

PML-N govt overestimated revenue, underestimated expenditure: Umar

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- Finance Supplementary (Amendment) Bill 2018 presented
- Govt hikes taxes for higher earners, cuts planned development spending

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ISLAMABAD: Federal Finance Minister Asad Umar said on Tuesday that fiscal deficit for 2017-18 was 6.6 percent, about the same as what was inherited by the Pakistan Muslim League-Nawaz (PML-N) when it came to power in June 2013.

Presenting a Finance Supplementary (amendment) Bill 2018 in the National Assembly, the Minister said that fiscal deficit jumped to 8.2 percent from 6.6 percent if Rs450 billion power sector losses and Rs100 billion losses of the gas sector are included in the budget.

The Minister said that if spending continues the way envisaged in the April 2018 budget presented by the previous administration then the budget deficit will expand to 7.2 percent by the end of the current fiscal year. This is the assessment of the finance ministry as well as independent economic experts, he said.

He said the current account deficit was \$2.5 billion in 2012-13 that jumped to \$18.1 billion in fiscal year 2017-18, adding that the external debt of the country has increased from \$60 billion to \$95 billion during the past five years.

The Finance Minister said the country's foreign exchange reserves are falling rapidly and can cover imports of less than six weeks; and if the foreign exchange reserves fall further, people will have to bear the burden of the rupee depreciation.

"We have to take difficult decisions, otherwise inflationary pressures would build up to the point that they would become painful for the average consumer," he said, adding that the public debt has crossed the Rs28,000 billion mark.

Umar said that the previous government overestimated revenues by Rs350 billion and understated expenditures by Rs250 billion in the budget presented in April this year, adding that Rs286 billion provincial surplus was budgeted whereas provinces registered a loss of Rs18 billion.

He said that in total there is a Rs 890 billion difference in the projected and budgeted figures for the deficit in the April 2018 budget which 'we have to arrest'.

"These are difficult times, and they call for difficult measures," he said, adding that for farmers, the government is ensuring the provision of urea by boosting local production through ensuring availability of gas and by importing 100,000 tons from abroad coupled with a Rs 6-7 billion subsidy.

About Health Card, he said the government will provide Rs 540,000 per family under the Sehat Insaf Card (for doctors' fees and medicines) in the erstwhile Federally Administered Tribal Areas (FATA) and Islamabad. And the Punjab government has been requested to introduce the facility in its budget as well.

He announced the allocation of Rs 4.5 billion for completion of 8274 houses under the Workers Welfare Fund (WWF), adding that 10,000 more houses would be constructed for the underprivileged.

The Minister also announced an increase of 10 percent for EOBI pensioners, adding that the government would reduce the budgeted petroleum levy by Rs100 billion which would impact positively on disposable income of the common man.

Talking about the Regulatory Duties, he said the government is eliminating the RD on 82 tariff lines on raw material for export industry, a relief of some Rs5 billion. And the government has already granted a benefit of Rs44 billion to the five zero rated export industries.

The Minister said that the government would raise Rs183 billion in additional revenues with Rs92 billion raised through improved administrative procedures by utilizing technology to plug the loopholes. He said the Federal Board of Revenue (FBR) has accepted this challenge to stop tax evasion.

The Finance Minister said that the rate of withholding tax (WHT) on non-filers has been increased to 0.6 percent from 0.4 percent on banking transactions. He, however, said that no additional tax would be levied on tax filers.

Umar announced reversal of two major tax reforms initiated by the previous PML-N government to expand the tax base - disallowing purchase of vehicles and immovable property of over Rs5 million for non-filers in an effort to force them to become filers.

The Minister announced an increase in taxes on cigarettes and smuggling of the cigarettes would be tackled through use of modern technology.

"We have also increased some taxes on the rich. We have doubled the duty on cars of 1800cc engine capacity or more. We have also decided to increase the duty on several imported luxury products including food products. Likewise, the duty will be increased on expensive mobile phones," he said.

Talking about income tax relief to salaried class, he said the previous government had given sweeping tax relief to all employees, including the richest. The government would maintain a tax exemption on Rs1.2 million on annual income up to Rs2.4 million, he announced.

The Minister said that for all categories above that the government is increasing the tax rate that was applicable in May, but would keep it lower than what it was last year.

“We are asking the privileged to sacrifice for the sake of Pakistan, we have also decided to withdraw certain tax exemptions from prime minister, ministers and provincial governors,” he said.

He said the previous PML-N government spent Rs661 billion in 2017-18 on development projects through PSDP and his government would spend Rs725 billion on the development projects in current financial year.

The minister said that out of the Rs725 billion PSDP, the government will be spending Rs50 billion on development projects in Karachi, adding that these projects would be executed through public-private partnership.

He said the government has also identified infrastructure priorities for National Highway Authority (NHA) and Rs100 billion will be allocated for the purpose.

The minister said the government would continue financing of all China-Pakistan Economic Corridor (CPEC) projects and ‘there should be no confusion about it’. And added that Diamer Bhasha/Mohmand dams would be allocated Rs23 billion, the amount earmarked by the previous administration.