

Editorial

Revenue challenges

AND so it begins. One of the most vigorous revenue collection drives in the country's history was launched on July 1 — but the end of the month brought the familiar news of a shortfall in the collections for the first month of the fiscal year. The amount of the shortfall is not alarming — Rs14bn — but if the collections do not pick up pace by the end of this month, the government will undoubtedly be pushed into announcing a so-called mini budget before December. The vigorous exercise to broaden the tax base and to pull traders into the net has also been launched, but there are good reasons to be sceptical of this effort as it is not clear whether it will help plug the revenue shortfalls that are inevitably emerging. It is one thing to get undocumented enterprises to register themselves with the tax authorities, and quite another to actually extract revenue from them in the amounts required to keep pace with the targets set in the IMF programme once they have registered themselves.

Now it is becoming a little clearer why the government has quietly put away the numbers from its latest amnesty scheme. Even though the scheme attracted 137,000 declarants, and close to Rs3tr worth of assets was declared through it, the government has chosen to not tout the scheme as a success. A closer look reveals why this might be the case. The total revenue collection under the scheme was Rs70bn, smaller than what the last such scheme under the previous government achieved, even though the number of declarants is comparable. Clearly, the authorities were expecting a far larger outturn from the exercise, with some reports suggesting that the expected revenue contribution from the scheme was four or five times of what has been collected. This was the first step of the massive revenue plan the government is trying to implement for this year in pursuit of an ambitious Rs5.55tr target. Having failed to collect the expected amount, the effort to meet the target now falls back on the aggressive documentation drive that the FBR is currently pursuing. If this too does not yield revenues in the quantity required, the government will have no option but to squeeze existing taxpayers, perhaps through an increase in the rate of sales tax. Clearly, the challenges on the economic front are mounting. The government must place itself on a more secure footing to meet its commitments.