Rahbar International

Friday, August 8th 2025

FBR restricts tax shortfall to Rs93b

Published on October 1, 2024

Document Date: Fri, Aug 08 2025 04:32:10 pm

Category: ,English,Latest - ,Pakistan -

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ISLAMABAD:

The Federal Board of Revenue (FBR) has sprung a surprise by collecting Rs2.56 trillion in taxes in the first quarter on the back of significantly higher taxes paid with tax returns but it also had to block some genuine refunds of taxpayers to restrict the shortfall below Rs100 billion. The tax collection of Rs2.56 trillion for July-September of current fiscal year 2024-25 was still short of the target by Rs93 billion. But it was far lower than the FBR's internal assessment of a shortfall of Rs170 billion to Rs200 billion. The threat to deny the right of buying a plot, a car and operating a bank account by the non-filers of tax returns has really helped the FBR in the shape of an additional income tax payment of Rs46 billion along with annual returns. A key reason behind the surprising outcome was the income tax of Rs96 billion paid with 3.7 million tax returns that the filers submitted. However, the FBR blocked about Rs30 billion in sales tax refunds to exporters and also took some income tax advances. The decision to go after the non-filers by omitting the concept from the law and the fear of accountability among taxmen have helped to significantly narrow down the tax shortfall, said FBR Chairman Rashid Langrial. He elaborated that after the decision to remove the concept of non-filers, people had no choice but to file tax returns. The FBR has not yet gone after retailers, who get off scot-free and do not contribute their due share. The revenue board received nearly 3.7 million income tax returns, which were 86% more than the returns filed till the end of September last year. In the previous year, the FBR received Rs48 billion with income tax returns, but the figure has now doubled to Rs96 billion – a key factor behind the better-than-expected collection. About 341,000 people have filed returns for the first time since July this year, however, 238,000 of them declared zero income. The International Monetary Fund (IMF) had given a Rs2.652 trillion tax target to the FBR for the first quarter. According to the provisional results, the FBR collected Rs2.56 trillion, which was Rs93 billion less than the target. The FBR achieved a growth of over 25%, far lower than the 40% pace needed to hit the annual goalpost. As a result, it missed the three-month target by Rs93 billion. The anticipated shortfall ranged from Rs170 billion to Rs200 billion. As against tax refunds of Rs37 billion paid in September last year, the FBR released just Rs15 billion this year, a reduction of 60%. This is contrary to the commitment Prime Minister Shehbaz Sharif made to exporters at the time of imposing 29% standard income tax in the budget. The FBR also took income tax advances during the last week of September. Resultantly, it exceeded the quarterly income tax target by Rs117 billion but missed the targets set for sales tax, federal excise duty and customs duty with wide margins. For this fiscal year, the IMF set a Rs12.97 trillion annual tax target for Pakistan and also forced it to slap new taxes, mainly burdening the salaried class and levying taxes on every consumable good including medical tests, stationary, vegetables, children milk, etc. The government has slapped 18% tax on milk, infant milk and fat-filled milk. All stationary items have been taxed at the rate of 10%. The government has imposed 18% sales tax on vegetables and fruits imported from Afghanistan. It has not even spared buns and rusks and slapped 10% GST. There is also a tax on medical tests. As per the agreement between Pakistan and the IMF, in case of a shortfall in revenues, the government will take additional measures. Any mini-budget can hit the fertiliser sector, imports and the income of professionals and contractors. Details showed that income tax collection amounted to Rs1.225 trillion during the first quarter of the current fiscal year, which was Rs290 billion, or 31%, higher than the previous year. The income tax collection was Rs118 billion higher than the three-month target. Sales tax collection remained at Rs904 billion, higher by Rs177 billion, or 24%, compared to the previous year. However, the FBR missed the three-month target by a wide margin of about Rs100 billion. It collected Rs151 billion in federal excise duty, which was Rs23 billion, or 18%, higher than the previous fiscal year. However, the government missed the excise duty target by a wide margin of Rs57 billion despite doubling the duty on cement and imposing the duty on lubricant oil and sales of plots and buildings in the budget. The collection on account of customs duty stood at Rs276 billion, up Rs24 billion, or 10%. The government missed the three-month customs duty target by Rs66 billion. Field formations of the Inland Revenue Service got Rs12 billion more than their monthly target, which offset the shortfall in customs duty.