



An Analysis of Pakistan's Revenue Receipts As per Budget Estimates of last three Fiscal Years

By ICMA Research and Publications Department

This article presents a brief analysis of Pakistan's Revenue Receipts as per the Budgetary Estimates of the last three fiscal years i.e. from FY 2020-21 to FY 2022-23 as provided in the Budget-In-Brief document issued by the Ministry of Finance at the time of announcement of the Federal Budget.

The Revenue Receipts constitute a major component of total Federal resources and are categorized into two types of receipts viz. 'Tax Revenue Receipts' and 'Non-Tax Revenue Receipts'. The **Tax Revenue** comprises of:

- (1) **Direct Taxes** — This includes Income Tax, Capital Value Tax (CVT), Workers Welfare Fund (WWF), and Workers' Profit Participation Fund (WPPF).
- (2) **Indirect Taxes** — This consists of Sales Tax, Federal Excise Duty (FED), and Customs Duty.

The **Non-Tax Revenue** comprises receipts or recurring income of the Government from investments and provision of different services such as Levies & Fees, Income from Property & Enterprises, etc.

The Budget Estimates (BE) of Tax and Non-Tax Revenues during the last three fiscal years are given below:

<i>(Rs. in Billion)</i>			
Receipts	BE-FY 2020-21	BE-FY 2021-22	BE-FY 2022-23
Tax Revenue	5,464	5,829	7,470
Non-Tax Revenue	1,109	2,080	1,935
Total Gross Revenue	6,573	7,909	9,405

During FY 2021, FBR was able to collect Rs. 4,744 billion in taxes against the budget estimate of Rs. 5,464 billion i.e. a shortfall of Rs. 720 billion, possibly due to lockdown and closure of businesses; however, during FY 2022, FBR succeeded in improving the tax revenues by collecting Rs. 6,125 billion against the budget estimate of Rs. 5,829 billion. For FY 2023, a very ambitious target of Rs. 7,470 has been set by the Government, keeping in view the tax potential and also the IMF's demand to enhance the tax revenues by broadening the tax net.

The Budgetary Estimates of FBR Taxes (both Direct and Indirect) during the last 3 years are summarized as under:

FBR Taxes Budgetary Estimates from FY 2021 to FY 2023

Rupees in Million

Classification	Budget Estimate 2020-21	Budget Estimate 2021-22	Budget Estimate 2022-23
Direct Taxes	2,043,000	2,182,000	3,039,000
(a) Income Tax	2,032,557	2,171,839	3,024,076
(b) CVT	3,969	8,054	515
(c) WWF	3,750	1,545	6,947
(d) WPPF	2,724	562	7,462
Indirect Taxes	2,920,000	3,647,000	4,431,000
(a) Customs Duties	640,000	785,000	953,000
(b) Sales Tax	1,919,000	2,506,000	3,076,000
(c) Federal Excise	361,000	356,000	402,000

Now, let's analyze and compare the actual tax collections vis-à-vis the budgetary estimates/targets during the FY2021 and FY2022 under four main heads viz. income tax, sales tax, FED, and Customs Duty.

Income Tax

In **FY 2021**, FBR collected income tax of Rs. 1,731 billion against the budgeted target of Rs. 2,033 billion i.e. a shortfall of Rs. 302 billion.

In **FY 2022**, FBR improved the income tax collection to Rs. 2,278 billion against the budget estimate of Rs. 2,172 billion i.e. a surplus of Rs. 106 billion.

Sales Tax

In **FY 2021**, the government collected sales tax of Rs. 1,983 billion against the budgeted target of Rs. 1,919 billion i.e. a shortfall of Rs. 64 billion.

In **FY 2022**, the total sales tax collection stood at Rs. 2,525 billion against the budget target of Rs. 2,506 billion i.e. a slight growth of Rs. 19 billion.

Customs Duty

In **FY 2021**, FBR was able to collect customs duty of Rs. 747 billion whereas the budget target set for customs duty was

Rs. 640 billion. Hence, there was a surplus collection of Rs. 107 billion under this head.

In **FY 2022**, the federal revenue through customs duty enhanced to Rs. 1,000 billion against the budgetary estimate of Rs. 785 billion i.e. a surplus of Rs. 215 billion.

Federal Excise Duty (FED)

In **FY 2021**, a total of Rs. 284 billion was collected under FED against the budget estimate of Rs. 361 billion.

In **FY 2022**, FBR collected Rs. 322 billion as FED revenue against a budget estimate of Rs. 356 billion.

The Budgetary Estimate for FY 2022-23 seems quite ambitious and keeping in view the trend of tax collections during the last two fiscal years, it would be an arduous task for the Government to meet the targets. This requires an aggressive policy to get hold of the tax evaders and those who are paying less taxes than their potential. At the same time, it is also imperative that the Government must create a conducive business environment and also incentivize the businesses to stimulate economic activity which would eventually lead to revenue generation.

