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FY20, Over Rs600bn revenue shortfall projected

ISLAMABAD: Revenue shortfall is projected at over Rs 600 billion from the current fiscal year's target of Rs 5.5 trillion unless Rs 300- Rs 400 billion additional tax measures and/or exemption withdrawals are taken, senior officials of Federal Board of Revenue (FBR) told Business Recorder.

The Finance Ministry officials while not disputing the shortfall maintain that there would be no need for additional measures to off set the possible slippage in FBR's tax collection as non-tax revenue would fill the gap notably surplus profit of State Bank of Pakistan (SBP) and privatization proceeds.

The FBR tax collection during the first six months of the current fiscal year was Rs 2084 billion against the downward revised target of Rs 2167 billion for July-December 2019-20.

The FBR revenue collection target during the second half of the current fiscal year is Rs 3041 billion which requires a revenue growth of 45 percent, which is unrealistic, against the existing growth of 16.4 percent.

The budgeted non-tax revenue target for 2019-20 was Rs 894 billion though subsequently Prime Minister's Advisor on Finance Dr Hafeez Shaikh maintained that the government feels confident that over Rs1.2 trillion non-tax revenue would be generated during the year.

The non-tax revenue collection during the first three months (July-September 2019-20) was Rs 346 billion with the budgeted target for the year at Rs 894 billion. Surplus SBP profit was shown as Rs 185 billion during the first quarter of the year with the budgeted surplus for the entire year estimated at Rs 406 billion.

The monthly shortfall of Rs 56 billion in FBR revenue collection is attributable to contraction in imports due to monetary policy measures implemented under the ongoing $ 6 billion International Monetary Fund programme; more than 31 percent revenue is collected at the import stage in the form of customs duty, withholding tax, general sales tax hence import contraction automatically decreases revenue collection.

Growth in revenue, sources in the Ministry, maintained, would be from services, retail and wholesale sectors and the tax authorities are banking on imposing the mandatory use of CNIC for all transactions above Rs 50,000 to bring retailers and wholesalers into the tax net effective 1 February when the government's agreement with the retail/wholesale sectors expires. It is unclear whether the CNIC condition would be implemented during the remaining five months of the current fiscal year.

Sources in the Privatization Ministry stated that the government is optimistic that privatization transactions of two RLNG power plants, estimated at Rs 300 billion, would be completed before end June 2020.

The government revised the budgeted target of privatization proceeds upwards - from Rs 150 billion to Rs 300 billion for the current fiscal year, said an official of privatization ministry claiming that privatization of RLNG power plants is at an advanced stage.

Sources further stated that the process of privatization of two thirds of 18 state-owned entities on the active list of privatization is the government's priority in the current fiscal year.

Relatively small transactions at an advanced stage include First Women Bank, Services Hotel Lahore, Jinnah Convention Center Islamabad and SME bank are projected for completion in the current financial year.

The government closed last fiscal year with 8.9 percent or (Rs 3.4 trillion) budget deficit whereas it is budgeted to reduce the deficit to 7.2 percent or (Rs 3.186 trillion) for the ongoing fiscal year. It is however unclear whether the deficit agreed with the IMF, 7.2 percent, has been revised as the government had projected the deficit for 2018-19 at 7.2 percent while the actual deficit was 8.9 percent.