sales tax on fish feed is being removed. Similarly, sales tax is being exempted for preparation of fans and animal feed of dairy farms. In addition, sales tax on agriculture machinery is proposed to be reduced from 7% to 5%. These proposed measures are expected go a long way in promoting our agriculture, dairy, and livestock sectors.

**SALES TAX ON COMPUTER PARTS**

83. Currently, Personal Computers and laptops are exempt from sales tax. However, exemption is not available in respect of computer parts. In order to promote local assembling and manufacturing of laptops and computers, it is proposed that exemption on 21 types of computer parts imported by manufacturers may be granted.

**ZERO-RATING ON STATIONERY ITEMS**

84. Stationery items were zero-rated under Fifth Schedule to the Sales Tax Act, 1990 which was subsequently withdrawn through Finance Act, 2016. It is proposed that zero-rating for stationery may be restored, to promote local stationery sector and reduce the prices of local stationery items.

### **SALES TAX MONITORING THROUGH ELECTRONIC FISCAL DEVICES**

85. Supply of finished fabric to and by retailers, to end consumers, and other supplies of finished fabric including carpets, leather etc. are subject to sales tax @ 6%. Similar rate of 6% is applicable on import of ready to use articles of textile and leather. In order to facilitate and promote automation in addition to revenue generation, it is proposed that the rate of sales tax @ 6% maybe retained on the sales for those persons who are integrated with FBR online systems. For others, rate of sales tax is proposed to be applied @ 9% for both supply of above referred goods and import of finished goods of textile and leather.

### **EXCLUSION FROM VALUE ADDITION TAX ON SECOND HAND CLOTHING AND FOOTWEAR**

86. Presently value addition tax @ 3% under the Sales Tax Special Procedure Rules, 2007 is applicable on the import of second hand worn clothing and footwear .It is proposed to provide exclusion from value addition tax to the subject items. This would support lower income groups.

## **REVENUE MEASURES**

### **INCREASE IN RATE OF FURTHER TAX**

87. To enhance documentation and base of sales tax, further tax is proposed to be increased from existing 2% to 3%. This will not only discourage undocumented economy, but it will also result in revenue increase.

### **FEDERAL EXCISE DUTY ON CIGARETTES**

88. Federal excise duty on locally produced cigarettes is proposed to be enhanced in respect of Tier-1, TIER-2 and TIER-3 to Rs 3964, Rs 1770 and Rs 848 per thousand cigarettes respectively.

## **CUSTOMS**

### **RELIEF MEASURES**

89. Now the proposals related with Customs are being presented before the house:

### **RELIEF FOR AGRICULTURE, DAIRY AND POULTRY SECTOR**

90. The livestock sector continues to be the largest sub-sector of Agriculture in Pakistan. It provides livelihood and employment to millions in the rural areas of the country and the commitment of our government to sustain it remains a key aspect element to alleviate poverty. To sustain the growth in this vital sector of the economy and provide further relief, it is proposed that;-

- a. Customs Duty of 3% on import of bulls meant for breeding purposes be withdrawn.
- b. Presently available concessionary rate of Customs Duty on the import of Feeds meant for livestock sector may be further reduced from 10%

to 5% and fans meant for use in dairy farms be allowed at concessionary rate of 3% to members of the Corporate Dairy Association. This will substantially reduce their cost of inputs and boost further expansion. In respect of the poultry sector, the concessionary rate of customs duty on import of growth promoters premix, vitamin premix, Vitamin B12 (Feed grade) and Vitamin H2 (Feed grade) is proposed to be further reduced from 10% to 5% for registered manufacturers of poultry feed.

## RELIEF FOR HEALTH SECTOR

91. Health Sector has always been a priority area for the Government. Significant incentives are already in place to encourage the provision of quality and cost-effective treatment to the patients. Like previous years, this year as well following measures are being proposed for this Sector;-

- a. To tackle the problem of physical and mental stunting in children a food fortification program in collaboration with international partners is underway. Under this program, flour mills will mix critical micronutrients e.g. folic acid, vitamin B12, Zinc etc in the flour being produced for sale to general public. However to ensure that the appropriate quantities of such micronutrients are being added to the flour, it is being proposed that 3% Customs Duty on import of the microfeeder equipment be withdrawn.
- b. To provide relief for cancer treatment in Pakistan, the Government has exempted drugs from customs duties at import stage. However the sole

exception was Tasigna on which customs duty @ 5% is proposed to be withdrawn.

- c. It is also proposed that the rate of customs duty @11%, on corrective eyesight glasses be reduced to 3%.
- d. Import of machinery & equipment, is allowed duty free to charitable institutions and hospitals, under the provision of Pakistan Customs Tariff code 9917. However there is no mechanism for their disposal. To redress this issue, it is being proposed that if such goods are disposed of within a period of 7 years of their import, the payment of duty and taxes leviable thereon shall be on payment of duty and taxes assessed at time of disposal whereas if disposal is after seven years no taxes would be payable.

## **ENCOURAGING VALUE-ADDED EXPORTS**

92.

- a. To provide incentive to exports an inter-ministerial review has identified certain raw materials, used in export related sectors. It is therefore proposed that the existing rate of Customs duty on raw materials falling under 104 PCT codes are being exempted whereas in respect of 28 PCT code the Customs Duty rates are being reduced.
- b. 11% Customs Duty on Synthetic filament tow of acrylic or modacrylic (PCT 5501.3000) is being withdrawn by inclusion in the Prime Minister Export Package.

- c. Leather products are one of the leading export oriented sector of the country and have significant export potential in the international market.

93. Recognizing this, it is being proposed to withdraw customs duty on import of tanned hides (including wet blue) by registered leather tanning sector.

### **IMPORT SUBSTITUTION AND EMPLOYMENT GENERATION**

94. Currently finished products and most of the raw materials are importable at 20% duty. It is proposed that for liquid Packaging Industry, the customs duty on inputs be reduced.

95. Regulatory duty on import of optical fiber cable is to be reduced from 20% to 10%. In addition, duty on fibre optic cable and other raw material be reduced to 5%.

### **RELIEF TO MANUFACTURING SECTOR**

96. To sustain domestic manufacturing sector it is essential that inputs not available locally are provided and made available at the optimal rates keeping in view the availability of domestically compatible substitutes. In this regard, the following proposal are being made:

- a. Acetic Acid is not locally manufactured and is a widely used raw material in various industries including food sector. It is proposed that CD on Acetic Acid (PCT 2915.2100) may be reduced from 20% to 16%.
- b. For promotion of local industry, it is proposed that customs duty on import of plasters (PCT 2520.2000) may be reduced from 16% to 11% as it is used for producing Plaster of Paris Bandage.

- c. Carbon Black rubber grade is importable at 20% customs duty which is a raw material for manufacturing of tyres. It is proposed that customs duty may be reduced from 20% to 16% on import of Carbon Black rubber grade.
- d. Presently, silicon electrical steel sheets are importable for manufacture of transformers at concessionary rate of 10% customs duty. Transformers are a critical component of the power transmission and distribution infrastructure. To assist in up-gradation of the power infrastructure by reducing domestic manufacturing costs, it is proposed that concessionary rate of 10% customs duty on silicon electrical steel sheets for transformers may further be reduced to 5%.

### **PROMOTION OF TOURISM**

97. During the last few years, the quantum of domestic tourism has significantly increased in areas, which previously were not frequented owing to the security environment, especially in Northern Areas. While the country is blessed with excellent tourist spots, the hotel facilities at such locations are dismal or practically non-existent. While construction of hotels is time-consuming with greater capital cost, a quick and cost effective solution is available in the form of prefabricated hotel rooms. It is, therefore, proposed that customs duty on import of such Pre-fabricated structures complete rooms, not locally manufactured, be reduced from 20% to 11% for setting up of new hotels / motels in hill stations (including AJK and Gilgit Baltistan), coastal areas of Baluchistan.

### **RENEWABLE ENERGY INITIATIVES**

98. The government remains committed to introducing alternative energy in all walks of life with a view to reduced dependence on consumption of fossil fuel. In this regard, the government intends to continue its drive and the following proposals are being made;-

- a. To promote usage of electric vehicles, which are environment friendly, an enabling fiscal environment for its related infrastructure is necessitated. It is, therefore, proposed that 16% customs duty on charging stations for electric vehicles may be withdrawn.
- b. Custom duty on import of electric cars is proposed to be reduced from 50% to 25% in addition to exemption from regulatory duty of 15%. Import of CKD kits for assembly of domestically produced electric cars is proposed at 10%.
- c. LED is an efficient alternative to save energy. However to further incentivize domestic manufacturing in Pakistan 5% customs duty on specified LED parts and components, is proposed to be withdrawn.

### **Revenue Measures**

**Mr. Speaker,**

99. In order to meet the revenue targets for FY 2018-19, revenue measures will be required to be taken so as to maintain the overall fiscal deficit within the predicted limit. Rather than effecting any large scale changes in the existing tariff slabs to meet this objective, a more restrictive and narrower revenue intervention is predicated. Accordingly, it is proposed that the rate of existing Additional Customs duty may be increased from 1% to 2%. Exception is being provided for Plant and machinery,

Imports by Privileged Personnel /Organizations, Relief goods, Export Promotion regimes etc.

[www.finance.gov.pk](http://www.finance.gov.pk)

**PART III:****Relief Measures**

**Mr. Speaker,**

100. **Benazir Income Support Programme (BISP)** is the largest safety net programme in Pakistan. When the present government took over the charge in June 2013, the allocation for BISP was Rs.40 billion to provide cash support to 3.7 million families. The stipend under the program in 2013 was a mere Rs.3,000 per quarter. During its tenure, our government not only increased the allocation of funds to Rs.121 billion during FY 2017-18 but also increased the amount of stipend per family from Rs.3,000 to Rs.4,834 per quarter. Numbers of beneficiaries have also been increased to 5.6 million as of December, 2017. The allocation of BISP is being further increased to Rs.124.7 billion in FY 2018-19.

101. **National Poverty Graduation Programme:** To assist the ultra-poor and very poor in graduating out of poverty on a sustainable basis by enabling especially women and youth to realize their development potential and attain a higher level of social and economic wellbeing, the government has launched a National Poverty Graduation Programme for BISP beneficiaries with an amount of more than Rs 9.5 billion (US\$ 82.6 million). Under this programme, BISP beneficiaries who are willing to start their own businesses will be provided with a one-time cash grant of Rs.50,000 to start their own business and become productive members of society.

102. **Pakistan Poverty Alleviation Fund:** During the last five years, the present government arranged more than Rs.20 billion for PPAF. An amount of Rs 688 million is being allocated for PPAF for FY 2018-19. Besides, PPAF is implementing the

Prime Minister's Interest Free Loan scheme successfully in 45 districts of Pakistan, for which the Government has already provided Rs 3.965 billion and further Rs 3.5 billion are being provided for Prime Minister's Interest Free Loan, PPAF during the next financial year.

103. **Relief to Widow Borrowers:** The scheme was launched in 1991 by PML(N) government whereby the Government committed to pay the loans of widow borrowers from House Building Finance Corporation (HBFC) up to the value of Rs.3.5 lakh. This scheme will continue in FY 2018-19 with increased limit of Rs.6 lakh. Appropriate budgetary provision is being made for this purpose.

**Mr. Speaker,**

104. Our government has consistently provided increase in pay and pensions of government employees over the last five years. Despite fiscal constraints a further relief is being provided to government servants and pensioners although the inflation this year currently stands at 3.8 percent:

- a. A 10 percent Ad-hoc relief allowance to civil and armed forces employees with effect from 1 July 2018.
- b. A 10 percent increase is also being proposed for pensioners across the board.
- c. Housing is a serious problem for government employees in major cities. House rent ceiling is being increased by 50 percent.
- d. Similarly, house rent allowance is also being increased by 50 percent.

- e. Considering the difficulties of low-paid pensioners, minimum pension is being increased to Rs.10,000 from the present Rs.6,000. Similarly, family pension would also get increased from Rs.4,500 to Rs.7,500.
- f. Minimum pension of pensioners above the age of 75 will be Rs.15,000.
- g. Overtime allowance of staff car drivers and dispatch riders is being increased from Rs.40 per hour to Rs.80 per hour.
- h. The government has also proposed an allocation of Rs.12 billion for provision of advances to government servants for house-building and purchase of transport facility.
- i. The government is also setting aside an allocation of Rs.5 billion for Senior Officers Performance Allowance. Details of this will be announced separately.

105. The total financial impact of the above proposals will be Rs.69 billion.

**Mr. Speaker,**

106. Over the past five years we have only served the people. We have rendered our responsibilities with sincerity. If we have been successful, it was due to our efforts, benevolence of Allah, and support of the people. To a large extent we have fulfilled promises that we made with the nation in 2013. Today Pakistan is at a new stage of growth and prosperity. Probably we have been punished for it as well. But no one can sever our relationship with the people.

لکھتے رہے جنوں کی حکایاتِ خونچکاں  
حالانکہ اس میں ہاتھ ہمارے قلم ہوئے

**Mr. Speaker,**

107. Pakistan is the sixth large country in the world and a strong rising economy. The nature has bestowed this country with abundant resources. We have now laid the foundation of growth. Based on this, our talented daughters and sons can make this country as one of the greatest. As poet Allama Iqbal said:

تو اے اسیرِ مکاں لا مکاں سے دور نہیں  
وہ جلوہ گاہ ترے خاکداں سے دور نہیں  
فضا تری مہ و پرویں سے ہے ذرا آگے  
قدم اٹھا یہ مقام آسماں سے دور نہیں

Pakistan Paindabad

\*\*\*