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A Review of Resource Mobilization Efforts of Central Board of Revenue

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Foreword

It is matter of great pride that CBR has not only achieved the assigned revenue target for FY: 05-06 but also surpassed it by a comfortable margin. This is the fourth consecutive year that the start of the year revenue target has been met and the second consecutive year that the upwardly revised estimate has been surpassed. While this accomplishment is very satisfying for CBR and its field offices, it is even more gratifying that the tax effort of CBR staff has eased the pressure of economic management for the Government.

The Fiscal Research & Statistics wing has been engaged in bringing out updated CBR Quarterly Reviews. Apart from analysis of economy and tax collection, the current issue also includes articles on the Banking Sector in Pakistan, Impact Evaluation of Budgetary Measures during FY: 05-06, and an up-date on CBR Reform Program.

I am hopeful that the current issue will succeed in raising the quality of the discussions among various stakeholders to a much higher level than in the past. As always, we look forward to your feedback.

M. Abdullah Yusuf
Chairman CBR

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CBR Tax Collection: An Analysis of FY: 05-06 Outcome[1]

Thirty years ago, many economists argued that inflation was a kind of minor inconvenience and that the cost of reducing inflation was too high a price to pay. No one would make those arguments today

Martin Feldstein

The Economy

It is indeed encouraging that Pakistan's economy has gained sufficient strength not only to maintain its growth momentum but also to withstand unanticipated shocks. Notwithstanding the pressure on national resources by ever escalating international fuel prices and the devastating earthquake, the economy recorded an impressive (real) rate of growth of 6.6% during FY 05-06. However, macro imbalances in the shape of inflation, and fiscal and trade deficits kept attracting exaggerated attention during this period. Fortunately, there are early signs of improvement on each of these three fronts. To start with, the inflationary pressure has started to subside due to the combined influence of easing of supply constraints, relatively less volatility of international prices of energy, and tightening of money. It appears that it has reached the plateau and descend is just around the corner. The fiscal deficit has worsened a bit but remains within manageable limit. Nonetheless, there is a need for fiscal consolidation. Whereas the extra-ordinary performance by CBR on the revenue side has eased the pressure on budget to a considerable extent, expenditure management through restraint and prioritization is needed to relieve the burden further. Finally, the imbalance in trade account is expected to shrink in the coming year. The several reasons for this optimism relate to the changing magnitude and composition of imports and exports.

[1] The analysis is carried out by the Research Team of the Fiscal Research Wing of CBR in collaboration with the Budget Wings of Direct & Indirect Taxes, and DRS.

Despite this rather satisfactory account of the state of the economy, there are several risks towards smooth economic management in medium to long-run. The foremost being the sharp increase in interest rates in recent months. It can be both a blessing and a curse. While it may encourage savings, thereby reducing the saving-investment gap; it would certainly raise one of the crucial expenditure heads, namely, the interest payment on domestic debt thus worsening the already stretched fiscal position. Moreover, with increasing cost of capital, there is a threat to productive investment that may force 'unintended' deceleration in the growth process. Hence, the need for a careful balance is in order.

Has the world economy started to slow down is another possible risk area? Some analysts believe this to be the case. How Pakistani economy, particularly its exports, will respond to this change? The historic evidence suggests that there is some, although weak, relationship between the two. Our export earnings have suffered when there is deceleration in growth in Pakistan's major trading partners. A proactive approach demands full understanding of the nature of the trade balance and BOP in coming months/ years.

Finally, the long-term strategy needs to focus on the future composition of Pakistan's economy. How quickly the reliance on the agriculture sector can be reduced is an important consideration. Structural transformation of the economy is a well-established concept in the development literature. Economies graduate from low-income to middle-income status when the industrial sector starts dominating the agriculture sector. In the case of Pakistan, the pace of this crucial transition is too slow to be regarded as meaningful. To add insult to injury, the statistics related to the manufacturing sector are not very convincing. It is unfortunate that there is no direct way of deriving the sectoral contribution in the manufacturing sector. The indirect methodology currently in vogue is less than satisfactory. One of the major obstacles for this malaise is the

absence of an ‘exact’ knowledge of various business processes generating value addition. The classic example in this respect is the textile sector which happens to be the main stay of the manufacturing sector and exports. Starting with the local production of cotton, availability of cotton bales, its conversion to yarn, and use of yarn to fabrics etc. are far too many processes to keep an exact trail. There are apprehensions that a large number of activities related to the textile sector are not fully accounted for and obviously there are revenue leakages as well.

Staying within the same domain, it is also relevant to mention the futuristic position of the rapidly expanding services sector. Since its contribution in GDP is fast increasing with time, it is advisable that the National Income Accounts are generated on scientific basis to discourage under-reporting and lack of documentation. It needs to be over emphasized that robustness of national statistics holds the key for future planning and sound economic management.

CBR Revenue Collection vis-à-vis Target

CBR has surpassed the revenue target of Rs. 690 billion by 3.3% during FY: 05-06. The net collection has exceeded the revenue target by Rs. 22.5 billion (Table 1). The gross and net collection has been Rs. 797.6 billion and Rs. 712.5 billion, respectively showing an increase of 15.5% and 20.7%. This achievement has been possible due to vibrant performance of all federal taxes that have ‘individually’ exceeded their respective targets except Federal Excise, which has been short of the target by a slight margin 4.3%. In particular, the two leading taxes, i.e., income and corporate taxes and GST have performed very well – where the respective upwardly revised targets have been surpassed by 4.5% and 4.3%. The collection on account of customs duties has also been higher than the revised estimate.

Table 1: A Comparison of Collection vis-à-vis Original and Revised Targets

(Rs. Billion)

	Original Targets	Revised Targets	Collection	Difference from Revised Targets	
	FY: 05-06	FY: 05-06	FY: 05-06	Absolute	Percent
Direct Taxes	214.0	215.0	224.6	9.6	4.5
Sales Tax (GST)	276.5	282.5	294.6	12.1	4.3
Federal Excise	59.5	57.5	55.0	-2.5	-4.3
Customs Duties	140.0	135.0	138.3	3.3	2.4
All Taxes	690.0	690.0	712.5	22.5	3.3

Revenue Collection in FY: 05-06 vis-à-vis Last Year

The net revenue collection by CBR during FY: 05-06 has grown by 20.7% as compared to FY: 04-05 (Table 2). The increase of Rs. 122.1 billion over and above last year's collection has been the highest in a single year since FY: 47-48. The continuous strong domestic demand partially reflected by increase in imports, improved corporate profitability and the overall strength of the economy have played a significant role in this growth performance. The highest growth of 23.5% has been recorded in sales tax largely due to phenomenal growth in the domestic component, followed by direct taxes (22.5%), customs duties (19.8%), and excise duties (3.6%). Not only that the zero rating of five major exports oriented industries have been helpful in promoting economic growth, this measure has also been instrumental in controlling of huge sales tax refunds. Within direct taxes, improved voluntary compliance is evident with higher payments with returns as well as quarterly installments of advance taxes by the corporate sector. The increase in customs collection is attributable to higher volume of imports and improvement in customs business processes. Similarly, despite its fading nature, around 4% growth in collection of FED can be regarded as satisfactory in view of the limited growth in its base.

Table 2: A Comparison of Net Collection in FY: 05-06 vis-à-vis Last Year's Collection

(Rs. Billion)

	Collection		Difference	
	FY: 05-06	FY: 04-05	Absolute	Percent
Direct Taxes	224.6	183.4	41.2	22.5
Sales Tax (GST)	294.6	238.5	56.1	23.5
Federal Excise	55.0	53.1	1.9	3.6
Customs Duties	138.3	115.4	22.9	19.8
All Taxes	712.5	590.4	122.1	20.7

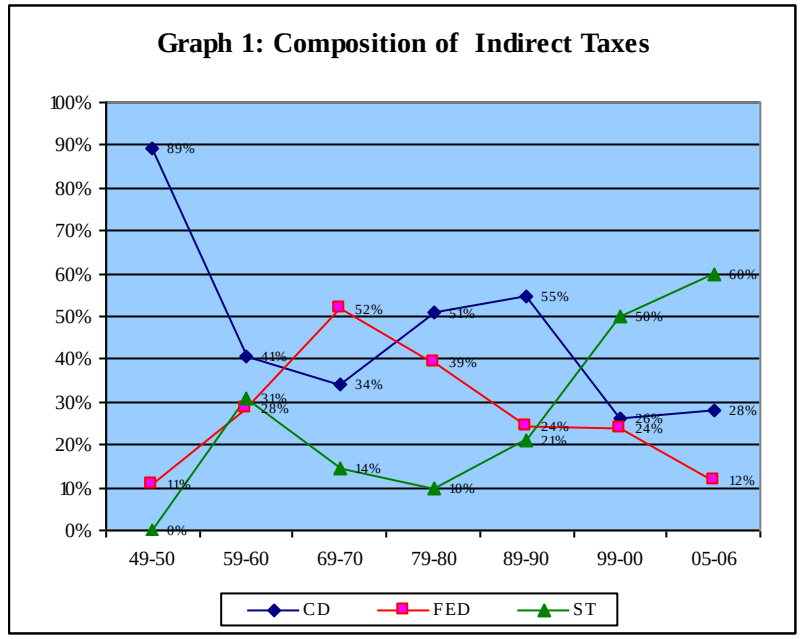
The Composition of Taxes

The two major components of Federal receipts are direct taxes (income and corporate taxes, workers' welfare fund, and capital value tax) and indirect taxes (GST, federal excise and customs duties). Indirect taxes are believed to be regressive in nature as their burden is shifted forward on to the final consumers. On the other hand, the direct taxes, being 'generally' progressive, help in maintaining the overall proportionality of the taxation system. The direct taxes also play a key role in ensuring a sustainable level of economic growth and development. Historically, the share of direct taxes in total tax collection in most of the advanced countries has been higher than indirect taxes. On the other hand, in developing economies, there is a heavy reliance on indirect taxes. The Advance countries like, the US, Belgium, Sweden, Japan, Austria, Germany, the Netherlands, France, Norway, and Switzerland are the examples where the share of direct taxes is more than 60% of total tax revenues. In emerging economies like Turkey, Mexico, Brazil, and Korea, the contribution of direct taxes is gradually increasing and has reached around 45%. In Pakistan, this share continues to hover around 30% during last few years even though it has increased from 18% in the early 1990s. It appears that within an international perspective, there is a scope for generating additional revenues from this source. However, one of the constraining factors is the rather low contribution of the corporate sector. This is evident from the

fact that despite the existence of a reasonable number of corporations registered with the Government (CBR and SECP), the return filers are low and within those who file returns, only a small fraction declares taxable incomes. On the other hand, a large majority of the corporations continue to claim business losses or showing nil incomes. Besides absence of corporate tax culture, there is also a concern about the role of withholding agents. One of the findings of a recently concluded study is that the revenue from WHT in comparison to its base appears to be quite low.

Within indirect taxes, Pakistan like other developing countries had been heavily dependant on international trade taxes up to early 1990s. The share of customs duties was 45% in total tax receipts in 1990-91. It was followed by excise duties with a share of 22% and sales tax 15%. Starting with the 1988 tariff rationalization, the implementation of tax policy reform, this composition has changed drastically with the passage of time. The share of customs duties has come down to around 19% in FY: 05-06. Similarly, the reliance on excise duties has also been reduced over the years. Simultaneously, the importance of GST as a tax on consumption activities has increased manifold. Its share has gone up to about 41% in total federal taxes in recent years. The share of sales tax within indirect taxes has improved considerably during FY: 49-50 and FY: 05-06 (Graph 1). While this intra indirect tax switch is in accordance with the tax policy regime that has been pursued over the last 15 years, a recent study has revealed that the revenue loss due to continuous reduction and rationalization of customs duties has not been fully compensated by other taxes.[2] Thus, there is a clear message for future policy design.

[2] See Martinez- Vazquez, J. (2006) 'Pakistan: A Preliminary Assessment of the Federal Tax System', Georgia State University, USA.



Major Contributors of Indirect Taxes

Given the importance of indirect taxes in generating the required resources for the government, it is relevant to know which of the commodity groups has significant contribution in these receipts. This information is important from enforcement perspective. It is evident from (Table 3) that only 17 industries (Commodity Groups) contributed about 79% of the total gross receipts of indirect taxes. In fact, more than half of this collection emanates from six items that include petroleum products, automobile sector (vehicles and parts), electrical and mechanical machinery, cigarettes, telecom sector, and iron and steel. Prima facie, it is a case of narrowness of the base of indirect taxes. It also highlights the pitfall of relying on any of these few items could have far reaching revenue implications. It should be obvious that any contingency faced by these industries can cast a debilitating effect on tax receipts.

Table 3: Contribution of Major Revenue Spinners in Indirect Taxes

(Rs. Billion)

Tariff Description	Indirect Taxes			Share in Gross (%)	
	FY: 05-06	FY: 04-05	Growth (%)	FY: 05-06	FY: 04-05
1. Petroleum	105.1	67.1	56.8	19.5	14.0
2. Auto Sector	63.1	41.5	51.8	11.7	8.7
3. Machinery	32.1	30.8	4.2	6.0	6.4
4. Cigarettes	28.9	27.9	3.1	5.3	5.8
5. Telecom	28.3	23.3	21.4	5.2	4.9
6. Iron & Steel	27.3	21.9	25.0	5.1	4.6
7. Edible Oils	23.0	18.5	24.2	4.3	3.9
8. Natural Gas	19.8	17.3	14.5	3.7	3.6
9. Cement	17.6	14.8	18.6	3.3	3.1
10. Plastic	14.9	13.5	10.4	2.8	2.8
11. Sugar	15.3	9.4	63.0	2.8	2.0
12. Chemicals	15.3	22.9	-33.0	2.8	4.8
13. Electrical Energy	13.4	15.6	-14.4	2.5	3.3
14. Beverages	8.9	7.0	27.4	1.7	1.5
15. Textile	5.2	21.3	-75.5	1.0	4.5
16. Fertilizer	5.1	4.9	3.8	0.9	1.0
17. Coffee, Tea, etc	4.4	4.3	2.4	0.8	0.9
Sub Total	427.6	362.1	18.1	79.3	75.8
Others	111.2	116.0	-4.1	20.7	24.3
Gross	539.0	478.1	12.7	100.0	100.0
Refund/Rebates	51.1	71.1	-28.1		
Net Collection	487.9	407.0	19.9		

Detailed Analysis of Individual Taxes

Direct Taxes: The direct taxes have surpassed the upwardly revised annual target of Rs. 215 billion by 4.5%. The overall growth in FY: 05-06 in gross and net collection has been 21.7% and 22.5%, respectively over last year. In terms of value, the net collection has been Rs. 224.6 billion which is Rs. 41.2 billion higher than previous year. In response to completely liquidation of refund pendency, the refund payments of Rs. 34 billion were 17.1% higher than those paid out in FY: 04-05.[3]

[3] For details related to banking sector refunds, see the article on 'The Banking Sector in Pakistan' in the current issue of the Quarterly.

A Comparison of Corporate and Non-Corporate Sectors

The sectoral contribution confirms that despite its below-potential compliance, the corporate sector remains the leading contributor of gross income tax during 2005-06 (Table 4)**.** The tax contribution takes various shapes. It can be in the form of self-assessed advance tax payment based on expected income, and/ or payments with returns, and/ or withholding taxes. For instance, the advanced tax payment by the corporate sector was 25.6% in FY: 05-06 down from 28.9% during last year. The contribution from other modes of payments increased slightly from 42.6% to 44.7%. Further breakup of the corporate sector contribution is quite revealing. During FY: 05-06 the private, public and banking companies contributed Rs. 81.9 billion, Rs. 62.9 billion and Rs. 26.3 billion of gross income tax, respectively. The share of the private companies was the highest followed by the public companies. On the other hand, it is rather surprising that despite its enormous profitability and expansion in size, the contribution of the banking companies has declined during CFY as compared to PFY.

Table 4: Sectoral Composition of Income Tax (Gross) Collection

(Rs. Billion)

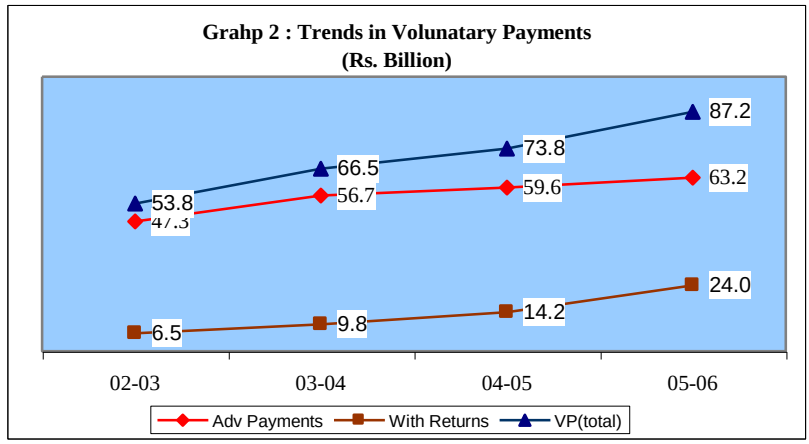
Heads	Gross Collection		Growth (%)	Share (%)	
	FY 05-06	FY 04-05		FY 05-06	FY 04-05
Corporate Sector	*171.1*	*145.0*	*18.0*	*70.3*	*71.5*
Advance	62.3	58.6	*6.3*	*25.6*	*28.9*
Others	108.8	86.4	*25.9*	*44.7*	*42.6*
Non-Corporate Sector	*73.5*	*58.8*	*24.9*	*30.2*	*29.0*
Advance	1.0	1.0	*2.0*	*0.4*	*0.5*
Others	72.4	57.8	*25.3*	*29.7*	*28.5*
Total	243.5	202.8	*20.1*	*100.0*	*100.0*

Income Tax Gross Collection by Corporations					
Public	62.9	50.4	*24.6*	36.7	34.8
Private	81.9	69.3	*18.2*	47.9	47.8
Banking	26.3	25.3	*4.0*	15.4	17.4
Total	**171.1**	**145.0**	*18.0*	100.0	100.0

In order to get further insight, the direct tax collection is divided into voluntary payments (VP), collection on demand (CoD), and withholding taxes (WHT). The details are presented as follows.

Voluntary Compliance

It is encouraging that the self-assessment has proved beneficial both for the taxpayers and the CBR. The payments from this source have increased from Rs. 73.8 billion in FY: 04-05 to Rs. 87.3 billion in FY: 05-06 indicating a growth of 18.3%. Consequently, the share of voluntary payments in income tax gross receipts has gone up to around 36% from 32.7% in FY: 02-03 when USAS was implemented for the first time in its present shape (Graph 2). It is important to reiterate that the VP includes payments with returns and advance payments in four installments based on expected income. Since the share of payments with returns in VP has increased from 19% in FY: 04-05 to 27% in FY: 05-06 while the share of advance payments has declined from 81% to 73%, which is an expected outcome.



Another indicator of improvement in compliance is the number of returns and statements filed by the taxpayers voluntarily. The information presented below shows that 17.4% growth in the number of returns filed by corporations and individuals has been

recorded in FY: 05-06 over last year. Similarly, 25.9% growth has been registered in the number of statements filed by employers on behalf of their employees, including salaried persons, traders and contractors etc. The overall number of returns/ statements has reached 1,497,817 from 1,230,173, indicating an increase of 21.8% against the target of 20% set under the Prime Minister's Goal – Target initiative (Table 5).[4]

Table 5: Analysis of Returns/ Statements

	2006	2005	Growth (%)
Returns			
Corporate	14191	13202	7.5
AOP	31742	22903	38.6
Salary	74891	166784	-55.1
Non-Salary	581877	395719	47.0
Sub-total Returns	*702701*	*598608*	*17.4*
Statements			
Salary Certificates	152607	455038	
Employers Statements	520163	0	
Employer/Employee Response	*672770*	*455038*	*47.8*
Importers	11067	16951	-34.7
Exporters	12877	9942	29.5
Retailers	34105	50479	-32.4
Contractors/ Suppliers	53987	33592	60.7
Other	10310	65563	-84.3
Sub-total Statements	*795116*	*631565*	*25.9*
Grand Total	**1497817**	**1230173**	**21.8**

Collection through Demand Creation

The COD comprises of arrear and current demand components. Despite a substantial growth of 52.6% in the arrears demand the overall collection on demand has declined by 4% during FY: 05-06 (Table 6). This implies that the negative growth of 21.4% in current demand has an overwhelming effect on overall CoD. Nonetheless, with its diminishing importance after self-assessment, the share of

[4] Besides revenue and tax base, the performance indicators under the Goal – Target Initiative also include status of refund pendency of income and sales taxes, and the number of appeals pending at various levels, i.e., first level of appeals, Tribunals, and High and Supreme Courts.

COD in income tax gross collection has declined from 8.6% in FY: 04-05 to 6.9% in FY: 05-06.

Table 6: Quarterly Data on Collection on Demand: A Comparison FY: 05-06 & FY: 04-05 Figures

(Rs. Million)

Quarters	FY: 05-06	FY: 04-05	Difference	
			Absolute	Percent
Q1	2,120	1,570	550	35.0
Q2	3,483	2,246	1,237	55.0
Q3	3,731	4,446	-715	-16.1
Q4	7,462	9,237	-1,775	-19.2
Total	16,796	17,499	-703.2	-4.0

Withholding Taxes

The Withholding Tax (WHT) is a vital component of income tax collection, which is evident from its share of 57% in gross receipts. The number of WHTs has increased over time since mid 1960s and currently, there are 25 heads where deductions are made at source. However, of all these sources, only six heads contribute nearly 80% of total WHT receipts. These six WHT spinners are: contracts/ supplies, imports, salary, exports, electricity and telephones including mobile phones. Within the smaller group of six heads, contracts is the leading category with 34% share in WHT collection. Its significance has increased in view of the improved economic activities in the country. The higher government spending on infrastructure on the one hand and the unprecedented expansion of private businesses on the other have contributed towards higher tax deductions on contracts and supplies. Similarly, the streamlining of its rate structure has also been helpful in achieving the projected growth from this source.

The major contributors in terms of their share in the WHT collection are: imports (19%), salary (11%), exports (6%), telephones/ mobiles (5%) and electricity (4%). The collection from telephones, contracts, salary, imports and exports, and electricity, has increased by 49.9%,

34.8%, 16.8%, 9.8% and 7.3% respectively (Table 7) for the following reasons.

Table 7: Quarterly Data on WHT:
A Comparison of FY: 05-06 & FY: 04-05 Collection

(Rs. Million)

Collection Heads	FY: 05-06	FY: 04-05	Difference	
			Absolute	Percent
Contracts				
Q1	8,872	6,122	2,750	44.9
Q2	9,355	6,430	2,925	45.5
Q3	11,854	7,806	4,048	51.9
Q4	16,688	14,345	2,343	16.3
Total	46,770	34,703	12,067	34.8
Imports				
Q1	6,687	6,293	394	6.3
Q2	6,516	6,043	473	7.8
Q3	6,811	5,846	966	16.5
Q4	6,864	6,303	561	8.9
Total	26,878	24,485	2,393	9.8
Salary				
Q1	2,965	2,840	125	4.4
Q2	3,464	2,743	722	26.3
Q3	3,729	3,022	707	23.4
Q4	5,363	4,746	617	13.0
Total	15,521	13,351	2,170	16.3
Export				
Q1	2,306	1,736	570	32.8
Q2	2,373	1,900	473	24.9
Q3	1,551	1,930	-379	-19.6
Q4	2,448	2,338	110	4.7
Total	8,678	7,903	775	9.8
Electricity				
Q1	986	1,048	-62	-5.9
Q2	1,371	1,246	125	10.0
Q3	1,185	904	281	31.0
Q4	1,577	1,570	7	0.4
Total	5,118	4,768	350	7.3
Telephone/mobiles				
Q1	1,314	1,022	292	28.6
Q2	1,875	1,088	787	72.4
Q3	1,396	1,410	-14	-1.0
Q4	2,999	1,537	1,462	95.1
Total	7,583	5,057	2,526	49.9
a. Sub-Total (Six Major Items)	110548	90,268	20,280	22.5
Percentage Share in Total WHT	79%	81%		
b. Other WHT	28,878	21,231	7,647	36.0
c. Total WHT	139,426	111,499	27,927	25.0
%Share in Gross IT	57%	55%		

As indicated, the enhanced economic activities in the country, particularly, the ongoing construction activities in the earthquake hit areas has accelerated the pace of development. Resultantly, WHT on contracts has registered a growth of 34.8%. On the other hand, the higher volume of trade transactions has been responsible for enhanced collection at import and export stages. The unprecedented growth in telephone/ mobile services in the country has led to higher collection from this source during FY: 05-06. The recent surge in interest rates due to tightening of money to control inflation has contributed towards 42% growth in WHT on interest income. Similarly, the collection on account of securities has also increased for the same reason by 6.2%.

Finally, the two initiatives, namely the imposition of WHT on cash withdrawal u/s 231 A and on stocks u/s 233 A have generated Rs. 2.5 billion and Rs. 2.3 billion, respectively during the year. The outcome in the case of the former source even though fell short of the start-of-the-year budgetary estimate, but remains fairly significant to confirm that a beginning has been made towards documentation of economy. Likewise, even though modest, yet a breakthrough has been made in bringing the stock market activities into the tax net. Since there is huge revenue potential, it is expected that with adequate regulation and improved documentation the compliance will improve further.

Sales Tax: The sales tax has emerged as one of the two main revenue sources of federal tax receipts. Due to its buoyant nature, the reliance on GST has increased manifold over the years. This is evident from the fact that the share of GST has reached 41.4% in the total federal tax collection during FY: 05-06 as against 18.6% in FY: 95-96 when it was transformed into full fledged value added tax. The gross sales tax collection of Rs. 327.1 billion and net collection

of Rs. 294.6 billion during FY: 05-06 was higher by 11.5% and 23.5% over the corresponding period of PFY.

Regarding its components, the gross and net tax receipts from sales tax domestic [ST (D)] have increased by 4.6% and 31.3% respectively during FY: 05-06 over PFY. Around 31% increase in net collection can also be attributed to lesser refund payments by 41.0% as compared to last year. On the other hand, ST collection at import stage [ST (M)] has increased by 18.5%, which is consistent with 31.3% growth in total imports. In terms of value, the net collection of ST (M) has been Rs. 171.7 billion. A comparison of quarterly collection of sales tax presented in Table 8 indicates a consistent pattern of growth throughout the four quarters which is quite encouraging.

Table 8: Quarterly Collection of Sales Tax: FY: 05-06 & FY: 04-05

(Rs. Billion)

	Net Collection of ST (Total)		
	FY: 05-06	FY: 04-05	Growth (%)
Quarter 1	63.0	50.4	25.1
Quarter 2	69.7	59.0	18.2
Quarter 3	69.7	56.0	24.3
Quarter 4	92.2	73.1	26.1
Full Year	294.6	238.5	23.5

Domestic Sales Tax Collection and Major Revenue Spinners: The performance of ST (D) indicates that around 71% of gross collection has been generated by ten major revenue spinners during FY: 05-06 as against 65.4% during PFY. The detailed analysis confirms that out of ten major commodities, eight have recorded a positive growth over the corresponding period (Table 9). Among the leading resource generators, the shares of telecom and petroleum products have been around 36%. Similarly, the ST (D) collection from natural gas and electrical energy was close to 9% each. The reason for this performance has been multi-faceted. For instance, the increase in collection from POL by 16.5% was mainly due to the price factor. It

is now common observation that international prices of energy are constantly increasing over the last few years. The higher value has two impacts. For final products, the higher value is yielding higher revenues, but wherever POL products are being used as inputs, they result into huge refund claims. Resultantly, the outcome is mixed.

Table 9: Quarterly Comparison of Sales Tax Domestic Collection by Major Commodity: FY: 05-06 & FY: 04-05

(Rs. Million)

	FY: 05-06	FY: 04-05	Growth (%)		FY: 05-06	FY: 04-05	Growth (%)
Telecom				*Cigarettes*			
Q1	5,267	4,138	27.3	Q1	813	1,076	-24.4
Q2	6,555	4,691	39.8	Q2	1,349	1,276	5.7
Q3	7,024	5,033	39.6	Q3	1,534	1,379	11.2
Q4	8,027	6,536	22.8	Q4	2,063	2,211	-6.7
Total	26,873	20,397	31.7	Total	5,759	5,942	-3.1
POL Products(Including LPG)				*Cement*			
Q1	6,057	6,226	-2.7	Q1	1,155	935	23.5
Q2	6,602	6,054	9.1	Q2	1,148	878	30.8
Q3	7,632	5,763	32.4	Q3	1,151	704	63.5
Q4	9,099	7,180	26.7	Q4	1,915	1,257	52.3
Total	29,390	25,223	16.5	Total	5,369	3,774	42.3
Electrical Energy				*Motor Cars*			
Q1	1,247	2,589	-51.9	Q1	685	534	28.3
Q2	5,100	4,467	14.2	Q2	776	527	47.1
Q3	3,990	3,022	32.1	Q3	635	417	52.3
Q4	3,046	5,562	-45.2	Q4	542	571	-5.1
Total	13,383	15,640	-14.4	Total	2,638	2,049	28.7
Natural Gas				*Aerated Waters*			
Q1	2,932	2,636	11.2	Q1	751	665	12.8
Q2	3,353	2,788	20.3	Q2	654	465	40.6
Q3	3,047	2,465	23.6	Q3	282	203	38.9
Q4	3,953	3,700	6.8	Q4	925	827	12.0
Total	13,285	11,589	14.6	Total	2,612	2,160	20.9
Sugar				*Auto parts*			
Q1	2,016	1,734	16.3	Q1	578	399	44.9
Q2	1,391	1,995	-30.3	Q2	493	661	-25.4
Q3	2,492	2,325	7.2	Q3	567	581	-2.4
Q4	2,804	2,048	36.9	Q4	706	598	18.1
Total	8,703	8,102	7.4	Total	2,344	2,238	4.7
Major Ten Commodities				*All Commodities*			
Q1	21,501	20,932	2.7	Q1	31,497	32,335	-2.6
Q2	27,421	23,801	15.2	Q2	37,685	36,539	3.1
Q3	28,354	21,891	29.5	Q3	38,853	34,420	12.9
Q4	33,080	30,490	8.5	Q4	47,283	45,252	4.5
Total	110,356	97,114	13.6	Total	155,318	148,546	4.6

The significant growth of 31.7% in ST (D) collection from telecommunication services is attributable to the boom in the telecom sector which is thriving at a tremendous pace. Despite reduction in connection charges from Rs. 1,000 to Rs. 500 during FY: 05-06, the growth in collection was possible due to entry of new service providers and increase in the number of connections. As a result, the teledensity of the country has reached 23.1% in April 2006 as compared to 11.9% in FY: 04-05.

The improvement in the state of the economy has been evident all around. Not only that production of major industrial units has increased, their sales have also recorded surge during the year. As a result, the collection has also increased manifold. To provide evidence to this effect, some of commodities are considered in the following.

During July-June 2005-06, a 14.6% increase in collection from natural gas has been recorded. This increase is attributed to increase in consumption, production and sales by 8.3%, 4.5% and 3.2% respectively over last year.

In the case of cement, a remarkable growth of 42.3% in collection has been recorded in FY: 05-06. This has been possible due to higher taxable sales by around 15% and production by 6.2%. Both these increases have, in turn, been due to the construction boom prevailing in the country. In the case of sugar the growth in collection has been 7.4% whereas the increase in its sales during FY: 05-06 was only 2%. However, this is not the complete picture as huge amount of sugar has been imported. Therefore, for complete consumption and sale profiles, domestic production and imports have to be considered jointly. The growth in ST (D) from aerated waters has been around 21%, which is backed by 17.5% growth in its taxable sales and 28.1% growth in production during the period under consideration. This is more of a seasonality factor.

Finally, due to improvement in the standard of living and availability of easy financing from banks, the demand for automobiles has increased at a rapid pace in recent years. Therefore, the collection from motor cars has also registered an impressive growth of 28.7% during FY: 05-06.

Among commodities that have registered negative growth included cigarettes and electrical energy. In both these cases, there has been an adjustment made for advances.

Sales Tax at Import Stage:

The sales tax collected at import stage depends on the nature of imports. Its share in total sales tax revenue has always been significant. In fact, during the last eleven years, i.e., between FY: 95-96 and FY: 05-06, the share of ST (M) in gross sales tax has ranged between 54% and 64%. Within overall federal receipts, the share of ST (M) is on the rise – it has reached to 24% in FY: 05-06 as compared to around 10% in FY: 95-96, indicating somewhat heavy dependence on imports rather than domestic activity.

The contribution of major commodity groups in ST (M) is highlighted in Table 10.

Riding on the growth momentum of imports, a double-digit growth in ST (M) has been recorded in POL products, vehicles and parts, iron and steel, plastics, edible oil, sugar, articles of iron and steel, paper and paperboard, and oil seeds. As pointed out earlier, the sugar crisis in the country has led to an extraordinary growth of 413% in imports. The revenue collection from this source has also been influenced accordingly.

Some of the items that experienced negative growth were: electrical and mechanical machinery, organic and miscellaneous chemical products, and rubber and articles. Whereas the reduction in the

collection both from electrical and mechanical machinery was due to the zero rating of these items during FY: 05-06, the downward revision in customs duties has its impact on sales tax collection due to the cascading nature of taxation, notwithstanding the modest growth in the value of imports.

Table 10: Value of Imports and ST (M) Collection: Major Items

(Rs. Million)

PCT Chap	Tariff Description	Import Value		Growth (%)	ST (M) Collection		
		FY: 05-06	FY: 04-05		FY: 05-06	FY: 04-05	Growth (%)
27	POL Products	380,863	223,095	70.7	59,669	34,813	71.4
87	Vehicles	105,843	71,031	49.0	19,562	12,510	56.4
72	Iron and Steel	97,022	64,646	50.1	14,516	9,897	46.7
39	Plastics and Articles thereof	65,970	49,176	34.2	8,940	7,515	19.0
15	Edible oil and Waxes	49,876	44,239	12.7	6,191	5,030	23.1
17	Sugar and Sugar Confectionery	46,430	9,045	413.3	6,680	1,361	390.8
85	Electrical Machinery	167,095	121,490	37.5	5,825	6,636	-12.2
84	Mechanical Machinery	202,393	171,858	17.8	5,532	6,290	-12.1
29	Organic chemicals	81,713	80,736	1.2	3,408	8,986	-62.1
48	Paper and Paperboard	19,530	14,929	30.8	3,224	2,455	31.3
38	Misc. Chemical products	22,077	20,684	6.7	2,627	2,985	-12.0
12	Oil seeds etc	18,361	14,676	25.1	2,259	1,966	14.9
9	Coffee, tea and spices	16,708	15,903	5.1	2,474	2,350	5.3
40	Rubber and articles.	19,007	15,055	26.3	2,208	2,365	-6.6
73	Articles of Iron and Steel	21,763	11,773	84.9	1,430	1,110	28.8
	Sub-total	*1,314,651*	*928,336*	41.6	*144,545*	*106,269*	36.0
	Others	401,028	378,181	6.0	27,219	38,631	-29.5
	Grand Total	**1,715,679**	**1,306,517**	**31.3**	**171,764**	**144,900**	**18.5**

Narrowness of Base:

Considering the relative significance of various commodity groups first, it is pertinent to note that the overall share of major 15 items in ST (M) has increased from around 73% to 84% in FY: 05-06 indicating that there is a concentration in limited number of imported products. The volatility in international prices of fuels has affected the

relative strength of commodity concentration. The share of POL products ST (M) has increased from 24% in FY: 04-05 to 35% in FY: 05-06. The other major contributors to ST (M) are: vehicles and parts (11%), iron and steel (8%), and plastic and articles (5%). These relatively large numbers confirm that nearly 60% of GST at import stage emanates from only four commodity groups, and the remaining eleven commodity groups out of the 15 major items listed below contribute only 24% of ST (M) collection. The remaining amount is contributed by a large number of commodities. The entire outcome points towards narrowness of base, which is the case for other taxes also.

Customs Duties: The customs duties continue to contribute a significant amount of tax revenues despite the rationalization of tariff structure since 1988. In a recent policy development, tariff has been rationalized on machinery, motor vehicles and raw materials. As a result, higher demand has led to huge upsurge in the imports. However, the highest demand for imports was observed in the first quarter of FY: 05-06, thereafter, the growth declined steadily in the next quarters. Even though the imports growth rebounded in the fourth quarter, it was far less than the first quarter growth. On the other hand, a steady decline in growth has been observed in dutiable imports in Q1, indicating that duty free imports, especially the POL products and food items have generally been responsible for worsening of the trade balance.

The gross and net collection of customs duties has registered growth of 19.1% and 19.8% respectively during FY: 05-06. In absolute terms, the gross and net collection stood at Rs.156.7 billion and Rs. 138.2 billion, respectively (Table 11). The difference between the two highlights the payment of refunds/rebates to the tune of Rs. 18.4 billion during FY: 05-06, which are 14.1% higher than the previous year. The quarterly growth in gross and net collection shows no definite pattern even though the commodity concentration remains

the same. However, since the customs duty rates for a large number of items have been revised downward from higher to lower slabs, the effective rate has also come down from 14.1% to 13.7% for major 15 items, and all items and from 15.1% to 14.9% for all commodities during FY: 05-06 as compared to PFY.

Table 11: Quarterly Comparison of Customs Duty Indicators: FY: 04-05 & FY: 05-06

(Rs. Million)

	FY:05-06	FY:04-05	Growth		FY:05-06	FY:04-05	Growth
Total Imports				***Dutiable Imports***			
Q1	391,138	275,004	42.2	Q1	253,252	175,507	44.3
Q2	425670	331,624	28.4	Q2	262,993	217,633	20.8
Q3	421895	333,194	26.6	Q3	257,476	225,097	14.4
April	135933	113,042	20.2	April	83,605	80,173	4.3
May	159086	121,010	31.5	May	94,656	82,944	14.1
June	181957	132,643	37.2	June	100,855	88,461	14.0
Q4	476976	366,695	30.1	Q4	279,116	251,578	10.9
Total	1,715,679	1,306,517	31.3	Total	1,052,837	869,815	21.0
Gross Customs Duty				***Net Customs Duty***			
Q1	33,928	26,546	27.8	Q1	28,646	22,395	27.9
Q2	37,545	32,100	17.0	Q2	32,850	28,799	14.1
Q3	37,711	33,221	13.5	Q3	33,581	28,894	16.2
April	12,139	11,028	10.1	April	10,420	9,661	7.9
May	13,882	10,999	26.2	May	12,494	9,580	30.4
June	21,471	17,638	21.7	June	20,254	16,045	26.2
Q4	47,492	39,665	19.7	Q4	43,168	35,286	22.3
Total	156,676	131,532	19.1	Total	138,245	115,374	19.8

Performance of Major Revenue Spinners: The top 15 major revenue spinners have contributed around 76 % of the CD collection. A comparison of growth in customs collection and imports of 15 major revenue spinners during FY: 05-06 is reflected in Table 12. It is interesting to note that only four items i.e. POL, vehicles, edible oils and machinery have shared around 75% of CD collection of 15 items and about 57% of the total CD collection during FY: 05-06.

Table 12: Chapter-wise Growth in Major Revenue Spinners of Customs

(Rs. Million)

PCT Ch.	Tariff Description	2005-06 Growth (%)			Effective Rates (%) with Dutiable Imports	
		Import Value	Dutiable Imports	Customs Duties	05-06	04-05
87	Vehicles	49.0	51.3	57.5	38.0	36.5
15	Animal or vegetable fats	12.7	15.2	19.0	32.1	31.1
27	POL Products	70.7	109.5	110.6	10.3	10.2
84	Mechanical Machinery	17.8	21.9	6.2	7.1	8.1
85	Electrical Machinery	37.5	28.1	3.9	7.7	9.5
72	Iron & Steel	50.1	16.0	21.8	10.5	10.0
39	Plastics	34.2	35.5	-2.5	8.6	11.9
29	Organic Chemicals	1.2	-18.9	-26.8	8.2	9.1
48	Paper & Paperboard	30.8	28.5	27.9	18.4	18.5
73	Articles of Iron & Steel	84.9	68.2	50.0	12.9	14.5
38	Misc. Chemical Products	6.7	5.8	-12.5	8.6	10.5
40	Rubber products	26.2	-1.6	-0.7	11.8	11.7
54	Man made filaments	102.4	113.1	10.3	9.1	17.5
09	Coffee, Tea, Mate and Spices	5.1	1.7	-5.5	10.0	10.8
32	Dyes, Paints etc.	21.7	10.6	2.0	13.0	14.1
	Sub-total	34.5	31.7	28.2	13.7	14.1
	Others	26.5	-12.8	-2.9	20.5	18.4
	Grand total	31.3	21.0	19.1	14.9	15.1

The vehicles including parts (Chapter 87) have been the top contributor of customs duty in CFY. The import of vehicles and parts has increased significantly by around 49% during FY: 05-06 mainly due to allowing the import of old and used vehicles under SRO 577 pertaining to the import of old and used vehicles, the rates of duties and taxes and depreciation allowance.

Accordingly, the collection of CD (Chapter 87) has exhibited a substantial growth of 57.5%. In absolute terms, the collection from vehicles has exceeded the previous year collection by about Rs. 14 billion as compared to last year. However, when the impact of imported vehicles in CBU condition under the transfer of residence, personal baggage, gift and other schemes are separated, this gain in

revenue reduces to Rs. 7.3 billion, even though the number of imported CBU vehicles reflected an enormous growth of 448% (Table 13).

Table 13: Import of CBU Motor Cars/ Jeeps During: FY: 04-05 & FY: 05-06

(Value and CD in Rs. Million; Quantity in Nos.)

Category	2004-05			2005-06			Variation	
	Quantity	Value	CD	Quantity	Value	CD	Quantity	CD
Transfer of Residence	357	218	195	34,520	10,679	6,565	34,163	6,370
Personal Baggage	122	210	183	5,818	2,791	1,456	5,696	1,273
Gift Scheme	2,918	2,091	1,845	2,954	1,948	1,323	36	(-) 522
Other	5,483	3,504	2,563	5,396	4,228	2,716	(-) 87	153
Total	8,880	6,023	4,786	48,688	19,646	12,060	39,808	7,274

The edible oil (Chapter 15) is the second most prolific source of collection of customs duties. The collection of CD from this head has increased by 19% due to 12.7% growth in the imports during FY: 05-06. It is relevant to mention that of Rs. 49.9 billion worth of imports pertaining to edible oil category; around 89% were related to palm oil, of which 71.8% were related to palm olein. This is a usual phenomenon in terms of edible oil imports.

Due to spiraling international prices of POL the value of imports and dutiable imports have gone up by 70.7% and 109.5%, respectively during FY: 05-06 as compared to PFY. Resultantly, the collection from POL products grew by 110.6% during FY: 05-06.

On the other hand, despite the reduction of duty rates for electrical and mechanical machinery, the CD collection has increased by 6.2% and 3.9% respectively due to higher growth in imports of these two types of machinery by 37.5% and 17.8% respectively. This shows that the increased volume of imports has compensated for the loss due to lower rates. Other items which have reflected growth in CD are iron and steel (21.8%), article of iron and steel (50%), and paper

and paperboard (27.9%). In these three cases, imports have increased by 50.1%, 84.9% and 30.8%, respectively. For commodities where rate rationalization/ reduction has not been compensated by import volume are plastic, chemicals, rubber products and coffee and tea.

Federal Excise Duties (FED): According to the policy of the Government, the FED is being gradually withdrawn from a number of commodities. For instance, FED from soaps and detergent was withdrawn at the time of the announcement of the Federal Budget 05-06. However, despite its shrinking base, the FED is contributing a reasonable amount of tax revenue. The collection of FED stood at Rs. 55 billion during FY: 05-06 as compared to Rs. 53.1 billion during FY: 04-05, entailing a growth of Rs. 1.9 billion or 3.6%. The quarterly comparison is presented in Table 14.

Table 14: Quarterly Performance of FED Major Revenue Spinners

(Rs. Million)

	FY: 05-06	FY: 04-05	Difference			FY: 05-06	FY: 04-05	Difference	
			Absolute	(%)				Absolute	(%)
Cigarettes					*Natural Gas*				
Q1	4,538	3,956	582	14.7	Q1	1,341	1,339	2	0.1
Q2	5,592	5,119	473	9.2	Q2	1,377	1,325	52	3.9
Q3	6,296	5,617	679	12.1	Q3	1,321	1,436	-115	-8.0
Q4	6,584	7,266	-682	-9.4	Q4	2,452	1,583	869	54.9
Sub-total	23,010	21,958	1,052	4.8	Sub-total	6,491	5,683	808	14.2
Cement					*Beverages & Beverage Concentrate*				
Q1	2,951	2,643	308	11.7	Q1	1,398	1,129	269	23.8
Q2	2,938	2,553	385	15.1	Q2	1,028	965	63	6.5
Q3	3,165	2,710	455	16.8	Q3	1,224	743	481	64.7
Q4	3,134	3,155	-21	-0.7	Q4	2,057	1,705	352	20.6
Sub-total	12,188	11,061	1,127	10.2	Sub-total	5,707	4,542	1,165	25.6
POL Products					*Total (Major Commodities)*				
Q1	1,021	1,135	-114	-10.0	Q1	11,249	10,202	1,047	10.3
Q2	1,103	1,112	-9	-0.8	Q2	12,038	11,074	964	8.7
Q3	901	942	-41	-4.4	Q3	12,907	11,448	1,459	12.7
Q4	1,116	1,196	-80	-6.7	Q4	15,343	14,905	438	2.9
Sub-total	4,141	4,385	-244	-5.6	Sub-Total	51,537	47,629	3,908	8.2
Share of Five Major in Gross Excise Collection						93.2%	89.6%		

Analysis of Major Commodities of FED

The tax collection of FED mainly depends on five commodities, namely cigarettes, cement, natural gas, POL products and beverages. These five commodities contributed 93.2% of the total FED collection during FY: 05-06 as compared to 89.6% during PFY. This upward increase in the share is attributable to the growth in the Large Scale Manufacturing (LSM).

The cigarette industry is the top contributor of FED collection. The collection from cigarettes has exhibited a growth of 4.8%, due to 9.2% growth in production. This low growth is attributable to decline in demand and Rs. 1.4 billion revenue spill over from June to July 2006. The collection from cement also reflected a healthy growth of 10.2% during FY: 05-06 which is attributable to higher demand for the commodity and 6.5% growth in the production. The FED from natural gas has yielded a growth of 14.2% during July-June 05-06. On the other hand, the collection from POL products has declined by 5.6% as the demand for excisable items declined. Finally, FED receipts from beverages and concentrates showed a substantial growth of 25.6% during FY: 05-06. This outcome is attributable to increased demand by around 18%. The production has also increased according to meet the seasonal demand pressure.

Projections for FY: 2006-07

Anticipating that the economy will maintain the high growth trajectory, the budgetary target for FY: 06-07 has been set at Rs. 835 billion, showing an increase of 17.2% over the provisional collection of Rs. 712.5 billion of FY: 05-06 (Table 15). The projections for FY: 06-07 are based on the baseline collection of FY: 05-06, assumptions about robust growth in various components of GDP, the elasticity/ buoyancy estimates, and the expected impact of budgetary and relief measures announced at the time of Federal Budget 05-06. Given that the outturn of individual taxes and growth trajectories are materialized, the CBR projections anticipate that the

share of direct taxes in total CBR collection will be 31.7% -- higher than last year, and within indirect taxes the shares of sales tax, excise, and CD will be 60.3%, 12.1%, and 27.6%, respectively.

Table 15: A Comparison of Baseline Collection and Projections

(Rs. Billion)

	Provisional Collection FY: 05-06	Projections FY: 06-07	Growth (%)
Direct Taxes	224.6	264.7	17.9
Sales Tax	294.6	343.8	16.7
Federal Excise	55.0	69.0	25.5
Customs Duties	138.3	157.5	13.9
All Taxes	712.5	835.0	17.2

Concluding Observations

CBR has achieved the start-of-the-year assigned revenue target for the fourth consecutive year. It is a clear departure from the past when CBR was unable to meet even the downwardly revised revenue targets. The CBR performance during FY: 05-06 is attributable to a number of factors. The most important among them is the continuation of vibrant economic activities in the country. The persistence of higher domestic demand as exhibited by substantial growth in production and taxable sales, and phenomenal increase in imports have resulted into significant growth in internal and the import related taxes and duties. The income and corporate taxes have performed exceptionally well in term of revenue generation. Acknowledging that tax evasion and avoidance is still widespread, the growth in direct taxes confirms that the profitability of the corporate sector has improved substantially over the years. In particular, the growth in the banking and insurance, oil and gas, and telecom sectors cannot be over-emphasized. This is the reason that despite reduction in corporate rates, the collection is increasing steadily. Nevertheless, it is also true that resource mobilization through direct taxes remains below its potential. The evidence from competing economies reconfirms this point further. In most of the

East Asian and other developing economies, the contribution of income and corporate taxes is between 6% and 7% of GDP whereas it is close to 3% in Pakistan. Clearly, there is scope to raise this level to the international standards. With the introduction of a modern tax system backed by state-of-the art information management system, it is expected that the objectives of raising direct tax collection and improvement in tax/GDP ratio would be achieved.

It is also worth emphasizing that to facilitate the taxpayers, to maintain growth momentum, and to further improve revenue generation efforts, bold budgetary initiatives were introduced at the time of Federal Budget 2005-06. The most significant among them was the zero-rating of the entire chains of five export-oriented industries. Besides other benefits of the measure, the problem of delays in sales tax refunds has been reduced significantly during the CFY. This has been a step towards good governance and transparency. Furthermore, to reduce the cost of doing business and to promote industrial growth, tax relief has been granted to taxpayers on the purchase of capital goods and raw materials. The improvement in revenue collection is visualized as a by-product of the system that encourages voluntary compliance to tax laws in a hassle-free environment. CBR remains committed to this objective.

II

Industry Profile:
Banking Sector in Pakistan[5]

Introduction

In the era of globalization, role of the banks in various fields has increased manifold throughout the world. After the journey of six decades, the Banking Sector in Pakistan has also attained sufficient experience to play a vital role in the economic growth and development. During the last few years, particularly after the initiative of financial sector reforms, the system has experienced remarkable changes that have vastly improved the working of the banks according to the international standards. Not only that modern techniques and technologies have been adopted, the financial sector has also put great emphasis on the acquisition of professional workforce. With the result that banks productivity and profitability have improved significantly.

The purpose of this paper is to appraise the importance of the banking sector in transforming the national economy of Pakistan. The paper explores the historical evolution of the banking sector and the way it has assumed the role of an industry. From tax organization stand point, we are also interested in knowing its tax contribution and future potential. The study also outlines certain issues that require attention to further boost the banking sector activities in the country.

Historical Evolution of the Banking Sector in Pakistan

At the time of independence, Pakistan has started with a dilapidated banking structure with only 4 local commercial banks with 23 branches in operation in both parts of the country. Foreign banks

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mostly known as cooperatives were 34 in numbers with 172 branches. State Bank of Pakistan was established on 1st of July 1948 with the objective to act as a leader of the financial system. Subsequently, to meet the growing needs of the Government, the National Bank of Pakistan (NBP) was established in 1949.

The banking sector has witnessed many ups and downs since then. These events can be traced back in history by dividing the past into three distinct time periods, namely; the era of industrialization, the episode of nationalization, and the re-emergence of liberalized financial activities. To get an insight of the evolutionary process of the banking industry, a brief overview of the policies pursued by the successive governments is highlighted in the following.

The Era of Industrialization (1947-1968)

At the infancy stage, Pakistan was in dire need of a strong and effervescent industrial and financial base in the country. Therefore, every effort was made to promote industrialization in the country by encouraging and facilitating the private sector to come up and join hands with the government. This policy was vigorously perused in the 1960s. As a result, the number of local commercial banks increased to 16 in 1967-68 with 2063 branches spread across the country. Gradually, the Habib Bank, the Muslim Commercial Bank, the United Bank, the Allied Bank and the Union Bank emerged as major financial hubs in the country.

Besides these commercial banks, a number of credit institutions also surfaced on the scene. They were sponsored by the government to provide institutional credit to the various sectors of the economy. To start with, the House Building Finance Corporation (HBFC) was established in 1952 to solve the housing problems faced by the migrating families. Pakistan Industrial Credit and Investment Corporation (PICIC) was established on October 1957 to provide financial assistance to the new and existing industries in the private

sector. To further strengthen the industrial base, the Industrial Development Bank of Pakistan (IDBP) was set up in 1961 in the footsteps of the Pakistan Industrial Development Finance Corporation. The establishment of Agricultural Development Bank of Pakistan (ADBP) in 1961 was another landmark achievement to provide credit facility to the agriculture sector with a view to attaining self sufficiency in food and other agricultural products.

Beside these institutions, a system of co-operatives was also enforced to provide credit to small and medium size businesses. To further strengthen the cooperative credit structure of the country, the State Bank of Pakistan Act, 1956 was amended in February 1961 authorizing the Bank to provide medium- and long-term advances to co-operative banks and to other rural credit agencies.

The Episode of Nationalization (1974-1990)

The 1970s decade was challenging for the banking industry. On 1st January 1974, the government nationalized all the Pakistani scheduled banks. This decision created an atmosphere of distrust and anxiety among the business communities. It was a big setback for the banking industry as the commercial banks were gradually made subservient to the political leadership and the bureaucracy. The commercial banks lost their assets management equilibrium, initiative, and growth momentum. This was accompanied by indiscreet loaning under political pressure. Resultantly, the banking industry suffered from three terminal diseases: non-performing loans; high intermediation cost; and loss of initiative and entrepreneurship. The policy of nationalization continued till early 1990s.

The Era of Deregulation and Liberalization (1991-2005)

In the early 1990s, there was a significant policy shift towards privatization, deregulation and restructuring of the domestic banking industry and financial institutions. Reforms in the banking sector

were needed simply to restore order in the system. The banks that are supposed to cater the lending needs of small and medium enterprises, housing and agriculture sectors were unfortunately became highly politicized. The political interference in lending decisions, out of merit appointments of the financial managers, use of banking deposits to finance huge fiscal deficit, overstaffing, poor customer service, high administrative costs, inefficient staff and low recovery rates were the factors that ruined the system.

The 1990 amendments of the Banking Companies Ordinance started the process of financial sector reforms by allowing privatization of the state owned banks. During the first round of reforms, the Muslim Commercial Bank (MCB), the Allied Bank (ABL), the United Bank and the Habib Bank were privatized between 1991 and 2004. The largest bank in the country, the NBP with a market of approximately 20%, remains a state entity, even though the government divested approximately 25% of its capital in 2001-2003. The second important change was the autonomy granted to State Bank. It was given the power to regulate the banking industry and conduct 'independent' monetary and exchange rate policies. To start with the SBP opted for an expansionary monetary stance to jump start the economy from the worst recessionary phase of the 1990s. Currently, it is focusing on inflation targeting. At the same time, a policy of managed float is being pursued for exchange rate determination.

The continuation of de-regulation and liberalization policy by the government has resulted into a flourishing and well-developed banking system, which consists of a wide variety of institutions ranging from a central bank to commercial banks and to specialized agencies to cater for special requirements of specific sectors. Currently, there are 39 public, private, foreign and specialized banks operating in the country. [6]

[6] See Annex Table 1

Many domestic banks have improved their working standards. For instance, the internet-based services are being offered, ATM machines are being installed, the number of Debit and Credit Cards is on the increase at an unprecedented rate, and last but not least, consumer financing has taken a new shape and dimension. The increased borrowing by the private sector has influenced the economy favorably by generating economic activity and in the process the profitability of the banks has also improved. An interesting turn of event is that the agriculture sector has started receiving credit facility from the commercial banks. Before that farm credit was in the exclusive domain of the Agriculture Development Bank (Now *Zarai Taraqiyati* Bank). Consequently, the customer base of the banks has doubled. Around 2 million households are direct beneficiaries of the latest initiatives of the banks such as Microfinance, Consumer loans and diversified Mortgages schemes.[7]

Recent Initiative:

The Islamic Banking has been introduced in parallel with the conventional banking and the SBP has setup a full-fledged Islamic Banking Department. The *Shariah* Board has also been established to promote Islamic modes of banking in the country. The Islamic banking is attracting a large majority of customers who prefer interest free banking on religious grounds.

Contribution to the Economy

In the contemporary world, banking sector is playing a pivotal role in economic development by providing jobs to skilled and unskilled workers and credit facilitation to cater the financial needs of the existing and new entrepreneurs. It also generates resources for the government. Some of these aspects are highlighted in the following.

[7] For further details, see Hussain, Ishrat (2005) 'Banking Sector Reforms' in the Blue Chip Magazine, Islamabad.

Employment Generation: Unemployment is one of the major economic evils, both for developing and advance countries. Pakistan is no exception to this problem. The growing need of employment is substantiated by the fact that out of 46.8 million civilian labor force, 3.6 million people are unemployed in the country. In this backdrop, creation of new job opportunities always remains one of the top priorities of the government.[8] Although major contribution of the banking sector is credit provision for promotion of investment in the country, but its role in employment generation is also considerable. According to the available information, around 94 thousand people are employed in the banking sector (Table 1). However, despite this, the overall share of employment in the banking sector is almost stagnant around 0.2% between 2001 and 2005.

Table 1: Status of Employment

(Million Nos.)

Years	Civilian Labor Force	Banking Sector Employees	Share (%) in Total Labor Force
2001	38.6	0.087	0.23
2002	39.8	0.084	0.21
2003	40.5	0.086	0.21
2004	42.2	0.090	0.21
2005	43.2	0.094	0.22

Source: SBP Annual Report (2004-05) and Pakistan Economic Survey (2005-06)

Bank-wise Share in Employment

Habib Bank Limited has the largest network in the country with 1425 branches followed by the NBP with 1242 branches. They are followed by the United Bank, the MCB and the Allied Bank with 1058, 952 and 741 branches respectively. Habib Bank leads the way in offering jobs with 17% share in total banking sector employment, followed by the NBP (15%), the MCB and the UBL (10%) each, the

[8] For technical details, the interested readers are encouraged to consult the debate on 'Rule versus Discretion in conducting Monetary Policy'.

Allied Bank (7%) and the Bank Al-Falah (6%) [See Annex Table 2]. The rest of the local banks have small contribution in terms of employment. Regarding foreign banks operating in Pakistan, the data confirms that there are more than 100 branches with 3600 employees. The share is 3.8% in total banking sector employment. The major employers are the Standard Chartered Bank (1160), the Citibank (753), the Habib Bank A.G Zurich (556) and the ABN Amro (421).

Banking Activities

Account Holders and Deposits: In Pakistan the number of account holders in scheduled banks was 26.4 million as of December 2005. This number is slightly lower as compared to last year for the reason that as part of cleansing an increasing number of inactive accounts have been closed during last few years. On the other hand, the deposits of the scheduled banks have shown a growth of around 18% over last year. In absolute terms, the deposits have risen from Rs. 2.2 trillion in December 2004 to Rs. 2.6 trillion in December 2005 (Table 2). The private domestic banks are playing the leading role, both in terms of the number of deposits and account holders.

Table 2: Number of Accounts and Deposits as of December 2005

	No. of Accounts	Deposits (Rs. Million)	Share (%)	
			No. of Accounts	Deposits
Public Sector Banks	10,814,220	489,135.7	41	19
Domestic Private Banks	15,160,783	1,878,412.8	57	72
Foreign Banks	430,829	245,916.3	2	9
Total	26,405,832	2,613,464.8	100	100

Source: SBP Annual Report (2004-05)

The higher percentage of deposits is an indication of the fact that after privatization, these banks have worked aggressively to attract business. Interestingly, the publicly owned banks are also not too-far

behind in terms of accounts, but they have failed to attract deposits. On the other hand, the share of the foreign banks account holders is only 2% but they have a fair share of deposits in comparative terms. Apparently, the services offered by the foreign banks are more attractive to the depositors or they have greater faith in them! The higher percentage of deposits is an indication of the fact that after privatization these banks have worked aggressively to attract business. Interestingly, the publicly owned banks are also not too-far behind in terms of accounts, but they have failed to attract deposits. On the other hand, the share of the foreign banks account holders is only 2% but they have a fair share of deposits in comparative terms. Apparently, the services offered by the foreign banks are more attractive to the depositors or they have greater faith in them!

A further analysis reveals that there are 26.4 million account holders in the country. They can be classified into three categories, namely, the small-size depositors with deposits of up to Rs. 0.1 million, medium-size depositors whose deposits range between Rs. 0.1 million and Rs. 1 million and large account holders with over one million deposited in banks. The information presented in Table 3 reveals that the share of small account holders, including the salaried class, in total accounts has been substantial followed by medium-size account holders. On the other extreme, even though there are only 15097 large account holders in the country but their share in total deposits has been 35%. On the whole, this is an expected pattern of accounts and deposits. However, further insight is gained when three-way tabulation is carried out between accounts, deposits and the type of banks. It becomes immediately evident that of small account holders nearly 40% have accounts with public banks, 46.5% with domestic private banks, and only 0.9% with foreign banks. Compared to this, 15.6% of 15097 large accounts are with foreign banks and 19.2% with public banks. Notwithstanding this outcome, one thing is sure that bulk of the financial activity in terms of both number of accounts and deposits remains with the private banks.

Table 3: Category Wise Distribution of Account Holders

Range	Account Holders (No)	Deposits (Rs. Million)	Share in Total (%)	
			Account Holders	Deposits
1. Less than Rs. 100,000	22,928,932	602,761	86.8	23.1
2. Between Rs. 100, 001 and Rs. 10, 000, 000	3,461,803	1,095,615	13.1	41.9
3. More than Rs. 10, 000, 000	15,097	915,089	0.1	35.0
Total	26,405,832	2,613,465	100	100

Source: SBP Annual Report (2004-05)

Interest Rate and Capital Formation

There is a direct link between credit availability and investment. Theoretically, higher is the magnitude of capital formation when cost of borrowing is low, *ceteris paribus*. For banks, credit remains the main source of interest income. Recently, the growing difference between lending and deposit rates has become the major source of net interest income (NII) for the commercial banks. The availability of liquidity with the banks has resulted in enhanced lending. In fact, the banking sector advances have doubled from Rs. 1 trillion in 2002 to around Rs. 2 trillion in 2005 when the cost of borrowing was rather low. Almost all of the financial institutions have played a vital role in promoting economic activity in the country. The leading banks in respect of net advances were: the HBL, the NBP, the UBL, the MCB and the ABL. The HBL issued the highest amount of Rs. 316.9 billion advances, followed by the NBP Rs. 268.8 billion, the UBL Rs. 205 billion, the MCB Rs. 180.3 billion and the ABL Rs. 111 billion (NBP-Economic Bulletin March-April 2006). The foreign banks which joined this race were: the Standard Chartered Bank with Rs. 50.2 billion, the Citibank Rs. 39.2 billion, and the ABN Amro Rs. 32.9 billion.

The detailed analysis and composition of the advances show that the major beneficiary has been the private sector businesses whose share in total advances was as high as 72.6% during 2005. The share of

the overall manufacturing sector in borrowing was around 44% and within manufacturing sector a substantial part (51.4%) goes to the textile sector. On the other hand, the personal advances were around 16% including bank employees (2.4%) and consumer financing (13.2%). A further bifurcation of consumer financing shows that the biggest share went to personal loans (43%), followed by transport (32.7%) and house building (12.9%).

Tax Policy and Revenue Contribution

Apart from employment generation and a source of loans and advances for various segments of the society, the banking sector has been an important source of tax revenues as well. The increased profitability has led to higher tax contribution in absolute terms. It may be recalled that the income tax rates for the banking companies were quite high during early 1990s in Pakistan. The literature confirms that higher tax rates normally lead to tax evasion. Even though evasion is not expected of a documented sector of the economy, yet high tax rates partly eroded the profitability of the banking sector and their competitiveness. Under the ongoing reform program, CBR has taken bold initiatives and offered drastic reduction in tax rates of banking companies. The income tax rates are gradually coming down from 66% in 1992. Parity in rates at 35% between private, public, and banking companies will be reached by 2007. It is expected that this significant reduction in rates will lead to better compliance by the banking sector.

Income Tax Base: Banking sector base during 2005 consisted of 39 banks that can be categorized into public, private, foreign, and specialized banks. Even though the overall number has declined from 46 in 1997-98, but the list of private banks has grown steadily and that of foreign banks shrunk quite rapidly (Table 4). Part of the reason has been the change in ownership status after the privatization process and mergers/ amalgamations. For instance, two public sector banks, i.e., the HBL and the UBL changed hands from

public ownership to private sector. At the same time, mergers of smaller banks, especially of foreign origin, have taken place to exploit economies of scale. The example in this case is the merger of Bank of America, the Emirates Bank etc. into Union Bank. The complete listing of the banks, as per the SBP record, is provided as Annex Table 1

Table 4: Historical Composition of Banks

Categories	1997-98	2003	2004	2005
Public Sector Commercial Banks	6	5	4	4
Local Private Banks (including FDIs)	16	18	20	20
Foreign Banks	20	14	11	11
Specialized Banks	4	3	3	4
Total	**46**	**40**	**38**	**39**

As one would have expected, all these banks, with the only exception of Crescent Commercial Bank, have valid National Tax Number (NTN). However, there are 11 banks and financial institutions who, at one point in time or the other acquired the NTN, but apparently they have stopped their business and probably that is the reason for their exclusion from the SBP list of banks and financial institutions (Annex Table 3). This omission though harmless in nature, does not augur well when compliance ratio is calculated. Hence, there is a need to reconcile CBR database with SBP. Another finding has been that not everyone in the SBP list of banks and financial institutions is 'income tax return filer'. The biggest omission is the SBP itself. Should it file or not needs to be re-assessed. Similarly, the Industrial Development Bank, the Zarai Taraqiyati Bank, and some cooperative banks are among non-filers. Surprisingly, some of the banks like the Khyber Bank, the Bank of Punjab, the KESB and SME Banks have not filed the income tax return for the last three years. One wonders why?

Revenue Profile

The gross income tax collection from banking sector was Rs. 26.3 billion in FY: 2005-06 as against Rs. 25.3 in FY: 2004-05, showing a growth of only 4%. However, despite the enormous profits declared by the banks, the share of banking sector tax payment in gross income tax receipts has declined from 12.5% in FY: 2004-05 to 10.8% in FY: 2005-06 (Table 5). Similarly, its share in corporate sector receipts has declined from 17.4% in FY: 2004-05 to 15.3% in FY: 2005-06. It is also pertinent to mention that the record on collection varies between CBR and the SBP.[9] The CBR confirms collection of Rs. 25.3 billion, whereas Rs. 17 billion are reported by the SBP, thus indicating a gap of around Rs. 8 billion. Similarly, the difference between pre- and post-tax profits is about Rs. 30 billion. Whether this discrepancy is due to brought forward losses or something else is there needs to be further ascertained.

Table 5: Income Tax Collected from Banking Sector

(Rs. Billion)

Year	Collection		Share (%) in Gross
	Banking	Gross Income Tax	
2004-05	25.3	202.8	12.5
2005-06	26.3	243.5	10.8

The analysis in respect of individual banks shows that the NBP with a share of 35.8%, MCB (7.6%), Citibank (7.6%), HBL (6.6%) and Bank Al Falah (6.5%) are the major contributors of (gross) income tax. Together they contribute around 64% of the banking sector tax payments that constitutes nearly 6% of income tax gross collection during 2004-05.

Withholding Taxes: By acting as withholding agents for the government, the banks collect WHT on various heads like bank interest, securities and more recently on cash withdrawal. Major

[9] See SBP Banking Statistics of Pakistan (2004-05).

source of revenue is WHT on interest payment on savings @ 10%. Its share in income tax receipts ranged between 2.2% and 4.8% during last five years. In absolute terms, the collection has been between Rs. 4.6 billion and Rs. 6.5 billion during the said period.

WHT has been on cash withdrawal @ 0.1% on amount exceeding Rs. 25000 was levied from 1st July 2005. This rate has been raised to 0.2% effective July 2006. In order to check misuse of the provision, the limit of Rs. 25,000/- per transaction has been changed from per transaction to per day basis. FY: 05-06, being the first year of this tax, an amount of Rs. 2.5 billion was against an expectation of Rs. 5 billion. Nonetheless, it is fairly a significant amount. Keeping in view the buoyant nature of the tax and collection realized during its first year, it is predicted that its share in collection will rise with time and the objective of discouraging cash economy will be attained.

Indirect Taxes: The nature of the banking business is such that there is limited scope for indirect taxes. However, in the past federal excise duty was charged @1% on bank loans and advances in 1991-92 and continued till 1996-97. The amount collected under this head had ranged from Rs.711 million in 1991-92 to Rs. 2538 million in 1996-97. Notwithstanding this significant amount, it was not perceived as a good tax. It discouraged investment. In order to streamline the system and to promote investment in the country, the government withdrew the said excise duty in 1997. More recently a number of banking services (excluding loans and advances) have been brought into the tax net so that the banking sector also pays its fair share of indirect taxes.

Refund Claims of the Banking Sector

Traditionally, the reason for income tax refund creation was advance tax payment or WHT deductions at source. However, since early 1990s the refund claims of banks started piling up due to levying of

tax on suspense account. Even though the banks did not agree to CBR stance of taxation, they opted to pay and at the same time started claiming refunds. Simultaneously, the course of litigation was also opted on the ground that non-performing loans were a liability that should not be taxed. The matter remained subjudice for an extended period and finally the Apex court gave its verdict in favor of banks. For CBR as well as GOP the immediate payment of the entire accumulated refund amount was a difficult proposition. However, GOP rescued the situation and agreed to issue bonds to refund-claimants. Two such installments have so far been paid in years 2002 and 2006. The recent being Rs. 9.3 billion to one of the recently privatized banks. The current pendency of refunds of banks is Rs. 13.3 billion, which is expected to be cleared within the current fiscal year by CBR out of its tax receipts.

Issues and Concerns

Rising Spreads and Low profits on Deposits: As indicated earlier, the bank spread between borrowing and lending rates is increasing. Whereas the deposit rates have ranged between 1.2% and 2.7%, the lending rates have ranged between 5.1% to 10.1% during June 2004 and March 2006. This difference is one of the contributory factors in banks improved performance. In fact, before and after taxation profits of the banks have increased at an average annual rate of 57% and 70% between 2002 and 2005. This outcome is certainly good for the banks but may not be so for the borrowers and the small and medium depositors who hardly earn anything on their deposits. The State Bank has also shown its concern over this situation but it has stopped short of taking any corrective action.

One can argue that the policy of low returns on savings could be detrimental from two reasons. First, it will certainly discourage savings and may actually promote conspicuous consumption. Secondly, the genuine savers, especially belonging to low income-groups, will suffer the most. For them, the alternative options are

scarce and the past evidence of relying on real estate, stock market, and ghostly saving schemes is simply frightening. They will not certainly improve productive investment either.

Low Tax Contribution: In response to the governments' policy of reduction in tax rates, the revenue contribution by the banks has shown some improvement. However, the outcome falls short of expectations. The tax contribution of the banking sector appears to be inconsistent with its contribution to GDP. Until very recently 'commercialization' of banking activities was almost unheard of. Most of the banking services were free and there was no minimum balance requirement for deposits. Now things have changed in an amazing manner. It is commonly observed that service charges are being deducted on such trivial transactions as payment of 'school fee' though banks. No wonder that tax has been imposed on banking services. Similarly, the way the huge refund claims were generated in the past is mind boggling. These events point to the need of strict monitoring of banking sector activities for proper understanding, so that the due tax is collected from this source.

Consumer Financing: There are two aspects of this scheme. While it has benefited the general populace by easing liquidity situation, but at the same time, it has created serious economic, psychological and environmental problems in the society. Leaving aside the environmental problem that is well known to everyone, let us focus on the psychological dimension of the problem that remains uncharted. The concern relates to the white collar employees who being part of the spendthrift society have left no opportunity to live a stupendous lifestyle by borrowing from the banks even if it means going under tremendous debt burden. However, there is a limit to such madness. Excessive borrowing by all and sundry initially has economic consequences, which soon enter into the psychological danger zone, when the burden of debt becomes unbearable. How far this madness could be allowed is a genuine concern for the society

at large that needs to be realized sooner than later. One should not also discount the demonstration effect associated with this sort of behavior by a select segment of the society. It could also be the root cause of increasing street crime, who knows!

Conclusion

The study has acknowledged the pivotal role played by the banking sector in economic development and growth of Pakistan. Despite certain limitations, the banking sector, by and large, has been able to channel resources from small and medium savers to the industrial and commercial concerns. The inefficiencies that had crept in the system due to prolonged public sector ownership after the banks were nationalized have been reduced to a great extent after the implementation of far reaching reforms. One of the important achievements has been the autonomy of the SBP and its independence in conducting Furthermore, being a regulator of the banking sector activities, the SBP has been able to streamline activities of the banking sector in general and of private and public banks in particular.

Regarding revenue receipts from the banking sector, the outcome falls short of expectations. It was perceived that the continuous and sharp decline of banking rates and the consequent significant growth in the banking sector activities would have a positive impact on the banking tax-GDP ratio, but it has not happened so far. To strengthen the banking sector financial position further and to improve their competitiveness, most of the refund claims have also been settled by the revenue organization in association with the Ministry of Finance. The onus now falls on the vibrant banking sector to contribute to the national economy through its fair share of taxes.

Annex Table 1: Group-wise Composition of Banks

1997-1998	2003	2004	2005
A. Public Sector Comm. Banks (6) - Habib Bank Ltd. - National Bank of Pakistan - United Bank Ltd. - First Women Bank Ltd. - The Bank of Khyber - The Bank of Punjab **B. Local Private Banks (16)** - Askari Commercial Bank Ltd. - Bank Al-Falah Ltd. - Bank Al Habib Ltd. - Bolan Bank Ltd. - Faysal Bank Ltd. - Metropolitan Bank Ltd. - Platinum Commercial Bank Ltd - Prime Commercial Bank Ltd. - Prudential Commercial Bank Ltd - Gulf Commercial Bank Ltd. - Soneri Bank Ltd. - Union Bank Ltd. - Muslim Commercial Bank Ltd - Allied Bank of Pakistan - Trust Bank Ltd. - Indus Bank Ltd. **C. Foreign Banks (20)** - ABN Amro Bank - Al Baraka Islamic Bank - American Express Bank Ltd. - ANZ Grindlays Bank - Bank of America - Bank of Ceylon - The Bank of Tokyo – Mitsubishi - Citibank, N.A. - Credit Agricole Indosuez - Deutsche Bank A.G. - Doha Bank - Emirates Bank International - Habib Bank A. G. Zurich - The Hong Kong & Shanghai Banking Corporation Ltd. - IFIC Bank Ltd. - Mashreq Bank PJSC - Oman International Bank S.A.O.G - Rupali Bank Ltd. - Societe Generale - Standard Chartered Bank **D. Specialized Banks (4)** - Agriculture Development Bank of Pakistan - Industrial Development Bank of Pakistan - Federal Bank for Co-operatives - Punjab Provincial Co-operative Bank Ltd.	**A. Public Sector Comm. Banks (5)** - Habib Bank Ltd1 - National Bank of Pakistan - First Women Bank Ltd. - The Bank of Khyber - The Bank of Punjab **B. Local Private Banks (18)** - Askari Commercial Bank Ltd. - Bank Al-Falah Ltd. - Bank Al Habib Ltd. - Bolan Bank Ltd. - Faysal Bank Ltd. - Metropolitan Bank Ltd. - KASB Bank Ltd. - Prime Commercial Bank Ltd. - Saudi Pak Commercial Bank Ltd - PICIC Commercial Bank Ltd. - Soneri Bank Ltd. - Union Bank Ltd. - Muslim Commercial Bank Ltd. - Allied Bank of Pakistan - United Bank Ltd. - Meezan Bank - NDLC-IFIC Bank Ltd - Crescent Bank Ltd. **C. Foreign Banks (14)** - ABN Amro Bank - Al Baraka Islamic Bank - American Express Bank Ltd. - Bank of Ceylon2 - The Bank of Tokyo – Mitsubishi - Citibank, N.A. - Credit Agricole Indosuez3 - Deutsche Bank A.G. - Doha Bank4 - Habib Bank A. G. Zurich - The Hong Kong & Shanghai Banking Corporation Ltd. - Oman International Bank S.A.O.G - Rupali Bank Ltd. - Standard Chartered Bank **D. Specialized Banks (3)** - Zarai Taraqiyati Bank Ltd. - Industrial Development Bank of Pakistan - Punjab Provincial Co-operative Bank Ltd. **All Commercial Banks (37)** Include A + B + C **All Banks (40)** Include A + B + C + D	**A. Public Sector Comm. Banks (4)** - National Bank of Pakistan - First Women Bank Ltd. - The Bank of Khyber - The Bank of Punjab **B. Local Private Banks (20)** - Askari Commercial Bank Ltd. - Bank Al-Falah Ltd. - Bank Al Habib Ltd. - Bolan Bank Ltd. - Faysal Bank Ltd. - Metropolitan Bank Ltd. - KASB Bank Ltd. - Prime Commercial Bank Ltd. - Saudi Pak Commercial Bank Ltd - PICIC Commercial Bank Ltd. - Soneri Bank Ltd. - Union Bank Ltd. - Muslim Commercial Bank Ltd. - Allied Bank of Pakistan - United Bank Ltd. - Meezan Bank - NDLC-IFIC Bank Ltd - Crescent Commercial Bank Ltd. - Habib Bank Ltd - Dawood Bank **C. Foreign Banks (11)** - ABN Amro Bank - Al Baraka Islamic Bank - American Express Bank Ltd. - The Bank of Tokyo – Mitsubishi - Citibank, N.A. - Deutsche Bank A.G. - Habib Bank A. G. Zurich - The Hong Kong & Shanghai Banking Corporation Ltd. - Oman International Bank S.A.O.G - Rupali Bank Ltd. - Standard Chartered Bank **D. Specialized Banks (3)** - Zarai Taraqiyati Bank Ltd. - Industrial Development Bank of Pakistan - Punjab Provincial Co-operative Bank Ltd. **All Commercial Banks (35)** Include A + B + C **All Banks (38)** Include A + B + C + D	**A. Public Sector Comm. Banks (4)** - National Bank of Pakistan - First Women Bank Ltd. - The Bank of Khyber - The Bank of Punjab **B. Local Private Banks (20)** - Askari Commercial Bank Ltd. - Bank Al-Falah Ltd. - Bank Al Habib Ltd. - My Bank Ltd. - Faysal Bank Ltd. - Metropolitan Bank Ltd. - KASB Bank Ltd. - Prime Commercial Bank Ltd. - Saudi Pak Commercial Bank Ltd - PICIC Commercial Bank Ltd. - Soneri Bank Ltd. - Union Bank Ltd. - MCB Bank Ltd. - Allied Bank. - United Bank Ltd. - Meezan Bank - NIB Bank Ltd - Crescent Commercial Bank Ltd. - Habib Bank Ltd - Dawood Bank **C. Foreign Banks (11)** - ABN Amro Bank - Al Baraka Islamic Bank - American Express Bank Ltd. - The Bank of Tokyo – Mitsubishi - Citibank, N.A. - Deutsche Bank A.G. - Habib Bank A. G. Zurich - The Hong Kong & Shanghai Banking Corporation Ltd. - Oman International Bank S.A.O.G - Rupali Bank Ltd. - Standard Chartered Bank **D. Specialized Banks (4)** - Zarai Taraqiyati Bank Ltd. - Industrial Development Bank of Pakistan - Punjab Provincial Co-operative Bank Ltd. - SME Bank Limited5 **All Commercial Banks (35)** Include A + B + C **All Banks (39)** Include A + B + C + D

1. *SME Bank Ltd has been included in Specialized Banks category after it has been granted the banking license during Jun 2005 quarter*
2. *On March 26, 2005 the name of Allied Bank of Pakistan Limited was changed to Allied Bank Limited.*
3. *On July 02, 2005, the name of Bolan Bank Limited was changed to My Bank Limited.*
4. *On July 30, 2005 the name of Muslim Commercial Bank Limited was changed to MCB Bank Limited.*
5. *On November 28, 2005 the name of NDLC-IFIC Bank Limited was changed to NIB Bank Limited.*
6. *On December 31, 2005, the name of The Bank of Tokyo Mitsubishi Limited was changed to The Bank of Tokyo Mitsubishi UFJ Limited.*

Annex Table 2: Employment Share of Major Banks
(December 2005)

Bank Name	Nos.	Share (%)
Habib Bank Limited	16314	17
National Bank of Pakistan	13824	15
MCB Bank Limited	9377	10
United Bank Ltd	9354	10
Allied Bank Ltd	6909	7
Bank Al Falah	5218	6
Bank of Punjab	3430	4
Askari Commercial Bank Ltd	2754	3
Bank AL Habib	1809	2
Sub-Total (1-10)	**68989**	**74**
Others	24744	26
Grand Total	**93733**	**100**

Source: NBP (Economic Bulletin March-April, 2006)

Annex Table 3: Record of Banks with CBR and SBP

	Names	CBR Data	SBP Data
1	ABN Amro Bank	Y	Y
2	AlBaraka Islamic Bank	Y	Y
3	Allied Bank of Pakistan Limited (Allied Bank Limited)	Y	Y
4	American Express Bank Limited	Y	Y
5	Askari Commercial Bank Limited	Y	Y
6	Bank AL Falah Limited	Y	Y
7	Bank AL Habib	Y	Y
8	The Bank of Tokyo Mitsubishi Limited (The Bank of Tokyo Mitsubishi UFJ Limited)	Y	Y
9	Bolan Bank Limited (My Bank)	Y	Y
10	Citibank NA	Y	Y
11	Dawood Bank Ltd.	Y	Y
12	Deutsche Bank AG	Y	Y
13	Faysal Bank Limited	Y	Y
14	First Women Bank Limited	Y	Y
15	Habib Bank AG Zurich	Y	Y
16	Habib Bank Limited	Y	Y
17	Hong Kong & Shanghai Banking Corp Limited	Y	Y
18	NDLC-IFIC (NIB Bank Limited)	Y	Y
19	Industrial Development Bank	Y	Y
20	KASB Bank Ltd	Y	Y
21	Meezan Bank	Y	Y
22	Metropolitan Bank Limited	Y	Y
23	Muslim Commercial Bank Limited (MCB Bank Limited)	Y	Y
24	National Bank of Pakistan	Y	Y
25	Oman International Bank SOAG	Y	Y
26	PICIC Commercial Bank Limited	Y	Y
27	Prime Commercial Bank Limited	Y	Y
28	Punjab Provincial Cooperative Bank	Y	Y
29	Rupali Bank	Y	Y
30	Saudi Pak Commercial Bank Limited	Y	Y
31	SME Bank	Y	Y
32	Soneri Bank Limited	Y	Y
33	Standard Chartered Bank Limited	Y	Y
34	The Bank of Khyber	Y	Y
35	The Bank of Punjab	Y	Y
36	Union Bank Limited	Y	Y
37	United Bank Limited	Y	Y
38	Zarai Taraqiyati Bank (Agricultural Development Bank)	Y	Y
1	Bank Islamic Pakistan	Y	N
2	Dubai Islamic Bank	Y	N
3	Emirates Global Islamic Bank	Y	N
4	First International Islamic Bank	Y	N
5	Franklin Investment Bank Limited	Y	N
6	Islamic Investment Bank Limited	Y	N
7	Khushali Bank	Y	N
8	Prudential Investment Bank Limited	Y	N
9	Rozgar Micro Finance Bank	Y	N
10	Security Investment Bank Limited	Y	N
11	State Bank of Pakistan	Y	N
12	The First Micro Finance Bank Limited	Y	N
1	Crescent Commercial Bank	N	Y

Within Parenthesis the new names of the banks are given

III

Impact Evaluation:

An *Ex Post* Analysis of Budgetary Measures FY: 05-06[10]

Introduction

It is believed that inefficient tax system is one of the leading constraints to economic growth. Maintaining status quo, therefore, leads to stagnation. Thus, continuous changes in tax policy and administration are required to restore equity and efficiency. CBR is also undergoing this process of change in an effective manner since last few years. The strategy is to bring fundamental changes in tax policy and administration to make the tax system transparent, efficient and taxpayers' friendly. Simplification of tax laws and procedures, and facilitation and education on one hand, and induction of professional workforce at the CBR Headquarters and other field units has created an enabling environment for the taxpayers. The change is well accepted. The taxpayers have started to repose confidence on CBR. They have started to believe that CBR is a trustworthy partner.

Besides automatic built-in flexibility, introduction of discretionary measures are a common feature of almost every tax system. In case of Pakistan, the bulk of tax measures are announced at the time of budget every year. The FY: 05-06 has been a special year as some of the tax measures undertaken were extremely crucial with far-reaching consequences for the stakeholders and the economy. Major initiatives included the zero-rating of sales tax for capital goods and five export oriented industries, rationalization and reduction of tariff on machinery, raw materials, textile and agriculture sectors and streamlining of the withholding tax regime.

[10] Author: Mir Ahmad Khan, Second Secretary (FR&S), CBR.

The purpose of this paper is to carry out an ex post assessment of the impact of tax measures undertaken at the time of Budget 2005-06. A comparison of the *ex post* impact analysis with ex anti estimates would be useful not only to determine the accuracy of forecasts; it will also guide us to improve tax policy response through discretionary measures in a better way. We start with tax-wise initiatives introduced at the time of Budget 2005-06 and their ex-post impacts.

Sales Tax and Federal Excise

Zero Rating of Five Exports Oriented Industries: One of the major concerns for CBR in sales tax has been the creation of huge refund payments and delay in refunds processing. Unfortunately, due to less than foolproof mechanism of verifying the refund claims, these payments also included claims that were not due. Since the textile sector has been one of the major refund claimants in the economy due to its contribution in export, as a first step, the ginned cotton was zero-rated during FY: 04-05. The experience confirmed that this measure was successful not only in controlling the refunds but also improved the cash-flow situation of taxpayers. The available funds were reinvested and resultantly, the economy got the desired boost. In order to further flourish the export-oriented industries, it was decided to take additional steps in this direction and consequently, the zero-rating concept was extended further, notwithstanding the theoretical concerns about VAT chain. In the federal budget FY: 05-06, the entire chain of five export oriented industries and their raw materials were zero-rated. The industries that benefited from this policy intervention were: textile, carpets, leather, sports and surgical goods.

Evidence confirms that the decision of zero-rating has been rewarding in many ways. From simplification of the system to customer satisfaction that benefits are diverse in nature. It is evident from Table 1 that the amount of saving in refund payments from

these zero-rated industries during FY: 05-06 has been around Rs. 25.5 billion as compared to the corresponding period of last year. The refund payments have come down from Rs. 43.5 billion in FY: 04-05 to only Rs. 18 billion in FY: 05-06. However, the gross collection 'exclusive of raw materials', has reduced by Rs. 17.7 billion. Similarly, the gross sales tax collection inclusive of raw materials has declined by Rs. 26.7 billion, indicating an overall decline in net collection of Rs. 1.2 billion. Thus, the overall policy has been revenue neutral, not to mention that zero-rating of these industries has considerable improvement in the cash flow situation of producers that had a favorable impact on the economy.

Table 1: Impact of Zero Rating of Export Oriented Industries during FY: 05-06 (Imports and Domestic)

	Gross	Refund	Net	Gross	Refund	Net
	Impact in Rs. Million			Impact in Percentage		
Sales Tax						
Textile	-17,105	-24,738	7,633	-92.6	-60.9	34.4
Carpets	-115	-75	-40	-84.6	-60.1	-362.2
Leather	-392	-671	280	-84.4	-33.0	17.8
Sports	-35	-38	2	-56.1	-7.2	0.5
Surgical goods	-9	96	-106	-5.1	99.1	-125.4
Raw Materials	-9,071	-83	-8,988	-88.4	-56.2	-88.8
Sales Tax	-26,727	-25,508	-1,219	-90.4	-58.6	-8.7
Customs	1,076	-	-	24.1	-	-

For an overall outcome, it is relevant to assess the impact of this policy intervention on customs duties as well. The data confirms that the measure of zero-rating has also influenced the collection of customs duties. The calculation reveals that after excluding the impact of the tariff rationalization of relevant items, the gross collection of customs duties on items subjected to zero-rating has increased by about one billion rupees inclusive of natural growth.

Levying of 3% Sales Tax at Retail Sales: Simultaneously, with the zero-rating of sales tax of five sectors mentioned above, a single

stage retail sales tax @ 3% (including 1% income tax) was levied during Federal Budget FY: 05-06 on textiles fabrics/garments, leathers, carpets and sports goods so that the domestic sales of the products are covered in the taxation regime. This policy has not been entirely successful as far as tax receipts are concerned. Only a paltry sum of around Rs. 12.1 million (Rs. 4.4 million in income tax and Rs. 7.7 million in sales tax) has been realized during FY: 05-06 which is extremely low as compared to the projected increase of Rs. 500 million. Keeping in view the flourishing business and outlets of these items across the country, meager tax collection implies that evasion is fairly high which calls for strict enforcement in the domestic market.

Levying Sales Tax on Printed Retail Price: As per theoretical requirement, GST is paid on value addition attributed to each stage, from manufacturing to wholesale to retail sale. However, some missing links in the entire chain were observed. In order to ensure proper tax compliance by everyone in the value chain, the sales tax was levied on printed retail price of specified consumer items in the budget FY: 05-06. The *ex post* results confirms that the collection of these items has exhibited higher sales tax receipts of around Rs. 588.1 million during FY: 05-06 as compared to corresponding period last year. This outcome when compared to the ex-ante projection of Rs. 300 million testifies that evasion was widespread. Even after adjusting the FY: 04-05 collection for 20% natural growth, the benefit has been more than Rs. 224 million. Table 2 clearly indicates that the collection of these individual items has mostly improved with the exception of toilet soap and footwear.

The additional benefit of this policy intervention has been that refund payments have come down by Rs. 53.1 million during FY: 05-06 entailing an additional saving of Rs. 53 million. Thus, the overall impact of the measure has been favorable in many dimensions than originally perceived.

Table 2: Impact of Levying of ST on Printed Retail Price

Items	2005-06	2004-05	Difference	Growth (%)
Detergents	693.20	282.28	410.92	145.6
Shampoo	0.34	0.04	0.30	686.1
Toothpaste	27.80	14.12	13.68	96.92
Perfumery & Cosmetics	128.83	105.30	23.53	22.34
Biscuits	706.04	426.19	279.86	65.66
Confectionary*	175.68	174.03	1.65	0.95
Tea	345.03	289.98	55.05	18.98
Footwear	94.89	140.14	-45.25	-32.29
Toilet Soap	234.59	386.25	-151.66	-39.3
Actual	2406.40	1818.33	588.07	32.34
With Growth Adjustment	2406.40	2182.00	224.4	10.28

*Also includes bakery product

Zero Rating of Sales Tax on Plant, Machinery and Equipment: In order to boost the import of plants, machinery and equipment including parts has been made zero-rated. The value of imports of zero-rated machinery has gone up by about 19.7%. It is evident from the Table 3 that, as expected, the loss due to this measure has been around one billion rupees during FY: 05-06.

Table 3: Loss Due to Zero-rated Items of Plants, Machinery and Equipment

*PCT	Description**	2005-06	2004-05	Difference	Growth in ST (%)
8411	Turbo jet, propellers etc	29.8	264.7	-234.9	-88.7
8448	Auxiliary Textile machinery	20.2	221.8	-201.6	-90.9
8502	Electrical generating and rotary converters	1.2	75.1	-73.9	-98.4
8417	Furnaces & Ovens	2.6	91.6	-89	-97.2
8477	Machinery for rubber & Plastic	10.1	63.6	-53.5	-84.1
8426	Cranes etc	1.0	48.0	-47.0	-97.9
8479	Mechanical appliance	8.8	50.2	-41.4	-82.5
9026	Measurement equipments for liquid or gases	42.3	77.6	-35.3	-45.5
Sub Total		116.0	892.6	-776.6	-87.0
Total		414.0	1479.1	-1065.1	-72.0

* Eight digit PCT codes falling under the relevant 4 digit codes.
** Description has been abbreviated in some cases for saving the space.

Withdrawal of FED from Soap & Detergents: More than 4/5th of the collection from FED is presently dependant on only 5 major items, cigarettes, cement, POL products, natural gas and beverages. According to the government policy, FED has been withdrawn from many items while a number of items have been transferred from FED to sales tax in the recent years. FED on soaps and detergents was withdrawn in the budget FY: 05-06. It was envisaged that the relief through withdrawal of FED on soap and detergents would boost local production and reduce Smuggling. As anticipated, the production of soaps and detergents has increased substantially by around 17%. Similarly, the import of soaps (PCT 3401) and detergents (3402.2000) has gone up by 24.6% and 36.8% respectively, indicating the use of legal channels for imports. Table 4 indicates that a loss of Rs. 1.3 billion in the collection of FED has been recorded by this measure. With adjustment for natural growth of about 9%, the loss increases to around Rs. 1.5 billion, which remains well short of Rs. 2 billion loss projected at the time of budget FY: 05-06 (Table 4).

Table 4: Loss Due to Withdrawal of FED from Soap & Detergents

(Rs. Million)

Quarter	2005-06	2004-05	Difference	Growth (%)
Q1	0.6	352.2	-351.5	-99.8
Q2	2.9	303.0	-300.1	-99.0
Q3	2.1	327.8	-325.8	-99.4
Q4	1.0	370.3	-369.3	-99.7
Full Year	6.6	1353.3	-1346.7	-99.5
With Growth Adjustment	6.6	1488.6	-1482.0	-99.6

Upward Revision of Retail Price of Cigarettes: Cigarette industry is one of the important sources of sales tax and FED. Since excise tariff has direct relationship with retail prices of cigarette, an upward adjustment in retail price was required to compensate for the market loss of manufacturers due to illegal trade and to generate additional

revenues.[11] With this change in retail price of cigarettes, the excise tariff was adjusted accordingly. The upward adjustment of FED in lower and medium slabs is described in the Table 5.

Table 5: Upward Adjustment of FED Due to Increase in Retail Price of Cigarettes

Slabs	Threshold FY: 04-05	Threshold FY: 05-06
Upper	63% of the Retail Price	63% of the Retail Price
Medium	Rs.2.27 per 10 cigarettes plus 69% incremental rupee or part thereof	Rs.2.45 per 10 cigarettes plus 69% incremental rupee or part thereof
Lower	Rs.2.27 per ten cigarettes	Rs.2.45 per ten cigarettes

The outcome reveals that an additional collection of around Rs. 1.1 billion was generated during FY: 05-06. If a spill over amounting to Rs. 1.4 billion in the collection of cigarettes from June, 2006 to July 2006 is included, then growth in collection would be Rs. 2.5 billion. Consistent with 9.2% growth in production; it would have been a loss of around one billion rupees due to this measure exclusive of spillover factor (Table 6). The expected increase from the measure was Rs. 3 billion, which remains on the higher side.

Table 6: Comparison of the Collection of FED from Cigarettes

(Rs. Million)

Quarter	2005-06	2004-05	Difference	Growth (%)
Q1	4,538	3,956	582	14.7
Q2	5,592	5,119	473	9.2
Q3	6,296	5,617	679	12.1
Q4	6,584	7,266	-682	-9.4
Full Year	23,010	21,958	1,052	4.8
With Growth Adjustment (9.2%)	23,010	23,978	-968	-4.0

[11] Another aspect of increased prices of tobacco products is that Pakistan has already ratified Framework Convention for Tobacco Control (FCTC). One of the covenants is on price and tax measure which encourages increase in price and tax of tobacco products.

On the other hand, demand for cigarettes has dropped by 23% which has also resulted into decline of around Rs. 183 million in the sales tax collection without taking into account the impact of natural growth. As a whole, the measure of increased retail price of cigarettes, to some extent, has helped in the improvement of the collection of FED exclusive of growth which has also compensated for the decline in the collection of sales tax.

Customs

Reduction in Tariff for Textile Sector: The textile sector is the backbone of the Pakistan economy. Export of the country largely originates from the textile sector. In order to boost the activities of this sector, the CD rates were reduced on certain textile items i.e. PTA from 20% to 15% (refundable U/S 21(a)(b) of Customs Act, 1969 read with SRO 450(I)/2001 dated 18. 06 .2001), from 20% to 3% on chips, 6.5% on fibers, 7% on yarns, and from 25% to 14% on fabrics of man-made yarns, blended yarns etc. As expected, this tariff reduction has resulted into a growth of 114.8% in the value of imports while dutiable imports grew by 145.4%. This substantial growth in dutiable imports has made up for the loss due to reduction of tariff. Consequently, the collection of CD increased by 28.8 %. In absolute terms, the gross collection increased from Rs. 1.7 billion in FY: 04-05 to Rs. 2.2 billion in FY: 05-06. A gain of around Rs. 489.2 million has been recorded during FY: 05-06 against annual projected loss of Rs. 2 billion for FY: 05-06. As far as net collection is concerned, there has been estimated gain of Rs. 3.3 billion due to huge saving of around Rs. 2.8 billion from rebates of the items where duty has been decreased. Table 7 provides the necessary details of customs duty collection on different items of textile sector. The collection of CD has increased from yarn by 4.1%, Fibre by 25.4% and fabrics by 74.6% during CFY. The reduction of CD has encouraged imports substantially, of yarn by 101.9%, Fibre by 153.1%, and fabrics by 97.8%.

Table 7: Impact of CD Reduction on Items Relating to Textile Sector

(Rs. Million)

Items	Change in CD Rates	2005-06	2004-05	Difference	Growth in CD (%)	Growth in Imports (%)
Yarn	10,20,25% to 7%	829.0	796.3	32.7	4.1	101.9
Fiber	10 & 20% to 6.5%	552.2	442.9	112.3	25.4	153.1
Fabrics of M. M Yarn and Blended Yarn	25% to 14%	805.8	461.6	344.2	74.6	97.8
Gross Collection		2,190.0	1,700.8	489.2	28.8	114.8
Rebate**		2823.8	6513.3	-2789.5	-49.7	
Net Collection		-633.8	-3912.5	3278.7	83.8	

* PTA and yarn grade has been excluded because these are included in chemicals and Plastic respectively.

** Exact breakup of rebates for items on which duty curtailed has not been available, but estimated rebates of related items have been separated.

Exemption of Customs Duties from Urea @5%: The import of urea has been exempted from the customs duty during budget FY: 05-06. The import of urea has increased by 108.8% while a loss of Rs. 204.1 million in CD was occurred during FY: 05-06. The loss in CD is line with the estimated loss of Rs. 244 million during FY: 05-06.

Tariff Reduction from 20% to 15% on Agricultural Tractors: The tariff has been reduced on agricultural tractors from 20% to 15% during Budget FY: 05-06. Consequently, the value of imports has jumped by about 66.7% while collection of CD grew by Rs. 142 million against projection of loss of Rs. 60 million.

Decrease in CD on Edible Items: In response to reduction in CD rates, the dutiable imports of edible items have gone up by 9.9% during FY: 05-06 while CD collection declined by Rs. 244 million against a loss of Rs. 140 million projected at the time of budget FY: 05-06.

Tariff Reduction for Agricultural machinery & Equipment: The tariff has been reduced on agricultural machinery and equipment. The value of imports of these items has increased by 31.9% while additional collection of Rs. 119 million has been registered in against annual projection of a loss of Rs. 610 million.

Tariff rationalization on Plants, Machinery and Equipment including their parts: Capital inflow is important for stepping up the pace of development of the industry. CD on locally made plants, machinery, and equipment was reduced to 10% and duty on parts equated with the duty on machinery parts to which they form part. Moreover, the local manufacturing machinery parts subjected to 10% duty were allowed to import raw material @ 5% ad valorem.

The imports of plants, machinery and equipment including parts have largely increased by 49.4% while dutiable imports have also gone up by 59.7% during FY: 05-06. The growth in imports has not only compensated the drastic effects of duty reduction on CD collection but also increased the collection from Rs. 4.8 billion to Rs. 6 billion during the same period of PFY. An additional amount of Rs. 1.2 billion in CD has resulted during FY: 05-06.

***Decrease in CD for Raw Materials*:** The customs duty on a large number of raw materials was reduced in the budget FY: 05-06 to lower the cost of doing business, expand industrial production, and accelerate the economic activities. Detail of the reduction of rates has been highlighted below:

c) Primary raw materials from 25% to 15%;

d) Organic and inorganic chemicals from 25% to 20%, 20% to 15% and 10% to 5%.

e) Dyes and chemicals reduced to 5%, 10%, 15% and 20%;

f) Plastic raw materials from 10-25% to 3-20%;

g) Hepatitis-B vaccine from 20% to 10% and 10% to 5%;

h) CD on wood has been exempted for PCT headings 44.03 and 44.07 while for some other items; it has been reduced from 25% to 20%;

i) Raw materials for confectionary industry from 25%, 20%, 10% to 15%, 10% and 5%;

j) Essential oils, cosmetics/ toilet preparations from 20% to 15% and 10%.

k) Inputs of soap and detergent industry from 25% to 20%, 20% to 15% &10% and 10% to 5%.

l) Photographic and cinematographic goods from 10% to 5%.

m) Petroleum additives from 20% and 10% to 5%.

Table 8: Impact of Tariff Rationalization of Raw Materials on Collection of CD

(Rs. Million)

Raw Materials	2005-06	2004-05	Difference	% Growth in CD	% Growth in Total Imports	Annual Projection
Primary Raw Materials	52.0	53.5	-1.5	-2.8	38.8	-5
Organic & Inorganic Chemicals	1614.8	3166.2	-1551.4	-49.0	0.1	-465
Dyes & Chemicals	1873.2	2233.9	-360.7	-16.1	24.8	-428
Plastic	2894.1	3240.7	-346.6	-10.7	45.5	-1413
Wood	372.1	424.2	-52.1	-12.3	38.0	-75
Hepatitis Vaccines	36.5	26.5	10.1	38.3	79.1	-2
Confectionary items	46.4	51.9	-5.5	-10.6	294.9	-
Cosmetic & Toilet preparation	16.4	18.8	-2.4	-12.8	22.1	-28
Soap & Detergents	110.6	97.0	13.6	14.0	38.7	-20
Photography & Cinematography	28.5	73.7	-45.2	-61.3	-22.9	-44
Petroleum Additives	111.0	289.3	-178.3	-61.6	22.5	-211
Total	7155.6	9675.6	-2520.0	-26.0	23.1	-2691

Table 8 reflects that this policy initiative has been successful as all the items exhibited positive growth in imports except raw materials of photography and cinematography. Due to reduced rates of CD on raw materials, the imports of these items have gone up by around

31.6% while the collection of CD has declined from Rs. 9.6 billion in FY: 04-05 to Rs. 7.2 billion during the same period of FY: 05-06. This entails a decline of Rs. 2.5 billion or 26% against annual estimate of loss of Rs. 2.6 billion for FY: 05-06. Despite growth in the imports of 10 out of 11 raw materials, decline in customs duty has been recorded in 9 items due to lowering of CD rates. The only exception was soap & detergents and hepatitis vaccines.

Incentives for the Import of CBU Motor Vehicles: Auto sector is the most reliable source of CD collection due to tariff peaks and its elasticity. Vehicles: Cars in CBU (Completely Built-in Units) condition were subjected to customs duty ranging from 50% to 100% in FY: 04-05. In order to provide some relief to the consumers and fair competition to the local assemblers, the following three duty slabs have been introduced in the Budget FY: 05-06.

a) CBU cars up to 1500 cc: @50%
b) CBU cars from 1501 cc to 1800 CC: @65%
c) CBU cars above 1800 cc: @ 75%

Moreover, duty and taxes in US$ (or equivalent amount in Pak Rupees) exempted for old and used automotive vehicles above cumulative amount of taxes and duties falling under PCT (8703) are spotlighted below:

Category	Duty & Taxes (US$)
1. Up to 800cc(Asian make only)	4,000
2. Up to 800cc(Other than Asian make)	6,000
3. From 801 cc to 1,000 cc	5,000
4. Up to 1001 cc to 1300 cc	10,000
5. From 1301 cc to 1500 cc	14,000
6. From 1501 cc to 1600 cc	17,000
7. From 1601cc to 1800 cc (Asian makes only, but excluding Jeeps)	21,000

In response to government policy of allowing old and used automotive vehicles and lower rates, the number of imported CBU motorcars increased from 8,880 in FY: 04-05 to 48,688 in FY: 05-06. Similarly, the value of imports of motorcars in CBU condition has also recorded a robust growth of around 226%. Due to this, collection of CD has also been significantly improved from Rs. 4.7 billion from FY: 04-05 to Rs. 12 billion during FY: 05-06 yielding a substantial growth of Rs. 7.3 billion. The collection of CD from CBU motorcars has been exceedingly higher than the annual projection of gain of one billion rupees from the measure during FY: 05-06.

Direct Taxes

Bringing Uniformity in the WHT Rate for Contracts: WHT different rates under the head of contracts were in the range of 4% to 8% during FY: 04-05 that resulted into complexity of the system. A single rate of 6% has been announced during the Budget FY: 05-06. The collection from contractors has increased from Rs. 34.7 billion in FY: 04-05 to Rs. 46.8 billion in the FY: 05-06, entailing an increase of Rs. 12.1 billion (Table 9).

Table 9: Impact of Uniformity of Withholding Tax Rates on Contracts

(Rs. Billion)

Quarter	2005-06	2004-05	Difference	Growth (%)
Q1	8.9	6.1	2.8	44.9
Q2	9.4	6.4	2.9	45.5
Q3	11.9	7.8	4.0	51.9
Q4	16.7	14.3	2.3	16.3
Full Year	46.8	34.7	12.1	34.8
With Growth Adjustment	46.8	40.6	6.2	15.2

The growth of Rs. 12.1 billion also includes the natural growth factor. If natural growth is assumed at around 17%, the impact of the budgetary measure on contracts is estimated to be Rs. 6.2 billion higher receipts during FY: 05-06. It is commendable that the collection from contracts both actual and growth adjusted have significantly higher than the projected collection of Rs. 0.7 billion. It reflects that economic activities have been in full swing during FY: 05-06 in the country.

Rationalization of Personal Tax Rates of salaried individuals: In the previous regime, standard personal rates for salaries ranged between 7.5% and 35%. These rates have been revised between 3.5% and 30% during the Budget FY: 05-06. The basic threshold remains the same at Rs.100,000. The collection from salaries has recorded a growth of Rs. 2.2 billion. If the impact of increased salaries during FY: 05-06 is assumed at around 10%, the collection from salaries still remains higher by around one billion rupees. It was estimated at the time of Budget FY: 05-06 that there would be a loss of Rs. 912 million in FY: 05-06.

Levying of 0.1% Income Tax on Cash Withdrawal: A new section was introduced in the budget FY: 2005-06 making every bank to deduct tax @ 0.1% at the time of cash withdrawal exceeding 25,000 rupees. This measure intended to encourage documentation and keep track of financial transactions. The withholding tax on cash withdrawal is adjustable in tax assessment. Tax shall not be deducted in the case of withdrawal made by the federal and provincial governments, a foreign diplomat or diplomatic missions in Pakistan or a producer having exemption certificate from the commissioner of income tax. The additional collection due to this measure has been realized around Rs. 2.4 billion during FY: 05-06 (Table 10). It was anticipated at the time of budget that around Rs. 5 billion would be fetched from withholding tax on cash withdrawal.

Table 10: Impact of @ 0.1% WHT on Cash Withdrawal

(Rs. .Million)

Quarters	2005-06
Q1	380.0
Q2	668.4
Q3	716.6
Q4	638.0
Total	2,403.0

Slashing *Down of Corporate Tax Rates*: In line with the policy of the government to bring parity in corporate rate for public, private and banking companies by tax year 2007, the reduction in the corporate rates for banking and private companies has been made during the budget FY: 05-06. An additional collection of around Rs. 14 billion has been recorded in banking and private companies during FY: 05-06 (Table 11). If natural growth is estimated at 17%, impact of the measure would come down to a loss of around Rs. 2.5 billion.

Table 11: Gross Collection of Income Tax from Banking & Private Companies

(Rs. Billion)

Companies	2005-06	2004-05	Difference	Growth (%)
Banking	26.3	25.3	1.0	4.0
Private	81.9	69.3	12.6	18.2
Total	108.2	94.6	13.6	14.4
Total With Growth Adjustment	108.2	110.7	-2.5	-2.2

Summing Up

The measures introduced in the Federal Budget FY: 05-06 were designed to simplify the tax structure through rationalization and uniformity of tax and duty rates. As per expectation, the policy had positive impact on revenue generation on one hand and facilitation of taxpayers on the other hand.

The zero-rating of five export-oriented industries has not only helped the industries in increasing their competitiveness in the international markets but also improved tax administration to manage the refund issue.

A bulk of additional revenues has been generated through most of policy measures during FY: 05-06. Although in some cases like machinery and raw materials, the revenue loss is understandable. The revenue has been taken as ‘by product’ of the system in this case because the objective was to strengthen the economy.

It is hoped that the tax measures undertaken in budget FY: 05-06 would be helpful in further strengthening of industrial sector in particular and economy in general.

V

Reforms Program:
CBR Revenue Automation Project[12]

Introduction

It is argued that the 21st century is the century of information technology. The pace of transformation is quite brisk and concepts like e-government, e-commerce, e-banking, e-filing of tax returns etc. are being adopted fairly rapidly in the world. Pakistan, like other developing economies is also trying to get over the obsolete manual transactions system and jump into the bandwagon with state of the art business processes. No doubt, that the private sector, especially the banking sector has taken the lead in this respect. The effort is on to computerize the tax related matters as well. Since CBR collects more than 90% tax revenues for the government, it is the main stakeholder that will benefit from this system. This brief note explains the progress made so far. We start with the legacy system. The recent attempt to automate the entire tax receipts accounting and reporting system is gaining momentum. Brief overview on the old accounting procedure and the latest automated system under the TARP is given below:

The Legacy System

The accounting and reporting procedure is based on standard challan forms designed for respective taxes. When the tax is paid at the counters of full designated branches, a copy of the challan along with bank scroll is provided daily to the respective CBR treasuries and the District Accounts Offices (DAOs) where applicable. For Customs Duties and Sales Tax, it is mandatory for the NBP designated branches to submit the documents of the entire collection directly to the CBR treasuries for accounting and reconciliation with the field offices of the AGPR. In case of income tax and federal

[12] *Author:* Umar Wahid Secretary (Fiscal Research & Statistics), CBR.

excise, the procedure is different. The challans for specified geographical region where the collectorates/ DPCs/ DPUs are located are submitted directly to the Chief Account Officers/ Treasury Officers of the treasuries by the NBP branches and challans related to the 'muffisal areas' are submitted to the respective DAOs. Both these offices prepare their accounts and render them to the AGPR for reconciliation purposes. The entire procedure is manual, as per the treasury rules, therefore numerous problems of accounting and recording arise, which lead to huge variation in figures.

Revenue Automation under TARP

Under the Tax Administration Reform Program (TARP), CBR has initiated a revenue automation project in consultation with the NBP. The system has been designed to capture the entire tax revenue receipts electronically and its online transmission to the stakeholders. The new system will gradually introduce paperless accounting and reporting procedure in the country and will ultimately replace the cumbersome challan based system of reporting. The salient features of the CBR revenue automation project are summarized in the followings:

1. Availability of Taxpayers' Profiles

CBR will provide a facility to the NBP to download the master index of taxpayers from CBR centralized server as and when required. This index will be the basis of recording tax payment details at the NBP branches. If taxpayer's record is not found in the master index, NBP will capture NIC / CNIC, name and address information in the application to generate the Computerized Payment Receipt (CPR) and to transmit the same information to CBR. CBR will accordingly update its master index by completing the missing entries. The master index will consist of the following information:

- NTN Number
- NIC / CNIC
- Name of NTN Holder
- Address
- Business Name
- Business Serial (In case of multiple business)
- Sales Tax Registration Number (STRN)

2. Data Capturing Procedure

a) Customs (CARE): NBP will enter the Reference Number quoted by the taxpayer on CARE portal. All relevant information will be displayed on the screen including his/her liability amount and its distribution in various heads. NBP will receive the exact amount as displayed on the screen and will enter distribution in various heads and will enter the Bank Collection Reference Number (Unique Payment ID).

b) Customs (other than CARE): NBP will capture the information from the Challan and it will be printed on CPR for transmittal to the CBR server.

c) Sales Tax / Federal Excise: NBP will capture the information from the Tax challans with the help of master index provided by the Sales Tax / Federal Excise department. The same information will be printed on CPR and will be transmitted to CBR server.

d) Income Tax: NBP will capture the information from the tax challan with the help of master index provided by Income Tax Department. NBP will enter only assessment year, head of account, mode of payment and amount. The same information will be printed on CPR and will be transmitted to CBR server.

3. Computerized Payment Receipt (CPR)

NBP will issue a Computerized Payment Receipts (CPR) to a taxpayer on receipt of challans and taxes no matter which payment mode is used by the taxpayer.

i) *Income Tax Specific:* Whenever, a payment is made by a withholding agent, the Computerized Payment Receipt (CPR) would be issued in duplicate, i.e. one for the taxpayers and the second one for the withholding agent.

ii) *Large Tax Payer Units (LTUs):* Keeping in view the latest IT trend, "Information to Everyone, Anywhere and Anytime", NBP's has developed a web based application for filing and payment of challans over the web. The core functions of this application are:

- Facilitation for the taxpayers
- Daily Reconciliation of collection
- Timely and accurate analysis of revenue collections
- Quick management reports

In the web based system, challan payment request in banking hours will be processed same day subject to the availability of funds in the taxpayer's account. The request for challan payment after banking hours will be processed on next working day. In either case, taxpayer will be informed through an email about the status of his/her transaction.

4. Data Communication

a) *CARE:* In case of customs duties, CARE has developed a web portal for its tax processing needs that also support tax payment recording by the receiving bank / branch. NBP will designate multiple branches for customs collections and provide the necessary infrastructure to its branches for connection to CARE portal and online mark the taxpayer if his/her liability is received at NBP. Similarly, NBP will also assign a collection reference number to the transaction with different status. So taxes collected through CARE will be electronically transmitted to CBR, on real time basis.

b) *Taxes other than CARE:* NBP has developed a software for tax receipts other than CARE and installed at designated branches to record tax payments and print Computerized Payment Receipt (CPR). NBP will be responsible to collect all types of tax data from all of its branches and transmit it to CBR Server. At the end of the day NBP branches will electronically update their daily receipts data at NBP Operations Group Server. NBP Operation Group Server will be connected to CBR server and NBP will copy different data files in TEXT format for customs, sales tax, federal excise and income tax to a central CBR Server.

It is relevant to mention that so far the AGPR system is manual. Therefore, reporting of challans/bank scroll will continue to be submitted to the CBR treasuries and the District Accounts Officers (DAOs) as per past practice for accounting and reconciliation with the AGPR, which is mandatory under the treasury rules.

Present Status of the Project

The Revenue Automation Project has been implemented and started parallel functioning during the FY: 05-06. The information is being transmitted as per understanding reached between the CBR and the NBP. However, opinion of the other stakeholders like the AGPR and Auditor General office has been incorporated by recent revision of the treasury rules for the areas where automated system is in operation.

The information generated by the automated system of reporting is being examined with the manual system information. Once the credibility of the automated system is established, the manual reporting system will be gradually phased out. It is expected that this automation process will be fully operational by the end of FY: 2006-07.

STATISTICAL APPENDIX

Comparative Statements of

Month-to-Month and Progressive

Provision Collection of

Federal Taxes 2005 - 06

ALL TAXES
TWO YEAR COMPARATIVE - MONTH TO MONTH & PROGRESSIVE COLLECTION

(Rs. in Million)

MONTHS		FY: 2004-05			FY: 2005-06			COMPARISON			COMPARISON AS % AGE		
		GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET
1		2	3	4	5	6	7	8	9	10	11	12	13
JULY	M	38,431	7,756	30,675	41,522	6,921	34,601	3,091	-835	3,926	8.0	-10.8	12.8
AUGUST	M	41,415	7,227	34,188	50,326	5,402	44,924	8,911	-1,825	10,736	21.5	-25.3	31.4
	P	**79,846**	**14,983**	**64,863**	**91,848**	**12,323**	**79,525**	**12,002**	**-2,660**	**14,662**	**15.0**	**-17.8**	**22.6**
SEPTEMBER	M	68,460	7,614	60,846	78,416	5,885	72,531	9,956	-1,729	11,685	14.5	-22.7	19.2
1st Quarter		**148,306**	**22,597**	**125,709**	**170,264**	**18,208**	**152,056**	**21,958**	**-4,389**	**26,347**	**14.8**	**-19.4**	**21.0**
OCTOBER	M	48,025	7,103	40,922	56,273	7,098	49,175	8,248	-5	8,253	17.2	-0.1	20.2
	P	**196,331**	**29,700**	**166,631**	**226,537**	**25,306**	**201,231**	**30,206**	**-4,394**	**34,600**	**15.4**	**-14.8**	**20.8**
NOVEMBER	M	46,436	7,946	38,490	53,461	5,908	47,553	7,025	-2,038	9,063	15.1	-25.6	23.5
	P	**242,767**	**37,646**	**205,121**	**279,998**	**31,214**	**248,784**	**37,231**	**-6,432**	**43,663**	**15.3**	**-17.1**	**21.3**
DECEMBER	M	66,543	9,174	57,369	86,627	11,502	75,125	20,084	2,328	17,756	30.2	25.4	31.0
2nd Quarter		**161,004**	**24,223**	**136,781**	**196,361**	**24,508**	**171,853**	**35,357**	**285**	**35,072**	**22.0**	**1.2**	**25.6**
Up to 2nd Qtr		**309,310**	**46,820**	**262,490**	**366,625**	**42,716**	**323,909**	**57,315**	**-4,104**	**61,419**	**18.5**	**-8.8**	**23.4**
JANUARY	M	50,424	9,172	41,252	53,366	7,445	45,921	2,942	-1,727	4,669	5.8	-18.8	11.3
	P	**359,734**	**55,992**	**303,742**	**419,991**	**50,161**	**369,830**	**60,257**	**-5,831**	**66,088**	**16.8**	**-10.4**	**21.8**
FEBRUARY	M	45,529	8,288	37,241	56,011	6,529	49,482	10,482	-1,759	12,241	23.0	-21.2	32.9
	P	**405,263**	**64,280**	**340,983**	**476,002**	**56,690**	**419,312**	**70,739**	**-7,590**	**78,329**	**17.5**	**-11.8**	**23.0**
MARCH	M	71,572	11,284	60,288	79,236	8,726	70,510	7,664	-2,558	10,222	10.7	-22.7	17.0
3rd Quarter		**167,525**	**28,744**	**138,781**	**188,613**	**22,700**	**165,913**	**21,088**	**-6,044**	**27,132**	**12.6**	**-21.0**	**19.6**
Up to 3rd Qtr		**476,835**	**75,564**	**401,271**	**555,238**	**65,416**	**489,822**	**78,403**	**-10,148**	**88,551**	**16.4**	**-13.4**	**22.1**
APRIL	M	57,388	7,547	49,841	63,599	6,442	57,157	6,211	-1,105	7,316	10.8	-14.6	14.7
	P	**534,223**	**83,111**	**451,112**	**618,837**	**71,858**	**546,979**	**84,614**	**-11,253**	**95,867**	**15.8**	**-13.5**	**21.3**
MAY	M	58,771	9,339	49,432	69,140	5,550	63,590	10,369	-3,789	14,158	17.6	-40.6	28.6
	P	**592,994**	**92,450**	**500,544**	**687,977**	**77,408**	**610,569**	**94,983**	**-15,042**	**110,025**	**16.0**	**-16.3**	**22.0**
JUNE	M	97,542	7,699	89,843	109,652	7,706	101,946	12,110	7	12,103	12.4	0.1	13.5
4th Quarter		**213,701**	**24,585**	**189,116**	**242,391**	**19,698**	**222,693**	**28,690**	**-4,887**	**33,577**	**13.4**	**-19.9**	**17.8**

Up to 4th Qtr	**690,536**	**100,149**	**590,387**	**797,629**	**85,114**	**712,515**	**107,093**	**-15,035**	**122,128**	**15.5**	**-15.0**	**20.7**

DIRECT TAXES
TWO YEAR COMPARATIVE - MONTH TO MONTH & PROGRESSIVE COLLECTION

(Rs. in Million)

MONTHS		FY: 2004-05			FY: 2005-06			COMPARISON			COMPARISON AS % AGE		
		GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET
1		2	3	4	5	6	7	8	9	10	11	12	13
JULY	M	7,040	825	6,215	8,865	1,245	7,620	1,825	420	1,405	25.9	50.9	22.6
AUGUST	M	7,605	949	6,656	10,342	1,327	9,015	2,737	378	2,359	36.0	39.8	35.4
	P	**14,645**	**1,774**	**12,871**	**19,207**	**2,572**	**16,635**	**4,562**	**798**	**3,764**	**31.2**	**45.0**	**29.2**
SEPTEMBER	M	30,362	1,499	28,863	34,181	2,630	31,551	3,819	1,131	2,688	12.6	75.5	9.3
1st Quarter		**45,007**	**3,273**	**41,734**	**53,388**	**5,202**	**48,186**	**8,381**	**1,929**	**6,452**	**18.6**	**58.9**	**15.5**
OCTOBER	M	8,575	1,821	6,754	12,930	1,825	11,105	4,355	4	4,351	50.8	0.2	64.4
	P	**53,582**	**5,094**	**48,488**	**66,318**	**7,027**	**59,291**	**12,736**	**1,933**	**10,803**	**23.8**	**37.9**	**22.3**
NOVEMBER	M	9,672	2,296	7,376	12,327	2,164	10,163	2,655	-132	2,787	27.5	-5.7	37.8
	P	**63,254**	**7,390**	**55,864**	**78,645**	**9,191**	**69,454**	**15,391**	**1,801**	**13,590**	**24.3**	**24.4**	**24.3**
DECEMBER	M	25,611	3,088	22,523	40,966	6,106	34,860	15,355	3,018	12,337	60.0	97.7	54.8
2nd Quarter		**43,858**	**7,205**	**36,653**	**66,223**	**10,095**	**56,128**	**22,365**	**2,890**	**19,475**	**51.0**	**40.1**	**53.1**
Up to 2nd Qtr		**88,865**	**10,478**	**78,387**	**119,611**	**15,297**	**104,314**	**30,746**	**4,819**	**25,927**	**34.6**	**46.0**	**33.1**
JANUARY	M	12,052	2,985	9,067	12,948	2,878	10,070	896	-107	1,003	7.4	-3.6	11.1
	P	**100,917**	**13,463**	**87,454**	**132,559**	**18,175**	**114,384**	**31,642**	**4,712**	**26,930**	**31.4**	**35.0**	**30.8**
FEBRUARY	M	10,721	1,851	8,870	12,680	2,161	10,519	1,959	310	1,649	18.3	16.7	18.6
	P	**111,638**	**15,314**	**96,324**	**145,239**	**20,336**	**124,903**	**33,601**	**5,022**	**28,579**	**30.1**	**32.8**	**29.7**
MARCH	M	27,630	4,481	23,149	31,709	3,916	27,793	4,079	-565	4,644	14.8	-12.6	20.1
3rd Quarter		**50,403**	**9,317**	**41,086**	**57,337**	**8,955**	**48,382**	**6,934**	**-362**	**7,296**	**13.8**	**-3.9**	**17.8**
Up to 3rd Qtr		**139,268**	**19,795**	**119,473**	**176,948**	**24,252**	**152,696**	**37,680**	**4,457**	**33,223**	**27.1**	**22.5**	**27.8**
APRIL	M	15,742	2,270	13,472	17,211	2,323	14,888	1,469	53	1,416	9.3	2.3	10.5
	P	**155,010**	**22,065**	**132,945**	**194,159**	**26,575**	**167,584**	**39,149**	**4,510**	**34,639**	**25.3**	**20.4**	**26.1**
MAY	M	16,126	2,662	13,464	16,968	2,605	14,363	842	-57	899	5.2	-2.1	6.7
	P	**171,136**	**24,727**	**146,409**	**211,127**	**29,180**	**181,947**	**39,991**	**4,453**	**35,538**	**23.4**	**18.0**	**24.3**
JUNE	M	41,269	4,306	36,963	47,457	4,818	42,639	6,188	512	5,676	15.0	11.9	15.4
4th Quarter		**73,137**	**9,238**	**63,899**	**81,635**	**9,746**	**71,889**	**8,498**	**508**	**8,001**	**11.6**	**5.5**	**12.5**
Up to 4th Qtr		**212,405**	**29,033**	**183,372**	**258,583**	**33,998**	**224,585**	**46,178**	**4,965**	**41,213**	**21.7**	**17.1**	**22.5**

INDIRECT TAXES
TWO YEAR COMPARATIVE - MONTH TO MONTH & PROGRESSIVE COLLECTION

(Rs. in Million)

MONTHS		FY: 2004-05			FY: 2005-06			COMPARISON			COMPARISON AS % AGE		
		GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET
1		2	3	4	5	6	7	8	9	10	11	12	13
JULY	M	31,391	6,931	24,460	32,657	5,676	26,981	1,266	-1,255	2,521	4.0	-18.1	10.3
AUGUST	M	33,810	6,278	27,532	39,984	4,075	35,909	6,174	-2,203	8,377	18.3	-35.1	30.4
	P	**65,201**	**13,209**	**51,992**	**72,641**	**9,751**	**62,890**	**7,440**	**-3,458**	**10,898**	**11.4**	**-26.2**	**21.0**
SEPTEMBER	M	38,098	6,115	31,983	44,235	3,255	40,980	6,137	-2,860	8,997	16.1	-46.8	28.1
1st Quarter		**103,299**	**19,324**	**83,975**	**116,876**	**13,006**	**103,870**	**13,577**	**-6,318**	**19,895**	**13.1**	**-32.7**	**23.7**
OCTOBER	M	39,450	5,282	34,168	43,343	5,273	38,070	3,893	-9	3,902	9.9	-0.2	11.4
	P	**142,749**	**24,606**	**118,143**	**160,219**	**18,279**	**141,940**	**17,470**	**-6,327**	**23,797**	**12.2**	**-25.7**	**20.1**
NOVEMBER	M	36,764	5,650	31,114	41,134	3,744	37,390	4,370	-1,906	6,276	11.9	-33.7	20.2
	P	**179,513**	**30,256**	**149,257**	**201,353**	**22,023**	**179,330**	**21,840**	**-8,233**	**30,073**	**12.2**	**-27.2**	**20.1**
DECEMBER	M	40,932	6,086	34,846	45,661	5,396	40,265	4,729	-690	5,419	11.6	-11.3	15.6
2nd Quarter		**117,146**	**17,018**	**100,128**	**130,138**	**14,413**	**115,725**	**12,992**	**-2,605**	**15,597**	**11.1**	**-15.3**	**15.6**
Up to 2nd Qtr		**220,445**	**36,342**	**184,103**	**247,014**	**27,419**	**219,595**	**26,569**	**-8,923**	**35,492**	**12.1**	**-24.6**	**19.3**
JANUARY	M	38,372	6,187	32,185	40,418	4,567	35,851	2,046	-1,620	3,666	5.3	-26.2	11.4
	P	**258,817**	**42,529**	**216,288**	**287,432**	**31,986**	**255,446**	**28,615**	**-10,543**	**39,158**	**11.1**	**-24.8**	**18.1**
FEBRUARY	M	34,808	6,437	28,371	43,331	4,368	38,963	8,523	-2,069	10,592	24.5	-32.1	37.3
	P	**293,625**	**48,966**	**244,659**	**330,763**	**36,354**	**294,409**	**37,138**	**-12,612**	**49,750**	**12.6**	**-25.8**	**20.3**
MARCH	M	43,942	6,803	37,139	47,527	4,810	42,717	3,585	-1,993	5,578	8.2	-29.3	15.0
3rd Quarter		**117,122**	**19,427**	**97,695**	**131,276**	**13,745**	**117,531**	**14,154**	**-5,682**	**19,836**	**12.1**	**-29.2**	**20.3**
Up to 3rd Qtr		**337,567**	**55,769**	**281,798**	**378,290**	**41,164**	**337,126**	**40,723**	**-14,605**	**55,328**	**12.1**	**-26.2**	**19.6**
APRIL	M	41,646	5,277	36,369	46,388	4,119	42,269	4,742	-1,158	5,900	11.4	-21.9	16.2
	P	**379,213**	**61,046**	**318,167**	**424,678**	**45,283**	**379,395**	**45,465**	**-15,763**	**61,228**	**12.0**	**-25.8**	**19.2**
MAY	M	42,645	6,677	35,968	52,172	2,945	49,227	9,527	-3,732	13,259	22.3	-55.9	36.9
	P	**421,858**	**67,723**	**354,135**	**476,850**	**48,228**	**428,622**	**54,992**	**-19,495**	**74,487**	**13.0**	**-28.8**	**21.0**
JUNE	M	56,273	3,393	52,880	62,196	2,888	59,308	5,923	-505	6,428	10.5	-14.9	12.2
4th Quarter		**140,564**	**15,347**	**125,217**	**160,756**	**9,952**	**150,804**	**20,192**	**-5,395**	**25,587**	**14.4**	**-35.2**	**20.4**
Up to 4th Qtr		**478,131**	**71,116**	**407,015**	**539,046**	**51,116**	**487,930**	**60,915**	**-20,000**	**80,915**	**12.7**	**-28.1**	**19.9**

SALES TAX (TOTAL)
TWO YEAR COMPARATIVE - MONTH TO MONTH & PROGRESSIVE COLLECTION

(Rs. in Million)

MONTHS		FY: 2004-05			FY: 2005-06			COMPARISON			COMPARISON AS % AGE		
		GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET
1		2	3	4	5	6	7	8	9	10	11	12	13
JULY	M	20,261	5,474	14,787	19,978	4,238	15,740	-283	-1,236	953	-1.4	-22.6	6.4
AUGUST	M	20,997	4,896	16,101	24,353	1,574	22,779	3,356	-3,322	6,678	16.0	-67.9	41.5
	P	**41,258**	**10,370**	**30,888**	**44,331**	**5,812**	**38,519**	**3,073**	**-4,558**	**7,631**	**7.4**	**-44.0**	**24.7**
SEPTEMBER	M	24,255	4,793	19,462	26,228	1,762	24,466	1,973	-3,031	5,004	8.1	-63.2	25.7
1st Quarter		**65,513**	**15,163**	**50,350**	**70,559**	**7,574**	**62,985**	**5,046**	**-7,589**	**12,635**	**7.7**	**-50.0**	**25.1**
OCTOBER	M	23,842	4,127	19,715	27,204	3,628	23,576	3,362	-499	3,861	14.1	-12.1	19.6
	P	**89,355**	**19,290**	**70,065**	**97,763**	**11,202**	**86,561**	**8,408**	**-8,088**	**16,496**	**9.4**	**-41.9**	**23.5**
NOVEMBER	M	23,855	4,536	19,319	25,797	2,250	23,547	1,942	-2,286	4,228	8.1	-50.4	21.9
	P	**113,210**	**23,826**	**89,384**	**123,560**	**13,452**	**110,108**	**10,350**	**-10,374**	**20,724**	**9.1**	**-43.5**	**23.2**
DECEMBER	M	25,017	5,050	19,967	26,427	3,796	22,631	1,410	-1,254	2,664	5.6	-24.8	13.3
2nd Quarter		**72,714**	**13,713**	**59,001**	**79,428**	**9,674**	**69,754**	**6,714**	**-4,039**	**10,753**	**9.2**	**-29.5**	**18.2**
Up to 2nd Qtr		**138,227**	**28,876**	**109,351**	**149,987**	**17,248**	**132,739**	**11,760**	**-11,628**	**23,388**	**8.5**	**-40.3**	**21.4**
JANUARY	M	23,918	4,668	19,250	25,310	3,122	22,188	1,392	-1,546	2,938	5.8	-33.1	15.3
	P	**162,145**	**33,544**	**128,601**	**175,297**	**20,370**	**154,927**	**13,152**	**-13,174**	**26,326**	**8.1**	**-39.3**	**20.5**
FEBRUARY	M	21,671	5,100	16,571	26,721	3,130	23,591	5,050	-1,970	7,020	23.3	-38.6	42.4
	P	**183,816**	**38,644**	**145,172**	**202,018**	**23,500**	**178,518**	**18,202**	**-15,144**	**33,346**	**9.9**	**-39.2**	**23.0**
MARCH	M	25,513	5,306	20,207	27,208	3,323	23,885	1,695	-1,983	3,678	6.6	-37.4	18.2
3rd Quarter		**71,102**	**15,074**	**56,028**	**79,239**	**9,575**	**69,664**	**8,137**	**-5,499**	**13,636**	**11.4**	**-36.5**	**24.3**
Up to 3rd Qtr		**209,329**	**43,950**	**165,379**	**229,226**	**26,823**	**202,403**	**19,897**	**-17,127**	**37,024**	**9.5**	**-39.0**	**22.4**
APRIL	M	25,342	3,910	21,432	28,539	2,395	26,144	3,197	-1,515	4,712	12.6	-38.7	22.0
	P	**234,671**	**47,860**	**186,811**	**257,765**	**29,218**	**228,547**	**23,094**	**-18,642**	**41,736**	**9.8**	**-39.0**	**22.3**
MAY	M	26,196	5,253	20,943	32,101	1,555	30,546	5,905	-3,698	9,603	22.5	-70.4	45.9
	P	**260,867**	**53,113**	**207,754**	**289,866**	**30,773**	**259,093**	**28,999**	**-22,340**	**51,339**	**11.1**	**-42.1**	**24.7**
JUNE	M	32,579	1,796	30,783	37,217	1,666	35,551	4,638	-130	4,768	14.2	-7.2	15.5
4th Quarter		**84,117**	**10,959**	**73,158**	**97,857**	**5,616**	**92,241**	**13,740**	**-5,343**	**19,083**	**16.3**	**-48.8**	**26.1**
Up to 4th Qtr		**293,446**	**54,909**	**238,537**	**327,083**	**32,439**	**294,644**	**33,637**	**-22,470**	**56,107**	**11.5**	**-40.9**	**23.5**

SALES TAX (IMPORTS)
TWO YEAR COMPARATIVE - MONTH TO MONTH & PROGRESSIVE COLLECTION

(Rs. in Million)

MONTHS		FY: 2004-05			FY: 2005-06			COMPARISON			COMPARISON AS % AGE		
		GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET
1		2	3	4	5	6	7	8	9	10	11	12	13
JULY	M	10,617	3	10,614	11,095	13	11,082	478	10	468	4.5	333.3	4.4
AUGUST	M	11,273	1	11,272	13,609	22	13,587	2,336	21	2,315	20.7	2,100.0	20.5
	P	**21,890**	**4**	**21,886**	**24,704**	**35**	**24,669**	**2,814**	**31**	**2,783**	**12.9**	**775.0**	**12.7**
SEPTEMBER	M	11,288	1	11,287	14,358	2	14,356	3,070	1	3,069	27.2	100.0	27.2
1st Quarter		**33,178**	**5**	**33,173**	**39,062**	**37**	**39,025**	**5,884**	**32**	**5,852**	**17.7**	**640.0**	**17.6**
OCTOBER	M	11,354	5	11,349	14,269	5	14,264	2,915	0	2,915	25.7	0.0	25.7
	P	**44,532**	**10**	**44,522**	**53,331**	**42**	**53,289**	**8,799**	**32**	**8,767**	**19.8**	**320.0**	**19.7**
NOVEMBER	M	11,814	2	11,812	13,122	6	13,116	1,308	4	1,304	11.1	200.0	11.0
	P	**56,346**	**12**	**56,334**	**66,453**	**48**	**66,405**	**10,107**	**36**	**10,071**	**17.9**	**300.0**	**17.9**
DECEMBER	M	13,007	2	13,005	14,352	9	14,343	1,345	7	1,338	10.3	350.0	10.3
2nd Quarter		**36,175**	**9**	**36,166**	**41,743**	**20**	**41,723**	**5,568**	**11**	**5,557**	**15.4**	**122.2**	**15.4**
Up to 2nd Qtr		**69,353**	**14**	**69,339**	**80,805**	**57**	**80,748**	**11,452**	**43**	**11,409**	**16.5**	**307.1**	**16.5**
JANUARY	M	11,574	1	11,573	12,265	5	12,260	691	4	687	6.0	400.0	5.9
	P	**80,927**	**15**	**80,912**	**93,070**	**62**	**93,008**	**12,143**	**47**	**12,096**	**15.0**	**313.3**	**14.9**
FEBRUARY	M	11,080	25	11,055	13,095	4	13,091	2,015	-21	2,036	18.2	-84.0	18.4
	P	**92,007**	**40**	**91,967**	**106,165**	**66**	**106,099**	**14,158**	**26**	**14,132**	**15.4**	**65.0**	**15.4**
MARCH	M	14,028	2	14,026	15,026	18	15,008	998	16	982	7.1	800.0	7.0
3rd Quarter		**36,682**	**28**	**36,654**	**40,386**	**27**	**40,359**	**3,704**	**-1**	**3,705**	**10.1**	**-3.6**	**10.1**
Up to 3rd Qtr		**106,035**	**42**	**105,993**	**121,191**	**84**	**121,107**	**15,156**	**42**	**15,114**	**14.3**	**100.0**	**14.3**
APRIL	M	12,551	4	12,547	13,757	2	13,755	1,206	-2	1,208	9.6	-50.0	9.6
	P	**118,586**	**46**	**118,540**	**134,948**	**86**	**134,862**	**16,362**	**40**	**16,322**	**13.8**	**87.0**	**13.8**
MAY	M	12,947	4	12,943	17,159	3	17,156	4,212	-1	4,213	32.5	-25.0	32.6
	P	**131,533**	**50**	**131,483**	**152,107**	**89**	**152,018**	**20,574**	**39**	**20,535**	**15.6**	**78.0**	**15.6**
JUNE	M	13,367	5	13,362	19,657	9	19,648	6,290	4	6,286	47.1	80.0	47.0
4th Quarter		**38,865**	**13**	**38,852**	**50,573**	**14**	**50,559**	**11,708**	**1**	**11,707**	**30.1**	**7.7**	**30.1**
Up to 4th Qtr		**144,900**	**55**	**144,845**	**171,764**	**98**	**171,666**	**26,864**	**43**	**26,821**	**18.5**	**78.2**	**18.5**

SALES TAX (DOMESTIC)
TWO YEAR COMPARATIVE - MONTH TO MONTH & PROGRESSIVE COLLECTION

(Rs. in Million)

MONTHS		FY: 2004-05			FY: 2005-06			COMPARISON			COMPARISON AS % AGE		
		GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET
1		2	3	4	5	6	7	8	9	10	11	12	13
JULY	M	9,644	5,471	4,173	8,883	4,225	4,658	-761	-1,246	485	-7.9	-22.8	11.6
AUGUST	M	9,724	4,895	4,829	10,744	1,552	9,192	1,020	-3,343	4,363	10.5	-68.3	90.3
	P	**19,368**	**10,366**	**9,002**	**19,627**	**5,777**	**13,850**	**259**	**-4,589**	**4,848**	**1.3**	**-44.3**	**53.9**
SEPTEMBER	M	12,967	4,792	8,175	11,870	1,760	10,110	-1,097	-3,032	1,935	-8.5	-63.3	23.7
1st Quarter		**32,335**	**15,158**	**17,177**	**31,497**	**7,537**	**23,960**	**-838**	**-7,621**	**6,783**	**-2.6**	**-50.3**	**39.5**
OCTOBER	M	12,488	4,122	8,366	12,935	3,623	9,312	447	-499	946	3.6	-12.1	11.3
	P	**44,823**	**19,280**	**25,543**	**44,432**	**11,160**	**33,272**	**-391**	**-8,120**	**7,729**	**-0.9**	**-42.1**	**30.3**
NOVEMBER	M	12,041	4,534	7,507	12,675	2,244	10,431	634	-2,290	2,924	5.3	-50.5	39.0
	P	**56,864**	**23,814**	**33,050**	**57,107**	**13,404**	**43,703**	**243**	**-10,410**	**10,653**	**0.4**	**-43.7**	**32.2**
DECEMBER	M	12,010	5,048	6,962	12,075	3,787	8,288	65	-1,261	1,326	0.5	-25.0	19.0
2nd Quarter		**36,539**	**13,704**	**22,835**	**37,685**	**9,654**	**28,031**	**1,146**	**-4,050**	**5,196**	**3.1**	**-29.6**	**22.8**
Up to 2nd Qtr		**68,874**	**28,862**	**40,012**	**69,182**	**17,191**	**51,991**	**308**	**-11,671**	**11,979**	**0.4**	**-40.4**	**29.9**
JANUARY	M	12,344	4,667	7,677	13,045	3,117	9,928	701	-1,550	2,251	5.7	-33.2	29.3
	P	**81,218**	**33,529**	**47,689**	**82,227**	**20,308**	**61,919**	**1,009**	**-13,221**	**14,230**	**1.2**	**-39.4**	**29.8**
FEBRUARY	M	10,591	5,075	5,516	13,626	3,126	10,500	3,035	-1,949	4,984	28.7	-38.4	90.4
	P	**91,809**	**38,604**	**53,205**	**95,853**	**23,434**	**72,419**	**4,044**	**-15,170**	**19,214**	**4.4**	**-39.3**	**36.1**
MARCH	M	11,485	5,304	6,181	12,182	3,305	8,877	697	-1,999	2,696	6.1	-37.7	43.6
3rd Quarter		**34,420**	**15,046**	**19,374**	**38,853**	**9,548**	**29,305**	**4,433**	**-5,498**	**9,931**	**12.9**	**-36.5**	**51.3**
Up to 3rd Qtr		**103,294**	**43,908**	**59,386**	**108,035**	**26,739**	**81,296**	**4,741**	**-17,169**	**21,910**	**4.6**	**-39.1**	**36.9**
APRIL	M	12,791	3,906	8,885	14,782	2,393	12,389	1,991	-1,513	3,504	15.6	-38.7	39.4
	P	**116,085**	**47,814**	**68,271**	**122,817**	**29,132**	**93,685**	**6,732**	**-18,682**	**25,414**	**5.8**	**-39.1**	**37.2**
MAY	M	13,249	5,249	8,000	14,942	1,552	13,390	1,693	-3,697	5,390	12.8	-70.4	67.4
	P	**129,334**	**53,063**	**76,271**	**137,759**	**30,684**	**107,075**	**8,425**	**-22,379**	**30,804**	**6.5**	**-42.2**	**40.4**
JUNE	M	19,212	1,791	17,421	17,560	1,657	15,903	-1,652	-134	-1,518	-8.6	-7.5	-8.7
4th Quarter		**45,252**	**10,946**	**34,306**	**47,284**	**5,602**	**41,682**	**2,032**	**-5,344**	**7,376**	**4.5**	**-48.8**	**21.5**
Up to 4th Qtr		**148,546**	**54,854**	**93,692**	**155,319**	**32,341**	**122,978**	**6,773**	**-22,513**	**29,286**	**4.6**	**-41.0**	**31.3**

FEDERAL EXCISE
TWO YEAR COMPARATIVE - MONTH TO MONTH & PROGRESSIVE COLLECTION

(Rs. in Million)

MONTHS		FY: 2004-05			FY: 2005-06			COMPARISON			COMPARISON AS % AGE		
		GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET
1		2	3	4	5	6	7	8	9	10	11	12	13
JULY	M	3,129	1	3,128	2,962	104	2,858	-167	103	-270	-5.3	10,300.0	-8.6
AUGUST	M	3,855	0	3,855	4,063	2	4,061	208	2	206	5.4	#DIV/0!	5.3
	P	**6,984**	**1**	**6,983**	**7,025**	**106**	**6,919**	**41**	**105**	**-64**	**0.6**	**10,500.0**	**-0.9**
SEPTEMBER	M	4,256	9	4,247	5,364	44	5,320	1,108	35	1,073	26.0	388.9	25.3
1st Quarter		**11,240**	**10**	**11,230**	**12,389**	**150**	**12,239**	**1,149**	**140**	**1,009**	**10.2**	**1,400.0**	**9.0**
OCTOBER	M	4,278	4	4,274	4,643	2	4,641	365	-2	367	8.5	-50.0	8.6
	P	**15,518**	**14**	**15,504**	**17,032**	**152**	**16,880**	**1,514**	**138**	**1,376**	**9.8**	**985.7**	**8.9**
NOVEMBER	M	3,778	0	3,778	4,117	1	4,116	339	1	338	9.0	#DIV/0!	8.9
	P	**19,296**	**14**	**19,282**	**21,149**	**153**	**20,996**	**1,853**	**139**	**1,714**	**9.6**	**992.9**	**8.9**
DECEMBER	M	4,276	0	4,276	4,405	41	4,364	129	41	88	3.0	#DIV/0!	2.1
2nd Quarter		**12,332**	**4**	**12,328**	**13,165**	**44**	**13,121**	**833**	**40**	**793**	**6.8**	**1,000.0**	**6.4**
Up to 2nd Qtr		**23,572**	**14**	**23,558**	**25,554**	**194**	**25,360**	**1,982**	**180**	**1,802**	**8.4**	**1,285.7**	**7.6**
JANUARY	M	4,223	2	4,221	4,159	18	4,141	-64	16	-80	-1.5	800.0	-1.9
	P	**27,795**	**16**	**27,779**	**29,713**	**212**	**29,501**	**1,918**	**196**	**1,722**	**6.9**	**1,225.0**	**6.2**
FEBRUARY	M	3,752	15	3,737	4,890	8	4,882	1,138	-7	1,145	30.3	-46.7	30.6
	P	**31,547**	**31**	**31,516**	**34,603**	**220**	**34,383**	**3,056**	**189**	**2,867**	**9.7**	**609.7**	**9.1**
MARCH	M	4,824	9	4,815	5,277	14	5,263	453	5	448	9.4	55.6	9.3
3rd Quarter		**12,799**	**26**	**12,773**	**14,326**	**40**	**14,286**	**1,527**	**14**	**1,513**	**11.9**	**53.8**	**11.8**
Up to 3rd Qtr		**36,371**	**40**	**36,331**	**39,880**	**234**	**39,646**	**3,509**	**194**	**3,315**	**9.6**	**485.0**	**9.1**
APRIL	M	5,276	0	5,276	5,710	5	5,705	434	5	429	8.2	#DIV/0!	8.1
	P	**41,647**	**40**	**41,607**	**45,590**	**239**	**45,351**	**3,943**	**199**	**3,744**	**9.5**	**497.5**	**9.0**
MAY	M	5,450	5	5,445	6,189	2	6,187	739	-3	742	13.6	-60.0	13.6
	P	**47,097**	**45**	**47,052**	**51,779**	**241**	**51,538**	**4,682**	**196**	**4,486**	**9.9**	**435.6**	**9.5**
JUNE	M	6,056	4	6,052	3,508	5	3,503	-2,548	1	-2,549	-42.1	25.0	-42.1
4th Quarter		**16,782**	**9**	**16,773**	**15,407**	**12**	**15,395**	**-1,375**	**3**	**-1,378**	**-8.2**	**33.3**	**-8.2**
Up to 4th Qtr		**53,153**	**49**	**53,104**	**55,287**	**246**	**55,041**	**2,134**	**197**	**1,937**	**4.0**	**402.0**	**3.6**

C U S T O M S
TWO YEAR COMPARATIVE - MONTH TO MONTH & PROGRESSIVE COLLECTION

(Rs. in Million)

MONTHS		FY: 2004-05			FY: 2005-06			COMPARISON			COMPARISON AS % AGE		
		GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET
1		2	3	4	5	6	7	8	9	10	11	12	13
JULY	M	8,001	1,456	6,545	9,717	1,334	8,383	1,716	-122	1,838	21.4	-8.4	28.1
AUGUST	M	8,958	1,382	7,576	11,568	2,499	9,069	2,610	1,117	1,493	29.1	80.8	19.7
	P	**16,959**	**2,838**	**14,121**	**21,285**	**3,833**	**17,452**	**4,326**	**995**	**3,331**	**25.5**	**35.1**	**23.6**
SEPTEMBER	M	9,587	1,313	8,274	12,643	1,449	11,194	3,056	136	2,920	31.9	10.4	35.3
1st Quarter		**26,546**	**4,151**	**22,395**	**33,928**	**5,282**	**28,646**	**7,382**	**1,131**	**6,251**	**27.8**	**27.2**	**27.9**
OCTOBER	M	11,330	1,151	10,179	11,496	1,643	9,853	166	492	-326	1.5	42.7	-3.2
	P	**37,876**	**5,302**	**32,574**	**45,424**	**6,925**	**38,499**	**7,548**	**1,623**	**5,925**	**19.9**	**30.6**	**18.2**
NOVEMBER	M	9,131	1,114	8,017	11,220	1,493	9,727	2,089	379	1,710	22.9	34.0	21.3
	P	**47,007**	**6,416**	**40,591**	**56,644**	**8,418**	**48,226**	**9,637**	**2,002**	**7,635**	**20.5**	**31.2**	**18.8**
DECEMBER	M	11,639	1,036	10,603	14,829	1,559	13,270	3,190	523	2,667	27.4	50.5	25.2
2nd Quarter		**32,100**	**3,301**	**28,799**	**37,545**	**4,695**	**32,850**	**5,445**	**1,394**	**4,051**	**17.0**	**42.2**	**14.1**
Up to 2nd Qtr		**58,646**	**7,452**	**51,194**	**71,473**	**9,977**	**61,496**	**12,827**	**2,525**	**10,302**	**21.9**	**33.9**	**20.1**
JANUARY	M	10,231	1,517	8,714	10,949	1,427	9,522	718	-90	808	7.0	-5.9	9.3
	P	**68,877**	**8,969**	**59,908**	**82,422**	**11,404**	**71,018**	**13,545**	**2,435**	**11,110**	**19.7**	**27.1**	**18.5**
FEBRUARY	M	9,385	1,322	8,063	11,720	1,230	10,490	2,335	-92	2,427	24.9	-7.0	30.1
	P	**78,262**	**10,291**	**67,971**	**94,142**	**12,634**	**81,508**	**15,880**	**2,343**	**13,537**	**20.3**	**22.8**	**19.9**
MARCH	M	13,605	1,488	12,117	15,042	1,473	13,569	1,437	-15	1,452	10.6	-1.0	12.0
3rd Quarter		**33,221**	**4,327**	**28,894**	**37,711**	**4,130**	**33,581**	**4,490**	**-197**	**4,687**	**13.5**	**-4.6**	**16.2**
Up to 3rd Qtr		**91,867**	**11,779**	**80,088**	**109,184**	**14,107**	**95,077**	**17,317**	**2,328**	**14,989**	**18.9**	**19.8**	**18.7**
APRIL	M	11,028	1,367	9,661	12,139	1,719	10,420	1,111	352	759	10.1	25.7	7.9
	P	**102,895**	**13,146**	**89,749**	**121,323**	**15,826**	**105,497**	**18,428**	**2,680**	**15,748**	**17.9**	**20.4**	**17.5**
MAY	M	10,999	1,419	9,580	13,882	1,388	12,494	2,883	-31	2,914	26.2	-2.2	30.4
	P	**113,894**	**14,565**	**99,329**	**135,205**	**17,214**	**117,991**	**21,311**	**2,649**	**18,662**	**18.7**	**18.2**	**18.8**
JUNE	M	17,638	1,593	16,045	21,471	1,217	20,254	3,833	-376	4,209	21.7	-23.6	26.2
4th Quarter		**39,665**	**4,379**	**35,286**	**47,492**	**4,324**	**43,168**	**7,827**	**-55**	**7,882**	**19.7**	**-1.3**	**22.3**
Up to 4th Qtr		**131,532**	**16,158**	**115,374**	**156,676**	**18,431**	**138,245**	**25,144**	**2,273**	**22,871**	**19.1**	**14.1**	**19.8**