



PRE-BUDGET 2015-16 EXPECTATIONS & COMPARISONS

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Research & Development Cell

Karachi Chamber of Commerce & Industry

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KCCI Pre-Budget Report FY16 - Summary Sheet

Federal Budget FY16 - Scheduled to be announced on Friday, June 5, 2015

* BE = Expected Budget Target; P=Provisional / projected; B=Budgeted;

ECONOMY

Expected Budget Changes	FY16 BE	FY15 P	FY15 B	Comments / Rationale
GDP (PKR Tn)	28.87	27.38	29.08	
GDP Growth Rate	5.50%	4.24%	5.10%	3.9% in agri, 6.4% in industry (6% LSM, 8.3% SME, 8.5% construction, 6% electricity & gas) & 5.7% services
Total Outlay of Budget (PKR Tn)	4.70	5.05	4.30	10% increase
Current Expenditure (PKR Tn)	3.80	4.26	3.46	
Debt Servicing (PKR Tn)	1.41	1.30	1.29	FY16 debt servicing 4.6% of GDP
Defense Budget (PKR Bn)	817	700	700	16% increase over last year budget (2.9% of GDP)
Federal PSDP (PKR Bn)	700	542	525	33% increase; PKR 182.7Bn of foreign loans component likely
Health Expenditure (PKR Bn)	11	9.7	10	10% increase
FBR Tax Revenue (PKR Tn)	3.20	2.61	2.81	FY15 tax target revised twice (PKR 2.691Tn to PKR 2.605Tn)
Tax to GDP Ratio	12.20%	9.50%	11.50%	0.7% annual increase
Fiscal Deficit (PKR Tn)	1.25	1.40	1.40	4.3% of GDP for FY16 against 5.1% of GDP for FY15
Budget Deficit	4.30%	4.90%	4.90%	
Exports (\$ Bn)	25.5	24.2	27	6% increase
Investment to GDP Ratio	17.00%	15.10%	15.70%	
National Savings Ratio	16.80%	14.50%	14.60%	
Inflation (CPI)	6%	4.65%	8%	

SALES TAX			
Expected Budget Changes	FY16 BE	FY15 B	Comments / Rationale
Further ST on supplies	2%	1%	Additional Sales tax likely to un-registered buyers
Textiles	5%	0%-5%	To generate PKR 50Bn; Currently 2% on yarn, 3% fabric; 5% garments; 0% on local & 5% on imported cotton (SRO1125). National Assembly Standing Committee has opposed this proposal.
Internet Services	17%	0%	Exemption on Internet service may be withdrawn for band width exceeding 2 mbps & monthly bill above PKR 1,500
On electricity & gas supply	5%	0%	Applicable to 5 export sectors
Sugar	17%	8% FED	Abolishment of 8% excise duty likely
Coal	Price exceeding PKR 2,500 / ton	Price exceeding PKR 1,000 / ton	Revision in valuation likely
Mobile Phones imports	PKR 300, PKR 500 and PKR 1000	PKR 150, PKR 250 and PKR 500	ST on import of mobiles on low priced, medium priced and smart phones. (Impact: PKR 6-7Bn)
Steel , Plastic & Paper	To withhold 1/5th of ST	Exemption from withholding of ST	To withdraw exclusion of sales tax withholding from steel, plastic and paper products industries
Machines & Tools	17%	0%	Incinerators for disposal of waste and its management, motorized sweepers/snow ploughs & re-importation of foreign origin goods.
Reclaimed Lead	5%	0%	On supply to supplied to recognized manufacturers of lead batteries and ginned cotton
Equipment of renewable energy, thermal & hydel power generation	5%	0%	Reduced rate likely to be applicable. However, Ministry of Textile has opposed this proposal
Directly Reduced Iron	17%	5%	Standard rate likely to be applicable
Steel melters & re-rollers	PKR 9	PKR 7	May hike sales tax from PKR 7 per unit of electricity to PKR 9.

PRE-BUDGET SUMMARY 2015-16: EXPECTATIONS AND COMPARISON

SALES TAX			
Expected Budget Changes	FY16 BE	FY15 B	Comments / Rationale
Items imported by Call Centres	17%	0%	Standard rate likely to be applicable
Equipment for mines & power	17%	0%	Standard rate likely to be applicable
Animal Feed	17%	0%	To withdraw ST exemption on Poultry and Cattle feed
Tractors	17%	10%	Abolishment of concessionary rates likely

INCOME TAX			
Expected Budget Changes	FY16 BE	FY15 B	Comments / Rationale
Banking Sector Profits	35%	Varying rates on other incomes	Flat rate on all sources of banks' income
Dividends on shares & profit on debts	12.5% -17.5%	10%-15%	May hike 10% tax to 12.5% from return filers. Rate to be 17.5% up from 15% for non-filers. Likely impact: PKR 30Bn
On electricity consumers - domestic	7.5% on bill > PKR 50,000	7.5% on bill > PKR 100,000	WHT on monthly bills exceeding PKR 50,000
On annual electricity bill	PKR 10,000 - 150,000		PKR 10,000 for bill <PKR 100,000; PKR 20,000 for bills b/w PKR 100,000 & 150,000 with additional PKR 10,000 for each increase of PKR 50,000 & PKR 150,000 for bill >PKR 600,000.
Corporate Tax	32%	33%	In line with yearly 1% reduction planned to bring corp. tax to 30%
Capital Gain Tax (CGT) on 2-5 yrs. shareholding of stocks	7.5%	0%	Likely to introduce a new slab
CGT b/w 1-2 years holding	12.5%	10%	
CGT on < 1 year holding	15.0%	12.5%	
Profits on Mutual Funds (MFs) units & dividends	25%	Dividends=25%; Max CGT=12.5%	At present, dividends by MFs are charged at 25% but to avoid tax, they redeem their units & pay only 12.5% CGT.
Sales of PMEX	0.1%		To tax the sales of Pakistan Mercantile Exchange (PMEX) at 0.1% of the total turnover
WHT on Advertisement Income of media	10.0%	0%	PKR 5Bn impact likely. Media income from advertisements was hitherto exempted from WHT.

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CUSTOMS DUTY			
Expected Budget Changes	FY16 BE	FY15 B	Comments / Rationale
Dairy Sector	To abolish Zero Rating	Zero Rated	PKR 8Bn impact likely. To abolish zero rating facility to stop refund claims
Skimmed Milk Powder imports	100%	Overall 25%; 20% from SAARC	Currently, 20% duty is on imports from SAARC countries & 25% from other countries.
Tariff rationalization	Max = 20% ; Min=3%	Max = 25% ; Min=1%	May reduce max duty from 25% to 20% & increase min rate from 1% to 3%. Tax slabs likely be reduced from 6 to 5.
Industrial Raw Materials	1%	0%	Critical industrial materials are being imported at zero duty.
Duty discount on import of hybrid cars	60%	50%	To support low fuel consumption and environment in the country.

FEDERAL EXCISE DUTY (FED)			
Expected Budget Changes	FY16 BE	FY15 B	Comments / Rationale
Beverages	16%	9%	FED is charged on the concentrate at a rate of 50% of its value, while currently 9% FED and 17% sales tax is charged
Cigarettes (per 1000 sticks)	PKR 3,030 or PKR 1,330	PKR 2,325 on price above PKR 2,286 else PKR 880	Where price is over PKR 3,350, the new tax rate may be PKR 3,030. Where price range is less than PKR3,350 /1000 sticks, duty may be hiked to PKR 1,330
Edible oil imports	PKR 2 /kg	PKR 1 /kg	Fixed rate of FED in value addition mode
Oil seeds	PKR 0.8 /kg	PKR 0.4 /kg	

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