# FEDERAL BUDGET 2014 - 2015

## Highlights of Federal Budget 2014-15

- BISP allocation to Rs.118 billion, representing approximately 200% increase since 2012-13;
- In the first phase, 500 Tele centres will be established in the four provinces and Islamabad. An investment of approximately Rs.12 billion shall be made on this program over the next three years.
- This year, Rs.125 million have been allocated out of National ICT R&D Fund to provide 500 scholarships in a transparent manner.
- The most important sub-sector claiming resources in our development plan is the water sector, where we are investing Rs.42 billion for projects in various parts of the country. A project that will be the future life-line of Pakistan is the Diamir Bhasha Dam, which will store 4.7 MAF of water and generate electricity of 4500 MW will be initiated.
- During the current year a sum of Rs.205 billion will be invested in water storage and energy sector. The projects included in the program include Neelum-Jehlum Hydro Power Project (969 MW), Diamir-Bhasha Dam and Hydropower Project (4500 MW), Tarbela Fourth Extension Project (1410 MW),Thar Coal Gasification Project (100 MW), Chashma Civil Nuclear Power project (600 MW), Two Karachi Nuclear Coastal Power Projects (2200 MW) with Chinese assistance, KeyalKhawarHydro Power Project (122 MW), AllaiKhawar Hydro Power Project (122 MW), Combined Cycle Power Projects at Nandipur(425 MW) and Chichoki Malian (525MW), Refurbishment and Up-gradation of Generation Units of Mangla Power Station, Up-gradation of Guddu Power Project (747 MW gas-based), conversion of oil based power projects to coal at Muzaffargarh and Jamshoro (3,120 MW), transmission network to evacuate power from Wind Power Projects in Jhimpir and Gharo, interconnection of Chashma Nuclear III and IV, interconnection of Thar Coal based Engro (1200 MW) and massive allocations to improve the transmission lines, grid-stations and distribution systems.
- Linking Sindh to Up-country through a rapid transit mode, is the 959 KM Karachi-Lahore motorway project for which Rs.25 billion have been allocated for land acquisition this year and Rs.30 billion in the next year's development budget.
- Allocations have been made in the current budget for the Peshawar Northern-Bypass, Karachi Northern Bypass, Lyari Expressway, Dualization of Sukkur Bypass, and Lahore Eastern Bypass. Moreover Ratodero, Dadu-Sehwan Road and Rakhi-Gaj-Bewala East-West road are also being constructed to improve connectivity.
- Comprising 74 projects of motorways, highways, bridges, tunnels, and regional roads and a sum of about Rs.113 billion has been kept in the budget for this purpose.
- In the budget for 2014-15, Government has allocated amounts for doubling of track from Khanewal to Lalamusa,
- A path-breaking project of Islamabad-Murree-Muzzaffarabad Rail Link is being initiated and a new company with the name of Kashmir Railways is being established to construct and manage this exceptional project in the scenic area of Galyat and Kashmir.
- A sizeable allocation of Rs.20 billion has been made for 188 projects of the Higher Education Commission, which will support development plans of different universities all over the country.

- Setting up of EXIM Bank of Pakistan (Specialized DFI): The Government has decided to set up the Export-Import (EXIM) Bank of Pakistan to enhance export credit and reduce cost of borrowing for exporting sectors on long term basis and help reduce their risks through export credit guarantees and insurance facilities. The bank will provide liquidity to exporters. Its authorized capital will be Rs.100 billion while the initial Paid-up Capital will be Rs 10 billion.
- Revitalizing Export Development Fund (EDF): The EDF was established through the contributions of the exporters for the promotion of exports.
- Establishment of Pakistan Land Port Authority:It has also been decided to establish Pakistan Land Port Authority to transform land ports into efficient facilitators of trade while being responsive to risks such as security issues, smuggling and human trafficking.
- Elaborate package of support and incentives is provided for the textile sector:
- The government is introducing Credit Guarantee Scheme in order to encourage banks for financing to unbanked small farmers. Government, through the State Bank of Pakistan, will provide guarantee to commercial, specialized and micro finance banks for up to 50% loss sharing.
- Reimbursement of Crop Loan Insurance Scheme (CLIS) Premium:All farmers obtaining loans for production of 5 major crops are eligible to benefit from this scheme. 700,000 farmers households/families will benefit from this scheme. Total budget cost of the scheme is Rs.2.5 billion.
- Government is introducing the Livestock Insurance Scheme for all farmers getting financing for up to 10 cattle. The scheme will cover livestock insurance in case of calamity and disease. The scheme will benefit 100,000 Livestock farmer households/families. An allocation of Rs.300 million has been made in the current budget for the scheme.
- Reduction in Sales Taxes on Tractors from 16 % to 10 %. To encourage establishment of processing units at such places, Government is introducing a policy to support processing projects in Makran,Gilgit Baltistan, Swat Valley and FATA. These units will enjoy duty and tax-free import of machinery not locally manufactured and will also have access to SBP LTF facility and 5 years tax holiday.
- Government has also decided to provide 50% airfreight subsidy for horticulture produce from Gilgit-Baltistan.
- Low Cost Housing Guarantee Scheme: The government has specially designed a program to provide housing credit to low cost housing units to enable the poor to have their own houses. Banks will provide loans of up to Rs.1 million and financial institutions. Refinance Company is being established with a broad shareholding of the Government of Pakistan, Commercial Bank, and Development Finance Institutions, Multilaterals and others for this purpose, to generate long-term liquidity for housing finance.
- Provision of Rs.6 billion has been kept in the budget for PM's low income housing scheme.
- To promote agricultural sector we are proposing concessions for encouraging tunnel farming by removing customs duty on import of plastic coverings and mulch film, anti-insect net and shade net. Sales tax on high irrigation equipment and equipment for green house farming is also proposed to be exempted.
- It is being proposed to reduce the corporate tax rate by one percent.
- Advance withholding tax on marriage centers being reduced to 5 %.

- It is being proposed to reduce tax liability of disabled persons having income up to Rs.1 million by 50%.
- Relief for Government Servants.
- A 10% ad-hoc relief will be allowed to all federal government employees with effect from 1st July 2014;
- A 10% increase will be allowed to those employees in Grade-1 to 15 drawing fixed medical allowance of Rs.1000 per month;
- A 5% increase will be allowed in conveyance allowance to those employees working in Grade-1 to 15;
- The post of superintendent is being upgraded from Grade-16 to Grade-17;
- One pre-mature increment will be allowed to employees of Grade-1 to 4.
- For welfare of the labor class, and in line with the increase in pay of government employees, the minimum wage rate is also being increased from Rs. 10,000 to Rs. 11,000.

**Daily Times - June 04, 2014**

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**2014-15: Fiscal Year Brings Rs. 231 Billion in New Taxes**

In its second budget announced, the federal government slapped fresh taxes of Rs231 billion with income tax getting a major share of 62% and withdrew sales tax exemptions worth Rs103 billion in a bid to expand the tax base and reduce the benefits enjoyed by the affluent. The new tax-generating measures constitute 0.8% of the projected size of national economy in fiscal year 2014-15, with the hope that tax-to-gross domestic product ratio will rise to a decent 9.7%. In a tilt towards the wealthy, the government has given a huge relief to stock brokers by keeping capital gains tax on sale of shares at reduced levels. Under the guise of attracting foreign direct investment, an amnesty scheme has been announced for industrialists desiring to set up new companies. Corporate tax for the manufacturing, construction and housing sectors will come down drastically to 20% from the standard 33%.

The standard corporate income tax has been cut to 33% from 34%. It has also abolished income support levy. Income tax on functions and marriages has been reduced to 5% from 10%. A significant development is the decision to withdraw Rs103 billion worth of tax exemptions the affluent people have been enjoying for years. In the hope of encouraging documentation of the economy, tax liabilities for unregistered persons have been increased through electricity and gas bills, cash withdrawal and purchase of property. In this regard, the government seeks to receive Rs108 billion. As a result of the new measures, the share of direct taxes in total taxes would go up, said Finance Minister Ishaq Dar in his budget speech. He vowed that the tax measures would target those who were outside the tax net. Non-compliant taxpayers, who either do not pay tax or file returns, would have to bear the cost as the cost of doing business was being increased for them, he said.

The government is expected to raise Rs144 billion through new income tax measures including withdrawal of Rs36 billion worth of exemptions. An amount of Rs51 billion will be collected through different sales tax measures including withdrawal of Rs35 billion worth of exemptions. Apart from these, Rs36 billion will be collected in customs duties including scrapping Rs32 billion worth of exemptions.

## Income Tax

In order to bring into tax net the real estate transactions, an adjustable 1% advance tax will be collected on purchase of immovable property from taxpayers and 2% from non-compliant people. However, properties valuing less than Rs2 million and schemes introduced by the government for expatriate Pakistanis will be excluded. On domestic electricity consumers, an advance tax has been slapped at the rate of 7.5% on monthly bills above Rs. 100,000. It has proposed a tax on those who do not file income tax returns on certain transactions at the rate of 5% on dividend income and 5% on interest income above Rs. 500,000. Withholding tax on cash withdrawals has been increased to 0.5% for people who are not taxpayers. On sale of property, advance capital gains tax has been increased from 0.5% to 1%. It has been proposed that tax at the same rate be collected by the manufacturers of motor vehicles as is prescribed for registration of new locally manufactured private motor vehicles. A 10% withholding tax has been slapped on purchase of locally assembled or imported vehicles.

## Sales Tax and Federal Excise

For discouraging fake tax claims, input tax adjustment is proposed to be restricted only to goods and services used in taxable manufacturing and sales. Federal excise duty on cigarettes is proposed to be enhanced. The duty on the cement sector is being replaced from Rs400 per ton with 5% of retail price. Federal excise duty on chartered flights is being proposed at the standard rate on the full amount charged. A further tax at the rate of 1% has been slapped on supplies made to unregistered persons and is specifically excluded from the purview of output tax. The government has withdrawn sales tax exemption available under SRO 575 and slapped 5% tax on machinery for cold chains, call centres, plants, etc. It has slapped 17% sales tax on import of machinery for hotels, services sector, wholesale and air handling units.

Similarly, tax exemption on import of machinery has been withdrawn and 5% sales tax has been imposed except on machinery import for the textile sector. The government has introduced zero rating on certain goods including crude oil, certain raw materials for export-oriented sectors, etc. It has levied 5% tax on soya bean meal, oil cake and directly reduced iron. Sales tax rate on rapeseed, sunflower seed and canola seed has been increased from 14% to 17%. It has extended zero rating facility for dairy and stationery industry and input material of these industries. It has slapped 17% sales tax on imported goods of textile, surgical, leather, carpet and sports industries. Sales tax has also been imposed on mobile phones. A 10% excise duty on motor vehicles exceeding 1,800cc has been withdrawn. Sales tax on tractors has come down from 17% to 10%.

## Customs Duties

In order to encourage industrialization and promote fruit cultivation, plant, machinery and equipment imported for setting up fruit processing and preservation units in Gilgit-Baltistan, Balochistan and Malakand Division are being exempted from customs duties. Maximum general tariff of 30% has been reduced to 25%. Exemption from duty and taxes for hybrid electric vehicles has been rationalized. Vehicles up to 1,800cc will get 50% duty and tax exemption and those above 1,800cc will receive 25% exemption. The government has slapped 1% customs duty on hundreds of items, which were earlier charged at 0%. The duty on networking equipment was raised from 5% to 10%. Used imported vehicles have become more expensive and duty and taxes have been increased by 10%. Customs duty on flat-rolled products of alloy steel has been increased from 0 and 5% to 10% to bring them on a par with flat-rolled products of non-alloy steel. It slapped 5% duty on import of generators above 1100 KVA.

**The Express Tribune - June 04, 2014**

**Twin Cities Low on Development Agenda**

The government has made a drastic cut in the development budget for the twin cities in the Public Sector Development Programme (PSDP) for fiscal year 2014-15. An allocation of Rs. 22.35 billion has been made for different new and ongoing schemes, showing a decrease of Rs. 6.5 billion in the PSDP for 2014-15 as compared to last year's Rs. 28.85 billion allocation. An allocation of Rs. 15.65 billion has been made for ongoing schemes. Only Rs. 6.7 billion has been allocated for 50 new schemes to be initiated in Islamabad and Rawalpindi under various ministries and divisions. The projects mainly include up-gradation of various health and educational facilities, infrastructure development in rural areas, renovation and up-gradation of offices and buildings of ministries and divisions. A total allocation of Rs. 3 billion have been earmarked for the much-delayed New Islamabad airport Rs. 1 billion for construction of approach roads to the airport and Rs. 2 billion for acquire land falling within the proposed road. A major chunk of Rs. 1.4 billion has been allocated for the remodeling and extension of the Kashmir Highway project. In the PSDP, Rs490 million has been allocated for four major health projects including Polyclinic extension and construction of General Hospital at Tarali Islamabad.

**Law Justice**

An amount of Rs1.2 billion has been allocated for nine new schemes under the ministry of law. The projects include construction of Islamabad High Court, construction of residential units for judges, registrar besides six other projects.

**Education**

Under new schemes Rs200 million each has been allocated for computer and science laboratories in ICT high schools and establishment of federal government college of home economics F-/11. For the upgradation of Federal Government College for Women F-7/2 to Federal Women University, an amount of Rs80 million has been earmarked in the PSDP. Allocations have also been made for upgradation and addition of new blocks of schools, colleges and varsities in twin cities.

**Interior Division**

For projects to be initiated by the interior division an allocation of Rs463 million has been allocated for 24 new and Rs641 million for 38 ongoing projects. Mainly the projects include uplift of different health and educational facilities in rural areas of Islamabad, rehabilitation of infrastructure and development of water schemes in this area. For the Safe City Project Rs100 million has been allocated while Rs36.5 million has been allocated for construction of model prison in Islamabad.

**The Express Tribune - June 04, 2014**

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**Mixed Priorities: Over Rs. 1 Billion Allocated For Health Projects**

The government has allocated Rs1.4 billion in the Public Sector Development Programme for various new and ongoing health projects for the fiscal year 2014-15. Major chunk of the total allocation, Rs1.2 billion has been earmarked for projects being implemented under Capital Administration and Development Division (CADD). There has been a reduced allocation for a number of ongoing projects as compared to last year. A number of new projects, including establishment of Islamabad General Hospital, Cancer Hospital and extension of Polyclinic hospital, have been included in the PSDP. The three projects after completion will ease the ever increasing burden on the existing facilities at the Pakistan Institute of Medical Sciences and Polyclinic and CDA hospital.

**CADD Projects**

An allocation of Rs1.236 billion has been earmarked for the CADD for the fiscal year 2014-15. According to the document, of the total allocation, a substantial amount of Rs743 million has been earmarked for eight on-going projects and Rs493 million for five new schemes. However, no allocations have been made in the PSDP for some important projects like Persons with Disabilities (PWDs), Prime Minister's Special Initiative for Management of Dengue Fever and Pollen Allergy, in Islamabad, construction of female doctors' hostels at PIMS and Polyclinic. A senior official at CADD, who wished not to be named, said the division had floated a tender for computerization of National Braille Press at the National Special Education Centre for Visually Handicapped Children but the scheme has been excluded from the PSDP. The official also expressed concern over the exclusion of PM's Special Initiative for Management of Dengue Fever and Pollen Allergy Project from the PSDP for 2014-15. "The exclusion of this mega project is shocking as we have left with no money to fight against dengue fever," said the official. The project is coming to an end this June, however efforts are being made for its extension but the Planning Commission has asked to include it in non-development projects, said the official. The allocation of funds for land acquisition and extension of Polyclinic hospital is a positive step, said the official. "After purchasing 2.54 acres of land of Argentina Park, adjacent to the hospital, a new block will be constructed after which the old hospital building will be demolished and will be reconstructed."

The allocation for Bone Marrow Transplant Centre at PIMS has been increased from Rs. 10 million last year to Rs. 33 million. For the establishment of Breast Cancer Screening Centre at PIMS, Rs. 157 million has been allocated as compared to Rs. 65 million last year. For the establishment of Cardiac Surgery Facility at PIMS, Rs299 million has been allocated against last year's Rs. 215. An amount of Rs100 million has been allocated for the establishment of Safe Blood Transfusion Services in Islamabad Capital Territory (ICT). For the Population Welfare Services in Islamabad district Rs60 million has been earmarked this year as compared to Rs100 million last years. For the Regional Training Institute, Population an amount of Rs10 million has been made against Rs36 million last year. A total allocation of Rs493 million for four new schemes – Rs. 200 million for the establishment of Cancer Hospital, Rs10 million for the establishment of a unit for shredding sterilization and disposal of medical waste at PIMS, Rs255 million for extension FGPC (land acquisition and construction) and Rs28 million for replacement of telephone exchange at PIMS. Shaheed Zulfikar Ali Bhutto Medical University-PIMS, Vice-Chancellor Professor Javed Akram expressed satisfaction over the amount allocated for the on-going projects. "The Bone Marrow Transplant Project is also being funded by Government of Italy and hopefully it will be completed within two to three months," he told. Similarly Breast Cancer and Cardiac Surgery Project will also be completed by the end of this year he said.

**Interior Division**

A total of Rs. 149 million has been allocated to the five ongoing projects under the Interior Division that includes renovation of 14 basic health units (BHUs) and 2 rural health centres (RHCs). This time an amount of Rs1 million has been allocated for establishment of the much-awaited Islamabad General hospital at Tarlai under new schemes.

**The Express Tribune - June 04, 2014**

### Slight Increase: Rs. 64 Billion Earmarked For Education Sector in PSDP

The government has budgeted Rs. 64 billion for education in the fiscal year 2014-15, an eight per cent increase over the previous year's Rs. 59 billion. Although education was devolved under the 18th Amendment, the federal ministry is focusing on the development of teachers' capacity and technical education in collaboration with provinces. The federal government is launching 32 new schemes for development of education in the Public Sector Development Sector Programme (PSDP). Of these, five schemes worth Rs406 million are for capacity building of teacher training institutes and training of elementary school teachers in Islamabad Capital Territory (ICT), Punjab, Sindh, Khyber-Pakhtunkhwa and Balochistan.

Another 23 schemes for construction, establishment and upgradation of schools and colleges have been allocated Rs. 913 million. For literacy through Basic Education Community Schools and National Commission for Human Development, Rs. 2.7 billion has been allocated. Meanwhile three schemes under the Ministry of Education, Trainings and Standards in Higher Education have been allocated Rs. 125 million. State Minister for Education Balighur Rehman's keen interest in curriculum and examination reforms has yielded a healthy allocation. The PSDP carries Rs50 million for the National Curriculum Council (NCC). Besides, for modernization and standardization of the examination system, about Rs25 million has been allocated.

Mainstreaming of madressas will have to work with an allocation of Rs. 50 million. On the international agreements front, to improve human development indicators in Pakistan with focus on the Millennium Development Goals relating to education and six Education For All (EFA) goals, Rs1.442 billion has been allocated. The government, however, has not mentioned any details about National Plan of Action (NPA). The Rs188 billion plans aimed to enroll 5.1 million children between ages five and nine from 2013 to 2016. The plan, also called the MDGs Acceleration Framework, was compiled in collaboration with the provinces.

### HEC Gets Its Highest Ever Allocation

Amid talk of devolution, the Higher Education Commission (HEC) has gotten its highest-ever development budget allocation of Rs20 billion in the Public Sector Development Programme (PSDP) for the fiscal year 2014-15, an increase of Rs2 billion from last year. In the previous fiscal year the government announced Rs18 billion in the PSDP for HEC for 154 new and ongoing projects. The government released about Rs14 billion for those projects, while the HEC utilized Rs 10.35billion, or 70 per cent of that amount. Separately, the federal government has also announced it will distribute 100,000 laptops costing Rs4 billion for "talented" students pursuing PhD and Ms degrees in public sector higher education institutes.

According to the PSDP documents, among the new projects is the establishment of University at Sibi for Rs35 billion and establishment of University of Swat for Rs10 million. The government has otherwise focused on development and improving existing higher education institutes. About Rs500 million has been allocated for the establishment of a public health institute and institute of nursing at Peoples University of Medical and Health Sciences for Women, Nawabshah, Benazirabad. Meanwhile, Rs100 million has been allocated to upgrade National Institute of Science and Technical Education, Islamabad into Pakistan's first skills university.

Besides, Federal Government Girls College F-7/2 in Islamabad will be upgraded to a women's university for about Rs80 million. The government is also planning to establish a regional HEC centre in Quetta for Rs10 million. At the same time, Rs190 million will be spent on establishing "seerat chairs" in all public sector varsities.

### Scholarships

Overseas scholarships for MS and MPHIL leading to PhD in selected fields will be funded to the tune of Rs1.2billion, Pak-USAID merit and needs based scholarship programme will get Rs361 million, and Japanese need-based scholarships have been allocated Rs1 million. The PSDP also carries Rs178million for 1,000 Cuban scholarships for studies in general comprehensive medicine, the equivalent of an MBBS degree. Meanwhile, 100 scholarships for Bangladeshi students in the fields of medicine, engineering and IT were allocated Rs3 million, while Rs45 million has been set aside for 400 scholarships in the fields of medicine, engineering and IT for students from Indian Kashmir. PhD scholarships in social sciences, arts and humanities will total Rs10 million, while masters leading to PhD scholarships, both indigenous and overseas, for students from Balochistan have been allocated Rs240 million.

**Faculty Development**

The indigenous PhD fellowship programme for 5,000 scholars has been allocated Rs700 million, while another fellowship for 5,000 PhD fellows will get Rs500 million. The provision of higher education opportunities for students from Balochistan and the Federally Administered Areas has been allocated Rs120 million. Another Rs75 million has been marked for the foreign faculty hiring programme, while the short term foreign faculty hiring programme will get about Rs 37 million. Similarly, in the ongoing development projects, Rs355 billion has been allocated for the establishment of University of Turbat, Rs100 million for University of Loralai and Rs200 million for establishment of a women's university in Multan.

**The Express Tribune - June 04, 2014**

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**No Austerity Measures: Rs. 1.7 Trillion Deficit Budget Unveiled**

Dotted with incentives for industrialists and some relief for the common man, the federal government unveiled a budget of Rs. 3.936 trillion for fiscal year 2014-15 with deficit standing at Rs1.711 trillion that will be bridged through fresh borrowing. Reading his 74-page budget speech in the National Assembly, Finance Minister Ishaq Dar clearly had two important audiences in mind – the International Monetary Fund (IMF) and the business community. For the IMF, the message was that the government would stick to fiscal consolidation for the second year running while for the business community there were a lot of things to cheer about. Against net income of Rs. 2.225 trillion, the finance minister claimed that the expenditure of Rs. 3.936 trillion was only 2% higher than this year's revised outlay of Rs. 3.844 trillion. However, the expenses were 9.6% or Rs. 345 billion more than the current year's original figure of Rs. 3.591 trillion.

The budget deficit – difference between income and expenditure – would be Rs. 1.711 trillion or 5.9% of gross domestic product (GDP), Dar said. To fill this gap, the government will borrow Rs. 914 billion from domestic sources, Rs. 508 billion from external sources and Rs. 289 billion will be saved by four provinces from their budgets. With provincial savings, the overall deficit will come down to 4.9% of GDP or Rs. 1.422 trillion. Except for uproar for brief moments from MNA Jamshed Dasti – first over the privatization plan and then against the NA speaker's decision not to give break for prayers, Dar went on uninterrupted amid occasional desk-thumping by treasury benches. He did not announce austerity measures and avoided populist policies, except for pleasing its traditional vote bank – the industrialists. He announced 10% increase in salaries as ad hoc allowance as well as 10% rise in pensions. He did not announce creation of new public sector jobs. "The private sector has to create jobs," he said.

Dar vowed that reduction in budget deficit and increase in tax revenues would be the top-most priorities of the government. "Deficit will be reduced through better tax collection and restricted expenditures." Efforts to control expenditures will be entirely focused on subsidies, which have been brought down to Rs203 billion for the next fiscal year compared to revised Rs323 billion in the outgoing year. A major subsidy cut will come in the shape of lower allocation for the power sector, the IMF's pet hate. Dar announced that Rs231 billion worth of new taxes in an effort to increase tax collection to Rs2.81 trillion, a rise of over Rs535 billion over the previous year's target. Most of the new taxes were slapped on existing taxpayers with no new sector coming into the net. The government is heavily banking on withholding tax to step up revenue collection next year. With the new taxes, tens of hundreds of items will become expensive, particularly cars, cigarettes and imported goods including leather and garments.

## Incentives

The minister announced that the government would set up Export-Import Bank of Pakistan with a paid-up capital of Rs. 100 billion that would offer loans to exporters at reduced interest rates. Under the Export Refinance Facility, financing will be offered at a lower rate of 7.4%. Under the Long-term Finance Facility, loans will be provided at a reduced rate of 9% for three to ten years. Dar also unveiled a special textile package that would give duty rebate to exporters in the range of 1% to 4%. In the value-added textile sector, exporters will get three to ten-year financing at a concessionary rate of 9%. A Rs. 4.4 billion new vocational training package to train 120,000 workers in the textile chain has been prepared. In the biggest bonanza under the guise of facilitating foreign direct investment, Dar said corporate income tax would be slashed from 33% to 20% for bringing investment in manufacturing, construction and housing sectors. For stock investors, capital gains tax was kept at a reduced level at 12.5% for short-term sales, which was supposed to be 17.5%. The government would bear half of the losses against loans offered to small farmers and extended the crop insurance scheme to cover 25 acres of land from the current 12.5 acres.

## Number Crunching

On the expenditure side, the single biggest chunk, estimated at Rs1.325 trillion, or a third of the budget will once again be swallowed by interest payment on national debt. Overall defense spending will constitute 28.2% of the budget and may well cross Rs1.1 trillion for the first time in the country's history. Only the defense budget for next year is Rs700 billion. Running the civilian side of the federal government is expected to cost Rs290.7 billion, the development budget will cost Rs525 billion and pensions, civilian and military expenses will cost Rs215 billion.

## Social Safety

Recipients of the Benazir Income Support Programme will see their allowance increase 25% to Rs1,500 per month with total amount allocated for the programme at Rs118 billion. Dar said a task force would be constituted to review existing social safety net projects aimed at avoiding overlapping. A tax reform commission will also be set up for revamping the tax system. He claimed that the government had vigorously pursued a six-point agenda announced in the last budget to speed up the pace of economic growth. Economic liberalization would continue next year as well with further expansion of the privatization programme.

Dar underlined the determination to undertake new power projects and cut back on subsidies. The government will be completing work on new highways, particularly on the Pak-China Economic Corridor. A plan to connect the Gwadar Port with the northern border with China was also announced. The government would establish Kashmir Railways Company to have rail link between Islamabad, Murree and Muzaffarabad.

## Highlights

- An amount of Rs6 billion allocated for PM's low-income housing scheme
- Advance withholding tax on marriage centres being reduced to 5%
- It is proposed to reduce tax liability of disabled persons having income up to Rs1 million by 50%

- A 10% increase in pension will be given to all retired federal government employees
- Water sector investment of Rs42 billion for projects in various parts of the country
- Nothing substantial announced for either PIA or Pakistan Steel Mills
- Capital Gains Tax of 12.5% for securities held up to a year, 10% for those held between 12 to 24 months
- BISP increased to Rs118 billion from Rs75 billion last year
- Rs205 billion allocated for power sector projects including Neelum-Jhelum and Diamer-Bhasha hydropower projects.

**The Express Tribune - June 04, 2014**

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**Direct Taxes to Account For 66% of New Revenues**

The Nawaz Sharif government has slapped additional tax measures to generate Rs. 231 billion in the budget 2014-15 through withdrawal of Statutory Regulatory Orders (SROs), tax exemptions and enhancing the tax burden on different sectors of the economy. Almost 2/3rd or 66 percent revenue measures taken in the budget are related to direct taxes. In order to achieve a highly challenging tax collection target of Rs. 2,381 billion in 2014-15 against the revised estimates of Rs. 2,275 billion for the outgoing fiscal, the government requires a growth of over 25 percent in the next year for achieving its set tax targets. Of the total revenue measures of Rs. 231 billion, the FBR will fetch Rs. 103 billion through the withdrawal of SROs and removal of tax exemptions in all the three major taxes. The tax machinery has estimated that it will collect Rs. 32 billion through withdrawal of SRO/exemptions from the Customs Duty, Rs. 35 billion in Sales Tax and Rs. 36 billion in Income Tax side.

Other revenue measures will fetch Rs128 billion as increasing the tax rates through income tax will yield additional revenues of Rs108 billion, Sales Tax Rs16 billion and Customs Duty Rs4 billion. In major revenue measures, the government has brought retailers, air tickets for Club and first class travelers, plots transactions and registration of cars into the tax net. The tax rate for tobacco has also been enhanced. The government has introduced two tier systems for bringing retailers into the tax net. In the first tier, those retailers will be brought under the normal regime by imposing 17 percent GST who are operating under the command of national/multinational chains, in air-conditioned malls, having debit/credit cards and consuming electricity in excess of Rs. 50,000 per month. The government has imposed 5 percent GST on those retailers who are paying electricity bill up to Rs. 20,000 and 7.5 percent GST on those who are paying bills exceeding Rs. 20,000 per month.

The government has imposed advance tax in adjustable mode on air tickets for travelers of first class/Club Class as 3 percent tax rate is proposed for registered persons and 6 percent for non-registered persons. The government has also slapped adjustable advance tax on purchase of immoveable property with 1 percent for registered persons and 2 percent for unregistered persons into tax system. For domestic electricity consumers, it is proposed to collect adjustable advance tax at the rate of 7.5% on the monthly bill of above Rs. 100,000. The government has slapped an extra 5 percent adjustable advance income tax on interest income (over Rs500,000) and dividend income for non-compliant. The government has proposed adjustable advance tax on purchase/registration of new private vehicles; the rate for non-compliant is double of the compliant.

By removing the tax exemptions, the government has proposed in the Finance Bill 2014-15 discontinuation of reduced rates of tax deducted from advertising agencies, which has now been enhanced from 5 percent to 10 percent. The government has slapped withholding tax on payment to foreign news agencies from earlier 0% to 20% in the budget. The government has removed tax exemption enjoyed by large trading houses to withhold tax from their suppliers, withdrew tax exemption to commercial income of Hamdard laboratories, rationalizing the exemption of mutual funds by making it mandatory to distribute profits in cash as dividends, withdrawn exemption to bonus shares and their taxation at the rate of 5% in the budget.

The sales tax (ST) on steel melters/re-rollers has been increased from Rs. 4 to Rs. 7 per unit of electricity, ST payable by ship-breakers increased from Rs. 5,862/MT to Rs. 6,700/MT and rate of tax on import of re-meltable scrap increased from Rs. 1,600/MT or 5% (whichever is higher) to Rs. 5,600/MT. By removing the SROs, the government has withdrawn SRO 549/2008 for zero rating on crude oil, etc. The government has withdrawn the SRO 551/2008 for general exemptions. Through withdrawal of SRO 727/2011, the government has imposed reduced tax rate of 5 percent on machinery. Through the removal of SRO 501/2013, the government has removed exemption on dairy and stationary, etc. Replacement of capacity tax on aerated waters has led to excessive litigation and the Lahore High Court has passed an order against the scheme. Therefore, the existing scheme shall be reverted to the normal tax regime.

The Federal Excise Duty on the cement sector is being replaced from specific basis (Rs. 400 per MT) to 5% on retail price. It will be enforced through the Finance Bill, 2014, effective from 01.07.2014. The government has imposed 5 percent regulatory duty on luxury items in order to discourage imports. The general tariff slabs were reduced from 8 to 6; minimum slab of zero has been replaced with 1 percent while socially sensitive items will be maintained at zero percent such as oil, tomatoes, onions, pulses, beans, fertilizers, etc. To minimize chances of mis-declarations, delays due to lab tests and to eliminate discretions, customs duties on items proposed has been rationalized, which include alloy steel, generators above 110 KVs, dyes, CDs, UPS and convertors, flavoring powder, liquid paraffin, dryers and networking equipment. The government has also rationalized the duty on hybrid vehicles and upward revision by 10% of fixed amount duty and taxes on used vehicles. Treating the tax withheld from sports persons at the rate of 10% as final tax has been announced in the budget.

**Tax Relief Measures in the Budget 2014-15**

To encourage industrialization and to promote fruit processing in Gilgit-Baltistan, Balochistan and Malakand Division, exemption of customs duty and sales tax on import of plant, machinery and equipment. For industrialization in Fata, plant, machinery and equipment for industries in Fata, exemption has been granted from customs duty and sales tax. In order to reduce the input cost for industries, customs duty on PET coke as an alternative fuel to coal to be reduced from 5% to 1%. The government has exempted from customs duty and sales tax import and supply of high efficiency irrigation equipment and greenhouse farming equipment for agriculture sector. The government has reduced the rate of sales tax on local supply of tractors from 16% to 10%.

The government has reduced the rate of FED on telecommunication services from 19.5% to 18.5% and has withdrawn FED from the provinces where the GST on telecom services has been levied. The rate of the withholding tax on telecom services has been reduced from 15% to 14%. To encourage Foreign Direct Investment, the corporate tax for foreign investment has been reduced from 33% to 20% for five years in the budget. Instead of imposing normal tax rate on gains through stock market share, the government has imposed 12.5% for holding period up to 12 months, 10% for holding period of more than 12 months and up to 24 months. The rate of corporate tax has been reduced from 35 percent to 34 percent. The tax burden on the disabled persons has been reduced by 50 percent. The government has repealed the Income Support Levy Act, 2013. The taxation of joint venture in which one member is a company - Company is to be taxed separately from the AOP in its corporate capacity, reduction of advance tax on functions/gathering from 10% to 5%, exemption from Income Tax to Sindh Pension Fund and income tax relief provided to airline pilots. The government has reduced initial depreciation allowance on buildings from 25% to 10%.

**The News – June 04, 2014**

## Dar Downplays 'Pro-Business' Tilt in Budget 2014 - 2015

Amid violent protests by federal employees, the government tried to dispel the impression that the new budget was 'pro-industrialists', claiming that influential people have been brought under the tax net for the first time. In his post-budget press conference, Finance Minister Ishaq Dar tried to dispel the notion that the PML-N government's second budget favored industrialists over all other segments of society. He also vowed that no tax measure would be reversed in the coming days, even if faced by pressure from either inside or outside Parliament. Dar said that after making deep cuts in non-essential expenditures in the outgoing fiscal year, there was no room available for austerity measures. He claimed that 83% of the total budget 'cannot even be touched'. He also took exception to cement manufacturers' decision to increase prices by Rs. 25 per 50kg bag on the pretext of increase in taxes. "Cement prices will increase by only Rs. 5 per bag," he said, warning anyone trying to take advantage by hoarding or profiteering of stern action. The minister added that he will meet cement industry representatives to sort out the matter.

The government presented its Rs. 3.936 trillion budget, offering many incentives to industrialists and stock brokers, heightening the ruling party's pro-business policies. Dar spent a significant time of his post-budget speech on allaying concerns that the less-privileged will be worst off as a result of the new budget. Feeling the heat of the budgetary measures, federal employees staged rallies on Wednesday, prompting the Islamabad police to resort to baton-charge and tear gas shelling. The employees have also rejected the 10% increase in their salaries that the government announced as an ad-hoc relief. A 10% increase both in salaries and pensions will cost Rs42 billion in the next fiscal year and if the government gives 20% increase, it will have to borrow another Rs42 billon which will further compound the budget deficit, said Dar. He said the government had tried to reach out to the less-privileged and offered them various relief schemes in the first-budget of the PML-N government.

Dar said where the government announced revival packages for industries on one hand; it also announced schemes for youth and the lower middle class. He added that insurance schemes for crops and livestock were introduced in the budget for marginalized farmers. The government has given a comprehensive package to industries, particularly to the textile sector that is flourishing on official handouts for last two decades. It also lowered the capital gains tax rates for influential stock market brokers. The government lowered corporate income tax rates from 33% to 20% on investments in manufacturing, construction and housing. The minister said the government withdrew Rs103 billion in tax exemptions in the new budget, which were enjoyed by the affluent people of the country. Out of Rs231 billion tax measures announced in the budget, Rs128 billion were new taxes while the rest were tax exemptions, he added.

Dar said the Rs103 billion to be raised by withdrawing tax exemptions from July should not be treated as new tax measures – a claim contrary to the reality. He added that FBR's Rs2.810 trillion tax target for the next year will not be revised downwards this time but admitted it was a 'stretched target'. Dar insisted that the tax measures would not affect the common man. He said an effort has been made to bring the retail sector into the tax net and big stores will be paying 17% sales tax. He did not admit that this will affect the poor and rich alike as sales tax is paid by consumers, not big retail stores. Dar said by plugging a loophole, the government imposed 5% income tax on bonus shares, which will generate significant revenues.

**The Express Tribune - June 05, 2014**

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## Senate Proceedings: Heated Argument Mars Day-3 of Budget Debate

Embarrassing moments were witnessed in the Senate when a squabble over authority between leader of the house and the deputy chair escalated into a full-blooded argument. At the outset of the proceedings - held to resume a debate on the budget for year 2014-15 - there was disagreement when Saadullah Magsi submitted a privilege motion against Islamabad traffic police, the prime minister's security and Islamabad police. Deputy Chairman Sabir Baloch immediately referred the motion to the relevant privilege committee for disciplinary action, if required. But Leader of the House Raja Zafarul Haq protested against the deputy chairman's move and insisted that he should have been consulted first before referring the matter to the committee. He called the move "a violation of rules and procedures". The police officials had picked up his car from the road in front of the parliament lodges' entrance when Prime Minister Nawaz Sharif came to offer fateha for Nawab Khair Bakhsh Marri.

According to the motion submitted by Senator Magsi, the police misbehaved with him and did not pay any respect towards his stature as a member of the upper house. The situation became intense after the chair's ruling on the matter. Mushahidullah Khan of Pakistan Muslim League-Nawaz (PML-N), while protesting against the chair's behavior, demanded an apology that was categorically refused by Sabir Baloch, who declared his action within the rules of business. Baloch said: "I am not bound to consult the government or leader of the house and I have the authority to decide on matters, I would not allow anyone to challenge the integrity of a parliamentarian, come what may."

Muttahida Qaumi Movement's Tahir Mashhadi condemned the action of leader of the house and PML-N senators, saying this sort of disrespect should not be tolerated towards the honorable chair as his or her decisions cannot be challenged. Leader of the Opposition Aitzaz Ahsan intervened to defuse the situation and requested both sides to calm down and resolve the matter in respective chambers and not on the floor of the house. After the dust settled, another privilege motion was submitted in the house regarding PPP leader Taj Haider whose residence in Karachi was raided by some unidentified people who searched the residence thoroughly and kept inquiring about some documents. Zahid Khan, the Awami National Party's information secretary, asked the leader of the house to take-up the matter with the prime minister.

**The Express Tribune - June 13, 2014**

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**Annual Development Programme 2014-2015: Going Strong on Infrastructure**

The largest ever Annual Development Programme with a total outlay of Rs. 345 billion was announced for the financial year 2014-2015. The ADP for the next financial year is Rs. 55 billion higher compared to the outgoing year's allocation of Rs. 290 billion. The ADP for 2014-2015 covers 2,561 development schemes at a cost of Rs290 billion and 19 development initiatives at a cost of Rs. 40 billion; and Rs. 15 billion has been set aside for special initiatives. The government had allocated Rs290 billion for the initiation and execution of 1,578 development schemes for the present financial year. This was revised to Rs224 billion in the last quarter of the year. The Finance Department had released Rs208 billion till end of May and utilization was reported to be Rs162 billion. Utilization is expected to increase up to Rs195 billion by the end of June, still Rs100 billion under the ADP allocation, says a White Paper released by the government on Budget Day.

Out of the ADP allocations for 2014-2015, Rs307.896 billion will be raised from indigenous resources and Rs37.103 billion would be raised through foreign aid, the budget document says. The government has allocated Rs96.04 billion for the social sector: Rs18.6 billion for primary education, Rs11.55 billion for higher education, Rs800 million for special education, Rs2.4 billion for the promotion of literacy, Rs.1.960 billion for sports and youth affairs, Rs.24.57 billion for health and family planning, Rs17.12 billion for water supply and sanitation, Rs900 million for social protection, Rs7.15 billion for regional planning, Rs3.5 billion for local government schemes and Rs7.5 billion for the district development package. The government has earmarked Rs137.5 billion for infrastructure development in the next financial year: Rs31.56 billion for roads, Rs35.57 billion for irrigation, Rs22 billion for energy development, Rs8 billion for public buildings and Rs40.4 billion for urban development projects.

The government has allocated Rs20.72 billion for the production sector: Rs7.96 billion for agriculture, Rs100 million for cooperatives, Rs980 million for forestry, Rs1 billion for wildlife, Rs580 million for fisheries, Rs940 million for food department, Rs3.8 billion for livestock, Rs4.11 billion for industries, Rs260 million for mines and minerals and Rs990 million for the tourism sector. The government has allocated Rs9.49 billion for the services sector: Rs7.39 billion for governance and information technology, Rs541 million for labour and human resources, Rs109 million for transport and Rs1.45 billion for emergency services. The government has allocated Rs8.21 billion for various categories: Rs190 million for environment protection, Rs607 million for information and culture, Rs380 million for archaeology, Rs100 million for Auqaf, Rs320 million for human rights and minority affairs and Rs6.612 billion for planning and development. The government has allocated Rs18.01 billion for the special package.

The government has reserved Rs40 billion for 19 special initiatives: Rs500 million for low income housing, Rs500 million for population welfare, Rs7.5 billion for the Punjab Education Foundation, Rs2 billion for Punjab Education Endowment Fund, Rs2 billion for Daanish Schools, Rs1 billion for the promotion of sports, Rs500 million for Knowledge Park and Punjab Technology University, Rs4 billion for Health Insurance Card Scheme, Rs2 billion for schemes sponsored by the UK government's Department for International Development, Rs9 billion for Quaid-i-Azam Solar Park, Rs900 million for women development, Rs500 million for Green Development Funds, Rs1 billion for Aashiana Housing Scheme, Rs2 billion for Technical Education and Vocational Training Authority, Rs1 billion for Punjab Vocational Training Council, Rs1.4 billion for the Punjab Agriculture Marking Company, Rs2 billion for the Self Employment Scheme, Rs1 billion for Punjab Industrial Estate Development and Management Company and Rs1.2 billion for Punjab Mineral Corporation.

**The Express Tribune - June 14, 2014**

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**Figure Fudging: Budget Deficit Understated By Rs. 280 Billion**

The federal government has understated the overall budget deficit by as much as Rs280 billion, budget documents have revealed. According to the documents, the actual gap between national income and expenses stands at around Rs1.7 trillion. In his budget speech on the floor of the National Assembly, however, Finance Minister Ishaq Dar said the overall budget deficit would be 4.9% of Gross Domestic Product (GDP) or Rs1.424 trillion for the new fiscal year 2014-15, commencing from next month. The federal government has excluded the implications of other development expenditures worth Rs162 billion and net lending of Rs120 billion while calculating the overall budget deficit, showed the calculations made on the basis of the Budget-in-Brief document. Dar's ministry came to 4.9% fiscal deficit figure after assuming that total revenues will be 14.5% of GDP or Rs4.2 trillion against the total expenditure of 19.4% of GDP or Rs5.64 trillion. Within the total expenditure, it has estimated current expenditures at 15.2% of GDP or Rs4.43 trillion and development expenditures at Rs1.2 trillion or 4.2% of GDP. For the next fiscal year the federal development spending outlay is Rs525 billion while four provinces will spend Rs650 billion.

However, calculations showed that development expenditures were understated by 0.9% of GDP or Rs280 billion. The same document shows other development expenditures and net lending as part of the total development expenses but while calculating the fiscal deficit the federal government did not show it as part of total national development spending. Despite repeated attempts, finance ministry spokesman Rana Assad Amin was not available for comments. Finance ministry sources said projected development spending equivalent to 4.2% of GDP is not consistent with the national development budget outlay approved by the National Economic Council. While the government has excluded the other development expenditures and net lending from its calculations of the fiscal deficit for the new fiscal year, it has included the same in its estimates for the outgoing fiscal year 2013-14. The original estimates for the outgoing fiscal year showed that the federal government had projected development spending at 5.1% of GDP. It had come to this figure by adding Rs540 billion federal spending, Rs615 billion provincial spending and Rs171 billion in other development expenditures. Had it not included the other development spending in its calculations, the development spending could have been 4.4% of GDP in the original estimates of the outgoing fiscal.

Since the federal and provincial governments could not spend the announced development budgets, the revised estimates put the development spending equivalent to 4.7% of GDP, which is inclusive of other development spending and net lending. The federal government is going to spend Rs425 billion against the Rs540 billion budget. The spending by provinces is expected to remain at Rs390 billion, against Rs615 billion. However, the other development spending volume has been shown at Rs289.4 billion, up from Rs171 billion. The federal government showed $1.5 billion (Rs157 billion) grant from Saudi Arabia as other development spending aimed at balancing the books. It has included Rs89 billion net lending in revised development spending, taking the total development spending at Rs1.193 trillion or 4.7% of GDP.

**The Express Tribune - June 14, 2014**

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**Budget debate: NA approves 118 demands for grants**

The National Assembly approved for next financial year a total of 118 demands for grants related to various federal ministries and departments. The government rejected all – more than 437 – cut motions of the opposition on various ministries and its departments. Finance Minister Ishaq Dar presented in the house demands for grants for approval. The house approved Rs4.755 billion for cabinet division (CD), Rs5.15 billion for the CD's other expenditures, Rs87 million for aviation division, Rs14.258 billion for capital administration and development division, Rs2 billion for establishment division and Rs1.1 billion for other expenditure of establishment division. The assembly also approved Rs212.69 million for Board of Investment, Rs57.456 million for Prime Minister's Inspection Commission, Rs6.152 billion for Atomic Energy Commission, Rs4.833 billion for commerce division, Rs4.299 billion for communication division, Rs2.32 billion for other expenditure of communication division.

Rs1.33 billion was also allocated for defense division, Rs4.135 billion for federal government educational institutions in cantonments and garrisons, Rs700 billion for defense services, Rs15.9 billion for other expenditure of finance division and Rs211.6 billion for superannuation allowances and pensions. The assembly also approved Rs63.937 billion for grant-in-aid and miscellaneous adjustments between the federal and provincial government, Rs43 billion for Higher Education Commission, Rs3 billion for Federal Board of Revenue (FBR), Rs829.5 million for law, justice and human rights division, Rs1.797 billion for National Accountability Bureau, Rs10.877 billion for foreign affairs, Rs1.8 billion for other expenditure of foreign affairs. Speaking on cut motions, the opposition members, including Leader of Opposition Syed Khurshid Shah, said the government missed almost all economic targets and demanded steps to reduce budgetary deficit. Members of opposition parties on Wednesday staged a walkout from the National Assembly against the firing incident in Lahore wherein Muttahida Qaumi Movement MNA Tahira Asif was shot and injured.

**The Express Tribune - June 19, 2014**

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**National Assembly Passes Finance Bill**

The National Assembly has approved the Rs4.3 trillion federal budgets and passed the finance bill for fiscal year 2014-15, accepting all tax-related amendments moved by the government while rejecting those moved by the opposition. Following a nine-day discussion, the 149-page bill moved by Finance Minister Ishaq Dar was passed by the lower house of parliament with a majority in a clause-by-clause reading. The president will sign the bill into law which will be effective from July 1. Prime Minister Nawaz Sharif, who was present in the house, thumped his desk to appreciate the finance minister as the finance bill was passed. Addressing the house during proceedings, Dar said the country's forex reserves have reached $14.2 billion. "We are struggling to improve the economy… [but our] prudent policies have started paying off," he said jubilantly. Responding to points raised by the opposition, Dar said the government is giving a subsidy worth Rs21 billion on petroleum products to facilitate people. He also pointed out that around 16% of electricity is being stolen at the moment. The government is trying to bring this down to 9% in a year's time, he said. Talking about tax collection, the minister said the federal government has to pay funds to the provinces from the divisible pool and has no other resources to generate funds. "We have given Rs. 200 billion to the provinces this year and are planning to increase it to Rs. 300 billion next year," he said.

In response to points raised by Sheikh Rashid Ahmad of the Awami Muslim League, Dar said the government was making all appointments on merit. "Appointments are being made on the recommendation of the appointment commission constituted by the Supreme Court." "If the opposition points out any specific anomaly in appointments, it will be conveyed directly to the prime minister," he added. The minister said that the premier has repeatedly vowed to end load-shedding in the next three to four years. "At the moment, the country is facing a shortfall of 4,500MW. We are trying to plug it by increasing generation." Defending the Nandipur power project, Dar said it was fully functional and producing electricity. "Baseless propaganda against the project is beyond my comprehension." The minister also urged the opposition to refrain from criticizing the premier's laptop schemes. "This scheme was launched for the youth of the country… National resources are for the poor and deserving people, and we are trying our best to make the distribution fair." Talking about the Metro Bus service, Dar said the project was launched after the approval of the Executive Committee of the National Economic Council (Ecnec).

Earlier during proceedings, Pakistan Peoples Party's Naveed Qamar said taxation powers should not be relegated to the Federal Board of Revenue (FBR). "This will undermine parliament… all amendments regarding taxation should be introduced in parliament," he said. "The government promises to end the SRO (statutory regulatory order) culture on one hand but gives FBR extraordinary powers on the other," Qamar pointed out. He suggested strengthening FBR's tax collection capability rather than giving it powers to increase or decrease taxes. In reply, Finance Minister Dar said the government has eliminated FBR's sweeping powers to make it a responsible institution. "We want to bring financial discipline by correcting errors made by the past government."

### Tribute to Benazir

The National Assembly also passed a unanimous resolution paying tribute to late PPP chairperson Benazir Bhutto on her 61st birth anniversary. "We [parliamentarians] salute her single-minded determination to eliminate terrorism, and pay tribute to her incomparable services for a democratic Pakistan, for which she ultimately laid down her life," the resolution stated. The house also passed a resolution condemning the gruesome murder of Muttahida Qaumi Movement MNA Tahira Asif.

**The Express Tribune - June 22, 2014**

# PROVINCIAL BUDGETS 2014 - 2015

**Development Budget to Be Decreased By Rs. 20 Billion**

Given financial constraints, the Sindh government is likely to slash its annual development budget from Rs. 185 billion to Rs. 165 billion. Meanwhile, the finance department has submitted a proposal to the chief minister to hand over the collection of four taxes - property, land utilization, transaction and capital value - to the local government. Official sources told that a majority of the lawmakers belonging to the treasury and opposition parties endorsed the finance department's proposal to shift tax collection authority from the excise and taxation department to the local government during a briefing in the Sindh Assembly committee room. "After its collection, 80 per cent of property tax is released to the local government. The provincial government only gets 20 percent of the tax as facilitation charges. Therefore, a majority of the MPAs support the proposal," said Muttahida Qaumi Movement's Mohammad Hussain, adding that the tax was collected by the local government department in the past as well.

The chairpersons of the provincial assembly standing committees were invited to the closed-door briefing. "The government wants to make a realistic budget that relies mainly on provincial resources," said Pakistan Peoples' Party MPA Dr Sikandar Mandhro. He said that the provincial government had high hopes of receiving its share from federal receipts but so far only a meagre amount has been released by the Pakistan Muslim League-Nawaz government, which has affected many of the development schemes. "We have initially proposed that the budget for Annual Development Programmes (ADP) for the 2014-15 fiscal years will be Rs165 billion, out of which, Rs25 billion will be given to the district governments."

During the meeting, opposition members complained that the funds for various development schemes have still not been released. "Only 25 per cent of the health development budget has so far been utilized," said one of the MPAs. However, Dr Mandhro's version was slightly different. He said that Sindh has taken the lead in terms of utilization of the funds. "Sindh has utilized 70 per cent of the funds of its ADPs and 34 per cent of its development expenditure." He further said that the law and order situation will be the top priority of the government, despite the fact that the federal government has not released the promised funds for it. Pakistan Muslim League-Functional leader Nand Kumar said that 52 government departments had submitted 2,463 development schemes, with a total of Rs165 billion, out of which only Rs51 billion has so far been spent. "Most of the education schemes have not even been initiated 11 months after the last budget." The provincial government has yet to fix the date to present the budget, but sources in the government cite June 12 as the likely date.

**The Express Tribune - June 01, 2014**

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**Budget Proposals: AJK Urged To Allocate More for Children**

Rights campaigners have demanded increased budgetary allocations for child welfare and girls education for the fiscal year 2014-15 in Azad Jammu and Kashmir (AJK). Addressing a press conference on Monday, Khurram Jamal Shahid, local coordinator for the Child Rights Movement (CRM), said the government should allocate more resources for improving maternal health and the survival rates of newborns. "There is a need to strengthen routine immunization with more vaccinators and a strong monitoring and accountability system, especially in far-off areas. "The AJK government should also make allocations for increasing the number of lady health workers (LHWs) and community midwives in order to lower maternal and neonatal mortality rates. It is also necessary that LHWs have enough medical supplies available," Shahid said. He said the state failed to meet the Millennium Development Goal on achieving gender parity in education by 2005 and is still off track, as only 35 per cent of enrolled students are girls.

There are 4,188 primary schools in AJK, only 1,866 of which are for girls. Similarly, of the state's 14,972 primary school teachers, only 6,903 are women. Khurram Jamal Shahid said the government should allocate funds specifically to achieve gender parity in primary education in its 2014-15 education budget. "More resources should be allocated for recruiting female teachers, building schools for girls and introducing incentives for girls in areas where female enrolment is still poor." Shahid said the cabinet approved the Azad Jammu and Kashmir Child Protection Policy in 2011 but it has yet to be enacted. He also recommended that the government establish child protection units in each district with trained human resources and an effective response and referral mechanism to protect children from violence, abuse and exploitation. The CRM also suggested that the AJK government allocate funds for the implementation of the Juvenile Justice System Act. Under the act, every child in contact with the law is entitled to free legal aid at state expense. However, no allocation has been made for this, resulting in no child being able to avail paid-for legal aid.

Similarly, budgetary allocations are also required for the appointment of probation officers in districts and establishment of at least one juvenile detention centre in AJK. "The appointment of probation officers will not only help reduce the number of juvenile offenders, but also the number of first-time offenders," he added. CRM is a coalition of more than 170 organizations from across Pakistan.

**The Express Tribune - June 03, 2014**

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**Carving the Pie: Provinces' Share In Federal Taxes Swells**

The provinces' share of federal taxes and straight transfers has been increased to Rs. 1.720 trillion for the new financial year – higher by Rs. 307 billion or 21.7% over the downward revised estimates for the outgoing year. However, the looming uncertainty over the Federal Board of Revenue's ability to achieve the proposed Rs. 2.810 trillion tax targets will determine the actual amount the provinces will get during the course of the fiscal year 2014-15. The proposed amount of Rs. 1.720 trillion to be distributed among the provinces is Rs. 208 billion or 13.8% higher than this year's original share of Rs. 1.502 trillion. Due to the anticipated Rs. 200 billion shortfalls in FBR's tax collection target for this year, the provinces' share has been drastically cut, adversely affecting their fiscal frameworks. The revised provincial share for the outgoing fiscal year is now Rs. 1.413 trillion.

Out of the total Rs. 1.720 trillion, Rs. 1.580 trillion will be given to the provinces on account of their 57.5% share in federal taxes, known as the federal divisible pool. In the outgoing fiscal year, the revised share of the provinces is Rs. 1.287 trillion. Regarding straight transfers, the four provinces will get Rs. 137.8 billion against the revised estimates of Rs. 124.3 billion of the outgoing financial year. The share of the provinces in federal taxes has been determined under the 7th National Finance Commission Award, which came into force in 2010-11. The population remains the single largest criterion to determine the provinces' respective shares, as 82% of the pool is allocated on the basis of population. The other criteria are poverty and backwardness, which determine 10.2% of the pool. Revenue collection and inverse population density determine 5% and 2.7% of the share, respectively.

According to Finance Minister Ishaq Dar, the increased transfers will help the provinces invest more for the welfare of its people. For the new fiscal year, FBR's target has been set at Rs. 2.810 trillion. Achieving this target, however, will depend on the new government's will to reform the dysfunctional board, which has been plagued by corruption and nepotism. Even before the budget's approval by parliament, the FBR has already informed the government that it can collect Rs. 2.7 trillion at best.

**All Provinces Get More than Revised Estimates**

In the fiscal year 2014-15, Punjab will receive Rs. 812.7 billion as its share in federal taxes. It is Rs. 153.8 billion or 22.1% higher than revised estimates. However, as compared to original estimates, the new projection is Rs. 104 billion or 14.5% higher. Sindh will get Rs. 464.1 billion, showing an increase of Rs. 84 billion or 22.1% over the revised estimates. Compared to the original budget, Sindh will get Rs. 64 billion or 16% more than this year's receipts. Khyber-Pakhtunkhwa's share for the next year has been set at Rs. 283.6 billion, which is Rs. 48.6 billion or 20.6% more than this year's revised estimates. But it is Rs. 32.2 billion or 12.7% higher when compared with original budget estimates. Balochistan will receive Rs. 159.7 billion next year, which is Rs. 20.7 billion or 15% up from this year's revised estimates. There was no major impact of revenue shortfall on Balochistan, as it gets its share on the basis of the original target due to constitutional protection. The original share of Balochistan was Rs. 142 billion.

**The Express Tribune - June 04, 2014**

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**Budget 2014-15: Sindh Government Targets Bikers to Widen Tax Net**

The upcoming provincial budget looks like bad news for motorcycle owners. According to the budget proposal submitted by the excise and taxation department, each motorcycle owner will now have to pay considerably more in taxes as compared to previous years. The proposal says that the buyers will pay 50 per cent more as life-time tax compared to the previous budget. The registration book fee has been proposed to be increased by 150 per cent while a 900 per cent increase has been proposed on the fee for duplicate books. Furthermore, motorcyclists will also have to pay 60 per cent for the transfer of documents in their name. The existing life-time tax levied on motorcycles is Rs1000, which the government has now proposed to be increased to Rs. 1,500. This is expected to contribute Rs84 million more to the government's accounts. The step will also discourage vehicle owners who obtain unnecessary duplicate copies of registration certificates (DCRC). The duplicate copies will now cost them Rs. 2,000, instead of the earlier rate of Rs. 200.

Meanwhile, the fees for a registration book have been proposed to be increased from Rs. 200 to Rs. 500. The reason for this price hike is said to be the increase in prices of printing material and is projected to bring in Rs. 60 million more for the exchequer. These increases in the tax tariff are not limited to new buyers only. Those who wish to transfer the documents of their vehicles to their names will now have to pay Rs. 200 against the previous rate of Rs. 125. With 835,183 motorcycles registered in Karachi alone, the new tariff is expected to bring in Rs20 million more. On the other hand, motorcycle owners have taken exception to the proposed increase in taxes, claiming this will adversely affect their standard of living. "Majority of the motorcycle owners are middle-class laborers," said Rizwan Ahmed, a resident of Orangi Town. "It is already difficult for us to bear the fuel expenses; these taxes will increase our burden."

Azmat Shah, who works at Jinnah Postgraduate Medical Centre, was of the opinion that the proposed increase in taxes will discourage people from registering their vehicles. "Currently, motorcycle owners have to pay Rs. 2,800 to Rs. 3,000 to register a new motorcycle," he said. "With the new taxes, the cost of registration will soar to Rs. 6000."

**Property Tax**

For the next fiscal year, the government has proposed to tax owners of residential plots measuring 120 square yards. These were previously exempted from property tax. The minister for excise and taxation, defending the decision to impose the new tax, told that people are now constructing multi-storey buildings on these plots. The buildings are either rented out or sold, he claimed. The new tax is projected to bring in Rs110 million for to the exchequer.

**Cess Tax**

For the first time in history, the Sindh government is going to impose infrastructure cess on petroleum and oil products. The provincial minister for excise and taxation reasoned that, since the provincial government incurred heavy expenditure for the maintenance and development of infrastructure for the smooth transport of imported goods, including petroleum and oil products, it was right to impose cess tax on these products. The tax will range between 0.25 to 0.5 per cent. “With this, the government can generate between Rs1,300 million to 2,600 million.” He added that the government also provided security, through the police and Rangers.

**Targets Achieved**

The excise and taxation department has almost met the current year’s target by collecting Rs28.9 billion in taxes by April 2014. The target was to collect approximately Rs32 billion in the current year. It has now set the target to generate Rs36.6 billion for the upcoming budget. The department has projected to generate Rs5 billion from motorcycle taxes, Rs2.2 billion from property tax, Rs3.8 billion on excise enactment, Rs25 billion on infrastructure cess, Rs200 million from cotton fees, Rs350 million from professional tax and Rs42 million from entertainment duty.

**The Express Tribune - June 06, 2014**

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**Budget Focuses On Punjab**

Pakistan Tehreek-i-Insaf (PTI) chief Imran Khan chose a sweltering afternoon to lash out at the PML-N government for presenting a budget “for the rich, by the rich and of the rich”. Addressing a press conference at the party’s central secretariat, he said that a fair analysis of the measures which the government had taken last year and what it proposed in the new budget clearly suggested that it was only interested in benefiting a particular group of the rich. Although his main focus was on the federal budget for the fiscal year 2014-15, the PTI chairman also criticized the Sharif family for running the county as what he called their personal fiefdom. “Elder brother is prime minister while the younger one is wearing multiple hats, including that of chief ministership of Punjab. The daughter of one brother has been assigned the task to run a project worth Rs100 billion (youth programme) and the son of the second is de facto chief minister of Punjab. Then there are nephews and other relatives holding important portfolios in the government. Is that what we call democracy,” he asked.

Mr. Khan alleged that the major focus of the government’s unprecedented massive borrowings was solely on development in Punjab. “With these short-sighted policies, the two brothers are sowing the seeds of hatred in the three smaller provinces for Punjab.” The difficult task of explaining facts and figures about the federal budget was left to Asad Umar, the party’s financial wizard and member of the National Assembly. He said that on the basis of the yardstick one could determine whether the budget was pro-poor or pro-rich. “The inflation rate increased by 60 per cent in one year and trade deficit rose from $1.5 billion to $2.1bn. The growth rate stands at about 3pc which the finance minister claimed had crossed the 4pc mark. The figures about foreign investment in the country are disappointing,” he said, adding that it was the worst budget in the country’s recent history.

Mr. Umar likened the policies of the PML-N government to that of late General Ayub Khan’s in the 1960s which had only benefited 22 families and led the country to the disastrous events of 1971. He said there were absolutely no tax reforms in the budget; the rich were spared; an unprecedented 27pc return was guaranteed on investment in the energy sector and no measure was proposed to bring back $200bn stashed by the Pakistanis in Swiss banks. Mr. Umar, a former Engro chief, accused Prime Minister Nawaz Sharif of mentoring a coal-based project near Port Qasim in Karachi in which one of his sons had business interests. He said additional secretary to the Prime Minister Fawad Hassan had been given the task of making this project a success for which he regularly made telephone calls, be it provision of 200 acres land of Pakistan Steel Mills or diversion of gas to the site.

"The PTI seeks a direct response from the prime minister whether or not his son is involved in this project. It also asks the media to investigate how this project known as 'Saifur Rehman' to the local people gets generous government support," Mr. Umar said. Imran Khan said: "We have brought a conflict of interest law in Khyber Pakhtunkhwa under which people in the government or their relatives cannot do business with the public sector. The PTI will introduce the same law in the National Assembly." The PTI chief presented 10 proposals at the press conference which he wanted to be included in the federal budget for 2014-15.

1. Reduce general sales tax rate from the current 17 to 15pc and then bring it down to 10pc over the next four years.
2. Reduce electricity tariff by 30pc, put emphasis on the NTDC (National Transmission and Dispatch Company) and Discos (distribution companies) to reduce losses and theft for cost recovery without penalizing consumers and industry.
3. Pensions should be pegged to minimum wage rate – no pensioners should receive pension below minimum wage rate and percentage change in minimum wages must be incorporated in pensions.
4. Reduce unaccounted for gas (UFG) to 4.5pc from 7pc.
5. Urgent measures should be taken to bring back $200bn money laundered to Swiss banks.
6. Three million individuals outside the tax net must be forced to pay Rs100,000 upfront with adjustments after tax returns are filed.
7. The government must provide detailed provincial and district-wise breakdown of the federal PSDP spending.
8. Cancel the recently amended coal tariff notification – it is a broad daylight robbery (imported coal tariff raised to 24pc from 17pc and that of Thar to 30.5pc from 20pc).
9. Make statistics department independent, outsource data collection and analysis to top 20 universities (LUMS, IBA, QAU, etc) so that policies can be constructed on independent, accurate, verifiable and reliable data. Otherwise, the government will continue to operate as a deaf, dumb and blind entity. It is one thing to present lies as statistics but quite another to start believing in your own lies.
10. Strict austerity measures by the top government functionaries to cut their daily expenditures.

**Dawn - June 09, 2014**

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**Punjab Presents Rs. 1.044 Trillion Budget**

The Punjab government presented its total financial outlay of Rs. 1.044 trillion amid a prolonged and vociferous protest of opposition members for "not addressing the issues of their constituencies". Speaker Rana Muhammad Iqbal Khan presided over the ninth session of the Punjab Assembly where the opposition staged a protest in front his dais as the budget was being announced. Opposition leader Mian Mehmoodul Rashid started the protest as soon as Punjab Finance Minister Mian Mujtaba Shujaur Rehman commenced his budget speech. The opposition members stood up from their seats and shouted slogans against the ruling Pakistan Muslim League-Nawaz's (PML-N) leadership. The opposition tore up the copies of the budget speech and threw them on the assembly staff sitting around the Speaker's dais. Punjab Chief Minister Shahbaz Sharif was sitting silently while the treasury members replied to the opposition's slogans.

However, Shujaur Rehman continued to announce the budget, unperturbed by the uproar. The development budget expenditure for Punjab is set to be Rs. 345 billion this financial year, he announced. Punjab allocated Rs. 345 billion for its development budget, the Annual Development Programme (ADP), for the financial year. Out of this, Rs. 290 billion have been earmarked for core ADP, Rs40 billion for other development initiatives and Rs. 15 billion for special initiatives. Finance Minister Shujaur Rehman announced that the focus of the budget is on welfare schemes, power plants and education. Salaries of government workers also saw a 10% increase. A total of Rs273 billion have been allocated for education, with Rs48.31 billion for development projects related to the sector. On the energy front, the PML-N government has earmarked Rs31 billion for 19 energy projects, including 100 MW from solar and 1,620 MW from coal-based projects.

The Punjab government proposed to spend Rs121.80 billion for the health sector at the provincial and district level. Under public health, Rs17.11 billion has been allocated for different projects of potable water and drainage. The province with fertile lands has set aside Rs14.97 billion for the promotion of agriculture and welfare of cultivators. The government has decided to give a subsidy of Rs5 billion to farmers for providing fertilizers. A sum of Rs50.8 billion has been allocated for the rehabilitation of the irrigation system, development of water resources and maintenance of canals. To meet the needs of law and order and coping with growing terrorism, the finance minister announced that the police budget has been increased by 16%, with Rs81.68 billion to be spent in the upcoming financial year. Another Rs5 billion have been allocated for additional needs related to security.

**Taxes and Revenues**

Out of the total general receipts of Rs1.044 billion, Punjab will get Rs804.19 billion from the federal divisible pool and Rs228.87 billion from the province's own receipts, including tax and non-tax revenues. The government has set its target of Rs164.7 billion as tax revenue, which is 30% more than the revised target of the previous financial year. Meanwhile, its non-tax revenue target is Rs64.1 billion. The government has imposed tax on houses measuring between two kanals (1,210 sq yards) and eight kanals (4,840 sq yards). It has also proposed to impose a luxury tax on imported vehicles with more than 1,600 CC power. Moreover, it has levied a 16% sales tax.

**South Punjab**

Out of the total Rs345 billion development budget, the provincial government has earmarked Rs119 billion for development projects in South Punjab, which is 36% of the total ADP. Apart from the package the Punjab government has announced, many initiatives like the establishment of the offices of the Punjab Public Service Commission in Bahawalpur and Dera Ghazi Khan will also be introduced.

**The Express Tribune - June 14, 2014**

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**Chief Minister Presents Rs. 686 Billion Sindh Budget**

The Sindh budget for financial year 2014-15 shows a deficit of over Rs14.060 billion, with total receipts projected at Rs672.118b and expenditure at Rs686.179bn. Although the budget presented by Chief Minister Qaim Ali Shah in the Sindh Assembly on Friday focuses on six priority areas, with law and order, improved service delivery and better quality of life for citizens on top, the annual development plan (ADP) has been slashed by Rs17bn to Rs168bn from the current year's Rs185bn. There was no mention in the budget about agriculture tax. The budget reduced sales tax on services to 15 per cent from 16pc and proposed to extend the levy to cover other services, including technical, engineering, property dealers, fashion designers, rent-a-car, laundries and dry cleaners, private educational institutions, doctors and laboratories. The rate of stamp duty has been revised and fee proposed on storage and warehouses and transfer of motorcycles and commercial vehicles.

**No Mention of Agriculture Tax**

Revenue expenditure is estimated at Rs 436.090bn, which is 22pc higher than the current year's estimate of Rs 355.9bn, and capital expenditure at Rs 34.7bn against this year's Rs 31.3bn. The province is expected to receive Rs381.383bn under federal transfers, Rs 82.623bn under straight transfers and Rs10.253bn under a grant to offset losses due to abolition of Octroi Zila Tax. The province's own receipts are estimated at Rs125.060bn. The chief minister, who also holds the portfolio of finance minister, announced a 10pc increase in salary for government servants and 5pc in conveyance allowance for grade 1-15 employees. The budget proposes an increase in minimum pension by Rs1000 to Rs6000 per month and a 10pc raise in pension for retired government employees. Mr. Shah said that in addition to increasing the wage bill, the major reason for raising the revenue expenditure was to increase non-salary budget of education and health, allocation for payment of electricity dues and inclusion of grants and subsidies for public utilities and universities. The measures are aimed at improving service delivery.

The capital expenditure has been estimated at Rs34.7bn. It was Rs31.3bn for the outgoing fiscal year. The chief minister said that in order to improve the performance of tax administration and enhance capacity of the government to collect taxes more efficiently, the government had prepared a reforms plan for resource mobilization. The three-year plan will be implemented from July. For this purpose, a tax reform unit will be set up in the finance department to maintain linkages with all tax collecting agencies, legislatures, academia and major stakeholders. Further automation will be introduced and through better management and administration, provincial tax receipt will be increased from the current Rs91.37bn to Rs200bn over the next three years. An amount of Rs42bn has been earmarked in the ADP for development projects in Karachi. These include S-III project (Rs 7.98bn) and K-IV water supply project (Rs25.552bn). Mr. Shah said the government planned to launch two rapid bus transit projects in the city. An amount of Rs3bn has been allocated for the Green Line bus project. It will be completed in two years.

**Dawn - June 14, 2014**

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**Punjab Presents Rs 1 Trillion Balanced Budget for 2014-15**

The Punjab government on Friday announced a "no loss, no profit" budget for fiscal year 2014-15, and proposed five to 19.5 percent sales tax on 10 new services, including call centres, ads, laundry shops, car wash and service stations, workshops, production houses and cable operators. The Stamp Duty has also been increased to 3 percent, with registration fee from Rs 500 to Rs 1,000 on sale and purchase of properties in all private and cooperative housing schemes. While ending "bed tax" on hotels the government has now imposed provisional sales tax of 16 percent on hotels. Meanwhile, Luxury Token Tax has been imposed on imported vehicles of 1,600cc or above, whereas Token Tax on 1000cc and above vehicles is also being increased gradually.

The Punjab government has also imposed a tax ranging from Rs 0.15 million to Rs 0.25 million on luxury houses of 2 kanals to 8 kanals, and tax of Rs 0.2 million to Rs 0.3 million on houses built on more than 8 kanals of land. The Punjab government has also announced a 10 percent increase in salaries of public servants as well as pensions of retired employees. The monthly minimum wages of laborers has been increased to Rs 12,000 in the budget 2014-15. The budget statement was presented by Punjab Minister for Finance Mujtaba Shujaur Rehman in the Punjab

Assembly. The total estimated running expenditures for the financial year 2014-15 are Rs 1,033.07 billion, while development expenditure is Rs 1,033.07 billion. Punjab will get Rs 804 billion from the NFC Award. According to the statement, the provinces' total debt was Rs 452 billion at the end of June 2014, which is 3.52 percent of its economy. The government has fixed the target of Rs 164.7 billion for tax collection for fiscal year 2014-15. The volume of the annual development budget for 2014-15 is Rs 345 billion.

According to the finance bill, 16 percent tax has been imposed on the services provided by specialized workshops or undertaking (auto-workshops; workshops for industrial machinery; construction and earth-moving machinery or other special purpose machinery etc; workshops for electric or electronic equipments or appliances including computer hardware; car washing or similar service stations and other workshops); services provided for specified purposes including fumigation services, maintenance and repair (including building and equipment maintenance and repair including after sale services) or cleaning services, janitorial services, dredging or desalting services and other similar services. Brokerage (other than stock) and indenting services including commission agents, under-writers and auctioneers. Services provided by laboratories other than services relating to pathological or diagnostic tests for patients. Services provided in specified such as healthcare, gym, physical fitness, indoor sports, games and body or sauna massage. Services provided by laundries and dry cleaners. Services provided by cable TV operators. Services provided by TV or radio programmes' producers or production houses.

According to the budget statement and the finance bill, 19 percent tax has been imposed on call centres and five percent tax on the advertisements (including classified ads) in newspapers, magazines, journals and periodicals. Some of the key features of the proposed budget are: A 'Knowledge City' on 705 acres of land adjacent to DHA Lahore, to provide international level education in the province. The government has announced a Yellow Cab Scheme for youth with allocation of Rs 25 billion. Fifty thousand vehicles will be distributed under this scheme. The government has announced a 27.1-kilometre-long Orange Line Metro Train in Lahore city with the investment of China. The project will be completed in the next 27 months. A sum of Rs 31 billion has been earmarked for various projects in energy sector in the development budget. A further sum of Rs 17 billion has been allocated for Quaid-e-Azam Solar Park in Bahawalpur, which will produce 1,000MW of electricity.

**Daily Times – June 14, 2014**

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### The Number Rumble: K-P Budget Continues To Be Pummeled In Assembly

The Khyber-Pakhtunkhwa (K-P) budget continued to take a battering from opposition leaders in the provincial assembly session. The session kicked off with scathing criticism from Qaumi Watan Party's (QWP) parliamentary leader Sikandar Khan Sherpao over the figures contained in the budget document. In his incisive inquisition of the numbers, Sherpao insisted the budget was not balanced and that the finance department was trying to hide this fact. He claimed the total deficit stood at Rs64 billion, which was about 15% of the budget. The QWP leader added that on May 22 Minister for Finance Sirajul Haq acknowledged a Rs22 billion deficit in a public statement, but yet on June 14 presented a 'balanced' budget.

Sherpao maintained the budget was not 'pro-poor' as it was said to be and instead further burdened the public by increasing taxes. He said that under Article 142(C) of the Constitution, the provincial government cannot levy taxes on income and corporations. "Isn't the provincial government's imposition of taxes on income and corporations unconstitutional?" he questioned. Sherpao went on to add the operational budget used for service delivery was on the decline while allocations for salaries were on the rise. Taking a jibe at the Pakistan Tehreek-e-Insaf's (PTI) 90-day ultimatum, he said the provincial government first engaged in the "business of deadlines" and was now busy making legislation, but not implementing them. Sherpao also called for regional development, saying southern districts, Hazara and Malakand were neglected in the development budget. He also criticized investment in provincial government bonds, claiming it would reflect badly on the Khyber Bank, where the government previously kept its money.

Defending the government's legislation drive, Minister for Information Shah Farman said enacting laws took up so much time because the opposition's viewpoint was taken into account at every turn. He said the government has set the stage by creating the necessary framework for reforms in the province. In his speech, Awami National Party's (ANP) Sardar Hussain Babak concentrated on the education department, saying Rs74 billion is being spent on salaries while only Rs8.1 billion has been allocated for development – the same as last year. Babak maintained not a single penny was utilised on development schemes of the education department. The ANP leader also questioned why the government had imposed taxes on private educational institutions when it should have instead created a regulatory authority to oversee private schools. He claimed the government was duplicating schemes launched by the ANP-PPP government. Minister for Elementary and Secondary Education Atif Khan rejected Babak's assertions and said they were trying to revamp the system. He added the government was reconstructing about 760 schools destroyed in the 2005 earthquake while earmarking Rs800 million for the training of teachers.

Khan said the government was planning to end political victimization in transfer of teachers and had also earmarked Rs2.5 billion to provide furniture to schools and vehicles to district education officers. He added a complaint redressal system would be launched in the department shortly. Pakistan Muslim League-Nawaz (PML-N) leader Sardar Aurangzeb Nalotha also called for giving a due share of the development budget to opposition members. In his speech, Chief Minister Pervez Khattak said the government did not discriminate between different areas of the province and has issued funds for roads to all the lawmakers, adding those who have not yet received the money will also be accommodated. Khattak said Hangu has been allocated Rs2.5 billion, Peshawar Rs1.7 billion, Charsadda Rs1.6 billion, Nowshera Rs1.7 billion, Mardan Rs850 million, Lower and Upper Dir Rs1.1 billion each, Haripur Rs1.7 billion while Hazara division as a whole will get Rs10 billion for development. He hence argued allegations of disparity in distribution of funds bore no weight.

**The Express Tribune - June 19, 2014**

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### Opposition Confronts Government with Figures

With full preparation and research, members of the opposition are dissecting the provincial budget to unravel concealed details and assail all the weaknesses in the financial statement for 2014-15. Khyber Pakhtunkhwa Assembly Speaker Asad Qaiser, who chaired the sitting, described the budget debate as healthy and appreciated the lawmakers from both sides of the aisle for doing their homework. "I am satisfied with the debate. It was really a healthy debate," he said. Qaumi Watan Party's Sikandar Sherpao challenged the government assertion that the budget was deficit-free. He said it had a deficit of Rs64 billion, but the government intentionally concealed it. "When you conceal the deficit, how can you take steps to tackle it," he wondered.

The QWP leader said the budget documents showed an operational shortfall of Rs12 billion. The net hydel profit, he added, had been capped at Rs. 6 billion annually in 1991 but the government showed in the budget that it would get Rs. 12 billion. "Six billion more are showed in this head," he argued, as he flicked through files, budget documents and notes to read the figures. The budget, he said, also claimed the government would receive Rs32 billion in arrears in net hydel profit. "There are no arrears in net hydel profit, so wherefrom this province is going to get that money," he asked. Sikandar Sherpao said that Rs14 billion reflected in the budget in the net capital account had been shown in last year's budget. He said it was Rs64 billion as deficit that was 15.8 percent of the budget. In an effort to substantiate his argument, he quoted Finance

Minister Sirajul Haq's statement on May 22 that admitted the province was facing Rs22 billion as deficit.

The lawmaker, who witnessed 11 budgets debated in the past, slammed the new taxes on agriculture. He said that 70 percent of the population depended on agriculture but instead of announcing incentives the government increased the land-based taxes by 300 percent. "This is excessive," he said. Under Article 142-C of the Constitution, he argued, the provincial government could not levy income tax but professional tax was actually income tax. "The budget proposes different tax on different slabs of income under the Professional Tax. That makes it income tax when you tax people on the basis of their income," he explained. Awami National Party's Sardar Hussain Babak said realistic allocations to projects were not made in the budget and this would cause delay in these projects for years. He added that the government had set aside Rs3 billion for 36 dams projects. "With this pace, these dams could not be built in the next 60 years," he sneered.

**The News – June 19, 2014**

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**Balochistan Government Unveils Rs 215bn Deficit Budget**

The Balochistan government unveiled an Rs. 215 billion deficit budget, of which minimum details were available, as the budget documents were denied to the media. The media reported the provincial budget from the speech of the Adviser to the Chief Minister on Finance Mir Khalid Langov. The fiscal deficit during the next year will be around Rs 15.6 billion as compared to Rs 8 billion during the current fiscal year. The development outlay had been increased to Rs 50.74 billion, as the provincial government had failed to utilize the funds available for development during the outgoing fiscal year. Donors' contribution to the development of Balochistan will be around Rs 2.7 billion during the next fiscal year. The provincial government had spent Rs 5 billion less on development, according to the speech of the adviser on finance. There is no explanation why Rs 5 billion could not be utilized during the whole year. Independent economists believe that the government will drastically cut the non-development expenditure during the current fiscal year but they were disappointed as the allocation for non-development expenditures had been increased from Rs 154 billion to Rs 164 billion for the next fiscal year.

Saindak Project had raised the hopes for increase in the provincial revenue, with additional royalty transfer from the federal government to the provincial government. Talks are underway between the federal and provincial governments for complete transfer of Saindak Project to Balochistan, including its revenue, both royalty and federal taxes. Extracts from the speech of the adviser to chief minister on finance, as reported by the media and unsupported by budget documents, go as follows. The government has earmarked Rs 50.742 billion rupees for Public Sector Development Programme (PSDP) while Rs 164.97 has been allocated for non-development expenditures. The province would receive Rs 141.213 billion from divisible pool during the fiscal year, Rs 16.858 billion from direct transfers, Rs 10 billion from other receipts, Rs 23.279 billion from capital receipts and would earn income revenue of Rs 8.970 billion from its own resources.

"Total income is estimated at Rs 200.051 billion and deficit Rs 15.662 billion," the finance adviser said. Langov said that the government would create as many as 3,925 new jobs in different government departments and would spend Rs 1,7251.118 million rupees on law and order. "Our government has earmarked Rs 17,251.118 million for police, Balochistan Constabulary, Levies Force and other departments for maintenance of law and order," he said. Education remained a priority with the provincial government like the previous year. Langrov informed the House that Rs 5 billion have been set aside for establishing Balochistan Education Endowment Company, Rs 324.884 million for provision of facilities to schools and colleges and Rs 400 million for provision of furniture and scientific equipments to schools.

**Daily Times – June 20, 2014**

## Balochistan Assembly Shows Mixed Reaction over Budget 2014-15

The members of the Balochistan Assembly showed mixed reaction towards the provincial budget 2014-15. The assembly resumed its discussion with Speaker Jan Muhammad Jamali in chair. Speaking on the occasion, Mir Abdul Kareem Nosherwani of PML-Q said that it is a balanced budget given the current circumstances and stressed upon the government to release the PSDP funds of the opposition in a show of magnanimity. He said that welfare work was done in the previous year on a large scale and the law and order has improved considerably. “The Frontier Corps has rendered enormous sacrifices for the maintenance of law and order, therefore, Police, FC and Levis should be given more funds,” he said and added that the coalition partners should not interfere in each other’s constituencies. Karim Nosherwani said that the hours-long load shedding of power has embittered the people in his constituency Kharan and they are facing a water shortage. He added that the people who talk of independence do so because of unemployment and frustration. He stressed upon government to provide employment to the youth to prevent them from taking to the mountains.

Speaking on the occasion, Gul Muhammad Dummar of Jamiat-i-Ulema Islam said that injustices have been meted out to the opposition since day one, and the opposition is being compelled to knock the doors of the courts and stage sit-ins. He said that the situation of health and education has deteriorated instead of improving, and added that schools and hospitals are suffering from acute shortage of facilities. “As regards law and order, the people are being looted in broad daylight,” underscored Gull Muhammad Dummar, who went on to say that the high inflation has embittered the people. Provincial Minister for Health Rehmat Baloch has said that the 2014-15 budget is in accordance with the peoples’ expectations and added that for the first time funds were distributed sector-wise. He said that in past many people had considered the development budget as their pocket money which made many MPAs billionaires, but the schools and hospitals remained in shambles. MPA PML- Ms Raheela Durrani said that the budget is balanced and there is nothing to be criticized in it, adding that however, women were not given due priority in it. “All the funds kept for women in PSDP should be spent by taking the women members of the Assembly in confidence,” she added. He stressed that complaint centres and markets should be established for women and the services of women lawyers should be hired in this regard.

**Daily Times – June 24, 2014**