

## Special Feature

# Post Budget 2019-20

## Survey Report

By Research and Publications Directorate, ICMA Pakistan

**79%** terms the Budget 19-20 as 'Reasonable'

**77%** thinks Budget is a step forward to progress and development

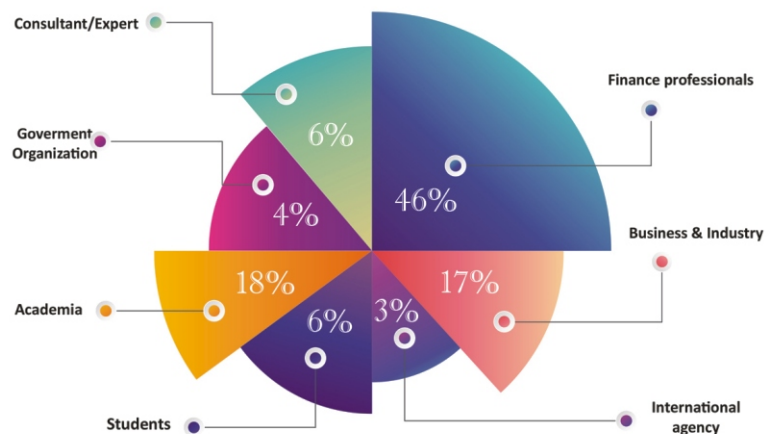
**65%** agrees present hardships would turn into positive benefits for people and economy

### Preamble

Soon after the announcement of Federal Budget 2019-20 on June 11, 2019, the Research and Publications Directorate launched a general survey to seek the initial reaction and feedback of the members of Institute as well as other stakeholders including the business and industry, tax experts, economists, academia and finance professionals. A Google Drive Survey questionnaire was designed and hosted on June 15, 2019 on the Institute's website [<https://www.icmap.com.pk/Survey.aspx>] as well as on the official Facebook, Twitter and LinkedIn pages. In addition, a number of SMS were sent to members with survey short link for facilitation to fill-up the survey directly from their mobile devices. For maximum feedback, the hard copies of survey questions were also made available to the participants of Post-Budget Conferences organized by ICMA Pakistan in different cities. There was a deadline of 26th June 2019 to submit responses online to 15 survey questions which were focused on different aspects of the federal budget.

There was a good response to the survey and in total 186 members filled-up the survey form; however, 18 of them were not considered being redundant due to various reasons e.g. incomplete information; repetitive input by same person etc. From the 168 valid responses, 87 were from the members of ICMA Pakistan whereas 81 were from non-members. In the

### Category-wise Responses



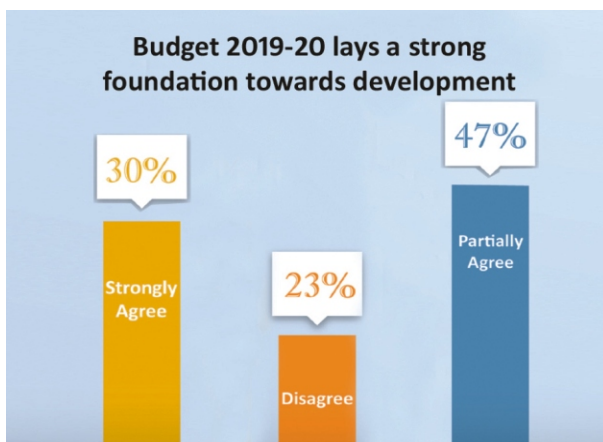
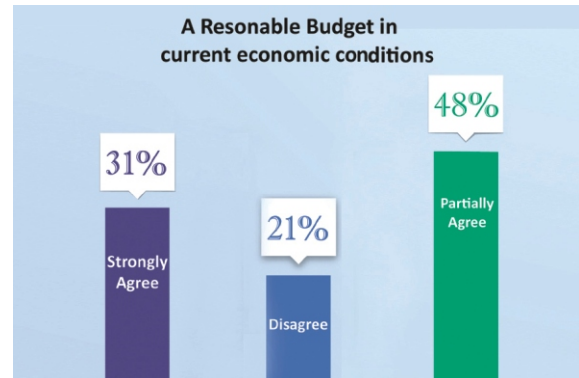
non-member categories, the pre-dominant respondents were from the category of Finance professionals e.g. Chartered Accountants [46%]; followed by the Academia [18%]; Business and Industry [17%]; Consultants/Experts [6%]; Government organizations [4%] and International Agencies [3%].

As far as city-wise responses is concerned, almost 90% feedback has been received from four major cities viz. Karachi (26%); Lahore (22%); Faisalabad (30%) and Islamabad/Rawalpindi (12%). Around 9% feedback was received from other cities in Pakistan whereas 1% members from overseas [UAE and Saudi Arabia] also participated in the survey.

## SURVEY RESULTS

### 79% terms the Budget 19-20 as 'Reasonable'

Majority of the survey respondents (79%) have termed the Budget 2019-20 as quite 'reasonable', considering the present tough economic conditions and tight IMF program. Out of this feedback, 31% participants have shown strong agreement whereas 48% have partially agreed. Around 21% disagree that the budget is reasonable. The outcome to this question is indicative of the fact that the stakeholders realizes that the present Government is passing through a difficult phase of its tenure and albeit these circumstances it has been able to present a balanced budget which is appreciative.

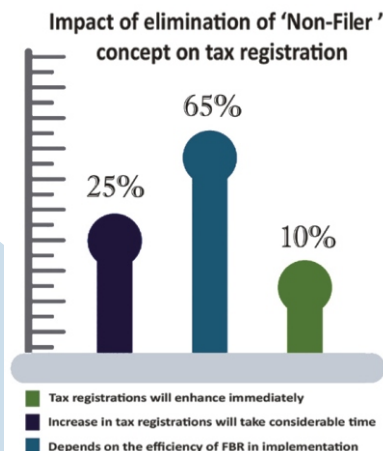
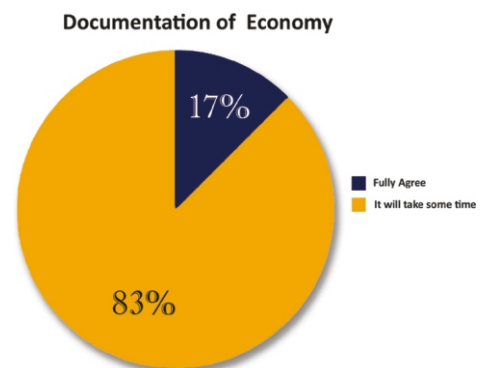


### 77% thinks Budget 19-20 is a step forward to progress and development

The survey participants were asked to indicate their level of agreement whether budget 2019-20 lays a strong foundation to move the country on road to progress and achievement. The response to this question corresponds to the outcome to the first question; and almost 77% respondents have expressed their opinion in affirmative; out of which 47% have partially agreed. There are around 23% respondents who have disagreed with this notion.

### 83% are of the view that documenting the economy will take time

One of the questions posed to the survey participants was that do they think that the budgetary measures would result in immediate documentation of the national economy. Two options were provided to select one response viz. (1) Fully agree and (2) it will take some time. Majority of respondents (83) are of the opinion that considering large informal sector and complicated tax system, it would be difficult for the Government to document the economy in a short span of time. They think that though few initiatives are taken in budget 19-20, it would still take much time to document the economy.



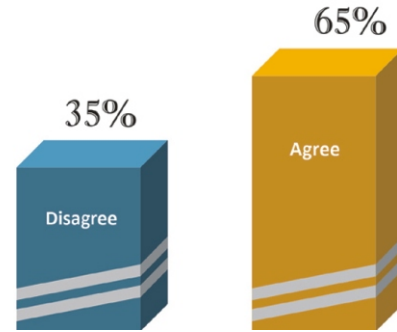
### 65% believe only serious efforts by FBR can increase tax registrations

Through the Finance Act, 2014, a concept of 'filer' and 'non-filer' was introduced by the Government leading to changes in relevant provision of tax laws. The non-filers were subjected to higher withholding tax rates as against tax rates applicable on the 'filers' whose names appear in the Active Taxpayers List (ATL) of FBR. However, through the Finance Bill 2019, the term of 'non-filer' has been abolished from the statute and special provisions have been introduced by FBR for persons not appearing on ATL. In the backdrop of this change, survey participants were asked whether this initiative would lead to any increase in tax registrations. A smaller percentage (10%) of survey respondents have agreed that it could result in increased tax registration and 25% have mentioned that it would take considerable time; however, a major portion of the respondents [65%) thinks that it solely depends on the serious efforts and efficiency of the FBR.

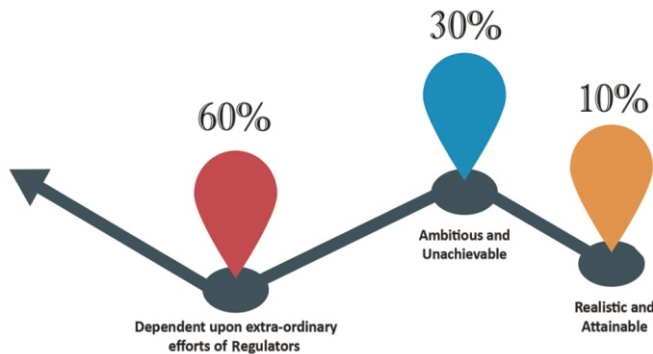
## 65% agrees present hardships would turn into positive benefits for people and economy

To gauge and assess the trust level of people on the Government and its recent budgetary measures, the survey participants were requested to express their agreement or otherwise with the Government's claim that though budget contains few harsh measures but at the end these would have far reaching positive benefits to the people and the national economy. Almost 65% of respondents have showed inclination towards this claim of government and pinned much hope on it that albeit harsh measures now, things will improve gradually for the benefit of people and economy. Around 35% of the survey participants have, however, not agreed with this statement.

Present hardships will turn into eventual benefits for economy



### Views on FBR Tax Revenue Target

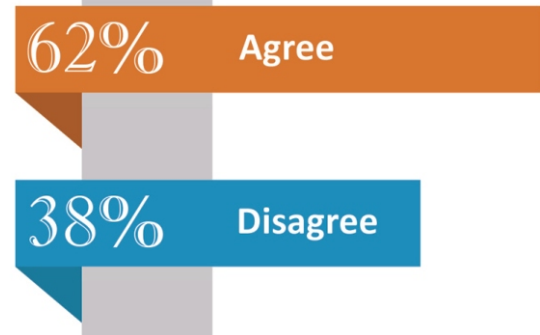


## 60% says exceptional effort required from FBR to achieve Rs. 5550 billion revenue target

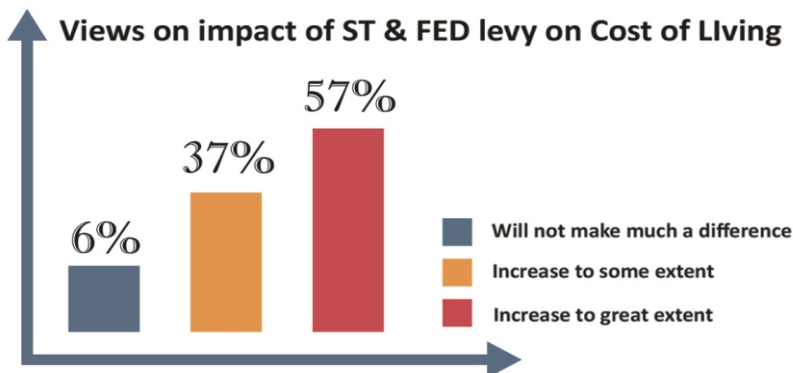
In response to a question about the FBR tax revenue target of Rs. 5550 billion set for FY 2019-20, which comes to around 12% of GDP, almost 60 percent of survey respondents have indicated that exceptional effort is required on the part of FBR to achieve this record target. A good percentage i.e. 30% of respondents think that the target set is not only 'ambitious' but also 'unachievable' whereas only 10% believe that the estimated revenue target is realistic and attainable by making serious efforts.

## 62% favours sales tax on local supplies to zero-rated export sector

In the Federal Budget 2019-20, the government announced to rescind SRO 1125 thereby ending sales tax exemption under the zero-rated regime for five sectors. Despite strong opposition from the industries, 17% GST has been imposed. The survey participants were asked to comment whether the imposition of sales tax on local supplies to export-oriented units is a good move to curb flying invoice business. Majority of them (62%) have supported this move and agreed that it is a good step by FBR to broaden tax base and tackle corruption whereas 38% expressed disagreement on this decision.



## 94% thinks ST and FED levies on essential items to increase cost of living



In the Federal Budget 2019-20, the Government has imposed sales tax and FED on few essential items of daily use like sugar, cooking oil, soft drinks etc that would be impacting the common man. In this regard, it was asked from survey participants whether they view it as a means to increase the cost of living of general public. Majority of the respondents i.e. 94% have agreed, though out of them 37% think the cost impact will be to some extent. Around 6% of respondents are of the view that the imposition of sales tax and FED will not make much a difference.

## 80% demand downward revision of tax rates and slabs on salaried individuals

In the Finance Bill 2019, the Government proposed tax rate of 5% to 35% on twelve different slabs of salaried individuals. The tax rates are progressive in nature that raises with increase in salary limit. The justification given by the government for this kind of taxation on salaried class is that the previous government in the last budget, announced before elections, had increased the minimum salary limit from Rs. 4 lacs to Rs. 12 lacs per annum; due to which at least 5 million taxpayers were eliminated from the tax net. To adjust the unrealistic concessions given in last year's budget, the present Government has now reduced the minimum limit to Rs. 6 lacs and increased the number of tax slabs for salaried class.

The survey participants were asked to share the viewpoint on introduction of 11 tax slabs and increased tax rates in the budget and whether it should be withdrawn altogether or revised downward. Two separate questions were included in the survey

questionnaire and the responses to both these questions are as under:

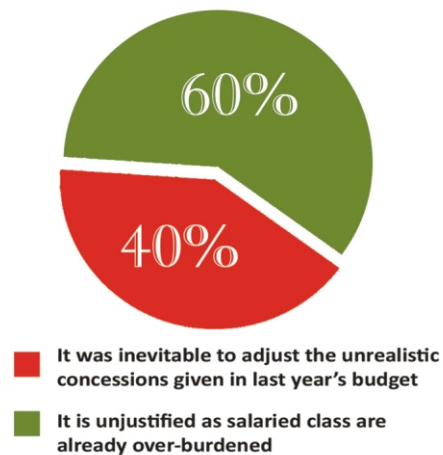
### Tax rates and Slabs

- ◆ 60% considers tax increase on salaries persons as 'unjustified' being over-burdened and inflation-stricken.
- ◆ 40% views this decision as rationale in order to adjust the unrealistic concessions given by previous government

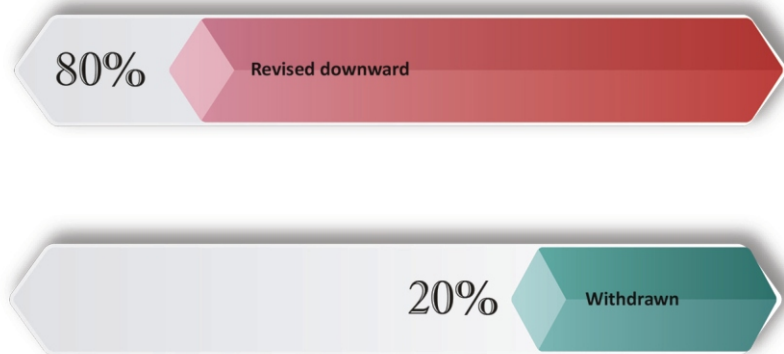
### Withdrawal or Downward Revision

- ◆ 80% demands from Government to revise downward tax rates and number of tax slabs for salaried persons
- ◆ 20% says that the previous rates and slabs on salaried persons should be restored and proposal be withdrawn

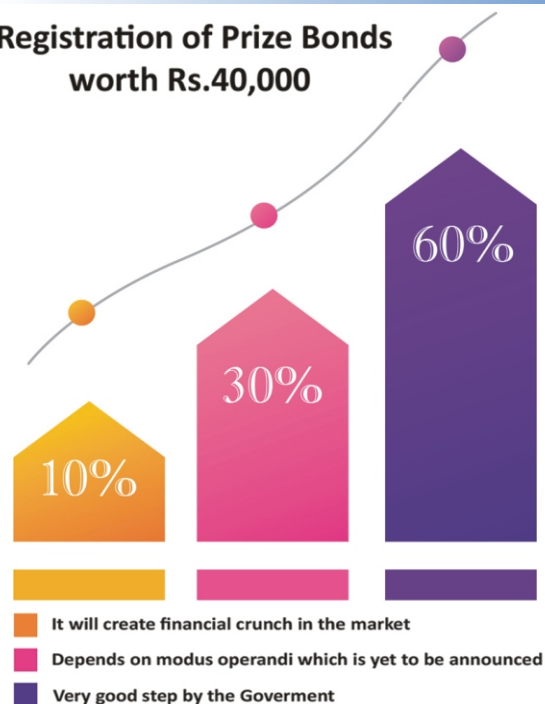
### Views on Tax rates and Slabs



### Tax rates / slabs be withdrawn or revised downward



### Registration of Prize Bonds worth Rs.40,000

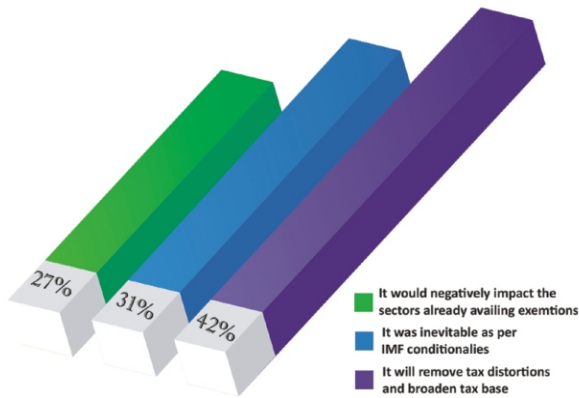


## 60% endorses Rs. 40,000 prize bonds registration as a move towards documentation

The Government is tightening the noose around those having black money and in the recent budget, under the amnesty scheme, it has made it clear that the prize bonds would soon be banned. As a step forward, the government has announced mandatory registration of prize bonds worth Rs 40,000. In this backdrop, the survey participants were asked to share their opinion as to whether they support this initiative or else they have some other opinion in this regard.

Around 60% respondents endorsed and appreciated the government's decision to go for the registration of Rs. 40,000 prize bonds which they view as a step towards documentation and curbing the circulation of black money in the economy. Around 30% survey participants reserved their comments on this question by saying that it depends upon the modus operandi to be announced by the government [by the time this survey was launched, details were not announced by the government]. Only 10% respondents indicated that such a move will create financial crunch in the market.

### Impact of withdrawing subsidies and exemptions



## 73% supports withdrawal of exemptions availed by various economic sectors

The Government has decided to withdraw all kinds of subsidies, exemptions and concessions given to different sectors of economy. In fact, this step has been taken on the basis of concern expressed by the IMF over the massive tax exemptions given to various sectors. As per the Economic Survey 2018-19, Pakistan's tax expenditures in the form of exemptions have been recorded at Rs. 972.4 billion during the FY 2018-19 as against Rs. 540.98 billion in FY 2017-18.

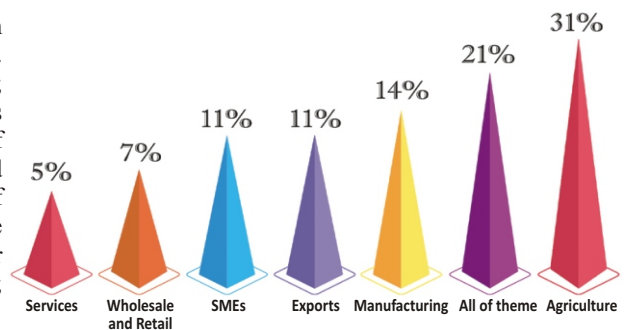
The survey participants' viewpoint was sought about the impact of ending of multiple tax concession and exemptions to various sectors of economy. Almost 73% of them have supported this move by the Government, out of which 42% are of the view that it will remove tax

distortions and broaden tax base; whereas 31% think that it was inevitable as per IMF conditionalities. Only 27% of respondents believe that it would have negative impact on such economic sectors.

## 31% points to 'Agriculture' and 14% 'Manufacturing' as neglected sectors in Budget

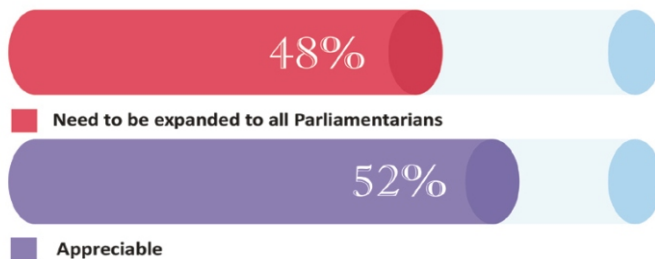
One of the questions in the survey was to indicate one sector which has been neglected or given least preference in the Budget 2019-20. The respondents were given seven options viz. Agriculture; Exports; Manufacturing; SMEs; Wholesale and Retail; Services and 'All of the above' to provide their feedback. On the basis of outcome received to this question; the agriculture sector has bagged the highest percentage i.e. 31 percent. Around 21% participants of survey are of the view that almost all the above-stated sectors were given least preference in the budget. The sector specific sector which received highest feedback was 'manufacturing' (14%); followed by SMEs and Exports (11% each).

### Sectors neglected or given least preference in Budget



## 52% appreciates 10% salary cut by Cabinet; 42% says all Parliamentarian must follow suit

### 10% cut in salaries of members of Federal Cabinet



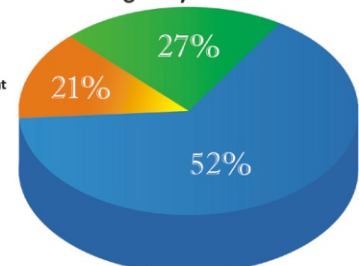
The Federal Cabinet led by the Prime Minister Imran Khan voluntarily decided to have cut in their salaries by 10 percent as part of austerity measure and keeping in view of the current financial constraints faced by the present government. The reaction of the survey participants was invited on this decision by the Cabinet. Almost all the respondents have appreciated this move not witnessed in the past and 42% of them stated that all parliamentarians must follow suit.

## 79% thinks Finance Bill 2019 would be revisited after debate in Parliament

Most of the respondents (79%) expressed that in their viewpoint the budgetary measures, including the Finance Bill 2019, would be strongly debated in both the parliaments which would lead to significant changes and modifications. Out of 79%, around 27% were quite definite whereas 52% said changes would be to some extent. Around 21% survey participants preferred to mark the option of 'Not Sure' as they feel not confident to answer this question.

### Revision in Budgetary Measures

Not sure  
 Definitively  
 To some extent



**DISCLAIMER:** The views expressed by the survey participants do not reflect the official viewpoint of the Institute of Cost and Management Accountants of Pakistan (ICMA Pakistan).