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FBR lists reasons behind Rs184bn tax shortfall

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ISLAMABAD: The Federal Board of Revenue (FBR) has described excessive refund adjustments, suspension of Intelligence and Investigation Inland Revenue (I&I-IR) powers, reduced rates of withholding taxes on telecom companies, sales tax refund payments and less profit of banking sector as some of the major reasons behind shortfall of Rs 184 billion in revenue collection during 2017-18.

Sources told Business Recorder here on Friday that the FBR has collected net Rs 3,751 billion during 2017-18 against the downward revised target of Rs 3,935 billion, reflecting a shortfall of Rs 184 billion.

Inland Revenue (income tax, sales tax and federal excise duty) performance revealed that the FBR has provisionally collected Rs 3,145 billion during 2017-18 against downward revised target of Rs 3,335 billion, reflecting 97 percent achievement of target. The FBR has provisionally collected Rs 606.084 billion Customs Duty during July-June (2017-18) against the target of Rs 606 billion, reflecting 101 percent achievement of target.

The FBR has provisionally collected Rs 1,441 billion income tax during 2017-18 against the downward revised target of Rs 1,562 billion, reflecting 95 percent achievement of target.

It has provisionally collected Rs 1,488 billion sales tax during 2017-18 against the downward revised target of Rs 1,541 billion, reflecting 99 percent achievement of target.

The FBR has also provisionally collected Rs 216 billion FED during 2017-18 against the downward revised target of Rs 232 billion, reflecting 93 percent achievement of target.

The FBR analysis revealed various reasons for shortfall Rs 184 billion in revenue collection during (July-June) 2017-18.

The FBR has witnessed negative impact of Rs 45 billion due to payments of sales tax refunds in 2017-18. Against Rs 26 billion refunds issued in the fiscal year 2016-17, the refunds stand at Rs 71 billion (impact of Rs 45 billion) in the fiscal year 2017-18.

The FBR said the declining revenue from banking sector due to lesser profits has impact of Rs 26.4 billion on revenue collection during this period.

Other reasons for revenue shortfall included excessive refund adjustments having revenue impact of Rs 19 billion during July-June 2017-18. The advance tax/ demands from taxpayers are adjusted against pending refunds leading to short realization of actual tax. This resulted in revenue impact of Rs 19 billion.

The FBR said that the government intervention in power production (IPPs) led to decreased consumption of furnace oil thereby giving negative impact on revenue to the tune of Rs 19 billion during the period under review.

The FBR has suffered adverse revenue impact of Rs 11.2 billion due to suspension of Intelligence and Investigation Inland Revenue (I&I-IR) operations & SRO 116 & 117(1)/2015 & SRO 611(I)/2016. The operations of Intelligence & Investigation Wing (IR) were suspended leading to a decline of revenue from Rs 12.4 billion in fiscal year 2016-17 to Rs 1.2 billion in FY 2017-18. This had extremely negative impact on revenue collection to the tune of Rs 11.2 billion.

About the collection of withholding taxes from telecos, the FBR witnessed revenue implications of Rs 8.6 billion in 2017-18 due to different reduction in taxes within the telecom sector. The FBR said that the rates of withholding tax under section 236 of the Income Tax Ordinance were reduced from 14% to 12.5% with estimated impact of Rs 5 billion in 2017-18. However, actual revenue impact during the last fiscal year came to Rs 9.6 billion i.e. an additional amount of Rs.4.6 billion in 2017-18. So far, the impact of judgment of Supreme Court of Pakistan dated 11.6.2018 remains Rs 4 billion.

The FBR has said that the decline in collection under section 147 (5B) i.e. advance tax on capital gains on securities was Rs 8.3 billion. The amount is collected by the National Clearing Company of Pakistan Limited (NCCPL).

The FBR said that the sales tax from fertilizer and pesticides sector has revenue impact of Rs 8 billion during July-June (2017-18). The decrease in rate of sales tax from 17% to 5% in these sectors resulted in excessive input tax leading to a decline in revenue registered (Rs 8 billion).

The FBR has analyzed the collection from auction of 3G/4G licenses in 2017-18. In fiscal year 2016-17, windfall collection from auction of 3G/4G licenses was received which is missing in FY 2017-18 to the tune of Rs 7.2 billion.

The decline in local sale of sugar and increase in exports of this commodity due to government policies (subsidized exports) caused revenue impact of Rs 5 billion in 2017-18.

The decrease in federal excise duty (FED) on natural gas due to lesser supply of

natural gas has negative impact of Rs 3 billion on revenue collection during 2017-18.

In case of petroleum prices, sources said that the offsetting POL prices against tax led to decline in revenue from petroleum sector.

The FBR new policy initiatives for increasing collection included liquidation of revenue stuck in appeals; restoration of SROs relating intelligence & Investigation wing; expansion of broadening of tax base (BTB) network; disposal of huge pendency of audit; further enhancement of revenue collection through own efforts; enhanced role of ADRC; redistribution of work load/jurisdiction and outreach to district level for better facilitation.