

**SINDH GOVERNMENT BUDGET  
1993-94**

**SINDH GOVERNMENT BUDGET**

**1993-94**

## **RESEARCH TEAM**

**Team Leader:** *Dr. A.F. Aisha Ghaus*

**Economists:** *Mr. Mohammad Asif  
Iqbal*

*Ms. Rafia Ghaus*

**Statistician:** *Mr. Abdul Rauf Khan*

**Computer Operator:** *Mr. Rizwanullah Khan*

## **SINDH GOVERNMENT BUDGET, 1993-94**

### **Trends in Finances**

General Revenue receipts of GOS are budgeted to be Rs 22.7 billion in 1993-94. As compared to this current expenditures are budgeted to be Rs 24.5 billion, implying a revenue account deficit of over Rs 1.7 billion (see Table 1). Therefore, it appears that the province of Sindh has already exhausted the revenue gains which accrued to the province following the NFC award of 1992. This is largely a consequence of the high expenditure growth rate on one hand about 16% and low and declining revenue growth rate. Note the decline in the growth rate of federal tax assignment in particular (Table 1).

Though current expenditures are budgeted to increase at a somewhat lower rate compared to the trend growth rate in 1993-94, what is perhaps striking is the actual decline in the development expenditures. Development expenditure in 1993-94 are budgeted to be at 13% lower than the development expenditures in 1992-93. This is despite the increase in federal development loans of about 120%.

On the whole, provincial finances show continued deterioration in 1993-94 with a high current account deficit and an overall use of cash balance of Rs 2890 million.

### **Provincial Fiscal Effort**

The provincial budget of 1993-94 shows a significant tax effort on the part of the provincial government. To compensate for the decline in federal grants, in particular, GOS has announced a taxation proposal of Rs 352 million in the 1993-94 budget. Effort to enhance revenue from all of the major tax sources has been made. In particular, proposals have been announced to enhance revenues from major sources which have remained significantly under exploited in the past. Examples include property tax, professionals and callings tax, paddy development cess etc. Furthermore, three new areas of revenue, namely non-utilisation feed, coal development cess and car dealers registration fees have been exploited.

An important feature of the taxation proposals announced in the budget is that they increase the progressivity of the provincial taxation structure. Almost all of the proposals in existing taxes are likely to fall on the upper to upper-middle sections of population. In particular, enhancement in the rental values of properties for the assessment of property taxation, enhancement in professional tax, motor vehicle tax, hotel tax and stamp duties are highly progressive measures and will go long way in not only increasing revenues for the public exchequer but will also make the taxation structure more buoyant and efficient. Similarly the new taxes introduced in the budget will largely fall on the upper income households which have remained largely out side the traditional tax net.

On the whole the taxation proposals announced I the budget constitute the most substantial fiscal effort put in by the provincial government in over a decade. The measures will yield 15% higher tax revenues in 1993-94 than it would have been in the absence of any budgetary proposals. On the non-tax side, however, the next budget has been unable to maintain even the historical growth rate (see Table 1).

### **Development Allocations in SAP Sectors**

Already mentioned GOS has actually decreased the size of its development plan in 1993-94. Total development expenditure in 1992-93 was Rs 5757 million. In 1993-94 these are budgeted to be only Rs 5000 million. Sectors which shows a highest decline include physical planning and housing, transport and communication, rural development and forest and wildlife (see Appendix).

As for as the SAP sectors are concerned, the overall expenditures in 1992-93 were Rs 1524 million. As compared to this total allocations to these in 1993-94 is budgeted to be Rs 1383 million showing a decline of over 10%. As a consequence of this decline, share of SAP sectors in the total provincial development outlay has declined from 30.5% in 1992-93 to 27.7% in 1993-94. Sectors showing the highest decline include primary education and rural development. Also worth noting is the fact that SAP allocations have substituted for regular ADP allocations in the relevant sectors and do not constitute additional funds for the social sectors. Within SAP sectors, highest priority has been given to education, which accounts for about 35% of total SAP allocations followed by physical planning and housing, 29.6% and health, 25% (see Table 4).



**TABLE 1**  
**TRENDS IN THE FINANCES OF SINDH GOVERNMENT**

	1984-85 (A)	1990-91 (A)	1991-92 (A)	1992-93 (R)	1993-94 (B)	ACGR 1984-85 to 1992-93	ACGR 1992-93 to 1993-94
<b>GEN.REV.RECEIPTS</b>	<b>5982</b>	<b>15339</b>	<b>18842</b>	<b>21621</b>	<b>22737</b>	<b>17.4</b>	<b>5.2</b>
Fed. Tax Ass.	2709	11256	14982	16548	18375	25.4	11.0
Prov. Tax Receipts	1042	1333	1645	2024	2306	8.7	13.9
Non-Tax Receipts	646	1219	1511	1366	1355	9.8	-0.8
Fed. Non-Dev. Grants	1585	1531	704	1683	700	0.7	-58.4
<b>CURRENT EXPENDITURE</b>	<b>5907</b>	<b>14613</b>	<b>19442</b>	<b>21095</b>	<b>24462</b>	<b>17.2</b>	<b>16.0</b>
<b>REVENUE SURPLUS (+)/ DEFICIT (-)</b>	<b>75</b>	<b>726</b>	<b>-600</b>	<b>526</b>	<b>-1725</b>	)	)
<b>TOTAL DEV. EXPENDITURE</b>	<b>1768</b>	<b>5410</b>	<b>5867</b>	<b>5757</b>	<b>5000</b>	<b>15.9</b>	<b>-13.2</b>
Dev.Rev. Expenditure	331	1320	1375	1482	753	20.6	-42.5
Dev.Cap. Expenditur	1437	4091	4493	4275	4147	14.6	-3.0
<b>NET CAPITAL RECEIPTS</b>	<b>1497</b>	<b>6485</b>	<b>10726</b>	<b>1761</b>	<b>9592</b>	<b>2.1</b>	<b>444.6</b>
Federal Loans	1467	3078	2965	2893	6391	8.9	120.9
Others	30	3408	7762	-1132	3202	)	)
<b>DEV.REV. RECEIPTS</b>	<b>300</b>	<b>2759</b>	<b>1689</b>	<b>700</b>	<b>23</b>	<b>11.2</b>	<b>-96.8</b>
<b>TOTAL RESOURCES</b>	<b>1872</b>	<b>9971</b>	<b>1816</b>	<b>2987</b>	<b>7889</b>	<b>60</b>	<b>164.1</b>
<b>CASH BALANCE</b>	<b>-104</b>	<b>-4560</b>	<b>-5948</b>	<b>2770</b>	<b>-2890</b>	)	)

Source: Annual Budget Statements, Government of Sindh.

**TABLE 2**  
**ADDITIONAL REVENUE GENERATION**  
**FROM TAXATION PROPOSALS**  
**1993-94**

Revenue Sources	Rs in Million	Share in Total (%)
Stamp Duty	111.2	31.6
Property Tax	106.5	30.3
Motor Vehicle Tax	60.9	17.3
Professions, Trades and Callings Tax	7.1	2.0
Tax on Hotels	23.2	6.6
Paddy Development Fees	25.0	7.1
Non-utilisation Fees <sup>?</sup>	8.9	2.5
Coal Development Cess <sup>?</sup>	4.1	1.2
Car Dealers Registration Fees <sup>?</sup>	5.0	1.4
<b>TOTAL ADDITIONAL REVENUES</b>	<b>351.9</b>	<b>100.0</b>

<sup>?</sup>New sources introduced in the budget 1993-94.



**TABLE 3**  
**TAXATION MEASURES IN SINDH BUDGET**  
**1993-94**

	<b>Revenue Generation (Rs in Million)</b>				
<b>PROPERTY TAX</b>	<b>106.5</b>				
1. Levy of 30% surcharge on residential and commercial properties assessed during the period from July 1, 1968 to June 30, 1979, 15% on properties assessed during the period July 1, 1979 to June 1993 and 15% on properties assessed after June 30, 1993.					
2. Levy of surcharge on all industrial properties at the rate of 30% of property tax.					
<b>MOTOR VEHICLE TAX</b>	<b>60.9</b>				
3. (i) In the case of private motor cars;					
a) With seating capacity not more than four persons and with engine capacity:					
? Not exceeding 1000 cc	<table style="display: inline-table; vertical-align: middle;"> <tr> <td style="text-align: center;"><u><i>New</i></u></td> <td style="text-align: center;"><u><i>Old</i></u></td> </tr> <tr> <td style="text-align: right;">Rs 500</td> <td style="text-align: right;">400</td> </tr> </table>	<u><i>New</i></u>	<u><i>Old</i></u>	Rs 500	400
<u><i>New</i></u>	<u><i>Old</i></u>				
Rs 500	400				
? Exceeding 1000 cc but < 1300 cc	Rs 700 480				
? Exceeding 1300 cc	Rs 850 600				
b) Motor vehicles with seating capacity of more than four persons for each additional seat, with engine capacity:					
? Not exceeding 1000 cc	Rs 80 per seat				
? Exceeding 1000 cc	Rs 100 per seat				
<b>PROFESSIONAL TAX:</b>	<b>7.1</b>				

4. i) Public limited companies including foreign companies:	<u>New</u> Rs 8000	<u>Old</u> 6000
ii) Private limited companies with paid up capital upto Rs 1.5 million:	Rs 4000	3500
iii) Private limited companies with paid up capital > Rs 1.5 million but < Rs 2.5 million	Rs 5000	3500
iv) Private limited companies with paid up capital > Rs 2.5 million but < Rs 3.5 million:	Rs 6000	3500
v) Private limited companies with paid up capital > Rs 3.5 million:	Rs 8000	3500

---

<b>TAX ON HOTELS:</b>	<b>23.2</b>
-----------------------	-------------

---

5. Hotel Charges / LU <sup>?</sup> /day	(Rupees)	
	<b>Tax Rates/LU Day</b>	
	<b>New</b>	<b>Old</b>
76 .....	250 11 on 60% of LU	10 on 60% of LU
251 .....	400 20 on 60% of LU	15 on 60% of LU
401 .....	550 30 on 70% of LU	20 on 85% of LU
551 .....	700 40 on 70% of LU	30 on 85% of LU
701 .....	1000 60 on 80% of LU	40 on 85% of LU
1001 .....	2000 80 on 85% of LU	50 on 85% of LU
2001 .....	3000 100 on 85% of LU	50 on 85% of LU
3001 .....	4000 120 on 85% of LU	50 on 85% of LU

---

<sup>?</sup>LU = Lodging Unit

---

<b>STAMP DUTY</b>	<b>111.2</b>
-------------------	--------------

---

6. i) Acknowledgement, Certificates, Receipts	<u>New</u>	<u>Old</u>	<u>18.7</u>
	Re 1	50 paisa	
ii) Bonds (per Rs 1,000	Rs 22.5	Rs 15	<u>1.5</u>
iii) In case of oral gifts Stamp Duty would be charged as is being charged in the case of conveyance. Only legal heirs may be given relief.			<u>50.0</u>
iv) General Power of Attorney The cases in which the parties are authorised to sale or dispose of immovable properties are also brought into net.	Rs 200	Rs 75	<u>1.0</u>
v) Security Bonds	Rs 50	Rs 30	<u>1.5</u>
vi) Stamp Duty on transfer order of allotment before lease has been levied at the following rates:			<u>35.0</u>
<u>Residential plots:</u>			
a) Not exceeding 200 sq. yards	Nil		
b) Over 200 sq.yds but less than 400 sq.yds	Rs 2 per sq.yds.		
c) Exceeding 400 sq.yds.	Rs 4 per sq.yds.		
<u>Commercial Plots:</u>			
	Rs 8 per sq.yds.		
vii) Stamp duty of 25 paisa for every hundred rupees has been levied on the contract to be signed between a contractor and government or private owned company for rendering services or supply goods.			
viii) Stamp duty on Bill of Entry	Rs 25		<u>3.5</u>

<b>7. COAL DEVELOPMENT CESS</b>				<b>4.1</b>
Coal Cess has been levied at the rate of Rs 20 per truck per trip carrying coal from the mine.				
<b>8. NON-UTILISATION TAX:</b>				<b>8.9</b>
I) Coal Mine	Rs 60 per acre			
ii) Clay / Shale	Rs 20 per acre			
iii) Dolomite	Rs 50 per acre			
iv) Granite	Rs 100 per acre			
v) Lime Stone	Rs 50 per acre			
<b>9. PADDY DEVELOPMENT FEES</b>		<b>New</b>	<b>Old</b>	<b>25.0</b>
(per 100 kg)		Rs 1.25	Re 1	
<b>10. CAR DEALERS REGISTRATION FEES</b>				<b>5.0</b>
The Cabinet has decided to enact a Motor Vehicle Dealers Act, which is likely to take some time. It is proposed that in the meantime, fee may be levied for registration and renewal of registration of car dealers.				
<b><u>Car Dealers</u></b>	<b><u>Registration Fees</u></b>	<b><u>Annual Renewal Fee</u></b>		
Metropolitan	Rs 5,000	Rs 1,000		
Other Cities	Rs 1,000	Rs 500		
<b>TOTAL ADDITIONAL REVENUE</b>				<b>352.0</b>

**TABLE 4**  
**DEVELOPMENT ALLOCATIONS IN SAP SECTORS BY GOS**

*(Rs in Million)*

	1992-93	1993-94	% Increase
<b>PHYSICAL PLANNING AND HOUSING</b>	<b>802</b>	<b>832</b>	<b>3.7</b>
<i>Rural Water Supply</i>	<b>402</b>	<b>409</b>	<b>1.7</b>
Regular	402	)	)
SAP	)	409	)
<b>EDUCATION</b>	<b>960</b>	<b>1032</b>	<b>7.5</b>
<i>Primary</i>	<b>400</b>	<b>386</b>	<b>-3.5</b>
Regular	275	)	)
SAP	125	286	)
<i>Teacher's Education</i>	<b>17</b>	<b>80</b>	<b>370.8</b>
Regular	17	)	)
SAP	)	80	)
<i>Non-formal Education (SAP)</i>	<b>7</b>	<b>16</b>	<b>128.6</b>
Secondary	399	351	3.4
Technical	65	60	-7.0
College	97	105	8.8
Others	36	34	-4.3
<b>HEALTH</b>	<b>580</b>	<b>630</b>	<b>8.8</b>
<i>Rural Health Programme</i>	<b>532</b>	<b>226</b>	<b>-2.5</b>
Regular	232	)	)
SAP	)	226	)
<i>Preventive Programme</i>	<b>66</b>	<b>67</b>	<b>1.1</b>
Regular	66	)	)
SAP	)	67	)
<i>Other SAP</i>	)	<b>57</b>	)
General Hospital	162	196	22.3
Medical Education	36	40	12.4
Other	84	42	-50.4
<b>SAP BLOCK ALLOCATIONS</b>	<b>142</b>	)	)
<b>Total SAP Sector Allocations</b>	<b>1524</b>	<b>1383</b>	<b>-9.3</b>
<b>Share of SAP Sectors in Total Development Expenditures (%)</b>	<b>30.5</b>	<b>27.7</b>	)

**SAP ALLOCATIONS FOR 1993-94 AT A GALANCE**  
**(Rs in Million)**

Physical Planning and Housing	409
Education	482
Health	350
Statistics and Economics and Research	2
Block Allocations (Including allocation to Education Health Foundations)	140
<b>TOTAL SAP</b>	<b>1383</b>

**APPENDIX**  
**ABSTRACT OF SINDH BUDGET 1993-94**

	<b>1992-93</b>	<b>1992-93</b>	<b>1993-94</b>
	<b>(B)</b>	<b>(R)</b>	<b>(B)</b>
<b>CURRENT REVENUE RECEIPTS</b>	<b>20841</b>	<b>21621</b>	<b>22737</b>
Federal Transfers	17189	18230	19075
Provincial Tax Receipts	2087	2024	2306
Income from property and Enterprise	260	39	133
Civil Administration and Functions	1110	830	993
Miscellaneous	194	497	229
<b>CURRENT REVENUE EXPENDITURE</b>	<b>20502</b>	<b>21095</b>	<b>24462</b>
General Administration	1441	2031	2121
Law and Order	2360	2521	2850
Community Services	826	843	974
Social Services	7240	7301	8632
Economic Services	2073	2378	2470
Subsidies	702	504	720
Debt Servicing	5808	5468	6655
Unallocable	51	49	40
<b>Revenue Surplus (+)/Deficit (-)</b>	<b>339</b>	<b>526</b>	<b>-1725</b>
<b>CURRENT CAPITAL RECEIPTS</b>	<b>2671</b>	<b>350</b>	<b>655</b>
Recoveries from Investments	1	35	37
Recoveries of Loans and Advances	1960	129	174
Public Debt	186	186	144
Deferred Liabilities	458	)	)
Deposits and Reserves (Net)	66	)	)

**APPENDIX**  
**ABSTRACT OF SINDH BUDGET 1993-94**

	<b>1992-93</b>	<b>1992-93</b>	<b>1993-94</b>
	<b>(B)</b>	<b>(R)</b>	<b>(B)</b>
<b>CURRENT CAPITAL EXPENDITURE</b>	<b>1402</b>	<b>931</b>	<b>772</b>
Community Services			
Debt Servicing	1094	821	694
Government Investment (Net)			
Loans and Advances	153	110	77
Deferred Liabilities	155		
<b>NET CAPITAL RECEIPTS</b>	<b>1270</b>	<b>-581</b>	<b>-117</b>
<b>Surplus (+) / Deficit (-) in Current Account</b>	<b>1609</b>	<b>-55</b>	<b>-1842</b>
<b>FOOD ACCOUNT</b>			
Receipts			
Loans from Commercial Banks	2800	2325	3100
Expenditure			
Food Grains (Net)	615	960	242
Sugar (Net)			
Repayments of Bank Loans	-2800	-2325	-3100
Total Expenditure (Food Account)	615	960	242
<b>ANNUAL DEVELOPMENT PROGRAMME</b>	<b>5000</b>	<b>5757</b>	<b>5000</b>
Water and Power	660	616	617
Agriculture	224	216	200
Forest and Wildlife	64	78	51
Physical Planning and Housing	802	1819	832
Industries, Fuel and Minerals	52	28	42
Education and Training	960	880	1032
Culture and Tourism	30	12	25
Health	580	453	630
Transport and Communications	582	605	498
Social Welfare and Manpower	29	21	34
Rural Development	880	990	786
Statistical research	23	14	29
Law and Order			6
Block Allocation	114	21	224



**APPENDIX**  
**ABSTRACT OF SINDH BUDGET 1993-94**

	<b>1992-93</b>	<b>1992-93</b>	<b>1993-94</b>
	<b>(B)</b>	<b>(R)</b>	<b>(B)</b>
<b>FINANCING OF ADP</b>	<b>4696</b>	<b>3870</b>	<b>6413</b>
<b>Provincial Contribution</b>	<b>1609</b>	<b>957</b>	<b>)</b>
Federal Assistance	3020	2853	3246
a) Cash Grants			
b) Cash Development Loans	3020	2853	3246
Foreign Assistance	68	60	3168
a) Grants (Rupee)	23	20	23
b) Grants (Non Rupee)			
c) Loans	45	41	3145