

FBR revenue - target and performance

Federal Board of Revenue (FBR) target agreed between the country's economic team leaders and the International Monetary Fund on 12 May 2019 was 5.5 trillion rupees - a target considered totally unrealistic by Business Recorder as well as other independent economists because it envisaged a rise of 33 percent in one year (from 4.15 trillion rupees as per the revised estimates in the 2019-20 budget to 5.55 trillion rupees in the current year) in a year when the projected growth rate of the economy was 2.4 percent. However, the actual revenue target calculated at the end of the fiscal year on 30 June 2019 was lower, at 3.82 trillion rupees, or in effect the tax target for the current year was to be 44 percent higher than what was actually realised last year. To achieve such a massive raise is an impossibility for any economy, documented or otherwise like Pakistan, even one that envisages a miraculous overnight change in not only the psyche of the taxpayers, especially those who have spent a life-time hiding their wealth, ill begotten or otherwise, in foreign countries, but also of the tax collectors whose history of complicity with the payers has been periodically publicly acknowledged by finance ministers, particularly, Shaukat Tareen.

Senior Partner A F Ferguson, Shabbar Zaidi, with a life-time association with the internationally well regarded accountancy firm, was finally successfully persuaded by none other than Prime Minister Imran Khan to head the FBR - a position he was appointed to on 9 May 2019, a mere three days before the staff-level agreement with the IMF was reached. The Prime Minister's selection was premised on his assessment, widely supported, that as Zaidi had a life-time experience in sitting on the other side of the table from FBR officials he was fully aware of all the loopholes (accounting for tax evasion and/or avoidance) and would know how to plug them.

Be that as it may, while the Prime Minister is at great pains to defend his team members by pointing out that the current state of the economy is a reflection of past administrations' severely flawed policies (with an intent to defraud the exchequer) and his constant refrain that the bureaucracy appointed by his predecessors is actively engaged in sabotaging the implementation of his policies, yet he failed to take account of the fact that Zaidi faces the same problems in FBR. Additionally, Zaidi was given the target of 5.5 trillion rupees - a target agreed by the economic team leaders - which was simply too unrealistic to merit even being termed a challenge.

The current situation is disturbing to say the least. The target of 5.5 trillion rupees has been revised downward to 5.23 trillion rupees by the IMF in its first review report; however, this target is 37 percent higher than the actual revenue collected last year - an impossibility in view of a lower growth rate and the agreed policy measures under implementation towards attaining greater stabilisation. The shortfall for the first six months of the current year against the revised downward target has been around 116 billion rupees, which says it all.

The IMF team is currently in Pakistan for the second mandatory review and has invited the media to "provide an opportunity for participants to get a better understanding of the work of the IMF in Pakistan and for an exchange of ideas on issues that are central to the spending and energy sector reforms." Unfortunately, however, the IMF mission leader would not participate in the seminar though the Fund's Resident Representative in Pakistan would attend and moderate a roundtable on the programme itself; however, it is unlikely that the other IMF staff in the seminar, Deputy Director Communications and special assistant to the Director, would be in a position to discuss the programme modalities. A more interactive session with the actual programme architects would have been a more useful exercise.