Revenue collection and expenditure: revised estimates likely to face slippages

The government-revised estimates of revenue collection and expenditure, as claimed in budget 2017-18 documents for the current fiscal year, are likely to face slippages with significant shortfall in tax collection and increase in current expenditure.

Sources told *Business Recorder* here on Tuesday that the exact quantum of shortfall in tax collection and increase in current expenditure would be ascertained by the end of August when consolidated budgetary operations would be uploaded by the Finance Division. However, they added that the FBR is facing a challenging task to meet the downward revised target of Rs 3,521 billion for the outgoing fiscal year.

The Federal Board of Revenue (FBR) has provisionally collected Rs 2860 billion during July-May (2016-17) against the downward revised annual target of Rs 3,521 billion, reflecting a shortfall of Rs 661 billion - an amount that is impossible to collect in the remaining one month of the fiscal year. The budgeted amount was Rs 3,621 billion.

In June 2015-16 FBR collected Rs 465 billion and Rs 381 billion in 2014-15. Sources on condition of anonymity revealed to *Business Recorder* that revised estimates of the current expenditure were prepared to meet the fiscal deficit target of 4.2 percent for the current fiscal year. They contended that a more realistic fiscal deficit for the current fiscal year would be around five percent and not 4.2 percent. This implies the revised estimates of the current expenditure are under stated and the exact quantum would be evident at the end of the August 2017, when the consolidated fiscal operation would be uploaded.

However, sources identified power sector and interest payments on government borrowing as well as other accounts as being at the top of the list in terms of higher expenditure compared to the revised estimates as noted in budget documents. The government budgeted Rs 95.4 billion subsidy to PEPCO and WAPDA for the current fiscal year which was projected at Rs 102 billion in the revised estimates but given the track record the projected revised estimate of Rs 102 billion for power sector subsidy is unrealistically low. The government is therefore likely to incur higher than the revised estimates for power sector subsidies given that a subsidy of around Rs 10 billion monthly is required to produce electricity from oil guzzler state run generation companies (Gencos), they added.

Sources further added that in May 2017, the government would have certainly made available the required subsidy to the power sector to minimize load shedding during Ramazan.

Another current expenditure item that is projected to witness higher allocation than claimed in the revised estimates is interest payment due to government borrowing to bridge the fiscal deficit due to considerable shortfall in revenue collection. The federal government supports an over valued rupee to understate external borrowing and reduced the interest rate on products on offer by the National Savings Directorate to reduce the burden of domestic borrowing; yet it is relying heavily on expensive very borrowing from the external banking sector, at present around 2 billion dollars, to meet the rising trade deficit as well as prop up the foreign exchange reserves.

In addition the government has decided to raise Rs 41 billion from commercial banks to bailout the power sector with an official claiming that the servicing of mark up, principal payment when due may be the responsibility of the Finance Division.