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# Tax Practitioners Term Rs5.829 Trillion Tax Collection Target A Daunting Task

KARACHI: Tax practitioners have termed the tax collection target of Rs5.829 trillion for the fiscal year 2021/22, a daunting task for the revenue authorities, considering the required growth of 24 per cent against the estimated tax collection target of Rs4.700 trillion in the outgoing fiscal year.

This was discussed in the post-budget webinar, organised by the Karachi Tax Bar Association (KTBA) on Thursday.

KTBA President Zeeshan Merchant said that the Federal Board of Revenue (FBR) would have to collect an additional Rs1.10 trillion during the next fiscal year to achieve the target of Rs5.829 trillion.

As per the government estimates, Rs600 billion would be collected through the expected GDP growth of 5 per cent and inflation of 8.2 per cent during the next fiscal year. Further, the revenue collection of Rs500 billion would be collected through measures and administrative efforts.

Merchant said that in case the revenue board is unable to translate revenue through measures and administrative efforts, the entire burden would shift on the existing taxpayers. However, the measures taken in the budget would help increase the tax base.

Although the government had the policy to facilitate taxpayers, certain amendments proposed through the Finance Bill would give blanket powers to the tax machinery.

Merchant said that senior citizens were not given due care and through the budgetary proposals, they would be treated at par with the normal taxpayers.

Talking about retailers, he said, the budget had nothing to bring this segment in the tax net, as it had done in the case of the small and medium enterprise (SME) sector.

Some positive measures have been taken, which included the minimum tax threshold reduced to Rs10 million from Rs100 million; minimum tax rate reduced to 1.25 per cent from 1.5 per cent; and a separate tax regime has been introduced for the SMEs.

The panel discussion discussed the ratio of direct taxes to the total taxes, which is around 38 per cent for the last 10 years. The tax bar suggested a paradigm shift in this ratio. Further, withholding tax comprises 27 per cent of the 38 per cent of the direct taxes, which in effect becomes an indirect tax.

The tax bar highlighted the tax-to-GDP contribution of various sectors and expressed concerns that the agriculture sector has 19 per cent share in GDP, whereas it has a zero per cent share in the tax revenue. In contrast, the contribution of the Large Scale Manufacturing is 19 per cent to the GDP but its share in the revenue collection is 35 per cent.

Meanwhile, the contribution of the wholesale/retail sector is 19 per cent to the GDP but its share in the tax collection is a meagre 3 per cent.

The tax bar highlighted the challenges for the tax authorities in achieving the tax collection targets, as the government estimates are often unreliable and unsustainable. It also said the implementation of a track and trace system in the cement, fertiliser, sugar and cigarettes sectors would remain a challenge for the revenue authority.