

# Commentary on Sindh Budget 2024-25




**PRAC**  
POLICY RESEARCH  
& ADVISORY COUNCIL





**KARACHI CHAMBER OF  
COMMERCE & INDUSTRY**





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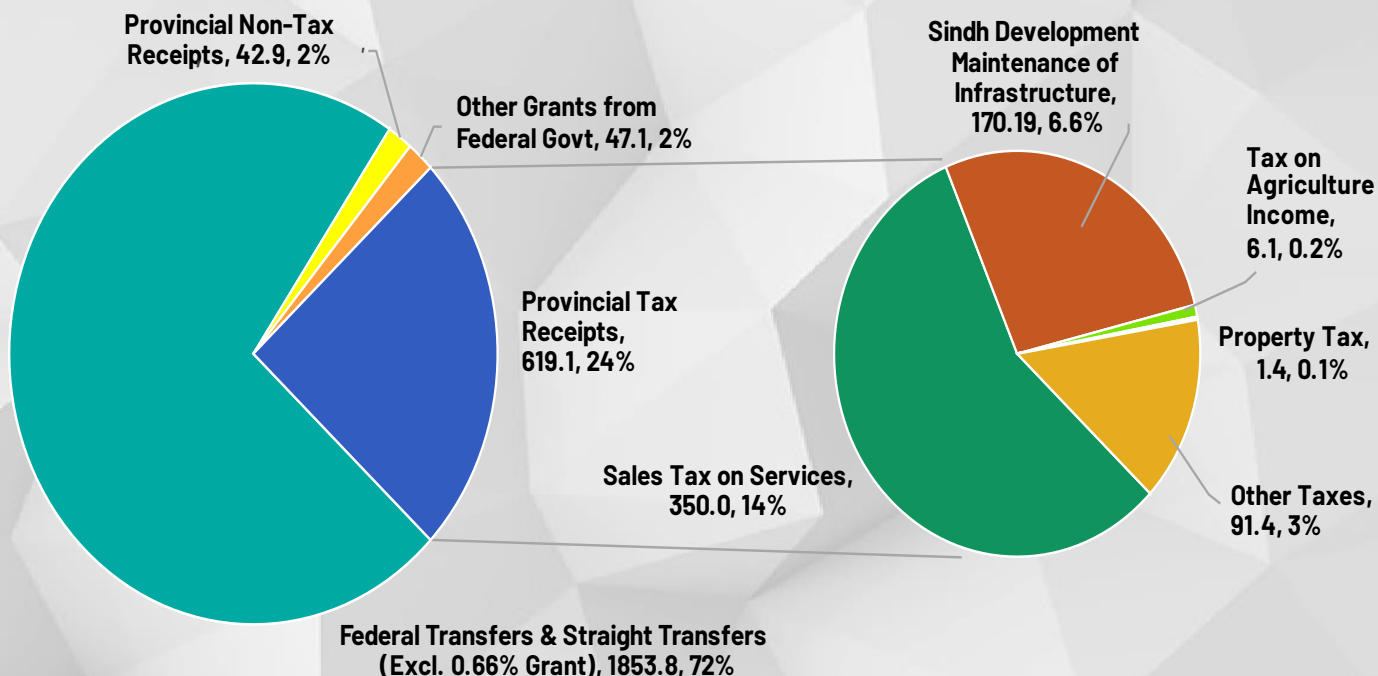
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## I. BUDGET AT A GLANCE

Receipts (Rs. Billion)	2023-24 RE	2024-25BE	Change (%)
<b>Total Receipts (1+2+3+4+5)</b>	<b>2,202.8</b>	<b>3,056.3</b>	<b>38.7%</b>
<b>1. Total General Revenue Receipts (GRR)-(A+B+C+D)</b>	<b>1,870.8</b>	<b>2,562.7</b>	<b>37.0%</b>
<b>A. Federal Transfers &amp; Straight Transfers (Excl. 0.66% Grant)</b>	<b>1,361.7</b>	<b>1,853.8</b>	<b>36.1%</b>
<b>B. Provincial Tax Receipts (a+b)</b>	<b>397.3</b>	<b>619.0</b>	<b>55.8%</b>
Direct Taxes (a)	3.8	11.3	197.3%
Tax on Agriculture Income	2.0	6.0	200.0%
Property Tax	0.4	1.4	250.0%
Land Revenue	0.4	1.3	229.1%
Other Direct Taxes	1.0	2.6	158.4%
Indirect Taxes (b)	393.5	607.7	54.4%
Sales Tax (General Sales Tax Provincial)	230.0	350.0	52.2%
Sindh Development Maintenance of Infrastructure	110.0	170.2	54.7%
Other Indirect Taxes	53.5	87.5	63.6%
<b>C. Provincial Non-Tax Receipts</b>	<b>77.8</b>	<b>42.9</b>	<b>-44.8%</b>
<b>D. Other Grants from Federal Govt</b>	<b>34.0</b>	<b>47.0</b>	<b>38.2%</b>
<b>2. General Capital Receipts</b>	<b>6.1</b>	<b>21.6</b>	<b>252.5%</b>
<b>3. Development Grants</b>	<b>11.4</b>	<b>82.9</b>	<b>625.5%</b>
<b>4. Foreign Project Assistance Loans (FPA)</b>	<b>214.1</b>	<b>334.0</b>	<b>56.0%</b>
<b>5. Carry Over Cash Balance</b>	<b>100.4</b>	<b>55.0</b>	<b>-45.2%</b>

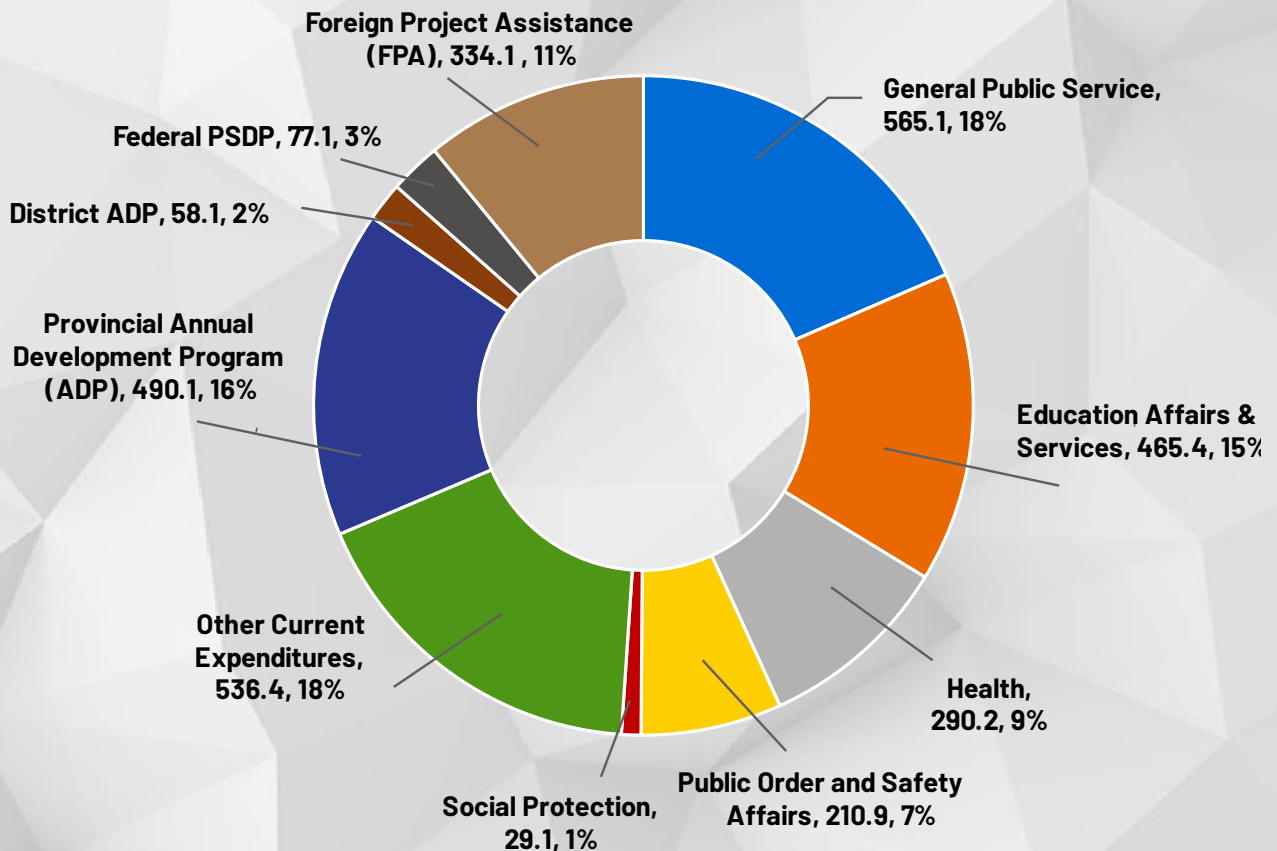
### Total General Revenue Receipts (GRR) - Breakup (Rs. in Billion, Share)



## I. BUDGET AT GLANCE

Expenditures Head (Rs. in Billion)	2023-24 RE	2024-25 BE	Change (%)
<b>Total Expenditures (1+2+3)</b>	<b>2,252.9</b>	<b>3,056.3</b>	<b>35.7%</b>
<b>1. Current Revenue Expenditures</b>	<b>1,584.2</b>	<b>1,912.4</b>	<b>20.7%</b>
General Public Service	507.2	565.1	11.4%
Education Affairs and Services	347.9	465.4	33.8%
Health	234.4	290.2	23.8%
Public Order and Safety Affairs	172.9	210.9	22.0%
Social Protection	16.6	29.1	75.5%
Other Current Revenue Expenditures	305.2	351.6	15.2%
<b>2. Current Capital Expenditures</b>	<b>139.1</b>	<b>184.8</b>	<b>32.9%</b>
<b>3. Development Expenditure</b>	<b>529.6</b>	<b>959.1</b>	<b>81.1%</b>
Provincial Annual Development Program (ADP)	283.0	490.1	73.2%
District ADP	24.0	58.0	141.7%
Federal PSDP	8.5	77.0	805.6%
Foreign Project Assistance (FPA)	214.1	334.0	56.0%

### Expenditures - Breakup (Rs. in Billion, Share)





## II. POSITIVE ASPECTS

- 1. Support for the Telecom Sector and Digitalization Efforts:** The increase in the input tax credit from 17% to 18% for telecom services is designed to support the industry by mitigating the burden of high Sales and Services Taxes (SST). Additionally, the reduction of SST to 8% for restaurant services paid through digital means aims to foster digital transactions and enhance compliance. Further enhancement in the input tax credit rate could have had an even more significant impact, particularly in light of the proposed 2% increase in SST.
- 2. Enhanced Access to Electricity in Rural Areas:** Over the next five years, a notable initiative will aim to improve access to clean energy by distributing solar home systems and providing free solar panels to 2.6 million households. Initially, solar systems will be implemented in over 200 villages, significantly bolstering sustainable energy access in rural areas.
- 3. Social Welfare Initiatives:** The launch of the Benazir Mazdoor Card, along with subsidy programs and other pro-poor initiatives in Sindh, is targeted at reducing poverty and providing essential support to vulnerable populations. These measures are expected to substantially improve the quality of life, foster sustainable development, and enhance living conditions throughout the region.
- 4. Promotion of Tax Equity with Increased Luxury Tax on Motor Vehicles:** The proposed tax increase on luxury cars (ranging from 1500 CC to 3000 CC and above) aims to enhance tax equity by ensuring that affluent segments of society contribute proportionately to the national revenue. This initiative supports the federal government's goal of eliminating exemptions on luxury vehicles and promotes fairer taxation practices.
- 5. Strengthening Law and Order in Sindh:** The police budget for 2024-25 has been increased by nearly 25%, with allocations for surveillance cameras, modern weaponry, health insurance, and the Shuhada Package to enhance morale. Additionally, fiscal decentralization has been introduced to improve the operational efficiency of police forces. While these enhancements mark significant progress, comprehensive reforms remain essential, especially in light of an 11.11% increase in street crimes in Karachi from 2022 to 2023.
- 6. Financial Support for Farmers:** The Benazir Haari Card is designed to provide timely financial assistance to small-scale farmers owning up to 12.5 acres. For the fiscal year 2024-25, Rs. 8 billion has been allocated to register and support 1.2 million farmers, particularly those most affected by climate change and rising agricultural input costs.

### III. NEGATIVE ASPECTS

- 1. Fiscal Responsibility:** Despite a 36.7% increase in Sindh's total receipts, Sindh has projected a carry-over cash balance of Rs. 55 billion, a decline from Rs. 100 billion last year. This contradictory trend raises concerns about the province's financial management. While no deficit is projected for the coming year, Sindh and other provinces need to further boost their revenues and curb unnecessary expenditures to support the federal government and meet the IMF's projection of provincial surplus.
- 2. Wrong accounting and inappropriate utilization of Infrastructure Cess:** Infrastructure Development Cess which is collected at the port, like all other special cesses such as Worker Welfare Cess and Workers Education Cess should be separately accounted for and utilized for the purpose it is specially levied. The infrastructure that is affected by the movement of heavy transport lies entirely in the city of Karachi after it leaves the Super Highway. Its merger in the Provincial pool is completely unjustified and funds should be kept in a separate fund. A law should be passed that provides a special mechanism/institution and credible board of directors to utilize the funds for the infrastructure of Karachi city and the industrial areas of the province. Its enhancement from 1.25% to 1.8% on all imports through Karachi Port is also unjustified and will further increase financial burdens on businesses and contribute to increased cost of goods and inflation.
- 3. High Dependency on Federal Funding:** For FY25, federal transfers to Sindh are projected to increase by 36%, significantly higher than the 56% growth expected in provincial revenues. The federal share in Sindh's General Revenue Receipts stands at 74.2%, while provincial receipts only make up 25.8%. This underscores a pronounced dependency on federal funding, which could undermine fiscal autonomy and sustainability for the province.
- 4. Lack of Reforms in Key Tax Sectors:** Despite significant portions of provincial revenues being derived from the Sales Tax on Services (13.6% or Rs. 350bn) and Sindh Development Infrastructure (6.6% or Rs. 170bn), there is a conspicuous lack of progress in reforming agriculture and property taxes, which only contribute 0.2% (or Rs. 6bn) and 0.1% (or Rs. 1.40bn) respectively. This indicates a missed opportunity for the provincial government to broaden its revenue base through these critical sectors.
- 5. Disproportionate Increases in Government Salaries and Benefits:** The Sindh Government has announced a substantial 30% increase in government employee salaries and a 15% rise in pensions, along with personal allowances to mitigate inflation. Although intended to align with the federal government's adjustments, these increases surpass the previous year's average inflation rate of 26%, raising concerns about their financial justification and sustainability.

### III. NEGATIVE ASPECTS

**6. Rising Vehicle Transfer Fees:** Adjustments to the transfer fees for vehicles ranging from 800 CC to 2000 CC are set to raise the overall cost of vehicle ownership. This additional financial burden may particularly affect lower- and middle-income families by making it costlier to buy and sell used vehicles, which are typically more economically feasible options for these groups.

**7. Concerns Over Allocation in the Agriculture Sector:** Despite a notable 62% increase in the agriculture sector budget to Rs. 61.7 billion, with Rs. 31.8 billion earmarked for current expenditures and Rs. 29.9 billion for development, concerns persist. Critics argue that too much funding continues to be channeled towards traditional expenses rather than addressing more pressing agricultural needs such as reducing input costs, stabilizing commodity prices, and enhancing critical infrastructure, including flood prevention measures.

**8. Inefficiency in High Development Expenditures:** Development expenditures have witnessed a substantial 81% increase, with the Public Sector Development Program (PSDP) funds expected to see a dramatic 805% rise from the previous year. Despite these increases, there is a notable lack of transparency and effective oversight, contributing to the frequent misallocation and misuse of funds. This inefficiency has led to minimal tangible improvements in infrastructure or social sectors, exacerbating developmental disparities within the province

**9. Stagnation in Provincial Finance Commission (PFC) Award Discussions:** Since 2007, there has been no new Provincial Finance Commission (PFC) Award in Sindh, and the budget for 2024-25 omits any announcements regarding the continuation or introduction of new PFC Awards. Last year, a commission was established to recommend the horizontal and vertical distribution of resources among local governments; however, there has been no advancement on this front, leaving critical fiscal decisions in limbo and potentially impacting the equitable distribution of resources across the province.

**10. Overlooked Critical Projects in Karachi:** In the recent Sindh budget allocation for Karachi, essential initiatives such as the K4 water supply project and mass transit systems have been conspicuously neglected. Despite the Asian Development Bank's estimation that Karachi's infrastructure requires a substantial investment of approximately US \$10 billion, the allocation falls significantly short. With only Rs. 45 million set aside for the Karachi Circular Railway (KCR), the funding appears grossly inadequate to address the escalating deterioration of living conditions in the city.



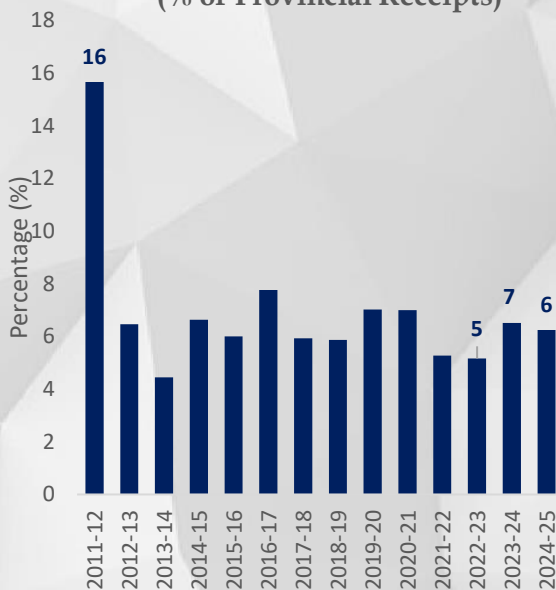
### III. NEGATIVE ASPECTS

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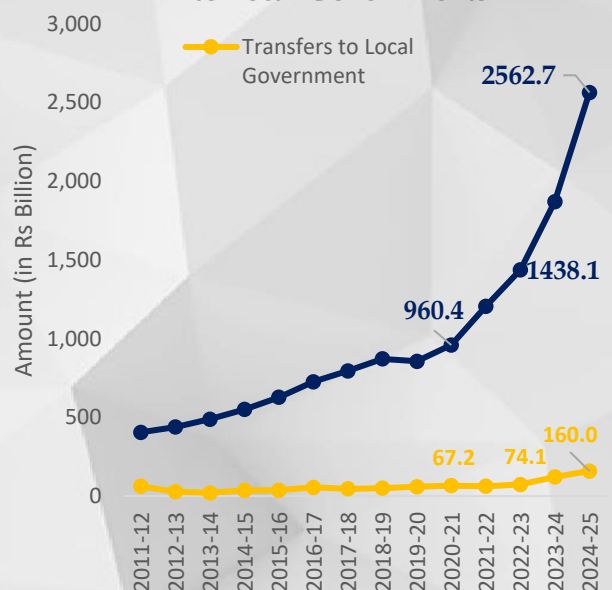
**12. Exacerbating Inflationary Pressures:** The proposed increase in the Sales Tax on Services from 13% to 15% is poised to intensify inflationary pressures within the economy. Additionally, elevated tax rates on professional incomes and fuel-related services are likely to result in higher fuel costs and reduced disposable income for consumers.

**13. Local Government Funding Challenges:** Sindh's allocation for local governments (LGs) rose from Rs. 122 billion in FY24 to Rs. 160 billion in FY25. However, LGs share as a percentage of revenues has dwindled from 16% in FY12 to just 5.9% in FY25. In contrast, Punjab has allocated Rs. 857 billion (15.7% of its total budget) to LGs for FY24-25. Considering Sindh's substantial urbanization in recent decades, the current allocation for LGs appears inadequate.

**Transfers to Local Government  
(% of Provincial Receipts)**



**Provincial Revenues and Transfers  
to Local Governments**





#### IV. KEY AMENDMENTS THROUGH SINDH FINANCE BILL 2024:

Heads	Existing	Proposed	% Change
<b>Sales Tax on Services</b>			
Standard SST Rate	13%	15%	15.4%
<b>New entries under the scope of SST</b>			
Medical practitioners & consultants (9815.1000)		15%	
Education services (9857.0000)		15%	
Services provided or rendered by hospitals and clinics (9858.0000)		15%	
Pet care services (9859.0000)		15%	
<b>Sindh Development and Maintenance of Infrastructure Cess (Based on Net Weights of Goods)</b>			
Up to 1250 kgs	1.20% + 1 Paisa/Km	1.80% + 1 Paisa/Km	50.0%
1251 to 2030 kgs	1.21% + 1 Paisa/Km	1.81% + 1 Paisa/Km	49.6%
2031 to 4060 kgs	1.22% + 1 Paisa/Km	1.82% + 1 Paisa/Km	49.2%
4061 to 8120 kgs	1.23% + 1 Paisa/Km	1.83% + 1 Paisa/Km	48.8%
8121 to 16000 kgs	1.24% + 1 Paisa/Km	1.84% + 1 Paisa/Km	48.4%
Exceeding 16000 kgs	1.25% + 1 Paisa/Km	1.85% + 1 Paisa/Km	48.0%
<b>Sindh Motor Vehicles Tax Rates/ Luxury Tax</b>			
Imported cars/jeeps with engine capacity ≥3000cc	Rs.150,000/-	Rs.450,000/-	200.0%
Imported cars/jeeps with engine capacity 2000-2999cc	Rs.75,000/-	Rs.275,000/-	266.7%
Imported cars/jeeps with engine capacity 1500-1999cc	Rs.5000/-	Rs.100,000/-	1900.0%
Domestic cars/jeeps with engine capacity 2000cc+	Rs.5000/-	Rs.50,000/-	900.0%
Domestic cars/jeeps with engine capacity 1500-1999cc	Rs.5000/-	Rs.25000/-	400.0%
<b>Professional Income Tax Rates</b>			
All income-tax payers, including professionals, traders, & employees.	Rs. 500/-	Rs.2,000/-	300.0%
All factories, shops, establishments, video shops, real estate agencies, & car dealers not assessed in previous fiscal year.	Rs. 1,000/-	Rs.2,000/-	100.0%
All Petrol Pumps & CNG Stations.	Rs. 5,000/-	Rs.20,000/-	300.0%
<b>Transfer Fees on Assets</b>			
(i) sale or transfer of a registered motor vehicle; (ii) sale or transfer of immovable property; (iii) re-conveyance of mortgage property;	Rs. 500/-	Rs. 1000/-	100.0%
<b>Fees on Agreement</b>			
(b) If pertaining to the agreement execution between builder, developer, &/or allottee for booking an apartment, shop, house, office, or plot in a Sindh Building Control Authority-approved public sale project;	-	Rs. 5000/-	
(c) if not otherwise provided for	Rs. 100/-	Rs. 1000/-	900.0%

#### IV. KEY AMENDMENTS THROUGH SINDH FINANCE BILL 2024:

Heads	Existing	Proposed	% Change
<b>Tax on Air Tickets issued by any Airline</b>			
(i) For Domestic Flights		Rs. 250/- per ticket	
(ii) For International Flights		Rs. 1000/- per ticket	
<b>Allotment order &amp; Sanads</b>			
<b>Allotment orders or issuance or renewal of sanads by the Government</b>	-	Rs. 5000/-	
“(i) To and from Real Estate Investment Trusts (REITs)	1.0% of value in valuation table or floating rate charged on actual value	2.0% of higher value among the value in valuation table & declared value recorded in the instrument	
(ii) In any other case	1.0% of value in valuation table or floating rate charged on actual value	Levy on Conveyance under Article No.16(A)(i)”	
<b>Article 16 B</b>	1.0% of value in valuation table or floating rate charged on actual value	Levy on Conveyance under Article No.16(A)(i)”	
<b>Stamp Duty on Issuance of Power of attorney</b>			
(a) when given not for consideration and authorizing the attorney to sell any immovable properties	Rs. 3000/-	Rs. 7000/-	133.3%
(b) when given for consideration and authorizing the attorney to sell any immovable property	3.0% of higher value among the value in valuation table and the amount of consideration	Levy on Conveyance under Article No.16(A)(i)”	
(c) in any other case	Rs. 10 per authorized person	Rs. 1000/-	
<b>Partnership or Dissolution of Partnership</b>			
Partnership or Dissolution of Partnership		Rs. 5000/-	
<b>Fees on Sea Insurances and Policy by Air</b>			
(1) For each voyage		0.02% on sum insured totalling at least Rs. 500/-	
(2) where the insurance shall be made for any time not exceeding twelve months		0.09% on sum insured totalling at least Rs. 500/-	

#### IV. KEY AMENDMENTS THROUGH SINDH FINANCE BILL 2024:

Heads	Existing	Proposed	% Change
<b>Fees on Other Insurances</b>			
Fire-Insurance and Other Classes of Insurance, not otherwise included in this Article, Covering Goods, Merchandise, Personal Effects, Crops, and other Property Against Loss or Damage		Rs. 500/-	
Life Insurance Health Insurance or other Insurance not Specially Provided for except such Re-Insurance as is described in the Division of this article-		0.15% on sum insured totalling at least Rs. 500	
If not otherwise provided for		Rs. 500/-	
<b>Amendments in Penalties</b>			
When a person avoids, defies, fails to comply with the e-invoicing system or issues invoices outside the e-invoicing system or refuses, denies, or obstructs the enforcement of provisions of section 54A in any manner.		Upto Rs. 1 Million. Repeat offenders may face business closure, up to 1yr imprisonment, a fine, or both	
Where a person avoids, defies, delays or fails to deposit the amount of service fee levied under the Sindh Sales Tax Special Procedure (Online Integration of Business) Rules, 2022 or fails to report the service fee in the sales tax return in the prescribed manner.		Rs. 100,000 or twice the amount of service fee involved, whichever is higher. May face upto 1 yr imprisonment, or both.	

#### Sources for Existing Rates:

Excise and Taxation Narcotics Control Department, Sindh  
Board of Revenue, Sindh

## V. COMPARISON WITH OTHER PROVINCES

Heads	Sindh	Punjab	KPK	Balochistan
Increases in Salaries				
Grade 1-16	For Grade 1-6:30% For Grade 7-16: 25%	25%	10%	25%
Grade 17-22	22%	20%	10%	22%
Increases in Pensions	15%	15%	10%	15%
Minimum Wage	Rs. 37,000	37,000	36,000	32,000
Personal Allowance	Yes	No	No	No
Share of Local Government in Provincial Budget	5.2%	15.7%	17.9%	3.8%
Share of Agriculture in Provincial Budget*	12%	4.7%	5.9%	2.8%
Share of Education in Provincial Budget	16.6%	3.5%	21.3%	15.8%
Share of Health in Provincial Budget	10.5%	6.8%	14.9%	9.4%

\*Share of Agriculture includes Agriculture, Food, Irrigation, Land Reclamation, Forestry & Fisheries

Note: Sectoral shares encompass both current and development expenditures within the sector

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