

Tax collection machinery: FBR plans to raise tax-to-GDP target

The World Bank in consultation with the Federal Board of Revenue (FBR) has prepared a restructuring plan for tax collection machinery and envisaged a target to raise tax-to-GDP ratio to 15 percent from existing 11.2 percent.

FBR Chairman Mohammad Jehanzeb Khan gave a detailed briefing to Finance Minister Asad Umar, who visited the Board's headquarters and attended over two hours briefing here Monday.

Umar was also briefed about the ongoing tax reforms in the tax administration, recovery from high net worth individuals and implementation of Finance Amendment Act 2019.

Sources told Business Recorder that the country's overall tax-to-GDP ratio including the provinces' share as well as non-tax revenue is aimed at raising up to 17 percent by the end of 2023. Out of 17 percent overall target of tax-to-GDP, the FBR's share has been envisaged at 14.5 to 15 percent.

Sources said that the FBR's tax-to-GDP ratio stood at 11.2 percent of GDP so efforts will be made to increase this ratio up to 13 percent by the end of June 2020.

The FBR's share in tax-to-GDP ratio will be increased up to 15 percent in last fifth year tenure of the PTI government.

Sources said the FBR's restructuring plan will be implemented in phases and first summary will be moved next month.

It seems to be an ambitious target to raise tax-to-GDP ratio to 15 percent within next four years from the existing level hovering around 11 percent.

The tax-to-GDP ratio remained stagnant for the last many years and all efforts made by all governments in the last 10 to 20 years failed to yield any desired results.

Sources said that taxpayers had to deal with five tax machineries in Pakistan, including the FBR and four provincial revenue authorities of each province that wasted a lot of time for honest taxpayers.

The harmonization between income tax and sales tax is a dire need of the hour for using each other's data to expand the tax base and revenue collection up to the real potential of the country. Although, the Inland Revenue System (IRS) deals with both income tax and sales tax but using data for expanding the base and collection still needs to be done for making the FBR an effective revenue collection agency.

The usage of IT can provide solution at cheaper rates and the government intended to utilize technology for the purpose of expanding the narrow tax base in months and years ahead. Tax authorities have informed the Finance Minister about the strategy to achieve the desired revenue targets in coming years as in the current fiscal year it is facing massive revenue shortfall of around Rs 237 billion in first eight months in the remaining period of the ongoing financial year.