

'Best budget in prevailing circumstances'

LAHORE: Economists believe that the government gives the best budget in the prevailing situation due to Covid-19 pandemic when the demands are contracting. However, the revenue and GDP growth targets are difficult to be achieved with announced budgetary measures and without governance and administrative reforms, they said.

Naved Hamid, director at Center for Research in Economics and Business of Lahore School of Economics said the in the current circumstances the best possible budget was presented by the government. However, both the tax and non-tax revenue collection targets fixed by the government are very difficult to be achieved as the economic activities are halted due to covid-19. Further, almost 40 percent of tax revenue is generated through import duties. This means if the imports pick up then it will put pressure on the foreign exchange. Thus, the current account will remain in pressure.

Hamid believed that the government missed the opportunity of easy collection of revenue through petroleum levy and reduced the prices when international crude oil prices were educed while no country in the world passed it to the consumers in the same way. Now, the government could not increase the petroleum prices to generate the revenue, he asserted.

Hamid said the taxes were not increased while no new taxes were introduced, which reflects the government understanding the problems of the businesses and industry due to global demand contraction due to COVID-19. Further, reducing the custom duties on various raw materials is an attempt to reduce the cost of production and improve ease of doing businesses with changes in the withholding tax to boost the economy.

Hamid appreciated the government stance not taking loans from the State Bank of Pakistan. However, nobody knows when the things will normalise due to pandemic so the government has to take out of box measures to achieve the GDP growth target as no governance and administrative reforms have been taken by the government so far and with this GDP growth rate and inflation target revenue collection target could not be achieved.

Hamid stressed the need of reforms in the Federal Board of Revenue (FBR). This time the government should make an attempt to bring someone competent and honest within FBR services and implement the government's reforms agenda, he said. If the government will be able to get 10 percent extra revenue collection with current tax rates by introducing the reforms then it would be a big achievement.

Shahid Razzaque, experimental economist at the Pakistan Institute of Development Economics said the last year government already had imposed a high frequency of tax but failed to collect the desired target so this year it maintained the tax rates. However,

the government tried to simplify the taxation structure by taking cash limit high for CNIC requirement but procedure is still complicated.

Further they are anomalies there. "Tax target has increased. But at such high taxes I do not think they will be able to increase tax net that they will meet the new tax target," he said. Secondly issue of rebate to exporter still remains a big challenge. The government deliberately not mentioned this and might be given a package on the exporter pressure at the end of the fiscal year.

Razzaque said the government made good initiatives on corona but not gave any plan in case of smart lockdown. Further, no increase in the salary and pension is a real bad signal for the government employees as increase is essential due to high inflation. "One could not understand that how the government will achieve the tax target and get at least 2 percent of GDP growth. It would be miracle if they could achieve the target," he observed.

However, he commented that in prevailing global scenario when the demand is contracting this could be the best budget to make an attempt to give some space to domestic industry by lowering the custom duties on raw materials and ease of doing business by somewhat revamping the withholding regime.

But the task is huge for which some extraordinary measures are required as with these measures and prevailing situation if the government will be able to collect Rs4 billion revenue then it will be a great success, he said.