

Tax exemptions cause Rs1.15tr loss in outgoing fiscal

ISLAMABAD: The amount of foregone taxes provided under different heads are estimated to cause loss to the national exchequer to the tune of Rs1.15 trillion in outgoing fiscal year.

According to details submitted by the FBR before the Parliament as statement of estimated tax expenditures for outgoing financial year 2020 showed that tax exemptions for superior court judges on perks and allowances was estimated at Rs283 million.

Some exemptions are given to influential institutions such as the tax exemption of Rs 270 million is available for Lahore University of Management Sciences (LUMS) for outgoing fiscal year. The tax exemption available to Shaukat Khanum Memorial Trust Lahore is estimated at Rs680 million.

According to the submitted report by the FBR, perquisites, benefits and allowances received by superior judiciary is estimated at Rs283 million tax exemption for the outgoing fiscal year. The house rent allowance (to superior judiciary judges) is estimated at Rs55 million during the outgoing fiscal year.

The goods imported under the President/Prime Minister/Governors' Salary, Allowances and Privileges Act, 1975 are exempted. The President and the Prime Minister of Pakistan, the governors and the acting governors of the provinces are estimated to get exemption of Rs1 million.

The goods received as gift or donation from a foreign government or organisation by the federal or provincial government or any public sector organisation or goods received as gift by Pakistani organisations from Church World Services or the Catholic Relief Services is estimated to get tax exemption of Rs4 million in outgoing fiscal year.

The total tax exemptions and concessions to various businesses, sectors, charitable organisation, investors and Chinese imports have incurred losses to the government exchequer of Rs1,149.95 billion during the fiscal year 2019-20 against Rs 972.4 billion in 2018-19, reflecting an increase of Rs 177.55 billion.

When contacted, Supreme Court lawyer and renowned tax expert Dr Ikramul Haq said that there was need to bring sector-specific details and more transparency in disclosures of tax foregone before the masses of Pakistan. He said that the cost of last tax amnesty was not made part of the estimated tax expenditures. He said the total cost of tax exemption was still under estimated so more details must be brought into public domain.

The cost of sales tax exemptions was the highest at Rs518.814 billion in 2019-20 against Rs597.7 billion in 2018-19; income tax, Rs378.03 billion against Rs141.6 billion; and cost of customs duty exemptions was Rs253.111 billion in 2019-20 against Rs233.1 billion in 2018-19.

The FBR has suffered a loss of Rs118.137 billion due to sales tax exemptions available under the Eight Schedule (Conditional Exemption) of the Sales Tax Act, 1990 during the period of 2019-20 against Rs 156 billion. The revenue loss from conditional exemptions has been reduced by Rs37.863 billion. Other reduced rates of sales tax have caused revenue loss of Rs53.138 billion during 2019-20.

The exemption of sales tax on cellular mobile phones under Ninth Schedule of the Sales Tax Act 1990 resulted in revenue loss of Rs23.154 billion during 2019-20.

On the other hand, the revenue loss on account of rationalisation of corporate tax rate in 2019-20 has not been mentioned in the survey. In 2017-18, the rationalisation of corporate tax rate caused huge revenue loss of Rs12 billion during this period.

The total revenue loss from zero-rating facility granted to different sectors under Fifth Schedule of the Sales Tax Act 1990 amounted to Rs13.671 billion during the period under review against Rs54.09 billion in 2018-19, reflecting a negative growth of Rs 40.419 billion.

The concessions under Fifth Schedule of the Customs Act 1969 caused revenue loss of Rs87.859 billion in 2019-20 as compared to Rs99.558 billion in 2018-19, reflecting an increase of Rs145.275 billion.

The exemption of additional customs duty caused revenue loss of Rs4.773 billion and exemption from regulatory duties resulted in revenue loss of Rs9.390 billion during the period under review.

The exemption of customs duty for vendors of automotive sector caused revenue loss of Rs26.604 billion in 2018-19 as compared to Rs18.899 billion in 2017-18, showing an increase of Rs7.705 billion.