

Federal budget envisages Rs50bn tax refunds

ISLAMABAD: The federal budget for fiscal year 2020-21 envisages 50 billion rupees tax refunds under the province wise share data, the first in the history of budget making in this country.

Punjab has been allocated 1439 billion rupees, Sindh 742 billion rupees, Khyber Pakhtunkhwa (inclusive of one percent war on terror allocation) 477.5 billion rupees and Balochistan 265 billion rupees. This gives a total of 2,923,719 billion rupees as the provincial share. However the budget document then proceeds to subtract 50 billion rupee tax refunds to give total provincial share of 2873719 billion rupees. A senior official of the Finance Ministry told Business Recorder that federal government paid tax refund of Rs 130 billion to the exporters during the current financial year 2019-20 from its own expenditure. He further stated that usually Federal Board of Revenue (FBR) makes transfers to the provinces from divisible pool collection after deducting tax refunds. However, due to the Covid-19 situation, the federal government wanted to give fiscal space to the provinces, and paid refund tax to exporters from its own expenditure.

The official further stated that this amount of Rs 50 billion was required to be reflected on books. If the Covid-19 situations improve, the Finance Ministry in consultations with provinces would devise a mechanism how to adjust this amount of Rs 50 billion and deduct from the provinces share in the divisible pool, said the official, adding that this would depend on how the Covid-19 outbreak plays out.