

EMBASSY OF PAKISTAN ECONOMIC DIVISION

JULY 1, 2009

HIGHLIGHTS OF THE FEDERAL BUDGET FISCAL YEAR 2009-10

I. OBJECTIVES OF THE FEDERAL BUDGET 2009-10

- **Ensuring** economic growth with equity while maintaining economic stability with human face
- **Maintaining** agriculture growth momentum
- **Reviving** manufacturing and industry, especially export-oriented industry
- **Balancing** growth with a focus on infrastructure including water, power and transportation and social sectors
- **Protecting** the poor and the vulnerable by increasing their incomes through a targeted program of cash transfers; **Benazir Income Support Program (BISP)**
- **Broadening** the tax base and improving tax-to-GDP ratio

II. TARGETS FOR 2009-2010

- **Overall** growth rate of 3.3 % compared to 2.0 % during 2008-09
- **Agriculture** growth of 3.8 % compared to 4.7 percent in 2008-09
- **Manufacturing** growth of 1.8 % compared to negative 3.3 % in 2008-09

- **Services** to grow by 3.9 % compared to 3.6 % during 2008-09
- **Inflation** is targeted at 9.5 % compared to end-June 2009 target of 13%
- **Current expenditure** to decrease to 15.3 % of GDP in FY2010
- **Fiscal deficit** will be 3.4% of GDP and 4.9 % of GDP with an **adjustor**
- **Tax revenue** is targeted at Rs 1377.5 billion during 2009-10 against revised estimates 2008-09 of Rs 1179 billion
- **Total revenue** will grow by 15.7 percent and Federal Board of Revenue collection is projected to grow by 16.8 percent
- **Tax to GDP ratio** will be 9.6 percent with tax measures as against 9 percent during Fiscal Year 2008-09
- **Revenue** as a percentage of GDP is projected at 14.7 percent in Fiscal Year 2009-10 and will increase to 15.1 percent during FY 2010-11

III. SALIENT FEATURES OF THE BUDGET

A. Budget Outlay and Resource Availability

- **Total outlay** of the budget 2009-10 is Rs 2482 billion, 23.5 % higher than the size of budget estimates Rs 2010 for 2008-09 and 18.9 percent higher than the **revised** estimates of current year (Rs.2087.0 billion).
- **Resource availability** during 2009-10 has been estimated at Rs 2318 billion against Rs 1836 billion in the budget estimates of 2008-09.
- **Net revenue receipts** for 2009-10 have been estimated at Rs 1372 billion indicating an increase of 23.5% over the budget estimates of 2008-09
- **Capital receipts (net)** for 2009-10 have been estimated at Rs 191 billion against the budget estimates of Rs 221 billion in 2008-09
- **External receipts** in 2009-10 are estimated at Rs 510 billion showing an increase of 70 % over the budget estimates for 2008-09

B. Resource Gap

- **Overall** fiscal deficit will be Rs 722 billion or 4.9% of GDP

- **Deficit** will be met through----

External Financing	Rs	264.9 billion
Domestic Financing	Rs	<u>457.6</u>
Donors Pledges at Tokyo	Rs	191.406
Expenditure on IDPs	Rs	50.000

- **Adjusted deficit** will be 3.4 % of the GDP

C. Tax and Non-Tax Receipts

- **Gross Revenue Receipts** for 2009-10 are estimated at Rs 2026.706 billion showing an increase of 20.7 % over the budget estimates 2008-09
- **Total Tax revenue** is estimated at Rs 1513.060 billion in 2009-10 showing an increase of 28.2 % over revised estimates of Rs 1180.462 billion in 2008-09
- **Tax revenue (FBR)** is estimated at Rs 1377.5 billion in 2009-10 showing an increase of 16.8 % over revised estimates of Rs 1179 billion for 2008-09 and 10.2% higher than budget estimates 2008-09 of Rs 1250.000
- **Direct Tax** receipts are estimated at Rs 557.300 billion in 2009-10 against Revised Estimates of Rs 461 billion in 2008-09, an increase of 20.9%
- **Indirect Tax** receipts are estimated at Rs 955.6 billion in 2009-10 compared to Rs 719.462 billion in revised estimates of 2008-09, an increase of 32.8%
- **Indirect tax estimates include** Rs 167.2 billion from custom duty, Rs 515.6 billion from sales tax, Rs 137.4 billion from Excise Duties and Rs 134 billion from Carbon Surcharges on POL and CNG as well as Rs 1.5 billion from Islamabad Capital Territory Taxes
- **Non-tax revenue** has been projected at Rs 513.646 billion in 2009-10 which is 20% higher as compared to Rs 427.776 billion in revised estimates 2008-09

- **Share of Direct Tax** in total tax is 36.8% in 2009-10 against 39.5% in 2008-09 and 40.4% exclusive of Carbon surcharge

D. Expenditures

- **Overall expenditure** during 2009-10 has been estimated at Rs 2482 billion
- **Current expenditure** is Rs 1699.193 billion, an increase of 13.8 percent over budget estimate 2008-09 (Rs. 1493.183 billion) and 3% over revised estimates 2008-09
- **Share of current expenditure** in total budgetary outlay for 2009-10 is 68.5 % as compared to 79 % in revised estimates for 2008-09.
- **Current Expenditure** include 24.63 % for General Public Services, 45.37% for debt servicing, 20.2 % for Defense, 5 % for Economic Affairs and 4.8 % for other services
- **General Public Services** expenditure (inclusive of debt servicing transfer payments and superannuation allowance) is estimated at Rs 1189.082 billion which is 70% of the current expenditure
- **Defense expenditure** is estimated at Rs.342.914 billion as against revised estimates of Rs.311.3 billion in 2008-09, an increase of 10.5% over revised estimates 2008-09 and which is 20.2% of the current expenditure
- **Debt servicing** is estimated at Rs 770.550 billion as compared to budget estimates of Rs.619.4 billion in 2008-09, which is higher by 2.5 percent over 2008-09 **revised** estimates of Rs. 751.594 billion. It is 45.37 % of the current expenditure
- **Internally Displaced Persons** are provided Rs 50 billion

IV. Share of the Provinces

- **Provincial share** in federal revenue receipts is estimated at Rs 655.217 billion during 2009-10 which is 17.0% higher than the revised estimates of Rs 559.865 billion for 2008-09 and 15% higher than the budget estimates 2008-09

- **Percentage share** of the provinces, from the net proceeds of taxes and duties during 2009-10 45% under the **Interim NFC Award**. In addition, Provinces are transferred Grant-in-Aid of Rs 20.750 billion shared in the ratio of 11% (Punjab), 21% (Sindh), 35% (NWFP) and 33% (Balochistan), royalty on crude oil and natural gas and excise duty and development surcharge on gas.

Rs in Billion

<u>Province</u>	<u>B.E.2008-09</u>	<u>R.E.2008-09</u>	<u>B.E.2009-10</u>
<u>Divisible Pool and Straight Transfers</u>			
Punjab	292.758	277.513	334.407
Sindh	168.924	174.598	194.049
NWFP	72.212	69.031	85.359
Balochistan	34.443	38.722	41.433
Total	568.338	559.865	655.217
Special Grants/Subven	38.166	40.568	52.900
Project Aid	25.503	26.333	26.923
Japanese Grant	0.090	0.020	0.090
Gross Transfers	632.097	626.786	735.130

V. Defense Spending

- **Defense budget for 2009-10** has been increased to Rs343 billion from the actual spending of Rs311 billion in 2008-09, an increase of **10%** over the revised estimates
- Defense budget is **four per cent less** than the inflation rate
- India announced unprecedented **24 per cent increase** in defense spending for new fiscal year — the highest since Independence
- **Over Rs 115 billion (33.5%)** has been allocated for salaries, allowances and other employee-related expenses as against the revised estimates of Rs99.15 billion in 2008-09.
- **Rs 92.21 billion** has been set aside for operating expenses, an increase of **0.2% over** the revised estimates 2008-09

- **Rs 107 billion** has been allocated for physical assets as against the revised estimate of Rs88.31 billion in 2008-09
- **Rs 27.5 billion** has been earmarked for civil works as compared to 29.5 billion in revised estimates 2008-09

VI. Relief To The Government Employees, Pensioners

- An ad-hoc relief allowance of 15% of pay of serving government servants from 1st July, 2009
- An increase in the allowance of armed forces deployed on the western front equal to one month's initial basic pay with effect from 1st July 2009, as announced by the President of Pakistan
- For the remaining armed forces personnel, allowance equal to one month's initial basic pay will be admissible from 1st January 2010 in line with the Presidential announcement; in the interim period, an adhoc relief allowance of 15% of pay will be allowed. This adhoc relief allowance will be withdrawn w.e.f. 31st December 2009.
- Retired government servants and armed forces personnel will also get 15% increase in their net pension from 1st July 2009
- Limit for the exemption on Income Tax for salaried male is being enhanced from Rs 180,000 to Rs 200,000
- Limit for the exemption on Income Tax for salaried female is being enhanced from Rs 240,000 to Rs 260,000
- Senior citizens will now enjoy 50 percent relief in their tax liability in case of income upto Rs 750,000/-; previously this limit was upto Rs 500,000/-.

Budget At A Glance is at the next page:

BUDGET AT A GLANCE
2009-10

(Rs. in Billion)

Receipts		Expenditure	
	(a) Tax Revenue*	1513.1	<u>(A) CURRENT</u>
	(b) Non-Tax Revenue	513.6	General Public Service
	Gross Revenue Receipts	2026.7	Defence Affairs & Services
	Less Provincial Share	655.2	Public Order Safety Affairs
I	Net Revenue Receipts	1371.5	Economic Affairs
II	Net Capital Receipts	190.5	Environment Protection
III	External Receipts	510.4	Housing and Community
IV	Self Financing of PSDP by Provinces	173.0	Health Affairs and Services
V	Change in Provincial Cash Balance	72.9	Recreational, Culture Services
VI	Privatization Proceeds	19.4	Education Affairs Services
			Social Protection
			<u>(B) DEVELOPMENT</u>
VII	Bank Borrowing	144.6	PSDP
			Federal Government
			Provincial Government
			Est. Operational Shortfall
			Other Dev. Expenditure
	<u>TOTAL RESOURCES</u>	<u>2482.3</u>	<u>TOTAL EXPENDITURE</u>
	(I to VII)		<u>2482.3</u>
			(A + B)

*Out of which FBR collection has been estimated at Rs.1378 billion