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A Review of Resource Mobilization Efforts of Federal Board of Revenue

FEDERAL BOARD OF REVENUE

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Constitution Avenue

Islamabad - Pakistan

Editor:
Mumtaz Haider Rizvi
Member, Fiscal Research & Statistics
Fiscal Research and Statistics Wing
e-mail: memberfrs@fbr.gov.pk
Phone: (051)-920-4436
Fax: (051)-921-9211
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Fiscal Research and Statistics Wing
Federal Board of Revenue

<u>Research Team</u>

1. Mumtaz Haider Rizvi
   Member, Fiscal Research and Statistics

2. Robina Ather Ahmed
   Chief (FR&S)

3. Umar Wahid
   Secretary (FR&S-I)

4. Sharfuddin Pirzada
   Secretary (FR&S-II)

5. Shafiq Mohammad
   Secretary (FR&S)

6. Mir Ahmed Khan
   Second Secretary (FR&S-I)

7. Naeem Ahmed
   Second Secretary (FR&S-II)

8. M. Junaid Jalil Khan
   Second Secretary (FR&S)

Foreword

Federal Board of Revenue collected taxes amounting to Rs.1007.2 billion during the year 2007-08, thus crossing the barrier of one trillion rupees. This achievement is indicative of taxpayers' confidence in improved tax structure and tax administration.

The present publication of the FBR Quarterly Review presents a comprehensive analysis of the four federal taxes administered by FBR during FY: 2007-08. It includes an Ex Post analysis of budgetary measures of FY: 07-08 to evaluate the various aspects of tax policy framework. As the FBR is going through the reform process therefore, an update on reforms has also been presented in this quarterly review.

I commend the efforts of Fiscal, Research and Statistics (FR&S) Wing, FBR for compilation of FBR Quarterly Review.

(Ahmad Waqar)
Secretary Revenue Division/Chairman, FBR

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Abbreviations

FBR	Federal Board of Revenue
DT	Direct Taxes
CD	Customs Duties
GST	General Sales Tax
STM	Sales Tax Import
STD	Sales Tax Domestic
FED	Federal Excise Duties
WHT	Withholding Taxes
VP	Voluntary Payments
CoD	Collection on Demand
AOPs	Association of Persons
NTN	National Tax Number
USAS	Universal Self-Assessment Scheme
WCO	World Customs Organization
PCT	Pakistan Customs Tariff
TARP	Tax Administration Reform Project
BPR	Business Process Reengineering
STARR	Sales Tax Automated Refund Repository
MCC	Model Customs Collectorate
RTO	Regional Tax Office
LTU	Large Tax Payers' Unit
FY	Fiscal Year
CFY	Current Fiscal Year
PFY	Previous Fiscal Year

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FBR Tax Collection:
An Analysis of the FY: 07-08 Outturn[1]

The Economy

The entire World has witnessed the economic turmoil on account of steep rise in prices of petroleum and primary products. However, in Pakistan the severity of macroeconomic pressure has been felt with great pain. The outgoing FY: 07-08 was a volatile year for Pakistan's economy both on domestic and external fronts. Number of unfavorable and unexpected events occurred during the years, which include: political unrest, law and order situation, supply shock, rising oil, food and other essentials prices, and crisis in the international financial market, together with shortcomings in economic management. All these events have adversely affected the key macroeconomic fundamentals of Pakistan. The economy suffered a setback as GDP registered a growth of 5.8% against the target of 7.2% and a growth rate of 6.8% in FY: 06-07. The major sectors, agriculture and manufacturing lagged behind. Fortunately, the set targets and economic growth in 2007-08 is primarily stemmed from better than expected growth of services sector, posting a growth of 8.2% as against 7.6% last year.

The fiscal position has worsened on account of internal and external pressures and monetary and fiscal mismanagement. The overall fiscal deficit, due to sharp increase of current expenditure has missed the target of 4% of the GDP and landed above 5% of the GDP.

Pakistan economy is currently facing four major challenges: one deceleration in growth, second rising inflation, third growing fiscal deficit and fourth the un favorable widening gap in merchandise trade. Therefore, the challenges need to be addressed immediately with proper fiscal and monetary polices and strong political will to overcome severe economic problems. No doubt the current economic crisis is a big challenge for new government and fiscal managers but strong resolve and appropriate policy intervention would be a key to success.

FBR Revenue Collection Relative to Target

The FY: 07-08, was a difficult year for FBR as a challenging target of Rs. 1025 billion was assigned. To reach the target, the required overall growth was 21% over the collection of Rs. 847.2 billion collected during FY: 06-07. Unfortunately, events like political unrest, load shedding throughout the country together with soaring inflation particularly food inflation has seriously hampered the manufacturing sector and general consumers at large. This situation has led to declining growth in the large and small scale manufacturing sectors, reduction in consumption and investment in the country, resultantly revenue realization efforts has

[1] The analysis has been prepared by the research team of the Fiscal Research Wing of FBR.

seriously been hampered. Thus the revenue target was revised downward to Rs. 1,000 billion with a shortfall of Rs. 18 billion against the original target of Rs. 1,025 billion. However, in spite of these adversaries FBR has been able to successfully cross the psychological mark of Rs. one trillion at the end of the year, by collecting Rs. 1007.2 billion. It is encouraging to note that the target achievement has been broad based as all the four taxes administered by FBR have achieved their respective revised targets (Table 1).

Table 1: A Comparison of Collection vis-à-vis Original and Revised Targets 2007-08

Rs in Billion

	Original Targets *(Rs. Billion)*	Revised Targets *(Rs. Billion)*	Collection: 07-08 *(Rs. Billion)*	Difference from Revised Targets	
				Absolute	Percent
Direct Taxes	405.0	385.0	387.5	2.5	0.7
Sales Tax (GST)	382.0	375.0	376.9	1.9	0.5
Federal Excise	98.0	92.0	92.2	0.2	0.2
Customs Duties	140.0	148.0	150.6	2.6	1.7
All Taxes	1025.0	1000.0	1007.2	7.2	0.7

Source: FBR Data Bank

Revenue Collection in FY: 07-08 Vis-à-Vis FY: 06-07

A comparison of net collection for FY: 07-08 and FY: 06-07 confirms a healthy growth of 18.9% in federal receipts (Table 2). In fact, an increase of Rs. 160 billion over last year collection has been the largest in a single year since FY: 47-48. This increase (in absolute terms) exceeds the previously recorded highest collection of Rs. 134 billion of FY: 06-07 by about 15%. An important aspect of this growth has been the broad based performance exhibited by all the four taxes particularly; federal excise has registered a vibrant growth of 28.4%, followed by sales tax 21.8%, well consistent with domestic demand and the overall strength of the economy. On the other hand direct taxes and customs duty have recorded healthy growth of 16.1% and 13.8% respectively.

Table 2: A Comparison of Net Collection in FY: 07-08 vis-à-vis FY: 06-07

	Collection (Rs. Billion)		Difference	
	FY: 07-08	FY: 06-07	Absolute	Percent
Direct Taxes	387.5	333.7	53.8	16.1
Sales Tax (GST)	376.9	309.4	67.5	21.8
Federal Excise	92.2	71.8	20.4	28.4
Customs Duties	150.6	132.3	18.3	13.8
All Taxes	1007.2	847.2	160.0	18.9

Source: FBR Data Bank

It is relevant to mention that while the growth of the federal tax receipts has been substantial in absolute terms, it has lagged behind the (nominal) growth of the GDP and thereby the FBR Revenue to GDP ratio has declined from 9.7% in FY: 06-07 to 9.6% in FY: 07-08. A number of factors have contributed towards this decline. The most significant among them are the sad demise of Benazir Bhutto disturbed political condition, unstable law and order situation together with load shedding, soaring inflation and turmoil in the international financial markets. All these factors have adversely impacted the key economic indicators during the FY: 07-08. Economic growth at 5.8% remained below the target of 7.2%. The manufacturing sector fell short by 5.5% of the target of 10.9%. Since revenue realization is linked with the overall macroeconomic condition, therefore the revenue collection process also slowed down and FBR also faced Rs. 18 billion shortfalls against the original target from Rs. 1,025. Other factors like, narrow tax base, administrative weaknesses despite some progress to overcome them, and the inherent inefficiencies in the system also played crucial role during FY: 07-08.

Head-Wise Analysis

It is encouraging that the target of Rs. 1,000 billion has been surpassed by about 1%. All the four taxes have achieved their respective targets together with achievement of double digit growth in collection during FY: 07-08. The tax-wise details are provided in the following.

Direct Taxes**:** The direct taxes have emerged the major source of federal tax revenues for the last two years. This source has contributed 38.6% of total receipts during FY: 07-08. The net collection has been Rs. 387.5 billion against the yearly target of Rs. 385 billion. An amount of Rs. 25.8 billion refunds have been paid back to the refunds claimants as against Rs. 32.2 billion refund paid during FY: 06-07. The declining trend in refund payments indicates that the stock of arrears has been reduced and the income tax department is current with the refund cases. It may be recalled that the collection of direct taxes comprises of income tax and other direct taxes (Capital Value Tax, Worker Welfare Fund and Worker Participatory fund). The contribution of income tax in total direct taxes has been 94%. Therefore our main focus would be on the income tax.

The structure of income tax is based on withholding taxes (WHT), voluntary payments (VP) and collection on demand (COD). The collection during FY: 07-08 shows that the share of WHT, VP and COD in gross collection has been 52.3 %, 36.8 % and 10.9% respectively. Whereas, the contribution of WHT remains historically high, the change in the configuration of other two components is inconsistent with the way the taxation system has been re-designed in recent years. It was anticipated that with the introduction of USAS, more reliance would be on VP, rather than WHT and COD. Detailed discussion on these components is presented in Table 3.

Table 3: Head-wise Performance of Direct Taxes

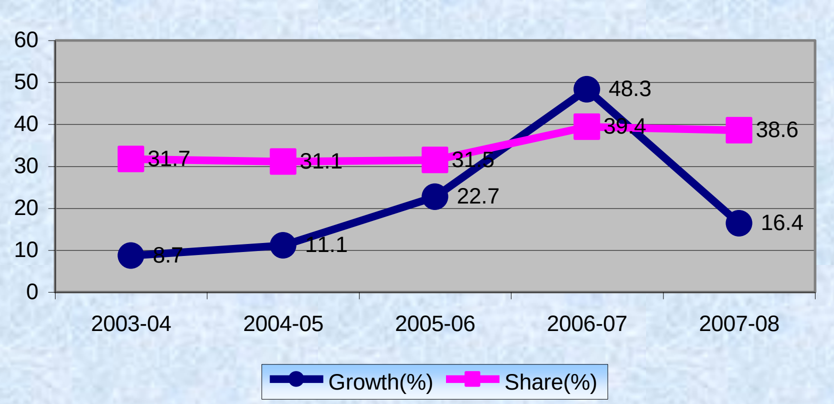
(Rs. Billion)

	2007-08	2006-07	Change (%)
Voluntary Payments	145.5	165.7	-12.2
Collection on Demand	42.9	11.2	283.0
Deductions at Source (WHT)	206.6	170.9	20.9
Gross Receipts	395.0	347.8	13.6
Refunds	25.8	32.2	-19.9
Other DT	18.3	18.1	6.1
Net Direct Taxes	387.5	333.7	16.4

If we look at the performance of direct taxes in a historical perspective the improved tax effort and effective implementation of tax policy and administrative reforms has geared up the collection over the years. The share of direct taxes in federal tax receipts has increased from around 15% in early 1990s to 32% in FY: 00-01. It has touched new heights of 39.4% in FY: 06-07, but slightly declined to 38.6% in FY: 07-08 (Graph 1). Similarly, the growth pattern which was uneven but on the rise during the past few years, has also declined from 48.3% in FY: 06-07 to 16.1% in FY: 07-08. A number of reasons are there for this slowdown in revenue realization. Apart from political unrest, strikes and load-shedding during the period under review, the major set back has been due to significant reduction in voluntary compliance. Payment with returns has declined by 80.9% disturbing the entire pattern of the collection, while advance tax has gain 16.5% growth reducing the deficit to a certain extent and the overall negative growth has ended up at 11.9% only.

On a positive note it may safely be said that one of the implications has been that direct taxes have now emerged as the leading revenue contributors of federal taxation receipts - a transition that had always been desired on equity and efficiency grounds.

Graph 1: Historical performance of Direct Taxes



Analysis of Components of Direct Taxes

Voluntary Payments (VP): This component includes payments with return and advances. In net terms, Rs. 145.5 billion have been generated during FY: 07-08 as compared to Rs. 165.7 billion in the corresponding period last year. Thus, around

12% decline has been witnessed in collection from this important component. It may be recalled that the basic objective behind implementation of USAS was to minimize interface between the taxpayer and tax administration, repose confidence in the system and eliminate the element of corruption. It was anticipated that voluntary compliance will play an important role in maintaining overall equity in the taxation system as well, because the incidence of presumptive taxes is fairly debatable. No doubt, that the USAS has been successful since its implementation in achieving these objectives. Till FY: 06-07, VP had emerged as a leading source of revenue. However, FY: 07-08 was quite difficult and the analysis reveals that payments with return have declined by 81%. A paltry sum of Rs. 9.2 billion with returns have been collected in FY: 07-08 against Rs. 48.6 billion in FY: 06-07, and consequently its share in total VP has plunged to 6.3% from 29.3%. The second component of VP, i.e., advance payments has also not grown significantly during the period under review. During FY: 07-08 Rs. 136.3 billion were collected against Rs. 117.1 billion in FY: 06-07, indicating a growth of 16.4% (Table-4).

Table 4: Collection of Income Tax by Voluntary Compliance

(Rs. Billion)

	Collection 2007-08	Collection 2006-07	Change (%)
Voluntary Payments (A+B)	145.5	165.7	-12.2
A) With Returns	9.2	48.6	-81.0
B) Advance Tax	136.3	117.1	16.4

The possible reasons for the shortfall in the collection of income and corporate taxes are: (i) the change in the advance tax regime made last year has grossly affected the tax paid with the returns; (ii) the advance tax scheme in vogue envisages ‘Pay as you Earn’, thereby reducing substantially tax payable with the returns; and (iii) Lesser collection of advance tax vis-à-vis anticipated growth owing to improper declarations by large taxpayers.

Sectoral Analysis of Advance Tax Payments: The sectoral composition of advance tax payments is presented in Table 5. It is evident that these payments relate to few corporate entities categorized within the Oil & Gas Sector, Financial Institutions; mainly Banks, Telecom Sector, Pharmaceutical and Transportation sectors. These five sectors have contributed 74% of advance taxes in FY: 07-08. It may not be out of place to mention that around 71% of the total advance taxes are paid by three sectors, namely Oil & Gas (47.9%), Banks (20.5%) and Telecommunication (5.8%). Furthermore, barring the telecom and banking sectors, the remaining three sectors had made substantially higher payments than last year.

Table 5: Comparison of Advance Tax Payments

(Rs. Billion)

Sectors	Payments 2007-08	Share (%)	Payments 2006-07	Share (%)	Growth (%)
Oil &Gas	64.8	47.5	47.9	40.9	35.2
Banking	28.0	20.5	29.8	25.5	-6.0
Telecommunication	4.4	3.2	6.8	5.8	-35.3
Automobiles	1.3	1.0	2.1	1.8	-38.1
Transportation	1.8	1.3	0.4	0.3	350.0
Engineering	1.5	1.1	1.1	0.9	36.4
Tobacco	1.2	0.9	1.7	1.5	-29.4
Textile	1.5	1.1	1.1	0.9	36.4
Pharmaceutical	2.1	1.6	1.8	1.5	16.7
Chemicals	1.0	0.7	1.6	1.4	-37.5
Sub Total	*107.6*	*78.9*	*94.3*	*80.5*	*14.1*
Others	28.7	21.1	22.8	19.5	25.9
Total	136.3	100.0	117.1	100.0	16.4

However, despite contribution, the annual growth in payments by these sectors during FY: 07-08 has slowed down. The reduced payment by the banking sector has been due to change in regulation under which the forced sale value benefit against all non-performing loans for calculating provisioning requirement was abolished altogether from December 2007. On the other hand, increased development expenditure in the telecommunication sector and extra spending by PTCL on account of Voluntary Separation Scheme (VSS) has resulted into a decline in taxable income and advance payments. Since most of these have incurred a one-time cost on these sectors, this phenomenon is not expected to be repeated in coming years.

Income Tax Returns Analysis: The number of Income Tax Returns and statements received by the end of FY: 07-08 were 2,139,397, higher by 327,046 as compared to the corresponding period last year, indicating a growth of about 18%. There has been decrease in the number of returns by 1.2%, the statements have increased by 32.7% (Table 6). On the other hand, the total tax received has declined sharply to Rs. 9.2 billion against Rs. 48.6 billion, thereby registering a substantial decline in growth. The number of corporate returns has slightly increased from 15,481 during FY: 06-07 to 15,871 in FY: 07-08, however the collection with corporate returns has dropped from Rs. 42.6 billion to Rs. 7.6 billion. A similar outcome has been noticed for other categories of taxpayers including individuals, and AOPs. In respect of the statements, despite a rise in number, by 32.7%, the collection has declined by around 5.9% which also needs deeper analysis.

Table 6: Analysis of Returns/Statements

	2007-08	2006-07	Growth (%)
Returns			
Corporate	15871	15481	2.5
AOP	25349	34735	-27.0
Salary	103086	76465	34.8
Non-Salary	628693	655876	-4.1
Sub-total Returns	*772999*	*782557*	*-1.2*
Statements			
Salary Certificates	82857	248261	-66.6
Employers Statements	1169280	542389	115.5
Employer/Employee Response	*1252137*	*790650*	*58.4*
Importers	15436	12652	22.0
Exporters	10225	14561	-2.5
Retailers	36394	37310	-29.8
Contractors/ Suppliers	32168	58363	-44.9
Other	20039	16258	23.3
Sub-total Statements	1366398	1029794	32.7
Grand Total	**2139397**	**1812351**	**18.0**

Note: Figures for FY: 07-08 are provisional and subject to revision.

As already mentioned, the change introduced in the tax system has certainly affected the collection but the sharp reduction in collection under VP appears to be on the higher side. It seems that, the USAS is on track as it has been functioning successfully for the past few years and yielded substantial revenue through it. However, the problem lies with audit which needs to be initiated for selected corporate cases. The efforts made by the LTUs need to be strengthened so that delinquent taxpayers are identified. It is relevant to mention that the planning stage has been over; full implementation of audit program should not be delayed any further, especially when there is strong evidence of low voluntary compliance due to inadmissible claims. At the same time it is also essential to have effective enforcement in place. Unfortunately, the enormous gap between corporations who have got NTN and those who file returns and nearly two thirds of the corporations declaring nil income and business losses within those who file returns are 'known' facts for quite some time. Now the process of re-organization of field formations has been completed, the processing of returns for raising demand in a professional manner should not be delayed any further. Here again, the audit teams will have to take the leadership role, which unfortunately remains a missing link in the entire equation.

Withholding Taxes (WHT): WHT continues to be the leading source of direct tax receipts in view of the large undocumented sector of the economy. However, despite its large contribution, there is ample scope to enhance this collection further. The WHT collection during FY: 07-08 has been Rs. 206.6 billion against Rs. 170.9 billion during FY: 06-07, indicating a healthy growth of 21%. The ten major withholding taxes constituting 91.5% of total WHT collection remain the same as before (Table 7). These are: contracts, imports, salary, telephone, export, securities, electricity, dividends and cash withdrawal (Table 8). The share of contracts (37.0%) remains at the top, followed by imports (13.1%), salary (10.9%), telephones (8.7%), exports (5.6%), securities (6.8%), electricity (2.9%), dividends (3.1%), and cash withdrawal (3%).

The highest growth in WHT collection has been from dividends (47.7%) followed by telecommunication (40.3%), Salary (35.3%) contracts (29.4%) and cash withdrawal (29.2%). This outcome reinforces the existing belief that the financial and telecommunication sectors remain vibrant despite inflationary tendencies in the country. Rationalization of income tax rate for the salaried individuals and enhanced salary packages, especially in the private sector, has yielded higher revenue. Similarly, the recent spike in international trade activities has been instrumental in raising the WHT receipts on account of imports and exports.

The improved corporate profitability has been instrumental in higher collection from dividends. Finally, deductions on savings instruments have increased due to enhanced profits.

Table 7: Deductions at Source:
A Comparison of FY: 07-08 & FY: 06-07 Collection

(Rs .Billion)

	2007-08	2006-07	Change (%)
Contracts	76.5	59.1	29.4
Imports	27.7	25.8	7.4
Salary	22.6	16.7	35.3
Exports	11.5	10.9	5.5
Telephone Bills	18.1	12.9	40.3
Securities	14.1	13.7	2.9
Electricity Bills	5.9	5.2	13.5
Dividends	6.5	4.4	47.7
Cash Withdrawal	6.2	4.8	29.2
Sub-Total	*189.1*	*153.5*	23.2
Other WHT	17.5	17.4	0.5
Total WHT	**206.6**	**170.9**	**20.9**

Sales Tax: GST is the second major source of federal tax revenues collection after direct taxes. During FY: 07-08, the gross and net collection of sales tax stood at Rs. 405.1 billion and Rs. 376.9 billion respectively, entailing growth of 16.9% and 21.8% over last year. The revised target of sales tax has been achieved to the extent of 100.2%. The share of sales tax in total tax collection has also increased from 36.5% in

FY: 06-07 to 37.6% during FY: 07-08. The decline of Rs. 8.9 billion in refund payments has contributed around Rs. 4.9 percentage points in overall growth of sales tax. The performance of sales tax by components is presented in the following Table 8.

Table 8: Collection and Growth of GST: FY: 07-08

(Rs. Billion)

Sources of GST	Collection/ Refunds			Growth (%)		
	Gross	Refund	Net	Gross	Refund	Net
Import Stage	195.4	0.0	195.4	11.1	25.4	11.1
Domestic Production & Sales	209.7	28.1	181.6	22.0	-24.0	36.0
GST (Total)	**405.1**	**28.1**	**376.9**	**16.9**	**-23.9**	**21.8**

Sales Tax Domestic Collection and Major Revenue Spinners: An overview of the sales tax (domestic) collection indicates that the tax base of GST remains highly concentrated as only top two commodities have contributed around 51% in total STD collection whereas the top ten commodities have generated 81% during the FY: 07-08. The major revenue spinners include POL products, telecom services, natural gas, sugar, cigarettes, iron & steel, services, electrical energy, beverages, cement(Table 9). Analysis of individual sectors shows that the major contribution has been from POL products posting a growth of above 80% in its collection during the period under review. The main factors behind this unprecedented performance has been i) decaping the impact of rise in prices of POL and ii) the zero rating of crude oil at import stage on 30th November 2007. Earlier, sales tax used to be charged on crude oil at import stage and later adjusted against the inputs claim while compiling the sales tax liability against the refined products of POL. After this measure, the refineries have been relieved of getting their money stuck since the import of crude oil as now they pay tax at the time of sales of their product. On the other hand, it has also minimized the chances of evasion on account of value addition of the products. Despite a time lag of two months period in translation of impact of zero rating on sales tax collection at domestic stage, the increase in collection has been spectacular. The average increase in collection from POL during last five months i.e., February 2008 to June 2008 has been around 174%.

The telecom sector continued its notable performance with above 20% growth in collection during the FY: 07-08. The tempo of development and economic activities gives impetus to the collection from this source. So far 59% tele-density till FY: 07-08 indicates the availability of further scope of expansion in this industry. The recent move by the government to get disabled all the un-notified/un-registered SIMS, may have an adverse effect in collection of sales tax due to the huge size of unregistered SIMS, however, organized management of this sector will have a far reaching positive impacts on administrative as well as economic spectrum and will certainly pay the dividend in the long run.

A nominal growth in collection from natural gas is attributed to various factors i.e., i) withdrawal of business by a major unit namely Occidental Gas from the extraction activities, which contributed over one billion of sales tax last year, ii) decline in sales tax payment by the leading unit of the industry holding over 40% in collection, and iii) unusual refund payments to SSGPL during the reference period. A significant addition by the SNGPL could hardly compensate for the shortfall in collection pattern. The collection from sugar has improved during the last three months of FY: 07-08 and has posted a modest growth of 10% that indicates the positive impacts of special audit conducted during the period. The growth in collection from cigarette is in line with projection estimates. The factors like increase in prices on account of increase in excise duty rates and growth in production contributed positively.

The collection from iron & steel has been phenomenal during FY: 07-08 (168%), and mainly attributed to the policy intervention in the budget 2007-08. The sales tax is being charged on the basis of electricity consumed at the rate of Rs.4.15/unit and being collected by the electricity billing agencies i.e., WAPDA and KESC. This change has significantly facilitated the sales tax collection from iron & steel units and reduced the tax evasion. The overall performance of services has been encouraging with above 20% growth in collection which is associated with better contribution by airlines, courier and media services. This performance has been despite a decline in collection from prominent hotel and restaurant industry units during the period under review. The decline in collection from electrical energy is as per expectation because FBR opted for the policy of net rather than gross collection. This policy intervention has reduced the refund payments by almost 11 billion in FY: 07-08. The modest growth in collection from automotive industry (Motor cars/Motorcycles/Auto Parts) is indicative of the fact that the boom in the industry prevailed during FY: 06-07 is almost over as the major factor for the boom i.e., the financial support by the financial institutions is no more available on cheaper rates. Therefore, the tempo of production in automobile industry has slowed down during the period. A healthy growth in collection from beverages is the impact of increase in prices as well as the continued demand for the branded beverages products.

Table 9: Comparison of Sales Tax Domestic (Gross) Collection by Major Commodity: FY: 07-08 & FY: 06-07

(Rs. Million)

Major Commodities	Collection 2007-08	Collection 2006-07	Growth Realized (%)	Share (%)
POL Products	60,481	32,072	88.6	29.0
Services by Telecom Sector	45,485	36,868	23.4	21.8
Natural Gas	15,412	15,138	1.8	7.4
Sugar	12,251	11,143	9.9	5.9
Cigarettes	7,861	6,942	13.2	3.8
Iron & Steel Products	6,690	2,494	168.2	3.2
Services	6,126	4,968	23.3	2.9
Electrical Energy	5,886	13,010	-54.5	2.8
Motor cars/Motorcycles/ Auto Parts	5,345	5,071	5.4	2.6
Aerated Waters/Beverages	4,419	3,215	37.4	2.1
Sub-Total	*169,956*	*130,921*	*29.8*	*81.5*
Others	38,621	39,524	-2.3	18.5
Gross Collection	**208,577**	**170,445**	**22.4**	**100.0**

Sales Tax at Import Stage: The collection of sales tax at imports depends on the value of imports. A healthy growth of 35.7% in value of imports has been observed during FY: 07-08 as compared to 8.1% in FY: 06-07. However, significant import of zero-rated raw material and zero rating of crude oil on 30th November 2007 vide SRO No.1164(1)/2007 has affected the growth tempo of sales tax at import stage.

The gross collection of sales tax import has contributed around 48.4% in the total sales tax collection during FY: 07-08. However, its share has increased to 52% in net terms as all the refund claims are entertained from the domestic collection of sales tax. The collection of sales tax imports stood at Rs.195.4 billion entailing a growth of 11.1% as compared to last year. The fifteen major commodity groups have contributed around 87% of total ST(M) collection. The collection of ST(M) also remained highly concentrated and the imports of a small number of commodity groups plays a vital role in total collection, indicating the level of its vulnerability. In fact, only POL has contributed 38% of the total ST(M) collection. The remaining of the top fifteen revenue spinners, each has shared less than 8%.

A double digit growth has been recorded in collection from edible oil, plastic products, electrical machinery, organic chemicals, paper and paper board and oil seeds. However, the collection from vehicles and machinery have declined marginally i.e., by 4.4% and 0.4% respectively. The collection from POL products has exhibited a nominal growth of 2.5% only. The main reason of this apparent low growth is, as stated earlier, zero rating of crude oil for the purpose of sales tax as per above mentioned SRO. The significant increase of above 70% in collection from edible oil is due to continued increase in international prices of the products. In the budget 2007-08, a bulk of the plastic products rates were increased from 15% to 20 %. Additional revenue of Rs. 4.6 billion has been collected from plastic products indicating around 46% growth in collection as compared to last year. In case of collection from Iron & steel (Ch.72) imports, despite above 30% increase in value term, sales tax collection has observed a nominal growth of only 1.2%. The outcome is mainly attributed to the huge imports of zero rated scrap during the period under review. On the other hand, a significant increase in imports of electric generating sets and rotary converters, multi-station access units, sim cards, monitors and energy saving lamps have posted a positive impact in sales tax collection entailing above 30% growth in collection from electrical machinery. Around 39% growth in collection from organic chemicals bears the combined impact of above 20% increase in value of imports as well as increase in sales tax rates of sub-chapters 29032100 and 29051100 from 15% to 20%. The growth in collection from paper and paper board has been more than the increase in value term mainly because of increase in rate of sales tax from 15% to 20%. The collection from misc. chemicals, articles of iron & steel and rubber products has been consistent with the growth in imports. The imports of aluminum products posted a positive growth of 6.8% in collection of sales tax despite a decline in its value by 15%, indicating the imports of higher slab products (Table 10).

Table 10: Collection of Sales Tax (Import) - Major Items

(Rs. Million)

Description	Collection 2007-08	Collection 2006-07	Realized Growth (%)	Share (%)
POL Products (27)	74,266	72,455	2.5	38.0
Edible Oil (15)	15,440	9,029	71.0	7.9
Plastic (39)	14,627	10,023	45.9	7.5
Vehicles and Parts (87)	13,538	14,156	-4.4	6.9
Iron and Steel (72)	11,573	11,438	1.2	5.9
Mechanical Machinery (84)	7,383	7,409	-0.4	3.8
Electrical Machinery (85)	6,964	5,354	30.1	3.6
Organic Chemicals (29)	5,313	3,816	39.2	2.7
Paper & P. Board (48)	4,835	3,646	32.6	2.5
Oil seeds etc (12)	3,783	3,432	10.2	1.9
Misc Chemicals Products (38)	3,199	2,698	18.6	1.6
Rubber (40)	2,514	2,171	15.8	1.3
Coffee, Tea, and Spices (9)	2,468	2,403	2.7	1.3
Aluminum Products (76)	2,243	2,100	6.8	1.1
Articles of Iron & Steel (73)	1,817	1,313	38.4	0.9
Sub Total	169,964	151,443	12.2	87.0
Other	25,478	24,537	3.8	13.0
Gross	195,442	175,980	11.1	100.0
Refund/Rebate	89	71	25.4	
Net	195,353	175,909	11.1	

Customs Duties: Under the on-going policy and tax reforms, Pakistan customs has also undergone through a transformation from primitive to modern customs administration. The introduction of self-assessment in the customs is a clear departure from the old system. It is a manifestation of the resolve of the government to repose confidence on the taxpayers. Moreover, end to end automation, prompt clearances and taxpayers' facilitation are some of accomplishments of the modernized customs. In the process, an effort has also been made to revamp the tariff structure to bring conformity to the standard of World Customs Organization (WCO). In this regard, adoption of Harmonized Commodity Description and Coding System-2007 Version is a significant step by Pakistan Customs. Necessary amendments have been made in the Pakistan Customs Tariff (PCT) and SROs to conform them to HS 2007. The matter of tariff escalation has properly been dealt i.e. primary raw materials have been subjected to @ 0-5%, secondary raw materials @ 5-10% and finished goods@ 20-25%. Moreover, a new slab of 0% has also been introduced by shifting 0% duty from SROs to the Pakistan Customs Tariff to make it more transparent and presentable.

Despite broad-based tariff reduction in one and a half decades, customs duties are still one of the important sources of tax collection of the federal government. It contributes 24.4% in the indirect taxes and 15% in total taxes collected by FBR. The trend of slow down in import in FY: 06-07 has continued in the first half year of FY: 07-08 which has started improving swiftly in all the months of second half year. This acceleration in imports in the last two quarters of FY: 07-08 has not only resulted into overall growth in import and dutiable imports for FY: 07-08 but also improved the collection of CD substantially. In fact, around 27% growth in the value of dutiable import has recorded during FY: 07-08 against projected growth of 3%. The gross and net collection of customs duties has been Rs. 163.0 billion and Rs. 150.6 billion respectively during FY: 07-08 reflecting growths of 12.4% and 13.8% respectively. The difference between growths of the gross collection and net collection is due to a saving of Rs. 330 million in refund/rebate payments during FY: 07-08. The collection of customs duties has not only exceeded the previous year's collection of customs duties but also surpassed target of Rs. 148 billion for FY: 07-08. The overall vibrant performance of customs duties is mainly attributable to spiraling prices of POL products, increased imports of most of the major items like edible oil, machinery, plastic, cereals, paper & paperboard. The details of comparison of customs duties and imports are spotlighted in Table 11.

Table 11: Quarterly Comparison of Customs Duty Indicators: FY: 07-08 & FY: 06-07

(Rs. Million)

	FY: 07-08	FY: 06-07	Growth		FY: 07-08	FY: 06-07	Growth
	Value of Imports				***Value of Dutiable Imports***		
Q1	487,666	448,418	8.8	Q1	237,476	243,307	-2.4
Q2	542,316	454,015	19.4	Q2	267,846	255,259	-4.9
Q3	689,168	457,062	50.8	Q3	355,661	240,701	47.8
April	260,575	156,223	66.8	April	128,771	89,595	43.7
May	262,555	166,867	57.3	May	141,373	91,365	54.7
June	270,723	169,551	57.3	June	152,569	90,376	68.8
Q4	793,853	492,641	61.1	Q4	422,713	271,336	55.8
Total	2,513,003	1,852,136	35.7	Total	1,283,696	1,010,603	27.0
	Gross Customs Duty				***Net Customs Duty***		
Q1	31,579	32,565	-3.0	Q1	28,976	27,890	3.9
Q2	35,863	36,151	-0.8	Q2	32,668	32,853	-0.6
Q3	43,776	34,471	27.0	Q3	40,234	31,917	26.1
April	14,678	11,256	30.4	April	12,938	10,413	24.2
May	15,968	11,945	33.7	May	14,946	11,206	33.4
June	21,134	18,649	13.3	June	20,828	18,020	15.6
Q4	51,779	41,850	23.7	Q4	48,711	39,639	22.9
Total	162,997	145,037	12.4	Total	150,589	132,299	13.8

Although maximum tariff rate has been @25% for the last few years, but tariff reduction within the slabs has been continuously pursued. It is evident from Table 12 that around 1/4th of the collection of CD has been fetched from application of 10% tariff rate, other double digit contributions made by the slabs i.e. 20%, 5%, 25% and specific rates.

Table 12: Slab-wise Share in Gross Customs Duties during 2007-08

Slabs	Customs Duty *(Rs. illion)*	Share (%)
10%	41,222	25.3
20%	21,353	13.1
5%	18,585	11.4
Specific	17139	10.5
25%	16,816	10.3
15%	7,367	4.5
60%	7,139	4.4
90%	5,027	3.1
35%	4,190	2.6
50%	3,749	2.3
55%	3,326	2.0
75%	1,720	1.1
80%	1,279	0.8
30%	979	0.6
Other*	13,106	8.1
Total	**162,997**	**100.0**

**Includes export Development surcharge, defense, warehouse surcharge etc.*

*Performance of Major Revenue Spinners of Customs: O*nly 15 major commodity groups (chapters) contribute 78 % of the each total customs duties and dutiable imports. It is evident from Table 13 that out of 15, thirteen items groups of items have exhibited growth in the collection of CD. However, only auto sector and miscellaneous chemicals have shown decline in collection.

The automobile sector (CH: 87) is the top revenue generation source of customs duties. The collection of customs duties from this sector has declined by 8.6% due to reduced dutiable imports by 3.2%. The import of motor cars/jeeps (87.03) is the major revenue generation source in 2007-08. The government policy to restrict the import of old and used motor vehicles more than 3 years of age has vastly discouraged the import of motorcars. The import of number of motorcars/jeeps has dropped from 26,967 in FY: 06-07 to 17301 in FY: 07-08. This has not only declined the value of import by 78 % but also recorded a loss of Rs.0.5 billion during FY: 07-08. Thus, the collection of customs duty from motorcars/jeeps has plummeted from Rs.7.3 billion in 2006-07 to Rs. 6.9 billion during FY: 07-08. On the other hand, the numbers of imported CKD kits of motor vehicles have also come down from 196,070 in FY: 06-07 to 147,374 in FY: 07-08 entailing a loss of Rs. 2.3 billion in CD as compared to PFY. Thus, overall loss of Rs. 2.8 billion has been recorded in the collection of CD from CKD/CBU motor cars/jeeps.

Petroleum is the second major revenue generation source of customs duties. Most of the items of POL products have been exempted from CD. Despite 70% duty free imports of POL products, the collection of POL products has exhibited a robust growth of 59% in the collection of CD with 69% growth in dutiable imports. The collection from POL products has increased from Rs.15.1 billion in FY: 06-07 to Rs. 24 billion in FY: 07-08. Main factor behind this vibrant performance is the spiraling prices of petroleum products around the world. In fact, a major chunk of the collection of POL products is realized from the import of High Speed Diesel (HSD). The collection of CD from HSD has gone up from Rs. 13.7 billion in FY: 06-07 to Rs. 23 billion during FY: 07-08 yielding a colossal growth of 67%. Apart from increased prices, higher quantity of imported HSD by 33% is also responsible for strong growth in the collection of customs duties FY: 07-08.

Edible oil is the third higher source of custom duties. The value of import of edible oil (CH: 15) has recorded a massive growth of 90.4% but its collection of CD grew by 9.3%. This gap is understandable as prices of edible oil have gone up significantly which has resulted into higher growth in value of import of edible oils. Since edible oils are subjected to specific customs duty rates, therefore, this huge growth in the value of imports has not helped in boosting the customs' revenue accordingly. Thus, the growth in the collection of edible oil has been attained due to growth in the collection of crude palm oil and crude soybean due to increased imported quantities of these items by 22% and 281% respectively.

Table 13: Sectoral Collection of Customs Duty 2007-08

(Rs Million)

PCT Heads	07-08	06-07	Growth (%)	Growth in Dutiable Imports	Eff. Rate CFY (%)	Eff. Rate PFY (%)
1.Vehicles & Parts (87)	25,810	28,245	-8.6	-3.2	34.3	36.3
2.POL Products (27)	24,032	15,128	58.9	69.0	10.1	10.8
3.Edible Oils etc (15)	17,213	15,128	9.3	91.7	15.1	26.5
4.Elect Machinery (85)	13,568	11,138	21.8	14.8	7.9	7.5
5.Mech Machinery (84)	11,634	10,525	10.5	7.6	7.2	7.0
6.Plastics (39)	6,379	5,427	17.5	16.9	8.0	8.0
7.Iron& Steel (72)	6,198	5,365	15.5	6.8	11.6	10.7
8.Cereals(10)	5,021	11	44,787.7	24,971.1	9.6	5.4
9.Paper & P. Board (48)	4,390	3,477	26.2	30.2	20.3	21.0
10.Organic Chem (29)	3,586	1,889	7.1	12.9	7.5	8.0
11.Articles of Iron & Steel (73)	2,438	1,742	29.0	35.1	10.4	10.9
12.Tanning & Dying (32)	2,005	1,581	26.8	25.2	12.6	12.4
13.Coffee, Tea, etc (9)	1,860	1,569	19.7	7.2	11.2	10.0
14.Soap & Detergents (34)	1,720	1,554	31.0	36.1	16.8	17.5
15.Misc Chemical (38)	1,714	1,460	-1.6	-10.3	9.1	8.3
Major 15 Items	127,568	106,489	19.8	32.7	11.6	12.9
Other*	35,429	38,549	-8.1	1.4	20.0	21.1
Gross	162,997	145,037	12.4	27.0	12.7	14.4
Refund/Rebate	12,408	12,738	-2.6			
Total	150,589	132,299	13.8			

The availability of machinery at cheaper rates has been the priority of the government to boost the industrial sector. Despite zero rating and lower rates for many items, machinery (electrical and mechanical) is still contributing substantially to the customs duties. A considerable growth of 21.8% in the collection of CD from electrical machinery was mainly due to increased collection from telecommunication and transmission equipments, transformers and generating sets.

The value of dutiable imports of mechanical machinery has manifested a growth of 7.6% while collection grew by 10.5%. This growth has mainly been driven by improved collection of industrial goods, construction machinery, pumps and engines. On the other hand, the import of textile machinery has come down by 4.5% resulted 12.3% decline in the collection of CD. Similarly, the collection of plastic has also recorded a growth of 17.5% against dutiable import of 16.9% which also reflects consistency of collection with its base. Some other groups like iron and steel, paper & paper board, tanning & dying, tea & coffee have also improved their collection due to increased dutiable imports. Due to tariff reduction, the collection from organic chemical has posted a modest growth while miscellaneous chemicals have declined the collection during FY: 07-08 as compared to PFY. Due to food crisis in the country, a bulk of cereals has been imported which has contributed a significant amount of Rs. 5 billion to the national exchequer in the form of customs duties.

Federal Excise Duties (FED): During FY: 07-08 Rs. 92.2 billion has been collected against Rs. 71.8 billion in the corresponding period last year. The collection is 28.4% higher than the previous year (Table 14).

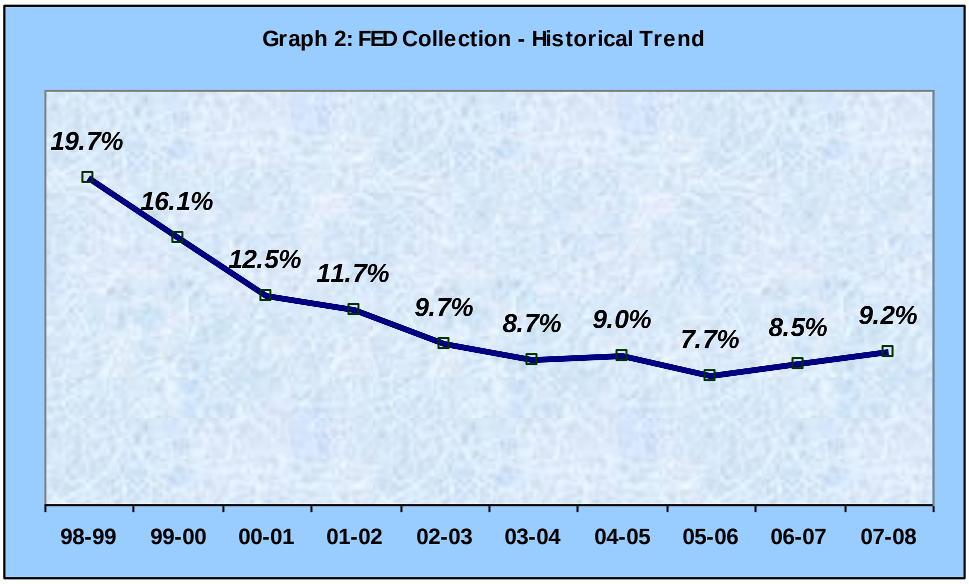
Table 14: Overall FED Collection

(Rs. Million)

Months/Quarters	Collection		Achievement	
			Absolute	Percent
	FY: 07-08	FY: 06-07	Abs	%
Quarter-1	15,929	13,758	2,171	15.8
Quarter-2	23,024	16,762	6,262	37.4
Quarter-3	22,896	17,201	5,695	33.1
April	*8,751*	*7,019*	*1,732*	*24.7*
May	*9,982*	*7,314*	*2,668*	*36.5*
June	*11,595*	*9,750*	*1,845*	*18.9*
Quarter-3	30,328	24,083	6,245	25.9
Overall	**92,177**	**71,804**	**20,372**	**28.4**

The quarterly collection trend indicates a healthy growth in the second and third quarters, whereas same pace of growth could not be continued in the last quarter. Within fourth quarter the performance during April and May has been excellent with 24.7% and 36.5% growth, but unfortunately in the month of June collection grew only by 18.9%, which is unusual behavior, showing fewer efforts by the field formations.

It has been noted that the FED collection has again become an important source of federal tax revenues during last three years. Historically the share of FED in total federal taxes has been declining since FY: 98-99 till FY: 05-06 from 19.7% to 7.7% (Graph 2). Nevertheless, due to various budgetary measures like FED on services including Air Travel, Non Fund Services and levy of 1% SED at domestic and import stage during last two years, the FED share has jumped to 9.2% in FY: 07-08. The FED revenue target for FY: 08-09 is about 22% higher than the realized collection during FY: 07-08. The budgetary measures for CFY would further enable the FED base to expand.



Analysis of Major Commodities of FED

The major sources of FED revenue have been cigarettes, cement, natural gas, POL products and beverages, however, during last two years services has become a significant source of collection. The major six items have contributed around 78% of total FED collection during FY: 07-08 against 92% in the PFY. The decline in share of major items is attributed to 1% SED both at import and domestic levels during FY: 07-08. The share of 1% SED stood at 8% and 4% at import and domestic stages respectively.

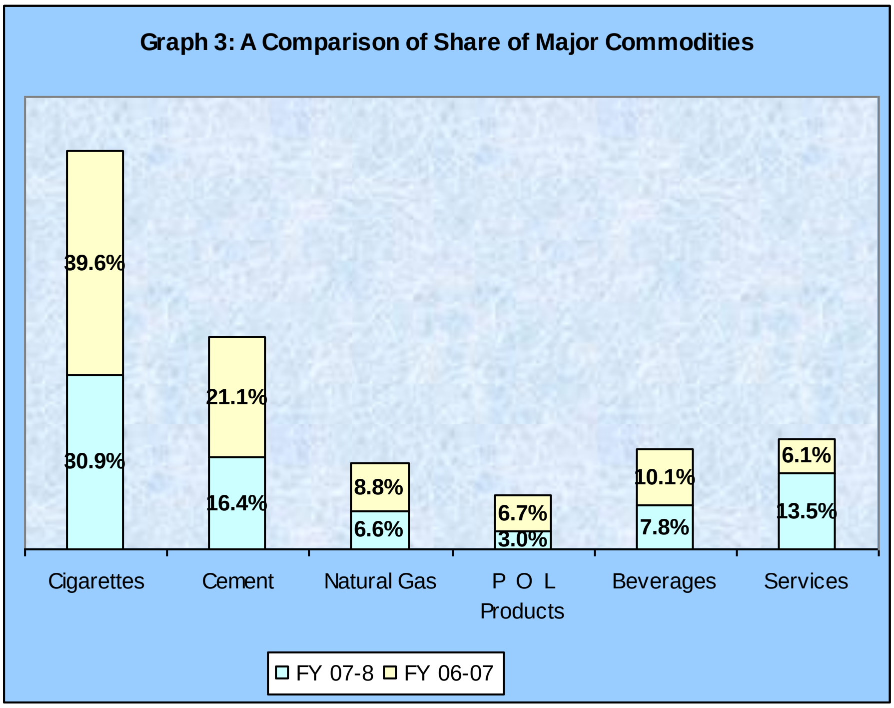
Among major items, cigarette was the top most revenue generator with around 31% share in FED collection, followed by cement (16.4%), services (13.5%), beverages (7.8%), natural gas (6.6%) and POL products (3%). In absolute terms Rs. 72 billion were collected from major six items (Table 15).

Table 15: FED Collection from Major Commodities FY: 07-08 and FY: 06-07

(Rs. Million)

Commodities	FY 07-8	FY 06-07	Difference	
			Absolute	Percent
Cigarettes	28,519	28,405	114	0.4
Cement	15,094	15,182	-88	-0.6
Natural Gas	6,067	6,328	-261	-4.1
POL Products	2,776	4,783	-2,007	-42.0
Beverages	7,166	7,246	-80	-1.1
Services	12,418	4,414	8,005	181.3
Sub Total	72,040	66,358	5,683	8.6
Share (%) in Total	78.2	92.4		
Other (Dom.+Imp)	20,137	5,447	14,690	269.7
Total	**92,177**	**71,805**	**20,372**	**28.4**

The data reveals an unimpressive growth from major items except for services. As already mentioned the reason for nominal or negative growth was one month lag in FED collection. However, a 42% negative growth in POL products is due to its shrinking base. On the other hand a robust growth of over 181% in the head of services confirms a buoyant base for FED revenues.



FED Collection from Services

The major items include International Air Travel, Non-fund services, Insurance and Franchise. The overall collection from services stood at Rs. 12.4 billion in FY: 07-08 against Rs. 4.4 billion during PFY. Major chunk of revenue comes from Air Travel which contributed about 74%, the second major contribution is made by non-fund services with around 11% share in services (Table 16).

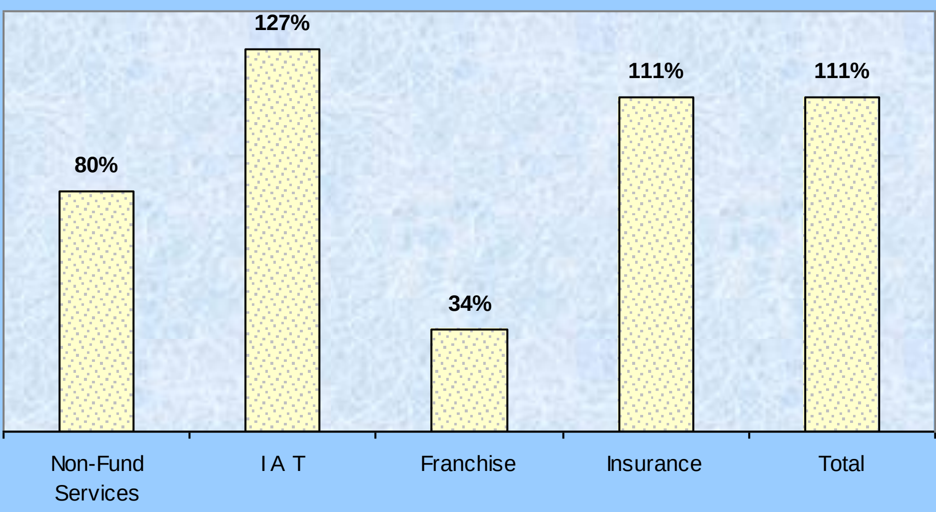
Table 16: Collection from Services

(Rs. Million)

Items/Quarters	FY: 07-8	FY: 06-07	Difference	
			Absolute	Percent
Non-Fund Services				
Q1	261	101	160	158.5
Q2	342	170	172	101.2
Q3	368	191	177	93.0
Q4	364	145	219	151.6
Total	**1,334**	**606**	**728**	**120.2**
I A T				
Q1	1,004	189	815	431.3
Q2	2,458	702	1,756	250.1
Q3	2,513	573	1,940	338.5
Q4	3,156	351	2,804	798.1
Total	**9,131**	**1,816**	**7,315**	**402.9**
Franchise				
Q1	51	19	32	168.4
Q2	69	34	35	102.3
Q3	56	39	17	44.1
Q4	105	533	-427	-80.2
Total	**282**	**625**	**-343**	**-54.9**
Insurance				
Q1	486	383	103	27.0
Q2	430	341	89	26.2
Q3	403	424	-21	-5.0
Q4	352	159	193	121.9
Total	**1,671**	**1,306**	**365**	**27.9**
Overall				
Q1	1,803	692	1,111	160.5
Q2	3,299	1,247	2,052	164.6
Q3	3,340	1,287	2,053	159.6
Q4	3,977	1,187	2,789	235.0
Total	**12,418**	**4,413**	**8,005**	**181.4**

The overall target has been achieved to the extent of 111%, however, nun-fund services and franchise missed the target by 20% and 64% respectively (Graph 4).

Graph 4: FED Services Target Achievement During FY: 07-08



The shortfall from these two items has been compensated by IAT and Insurance by collecting 27% and 11% higher revenue than the assigned targets. The meager revenue from franchise should be the point of concern for the relevant quarters. The revenue target set for Franchise services was Rs. 833 million for FY: 07-08, whereas the realized collection was only Rs. 282 million. The collection declined by 55% as compared to Rs. 625 million collected in the PFY. The second item which missed the target is the non-fund services provided by the banks. Although the collection increased by 120% as compared to last year but remained short of target by 20%. Both weak areas, the franchise and non-fund services, need attention and careful monitoring for better performance in future.

Special Excise Duty (SED)

One percent Special Excise Duty was levied in the budget for FY: 07-08 both at import and domestic stages. The overall revenue target for 1% SED was set at Rs. 12 billion with bifurcation of Rs. 6 billion each at domestic and import stage. The performance during the first year has been mixed. At the import stage target was achieved to the extent of 115.4%, whereas at the domestic level the performance has not been satisfactory (Table 17).

Table 17: Collection from 1 % SED

(Rs. Million)

1% SED Domestic	Target	Collection	Achievement (%)
Q1	1,290	516	40.0
Q2	1,420	799	56.3
Q3	1,460	823	56.4
Q4	1,830	1,848	101.0
Total	**6,000**	**3,986**	**66.4**
1% SED Imports			
Q1	1,500	833	55.6
Q2	1,500	2,001	133.4
Q3	1,500	1,985	132.3
Q4	1,500	2,102	140.1
Total	6,000	6,922	115.4
Overall 1%	**12,000**	**10,907.8**	**90.9**

During first three quarters overall SED performance was not as per expectations, however, collection improved in the 4th quarter significantly and target for the respective quarter was achieved by 101%.

Projections for FY: 2008-09

Foreseeing that the economy will maintain the targeted growth and major taxes will also continue to display buoyant stance, the budgetary target for FY: 08-09 has been set at Rs. 1,250 billion, requiring an increase of 24.1 % over the provisional collection of Rs. 1007.2 billion of FY: 07-08 (Table 18). Furthermore, the projections for FY: 08-09 also include the impact of budgetary and relief measures announced at the time of Federal Budget.

Table 18: A Comparison of Baseline Collection and Projections

	Provisional Collection FY: 07-08	Projections FY: 08-09	Addition (Rs. Billion)	Growth (%)
Direct Taxes	387.5	499.0	111.5	28.8
Sales Tax	376.9	470.0	93.1	24.7
Federal Excise	92.2	112.0	19.8	21.5
Customs Duties	150.6	169.0	18.3	12.2
All Taxes	1,007.2	1,250.0	242.8	24.1

The projections for FY: 08-09 will result into following tax mix of individual taxes: DT (39.9%), GST (37.7%), FED (9.0%), and CD (13.5%).

II

Impact Evaluation: An *Ex Post* Analysis of Budgetary Measures of FY: 07-08[2]

Introduction

Traditionally, every year, budgetary measures are announced at the time of budget. These measures are undertaken for various reasons. Firstly, tax-GDP ratio in Pakistan is considerably low, generation of additional revenues by expanding the tax base through withdrawing exemptions is quite important. Secondly, distortion in the tax system requires elimination. Thirdly, measures are required for rationalization of tax rates. Fourthly, it is used as a tool for encouraging investment by bringing down the cost of doing business. Fifthly, it is important to help in growing particular industry through preferential treatment. Sixthly, attention is also paid to the protection of consumers and providing relief to the low income strata of the society. Seventhly, taxpayers' facilitation and simplification of procedures are also major reasons for introduction of budgetary measures.

In the Budget 2007-08, budgetary measures were aimed to further support the government in bringing down the cost of business in the country to boost investment. The main thrust of budgetary measures in the Budget 2007-08 was on generating additional tax revenues, rationalization of tax rates, bringing uniformity of tax laws with the international community, departure from adhocism and extension of base.

The prime aim of the article is to undertake an *ex post* analysis of the budgetary measures announced in the Budget 2007-08 in the light of *ex ante* projections. The *ex-post* analysis of tax-wise budgetary measures is expected to be helpful in evaluating the accuracy of the estimates of the measures and their impact on national exchequer.

Tax-Wise Ex-Post Analysis of Budgetary Measures 2007-08

Tax-wise analyses of some of the important measures have been carried out and presented in the followings.

Direct Taxes

Withholding Tax on Purchase of Locally Manufactured Cars: The importers of cars are subject to withholding tax@5%. An adjustable withholding tax @2.5% of the value has been levied in the Budget 2007-08 which is collected by a manufacturer or authorized dealer at the time of sale, irrespective of the date of booking or advance

[2] Author: Mir Ahmad Khan, Second Secretary (FR&S), FBR

payment made by the purchaser. The idea of the measure was to bring potential taxpayers in the tax net and to bring the local manufacturers at par to some extent with the importers of cars. A sum of Rs.3 billion was projected to be realized at the time of Budget 2007-08. Due to this measure, an additional collection of Rs. 817 million has been realized during FY: 07-08.

Unification of Withholding Tax Rate on Export: The income from export had been under the presumptive regime with different four rates i.e. 0.75%, 1%, 1.25% and 1.5% for various categories. In order to bring uniformity and eliminate discrimination, a single rate of 1% has been levied for all kinds of export in the Budget 2007-08. The collection from export has gone up from Rs. 10.9 billion in FY: 06-07 to Rs.11.5 billion FY: 07-08. An additional collection of Rs. 2 billion was estimated at the time of Budget against Rs. 0.6 billion actually realized during FY: 07-08.

Rationalization of Taxation of Retailers: During FY: 06-07, retailers were subject to pay @0.75% with turn over upto Rs. 5 million and 2% for exceeding turn over Rs. 5 million. In the Budget 2007-08, these rates were revised. The new rates have been highlighted in Table 1.

Table 1: Rates of Income Tax for Retailers During FY: 07-08

Turn Over	Tax Rate
Upto Rs. 5 million	0.50%
Exceeding Rs. 5 million but does not exceed Rs.10 million	Rs. 25,000 plus 0.5% of the amount of turnover exceeding Rs. 5 million
Exceeding Rs.10 million	Rs. 50,000 plus 0.75% of the amount of turnover exceeding Rs. 10 million

Due to this measure, the collection from retailers has reduced significantly i.e. Rs. 223 million in FY: 06-07 to Rs. 52 million in FY: 07-08.

Extension of Income Tax to CNG Stations: All the gas marketing companies have been obliged to collect a tax @4% of the gas bills. The tax collected in this regard is final tax on the income of CNG stations operators from sales of gas. An additional sum of Rs. 604 million has been collected against target of Rs. 700 million during FY: 07-08.

Sales Tax and Federal Excise

Extension of scope of excise duty on financial Services: A number of financial services were brought into the fold of FED during Budget 2006-07. However, their collection during FY: 06-07 was extremely lower than projection. The additional collection from financial services was estimated at one billon rupees at the time of budget. There was a need to augment the scope of FED on financial services; therefore, all non-fund services have been brought into the net except cheque book issuance charges, Umra and Hajj service charges, cheque return charges and utility collection charges. The collection from financial services has increased from Rs. 606 million in FY: 06-07 to Rs. 1,334 million in FY: 07-08 reflecting a growth of Rs. 729 million.

Upward Revision of Retail Price of Cigarettes by 7%: It has been a regular feature that retail prices of cigarettes are revised upward. It is now well established that the upward revision of prices of cigarettes have been encouraged by Framework Convention on Tobacco Control (FCTC).

The retail price of cigarettes is directly related to federal excise duty. In the Budget 2007-08, the retail price of cigarettes has been revised upward by 7%. Similarly, upward adjustment was necessary due to increased prices of cigarettes. The details of increase in the retail price of cigarettes are spotlighted in Table 2.

Table 2: Upward Adjustment of FED Due to Increase in Retail Price of Cigarettes

Slabs	Threshold FY: 07-08	Threshold FY: 06-07
Upper	63% of Retail Price	63% of the Retail Price
Medium	Rs. 2.80 per 10 cigarettes plus 69% incremental rupee or part thereof	Rs. 2.63 per 10 cigarettes plus 69% incremental rupee or part thereof
Lower	Rs. 2.80 per ten cigarettes	Rs. 2.63 per ten cigarettes

The upward revision of retail price of cigarettes has marginally increased the collection of Rs. 28.3 billion in FY: 06-07 to Rs. 28.5 billion in FY: 07-08. This fractional improvement is significant when viewed in the context of nil collection from cigarettes in July 2007 due to alignment of date of submission of FED returns with the sales tax returns. In fact, the collection from cigarettes during July, 2006 was around one billion rupees. It implies that adjusted collection for FY: 07-08 would be Rs. 29.5 billion which is one billion rupees higher than previous year against the projection of Rs. 4.5 billion in the Budget 2007-08. On the other hand, production of cigarettes has grown by around 7%. If we assume 7% natural growth in collection of PFY, the collection of cigarettes comes to Rs. 30.3 billion. It means that a loss of Rs. 0.8 billion is estimated after natural growth adjustment and July 2007 factor. On the other hand, the collection of sales tax due to increased prices has increased swiftly from Rs. 6.9 billion in FY: 06-07 to Rs. 7.9 billion in FY: 07-08 yielding a growth of 13%.

Levying of One Percent Special Excise Duty: In order to generate additional revenues, special excise duty@1% was levied at domestic and import stage vide SROs 655(I)/2007. However, already zero rated commodities, food products and many other items of sensitive nature were exempted from special excise duty. These include vegetables, seeds, fruits, edible oil & fats, natural gas & LPG, some petroleum products including crude oil, fertilizer, pharmaceuticals goods produced or manufactured and exported by manufacturers etc. A sum of Rs. 10.9 billion has been collected as special excise duty (Rs. 6.9 from imports and Rs. 4 billion from domestic). The target of Rs. 12 billion has been missed by Rs. 1.1 billion mainly due to lesser collection from domestic.

Higher Sales Tax Rates On Specified Raw Materials: In order to increase the incidence of tax on un organized sector and to improve the tax compliance by small and medium manufacturers, higher sales tax @20% and 17.5% have been levied in the Budget 2007-08. The organized sector can adjust it's sales tax against final liabilities while un-organized sector was expected to become compliant to claim input adjustment. The sectors attracted higher rates were iron & steel, plastics, paper & paperboard, chemicals etc. A huge sum of Rs. 9.2 billion was expected to come from this measure during 2007-08. Higher rates have paid the dividends as combined target of Rs. 9.1 billion has been surpassed Details of the collection is presented in Table 3.

Table 3: Collection from Higher Rates of Sales Tax

(Rs Million)

Sales Tax Rates	2007-08	2006-07	Increase (Absolute)	Increase (%)
20%	1,390	921	469	51
17.5%	8,245	6,456	1,789	27
Total	9,634	7,377	2,257	31

Abolition of FED on Motor Gasoline and Jet Fuel: Before the Budget 2006-07, motor gasoline and jet fuels were subject to FED@88 paisa and 6 paisas respectively. In order to lower the prices and to provide relief to the general public, FED on motor gasoline and jet fuel in the Budget 2007-08 has been abolished. An amount of Rs. 600 million was estimated to forgo due this measures during 2007-08. But actual loss has been Rs. 690 million during 2007-08. It means that loss has been higher by Rs. 90 million against target.

Abolition of FED on Petroleum Bitumen: Due to increased usage with the passage of time, domestic production was not enough to fulfill the requirement of petroleum bitumen. On the other hand, it was subjected to higher rate of 25% in customs duty besides 15% sales tax on import. In order to ensure availability of bitumen and barring smuggling, FED on bitumen was abolished in Budget 2007-08. A loss of

Rs.109 million was recorded in the collection against projected loss of Rs. 130 million for 2007-08.

Taxation of International Air Travel: FED was chargeable on international air travel through destination specific fixed rates with exemption for passengers coming from abroad to Pakistan. However, exemption was enjoyed by the incoming passenger into the country. This one sided levy was a discrimination. Besides, there were levies on international travel like foreign travel tax and government airport tax. During the Budget 2007-08, it was decided to club all the taxes on international travel into a single federal excise duty called Air Travel Tax (ATT) for all incoming and outgoing passengers. It was projected that this measure will realize an additional robust amount of Rs.6 billion during 2007-08. This target has been exceeded by Rs.3.1 billion as far as FBR tax collection is concerned. If we take into account collection realized by other departments in the previous year, then only Rs. 2.6 billion has been an additional collection during 2007-08. By comparing FBR collection from international travel of Rs. 1.8 billion previous years, the collection of Rs. 9.1 billion from ATT during 2007-08 has been exceptionally higher by Rs. 7.3 billion(Table 4).

Table 4: Collection of Airport Travel Tax

(Rs Million)

Taxes	FY: 07-08	FY: 06-07	Difference
International Travel	-	1,816	-
Foreign Travel Tax (FTT)	-	3,713	-
General Airport Taxes (GAT)	-	1,000*	-
Airport Travel Tax (ATT)	**9,131**	**6,529**	**2,602**

Note: FTT & GAT were not collected by FBR

Customs Duties

Tariff rationalization has been a regular feature in almost all the budgets presented every year. During Budget 2007-08. Main thrust of budgetary measures has been on tariff restructuring for auto sector and reduction of customs duty rates for raw material to bring down the cost of business in the country and boost the industrial sector. The analysis of some of the measures related to customs duties is highlighted in the following:

Revision of Tariff Structure of Automotive Sector: The automobile sector is the top revenue generation source of customs duties. Any change in the policy regarding tariff or age restriction seriously affects the collection of customs duty.

The import of automotive vehicles was subject to customs duty, sales tax, withholding tax and CVT during FY: 06-07. There were different slabs for customs and CVT. Since CVT was levied at only import stage which was objectionable according to

WTO. In order to eliminate discrimination, CVT was abolished in FY: 07-08 and customs duty was increased to compensate for revenue loss due to abolition of CVT. The details of structure of CD rates for auto sector announced during FY: 07-08 is depicted in Table 5.

Table 5: Tariff Structure for Motor Vehicles During 2007-08

Category	CD Rates (%) 2006-07	CD Rates (%) 2007-08
Upto 800 CC	50	50
801-1000 CC	50	55
1001-1300 CC	50	60
1301-1500 CC	50	60
1501-1600 CC	65	75
1601-1800 CC	65	75
Above 1800CC	75	90

Moreover, the government had announced to restrict the import of the old and used automotive vehicles of age to 3 years during FY: 07-08. The import of number of motor/cars which is the main source of customs duty from auto sector has dropped substantially. Thus, the collection of customs duty has also declined. Detail of number of cars/jeeps, import value and customs is presented in Table 6.

Table 6: Import of CBU Motor Cars/Jeeps During: FY: 07-08 & FY: 06-07

(Value and CD in Rs. Million, Quantity in Nos)

	2007-08			2006-07			Variation	
	Qnty	Value	CD	Qnty	Value	CD	Qnty	CD
TOR	266	97	88	6,842	1,969	1,128	-6,576	-1040
PB	13,981	6,089	4,624	16,554	6,163	3,910	-2,573	714
GS	17	21	18	87	67	148	-70	-130
Other	3,037	2,913	2,134	3,484	3,456	2,126	-447	8
Total	17,301	9,120	6,864	26,967	11,655	7,312	-9,666	-448

On the other hand, the tariff rate for motorcycles in CBU condition has also been reduced from 90 % to 80% in the Budget 2007-08.Moreover, CD rate for CKD has also slashed from 30% to 15%. The overall projected loss from all these measures of auto sector was Rs. 1.3 billion. But actual loss estimated at the end of FY: 07-08 has been Rs. 2.3 billion reflected in Table 7.

Table 7: Loss in the Collection Due to Tariff and Non Tariff Initiatives in Auto Sector During 07-08

(Rs. Million)

Category	Loss in Collection of Taxes
Abolition of CVT	1,794
CD Rate Restructuring & Capping 3 years	448
CD Rate Reduction for Motor Cycle	120
Total Loss	2,362

Reduction of CD From 25% to 15% on Petroleum Bitumen/Asphalt: In order to ensure the availability of these items, the customs duty rates were reduced from 25% to 15% on petroleum bitumen and asphalt. Due to this measure, import value has gone up significantly during FY: 07-08. Despite rate reduction, the collection from these items has improved by Rs.14 million due to increased imports during FY: 07-08 against target of Rs.30 million.

Conclusion

The government requires additional revenues for development and prosperity of the country. Some of the measures undertaken in budget 2007-08 have been quite effective in terms of revenue generation. Most of the measures of revenue enhancement during Budget 2007-08 were from federal excise and sales tax.

The FBR has diverted its attention toward services that sizable contribution is required to be realized from this source, being the largest sector in the economy of Pakistan. In this regard, the scope of FED has been extended to the services in a couple of years. The introduction of international travel tax during Budget 2007-08 has vastly added to the collection of FED, resultantly, services sector has now become the 3rd major revenue spinner of FED. Similarly, the levying of special excise duty in FY: 07-08 has also contributed a huge sum of the FED collection. Higher rate of sales tax has also fetched robust amount of additional tax collection.

The merger of CVT in customs duties on vehicles has not compensated for the loss of collection in CVT. Moreover, the government initiative to restrict the import of vehicles for more than 3 years age has reduced the number of motor vehicles significantly which has also affected the collection of customs duty as well. As a whole, budgetary measures remained fruitful in term of revenue generation.

III

An Overview of Tax Administration Reforms in FBR[3]

Background

The goal of tax administration is to keep pace with the economy and generate sufficient resources for the smooth functioning of the economy. Macroeconomic imbalances like, trade and budget deficit can be effectively tackled through an efficient, equitable and transparent tax system prevalent in the country. Secondly, flow of investment particularly foreign direct investment is linked with tax policy and tax administration persuasion. The stakeholders are not only concerned with effective and marginal taxation between various sectors of the economy, but also how the taxation policy is administered. A revenue administration that is perceived to be arbitrary or predatory discourages investment. Similarly, the efficiency of the Customs administration in clearing cargo figures prominently in investment decision, especially of multinational companies. Thirdly, corrupt and inefficient tax administration system encourages tax evasion and avoidance as the delinquency goes unpunished. This also discourages the honest taxpayers to honor their tax obligations. Finally, an efficient tax administration working on modern lines is necessary to deal with large taxpayers who have access to professionally sound intermediaries. In this scenario, tax departments relying on manual business processes and complicated and cumbersome procedures have little capacity to mobilize resources by competing with knowledgeable stakeholders.

Pre-Reform Position and Stakeholders’ Perception

Until recently, the tax machinery in Pakistan was regarded as inefficient and untrustworthy. The general perception about the department was highly adverse, especially on matters of governance. This situation was further complicated by inadequate resource mobilization, failure to meet revenue targets, disappointingly low tax effort as reflected by Tax/GDP ratio, and low level of voluntary compliance. Even though the anecdotal evidence was quite clear, but CBR (now FBR) decided to have stakeholders’ feedback through a perception survey in 1999 to serve as benchmark. The results of this exercise confirmed the prevalent apprehensions. The respondents reconfirmed that the laws were complicated, rules and regulations stringent, tax machinery was found inefficient that failed to understand and respond to the dynamics of fiscal and commercial environment. It further revealed that the CBR and its allied departments were not fair in their professional dealings. Consequently, the organization was ranked very high on the corruption index by the respondents.

[3] This Article has been prepared by Umar Wahid Secretary (Fiscal Research & Statistics) FBR. The information has been obtained from the respective wings of FBR and their cooperation is highly appreciated.

The detailed perception gathering initiative was completed in 2000 under the Shahid Hussain Committee Tax Reform project. The results of this survey were not too different than the earlier report. While elaborating on the reasons for this malaise, the present study indicated that below-subsistence level of wages, absence of proper career management policy, and the lack of job protection for employees as leading HR-related factors. Similarly, lack of adequate infrastructure and manual handling of business processes were also inhibiting smooth tax administration. Thus, to ensure transparency in the working of FBR, generate potential revenues, transform the environment from complete coercion to facilitation, and to minimize the adversarial relationship between the tax collector and taxpayers, it was necessary to undertake wide-ranging tax policy and administrative reforms.

Tax Administration Reform Program (TARP) initiatives in a chronological order:

- May 2001: Syed Shahid Hussain's Committee Report
- Aug 2001: IMF Mission Report
- Nov 2001: The Strategy Document on Tax Reform
- Nov 2001: Presentation to the President of Pakistan
- Dec 2001: Approval of the Strategy Document
- Feb 2002: Establishment of Supervisory Council
- Mar 2002: Ground Work for TARP & Pilot Projects under Bridge Financing/ PSCB Project
- April 2005: TARP Initiated

The major thrust of the TARP can be summarized in the following three-prong strategy:

a) Re-organization of Headquarter and Field Formations on functional lines; ensuring separate streams for internal and internal taxes; and offering special treatment to large taxpayers;

b) Attaining the objectives of reforms initiatives through a completely automated setup for the four federal taxes; and

c) Stronger emphasis on human resource management through complete workforce analysis, training needs, and induction, promotion and remuneration strategies.

The broad objectives of the Tax Administration Reform Project (TARP) were as follows:

1. Undertake extensive Business Process Re-engineering, simplify procedures and reap the benefits of efficiency gains
2. Facilitate and promote voluntary compliance;
3. Increase overall revenue collection and contribute to the achievement of fiscal targets;
4. Increase in tax to GDP ratio;
5. Guarantee fairer and more equitable application of tax laws; Increase in transparency and integrity;
6. Broaden the tax base;
7. Improve effectiveness, responsiveness and efficiency;
8. Provide transparent and high quality tax services; and
9. Strengthen audit and enforcement procedures.

The funding for the Project came from the World Bank, DFID, and Government of Pakistan. The details of the funding by projects-heads are as follows.

S. No	Description of TARP Heads	Total Budget (Rs. Million)	Share (%)	GOP Component (Rs. Million)	Share (%)	World Bank/ DFID Component (Rs. Million)	Share (%)
1	Technical Assistance	938.9	9.9	112.7	4.9	826.3	11.5
2	Customized Software	3,177.6	33.4	381.3	16.5	2,796.3	38.9
3	Hardware and Allied Equipment	2,059.2	21.7	411.8	17.8	1,647.3	22.9
4	Infrastructure Development	1,406.0	14.8	351.5	15.2	1,054.5	14.7
5	Automobiles	175.5	1.8	35.1	1.5	140.4	2.0
6	Training	585.2	6.2	-		585.2	8.1
7	Program Management	178.9	1.9	35.8	1.6	143.1	2.0
8	*Sub-Total*	*8,521.2*	*89.7*	*1,328.2*	*57.6*	*7,193.0*	*100.0*
9	Cost Escalation	979.4	10.3	979.4	42.4	0	0.0
10	**Total**	**9,500.6**	**100.0**	**2,307.58**	**100.0**	**7,193.0**	**100.0**

Source TP&R wing FBR

At the start of the Project, Vision, Mission and Value statements were developed and adopted by the revenue organisation and a strategy document for reform was prepared. To ensure timely completion of reform initiatives, a Project Implementation Plan (PIP) was also prepared. Finally to ensure proper monitoring of the project, a comprehensive list of performance indicators was prepared and enforced.

VISION

To be a modern, progressive, effective, autonomous and credible organization for optimizing revenue by providing quality service and promoting compliance with tax and related laws

MISSION

Enhance the capability of the tax system to collect due taxes through application of modern techniques, providing taxpayer assistance and by creating a motivated, satisfied, dedicated and professional workforce.

VALUES

These include: Integrity, Professionalism, Teamwork, Courtesy, Fairness, Transparency, and Responsiveness.

Broad Contours of Tax Administration Reforms

The major areas of reform under Tax Administration Reform Program (TARP) were: infrastructure development, automation of business processes, human resource development, and revamping of the audit, enforcement, appeals and dispute resolution mechanism, and introduction of modern concepts on taxpayers' education and facilitation. Within each of these major initiatives, extensive interventions have been developed and introduced at the micro level.

Human Resources Development: The level of training and skill of the personnel was not considered up to the required standards for working on professional lines. To introduce professionalism and acquaint FBR staff with the modern management techniques, a comprehensive program of training and capacity building was envisioned. The focus of the HRM strategy is on capacity building of employees, up-gradation of the working environment through provision of better facilities, and improved induction, promotion and remuneration packages.

Audit: Audit has taken a key position in the working of FBR after the introduction of self-assessment scheme. The effective audit can result in the reduction of tax evasion and is helpful in increasing compliance. Due to audit, non-filing of return can also be checked. Some of the initiatives are:

- Establishment of specialized internal audit functions in FBR;
- Setting up of an internal audit office for planning, program direction, procedures, training and evaluation of the internal audit program throughout the FBR
- Annual Audit Plans for Direct and Sales Taxes which cover available resources and projected case audits at the various jurisdictions;
- Programs and procedures for detection of potential fraud/evasion for referral to the Customs & Tax Fraud function; and
- Post Clearance Audit in Customs.

Information Technology/Automation

The usage and efficient management of information technology were the main challenges to reform tax administrations. The usage of IT in FBR and its allied departments was adhoc based and lacked co-ordination. There was duplication of data entry across different departments, the benefits of IT have not been achieved as computerization has been used to automate or partially automate manual processes rather than to re-engineer the processes; and information was frequently collected under the auspices of a single circle or Collectorate, which then considers it to be the owner of the data.

In order to move from a highly manual to an automated organization in which computers are used to carry out decisions made by various functional and technical teams/ authorities and ensuring availability of all the information at all strategic points within the organization, following goals have been setup to:

- Improve the data management control as per best international practice being carried out in the industrialized countries
- Automate entire business process across taxes
- Increase transparency of the tax administration;
- Reduce interface between the taxpayers and tax administration in day-to-operation;
- Managing Information in a manner to enhance the tax-net, increase revenue, and facilitate import and export trade; and,
- Identify international best-practices, and getting help adopt these accordingly.

A brief outline of BPR initiatives in the various taxes administered by FBR is given.

BPR in Income Taxes: Income tax administration has undergoing a strategic organizational shift from a cylindrical to a functional one. Furthermore, its processes that were traditionally geared towards a dispersed and large number of small offices

(731 in total) have been overhauled. The whole range of functions such as registration, taxpayer education and facilitation, audit, enforcement, HRM, IT, internal audit and data processing has been separated and fully functional. The core processes identified in terms of major impact are tax collection, audit selection and demand enforcement. Extensive use of information technology is the major driving force in the design of these processors.

BPR in Sales Tax: BPR is intended to fine-tune the existing processes to eliminate wastages, provide timely and accurate information within and outside the organization and deliver quality service to taxpayers. In this regard, the redesigned refund process titled Sales Tax Automated Refund Repository (STARR) is a major milestone. It is an integrated on-line system. A typical and completely documented refund case is processed within a few days, which previously used to take weeks. Further refinements in the form of risk-based management module are in the offing. Moreover, re-organization process of registration for capturing relevant taxpayer data, re-design the audit function to significantly enhance audit capability and control have been completed.

BPR in Customs: Customs processes are characterized by complex and cumbersome procedures and extensive interaction between taxpayers and tax collectors. This is causing heavy losses to the importers and manufacturers due to delays in cargo clearances. A customs re-engineering team has conceived and developed the Customs Automated Reform Project (CARE) and implemented. This project addresses some of the key processes including cargo clearance using profiling, selectivity and risk management, transshipment and auction management. The re-configured cargo clearance procedures have reduced clearance time from the present 8+ days to few hours. Similarly automated transshipment procedure would expedite approval at the port of arrival. Care has been taken to re-engineer the procedures to conform to international best practices recommended by the World Customs Organization (WCO) and other international trade conventions/ treaties. This CARE was first introduced at Karachi and with its successful result it has been replicated in all the MCCs throughout the country.

Restructuring of FBR headquarters

At the FBR Headquarters level re-structuring has been carried out and at the initial stage five functional wings were setup namely, FR&S, IMS, HRM, Audit, and FATE. Professional /trained Members from the open market were hired through a transparent recruitment policy. Similarly, staff from the existing strength was posted in theses reform wings through IJP process. The strategy of high pay package introduced for these reform units was highly successful and rewarding; therefore, the scheme has been phase wise replicated in other wings of FBR and the field offices.

Revenue Operations

The old and primitive field structure in tax collection has equally contributed in the inefficiency of taxation system. The experiment of establishing LTUs and MTUs has been a success on the basis of a number of indicators, including revenue collection, joint audits by income and sales tax teams, enforcement, provision of modern facilities, and facilitation of the taxpayers. The integration of domestic taxes into 13 RTOs and the establishment of 13 MCCs have further improved the efficiency of the system. Some of the steps envisioned for future are given below:

- Merging of as many support services as possible in the long run for all Revenue Administrations, including Customs, even though the Customs operations will always be maintained as a separate wing;
- Creating an integrated tax information system, including a taxpayer account for each taxpayer and a taxpayer accounting system, governed by the unique taxpayer-identification-number system;
- Designing and implementing modern risk-management systems based on mathematical ratios, taxpayer profiles, and industry standards, etc., to support compliance-enforcement programs.
- Designing vigorous enforcement programs to target taxpayers who choose not to comply voluntarily; and
- Introducing amendments/ additions to the Tax and Customs Laws that will support and enable the envisioned reforms and transformation.

Enforcement

Enforcement is an important area of reform in view of the weak tax compliance. It is envisaged that the tax policy and administrative reforms should lead to better enforcement, as complete tax profiles of target population will be available to the tax administrators.

Appeals and Dispute Resolution

Often ignored in the past is the area of Appeals and Adjudication. The reform program projects that the burden of litigation at various appellate fora would be reduced greatly to reduce elaborate human resource involvement in the entire process, which incidentally has generated only meager revenues for the government but at the expense of great hassle for the taxpayers. A complete overhauling of this important area has been initiated, which are highlighted as follows:

- Continuation with Alternate Dispute Resolution (ADR) mechanism
- Alignment of tax laws;

- Training and tenure posting of adjudicating officers with suitable infrastructure and facilities;
- Protection of staff from extraneous influences and investigating agencies;
- Countrywide computerization of Adjudication Collectorates; and
- On-line access of the adjudicating officers to data on valuation, imports-exports, local production of goods, information/profiles of taxpayers, case laws, latest ruling/judgments of superior courts; and computer-generated adjudication orders.

Facilitation and Taxpayer Education

Proper education of taxpayer is essential for efficient enforcement of tax policies and compliance. The FBR has already taken a number of steps for education and facilitation like the introduction of help-line, web facility, printed material and establishment of facilitation center etc. Furthermore, the taxpayers are being facilitated through media campaigns to improve compliance. Taxpayers are also being educated on such basic things as: how to fill the returns, revisions in the existing rate structure, time-to-time changes in rules and procedures etc. FBR is also working on broadening of tax base and proper registration and maintaining national tax number (NTN).

Infrastructure Development

The emphasis of the tax administration reform was on promoting voluntary tax compliance through an enhanced level of taxpayers' facilitation. Simplification of rules and procedures, and creating a hassle free tax environment for the taxpayers,

To achieve these objectives FBR has made tiring efforts to develop the dilapidated infrastructure at the field level and to create a congenial working environment both for the taxpayer and tad tax administration. The establishment of dedicated tax units (LTUs and MTUs) at Karachi and Lahore as a pilot test project was a successful experiment for the FBR, so with the passage of last few years, the scope of taxpayer facilitation has been extended to the entire country and all the domestic taxes has been co-located under the 13 RTOs in the major cities of the country. Similarly, the Customs collectorates have been re-structured and converted into 13 MCCs, besides setting up large number of Taxpayers Facilitation Units (TFCs) at important places in the country.

Tax Policy Reforms

In order to attain efficiency and equity in the taxation system, promote investment opportunities both for domestic and international investors and encourage exports which was seriously hampered due to high tax and tariff rates, following measures have been introduced in the taxation system of Pakistan:

Tariff Rationalization:
The first step in the tax policy reform initiatives was the initiation of tariff rationalization in FY: 88-89, when the maximum tariff was reduced from 150% to 125%. Since then, this process continued at an accelerated pace, the maximum rate of duty has gradually been reduced to 25% in FY: 05-06 and in vogue till to-date.

Introduction of General Sales Tax (GST): The other significant improvement at the early stages of tax policy reforms was the introduction of General Sales Tax (GST).The rational behind this initiative was the existence of a combination of tax rates applicable for sales tax collection like, higher rate of 20% on certain commodities and also the further tax @ 3% applicable to non-registered persons. These distortions have been abolished in FY: 04-05 and a uniformed rate of 15% has been fixed both at import and domestic stages. Similarly the concept of zero-rating has been introduced for the entire chain of export-oriented industries as a short term arrangement to improve cash-flow situation of the investors, and to avoid the legacy cumbersome system of refunds and rebates. Once transparent system of refund/rebate payments is setup the zero rating concepts will be done away with.

Changes in Income and Corporate Taxes: The income and corporate tax structure has also gone through substantial changes and improvements in recent years. These include enhancement in basic threshold of exempt income over the years, change in the advance tax regime, and continuous reduction in corporate rates to promote corporate culture. The corporate rates were at their peak in 1993, where Banking companies were charged @ 66%, Public companies @ 44% and for Private companies @ 55%. These rates have been gradually reduced and parity of 35% amongst the companies has been attained in 2007. Another important development in the income tax structure has been the introduction of the concept of self-assessment.

Outcomes of Reforms
The wide-ranging tax and tariff reforms, as well as reforms in tax administration, have been beneficial. The resource mobilization efforts of FBR have been impressive. During the reform period 2001-08 FBR has collected additional revenue of Rs. 603 billion for the government, particularly, the FY: 07-08, has generated alone an additional amount of Rs. 160 billion and a high growth of 18.9% has been achieved over FY: 06-07. Resultantly, FBR has been able to maintain 0.3% increase per annum in the Tax/GDP till FY: 06-07. This ratio has declined by one percentage point during FY: 07-08 due to occurrence of unfavorable events which has badly affected the economy, resultantly FBR has also faced revenue shortages to the tune of Rs. 18 billion against the original target. However, it is expected that FBR will meet the revenue target of Rs. 1250 billion fixed for FY: 08-09, as a result the Tax/GDP ratio is expected to reach 10%, which will be consistent with the ten-year revenue vision of

the Organization.

On the broadening of tax base front, one of the objectives of tax policy and administration reforms was broadening of tax base. This objective has been achieved when the return filers that were only 1 million in FY: 03-04, has increased to 1.23 million in FY: 04-05, and further jumped to 1.49 million in FY: 05-06. The number of filers has reached 1.81 million in FY: 06-07 and 2.1 million in FY: 07-08. The growth has been around 40% over FY: 05-06.

Similarly, the number of registered persons with sales tax department has increased from 101,851 in FY: 03-04 to 115,702 in FY: 04-05. It has further enhanced to 116,686 in FY: 05- 06. During FY: 06-07and 07-08 the registered persons has reached to 128,210 and 145,000 respectively indicating a growth of 13.1%

Effective resolution of pending appeals both of direct and indirect taxes has been a land marked achievement of the Government during the last three years. Excluding cases filed at Supreme and High Courts and Appellate forums, 78,000 cases were pending in July 1, 2004. All these pending appeals have been disposed of during FY: two years. The FY: 05-06 started with a new dispute resolution strategy, deciding all new appeals and adjudication cases within 90 days of their filing as per law. This policy has been actively perused to provide relief to the taxpayers. All the appeals and adjudication cases filed in FY: 05-06, FY: 06-07 and FY: 07-08 have been decided. Simultaneously, hectic efforts have also been made for quick disposal of cases at the higher legal fora. There were about 1950 cases, pending with Apex court, out of which about 1600 cases, some of these were over a decade old, were decided by the Apex Court. Similarly, in high courts about 13000 cases were awaiting decisions. With FBR best efforts, about 9000 cases have been decided by the High Courts.

All this efforts have considerably reduced the litigation burden on taxpayers. As a result, not only the cost of doing business has reduced, a hassle- free environment has also been created.

Future Strategy

FBR main focus in now on the following three major areas of reform in the near future:

Training and Development: The important goal of FBR is to ensure that existing staff receive training in the new systems and procedures and also training of existing staff must be combined with effective recruitment systems to ensure that the right candidates are selected to fill any vacancies, which arise. Similarly, FBR managers will need to be trained in the management skills, which will enable them to manage their assignments more effectively. For this purpose the training strategy will include allocation of proper workloads, the setting of appropriate performance targets, and monitoring or tutoring their staff to ensure that they meet their targets need to be added in

Full automation: The vision of FBR provides for a functionally integrated tax administration. The integration will provide taxpayers with a single point of access, enabling them to easily obtain all the information required to assess their tax liabilities. Moreover, streamlined training and capacity building will allow the FBR to deploy staff in a more flexible manner. Currently, the BPR of the individual taxes has been successfully in operation, but ITMS is the ultimate goal of FBR to bring the organization as per best international practice

Workforce Rationalization: Once the FBR is fully automated and manned by trained and professional manpower, the second stage of human resource policy would be staff rationalization. For this purpose a workforce rationalization strategy will be devised in consultation with the establishment Division and align with the government labour policy.

STATISTICAL APPENDIX

COMPARATIVE STATEMENTS OF

MONTH-TO-MONTH AND PROGRESSIVE

COLLECTION OF

FEDERAL TAXES 2007 – 08

ALL TAXES

TWO YEAR COMPARATIVE - MONTH TO MONTH & PROGRESSIVE COLLECTION

Rs. Million

MONTHS		FY 2007-08			FY 2006-07			COMPARISON			COMPARISON AS % AGE		
		GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET
1		2	3	4	5	6	7	8	9	10	11	12	13
JULY	M	55,869	4,928	50,941	54,468	8,290	46,178	1,401	-3,362	4,763	2.6	-40.6	10.3
AUGUST	M	63,040	2,901	60,139	54,016	7,683	46,333	9,024	-4,782	13,806	16.7	-62.2	29.8
	P	**118,909**	**7,829**	**111,080**	**108,484**	**15,973**	**92,511**	**10,425**	**-8,144**	**18,569**	**9.6**	**-51.0**	**20.1**
SEPTEMBER	M	100,662	6,606	94,056	101,547	10,121	91,426	-885	-3,515	2,630	-0.9	-34.7	2.9
1st Quarter		**219,571**	**14,435**	**205,136**	**210,031**	**26,094**	**183,937**	**9,540**	**-11,659**	**21,199**	**4.5**	**-44.7**	**11.5**
OCTOBER	M	69,798	3,410	66,388	60,399	7,087	53,312	9,399	-3,677	13,076	15.6	-51.9	24.5
	P	**289,369**	**17,845**	**271,524**	**270,430**	**33,181**	**237,249**	**18,939**	**-15,336**	**34,275**	**7.0**	**-46.2**	**14.4**
NOVEMBER	M	73,412	4,869	68,543	67,079	8,052	59,027	6,333	-3,183	9,516	9.4	-39.5	16.1
	P	**362,781**	**22,714**	**340,067**	**337,509**	**41,233**	**296,276**	**25,272**	**-18,519**	**43,791**	**7.5**	**-44.9**	**14.8**
DECEMBER	M	106,630	11,621	95,009	123,862	9,626	114,236	-17,232	1,995	-19,227	-13.9	20.7	-16.8
2nd Quarter		**249,840**	**19,900**	**229,940**	**251,340**	**24,765**	**226,575**	**-1,500**	**-4,865**	**3,365**	**-0.6**	**-19.6**	**1.5**
Upto 2nd Qtr		**469,411**	**34,335**	**435,076**	**461,371**	**50,859**	**410,512**	**8,040**	**-16,524**	**24,564**	**1.7**	**-32.5**	**6.0**
JANUARY	M	85,205	7,664	77,541	55,594	3,434	52,160	29,611	4,230	25,381	53.3	123.2	48.7
	P	**554,616**	**41,999**	**512,617**	**516,965**	**54,293**	**462,672**	**37,651**	**-12,294**	**49,945**	**7.3**	**-22.6**	**10.8**
FEBRUARY	M	75,866	3,100	72,766	56,830	4,404	52,426	19,036	-1,304	20,340	33.5	-29.6	38.8
	P	**630,482**	**45,099**	**585,383**	**573,795**	**58,697**	**515,098**	**56,687**	**-13,598**	**70,285**	**9.9**	**-23.2**	**13.6**
MARCH	M	99,973	5,428	94,545	89,298	7,399	81,899	10,675	-1,971	12,646	12.0	-26.6	15.4
3rd Quarter		**261,044**	**16,192**	**244,852**	**201,722**	**15,237**	**186,485**	**59,322**	**955**	**58,367**	**29.4**	**6.3**	**31.3**
Upto 3rd Qtr		**730,455**	**50,527**	**679,928**	**663,093**	**66,096**	**596,997**	**67,362**	**-15,569**	**82,931**	**10.2**	**-23.6**	**13.9**
APRIL	M	88,982	5,319	83,663	66,406	6,921	59,485	22,576	-1,602	24,178	34.0	-23.1	40.6
	P	**819,437**	**55,846**	**763,591**	**729,499**	**73,017**	**656,482**	**89,938**	**-17,171**	**107,109**	**12.3**	**-23.5**	**16.3**
MAY	M	96,530	3,919	92,611	70,491	4,717	65,774	26,039	-798	26,837	36.9	-16.9	40.8
	P	**915,967**	**59,765**	**856,202**	**799,990**	**77,734**	**722,256**	**115,977**	**-17,969**	**133,946**	**14.5**	**-23.1**	**18.5**
JUNE	M	157,657	6,675	150,982	129,382	4,402	124,980	28,275	2,273	26,002	21.9	51.6	20.8
4th Quarter		**343,169**	**15,913**	**327,256**	**266,279**	**16,040**	**250,239**	**76,890**	**-127**	**77,017**	**28.9**	**-0.8**	**30.8**
Upto 4th Qtr		**1,073,624**	**66,440**	**1,007,184**	**929,372**	**82,136**	**847,236**	***144,252***	***-15,696***	***159,948***	***15.5***	***-19.1***	***18.9***

DIRECT TAXES
TWO YEAR COMPARATIVE - MONTH TO MONTH & PROGRESSIVE COLLECTION

MONTHS		FY 2007-08			FY 2006-07			COMPARISON			COMPARISON AS % AGE		
		GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET
1		2	3	4	5	6	7	8	9	10	11	12	13
JULY	M	15,197	1,087	14,110	11,619	1,533	10,086	3,578	-446	4,024	30.8	-29	39.9
AUGUST	M	15,401	394	15,007	12,941	1,831	11,110	2,460	-1,437	3,897	19.0	-78	35.1
	P	**30,598**	**1,481**	**29,117**	**24,560**	**3,364**	**21,196**	**6,038**	**-1,883**	**7,921**	**24.6**	**-56**	**37.4**
SEPTEMBER	M	51,106	2,691	48,415	52,021	6,741	45,280	-915	-4,050	3,135	-1.8	-60	6.9
1st Quarter		***81,704***	***4,172***	***77,532***	***76,581***	***10,105***	***66,476***	***5,123***	***-5,933***	***11,056***	***6.7***	***-59***	***16.6***
OCTOBER	M	17,625	464	17,161	17,946	1,880	16,066	-321	-1,416	1,095	-1.8	-75	6.8
	P	**99,329**	**4,636**	**94,693**	**94,527**	**11,985**	**82,542**	**4,802**	**-7,349**	**12,151**	**5.1**	**-61**	**14.7**
NOVEMBER	M	20,219	1,499	18,720	17,433	3,508	13,925	2,786	-2,009	4,795	16.0	-57	34.4
	P	**119,548**	**6,135**	**113,413**	**111,960**	**15,493**	**96,467**	**7,588**	**-9,358**	**16,946**	**6.8**	**-60**	**17.6**
DECEMBER	M	58,478	7,296	51,182	80,444	4,212	76,232	-21,966	3,084	-25,050	-27.3	73	-32.9
2nd Quarter		***96,322***	***9,259***	***87,063***	***115,823***	***9,600***	***106,223***	***-19,501***	***-341***	***-19,160***	***-16.8***	***-4***	***-18.0***
Upto 2nd Qtr		***178,026***	***13,431***	***164,595***	***192,404***	***19,705***	***172,699***	***-14,378***	***-6,274***	***-8,104***	***-7.5***	***-32***	***-4.7***
JANUARY	M	31,116	4,046	27,070	13,527	1,070	12,457	17,589	2,976	14,613	130.0	278	117.3
	P	**209,142**	**17,477**	**191,665**	**205,931**	**20,775**	**185,156**	**3,211**	**-3,298**	**6,509**	**1.6**	**-16**	**3.5**
FEBRUARY	M	25,586	568	25,018	14,772	992	13,780	10,814	-424	11,238	73.2	-43	81.6
	P	**234,728**	**18,045**	**216,683**	**220,703**	**21,767**	**198,936**	**14,025**	**-3,722**	**17,747**	**6.4**	**-17**	**8.9**
MARCH	M	43,140	2,185	40,955	42,779	3,914	38,865	361	-1,729	2,090	0.8	-44	5.4
3rd Quarter		***99,842***	***6,799***	***93,043***	***71,078***	***5,976***	***65,102***	***28,764***	***823***	***27,941***	***40.5***	***14***	***42.9***
Upto 3rd Qtr		***277,868***	***20,230***	***257,638***	***263,482***	***25,681***	***237,801***	***14,386***	***-5,451***	***19,837***	***5.5***	***-21***	***8.3***
APRIL	M	28,254	1,339	26,915	17,821	2,741	15,080	10,433	-1,402	11,835	58.5	-51	78.5
	P	**306,122**	**21,569**	**284,553**	**281,303**	**28,422**	**252,881**	**24,819**	**-6,853**	**31,672**	**8.8**	**-24**	**12.5**
MAY	M	29,503	1,291	28,212	20,803	978	19,825	**8,700**	313	**8,387**	**41.8**	32	**42.3**
	P	**335,625**	**22,860**	**312,765**	**302,106**	**29,400**	**272,706**	**33,519**	**-6,540**	**40,059**	**11.1**	**-22**	**14.7**
JUNE	M	77,682	2,960	74,722	63,864	2,833	61,031	13,818	127	13,691	21.6	4	22.4
4th Quarter		**135,439**	**5,590**	**129,849**	**102,488**	**6,552**	**95,936**	**32,951**	**-962**	**33,913**	**32.2**	**-15**	**35.3**
Upto 4th Qtr		**413,307**	**25,820**	**387,487**	**365,970**	**32,233**	**333,737**	***47,337***	**-6,413**	***53,750***	***12.9***	**-20**	***16.1***

INDIRECT TAXES

TWO YEAR COMPARATIVE - MONTH TO MONTH & PROGRESSIVE COLLECTION

Rs. Million

MONTHS		FY 2007-08			FY 2006-07			COMPARISON			COMPARISON AS % AGE		
		GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET
1		2	3	4	5	6	7	8	9	10	11	12	13
JULY	M	40,672	3,841	36,831	42,849	6,757	36,092	-2,177	-2,916	739	-5.1	-43.2	2.0
AUGUST	M	47,639	2,507	45,132	41,075	5,852	35,223	6,564	-3,345	9,909	16.0	-57.2	28.1
	P	**88,311**	**6,348**	**81,963**	**83,924**	**12,609**	**71,315**	**4,387**	**-6,261**	**10,648**	**5.2**	**-49.7**	**14.9**
SEPTEMBER	M	49,556	3,915	45,641	49,526	3,380	46,146	30	535	-505	0.1	15.8	-1.1
1st Quarter		**137,867**	**10,263**	**127,604**	**133,450**	**15,989**	**117,461**	**4,417**	**-5,726**	**10,143**	**3.3**	**-35.8**	**8.6**
OCTOBER	M	52,173	2,946	49,227	42,453	5,207	37,246	9,720	-2,261	11,981	22.9	-43.4	32.2
	P	**190,040**	**13,209**	**176,831**	**175,903**	**21,196**	**154,707**	**14,137**	**-7,987**	**22,124**	**8.0**	**-37.7**	**14.3**
NOVEMBER	M	53,193	3,370	49,823	49,646	4,544	45,102	3,547	-1,174	4,721	7.1	-25.8	10.5
	P	**243,233**	**16,579**	**226,654**	**225,549**	**25,740**	**199,809**	**17,684**	**-9,161**	**26,845**	**7.8**	**-35.6**	**13.4**
DECEMBER	M	48,152	4,325	43,827	43,418	5,414	38,004	4,734	-1,089	5,823	10.9	-20.1	15.3
2nd Quarter		**153,518**	**10,641**	**142,877**	**135,517**	**15,165**	**120,352**	**18,001**	**-4,524**	**22,525**	**13.3**	**-29.8**	**18.7**
Upto 2nd Qtr		**291,385**	**20,904**	**270,481**	**268,967**	**31,154**	**237,813**	**22,418**	**-0,250**	**32,668**	**8.3**	**-32.9**	**13.7**
JANUARY	M	54,089	3,618	50,471	42,067	2,364	39,703	12,022	1,254	10,768	28.6	53.0	27.1
	P	**345,474**	**24,522**	**320,952**	**311,034**	**33,518**	**277,516**	**34,440**	**-8,996**	**43,436**	**11.1**	**-26.8**	**15.7**
FEBRUARY	M	50,280	2,532	47,748	42,058	3,412	38,646	8,222	-880	9,102	19.5	-25.8	23.6
	P	**395,754**	**27,054**	**368,700**	**353,092**	**36,930**	**316,162**	**42,662**	**-9,876**	**52,538**	**12.1**	**-26.7**	**16.6**
MARCH	M	56,833	3,243	53,590	46,519	3,485	43,034	10,314	-242	10,556	22.2	-6.9	24.5
3rd Quarter		**161,202**	**9,393**	**151,809**	**130,644**	**9,261**	**121,383**	**30,558**	**132**	**30,426**	**23.4**	**1.4**	**25.1**
Upto 3rd Qtr		**452,587**	**30,297**	**422,290**	**399,611**	**40,415**	**359,196**	**52,976**	**-0,118**	**63,094**	**13.3**	**-25.0**	**17.6**
APRIL	M	60,728	3,980	56,748	48,585	4,180	44,405	12,143	-200	12,343	25.0	-4.8	27.8
	P	**513,315**	**34,277**	**479,038**	**448,196**	**44,595**	**403,601**	**65,119**	**-0,318**	**75,437**	**14.5**	**-23.1**	**18.7**
MAY	M	67,027	2,628	64,399	49,688	3,739	45,949	17,339	-1,111	18,450	34.9	-29.7	40.2
	P	**580,342**	**36,905**	**543,437**	**497,884**	**48,334**	**449,550**	**82,458**	**-1,429**	**93,887**	**16.6**	**-23.6**	**20.9**
JUNE	M	79,975	3,715	76,260	65,518	1,569	63,949	14,457	2,146	12,311	22.1	136.8	19.3
4th Quarter		**207,730**	**10,323**	**197,407**	**163,791**	**9,488**	**154,303**	**43,939**	**835**	**43,104**	**26.8**	**8.8**	**27.9**
Upto 4th Qtr		**660,317**	**40,620**	**619,697**	**563,402**	**49,903**	**513,499**	***96,915***	***-9,283***	***106,198***	***17.2***	***-18.6***	***20.7***

SALES TAX (TOTAL)
TWO YEAR COMPARATIVE - MONTH TO MONTH & PROGRESSIVE COLLECTION

MONTHS		FY 2007-08			FY 2006-07			COMPARISON			COMPARISON AS % AGE		
		GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET
1		2	3	4	5	6	7	8	9	10	11	12	13
JULY	M	29,188	2,954	26,234	28,688	4,664	24,024	500	-1,710	2,210	1.7	-36.7	9.2
AUGUST	M	30,537	1,690	28,847	25,247	4,332	20,915	5,290	-2,642	7,932	21.0	-61.0	37.9
	P	**59,725**	**4,644**	**55,081**	**53,935**	**8,996**	**44,939**	**5,790**	**-4,352**	**10,142**	**10.7**	**-48.4**	**22.6**
SEPTEMBER	M	30,679	3,008	27,671	32,910	2,264	30,646	-2,231	744	-2,975	-6.8	32.9	-9.7
1st Quarter		**90,404**	**7,652**	**82,752**	**86,845**	**11,260**	**75,585**	**3,559**	**-3,608**	**7,167**	**4.1**	**-32.0**	**9.5**
OCTOBER	M	33,420	1,914	31,506	26,031	4,057	21,974	7,389	-2,143	9,532	28.4	-52.8	43.4
	P	**123,824**	**9,566**	**114,258**	**112,876**	**15,317**	**97,559**	**10,948**	**-5,751**	**16,699**	**9.7**	**-37.5**	**17.1**
NOVEMBER	M	32,243	2,503	29,740	31,760	3,630	28,130	483	-1,127	1,610	1.5	-31.0	5.7
	P	**156,067**	**12,069**	**143,998**	**144,636**	**18,947**	**125,689**	**11,431**	**-6,878**	**18,309**	**7.9**	**-36.3**	**14.6**
DECEMBER	M	28,335	3,017	25,318	24,683	4,135	20,548	3,652	-1,118	4,770	14.8	-27.0	23.2
2nd Quarter		**93,998**	**7,434**	**86,564**	**82,474**	**11,822**	**70,652**	**11,524**	**-4,388**	**15,912**	**14.0**	**-37.1**	**22.5**
Upto 2nd Qtr		**184,402**	**15,086**	**169,316**	**169,319**	**23,082**	**146,237**	**15,083**	**-7,996**	**23,079**	**8.9**	**-34.6**	**15.8**
JANUARY	M	31,979	2,072	29,907	26,406	1,620	24,786	5,573	452	5,121	21.1	27.9	20.7
	P	**216,381**	**17,158**	**199,223**	**195,725**	**24,702**	**171,023**	**20,656**	**-7,544**	**28,200**	**10.6**	**-30.5**	**16.5**
FEBRUARY	M	30,344	1,506	28,838	26,223	2,507	23,716	4,121	-1,001	5,122	15.7	-39.9	21.6
	P	**246,725**	**18,664**	**228,061**	**221,948**	**27,209**	**194,739**	**24,777**	**-8,545**	**33,322**	**11.2**	**-31.4**	**17.1**
MARCH	M	32,818	2,266	30,552	26,649	2,573	24,076	6,169	-307	6,476	23.1	-11.9	26.9
3rd Quarter		**95,141**	**5,844**	**89,297**	**79,278**	**6,700**	**72,578**	**15,863**	**-856**	**16,719**	**20.0**	**-12.8**	**23.0**
Upto 3rd Qtr		**279,543**	**20,930**	**258,613**	**248,597**	**29,782**	**218,815**	**30,946**	**-8,852**	**39,798**	**12.4**	**-29.7**	**18.2**
APRIL	M	37,281	2,240	35,041	30,305	3,328	26,977	6,976	-1,088	8,064	23.0	-32.7	29.9
	P	**316,824**	**23,170**	**293,654**	**278,902**	**33,110**	**245,792**	**37,922**	**-9,940**	**47,862**	**13.6**	**-30.0**	**19.5**
MAY	M	41,040	1,600	39,440	30,414	2,989	27,425	10,626	-1,389	12,015	34.9	-46.5	43.8
	P	**357,864**	**24,770**	**333,094**	**309,316**	**36,099**	**273,217**	**48,548**	**-11,329**	**59,877**	**15.7**	**-31.4**	**21.9**
JUNE	M	47,242	3,405	43,837	37,109	930	36,179	10,133	2,475	7,658	27.3	266.1	21.2
4th Quarter		**125,563**	**7,245**	**118,318**	**97,828**	**7,247**	**90,581**	**27,735**	**-2**	**27,737**	**28.4**	**0.0**	**30.6**
Upto 4th Qtr		**405,106**	**28,175**	**376,931**	**346,425**	**37,029**	**309,396**	***58,681***	***-8,854***	***67,535***	***16.9***	***-23.9***	***21.8***

SALES TAX (DOMESTIC)
TWO YEAR COMPARATIVE - MONTH TO MONTH & PROGRESSIVE COLLECTION

MONTHS		FY 2007-08			FY 2006-07			COMPARISON			COMPARISON AS % AGE		
		GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET
1		2	3	4	5	6	7	8	9	10	11	12	13
JULY	M	13,884	2,948	10,936	13,571	4,656	8,915	313	-1,708	2,021	2.3	-36.7	22.7
AUGUST	M	14,518	1,664	12,854	10,395	4,329	6,066	4,123	-2,665	6,788	39.7	-61.6	111.9
	P	**28,402**	**4,612**	**23,790**	**23,966**	**8,985**	**14,981**	**4,436**	**-4,373**	**8,809**	**18.5**	**-48.7**	**58.8**
SEPTEMBER	M	14,414	3,005	11,409	18,118	2,255	15,863	-3,704	750	-4,454	-20.4	33.3	-28.1
1st Quarter		**42,816**	**7,617**	**35,199**	**42,084**	**11,240**	**30,844**	**732**	**-3,623**	**4,355**	**1.7**	**-32.2**	**14.1**
OCTOBER	M	15,890	1,914	13,976	14,596	4,051	10,545	1,294	-2,137	3,431	8.9	-52.8	32.5
	P	**58,706**	**9,531**	**49,175**	**56,680**	**15,291**	**41,389**	**2,026**	**-5,760**	**7,786**	**3.6**	**-37.7**	**18.8**
NOVEMBER	M	14,394	2,499	11,895	15,390	3,627	11,763	-996	-1,128	132	-6.5	-31.1	1.1
	P	**73,100**	**12,030**	**61,070**	**72,070**	**18,918**	**53,152**	**1,030**	**-6,888**	**7,918**	**1.4**	**-36.4**	**14.9**
DECEMBER	M	16,188	3,012	13,176	11,891	4,118	7,773	4,297	-1,106	5,403	36.1	-26.9	69.5
2nd Quarter		**46,472**	**7,425**	**39,047**	**41,877**	**11,796**	**30,081**	**4,595**	**-4,371**	**8,966**	**11.0**	**-37.1**	**29.8**
Upto 2nd Qtr		**89,288**	**15,042**	**74,246**	**83,961**	**23,036**	**60,925**	**5,327**	**-7,994**	**13,321**	**6.3**	**-34.7**	**21.9**
JANUARY	M	14,556	2,052	12,504	13,703	1,619	12,084	853	433	420	6.2	26.7	3.5
	P	**103,844**	**17,094**	**86,750**	**97,664**	**24,655**	**73,009**	**6,180**	**-7,561**	**13,741**	**6.3**	**-30.7**	**18.8**
FEBRUARY	M	16,797	1,504	15,293	12,600	2,504	10,096	4,197	-1,000	5,197	33.3	-39.9	51.5
	P	**120,641**	**18,598**	**102,043**	**110,264**	**27,159**	**83,105**	**10,377**	**-8,561**	**18,938**	**9.4**	**-31.5**	**22.8**
MARCH	M	17,124	2,261	14,863	12,547	2,569	9,978	4,577	-308	4,885	36.5	-12.0	49.0
3rd Quarter		**48,477**	**5,817**	**42,660**	**38,850**	**6,692**	**32,158**	**9,627**	**-875**	**10,502**	**24.8**	**-13.1**	**32.7**
Upto 3rd Qtr		**137,765**	**20,859**	**116,906**	**122,811**	**29,728**	**93,083**	**14,954**	**-8,869**	**23,823**	**12.2**	**-29.8**	**25.6**
APRIL	M	21,010	2,225	18,785	14,838	3,327	11,511	6,172	-1,102	7,274	41.6	-33.1	63.2
	P	**158,775**	**23,084**	**135,691**	**137,649**	**33,055**	**104,594**	**21,126**	**-9,971**	**31,097**	**15.3**	**-30.2**	**29.7**
MAY	M	21,671	1,597	20,074	13,838	2,974	10,864	7,833	-1,377	9,210	56.6	-46.3	84.8
	P	**180,446**	**24,681**	**155,765**	**151,487**	**36,029**	**115,458**	**28,959**	**-11,348**	**40,307**	**19.1**	**-31.5**	**34.9**
JUNE	M	29,217	3,405	25,812	18,958	929	18,029	10,259	2,476	7,783	54.1	266.5	43.2
4th Quarter		**71,898**	**7,227**	**64,671**	**47,634**	**7,230**	**40,404**	**24,264**	**-3**	**24,267**	**50.9**	**0.0**	**60.1**
Upto 4th Qtr		**209,663**	**28,086**	**181,577**	**170,445**	**36,958**	**133,487**	***39,218***	**-8,872**	***48,090***	***23.0***	***-24.0***	***36.0***

SALES TAX (IMPORT)
TWO YEAR COMPARATIVE - MONTH TO MONTH & PROGRESSIVE COLLECTION

MONTHS		FY 2007-08			FY 2006-07			COMPARISON			COMPARISON AS % AGE		
		GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET
1		2	3	4	5	6	7	8	9	10	11	12	13
JULY	M	15,304	6	15,298	15,117	8	15,109	187	-2	189	1.2	-25.0	1.3
AUGUST	M	16,019	26	15,993	14,852	3	14,849	1,167	23	1,144	7.9	766.7	7.7
	P	**31,323**	**32**	**31,291**	**29,969**	**11**	**29,958**	**1,354**	**21**	**1,333**	**4.5**	**190.9**	**4.4**
SEPTEMBER	M	16,265	3	16,262	14,792	9	14,783	1,473	-6	1,479	10.0	-66.7	10.0
1st Quarter		**47,588**	**35**	**47,553**	**44,761**	**20**	**44,741**	**2,827**	**15**	**2,812**	**6.3**	**75.0**	**6.3**
OCTOBER	M	17,530	0	17,530	11,435	6	11,429	6,095	-6	6,101	53.3	-100.0	53.4
	P	**65,118**	**35**	**65,083**	**56,196**	**26**	**56,170**	**8,922**	**9**	**8,913**	**15.9**	**34.6**	**15.9**
NOVEMBER	M	17,849	4	17,845	16,370	3	16,367	1,479	1	1,478	9.0	33.3	9.0
	P	**82,967**	**39**	**82,928**	**72,566**	**29**	**72,537**	**10,401**	**10**	**10,391**	**14.3**	**34.5**	**14.3**
DECEMBER	M	12,147	5	12,142	12,792	17	12,775	-645	-12	-633	-5.0	-70.6	-5.0
2nd Quarter		**47,526**	**9**	**47,517**	**40,597**	**26**	**40,571**	**6,929**	**-17**	**6,946**	**17.1**	**-65.4**	**17.1**
Upto 2nd Qtr		**95,114**	**44**	**95,070**	**85,358**	**46**	**85,312**	**9,756**	**-2**	**9,758**	**11.4**	**-4.3**	**11.4**
JANUARY	M	17,423	20	17,403	12,703	1	12,702	4,720	19	4,701	37.2	1,900.0	37.0
	P	**112,537**	**64**	**112,473**	**98,061**	**47**	**98,014**	**14,476**	**17**	**14,459**	**14.8**	**36.2**	**14.8**
FEBRUARY	M	13,547	2	13,545	13,623	3	13,620	-76	-1	-75	-0.6	-33.3	-0.6
	P	**126,084**	**66**	**126,018**	**111,684**	**50**	**111,634**	**14,400**	**16**	**14,384**	**12.9**	**32.0**	**12.9**
MARCH	M	15,694	5	15,689	14,102	4	14,098	1,592	1	1,591	11.3	25.0	11.3
3rd Quarter		**46,664**	**27**	**46,637**	**40,428**	**8**	**40,420**	**6,236**	**19**	**6,217**	**15.4**	**237.5**	**15.4**
Upto 3rd Qtr		**141,778**	**71**	**141,707**	**125,786**	**54**	**125,732**	**15,992**	**17**	**15,975**	**12.7**	**31.5**	**12.7**
APRIL	M	16,271	15	16,256	15,467	1	15,466	804	14	790	5.2	1,400.0	5.1
	P	**158,049**	**86**	**157,963**	**141,253**	**55**	**141,198**	**16,796**	**31**	**16,765**	**11.9**	**56.4**	**11.9**
MAY	M	19,369	3	19,366	16,576	15	16,561	2,793	-12	2,805	16.8	-80.0	16.9
	P	**177,418**	**89**	**177,329**	**157,829**	**70**	**157,759**	**19,589**	**19**	**19,570**	**12.4**	**27.1**	**12.4**
JUNE	M	18,025	0	18,025	18,151	1	18,150	-126	-1	-125	-0.7	-100.0	-0.7
4th Quarter		**53,665**	**18**	**53,647**	**50,194**	**17**	**50,177**	**3,471**	**1**	**3,470**	**6.9**	**5.9**	**6.9**
Upto 4th Qtr		**195,443**	**89**	**195,354**	**175,980**	**71**	**175,909**	***19,463***	***18***	***19,445***	***11.1***	***25.4***	***11.1***

CUSTOMS
TWO YEAR COMPARATIVE - MONTH TO MONTH & PROGRESSIVE COLLECTION

MONTHS		FY 2007-08			FY 2006-07			COMPARISON			COMPARISON AS % AGE		
		GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET
1		2	3	4	5	6	7	8	9	10	11	12	13
JULY	M	9,625	887	8,738	10,156	2,080	8,076	-531	-1,193	662	-5.2	-57.4	8.2
AUGUST	M	10,547	817	9,730	11,193	1,482	9,711	-646	-665	19	-5.8	-44.9	0.2
	P	**20,172**	**1,704**	**18,468**	**21,349**	**3,562**	**17,787**	**-1,177**	**-1,858**	**681**	**-5.5**	**-52.2**	**3.8**
SEPTEMBER	M	11,407	899	10,508	11,216	1,113	10,103	191	-214	405	1.7	-19.2	4.0
1st Quarter		**31,579**	**2,603**	**28,976**	**32,565**	**4,675**	**27,890**	**-986**	**-2,072**	**1,086**	**-3.0**	**-44.3**	**3.9**
OCTOBER	M	11,205	1,032	10,173	10,948	1,147	9,801	257	-115	372	2.3	-10.0	3.8
	P	**42,784**	**3,635**	**39,149**	**43,513**	**5,822**	**37,691**	**-729**	**-2,187**	**1,458**	**-1.7**	**-37.6**	**3.9**
NOVEMBER	M	12,646	867	11,779	12,328	875	11,453	318	-8	326	2.6	-0.9	2.8
	P	**55,430**	**4,502**	**50,928**	**55,841**	**6,697**	**49,144**	**-411**	**-2,195**	**1,784**	**-0.7**	**-32.8**	**3.6**
DECEMBER	M	12,012	1,296	10,716	12,875	1,276	11,599	-863	20	-883	-6.7	1.6	-7.6
2nd Quarter		**35,863**	**3,195**	**32,668**	**36,151**	**3,298**	**32,853**	**-288**	**-103**	**-185**	**-0.8**	**-3.1**	**-0.6**
Upto 2nd Qtr		**67,442**	**5,798**	**61,644**	**68,716**	**7,973**	**60,743**	**-1,274**	**-2,175**	**901**	**-1.9**	**-27.3**	**1.5**
JANUARY	M	15,324	1,545	13,779	10,339	743	9,596	4,985	802	4,183	48.2	107.9	43.6
	P	**82,766**	**7,343**	**75,423**	**79,055**	**8,716**	**70,339**	**3,711**	**-1,373**	**5,084**	**4.7**	**-15.8**	**7.2**
FEBRUARY	M	12,219	1,020	11,199	10,243	901	9,342	1,976	119	1,857	19.3	13.2	19.9
	P	**94,985**	**8,363**	**86,622**	**89,298**	**9,617**	**79,681**	**5,687**	**-1,254**	**6,941**	**6.4**	**-13.0**	**8.7**
MARCH	M	16,233	977	15,256	13,889	910	12,979	2,344	67	2,277	16.9	7.4	17.5
3rd Quarter		**43,776**	**3,542**	**40,234**	**34,471**	**2,554**	**31,917**	**9,305**	**988**	**8,317**	**27.0**	**38.7**	**26.1**
Upto 3rd Qtr		**111,218**	**9,340**	**101,878**	**103,187**	**10,527**	**92,660**	**8,031**	**-1,187**	**9,218**	**7.8**	**-11.3**	**9.9**
APRIL	M	14,677	1,740	12,937	11,256	843	10,413	3,421	897	2,524	30.4	106.4	24.2
	P	**125,895**	**11,080**	**114,815**	**114,443**	**11,370**	**103,073**	**11,452**	**-290**	**11,742**	**10.0**	**-2.6**	**11.4**
MAY	M	15,968	1,022	14,946	11,945	739	11,206	4,023	283	3,740	33.7	38.3	33.4
	P	**141,863**	**12,102**	**129,761**	**126,388**	**12,109**	**114,279**	**15,475**	**-7**	**15,482**	**12.2**	**-0.1**	**13.5**
JUNE	M	21,134	306	20,828	18,649	629	18,020	2,485	-323	2,808	13.3	-51.4	15.6
4th Quarter		**51,779**	**3,068**	**48,711**	**41,850**	**2,211**	**39,639**	**9,929**	**857**	**9,072**	**23.7**	**38.8**	**22.9**
Upto 4th Qtr		**162,997**	**12,408**	**150,589**	**145,037**	**12,738**	**132,299**	***17,960***	***-330***	***18,290***	***12.4***	***-2.6***	***13.8***

FEDERAL EXCISE

TWO YEAR COMPARATIVE - MONTH TO MONTH & PROGRESSIVE COLLECTION

MONTHS		FY 2007-08			FY 2006-07			COMPARISON			COMPARISON AS % AGE		
		GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET	GROSS	Reb / Ref	NET
1		2	3	4	5	6	7	8	9	10	11	12	13
JULY	M	1,859	0	1,859	4,005	13	3,992	-2,146	-13	-2,133	-53.6	-100.0	-53.4
AUGUST	M	6,555	0	6,555	4,635	38	4,597	1,920	-38	1,958	41.4	-100.0	42.6
	P	**8,414**	**0**	**8,414**	**8,640**	**51**	**8,589**	**-226**	**-51**	**-175**	**-2.6**	**-100.0**	**-2.0**
SEPTEMBER	M	7,470	8	7,462	5,400	3	5,397	2,070	5	2,065	38.3	166.7	38.3
1st Quarter		**15,884**	**8**	**15,876**	**14,040**	**54**	**13,986**	**1,844**	**-46**	**1,890**	**13.1**	**-85.2**	**13.5**
OCTOBER	M	7,548	0	7,548	5,474	3	5,471	2,074	-3	2,077	37.9	-100.0	38.0
	P	**23,432**	**8**	**23,424**	**19,514**	**57**	**19,457**	**3,918**	**-49**	**3,967**	**20.1**	**-86.0**	**20.4**
NOVEMBER	M	8,304	0	8,304	5,558	39	5,519	2,746	-39	2,785	49.4	-100.0	50.5
	P	**31,736**	**8**	**31,728**	**25,072**	**96**	**24,976**	**6,664**	**-88**	**6,752**	**26.6**	**-91.7**	**27.0**
DECEMBER	M	7,805	12	7,793	5,860	3	5,857	1,945	9	1,936	33.2	300.0	33.1
2nd Quarter		**23,657**	**12**	**23,645**	**16,892**	**45**	**16,847**	**6,765**	**-33**	**6,798**	**40.0**	**-73.3**	**40.4**
Upto 2nd Qtr		**39,541**	**20**	**39,521**	**30,932**	**99**	**30,833**	**8,609**	**-79**	**8,688**	**27.8**	**-79.8**	**28.2**
JANUARY	M	6,786	1	6,785	5,322	1	5,321	1,464	0	1,464	27.5	0.0	27.5
	P	**46,327**	**21**	**46,306**	**36,254**	**100**	**36,154**	**10,073**	**-79**	**10,152**	**27.8**	**-79.0**	**28.1**
FEBRUARY	M	7,717	6	7,711	5,592	4	5,588	2,125	2	2,123	38.0	50.0	38.0
	P	**54,044**	**27**	**54,017**	**41,846**	**104**	**41,742**	**12,198**	**-77**	**12,275**	**29.1**	**-74.0**	**29.4**
MARCH	M	7,782	0	7,782	5,981	2	5,979	1,801	-2	1,803	30.1	-100.0	30.2
3rd Quarter		**22,285**	**7**	**22,278**	**16,895**	**7**	**16,888**	**5,390**	**0**	**5,390**	**31.9**	**0.0**	**31.9**
Upto 3rd Qtr		**61,826**	**27**	**61,799**	**47,827**	**106**	**47,721**	**13,999**	**-79**	**14,078**	**29.3**	**-74.5**	**29.5**
APRIL	M	8,770	0	8,770	7,024	9	7,015	1,746	-9	1,755	24.9	-100.0	25.0
	P	**70,596**	**27**	**70,569**	**54,851**	**115**	**54,736**	**15,745**	**-88**	**15,833**	**28.7**	**-76.5**	**28.9**
MAY	M	10,019	6	10,013	7,329	11	7,318	2,690	-5	2,695	36.7	-45.5	36.8
	P	**80,615**	**33**	**80,582**	**62,180**	**126**	**62,054**	**18,435**	**-93**	**18,528**	**29.6**	**-73.8**	**29.9**
JUNE	M	11,599	4	11,595	9,760	10	9,750	1,839	-6	1,845	18.8	-60.0	18.9
4th Quarter		**30,388**	**10**	**30,378**	**24,113**	**30**	**24,083**	**6,275**	**-20**	**6,295**	**26.0**	**-66.7**	**26.1**
Upto 4th Qtr		**92,214**	**37**	**92,177**	**71,940**	**136**	**71,804**	***20,274***	***-99***	***20,373***	***28.2***	***-72.8***	***28.4***