

**A SUMMARY OF PROVINCIAL
BUDGETARY PROPOSALS**

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Report Presented to

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A SUMMARY OF PROVINCIAL BUDGETARY PROPOSALS - 1995-96

Provincial budgets for 1995-96 are unique since all the four provinces have announced proposals for higher resource mobilisation. Effort has been made not only to mobilise revenues in traditional ways (like enhancement of motor vehicle tax rates) but also through innovative and more politically sensitive measures like taxation of advertisements, cheques, surcharge on property tax, extension of rating areas, etc. As a consequence the province of Punjab and NWFP have presented surplus budgets while the budget deficit in the other two provinces has been somewhat smaller.

It is encouraging to note that SPDC, through its research reports and conferences, has contributed in a major way to the development of fiscal policy at the provincial government level. As will become apparent a lot the proposals implemented by the provincial governments emanated from our research findings and policy recommendations. We present below a summary of the revenue measures announced by the four provincial governments alongwith the reference of the particular study in which the proposal has been presented.

As indicated in the enclosed summary the total revenue generation from taxation proposals of the provincial governments in 1995-96 is as follows:

| Rs in Million | |
|----------------------|-------------|
| Government of Punjab | 750 |
| Government of Sindh | 480 |
| NWFP | 63 |
| Balochistan | 4 |
| TOTAL | 1297 |

This is equivalent to about 12 percent of estimated provincial own-tax revenues in 1994-95.

We estimate that over 80 percent or approximately Rs 1000 million will be generated annually by provincial governments from taxation proposals which have been derived from SPDC reports and conference papers.

SUMMARY OF TAXATION PROPOSALS PUNJAB BUDGET, 1995-96

TAXATION PROPOSALS

REFERENCE OF STUDIES

EXISTING SOURCES

1. Stamp Duty:

- | | |
|---|---|
| <p>1.1 ? Minimum rate of stamp duty has been fixed at Re 1.</p> | <p>Rationalistaion of Stamp Duties on Financial Assets and Transactions</p> |
| <p>? Exemption from stamp duty on mortgage deed in the form of trust deed of redeemable capital of company executed in favour of banking companies / banker's equity and PSIC has been withdrawn.</p> | <p>Not a SPDC Proposal</p> |
| <p>1.2 Increase in Duty Rate on the followings:</p> | <p>Increase of Duty on various administrative, legal, shipping related and financial documents was recommended in the study "Rationalistaion of Stamp Duties on Financial Assets and Transactions".</p> |
| <p>? Acknowledgements</p> | <p>) do)</p> |
| <p>? Administration Bonds more than the value of Rs 1000</p> | <p>) do)</p> |
| <p>? Adoption Deed</p> | <p>) do)</p> |
| <p>? Affidavit</p> | <p>) do)</p> |
| <p>? Agreement or Memorandum of Agreement: ! sale of bill of exchange ! government securities ! sale of shares ! sale of immoveable property ! others</p> | <p>) do)</p> |
| <p>? Execution of power of Trustees</p> | <p>) do)</p> |
| <p>? Execution of power of property</p> | <p>) do)</p> |
| <p>? Appraisement or Valuation</p> | <p>) do)</p> |
| <p>? Apprenticeship Deed</p> | <p>) do)</p> |

| | |
|---|--|
| ? Articles of Association of a company |) do) |
| ? Award |) do) |
| ? Bill of Exchange |) do) |
| ? Bill of Lading |) do) |
| ? Court Fees on Bonds |) do) |
| ? Cancellation |) do) |
| ? Certificate of sale |) do) |
| ? Certificate or Other Documents |) do) |
| ? Charter Party |) do) |
| ? Composition Deed |) do) |
| ? Execution of contracts with local body, provincial or federal government or any agency controlled by provincial or federal government | Not a SPDC Proposal |
| ? Co-partnership Deed | Rationalistaion of Stamp Duties on Financial Assets and Transactions |
| ? Counterpart or Duplicate |) do) |
| ? Custom Bond (exceeding Rs 1000) |) do) |
| ? Debenture (by delivery) |) do) |
| ? Delivery Order in respect of goods |) do) |
| ? Divorce |) do) |
| ? Gift to legal heirs (non-agricultural land) |) do) |
| ? Letter of Credit |) do) |
| ? Letter of Licence |) do) |
| ? Memorandum of Association of a Company | Not a SPDC Proposal |
| ? Mortgage of a crop |) do) |

| | |
|--|--|
| ? Partition | Rationalisation of Stamp Duties on Financial Assets and Transactions |
| ? Partnership |) do) |
| ? Power of Attorney |) do) |
| ? Protest of Bill or Note |) do) |
| ? Proxy of vote |) do) |
| ? Release |) do) |
| ? Settlement legal heirs (agricultural land) | "Conference on Resource Mobilisation and Expenditure Planning" Papers, Proceedings and Consensus, April, 1993 |
| 2. Cotton Fee: Rate of Cotton Fee has been enhanced from Rs 2 per mound to Rs 4 per mound. | "Conference on Resource Mobilisation and Expenditure Planning" Papers, Proceedings and Consensus, April, 1993 |
| 3. Paddy Husking Fees: Rate of paddy husking fees has been increased from Ps 1.5 per kg to Ps 2 per kg. | "Conference on Resource Mobilisation and Expenditure Planning" Papers, Proceedings and Consensus, April, 1993 |
| 4. Tax on Professions Trade and Callings: | Sales Taxation of Services by Provincial Governments |
| a) There will be a tax of Rs 200 per annum on persons who are engaged in a profession, trade or employment and were assessed to pay income tax during the preceding year. |) do) |
| b) Companies Increase in Rates on: |) do) |
| c) Persons having 10 or more employees 1,000 |) do) |
| d) Persons engaged in Imports and Exports goods of value above 100,000 |) do) |
| e) Contractors supplying goods and services to federal, provincial or local governments and authorities of value exceeding Rs 500,000 | |

NEW SOURCES**5. Advertisement Tax:**

A tax has been levied on advertisements appearing in news paper, periodical, magazine, radio and television at the rate of **5 percent** of total charges.

Sales Taxation of Services by Provincial Governments

6. Tax on Bank Cheques:

Tax on bank cheques at the rate of **25 paisas** per cheque.

Sales Taxation of Services by Provincial Governments

Not a SPDC Proposal

7. Education Cess:

Education Cess on octroi and export tax has been levied at the rate of **5 percent**.

Not a SPDC Proposal

- 8.** Exemption from payment of registration fee on mortgage deed executed in favour of PSIC has been withdrawn.

TOTAL REVENUE GENERATION EXPECTED FROM THE PROPOSALS IS RS 750 MILLION

SUMMARY OF TAXATION PROPOSALS SINDH BUDGET, 1995-96

TAXATION PROPOSALS

REFERENCE OF STUDY

EXISTING SOURCES

1. Stamp Duties

1.1 Duty Rates on the follows have been increased:
? Allotment order issued by a developer or builder for a plot 400 sq. yard or above.

Proposals of enhancement in stamp duty rates on various administrative, financial and legal documents was made in "Rationalisation of Stamp Duty on Financial Assets and Transactions"

? Allotment order issued by a developer or builder for a flat having covered area exceeding 500 sq. feet.

) do)

? Per-lease transfer of an allotment: of residential plots

) do)

? Letter of credit (increased from Rs 50 to Rs 100)

) do)

? Bill of lading

) do)

? Charter party

1.2 Up-gradation of valuation list for assessment of stamp duty

! A Study on Improving the Efficiency and Effectiveness of Spending in Social Sectors and Increasing Resource Mobilisation in the Provinces - Pakistan

2. Property Tax

2.1 An additional surcharge has been levied on the property tax to bring the assessed tax value closer to the true tax liability in the case of larger properties.

! A Study on Improving the Efficiency and Effectiveness of Spending in Social Sectors and Increasing Resource Mobilisation in the Provinces - Pakistan

2.2 Extension of rating areas

! Conference on Resource Mobilisation and Expenditure Planning, April 1993

3. Motor Vehicle Tax

3.1 Rate of MVT has been raised from Rs 100 to Rs 200 and from Rs 200 to Rs 300.

A Study on Improving the Efficiency and Effectiveness of Spending in Social Sectors and Increasing Resource Mobilisation in the Provinces - Sindh

4. Hotel Tax

- | | | |
|-----|--|--|
| 4.1 | Switch-over from specific to advalorem taxation of hotels. | Conference on Resource Mobilisation and Expenditure Planning |
| 4.2 | Occupancy rate for bed tax has been reduced from 80 percent to 75 percent. | Not a SPDC Proposal |

5. Electricity Duty

- | | | |
|-----|---|--|
| 5.1 | Increasing in electricity duty on all types of consumers. | Conference on Resource Mobilisation and Expenditure Planning |
| 5.2 | Relief of 50 percent in electricity duty on private power generation. | Not a SPDC Proposal |

6. Provincial Excise

- | | | |
|-----|---|---------------------|
| 6.1 | Surcharge on certain items like beer etc. | Not a SPDC Proposal |
|-----|---|---------------------|

7. Education Fees

- | | | |
|-----|------------------|---|
| 7.1 | Increase in fees | ! A Study on Improving the Efficiency and Effectiveness of Spending in Social Sectors and Increasing Resource Mobilisation in the Provinces - Pakistan ! User Charges in Education |
|-----|------------------|---|

NEW SOURCES

- | | | |
|----|---|--|
| 1. | Levy of stamp duty on cheques, bank draft and pay orders. | Sales Taxation of Services by Provincial Governments |
| 2. | Royalty on lime stone | Not a SPDC Proposal |

TOTAL REVENUE GENERATION FROM THE ABOVE PROPOSALS IS RS 480 MILLION

SUMMARY OF TAXATION PROPOSALS NWFP BUDGET, 1995-96

TAXATION PROPOSALS

REFERENCE OF STUDY

EXISTING SOURCES

1. Stamp Duties

- 1.1 Enhancement in stamp duties

Rationalisation of Stamp Duties on Financial Assets and Transactions

2. Development Cess

Development cess for education has been increased from 15 percent to 18 percent.

A Study on Improving the Efficiency and Effectiveness of Spending in Social Sectors and Increasing Resource Mobilisation in the Provinces - NWFP

3. Motor Vehicle Tax

- 3.1 Token tax on freight carriers.
3.2 Increase in motor vehicle registration fees.

A Study on Improving the Efficiency and Effectiveness of Spending in Social Sectors and Increasing Resource Mobilisation in the Provinces - NWFP

4. Hotel Tax

- 4.1 Increase in room rent per day.

Conference on Resource Mobilisation and Expenditure Planning

NEW SOURCES

1. Provincial sales tax on services
? Bank cheques
? TV advertisements
2. Introduction of registration fee on video cassette shops.
3. Introduction of licence fees for power crushers.
4. Marble development cess has been introduced @ Rs 100 per truck.

Sales Taxation of Services by Provincial Governments

Not a SPDC Proposal

Not a SPDC Proposal

Not a SPDC Proposal

TOTAL REVENUE GENERATION FROM THE ABOVE PROPOSALS IS RS 62.72 MILLION

BALUCHISTAN

Government of Baluchistan has announced taxation proposals in stamp duty, motor vehicle tax and excise duty and expects to generate an additional Rs 4.0 million. Details of the proposals were not published in any newspaper and are therefore not included in this summary.