

Six-month revenue collection shortfall rises to Rs287bn

ISLAMABAD: The Federal Board of Revenue (FBR) missed revised revenue collection target for the first half year of current fiscal year by a wide margin of Rs287 billion against the target of Rs2.367 trillion despite several measures and double-digit consumer inflation.

The FBR has collected Rs2.080tr during the first half year as against the target of Rs2.367tr projected for the same period, leaving behind a shortfall of Rs287bn.

The tax authority estimates to collect another Rs2-4bn in book adjustments.

However, the collection during the first half of current fiscal year is 16.95 per cent higher than the Rs1.784tr collected in the corresponding period last year.

The trend in revenue collection shows that the quantum of shortfalls is constantly increasing with each passing month starting since July. The decline in collections is mainly attributable to poor performance of top tax administration.

Meanwhile, the FBR on Tuesday also extended the last date for filing of income tax returns/statements for the tax year 2019 until Jan 31. The extension is available to all individuals (salaried and non-salaried), association of persons and companies.

Tax return filing date extended till Jan 31, 2020

Until Dec 31, the FBR has received as many as 2.15 million returns as against 1.5m returns received during the same period last year. FBR Spokesperson Dr Hamid Ateeq told Dawn that the date is extended to receive another 600,000 due returns. Last year returns filed stood at 1.7m — the highest ever.

After a gap of six months, Adviser to PM on Finance and Revenue Dr Hafeez Shaikh will visit the FBR headquarters on Wednesday to engage top tax officials over revenue shortfalls, which will aggravate the country's position in the next International Monetary Fund (IMF) review.

An official source told Dawn that Hafeez will visit FBR for the first time after his appointment to the top position. There is also reluctance within the government to replace the tax members despite their poor performance because of their close connections within the power corridor.

The government's steps to deal with the external sector deficits may have begun to bear fruit, but it has yet to overcome the growing shortfall in revenue collection. It is believed that Shaikh will bring the much-needed changes at the top level to reach closer to revenue collection targets in the second half of current fiscal year.

The FBR has already internally revised the first half year target to Rs2.367tr from the earlier projection of Rs2.495tr. The IMF has already lowered the revenue collection target to Rs5.270tr from the budgetary projected target of Rs5.503tr.

Moreover, the FBR is likely to receive another Rs3-4bn in the next few weeks.

The customs gross collection fell short of target by Rs89bn or 21.5pc to Rs325bn in the first half year as against the projected target of Rs414bn. The customs collection fell mainly because of falling imports. However, the menace of mis-declaration and under invoicing also contributed to the shortfall.

The income tax gross collection clocked in at Rs790bn as against the projected target of Rs858bn over the corresponding period last year, showing a shortfall of Rs68bn or 7.92pc. This shortfall is despite the imposition of several revenue measures by the government in the last budget.

In the first half year, the gross sales tax collection on goods has reached to Rs891bn as against the projected target of Rs59bn or 6.21pc. The general sales tax on goods has declined despite expansion of tax on goods and double-digit inflation especially higher fuel prices.

The federal excise duty (FED) gross collection has reached to Rs126bn as against the projected target of Rs144bn, showing a shortfall of Rs18bn or 12.5pc. The FED rates were also revised upward on cigarettes and other products in the last budget.

During the first half of the current fiscal year, the FBR paid Rs53bn refunds to taxpayers mostly exporters. Moreover, government has also paid out Rs30bn in refunds through bonds to exporters. These include Rs22bn refunds for sales tax, while Rs8bn was paid against income tax.

Prime Minister Imran Khan removed the former FBR chairman in May as it became clear to him that the revenue collection was heading towards a record shortfall. To achieve the ambitious revenue target of Rs5.55tr, Prime Minister Imran Khan on May 10 appointed Shabbar Zaidi from the private sector as the FBR chairman to reverse the downward trend in revenue collection.