‘Six factors caused tax revenue shortfall’

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ISLAMABAD: Highlighting six key reasons behind a massive revenue shortfall in first half of the current fiscal year, Ministry of Finance has credited the offices of President and Prime Minister for leading the austerity drive by example.

It reported six major reasons behind the shortfall including unprecedented compression in imports, lower consumption of petroleum products, and decline in auto and auto-parts sector, less growth in airline sector, overall economic slowdown and very challenging and unprecedented revenue targets.

In a presentation to the federal cabinet last week, the ministry downplayed shortfall in revenue collection by the Federal Board of Revenue (FBR) saying the “overall achievement during the first six months has been 95 per cent of the revised targets set by the FBR” as it collected a total of Rs2.093 trillion against its own target of Rs2.198tr.

Under the original Rs2.367tr revenue target agreed to with the International Monetary Fund (IMF), the FBR collections stood way behind posting Rs274 billion-shortfall. The report has now been submitted to the parliament as required under section 34(1) of Public Finance Management Act, 2019.

The ministry appreciated the top government offices for the expenditure control.

“Offices of the President and Prime Minister of Pakistan have led the government’s campaign of austerity from the front, where mid-year expenditure of both the offices witnessed a decline of 20pc and 16pc respectively as compared to previous year”, the finance ministry said, adding that “both the offices utilised 39pc and 36pc respectively of allocated funds, less than the mid-year proportionate share ie 45pc, during the first half of current fiscal year”.

On the whole, current expenditure of federal ministries was well within the budgetary control after completion of half year. The Federal Division through principal accounting officers had been allocated a budget of Rs440.5bn for the whole year.

Almost 54.5pc (Rs240.5bn) had been earmarked under Employee Related Expenditure (ERE), and remaining 45.5pc (Rs200.06bn) had been allocated for operational (non-ERE) expenses.

After half year, Rs183.6bn had been consumed against the allocation, reflecting 42pc utilisation. Further split of Rs183.6bn reflected 49pc utilisation under ERE and 33pc utilisation under non-ERE expenses.

The finance ministry explained to the cabinet that expenditure control was achieved through major reform measures to keep a tight lid on running of civil government. For example, no supplementary grant was issued to any ministry or division during first half of the ongoing fiscal year.

The cabinet was told that major upsurge had been received on account of non-tax revenue (NTR) – the recurring income from sources other than taxes. This can be gauged from the fact that a total of Rs894.5bn target for NTR had been set for the full year while actual collection in just half of the year amounted to Rs719bn.

The actual six-month collection from telecom licences amounted to Rs110bn against a full year target of just Rs54bn while central bank profit in first half of the year at Rs427bn was higher than Rs406bn target set for the whole year.

The cabinet was informed that overall direct taxes were targeted at Rs824bn for July-December 2019 period but actual collection came in at Rs784bn, leaving a shortfall of Rs40bn. The sales tax was targeted at Rs887bn but actual collection stood at Rs859bn, a gap of Rs28bn.

The finance ministry warned the government and the parliament that the second half of the current fiscal year imposed certain challenges and risks. These particularly included imposing revenue target, fiscal and debt sustainability, expenditure discipline and development spending.

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