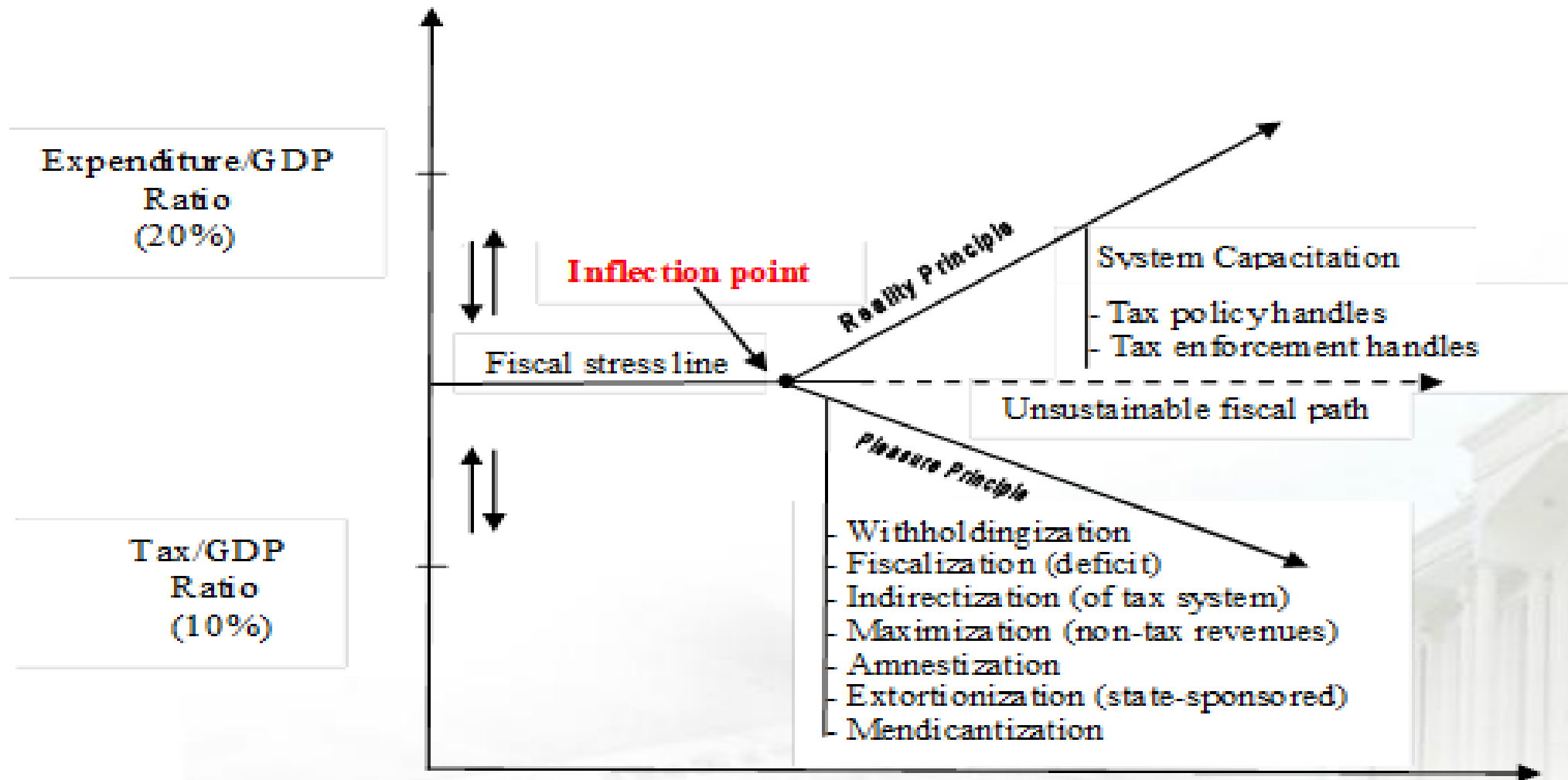


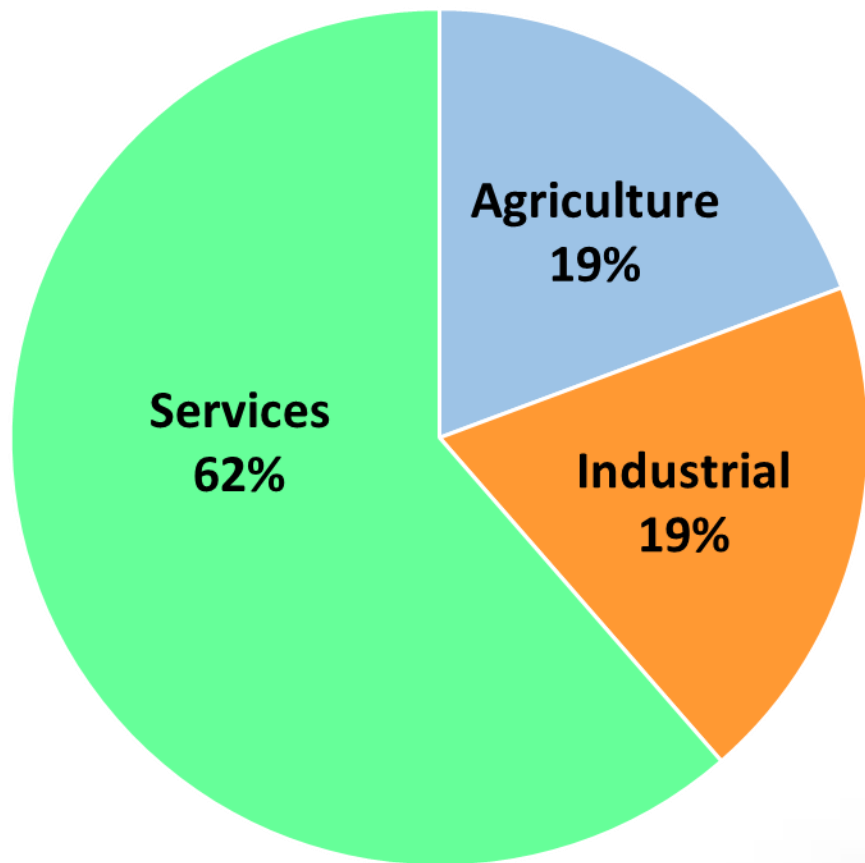
Rebuilding the Revenue System

Pakistan Prosperity Forum 2021
November 17, 2021

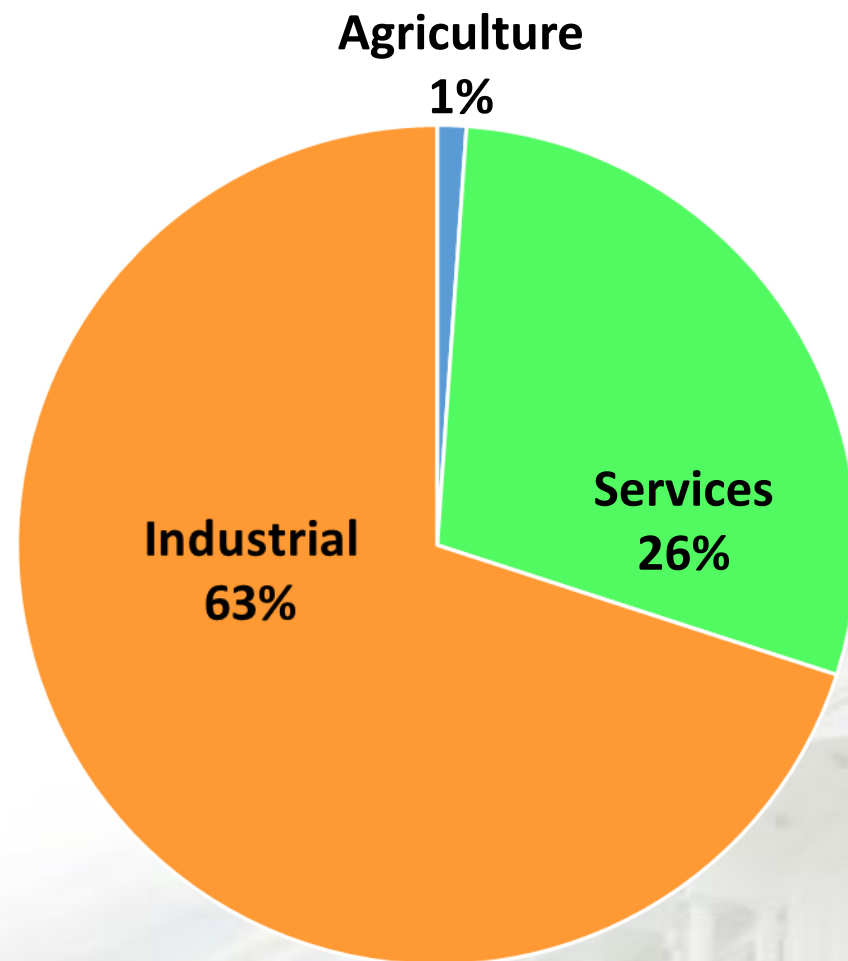
Dr. Muhammad Ashfaq Ahmed
Chairman,
Federal Board of Revenue

Analytical Framework





**Sectoral Contribution to
GDP**



**Sectoral Contribution to
Revenue**

Historical Tax-to-GDP Trends

Year	Total Tax to GDP Ratio	FBR Tax to GDP Ratio
2011-12	10.2	9.4
2012-13	9.8	8.7
2013-14	10.2	9.0
2014-15	11.0	9.4
2015-16	12.6	10.7
2016-17	12.4	10.6
2017-18	12.9	11.1
2018-19	11.7	10.1
2019-20	11.4	9.6
2020-21	11.1	9.9
2021-22	12.0	10.8*

Existing Tax Population

Tax Head	Potential Base Portfolio	Existing Base Portfolio	Net Difference
Income Tax	7,082,359	3,073,763	4,008,596
Sales Tax	305,000	191,036	113,964
Federal Excise	7,899	7,899	0

Past: Returns Vs Tax Payment

Rs. in Million

Tax Year	Total Filers	Zero Tax Filers	Net Tax Chargeable	Tax Paid with Returns	Growth %		Avg. Tax (Rs.)
					Filers	Tax with Returns	
2019	3,198,746	1,041,546	1,088,475	34,911	9.9	(0.1)	10,914
2018	2,910,895	1,044,202	896,653	34,940	46.3	16.8	12,003
2017	1,989,914	749,287	817,448	29,918	20.4	(12.4)	15,035
2016	1,653,165	612,958	713,084	34,147	16.9	2.1	20,656
2015	1,414,519	534,475	653,863	33,439	20.1	4.6	23,640

Returns increased but average tax with returns decreased

Net tax chargeable increased because tax already withheld/paid against filers

Average 36% persons filed **Nil** returns

Present: Returns Vs Tax Payment

Rs. in Million

Tax Year	Total Filers	Zero Tax Filers	Net Tax Chargeable (Mn)	Tax Paid with Returns (Mn)	Growth %		Avg. Tax (Rs.)
					Filers	Tax with Returns	
2020	3,073,763	1,163,330	1,177,880	52,287	(3.9)	49.8	17,011
2019	3,198,746	1,041,546	1,088,475	34,911	9.9	(0.1)	10,914
2018	2,910,895	1,044,202	896,653	34,940	46.3	16.8	12,003
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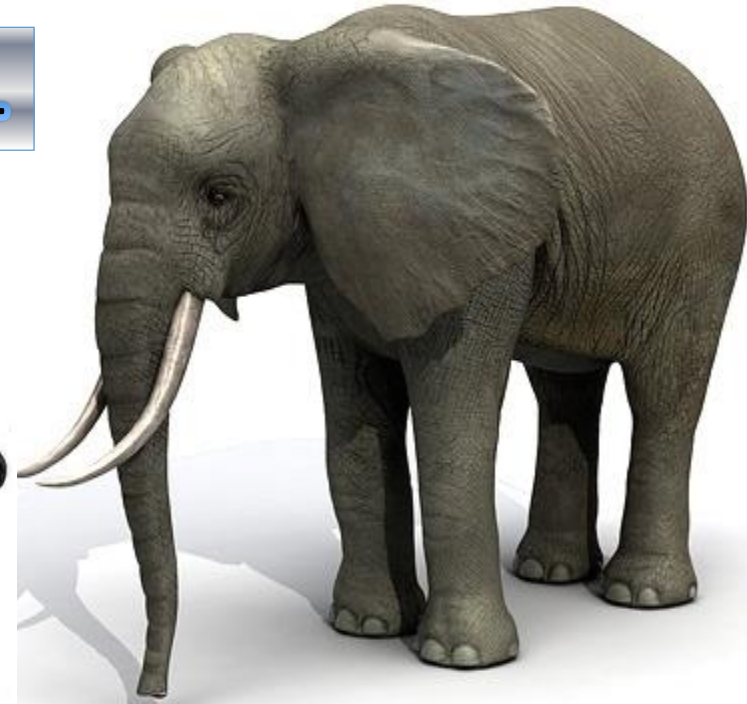
Return Filers by Size

Non-Salaried Inds.

Salaried Inds.

AOPs

Companies



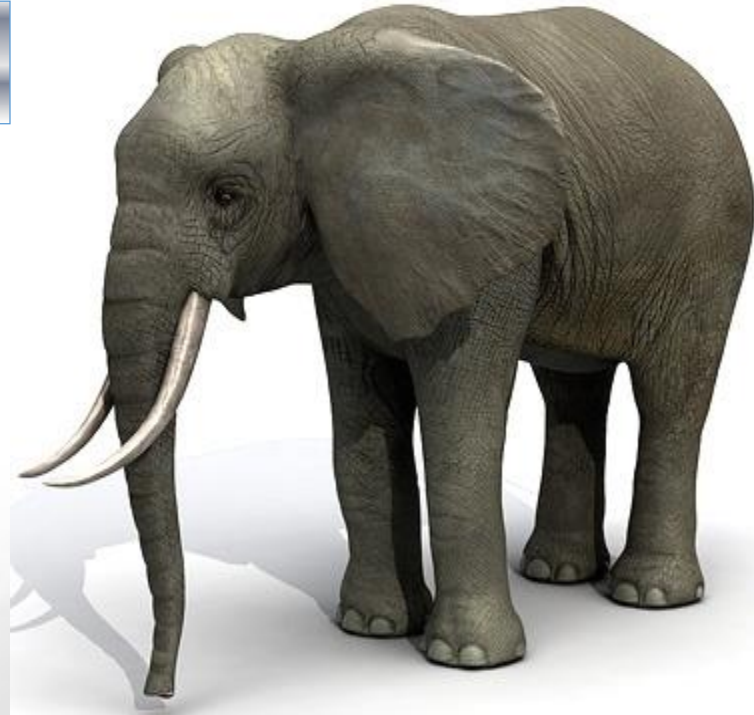
Return Filers by Tax

Companies

Salaried Inds.

Non-Salaried Inds.

AOPs



Smart Taxation Model

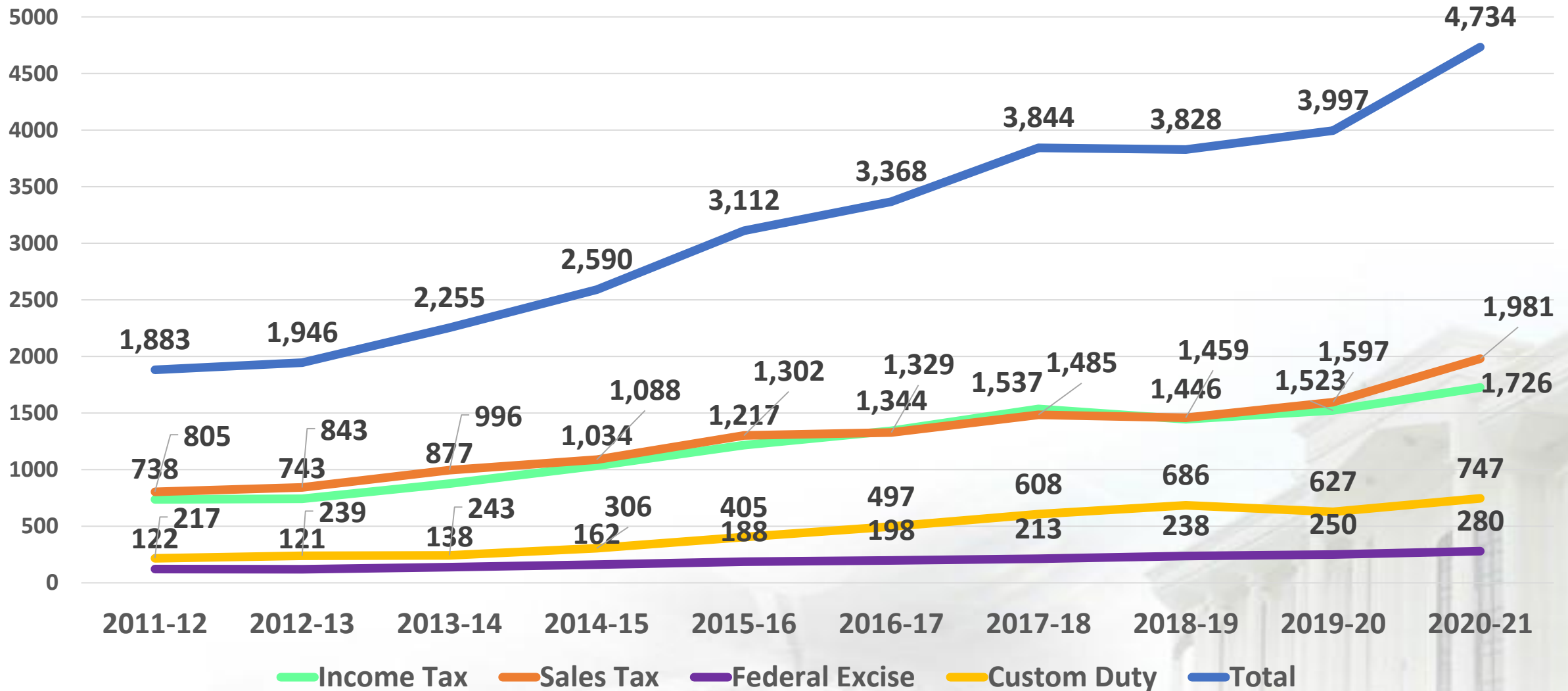
- (i) **Central Planning; Central Monitoring; Decentralized Execution**
- (ii) **Automation of Refund Payment System**
- (iii) **Revenue-Resource Alignment**
- (iv) **Jurisdictional Realignment**
- (v) **Functionalization – Target Carrying Formations**
- (vi) **Regional Tax Offices (RTOs) freed of Revenue Targets**
- (vii) **Restoration of Tax Administration’s Credibility**
- (viii) **Internalization of Complaint Redressal System**
- (ix) **Crackdown on Smuggling**
- (x) **Focus on Facilitation of Trade & Taxpayer**

Recent Revenue Trends

Rs. in Billion

Year	Income Tax	Sales Tax	Federal Excise	Custom Duty	Total
2011-12	738	805	122	217	1,883
2012-13	743	843	121	239	1,946
2013-14	877	996	138	243	2,255
2014-15	1,034	1,088	162	306	2,590
2015-16	1,217	1,302	188	405	3,112
2016-17	1,344	1,329	198	497	3,368
2017-18	1,537	1,485	213	608	3,844
2018-19	1,446	1,459	238	686	3,828
2019-20	1,523	1,597	250	627	3,997*
2020-21	1,726	1,981	280	747	4,734*

Recent Revenue Trends



Collection Jul-Oct FY 2021-22

(Rs. Billion)

Tax Head	Collection		Growth	
	2021-22	2020-21	Absolute	%age
Direct Taxes	623.9	472.9	151.0	31.9
Sales Tax	830.0	587.3	242.8	41.3
FED	96.8	80.9	15.9	19.6
Customs Duties	291.9	206.4	85.5	41.4
All Taxes	1,842.7	1,347.5	495.2	36.7

Target Vs Collection: Jul-Oct. 2021-22

(Rs. Billion)

Tax Head	2021-22		Achievement	
	Target	Collection	Absolute	% age
Direct Taxes	565.9	623.9	58.0	110.3
Sales Tax	692.4	830.0	137.6	119.9
FED	95.2	96.8	1.6	101.6
Customs Duties	254.0	291.9	37.9	114.9
All Taxes	1,607.5	1,842.7	235.2	114.6

Collection Composition: Domestic Vs Import

(Rs. Billion)

Tax Head	July-October			Share (%)	
	2021-22				
	Domestic	Imports	Total	Domestic	Imports
Direct Taxes	535.7	88.3	623.9	85.9	14.1
Sales Tax	257.1	572.9	830.0	31.0	69.0*
FED	87.7	9.1	96.8	90.6	9.4
Customs Duties	-	291.9	291.9	-	100.0
All Taxes	880.4	962.2	1,842.7	47.8	52.2

*Adjusting for shift of tax at import stage, this ratio becomes 37:63



Movement Towards Target FY 2021-22

- Target FY 2021-22: 5,829 bn
- Collection FY 2021-22 (Jul-Oct): 1,843 bn
- Growth %age: 36.7
- Remaining Target: 3,986 bn
- Growth Required %age: 17.7

Fund Program

- (i) Revenue Targets – Rs. 5,829 billion
- (ii) Corporate Income Tax Reforms
- (iii) Personal Income Tax Reforms
- (iv) GST Reforms
- (v) Enhancement of Enforcement Capacity
- (vi) Sustainable Revenue System**

Tax Administration's Challenges

- (i) Fragmentation of Fiscal Base
 - (ii) Resource Constraints
 - (iii) Automation
 - (iv) Data Compartmentalization
 - (v) Low Compliance Rate
 - (vi) Complication in Tax Laws
 - (vii) Retail Rigidities
 - (viii) Supply Chain Capture
 - (ix) Mis-invoicing
 - (x) Financial & Administrative
Autonomy
- (i) Harmonization Drive
 - (ii) Unlimited Funds
 - (iii) Automation & Digitization
 - (iv) Integration underway
 - (v) Deterrence Tools
 - (vi) New IRS Code being Drafted
 - (vii) POS integration Program
 - (viii) TTS Launched
 - (ix) Mis-invoicing Committee
 - (x) Under-Process – with a National
Board

Thanks