

Double-digit drop in sales tax collection clouds revenue outlook

KARACHI: Sales tax collection tanked up to 43 percent in the first seven months of the current fiscal year of 2019/20, official data revealed on Wednesday, further distancing a probability of the tax authority's victory to meet the nightmarish annual revenue target.

The Federal Board of Revenue's (FBR) data showed that sales tax collection from all the key economic sectors plunged in the range of 20 to 43 percent in the July-January period.

Sales tax from oil marketing companies fell 28 percent to Rs13.56 billion. Oil sales, during the period under review, dropped 10 percent to 10.14 million tons. Likewise, collection of sales tax from iron and steel products slipped 29 percent to Rs4.93 billion. Sales tax collection from motor cars sharply slid 43 percent to Rs2.22 billion in the first seven-month period. Car sales dropped 45 percent to 78,806 units owing to high prices and exorbitant interest rates.

The sources said the FBR conducted analysis of various sectors to identify massive shortfall in revenue collection during the first seven months of the current fiscal year. The FBR dispatched the analysis outcome to all the tax offices of Inland Revenue to improve monitoring on and enforcement of such sectors that contributed lower revenue to the kitty.

The FBR is expected to face a huge shortfall in revenue collection with regard to the target. The revenue body was assigned Rs5.5 trillion as the revenue target for the current fiscal year and the target was revised downward to Rs5.2 trillion.

In July-January, the FBR collected Rs2.4 trillion, compared to Rs2.1 trillion in the same period of the last fiscal year. The revenue authority needs Rs2.8 billion in the remaining five months to achieve the annual target.

The finance ministry previously alluded to a daunting task for the FBR in meeting the tax target of this fiscal year. "The FBR revenue target for FY 2019-2020 is very challenging, unprecedented and all-time high, keeping in view previous year's allocations and actual collections," the finance ministry said in the latest mid-year budget review report.

The ministry said the performance of FBR in the first half was "very encouraging". The government recently inducted a new head in FBR with the previous private sector's man Shabbar Zaidi went on an indefinite leave after pushing ahead tax system's reforms since joining the office in May last year.

Number of tax filers reached to around 2.7 million, an increase of almost 40 percent in the first half, which was a record high in the FBR's history. "This has enhanced the chances of higher revenue generation, albeit increased enforcement and monitoring measures are required to achieve the annual targets," the ministry said. "Any shortfall in achievement of these targets in tax revenue collection will have adverse consequences for the projected fiscal position of the government."