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Pakistan, IMF agree on cutting FBR's tax collection target by Rs233 bn

ISLAMABAD: Pakistan and the visiting IMF review mission have agreed on downward revision of FBR's tax collection target by slashing it by Rs233 billion to bring it at Rs5,270 billion against earlier envisaged target of Rs5,503 billion for 2019-20.

Against the demand of Rs300 billion revision in annual target from FBR side, the IMF review mission pitched its projection at Rs5,270 billion from Rs5,503 billion on the basis of their assumption that the import compression would continue haunting the FBR's collection in months ahead of the current fiscal year.

"We had also requested to slash the FBR's collection target as the country's 50 percent revenues is collected at import stage," said official sources in background discussions here on Monday.

When asked further, the FBR official said, the collection of customs at import stage increased to 17 or 18 percent while other taxes such as Income Tax in shape of withholding tax and General Sales Tax (GST) at import stage contributed to 30 to 32 percent so in totality the overall collection at import stage had gone up from 40 to 50 percent.

The FBR high-ups argued that Pakistani side did not press upon any request for further slashing the FBR's revenue target as the picture about the ability of collection would become clearer after December 2019.

So far, the FBR was facing revenue shortfall of Rs163 billion in first four months (July-Oct) period of the current fiscal year as the revenue collection body fetched Rs1,283.5 billion against desired target of Rs1,447 billion.

With this level of revenue shortfall, the government seemed helpless having no other option but to revise downward the annual tax collection target from Rs5,503 billion mainly because of imports compression as it decreased by $400 million in October 2019.

The government requested the visiting IMF mission to reconsider the FBR's annual target, which was set on the basis of five-point formula including GDP growth rate, CPI based inflation, exchange and discount rates and finally import figures.

If the import compression had done substantial loss then the revenue collection target could also be rationalised, they argued. The PTI-led government opted strategy to convince the IMF team that the primary balance target would remain unchanged so FBR target should be reduced while non-tax revenue target should be jacked up to keep primary balance target of 0.6 percent of GDP unchanged in 2019-20.

The FBR had collected Rs320 billion in October 2019 and the FBR was expecting to increase collection to Rs325 billion against the desired target of Rs376 billion indicating a revenue shortfall of Rs56 billion just in last one month.

The FBR had collected Rs963.5 billion in first three months of the current fiscal year against the set target of Rs1071 billion thus faced a shortfall of Rs108 billion. Now after incorporating the figure of October the overall revenue shortfall climbed to Rs164 billion in first four months of the current fiscal year.

It's becoming evident that the FBR will not be able to materialise its annual tax collection target of Rs5,503 billion in the current fiscal against Rs3,829 billion in the last financial year so the FBR requires a growth of 44 percent which seems impossible.