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FBR lists factors behind revenue shortfall during 2018-19

ISLAMABAD: The Federal Board of Revenue (FBR) has described slowdown in the construction-allied sectors including cement and steel, and import compression as major factors behind revenue shortfall during 2018-19. According to the FBR's biannual review (July-December 2018-19) issued on Tuesday, the main reasons for revenue shortfall during 2018-19 included a sharp reduction in the general sales tax (GST) rate on petroleum products. The impact of income tax incentives announced by the past government in the Budget 2018-19, reduced income tax rates on salary, suspension of withholding tax on telecom by the Supreme Court, lower collection of withholding tax against PSDP-related contracts, and slowdown in the construction-allied sectors led to lower collections from cement and steel sales, besides import compression.

During 2018-19, the income tax rates on salary (section 149) were substantially reduced, which resulted in massive negative growth in revenue collection from this head. Due to lower profitability declared by companies this year, tax on dividend income (section 150) had also recorded massive drop in withholding collection under this head.

Furthermore, the suspension of withholding tax under Section 236 from Telcos (prepaid cards/top ups of mobile phone companies) has continued to-date which has had a major adverse impact on receipts.

Due to compression of imports, growth in collection under Section 148 was meager. Moreover, restriction imposed on purchase of assets (as per specified categories under section 227C) on non-filers also adversely affected withholding revenue receipts under Section(s) 236K/231B during the period.

In addition, the massive scaling down of PSDP and its slow utilization has adversely affected revenue collection under Section 153 (Supplies & Contracts). It is further observed that almost all the major contributing withholding sections – 148, 149, 150, 153 & 236 - have been adversely affected, the FBR's biannual review added.