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Tax-to-GDP ratio to be increased from 11 to 12.6pc in a year

ISLAMABAD: The government has set an ambitious but achievable tax collection target of Rs5,555 billion for next fiscal year in a bid to boost FBR's tax-to-GDP ratio from 11 to 12.6 percent in 2019-20.

"In a bid to curtail rising trends of debt burden as well as meeting financing needs of vulnerable segments of the society, the government plans to boost tax-to-GDP ratio from 11 percent in outgoing fiscal to 12.6 percent by next fiscal year in order to mobilise domestic resources up to the desired mark. The FBR's fixed target of Rs5,555 billion is ambitious but achievable with a combination of doing away with major exemptions, equitable taxation measures and bringing administrative improvements," Ministry of Finance Adviser and Spokesman Dr Khaqan Najeeb said in an exclusive talk with The News here at his office on Saturday.

He elaborated different areas of the budget 2019-20 presented by the PTI-led government before Parliament this week. Dr Khaqan Najeeb shared that the overarching objective of the budget was to stabilise the economy by reducing the current account deficit (CAD) in the range of $6.5 billion to $7 billion in the coming fiscal year and focusing on bringing the primary deficit in line with the agreed limit of the IMF.

The primary deficit, he said, was estimated at around 2 percent of GDP for the outgoing fiscal year ending on June 30, 2019 so a fiscal adjustment of 1.4 percent of GDP would be made to bring the primary deficit to a desired level of 0.6 percent of GDP in the coming fiscal year.

When asked about government's efforts to achieve fiscal consolidation through the budget, he replied that austerity was the central theme of the budget making process as the expenditure were curtailed both with the contribution of reducing defence and civilian government spending to demonstrate the seriousness on ensuring financial discipline.

To another query regarding incentives for industries in the budget, he said that there were three major interventions for boosting industries: the subsidy of electricity and gas for exporters would continue; subsidised electricity rates for tube-wells would continue; and reduction in import duty on raw material and machinery on over 1600 tariff lines would help to revive the industry. He said that the government also decided to come up with new mechanism for instant release of refunds of exporters on Bangladeshi model and above all the government allocated Rs40 billion for Export Development Fund (EDF) for the next fiscal year and its release would be ensured to raise exports.

On development side of the budget, he said that the government allocated Rs152 billion for bringing merged districts of Fata at par with other developed areas of the country and the government also allocated Rs48 billion for regional equalisation programme for bringing development in the neglected and far-flung districts of Balochistan, Sindh and Punjab.

The social protection initiative, he said, is the key of the government policies as they allocated Rs193 billion for Ehsas Programme for protecting the destitute sector. The government also earmarked Rs217 billion for protecting 75 percent bulk of electricity consumers from any hike in rates.

In order to create job opportunities, he said that the government allocated Rs5 billion for provision of low cost housing as this money would be utilised for providing subsidy to borrowers through bank loans and Rs7.5 billion for Tsunami trees as well as Rs951 billion for infrastructure projects under Public Sector Development Programme (PSDP) as the PSDP size increased after ensuring fiscal space through a disciplined budget making process for FY 2019-20.

When asked about FBR's tax collection target, he said that the tax target of Rs5,555 billion was achievable because the Economic Survey for 2018-19 showed tax expenditure cost to the tune of Rs972 billion. Now he said, the government had tried to remove tax exemptions which were causing rent seeking behaviour and secondly the government took taxation measures to increase customs duty on finished and luxury items as well as hiked taxation rates on sugary drinks and tobacco that are injurious to health. He said that the government also abolished the concept of non-filers and every one buying a luxury car or property, or doing any significant economic transaction - would receive an assessment order and would automatically become part of formal tax system.

Dr Khaqan also added that a fundamental component of this budget making process has been stakeholder consultations, including the industry and the provincial governments, who have all been taken on board.

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