

FBR heading towards Rs750bln revenue shortfall in FY2020

KARACHI: Tax collection of the Federal Board of Revenue (FBR) is likely to fall short of more than Rs750 billion during the current fiscal year of 2019/20 as economic sluggishness pinned down revenue growth, sources said on Monday.

The sources said the FBR is heading towards mammoth shortfall in collection during the current fiscal year as so far collection failed to achieve the required growth momentum.

A cursory look of the revenue collection position shows the FBR requires around Rs2.828 trillion in the last five months of the current fiscal year to achieve the target of Rs5.238 trillion.

Revenue collection target has already been revised down from the actual target of Rs5.550 trillion.

The latest figures showed that the FBR is required to collect an average Rs567.6 billion in a month to achieve the target, which appears to be a tough ask.

The FBR collected Rs320 billion in January 2020 and during the first six months of the current fiscal year the reported collection was Rs2.080 trillion. Therefore, the total collection reached at Rs2.4 trillion in first seven months of current fiscal year. Official stats showed that the FBR collected Rs2.067 trillion during the first seven months of 2018/19. The growth in revenue collection during the first seven months was around 16.1 percent.

The official figures showed that the FBR collected Rs3.828 trillion in 2018/19 and the collection during the last five months was Rs1.761 trillion.

If it is assumed that the collection increases 17 percent during the last five months, then the FBR might be able to collect Rs2.061 trillion. Considering the estimates, the FBR's total collection for 2019/20 might reach Rs4.460 trillion, with an expected shortfall of Rs777 billion.

Sources in the FBR said the revenue body already realized the shortfall for the current fiscal year and it estimated around Rs4.500 trillion as against the target of Rs5.238 trillion.

The FBR management was aware of the fact from the first day of the current fiscal year that the collection target was unrealistic. The FBR was given Rs5.550 trillion as the target at the start of the year with an estimated 45 percent growth from the last fiscal year's collection of Rs3.828 trillion.

Revenue collection in the fiscal year of 2018/19 posted negative growth first time in past 51 years.

This year the high inflation and increase in tax rates affected revenue collection. In the budget 2019/20, the government abolished zero-rate facility of sales tax and imposed 17 percent on all local supplies and imports.

Further, the inflation also increased to 14.6 percent in January 2019. A senior FBR official said the revenue collection would only improve in the remaining five months of the current fiscal year through introduction of budgetary measures i.e. increase in tax rates.