# New tax measures to raise Rs53bn

ISLAMABAD: The tax machinery expects to raise Rs53 billion in 2017-18 from seven new sales tax and federal excise duty measures.

The government has projected an ambitious revenue collection target of over Rs4 trillion for the next fiscal year against the revised target of Rs3.42tr for 2016-17, reflecting an increase of 17 per cent.

The net impact of revenue measures will be Rs88bn in the next fiscal year. Another 12pc increase in revenue is expected from inflation and growth during 2017-18.

No projection was made against administrative measures in the budget documents. However, a tax official said the next year's revenue collection will mostly rely on enforcement and detection of concealed incomes.

One major step will be the launch of a software-based system, which will detect short or no submission of withholding taxes with the Federal Board of Revenue (FBR) field formations. The new system, to be implemented from July 1, will also show negative trends in the collection from taxpayers or submission with the tax department.

Official documents show the FBR expects to raise Rs15bn by enhancing rates of federal excise duty on cigarettes. Moreover, Rs1bn will be collected as withholding tax on the sale of tobacco.

The FBR expected to raise Rs10bn in withholding tax after increasing the rate of excise duty on cement.

The change in the mode of sales tax collection on mobile phones will help tax authorities pocket Rs6.4bn. The FBR will get Rs2.3bn by raising sales tax on textile, leather, sports, carpet and surgical sectors and Rs2.4bn through commercial imports of fabrics.

Under the scheme to regularise the retailers' regime, the FBR expects to collect sales tax amounting to Rs6.5bn. Raising sales tax on the steel sector will generate additional Rs10.3bn.

Contrary to these, the government reduced sales tax on fertilisers and their raw materials. These measures will cause a revenue loss of Rs18bn in the next fiscal year.

The revenue impact of the reduction of sales tax on poultry machinery is Rs90 million while the exemption on combined harvesters will cost Rs170m. A loss of Rs30m will be caused by the sales tax reduction on diesel engine while Rs350m will be the cost of exempting extra tax on lubricating tax. The reduction of excise duty on telecommunication services will cost the exchequer Rs50m.

In the income tax regime, the major revenue spinner was the enhancement in the rate of turnover tax, which will yield Rs15bn in 2017-18. Increasing the cost of non-compliance with tax laws will help the FBR pocket Rs13.4bn.

The enhancement of tax rate on dividend will help the FBR collect additional Rs5bn. The FBR will raise additional Rs2bn through capital gains tax on securities and Rs1.5bn through the rationalisation of slabs on interest income.

The major beneficiary is the corporate sector, which received a relief of Rs6bn in the shape of reduced income tax rate. A similar concession was given in the last year's budget as well. However, the FBR gave up revenue of Rs5bn by reducing withholding tax on mobile cards and Rs800m by slashing withholding tax on motor vehicles.

On the customs side, the FBR expects to raise Rs10bn by increasing the regulatory duty on food and non-food items, Rs7bn by converting the customs duty into the regulatory duty on imports of mobile phones and telecom equipments, and Rs1bn through betel leaves.

The levy of regulatory duty on synthetic polyester filament yarn will generate additional revenue of Rs1.4bn while Rs700m will be generated through the rationalisation of duty on coal. About Rs200m will be raised by increasing the duty on aluminium beverage cans while Rs100m will be generated through the regulatory duty on PVC resin.

The FBR will raise Rs100m through non-composite solvent oils, Rs100m through electro-thermic domestic appliances, Rs50m through float glass and Rs50m through parts of grinders and mixers.

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