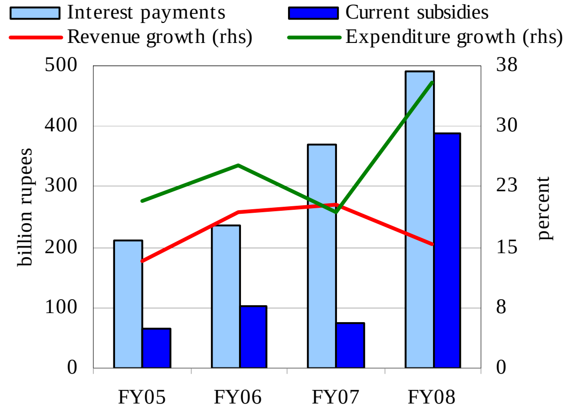
# 5 Public Finance and Fiscal Policy

## 5.1 Overview

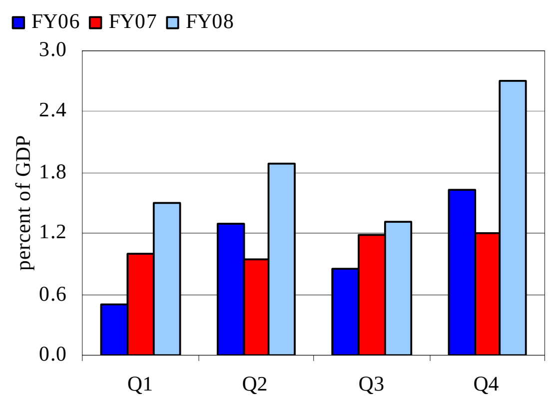
Deceleration in revenue growth coupled with a strong rise in total expenditures, driven by exceptionally large interest payments and current subsidies, caused serious deterioration in all key fiscal performance indicators during FY08 (see **Figure 5.1**). In particular, fiscal deficit in FY08 finished at 7.4 percent of GDP, a level not observed since FY99, against budget target of 4.0 percent of GDP for the year and compared to 4.3 percent of GDP witnessed in the preceding year. Also, primary and revenue balances, measured as a percentage of GDP, moved solidly into deficit during FY08, after hovering around zero in the preceding years.

**Figure 5.1: Revenues and Expenditures**




A quarter-by-quarter accumulation of budget deficit reveals a particularly large imbalance in Q4-FY08 (see **Figure 5.2**). However, a substantial part of this oversized addition to fiscal deficit in Q4-FY08 represents the recognition of the liability accrued during all three preceding quarters of FY08 on account of unpaid price differential claims.[1]

**Figure 5.2: Contribution to Fiscal Deficit**




Even though tax revenues increased by a respectable 18.1 percent during FY08, as compare to the growth recorded in FY07, the rise lagged behind 23.1 percent growth budgeted for the year. This was mainly caused by a substantial shortfall in collection under direct taxes. Also, collection of surcharges on oil and gas witnessed considerable declines, (due to non-adjustment of domestic energy prices with rises in international oil prices) leading to significant deceleration in non-tax receipts. Consequently, total revenues rose to Rs 1,499.4 billion during FY08, up by 15.5 percent compared to 20.6 percent growth realized in FY07.

The deceleration in total revenues, combined with a rise of 35.9 percent in total expenditures dictated a large jump in fiscal deficit during FY08 (see **Table 5.1**). The increase in total expenditure during FY08 was fueled by excessive current spending owing to interest payments, subsidies and defence expenditures. The three heads combined constituted nearly 63 percent of total current expenditures in FY08.

[1] Till March 2008, only Rs 17 billion was disbursed to refineries and OMCs on account of price differential claims. The new government inherited the accumulated liability and has, during April-June 2008, disbursed Rs 148.9 billion to refineries and OMCs. Also, see SBP's Second Quarterly Report for 2007-08 on the State of Pakistan's Economy.

**Table 5.1: Summary of Consolidated Public Finance**
billion rupees

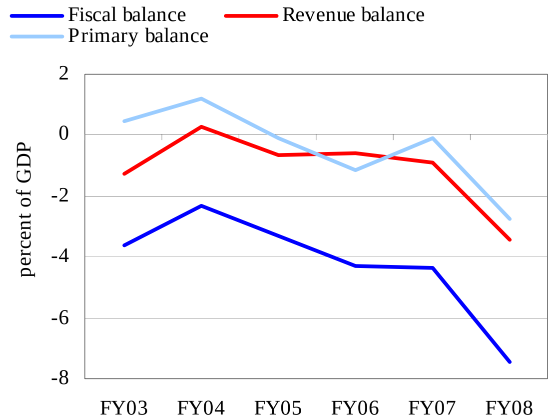
| | FY04 | FY05 | FY06 | FY07 | Budget FY08 | Actual FY08 | Budget FY09 |
|---|---|---|---|---|---|---|---|
| Total revenue | 794.1 | 900.0 | 1,076.6 | 1,298.0 | 1,475.9 | 1,499.4 | 1,809.2 |
| Tax revenue | 550.1 | 632.6 | 753 | 889.7 | 1,095.5 | 1,050.7 | 1,308.5 |
| Non-tax Receipts | 244.0 | 267.4 | 323.6 | 408.3 | 380.4 | 448.7 | 500.8 |
| Total expenditure | 923.6 | 1,117.0 | 1,401.8 | 1,675.5 | 1,874.7 | 2,276.5 | 2,391.5 |
| Current | 778.4 | 943.1 | 1,121.0 | 1,375.3 | 1,378.2 | 1,857.6 | 1,875.8 |
| Development and net lending | 181.0 | 252.5 | 367.1 | 424.7 | 496.5 | 423.4 | 515.7 |
| Unidentified | -35.8 | -78.5 | -86.3 | -124.5 | - | -4.4 | - |
| Revenue surplus (+) / deficit (-) | 15.7 | -43 | -44.4 | -77.4 | 97.7 | -358.2 | -66.6 |
| Overall deficit | -129.4 | -217.0 | -325.2 | -377.5 | -398.8 | -777.2 | -582.3 |
| Financing through: | 129.4 | 217.0 | 325.2 | 377.5 | 398.8 | 777.2 | 582.3 |
| External resources | -6.5 | 120.4 | 148.9 | 147.2 | 193.1 | 151.3 | 165.2 |
| Internal resources | 124.7 | 68.2 | 79.1 | 158.9 | 130.7 | 624.2 | 391.9 |
| Banking system | 63.7 | 60.2 | 70.9 | 102 | 80.9 | 519.9 | 149 |
| Non-bank | 61 | 8.1 | 8.1 | 56.9 | 49.7 | 104.3 | 242.9 |
| Privatization proceeds | 11.2 | 28.3 | 97.3 | 71.5 | 75 | 1.7 | 25.1 |

Source: Economic Survey 2007-08 and www.finance.gov.pk

## 5.2 Fiscal Performance Indicators

All the balance indicators of fiscal performance depict a sudden deterioration in FY08 (see **Figure 5.3**). Fiscal deficit recorded more than double increase during the year, rising from Rs 377.5 billion in FY07 to Rs 777.2 billion in FY08. The outgoing fiscal year saw the fiscal deficit, as a percentage of GDP, rise to 7.4 percent, the highest level of budget deficit since FY99. The growth of deficit reflected a fall in revenue growth as well as an acceleration in total expenditures.

**Figure 5.3: Fiscal Performance Indicators**




Revenue balance[2] moved firmly into deficit during FY08, reaching 3.4 percent of GDP against a budgeted surplus of 1.0 percent of GDP. This is truly troubling since the Fiscal Responsibility and Debt Limitation (FRDL) Act requires the revenue balance to be at least zero, as a percent of GDP, by FY08 and beyond.

Primary balance[3], as a share of GDP, recorded a deficit of 2.7 percent in FY08 compared to a deficit of 0.1 percent in FY07. Despite large amount of interest payments, the worsening of primary balance is mainly attributable to high current expenditures.

## 5.3 Revenues

After staging a modest recovery in preceding two years, total revenues, as percent of GDP, showed signs of weakening during FY08 as growth in tax revenues came to a standstill while non-tax receipts

[2] Revenue balance measures the saving capacity of the government and is calculated as the difference between total revenues and current expenditures.
[3] Primary balance helps assess the sustainability of the fiscal deficit. It highlights the *current* discretionary budgetary stance by excluding the impact of interest payments (that are caused by past policies).

decelerated noticeably (see **Figure 5.4**).

Tax revenues increased by 18.1 percent in FY08, slightly lower than 18.2 percent recorded in FY07, reaching to Rs 1050.7 billion. An unexpectedly poor performance of direct taxes during FY08 more than offset a fine showing by taxes on international trade as well as taxes on goods and services (see **Table 5.2**). Consequently, total tax-to-GDP ratio saw a marginal fall to 10.0 percent in FY08 from 10.2 percent in FY07. A regional comparison of tax revenues, as percent of GDP, reveals that Pakistan stands far behind most of the regional countries (see **Figure 5.5**). In fact, Pakistan's tax to GDP ratio stands below the region's average and is the second lowest in the region, with Bangladesh at the bottom. Thailand and Malaysia, with tax revenues at 16.3 percent of GDP, stand out at the top in the region.

**Figure 5.4 : Revenue Ratios**

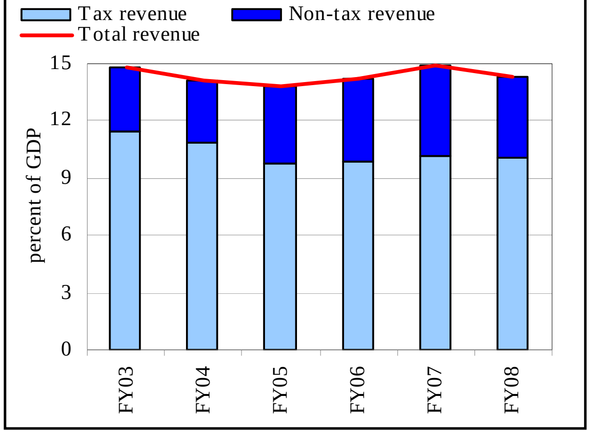



**Table 5.2: Composition of Tax and Non-Tax Revenues**

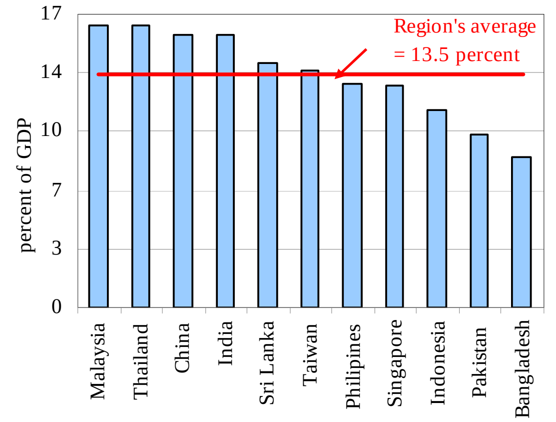
billion rupees

| | FY05 | FY06 | FY07 | FY08 | YoY change (%) FY07 | YoY change (%) FY08 |
|---|---|---|---|---|---|---|
| **Tax revenues** | **632.6** | **753.0** | **889.7** | **1050.7** | **18.2** | **18.1** |
| Direct taxes | 176.9 | 215.0 | 334.2 | 387.9 | 55.5 | 16.1 |
| Taxes on property | 9.5 | 9.1 | 3.5 | 4.1 | -62.1 | 18.1 |
| Taxes on goods and services | 296.3 | 352.0 | 383.3 | 472.0 | 8.9 | 23.2 |
| Taxes on international trade | 117.2 | 138.2 | 132.2 | 150.5 | -4.4 | 13.9 |
| Other taxes | 32.5 | 38.7 | 36.6 | 36.1 | -5.4 | -1.3 |
| **Non-tax revenues** | **267.4** | **323.6** | **408.3** | **448.7** | **26.2** | **9.9** |
| Profits from PTA/Post Office Dept | 17.7 | 11.0 | 5.8 | 5.0 | -47.3 | -13.2 |
| Interest (PSE and others) | 34.3 | 13.8 | 19.6 | 40.4 | 41.7 | 106.1 |
| Dividends | 56.8 | 64.2 | 60.0 | 76.0 | -6.6 | 26.7 |
| SBP profits | 10.0 | 13.9 | 69.2 | 87.3 | 397.8 | 26.2 |
| Defence | 52.5 | 67.5 | 79.6 | 47.5 | 17.9 | -40.3 |
| Surcharges | 26.8 | 50.8 | 64.5 | 35.2 | 27.2 | -45.5 |
| Petroleum | 10.6 | 24.5 | 29.7 | 14.5 | 21.1 | -51.2 |
| Gas | 16.2 | 26.3 | 34.9 | 20.7 | 32.9 | -40.6 |
| Royalty on oil/gas | 19.5 | 24.8 | 28.5 | 34.9 | 15.1 | 22.4 |
| Discount retained on crude oil | - | - | - | 18.6 | - | - |
| Others | 49.9 | 77.7 | 81.1 | 103.9 | 4.3 | 28.1 |
| **Total revenue** | **900.0** | **1076.6** | **1298.0** | **1499.4** | **20.6** | **15.5** |

Source: Ministry of Finance

Non-tax revenues, on the other hand, witnessed a more pronounced deceleration during FY08. Specifically, non-tax receipts increased to Rs 488.7 billion in FY08, up by 9.9 percent against 26.2 percent strong rise in FY07. By and large, this dismal performance of non-tax revenues results from non-adjustment of domestic energy prices with historic rises in international oil prices and the consequent fall in surcharge receipts on oil and gas. Revenue receipts on account of petroleum development levy (PDL) and development surcharge on gas reached at Rs 35.2 billion during FY08, down by 45.5 percent against a rise of 27.2 percent in FY07.

Figure 5.5: Tax Revenue




### 5.3.1 FBR Tax Performance

After three consecutive years of successfully meeting the budgeted tax revenue target, FBR fell short in FY08. An unexpectedly poor collection of direct taxes constitutes the principal factor in falling short of original tax collection target for FY08. Even with this shortfall, FBR was able to cross the 1 trillion mark in tax revenue collection during FY08. FBR contributed Rs 1007.1 billion in total revenue receipts during FY08 against a revised target of Rs 1000 billion for the year, showing a growth of 18.9 percent YoY, compared to a rise of 18.8 percent in the preceding year (see **Table 5.3**). However, FBR tax to GDP ratio dropped slightly to 9.6 percent in FY08 from 9.7 percent in FY07.

**Table 5.3: FBR Tax Collection (net)**

billion rupees

| | FY08 target | | Net collection | | Collection as % of target | | YoY change (%) | |
|---|---|---|---|---|---|---|---|---|
| | Original | Revised | FY07 | FY08 | Original | Revised | FY07 | FY08 |
| Direct taxes | 405.0 | 385.0 | 333.7 | 388.4 | 95.9 | 100.9 | 48.3 | 16.4 |
| Indirect taxes | 620.0 | 615.0 | 513.5 | 618.7 | 99.8 | 100.6 | 5.1 | 20.5 |
| Sales tax | 375.0 | 375.0 | 309.4 | 375.8 | 100.2 | 100.2 | 5.0 | 21.5 |
| Federal excise duty | 91.0 | 92.0 | 71.8 | 92.2 | 101.3 | 100.2 | 29.9 | 28.4 |
| Customs | 154.0 | 148.0 | 132.3 | 150.7 | 97.9 | 101.8 | -4.4 | 13.9 |
| Total collection | 1025.0 | 1000.0 | 847.2 | 1007.1 | 98.3 | 100.7 | 18.8 | 18.9 |

Source: Federal Board of Revenue

#### 5.3.1.1 Direct Taxes

With accumulation of Rs 388.4 billion, direct taxes registered a growth of 16.4 percent compared to exceptional growth of 48.3 percent in FY07. Signs of trouble in direct tax collection appeared as early as September 2007 when growth in direct tax receipts collapsed to 6.9 percent. It was very clear after the dramatic fall of direct tax receipts by 32.9 percent in December 2007 that the direct tax target of Rs 405 billion for FY08 will be hard to achieve.

A breakup of direct tax collection for FY08 reveals a substantial deceleration in gross income tax receipts despite 283.1 percent increase in collection on demand (see **Table 5.4**). Voluntary payments dropped by 12.1 percent in FY08 as compared to the incredible 89.5 percent rise in FY07. However, it is important to remember that voluntary payments in FY07 were exceptionally high due to large profits booked by banks, telecommunication, and oil & gas sector. Though complete financial accounts for FY08 are yet not available for most corporate, there are clear indications that the situation has reversed in FY08 for at least banking sector and the PTCL (the largest tax contributor in telecommunication sector). While decline in profits reported by banks contain accounting adjustments for change in forced-sale value regulation, PTCL actually booked a net loss (before tax) of Rs 8.3 billion for Jul-Mar FY08 due to huge expenses incurred on voluntary separation scheme (VSS). In addition, a procedural change in advance tax regime last year also contributed towards shortfall in

**Table 5.4: Direct tax collection**
billion rupees

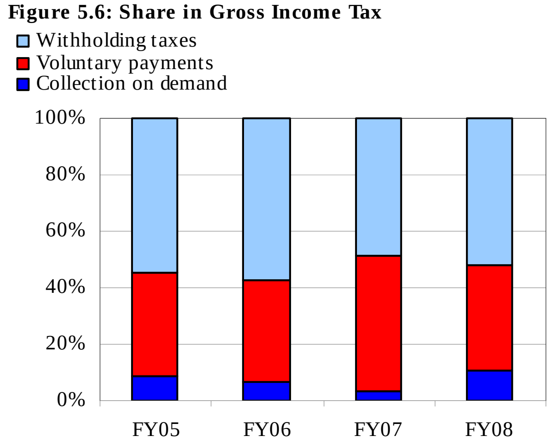
| | | | | Percentage change YoY | |
|---|---|---|---|---|---|
| | **FY06** | **FY07** | **FY08** | **FY07** | **FY08** |
| **Gross income tax** | **243.6** | **346.1** | **395.2** | **42.1** | **14.2** |
| Collection on demand | 16.8 | 11.2 | 42.9 | -33.4 | 283.1 |
| Voluntary payments | 87.4 | 165.6 | 145.5 | 89.5 | -12.1 |
| Withholding taxes | 139.2 | 168.9 | 206.6 | 21.3 | 22.3 |
| Others | 0.2 | 0.5 | 0.2 | 96.5 | -59.1 |
| Other direct taxes | 15.1 | 9.7 | 12.1 | -35.8 | 25.0 |
| Gross direct taxes | 258.7 | 366.0 | 414.3 | 41.4 | 13.2 |
| Refunds | 34.0 | 32.2 | 25.8 | -5.2 | -19.9 |
| **Net direct taxes** | **224.7** | **333.7** | **388.4** | **48.5** | **16.4** |

Source: Federal Board of Revenue, Islamabad

collection under voluntary compliance.

Collection on demand increased significantly to Rs 42.9 billion from Rs 11.2 billion in FY07. Receipts under arrear demand yielded a growth of 61.1 percent mainly due to tax drive initiatives by the Income Tax department against tax defaulters and the disposal of 'Brought Forward' cases. In the backdrop of large declines in voluntary payments during FY08, FBR initiated audit of select tax payers to ensure compliance with tax regulations. The process resulted in substantial creation of current demand. Consequently, receipts under current demand rose by 398 percent to reach at Rs 36.7 billion inFY08.

**Figure 5.6: Share in Gross Income Tax**




Withholding tax receipts increased to Rs 206.6 billion during FY08, up by 22.3 percent compared to 21.3 percent rise in FY07. With actual decline in voluntary payments, a strong performance during FY08 led withholding taxes to reclaim its dominant share in gross income tax collection (see **Figure 5.6**).

A breakup of withholding taxes reveals a strong growth in receipts from contracts during FY08 (see **Table 5.5**). In fact, contracts now contribute 37 percent in withholding taxes, up from 34.7 percent share in FY07. The increase in the receipts from contracts mainly reflects impact of higher development spending in FY07. Other major heads contributing to withholding tax receipts include: imports, salaries, telephone, exports and bank interest.

### 5.3.1.2 Indirect tax collection

Indirect tax receipts grew by a handsome 20.5 percent in FY08 compared to a meager 5.0 percent in FY07. Encouragingly, this particular performance was driven by strong growth in all the heads. Also, indirect tax receipts nearly covered the original revenue target for FY08, made possible by larger than target collection under sales tax and FED.

### *Sales Tax*

With actual collection of Rs 375.8 billion, sales tax surpassed its revised target of Rs 375 billion showing a strong growth of 21.5 percent compared to 5.0 percent in FY07.However its share in total taxes surged slightly from 36.5 percent to 37.3 percent in FY08.
Within sales tax, domestic-related component stood at Rs 180.4 billion registering a growth of 35.1 percent, compared to 8.2 percent in FY07 while import-related sales tax increased by 11.1 percent. The strong collection from domestic component was mainly due to zero rating of the crude oil at import stag which has left positive impact on output tax. Of import-related sales tax major revenue came from POL products (Rs74.3 billion), Edible oil and waxes (Rs 15.4 billion) and plastic products (Rs 14.6 billion). With in the domestic sales tax prime contributors were POL products (Rs60.5 billion), services (45.5 billion) and Sugar (Rs 15.4 billion).

**Table 5.5: Withholding Tax Collection**

billion rupees

| | | | | Growth (%) | |
|---|---|---|---|---|---|
| | **FY06** | **FY07** | **FY08** | **FY07** | **FY08** |
| Imports | 26.9 | 26.1 | 27.7 | -2.9 | 6.0 |
| Salaries | 15.6 | 16.6 | 22.6 | 6.5 | 36.7 |
| Dividends | 3.2 | 4.3 | 6.5 | 31.4 | 51.9 |
| Bank interest | 6.6 | 9.4 | 9.7 | 42.1 | 2.9 |
| Contracts | 46.7 | 58.7 | 76.5 | 25.6 | 30.4 |
| Exports | 10.0 | 10.9 | 11.5 | 8.9 | 5.1 |
| Cash withdrawal | 2.3 | 5.0 | 6.2 | 115.5 | 23.5 |
| Electricity bills | 5.1 | 5.4 | 5.9 | 5.4 | 9.3 |
| Telephone | 7.6 | 13.1 | 18.1 | 72.5 | 38.8 |
| Others | 15.1 | 19.5 | 21.8 | 28.5 | 12.3 |
| **Gross** | **139.2** | **168.9** | **206.6** | **21.3** | **22.3** |

Source: Federal Board of Revenue

### *Custom Duty*

The revenue collection from custom duty stood at Rs 150.7 billion, registering a growth of 13.9 percent, compared to a decline of 4.4 percent in the preceding year. These increased custom duty receipts were driven primarily by 27 percent rise in the dutiable imports in FY08 which outweighed the impact of a continuing decline in the tariff rate.

In fact, during FY08 the duty relief on various commodities has increased the import value of certain commodities like POL products (up 66.4 percent), edible oil and waxes (up 90.4 percent), iron and steel scrapes (up 30.4 percent), contributing to higher custom duty collection. The volume of POL products imports also increased significantly due to price factor. The POL products import were budgeted by the government at US$ 65 per barrel for the full fiscal year but the unexpected increase in the POL prices registered a 58.9 percent rise in custom duty from POL products. The import value of the vehicles declined due to change in the policy stance to restrict the import of used motorcars. Similarly this decline can also be linked by the restriction on the car financing due to the accumulation of bad debt.

**Table 5.6: Federal Excise Duty Collection**

billion rupees

| Major Heads | FY07 | FY08 | YoY change | |
|---|---|---|---|---|
| | | | **Absolute** | **Percent** |
| Cigarettes & tobacco | 28.4 | 28.5 | 0.1 | 0.4 |
| Cement | 15.2 | 15.1 | -0.1 | -0.6 |
| Services | 4.4 | 12.4 | 8.0 | 181.3 |
| Natural gases | 6.2 | 6.1 | -0.2 | -2.8 |
| Beverages | 4.4 | 4.1 | -0.3 | -5.8 |
| Beverages concentrate | 2.8 | 3.0 | 0.2 | 6.3 |
| *Sub-total* | *61.5* | *69.3* | 7.8 | 12.7 |
| Others | 5.6 | 8.6 | 2.9 | 52.5 |
| *Total (domestic)* | *67.1* | *77.8* | 10.7 | 16.0 |
| *Total (imports)* | *4.8* | *14.4* | 9.5 | 196.9 |
| *Total (gross)* | *71.9* | *92.2* | 20.3 | 28.2 |
| *Refund & rebates* | *0.1* | *0.0* | -0.1 | -72.3 |
| **Total (net)** | **71.8** | **92.2** | **20.4** | **28.4** |

Source: Federal Board of Revenue

The break up of custom duty data reveals that considerable revenue came from vehicles (15.8 percent), POL products (14.7 percent), Edible oil and waxes (10.6 percent) and electrical machinery (8.3 percent).

***Federal Excise Duty (FED)***

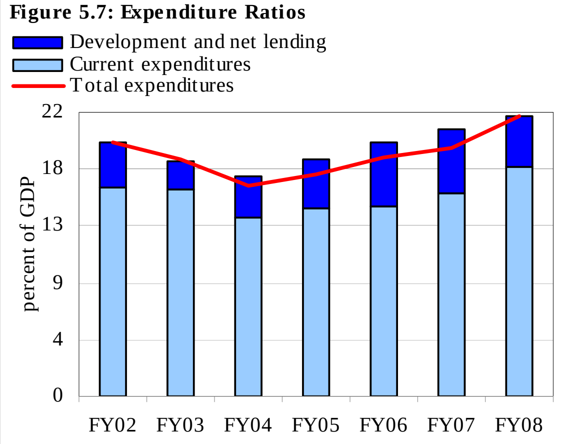
The FED receipts totaled Rs 92.2 billion in FY08, 28.4 percent higher than in FY07, boosting its share in total taxes to 9.2 percent (see **Table 5.6**). In fact FED is the only category wherein tax collection target was revised upwards. The strong increase in FED receipts was mainly due to widening the tax base by inclusion of non-financial services as well as air travel into FED net, and imposition of 1 percent special excise duty on domestic production and imports. The revenue measures taken into federal budget FY09, such as enhancing the excise duty rates on telecommunication services, banking, insurance and franchise services and levying the FED on imports and local supply of cars, will definitely help maintain the upward trend in FED revenues. A break up of FED receipts reveals that major revenue contributions were made by cigarettes and tobacco (Rs 28.5 billion), cement (Rs 15.1 billion), services (Rs 12.4 billion) and natural gas (Rs 6.1 billion).

## 5.4 Expenditures

The consolidated public expenditures rose to Rs 2276.5 billion, showing an increase of 35.9 percent (the biggest rise since FY75) compared with the growth of 19.5 percent in FY07. As a result, total expenditures-to-GDP ratio reached at 21.7 percent, the highest level attained in a decade (see **Figure 5.7**). Worryingly, the FY08 rise in total spending is almost exclusively driven by extraordinary growth in current expenditures as development spending was constrained to increase by only 4.2 percent.

The particular upsurge in current expenditures witnessed during FY08 reflects: (1) interest payments on domestic debt showed no signs of letting up; the ratio of interest payments on domestic debt to GDP went up to 4.1 percent in FY08 from 3.7 percent in FY07; (2) though defence spending as a share of GDP declined by 0.2 percentage points during FY08, actual expenditures increased strongly compared to preceding year; and (3) current subsidies, which accounted for less than 1 percent of GDP in FY07, more than quadrupled to reach at 3.7 percent of GDP in FY08 (see **Table 5.7**).

**Figure 5.7: Expenditure Ratios**




A large outlay on account of interest payments on domestic debt is chiefly attributed to financing raised against Defense Saving Certificates (DSCs) in late nineties at lucrative rates. Between November 1996 to May 1999 DSCs were sold at maximum rate of 18.04 percent. Those DSCs will continue to mature till May 2009 which means that debt servicing cost in terms of DSCs would be substantial in FY09 as well.

**Table 5.7: Composition of Current Expenditure**

billion rupees

| | FY06 | FY07 | FY08 |
|---|---|---|---|
| **Current expenditures** | **1121.0** | **1375.3** | **1857.6** |
| *of which* | | | |
| Interest payments | 237.1 | 368.8 | 489.7 |
| Domestic | 195.0 | 318.9 | 430.2 |
| Foreign | 42.1 | 49.9 | 59.5 |
| Defence | 242.0 | 249.9 | 285.1 |
| Subsidies | 101.2 | 76.0 | 395.0 |
| Superannuation allowance | 40.1 | 42.2 | 56.5 |
| Provincial | 332.7 | 402.2 | 437.1 |

Source: Economic Survey: 2007-08 and Ministry of Finance

Notwithstanding an impressive 27.5 percent growth in development expenditures during the first three quarters of FY08, the government applied swift brakes in Q4-FY08 to curtail the growth of development spending. In absolute terms, the federal government booked Rs 46.8 billion development spending in Q4-FY08 compared to Rs 101.3 billion in the corresponding quarter of FY07. As a result, growth in development outlays dropped to 4.2 percent in FY08 compared to 18.8 percent in FY07.

### 5.5 Provincial Fiscal Operations

The consolidated as well as province wise overall balance improved significantly owing to both a large rise in revenue receipts as well as deceleration in total expenditures. In addition, the four provinces recorded revenue surpluses as well. Total revenue receipts of all provinces stood at Rs 667.2 billion during FY08, of which federal tax assignments contributed Rs 457.4 billion (see **Table 5.8**). However, the increase in revenue receipts of the provinces emanated largely from a better performance of non-tax revenues and Rs 42.7 billion federal grants for development expenditure.

**Figure 5.8: Provincial Revenue Balance**

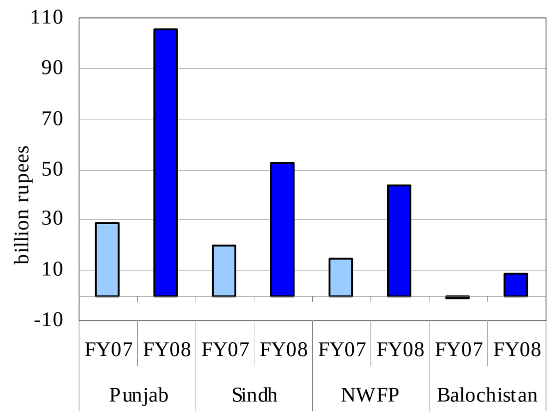



**Table 5.8: Summary of Consolidated Provincial Finance**

billion rupees

| | FY06 | FY07 | FY08 |
|---|---|---|---|
| **Total revenue** | **450.3** | **483.4** | **667.2** |
| Provincial share in federal revenue | 300.7 | 400.1 | 457.4 |
| Provincial taxes | 36.8 | 36.8 | 40.8 |
| Property taxes | 9.1 | 3.5 | 4.1 |
| of which: agriculture tax | 0.9 | 0.9 | 0.9 |
| Excise duties | 2.3 | 2.5 | 2.9 |
| Stamp duties | 10.2 | 10.3 | 11.3 |
| Motor vehicle tax | 7.1 | 7.7 | 7.8 |
| Other | 8.1 | 12.9 | 14.6 |
| Provincial non-tax | 47.6 | 45.4 | 78.0 |
| Interest | 0.3 | 1.4 | 10.2 |
| Profits from hydro electricity | 6.0 | 4.2 | 7.8 |
| Irrigation | 2.5 | 2.7 | 2.8 |
| Others | 38.8 | 37.1 | 57.2 |
| Federal loans and transfers/grants | 65.2 | 1.1 | 91.0 |
| Loans (net) | -0.1 | -28.4 | 15.3 |
| Grants | 65.3 | 29.5 | 33.0 |
| Grant for dev. expenditure | - | - | 42.7 |
| **Total Expenditure** | **496.6** | **602.9** | **671.1** |
| Current expenditure | 355.6 | 420.3 | 457.0 |
| Interest payments to federal government | 22.9 | 18.1 | 19.9 |
| Other current expenditure | 332.7 | 402.2 | 437.1 |
| Development expenditure | 141.0 | 182.6 | 214.1 |
| **Overall balance** | **-46.3** | **-119.5** | **-3.9** |

Source: Ministry of Finance

Province wise analysis shows that not only the four provinces experienced revenue surpluses in FY08 they also exhibited substantial improvements in their respective revenue balances over preceding year (see **Figure 5.8**). While the rise in revenue balance of the three provinces was directly associated with revenue inflow on account of provincial share in federal revenue and provincial non-tax receipts, improvement in Baluchistan's revenue balance is attributable mainly to federal grants.