



TAX EXPENDITURE REPORT 2021

*Federal Board of Revenue
Pakistan*



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Feedback & Comments

Questions and comments regarding the format, content, and usefulness of this report may be directed to Chief (SPR&S), FBR, at chief.spr&s@fbr.gov.pk, +9251 9203308. The Department appreciates input and feedback from the public on this report.

Disclaimer

This tax expenditure report is intended to be a ready reference for facilitation of readers and stakeholders. The original statutes (Income Tax Ordinance 2001, Sales Tax Act 2006, Customs Act 1969) shall always prevail in case of any contradiction/error herein.

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Preface

Governments throughout the world use tax expenditure as an alternative policy option to promote economic growth and achieve social objectives. However, optimum use and good administration of tax expenditure policy is crucial for Government. Hence, comprehensive reporting on revenue lost, and evaluating cost & benefit of this policy are important prerequisites for effective fiscal governance.

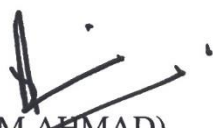
I am pleased to present FBR's second detailed tax expenditure report. This report documents the estimated fiscal cost of federal tax expenditures. In addition, it provides brief details on each tax expenditure, including its beneficiaries, costing methodology, sources of data, and historical information etc. This report is intended to improve fiscal transparency and facilitate analysis of tax expenditures by indicating their impact within the tax system.

Policymaking, research, and decision making at various levels need a strong support of fact based statistics. Compilation and publication of detailed fiscal data regarding the revenue foregone of Federal Government on account of various exemptions and concessions is not only a step towards improving government budgetary and fiscal transparency, but it is also hoped that it will contribute significantly to the public dialogue on federal tax policies.

Couple of years ago, some of this information was published annually in the "Economic Survey". Last year, a detailed report had been prepared and published by the Federal Board of Revenue, in accordance with the international best practices of fiscal governance and international obligations of Pakistan. The complete inventory of tax expenditures along with their beneficiaries and cost estimates is also being published separately in the annual budget statement of the Federal Government for fiscal year 2021 along with evidence based revenue forecasting.

It is imperative to thank the contribution and help extended by Pakistan Institute of Development Economics (PIDE) in preparing this report. Crucial help has been provided by PIDE in VAT-GAP Model Estimation and Evidence Based Revenue Forecasting.

It is intended that this report will continue to be updated and improved every year, providing a meaningful and convenient point of reference for information on federal tax expenditures.


(ASIM AHMAD)
Chairman Federal Board of Revenue
/ Secretary Revenue Division

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SUMMARY

Tax Expenditure Report 2021 for federal taxes, based on data pertaining to FY 2019-20, amounted to an estimated Rs. 1,314.27 billion. Tax expenditure in sales tax amounted highest at Rs. 578.46 billion (44% of the total), while in income tax amounted to Rs. 448.05 billion (34%), and in Customs, to Rs. 287.77 billion (22%). In last fiscal year 2019-20, FBR's tax collection was Rs. 3,997.4 billion. Hence, tax expenditure to total collection ratio comes to about 33%, and tax expenditure to GDP ratio stands at around 3.2%.

The tax expenditure estimates are unadjusted amounts, meaning that elimination or repeal of a specific exemption would not necessarily produce the rupee amounts cited in this report. Actual receipts would depend on enforcement, taxpayer compliance, effective dates of legislation repealing the exemption, exact wording of any legislation, taxpayer's behavior, and some other economic factors.

This report briefly outlines federal tax exemptions and concessions. These descriptions do not grant rights or impose obligations; rather, the tax laws and rules made thereunder determine actual tax liability. Each estimate is based on the best information available from public and private sources, including FBR's database. It would be exceptionally burdensome on taxpayers to require detailed reporting of transactions corresponding to each of the exemption sections and clauses. No such detailed reporting is imposed by statute or rules. Consequently, tax returns do not contain data sufficient to estimate the value of all exemptions and exclusions.

Estimation requires identification of pertinent, useful data available from various external sources. Where exemptions identified in tables have not been estimated, it is because requisite data does not exist or have not been identified and acquired from an external source.

SUMMARY OF TAX EXPENDITURE ESTIMATES- FY 2021

INCOME TAX ESTIMATES

Sr	Description	Rs. Million
1	Allowances	37,318
2	Tax Credits	105,342
3	Exemptions from Total Income	267,115

4	Reduction in Tax Rates	124
5	Reduction in Tax Liability	2,839
6	Exemption from Specific Provisions	2,687
7	Others / Miscellaneous	32,621
Total		448,046

SALES TAX ESTIMATES

Sr	Description	Rs. Million
1	Zero Rating under 5th Schedule to Sales Tax Act 1990	12,887
2	Exemption under 6th Schedule on (Imports)	173,808
3	Exemption under 6th Schedule on Local supplies	156,134
4	Reduced Rates Under 8th Schedule (1%)	330
5	Reduced Rates Under 8th Schedule (2%)	90,288
6	Reduced Rates Under 8th Schedule (5%)	27,108
7	Reduced Rates Under 8th Schedule (7%)	496
8	Reduced Rates Under 8th Schedule (8%)	1,396
9	Reduced Rates Under 8th Schedule (10%)	69,592
10	Reduced Rates Under 8th Schedule (12%)	19,321
11	Sales Tax on cellular Mobile Phones under 9th Schedule	27,096
Total		578,456

CUSTOMS DUTY ESTIMATES

Sr	Description	Rs. Million
1	Chapter-99 Exemptions	12,635
2	FTA & PTA Exemptions	34,210
3	5th Schedule Exemptions & Concessions	137,418
4	General Concessions: Automobile sector, E&Ps, CPEC, etc.	55877
5	Export Related Exemptions	47,631
Total		287,771
Grand Total (Income Tax + Sales Tax + Customs Duty)		1,314,273

INTRODUCTION

01

- 1.1. Definition**
- 1.2. Merits and demerits of tax expenditures**
- 1.3. Reporting**
- 1.4. Methodology and measurement**
- 1.5. Issues in interpretation**
- 1.6. Benchmark tax structure**

“

Tax Expenditures play an important role in debates about tax policy. They represent places where the Federal tax Code deviates from the theoretical ideal. Eliminating expenditures can end distortionary references, reduce tax complexity, and provide revenue to finance broader tax reform.

”

—— Nicole Kaeding , Economist, Author

1.1 Definition

There is no universally agreed definition and precise meaning of “tax expenditure” in the specialist literature. But broadly speaking, tax expenditures are special tax provisions in the tax law that are exceptions to the normal structure of the tax system. They represent revenue the government forgoes from these tax provisions, to achieve various social and economic objectives by favoring a particular industry, activity, or class of persons. Hence, tax expenditures are an alternative for the government to achieve its policy objectives through the tax system, instead of direct spending, grants, loans, or other forms of government assistance.

The concept of a tax expenditure has been defined in various ways, including the following:

- The Organization for Economic Cooperation and Development (OECD) defines tax expenditure as “the estimated costs to the tax revenue of preferential treatment for specific activities”
- The International Monetary Fund defines a tax expenditure as revenue foregone “as a result of selective provisions in the tax code”

A tax expenditure is a deviation from a defined “benchmark” tax structure. A benchmark is a reference tax system that defines what ought to be taxed in the normal course, when there are no deviations. Formal definition of “tax expenditure”, therefore, depends on how the benchmark tax system has been specified. The fundamental aspects of the tax system that constitute the “benchmark” are given in more detail in this chapter under heading 1.6. Thus, deviations from this benchmark, whether provided for in the main body of law or its schedules, are treated as tax expenditures.

Tax expenditures can take different forms. They are usually in the form of allowances (amounts deducted from the tax base before applying the tax rate), credits (amounts deducted from tax liability), exemptions (exclusion from the tax base), or rate relief (reduced tax rates), etc. They are sometimes referred to as tax incentives or tax subsidies. Negative tax expenditures are tax sanctions. A tax sanction means levying tax at a higher rate than the norm. However, negative tax expenditures have not been discussed in this report.

1.2 Merits and Demerits of Tax Expenditures

The advantages of tax expenditures are that they promote the private sector participation in the economy and reduce the costs associated with the management of the public spending. Well-targeted tax incentives have been argued to be effective in promoting investment and growth. Among disadvantages, the foremost is the revenue loss for the State and erosion of tax base. Other disadvantages are inefficient allocation of resources in the economy and inequity that the tax expenditures may sometimes promote. Recent research carried out by the International Monetary Fund, the Organization for Economic Cooperation and Development, the United Nations and the World Bank shows that investors usually do not consider tax incentives to be a decisive factor when considering investments in developing countries. Tax incentives were often found to be redundant, meaning that investment would have taken place without them. This suggests that even well-designed tax incentives may not be an effective way to address underlying problems that are not tax related.

There may also be revenue loss due to misuse of tax expenditures through potential fraud. For instance, during compilation of data for this report, it was observed that a resident film company is incorrectly declaring its sales proceeds from export of films, on which 1% tax on gross receipts is due, as export of IT services which are exempt. Similarly, many misuses of exemption claims under section 65D of the ITO- 2001 by industrial undertakings have been detected in recent years, where an existing industrial undertaking takes the guise of a new industrial undertaking to claim tax credit.

1.3 Reporting

Tax expenditure reporting is an essential feature of fiscal transparency and good governance. It is important for informed decision making, and evidence-based and judicious policy making. Tax expenditure reporting is a part of good practices of fiscal management in many countries, and is usually published as part of the annual budget statement of governments. The most prominent aspect of tax expenditure reporting is the estimation of cost of each tax expenditure, i.e. to quantify revenue losses due to tax incentives and other departures from a “benchmark” tax system. The recently promulgated law “Public Finance Management Act 2019” requires the Federal Government to lay a statement of estimated tax expenditure of the Federal Government

before the Parliament every year, as part of the Finance Bill.

The benefits and importance of analyzing, documenting, and reporting on tax expenditures is well-established. OECD (2013) highlights several reasons for which reporting on tax expenditures is required.

- **Input to Cost-Benefit Analysis**

Tax expenditure reporting serves as a framework for “cost-benefit assessment” of tax incentives. As such, it allows policy makers to initiate steps in containing tax expenditure costs by supporting decision making on which tax incentives to keep and which ones to let go.

- **Accountability**

Publicly available tax expenditure estimates increase public knowledge of government activities and objectives and permit the legislature and civil society organizations to scrutinize and hold government accountable for all aspects of its budget. Furthermore, it allows the public to more easily track and assess changes in government policy.

- **Equity**

Since the benefits of a tax expenditure are directly related to both the tax status of the potential investors and to other provisions in the tax laws, their effect is frequently uneven. Tax expenditure quantification helps to focus attention on the structure of a tax system and ask the question “what system is most equitable and efficient?” It thereby forces the question as to whether each of the various deviations is justifiable.

- **Efficiency**

Tax expenditure estimates permit a comparison of the indirect costs of programs with alternative means of achieving similar objectives. These alternatives may be either direct expenditures or other tax expenditures.

The usual problems and issues observed in reporting of tax expenditures have been highlighted by Kassim and Mansour (2018). They highlight that key good practices are missing in several country reports. About 50 percent of countries surveyed do not define the “benchmark tax system”, and the description of the methodology and data to estimate the cost of tax expenditures is often lacking or poorly defined. Hence, to address these issues, care has been given in this report to include sufficient details regarding benchmark specification for all taxes covered, and to

include information about sources of data used for estimation, and methodology of costing.

1.4 Methodology and Measurement

Tax expenditure literature usually lists three different approaches to estimate the cost of tax expenditures: revenue forgone, revenue gain and outlay equivalence method.

- Revenue foregone

A static estimate of the loss of tax revenue. Hence the method does not take account of behavioral responses. The cost of a tax allowance is then the product of tax rate and the observed amount of the allowance.

- Revenue gain

The amount by which tax revenue is reduced as a consequence of the introduction of a tax expenditure, taking into account behavioral changes and the effects on revenues from other taxes as a consequence of the introduction.

- Outlay equivalence

The direct expenditure that would be required in pre-tax terms, to grant the same after-tax gain for the taxpayers as the tax expenditure.

This report uses the “revenue foregone” approach towards estimating tax expenditures, because of its simplicity and practicability. This entails comparing actual revenue collections with revenues that would have been collected without the incentives in place, but importantly assuming taxpayer’s behavior and everything else remain constant. In practice, estimating through the “revenue gain” approach can be difficult as there is usually very little information on how taxpayers will react to the removal of a tax expenditure in real time. Assumptions about taxpayer behavioral responses therefore need to be made, although these assumptions can at times be difficult to justify.

The IMF recommends the following steps on how to report on tax expenditures:

- *Defining the benchmark tax system;*
- *Identifying tax expenditures by comparing current policy to the benchmark;*
- *Building and applying data sets, methods, and models to estimate the cost of tax expenditures; organizing the findings in a public report to communicate to stakeholders.*

a. Methodology for Income Tax Estimates

Source of data, for the purpose of income tax estimations, is either income tax returns or third party data. While the team working on this report had access to detailed tax data available with the FBR database from tax returns, the scope of this data is limited by the number and nature of questions and fields on the tax return itself. Whereas expanding the questions and fields on tax return could increase the data available for estimating tax expenditures, this would also increase compliance costs for taxpayers.

To overcome this, third party data was collected for estimations, wherever possible. Third party data was collected from various federal and provincial government departments, relevant regulators, private organizations, industry associations, surveys and official websites. In some cases there is insufficient data to produce a reliable estimate for a tax expenditure clause, hence, these have been left as “n.a.” In such cases, where sufficient data was not available this year, it was assumed that the figures of tax expenditure would remain same as per last year’s figures.

To calculate estimates using the revenue forgone approach, aggregations or simple mathematical calculations have been made using the information in the returns submitted by taxpayers or provided by third parties, and applying the benchmark or statutory tax rates. Details regarding source of data and estimation methodology for each tax expenditure of income tax are given in Chapter 3.

b. Methodology for Sales Tax Estimates

To estimate the tax expenditure, the data of sales tax returns was retrieved from FBR database. With the help of this data, tax at benchmark rate of 17% was calculated as if these goods were not exempt or zero rated. The total tax forgone was taken into account as a cost of exemption, and later necessary adjustments were made thereon, to rationalize the estimates.

Adjustments were made on gross estimates to avoid the duplication in the estimations, and include:

In case of zero-rated items, the adjustment included leaving out tax expenditure estimation on some items, which if were not zero-rated, the full input tax would have been claimed, such as,

crude oil, and machinery for E&P sector. The impact of tax expenditure to the extent of these items was thus deducted from the total estimation of zero rated items.

In case of exemption on local supplies, adjustment was made to separate and account for the value addition part only (of sales volume), instead of calculating tax expenditure on the sales reported by the entire value addition chain. A critical assumption made is that the average percentage of value addition in case of local supplies is 45%.

Regarding Sales Tax, the cost of tax exemption has been calculated on revenue foregone approach. However, in addition to that, it has also been calculated on VAT-GAP Model Estimation as per international best practices. Crucial help has been provided by research economists of Pakistan Institute of Development Economics (PIDE) in VAT-GAP Estimation, which was a specialized task requiring very technical and quantitative expertise.

Likewise, in case of exemption on imports, adjustment was made to exclude value of exemption on local supplies to avoid duplication, as otherwise it would have amounted to double-counting because the same products after being imported are supplied locally.

c. Methodology for Customs estimates

Data for estimations of Customs is also taken from FBR's official database, and estimations were calculated against statutory rates of duties, using revenue foregone approach.

1.5 Issues in Interpretation

The estimates reported here should be interpreted with caution. There are various issues involved in estimation of tax expenditures, which should be considered while interpreting the cost estimates.

a. Benchmark Specification

The major issue is the specification of benchmark, which is often a subject of controversy because of its subjectivity, and is also widely discussed in the literature on this subject. There is no general agreement on the definition of the benchmark tax system and, on which provisions are considered tax expenditures and which are benchmark provisions.

b. Behavioral Responses

The second issue is that the tax expenditure estimates are static, meaning that these estimates do not incorporate any behavioral responses. An important assumption made in the revenue foregone approach is that taxpayers do not change their behavior in response to the tax expenditure. In reality, tax- payers' behavior is likely to change if an incentive is withdrawn. Thus, the estimates do not represent the revenue amount that would be gained if a specific tax expenditure were to be repealed. This omission of behavioral responses in the calculation methodology generates cost estimates that may exceed the revenue gains which would result if a particular provision were eliminated, since in many cases the removal of a tax expenditure measure would cause taxpayers to alter their behavior to minimize the amount of tax they would have to pay in the new tax environment.

c. Impact on Economic Activity

Another reason that eliminating a tax expenditure measure could not translate into estimated revenue is that in real world, a tax expenditure measure may have a more “dynamic” relationship with the cost estimate associated with it, rather than a simple linear translation into revenue. Eliminating a tax expenditure measure may have an adverse effect on the size of industry and overall level of economic activity. Withdrawal of tax incentive in a particular industry may induce some or many businesses to exit that particular industry or make alternative business choices and switch to industries with a more tax-friendly environment, thus causing an overall decline in revenues than even before the withdrawal of tax expenditure measure. Similarly, eliminating a particular tax expenditure may affect the level of consumption (for example, where a good or service has “price-elastic demand” and withdrawal of tax relief increases the price of good or service). This could again cause a decline in revenue collection, contrary to the expectation.

d. Individual Estimates Vs. Aggregate Tax Expenditure

The revenue foregone on account of tax expenditures should be estimated independently for each tax expenditure provision, assuming that all other tax provisions remain unchanged. Aggregating the cost of individual tax expenditures can provide a biased and misleading estimate of the total

cost of tax expenditures, as many tax expenditure provisions may interact with one another.

1.6 Benchmark Tax Structure

a. Benchmark for Income Tax

The benchmark for the income tax system, as defined for the purpose of this report, has the following Characteristics:

i. Unit of Taxation

The benchmark “unit of taxation” for the income tax is “person”. Definition of “person” made part of the benchmark is the definition given in the ITO-2001, which includes all different forms of persons, e.g. individuals, companies, AOPs, etc.

ii. Tax Base

- Definition of “taxable income”, made part of the benchmark is the definition given in section 9 of the ITO-2001, including all heads of income, i.e. salary, income from property, income from business, capital gains, and income from other sources.
- Taxpayers resident in Pakistan are subject to tax on their worldwide income, while non-residents are taxable in Pakistan on their income from Pakistan sources only.
- Within the benchmark, a tax credit is allowed for foreign income taxes paid, which prevents double taxation of income earned abroad. In the absence of taxes paid abroad on foreign income, such income is considered taxable as per provision of section 103 of the ITO-2001.

iii. Taxation Period

- The benchmark taxation period is the “tax year” as given in clause 2(68) of the ITO-2001, which is similar to “financial year”, i.e. July to June. Income is taxed as earned, on an accrual basis.
- Base year used for the purpose of data used for estimates is as under:

TY 2020, where data is captured from income tax returns.

TY 2020, where third party data is utilized.

- In few estimations involving third party data, where data for tax year was not available, calendar year figures were used for the relevant year as representative of the former.

iv. Tax Rates

- Tax rates given in Schedule 1 of the ITO-2001 are taken as the benchmark rates. Any variation or concession in tax rates within Schedule 1 is not considered a deviation from the benchmark.
- Benchmark tax rates are the TY 2020 statutory tax rates, as majority of the data in the report has been extracted from income tax returns for TY 2020. Rate of minimum tax for loss declaring entities is taken at 1.5% and tax rates for individuals are taken as per the relevant slab given in Schedule 1, or as close to the actual slab as possible where data is in aggregated amounts or slab-wise breakdown is not available. Exemptions on export are measured against relevant tax rate of 1%.
- Corporate benchmark rate is taken at 29% instead of 30%, in order to keep the estimates more realistic, as corporate tax rate changed from 30% to 29% for TY 2019 onwards.

v. Procedural Clauses

- Some procedural clauses given in Part 4 of Schedule 2 that offer exemption from certain withholding provisions for particular industries or class of businesses, as a facilitation procedure or to improve ease of doing business in general, are not considered tax expenditures. The reason for not considering these as tax expenditure is that alternative provisions for taxing these persons at another time or place for the same tax liability are already in place within the structure of income tax law. Moreover, the procedural facilitation in such cases has a sufficient policy rationale, given the particular nature of these industries or persons. Example is steel melters and composite steel units which are given exemption from withholding provision on supply of goods (section 153(1)(a)), but are to be taxed under section 235B alternatively (along with electricity bill). Another example is non applicability of withholding provision on profit on investment in Bahbood Savings Certificate (National Savings). This is again only a procedural clause meant for convenience of senior citizens, as tax on this profit is already payable at the time of filing of return. Therefore, such procedural

clauses are considered part of the benchmark.

- Certain clauses in Part 2 of Schedule 2, where reduced withholding rates for certain industries or class of businesses are given, keeping in view the specific or peculiar nature of their business, have not been considered as tax expenditures. For example, industries where net profit margins are minuscule, such as large import houses, dealers and sub dealers of sugar, cement and edible oil, and exchange companies, etc. These clauses are thus also considered part of the benchmark.
- Exemption from section 148 alone (withholding on import stage), does not count as tax expenditure, as exemption from withholding of income tax on import stage does not make the taxpayer entitled to exemption of due tax liability at any subsequent stage. Hence, such clauses in Part 4 of Second Schedule, are also taken as only procedural clauses, and not tax expenditures.

vi. Other Features of Benchmark

- Concessions and exemptions which are not tax expenditure as a principle of taxation, e.g. exemption on income derived from inter-corporate dividend, are also made part of the benchmark.
- Concessions and exemptions as a result of international agreements and Pakistan's obligation to international treaties have been made part of the benchmark, and not considered as tax expenditures.
- Only expressly legislated concessions and exemptions have been made part of this report, i.e. tax expenditure provisions either expressly given in the main Ordinance or its 2nd Schedule.
- During estimation, where it is observed that a taxpayer or class of taxpayers may be entitled to availing multiple exemptions, their estimation has been put under only one tax expenditure. For instance, public universities are given total exemption from income tax under Part 1 of Second Schedule of ITO-2001. But the public universities are also FTN holders and fall under government organizations. However, their estimates are only measured under relevant clause of Second Schedule, and not under section 49, which deals with

exemptions available to government organizations.

b. Benchmark for Sales Tax

The benchmark for the Sales Tax (ST), as defined for the purpose of this report, has the following characteristics:

i. Unit of Taxation

The ST is intended to be borne by final consumers in general, households.

ii. Taxation Period

ST is payable at the time of supply, i.e. when a taxable supply is made or any taxable good is imported. ST is reported through monthly returns, and deposited in accordance with the supplier's required filing frequency. For the purpose of this report, the period of study is FY 2020, i.e. July 2019 to June 2020.

iii. Tax Base

- The benchmark ST base is consumption broadly defined and comprises all taxable goods reported to be consumed in Pakistan. The tax law relates to the levy of tax on the sale, importation, exportation, production, manufacturing or consumption of goods; taxes incurred on the goods exported from Pakistan are refunded. As such, the benchmark for the ST provides that the tax applies on a “destination basis” that is, at the point of consumption in Pakistan and that it applies to goods imported into Pakistan, but not to goods exported from Pakistan.
- The scope of this report is limited to ST on goods only, as ST on services is a provincial levy and comes under the domain of provinces after the 18th Constitutional amendment in Pakistan. Hence, only tax expenditures of ST on goods are reported in this report.

iv. Value addition

The benchmark for the ST provides that the tax is imposed using incremental stages of value addition under which tax is imposed at all stages of the production and sales chain. At each stage

of production, value addition, or marketing, businesses can claim input tax to recover the ST paid on their business inputs, so that the ST effectively applies only to the value added at each stage. Since the only tax that is not refunded/adjusted is the tax collected on sales to final consumers (output tax), the ST is effectively imposed on final consumption.

v. Tax Rate

The benchmark rate structure for the ST is the statutory ST rate that applies in any given year (17%).

c. Benchmark for Customs duties

- Statutory rates of Customs Duty (CD), Regulatory Duty (RD), and Additional Customs Duty (ACD) have been taken as benchmark rates. Customs related exemptions / concessions are generally sector based.
- While making calculations, any deviation from statutory rates has been considered as exemption / concession.
- Period of study is FY 2020, i.e. July 2019 to June 2020.
- Report is based on figures in respect of customs duty exemptions given under chapter-99 (Rs.12,635 million). FTA/PTAs (Rs.34,210 million), 5th Schedule to Customs Act, 1969 (Rs.137,418 million) and exemptions given under other SROs (Rs.55,877 million).
- The categories of “Exemption of Regulatory Duty (Rs.7,705 million) and “Exemption of Additional customs Duty (Rs.11,128)million)” were not made part of this report because the SROs mentioned under these categories are ACD/RD levy SROs rather exemption SROs. And any exclusions mentioned in these levy SROs in fact define the scope of levy or non-levy of ACD/RD, hence, these exclusions cannot be treated as exemptions. Had there been exemptions the same would have been extended under section 19 of the Customs Act, 1969. Thus the figures mentioned there against don not warrant to be reported. It will contribute nothing except confusion and duplication. Furthermore, the figures reported under “Export Related Exemptions” category (Rs.47,631 million) should also be included in the final calculations/grand total because these are the exemptions which are provided to various

export-oriented sectors under various exemptionary SROs and cannot be excluded from the exemption category.

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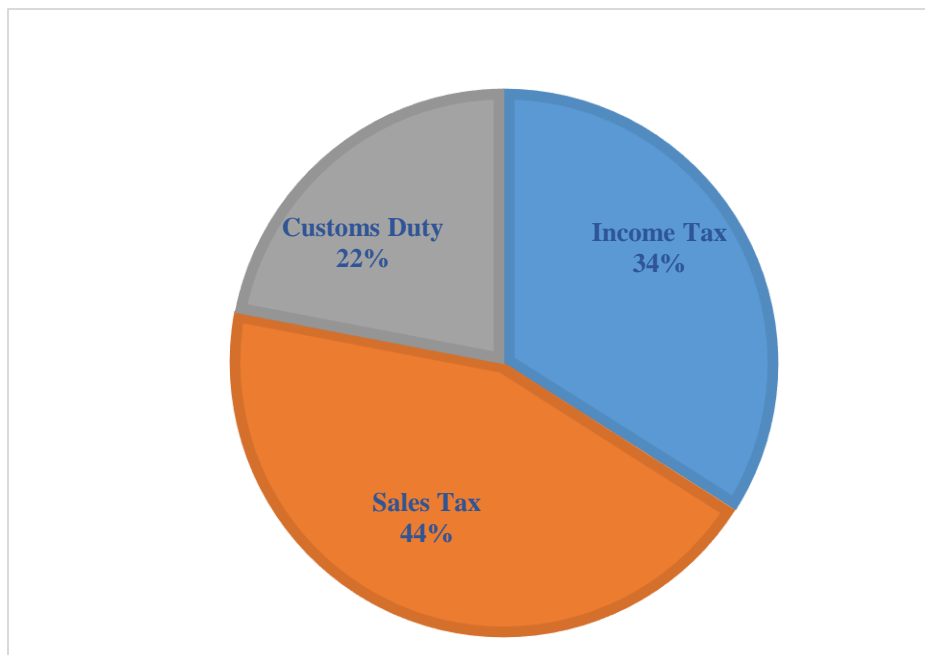
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TAX EXPENDITURE ESTIMATES

02

- 2.1. Income Tax Estimates
- 2.2. Sales Tax Estimates
- 2.3. Customs Estimates
- 2.4. VAT GAP Model

Distribution of Tax Expenditure of Federal Taxes



This chapter presents estimates of the fiscal cost of federal tax expenditures for the year 2020, for Income Tax, Sales Tax, and Customs Duties. The following codes apply where tax expenditure estimates are not quantified:

“-“ Cost of tax expenditure is zero or rounded to zero

“n.a.” Estimate is not available due to insufficient data

Note: The elimination of a tax expenditure would not necessarily yield the full tax revenues shown in the following tables. See Chapter 1 of this report for a discussion of the reasons for this.

2.1 Income Tax Estimates

Tax expenditures are classified according to type of tax measure, i.e. allowances, credits, exemptions, reduced rates etc.

Summary of Tax Expenditure Estimates of Income Tax – FY 2021

	Contents	(Rs. Million)
1	Allowances	37,318
2	Tax Credits	105,342
3	Exemptions from Total Income	267,115
4	Reduction in Tax Rates	124
5	Reduction in Tax Liability	2,839
6	Exemption from Specific Provisions	2,687
7	Others / Miscellaneous	32,621
	Total	448,046

Allowances				
Sr.	Legal Reference	Description (Exemption or Concession)	Intended Beneficiary	Estimate (Rs in Mln)
1	23	Initial Allowance	New Business Entities	30,110.00
2	23A	First Year Allowance	Industrial Undertakings set up in specified rural and under developed areas or engaged in manufacturing of cellular mobile phones	340.00

3	60	Deductible Allowance for Zakat	Persons paying Zakat	1,116.38
4	60A	Deductible Allowance for Workers' Welfare Fund	Persons paying Workers' Welfare Fund	2,522.40
5	60B	Deductible Allowance for Workers' Participation Fund	Persons paying Workers' Participation Fund	2,523.51
6	60C	Deductible Allowance for Profit on Debt	Individuals paying profit or share in rent and share in appreciation for value of house on loan by banks etc	646.67
7	60D	Deductible Allowance for Education Expenses	Individuals having income of less than Rs. 1.5 million paying tuition fee	59.13
Total				37,318.09

Tax Credits				
Sr.	Legal Reference	Description (Exemption or Concession)	Intended Beneficiary	Estimate (Rs in Mln)
1	61	Tax credit for charitable donations	Persons giving charitable donations	2,869.91
2	62	Tax credit for investment in shares and life insurance	Persons (excluding companies) investing in shares, sukuks, or life insurance	2,222.31
3	62A	Tax credit for investment in health insurance	Persons (excluding companies) investing in health insurance	21.72
4	63	Tax credit for contribution to an Approved Pension Fund.	Eligible persons as defined in sub-section (19A) of section 2 of Ordinance	915.68
5	64B	Tax credit for employment generation by manufacturers	Corporate manufacturing sector	57.40
6	65B	Tax credit for Non-Equity Investment in Plant & Machinery	Corporate manufacturing sector	51,408.24
7	65B	Tax credit for Equity Investment in Plant & Machinery	Corporate manufacturing sector	10,857.36
8	65C	Tax credit for enlistment in registered Stock Exchange	Companies opting for enlistment in a registered stock exchange	181.17
9	65D	Tax credit for newly established industrial undertakings	Corporate industrial units (including corporate dairy farming)	5,193.57
10	65E	Tax credit for industrial undertakings established before the first day of July, 2011	Corporate industrial units (including corporate dairy farming)	13,131.81
11	100C	Tax credit for Non-profit organizations, trusts or welfare institutions	Non-profit organizations, trusts, welfare institutions	18,482.94
Total				105,342.11

Exemptions from Total Income				
Sr.	Legal Reference	Description (Exemption or Concession)	Intended Beneficiary	Estimate (Rs in Mln)
1	3	Salary of foreign personnel engaged by institutions of the Agha Khan Development Network	Foreign experts working with Agha Khan Development Network, (Pakistan)	119.23
2	4	Salary received by Pakistani seafarers	Employees (Pakistani seafarers)	67.68
3	5	Foreign allowances (Government of Pakistan)	Employees (diplomats)	1,001.86
4	8	Pension received by a citizen of Pakistan from a former employer	Employees (pensioners)	2,732.76
5	9	Pensions (Government)	Employees (retired government servants & military personnel)	13,710.00
6	12	Commutation of Pension	Employees (pensioners)	9,642.77
7	13	Gratuities	Employees (recipients of gratuity payments)	695.47
8	17	Income derived by the families and dependents of the "Shaheeds" belonging to the Civil Armed Forces of Pakistan	Families and dependents of the "Shaheeds" belonging to the Civil Armed Forces	2.10
9	19	Encashment of leave preparatory to retirement	Employees (retiring personnel of Armed Forces or Government servant)	1,139.86
10	22	Payments from a provident fund to which the Provident Funds Act, 1925 applies.	Employees (recipient of payments from provident funds)	6,686.92
11	23	The accumulated balance due and becoming payable to an employee participating in a recognized provident fund.	Employees participating in a recognized provident fund.	246.41
12	23A	The accumulated balance up to [50]% received from a pension fund at the time of eligible person's- (a) retirement; or (b) disability rendering him unable to work; or (c) death by his nominated survivors.	Voluntary participants in pension funds	79.63
13	23B	Monthly installments from an income payment plan invested with a pension fund manager	Pensioners	25.17
14	23C	Withdrawal of accumulated balance from approved pension fund	Pensioners	147.75
15	24	Benevolent grants paid from the Benevolent Fund (under Central Employee Benevolent Fund and Group Insurance Act, 1969)	Employees (recipient of benevolent grants)	482.90
16	25	Payments from an approved superannuation fund made on the death of a beneficiary	Families of deceased enrolled in approved superannuation funds	43.97

17	26	Sums received by workers from Workers Participation Fund (WPF)	Low-income workers; recipients of payments from WPF	-
18	39	Special allowance or benefit for employees to meet expenses incurred in the performance of the duties	Employees receiving payments to meet expenses in the performance of duties	947.76
19	40	Income of a newspaper employee representing Local Travelling Allowance	Newspaper employees	-
20	53A	Employment related perquisites (food, education, medical treatment and any other perquisites, if provided by employer for free or at subsidized rates)	Employees receiving employment-related perquisites.	134.16
21	55	House rent allowance (to judges of the Supreme Court of Pakistan or of High Courts)	Judiciary of Superior Courts	35.00
22	56	Perquisites, benefits and allowances received by a Judge of Supreme Court of Pakistan and Judge of High Court	Judiciary of Superior Courts	290.00
23	57(1)	Any income from voluntary contributions, house property and investments in securities of the Federal Government derived by the following, namely:- National Investment (Unit) Trust of Pakistan (ii) Mutual Fund set up by the Investment Corporation of Pakistan, Sheikh Sultan Trust, Karachi	* National Investment (Unit) Trust of Pakistan, * Mutual Funds set up by Investment Corporation of Pakistan * Sheikh Sultan Trust Karachi.	40.20
24	57(2)	Income other than capital gain on stock and shares of public company, PTC vouchers, Modaraba certificates, or any instrument of redeemable capital and derivative products held for less than 12 months derived by any Mutual Fund, investment company, or a collective investment scheme or a REIT Scheme or Private Equity and Venture Capital Fund or the National Investment (Unit) Trust of Pakistan, if not less than ninety per cent of its income of that year is distributed amongst the Unit- holders.	Mutual funds, investment companies, collective investment schemes, REIT schemes, Private Equity & Venture Capital Funds, and National Investment (Unit) Trust of Pakistan	-
Any income of the following funds and institution				
25	57(3)	(i) a provident fund to which the Provident Funds Act, 1925 applies;	Provident Funds	1,783.60
26	57(3)	(ii) trustees on behalf of a recognized provident fund or an approved superannuation fund or an approved gratuity fund;	Trustees of recognized provident funds, approved superannuation funds, and approved gratuity funds	13,120.00
27	57(3)	(iii) a benevolent fund or group insurance scheme approved by the Board for the purposes of this clause;	Benevolent funds and group insurance schemes	138.60
28	57(3)	(iv) Service Fund;	Service Funds;	-

29	57(3)	(v) Employees Old Age Benefits Institution established under the Employees Old Age Benefit Act, 1976 (XIV of 1976);	Employees Old Age Benefits Institution	5,465.78
30	57(3)	(vii) any Unit, Station or Regimental Institute; and	Units, Stations or Regimental Institutes	-
31	57(3)	(vi) any recognized Regimental Thrift and Savings Fund, the assets of which consist solely of deposits made by members and profits earned by investment thereof;	Regimental Thrift and Savings Funds	-
32	57(3)	(viii) a Pension Fund approved by the SECP	Approved Pension Funds	740.18
33	57(3)	(ix) any profit or gain or benefit derived by a pension fund manager from a pension Fund approved under the Voluntary Pension System Rules, 2005, on redemption of the seed capital invested in pension fund as specified in the Voluntary Pension System Rules, 2005;	Pension funds under the Voluntary Pension System Rules 2005	15.00
34	57(3)	(xi) International Irrigation Management Institute.	International Irrigation Management Institute	0
35	57(3)	(xii) Punjab Pension Fund established under the Punjab Pension Fund Act, 2007 (I of 2007) and the trust established thereunder.	Punjab Pension Fund	2,271.37
36	57(3)	(xiii) Sindh Province Pension Fund established under the Sindh Province Pension Fund Ordinance, 2002.	Sindh Province Pension Fund	1,162.26
37	57(3)	(xiv) Punjab General Provident Investment Fund established under the Punjab General Provident Investment Fund Act, 2009 (V of 2009) and the trust established thereunder.”	Punjab General Provident Investment Fund	161.10
38	57(3)	(xv) Khyber Pakhtunkhwa Retirement Benefits and Death Compensation Fund.	Khyber Pakhtunkhwa Retirement Benefits and Death Compensation Fund	219.18
39	57(3)	(xvi) Khyber Pakhtunkhwa General Provident Investment Fund.	Khyber Pakhtunkhwa General Provident Investment Fund	1,118.03
40	57(3)	(xvii) Khyber Pakhtunkhwa Pension Fund ;	Khyber Pakhtunkhwa Pension Fund	1,465.68
Any amount paid as donation to the following institution, foundations, societies, boards, trusts and funds				
41	61	(i) any Sports Board or institution recognized by the Federal Government for the purposes of promoting, controlling or regulating any sport or game	ibid	n.a.
42	61	(ia) The Citizens Foundation	ibid	431.52
43	61	(iii) Fund for Promotion of Science and Technology in Pakistan	ibid	-

44	61	(iv) Fund for Retarded and Handicapped Children	ibid	-
45	61	(v) National Trust Fund for the Disabled	ibid	n.a.
46	61	(vii) Fund for Development of Mazaar of Hazrat Burri Imam	ibid	n.a.
47	61	(viii) Rabita-e-Islami's Project for printing copies of the Holy Quran	ibid	n.a.
48	61	(ix) Fatimid Foundation, Karachi	ibid	15.83
49	61	(x) Al-Shifa Trust	ibid	-
50	61	(xii) Society for the Promotion of Engineering Sciences and Technology in Pakistan	ibid	-
51	61	(xxiii) Citizens-Police Liaison Committee, Central Reporting Cell, Sindh Governor House, Karachi	ibid	-
52	61	(xxiv) ICIC Foundation	ibid	-
53	61	(xxvi) National Management Foundation	ibid	-
54	61	(xxvii) Endowment Fund of the institutions of the Agha Khan Development Network	ibid	-
55	61	(xxviii) Shaheed Zulfiqar Ali Bhutto Memorial Awards Society	ibid	n.a.
56	61	(xxix) Iqbal Memorial Fund	ibid	-
57	61	(xxx) Cancer Research Foundation of Pakistan, Lahore	ibid	-
58	61	(xxxi) Shaukat Khanum Memorial Trust, Lahore	ibid	1,026.20
59	61	(xxxii) Christian Memorial Hospital, Sialkot	ibid	0.01
60	61	(xxxiii) National Museums, National Libraries and Monuments or Institutions declared to be National Heritage by the Federal Government	ibid	n.a.
61	61	(xxxiv) Mumtaz Bakhtawar Memorial Trust Hospital, Lahore	ibid	8.31
62	61	(xxxv) Kashmir Fund for Rehabilitation of Kashmir Refugees and Freedom Fighters	ibid	n.a.
63	61	(xxxvi) Institutions of the Agha Khan Development Network (Pakistan)	ibid	227.00

64	61	(xxxvii) Azad Kashmir President's Mujahid Fund, 1972; National Institute of Cardiovascular Diseases, (Pakistan) Karachi; Businessmen Hospital Trust, Lahore; Premier Trust Hospital, Mardan; Faisal Shaheed Memorial Hospital Trust, Gujranwala; Khair-un-Nisa Hospital Foundation, Lahore; Sind and Balochistan Advocates Benevolent Fund; Rashid Minhas Memorial Hospital Fund.	ibid	-
65	61	(xxxviii) Any relief or welfare fund established by the Federal Government;	ibid	-
66	61	(xxxix) Mohatta Palace Gallery Trust	ibid	-
67	61	(xl) Bagh-e-Quaid-e-Azam project, Karachi	ibid	-
68	61	(xli) Any amount donated for Tameer-e-Karachi Fund	ibid	-
69	61	(xlii) Pakistan Red Crescent Society	ibid	-
70	61	(xlili) Bank of Commerce and Credit International Foundation for Advancement of Science and Technology	ibid	n.a.
71	61	(xliv) Any amount donated to Federal Board of Revenue Foundation.	ibid	-
72	61	(xlv) The Indus Hospital, Karachi	ibid	460.70
73	61	(xlvi) Pakistan Sweet Homes Angels and Fairies Place	ibid	-
74	61	(xlvii) Al-Shifa Trust Eye Hospital	ibid	33.53
75	61	(xlviii) Aziz Tabba Foundation	ibid	163.52
76	61	(xlix) Sindh Institute of Urology and Transplantation, SIUT Trust and Society for the Welfare of SIUT	ibid	142.42
77	61	(i) Sharif Trust	ibid	157.41
78	61	(ii) The Kidney Centre Post Graduate Institute	ibid	-
79	61	(iii) Pakistan Disabled Foundation	ibid	-
80	61	(iiii) Sardar Trust Eye Hospital, Lahore	ibid	-
81	61	(iiv) Supreme Court of Pakistan – Diamer Bhasha & Mohmand Dams	ibid	-
82	61	(lv) Layton Rahmatullah Benevolent Trust (LRBT)	ibid	270.36
83	61	(lvi) Akhuwat	ibid	209.32
84	61	The Prime Minister Covid-19 Pandemic Relief Fund 2020	ibid	-

85	61	Ghulam Ishaque Khan Institute of Engineering Science & Technology	ibid	-
86	61	Lahore University of Management Sciences (ivx) Dawat-e-Hadiya Karachi	ibid	72.42
87	61	Baitussalam Welfare Trust	ibid	144.65
88	61	Patient's Aid Foundation	ibid	60.92
89	61	Alkhidmat Foundation	ibid	3.04
90	62	Alamgir Welfare Trust International	ibid	263.34
91	64A	Any amount donated to the Prime Minister's Special Fund for victims of terrorism	Persons making donations into the said Fund.	-
92	64B	Any amount donated to the Chief Minister's (Punjab) Relief Fund for Internally Displaced Persons (IDPs) ofNWFP.]	Persons making donations into the said Fund.	-
93	64C	Prime Minister's Flood Relief Fund 2010 and Provincial Chief Ministers' Relief Funds, for victims of flood 2010.	Persons making donations into the said Fund.	-
94	65A	Income for any tax year commencing from the tax year 2003, derived from the Welfare Fund created under rule-26 of the Emigration Rules, 1979 (made under section 16 of the Emigration Ordinance, 1979 (XVIII of 1979), except the in- come generated by the aforesaid Fund through commercial activities.	Emigrants and their families in Pakistan	-

Any income derived by following entities: Specific Entities by name

95	66	i. Abdul Sattar Edhi Foundation, Karachi	Abdul Sattar Edhi Foundation, Karachi	870.84
96	66	ii. Al-Shifa Trust, Rawalpindi	Al-Shifa Trust, Rawalpindi	-
97	66	iii. Bilquis Edhi Foundation, Karachi	Bilquis Edhi Foundation, Karachi	429.47
98	66	iv. Fatimid Foundation, Karachi	Fatimid Foundation, Karachi	-
99	66	vi. International Islamic Trade Finance Corporation	International Islamic Trade Finance Corporation	-
100	66	vii. Islamic Corporation for Development of Private Sector	Islamic Corporation for Development of Private Sector	-
101	66	viii. National Memorial Bab-e-Pakistan Trust	National Memorial Bab-e-Pakistan Trust	-
102	66	ix. Pakistan Agricultural Research Council, Islamabad	Pakistan Agricultural Research Council, Islamabad	0.40
103	66	x. Pakistan Engineering Council	Pakistan Engineering Council	480.10
104	66	xi. The corporatized entities of Pakistan Water and Power Development Authority	The corporatized entities of Pakistan Water and Power Development Authority	5,209.13

105	66	xii. The Institution of Engineers, Pakistan, Lahore	The Institution of Engineers, Pakistan, Lahore	11.00
106	66	(xiii) The Prime Minister's Special Fund for victims of terrorism	The Prime Minister's Special Fund for victims of terrorism	-
107	66	(xiib) Chief Minister's (Punjab) Relief Fund for Internally Displaced Persons (IDPs) of NWFP	Chief Minister's (Punjab) Relief Fund for Internally Displaced Persons (IDPs) of NWFP	-
108	66	xiii. The Institutions of the Agha Khan Development Network (Pakistan)	The Institutions of the Agha Khan Development Network (Pakistan)	1,445.65
109	66	xiv. The Liaquat National Hospital Association, Karachi	The Liaquat National Hospital Association, Karachi	196.01
110	66	xv. The Pakistan Council of Scientific and Industrial Research	The Pakistan Council of Scientific and Industrial Research	125.11
111	66	xvi. The Pakistan Water and Power Development Authority	The Pakistan Water and Power Development Authority	19,496.60
112	66	xvii. WAPDA First Sukuk Company Limited	WAPDA First Sukuk Company Limited	-
113	66	(xix) Pension of a former President of Pakistan and his widow under the President Pension Act, 1974	Former Presidents of Pakistan and their widows	-
114	66	(xx) State Bank of Pakistan and State Bank of Pakistan Banking Services Corporation	State Bank of Pakistan and State Bank of Pakistan Banking Services Corporation	48,514.55
115	66	(xxi) International Finance Corporation	International Finance Corporation	-
116	66	(xxii) Pakistan Domestic Sukuk Company Ltd	Pakistan Domestic Sukuk Company Ltd	-
117	66	(xxiii) The Asian Development Bank	The Asian Development Bank	-
118	66	(xxiv) The ECO Trade and Development Bank	The ECO Trade and Development Bank	552.51
119	66	(xxv) The Islamic Chamber of Commerce and Industry under the Organization of Islamic Conference (OIC)	The Islamic Chamber of Commerce and Industry under the Organization of Islamic Conference (OIC)	-
120	66	(xxvi) COMSATS	COMSATS	-
121	66	(xxvii) WAPDA on issuance of twenty billion rupees TFC's/SUKUK certificates for consideration of Diamer Bhasha Dam Projects	WAPDA	-
122	66	(xxviii) Federal Board of Revenue Foundation	Federal Board of Revenue Foundation	-
123	66	(xxix) WAPDA Second Sukuk Company Limited	WAPDA Second Sukuk Company Limited	-
124	66	(xxx) The Citizens Foundation	The Citizens Foundation	66.07

125	66	(xxxix) Sindh Institute of Urology and Transplantation, SIUT Trust and Society for the Welfare of SIUT	Sindh Institute of Urology and Trans-plantation, SIUT Trust and Society for the Welfare of SIUT	918.73
126	66	(xxxix) Greenstar Social Marketing Pakistan (Guarantee) Limited	Greenstar Social Marketing Pakistan (Guarantee) Limited	82.94
127	66	(xxxix) Pakistan International Sukuk Company Limited	Pakistan International Sukuk Company Limited	n.a.
128	66	(xxxix) The Indus Hospital, Karachi	The Indus Hospital, Karachi	120.52
129	66	(xxxix) Second Pakistan International Sukuk Company Limited	Second Pakistan International Sukuk Company Limited	-
130	66	(xxxix) Third Pakistan International Sukuk Company Limited	Third Pakistan International Sukuk Company Limited	-
131	66	(xxxix) Asian Infrastructure Investment Bank and persons as provided in Article 51 of Chapter IX of the Articles of Agreement signed and ratified by Pakistan and entered into force on the 25th December, 2015.	Asian Infrastructure Investment Bank	-
132	66	(xxxix) Gulab Devi Chest Hospital.	Gulab Devi Chest Hospital.	-
133	66	(xxxix) Pakistan Poverty Alleviation Fund.	Pakistan Poverty Alleviation Fund.	617.33
134	66	(xxxix) National Academy of Performing Arts.	National Academy of Performing Arts.	5.20
135	66	(xl) Pakistan Sweet Homes Angels and Fairies Place.	Pakistan Sweet Homes Angels and Fairies Place.	19.37
136	66	(xli) National Rural Support Programme.	National Rural Support Programme.	420.10
137	66	(xlii) SAARC Energy Centre.	SAARC Energy Centre.	-
138	66	(xliii) Pakistan Bar Council.	Pakistan Bar Council.	0.74
139	66	(xliv) Pakistan Centre for Philanthropy.	Pakistan Centre for Philanthropy.	5.11
140	66	(xlv) Pakistan Mortgage Refinance Company Limited.	Pakistan Mortgage Refinance Company Limited.	264.18
141	66	(xlvi) Aziz Tabba Foundation.	Aziz Tabba Foundation.	46.12
142	66	(l) Al-Shifa Trust Eye Hospital.	Al-Shifa Trust Eye Hospital.	n.a.
143	66	(li) Saylani Welfare International Trust.	Saylani Welfare International Trust.	34.00
144	66	(lii) Shaukat Khanum Memorial Trust.	Shaukat Khanum Memorial Trust.	2200.66
145	66	(liii) Layton Rahmatullah Benevolent Trust (LRBT).	Layton Rahmatullah Benevolent Trust (LRBT).	-
146	66	(liv) The Kidney Centre Post Graduate Training Institute.	The Kidney Centre Post Graduate Training Institute.	14.00

147	66	(lv) Pakistan Disabled Foundation.	Pakistan Disabled Foundation.	-
148	66	(lvi) Forman Christian College;	Forman Christian College;	94.47
149	66	(lvii) Habib University Foundation.	Habib University Foundation.	3.21
150	66	(lviii) Begum Akhtar Rukhsana Memorial Trust Hospital.	Begum Akhtar Rukhsana Memorial Trust Hospital.	-
151	66	(lix) Al-Khidmat Foundation.	Al-Khidmat Foundation.	-
152	66	(lx) Dawat-e-Islami Trust	Dawat-e-Islami Trust	263.38
153	66	(lxi) Sardar Trust Eye Hospital, Lahore.	Sardar Trust Eye Hospital, Lahore.	-
154	66	(lxii) Supreme Court of Pakistan – Diamer Bhasha & Mohmand Dams – Fund	Supreme Court of Pakistan – Diamer Bhasha & Mohmand Dams – Fund	0.30
155	66	(lxiii) National Disaster Risk Management Fund.	National Disaster Risk Management Fund.	57.20
156	66	(lxiv) Deposit Protection Corporation	Deposit Protection Corporation (Already accounted for under sub-clause (xx) under consolidated figure for SBP)	4,377.60
157	66	(lxv) Sarmaya-e-Pakistan Limited	Sarmaya-e-Pakistan Limited	-
158	66	(lxvi) Akhuwat	Akhuwat	192.86
159	66	(lxvii) Audit Oversight Board.	Audit Oversight Board.	5.68
160	66	(lxviii) Patient’s Aid Foundation.	Patient’s Aid Foundation.	13.00
161	72A	Any income derived by Sukuk holder in relation to Sukuk issued by “The Second Pakistan International Sukuk Company Limited” and the Third Pakistan International Sukuk Company Limited, including any gain on disposal of such Sukuk.	Sukuk holders	3,436.50
162	74	Profit on debt derived by Hub Power Company Limited on or after the first day of July,1991	Hub Power Company Limited	9.37
163	75	Any income of an agency of a foreign Government, a foreign national (company, firm or association of persons), or any other Nonresident person approved by the Federal Government for the purposes of this clause, from profit on moneys borrowed under a loan agreement or in respect of foreign currency instrument approved by the Federal Government.	Agencies of foreign Governments, foreign nationals or any other non-resident person approved by the Federal Government	7,362.80
164	78	Profit on debt on foreign currency accounts	Foreign currency account holders	n.a.
165	79	Profit on debt derived by non-resident Pakistanis on rupee accounts	Citizens of Pakistan residing abroad and remitting foreign exchange	n.a.

166	80	Income derived from a private foreign currency account held with an authorized bank in Pakistan, or certificate of investment issued by investment banks, by a resident individual who is a citizen of Pakistan: (This exemption is not available in respect of any incremental deposits made in the said accounts on or after the 16th day of December, 1999)	Foreign currency account holder resident individual citizens of Pakistan	-
167	90	Profit on debt payable by Pakistani industrial undertakings to financial institutions in foreign countries	Financial institutions in foreign countries lending with approval of Federal Government of Pakistan	n.a.
168	90A	Profit on debt derived by any person on bonds issued by Pakistan Mortgage Refinance Company to refinance the residential housing mortgage market, for a period of five years	Investors / buyers of bonds issued by Pakistan Mortgage Refinance Company	4.20
169	91	Text-book boards of Provinces	Text-book boards of provinces	583.40
170	98	Sports Boards (except Pakistan Cricket Board).	Regulators, organizations and boards established by government to en- courage major games and sports	61.84
171	99	Collective Investment Schemes or a REIT Schemes	Collective Investment Schemes and REIT Schemes that are distributing more than 90% of their incomes to certificate holders / shareholders.	16,176.50
172	99A	Profits and gains on sale of immovable property to a REIT Scheme	Taxpayers selling immovable property to a Developmental REIT Scheme or a rental REIT Scheme	-
173	100	Modarabas	Modarabas	261.25
174	101	Venture capital companies & venture capital funds registered under Venture Capital Companies and Funds Management Rules, 2000 and a Private Equity and Venture Capital Funds	Venture capital companies venture capital funds, and Private Equity & Venture Capital Funds.	3.63
175	102A	Income representing a subsidy granted by the Federal Government	Recipients of subsidies granted by Federal Government	4,508.87
176	103	Distributions received by a taxpayer from collective investment schemes or mutual funds (which are debt or money market funds and do not invest in shares) out of capital gains	Investors investing in debt or money market mutual funds and collective investment schemes	1.00
177	104	Income derived by the Libyan Arab Foreign Investment Company being dividend of the Pak-Libya Holding Company.	Libyan Arab Foreign Investment Company	-
178	105	Income derived by the Government of Kingdom of Saudi Arabia being dividend of the Saudi-Pak Industrial and Agricultural Investment Company Limited.	Government of Kingdom of Saudi Arabia	26.00

179	105A	Income derived by Kuwait Foreign Trading Contracting and Investment Company or Kuwait Investment Authority being dividend of the Pak Kuwait Investment Company in Pakistan	Kuwait Foreign Trading Contracting & Investment Company, and Kuwait Investment Authority	67.50
180	105B	Income received by a taxpayer from a corporate agricultural enterprise, distributed as dividend out of its income from agriculture.	Taxpayers receiving dividend income from corporate agricultural enterprises	44.00
181	110B	Any gain on transfer of a capital asset, being a membership right held by a member of an existing stock exchange, for acquisition of shares and trading or clearing rights acquired by such member in new corporatized stock exchange in the course of corporatization of an existing stock exchange.	Members of Stock Exchange	-
182	110C	Any gain by a person on transfer of a capital asset, being a bond issued by Pakistan Mortgage Refinance Company to refinance the residential housing mortgage market, during the period from the 1st day of July, 2018 till the 30th day of June, 2023.	Persons deriving gain from bonds issued by Pakistan Mortgage Refinance Company	-
183	114	Income under the head “capital gains” derived by industrial undertakings set up in a “Zone” within the meaning of the Export Processing Zones Authority Ordinance, 1980	Industrial undertakings set up in “Zones” within the meaning of Export Processing Zones Authority Ordinance	n.a.
184	126	Public sector universities	Public sector universities	10,715.95
185	126A	Income derived by China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gawadar International Terminal Limited, Gawadar Marine Services Limited and Gawadar Free Zone Company Limited from Gawadar Port operations for a period of twenty three years, with effect from the sixth day of February, 2007.	Listed companies	65.12
186	126AA	Profit and gains derived by a taxpayer from businesses set up in the Gawadar Free Zone Area	All businesses set up in Gawadar Free Zone	-
187	126AB	Profit on debt derived by- (a) any foreign lender; or (b) any local bank having more than 75 per cent shareholding of the Government or the State Bank of Pakistan, under a Financing Agreement with the China Overseas Ports Holding Company Limited	Foreign lenders or public sector banks/ State bank having financing agreement with China Overseas Ports Holding Company Limited	-
188	126AC	Income derived by contractors and sub-contractors of China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gawadar International Terminal Limited, Gawadar Marine Services Limited and Gawadar Free Zone Company Limited from Gawadar Port operations	Contractors and sub-contractors of listed companies from Gawadar Port operations	105.52

189	126AD	Income derived by China Overseas Ports Holding Company Limited being dividend received from China Overseas Ports Holding Company Pakistan (Private) Limited, Gwadar International Terminal Limited Gwadar Marine Services Limited and Gwadar Free Zone Company Limited	China Overseas Ports Holding Company Limited	-
190	126B	Profit and gains derived by Khalifa Coastal Refinery	Khalifa Coastal Refinery	-
191	126BA	Refineries	Oil refineries	1,724.66
192	126C	Industrial undertakings set up in Larkano Industrial Estate	Industrial undertakings set up in Larkano Industrial Estate	-
193	126D	Industrial undertakings set up in the Gawadar declared by the Federal Government to be a Zone within the meaning of Export Processing Zone Authority Ordinance, 1980	Industrial undertaking set up in the Gawadar	-
194	126E	Income derived by a zone enterprise as defined in the Special Economic Zones Act, 2012 and developer of zone for a period of ten years	Zone enterprise as defined in the Special Economic Zones Act, 2012, and developers of zones.	200.00
195	126G	Income of Astro Plastics (Pvt) Limited derived from their project Biaxially Oriented Polyethylene Terephthalate (BOPET) Project; and 2. Income of Novatex Limited derived from their project Biaxially Oriented Polyethylene Terephthalate (BOPET) Project.	Astro Plastics (Pvt) Limited, M/s. Novatex Limited	-
196	126H	Income from fruit processing or preservation units set up in Balochistan Province, Malakand Division, Gilgit Baltistan and FATA	Fruit processing or preservation units set up in Balochistan Province, Malakand Division, Gilgit Baltistan and ex-FATA	-
197	126I	Industrial undertakings engaged in the manufacture of plant, machinery, equipment and items with dedicated use for generation of renewable energy	Manufacturers of plant, machinery & equipment for use in generation of renewable energy sources.	12.00
198	126J	Profits and gains derived by a taxpayer, from an industrial undertaking engaged in operating warehousing or cold chain facilities for storage of agriculture produce	Industrial undertakings engaged in operating warehousing or cold chain facilities for storage of agriculture produce	n.a.
199	126K	Profits and gains derived by industrial undertakings set up for establishing and operating a halal meat production unit	Halal meat production units	-
200	126L	Industrial undertakings set up in the Provinces of Khyber Pukhtunkhwa and Baluchistan	Industrial undertakings set up in the Provinces of Khyber Pukhtunkhwa and Baluchistan between 1st day of July, 2015 and 30th day of June, 2018	96.55
201	126M	Profits and gains derived by a taxpayer from a transmission line project set up in Pakistan	Companies deriving income from transmission line projects in Pakistan	4.10

202	126N	Profits and gains derived by a taxpayer from an industrial undertaking, duly certified by the Pakistan Telecommunication Authority, engaged in the manufacturing of cellular mobile phones	Local cellular mobile phone manufacturers	0.40
203	126O	Profits and gains of a company from a green field industrial undertaking incorporated on or after the first day of July, 2019	Green field industrial undertakings	-
204	131	Royalty, commission or fees earned from a foreign enterprise in consideration for the use outside Pakistan of any patent, invention, model, design, secret process or formula or similar property right	Innovators and technical experts	1.50
205	132	Profits and gains derived by a taxpayer from an electric power generation project set up in Pakistan on or after the 1st day of July, 1988.	Electric power generation projects	47,528.40
206	132A	Profit and gains derived by Bosicor Oil Pakistan Limited	Bosicor Oil Pakistan Limited (refinery)	-
207	132B	Coal mining projects in Sindh, supplying coal exclusively to power generation projects.	Coal mining projects in Sindh	-
208	133	Income from exports of computer software or IT services or IT enabled services	Exporters of computer software, IT services or IT enabled services	1,944.60
209	135A	Income derived by non-residents from investment in OGDCL exchangeable bonds issued by the Federal Government.	Non-residents deriving income from investment in OGDCL exchangeable bonds issued by the Federal Government.	-
210	136	Income of a special purpose vehicle as defined in the Asset Backed Securitization Rules, 1999	Special purpose vehicles as defined in the Asset Backed Securitization Rules, 1999	-
211	139	Medical treatment or hospitalization for employees	Employees receiving free medical care from employers.	1,825.76
212	141	Profit and gains derived by LNG Terminal Operators and Terminal Owners	LNG Terminal Operators and Terminal Owners	1,714.29
213	142	Income from social security contributions derived by the four provincial Social Security institutions	Provincial social security institutions	5,636.22
214	143	Start-ups	Startups as defined in clause (62A) of section 2 of the ITO-2001	552.75
215	145A, 146	Income of individuals domiciled or companies and associations of persons resident in the erstwhile Tribal Areas	Individuals domiciled or companies and associations of persons resident in the ex-Tribal Areas	4,460.00
216	16, 39A, 51, 52	Others	Others	1,203.40
Total				267,115.10

Reduction in Tax Rates				
Sr.	Legal Reference	Description (Exemption or Concession)	Intended Beneficiary	Estimate (Rs in Mln)
1	3	The tax in respect of income from services rendered outside Pakistan and construction contracts executed outside Pakistan shall be 50% of the rates as specified in Division III of Part III of the First Schedule	Service providers and contractors	-
2	3B	The income of Pakistan Cricket Board derived from sources outside Pakistan shall be taxed at a rate of four per cent of the gross receipts from such sources	Pakistan Cricket Board	-
3	18	In the case of a Modaraba the rate of income tax shall be 25% of total income excluding such part of total income to which Division III of Part I of the First Schedule or section 153 or section 154 applies.	Modarabas	-
4	18A	The rate of tax shall be reduced to 20% for a company setting up an industrial undertaking between the first day of July, 2014 to the thirtieth day of June, 2017, for a period of five years beginning from the month in which the industrial undertaking is set up or commercial production is commenced whichever is later	Companies setting up industrial undertakings between 2014 and 2017	-
5	18B	The rate of tax shall be reduced by 2% in case of a company whose shares are traded on stock exchange if it fulfills prescribed Shariah compliant criteria approved by State Bank of Pakistan, Securities and Exchange Commission of Pakistan and the Board, and derives income from manufacturing activities only	Shariah compliant companies whose shares are traded on stock exchange	-
6	27	The tax on payments under the Compulsory Monetization of Transport Facility for Civil Servants in BS-20 to BS-22 (as reduced by deduction of driver's salary) shall be charged at the rate of 5% as a separate block of income.	Employees (civil servants of BS-20 and above)	100.00
7	28A	The rate of tax under section 148 on import of hybrid cars shall be reduced as below:— Up to 1200 cc - 100% 1201 to 1800 cc - 50% 1801 to 2500 cc - 25%	Consumers of Hybrid Cars	24.00
8	28C	The rates of tax as specified in Division II of Part-IV of the First Schedule shall be five per- cent in the case of a person running online marketplace as defined in clause (38B) of section 2.	E-commerce sector	-
Total				124.00

Reduction in Tax Liability				
Sr.	Legal Reference	Description (Exemption or Concession)	Intended Beneficiary	Estimate (Rs in Mln)
1	1(1)	Any amount received as flying allowance by flight engineers, navigators of Pakistan Armed Forces, Pakistani Airlines or Civil Aviation Authority, Junior Commissioned Officers or other ranks of Pakistan Armed Forces; and submarine allowance by the officers of the Pakistan Navy, shall be taxed @ 2.5% as a separate block of income	Employees (persons receiving flying allowance)	91.07
2	1(1AA)	Total allowances received by pilots of any Pakistani airlines shall be taxed at a rate of 7.5%, provided that the reduction under this clause shall be available to so much of the allowances as exceeds an amount equal to the basic pay	Employees (pilots of Pakistani Airlines)	321.18
3	1(2)	Tax concession for full time teacher or a researcher	Employees (full time teacher or a researcher)	2,425.00
4	4	In respect of old and used automotive vehicles, tax under section 148 shall not exceed the amount specified in Notification No. S.R.O. 577(I)/2005, dated the 6th June, 2005.	Importers of old and used cars	1.30
5	7	The amount of tax payable by foreign Film makers from making films in Pakistan shall be reduced by fifty percent on income from film-making in Pakistan.	Foreign film-makers	-
6	8	The amount of tax payable by resident companies deriving income from film-making shall be reduced by seventy percent on income from film-making.	Film making companies based in Pakistan	-
7	9	The tax payable on profits and gains derived by a person from low cost housing projects shall be reduced by fifty percent.	Taxpayers deriving income from low cost housing projects	n.a.
Total				2,838.55

Exemption from Specific Provisions				
Sr.	Legal Reference	Description (Exemption or Concession)	Intended Beneficiary	Estimate (Rs in Mln)
1	5	The provisions of section 111 regarding un-explained income or assets shall not apply in respect of foreign exchange deposited in a private Foreign Currency account, excluding such accounts where incremental deposits were made on or after the 16th day of December, 1999	Foreign currency account holders	-
2	11A	(iii) Pakistan Red Crescent Society	Pakistan Red Crescent Society	4.52

3	11A	(xiv) Corporate and Industrial Restructuring Corporation (CIRC)	Corporate and Industrial Restructuring Corporation (CIRC)	-
4	11A	(xxxi) National Disaster Risk Management Fund.	National Disaster Risk Management Fund.	57.20
Note: Other entities under clause 11A which count as tax expenditure have Already been covered in Part 1 of Second Schedule (above).				
5	60A	The provisions of section 148 shall not apply for import of plant, machinery and equipment in the case of:- (a) M/s China State Construction Engineering Corporation Ltd. (M/s CSCEC); and (b) M/s China Communication Construction Company (M/s CCCC).	M/s China State Construction Engineering Corporation Ltd. (M/s CSCEC); and M/s China Communication Construction Company (M/s CCCC).	840.00
6	60D	The provisions of section 148 shall not apply on import of firefighting equipment by industrial undertakings set up in the special economic zones established by the Federal Government.	Industrial undertakings set up in the special economic zones	25.00
7	63	M/s Dawat-e-Hadiya, Karachi and Lahore University of Management Sciences, Lahore] shall be deemed to have been approved by the Commissioner for the purpose of sub-section (36) of section 2 notwithstanding the provisions of clause (c) of sub-section (36) of section 2..	M/s Dawat-e-Hadiya, Karachi and Lahore University of Management Sciences, Lahore	-
8	71	The provisions of this Ordinance shall not be applicable to the M/s TAISEI Corporation under the agreement between National Highway Authority, GOP	M/s TAISEI Corporation	-
9	77	Provisions of sections 148 and 153 shall not be applicable on import and subsequent supply of items with dedicated use of renewable sources of energy	Importers and suppliers of items with dedicated use of renewable sources of energy	1,230.00
10	78	Coal Mining and Coal based Power Generation Projects in Sindh:- (i) the dividend income of the shareholders of such a project shall be exempt from provisions of section 150. (ii) the payments made on account of sale or supply of goods or providing or rendering of services during project construction and operations, shall be exempt from the provisions of section 152(2A) and section 153.”	Shareholders of coal mining and coal based power generation projects in Sindh	0.68

11	91	The provisions of section 148 shall not apply to- (i) Tillage and seed bed preparation (ii) equipment as specified below (iii) Seeding or planting equipment (iv) Irrigation, drainage and agro-chemical application equipment (v) Harvesting, threshing and storage equipment (vi) Post-harvest handling and processing & miscellaneous machinery	Farming sector	530.00
12	102	The provisions of section 231B (1A) shall not apply to light commercial vehicles leased under the Prime Minister's Youth Business Loan Scheme.	Beneficiaries of PM's Youth Business Loan Scheme	-
Total				2,687.40

Others / Miscellaneous				
Sr.	Legal Reference	Description (Exemption or Concession)	Intended Beneficiary	Estimate (Rs in Mln)
1	41	Agricultural income	Agriculture sector	-
2	49	Federal Government, Provincial Government, and Local Government income.	Government organizations	32,620.45
Total				32,620.45
Grand Total				448,045.70

2.2 Sales Tax Estimates

Sr	Summary of Tax Expenditure Estimates of Sales Tax - FY 2020	Rs. Million
1	Zero Rating under 5th Schedule to Sales Tax Act 1990	12,887
2	Exemption under 6th Schedule on (Imports)	173,808
3	Exemption under 6th Schedule on Local supplies (after 30% adjustment)	156,134
4	Reduced Rates Under 8th Schedule (1%)	330
5	Reduced Rates Under 8th Schedule (2%)	90,288
6	Reduced Rates Under 8th Schedule (5%)	27,108
7	Reduced Rates Under 8th Schedule (7%)	496
8	Reduced Rates Under 8th Schedule (8%)	1,396
10	Reduced Rates Under 8th Schedule (10%)	69,592
11	Reduced Rates Under 8th Schedule (12%)	19,321
12	Sales Tax on cellular Mobile Phones under 9th Schedule	27,096
Total		578,456

Tax Exemption under 5th Schedule (Zero rated Items)				
S.No	SCHEDULE	ITEM	Beneficiary	Tax Expenditure
1	Section 4 (Zero Rated)	Preparations suitable for infants, put up for retail sale] (PCT Heading 1901.1000)	Manufacturing (Industrial Inputs) General Masses (Food products)	8,202
2	Section 4 (Zero Rated)	Supplies of raw materials components and goods for further manufacture of goods in the Export Processing Zones.	Exporters, General Masses	1,934
3	Section 4 (Zero Rated)	Supply, repair or maintenance of any ship which is neither;	Manufacturing (Industrial Inputs)	1,755
4	Section 4 (Zero Rated)	Raw materials, components, sub-components and parts, if imported or purchased locally for use in the manufacturing of such plants and machinery as is chargeable to sales tax at the rate of zero percent, subject to the condition that the importer or purchaser of such goods holds a valid sales tax registration showing his registration category as “manufacturer”; and in case of import , all the conditions, restrictions, limitations and procedures as are imposed by notification under section 19 of the Customs Act,1969(IV of 1969), shall apply	Manufacturing (Industrial Inputs)	995
5	Section 4 (Zero Rated)	Supply to diplomats, diplomatic missions, privileged persons and privileged organizations which are covered under various Acts, Orders, Rules, Regulations and Agreements passed by the Parliament or issued or agreed by the Government of Pakistan.]	Diplomatic Supplies	842
6	Section 4 (Zero Rated)	Pens, ball pens, markers and porous tipped pens	Educational Items	608
7	Section 4 (Zero Rated)	Raw materials, packing materials, sub-components, components, sub-assemblies and assemblies imported or purchased locally for the manufacture of the goods specified at S.no. 12 of 5th Schedule to Sales Tax Act, 1990, subject to the conditions, limitations	Manufacturing (Industrial Inputs) General Masses	439
8	Section 4 (Zero Rated)	Import Of Color sets, writing, drawing and marking inks and Erasers (4016.9210 and), Exercise Books (4820.2000), Pencil Sharpener (8214.1000), Geometry	Manufacturing (Industrial Inputs) General Masses (educational Items)	439

		boxes (9017.2000), Pen, Ball pens, markers and porous tipp		
9	Section 4 (Zero Rated)	12. Goods and the raw materials, packing materials, sub-components, components, sub-assemblies and assemblies imported or purchased locally for the manufacture of the said goods, limitations and restrictions as specified in chapter xiv of sale	Manufacturing (Industrial Inputs) General Masses	439
10	Section 4 (Zero Rated)	12(xxiv) Pencil sharpeners (PCT heading 8214.1000)	Manufacturing (Industrial Inputs) General Masses (Educational Items)	303
11	Section 4 (Zero Rated)	Others	Manufacturing (Industrial Inputs) General Masses	266
12	Section 4 (Zero Rated)	Exercise books (PCT heading 4820.2000)	Manufacturing (Industrial Inputs) General Masses (Educational Items)	238
13	Section 4 (Zero Rated)	Bicycles (PCT heading 87.12).	Manufacturing (Industrial Inputs) General Masses	140
14	Section 4 (Zero Rated)	12(xxii) Erasers (PCT heading 4016.9210 and 4016.9290)	Manufacturing (Industrial Inputs) General Masses (Educational Items)	138
15	Section 4 (Zero Rated)	1(ii) Supply, repair or maintenance of any aircraft which is neither;	Manufacturing (Industrial Inputs)	127
16	Section 4 (Zero Rated)	Pencils including color pencils (PCT heading 96.09)	Manufacturing (Industrial Inputs) General Masses (Educational Items)	124
17	Section 4 (Zero Rated)	Supplies made to exporters under the Duty and Tax Remission Rules, 2001 subject to the observance of procedures, restrictions and conditions prescribed therein	Manufacturing (Industrial Inputs) Exporters,	115
18	Section 4 (Zero Rated)	Imports or supplies made to Gawadar Special Economic Zone, excluding vehicles falling under heading 87.02 of the Pakistan Customs Tariff, subject to such conditions, limitations and restrictions as the 3 [Board] may impose.]	Special Economic Zone, Manufacturing (Industrial Inputs)	96
19	Section 4 (Zero Rated)	6 Supplies of such locally manufactured plant and machinery 6 to petroleum and gas sector Exploration and Production companies, their contractors and sub-contractors] as may be specified by the Federal Government, by notification in the official Gazette, subject to such conditions and restrictions as may be specified in such notification.]	Manufacturing (Industrial Inputs)	80

20	Section 4 (Zero Rated)	Supplies of locally manufactured plant and machinery of the following specifications, to manufacturers in the Export Processing Zone, subject to the conditions, restrictions and procedure given below, namely:-	Manufacturing (Industrial Inputs)	51
21	Section 4 (Zero Rated)	ship of gross tonnage of less than 15 LDT; nor	Manufacturing (Industrial Inputs)	49
22	Section 4 (Zero Rated)	9 Goods exempted under section 13, if exported by a manufacturer	Manufacturing (Industrial Inputs)	42
23	Section 4 (Zero Rated)	12(xx) Writing, drawing and marking inks (PCT heading.	Manufacturing (Industrial Inputs) General Masses (Educational Items)	39
24	Section 4 (Zero Rated)	1(iii) Supply of spare parts and equipment for ships and aircraft falling under (i) and (ii) above.	Manufacturing (Industrial Inputs)	35
25	Section 4 (Zero Rated)	1(v) Supply of equipment and machinery for air navigation services.	Manufacturing (Industrial Inputs)	22
26	Section 4 (Zero Rated)	12(xxv) Geometry boxes (PCT heading 9017.2000)	Manufacturing (Industrial Inputs) General Masses (educational Items)	10
27	Section 4 (Zero Rated)	12(xx) Colors in sets (PCT heading 3213.1000).	Manufacturing (Industrial Inputs) General Masses (Educational Items)	6
28	Section 4 (Zero Rated)	1(ii)(b) an aircraft designed or adapted for use for recreation or pleasure.	Manufacturing (Industrial Inputs)	6
29	Section 4 (Zero Rated)	6(A) supply of Locally manufactured plant and machinery (EPZ)	Manufacturing (Industrial Inputs) Exporters	6
30	Section 4 (Zero Rated)	1(vi) Supply of equipment and machinery for other services provided for the handling of ships or aircraft in a port or Customs Airport	Manufacturing (Industrial Inputs)	4
31	Section 4 (Zero Rated)	1(iv) Supply of equipment and machinery for pilot age, salvage or towage services.	Manufacturing (Industrial Inputs)	3
32	Section 4 (Zero Rated)	Supplies to duty free shops, provided that in case of clearance from duty free shops against various baggage rules issued under the Customs Act, 1969, (IV of 1969), the supplies from duty free shops shall be treated as import for the purpose of levy of sales tax.	Manufacturing (Industrial Inputs) Diplomatic Supplies and General Masses	3
33	Section 4 (Zero Rated)	6(A) supply of Locally manufactured plant and machinery (EPZ)	Manufacturing (Industrial Inputs) Export Processing Zones	3
34	Section 4 (Zero Rated)	1(i)(b) a ship designed or adapted for use for recreation or pleasure.	Manufacturing (Industrial Inputs)	2

35	Section 4 (Zero Rated)	6(A)(iv)Parts of machinery as specified in clauses (i), (ii) and (iii), identifiable for use in or with such machinery.	Manufacturing (Industrial Inputs)	1
36	Section 4 (Zero Rated)	1(ii)(a) an aircraft of weight-less than 8000 kilograms; nor	Manufacturing (Industrial Inputs)	1
37	Section 4 (Zero Rated)	6(A)(iii) Mechanical and electrical control and transmission gear, meant or adapted for use in conjunction with machinery specified in clause (i); and	Manufacturing (Industrial Inputs)	1
38	Section 4 (Zero Rated)	6(A)(ii) Apparatus, appliances and equipment specifically meant or adapted for use in conjunction with the machinery specified in clause (i);	Manufacturing (Industrial Inputs)	0
39	Section 4 (Zero Rated)	6(A)(i) Plant and machinery, operated by power of any description, as is used for the manufacture or production of goods by that manufacturer;	Manufacturing (Industrial Inputs)	0
Sub Total				17,562
Less Adjustments				4,675
Total				12,887

Adjustments

* Note-I (adjustment in estimation): In case of zero-rated items, the adjustment includes leaving out tax expenditure estimation on some items, which if were not zero-rated, the full input tax would have been claimed, such as crude oil, machinery for E&P sector, and material related to exports. The tax expenditure to the extent of these items is thus deducted from the total estimation of Part 1 (zero rated items). Item-wise cost is below:

Tax Exemption under 5th Schedule (Zero rated Items)

S.No	Legal Ref	ITEM	Beneficiary	Tax Expenditure
1	Section 4 (Zero Rated)	Supplies of raw materials components and goods for further] manufacture of goods in the Export Processing Zones.	Manufacturing (Industrial Inputs) Exporters, General Masses	1,934
2	Section 4 (Zero Rated)	Raw materials, components, sub-components and parts, if imported or purchased locally for use in the manufacturing of such plants and machinery as is chargeable to sales tax at the rate of zero percent, subject to the condition that the importer or purchaser of such goods holds a valid sales tax registration showing his registration category as “manufacturer”; and in case of import , all the conditions, restrictions, limitations and procedures as are imposed by notification under section 19 of the Customs Act,1969(IV of 1969), shall apply	Manufacturing (Industrial Inputs)	995

3	Section 4 (Zero Rated)	Supply to diplomats, diplomatic missions, privileged persons and privileged organizations which are covered under various Acts, Orders, Rules, Regulations and Agreements passed by the Parliament or issued or agreed by the Government of Pakistan.	Diplomatic Supplies	842
4	Section 4 (Zero Rated)	Pens, ball pens, markers and porous tipped pens (PCT heading 96.08)	Educational Items/ General Masses	608
5	Section 4 (Zero Rated)	7 Supplies made to exporters under the Duty and Tax Remission Rules, 2001 subject to the observance of procedures, restrictions and conditions prescribed therein.]	Manufacturing (Industrial Inputs), Exporters	115
6	Section 4 (Zero Rated)	6 Supplies of such locally manufactured plant and machinery to petroleum and gas sector Exploration and Production companies, their contractors and sub-contractors] as may be specified by the Federal Government, by notification in the official Gazette, subject to such conditions and restrictions as may be specified in such notification.]	Manufacturing (Industrial Inputs)	80
7	Section 4 (Zero Rated)	6(A) Supplies of locally manufactured plant and machinery of the following specifications, to manufacturers in the Export Processing Zone, subject to the conditions, restrictions and procedure given below, namely:-	Manufacturing (Industrial Inputs)	51
8	Section 4 (Zero Rated)	9 Goods exempted under section 13, if exported by a manufacturer	Manufacturing (Industrial Inputs), Exporters, General Masses	42
9	Section 4 (Zero Rated)	6(A) supply of Locally manufactured plant and machinery (EPZ)	Manufacturing (Industrial Inputs), Exporters,	6
10	Section 4 (Zero Rated)	6(A) supply of Locally manufactured plant and machinery (EPZ)	Manufacturing (Industrial Inputs) Exporters	3
Total				4,675

EXEMPTION ON IMPORTS UNDER 6TH SCHEDULE

Sr	Legal Reference	ITEM	Intended Beneficiary	Estimates In Million
11	6th Schedule- Table-3	12. machinery, equipment and other project related items including capital goods, for setting up of hotels, power generation plants, water treatment plants and other infrastructure related projects located in an area of 30 km around the zero point	Manufacturing (Industrial Inputs) General Masses	58,507
12	6th Schedule- Table-1	24 Edible oils and vegetable ghee, including cooking oil, on which Federal Excise Duty is charged, levied and collected by a registered manufacturer or importer as if it were a tax payable under section 3 of the Act.	Manufacturing (Industrial Inputs) General Masses (Food Products)	57,204
13	6th Schedule-	8.1 exemption of Sales Tax @ 0% on Machinery and equipment meant for power transmission and grid	Manufacturing (Industrial Inputs)	27,900

	Table-3	stations including under construction projects. subject to condition given at S.No. 8 of Annexure of Table-III of 6th Schedule to the Sales Tax Act, 1990.	General Masses	
14	6th Schedule-Table-1	105 Raw materials for the basic manufacture of pharmaceutical active ingredients and for manufacture of pharmaceutical products, provided that in case of import, only such raw materials shall be entitled to exemption which are liable to customs duty not exceed	Manufacturing (Industrial Inputs), Health Sector General Masses	21,048
15	6th Schedule-Table-1	104 Substances registered as drugs under the Drugs Act, 1976 (XXXI of 1976) and medicaments as are classifiable under Chapter 30 of the First Schedule to the Customs Act, 1969 (IV of 1969) except the following, even if medicated or medicinal in nature	Health Sector Manufacturing (Pharmaceutical Industrial Inputs) General Masses	19,675
16	6th Schedule-Table-3	6.1 exemption of Sales Tax @ 0% on Machinery, equipment and spares meant for initial installation, balancing, modernization, replacement or expansion of projects for power generation through gas, coal, hydel, and oil including under construction projects.	Manufacturing (Industrial Inputs)	18,279
17	6th Schedule-Table-1	Pulses.	General Masses, Food products	15,605
18	6th Schedule-Table-1	24. Edible oils and vegetable ghee including cooking oil on which federal excise duty is charged, levied and collected by a registered manufacturer or importer as if it were a tax payable under section 3 of the act.	Manufacturing (Industrial Inputs) General Masses food products	12,478
19	6th Schedule-Table-1	133 Pesticides and their active ingredients registered by the department of plant protection under the Agricultural Pesticides Ordinance, 1971 (II of 1971), stabilizers, emulsifiers and solvents namely:- Details given at the S.No. 133 of Table 1 of 6th Schedule	Agriculture Sector General Masses	11,990
20	6th Schedule-Table-3	14A.7.(a) PV Modules.	Manufacturing (Industrial Inputs) General Masses	8,281
21	6th Schedule-Table-3	Exemption of Sales Tax @ 0% on Coal mining machinery, equipment, spares including vehicles for site use i.e single or double cabin pick-ups and dump trucks imported for Thar Coal Field - subject to condition given at S.No. 4 of Annexure of Table-III	Mining sector (Industrial Inputs)	3,927
22	6th Schedule-Table-1	Edible fruits excluding imported fruits (except fruits imported from Afghanistan) whether fresh, frozen or otherwise preserved but excluding those bottled or canned.	General Masses Food Items	3,313
23	6th Schedule-Table-1	Live animals and live poultry respective headings of chapter 1.	Poultry General Masses	3,208
24	6th Schedule-Table-1	Edible vegetables including roots and tubers, except ware potato and onions, whether fresh, frozen or otherwise preserved (e.g. in cold storage) but excluding those bottled or canned.	Manufacturing (Industrial Inputs) General Masses	3,160
25	6th Schedule-Table-1	132 Personal computers	General Masses	2,920

26	6th Schedule- Table 1	61 Respective Headings	Manufacturing (Industrial Inputs) General Masses	2,814
27	6th Schedule- Table-1	84 Preparations suitable for infants, put up for retail sale	Manufacturing (Industrial Inputs) General Masses	2,738
28	6th Schedule- Table-1	153 Steel billets, ingots, ship plates, bars and other long re-rolled profiles, on such imports and supplies by the manufacturer on which federal excise duty is payable in sales tax mode	Steel Sector (Industrial Inputs) General Masses	2,424
29	6th Schedule- Table-1	73A Milk and Cream , concentrated or containing added sugar or other sweetening matter, excluding that sold in retail packing under a brand name	Manufacturing (Industrial Inputs) General Masses / Food Items	2,402
30	6th Schedule- Table-1	20 Seeds, fruit and spores of a kind used for sowing.	Agriculture Sector (Industrial Inputs) General Masses	2,335
31	6th Schedule- Table-1	120 Diagnostic kits or equipment, namely:- HIV Kits , 4C Es Trionyx , 5C Cell control normal , Bovine precision multi sera , Pregnancy test , DNA SSP DRB Generic IC , Reticulocyte count (control) Retic C Control , Kit for vitamin B12 estimation , Ferritin	Health Sector (Industrial Inputs) General Masses	2,320
32	6th Schedule- Table-3	5.1 exemption of Sales Tax @ 0% on Machinery, equipment and spares meant for initial installation, balancing, modernization, replacement or expansion of projects for power generation through oil, gas, coal, wind and wave energy including under construction p	Manufacturing (Industrial Inputs) General Masses	2,010
33	6th Schedule- Table-1	131 Laptop computers, notebooks whether or not incorporating multimedia kit	General Masses	1,965
34	6th Schedule- Table-1	141 Preparation for making animal feed	Manufacturing (Industrial Inputs) General Masses	1,904
35	6th Schedule- Table-1	32 Newsprint, newspapers, journals, periodicals, books but excluding directories.	General Masses Educational Items	1,785
36	6th Schedule- Table-1	19 Cereals and products of milling industry excluding the products of milling industry, other than wheat and meslin flour, as sold in retail packing bearing brands name or a trade mark.	Manufacturing (Industrial Inputs) General Masses, food products	1,556
37	6th Schedule- Table-3	7.1 exemption of Sales Tax @ 0% on Machinery, equipment and spares meant for initial installation, balancing, modernization, replacement or expansion of projects for power generation through nuclear and renewable energy sources like solar, wind, micro-hydel	Manufacturing (Industrial Inputs) General Masses	1,266
38	6th Schedule- Table-1	151 Imports of plant, machinery, equipment for installation in tribal areas and of industrial inputs by the industries located in the tribal areas, as defined in the Constitution of Islamic Republic of Pakistan subject to furnishing of security	FATA/PATA	1,264
39	6th Schedule- Table-3	117. 3006.9100, 118. 3926.9050, 119. 8539.3930, 120. 3822.0000, 121. respective heading, 122. respective headings, 123. 8802.4000, 124. respective	Manufacturing (Industrial Inputs) General Masses	1,142

headings, 125. respective headings, 126. respective headings, 127. respective headings, 128. respective head

40	6th Schedule-Table-1	13. edible vegetables including roots and tubers, whether fresh, frozen or otherwise preserved (e.g. in cold storage) but excluding potato onion those bottled or canned under respective PCT headings	General Masses (Food Products)	955
41	6th Schedule-Table-1	124 Maintenance kit for use in trainer aircrafts of PCT headings 8802.2000 and 8802.3000	Manufacturing (Industrial Inputs)	937
42	6th Schedule-Table-1	102. Machinery. equipment and materials imported either for exclusive use within the limits of EPZ or for making exports there from, and goods imported for warehousing purpose in EPZ, subject to the conditions that such machinery, equipment, materials	Manufacturing (Industrial Inputs) Exporters	741
43	6th Schedule-Table-1	17 Ginger excluding those sold in retail packing bearing brand names and trademarks.	General Masses (Food Products)	738
44	6th Schedule-Table-1	85 Fat filled milk, excluding that sold in retail packing under a brand name or a trademark	General Masses (Food Products)	738
45	6th Schedule-Table-1	45 Dextrose and saline infusion giving sets along with empty non-toxic bags for infusion solution, Dextrose and saline infusion giving sets, Artificial parts of the body, Intra-Ocular lenses and Glucose testing equipment.	Health Sector (Industrial Inputs) General Masses	719
46	6th Schedule-Table-1	76 Whey, excluding that sold in retail packing under a brand name	General Masses (Food Products)	685
47	6th Schedule-Table-3	6.2 exemption of Sales Tax @ 0% on Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the construction of project.- subject to condition given at S.No. 6 of Annexure of Table-I	Manufacturing (Industrial Inputs) Construction Industry / General Masses	569
48	6th Schedule-Table-1	12. live plants including bulbs roots and the like under respective PCT headings	General Masses	562
49	6th Schedule-Table-1	100 Construction materials to Gawadar Export Processing Zone's investors and to Export Processing Zone Gawadar for development of Zone's infrastructure	Export Processing Zone	547
50	6th Schedule-Table-1	14. pulses under respective PCT headings	General Masses	536
51	6th Schedule-Table-3	15A-I Parts and Components for manufacturing LED lights:- (i). Aluminum Housing/ Shell for LED (LED Light Fixture)	Manufacturing (Industrial Inputs) General Masses	531
52	6th Schedule-Table-3	02. following machinery, equip., apparatus, & medical, surgical, dental & vet. furniture, materials, fixtures and fittings imported by hospitals and medical or diagnostic institutes:- medical equipment sr. (1) to (13) b. cardiology/cardiac surgery equipment	Health Sector (Industrial Inputs) General Masses	522

53	6th Schedule- Table-3	15(ix). PV module, with or without, the related components including invertors (off-grid/on grid/hybrid) with provision for direct connection/input from renewable energy source and with Maximum Power Point Tracking (MPPT), charge controllers and solar batteries	Manufacturing (Industrial Inputs) General Masses	493
54	6th Schedule- Table-1	1 Live Animals and live poultry	Poultry Sector General Masses	477
55	6th Schedule- Table-3	19 Plant and machinery, except the items listed under Chapter 87 of the Pakistan Customs Tariff, imported for setting up of a Special Economic Zone (SEZ) by zone developers and for installation in that zone by zone enterprises, on one time basis as prescribe	Special Economic Zones General Masses	383
56	6th Schedule- Table-3	156 exemption of Sales Tax @ 0% on 6. PV module, with or without, the related components including invertors, charge controllers and batteries-Items for promotion of renewable energy technologies subject to certification by Alternative Energy Development	Manufacturing (Industrial Inputs) General Masses	383
57	6th Schedule- Table-3	14.1.v. Inverters (off-grid/ on-grid/ hybrid with provision for direct connection/ input renewable energy source and with Maximum Power Point Tracking (MPPT).	Manufacturing (Industrial Inputs) General Masses	372
58	6th Schedule- Table-1	103. import and supply thereof, up to the year 2020, of ships of gross tonnage of less than 15 LDT and all floating crafts including tugs, dredgers, survey vessels and other specialized crafts purchased or bare-boat chartered by a Pakistan entity	Manufacturing (Industrial Inputs)	353
59	6th Schedule- Table-3	15A(iii). Constant Current Power Supply for of LED Lights(1-300W)	Manufacturing (Industrial Inputs) General Masses	342
60	6th Schedule- Table-1	46 Exemption of Sales Tax under Serial No 46 to 59 of 6th Schedule of Sales Tax, Act where exemption of Customs Duty is claimed under chapter 99.	Manufacturing (Industrial Inputs)	321
61	6th Schedule- Table-3	15A(ii). Metal Clad Printed Circuit Boards (MCPCB) for LED	Manufacturing (Industrial Inputs) General Masses	321
62	6th Schedule- Table-1	98 Pencils including colour pencils	Manufacturing (Industrial Inputs) General Masses	291
63	6th Schedule- Table-1	112 cardiology/cardiac surgery, neurovascular, electrophysiology, endo-surgery, endoscopy, oncology, urology, gynecology, disposables and other equipment as stated in serial 112 of Table I of 6th schedule.	Health Sector (Industrial Inputs) General Masses	260
64	6th Schedule- Table-3	14. Following items for use with solar energy, Solar Power Systems	Manufacturing (Industrial Inputs) General Masses	260
65	6th Schedule- Table-3	15(xv). Invertors (off-grid/on grid/hybrid) with provision for direct connection/input from renewable energy source and with Maximum Power Point Tracking (MPPT).	Manufacturing (Industrial Inputs) General Masses	259

66	6th Schedule- Table-3	8.2 exemption of Sales Tax @ 5% on Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the construction of project.- subject to condition given at S. No. 8 of Annexure of Table-3	Manufacturing (Industrial Inputs) General Masses	229
67	6th Schedule- Table-1	60 Contraceptives and accessories thereof.	Health Sector (Industrial Inputs) General Masses	225
68	6th Schedule- Table-1	150 Plant and machinery excluding consumer durable goods and office equipment as imported by greenfield industries, intending to manufacture taxable goods, during their construction and installation period subject to conditions noted below and issuance of exe	Manufacturing (Industrial Inputs)	206
69	6th Schedule- Table-3	15B-CKD kits for single cylinder agriculture diesel engines (compression-ignition internal combustion piston engines) of 3 to 36 HP.	Agriculture Sector (Industrial Inputs)	206
70	6th Schedule- Table-1	130 Sodium Iron (Na Fe EDTA), and other premixes of vitamins, minerals and micro-nutrients (food grade) and subject to conditions imposed for importation under the Customs Act, 1969	Manufacturing (Industrial Inputs) General Masses	203
71	6th Schedule- Table-1	153 steel billets, ingots, ship plates, bar and other long re-rolled profiles, on such imports and supplies by the manufacturer on which federal excise duty is payable in sales tax mode.	Steel Sector, Manufacturing (Industrial Inputs) General Masses	202
72	6th Schedule- Table-1	125 Spare parts for use in aircrafts, trainer aircrafts or simulators	Manufacturing (Industrial Inputs)	198
73	6th Schedule- Table-1	121 Blood bag CPDA-1 with blood transfusion set pack in ammonium foil with set	Health Sector (Industrial Inputs) General Masses	194
74	6th Schedule- Table-1	113 High Efficiency Irrigation Equipment. (If used for agriculture sector) 1) Submersible pumps (up to 75 lbs. and head 150 meters) 2) Sprinklers including high and low pressure (center pivotal) system, conventional sprinkler equipment, water reel travel	Agriculture Sector General Masses	193
75	6th Schedule- Table-1	135 Sunflower and canola hybrid seeds meant for sowing	Agriculture Sector General Masses	185
76	6th Schedule- Table-1	26 Fruit juices, whether fresh, frozen or otherwise preserved but excluding those bottled, canned or packaged.	Manufacturing (Industrial Inputs) General Masses (Food Products)	182
77	6th Schedule- Table-1	88 Erasers	Manufacturing (Industrial Inputs) General Masses	176
78	6th Schedule- Table-3	14A.4.b.i Parts for Solar Desalination System, (i). Solar photo voltaic panels.	Manufacturing (Industrial Inputs) General Masses	175
79	6th Schedule- Table-1	93 Bicycles	Manufacturing (Industrial Inputs) General Masses	171
80	6th Schedule-	146 Equipment imported by M/s China Railway Corporation to be furnished and installed in Lahore	Mass Transit System / General	171

	Table-1	Orange Line Metro Train Project subject to the conditions as contained in Sr No 146 of Table-1 of the 6th-Schedule (Sales Tax) Act 1990.	Masses	
81	6th Schedule-Table-1	61.goods produced or manufactured in and exported from Pakistan which are subsequently imported in Pakistan within one year of their exportation provided conditions of section 22 of the customs act 1969 (iv of 1969) are complied with under respective PCT	Exporter/Importers, Manufacturing (Industrial Inputs) General Masses	162
82	6th Schedule-Table-1	102 Machinery, equipment and materials imported either for exclusive use within the limits of Export Processing Zone or for making exports therefrom, and goods imported for warehousing purpose in Export Processing Zone, subject to the conditions that such mac	Exporters, Manufacturing (Industrial Inputs) General Masses	158
83	6th Schedule-Table-3	14A.7.b.i Parts for PV Modules, (i). Solar cells.	Manufacturing (Industrial Inputs) General Masses	151
84	6th Schedule-Table-3	14A.15. Any other item approved by the Alternative Energy Development Board (AEDB) and concurred to by the FBR.	Manufacturing (Industrial Inputs) General Masses / Alternative Energy Development	151
85	6th Schedule-Table-1	116. plant, machinery and equipment imported for setting up industries in fata subject to the same conditions and procedure as are applicable for import of such plant, machinery and equipment under the customs act, 1969 (iv of 1969). under respective head	Manufacturers in (Industrial Inputs) General Masses	150
86	6th Schedule-Table-1	94 Wheelchairs	General Masses / “differently-abled persons	149
87	6th Schedule-Table-3	15A(iv). Lenses for LED lights	Manufacturing (Industrial Inputs) General Masses	145
88	6th Schedule-Table-1	134 Goods received as gift or donation from a foreign government or organization by the Federal or Provincial Governments or any public sector organization subject to recommendations of the Cabinet Division and concurrence by the Federal Board of Revenue	General masses and Governments	145
89	6th Schedule-Table-3	13 exemption of Sales Tax @ 0% on Effluent treatment plants- subject to conditions. Subject to conditions given in the preamble of Table-3 of 6th Schedule to the Sales Tax Act, 1990.	Manufacturing (Industrial Inputs) General Masses	135
90	6th Schedule-Table-3	14(1) i Off-grid/On-grid solar power system (with or without provision for USB/charging port) comprising of : i. PV Module.	Energy Sector Manufacturing (Industrial Inputs) General Masses	129
91	6th Schedule-Table-1	101 Raw and pickled hides and skins, wet blue hides and skins, finished leather, and accessories, components and trimmings, if imported by a registered leather goods manufacturer, for the	Leather Sector Exporters Manufacturing (Industrial Inputs)	128

		manufacture of goods wholly for export, provided that conditions	General Masses	
92	6th Schedule-Table-1	148 Imported construction materials and goods imported by M/s China State Construction Engineering Corporation Limited (M/s CSCECL), whether or not locally manufactured, for construction of Karachi-Peshawar Motorway (Sukkur-Multan Section) subject to fulfilment	Road and Highways / General Masses	110
93	6th Schedule-Table-1	143(i) Hearing aids (all types and kinds) (ii) Hearing assessment equipment; (a) Audiometers (b) Tympanometer (c) ABR (d) Oto Acoustic Omission	Manufacturing (Industrial Inputs) General Masses Differently-abled persons	99
94	6th Schedule-Table-1	52. goods imported by or donated to hospitals run by the federal government or a provincial government and non-profit making educational and research institutions subject to the similar restrictions, limitations, conditions and procedures as are envisaged	Health Sector General Masses	91
95	6th Schedule-Table-3	3.1 exemption of Sales Tax @ 5% on Machinery, equipment, materials, capital goods, specialized vehicles (4x4 non luxury) i.e single or double cabin pickups, accessories, spares, chemicals and consumables meant for mine construction phase or extraction phase	General Masses	89
96	6th Schedule-Table-1	3. fish and crustaceans excluding live fish whether or not fresh, frozen or otherwise preserved	(Food Products) General Masses	89
97	6th Schedule-Table-3	5.2 exemption of Sales Tax @ 0% on Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the construction of project.- subject to condition given at S.No. 5 of Annexure of Table-I	Construction Industry General Masses	87
98	6th Schedule-Table-1	46. goods imported by various agencies of the united nations, diplomats, diplomatic missions, privileged persons and privileged organizations which are covered under various act and orders, rules and regulations made thereunder and agreements by the federal government	Manufacturing (Industrial Inputs) Diplomatic Missions/ General Masses	87
99	6th Schedule-Table-3	14.1. iii. Batteries for specific utilization with the system (not exceeding 50 Ah in case of portable system).	Manufacturing (Industrial Inputs) General Masses	83
100	6th Schedule-Table-3	14A.4.b.v Inverters (off grid/on grid/ hybrid) with provision for direct connection/input from renewable energy source and with Maximum Power Point Tracking (MPPT)	Energy Sector Manufacturing (Industrial Inputs) General Masses	72
101	6th Schedule-Table-1	110 The following items with dedicated use of renewable source of energy like solar and wind, subject to certification by the Alternative Energy Development Board (AEDB), Islamabad:- as listed at sub-serial number (a) to (j).	Energy Sector Manufacturing (Industrial Inputs) General Masses / Alternative Energy Development	71
102	6th Schedule-	97 Pens, ball pens, markers and porous tipped pen	Manufacturing (Industrial Inputs)	69

	Table-1		General Masses / Educational Items	
103	6th Schedule-Table-1	20. seeds , fruit and spores of a kind used for sowing under respective PCT headings	Manufacturing (Industrial Inputs) General Masses	66
104	6th Schedule-Table-1	83 Meat and similar products of prepared frozen or preserved meat or meat offal of all types including poultry meat and fish excluding those sold in retail packing under a brand name or a trademark	(Food Products) General Masses	61
105	6th Schedule-Table-1	Combined harvesters up to five years old	Manufacturing (Industrial Inputs) General Masses	53
106	6th Schedule-Table-3	Exemption of Sales Tax on Machinery and equipment for initial installation, balancing, modernization, replacement or expansion of desalination plants, cola-firing system, gas processing plants and oil and gas field prospecting. Subject to conditions given	Manufacturing (Industrial Inputs) General Masses	53
107	6th Schedule-Table-1	Goods Imported by or donated to hospitals run by the Federal or Provincial Government; and non-profit making educational and research institutions, limitations, conditions and procedures as are envisaged for the purpose of applying zero-rate of customs d	Health Sector General Masses	50
108	6th Schedule-Table-1	import of all goods received, in the event of a natural disaster or other catastrophe, as gifts and relief consignments, including goods imported for the president's fund for afghan refugees, relief goods donated for afghan refugees, gifts for president's f	General Masses	50
109	6th Schedule-Table-3	Machinery, equipment, raw materials, components and other capital goods for use in building, fittings, repairing or refitting of ships, boats or floating structures imported by Karachi Shipyard and Engineering Works Limited.	Manufacturing (Industrial Inputs)	48
110	6th Schedule-Table-1	149 Micro feeder equipment	Manufacturing (Industrial Inputs) General Masses	47
111	6th Schedule-Table-1	142 Promotional and advertising material including technical literature, pamphlets, brochures and other giveaways of no commercial value, distributed free of cost by the exhibitors	Media Manufacturing (Industrial Inputs) General Masses	47
112	6th Schedule-Table-1	115. plant, machinery and equipment imported for setting up fruit processing and preservation units in Gilgit-Baltistan, Balochistan province and Malakand division subject to the same conditions and procedure as are applicable for import of such plant, ma	Manufacturing (Industrial Inputs) General Masses	44
113	6th Schedule-Table-3	3.2 exemption of Sales Tax @ 0% on Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for mine construction or extraction phase - subject to condition given at S.No. 3 of Annexure	General Masses	42
114	6th Schedule-Table-3	15(v). Solar torches.	(Industrial Inputs) General Masses	41

115	6th Schedule- Table-1	140 Bovine Semen	General Masses	40
116	6th Schedule- Table-3	14. following items with dedicated use of renewable source of energy like solar, wind, geothermal etc:- (1)solar home systems.(2)solar parabolic trough power plants.(3)solar dish sterling engine.(4)solar air conditioning system.(5)solar desalination system	Energy Sector Manufacturing (Industrial Inputs) General Masses	38
117	6th Schedule- Table-3	15(xiv). Sun Tracking Control System	Manufacturing (Industrial Inputs) General Masses	38
118	6th Schedule- Table-3	12 exemption of Sales Tax @ 0% on Machinery, equipment and other project related items including capital goods, for setting up of hotels, power generation plants, water treatment plants and other infrastructure related projects located in an area of 30 km a	Energy Sector Manufacturing (Industrial Inputs) General Masses	38
119	6th Schedule- Table-3	15(xii). Energy saver lamps of varying voltages	Energy Sector Manufacturing (Industrial Inputs) General Masses	36
120	6th Schedule- Table-1	11 Eggs including eggs for hatching	Poultry Sector Manufacturing (Industrial Inputs) General Masses	36
121	6th Schedule- Table-1	15. edible fruits excluding imported fruits (except fruits imported from Afghanistan) whether fresh, frozen or otherwise preserved but excluding those bottled or canned under respective PCT headings (0810.3000 omitted)	(Food Products) General Masses	35
122	6th Schedule- Table-1	2 Meat of bovine animals, sheep and goat, excluding poultry and offal, whether or not fresh, frozen or otherwise, preserved or packed	Manufacturing (Industrial Inputs) General Masses	34
123	6th Schedule- Table-1	12 Live plants including bulbs, roots and the like.	Manufacturing (Industrial Inputs) General Masses	34
124	6th Schedule- Table-3	14A.5. Solar Thermal Power Plants with accessories.	Manufacturing (Industrial Inputs) General Masses	33
125	6th Schedule- Table-1	100A Materials and equipment (plant, machinery, equipment, appliances and accessories) for construction and operation of Gwadar Port and development of Free Zone for Gwadar Port as imported by or supplied to China Overseas Ports Holding Company Limited (COPHCL	Manufacturing (Industrial Inputs) General Masses / Economic zones	32
126	6th Schedule- Table-1	108 Components or sub-components of energy saver lamps, namely:- (a) Electronic Circuit (b) Plastic Caps (Upper and Lower) (c) Base Caps B22 and E27 (d) Tungsten Filaments (e) Lead-in-wire (f) Fluorescent Powder (Tri Band Phosphor) (g) Adhesive Additive	Manufacturing (Industrial Inputs) General Masses	31
127	6th Schedule- Table-1	87 Writing, drawing and marking inks	Manufacturing (Industrial Inputs) General Masses	30

128	6th Schedule- Table-1	122 Urine drainage bags	Health Sector Manufacturing (Industrial Inputs) General Masses	29
129	6th Schedule- Table-3	15 (xi). Water pumps operating on solar energy along with solar pump controllers	Manufacturing (Industrial Inputs) General Masses	29
130	6th Schedule- Table-1	80 Processed cheese not greeted or powdered, excluding that sold in retail packing under a brand name	(Food Products) General Masses	28
131	6th Schedule- Table-1	130 Import and supply thereof, up to the year 2020, of ships and all floating crafts including tugs, dredgers, survey vessels and other specialized crafts purchased or bare-boat chartered by a Pakistan entity and flying	Manufacturing (Industrial Inputs) General Masses	27
132	6th Schedule- Table-1	33. currency notes, bank notes, shares, stocks and bonds under PCT 49.07	General Masses	27
133	6th Schedule- Table-3	14A.4.b(ii). Solar water pumps.	Manufacturing (Industrial Inputs) General Masses	25
134	6th Schedule- Table-3	15(xiii). Energy Saving Tube Lights.	Manufacturing (Industrial Inputs) General Masses	25
135	6th Schedule- Table-1	106 Import of Halal edible offal of bovine animals.	General Masses Food Items	24
136	6th Schedule- Table-1	114 Green House Farming and Other Green House Equipment consisting of plastic covering and mulch film, anti-insect net and shade net (If used for agriculture sector) 1) Tunnel farming equipment. 2) Greenhouses (prefabricated).	agriculture sector Manufacturing (Industrial Inputs) General Masses	24
137	6th Schedule- Table-3	14A.7.b.ii Tempered Glass.	Manufacturing (Industrial Inputs) General Masses	24
138	6th Schedule- Table-1	11. eggs including eggs for hatching under respective headings	Poultry Sector Manufacturing (Industrial Inputs) General Masses	24
139	6th Schedule- Table-1	129 Import of plant, machinery and production line equipment used for the manufacturing of mobile phones by the local manufacturers of mobile phones duly certified by Pakistan Telecommunication Authority	Manufacturing (Industrial Inputs) General Masses	23
140	6th Schedule- Table-1	127 Operational tools, machinery, equipment and furniture and fixtures on one-time basis for setting up Greenfield airports by a company authorized by Aviation Division	Manufacturing (Industrial Inputs) General Masses	20
141	6th Schedule- Table-1	109 Goods imported temporarily with a view to subsequent exportation, as concurred by the Board, including passenger service item, provision and stores of Pakistani Airlines.	Manufacturing (Industrial Inputs) General Masses	18
142	6th Schedule- Table-1	86 Colors in sets (Poster colors)	Manufacturing (Industrial Inputs) General Masses	18

143	6th Schedule- Table-3	14A.12.b.i Turbine with Generator/ Alternator.	Manufacturing (Industrial Inputs) General Masses	18
144	6th Schedule- Table-1	100D Machinery, equipment, materials and goods imported either for exclusive use within the limits of Gwadar Free Zone, or for making exports therefrom, subject to the conditions that such machinery, equipment, materials and goods, are imported by investors of	Exporters Manufacturing (Industrial Inputs)	18
145	6th Schedule- Table-1	76. WHEY 04.04	Food Products General Masses	16
146	6th Schedule- Table-3	11.7 exemption of Sales Tax @ 0% on 7) Machine and tool for stone work; sand blasting machines; tungsten carbide tools; diamond tools & segments (all type & dimensions), hydraulic jacking machines, hydraulic manual press machines, air/hydro pillows, compress	Manufacturing (Industrial Inputs) General Masses	16
147	6th Schedule- Table-1	96 Other drawing, marking out or mathematical calculating instruments (geometry box)	Manufacturing (Industrial Inputs) General Masses	15
148	6th Schedule- Table-1	79 Cheese, excluding that sold in retail packing under a brand name	Food Products General Masses	15
149	6th Schedule- Table-3	14A.7.b.ix Ribbon for PV Modules (made of silver & Lead).	Manufacturing (Industrial Inputs) General Masses	14
150	6th Schedule- Table-1	137 Paper weighing 60 g/m2 for printing of Holy Quran imported by Federal or Provincial Governments and Nashiran-e-Quran as per quota determined by IOCO	Manufacturing (Industrial Inputs) General Masses	14
151	6th Schedule- Table-1	92 Sewing machines of the household type	General Masses	13
152	6th Schedule- Table-1	123 Aircraft, whether imported or acquired on wet or dry lease	Manufacturing (Industrial Inputs) General Masses	13
153	6th Schedule- Table-3	14A.7.b.iii Aluminum frames.	Manufacturing (Industrial Inputs) General Masses	12
154	6th Schedule- Table-1	32. News Print, News Papers, Journals, Periodicals Books But Excluding Directories Under Respective PCT Headings	Media General Masses	12
155	6th Schedule- Table-3	07. (1) machinery, equip. & spares meant for initial installation, balancing, modernization, replacement or expansion of projects for power gen. through nuclear & renewable energy sources like solar, wind, micro-hydel bio-energy, ocean, waste-to-energy	Manufacturing (Industrial Inputs) General Masses	12
156	6th Schedule- Table-1	3 Fish and crustaceans excluding live fish whether or not fresh, frozen or otherwise preserved or packed	Food Products General Masses	11
157	6th Schedule- Table-1	51. imported samples, subject to the same condition as are envisaged for the purposes of applying zero-rate of customs duty under customs act 1969 (iv of 1969) under respective PCT headings	Manufacturing (Industrial Inputs) General Masses	11

158	6th Schedule- Table-3	14.1.ii. Charge controller.	Manufacturing (Industrial Inputs) General Masses	11
159	6th Schedule- Table-1	31 Holy Quran, complete or in parts, with or without translation; Quranic Verses recorded on any analogue or digital media; other Holy books.	General Masses	10
160	6th Schedule- Table-1	92. Sewing machines of the household	Manufacturing (Industrial Inputs) General Masses	10
161	6th Schedule- Table-1	16 Red chilies excluding those sold in retail packing bearing brand names and trademarks.	Food Products Manufacturing (Industrial Inputs) General Masses	10
162	6th Schedule- Table-1	112. Following cardiology/cardiac surgery, neurovascular, electrophysiology, Endosurgery, endoscopy, oncology, urology, gynecology, disposables & other equip:- a. angioplasty products. sr.1-6, b. angiography products. sr. 1-6, contrast media for angiography	Health Sector General Masses	9
163	6th Schedule- Table-1	18 Turmeric excluding those sold in retail packing bearing brand names and trademarks.	Food Products Manufacturing (Industrial Inputs) General Masses	8
164	6th Schedule- Table-3	01. Machinery and equipment for initial installation, balancing, modernization, replacement or expansion of desalination plants, coal firing system, gas processing plants and oil and gas field prospecting under respective headings.	Manufacturing (Industrial Inputs) General Masses	8
165	6th Schedule- Table-3	14A.2.b.i Parts for Solar Dish Sterling Engine. (i). Solar concentrating dish.	Manufacturing (Industrial Inputs) General Masses	7
166	6th Schedule- Table-1	2 meat of bovine animals sheep and goat, excluding poultry and offal, whether or not fresh, frozen or otherwise preserved PCT 02.01 02.02 and 02.04	General Masses	7
167	6th Schedule- Table-1	82. Frozen, prepared or preserved sausages and similar products of poultry meat or meat offal (1601.0000). 83. Meat and similar products of prepared frozen or preserved meat or meat offal of all types including poultry meat and fish. (1602.3200,1602.3900,	Food Products Manufacturing (Industrial Inputs) General Masses	7
168	6th Schedule- Table-3	14A.7.b.xi EVA (Ethyl Vinyl Acetate) Sheet (Chemical).	Manufacturing (Industrial Inputs) General Masses	7
169	6th Schedule- Table-1	138 Fish Feed	Manufacturing (Industrial Inputs) General Masses	6
170	6th Schedule- Table-1	18. turmeric excluding those sold in retail packing bearing brand names and trademarks under respecting PCT heading	Food Products Manufacturing (Industrial Inputs) General Masses	5
171	6th Schedule- Table-1	82 Frozen, prepared or preserved sausages and similar products of poultry meat or meat offal excluding those sold in retail packing under a brand name or a trademark	Food Products Manufacturing (Industrial Inputs) General Masses	5

172	6th Schedule- Table-3	14.8 exemption of Sales Tax @ 0% on 8. PV Modules.-PV Modules for dedicated use of renewable source of energy like solar, wind, geothermal etc. subject to conditions given in the preamble of Table-3 of 6th Schedule to the Sales Tax Act, 1990.	Manufacturing (Industrial Inputs) General Masses	5
173	6th Schedule- Table-3	14A. Junction box & Cover.	Manufacturing (Industrial Inputs) General Masses	5
174	6th Schedule- Table-1	89 Exercise books	Manufacturing (Industrial Inputs) General Masses	5
175	6th Schedule- Table-3	9.23 exemption of Sales Tax @ 0% on 23) Spares, accessories and reagents for scientific equipment.- Machinery, equipment and other education and research related items imported by technical, training institutes, research institutes, schools, colleges and universities	Manufacturing (Industrial Inputs) General Masses	5
176	6th Schedule- Table-3	11. Following machinery and equipment for marble, granite and gem stone extraction and processing industries: sr. # (1) to (24) under respective headings and conditions.	Manufacturing (Industrial Inputs) General Masses	4
177	6th Schedule- Table-1	Pencil sharpeners	Manufacturing (Industrial Inputs) General Masses	4
178	6th Schedule- Table-3	14A.7.b.viii Sheet mixture of Paper and plastic	Manufacturing (Industrial Inputs) General Masses	4
179	6th Schedule- Table-1	45. dextrose and saline infusion giving sets along with empty nontoxic bags for infusion solution, dextrose and saline infusion giving sets, artificial parts of the body, intra-ocular lenses and glucose testing equipment under respective PCT headings	Health Sector Manufacturing (Industrial Inputs) General Masses	4
180	6th Schedule- Table-1	73 Milk	Food Products Manufacturing (Industrial Inputs) General Masses	4
181	6th Schedule- Table-3	15.i Following items for promotion of renewable energy technologies or for conservation of energy:- (i). SMD/LED/LVD lights with or without ballast, fittings and fixtures.	Manufacturing (Industrial Inputs) General Masses	4
182	6th Schedule- Table-3	09. Following machinery, equip. and other education and research related items imported by technical, training institutes, schools, colleges and universities:- sr.# (1) to (23) under respective headings.	Education Sector General Masses	4
183	6th Schedule- Table-1	59. artificial kidneys, eye cornea, hemodialysis machines, hemodialyzers, a.v. fistula needles, hemodialysis fluids and powder, blood tubing tines for dialysis and reverse osmosis plants for dialysis, double lumen catheter for dialysis, catheter for renal failure	General Masses Health items	3
184	6th Schedule- Table-3	15(xvi). Charge controller/ Current controller. Provided that exemption under this serial shall be available with effect from 01.07.2016. (xvi). Charge controller/ Current controller. Provided that	Manufacturing (Industrial Inputs) General Masses	3

exemption under this serial shall be available with effect

185	6th Schedule- Table-3	14A.4.b.iv Charge controllers.	Manufacturing (Industrial Inputs) General Masses	3
186	6th Schedule- Table-1	139 Fans for Dairy Farms	General Masses	3
187	6th Schedule- Table-1	126 Machinery, equipment and tools for setting up maintenance, repair and overhaul (MRO) workshop by MRO company recognized by Aviation Division	Manufacturing (Industrial Inputs) General Masses	2
188	6th Schedule- Table-1	50. articles imported through post as unsolicited gifts, subject to the same conditions as are envisaged for the purposes of applying zero-rate of customs duty under the customs act 1969 (iv of 1969) under respective PCT heading	Manufacturing (Industrial Inputs) General Masses	2
189	6th Schedule- Table-3	2 exemption of Sales Tax @ 0% on Machinery, equipment, apparatus, and medical, surgical, dental and veterinary furniture, materials, fixture and fittings imported by hospitals and medical or diagnostic institutes - subject to condition given at S.No. 2	Manufacturing (Industrial Inputs) General Masses	2
190	6th Schedule- Table-3	15.4 exemption of Sales Tax @ 0% on 4. Solar torches.-Items for promotion of renewable energy technologies. Subject to conditions given in the preamble of Table-3 of 6th Schedule to the Sales Tax Act, 1990.	Manufacturing (Industrial Inputs) General Masses	2
191	6th Schedule- Table-3	14A.3.b.ii Cooling towers.	Manufacturing (Industrial Inputs) General Masses	2
192	6th Schedule- Table-1	16. red chilies excluding those sold in retail packing bearing brand names and trademarks under respective PCT headings	Manufacturing (Industrial Inputs) General Masses (Food Product)	2
193	6th Schedule- Table-1	73. MILK AND CREAM.... 04.01 AND 04.02	General Masses (Food Product)	2
194	6th Schedule- Table-3	15.(vi). Lanterns and related instruments.	Manufacturing (Industrial Inputs) General Masses	2
195	6th Schedule- Table-3	14A.6.c.iv Electric Heater/ Immersion Rod (one piece with one solar water heater)	Manufacturing (Industrial Inputs) General Masses	2
196	6th Schedule- Table-1	72 Uncooked poultry Meat whether or not fresh, frozen or otherwise, preserved or packed	(Food Product) General	2
197	6th Schedule- Table-3	15(viii). LED Bulb/Tube lights.	Manufacturing (Industrial Inputs) General Masses	2
198	6th Schedule- Table-1	53. imports of all such gifts as are received and such equipment for fighting tuberculosis, leprosy, aids and cancer and such equipment and apparatus for the rehabilitation of the deaf, the blind crippled or mentally retarded as are purchases or otherwise sec	Manufacturing (Industrial Inputs) General Masses	2

199	6th Schedule- Table-1	71.goods and services purchased by non-resident entrepreneurs and traders visiting Pakistan to participate in trade fairs and exhibitions subject to reciprocity and such conditions and restrictions as may be specified by the board under respective heading	Manufacturing (Industrial Inputs) General Masses	1
200	6th Schedule- Table-1	115 Plant, machinery and equipment imported for setting up fruit processing and preservation units in Gilgit-Baltistan, Makran and Malakand Divisions subject to the same conditions and procedure as are applicable for import of such plant, machinery and equipment	Manufacturers in backward areas	1
201	6th Schedule- Table-3	14A.8.viii Aluminum and silver paste.	Manufacturing (Industrial Inputs) General Masses	1
202	6th Schedule- Table-1	78 Desi Ghee, excluding that sold in retail packing under a brand name	General Masses (Food Product)	1
203	6th Schedule- Table-1	93. bicycles (87.12). 94. wheelchairs (8713.1000 AND 8713.9000)	Manufacturing (Industrial Inputs) General Masses / Differently-abled Persons	1
204	6th Schedule- Table-1	29 Table salt including iodized salt excluding salt sold in retail packing bearing brand names and trademarks.	Manufacturing (Industrial Inputs) General Masses (Food Product)	1
205	6th Schedule- Table-1	84. preparations for infant use, put up for retail sale (1901.1000). 85. fat filled milk (1901.9090)	Manufacturing (Industrial Inputs) General Masses (Food Product)	1
206	6th Schedule- Table-1	52-a goods supplied to hospitals run by the federal or provincial governments or charitable operating hospitals of fifty beds or morerespective headings	Manufacturing (Industrial Inputs) General Masses	1
207	6th Schedule- Table-1	91 Energy saver lamps. As per Note 1 of the 6th Schedule to the Sales Tax Act, 1990, exemption shall be admissible on the basis of description of goods as mentioned in column (2) of the Schedule. PCT classification of headings is provided for ease of reference	Manufacturing (Industrial Inputs) General Masses	1
208	6th Schedule- Table-1	75 Yogurt, excluding that sold in retail packing under a brand name	Manufacturing (Industrial Inputs) General Masses (Food Products)	1
209	6th Schedule- Table-3	14A.12.b.iv Pole/ Tower.	Manufacturing (Industrial Inputs) General Masses	1
210	6th Schedule- Table-1	110. the following items with dedicated use of renewable sources of energy like solar and wind, subject to certification by the alternative energy development board (aedb), Islamabad:- (a) solar pv panels (9405.1090), (b) lvd induction lamps, (c)SMD, LEDS	Manufacturing (Industrial Inputs) General Masses	1
211	6th Schedule-	147 Goods supplied to German Development Agency (Deutsche Gesellschaft für International	Diplomatic mission	1

Table-1		Zusammenarbeit) GIZ	
212	6th Schedule-Table-1	74 Flavored Milk, excluding that sold in retail packing under a brand name	Manufacturing (Industrial Inputs) General Masses 1
Sub Total			316,015
Less 45% adjustment on account of value addition of Local Supplies			142,207
Total			173,808

EXEMPTION ON LOCAL SUPPLIES UNDER 6TH SCHEDULE				
Sr	Legal Reference	Description Exemption or Concession	Intended Beneficiaries	Estimates Rs. Million
1	(Section 13) 6th Schedule Table I	1 Live Animals 2 [and live poultry.]	General Masses	15,119
2	(Section 13) 6th Schedule Table II	1 Supply of cottonseed exclusively meant for sowing purposes, subject to such conditions as the Board may specify	Agriculture Sector General Masses	828
3	(Section 13) 6th Schedule Table III	1 Machinery and equipment for initial installation, balancing, modernization, replacement or expansion of desalination plants, coal firing system, gas processing plants and oil and gas field prospecting.	Manufacturing (Industrial Inputs) General Masses	260
4	(Section 13) 6th Schedule Table I	2 Meat of bovine animals, sheep and goat, excluding poultry and offal, whether or not fresh, frozen or otherwise, preserved 2 [or packed]	Food Products General Masses	1,032
5	(Section 13) 6th Schedule Table II	2 Supply of locally produced crude vegetable oil obtained from the locally produced seeds 1 [other than cotton seed], except cooking oil, without having undergone any process except the process of washing	Manufacturing (Industrial Inputs) General Masses	1,905
6	(Section 13) 6th Schedule Table III	2 Following machinery, equipment, apparatus, and medical, surgical, dental and veterinary furniture, materials, fixtures and fittings imported by hospitals and medical or diagnostic institutes:-	Food Products Manufacturing (Industrial Inputs) General Masses	281
7	(Section 13) 6th Schedule Table I	3 Fish and crustaceans excluding live fish whether or not fresh, frozen or otherwise preserved 4 [or packed]	Food Products General Masses	485
8	(Section 13) 6th Schedule Table II	Supplies made by cottage industry.	Manufacturing (Industrial Inputs) General Masses	60
9	(Section 13) 6th Schedule Table II	4 Raw material and intermediary goods manufactured or produced, and services provided or rendered, by a registered person, consumed in-house for the manufacture of goods subject to sales tax.	Manufacturing (Industrial Inputs) General Masses	159
10	(Section 13) 6th Schedule Table III	4 Coal mining machinery, equipment, spares, including vehicles for site use i.e. single or double cabin pick-ups 1 [and dump trucks], imported for Thar Coal Field.	Mining Sector Manufacturing (Industrial Inputs) General Masses	5

11	(Section 13) 6th Schedule Table II	6 Supply of fixed assets against which input tax adjustment is not available under a notification issued in terms of clause (b) of subsection (1) of section 8 of the Sales Tax Act, 1990.	Manufacturing (Industrial Inputs) General Masses	236
12	(Section 13) 6th Schedule Table II	7 Breads prepared in tandoors and bakeries, vermicillies, nans, chapattis, sheer mal, bun, rusk.	Food products Manufacturing (Industrial Inputs) General Masses	4,277
13	(Section 13) 6th Schedule Table II	8 Foodstuff cooked or prepared in-house and served in messes run on the basis of mutuality and industrial canteens for workers.	Food products Manufacturing (Industrial Inputs) General Masses	1
14	(Section 13) 6th Schedule Table III	8 Machinery and equipment meant for power transmission and grid stations including under construction projects.	Manufacturing (Industrial Inputs) General Masses	152
15	(Section 13) 6th Schedule Table II	9 Foodstuff and other eatables prepared in the flight kitchens and supplied for consumption on-board in local flights.	Food products Manufacturing (Industrial Inputs) General Masses	103
16	(Section 13) 6th Schedule Table III	9 machinery, equipment and other education and research related items imported by technical, training institutes, research institutes, schools, colleges and universities:-	Education Sector General Masses	4
17	(Section 13) 6th Schedule Table II	10 Agricultural produce of Pakistan, not subjected to any further process of manufacture.	Agriculture Sector General Masses	1,751
18	(Section 13) 6th Schedule Table I	11 Eggs including eggs for hatching	Poultry Sector General Masses	1,440
19	(Section 13) 6th Schedule Table II	11 Supply of ware potato and onions	Food Sector General Masses	17
20	(Section 13) 6th Schedule Table III	11 Following machinery and equipment for marble, granite and gem stone extraction and processing industries:	Manufacturing (Industrial Inputs) General Masses	10
21	(Section 13) 6th Schedule Table I	12 Live plants including bulbs, 1 [roots and the like.]	General Masses	316
22	(Section 13) 6th Schedule Table I	13 Edible vegetables including roots and tubers, 2 [except ware potato and onions], whether fresh, frozen or otherwise preserved (e.g. in cold storage) but excluding those bottled 3 [or] canned 4 [***]	Food Products Manufacturing (Industrial Inputs) General Masses	2,494
23	(Section 13) 6th Schedule Table III	13 Effluent treatment plants	Manufacturing (Industrial Inputs) General Masses	40
24	(Section 13) 6th Schedule Table I	14 Pulses.	Food Products General Masses	8,505
25	(Section 13) 6th Schedule Table III	14 items for use with solar energy:- Solar Power Systems	Manufacturing (Industrial Inputs) General Masses	1,116
26	(Section 13) 6th Schedule Table I	15 Edible fruits excluding imported fruits (except fruits imported from Afghanistan) whether fresh, frozen or otherwise preserved but excluding those bottled 2 [or] canned 3 [***].	Food Products General Masses	665
27	(Section 13) 6th Schedule Table I	16 Red chillies excluding those sold in retail packing bearing brand names and trademarks.	Food Products General Masses	65
28	(Section 13) 6th Schedule Table II	16 Raw cotton 1 [omitted]	Manufacturing (Industrial Inputs) General Masses	51

29	(Section 13) 6th Schedule Table I	17 Ginger excluding those sold in retail packing bearing brand names and trademarks	Food Products General Masses	1,604
30	(Section 13) 6th Schedule Table II	17 Raw and pickled hides and skins, wet blue hides and skins	Manufacturing (Industrial Inputs) General Masses	57
31	(Section 13) 6th Schedule Table III	17 Machinery, equipment, raw materials, components and other capital goods for use in building, fittings, repairing or refitting of ships, boats or floating structures imported by Karachi Shipyard and Engineering Works Limited.	Manufacturing (Industrial Inputs)	2
32	(Section 13) 6th Schedule Table I	18 Turmeric excluding those sold in retail packing bearing brand names and trademarks.	Food Products General Masses	50
33	(Section 13) 6th Schedule Table II	18 Supplies made by manufacturers of marble and granite having annual turnover less than five million rupees even if their annual utility bill is more than eight hundred thousand rupees	Manufacturing (Industrial Inputs) General Masses	2
34	(Section 13) 6th Schedule Table I	19 Cereals and products of milling industry 4 [excluding the products of milling industry, other than wheat and meslin flour, as sold in retail packing bearing brand name or a trademark].	Manufacturing (Industrial Inputs) General Masses /Food items	5,469
35	(Section 13) 6th Schedule Table Ii	19 Bricks	Manufacturing (Industrial Inputs) General Masses	264
36	(Section 13) 6th Schedule Table III	19 Plant and machinery, except the items listed under Chapter 87 of the Pakistan Customs Tariff, imported for setting up of a Special Economic Zone (SEZ) by zone developers and for installation in that zone by zone enterprises, on one time basis as prescribed in the SEZ Act, 2012 and rules thereunder subject to such condition, limitations and restriction as a Federal Board of Revenue may impose from time to time.	Manufacturing (Industrial Inputs / SEZs	93
37	(Section 13) 6th Schedule Table I	20 Seeds, fruit and spores of a kind used for sowing.	Manufacturing (Industrial Inputs) General Masses	2,888
38	(Section 13) 6th Schedule Table II	20 Crushed stone	Manufacturing (Industrial Inputs) General Masses	88
39	(Section 13) 6th Schedule Table I	21 Cinchona bark.	Manufacturing (Industrial Inputs) General Masses	1,096
40	(Section 13) 6th Schedule Table II	21 Poultry feed, cattle feed, sunflower seed meal, rape seed meal and canola seed meal	General Masses	28,072
41	(Section 13) 6th Schedule Table I	22 Sugar beet	Food Products General Masses	6
42	(Section 13) 6th Schedule Table II	22 Single cylinder agriculture diesel engines (compression ignition internal combustion piston engines) of 3 to 36 HP.	Agriculture Sector General Masses	370
43	(Section 13) 6th Schedule Table II	23 Match boxes	Manufacturing (Industrial Inputs) General Masses	1,241
44	(Section 13) 6th Schedule Table I	24 Edible oils and vegetable ghee, including cooking oil, on which Federal Excise Duty is charged, levied and collected 4 [by a registered manufacturer or importer] as if it were a tax payable under section 3 of the Act. 5	Food Products General Masses	352

[Explanation.– Exemption of this entry shall not be available 6 [on local supplies made by importers,] distributors, wholesalers or retailers.

45	(Section 13) 6th Schedule Table II	24 LED or SMD lights and bulbs meant for conservation of energy	Manufacturing (Industrial Inputs) General Masses	1,960
46	(Section 13) 6th Schedule Table II	25 Cottonseed oil	Manufacturing (Industrial Inputs) General Masses	558
47	(Section 13) 6th Schedule Table I	26 Fruit juices, whether fresh, frozen or otherwise preserved but excluding those bottled, canned or package	Food Products General Masses	139
48	(Section 13) 6th Schedule Table I	27 Ice and waters excluding those for sale under brand names or trademark	Manufacturing (Industrial Inputs) General Masses	397
49	(Section 13) 6th Schedule Table I	29 Table salt including iodized salt excluding salt sold in retail packing bearing brand names and trademarks	Manufacturing (Industrial Inputs) General Masses	203
50	(Section 13) 6th Schedule Table I	31 Holy Quran, complete or in parts, with or without translation; Quranic Verses recorded on any analogue or digital media; other Holy books	General Masses	252
51	(Section 13) 6th Schedule Table I	32 [Newsprint, newspapers], journals, periodicals, books 6 [***] but excluding directories.	Manufacturing (Industrial Inputs) General Masses	1,540
52	(Section 13) 6th Schedule Table I	33 Currency notes, bank notes, shares, stocks and bonds.	General Masses	2,921
53	(Section 13) 6th Schedule Table I	38 Monetary gold.	General Masses	2
54	(Section 13) 6th Schedule Table I	45 Dextrose and saline infusion giving sets 2 [***] along with empty non-toxic bags for infusion solution, Dextrose and saline infusion giving sets, Artificial parts of the body, Intra-Ocular lenses and Glucose testing equipment.	Health Sector Manufacturing (Industrial Inputs) General Masses	1,726
55	(Section 13) 6th Schedule Table I	46[Goods imported by various agencies of the United Nations, diplomats, diplomatic missions, privileged persons and privileged organizations which are covered under various Acts and, Orders, rules and regulations made thereunder; and agreements by the Federal Government provided that such goods are charged to zero-rate of customs duty under Customs Act, 1969 (IV of 1969)	Manufacturing (Industrial Inputs) UN and Diplomatic Missions	63
56	(Section 13) 6th Schedule Table I	47 Import of articles of household and personal effects including vehicles and also the goods for donation to projects established	Manufacturing (Industrial Inputs) General Masses	230
57	(Section 13) 6th Schedule Table I	48 Goods imported or supplied under grants-in-aid for which a specific consent has been obtained from the 1 [Board]; supplies and imports under agreements signed by the Government of Pakistan before the 30th June, 1996, provided the agreements contained the provision for exemption of tax at the time of signing of agreement	Manufacturing (Industrial Inputs) General Masses	612
58	(Section 13) 6th Schedule Table I	49 Import of all goods received, in the event of a natural disaster o	General Masses	5

59	(Section 13) 6th Schedule Table I	50 Articles imported through post as unsolicited gifts, subject to the same conditions as are envisaged for the purposes of applying zero-rate of customs duty under the Customs Act, 1969. (IV of 1969)	General Masses	4
60	(Section 13) 6th Schedule Table I	51 Imported samples, subject to the same conditions as are envisaged for the purposes of applying zero-rate of customs duty under the Customs Act, 1969. (IV of 1969).	General Masses	66
61	(Section 13) 6th Schedule Table I	52 Goods imported by or donated to hospitals run by the Federal Government or a Provincial Government; and non-profit	Health Sector General Masses	2,163
62	(Section 13) 6th Schedule Table I	53 Import of all such gifts as are received, and such equipment for fighting tuberculosis, leprosy, AIDS and cancer and such equipment and apparatus for the rehabilitation of the deaf, the blind, crippled or mentally retarded as are purchased or otherwise secured by a charitable non-profit making institution solely for the purpose of advancing declared objectives of such institution	Health Sector General Masses	6
63	(Section 13) 6th Schedule Table I	54 Educational, scientific and cultural material imported from a country signatory to UNESCO Agreement or a country signatory to bilateral commodity exchange agreement with Pakistan, subject to the same conditions as are envisaged for the purposes of exemption under the Customs Act, 1969 (IV of 1969).	Educational Sector General Masses	2
64	(Section 13) 6th Schedule Table I	55 Import of replacement goods supplied free of cost in lieu of defective goods imported, subject to similar conditions as are envisaged for the purposes of applying zero-rate of customs duty under the Customs Act, 1969.	Manufacturing (Industrial Inputs) General Masses	1
65	(Section 13) 6th Schedule Table I	57 Goods (including dry fruits imported from Afghanistan) temporarily imported into Pakistan, meant for subsequent exportation charged to zero-rate	Importers Manufacturing (Industrial Inputs) General Masses	35
66	(Section 13) 6th Schedule Table I	58 Import of ship stores, subject to the procedures, conditions and restrictions as may be specified by the Collector of Customs in this behalf including those consignments of such stores that have been released without charging sales tax since the 1st July, 1998, but excluding such consignments of ship stores as have been cleared on payment of sales tax	Importers Manufacturing (Industrial Inputs) General Masses	1
67	(Section 13) 6th Schedule Table I	59 Artificial kidneys, eye cornea, hemodialysis machines, hemodialyzers, A.V. fistula needles, hemodialysis fluids and powder, blood tubing tines for dialysis and reverse osmosis plants for dialysis, double lumen catheter for dialysis, catheter for renal failure patient and peritoneal dialysis solution, cochlear implants systems	Health Sector Manufacturing (Industrial Inputs) General Masses	3,275
68	(Section 13) 6th Schedule Table I	Contraceptives and accessories thereof.	Health Sector Manufacturing (Industrial Inputs) General Masses	758

69	(Section 13) 6th Schedule Table I	61 Goods produced or manufactured in and exported from Pakistan which are subsequently imported in Pakistan within one year of their exportation, provided conditions of section 22 of the Customs Act, 1969 (IV of 1969), are complied with.	Exporters Manufacturing (Industrial Inputs) General Masses	110
70	(Section 13) 6th Schedule Table I	63 Personal wearing apparel and bona fide baggage imported by overseas Pakistanis and tourists, if imported under various baggage rules and is exempt from Customs duties	General Masses	14
71	(Section 13) 6th Schedule Table I	71 Goods and services purchased by non-resident entrepreneurs and in trade fairs and exhibitions subject to reciprocity and such conditions and restrictions as may be specified by the Board.	Non-Residents	1
72	(Section 13) 6th Schedule Table I	72 Uncooked poultry Meat whether or not fresh, frozen or otherwise, preserved or packed	Food Products General Masses	1,282
73	(Section 13) 6th Schedule Table I	73 Milk	Food Products Manufacturing (Industrial Inputs) General Masses	17,000
74	(Section 13) 6th Schedule Table I	74 Flavored milk, excluding that sold in retail packing under a brand name	Food Products Manufacturing (Industrial Inputs) General Masses	66
75	(Section 13) 6th Schedule Table I	75 Yogurt, excluding that sold in retail packing under a brand name	Food Products Manufacturing (Industrial Inputs) General Masses	67
76	(Section 13) 6th Schedule Table I	76 Whey, excluding that sold in retail packing under a brand name	Food Products Manufacturing (Industrial Inputs) General Masses	151
77	(Section 13) 6th Schedule Table I	77 Butter, excluding that sold in retail packing under a brand name	Food Products Manufacturing (Industrial Inputs) General Masses	195
78	(Section 13) 6th Schedule Table I	78 Desi ghee, excluding that sold in retail packing under a brand name	Food Products Manufacturing (Industrial Inputs) General Masses	124
79	(Section 13) 6th Schedule Table I	79 Cheese, excluding that sold in retail packing under a brand name	Food Products Manufacturing (Industrial Inputs) General Masses	222
80	(Section 13) 6th Schedule Table I	80 Processed cheese not grated or powdered, excluding that sold in retail packing under a brand name	Food Products Manufacturing (Industrial Inputs) General Masses	547
81	(Section 13) 6th Schedule Table I	81 Cotton seed	Manufacturing (Industrial Inputs) General Masses	7,237
82	(Section 13) 6th Schedule Table I	82 Frozen prepared or preserved sausages and similar products of poultry meat or meat offal 2 [, excluding those sold in retail packing under a brand name or a trademark]	Food Products Manufacturing (Industrial Inputs) General Masses	205
83	(Section 13) 6th Schedule Table I	83 Meat and similar products of prepared frozen or preserved meat or meat offal of all types including poultry, meat and fish 3 [,excluding those sold in retail packing under a brand name or a trademark]	Food Products Manufacturing (Industrial Inputs) General Masses	2,144
84	(Section 13) 6th Schedule Table I	84 preparation suitable for infants	Food Products Manufacturing (Industrial	2,701

Inputs) General Masses

85	(Section 13) 6th Schedule Table I	85 Fat filled milk excluding that sold in retail packing under a brand name or a trademark]	Food Products Manufacturing (Industrial Inputs) General Masses	1,966
86	(Section 13) 6th Schedule Table I	86 Colors in sets (Poster colors)	Manufacturing (Industrial Inputs) General Masses	122
87	(Section 13) 6th Schedule Table I	87 Writing, drawing and making inks	Manufacturing (Industrial Inputs) General Masses	54
88	(Section 13) 6th Schedule Table I	88 Erasers	Manufacturing (Industrial Inputs) General Masses	28
89	(Section 13) 6th Schedule Table I	89 Exercise books	Manufacturing (Industrial Inputs) General Masses	60
90	(Section 13) 6th Schedule Table I	90 Pencil sharpeners	Manufacturing (Industrial Inputs) General Masses	27
91	(Section 13) 6th Schedule Table I	91 Energy saver lamps	Manufacturing (Industrial Inputs) General Masses	99
92	(Section 13) 6th Schedule Table I	92 Sewing machines of the household type	Manufacturing (Industrial Inputs) General Masses	25
93	(Section 13) 6th Schedule Table I	93 Bicycles	Manufacturing (Industrial Inputs) General Masses	180
94	(Section 13) 6th Schedule Table I	94 Wheelchairs	Manufacturing (Industrial Inputs) General Masses	49
95	(Section 13) 6th Schedule Table I	96 Other drawing, marking out or mathematical calculating instruments (geometry box)	Manufacturing (Industrial Inputs) General Masses	4
96	(Section 13) 6th Schedule Table I	97 Pens, ball pens, markers and porous tipped pens	Manufacturing (Industrial Inputs) General Masses	149
97	(Section 13) 6th Schedule Table I	98 Pencils including color pencils	Manufacturing (Industrial Inputs) General Masses	322
98	(Section 13) 6th Schedule Table I	99 Compost (non-commercial fertilizer) produced and supplied locally	Manufacturing (Industrial Inputs) General Masses	149
99	(Section 13) 6th Schedule Table I	100 Construction materials to 6 [Gwadar] Export processing Zone's investors and to Export Processing Zone 3	Manufacturing (Industrial Inputs) General Masses	16
100	(Section 13) 6th Schedule Table I	101 Raw and pickled hides and skins, wet blue hides and skins, finished leather, and	Manufacturing (Industrial Inputs) General Masses	5
101	(Section 13) 6th Schedule Table I	102 Machinery, equipment and materials imported either for exclusive use within the limits of Export Processing Zone or for making exports therefrom, and goods imported for warehousing purpose in Export Processing Zone, subject to the conditions that such machinery, equipment, materials and goods are imported by investors of Export Processing Zones, and all the procedures, limitations and restrictions as are applicable on such goods under the Customs Act, 1969 (IV of 1969) and rules made thereunder shall mutatis mutandis, apply.	Manufacturing (Industrial Inputs) General Masses	27
102	(Section 13) 6th Schedule Table I	103 Import and supply thereof, up to the year, of ships	Manufacturing (Industrial Inputs) General Masses	104
103	(Section 13) 6th Schedule Table I	104 Substances registered as drugs under the Drugs Act, 1976 (XXXI of 1976) and	Manufacturing (Industrial Inputs) General Masses	91,892

		medicaments as are classifiable under chapter 30 of the First Schedule to the Customs Act, 1969 (IV of 1969) except the following, even if medicated or medicinal in nature, n		
104	(Section 13) 6th Schedule Table I	105 Raw materials for the basic manufacture of pharmaceutical active ingredients and for manufacture of pharmaceutical products, provided that in case of import, only such raw materials shall be entitled to exemption which are liable to customs duty not exceeding 1 [eleven] per cent ad valorem, either under the First Schedule 2 [or Fifth Schedule] to the Customs Act, 1969 (IV of 1969) or under a notification issued under section 19 thereof.	Health Sector Manufacturing (Industrial Inputs) General Masses	11,076
105	(Section 13) 6th Schedule Table I	106 Import of Halal edible offal of bovine animals	General Masses	90
106	(Section 13) 6th Schedule Table I	107 Import and supply of iodized salt bearing brand names and trademarks whether or not sold in retail packing.	General Masses	268
107	(Section 13) 6th Schedule Table I	108 Components or sub-components of energy saver lamps, namely:- (a) Electronic Circuit (b) Plastic Caps (upper and lower) (c) Base Caps B22 and E27 (d) Tungsten Filaments (e) Lead-in-wire (f) Fluorescent powder (Tri Band Phosphor) (g) Adhesive Additive (h) Al-oxide Suspension (i) Capping Cement (j) Stamp Pad	Manufacturing (Industrial Inputs) General Masses	7
108	(Section 13) 6th Schedule Table I	110 The following items with dedicated use of renewable source of energy like solar and wind, subject to certification by the Alternative Energy Development Board (AEDB), Islamabad 1 [for the period ending on the 30th June, 2023];- (a) Solar PV panels; (b) LVD induction lamps; (c) SMD, LEDs, with or without ballast, with fittings and fixtures; (d) Wind turbines including alternators and mast; (e) Solar Tor	Manufacturing (Industrial Inputs) General Masses Alternative Energy Development	1,762
109	(Section 13) 6th Schedule Table I	112 Following cardiology/cardiac surgery, neurovascular, electrophysiology, endo-surgery,	Health Sector Manufacturing (Industrial Inputs) General Masses	1,620
110	(Section 13) 6th Schedule Table I	113 High Efficiency Irrigation Equipment (If used for agriculture sector) (1) Submersible pumps (up to 75 lbs and head 150 meters) (2) Sprinklers including high and low pressure (center pivotal) system, conventional sprinkler equipment, water reel travelling sprinkler, drip or trickle irrigation equipment, mint irrigation sprinkler system (3) Air release valves, pressures gauges, water meters, back flow preventers, and automatic controllers	Agriculture Sector Manufacturing (Industrial Inputs) General Masses	209
111	(Section 13) 6th Schedule Table I	114 Green House Framing and Other Green House Equipment (If used for Agriculture Sector) (1) Tunnel farming	Manufacturing (Industrial Inputs) General Masses	296
112	(Section 13) 6th Schedule Table I	115 Plant, machinery and equipment imported for setting up fruit processing and preservation units in Gilgit-Baltistan, Balochistan Province	Manufacturers of backward areas (Industrial Inputs)	2

		and Malakand Division up to the 30th June, 2019 subject to the same conditions and procedure as are applicable for import of such plant, machinery and equipment under the Customs Act, 1969 (IV of 1969)	General Masses	
113	(Section 13) 6th Schedule Table I	116 Plant, machinery and equipment imported for setting up industries in FATA up to 30th June 2019 subject to the same conditions and procedure as are applicable for import of such plant, machinery and equipment under the Customs Act, 1969 (IV of 1969)	Manufacturer in FATA Manufacturing (Industrial Inputs) General Masses	1
114	(Section 13) 6th Schedule Table I	117 Appliances and items required for ostomy procedures as specified in the Chapter 99 of the First Schedule to the Customs Act, 1969, subject to same conditions as specified therein]	Manufacturing (Industrial Inputs) General Masses	2
115	(Section 13) 6th Schedule Table I	120 Diagnostic kits or equipment, namely:- HIV Kits 4C Es Trionyx 5C Cell control normal Bovine precision multi sera Pregnancy test DNA SSP DRB Generic IC Reticulocyte count (control) retic C Control Kit for vitamin B12 estimation Ferritin kit HEV (Hepatitis E virus) ID-DA Cell Urine Analysis Strips Albumin beg Cratinin	Health Sector Manufacturing (Industrial Inputs) General Masses	4,165
116	(Section 13) 6th Schedule Table I	121 Blood Bag CPDA-1 with blood transfusion set pack in aluminum foil with set	Manufacturing (Industrial Inputs) General Masses	253
117	(Section 13) 6th Schedule Table I	122 Urine drainage bags	Manufacturing (Industrial Inputs) General Masses	24
118	(Section 13) 6th Schedule Table I	123 Aircraft, whether imported or acquired on wet or dry lease 1 [:] Provided that in case of import or acquisition on wet or dry lease by Pakistan International Airlines Corporation, this exemption shall be available with effect from 19th March, 2015.	Health Sector Manufacturing (Industrial Inputs)	2
119	(Section 13) 6th Schedule Table I	125 Spare parts for use in aircrafts, trainer aircrafts or simulators	Manufacturing (Industrial Inputs)	5
120	(Section 13) 6th Schedule Table I	126 Machinery, equipment and tools for setting up maintenance, repair and overhaul (MRO) workshop by MRO company recognized by Aviation Division	Manufacturing (Industrial Inputs)	2
121	(Section 13) 6th Schedule Table I	127 Operational tools, machinery, equipment and furniture and fixtures on one-time basis for setting up Greenfield airports by a company authorized by Aviation Division.	Manufacturing (Industrial Inputs) General Masses	26
122	(Section 13) 6th Schedule Table I	128 Aviation simulators imported by airline company recognized by Aviation Division	Manufacturing (Industrial Inputs)	76
123	(Section 13) 6th Schedule Table I	129 Import of plant, machinery and	Manufacturing (Industrial Inputs) General Masses	28
124	(Section 13) 6th Schedule Table I	130 Sodium Iron (Na Fe EDTA), and other premixes of vitamins, minerals and micro-nutrients (food grade) and subject to conditions imposed for importation under the Customs Act, 1969]	Manufacturing (Industrial Inputs) General Masses	95

125	(Section 13) 6th Schedule Table I	131 Laptop computers, notebooks whether or not incorporating multimedia kit	Industrial Inputs) General Masses	2,154
126	(Section 13) 6th Schedule Table I	132 Personal computers	General Masses	1,116
127	(Section 13) 6th Schedule Table I	133 Pesticides and their active ingredients registered by the Department of Plant Protection under the Agricultural Pesticides Ordinance, 1971(II of 1971), stabilizers, emulsifiers and solvents	Agriculture Sector Manufacturing (Industrial Inputs) General Masses	18,108
128	(Section 13) 6th Schedule Table I	135 Sunflower and canola hybrid	Manufacturing (Industrial Inputs) General Masses	11
129	(Section 13) 6th Schedule Table I	136 Combined harvesters up to five years old	Manufacturing (Industrial Inputs) General Masses	15
130	(Section 13) 6th Schedule Table I	138 Fish Feed	Manufacturing (Industrial Inputs) General Masses	47
131	(Section 13) 6th Schedule Table I	139 Fans for dairy farms	Manufacturing (Industrial Inputs) General Masses	1
132	(Section 13) 6th Schedule Table I	140 Bovine semen	Manufacturing (Industrial Inputs) General Masses	51
133	(Section 13) 6th Schedule Table I	141 Preparations for making animal feed	Manufacturing (Industrial Inputs) General Masses	1,232
134	(Section 13) 6th Schedule Table I	142 Promotional and advertising material including technical literature, pamphlets, brochures and other giveaways of no commercial value, distributed free of cost by the exhibitors	Manufacturing (Industrial Inputs) General Masses	3
135	(Section 13) 6th Schedule Table I	146 Equipment imported by M/s China Railway Corporation to furnished and installed in Orange Line Metro Lahore	Mass transit Schemes	1
136	(Section 13) 6th Schedule Table I	Goods supplied to German Development Agency (Deutsche Gesellschaft für Internationale Zusammenarbeit) GIZ	General Masses	10
137	(Section 13) 6th Schedule Table I	148 Imported construction materials and goods imported by M/s China State Construction Engineering Corporation Limited (M/s CSCECL), whether or not locally manufactured, for construction of Karachi- Peshawar Motorway (Sukkur-Multan Section) subject to fulfilment of same conditions, limitations and restrictions as are specified under S. No. 145 of this table, provided that total incidence of exemptions of all duties and taxes in respect of construction materials and goods imported for the project shall not exceed ten thousand eight hundred ninety-eight million rupees including the benefit of exemption from duties and taxes availed before 30th June, 2018 under the provisions of the Sales Tax Act, 1990, the Customs Act, 1969, the Federal Excise Act, 2005 and the Inco	Roads and Highways	6
138	(Section 13) 6th Schedule Table I	150 Plant and machinery excluding consumer durable goods and office equipment as	Manufacturing (Industrial Inputs) General Masses	128

imported by greenfield industries, intending to manufacture taxable goods, during their construction and installation period subject to conditions noted below and issuance of exemption certificate by the Commissioner Inland Revenue having jurisdiction:—

Conditions: (a) the importer is registered under the Act on or after the first day of July, 2019; and (b) the industry is not established by splitting up or reconstruction or reconstitution of an undertaking already in existence or by transfer of machinery or plant from another industrial undertaking in Pakistan

139	(Section 13) 6th Schedule Table I	152 Supplies of electricity, as made from the day of assent to the Constitution (Twenty-fifth Amendment) Act, 2018, till 30th June, 2023, to all residential and commercial consumers in tribal areas, and to such industries in the tribal areas which were set and started their industrial production before 31st May, 2018, but excluding steel and ghee or cooking oil industries	General Masses / FATA	4,238
140	(Section 13) 6th Schedule Table I	153 Steel billets, ingots, ship plates, bars and other long re-rolled profiles, on such imports and supplies by the manufacturer on which federal excise duty is payable in sales tax mode	Steel Sector Manufacturing (Industrial Inputs) General Masses	29
141	(Section 13) 6th Schedule Table I	100A Materials and equipment 2 [(plant, machinery, equipment, appliances and accessories)] for construction and operation of 3 [Gwadar] Port and development of Free Zone for 3 [Gwadar] Port as imported by or supplied to China Overseas Ports Holding Company Limited (COPHCL) and its operating companies namely (i) China Overseas Ports Holding Company Pakistan (Private) Limited (ii) Gwadar International Terminal Limited, (iii) Gwadar Marine Services Limited and (iv) Gwadar Free Zone Company Limited, their contractors and sub-contractors; and Ship Bunker Oils bought and sold to the ships calling on/visiting 3 [Gwadar] Port, 3 [by the aforesaid operating companies] having Concession Agreement with the Gwadar Port Authority, for a period of forty year, subject to the following conditions and procedure,	Exporters	19
142	(Section 13) 6th Schedule Table I	100A((i)) This exemption shall be admissible only to China Overseas Ports Holding Company Limited (COPHCL) and its operating companies, their contractors and subcontractors which hold the Concession Agreement;	Construction / Highways	5
143	(Section 13) 6th Schedule Table I	100A((ii)) Ministry of Ports and Shipping shall certify in the prescribed manner and format as per Annex-I that the imported	Manufacturing (Industrial Inputs) Ports and Shipping	11

materials and equipment are bonafide requirement for construction and operation of 1 [Gwadar] Port and development of Free Zone for 1 [Gwadar] Port. The authorized officer of that Ministry shall furnish all relevant information online to Pakistan Customs against a specific user ID and password obtained under section 155D of the Customs Act, 1969 (IV of 1969). In already computerized Collectorate or Customs station, where the computerized system is not operational, the Project Director or any other person authorized by the Collector in this behalf shall enter the requisite information in the Customs Computerized System on daily basis, whereas entry of the data obtained from the customs stations which have not yet been computerized shall be made on weekly basis, provided that this condition shall not apply to ship bunker oils; and

144	(Section 13) 6th Schedule Table I	104(a) filled infusion solution bags imported with or without infusion given sets;	Health Sector Manufacturing (Industrial Inputs) General Masses	318
145	(Section 13) 6th Schedule Table I	108(a) Electronic Circuit	Manufacturing (Industrial Inputs) General Masses	1
146	(Section 13) 6th Schedule Table I	108(b) Plastic Caps (upper and lower)	Manufacturing (Industrial Inputs) General Masses	3
147	(Section 13) 6th Schedule Table I	108(i) Capping Cement	Manufacturing (Industrial Inputs) General Masses	1
148	(Section 13) 6th Schedule Table I	110(a) Solar PV panels;	Manufacturing (Industrial Inputs) General Masses	379
149	(Section 13) 6th Schedule Table I	110© SMD, LEDs, with or without ballast, with fittings and fixtures;	Manufacturing (Industrial Inputs) General Masses	3
150	(Section 13) 6th Schedule Table I	110(g) PV modules along with related components, including invertors, charge controllers and batteries.	Manufacturing (Industrial Inputs) General Masses	284
151	(Section 13) 6th Schedule Table I	110(j) Invertors (off-grid/on grid/ hybrid) with provision for direct connection/input from renewable energy source and with Maximum Power Point Tracking (MPPT).	Manufacturing (Industrial Inputs) General Masses	4
152	(Section 13) 6th Schedule Table I	112A(vi) Inflation Devices/Priority Packs	Manufacturing (Industrial Inputs) General Masses	1
153	(Section 13) 6th Schedule Table I	112A(xxv) Intracardiac Echocardiography Machine & Catheters]	Health Sector Manufacturing (Industrial Inputs) General Masses	2
154	(Section 13) 6th Schedule Table I	112J(ii) Cannulas	Health Sector Manufacturing (Industrial Inputs) General Masses	1
155	(Section 13) 6th Schedule Table I	112K(i) Cardiac Angiography Machine	Health Sector Manufacturing (Industrial Inputs) General Masses	16
156	(Section 13) 6th Schedule Table I	112K(ii) Echocardiography Machines	Health Sector Manufacturing (Industrial Inputs) General Masses	1

157	(Section 13) 6th Schedule Table I	113(i) Submersible pumps (up to 75 lbs and head 150 meters)	Manufacturing (Industrial Inputs) General Masses	14
158	(Section 13) 6th Schedule Table I	114(i) Tunnel farming equipment 1 [consisting of plastic covering and mulch film, anti-insect net and shade net]	Manufacturing (Industrial Inputs) General Masses	46
159	(Section 13) 6th Schedule Table I	114(ii) Greenhouses (prefabricated)	Manufacturing (Industrial Inputs) General Masses	6
160	(Section 13) 6th Schedule Table III	14(1) Off-grid/On-grid solar power system (with or without provision for USB/charging port) comprising of :	Manufacturing (Industrial Inputs) General Masses	44
161	(Section 13) 6th Schedule Table III	14(1)(i) PV Module.	Manufacturing (Industrial Inputs) General Masses	114
162	(Section 13) 6th Schedule Table III	14(1)(iii) Batteries for specific utilization with the system (not exceeding 50 Ah in case of portable system).	Manufacturing (Industrial Inputs) General Masses	2
163	(Section 13) 6th Schedule Table I	14(1)(v) Inverters (off-grid/ on-grid/ hybrid with provision for direct connection/ input renewable energy source and with Maximum Power Point Tracking (MPPT)	Manufacturing (Industrial Inputs) General Masses	5
164	(Section 13) 6th Schedule Table I	143(i) Hearing aids (all types and kinds)	Manufacturing (Industrial Inputs) General Masses / Differently-abled persons	2
165	(Section 13) 6th Schedule Table I	143(i)(a) Audiometers	Manufacturing (Industrial Inputs) General Masses	1
166	(Section 13) 6th Schedule Table III	14A systems and items for dedicated use with renewable source of energy like solar, wind, geothermal 1 [as imported on or before the 30th June, 2023.]	Manufacturing (Industrial Inputs) General Masses	233
167	(Section 13) 6th Schedule Table III	14A(10) Solar chargers for charging electronic devices	Manufacturing (Industrial Inputs) General Masses	1
168	(Section 13) 6th Schedule Table III	14A(4a) Solar Desalination System	Manufacturing (Industrial Inputs) General Masses	1
169	(Section 13) 6th Schedule Table III	14A(4b)(i) Solar photo voltaic panels.	Manufacturing (Industrial Inputs) General Masses	1
170	(Section 13) 6th Schedule Table III	14A(4b)(iv) Charge controllers.	Manufacturing (Industrial Inputs) General Masses	8
171	(Section 13) 6th Schedule Table III	14A(4b)(v) Inverters (off grid/on grid/ hybrid) with provision for direct connection/input from renewable energy source and with Maximum Power Point Tracking (MPPT)	Manufacturing (Industrial Inputs) General Masses	1
172	(Section 13) 6th Schedule Table III	14A(7a) PV Modules.	Manufacturing (Industrial Inputs) General Masses	85
173	(Section 13) 6th Schedule Table I	14A(7b) Parts for PV Modules	Manufacturing (Industrial Inputs) General Masses	8
174	(Section 13) 6th Schedule Table III	14A(7b)(i) Solar cells.	Manufacturing (Industrial Inputs) General Masses	10
175	(Section 13) 6th Schedule Table III	14A(8) Solar Cell Manufacturing Equipment.	Manufacturing (Industrial Inputs) General Masses	2
176	(Section 13) 6th Schedule Table II	15(a) Sprinkler Equipment	Manufacturing (Industrial Inputs) General Masses / Agriculture Sector	4

177	(Section 13) 6th Schedule Table II	15(b) Drip Equipment	Manufacturing (Industrial Inputs) General Masses	13
178	(Section 13) 6th Schedule Table III	15(i) SMD/LED/LVD lights with or without ballast, fittings and fixtures.	Manufacturing (Industrial Inputs) General Masses	84
179	(Section 13) 6th Schedule Table III	15(ii) SMD/LED/LVD lights, with or without ballast, PV module, fitting and fixtures	Manufacturing (Industrial Inputs) General Masses	6
180	(Section 13) 6th Schedule Table III	15(iii) Tubular Day lighting Device.	Manufacturing (Industrial Inputs) General Masses	7
181	(Section 13) 6th Schedule Table III	15(ix) PV module, with or without, the related components including invertors (off-grid/on grid/ hybrid) with provision for direct connection/input from renewable energy source and with Maximum Power Point Tracking (MPPT), charge controllers and solar batteries	Manufacturing (Industrial Inputs) General Masses	234
182	(Section 13) 6th Schedule Table III	15(v) Solar torches.	Manufacturing (Industrial Inputs) General Masses	3
183	(Section 13) 6th Schedule Table I	15(viii) LED Bulb/Tube lights.	Manufacturing (Industrial Inputs) General Masses	68
184	(Section 13) 6th Schedule Table I	15(x) Light emitting diodes (light emitting in different colors).	Manufacturing (Industrial Inputs) General Masses	6
185	(Section 13) 6th Schedule Table I	15(xi) Water pumps operating on solar energy along with solar pump controllers	Manufacturing (Industrial Inputs) General Masses	19
186	(Section 13) 6th Schedule Table III	15(xv) Invertors (off-grid/on grid/hybrid) with provision for direct connection/input from renewable energy source and with Maximum Power Point Tracking (MPPT).	Manufacturing (Industrial Inputs) General Masses	8
187	(Section 13) 6th Schedule Table I	150(a) the importer is registered under the Act on or after the first day of July, 2019;	Importers Manufacturing (Industrial Inputs) General Masses	28
188	(Section 13) 6th Schedule Table I	151(a) Supplies; and	Manufacturing (Industrial Inputs) General Masses	1,233
189	(Section 13) 6th Schedule Table I	151(b) imports of plant, machinery, equipment for installation in tribal areas and of industrial inputs by the industries located in the tribal areas, as defined in the Constitution of Islamic Republic of Pakistan, – as made till 30th June, 2023, to which the provisions of the Act or the notifications issued thereunder, would have not applied had Article 247 of the Constitution not been omitted under the Constitution (Twenty-fifth Amendment) Act, 2018 (XXXVII of 2018):	FATA General Masses	34
190	(Section 13) 6th Schedule Table III	15A(i) Housing /shell. Shell cover and base cap for all kinds of LED lights and bulbs	Manufacturing (Industrial Inputs) General Masses	6
191	(Section 13) 6th Schedule Table III	15A(ii) Bare and stuffed Metal Clad Printed Circuit Boards (MCPCB) for LED	Manufacturing (Industrial Inputs) General Masses	5
192	(Section 13) 6th Schedule Table III	15A(iii) Constant Current Power Supply for of LED Lights and Bulbs	Manufacturing (Industrial Inputs) General Masses	10
193	(Section 13) 6th Schedule Table III	18(iii) Microprocessor/ Controllers	Manufacturing (Industrial Inputs) General Masses	3
194	(Section 13) 6th Schedule Table III	18(xii) LCD / LED Screen	Manufacturing (Industrial Inputs) General Masses	1

195	(Section 13) 6th Schedule Table I	29C Glass bangles	Manufacturing (Industrial Inputs) General Masses	1
196	(Section 13) 6th Schedule Table III	2A Medical Equipment.	Manufacturing (Industrial Inputs) General Masses	8
197	(Section 13) 6th Schedule Table III	2A(ii) Medical surgical dental or veterinary furniture	Manufacturing (Industrial Inputs) General Masses	10
198	(Section 13) 6th Schedule Table III	2A(iii) Operating Table.	Manufacturing (Industrial Inputs) General Masses	1
199	(Section 13) 6th Schedule Table III	2A(vii) Cooling Cabinet.	Manufacturing (Industrial Inputs) General Masses	1
200	(Section 13) 6th Schedule Table III	2A(viii) Refrigerated Liquid Bath.	Manufacturing (Industrial Inputs) General Masses	2
201	(Section 13) 6th Schedule Table III	2B Cardiology / Cardiac Surgery Equipment	Health Sector Manufacturing (Industrial Inputs) General Masses	20
202	(Section 13) 6th Schedule Table III	2B(iii) Intravenous cannula i.v. catheter.	Health Sector Manufacturing (Industrial Inputs) General Masses	12
203	(Section 13) 6th Schedule Table III	2C Disposable Medical Devices	Health Sector Manufacturing (Industrial Inputs) General Masses	14
204	(Section 13) 6th Schedule Table III	2D(ii) Fixtures & fittings for hospitals	Manufacturing (Industrial Inputs) General Masses	2
205	(Section 13) 6th Schedule Table III	3(i) Machinery, equipment, materials, capital goods, specialized vehicles (4x4 non-luxury) i.e. single or double cabin pickups, accessories, spares, chemicals and consumables meant for mine construction phase or extraction phase.	Manufacturing (Industrial Inputs) General Masses	7
206	(Section 13) 6th Schedule Table III	3(ii) Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for mine construction or extraction phase	Manufacturing (Industrial Inputs) General Masses	28
207	(Section 13) 6th Schedule Table I	52A Goods 2 [excluding electricity and natural gas] supplied to hospitals run by the Federal or Provincial Governments or charitable operating hospitals of fifty beds or more or the teaching hospitals of statutory universities of two hundred or more beds.	Manufacturing (Industrial Inputs) General Masses	4,311
208	(Section 13) 6th Schedule Table III	7(i) Machinery, equipment and spares meant for initial installation, balancing, modernization, replacement or expansion of projects for power generation through nuclear and renewable energy sources like solar, wind, micro-hydel bio-energy, ocean, and waste-to- energy and hydrogen cell. 1 [This exemption in relation to renewable energy shall remain in force up to the 30th June, 2023.]	Manufacturing (Industrial Inputs) General Masses	134
209	(Section 13) 6th Schedule Table I	7(ii) Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the construction of project.	Construction Sector Manufacturing (Industrial Inputs) General Masses	2

210	(Section 13) 6th Schedule Table I	73A Milk and cream, concentrated or containing added sugar or other sweetening matter, excluding that sold in retail packing under a brand name	Food Products General Masses	1,404
211	(Section 13) 6th Schedule Table III	8(i) Machinery and equipment meant for power transmission and grid stations including under construction projects.	Manufacturing (Industrial Inputs) General Masses	35
212	(Section 13) 6th Schedule Table III	8(i)(b) apparatus, appliances, metering and testing apparatus, mechanical and electrical control, transmission gear and transmission tower, power transmission and distribution cables and conductors, insulators, damper spacer and hardware and parts thereof adapted to be used in conjunction with the machinery and equipment as specified in clause (a) above; and	Manufacturing (Industrial Inputs) General Masses	11
213	(Section 13) 6th Schedule Table III	9(xxii) Parts and accessories of automatic regulating or controlling instruments and apparatus	Manufacturing (Industrial Inputs) General Masses	26
Sub Total				283,880
Less 45% adjustment on account of value addition to taxable activities				127,746
Total				156,134

Exemption Under 8th Scheduled at Reduced Rates

Reduced Rate of 1%

Sr	Legal Reference	Description Exemption or Concession	Intended Beneficiary	Estimate Rs. Million	Rates
1	Clause (aa) of sub-Section 2 of Section 3	62 Gold, in unworked condition	Manufacturing (Industrial Inputs) General Masses	7	1
2	Clause (aa) of sub-Section 2 of Section 3	63 Articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal.	Manufacturing (Industrial Inputs) General Masses	324	1
Sub Total				330	

Reduced Rate of 2%

Sr	Legal Reference	Description Exemption or Concession	Intended Beneficiary	Estimate Rs. Million	Rates
3	Clause (aa) of sub-Section 2 of Section 3	52 Fertilizers (all types)	Manufacturing (Industrial Inputs) General Masses	73,968	2
4	Clause (aa) of sub-Section 2 of Section 3	52 Fertilizers (All types)		16,320	2
Sub Total				90,288	

Reduced Rate of 5%					
Sr	Legal Reference	Description Exemption or Concession	Intended Beneficiary	Estimate Rs.Million	Rates
5	Clause (aa) of sub-Section 2 of Section 3	29(xvii) Harvesting threshing and storage equipment: Combined harvesters	Agriculture Sector	281	5
6	Clause (aa) of sub-Section 2 of Section 3	23 second hand and worn clothing or footwear	General Masses	4,072	5
7	Clause (aa) of sub-Section 2 of Section 3	17 Re-importation of foreign origin goods which were temporarily exported out of Pakistan subject to similar conditions as are envisaged for the purposes of customs duty under the Customs Act,1969, and taxable value shall be the value determined under PCT h	Exporters	156	5
8	Clause (aa) of sub-Section 2 of Section 3	26(xii)Ditcher	Manufacturing (Industrial Inputs) General Masses	1	5
9	Clause (aa) of sub-Section 2 of Section 3	28(iv)Boom or field sprayers	Manufacturing (Industrial Inputs) General Masses	2	5
10	Clause (aa) of sub-Section 2 of Section 3	26(xix)Land leveler	Manufacturing (Industrial Inputs) General Masses	39	5
11	Clause (aa) of sub-Section 2 of Section 3	26(vii)Border disc	Manufacturing (Industrial Inputs) General Masses	7	5
12	Clause (aa) of sub-Section 2 of Section 3	27(ii) Seeding or planting equipment: Cotton or maize planter with fertilizer attachment	Agriculture Sector	1	5
13	Clause (aa) of sub-Section 2 of Section 3	27(vii) Seeding or planting equipment: Sugarcane planter	Agriculture Sector	1	5
14	Clause (aa) of sub-Section 2 of Section 3	29(iii)Maize or ground nut thresher or Sheller	Manufacturing (Industrial Inputs) General Masses	3	5
15	Clause (aa) of sub-Section 2 of Section 3	28(v)Self-propelled sprayers	Manufacturing (Industrial Inputs) General Masses	3	5
16	Clause (aa) of sub-Section 2 of Section 3	26(xx) Laser land leveler comprising of laser transmitter, laser receiver, control box, rigid mast pack, with or without scrapper under respective heading	General Masses	14	5
17	Clause (aa) of sub-Section 2 of Section 3	30(ii) Postharvest handling and processing & miscellaneous machinery: Fodder and feed cube maker equipment	General Masses	6	5
18	Clause (aa) of sub-Section 2 of Section 3	29(x) Harvesting threshing and storage equipment: Wheat or rice	Agriculture Sector	33	5

Section 3		reaper			
19	Clause (aa) of sub-Section 2 of Section 3	8 (Chapter 84 and 85) If imported by registered manufacturer who is member of Pakistan Dairy Association 1. Milk chillers. 2. Tubular heat exchanger (for pasteurization). 3. Milk processing plant, milk spray drying plant, Milk UHT plant. 4. Milk filters 5.	Food Products General Masses	9	5
20	Clause (aa) of sub-Section 2 of Section 3	27(vi) Seeding or planting equipment: Canola or sunflower drill	Agriculture Sector	8	5
21	Clause (aa) of sub-Section 2 of Section 3	67LNG imported for servicing CNG sector and local supplies thereof	Manufacturing (Industrial Inputs) General Masses	2,092	5
23	Clause (aa) of sub-Section 2 of Section 3	29(vii)Sunflower thresher	Manufacturing (Industrial Inputs) General Masses	3	5
24	Clause (aa) of sub-Section 2 of Section 3	26(xvii)K.R.Karundi	Manufacturing (Industrial Inputs) General Masses	3	5
25	Clause (aa) of sub-Section 2 of Section 3	30(ii)Fodder and feed cube maker equipment	Manufacturing (Industrial Inputs) General Masses	2	5
26	Clause (aa) of sub-Section 2 of Section 3	29(xiii)Post hole digger	Manufacturing (Industrial Inputs) General Masses	1	5
27	Clause (aa) of sub-Section 2 of Section 3	29(v)Groundnut digger	Manufacturing (Industrial Inputs) General Masses	1	5
22	Clause (aa) of sub-Section 2 of Section 3	29(v) Harvesting threshing and storage equipment: Potato digger or harvester	Agriculture Sector	1	5
28	Clause (aa) of sub-Section 2 of Section 3	44 Sales tax @ 5% of Phosphoric Acid	Manufacturing (Industrial Inputs) General Masses	5,465	5
29	Clause (aa) of sub-Section 2 of Section 3	9Capital goods otherwise not exempted, for Transmission Line Projects.	Manufacturing (Industrial Inputs) General Masses	3,659	5
30	Clause (aa) of sub-Section 2 of Section 3	Natural gas	Manufacturing (Industrial Inputs) General Masses	2,796	5
31	Clause (aa) of sub-Section 2 of Section 3	29(ix) Harvesting threshing and storage equipment: Fodder rake	Agriculture Sector	8	5
32	Clause (aa) of sub-Section 2 of Section 3	4 Oil Seeds meant for sowing subject to conditions against S.No. 4 of Table-I of 8th Schedule to the Sales Tax Act, 1990.	Agriculture Sector	14	5
33	Clause (aa) of sub-Section 2 of Section 3	25 Agricultural tractors	Manufacturing (Industrial Inputs) General Masses	4,285	5

34	Clause (aa) of sub-Section 2 of Section 3	30(i) Postharvest handling and processing & miscellaneous machinery: Vegetables and fruits cleaning and sorting or grading equipment	Agriculture Sector	17	5
35	Clause (aa) of sub-Section 2 of Section 3	28(i) Irrigation drainage and agrochemical application equipment: Tube wells filters or strainers	Agriculture Sector	4	5
36	Clause (aa) of sub-Section 2 of Section 3	2 Cool chain machinery and equipment.- subject to conditions. Subject to conditions given in preamble of Table-2 of 8th Schedule to the Sales Tax Act, 1990.	Mining Sector	111	5
37	Clause (aa) of sub-Section 2 of Section 3	27(v) Seeding or planting equipment: Rice transplanting	Agriculture Sector	21	5
38	Clause (aa) of sub-Section 2 of Section 3	25 Agricultural Tractors HS code 8701.9220 & 8701.9320 are added in the system in pursuance of letter C>No. 4/24-STB/2017 dated 21.07.2017	Agriculture Sector	412	5
39	Clause (aa) of sub-Section 2 of Section 3	30(i)Vegetables and fruits cleaning and sorting or grading equipment	Manufacturing (Industrial Inputs) General Masses	14	5
40	Clause (aa) of sub-Section 2 of Section 3	29(viii) Harvesting threshing and storage equipment: Straw balers	Agriculture Sector	21	5
41	Clause (aa) of sub-Section 2 of Section 3	26(ix) Disc harrow	Agriculture Sector	2	5
42	Clause (aa) of sub-Section 2 of Section 3	26(xiv) Rotary tiller	Agriculture Sector	54	5
43	Clause (aa) of sub-Section 2 of Section 3	28(i)Tube wells filters or strainers	Manufacturing (Industrial Inputs) General Masses	5	5
44	Clause (aa) of sub-Section 2 of Section 3	26(xvi)Soil-scrapper	Manufacturing (Industrial Inputs) General Masses	5	5
45	Clause (aa) of sub-Section 2 of Section 3	29(xi) Harvesting threshing and storage equipment: Chaff or fodder cutter	Agriculture Sector	42	5
46	Clause (aa) of sub-Section 2 of Section 3	4.1 Machinery, equipment, materials, capital goods, specialized vehicles (4x4 non luxury) i.e single or double cabin pickups, accessories, spares, chemicals and consumables meant for mineral exploration phase.- subject to conditions given against S.No. 4 of	General Masses	3	5
47	Clause (aa) of sub-Section 2 of	29(xviii)Tractor mounted trancher	Manufacturing (Industrial Inputs)	26	5

Section 3			General Masses		
48	Clause (aa) of sub-Section 2 of Section 3	29(xvii)Reaping machines	Manufacturing (Industrial Inputs) General Masses	95	5
49	Clause (aa) of sub-Section 2 of Section 3	29(xii)Chaff or fodder cutter	Manufacturing (Industrial Inputs) General Masses	6	5
50	Clause (aa) of sub-Section 2 of Section 3	28(ii) Irrigation drainage and agrochemical application equipment: Knapsack sprayers	Agriculture Sector	108	5
51	Clause (aa) of sub-Section 2 of Section 3	28(vi) Irrigation drainage and agrochemical application equipment: Orchard sprayer	Agriculture Sector	11	5
52	Clause (aa) of sub-Section 2 of Section 3	27(vii)Sugarcane planter	Manufacturing (Industrial Inputs) General Masses	10	5
53	Clause (aa) of sub-Section 2 of Section 3	28(v) Irrigation drainage and agrochemical application equipment: Self-propelled sprayers	Agriculture Sector	2	5
54	Clause (aa) of sub-Section 2 of Section 3	20 Plant. Machinery and equipment used in production of bio-diesel subject to conditions mentioned against S.no. 20 of Table I of 8th Schedule to the Sales Tax Act, 1990	General Masses	174	5
55	Clause (aa) of sub-Section 2 of Section 3	4 Oilseeds meant for sowing.	Manufacturing (Industrial Inputs) General Masses	9	5
56	Clause (aa) of sub-Section 2 of Section 3	2 Cool chain machinery and equipment.	Manufacturing (Industrial Inputs) General Masses	29	5
57	Clause (aa) of sub-Section 2 of Section 3	26(x)Bar harrow	Manufacturing (Industrial Inputs) General Masses	1	5
58	Clause (aa) of sub-Section 2 of Section 3	29(ix)Straw balers	Manufacturing (Industrial Inputs) General Masses	3	5
59	Clause (aa) of sub-Section 2 of Section 3	26 Incinerators of disposal of waste management, motorized sweepers and snow ploughs	Manufacturing (Industrial Inputs) General Masses	4	5
60	Clause (aa) of sub-Section 2 of Section 3	28(iv) Irrigation drainage and agrochemical application equipment: Boom or field sprayers	Agriculture Sector	2	5
61	Clause (aa) of sub-Section 2 of Section 3	29(ii)Wheat thresher	Manufacturing (Industrial Inputs) General Masses	10	5
62	Clause (aa) of sub-Section 2 of Section 3	29(i)Harvesting, threshing and storage equipment	Manufacturing (Industrial Inputs) General Masses	59	5
63	Clause (aa) of sub-Section 2 of Section 3	20 Plant, machinery, 2 [and equipment] used in production of biodiesel	Manufacturing (Industrial Inputs) General Masses	8	5

64	Clause (aa) of sub-Section 2 of Section 3	29(viii) Post hole digger	Manufacturing (Industrial Inputs) General Masses	5	5
65	Clause (aa) of sub-Section 2 of Section 3	26(i) Rotavator	Manufacturing (Industrial Inputs) General Masses	37	5
66	Clause (aa) of sub-Section 2 of Section 3	26(ii) Cultivator	Agriculture Sector	1	5
67	Clause (aa) of sub-Section 2 of Section 3	29(vii) Harvesting threshing and storage equipment: Post hole digger	Agriculture Sector	1	5
68	Clause (aa) of sub-Section 2 of Section 3	27(i) Seed-cum-fertilizer drill (wheat, rice barley, etc)	Manufacturing (Industrial Inputs) General Masses	13	5
69	Clause (aa) of sub-Section 2 of Section 3	27(v) Rice trans planter	Manufacturing (Industrial Inputs) General Masses	8	5
70	Clause (aa) of sub-Section 2 of Section 3	29(xi) Wheat or rice reaper	Manufacturing (Industrial Inputs) General Masses	13	5
71	Clause (aa) of sub-Section 2 of Section 3	23 Secondhand and worn clothing or footwear	Manufacturing (Industrial Inputs) General Masses	2,542	5
72	Clause (aa) of sub-Section 2 of Section 3	53 The following cinematographic equipment imported during the period commencing on the 1st day of July, 2018 and ending on the 30th day of June, 2023. (i) Projector (ii) Parts and accessories for projector (iii) Other instruments and apparatus for cinema (i)	General Masses	2	5
73	Clause (aa) of sub-Section 2 of Section 3	26(xiv) Rotary tiller	Manufacturing (Industrial Inputs) General Masses	29	5
74	Clause (aa) of sub-Section 2 of Section 3	29(xviii) Harvesting threshing and storage equipment: Pruner/shears	Agriculture Sector	1	5
75	Clause (aa) of sub-Section 2 of Section 3	29(xvi) Tractor trolley or forage wagon	Manufacturing (Industrial Inputs) General Masses	4	5
76	Clause (aa) of sub-Section 2 of Section 3	19 Waste paper	Manufacturing (Industrial Inputs) General Masses	192	5
77	Clause (aa) of sub-Section 2 of Section 3	29(x) Fodder rake	Manufacturing (Industrial Inputs) General Masses	16	5
78	Clause (aa) of sub-Section 2 of Section 3	26(xiii) Land leveler or land planer	Manufacturing (Industrial Inputs) General Masses	2	5
79	Clause (aa) of sub-Section 2 of Section 3	28(ii) Knapsack sprayers	Manufacturing (Industrial Inputs) General Masses	7	5

80	Clause (aa) of sub-Section 2 of Section 3	28(vi) Orchard sprayer	Manufacturing (Industrial Inputs) General Masses	1	5
Sub Total				27,108	
Reduced Rate of 7%					
Sr	Legal Reference	Description Exemption or Concession	Intended Beneficiary	Estimate Rs.Million	Rates
81	Clause (aa) of sub-Section 2 of Section 3	29(xvi) Harvesting threshing and storage equipment: Reaping machines	Agriculture Sector	36	7
82	Clause (aa) of sub-Section 2 of Section 3	45(i) Machinery for preparing feeding stuff @ 7%	General Masses	46	7
83	Clause (aa) of sub-Section 2 of Section 3	45(v) Evaporative air cooling system	General Masses	36	7
84	Clause (aa) of sub-Section 2 of Section 3	45(ii) Incubators, brooders and other poultry equipment @ 7%	Poultry Sector	287	7
85	Clause (aa) of sub-Section 2 of Section 3	45(vi) Evaporative cooling pad @ 7%	General Masses	23	7
86	Clause (aa) of sub-Section 2 of Section 3	45(ii) Incubators, brooders and other poultry equipment	Manufacturing (Industrial Inputs) General Masses	13	7
87	Clause (aa) of sub-Section 2 of Section 3	45(iii) Insulated sandwich panels @ 7%	General masses	3	7
88	Clause (aa) of sub-Section 2 of Section 3	45(vi) Evaporative cooling pad	Manufacturing (Industrial Inputs) General Masses	5	7
89	Clause (aa) of sub-Section 2 of Section 3	45(iv) Poultry sheds @ 7%	Poultry Sector	2	7
90	Clause (aa) of sub-Section 2 of Section 3	45(i) Machinery for preparing feeding stuff	Manufacturing (Industrial Inputs) General Masses	28	7
91	Clause (aa) of sub-Section 2 of Section 3	45(iii) Insulated sandwich panels	Manufacturing (Industrial Inputs) General Masses	1	7
92	Clause (aa) of sub-Section 2 of Section 3	45v Evaporative air cooling system	Manufacturing (Industrial Inputs) General Masses	4	7
93	Clause (aa) of sub-Section 2 of Section 3	45(iv) Poultry sheds	Manufacturing (Industrial Inputs) General Masses	11	7
Sub Total				496	

Reduced Rate of 8%					
Sr	Legal Reference	Description Exemption or Concession	Intended Beneficiary	Estimate Rs.Million	Rates
94	Clause (aa) of sub-Section 2 of Section 3	64 Prepared Food, foodstuff and sweetmeats supplied by restaurants, bakeries, caterers and sweetmeat shops	Manufacturing (Industrial Inputs) General Masses / food items	851	8
95	Clause (aa) of sub-Section 2 of Section 3	69 Meat and similar products of prepared frozen or preserved meat or meat offal of all types including poultry, meat and fish	Manufacturing (Industrial Inputs) General Masses / food items	165	8
96	Clause (aa) of sub-Section 2 of Section 3	68 Frozen prepared preserved sausages and similar products of poultry meat or meat offal	Manufacturing (Industrial Inputs) General Masses / food items	380	8
Sub Total				1,396	

Reduced Rate of 10%					
Sr	Legal Reference	Description Exemption or Concession	Intended Beneficiary	Estimate Rs.Million	Rates
98	Clause (aa) of sub-Section 2 of Section 3	5 Raw Cotton and Ginned Cotton	Agriculture	11,730	10
99	Clause (aa) of sub-Section 2 of Section 3	6 Sales Tax @ 10% on The Import Of Plant, Machinery Not Manufactured Locally & Having No Compatible Local Substitutes, Subject To Conditions Given In S.No. 6 Of Table I of 8th Schedule To Sales Tax Act, 1990.	Manufacturing (Industrial Inputs)	9,112	10
100	Clause (aa) of sub-Section 2 of Section 3	6 Machinery, equipment and other capital goods meant for initial installation, balancing, modernization, replacement or expansion of oil refining (mineral oil, hydro- cracking and other value added petroleum products), petrochemical and petrochemical downst	Manufacturing (Industrial Inputs)	1,411	10
101	Clause (aa) of sub-Section 2 of Section 3	15 Ingredients of poultry feed, cattle feed, except soybean meal of PCT heading 2304.0000 and oil-cake of cotton seed falling under PCT heading 2306.1000. Besides, benefit of this S.No. will also be available to following goods:- 2308.9000 (Guar Meal), 2303	Agriculture	1,357	10
102	Clause (aa) of sub-Section 2 of Section 3	7 Flavored milk	Manufacturing (Industrial Inputs) General Masses	607	10
103	Clause (aa) of sub-Section 2 of	11 Cream	Manufacturing (Industrial Inputs)	525	10

	Section 3		General Masses		
104	Clause (aa) of sub-Section 2 of Section 3	10 Butter, sold in retail packing under a brand name	food items	10	10
97	Clause (aa) of sub-Section 2 of Section 3	22 Soya bean seed on import by solvent extraction industries, subject to the condition that no refund of input tax shall be admissible	Manufacturing (Industrial Inputs) General Masses	14,664	10
105	Clause (aa) of sub-Section 2 of Section 3	57 Rock Phosphate	Manufacturing (Industrial Inputs)	520	10
106	Clause (aa) of sub-Section 2 of Section 3	5 Complete plants for relocated industries.- subject to condition. Subject to conditions given in preamble of Table-2 of 8th Schedule to the Sales Tax Act, 1990.	Manufacturing (Industrial Inputs)	97	10
107	Clause (aa) of sub-Section 2 of Section 3	1 Machinery and equipment for development of grain handling and storage facilities including silos - subject to conditions. Subject to conditions given in preamble of Table-2 of 8th Schedule to the Sales Tax Act, 1990.	Manufacturing (Industrial Inputs)	989	10
108	Clause (aa) of sub-Section 2 of Section 3	65 Ginned cotton	Textile	88	10
109	Clause (aa) of sub-Section 2 of Section 3	5 Complete plants for relocated industries.	Manufacturing (Industrial Inputs)	264	10
110	Clause (aa) of sub-Section 2 of Section 3	65 Supplies as made from retail outlets as are integrated with Board's computerized system for real-time reporting of sales	Manufacturing (Industrial Inputs) General Masses	8,224	10
111	Clause (aa) of sub-Section 2 of Section 3	60 Fat filled milk If sold in retail packing under a brand name or trademark	Agriculture, Livestock	52	10
112	Clause (aa) of sub-Section 2 of Section 3	1 Machinery and equipment for development of grain handling and storage facilities 1 [including silos].	Manufacturing (Industrial Inputs) General Masses	228	10
113	Clause (aa) of sub-Section 2 of Section 3	9 Cheese, sold in retail packing under a brand name	Agriculture, Livestock	9	10
114	Clause (aa) of sub-Section 2 of Section 3	58 Reduced rate of 10% on import of LPG	Energy Sector	3,520	10
115	Clause (aa) of sub-Section 2 of Section 3	46 Multimedia Projectors @ 10%	Media Productions	5	10
116	Clause (aa) of sub-Section 2 of Section 3	8 Yogurt	Manufacturing (Industrial Inputs) General Masses	514	10

117	Clause (aa) of sub-Section 2 of Section 3	1 Soybean meal	Manufacturing (Industrial Inputs) General Masses	6,597	10
118	Clause (aa) of sub-Section 2 of Section 3	LPG	Manufacturing (Industrial Inputs) General Masses	1,886	10
119	Clause (aa) of sub-Section 2 of Section 3	6 Plant and machinery not manufactured locally and having no compatible local substitutes	Manufacturing (Industrial Inputs) General Masses	443	10
120	Clause (aa) of sub-Section 2 of Section 3	60 Fat filled milk	Manufacturing (Industrial Inputs) General Masses	3,915	10
121	Clause (aa) of sub-Section 2 of Section 3	11 Cream, sold in retail packing under a brand name		1	10
122	Clause (aa) of sub-Section 2 of Section 3	57 Rock phosphate	Manufacturing (Industrial Inputs) General Masses	1	10
123	Clause (aa) of sub-Section 2 of Section 3	15 Ingredients of poultry feed, cattle feed, except soya bean meal of PCT heading 2304.0000 and oilcake of cotton-seed falling under PCT heading 2306.1000	Manufacturing (Industrial Inputs) General Masses	842	10
124	Clause (aa) of sub-Section 2 of Section 3	59 Products of milling industry except wheat and meslin flour	Manufacturing (Industrial Inputs) General Masses	57	10
125	Clause (aa) of sub-Section 2 of Section 3	22 Soya bean seed	Manufacturing (Industrial Inputs) General Masses	4	10
126	Clause (aa) of sub-Section 2 of Section 3	14 Milk and cream, concentrated or containing added sugar or other sweetening matter	Manufacturing (Industrial Inputs) General Masses	1,468	10
127	Clause (aa) of sub-Section 2 of Section 3	6 Machinery, equipment and other capital goods meant for initial installation, balancing, modernization, replacement or expansion of oil heavy chemical industry, cryogenic facility for ethylene storage and handling, refining (mineral oil, hydro-cracking and other value added petroleum products), petrochemical and petrochemical downstream products including fibers and	Manufacturing (Industrial Inputs) General Masses	8	10
128	Clause (aa) of sub-Section 2 of Section 3	10 Butter	Food Products General Masses	181	10
129	Clause (aa) of sub-Section 2 of Section 3	12 Desi ghee	Food Products General Masses	48	10
130	Clause (aa) of sub-Section 2 of Section 3	9 Cheese	Food Products General Masses	208	10

131	Clause (aa) of sub-Section 2 of Section 3	13 Whey	Food Products General Masses	10	10
Sub Total				69,592	
Reduced Rate of 12%					
Sr	Legal Reference	Description Exemption or Concession	Intended Beneficiary	Estimate Rs.Million	Rates
132	Clause (aa) of sub-Section 2 of Section 3	50 LNG/RLNG	Industry / General Masses	759	12
134	Clause (aa) of sub-Section 2 of Section 3	66 Supplies as made from retail outlets as are integrated with Board's computerized system for real-time reporting of sales	Manufacturing (Industrial Inputs) General Masses	1,082	12
133	Clause (aa) of sub-Section 2 of Section 3	51 LNG/RLNG	Energy Sector General Masses	17,480	12
Sub Total				19,321	
Reduced Rates under 9th Schedule					
Sr	Legal Reference	Description Exemption or Concession	Intended Beneficiary	Estimate Rs. Million	
1	9th Schedule	Mobile Phones	General Masses	27,096	
Sub Total				27,096	
Grand Total				578,456	

Explanatory notes on Sales Tax Estimates

i. Types of Concessions

In sales tax act, concessions are granted broadly by three ways

- (i). Zero rating,
- (ii). Exemptions,
- (iii). Reduced rates.

• Zero rating

Under Section 4 of the Act, goods exported, or the goods specified in the Fifth Schedule; supply of stores and provisions for consumption aboard a conveyance proceeding to a destination outside Pakistan as specified in section 24 of the Customs Act, 1969 (IV of 1969); such other goods, as the Federal Government may specify by notification in the official Gazette, whenever

circumstances exist to take immediate action for the purposes of national security, natural disaster, national food security in emergency situations and implementation of bilateral and multilateral agreements are charged to tax at the rate of zero per cent.

- **Exemptions**

Under section 13 of the Sales Tax Act 1990, supply of goods or import of goods specified in the Sixth Schedule are, subject to such conditions as may be specified by the Federal Government, are exempt from tax under the Act. The Federal Government is empowered to issue exemptions whenever circumstances exist to take immediate action for the purposes of national security, natural disaster, national food security in emergency situations and implementation of bilateral and multilateral agreements, by notification in the official Gazette. Exemptions can be on any supplies made or imports, of any goods or class of goods from the whole or any part of the tax chargeable under the Act, subject to the conditions and limitations specified therein.

- **Reduced rates**

Under section 3(2)(b), Federal Government is empowered to declare that in respect of any taxable goods, the tax shall be charged, collected and paid in such manner and at such higher or lower rate or rates as may be specified, subject to such conditions and restrictions as it may impose, by notification in the official Gazette.

ii. Nature of exemptions and concessions

In sales tax act, concessions are granted broadly by three ways: i.e. Zero Rating, Exemptions, and reduced rates.

- **Product-based Concessions**

In some cases, product based concession is granted under sales tax act, for example, in case of food and grocery items, certain products are exempt or have reduced rate of sales tax. It may get tricky because these exemptions can then have rules within rules. Prepared foods and ready-to-eat food items may be exempted or have reduced rate whereas the same items if sold under brand name may not have the concession.

- **Use-based Concessions**

Under the Act certain products that are intended to be used for in-house consumption, for use of a specific organization are given tax concession. Typically, this is where, the end consumers are not liable to be taxed, or intended to be given tax concession.

- **Buyer-based Concessions**

Diplomats, diplomatic missions, diplomatic organizations, non-profit organizations or government agencies often are not required to pay sales tax. This concession in the form of zero rating or exemption is extended to these national and international agencies.

- **Economic activity-based concessions**

Certain tax concessions under the act are granted for a specific economic activity. Like export promotions or certain activities in export processing zones. A unique case in Pakistan is the case of exemptions in erstwhile Federally Administered Tribal Areas (FATA), where exemptions are granted for mainstreaming of the geographic areas.

iii. Suggestion for further improvement of Sales Tax estimates

The reporting and calculation of tax expenditures estimates may be improved through:

- **Legal Enactment**

In previous estimates it was suggested that in sales tax act, concessions are granted broadly by three ways, i.e. zero rating, exemptions, and reduced rates. The sales tax return of any registered person may not be considered as true and valid return, without mentioning exempt supply, if any. This will help in computing the exemption incidence when exempt supplies are made by various registered persons in supply chain.

- **Administrative Measures**

Industry-ratios and/or standardized minimum value addition formulas may be issued, with the

consultation of major industries, to have more accurate and rational estimates, and so that exact extent of value addition in each industry can be estimated.

- **Engagement of Experts and Internees**

Various expert, working in the universities may be engaged to develop a broad based consultancy and opportunities may be provided to young university graduates to apply various statistical tools on the data for improvement in reporting and calculating tax buoyancy

- **Training of the Team**

The team engaged in SPR&S may be trained in National and International well reputed institutes for understanding and opting international best practices.

2.3 Customs Duty Estimates

Summary of Tax Expenditure Estimates of Customs Duty – FY 2021

		<i>Rs. in million</i>
1	Chapter-99 Exemptions	12,635
2	FTA & PTA Exemptions	34,210
3	5th Schedule Exemptions & Concessions	137,418
4	General Concessions: Automobile sector, E&Ps, CPEC, etc.	55,877
5	Export Related Exemptions	47,631
Total		287,771

Legal Reference	Exemption Type	Beneficiary Sector	CD Cost of Exemption FY 2019-20
<i>Chapter-99 Exemptions</i>			
9901.0000 -	Chapter-99 Exemptions: Goods imported by various agencies of the United Nations	Agencies under the United Nations	188
9902.0000 -	Chapter-99 Exemptions: Goods imported by Diplomats/Embassies/ Consulates	Diplomats/Embassies/ Consulates under the Diplomatic and Consular Privileges Act, 1972	506
9903.0000 -	Chapter-99 Exemptions: Goods imported by privileged personnel or by organizations or by any person authorized by the contracting parties, under grant-	Privileged personnel or by organizations or by any person authorized by the contracting parties, under grant-in- aid agreements (including those agreements which	3,240

	in- aid agreements	cover off budget foreign contributions or funds brought by registered INGO's without any financial liabilities to the Government of Pakistan)	
9904.0000 -	Chapter-99 Exemptions: Vehicles in CKD condition, imported by recognized local manufacturer for supply to diplomat, diplomatic mission, privileged person	Vehicles in CKD condition, imported by recognized local manufacturer for supply to diplomat, diplomatic mission, privileged person	7
9905.0000 -	Chapter-99 Exemptions: Imports by Dignitaries of UAE, Qatar and Bahrain	Dignitaries of UAE, Qatar and Bahrain	0
9906.0000 -	Chapter-99 Exemptions: Goods imported under the President/ Prime Minister/ Governors/ 's Salary, Allowances and Privileges Act, 1975	The President and the Prime Minister of Pakistan. The Governors and the Acting Governors of the Provinces	0
9908.0000 -	Chapter-99 Exemptions: Goods received as gift or donation from a foreign government or organization by the Federal or Provincial Government or any public sector organization or Goods received as gift by Pakistani organizations from Church World Services or the Catholic Relief Services	Gifts received by the Federal, the provincial or any public sector organization	-
9909.0000 -	Chapter-99 Exemptions: Articles, value of which does not exceed Rs.20,000/- per parcel, if imported through post or courier service as unsolicited gift parcel	Articles, value of which does not exceed Rs.20,000/- per parcel, if imported through post or courier service as unsolicited gift parcel	7
9910.0000 -	Chapter-99 Exemptions: Samples of no commercial value imported by manufacturers	Samples of no commercial value imported by the manufacturers	28
9911.0000 -	Chapter-99 Exemptions: Relief goods donated for free distribution among the victims of natural disaster or other catastrophe OR Plant, machinery and equipment imported by way of donation for installation in the earthquake hit districts	(i) Relief goods donated for free distribution (ii) Plant, machinery and equipment imported by way of donation for installation in the earthquake hit districts as certified by ERRRA/National Disaster Management Authority.	737
9912.0000 -	Chapter-99 Exemptions: Imports by Edhi Foundation	Imports by Edhi Foundation	23
9913.0000 -	Chapter-99 Exemptions: Gifts or donations received by a charitable non-profit making hospital or institution	Gifts or donations received by a charitable non-profit making hospital or institution	3,111
9914.0000 -	Chapter-99 Exemptions: Imports by Charitable Institutions and Hospitals	Imports by Charitable Institutions and Hospitals	1,716
9915.0000 -	Chapter-99 Exemptions: Goods	Goods imported by or donated to non	309

	imported by or donated to non - profit making educational and research institutions	-profit making educational and research institutions	
9916.0000 -	Chapter-99 Exemptions: Goods supplied free of cost as replacement of identical goods previously imported	Goods supplied free of cost as replacement of identical goods previously imported including goods imported within warranty period Replacement Goods.	112
9922.0000 -	Chapter-99 Exemptions: Ship spares, stores and equipment imported for use in ships registered in Pakistan	Ship spares, stores and equipment imported for use in ships registered in Pakistan Temporary Import or Export.	45
9924.0000 -	Chapter-99 Exemptions: Eye cornea	Eye cornea	1
9925.0000 -	Chapter-99 Exemptions: Artificial kidneys, hemodialysis machines, hemodialyzers, A.V. fistula needles, hemodialysis fluids & powder, blood tubing tines for dialysis, reverse osmosis plants for dialysis, double lumen catheter for dialysis, catheters for renal failure patients, peritoneal dialysis solution and cardiac catheters. colostomy bags and appliances identifiable for Ostomy use	Medical appliances/equipment.	543
9927.0000 -	Chapter-99 Exemptions: Pharmaceutical raw materials if imported for manufacture of contraceptives in accordance with the input output ratios determined by the Directorate of Input Output Co-efficient Organization. Contraceptives and accessories thereof.	Pharmaceutical raw materials if imported for manufacture of contraceptives	84
9930.0000 -	Chapter-99 Exemptions: Any goods, including vehicles, specified in the First schedule to the Customs Act, 1969 (IV of 1969) imported by Federal/Provincial/ Local Government Departments, Municipal bodies and Development authorities subject to the condition that the goods are donated to the importers for use in an approved foreign grant funded project under a proper grant relating to Capital Aid- Technical Assistant Agreement signed between the Government of Pakistan and a foreign government or agency subject to concurrence of the Federal	Any goods, including vehicles, specified in the First schedule to the Customs Act, 1969 (IV of 1969) imported by Federal/Provincial/ Local Government Departments, Municipal bodies and Development authorities subject to the condition that the goods are donated to the importers for use in an approved foreign grant funded project	484

	Board of Revenue.		
9931.0000 -	Chapter-99 Exemptions: Ground handling equipment, service and operation vehicles, catering equipment and fuel trucks not manufactured locally, imported by domestic airlines or by any other service company to which a license has been issued by the Civil Aviation Authority for such purposes.	Ground handling equipment imported by airlines	5
9937.0000 -	Chapter-99 Exemptions: Items relating to disabled persons, like Wheel chairs, Artificial human part, Items used for rehabilitation of blind persons etc..	Certain items imported by the Disabled persons	226
9938.0000 -	Chapter-99 Exemptions: Disposables, as are not manufactured locally, for Cardiology/cardiac surgery, Neurovascular, Electrophysiology, Endo-surgery, Endoscopy, Oncology, Urology, Gynecology;	Certain Disposables, as are not manufactured locally, for Cardiology/cardiac surgery, Neurovascular, Electrophysiology, Endo-surgery, Endoscopy, Oncology, Urology, Gynecology;	958
9939.0000 -	Chapter-99 Exemptions: Diagnostic kits for HIV and Hepatitis	Diagnostic kits for HIV and Hepatitis	304
9941.0000 -	Chapter-99 Exemptions: Goods imported by or donated to municipal authorities including development authorities , Federal Government, Provincial Government, Government of Azad Jammu and Kashmir, Government of Gilgit-Baltistan, National Disaster Management Authority (NDMA), Provincial Disaster Management Authority (PDMA) and Government Emergency/Rescue services,	Goods imported by or donated to municipal authorities including development authorities , Federal Government, Provincial Government, Government of Azad Jammu and Kashmir, Government of Gilgit-Baltistan, National Disaster Management Authority (NDMA), Provincial Disaster Management Authority (PDMA) and Government Emergency/Rescue services,	-
Sub-Total:- Chapter-99 Exemptions			12,635

FTA & PTA Exemptions: Bilateral arrangements with different Governments /Regional commitments			
558(I)/2004 Table I	Section 19	FTA: General exemption on import from ECO	0
558(I)/2004 Table II	Section 19	FTA: General exemption on import from SAARC	76
1296(I)/2005 Table-I	Section 19	FTA: Pak-China Early Harvest Program (prescribes FTA CD Rate)	0
1296(I)/2005 Table-II	Section 19	FTA: Pak-China Early Harvest Program (prescribes %age of concession in CD Rate)	0
1274(I)/2006 Table-I	Section 19	FTA: General exemption on import from SAARC countries under	394

		SAFTA Agreement	
1274(I)/2006 Table-II	Section 19	FTA: General exemption on import from SAARC countries under SAFTA Agreement	7
SRO 659(I)/2007 Table-I	Section 19	FTA: General exemption on import from China under Pak-China FTA	9,323
SRO 659(I)/2007 Table-II	Section 19	FTA: General exemption on import from China under Pak-China FTA	1,876
SRO 1640(I)/2019 -	Section 19	FTA: General exemption on import from China under Pak-China FTA	13,258
SRO1151(I)/2007 Table	Section 19	PTA: General exemption on import from Mauritius under PTA	-
SRO1261(I)/2007 Table I	Section 19	PTA: General exemption on import from Malaysia under PTA	2,299
SRO1261(I)/2007 Table II	Section 19	PTA: General exemption on import from Malaysia under PTA	873
SRO741(I)/2013 Table	Section 19	PTA: General exemption on import from Indonesia under Pak-Indonesia PTA	3,303
SRO280(I)/2014 d	Section 19	FTA: General exemption on import from Sri Lanka under Pak-Sri Lanka FTA	375
SRO280(I)/2014 I	Section 19	FTA: General exemption on import from Sri Lanka under Pak-Sri Lanka FTA	
SRO280(I)/2014 Table-I	Section 19	FTA: General exemption on import from Sri Lanka under Pak-Sri Lanka FTA	2,260
SRO280(I)/2014 TABLE-III	Section 19	FTA: General exemption on import from Sri Lanka under Pak-Sri Lanka FTA	165
Sub- Total:- FTA & PTA Exemptions			34,210

5th Schedule(Customs Duty)

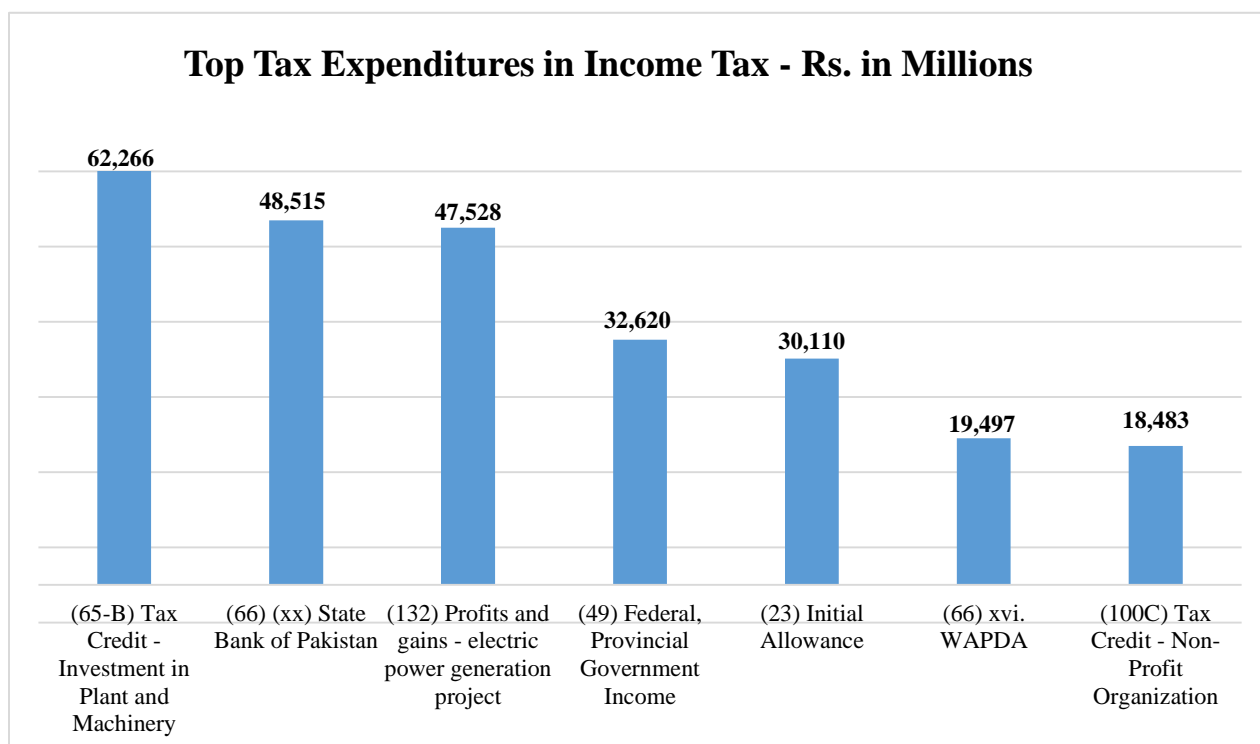
5th Schedule (Customs Duty) Part-I	Exemption under 18(1A) of the Customs Act, 1969	Imports of Plant, Machinery, Equipment and Apparatus, including Capital Goods for various industries/sectors	55,595
5th Schedule (Customs Duty)- Part II Table-A	Exemption under 18(1A) of the Customs Act, 1969	Import of Active Pharmaceutical Ingredients by pharma sector	1,728
5th Schedule (Customs Duty)- Part II Table-B	Exemption under 18(1A) of the Customs Act, 1969	Excipient/Chemicals by pharmaceutical sector	589
5th Schedule (Customs Duty)- Part II Table-C	Exemption under 18(1A) of the Customs Act, 1969	Drugs (mostly Life Saving) by pharmaceutical sector	6,955
5th Schedule (Customs Duty)- Part II Table-D	Exemption under 18(1A) of the Customs Act, 1969	Packing Materials/Raw Materials for Packing by pharmaceutical sector	1,080
5th Schedule (Customs Duty)- Part II Table-E	Exemption under 18(1A) of the Customs Act, 1969	Diagnostic Kits/Equipment) by pharmaceutical sector	3,151
5th Schedule(Customs Duty)- Part III	Exemption under 18(1A) of the Customs Act, 1969	Poultry and Textile Sectors	39,227
5th Schedule(Customs Duty)- Part IV	Exemption under 18(1A) of the Customs Act, 1969	Machinery and Equipment for Textile Sector	547
5th Schedule(Customs Duty)- Part V	Exemption under 18(1A) of the Customs Act, 1969	Automotive Manufacturing Sector (Auto Policy)	66
5th Schedule(Customs Duty)-	Exemption under 18(1A) of the	Aviation Sector (Aviation Policy)	403

Part VI	Customs Act, 1969		
5th Schedule (Customs Duty) Part-VII	Exemption under 18(1A) of the Customs Act, 1969	Essential edible items like pulses, potato etc, Oil and Oil products, Inputs of export sectors etc.	7,567
5th Schedule(Customs Duty)- Part VIII	Exemption under 18(1A) of the Customs Act, 1969	Miscellaneous.	20,509
Sub-Total:- 5th Schedule(Customs Duty)			137,418
268(I)/2015	Section 19	Mining equipment & machinery imported by Thar Coal Field	2,452
565(I)/2006	Section 19	Raw material of survey based Local industries: Stationary/ Electrical Capacitors/ Pesticides / Distilled Fatty Acids / CRC & GI coils / Fans/ Transformers / Electric Motors manufacturers	14,331
SRO 499(I)/2013	Section 19	Auto Sector: General concession for import of Hybrid Electric Vehicles	434
SRO678(I)/2004	Section 19	Exploration and Production (E&P)Companies	5,024
107(I)/2019 and SRO 48(I)/2018	Section 19	Textile Sector (Local Yarn Producers): Import of Cotton	-
SRO 121(I)2014	Section 219	Afghan Transit Trade	7
SRO 48(I)/2018	Section 19	Import of cotton	-
SRO 642(I)/2016	Section 19	Imports by M/s CSECEL for Karachi-Peshawar Motorway	19
SRO 644(I)/2018	Section 19	General: Concession of CD on import of electric motor vehicles	475
SRO40(I)/2017	Section 19	Lahore Orange Metro Train Project	50
SRO655(I)/2006	Section 19	Vendors of Automotive sector	13,361
SRO656(I)/2006	Section 19	OEMs of Automotive Sector	15,930
SRO235(I)/2020	Section 19	COVID-19 Exemptions - General	810
SRO318(I)/2020	Section 19	COVID-19 Exemptions - General	2,614
SRO556(I)/2020	Section 19	COVID-19 Exemptions - General	364
SRO558(I)/2020	Section 19	COVID-19 Exemptions - General	6
SRO559(I)/2020	Section 19	COVID-19 Exemptions - General	-
Sub-total			55,877
Export Related Exemptions			
SRO450(I)/2001	Section 219	DTRE	5,707
SRO450(I)/2001	Section 219	Manufacturing Bonds	9,976
SRO 327(I)/2008	Section 219	Export Oriented Units	15,338
SRO 492(I)/2008	Section 219	Temporary Imports	10,007
SRO 450(I)/2008/9917.0000	Section 219	EPZ (abroad)	6,603
Sub-Total:-			47,631
Grand Total:			287,771

DETAILS OF INCOME TAX EXPENDITURE

03

- 3.1. Subject-Wise Breakdown
- 3.2. Distribution of Tax Expenditure
- 3.3. Clause-Wise Details



3.1 Subject-wise Breakdown

Tax expenditures can be classified based on their subject matter. This classification is provided solely for presentational purposes and is not intended to reflect underlying policy considerations.

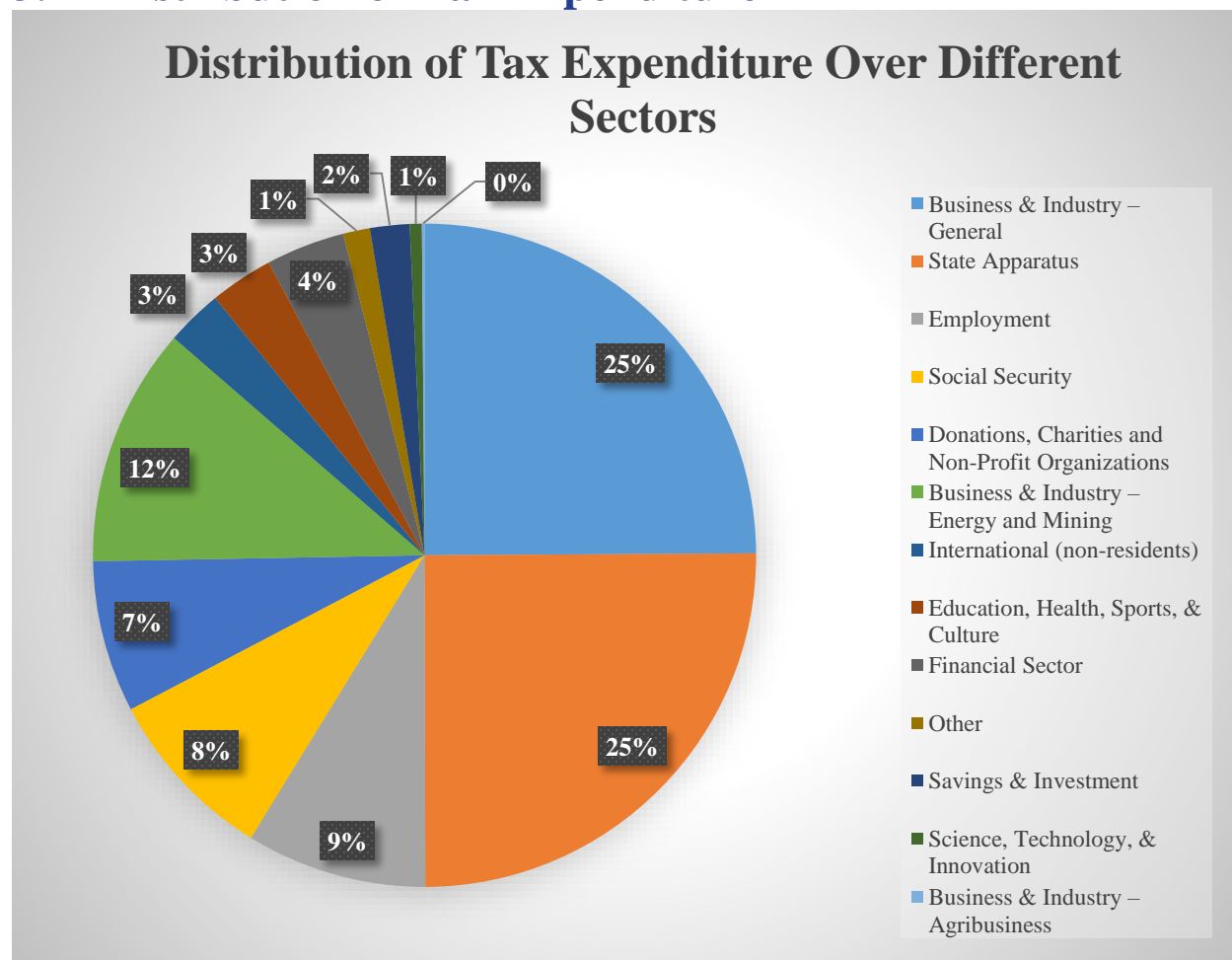
The following subjects have been identified:

- A. State Apparatus
- B. Social Security
- C. Employment
- D. Donations, Charities and Non-Profit Organizations
- E. Science, Technology, & Innovation
- F. Education, Health, Sports, & Culture
- G. Business & Industry – Agribusiness
- H. Business & Industry – Energy and Mining
- I. Business & Industry – General
- J. Financial Sector
- K. Savings & Investment
- L. International (non-residents)
- M. Other

Dividing all income tax exemptions and concessions into above subjects gives the following distribution in terms of proportion and share of each subject:

Code	Name of Sector	Estimate (Rs. Mln)	Percentage (%)
I	Business & Industry – General	111,602	24.9%
A	State Apparatus	112,255	25.1%
C	Employment	39,463	8.8%
B	Social Security	38,299	8.5%
D	Donations, Charities and Non-Profit Organizations	33,120	7.4%
H	Business & Industry – Energy and Mining	52,223	11.7%
L	International (non-residents)	12,350	2.8%
F	Education, Health, Sports, & Culture	13,851	3.1%
J	Financial Sector	17,197	3.8%
M	Other	5,835	1.3%
K	Savings & Investment	8,644	1.9%
E	Science, Technology, & Innovation	2,635	0.6%
G	Business & Industry – Agribusiness	574	0.1%
Total		448,046	100%

3.2 Distribution of Tax Expenditure



A State Apparatus			
1	66	(xx) State Bank of Pakistan and State Bank of Pakistan Banking Services Corporation	48,514.55
2	49	Federal Government, Provincial Government, and Local Government income.	32,620.45
3	66	xi & xvi. The Pakistan Water and Power Development Authority	24,705.73
4	102A	Income representing a subsidy granted by the Federal Government	4,508.87
5	61	(Iiv) Supreme Court of Pakistan – Diamer Bhasha & Mohmand Dams	0
6	66	(xli) National Rural Support Programme.	420.10
7	66	(xxxviii) Pakistan Poverty Alleviation Fund.	617.33
8	56	Perquisites, benefits and allowances received by a Judge of Supreme Court of Pakistan and Judge of High Court	290.00
9	66	x. Pakistan Engineering Council	480.10

10	55	House rent allowance (to judges of the Supreme Court of Pakistan or of High Courts)	35.00
11	66	ix. Pakistan Agricultural Research Council, Islamabad	0.40
12	66	(lxii) Supreme Court of Pakistan – Diamer Bhasha & Mohmand Dams– Fund	0.30
13	51	Free of rent residence for President of Pakistan, the Provincial Gov- ernors and the Chiefs of Staff, Pakistan Armed Forces	0
14	66	(xliv) Pakistan Centre for Philanthropy.	5.11
15	66	(lxiii) National Disaster Risk Management Fund.	57.20
16	11A	(xxxix) National Disaster Risk Management Fund.	0
Total			112,255.14

B Social Security			
1	57(3)	(ii) trustees on behalf of a recognized provident fund or an approved superannuation fund or an approved gratuity fund;	13,120.00
2	142	Income from social security contributions derived by the four pro- vincial Social Security institutions	5,636.22
3	60B	Deductible allowance for Workers’ Participation Fund	2,523.51
4	60A	Deductible allowance for Workers’ Welfare Fund	2,522.40
5	57(3)	(i) a provident fund to which the Provident Funds Act, 1925 applies;	1,783.60
6	57(3)	(xvi) Khyber Pakhtunkhwa General Provident Investment Fund.	1,118.03
7	57(3)	xii. Punjab Pension Fund established under the Punjab Pension Fund Act, 2007 (I of 2007) and the trust established thereunder.	2,271.37
8	57(3)	xiii. Sindh Province Pension Fund established under the Sindh Province Pension Fund Ordinance, 2002.	1,162.26
9	57(3)	(xvii) Khyber Pakhtunkhwa Pension Fund ;	1,465.68
10	24	Benevolent grants paid from the Benevolent Fund (under Central Employee Benevolent Fund and Group Insurance Act, 1969)	482.90
11	57(3)	xiv. Punjab General Provident Investment Fund established under the Punjab General Provident Investment Fund Act, 2009 (V of 2009) and the trust established thereunder.”	161.10
12	23A	The accumulated balance up to [50]% received from a pension fund at the time of eligible person’s- (a) retirement; or (b) disability rendering him unable to work; or (c) death by his nominated survivors.	79.63
13	57(3)	(xv) Khyber Pakhtunkhwa Retirement Benefits and Death Compensation Fund.	219.18
14	57(3)	(iii) a benevolent fund or group insurance scheme approved by the Board for the purposes of this clause;	138.60
15	57(3)	(v) Employees Old Age Benefits Institution established under the Employees Old Age Benefit Act, 1976 (XIV of 1976);	5,465.78
16	17	Income derived by the families and dependents of the Shaheeds	2.10
17	25	Payments from an approved superannuation fund made on the death of a beneficiary	43.97
18	66	(xl) Pakistan Sweet Homes Angels and Fairies Place.	19.37

19	66	(xxxii) Greenstar Social Marketing Pakistan (Guarantee) Limited	82.94
20	57(3)	(vii) any Unit, Station or Regimental Institute; and	0.00
21	57(3)	(vi) any recognized Regimental Thrift and Savings Fund, the assets of which consist solely of deposits made by members and profits earned by investment thereof;	0.00
Total			38,298.64

C Employment

1	12	Commutation of Pension	9,642.77
2	9	Pensions (Government)	13,710.00
3	22	Payments from a provident fund to which the Provident Funds Act, 1925 applies.	6,686.92
4	8	Pension received by a citizen of Pakistan from a former employer	2,732.76
5	19	Encashment of leave preparatory to retirement	1,139.86
6	23	The accumulated balance due and becoming payable to an employee participating in a recognized provident fund.	246.41
7	5	Foreign allowances (Government of Pakistan)	1,001.86
8	39	Special allowance or benefit for employees to meet expenses incurred in the performance of the duties	947.76
9	13	Gratuities	695.47
10	39A	Special allowances	0.00
11	139	Medical treatment or hospitalization for employees	1,825.76
12	1(1AA)	Allowances received by pilots of any Pakistani airlines shall be taxed at a rate of 7.5%,	321.18
13	1(1)	Flying and submarine allowance (to be taxed @ 2.5% as a separate block of income)	91.07
14	3	Salary of foreign personnel engaged by institutions of the Agha Khan Development Network	119.23
15	53A	Employment related perquisites (food, education, medical treatment and any other perquisites, if provided by employer for free or at subsidized rates)	134.16
16	27	The tax on payments under the Compulsory Monetization of Transport Facility for Civil Servants in BS-20 to BS-22 (as reduced by deduction of driver's salary) shall be charged at the rate of 5% as a separate block of income.	100.00
17	4	Salary received by Pakistani seafarers	67.68
Total			39,462.89

D Donations, Charities and Non-Profit Organizations

1	100C	Tax credit for Non-profit organizations, trusts or welfare institutions	18,482.94
2	61	Tax credit for charitable donations	2,869.91
3	61	Any amount paid as donation to the listed institution, foundations, societies, boards, trusts and funds.	3,690.50
4	66	(xxxi) Sindh Institute of Urology and Transplantation, SIUT Trust and Society for the Welfare of SIUT	918.73

5	66	i. Abdul Sattar Edhi Foundation, Karachi	870.84
6	66	(lx) Dawat-e-Islami Trust	263.38
7	66	xiii. The Institutions of the Agha Khan Development Network (Paki- stan)	1,445.65
8	60	Deductible allowance for Zakat	1,116.38
9	66	iii. Bilquis Edhi Foundation, Karachi	429.47
10	66	xiv. The Liaquat National Hospital Association, Karachi	196.01
11	66	(xxx) The Citizens Foundation	66.07
12	66	(lxvi) Akhuwat	192.86
13	66	(lii) Shaukat Khanum Memorial Trust.	2,200.66
14	66	(xxxiii) The Indus Hospital, Karachi	120.52
15	66	(liv) The Kidney Centre Post Graduate Training Institute.	14.00
16	66	(liii) Layton Rahmatullah Benevolent Trust (LRBT).	0.00
17	57(1)	Income from voluntary contributions, house property and invest- ments in securities of the Federal Government derived by the following, namely:- (i) National Investment (Unit) Trust of Pakistan (ii) Mutual Fund set up by the Investment Corporation of Pakistan, (iii) Sheikh Sultan Trust, Karachi.	40.20
18	66	(li) Saylani Welfare International Trust.	34.00
19	66	(xlvi) Aziz Tabba Foundation.	46.12
20	66	(lvi) Forman Christian College;	94.47
21	66	(lvii) Habib University Foundation.	3.21
22	66	(lviii) Begum Akhtar Rukhsana Memorial Trust Hospital.	0.00
23	66	(lix) Al-Khidmat Foundation.	0.00
24	66	(lxviii) Patient's Aid Foundation.	13.00
25	66	(xxxvii) Gulab Devi Chest Hospital.	0.00
26	66	iv. Fatimid Foundation, Karachi	0.00
27	66	ii. Al-Shifa Trust, Rawalpindi	0.00
28	11A	(iii) Pakistan Red Crescent Society	4.52
29	66	(Ixi) Sardar Trust Eye Hospital, Lahore.	0.00
30	66	(xliii) Pakistan Bar Council.	0.74
31	66	(lxvii) Audit Oversight Board.	5.68
Total			33,119.86

E Science, Technology, & Innovation			
1	133	Income from exports of computer software or IT services or IT enabled services	1,944.60
2	143	Start-ups	552.75
3	66	xv. The Pakistan Council of Scientific and Industrial Research	125.11
4	66	xii. The Institution of Engineers, Pakistan, Lahore	11.00

5	131	Royalty, commission or fees earned from a foreign enterprise in consideration for the use outside Pakistan of any patent, invention, model, design, secret process or formula or similar property right	1.50
Total			2,634.96

F Education, Health, Sports, & Culture			
1	126	Public sector universities	10,715.95
2	1(2)	Tax concession for full time teacher or a researcher	2,425.00
3	91	Text-book boards of Provinces	583.40
4	60D	Deductible allowance for education expenses	59.13
5	98	Sports Boards (except Pakistan Cricket Board).	61.83
6	66	(xxxix) National Academy of Performing Arts.	5.20
Total			13,850.51

G Business & Industry – Agribusiness			
1	91	The provisions of section 148 shall not apply to- (i) Tillage and seed bed preparation equipment as specified below (ii) Seeding or planting equipment (iii) Irrigation, drainage and agro-chemical application equipment (iv) Harvesting, threshing and storage equipment (v) Post-harvest handling and processing & miscellaneous machinery	530.00
2	105B	Income received by a taxpayer from a corporate agricultural enterprise, distributed as dividend out of its income from agriculture.	44.00
3	126K	Profits and gains derived by industrial undertakings set up for establishing and operating a halal meat production unit	0.00
Total			574.00

H Business & Industry – Energy and Mining			
1	132	Profits and gains derived by a taxpayer from an electric power generation project set up in Pakistan on or after the 1st day of July, 1988.	47,528.40
2	77	Provisions of sections 148 and 153 shall not be applicable on import and subsequent supply of items with dedicated use of renewable sources of energy	1,230.00
3	141	Profit and gains derived by LNG Terminal Operators and Terminal Owners	1,714.29
4	126BA	Refineries	1,724.66
5	126I	Industrial undertakings engaged in the manufacture of plant, machinery, equipment and items with dedicated use for generation of renewable energy	12.00
6	126M	Profits and gains derived by a taxpayer from a transmission line project set up in Pakistan	4.10
7	74	Profit on debt derived by Hub Power Company Limited on or after the first day of July, 1991	9.37
Total			52,222.82

I Business & Industry – General			
1	65B	Tax credit for investment in balancing, modernization and replacement of plant & machinery	62,265.60
2	23	Initial Allowance	30,110.00
3	65E	Tax credit for industrial undertakings established before the first day of July, 2011	13,131.81
4	65D	Tax credit for newly established industrial undertakings	5,193.57
5	65C	Tax credit for enlistment in Stock Exchange	181.17
6	23A	First Year Allowance	340.00
7	126E	Income derived by a zone enterprise as defined in the Special Economic Zones Act, 2012 and developer of zone for a period of ten years	200.00
8	60D	The provisions of section 148 shall not apply on import of firefighting equipments by industrial undertakings set up in the special economic zones established by the Federal Government.	25.00
9	64B	Tax credit for employment generation by manufacturers	57.40
10	126N	Profits and gains derived by a taxpayer from an industrial undertaking, duly certified by the Pakistan Telecommunication Authority, engaged in the manufacturing of cellular mobile phones	0.40
11	126L	Industrial undertakings set up in the Provinces of Khyber Pukhtunkhwa and Baluchistan	96.55
12	18B	The rate of tax shall be reduced by 2% in case of a company whose shares are traded on stock exchange if it fulfills prescribed shari'ah compliant criteria approved by State Bank of Pakistan, Securities and Exchange Commission of Pakistan and the Board, and derives income from manufacturing activities only	0.00
Total			111,601.50

J Financial Sector			
1	99	Collective Investment Schemes or a REIT Schemes	16,176.50
2	100	Modarabas	261.25
3	57(3)	(viii) a Pension Fund approved by the SECP	740.18
4	57(3)	(ix) any profit or gain or benefit derived by a pension fund manager from a pension Fund approved under the Voluntary Pension System Rules, 2005, on redemption of the seed capital invested in pension fund as specified in the Voluntary Pension System Rules, 2005;	15.00
5	101	Venture capital companies and venture capital funds registered un- der Venture Capital Companies and Funds Management Rules, 2000 and a Private Equity and Venture Capital Funds	3.63
6	18	In the case of a modaraba the rate of income tax shall be 25% of total income excluding such part of total income to which Division III of Part I of the First Schedule or section153 or section 154 applies.	0.00
Total			17,196.56

K Savings & Investment			
1	62	Tax credit for investment in shares and insurance	2,244.03

2	63	Tax credit for contribution to an Approved Pension Fund.	915.68
3	60C	Deductible allowance for profit on debt	646.67
4	23C	Withdrawal of accumulated balance from approved pension fund	147.75
5	23B	Monthly installments from an income payment plan invested with a pension fund manager	25.17
6	62A	Tax credit for investment in health insurance	21.72
7	66	(xiv) Pakistan Mortgage Refinance Company Limited.	264.18
8	103	Distributions received by a taxpayer from collective investment schemes or mutual funds (which are debt or money market funds and do not invest in shares) out of capital gains	1.00
8	66	Deposit Protection Corporation	4,377.60
Total			8,643.80

L International (non-residents)			
1	75	Any income of an agency of a foreign Government, a foreign national (company, firm or association of persons), or any other non-resident person approved by the Federal Government for the purposes of this clause, from profit on moneys borrowed under a loan agreement or in respect of foreign currency instrument approved by the Federal Government.	7,362.80
2	72A	Any income derived by Sukuk holder in relation to Sukuk issued by “The Second Pakistan International Sukuk Company Limited” and the Third Pakistan International Sukuk Company Limited, including any gain on disposal of such Sukuk.	3,436.50
3	60A	The provisions of section 148 shall not apply for import of plant, machinery and equipment in the case of:- (a) M/s China State Construction Engineering Corporation Ltd. (M/s CSCEC); and (b) M/s China Communication Construction Company (M/s CCCC)	840.00
4	66	(xxiv) The ECO Trade and Development Bank	552.51
5	71	The provisions of this Ordinance shall not be applicable to the M/s TAISEI Corporation under the agreement between National High- way Authority, GOP	0.00
6	105A	Income derived by Kuwait Foreign Trading Contracting and Invest- ment Company or Kuwait Investment Authority being dividend of the Pak Kuwait Investment Company in Pakistan	67.50
7	105	Any income derived by the Government of Kingdom of Saudi Arabia being dividend of the Saudi-Pak Industrial and Agricultural Invest- ment Company Limited.	26.00
8	126A	Income derived by China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gawadar International Terminal Limited, Gawadar Marine Services Limited and Gawadar Free Zone Company Limited from Gawadar Port operations for a period of twenty-three years, with effect from the sixth day of February, 2007.	65.12
Total			12,350.43

M		Other	
1	145A, 146	Income of individuals domiciled or companies and associations of persons resident in the erstwhile Tribal Areas	4,460.00
2	28A	The rate of tax under section 148 on import of hybrid cars shall be reduced as below:— Upto 1200 cc - 100% 1201 to 1800 cc - 50% 1801 to 2500 cc - 25%	24.00
3	4	In respect of old and used automotive vehicles, tax under section 148 shall not exceed the amount specified in Notification No. S.R.O. 577(I)/2005, dated the 6th June, 2005.	1.30
4		Others (Misc)	1,349.59
Total			5,834.89

3.3 Clause-wise Details of Income Tax Expenditures

ALLOWANCES

1 Initial allowance

Description:	A taxpayer who places a new “eligible depreciable asset” in business for the first time in a tax year is allowed an initial allowance as per rate specified in Third Schedule;
Cost Estimate (Rs. in million):	30,110.00
Tax expenditure type:	Allowance
Subject:	Business & Industry – General
Beneficiary:	New business entities
Legal reference:	Section 23 of Income Tax Ordinance 2001
Commencement year:	2001
Validity period:	Permanent
Source of data:	Income tax returns
Estimation method:	Add back
No. of beneficiaries:	9,102

2 First year allowance

Description:	Industrial undertakings set up in specified rural and under developed areas or engaged in the manufacturing of cellular mobile phones;
Cost Estimate (Rs. in million):	340.00
Tax expenditure type:	Allowance
Subject:	Business & Industry – General
Beneficiary:	New business entities
Legal reference:	Section 23A of Income Tax Ordinance 2001
Commencement year:	2008
Validity period:	Permanent
Source of data:	Income tax returns
Estimation method:	Difference between initial allowance and first year allowance (25% and 90% respectively) worked out and tax expenditure calculated on that. Three entities claiming first year allowance

were already accounted for under Clause 132 of part 1 of second schedule, hence not accounted for under this clause.

No. of beneficiaries:	20
3	Deductible allowance for Zakat
Description:	Taxpayers are entitled to a deductible allowance for the amount of any Zakat paid by them under the Zakat and Ushr Ordinance, 1980;
Cost Estimate (Rs. in million):	1,116.38
Tax expenditure type:	Allowance
Subject:	Donations, Charities and Non-Profit Organizations
Beneficiary:	Persons paying Zakat
Legal reference:	Section 60 of Income Tax Ordinance 2001
Commencement year:	2001
Validity period:	Permanent
Source of data:	Income tax returns
Estimation method:	Add back
No. of beneficiaries:	24,018
4	Deductible allowance for Workers' Welfare Fund
Description:	Taxpayers are entitled to a deductible allowance for the amount of any Workers' Welfare Fund paid by them under Workers' Welfare Fund Ordinance, 1971;
Cost Estimate (Rs. in million):	2,522.40
Tax expenditure type:	Allowance
Subject:	Social Security
Beneficiary:	Persons paying WWF
Legal reference:	Section 60A of Income Tax Ordinance 2001
Commencement year:	2003
Validity period:	Permanent
Source of data:	Income tax returns
Estimation method:	Add back
No. of beneficiaries:	8,823
5	Deductible allowance for Workers' Participation Fund
Description:	Taxpayers are entitled to a deductible allowance for the amount of any Workers' Participation Fund paid by them in accordance with the provisions of the Companies Profit (Workers' Participation) Act, 1968;
Cost Estimate (Rs. in million):	2,523.51
Tax expenditure type:	Allowance
Subject:	Social Security
Beneficiary:	Persons paying WPF
Legal reference:	Section 60B of Income Tax Ordinance 2001
Commencement year:	2004
Validity period:	Permanent
Source of data:	Income tax returns
Estimation method:	Add back
No. of beneficiaries:	430
6	Deductible allowance for profit on debt
	Individual are entitled to a deductible allowance for the amount of any profit or share in rent and share in appreciation for value of house paid by the individual in a tax year on a loan by a scheduled

Description:	bank or non-banking finance institution where the individual utilizes the loan for the construction of a new house or the acquisition of a house;
Cost Estimate (Rs. in million):	646.67
Tax expenditure type:	Allowance
Subject:	Savings & Investment
Beneficiary:	Individuals paying profit or share in rent and share in appreciation for value of house on loan by banks etc.
Legal reference:	Section 60C of Income Tax Ordinance 2001
Commencement year:	2015
Validity period:	Permanent
Source of data:	Income tax returns
Estimation method:	Add back
No. of beneficiaries:	5,032

7 Deductible allowance for education expenses

Description:	Individual are entitled to a deductible allowance in respect of tuition fee paid by them provided that the taxable income of the individual is less than one and a half million rupees;
Cost Estimate (Rs. in million):	59.13
Tax expenditure type:	Allowance
Subject:	Education, Health, Sports, & Culture
Beneficiary:	Individuals having income of less than Rs. 1.5 million, paying tuition fee
Legal reference:	Section 60D of Income Tax Ordinance 2001
Commencement year:	2016
Validity period:	Permanent
Source of data:	Income tax returns
Estimation method:	Add back
No. of beneficiaries:	7,254

TAX CREDITS

1 Tax credit for charitable donations

Description:	A person is entitled to a tax credit in respect of any sum paid, or any property given as charitable donation;
Cost Estimate (Rs. in million):	2,869.91
Tax expenditure type:	Tax Credit
Subject:	Donations, Charities and Non-Profit Organizations
Beneficiary:	Persons giving charitable donations
Legal reference:	Section 61 of Income Tax Ordinance 2001
Commencement year:	2001
Validity period:	Permanent
Source of data:	Income tax returns
Estimation method:	Tax credit claimed is equal to tax expenditure
No. of beneficiaries:	18,105

2 Tax credit for investment in shares and insurance

Resident persons (other than companies) are entitled to a tax credit

Description:	in respect of investment made in: <ul style="list-style-type: none"> - acquiring new shares offered to the public by a public company listed on a stock exchange in Pakistan - acquiring sukus offered to the public by a public company listed and traded on stock exchange in Pakistan - any life insurance premium paid on a policy to a life insurance company registered by the Securities and Exchange Commission of Pakistan;
Cost Estimate (Rs. in million):	2,222.31
Tax expenditure type:	Tax credit
Subject:	Savings & Investment
Beneficiary:	Persons (excluding companies) investing in shares, sukus, or life insurance
Legal reference:	Section 62 of Income Tax Ordinance 2001
Commencement year:	2001
Validity period:	Permanent
Source of data:	Income tax returns
Estimation method:	Tax credit claimed is equal to tax expenditure
No. of beneficiaries:	53,488

3 Tax credit for investment in health insurance

Description:	Resident persons (other than companies) are entitled to a tax credit in respect of any health insurance premium or contribution paid to any registered insurance company;
Cost Estimate (Rs. in million):	21.72
Tax expenditure type:	Tax Credit
Subject:	Savings & Investment
Beneficiary:	Persons (excluding companies) investing in health insurance
Legal reference:	Section 62A of Income Tax Ordinance 2001
Commencement year:	2016
Validity period:	Permanent
Source of data:	Income tax returns
Estimation method:	Tax credit claimed is equal to tax expenditure
No. of beneficiaries:	21,614

4 Tax credit for contribution to an Approved Pension Fund

Description:	Eligible persons as defined in sub-section (19A) of section 2 deriving salary or business income are entitled to a tax credit in respect of any contribution or premium paid by them in approved pension funds under the Voluntary Pension System Rules, 2005;
Cost Estimate (Rs. in million):	915.68
Tax expenditure type:	Tax Credit
Subject:	Savings & Investment
Beneficiary:	Eligible persons as defined in sub-section (19A) of section 2 of Ordinance
Legal reference:	Section 63 of Income Tax Ordinance 2001
Commencement year:	2005
Validity period:	Permanent
Source of data:	Income tax returns
Estimation method:	Tax credit claimed is equal to tax expenditure
No. of beneficiaries:	16,757

5 Tax credit for employment generation by manufacturers

	Companies who set up a new manufacturing unit between the 1st
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Description:	day of July, 2015 and the 30th day of June, 2019, and employing more than fifty employees in a tax year, are entitled to a tax credit for a period of ten years;
Cost Estimate (Rs. in million):	57.40
Tax expenditure type:	Tax Credit
Subject:	Business & Industry – General
Beneficiary:	Manufacturing sector (companies only)
Legal reference:	Section 64B of Income Tax Ordinance 2001
Commencement year:	2015
Validity period:	10 Years
Source of data:	Income tax returns
Estimation method:	Tax credit claimed is equal to tax expenditure
No. of beneficiaries:	59

6 Tax credit for investment

Description:	Companies investing in the purchase of plant and machinery, for the purposes of extension, expansion, balancing, modernization and replacement of the plant and machinery, already installed in an industrial undertaking and owned by them, are entitled to tax credit equal to ten per cent of the amount so invested against the tax payable;
Cost Estimate (Rs. in million):	62,265.60
Tax expenditure type:	Tax Credit
Subject:	Business & Industry – General
Beneficiary:	Corporate manufacturing sector
Legal reference:	Section 65B of Income Tax Ordinance 2001
Commencement year:	2010
Validity period:	2019
Source of data:	Income tax returns
Estimation method:	Tax credit claimed is equal to tax expenditure
No. of beneficiaries:	1,135

7 Tax credit for enlistment in Stock Exchange

Description:	Companies who opt for enlistment in any registered stock exchange in Pakistan, a tax credit equal to twenty percent of the tax payable is allowed for the tax year in which the said company is enlisted and for the following three tax years;
Cost Estimate (Rs. in million):	181.17
Tax expenditure type:	Tax Credit
Subject:	Business & Industry – General
Beneficiary:	Companies opting for enlistment in a registered stock exchange
Legal reference:	Section 65C of Income Tax Ordinance 2001
Commencement year:	2010
Validity period:	4 years
Source of data:	Income tax returns
Estimation method:	Tax credit claimed is equal to tax expenditure
No. of beneficiaries:	28

8 Tax credit for newly established industrial undertakings

Description:	Companies formed for establishing and operating a new industrial undertaking, including corporate dairy farming, who set up a new industrial undertaking are entitled to a tax credit for a period of five years;
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Cost Estimate (Rs. in million):	5,193.57
Tax expenditure type:	Tax Credit
Subject:	Business & Industry – General
Beneficiary:	Corporate industrial units (including corporate dairy farming)
Legal reference:	Section 65D of Income Tax Ordinance 2001
Commencement year:	2011
Validity period:	5 years
Source of data:	Income tax returns
Estimation method:	Tax credit claimed is equal to tax expenditure
No. of beneficiaries:	299

9 Tax credit for industrial undertakings established before the first day of July, 2011

Description:	Companies setup before the first day of July 2011, who invest any amount, with at least seventy percent new equity raised through issuance of new shares, in the purchase and installation of plant and machinery for an industrial undertaking, including corporate dairy farming, for the purposes of expansion of the plant and machinery already installed therein, or undertaking a new project, are entitled to a tax credit for a period of five years;
Cost Estimate (Rs. in million):	13,131.81
Tax expenditure type:	Tax Credit
Subject:	Business & Industry – General
Beneficiary:	Corporate industrial units (including corporate dairy farming)
Legal reference:	Section 65E of Income Tax Ordinance 2001
Commencement year:	2011
Validity period:	5 years
Source of data:	Income tax returns
Estimation method:	Tax credit claimed is equal to tax expenditure
No. of beneficiaries:	76

10 Tax credit for Non-profit organizations, trusts or welfare institutions

Description:	The income of non-profit organizations, trusts or welfare institutions are allowed a tax credit equal to one hundred per cent of the tax payable subject to certain conditions;
Cost Estimate (Rs. in million):	18,482.94
Tax expenditure type:	Tax Credit
Subject:	Donations, Charities and Non-Profit Organizations
Beneficiary:	Non-profit organizations, trusts, welfare institutions
Legal reference:	Section 100C of Income Tax Ordinance 2001
Commencement year:	2014
Validity period:	Permanent
Source of data:	Income tax returns
Estimation method:	<p>Tax credit claimed is equal to tax expenditure.</p> <p><u>Note:</u> Many not-for-profit organizations incorrectly reflected tax credit in their income tax return under this section. In these cases, income was declared as “exempt” under the exempt field of return instead of claiming credit in the right field designated for this tax credit. Hence, tax expenditure from these cases was not being reflected in the aggregate data culled from the income tax returns.</p> <p>To account for this anomaly, some of the cases were manually</p>

detected and their tax expenditure was added to the total tax expenditure figure for this clause. However, scrutiny of all such cases and manual addition was not possible in all cases. It is expected that actual figure of tax credit under section 100C may be 7-10% higher than what is reported here.

No. of beneficiaries:	1,581
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EXEMPTIONS FROM TOTAL INCOME

1 Salary received by foreign personnel of Agha Khan Development Network (Pakistan)

Description:	Salary received by a person who, not being a citizen of Pakistan, is engaged as an expert or technical, professional, scientific advisor or consultant or senior management staff by institutions of the Agha Khan Development Network, (Pakistan);
Cost Estimate (Rs. in million):	119.23
Tax expenditure type:	Exemption from total income
Subject:	Employment
Beneficiary:	Foreign experts working with Agha Khan Development Network, (Pakistan)
Legal reference:	Clause 3 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	Agha Khan Development Network, (Pakistan)
Estimation method:	Estimation is based on third party data. Tax expenditure is calculated at 20% (as highly paid services) of the total tax-exempt salaries reported by Agha Khan Development Network, (Pakistan)
No. of beneficiaries:	n.a.

2 Salary received by Pakistani seafarers

Description:	Salary received by a Pakistani seafarer, working on Pakistan flag vessels for one hundred and eighty three days or more during the year or a Pakistani seafarer working on a foreign vessel provided that such income is remitted to Pakistan;
Cost Estimate (Rs. in million):	67.68
Tax expenditure type:	Exemption from total income
Subject:	Employment
Beneficiary:	Employees (Pakistani seafarers)
Legal reference:	Clause 3 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	Pakistan National Shipping Corporation
Estimation method:	Estimation is based on third party data. Tax expenditure is calculated at 10% (average of tax slabs) of the total amount of tax-exempt salaries reported by PNSC.
No. of beneficiaries:	318

3 Foreign allowances

Description:	Any allowance or perquisite paid or allowed as such outside Pakistan by the Government to a citizen of Pakistan for rendering service outside Pakistan;
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Cost Estimate (Rs. in million):	1,001.86
Tax expenditure type:	Exemption from total income
Subject:	Employment
Beneficiary:	Employees (Pakistani diplomats posted abroad)
Legal reference:	Clause 5 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	Ministry of Foreign Affairs
Estimation method:	<p>Estimation is based on third party data. Tax expenditure is calculated at 15% (average paid allowances) of the total amount of tax-exempt allowances. Two types of allowances have been shared by M/o Foreign Affairs, which are exempt from tax.</p> <p>(1) Foreign Allowance = Rs. 6,122,344,550 (2) Entertainment Allowance = Rs. 556,755,375 Total comes to Rs. 6,679,099,925</p>
No. of beneficiaries:	n.a.

4 Pension received by a citizen of Pakistan from a former employer

Description:	Any pension received by a citizen of Pakistan from a former employer, other than where the person continues to work for the employer (or an associate of the employer);
Cost Estimate (Rs. in million):	2,732.76
Tax expenditure type:	Exemption from total income
Subject:	Employment
Beneficiary:	Retired employees (other than government employees)
Legal reference:	Clause 8 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	EOBI, pension funds registered with FBR
Estimation method	<p>Component 1: Total pensions disbursed by EOBI in TY 2020: Rs. 35,150,618,000. Tax expenditure is calculated at 5% (low paid employees).</p> <p>Component 2: There are 118 private pension and superannuation funds registered with FBR. These mainly belong to private sector companies. Total payment of pensions made by these funds in TY 2020: Rs. 16,253,793,676. Tax expenditure is calculated at 6% (employees who's pay, pension or allowance is on average side).</p> <p>Note 1: Data was collected through a survey which included all 118 registered funds. About 45% of them responded till the compilation of this report. Hence, total figure was reached by taking average payment based on data received from the responses, and multiplying it to 118.</p> <p>Note 2: For clarity, it may be noted that these are pension funds other than those registered by SECP under the Voluntary Pension System Rules. The latter do not fall under this clause.</p>
No. of beneficiaries:	n.a.

5 Pensions received by Government servants

Description:	Pensions received by employees of Federal Government, Provincial Government, or Armed Forces, or their families and dependents;
Cost Estimate (Rs. in million):	13,710.00
Tax expenditure type:	Exemption from total income

Subject:	Employment
Beneficiary:	Retired government employees (civil and military)
Legal reference:	Clause 9 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	Accountants Generals (Provincial, Federal, Railway, Pakistan Post, Military)
Estimation method:	Estimation is based on third party data. Tax Expenditure is calculated @ 7.5% (employees who's pay, pension or allowance is on average side)
No. of beneficiaries:	n.a.

6 Commutation of Pension

Description:	Any payment in the nature of commutation of pension received from Government or under any pension scheme approved by the Board;
Cost Estimate (Rs. in million):	9,642.77
Tax expenditure type:	Exemption from total income
Subject:	Employment
Beneficiary:	Retired employees (government and private)
Legal reference:	Clause 12 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	Accountants Generals; Private pension funds registered with FBR
Estimation method:	<p>This has two components, government commutations and private commutations. Estimation is based on third party data.</p> <p>Component 1: Total value of commutation (government) for TY 2020: Rs. 111,588,238,314. Tax expenditure is calculated at 7.5% (employees who's pay, pension or allowance is on average side).</p> <p>Component 2: There are 118 private pension and superannuation funds registered with FBR. These mainly belong to private sector companies. Total payment of commutations made by these funds in TY 2020: Rs. 16,981,991,582. Tax expenditure is calculated at 7.5% (employees who's pay, pension or allowance is on average side).</p> <p>Note: Data was collected through a survey which included all 118 registered funds. About 45% of them responded til the compilation of this report. Hence, total figure was reached by taking average payment based on data received from the responses, and multiplying it to 118.</p>
No. of beneficiaries:	n.a.

7 Gratuities

Description:	Any income representing any payment received by way of gratuity by employees of Government, or from any gratuity fund approved by the Commissioner in accordance with the rules in Part III of the Sixth Schedule of the ITO-2001;
Cost Estimate (Rs. in million):	695.47
Tax expenditure type:	Exemption from total income
Subject:	Employment
Beneficiary:	Employees (government and private)
Legal reference:	Clause 13 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001

Validity period:	Permanent
Source of data:	Accountants Generals; Gratuity funds registered with FBR
Estimation method:	<p>This clause has two components, gratuity payments received by government employees and private sector employees.</p> <p>Component 1:</p> <p>There are a total of 451 Gratuity Funds registered with FBR. A random sample of 31 cases was selected and their audited accounts were inspected. Average payments made by Gratuity Funds, after normalizing the sample result, is multiplied with 451, and tax expenditure is calculated at the rate of 7.5% (employees who's pay, pension or allowance is on average side). Tax expenditure for this component is: Rs. 6,605,698,111.</p> <p>Component 2:</p> <p>Total gratuity payments in government (civil & military): Rs. 2,667,187,170. Tax expenditure is calculated at 7.5% (employees who's pay, pension or allowance is on average side).</p>
No. of beneficiaries:	n.a.

8 Income derived by the families and dependents of the "Shaheeds"

Description:	Income derived by the families and dependents of the "Shaheeds" belonging to the Civil Armed Forces of Pakistan
Cost Estimate (Rs. in million):	2.10
Tax expenditure type:	Exemption from total tax
Subject:	Employment
Beneficiary:	families and dependents of the "Shaheeds"
Legal reference:	Clause 17 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	Accountants Generals (Provincial, Federal, Railway, Pakistan Post, Military)
Estimation method:	Tax Exemption is calculated @ 7.5% (employees who's pay, pension or allowance is on average side)
No. of beneficiaries:	n.a.

9 Encashment of leave preparatory to retirement

Description:	Any sum representing encashment of leave preparatory to retirement of a member of the Armed Forces of Pakistan or an employee of the Federal Government or a Provincial Government;
Cost Estimate (Rs. in million):	1,139.86
Tax expenditure type:	Exemption from total income
Subject:	Employment
Beneficiary:	Retiring employees of government
Legal reference:	Clause 19 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	Accountants Generals
Estimation method:	Total value of payments made by AGs under this clause (TY 2020): Rs. 15,198,125,033. Tax expenditure is calculated at 7.5% (employees who's pay, pension or allowance is on average side).
No. of beneficiaries:	n.a.

10 Payments from a provident fund under Provident Funds Act, 1925

Description:	Any payment from a provident fund to which the Provident Funds Act, 1925 (XIX of 1925) applies;
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Cost Estimate (Rs. in million):	6,686.92
Tax expenditure type:	Exemption from total income
Subject:	Employment
Beneficiary:	Employees
Legal reference:	Clause 22 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	Provincial and federal budget documents available online; figures reported by MAG; audited accounts of third parties listed in the schedule of Provident Fund Act 1925
Estimation method	Component 1 (government): As per financial statements of AGs available online, payments made by provincial and federal governments under provident fund head, are Rs. 122,040,289,630: - (Tax expenditure is calculated at 10% after deducting 50% contribution of Employee). MAG has not yet shared its figures of Provident Fund. Hence Previous Year Figures are taken again for estimation. Component 2 (listed orgs): Payments from 28 provident funds of listed organizations: Rs. 11,698,181,099 (Grossing up of 17 organizations' figures), (Tax expenditure is calculated at 10% after deducting 50% contribution of Employee)
No. of beneficiaries:	n.a.

11 Accumulated balance from a recognized provident fund

Description:	The accumulated balance due and becoming payable to an employee participating in a recognized provident fund;
Cost Estimate (Rs. in million):	246.41
Tax expenditure type:	Exemption from total income
Subject:	Employment
Beneficiary:	Employees participating in a recognized provident fund.
Legal reference:	Clause 23 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	Audited accounts of provident funds registered with FBR
Estimation method:	Random sampling; there are a total of 1205 Provident Funds registered with FBR. A random sample of 40 Provident Funds out of these was taken, and their audited accounts were analyzed. The average "accumulated balance due and becoming payable to an employee", after normalizing the sample data, is multiplied with 1205. This gives the total amount falling under this clause. (Tax expenditure is calculated at 10% after deducting 50% contribution of Employee)
No. of beneficiaries:	n.a.

12 Accumulated balance received from Pension Funds registered under Voluntary Pension System Rules.

Description:	The accumulated balance up to 50% received from Pension Funds registered under Voluntary Pension System Rules, 2005 at the time of eligible person's- (a)retirement; or (b)disability rendering him unable to work; or (c)death by his nominated survivors;
Cost Estimate (Rs. in million):	79.63
Tax expenditure type:	Exemption from total income
Subject:	Social Security

Beneficiary:	Employees; self-employed
Legal reference:	Clause 23A of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2006
Validity period:	Permanent
Source of data:	SECP; Pension Funds registered by SECP under Voluntary Pension System Rules 2005
Estimation method:	As per data provided by SECP, there are 19 Pension Funds. Data for the purpose of this clause was provided by these Pension Funds. Cost of exemption applied is 7.5% (employees who's pay, pension or allowance is on average side) of the total accumulated balance received under this clause.
No. of beneficiaries:	n.a.

13 Monthly installments from an income payment plan

Description:	The amounts received as monthly installment from an in- come payment plan invested out of the accumulated balance of an individual pension accounts with a pension fund manager or an approved annuity plan or another individual pension account of eligible person or the survivors pension account maintained with any other pension fund manager as specified in the Voluntary Pension System Rules 2005 shall be exempt from tax provided accumulated balance is invested for a period of ten years;
Cost Estimate (Rs. in million):	25.17
Tax expenditure type:	Exemption from total income
Subject:	Savings & Investment
Beneficiary:	Employees; self-employed
Legal reference:	Clause 23B of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2012
Validity period:	Permanent
Source of data:	SECP; Pension Funds registered by SECP under Voluntary Pension System Rules 2005
Estimation method:	As per data provided by SECP, there are 19 Pension Funds. Data for the purpose of this clause was provided by these Pension Funds. Cost of exemption applied is 7.5% of the total amount falling under this clause.
No. of beneficiaries:	n.a.

14 Withdrawal of accumulated balance from approved pension fund

Description:	Any withdrawal of accumulated balance from approved pension fund that represent the transfer of balance of approved provident fund to the said approved pension fund under the Voluntary Pension System Rules, 2005;
Cost Estimate (Rs. in million):	147.75
Tax expenditure type:	Exemption from total income
Subject:	Savings & Investment
Beneficiary:	Employees; self-employed
Legal reference:	Clause 23C of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2012
Validity period:	Permanent
Source of data:	SECP; Pension Funds registered by SECP under Voluntary Pension System Rules 2005
Estimation method:	As per data provided by SECP, there are 19 Pension Funds. Data for the purpose of this clause was provided by these Pension Funds. Cost of exemption applied is 7.5% (employees who's pay, pension or allowance is on average side) of the total amount falling under this clause.

No. of beneficiaries:	n.a.
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15 Benevolent Fund grants

Description:	Any benevolent grant paid from the Benevolent Fund to the employees or members of their families in accordance with the provisions of the Central Employee Benevolent Fund and Group Insurance Act, 1969;
Cost Estimate (Rs. in million):	482.90
Tax expenditure type:	Exemption from total income
Subject:	Social Security
Beneficiary:	Employees (government)
Legal reference:	Clause 24 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	M.D., Federal Employees Benevolent & Group Insurance Funds (FEB & GIF)
Estimation method:	Total disbursements from Benevolent Fund & Group Insurance in TY 2020: 6,438,600,000. Cost of exemption is taken at 7.5% (employees who's pay, pension or allowance is on average side)
No. of beneficiaries:	n.a.

16 Payments from approved superannuation funds on the death of a beneficiary

Description:	Any payment from an approved superannuation fund made on the death of a beneficiary or in lieu of or in commutation of any annuity, or by way of refund of contribution on the death of a beneficiary;
Cost Estimate (Rs. in million):	43.97
Tax expenditure type:	Exemption from total income
Subject:	Social Security
Beneficiary:	Families of employees enrolled in approved superannuation funds
Legal reference:	Clause 25 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	Private pension and superannuation funds registered with FBR
Estimation method:	<p>There are 118 private pension and superannuation funds registered with FBR. These mainly belong to private sector companies. Total payment of pensions made by these funds under this clause in TY 2020: Rs. 586,250,060. Tax expenditure is calculated at 7.5% (employees who's pay, pension or allowance is on average side).</p> <p>Note: Data was collected through a survey which included all 118 registered funds. About 45% of them responded till the compilation of this report. Hence, total figure was reached by taking average payment based on data received from the responses, and multiplying it to 118</p>
No. of beneficiaries:	n.a.

17 Income received by workers from out of the Workers Participation Fund (WPF)

Description:	Any income of a person representing the sums received by him as a worker from out of the Workers Participation Fund established under the Companies Profits (Workers Participation) Act, 1968 (XII of 1968);
Cost Estimate (Rs. in million):	0.0

Tax expenditure type:	Exemption from total income
Subject:	Social Security
Beneficiary:	Low-income workers; recipients of payments from WPF
Legal reference:	Clause 26 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	n.a.
Estimation method:	WPF payments cover workers drawing minimum wages, who are already under Below Tax Limit threshold. Hence, no tax expenditure is involved for this clause.
No. of beneficiaries:	n.a.

18 Any special allowance or benefit granted to meet expenses incurred in the performance of the duties

Description:	Any special allowance or benefit (not being entertainment or conveyance allowance) or other perquisite within the meaning of section 12 specially granted to meet expenses wholly and necessarily incurred in the performance of the duties of an office or employment of profit;
Cost Estimate (Rs. in million):	947.76
Tax expenditure type:	Exemption from total income
Subject:	Employment
Beneficiary:	Employees
Legal reference:	Clause 39 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	Income tax returns
Estimation method:	1. (TY 2020) Tax-exempt value of ""Expenditure Reimbursement"" field from returns (Code 1059): Rs. 1,889,308,703. 2. (TY 2020) Tax-exempt value of ""Allowances (including Flying / Submarine Allowance)"" (Code 1049) less tax exempt Flying / Submarine Allowance (Code 64210052): 4442604036 - 13,536,202 = Rs. 4,429,067,833 Total = Rs. 6,318,376,536 Cost of exemption is taken at 15% of this amount (average to highly paid employees)
No. of beneficiaries:	n.a.

19 Income of a newspaper employee representing Local Travelling Allowance

Description:	Any income of a newspaper employee representing Local Travelling Allowance paid in accordance with the decision of the Third Wage Board for Newspaper Employees constituted under the Newspaper Employees (Conditions of Service) Act, 1973;
Cost Estimate (Rs. in million):	n.a. (but expected to be nominal)
Tax expenditure type:	Exemption from total income
Subject:	Employment
Beneficiary:	Employees (newspapers)
Legal reference:	Clause 40 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	n.a.
Estimation method:	n.a.
No. of beneficiaries:	n.a.

20 Employment related perquisites

Description	The following perquisites received by an employee by virtue of his employment, namely: - free or subsidized food provided by hotels and restaurants to its employees during duty hours; - free or subsidized education provided by an educational institution to the children of its employees; - free or subsidized medical treatment provided by a hospital or a clinic to its employees; - any other perquisite or benefit for which the employer does not have to bear any marginal cost, as notified by the Board;
Cost Estimate (Rs. in million):	134.16
Tax expenditure type:	Exemption from total income
Subject:	Employment
Beneficiary:	Employees
Legal reference:	Clause 53A of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2005
Validity period:	Permanent
Source of data:	Income tax returns
Estimation method:	Value of tax-exempt Perquisites (Code 1089) for TY 2020 is taken for this clause, as these could not fit under any other exemption: Rs. 670,818,234. Cost of exemption is taken at 20% of this amount.
No. of beneficiaries:	n.a.

21 Judges of the Supreme Court & High Courts (house rent allowance)

Description:	The perquisites represented by the right of a judge of the Supreme Court of Pakistan or of a judge of High Court to occupy free of rent as a place of residence any premises provided by Federal or Provincial Government, as the case may be, or in case a judge chooses to reside in a house not provided by Government, so much of income which represents the sum paid to him as house rent allowance;
Cost Estimate (Rs. in million):	35.00
Tax expenditure type:	Exemption from total income
Subject:	State Apparatus
Beneficiary:	Judiciary of Superior Courts
Legal reference:	Clause 55 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	Provincial AGs and AGPR
Estimation method:	Total house rent allowance paid to judges (TY 2019): Rs. 127,171,078. Cost of exemption is taken at 25%
No. of beneficiaries:	Number of in-service judges: (BHC: 15, PHC: 20, LHC: 43, IHC: 7, SHC: 28, SCP: 17) Total : 130

22 Judges of the Supreme Court & High Courts (other perquisites, benefits and allowances)

Description:	The following perquisites, benefits and allowances received by a Judge of Supreme Court of Pakistan and Judge of High Court, shall be exempt from tax: a. Perquisites and benefits derived from use of official car. b. Superior judicial allowance. c. Transfer allowance payable to a Judge of High Court. The following perquisites of the Judge of Supreme Court of Pakistan and Judge of High Court shall also be exempt from tax during service, and on or after retirement. (a) The services of a driver and an orderly. (b) 1000 (one thousand) free local telephone calls per month.
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	(c) 1000 units of electricity as well as (25 hm ³ of gas) per month and free supply of water; and (d) 200 litres of petrol per month. If during service, a judge dies, exemption from tax in respect of benefits and perquisites provided to widow as mentioned in sub clause (2) shall also be available to the widow;
Cost Estimate (Rs. in million):	290.00
Tax expenditure type:	Exemption from total income
Subject:	State Apparatus
Beneficiary:	Judiciary of Superior Courts
Legal reference:	Clause 56 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	Provincial AGs and AGPR
	Total superior judicial allowance as reported by AGs: Rs. 526,507,439 (A) Total value of perquisites for in-service & retired judges: Rs. 605,280,000 (B) Total (A+B): Rs. 1,131,787,439 Tax expenditure is calculated at 25%. =====
Estimation method:	Breakdown of perquisites and their estimated value is as under: - Official Car expense: (130 judges x 12 months x Rs. 30,000 estimated expense per month): Rs. 46,800,000 - Driver & Orderly: (25k salary per month per servant x 2 servants x 12 months x 520 judges): Rs. 312,000,000 - Telephone: (Rs. 2 per minute x 1000 minutes x 12 months x 520 judges): Rs. 12,480,000 - Electricity: (Rs. 12 per unit x 1000 units x 12 months x 520 judges): Rs. 74,880,000 - Water: (Rs. 500 per month x 12 months x 520 judges): Rs. 3,120,000 - Gas: (Rs. 5000 per month x 12 months x 520 judges): Rs. 31,200,000 - Fuel: (200 litres x Rs. 100 per litre x 12 months x 520 judges): Rs. 124,800,000
No. of beneficiaries:	Number of in-service judges: 130, Number of retired judges (estimated - three times): 390 Total: 520

23 Income from voluntary contributions, house property and investments in securities of the Federal Government derived by certain entities

Description:	Any income from voluntary contributions, house property and investments in securities of the Federal Government derived by the following, namely:- (i) National Investment (Unit) Trust of Pakistan (ii) Mutual Fund set up by the Investment Corporation of Pakistan, (iii) Sheikh Sultan Trust, Karachi;
Cost Estimate (Rs. in million):	40.20
Tax expenditure type:	Exemption from total income
Subject:	Donations, Charities and Non-Profit Organizations
Beneficiary:	National Investment (Unit) Trust of Pakistan, Mutual Funds set up by Investment Corporation of Pakistan, Sheikh Sultan Trust Karachi
Legal reference:	Clause 57(1) of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001

Validity period:	Permanent
Source of data:	NIT; income tax return of Sheikh Sultan Trust
Estimation method:	1. NIT states that it does not claim any exemption under this clause. 2. Investment Corporation of Pakistan is non-existent. 3. Sheikh Sultan Trust, Karachi, has claimed exempt income (2020) of Rs. 138,535,890 (Exempt Income from Property + Exempt Income from other sources). Corporate rate applied for calculating cost of exemption.
No. of beneficiaries:	3

24 Income other than capital gain on stock and shares held for less than 12 months derived by collective investment schemes & mutual funds.

Description:	Any income other than capital gain on stock and shares of public company, PTC vouchers, Modaraba certificates, or any instrument of redeemable capital and derivative products held for less than 12 months derived by any Mutual Fund, investment company, or a collective investment scheme or a REIT Scheme or Private Equity and Venture Capital Fund or the National Investment (Unit) Trust of Pakistan, if not less than ninety per cent of its income of that year is distributed amongst the Unit- holders;
Cost Estimate (Rs. in million):	0.0
Tax expenditure type:	Exemption from total income
Subject:	Financial Sector
Beneficiary:	Collective investment schemes and mutual funds
Legal reference:	Clause 57(2) of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	Mutual funds
Estimation method:	As per reply received from Meezan, NIT, and HBL Mutual Funds, "Mutual Funds claim exemption under clause 99 of Part I of Second Schedule of the Ordinance, while the referred Clause 57(2) of Part I of Second Schedule of the Ordinance is not applicable". Hence, there is no cost of exemption for this clause.
No. of beneficiaries:	nil

25 Income of provident funds (under Provident Fund Act 1925)

Description:	Any income of a provident fund to which the Provident Funds Act, 1925 applies;
Cost Estimate (Rs. in million):	1783.60
Tax expenditure type:	Exemption from total income
Subject:	Social Security
Beneficiary:	Provident funds
Legal reference:	Clause 57(3)(i) of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	Income tax returns; Provident funds
Estimation method:	Application of corporate benchmark rate on exempt incomes of all provident funds listed in schedule of Provident Fund Act 1925 (Grossing up of 17 organizations' figures to 28 organizations) (Tax expenditure is calculated after subtracting 50% of contribution of employee)
No. of beneficiaries:	28+

26 Recognized provident fund or an approved superannuation fund or an approved gratuity fund

Description:	Any income of trustees on behalf of a recognized provident fund or an approved superannuation fund or an approved gratuity fund;
Cost Estimate (Rs. in million):	13,120.00
Tax expenditure type:	Exemption from total income
Subject:	Social Security
Beneficiary:	Recognized provident funds (other than those listed in Provident Fund Act 1925), approved superannuation funds, approved gratuity funds
Legal reference:	Clause 57(3)(ii) of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	Income tax returns
Estimation method:	Corporate benchmark rate has been applied on the reported exempt incomes of all funds registered with FBR under the three mentioned categories.
No. of beneficiaries:	451 gratuity funds, 1205 provident funds, and 117 pension & superannuation funds

27 Benevolent funds or group insurance schemes

Description:	Any income of a benevolent fund or group insurance scheme approved by the Board for the purposes of this clause;
Cost Estimate (Rs. in million):	138.60
Tax expenditure type:	Exemption from total income
Subject:	Social Security
Beneficiary:	Benevolent funds and group insurance schemes
Legal reference:	Clause 57(3)(iii) of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	Income tax returns
Estimation method:	There are 17 benevolent funds found registered with FBR, out of these 13 are filing return. Corporate benchmark tax rate is applied on incomes declared by filer benevolent funds.
No. of beneficiaries:	17

28 Service Fund; Unit, Station or Regimental Institute; and any recognized Regimental Thrift and Savings Fund

Description:	Any income of a Service Fund, any Unit, Station or Regimental Institute; and any recognized Regimental Thrift and Savings Fund, the assets of which consist solely of deposits made by members and profits earned by investment thereof;
Cost Estimate (Rs. in million):	n.a.
Tax expenditure type:	Exemption from total income
Subject:	Social Security
Beneficiary:	n.a.
Legal reference:	Clause 57(3)[(iv), (vi), (vii)] of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	n.a.
Estimation method:	n.a.
No. of beneficiaries:	n.a.

29 Employees Old Age Benefits Institution

Description:	Any income of Employees Old Age Benefits Institution established under the Employees Old Age Benefit Act, 1976 (XIV of 1976);
Cost Estimate (Rs. in million):	5,465.78
Tax expenditure type:	Exemption from total income
Subject:	Social Security
Beneficiary:	Employees Old Age Benefits Institution
Legal reference:	Clause 57(3)(v) of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	Income tax return
Estimation method:	Aggregation of income declared under all heads and application of corporate benchmark rate (Income from Property + Income from Business) Rs. 265,624,000 + Rs. 18,581,908,000
No. of beneficiaries:	1

30 Pension Funds approved by the SECP

Description:	Any income of a Pension Fund approved by the SECP;
Cost Estimate (Rs. in million):	740.18
Tax expenditure type:	Exemption from total income
Subject:	Financial Sector
Beneficiary:	Pension Funds registered with SECP under the Voluntary Pension System Rules, 2005
Legal reference:	Clause 57(3)(viii) of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2005
Validity period:	Permanent
Source of data:	SECP; income tax returns
Estimation method:	Application of corporate benchmark rate (of 29%) on income of pension funds falling under this clause.
No. of beneficiaries:	19

31 Profit or gain or benefit derived by a pension Fund on redemption of the seed capital invested in pension fund

Description:	Any profit or gain or benefit derived by a pension fund manager from a pension Fund approved under the Voluntary Pension System Rules, 2005, on redemption of the seed capital invested in pension fund as specified in the Voluntary Pension System Rules, 2005;
Cost Estimate (Rs. in million):	15.00
Tax expenditure type:	Exemption from total income
Subject:	Financial Sector
Beneficiary:	Pension Funds registered with SECP under the Voluntary Pension System Rules, 2005
Legal reference:	Clause 57(3)(ix) of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2005
Validity period:	Permanent
Source of data:	SECP; Pension funds
Estimation method:	Application of corporate benchmark rate on profits derived under this clause.
No. of beneficiaries:	19

32 International Irrigation Management Institute

Description:	Any income of International Irrigation Management Institute;
Cost Estimate (Rs. in million):	0.0

Tax expenditure type:	Exemption from total income
Subject:	International (non-residents)
Beneficiary:	International Irrigation Management Institute.
Legal reference:	Clause 57(3)(xi) of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2006
Validity period:	Permanent
Source of data:	Income tax return
Estimation method:	No return has been submitted for TY 2019 or 2020. Hence Cost of exemption cannot be ascertained.
No. of beneficiaries:	1

33 Punjab Pension Fund

Description:	Any income of Punjab Pension Fund established under the Punjab Pension Fund Act, 2007 and the trust established thereunder;
Cost Estimate (Rs. in million):	2,271.37
Tax expenditure type:	Exemption from total income
Subject:	Social Security
Beneficiary:	Punjab Pension Fund
Legal reference:	Clause 57(3)(xii) of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2010
Validity period:	Permanent
Source of data:	Income tax return
Estimation method:	Application of corporate benchmark rate.
No. of beneficiaries:	1

34 Sindh Province Pension Fund

Description:	Any income of Sindh Province Pension Fund established under the Sindh Province Pension Fund Ordinance, 2002;
Cost Estimate (Rs. in million):	1,162.26
Tax expenditure type:	Exemption from total income
Subject:	Social Security
Beneficiary:	Sindh Province Pension Fund
Legal reference:	Clause 57(3)(xiii) of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2014
Validity period:	Permanent
Source of data:	Provincial finance department, Sindh
Estimation method:	Application of corporate benchmark rate.
No. of beneficiaries:	1

35 Punjab General Provident Investment Fund

Description:	Any income of Punjab General Provident Investment Fund established under the Punjab General Provident Investment Fund Act, 2009 (V of 2009) and the trust established there- under;
Cost Estimate (Rs. in million):	161.10
Tax expenditure type:	Exemption from total income
Subject:	Social Security
Beneficiary:	Punjab General Provident Investment Fund
Legal reference:	Clause 57(3)(xiv) of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2015
Validity period:	Permanent
Source of data:	Income tax return

Estimation method:	Application of corporate benchmark rate. (tax expenditure is calculated after subtracting 50% of contribution of Employee).
No. of beneficiaries:	1
36	Khyber Pakhtunkhwa Retirement Benefits and Death Compensation Fund
Description:	Any income of Khyber Pakhtunkhwa Retirement Benefits and Death Compensation Fund;
Cost Estimate (Rs. in million):	219.18
Tax expenditure type:	Exemption from total income
Subject:	Social Security
Beneficiary:	Khyber Pakhtunkhwa Retirement Benefits and Death Compensation Fund
Legal reference:	Clause 57(3)(xv) of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2018
Validity period:	Permanent
Source of data:	Provincial finance department, KP
Estimation method:	Application of corporate benchmark rate.
No. of beneficiaries:	1
37	Khyber Pakhtunkhwa General Provident Investment Fund
Description:	Any income of Khyber Pakhtunkhwa General Provident Investment Fund;
Cost Estimate (Rs. in million):	1,118.03
Tax expenditure type:	Exemption from total income
Subject:	Social Security
Beneficiary:	Khyber Pakhtunkhwa General Provident Investment Fund
Legal reference:	Clause 57(3)(xvi) of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2018
Validity period:	Permanent
Source of data:	Provincial finance department, KP
Estimation method:	Application of corporate benchmark rate.(tax expenditure is calculated after subtracting 50% of contribution of Employee)
No. of beneficiaries:	1
38	Khyber Pakhtunkhwa Pension Fund
Description:	Any income of Khyber Pakhtunkhwa Pension Fund;
Cost Estimate (Rs. in million):	1,465.68
Tax expenditure type:	Exemption from total income
Subject:	Social Security
Beneficiary:	Khyber Pakhtunkhwa Pension Fund
Legal reference:	Clause 57(3)(xvii) of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2018
Validity period:	Permanent
Source of data:	Provincial finance department, KP
Estimation method:	Application of corporate benchmark rate.
No. of beneficiaries:	1
39	Donations
Description:	Any amount paid as donation to certain institution, foundations, societies, boards, trusts and funds;

Cost Estimate (Rs. in million):	3,690.50
Tax expenditure type:	Exemption from total income
Subject:	Donations, Charities and Non-Profit Organizations
Beneficiary:	Persons making donations to the listed organizations
Legal reference:	Clause 61 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	Audited accounts, websites
Estimation method:	Tax expenditure is calculated at 20% of the total donations received by the organizations. For organization-wise breakdown, please see Chapter 2.
No. of beneficiaries:	43+

40 Any amount donated to the Prime Minister's Special Fund for victims of terrorism

Description:	Any amount donated to the Prime Minister's Special Fund for victims of terrorism;
Cost Estimate (Rs. in million):	0.0
Tax expenditure type:	Exemption from total income
Subject:	Social Security
Beneficiary:	Persons making donations to the said fund
Legal reference:	Clause 64A of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2009
Validity period:	Permanent
Source of data:	SBP
Estimation method:	Account in SBP is inactive since May 2015
No. of beneficiaries:	nil

41 Donations made to the Chief Minister's (Punjab) Relief Fund for Internally Displaced Persons (IDPs)

Description:	Any amount donated to the Chief Minister's (Punjab) Relief Fund for Internally Displaced Persons (IDPs) of NWFP;
Cost Estimate (Rs. in million):	n.a. but assumed zero.
Tax expenditure type:	Exemption from total income
Subject:	Social Security
Beneficiary:	Persons making donations to the said fund
Legal reference:	Clause 64B of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2009
Validity period:	Permanent
Source of data:	n.a.
Estimation method:	n.a.
No. of beneficiaries:	n.a.

42 Flood relief funds

Description:	Prime Minister's Flood Relief Fund 2010 and Provincial Chief Ministers' Relief Funds, for victims of flood 2010;
Cost Estimate (Rs. in million):	n.a. but assumed zero.
Tax expenditure type:	Exemption from total income
Subject:	Social Security
Beneficiary:	Flood Relief Funds set up by Prime Minister and Provincial Chief Ministers
Legal reference:	Clause 64C of Part 1 of Second Schedule (ITO-2001)

Commencement year:	2010
Validity period:	Permanent
Source of data:	n.a.
Estimation method:	n.a.
No. of beneficiaries:	n.a.

43 Welfare Fund created under the Emigration Ordinance, 1979

Description:	Income derived from the Welfare Fund created under section 16 of the Emigration Ordinance, 1979 (except the income generated by the aforesaid Fund through commercial activities.);
Cost Estimate (Rs. in million):	0.0
Tax expenditure type:	Exemption from total income
Subject:	Social Security
Beneficiary:	Emigrants and their families in Pakistan
Legal reference:	Clause 65A of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2012
Validity period:	Permanent
Source of data:	Overseas Pakistanis Foundation
Estimation method:	As per Overseas Pakistanis Foundation, exemption has not been availed by this fund on any income. Hence, cost of exemption is zero.
No. of beneficiaries:	n.a.

44 Income derived by certain listed organizations (Clause 66 entities)

Description:	Clause 66 gives exemption from total income to certain listed organizations. These mainly include philanthropic organizations such as hospitals etc, but also include other government and non-government and international entities;
Cost Estimate (Rs. in million):	87,154.14
Tax expenditure type:	Exemption from total income
Subject:	Donations, Charities and Non-Profit Organizations
Beneficiary:	Organizations listed in this clause
Legal reference:	Clause 66 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2006
Validity period:	Permanent
Source of data:	Income tax returns; third party information where returns are not filed.
Estimation method:	Application of corporate benchmark rate, as tax expenditure. For organization-wise breakdown, please see Chapter 2.
No. of beneficiaries:	66+

45 Income from Sukuks

Description:	Any income derived by Sukuk holder in relation to Sukuk issued by “The Second Pakistan International Sukuk Company Limited” and the Third Pakistan International Sukuk Company Limited, including any gain on disposal of such Sukuk;
Cost Estimate (Rs. in million):	3,436.50
Tax expenditure type:	Exemption from total income
Subject:	International (non-residents)
Beneficiary:	Investors (Sukuk holders)
Legal reference:	Clause 72A of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2014
Validity period:	Permanent

Source of data:	Finance Division
Estimation method:	Profit paid under this clause in FY 2020 is USD 145 million (Rs. 22.910 billion). Tax expenditure is calculated at 15% (aggregate).
No. of beneficiaries:	n.a.

46 Hub Power Company Limited

Description:	Any profit on debt derived by Hub Power Company Limited on or after the first day of July, 1991, on its bank deposits or accounts with financial institutions directly connected with financial transactions relating to the project operations;
Cost Estimate (Rs. in million):	9.37
Tax expenditure type:	Exemption from total income
Subject:	Business & Industry – Energy and Mining
Beneficiary:	Hub Power Company Limited
Legal reference:	Clause 74 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	Income tax return
Estimation method:	Tax rate on profit on debt (15%) applied on exempt profit on debt as per income tax return
No. of beneficiaries:	1

47 Income of foreign entities

Description:	Any income of an agency of a foreign Government, a foreign national (company, firm or association of persons), or any other non-resident person approved by the Federal Government for the purposes of this clause, from profit on moneys borrowed under a loan agreement or in respect of foreign currency instrument approved by the Federal Government;
Cost Estimate (Rs. in million):	7,362.80
Tax expenditure type:	Exemption from total income
Subject:	International (non-residents)
Beneficiary:	Agencies of foreign Governments, foreign nationals or any other non-resident person approved by the Federal Government;
Legal reference:	Clause 75 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	Finance Division
Estimation method:	Interest payments under this clause for TY 2020 are USD 466 million (Rs. 73.628 billion) (@TY 2020 Average Rupees rate of 158/USD - see the worksheet of US\$ - Source SBP). Tax expenditure is calculated at 10%. Long Term Loans: USD 450 million Short Term Loans: USD 16 million Total Interest on loans: USD 466 million
No. of beneficiaries:	n.a.

48 Profit on debt on foreign currency accounts

Description:	Any profit on debt derived from foreign currency accounts held with authorized banks in Pakistan, or certificate of investment issued by investment banks in accordance with Foreign Currency Accounts Scheme introduced by the State Bank of Pakistan;
Cost Estimate (Rs. in million):	n.a.

Tax expenditure type:	Exemption from total income
Subject:	Savings & Investment
Beneficiary:	Foreign currency account holders
Legal reference:	Clause 78 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	Commercial banks
Estimation method:	As per information provided by commercials banks, there is no profit on debt paid under this clause in the period under review. Hence, tax expenditure is zero for this clause.
No. of beneficiaries:	nil

49 Profit on debt derived by non-resident Pakistanis on rupee accounts

Description:	Any profit on debt derived from a rupee account held with a scheduled bank in Pakistan by a citizen of Pakistan residing abroad, where the deposits in the said account are made exclusively from foreign exchange remitted into the said account;
Cost Estimate (Rs. in million):	n.a.
Tax expenditure type:	Exemption from total income
Subject:	Savings & Investment
Beneficiary:	Citizens of Pakistan residing abroad and remitting foreign exchange
Legal reference:	Clause 79 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	Commercial banks
Estimation method:	As per information provided by commercials banks, there is no profit on debt paid under this clause in the period under review. Hence, tax expenditure is zero for this clause.
No. of beneficiaries:	nil

50 Income from foreign currency accounts where deposits were made before 1999

Description:	Any income derived from a private foreign currency account held with an authorized bank in Pakistan, or certificate of investment issued by investment banks in accordance with the Foreign Currency Accounts Scheme introduced by the State Bank of Pakistan, by a resident individual who is a citizen of Pakistan: Provided that the exemption under this clause shall not be available in respect of any incremental deposits made in the said accounts on or after the 16th day of December, 1999, or in respect of any accounts opened under the said scheme on or after the said date;
Cost Estimate (Rs. in million):	0.0
Tax expenditure type:	Exemption from total income
Subject:	Savings & Investment
Beneficiary:	Foreign currency account holder resident individuals who are citizens of Pakistan
Legal reference:	Clause 80 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	nil
Estimation method:	This clause pertains to deposits made before 1999, hence, no current applicability or negligible impact

No. of beneficiaries:	nil
51	Profit on debt payable by Pakistani industrial undertakings to financial institutions in foreign countries
Description:	Profit on debt payable by an industrial undertaking in Pakistan (i) on moneys borrowed by it under a loan agreement with a financial institution in a foreign country (ii) on moneys borrowed or debts incurred by it in a foreign country in respect of the purchase of capital plant and machinery;
Cost Estimate (Rs. in million):	n.a.
Tax expenditure type:	Exemption from total income
Subject:	International (non-residents)
Beneficiary:	Financial institutions in foreign countries lending with approval of Federal Government of Pakistan
Legal reference:	Clause 90 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	n.a.
Estimation method:	n.a.
No. of beneficiaries:	n.a.
52	Profit on debt on bonds issued by Pakistan Mortgage Refinance Company
Description:	Any profit on debt derived by any person on bonds issued by Pakistan Mortgage Refinance Company to refinance the residential housing mortgage market
Cost Estimate (Rs. in million):	4.20
Tax expenditure type:	Exemption from total income
Subject:	Savings & Investment
Beneficiary:	Investors / buyers of bonds issued by Pakistan Mortgage Refinance Company
Legal reference:	Clause 90A of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2018
Validity period:	5 years
Source of data:	Pakistan Mortgage Refinance Company
Estimation method:	Application of benchmark rate (15% on Profit on Debt).
No. of beneficiaries:	nil
53	Text-book boards of Provinces
Description:	Any income of a text-book board of a Province
Cost Estimate (Rs. in million):	583.40
Tax expenditure type:	Exemption from total income
Subject:	Education, Health, Sports, & Culture
Beneficiary:	Provincial text book boards
Legal reference:	Clause 91 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	Income tax returns; text book board where return is not filed
Estimation method:	Application of corporate benchmark rate.
No. of beneficiaries:	4
54	Sports Boards (except Pakistan Cricket Board)

Description:	Any income derived by any Board or other organization established by Government in Pakistan for the purposes of controlling, regulating or encouraging major games and sports recognized by Government, except Pakistan Cricket Board;
Cost Estimate (Rs. in million):	61.84
Tax expenditure type:	Exemption from total income
Subject:	Education, Health, Sports, & Culture
Beneficiary:	Sports boards
Legal reference:	Clause 98 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	Income tax returns; Provincial sports departments
Estimation method:	Aggregation based on available information, and use of average for each province where information is not available
No. of beneficiaries:	5 - 10 (estimated)

55 Collective Investment Schemes and REITs

Description:	Any income derived by a Collective Investment Scheme or a REIT Scheme, if not less than ninety per cent of its accounting income of that year, as reduced by capital gains whether realized or unrealized, is distributed amongst the unit or certificate holders or shareholders as the case may be;
Cost Estimate (Rs. in million):	16,176.50
Tax expenditure type:	Exemption from total income
Subject:	Financial Sector
Beneficiary:	Collective Investment Schemes and REIT Schemes that are distributing more than 90% of their incomes to certificate holders / shareholders.
Legal reference:	Clause 99 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	Since 2001, substituted in 2008
Validity period:	Permanent
Source of data:	SECP, income tax returns
Estimation method:	As per data provided by SECP, there are 220 registered Collective Investment Schemes / Mutual Funds, and one REIT. Their exempt incomes have been aggregated from their income tax returns, and benchmark rates applied (No other revenue will be added for tax expenditure)
No. of beneficiaries:	221

56 Profits and gains on sale of immovable property to a REIT Scheme

Description:	Profits and gains accruing to a person on sale of immovable property to a REIT Scheme;
Cost Estimate (Rs. in million):	0.0
Tax expenditure type:	Exemption from total income
Subject:	Others
Beneficiary:	Taxpayers selling immovable property to a Developmental REIT Scheme or a rental REIT Scheme
Legal reference:	Clause 99A of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2007
Validity period:	2020 (Developmental REIT), 2021 (Rental REIT)
Source of data:	SECP, REIT
Estimation method:	There is only one REIT in the country according to the information provided by SECP. Information requisitioned from the said REIT reveals that it did not undertake a transaction with anyone during

the period reported for. Hence, tax expenditure is zero.

No. of beneficiaries:	nil
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57 Modarabas

Description:	Income, except income from manufacturing or trading activity, of a registered Modaraba, provided not less than ninety per cent of its total profits are distributed amongst the share- holders;
Cost Estimate (Rs. in million):	261.25
Tax expenditure type:	Exemption from total income
Subject:	Financial Sector
Beneficiary:	Modarabas registered under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980
Legal reference:	Clause 100 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	SECP; income tax returns
Estimation method:	Application of benchmark rate on declared income of Modarabas
No. of beneficiaries:	29

58 Venture capital companies and venture capital funds

Description:	Venture capital companies and venture capital funds registered under Venture Capital Companies and Funds Management Rules, 2000 and a Private Equity and Venture Capital Funds;
Cost Estimate (Rs. in million):	3.63
Tax expenditure type:	Exemption from total income
Subject:	Financial Sector
Beneficiary:	Venture capital companies venture capital funds, and Private Equity & Venture Capital Funds.
Legal reference:	Clause 101 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2000
Validity period:	2024
Source of data:	SECP; income tax returns
Estimation method:	Application of benchmark rate on declared income of venture capital companies
No. of beneficiaries:	5

59 Income representing a subsidy granted by the Federal Government

Description:	Income of a person as represents a subsidy granted to him by the Federal Government for the purposes of implementation of any orders of the Federal Government in this behalf;
Cost Estimate (Rs. in million):	4,508.87
Tax expenditure type:	Exemption from total income
Subject:	State Apparatus
Beneficiary:	Recipients of subsidies granted by Federal Government
Legal reference:	Clause 102A of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2006
Validity period:	Permanent
Source of data:	Annual budget document of federal government; income tax returns
Estimation method:	As per budget documents of federal government, the recipients of subsidies where tax expenditure arises are the electricity distribution companies (Discos), SME's, COVID-19 Relief, Pak. Railways, PASSCO & USC (due to loss declaration). Minimum tax has been calculated as tax expenditure on the amount of

subsidies.

No. of beneficiaries:	6
60	Distributions received from collective investment scheme etc out of capital gains
Description:	Any distribution received by a taxpayer from a collective investment scheme out of the capital gains of the said scheme. This exemption is available to only such mutual funds, collective investment schemes that are debt or money market funds and these do not invest in shares;
Cost Estimate (Rs. in million):	1.00
Tax expenditure type:	Exemption from total income
Subject:	Savings & Investment
Beneficiary:	Investors investing in debt or money market mutual funds and collective investment schemes
Legal reference:	Clause 103 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	Since 2001, substituted in 2008
Validity period:	Permanent
Source of data:	Mutual funds
Estimation method:	Application of benchmark tax rate on distributions falling under this clause
No. of beneficiaries:	n.a.
61	Libyan Arab Foreign Investment Company
Description:	Income derived by the Libyan Arab Foreign Investment Company being dividend of the Pak-Libya Holding Company;
Cost Estimate (Rs. in million):	0.0
Tax expenditure type:	Exemption from total income
Subject:	International (non-residents)
Beneficiary:	Libyan Arab Foreign Investment Company
Legal reference:	Clause 104 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	Field formation of FBR
Estimation method:	M/s Pak Libya Holding Company has not paid any dividend to Libyan Arab Foreign Investment Company during the period under review.
No. of beneficiaries:	1
62	Saudi-Pak Industrial and Agricultural Investment Company Limited
Description:	Income derived by the Government of Kingdom of Saudi Arabia being dividend of the Saudi-Pak Industrial and Agricultural Investment Company Limited;
Cost Estimate (Rs. in million):	26.00
Tax expenditure type:	Exemption from total income
Subject:	International (non-residents)
Beneficiary:	Government of Kingdom of Saudi Arabia
Legal reference:	Clause 105 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	Field formation of FBR
Estimation method:	Benchmark tax rate applied on dividend income
No. of beneficiaries:	1
63	Pak Kuwait Investment Company in Pakistan

Description:	Income derived by Kuwait Foreign Trading Contracting and Investment Company or Kuwait Investment Authority being dividend of the Pak Kuwait Investment Company in Pakistan;
Cost Estimate (Rs. in million):	67.50
Tax expenditure type:	Exemption from total income
Subject:	International (non-residents)
Beneficiary:	Kuwait Foreign Trading Contracting & Investment Company, and Kuwait Investment Authority
Legal reference:	Clause 105A of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2004
Validity period:	Permanent
Source of data:	Field formation of FBR
Estimation method:	Benchmark tax rate applied on dividend income (15% of the amount of dividend income)
No. of beneficiaries:	1

64 Income received by a taxpayer from a corporate agricultural enterprise

Description:	Income received by a taxpayer from a corporate agricultural enterprise, distributed as dividend out of its income from agriculture;
Cost Estimate (Rs. in million):	44.00
Tax expenditure type:	Exemption from total income
Subject:	Business & Industry – Agribusiness
Beneficiary:	Taxpayers receiving dividend income from corporate agricultural enterprises
Legal reference:	Clause 105B of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2008
Validity period:	Permanent
Source of data:	Income tax returns
Estimation method:	Total reported income from corporate agriculture farming in TY 2018: Rs. 286,114,224. Tax expenditure on dividend distributed out of this income is taken at 15%.
No. of beneficiaries:	39 companies reported income from corporate agricultural farming. The range of reported income is: Highest: Rs. 166,763,886 ; Lowest: Rs. 68,000

65 Transfer of a capital asset, being a member of an stock exchange

Description:	Gain on transfer of a capital asset, being a membership right held by a member of an existing stock exchange, for acquisition of shares and trading or clearing rights acquired by such member in new corporatized stock exchange in the course of corporatization of an existing stock exchange;
Cost Estimate (Rs. in million):	0.0
Tax expenditure type:	Exemption from total income
Subject:	Others
Beneficiary:	Members of Stock Exchange
Legal reference:	Clause 110B of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2007
Validity period:	Permanent
Source of data:	Pakistan Stock Exchange (PSX) In May 2012, the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 was enacted to provide for the corporatization and demutualization of the stock exchanges in Pakistan and to facilitate the integration of the stock exchanges. Pursuant to the Act, PSX (formerly Karachi Stock

Estimation method: Exchange) was converted from a company limited by guarantee to a public company limited by shares with effect from Aug 27, 2012 under the Companies Ordinance 1984. In lieu of membership rights, the former members of PSX were then issued shares in the said converted stock exchange. Accordingly, the exemption available under this clause was practically available in the tax year 2013 only.

No. of beneficiaries: nil

66 Gain by Pakistan Mortgage Refinance Company

Description: Any gain by a person on transfer of a capital asset, being a bond issued by Pakistan Mortgage Refinance Company to refinance the residential housing mortgage market;

Cost Estimate (Rs. in million): 0.0

Tax expenditure type: Exemption from total income

Subject: Savings & Investment

Beneficiary: Persons deriving gain from bonds issued by Pakistan Mortgage Refinance Company

Legal reference: Clause 110C of Part 1 of Second Schedule (ITO-2001)

Commencement year: 2018

Validity period: 2023

Source of data: Pakistan Mortgage Refinance Company

Estimation method: PMRC has reported that it has not yet issued any bonds, hence no profit or any capital gain was derived by any person. There is no tax expenditure for this clause.

No. of beneficiaries: nil

67 Income from Export Processing Zones Authority

Description: Income under the head "capital gains" derived by industrial undertakings set up in a "Zone" within the meaning of the Export Processing Zones Authority Ordinance, 1980;

Cost Estimate (Rs. in million): n.a.

Tax expenditure type: Exemption from total income

Subject: Business & Industry – General

Beneficiary: Industrial undertakings set up in "Zones" within the meaning of Export Processing Zones Authority Ordinance

Legal reference: Clause 114 of Part 1 of Second Schedule (ITO-2001)

Commencement year: 2001

Validity period: Permanent

Source of data: Export Processing Zones Authority (EPZA)

Estimation method: Data regarding NTN/CNICs of industrial units is not available

No. of beneficiaries: Presently the EPZA has established seven Export Processing Zones (EPZs) in the country. The number of industrial units operational within the zones are as under:

- Karachi EPZ: 237
- Sialkot EPZ: 24
- Risalpur EPZ: 22
- Gujranwala EPZ: 07
- Saindak EPZ (Baluchistan): Single entity zone
- Duddar EPZ: Single entity zone
- Tuwairqi EPZ (Bin Qasim area Karachi): Single entity zone (dormant)

Total beneficiaries: 289

68 Public sector universities

Description:	Income of a public sector university established solely for educational purposes and not for the purposes of profit;
Cost Estimate (Rs. in million):	10,715.95
Tax expenditure type:	Exemption from total income
Subject:	Education, Health, Sports, & Culture
Beneficiary:	Public sector Universities
Legal reference:	Clause 126 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2014
Validity period:	Permanent
Source of data:	Income tax returns
Estimation method:	There are 116 public sector universities. Out of these, 111 are filer, 5 are non-filer, and 3 are unregistered (not found on tax roll). From income tax returns, tax expenditure is calculated by applying corporate benchmark rate on exempt income. (Tax Expenditure is calculated after reducing the amount of exempt income to 60% on account of expenses)
No. of beneficiaries:	116 approx.

69 Income derived by Companies from Gawadar Port operations

Description:	Income derived by China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gawadar International Terminal Limited, Gawadar Marine Services Limited and Gawadar Free Zone Company Limited from Gawadar Port operations;
Cost Estimate (Rs. in million):	65.12
Tax expenditure type:	Exemption from total income
Subject:	International (non-residents)
Beneficiary:	China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gawadar International Terminal Limited, Gawadar Marine Services Limited and Gawadar Free Zone Company Limited
Legal reference:	Clause 126A of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2007
Validity period:	23 years
Source of data:	China Overseas Ports Holding Company Limited (COPHCL)
Estimation method:	Application of benchmark tax rate (29%)
No. of beneficiaries:	5

70 Businesses set up in the Gawadar Free Zone Area

Description:	Profit and gains derived by a taxpayer from businesses set up in the Gawadar Free Zone Area;
Cost Estimate (Rs. in million):	0.0
Tax expenditure type:	Exemption from total income
Subject:	Business & Industry – General
Beneficiary:	All businesses set up in Gawadar Free Zone
Legal reference:	Clause 126AA of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2016
Validity period:	23 years
Source of data:	China Overseas Ports Holding Company Limited (COPHCL)
Estimation method:	As per the data provided by COPHCL, there are around 20 businesses registered in GFZ area. Out of these, only six are filing returns. However, no business is availing exemption, as they are declaring losses with zero or nominal turnover.
No. of beneficiaries:	nil

71 Profit on debt under a Financing Agreement with the China Overseas Ports Holding Company Limited

Description:	Profit on debt derived by- (a) any foreign lender; or (b) any local bank having more than 75 per cent shareholding of the Government or the State Bank of Pakistan, under a Financing Agreement with the China Overseas Ports Holding Company Limited;
Cost Estimate (Rs. in million):	0.0
Tax expenditure type:	Exemption from total income
Subject:	International (non-residents)
Beneficiary:	Foreign lenders or public sector banks/State bank having financing agreement with China Overseas Ports Holding Company Limited
Legal reference:	Clause 126AB of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2016
Validity period:	23 years
Source of data:	China Overseas Ports Holding Company Limited (COPHCL)
Estimation method:	As per data furnished by COPHC Limited, there is no profit on debt derived under this clause, for the period under re- view. Hence, cost of exemption is zero.
No. of beneficiaries:	nil

72 Income derived by contractors and sub-contractors from Gawadar Port operations

Description:	Income derived by contractors and sub-contractors of China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gawadar International Terminal Limited, Gawadar Marine Services Limited and Gawadar Free Zone Company Limited from Gawadar Port operations;
Cost Estimate (Rs. in million):	105.52
Tax expenditure type:	Exemption from total income
Subject:	International (non-residents)
Beneficiary:	Contractors and sub-contractors of mentioned companies from Gawadar Port operations
Legal reference:	Clause 126AC of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2016
Validity period:	Twenty years
Source of data:	China Overseas Ports Holding Company Limited (COPHCL)
Estimation method:	Application of benchmark tax rate (29%)
No. of beneficiaries:	nil

73 Dividend income derived by China Overseas Ports Holding Company Limited from its subsidiaries

Description:	Income derived by China Overseas Ports Holding Company Limited being dividend received from China Overseas Ports Holding Company Pakistan (Private) Limited, Gwadar International Terminal Limited Gwadar Marine Services Limited and Gwadar Free Zone Company Limited;
Cost Estimate (Rs. in million):	0.0
Tax expenditure type:	Exemption from total income
Subject:	International (non-residents)
Beneficiary:	China Overseas Ports Holding Company Limited
Legal reference:	Clause 126AD of Part 1 of Second Schedule (ITO-2001)

Commencement year:	2016
Validity period:	23 years
Source of data:	China Overseas Ports Holding Company Limited (COPHCL)
Estimation method:	As per data furnished by COPHCL, no dividend income derived during the period of study, hence cost of exemption is zero.
No. of beneficiaries:	1

74 Profit and gains derived by Khalifa Coastal Refinery

Description:	Profit and gains derived by Khalifa Coastal Refinery;
Cost Estimate (Rs. in million):	0.0
Tax expenditure type:	Exemption from total income
Subject:	International (non-residents)
Beneficiary:	Khalifa Coastal Refinery
Legal reference:	Clause 126B of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2007
Validity period:	20 years
Source of data:	Income tax return
Estimation method:	Taxpayer, registered with the name of Coastal Refinery Limited, is declaring loss and paying minimum tax. Hence, no tax expenditure is found.
No. of beneficiaries:	1

75 Refinery set up between 2018 and 2023

Description:	Profits and gains derived by a refinery set up between the 1st day of July, 2018 and the 30th day of June, 2023 with minimum 100,000 barrels per day production capacity. Exemption under this clause is also available to existing refineries, if— (a) existing production capacity is enhanced by at least 100,000 barrels perday; (b) the refinery maintains separate accounts for income arising from aforesaid additional production capacity; and (c) the refinery is a deep conversion refinery;
Cost Estimate (Rs. in million):	1,724.66
Tax expenditure type:	Exemption from total income
Subject:	Business & Industry – Energy and Mining
Beneficiary:	Oil refineries
Legal reference:	Clause 126BA of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2018
Validity period:	20 years
Source of data:	Income tax returns
Estimation method:	Rate of benchmark minimum tax applied in the case of refineries is 0.5% (Tax Expenditure = 1.5% - 0.5% = 1%)
No. of beneficiaries:	1

76 Industrial undertakings set up in Larkano Industrial Estate

Description:	Profits and gains derived by a taxpayer from an industrial undertaking set up in Larkano Industrial Estate from 2008 to 2013;
Cost Estimate (Rs. in million):	0.0
Tax expenditure type:	Exemption from total income
Subject:	Business & Industry – General
Beneficiary:	Industrial undertakings set up in Larkano Industrial Estate

Legal reference:	Clause 126C of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2008
Validity period:	10 years
Source of data:	Relevant field formation of FBR
Estimation method:	No industrial undertaking is availing exemption under this clause.
No. of beneficiaries:	nil

77 Industrial undertaking set up in the Gawadar under Export Processing Zone Authority Ordinance, 1980

Description:	Profits and gains derived by a taxpayer from an industrial undertakings set up in the Gawadar declared by the Federal Government to be a Zone within the meaning of Export Processing Zone Authority Ordinance, 1980;
Cost Estimate (Rs. in million):	0.0
Tax expenditure type:	Exemption from total income
Subject:	Business & Industry – General
Beneficiary:	Industrial undertaking set up in the Gawadar
Legal reference:	Clause 126D of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2009
Validity period:	10 years
Source of data:	Export Processing Zones Authority
Estimation method:	Gawadar EPZ is being developed and not operational at the moment. Hence, tax expenditure is zero.
No. of beneficiaries:	nil

78 Zone enterprise and zone developers (Special Economic Zones)

Description:	Income derived by a zone enterprise as defined in the Special Economic Zones Act, 2012 and developer of zone for a period of ten years;
Cost Estimate (Rs. in million):	200.00
Tax expenditure type:	Exemption from total income
Subject:	Business & Industry – General
Beneficiary:	Zone enterprise as defined in the Special Economic Zones Act, 2012, and developers of zones.
Legal reference:	Clause 126E of Part 1 of Second Schedule (ITO-2001)
Commencement year:	Inserted in 2009, substituted in 2013
Validity period:	10 years
Source of data:	Board of Investment
Estimation method:	This clause has two components. Component 1 consists of tax expenditure calculated to the extent of 5 Zone developers for TY 2018: Rs. 131,382,606. Regarding component 2, there are 48 zone enterprises located in different SEZs, as per data provided by BOI. Only two enterprises found to be claiming exemption, amounting to Rs. 66,150,400.
No. of beneficiaries:	7

79 Astro Plastics (Pvt) Limited & Novatex Limited

Description:	Profits and gains derived by the following companies from the projects mentioned against each that have been declared 'Pioneer Industry' by Economic Coordination Committee of the Cabinet:- 1. Income of Astro Plastics (Pvt) Limited derived from their project Biaxially Oriented Polyethylene Terephthalate (BOP- ET) Project; and 2. Income of Novatex Limited derived from their project Biaxially Oriented Polyethylene Terephthalate (BOPET)
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	Project;
Cost Estimate (Rs. in million):	0.0
Tax expenditure type:	Exemption from total income
Subject:	Business & Industry – General
Beneficiary:	Astro Plastics (Pvt) Limited, & M/s. Novatex Limited
Legal reference:	Clause 126G of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2014
Validity period:	5 years
Source of data:	Field formation
Estimation method:	M/s Astro Plastics (Pvt) Limited has been merged with Ismail Industries & did not claim exemption. M/s Novatex Limited did not claim exemption.
No. of beneficiaries:	2

80 Fruit processing or preservation

Description:	Income from fruit processing or preservation units set up in Balochistan Province, Malakand Division, Gilgit Baltistan and FATA between the first day of July, 2014 to the thirtieth day of June, 2017;
Cost Estimate (Rs. in million):	0.0
Tax expenditure type:	Exemption from total income
Subject:	Business & Industry – Agribusiness
Beneficiary:	Fruit processing or preservation units set up in Balochistan Province, Malakand Division, Gilgit Baltistan and ex-FATA
Legal reference:	Clause 126H of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2014
Validity period:	5 years
Source of data:	n.a.
Estimation method:	n.a.
No. of beneficiaries:	n.a.

81 Manufacture of plant, machinery, equipment and items with dedicated use for generation of renewable energy

Description:	Industrial undertakings set up by 31st day of December, 2016 and engaged in the manufacture of plant, machinery, equipment and items with dedicated use for generation of renewable energy;
Cost Estimate (Rs. in million):	12.00
Tax expenditure type:	Exemption from total income
Subject:	Business & Industry – Energy and Mining
Beneficiary:	Manufacturers of plant, machinery & equipment for use in generation of renewable energy sources.
Legal reference:	Clause 126I of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2015
Validity period:	5 years
Source of data:	Engineering Development Board
Estimation method:	Application of corporate benchmark rate on exempt income
No. of beneficiaries:	Only one company is found to be availing this exemption, in TY 2018.

82 Industrial undertaking in operating warehousing or cold chain facilities for storage of agriculture produce

Description:	Profits and gains derived by a taxpayer, from an industrial undertaking set up between 1st day of July, 2015 and 30th day of June, 2016 engaged in operating warehousing or cold chain facilities for storage of agriculture produce;
Cost Estimate (Rs. in million):	n.a.
Tax expenditure type:	Exemption from total income
Subject:	Business & Industry – Agribusiness
Beneficiary:	Industrial undertakings engaged in operating warehousing or cold chain facilities for storage of agriculture produce
Legal reference:	Clause 126J of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2015
Validity period:	3 years
Source of data:	n.a.
Estimation method:	n.a.
No. of beneficiaries:	n.a.

83 Halal meat production unit

Description:	Profits and gains derived by a taxpayer, from an industrial undertaking set up between the first day of July, 2015 and the 30th day of June, 2017 for establishing and operating a halal meat production unit;
Cost Estimate (Rs. in million):	0.00
Tax expenditure type:	Exemption from total income
Subject:	Business & Industry – Agribusiness
Beneficiary:	Halal meat production unit
Legal reference:	Clause 126K of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2015
Validity period:	4 years
Source of data:	Income tax returns
Estimation method:	FBR database was searched for companies having keyword "meat" in their name. Three companies were found under this head which are availing exemption from minimum tax (declaring losses). Hence, minimum tax is calculated as tax expenditure.
No. of beneficiaries:	3

84 Industrial undertakings set up in Khyber Pukhtunkhwa and Baluchistan between 2015 & 2018

Description:	Industrial undertakings set up in the Provinces of Khyber Pukhtunkhwa and Baluchistan between 1st day of July, 2015 and 30th day of June, 2018;
Cost Estimate (Rs. in million):	96.55
Tax expenditure type:	Exemption from total income
Subject:	Business & Industry – General
Beneficiary:	Industrial undertakings set up in the Provinces of Khyber Pukhtunkhwa and Baluchistan
Legal reference:	Clause 126L of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2015
Validity period:	5 years
Source of data:	Field formations of FBR
Estimation method:	Application of corporate benchmark rates (Only two cases found pertaining to KP)

No. of beneficiaries:	Only two cases found pertaining to KP
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85 Transmission line project

Description:	Profits and gains derived by a taxpayer from a transmission line project set up in Pakistan on or after the 1st day of July, 2015;
Cost Estimate (Rs. in million):	4.10
Tax expenditure type:	Exemption from total income
Subject:	Business & Industry – Energy and Mining
Beneficiary:	Companies deriving income from transmission line projects in Pakistan
Legal reference:	Clause 126M of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2015
Validity period:	10 years
Source of data:	CPEC website; income tax returns
Estimation method:	Only two companies engaged in MATIARI-LAHORE transmission line project are found to be availing this exemption. Minimum tax is calculated as tax expenditure, as companies are declaring loss
No. of beneficiaries:	2

86 Local cellular mobile phone manufacturers certified by Pakistan Telecommunication Authority

Description:	Profits and gains derived by a taxpayer from an industrial undertaking, duly certified by the Pakistan Telecommunication Authority, engaged in the manufacturing of cellular mobile phones setup and commercial production has commenced between the first day of July, 2015 and the thirtieth day of June, 2017;
Cost Estimate (Rs. in million):	0.40
Tax expenditure type:	Exemption from total income
Subject:	Business & Industry – General
Beneficiary:	Local cellular mobile phone manufacturers
Legal reference:	Clause 126N of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2015
Validity period:	5 years
Source of data:	Pakistan Telecommunication Authority; Income tax returns
Estimation method:	PTA has provided list of 30 telecom companies falling under this clause. Tax expenditure is calculated by applying corporate benchmark rates on exempt income/turnover declared, to the extent of filers. Nine (9) companies among these are non-filer, hence their data is not available.
No. of beneficiaries:	30

87 Green field industrial undertaking

Description:	Profits and gains of a company from a green field industrial undertaking incorporated on or after the first day of July, 2019;
Cost Estimate (Rs. in million):	0.0
Tax expenditure type:	Exemption from total income
Subject:	Business & Industry – General
Beneficiary:	Green field industrial undertakings
Legal reference:	Clause 126O of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2019
Validity period:	5 years
Source of data:	n.a.
Estimation method:	n.a.

No. of beneficiaries: n.a.

88 Royalty, commission or fees earned from a foreign enterprise

Description:	Royalty, commission or fees earned from a foreign enterprise in consideration for the use outside Pakistan of any patent, invention, model, design, secret process or formula or similar property right or information concerning industrial, commercial or scientific knowledge, experience or skill made available or provided to such enterprise by the company or in the consideration of technical services rendered outside Pakistan to such enterprise by the company under an agreement in this behalf;
Cost Estimate (Rs. in million):	1.50
Tax expenditure type:	Exemption from total income
Subject:	Science, Technology, & Innovation
Beneficiary:	Innovators and technical experts
Legal reference:	Clause 131 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	State Bank of Pakistan
Estimation method:	As per State Bank data, value of inward remittances on account of royalty, commissions or fees for technical services during TY 2019 is USD 970,000 (Rs. 150,350,000). Tax expenditure is calculated at 1%.
No. of beneficiaries:	n.a.

89 Electric power generation project

Description:	<p>Profits and gains derived by a taxpayer from an electric power generation project set up in Pakistan on or after the 1st day of July, 1988, subject to following conditions:</p> <p>(a) owned and managed by a company formed for operating the said project and registered under the Companies Ordinance, 1984 (XLVII of 1984), and having its registered office in Pakistan;</p> <p>(b) not formed by the splitting up, or the reconstruction or reconstitution, of a business already in existence or by transfer to a new business of any machinery or plant used in a business which was being carried on in Pakistan at any time before the commencement of the new business; and</p> <p>(c) owned by a company fifty per cent of whose shares are not held by the Federal Government or Provincial Government or a 1[Local Government] or which is not controlled by the Federal Government or a Provincial Government or a 2[Local Government]</p> <p>Provided further that exemption under this clause shall also be available to the expansion projects of the existing Independent Power Projects already in operation;</p>
Cost Estimate (Rs. in million):	47,528.40
Tax expenditure type:	Exemption from total income
Subject:	Business & Industry – Energy and Mining
Beneficiary:	Electric power generation projects
Legal reference:	Clause 132 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	Income tax returns
Estimation method:	Application of corporate benchmark rates on exempt incomes

	electric power generation projects
No. of beneficiaries:	73 approx.
90	Bosicor Oil Pakistan Limited (refinery)
Description:	Profit and gains derived by Bosicor Oil Pakistan Limited;
Cost Estimate (Rs. in million):	0.0
Tax expenditure type:	Exemption from total income
Subject:	Business & Industry – Energy and Mining
Beneficiary:	Bosicor Oil Pakistan Limited (refinery)
Legal reference:	Clause 132A of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2009
Validity period:	7.5 years
Source of data:	Income tax return
Estimation method:	Time period given in the clause, i.e. 7.5 years, has been lapsed, since insertion was made in TY 2009. There is no current applicability of this exemption, therefore, tax expenditure is zero.
No. of beneficiaries:	1
91	Coal mining projects in Sindh
Description:	Profits and gains derived by a taxpayer from Coal mining projects in Sindh, supplying coal exclusively to power generation projects;
Cost Estimate (Rs. in million):	0.0
Tax expenditure type:	Exemption from total income
Subject:	Business & Industry – Energy and Mining
Beneficiary:	Coal mining projects in Sindh
Legal reference:	Clause 132B of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2014
Validity period:	Permanent
Source of data:	Energy Department, Govt of Sindh
Estimation method:	As per Energy Department, Govt of Sindh, only one company, SECMC, falls under this clause. SECMC declared loss in TY 2018 having nominal turnover. Hence cost of exemption is negligible, and rounded to zero.
No. of beneficiaries:	1
92	Exporters of computer software, IT services or IT enabled services
Description:	Income from exports of computer software or IT services or IT enabled services. Provided that eighty per cent of the export proceeds is brought into Pakistan in foreign exchange remitted from outside Pakistan through normal banking channels;
Cost Estimate (Rs. in million):	1,944.60
Tax expenditure type:	Exemption from total income
Subject:	Science, Technology, & Innovation
Beneficiary:	Exporters of computer software, IT services or IT enabled services
Legal reference:	Clause 133 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2003
Validity period:	2025
Source of data:	State Bank of Pakistan
Estimation method:	Total income reported by State Bank for TY 2020 is US\$ 1,230,757,000 (Average USD rate is Rs. 158 for TY 2020). Tax expenditure is calculated at 1% as per rate on exports.

(Source: SBP)

No. of beneficiaries:	n.a.
93	Non-residents deriving income from investment in OGDCL
Description:	Income derived by non-residents from investment in OGDCL exchangeable bonds issued by the Federal Government;
Cost Estimate (Rs. in million):	0.0
Tax expenditure type:	Exemption from total income
Subject:	International (non-residents)
Beneficiary:	Non-residents deriving income from investment in OGDCL exchangeable bonds issued by the Federal Government.
Legal reference:	Clause 135A of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2012
Validity period:	Permanent
Source of data:	OGDCL
Estimation method:	Although the process of issuance of exchangeable bonds was started in the year 2010, however it could not be concluded, therefore OGDCL did not issue any such bonds. As the bonds were not issued therefore no such income derived by non-residents from investment in OGDCL exchangeable bonds. Cost of exemption is zero.
No. of beneficiaries:	nil

94	Special purpose vehicle as defined in the Asset Backed Securitization
Description:	Income of a special purpose vehicle as defined in the Asset Backed Securitization Rules, 1999;
Cost Estimate (Rs. in million):	0.0
Tax expenditure type:	Exemption from total income
Subject:	Financial Sector
Beneficiary:	Special purpose vehicles as defined in the Asset Backed Securitization Rules, 1999
Legal reference:	Clause 136 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	SECP
Estimation method:	As per information provided by SECP, there is no special purpose vehicle registered under Asset Backed Securitization Rules, 1999
No. of beneficiaries:	nil

95	Medical treatment or hospitalization for employees
Description:	The benefit represented by free provision to the employee of medical treatment or hospitalization or both by an employer or the reimbursement received by the employee of the medical charges or hospital charges or both paid by him;
Cost Estimate (Rs. in million):	1,825.76
Tax expenditure type:	Exemption from total income
Subject:	Employment
Beneficiary:	Employees receiving free medical care from employers.
Legal reference:	Clause 139 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2003
Validity period:	Permanent
Source of data:	Health insurance companies for private sector; Accountant Generals for public sector
	This estimate has two components as under:

Estimation method:

For private sector Aggregate value of insurance premium received by health insurance companies from employer companies in TY 2020 is Rs. 13,287,720,732 (grossed up data of 15 organizations to total of 30 organizations). Cost of exemption is taken at 10% of this amount, lump sum, keeping in view that bulk of employees claiming health insurance settlements would either be in middle or lower slabs.

For public sector Reimbursement of tax-exempt medical charges (government - civil): Rs. 4,552,984,585 (at previous year level as data for TY 2020 is not provided yet). Tax expenditure calculated at 10% (on average). Data for military is not available, as they have separate health system

No. of beneficiaries:	n.a.
96	LNG Terminal Operators and Terminal Owners
Description:	Profit and gains derived by LNG Terminal Operators and Terminal Owners;
Cost Estimate (Rs. in million):	1,714.29
Tax expenditure type:	Exemption from total income
Subject:	Business & Industry – Energy and Mining
Beneficiary:	LNG Terminal Operators and Terminal Owners
Legal reference:	Clause 141 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2015
Validity period:	5 years
Source of data:	OGRA; Income tax returns
Estimation method:	Application of corporate benchmark rates on exempt income
No. of beneficiaries:	2
97	Provincial social security institutions
Description:	Income from social security contributions derived by Balochistan Employees' Social Security Institution, Employees' Social Security Institution Khyber Pakhtunkhwa, Punjab Employees' Social Security Institution and Sindh Employees' Social Security Institution;
Cost Estimate (Rs. in million):	5,636.22
Tax expenditure type:	Exemption from total income
Subject:	Social Security
Beneficiary:	Provincial social security institutions
Legal reference:	Clause 142 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2015
Validity period:	Permanent
Source of data:	Respective social security institutions or their websites
Estimation method:	Total collection of social security contributions in TY 2019 is Rs. 17.3 billion, and province-wise breakdown is as under: - Balochistan: Rs.147,511,924 - KP: Rs.535,046,000 - Punjab: Rs.11,780,043,350 - Sindh: Rs.4,837,118,068 Tax expenditure calculated at benchmark corporate rate.
No. of beneficiaries:	4
98	Startups
Description:	Profit and gains derived by a start-up as defined in clause (62A) of section 2;

Cost Estimate (Rs. in million):	552.75
Tax expenditure type:	Exemption from total income
Subject:	Science, Technology, & Innovation
Beneficiary:	Startups as defined in clause (62A) of section 2 of the ITO-2001
Legal reference:	Clause 143 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2017
Validity period:	3 years
Source of data:	Pakistan Software Export Board; Income tax returns
Estimation method:	Export related proceeds of start-ups have been excluded for the purpose of this clause, as these have been accounted for under clause 133 of Part 1 of Second Schedule.
No. of beneficiaries:	472

99 Individuals domiciled or companies and associations of persons resident in the ex-Tribal Areas

Description:	Income of individuals domiciled or companies and associations of persons resident in the ex-Tribal Areas;
Cost Estimate (Rs. in million):	4,460.00
Tax expenditure type:	Exemption from total income
Subject:	Others
Beneficiary:	Individuals domiciled or companies and associations of persons resident in the ex-Tribal Areas
Legal reference:	Clause 145A & 146 of Part 1 of Second Schedule (ITO-2001)
Commencement year:	2018
Validity period:	2023
Source of data:	Income tax returns
Estimation method:	<p>Estimation of tax expenditure for this clause is based on data of registered taxpayers residing in the Districts of erstwhile FATA/PATA, who have filed returns and declared exempt incomes for the period under review. Cost of tax expenditure is taken at 15% for business individuals and AOPs, and 29% in the case of companies. Moreover, at least 50% of the non-filers (business individuals, AOPs, Companies) in the said districts have been assumed to be active in business and earning average income equivalent to or close to the filer tax-payers. Tax expenditure is accordingly worked out for these 50% of non-filers, based upon the average.</p> <p><u>Note:</u> Reliability of this estimate is low to medium, due to lack of sufficient data. It can be reasonably assumed that a vast majority of small and medium businesses, who are resident or domiciled in the districts of ex-FATA/PATA, are not on tax roll as tax laws have never had any applicability in these districts in the past, and there never was any enforcement or “broadening of tax base” drive here. Hence, actual estimate may be much higher.</p>
No. of beneficiaries:	n.a.

100 Clause 16, 39A, 51 & 52 of Part 1 of Second Schedule

Description:	Miscellaneous Clause 16, 39A, 51 & 52 of Part 1 of Second Schedule of Income Tax Ordinance 2001
Cost Estimate (Rs. in million):	1,203.40
Tax expenditure type:	Exemption from total income
Subject:	Employment
Beneficiary:	Employees, Armed Forces, Dependents, etc.
Legal reference:	Clause 16, 39A, 51 & 52 of Part 1 of Second Schedule (ITO-2001)

Commencement year:	2001
Validity period:	Permanent
Source of data:	AGs, Others
Estimation method:	Tax Expenditure is taken at 7.5% (employees who's pay, pension or allowance is on average side) (Aggregate of applicable tax rates in variable clauses as there are instances where it is BTL and some are part of salary)
No. of beneficiaries:	n.a.

REDUCTION IN TAX RATES

1 Income of Pakistan Cricket Board derived from sources outside Pakistan

Description:	The income of Pakistan Cricket Board derived from sources outside Pakistan shall be taxed at a rate of four per cent of the gross receipts from such sources;
Cost Estimate (Rs. in million):	0.00
Tax expenditure type:	Reduction in Tax Liability
Subject:	Education, Health, Sports, & Culture
Beneficiary:	Pakistan Cricket Board
Legal reference:	Clause 3B of Part 2 of Second Schedule (ITO-2001)
Commencement year:	2016
Validity period:	Permanent
Source of data:	Income tax return
Estimation method:	Net loss is declared in return, 4% tax on gross receipts is already higher than minimum tax that would have been payable, hence no tax expenditure is involved
No. of beneficiaries:	1

2 Reduced rate for Modarabas

Description:	In the case of a Modaraba the rate of income tax shall be 25% of total income excluding such part of total income to which Division III of Part I of the First Schedule or section 153 or section 154 applies;
Cost Estimate (Rs. in million):	0.00
Tax expenditure type:	Reduction in Tax Liability
Subject:	Financial Sector
Beneficiary:	Modarabas
Legal reference:	Clause 18 of Part 2 of Second Schedule (ITO-2001)
Commencement year:	2002
Validity period:	Permanent
Source of data:	SECP; Income tax returns
Estimation method:	No Modaraba company is found to be availing 25% tax rate under this clause. All are already claiming total exemptions under Clause 100 of Part 1 of Second Schedule or having loss.
No. of beneficiaries:	2

3 Companies setting up an industrial undertaking between 2014 and 2017

Description:	The rate of tax shall be reduced to 20% for a company setting up an industrial undertaking between the first day of July, 2014 to the thirtieth day of June, 2017, for a period of five years beginning from the month in which the industrial undertaking is set up or commercial production is commenced whichever is later. Provided that fifty percent of the cost of the project including
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Cost Estimate (Rs. in million):	working capital is through owner equity foreign direct investment; 0.0
Tax expenditure type:	Reduction in Tax Liability
Subject:	Business & Industry – General
Beneficiary:	Companies setting up an industrial undertaking between 2014 and 2017
Legal reference:	Clause 18A of Part 2 of Second Schedule (ITO-2001)
Commencement year:	2014
Validity period:	5 years
Source of data:	FBR's official database
Estimation method:	No companies have been found who are availing reduced rate of 20% are. Hence tax expenditure is zero
No. of beneficiaries:	nil

4 Shariah compliant listed corporate manufacturers

Description:	The rate of tax shall be reduced by 2% in case of a company whose shares are traded on stock exchange if it fulfills prescribed Shariah compliant criteria approved by State Bank of Pakistan, Securities and Exchange Commission of Pakistan and the Board, and derives income from manufacturing activities only;
Cost Estimate (Rs. in million):	0.00
Tax expenditure type:	Reduction in Tax Liability
Subject:	Business & Industry – General
Beneficiary:	Shariah compliant listed corporate manufacturers
Legal reference:	Clause 18B of Part 2 of Second Schedule (ITO-2001)
Commencement year:	2016
Validity period:	Permanent
Source of data:	SECP; Income tax returns
Estimation method:	SECP has accorded Shariah Compliance Certificate to only three companies in the country, on the basis of the Shariah Screening Criteria of Regulation 11 of the Shariah Governance Regulations, 2018. Analysis of income tax returns of these companies reveal that no company is availing the concession of 2% under this clause. Thus there is no tax expenditure under this clause.
No. of beneficiaries:	1

5 Compulsory Monetization of Transport Facility for Civil Servants

Description:	The tax on payments under the Compulsory Monetization of Transport Facility for Civil Servants in BS-20 to BS-22 (as reduced by deduction of driver's salary) shall be charged at the rate of 5% as a separate block of income;
Cost Estimate (Rs. in million):	100.00
Tax expenditure type:	Reduction in Tax Liability
Subject:	Employment
Beneficiary:	Employees (government servants of BS-20 and above)
Legal reference:	Clause 27 of Part 2 of Second Schedule (ITO-2001)
Commencement year:	2012
Validity period:	Permanent
Source of data:	Accountant Generals
Estimation method:	Monetization amount is already taxed at the rate of 5%. Tax expenditure is calculated at a further 10% of the monetization amount.
No. of beneficiaries:	n.a.

6 Hybrid Cars

	The rate of tax under section 148 on import of hybrid cars shall be reduced as below:— Up to 1200 cc - 100% 1201 to 1800 cc - 50% 1801 to 2500 cc - 25%;
Cost Estimate (Rs. in million):	24.00
Tax expenditure type:	Reduction in Tax Liability
Subject:	Others
Beneficiary:	Consumers of Hybrid Cars
Legal reference:	Clause 28A of Part 2 of Second Schedule (ITO-2001)
Commencement year:	2013
Validity period:	Permanent
Source of data:	Import data from FBR's official database
Estimation method:	Import data against relevant PCT codes was analyzed for the period under review. Concession has been availed only in the case of import of 95 vehicles, where withholding tax paid was less than the standard rate at import stage.
No. of beneficiaries:	95

7 E-commerce sector

Description:	The rates of tax shall be five percent in the case of a person running online marketplace as defined in clause (38B) of section 2;
Cost Estimate (Rs. in million):	0.0
Tax expenditure type:	Reduction in Tax Liability
Subject:	Science, Technology, & Innovation
Beneficiary:	E-commerce / IT sector
Legal reference:	Clause 28C of Part 2 of Second Schedule (ITO-2001)
Commencement year:	2017
Validity period:	Permanent
Source of data:	Pakistan Software Houses Association for IT & ITES (P@SHA)
Estimation method:	Analysis of income tax returns of major online marketplaces in Pakistan reveal that they are declaring losses, hence not availing this concession. A survey with the help of Pakistan Software Houses Association for IT & ITES (P@SHA) was launched to map online marketplaces. As per the responses received, no online marketplace has availed this concession so far. Hence, cost of exemption is zero.
No. of beneficiaries:	nil

REDUCTION IN TAX LIABILITY

1 Flying allowance

Description:	Any amount received as flying allowance by flight engineers, navigators of Pakistan Armed Forces, Pakistani Airlines or Civil Aviation Authority, Junior Commissioned Officers or other ranks of Pakistan Armed Forces; and submarine allowance by the officers of the Pakistan Navy, shall be taxed @ 2.5% as a separate block of income;
Cost Estimate (Rs. in million):	91.07

Tax expenditure type:	Reduction in tax liability
Subject:	Employment
Beneficiary:	Employees (persons receiving flying allowance)
Legal reference:	Clause 1(1) of Part 3 of Second Schedule (ITO-2001)
Commencement year:	2006
Validity period:	Permanent
Source of data:	FBR database
Estimation method:	Data extracted from income tax returns against field no. 64210052 and difference between tax liability at the rate of 20% (assumed as benchmark rate for the purpose of this clause) and 2.5% worked out.
No. of beneficiaries:	n.a.

2 Allowances received by Pilots of Pakistani Airlines

Description:	Total allowances received by pilots of any Pakistani airlines shall be taxed at a rate of 7.5%, provided that the reduction under this clause shall be available to so much of the allowances as exceeds an amount equal to the basic pay;
Cost Estimate (Rs. in million):	321.18
Tax expenditure type:	Reduction in tax liability
Subject:	Employment
Beneficiary:	Employees (pilots of Pakistani airlines)
Legal reference:	Clause 1(1AA) of Part 3 of Second Schedule (ITO-2001)
Commencement year:	2014
Validity period:	Permanent
Source of data:	Income tax returns
Estimation method:	Data extracted from income tax returns against field no. 64210053 and difference between tax liability at the rate of 20% (assumed as benchmark rate for the purpose of this clause) and 7.5% worked out
No. of beneficiaries:	n.a.

3 Full time teacher or a researcher

Description:	The tax payable by a full time teacher or a researcher, employed in a nonprofit education or research institution duly recognized by Higher Education Commission, a Board of Education or a University recognized by the Higher Education Commission, including government research institution, shall be reduced by an amount equal to 25% of tax payable on his income from salary;
Cost Estimate (Rs. in million):	2,425.00
Tax expenditure type:	Reduction in tax liability
Subject:	Education, Health, Sports, & Culture
Beneficiary:	Employees (full time teacher or a researcher)
Legal reference:	Clause 1(2) of Part 3 of Second Schedule (ITO-2001)
Commencement year:	2006
Validity period:	Permanent
Source of data:	Pakistan Bureau of Statistics
Estimation method:	Data of teachers is taken from PBS website, for the following categories of teachers: Arts/Science colleges, professional colleges, universities, econdary vocational institutions. Teachers in secondary schools have not been considered, being relatively less paid. Latest available data is for year 2017. For 2018, an 8% multiplier on number of teachers is used keeping in view increase in number of teachers over past years. Average annual salaries for different categories of teachers have been taken as following:

- Arts/Science College: Rs. 900,000
 - Professional College: Rs. 1,200,000
 - University: Rs. 2,400,000
 - Secondary vocational institutions: Rs. 1,800,000
- Separate data for researchers is not available.

- Total Expenditure for current year 2020 is calculated by adding 8% multiplier keeping in view the same growth rate taken last year.

No. of beneficiaries:	133,255 approx.
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4 Importers of old and used cars

Description:	In respect of old and used automotive vehicles, tax under section 148 shall not exceed the amount specified in Notification No. S.R.O. 577(I)/2005, dated the 6th June, 2005;
Cost Estimate (Rs. in million):	1.30
Tax expenditure type:	Reduction in tax liability
Subject:	Others
Beneficiary:	Importers of old and used cars
Legal reference:	Clause 4 of Part 3 of Second Schedule (ITO-2001)
Commencement year:	2004
Validity period:	Permanent
Source of data:	Import data from FBR's official database
Estimation method:	Import data against relevant PCT codes was analyzed for the period under review. Concession has been found to be availed only in the case of import of 12 vehicles.
No. of beneficiaries:	12

5 Foreign film-makers

Description:	The amount of tax payable by foreign film-makers from making films in Pakistan shall be reduced by fifty percent on income from film-making in Pakistan;
Cost Estimate (Rs. in million):	n.a.
Tax expenditure type:	Reduction in tax liability
Subject:	Education, Health, Sports, & Culture
Beneficiary:	Foreign film-makers
Legal reference:	Clause 7 of Part 3 of Second Schedule (ITO-2001)
Commencement year:	2018
Validity period:	Permanent
Source of data:	Income tax returns
Estimation method:	n.a.
No. of beneficiaries:	nil

6 Film making companies based in Pakistan

Description:	The amount of tax payable by resident companies deriving income from film making shall be reduced by seventy percent on income from film-making;
Cost Estimate (Rs. in million):	0.0
Tax expenditure type:	Reduction in tax liability
Subject:	Education, Health, Sports, & Culture
Beneficiary:	Film making companies based in Pakistan
Legal reference:	Clause 8 of Part 3 of Second Schedule (ITO-2001)
Commencement year:	Since 2001, omitted and reinserted in 2018
Validity period:	Permanent

Source of data:	Income tax returns
Estimation method:	Returns of major resident film companies were scrutinized. No company is found to have availed this concession.
No. of beneficiaries:	nil
7	Income from low cost housing projects
Description:	The tax payable on profits and gains derived by a person from low cost housing projects shall be reduced by fifty percent;
Cost Estimate (Rs. in million):	n.a.
Tax expenditure type:	Reduction in tax liability
Subject:	Business & Industry – General
Beneficiary:	Taxpayers deriving income from low cost housing projects
Legal reference:	Clause 9 of Part 3 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	Data is not available for this clause. Association of Builders & Developers (ABAD) was requested to furnish inventory of taxpayers falling under this clause. However, they informed that such data is not available with them.
Estimation method:	n.a.
No. of beneficiaries:	n.a.

REDUCTION FROM SPECIFIC PROVISIONS

1 Foreign exchange deposited in a private Foreign Currency account

Description:	The provisions of section 111 regarding un-explained income or assets shall not apply in respect of foreign exchange deposited in a private Foreign Currency account held with an authorized bank in Pakistan in accordance with the Foreign Currency Accounts Scheme introduced by the State Bank of Pakistan, excluding such accounts where incremental deposits were made on or after the 16th day of December, 1999;
Cost Estimate (Rs. in million):	0.0
Tax expenditure type:	Exemption from Specific Provisions
Subject:	Others
Beneficiary:	Foreign currency account holders
Legal reference:	Clause 5 of Part 4 of Second Schedule (ITO-2001)
Commencement year:	2001
Validity period:	Permanent
Source of data:	nil
Estimation method:	This clause pertains to deposits made before 1999, hence, no current applicability or negligible impact.
No. of beneficiaries:	nil

2 Minimum tax on incomes of certain entities

Description:	The provisions of section 113, regarding minimum tax, shall not apply to,-:- (a) Pakistan Red Crescent Society (b) Corporate and Industrial Restructuring Corporation (CIRC) (c) National Disaster Risk Management Fund
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Cost Estimate (Rs. in million):	61.72
Tax expenditure type:	Exemption from Specific Provisions
Subject:	Others
Beneficiary:	(a) Pakistan Red Crescent Society (b) Corporate and Industrial Restructuring Corporation (CIRC) (c) National Disaster Risk Management Fund
Legal reference:	Clause 11A of Part 4 of Second Schedule (ITO-2001)
Commencement year:	2009
Validity period:	Permanent
Source of data:	Income Tax Returns
Estimation method:	Minimum Tax rate is applied as Tax Expenditure
No. of beneficiaries:	3

3 Import of plant, machinery and equipment by M/s CSCEC & M/s CCCC

Description:	The provisions of section 148 shall not apply for import of plant, machinery and equipment in the case of:- (a) M/s China State Construction Engineering Corporation Ltd. (M/s CSCEC); and (b) M/s China Communication Construction Company (M/s CCCC);
Cost Estimate (Rs. in million):	840.00
Tax expenditure type:	Exemption from Specific Provisions
Subject:	International (non-residents)
Beneficiary:	M/s China State Construction Engineering Corporation Ltd. (M/s CSCEC); and M/s China Communication Construction Company (M/s CCCC).
Legal reference:	Clause 60A of Part 4 of Second Schedule (ITO-2001)
Commencement year:	2016
Validity period:	Permanent
Source of data:	Import data from FBR's official database
Estimation method:	- Value of WHT exempt imports of M/s CSCEC for TY 2019: Rs. 14,909,419,024 (Cost calculated at 5.5%) - Value of WHT exempt imports of M/s CCCC for TY 2019: Rs. 299,335,344 (Cost calculated at 5.5%)
No. of beneficiaries:	2

3 Import of firefighting equipment by industrial undertakings set up in the special economic zones

Description:	The provisions of section 148 shall not apply on import of firefighting equipment by industrial undertakings set up in the special economic zones established by the Federal Government;
Cost Estimate (Rs. in million):	25.00
Tax expenditure type:	Exemption from Specific Provisions
Subject:	Business & Industry – General
Beneficiary:	Industrial undertakings set up in the special economic zones
Legal reference:	Clause 60D of Part 4 of Second Schedule (ITO-2001)
Commencement year:	2019
Validity period:	Permanent
Source of data:	Import data from FBR's official database Relevant PCT codes include 38130000, 84241000, 85311000, 87053000.
Estimation method:	Difference is calculated (between 5.5% of import value against relevant PCT codes and actual WHT deducted at import state).

50% of this value is taken as tax expenditure for this clause, assuming that around half of exemptions availed relates to industrial undertakings set up in the SEZs.

No. of beneficiaries:	n.a.
4	M/s Dawat-e-Hadiya, Karachi and Lahore University of Management Sciences, Lahore
Description:	M/s Dawat-e-Hadiya, Karachi and Lahore University of Management Sciences, Lahore shall be deemed to have been approved by the Commissioner for the purpose of sub-section (36) of section 2 notwithstanding the provisions of clause (c) of sub-section (36) of section 2;
Cost Estimate (Rs. in million):	0.00
Tax expenditure type:	Exemption from Specific Provisions
Subject:	Donations, Charities and Non-Profit Organizations
Beneficiary:	M/s Dawat-e-Hadiya, Karachi and Lahore University of Management Sciences, Lahore
Legal reference:	Clause 63 of Part 4 of Second Schedule (ITO-2001)
Commencement year:	2008
Validity period:	Permanent
Source of data:	Income tax returns
Estimation method:	Tax Credit has already been accounted for under the Head Clause 100C in Tax Credit Portion
No. of beneficiaries:	2
5	M/s TAISEI Corporation
Description:	The provisions of this Ordinance shall not be applicable to the M/s TAISEI Corporation under the agreement with National Highway Authority, GOP;
Cost Estimate (Rs. in million):	0.00
Tax expenditure type:	Exemption from Specific Provisions
Subject:	International (non-residents)
Beneficiary:	M/s TAISEI Corporation
Legal reference:	Clause 71 of Part 4 of Second Schedule (ITO-2001)
Commencement year:	2009
Validity period:	Permanent
Source of data:	Income tax return
Estimation method:	No Exemption availed during TY 2019 and TY 2020. Application of corporate benchmark rate on exempt income equals to nil.
No. of beneficiaries:	1
6	Import and supply of items with dedicated use of renewable sources of energy
Description:	Provisions of sections 148 and 153 shall not be applicable on import and subsequent supply of items with dedicated use of renewable sources of energy;
Cost Estimate (Rs. in million):	1,230.00
Tax expenditure type:	Exemption from Specific Provisions
Subject:	Business & Industry – Energy and Mining
Beneficiary:	Importers and suppliers of items with dedicated use of renewable sources of energy
Legal reference:	Clause 77 of Part 4 of Second Schedule (ITO-2001)
Commencement year:	2011
Validity period:	Permanent
Source of data:	Import data from FBR's official database

Estimation method: Imports against PCT codes 85023100, 85044090, 85131040, 85131090, 85414000, 90328990. Tax expenditure calculated at 5.5%. (Insubstantial income declared by these companies in returns).

No. of beneficiaries: n.a.

7 Coal Mining and Coal based Power Generation Projects in Sindh

Description: (i) The dividend income of the shareholders of “Coal Mining and Coal based Power Generation Projects in Sindh” shall be exempt from provisions of section 150 from the date of commencement of business till 30 years from such date; and
(ii) The payments made on account of sale or supply of goods or providing or rendering of services during project construction and operations, shall be exempt from the provisions of section 152(2A) and section 153”;

Cost Estimate (Rs. in million): 0.68

Tax expenditure type: Exemption from Specific Provisions

Subject: Business & Industry – Energy and Mining

Beneficiary: Shareholders of coal mining and coal based power generation projects in Sindh

Legal reference: Clause 78 of Part 4 of Second Schedule (ITO-2001)

Commencement year: 2011

Validity period: 30 years

Source of data: Financial accounts & income tax returns

Estimation method: Dividends paid by ENGRO POWERGEN THAR (PVT.) LIMITED is Rs. 4,436,940, PORT QASIM ELECTRIC POWER COMPANY (PRIVATE) LIMITED is Rs. 0 and SECMC is Rs. 114,333 in TY 2019. (Tax Expenditure is calculated @ 15%)

(Information regarding component (ii) is not available.)

No. of beneficiaries: nil

8 Provisions of section 148 shall not apply to following equipment

Description: The provisions of section 148 shall not apply to-
(i) Tillage and seed bed preparation equipment
(ii) Seeding or planting equipment
(iii) Irrigation, drainage and agro-chemical application equipment
(iv) Harvesting, threshing and storage equipment
(v) Post-harvest handling and processing & miscellaneous machinery;

Cost Estimate (Rs. in million): 530.00

Tax expenditure type: Exemption from Specific Provisions

Subject: Business & Industry – Agribusiness

Beneficiary: Importers following equipment

Legal reference: Clause 91 of Part 4 of Second Schedule (ITO-2001)

Commencement year: 2015

Validity period: Permanent

Source of data: Import data from FBR's official database for 21 PCT codes

Estimation method: Difference (between 5.5% of import value against relevant PCT codes and WHT deducted at import state) is taken as tax expenditure.

No. of beneficiaries: n.a.

9 Commercial vehicles leased under the Prime Minister's Youth

Business Loan Scheme

Description:	The provisions of section 231B (1A) shall not apply to light commercial vehicles leased under the Prime Minister's Youth Business Loan Scheme;
Cost Estimate (Rs. in million):	n.a.
Tax expenditure type:	Exemption from Specific Provisions
Subject:	Others
Beneficiary:	Beneficiaries of PM's Youth Business Loan Scheme
Legal reference:	Clause 102 of Part 4 of Second Schedule (ITO-2001)
Commencement year:	2017
Validity period:	Permanent
Source of data:	n.a.
Estimation method:	n.a.
No. of beneficiaries:	n.a.

OTHERS / MISCELLANEOUS

1 Federal Government, Provincial Government, and Local Government income

Description:	<p>The income of the Federal Government shall be exempt from tax under this Ordinance. The income of a Provincial Government or a Local Government is exempt, other than income chargeable under the head "Income from Business" derived by a Provincial Government or Local Government from a business carried on outside its jurisdictional area.</p> <p>* Exemption under this section is not available in the case of corporation, company, a regulatory authority, a development authority, other body or institution established by or under a Federal law or a Provincial law or an existing law or a corporation, company, a regulatory authority, a development authority or other body or institution set up, owned and controlled, either directly or indirectly, by the Federal Government or a Provincial Government, regardless of the ultimate destination of such income as laid down in Article 165A of the Constitution of the Islamic Republic of Pakistan;</p>
Cost Estimate (Rs. in million):	32,620.45
Tax expenditure type:	Exemption
Subject:	State Apparatus
Beneficiary:	Government organizations
Legal reference:	Section 49 of ITO-2001
Commencement year:	2001
Validity period:	Permanent
Source of data:	Income tax returns of FTN (free tax number) holders, official website.
Estimation method:	Corporate Benchmark of 29% is applied on the all income of all filer government entities/bodies
No. of beneficiaries:	262+

VAT GAP MODEL USING SUPPLY-USE TABLES

04

4.1. Framework of VAT GAP

Definition of the VAT Gap: The VAT Gap refers to the VAT Policy Gap or the VAT Compliance Gap.

The VAT Policy Gap: The VAT Policy Gap¹ is the difference between the Potential VAT collectible under a benchmark or standard regime' of the VAT (where there are no exemptions, lower rates or special treatment of any type of consumption or sector/class of taxpayers), and the Potential VAT collectible under the current regime (which includes any special treatment of consumption or sector/class of taxpayers). The VAT Policy Gap estimates the revenue foregone due to the current policy of the government.

The VAT Compliance Gap: The VAT Compliance Gap is the difference between this Potential VAT collectible under the current regime and the Actual VAT collection. The VAT Compliance Gap estimates the gap in VAT due to non-compliance by taxpayers.

This study estimates VAT Policy GAP for the year 2021.

¹ The Vat GAP Model has been prepared for the first time by the research economist team of Pakistan Institute of Development Economics (PIDE) namely Dr. Mahmood Khalid, Senior Research Economist, Dr. Naseem Faraz, Senior Research Economist and Dr. Muhammad Nasir, Senior Research Economist.

4.2. Background on VAT-GAP

Efficient collection of taxes is considered as a cornerstone of a good tax system. However, because of non-compliance and other VAT foregone this efficiency may not be achieved. Therefore, it creates a Gap between potential VAT and actually collected VAT. Given tax base, if taxes remain unpaid, would cause burden on those who are contributing in this regards. Which is unfair and creates distortions in the economy. Further these unpaid VAT would put burden on the overall public finances resulting in either curtailing the government expenditures or increase the debt burden. Both of which are detrimental for growth and development goals of the government. Despite healthy revenue growth especially by FBR (for the period 2001-2020 average growth is 13.9%), Pakistan's overall revenue collection has been low when compared to the expenditure outlays.

One of the core reason for these under or low payment in relation to the base is because of Tax Expenditures². These are normally reported³ and Governments throughout the world use tax expenditures as an alternative policy option to achieve social objectives and promote economic growth. Tax expenditures as a percentage of the total tax collected (income, sales, FED, and customs) have been increasing over time. In Tax Expenditure Report 2020, based on data pertaining to Financial Year 2018-19, it has increased to an estimated Rs. 1,150 billion in which Tax expenditure for Sales Tax amounted the highest at Rs. 518.8 billion (45% of the total), and in Customs Rs. 253.1 billion (22%). In FY 2018-19, FBR's tax collection was Rs. 3,828 billion. Overall, tax expenditure to GDP ratio stands at around 3%.

Understanding the scale and the scope of VAT policy gap and evaluating cost and benefit analysis is prerequisite for fiscal governance especially for high deficit countries like Pakistan. One of the suitable approaches to measure the VAT Gap is Top-down approach. In the present analysis only "VAT-GAP" model estimation is done using Supply Use Tables. Sales Tax is currently single largest tax revenue source for FBR. In FY 2019-20 it amounted to 1,597 Billion

² A tax expenditure is a deviation from a defined "benchmark" tax structure. A benchmark is a reference tax system that defines what ought to be taxed in the normal course, when there are no deviations.

³ Amongst the G20 countries, 17 provide public estimates of tax expenditures (Hutton Eric, 2017). In Pakistan also under the PFM Act-2019 a detailed report was published for FY2019-20 by FBR and presented along with budget FY2020-21 in parliament. Whereas overall estimates have been published in Economic Survey, Ministry of Finance since 2008.

Rs. which is approximately 40% of the total tax collected by FBR. For Sales Tax (Domestic) the base is considered to be Large Scale Manufacturing (LSM) and for Sales Tax (Imports) the base is imports.

The assessment of VAT gap analysis provides a tool to tax administrators, policy makers and relevant stakeholders, which can be roped through policy choices.

4.3. Methodology

We use a detailed input-output model of Pakistan's economy to estimate the potential VAT from domestic sales. This supply-use table provide information on the final consumption as well as the production and use of goods and services in the economy. Not only does the model provide information on total use or gross sales for each of the 40 sectors in the supply-use table but it also provides crucial information on the intermediate and value of primary use, the value of import and exports, and the value of investment expenditures. In other words, the Input-output model provides the necessary information to the model 'Pakistan's potential sales tax base', including the taxable supplies, input credits, and refunds on exports. The most recent Input-output model for Pakistan's economy is for 20174. We re-benchmark this model to reflect the level of Pakistan's economy by sectors values for 2020, using national accounts data. The accuracy of our VAT gap estimates suffer significantly because the I-O model does not fully capture the informal sector.

4.4. Analysis

- **Consumption Approach**

The supply-use table provides information on the final consumption of consumer, government, exporters. The final consumption of commodities includes the VAT in the value. We eliminate the VAT from consumption at commodity level first, then we apply the Commodity VAT rate to calculate the potential VAT Policy Gap using the Supply-Use table.

The VAT Policy Gap is the difference between the Potential VAT collectible under a benchmark of the VAT (where there are no exemptions, lower rates or special treatment of any type of

4 Constructed by Asian Development Bank (ADB)

consumption or sector/class of taxpayers), and the Potential VAT collectible under the current regime (which includes any special treatment of consumption or sector/class of taxpayers).

Potential Policy VAT GAP

$$= (Final\ Consumption - VAT) \times \tau - \sum_c ((Final\ Consumption_c - VAT_c) \times \tau_c$$

Table 1: VAT Collected up to June 2020				
	VAT Collected		VAT Collected	
	(Rs. Million)		(\$ billion ⁵)	
ST(Imports)	876,352		5.84	
ST(Domestic)	720,532		4.81	
Total ST	1,689,477		10.65	
FED (Imports)	9,518		0.06	
FED (Domestic)	240,956		1.61	
Total FED	250,474		1.67	
Customs	626,612		4.18	
VAT Collected	2,473,970		16.50	
Table 2: Supply-Use Tables: Potential VAT GAP calculated using Consumption Approach				
	Sales Tax (\$Billion)	VAT Under Current Regime (\$Billion)	VAT Gap (\$Billion)	VAT Gap (% of Actual VAT Collected)
VAT Policy GAP	25.7	22.21	3.5	21.0

The estimates suggest VAT policy gap is about \$ 3.5 billion which is approximately 21 percent of Actual VAT collected up to 2020.

- **Value Added Approach**

To understand the methodology used to estimate the VAT gap, it is necessary to review some GDP accounting identities. There are three approaches to estimate the GDP, the income approach, expenditure approach, and the production approach or value added approach. As Input-output table uses both the expenditures approach (horizontally along the row of the model) and the model value added approach (vertically along the columns of the model) to GDP accounting.

The following GDP identities are

$$GDP = C + I + G + X - M = \sum Value_Added_c = \sum (Total_use - Value_Added)_c \quad (1)$$

⁵ Average exchange rate in 2020=150

Where C is the final consumption expenditures, I is the gross investment expenditures, G is the government purchases of goods and services, X is the value of exports and M is the value of imports

The subscript c stands for the commodities (sectors)

We can obtain an expression for the sales tax base by solving the left-hand-side of (1) for final consumption (C), which yields the following expression

$$\text{Sales tax base} = \text{GDP} + \text{M} - \text{I} - \text{G} - \text{X} \quad (2)$$

Substituting (2) into the right-hand-side (1), we obtain an equivalent expression for the sales tax base.

$$\text{Sales tax base} = \left(\sum \text{Value}_{\text{Added}_i} + M_i - I_i - X_i \right) - G \quad (3)$$

Multiplying (3) by the sales tax rate (τ_i) and re-arranging the resulting expression, we obtain the following definition

$$\text{Potential VAT}_c = \left(\sum \tau_c \times (\text{Total Use}_c + M_i - I_i - X_c - G_c) \right) \quad (4)$$

$$\begin{aligned} \text{Potential VAT Policy Gap} &= \left(\sum (\text{Total Use}_c + M_i - I_i - X_c - G_c) \right) \times \tau \\ &- \left(\sum \tau_c \times (\text{Total Use}_c + M_i - I_i - X_c - G_c) \right) \end{aligned} \quad (5)$$

The equation (5) provides operational definitions that are useful for estimating VAT Policy GAP.

Table 3: Supply-Use Tables: Potential VAT GAP calculated using Value Added Approach				
	Sales Tax (\$Billion)	VAT under current Regime (\$Billion)	VAT Gap (\$Billion)	VAT Gap (% of Actual VAT Collected)
VAT Policy GAP	26.1	22.3	3.8	23.0

Using the value added approach, the estimates suggest gap is about \$ 3.8 billion which is approximately 23 percent of VAT under current regime. This gap close to the VAT policy gap measured by the consumption approach.

APPENDIX

05

Estimations for tax expenditures of Sales Tax and Customs are based on data obtained from FBR's official database (PRAL). However, for estimations of Income Tax, the data requirement is more complicated. Data from official database, i.e. from income tax returns, has certain limitations, and therefore, it is not enough for calculating many tax expenditures. In some cases, additional data was requested from FBR's field formations, while in many other cases, data was collected from various third party sources. A list of these sources is given here:

Federal Government and semi-autonomous departments:

1. Accountant General Pakistan Revenue
2. Alternative Energy Development Board
3. Aviation Division
4. Board of Investment
5. Bureau of Emigration
6. Controller General of Accounts
7. Economic Affairs Division
8. Employees' Old-Age Benefits Institution
9. Engineering Development Board
10. Export Processing Zones Authority
11. Federal Employees Benevolent and Group Insurance Fund
12. Finance Division
13. Military Accountant General, Rawalpindi
14. Military Lands & Cantonment Headquarters, Rawalpindi
15. Ministry of Energy (Power Division)

16. Ministry of Foreign Affairs
17. Ministry of Maritime Affairs,
18. Ministry of Textile Industry
19. National Logistic Cell, Rawalpindi
20. National Transmission & Dispatch Company (NTDC)
21. Oil & Gas Development Company Limited (OGDCL)
22. Oil & Gas Regulatory Authority (OGRA)
23. Pakistan Agricultural Research Council
24. Pakistan Centre for Philanthropy (PCP)
25. Pakistan Council of Scientific and Industrial Research
26. Pakistan National Shipping Corporation
27. Pakistan Railway Headquarters, Lahore
28. Pakistan Software Export Board (PSEB)
29. Pakistan Telecommunication Authority (PTA)
30. Pakistan Water & Power Development Authority
31. Petroleum Division
32. Prime Ministers' Office (Prime Minister's Youth Program)
33. Private Power and Infrastructure Board (PPIB)
34. Registrar of Ships & Superintendent of Light Houses
35. Securities & Exchange Commission of Pakistan (SECP)
36. State Bank of Pakistan (SBP)

Provincial Government departments:

37. Accountant General, Balochistan
38. Accountant General, KPK
39. Accountant General, Punjab
40. Accountant General, Sindh
41. Board of Revenue, Balochistan
42. Board of Revenue, KPK
43. Board of Revenue, Punjab
44. Board of Revenue, Sindh
45. Directorate of Postal Accounts, Lahore
46. Energy Department, Sindh
47. Finance Department, Balochistan
48. Finance Department, KPK
49. Finance Department, Punjab
50. Finance Department, Sindh
51. Mines & Mineral Development Department (Sindh)
52. Provincial Sports Boards
53. Provincial Text Book Boards
54. Social Security Institutions

Financial institutions

55. Asset Management / Mutual Funds Institutions
56. Commercial Banks
57. Real Estate Investment Trust (Dolmen City)
58. Health Insurance Companies
59. National Investment Trust Limited
60. Pakistan Mortgage Refinance Company Limited,
61. Pakistan Stock Exchange
62. Pension Funds (registered under Voluntary Pension System)
63. Private pension funds and trusts (registered with FBR)
64. Provident Fund Institutions (those registered under Provident Fund Act 1925)

Private / Other

65. Agha Khan Development Network
66. Association of Builders and Developers (ABAD)
67. China North Industries Corps
68. China Overseas Ports holding Company (Pakistan) Pvt. Ltd.,
69. Gwadar Free Zone Company (GFZC)
70. Pakistan Film Producers Association
71. Pakistan Science Foundation
72. Pakistan Software Houses Association for IT & ITES (P@SHA)
73. Shipping Companies

Websites and Online

74. Budget documents (federal & provincial governments)
75. Pakistan Bureau of Statistics