

Income tax collection on exports sharply up 25pc in FY2020

KARACHI: Income tax collection on exports surged 25 percent to Rs7 billion in the last fiscal year of 2019/20 despite falling exports, indicating that rupee depreciation benefited the cash-desperate revenue authority much than the export sector, sources said.

The Federal Board of Revenue (FBR) collected Rs5.6 billion as income tax on goods exported during the fiscal year of 2018/19.

The sources at the Large Taxpayers Unit Karachi said the significant growth was mainly due to massive depreciation in rupee value and enhanced monitoring of export consignments.

The improved exports in terms of rupee were due to exchange rate depreciation during the year. The rupee weakened 6.32 percent and ended at Rs168.05 to the dollar till June-end compared with Rs158.06 on July 2, 2019.

Total export receipts fell 7 percent to \$21.4 billion during the last fiscal year. That compared with \$22.96 billion in the preceding fiscal year. In terms of rupee, exports registered 8.5 percent growth during the fiscal year under review. Exports amounted to Rs3.37 trillion in FY2020 compared with Rs3.13 trillion in FY2019.

In FY2020, total FBR's revenue collection increased partly 3.9 percent to Rs3.9 trillion due to slowdown in economic activities that were further affected by the coronavirus-associated lockdown.

The government imposed lockdown from late March across the country, and partially relaxed shutdown restrictions from the mid of May. The FBR faced worst hit in revenue collection during April and May when the revenue dropped 16 percent and 31 percent year-on-year, respectively.

In June, however, the downtrend started to reverse, but revenue was seen falling compared to the same month a year earlier. Revenue collection in June fell 12 percent to Rs415 billion. That compared with Rs472 billion a year earlier. Last year's collection in June also includes the one-time receipt of Rs50bn from the tax amnesty scheme. The revised revenue target for outgoing June was Rs398bn.

In June, exports grew 22 percent year-on-year to Rs698 million. That compared with Rs573 million in the same month of the last year.

The sources attributed the improvement in revenue collection during June to ease in lockdown and relative improvement economic activities. Exports during March to May witnessed sharp decline owing to halt of foreign trade after outbreak of coronavirus pandemic.

The country's exports in June fell 6.1 percent to \$1.59 billion. That compared with \$1.7 billion in the same month of the last year.