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Bridging yawning tax shortfall of FBR: Does govt have no option except new taxes?

ISLAMABAD: The government is left with no other choice but to contemplate upon different options for taking additional tax revenues in order to bridge the yawning tax shortfall being faced by the FBR during the current fiscal year, The News has learnt.

"Yes, we are contemplating upon different options including introduction of new money bill before the National Assembly for proposing additional revenue measures for the remaining period of the current fiscal year. The options under considerations are increasing taxes on imports, jacking up Federal Excise Duty (FED) on different items and exploring possibilities to bring standard GST rate for POL products," official sources confirmed to The News here on Monday. The government, the sources said, will also consider increasing tax rates for non- filers in upcoming taxation measures.

Now the FBR is facing a gigantic task for netting tax collection target of Rs 469 billion for ongoing month (December 2018) so in case of witnessing major shortfall then the PTI led government will have to lay fresh money bill before the Parliament to bridge the shortfall on the front of FBR collection.

The FBR has netted maximum growth in the range of 5 to 7.9 percent maximum in last five months and it will be really challenging for the tax machinery to fetch growth of 10.7 percent for ongoing December 2018. Keeping in view this challenging situation, the FBR has started considering options for taking additional revenue measures to bridge the increasing shortfall with passage of every month.

The government has assigned the FBR for materialising annual tax collection target of Rs4,398 billion for the current fiscal year. The Finance Ministry officials are wondering that how the FBR will be able to achieve its desired target with the existing pace. According to different projections made by the independent economists, the FBR is going to face a shortfall in the range of Rs200 to Rs250 billion in the current fiscal year.

Minister of State for Revenues Hammad Azhar had told The News last week that the government did not opt for easy way of taxation to increase rate of GST on POL products. If the rate of tax on POL products jacked up then the tax shortfall could be avoided and the collection would have surpassed.

Now the sources said that in the aftermath of possibility of cut in POL production by the OPEC then the price in international market might go up. But if the prices remained lower side then the government might consider jacking up tax rates on petroleum products in months ahead, added the sources.

The FBR has been facing revenue shortfall of Rs110 billion in first five months (July-Nov) period of the current fiscal year 2018-19. It is not yet ascertained that how the PTI-led government will achieve its desired budget deficit target of 5.1 percent of GDP for whole financial year keeping in view this massive revenue shortfall on both FBR and non-tax revenue fronts.

The FBR has been witnessing a major revenue shortfall in the current fiscal year as the shortfall stood at Rs68 billion in first four months of the current fiscal year. In November 2018, the collection could fetched Rs260 billion against the envisaged target of Rs313.240 billion so the shortfall stands around Rs53 billion in this month.

It indicates that the FBR shortfall stands at over Rs100 billion in first five months of the current fiscal year. The FBR has envisaged tax collection of Rs1479 billion for five months (July-Nov) period but it faced shortfall of over Rs100 billion.

The budget deficit climbed to 1.4 percent of GDP in first three months of the current fiscal against 1.2 percent of GDP in the same period of the last PML (N) led regime. With this level of budget deficit in the first quarter the overall budget might cross 7 percent of GDP if the government did not take remedial measures on immediate basis in weeks and months ahead.

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