



Update on Pakistan's Economy

July 14th, 2008

Subject: TAX COLLECTION BY FEDERAL BOARD OF REVENUE (FBR) DURING JUL-JUN 2007-08

The Federal Board of Revenue (FBR) has released provisional/actual figures of tax collection for the complete fiscal year 2007-08. The year has seen FBR crossing the psychological mark of Rs. 1 trillion revenue collection for the first time in the country's history. The FBR has provisionally collected Rs. 1002.0 billion (net) during FY08 as compared to Rs. 847.2 billion in the same period last year thereby posting an increase of 18.3% (see table). In the month of June 2008 alone, FBR collected Rs. 145.8 billion which is 16.7% more than the same month last year, bolstered by strong growth of 18.8% and 14.7% for direct and indirect tax, respectively. The FBR collected Rs. 847.2 billion during the year 2006-07 and it was originally targeted to collect Rs. 1025 billion during fiscal year (2007-08) – 21.0 percent more than the last year's collection. However, due to unforeseen disturbances such as the reduction in working days in the month of December on account of prolonged Eid holidays, Quaid-e-Azam's birth anniversary (December 25) and the assassination of former Prime Minister of Pakistan Mohtarma Benazir Bhutto on December 27 and the disturbances that followed thereafter tax collection efforts could not be continued with the same vigor. The target was, therefore, revised downwards to Rs. 990 billion for the FY08. Against the revised target of Rs. 990 billion the FBR has collected provisionally Rs. 1002.0 billion in the fiscal year 2007-08. The FBR could have collected Rs. 13 billion more had there been no power shortages in the country (which have adversely impacted manufacturing and business activities).

(Billion Rs.)

Revenue Head	June		Change (%)	July-June		Change (%)
	2007	2008		2007	2008	
A) Direct Taxes	61.0	72.5	18.8	333.7	385.2	15.4
B) Indirect Taxes	63.9	73.3	14.7	513.4	616.7	20.1
1. Sales Tax	36.1	42.3	17.2	309.3	375.4	21.4
▪ Import Related	18.1	18.0	-0.5	175.9	195.3	11.1
▪ Domestic	18.0	24.3	35.0	133.4	180.0	34.9
2. Federal Excise	9.7	10.1	4.6	71.8	90.7	26.4
3. Customs	18.0	20.7	15.1	132.2	150.5	13.8
Total Net Collection	124.9	145.8	16.7	847.2	1002.0	18.3

Breakdown of the consolidated FBR collection for the 2007-08 show that direct tax collection amounted to Rs. 385.2 billion against Rs. 333.7 billion during the same period - an increase of 15.4 percent. The share of direct tax in total tax collection stood at 38.4 percent in 2007-08 - down by 1.0 percentage point from last year. However, the share of direct tax has increased from 31.5 percent in 2005-06 to 38.4 percent in 2007-08 – an increase of 6.9 percentage points in just three

years. Accordingly, the share of indirect tax in total tax collection declined to a similar extent. Indirect tax is up by 20.1 percent during 2007-08 on the back of relatively slower growth in dutiable imports. Within indirect taxes, sales tax which accounts for 60.8 percent of indirect tax and 37.4 percent of total tax has shown a robust growth of 21.4 percent (Rs. 375.4 billion in FY08 Vs Rs. 309.3 billion in FY07). Sales tax collected from domestic economic activity is up by 34.9 percent while sales tax collected at import stage grew by 11.1 percent. The custom duty collection is up by 13.8 percent because of slower growth in dutiable imports and the collection of Federal Exercise Duty has shown an impressive growth of 26.4 percent (collected Rs. 90.7 billion) during the year under review.

The FBR has set a challenging target of Rs. 1250 billion for the fiscal year 2008-09 – an increase of 25.0 percent in tax collection.