1ST BIANNUAL REPORT ON MONITORING OF IMPLEMENTATION OF NFC AWARD

(July – December, 2023)

Government of Pakistan
National finance Commission Secretariat

1ST BIANNUAL REPORT ON MONITORING OF IMPLEMENTATION OF NFC AWARD

(July – December, 2023)

Government of Pakistan
National finance Commission Secretariat

PREFACE

Article 160 of the Constitution of Islamic Republic of Pakistan authorizes the President of Pakistan to approve distribution of revenues between the Federation and the Provinces through an Order (the NFC Award), on the recommendation of the National Finance Commission (NFC).

2. The 7th NFC Award was signed on 30th December, 2009 and its recommendations were given legal cover with effect from 1st July, 2010, through President's Order No. 5 of 2010 (Distribution of Revenues and Grant-in-Aid Order, 2010).

3. Clause 3(B) of Article 160 of the Constitution of Islamic Republic of Pakistan provides as follows:

> *"The Federal Finance Minister and Provincial Finance Ministers shall monitor the implementation of the Award biannually and lay their reports before both Houses of Majlis-e-Shoora (Parliament) and the Provincial Assemblies."*

4. In pursuance of the above provision, it is imperative upon the Finance Ministers of the Federal and Provincial Governments to monitor implementation of the Award biannually and lay a report before both Houses of the Parliament and Provincial Assemblies.

5. The Biannual monitoring report for the period from July to December, 2023 was approved by the Federal and Provincial Finance Ministers for laying before both Houses of the Parliament and Provincial Assemblies.

6. The Biannual report contains total FBR's collections during July to December, 2023, detail of Divisible/ Non Divisible Pool Components, Vertical Distribution of shares between Federal and Provincial Governments, Horizontal Distribution of shares among the Provinces and detail of Grant-in-Aid as well as Straight Transfers to the Provinces.

7. The report also includes detail of efforts by Federal and Provincial Governments to streamline their tax collection systems to reduce leakages and increase their revenues as well as efforts undertaken for maintaining fiscal discipline at Federal and Provincial level during the reported period.

Imdad Ullah Bosal
Secretary
Finance Division

Islamabad, 28.06.2025

Contents

LIST OF TABLES

This 1st Biannual Monitoring Report on implementation of 7th NFC award covers the period from July to December, 2023 of Financial Year 2023-24. Total tax collection, as reported by FBR, remained Rs.4,143.168 billion for the period under report. After subtracting non-divisible pool components and 1% each as collection charges and additionality for Khyber Pakhtunkhwa on account of War on Terror (WoT), the net divisible pool comes to Rs.4,021.473 billion. The Provincial share comes to Rs.2,312.347 billion, leaving a balance of Rs.1,709.126 billion for Federal Government. The Provincial share has been distributed as Rs.1,184.469 billion to Punjab, Rs.564.503 billion to Sindh, Rs.338.065 billion to Khyber Pakhtunkhwa and Rs.213.929 billion out of projected budgetary share @45% to Balochistan. Khyber Pakhtunkhwa also received Rs. 40.621 billion on account of War on Terror.

During the period July to December, 2023, Rs.27.817 billion, Rs.4.654 billion and Rs.55.178 billion were transferred to Provinces on account of Royalties on Crude Oil, Gas Development Surcharge & Royalty on Natural Gas, respectively, after deduction of collection charges. Similarly, an amount of Rs.2.006 billion has been transferred to provinces on account of Excise duty on Natural Gas during the reported period.

The Province of Sindh is entitled to receive grant-in-aid equivalent to 0.66% of the provincial share out of the net proceeds of the divisible pool, as compensation for losses on account of abolition of Octroi and Zilla Tax (OZT). Accordingly, an amount of Rs.19.571 billion was released to Government of Sindh on this account.

INTRODUCTION

1.1. The 7th National Finance Commission (NFC) concluded its recommendation on 31st December, 2009, which were given legal cover through President's Order No. 5 of 2010 "***Distribution of Revenues and Grant-in-Aid Order 2010" (Annex-I) and President's Order No. 6 of 2015 (Annex-II)***. The main responsibilities entrusted to the Federal and Provincial Governments through this Award are:

a. Distribution of Divisible Pool Taxes between the Federation and Provinces and among the Provinces as prescribed in the Award (Articles 3 and 4 of the Order).

b. Transfers of royalties, surcharge on gas, and excise duty on gas to the Provinces as prescribed in the Award (Articles 5 & 6 of the Order).

c. Provision of obligatory grant to Provinces as prescribed in the Award (Article 7 of the Order).

d. Collection of GST on Services by the Provinces (Article 8 of the Order).

e. Achieving 15% tax to GDP ratio by the year 2014-15. To achieve this target, a path was recommended by the NFC for both Federal and Provincial Governments (Clause 2 of Article 9 of the Order).

f. Maintaining fiscal discipline both at Federal and Provincial levels (Clause 3 of Article 9 of the Order).

1.2. Clause (3B) of Article 160 of the Constitution empowers the Federal and Provincial Finance Ministers to monitor implementation of the Award biannually and lay a report in this regard in both Houses of the Parliament and the Provincial Assemblies. This 1st Biannual report presents the implementation status of the above provisions of the President's Order for the period from July to December, 2023.

DISTRIBUTION OF DIVISIBLE POOL TAXES

Articles 1 and 2 consist of title and definition of the President's Order "Distribution of Revenues and Grant-in-Aid Order, 2010 (Award)" and therefore, no action is required on these Articles.

Articles 3 and 4 of the President's Order regulate the distribution of divisible pool taxes between the Federal and Provincial Governments vertically and among the four Provinces horizontally.

2.1. FBR Tax Receipts

2.1.1. Federal Board of Revenue (FBR) reported the following tax collection for the 1st half of the Financial Year 2023-24:

TABLE-I: Total FBR's Collection (July – December, 2023)

(Rs. in billion)

Provisional collection reported on fortnightly basis during July - December, 2023.	4,099.250
Arrears worked out on receipt of Final reconciled collection for FY2022-23 reported and released in FY2023-24	43.918
Total Collection reported during FY 2023-24	**4,143.168**

2.1.2. The releases to the Provinces during the 1st half of FY 2023-24 were made on the basis of FBR collection amounting to Rs.4,143.168 billion. During the corresponding period of last financial year (FY2022-23), the FBR collection was Rs. 2,876.803 billion (inclusive of arrears of previous year).

2.2. Distribution of Divisible Pool Taxes

2.2.1. Article 3 of the President's Order explains components of Divisible Pool Taxes. Total receipts of FBR also include some non-divisible pool components. Therefore, after deducting such components, the gross divisible pool taxes were worked out as Rs.4,122.433 billion against total tax receipts of Rs.4,143.168 billion. A detailed breakup of non-divisible pool components is given below:

TABLE-II: Detail of Non Divisible Pool Components

(Rs. in billion)

	1st half of FY 2023-24
Total FBR Receipts	**4,143.168**
Detail of Non-Divisible Pool Components	**20.735**
WWF	3.783
GST on Services (ICT)	4.601
Excise Duty on Natural Gas	2.550
Exp. Development Surcharge	5.694
Refund through Supplementary Grant	4.107
Gross Divisible Pool Tax	**4,122.433**

2.3. Vertical Distribution

2.3.1. After subtracting the non-divisible pool components from FBR's total receipts, net divisible pool is determined by deducting cost of collection. The entire net proceeds are then distributed between the Federation and Provinces in accordance with the provisions of Articles 3 and 4 of the President's Order. The details of vertical distribution are as follows:

Table-III: Vertical Distribution of Shares (July-December, 2023)

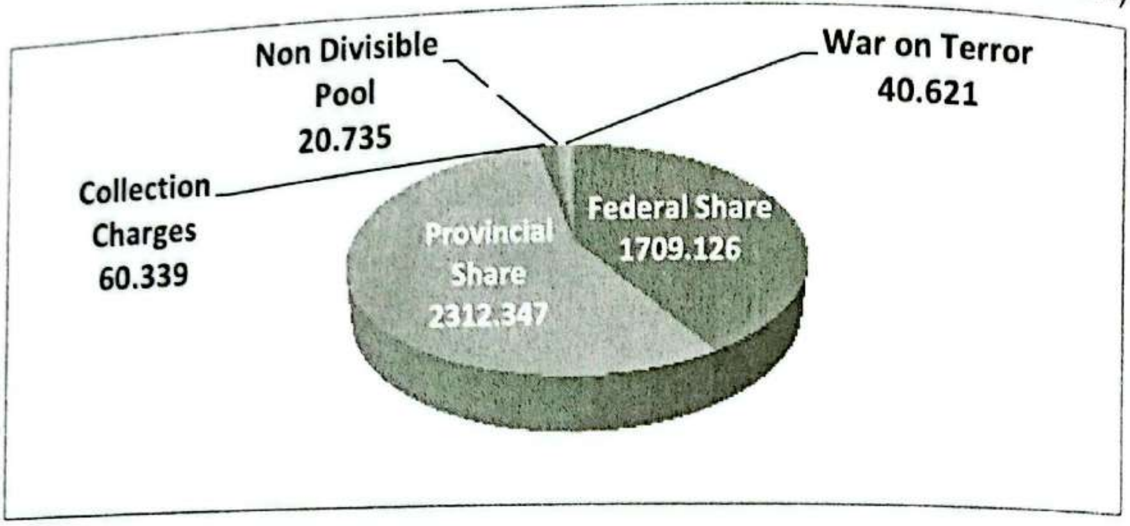
(Rs. in billion)

Divisible Pool Taxes	FBR Collection Reported	Collection Charges (1%)	Net Divisible Pool Taxes	1% for WoT for Khyber Pakhtunkhwa	Balance Net Div. Pool	Provincial Share (57.5%)
Divisible Pool Taxes	**4,122.433**	**60.339**	**4,062.094**	**40.621**	**4,021.473**	**2,312.347**
Income Tax	1,911.513	38.230	1,873.283	18.733	1,854.550	1,066.366
Capital Value Tax	3.085	0.031	3.054	0.031	3.024	1.739
Sales Tax (Excl. GST on Services)	1,451.983	14.520	1,437.463	14.375	1,423.089	818.276
Federal Excise(Excl. ED on NG)	250.434	2.504	247.930	2.479	245.450	141.134
Customs(Excl. Export Dev. Surcharge)	505.418	5.054	500.364	5.004	495.360	284.832

☆ Includes additional deduction of 1% from Taxes on Income consisting of remuneration paid out of the Federal Consolidated Fund (which is not part of the divisible pool taxes)

2.3.2. Following Pie Chart shows the distribution of Total Tax Collection:-

(Rs. In billion)



2.4. Horizontal Distribution

2.4.1. Article 4(2) of the President's Order provides percentage share of each Province in the Provincial share, out of divisible pool taxes. Provincial share against their percentages for the period from July-December, 2023 has been worked out as follows:-

Table-IV: Horizontal Distribution of Shares (July-December, 2023)

(Rs. in billion)

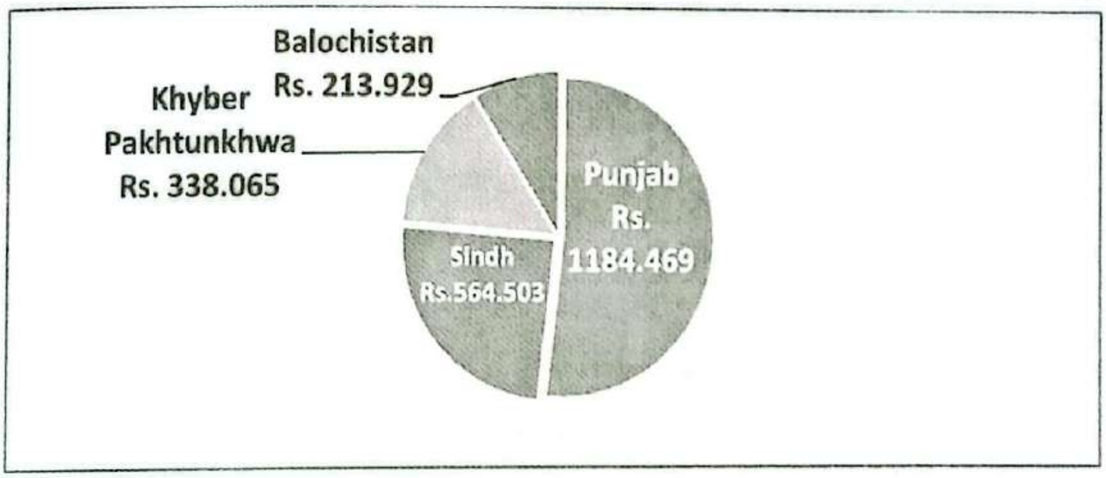
	Total	Punjab *	Sindh **	Khyber Pakhtunkhwa	Balochistan ***
Divisible Pool Taxes	**2,312.347**	**1,184.469**	**567.681**	**338.065**	**210.192**
Income Tax	1,066.366	544.718	261.793	155.903	96.933
Capital Value Tax	1.739	0.675	0.427	0.254	0.158
Sales Tax (Excl.GST on Services)	818.276	421.303	200.887	119.632	74.381
Federal Excise(Excl. ED on NG)	141.134	71.440	34.648	20.634	12.829
Customs(Excl. Export Dev. Surcharge)	284.832	146.332	69.926	41.642	25.891

Note: **The shares of Punjab in the arrears upto May, 2023 were released/ adjusted during the 2nd Half of Financial Year, 2023-24.*

** The left over amount of Rs. 3.801 billion were released to Govt. of Sindh on 23rd April, 2024.

*** Projected budgetary share of Balochistan is protected which is transferable to the province during that Financial Year. During 1st half of the year protected share of Balochistan was transferred to the province @ 45% & 55% during 2nd half of Financial Year 2023-24.

(Rs. In billion)



2.4.2. Above Pie chart shows Horizontal Distribution of Provincial Share.

2.5. Additionality to Khyber Pakhtunkhwa on account of WoT

2.5.1 Article 3(2) of the President's Order entitles Province of Khyber Pakhtunkhwa to receive 1% of the net proceeds of undivided divisible pool taxes in addition to its formal share, on account of losses on WoT. An additional amount of Rs. 40.621 billion has been paid to Khyber Pakhtunkhwa Province on this account during the period of report. The share of Khyber Pakhtunkhwa is calculated as under:

Table-V: Released Funds to Khyber Pakhtunkhwa (WoT)

(Rs. in billion)

	July-Dec, 2023
Share in the Divisible Pool (14.62%)	338.065
1% for War on Terror	40.621
Total:-	**378.686**

2.5.2. Similarly, Clause (3) of Article 4 of the Order also guarantees that Balochistan Province shall receive its share in the net proceeds of divisible pool taxes as per annual budgetary projections, and any shortfall shall be made up by the Federal Government from its own resources. As this arrangement for Balochistan remains protected during the currency of the Award, therefore, the payments were planned @ 45% for first half of the year and 55% for the second half of that Financial Year, synchronizing the payments with FBR's tax collection trend, which normally gets pace during second half of Financial Year. Accordingly, detail of funds transferred is given as under:

Table-VI: Release of Balochistan's protected share

(Rs. in billion)

	July-Dec, 2023
Share in the Divisible Pool (9.09%)	210.192
Amount transferred to Provincial Government @ 45 % of projected budget share	213.929
Additionality provided by Federal Government	**3.737**

STRAIGHT TRANSFERS/ GRANT-IN-AID

3.1. Distribution of Royalty on Crude Oil

3.1.1. Article 5 of the Order relates to the distribution of net proceeds of royalty on crude oil. Petroleum Division is responsible for collection of this levy and reports to Finance Division on monthly basis for onward transfer to the Provinces. Accordingly, the entire net proceeds reported by Petroleum Division during July – December, 2023, were distributed among the provinces in accordance with the said provision, which are as follows:

Table-VII: Royalty on Crude Oil

(Rs. in billion)

	Punjab	Sindh	Khyber Pakhtunkhwa	Balochistan	Total
July – December, 2023	3.722	9.482	14.453	0.161	**27.818**

3.2. Distribution of Gas Development Surcharge and Royalty on Natural Gas

3.2.1. Article 6 of the President's Order (Award) governs distribution of Development Surcharge on Gas (GDS) and Royalty on Natural Gas. Petroleum Division is the collection agency for these two levies. The proceeds collected are reported to Finance Division on monthly basis for onward transfer to Provinces. Accordingly, the entire net proceeds of Royalty and Development Surcharge on Gas reported by Petroleum Division were distributed among the Provinces in accordance with said provision. Following table gives details of distribution:

Table-VIII: Royalty on Natural Gas and GDS (July – December, 2023)

(Rs. in billion)

	Punjab	Sindh	Khyber Pakhtunkhwa	Balochistan	Total
Royalty on Natural Gas	1.211	23.639	6.562	23.766	**55.178**
Gas Dev. Surcharge	0.241	3.597	0.816	-	**4.654**

3.3. Distribution of Excise Duty on Natural Gas

3.3.1. As per Article 161 (1) of the Constitution of Islamic Republic of Pakistan, the excise duty on Natural Gas is required to be paid to the Province in which the well head of Natural Gas is situated. FBR is the collection agency for this levy. The proceeds so collected are reported to the Finance Division on monthly basis for onward transfer to Provinces. Accordingly, net proceeds of Rs.2.875 billion were distributed amongst the Provinces, as presented in the following table:

Table-IX: Excise Duty on Natural Gas

(Rs. in billion)

	Punjab	Sindh	Khyber Pakhtunkhwa	Balochistan	Total
July – Dec, 2023	0.054	1.188	0.435	0.329	**2.006**

3.3.2. The figures reflected in the above tables represent actual transfers and have been reconciled with the Finance Departments of the Provinces.

3.4. Grant-in-Aid to Sindh Province

3.4.1. Under Article 7 of the Order, Sindh Province is entitled to receive a grant-in-aid equivalent to 0.66% of the Provincial share in the net proceeds of the divisible pool as compensation for losses on account of abolition of Octroi and Zila Tax (OZT). During the period of report, the provincial share in the divisible pool was Rs.2,312.347 billion. Accordingly, the said grant-in-aid worked out to be Rs.19.571 billion (including arrears FY 2022-23), which stands released.

GENERAL SALES TAX ON SERVICES

4.1. General Sales Tax on Services (GSTS)

4.1.1. Article 8 of the Order relates to the General Sales Tax on Services. The 7th NFC accepted that General Sales Tax on Services is a Provincial subject under the Constitution and may be collected by the respective Provinces, if they so desire.

4.1.2. All Provincial Governments have established their own Revenue Collection Agencies and collecting GST on Services by themselves. Details of the GST collected by the Provincial Revenue Authorities during the period under report are as under:-

Table-X: GST Collection by the Provinces

(Rs. In billion)

	B.E. 2023-24	Receipt up to December, 2023	(%) of B.E.
Provinces	**360.216**	**230.025**	
Punjab	0	101.076	Head-wise Figure for BE-23-24 has not provided by the Province
Sindh	180.000	100.564	**55.87%**
Khyber Pakhtunkhwa	0	18.721	Head-wise Figure for BE-23-24 has not provided by the Province
Balochistan	27.216	9.664	**35.51%**

MISCELLANEOUS PROVISIONS OF PRESIDENT'S ORDER

5.1. Miscellaneous

5.1.1. Article-9 of the Order relates to miscellaneous recommendations. In this regard, clause 9(1) provides for increase in the rate of excise duty on Natural Gas to Rs.10.0 per MMBTU. The recommendation stands already implemented through Finance Bill, 2010.

5.2. Streamlining Tax Collection

5.2.1. Article-9(2) provides for streamlining of tax collection to improve taxation and to maintain fiscal discipline by the Federal and Provincial Governments. In this regard, the NFC recommended that the Federal and Provincial Governments would streamline their tax collection systems to reduce leakages and increase revenues through efforts to improve taxation in order to achieve 15% tax to GDP ratio by the terminal year of the Award i.e. 2014-15. It was also recommended that Provinces would initiate steps to effectively tax the Agriculture and Real Estate sectors. In this regard, steps taken by Federal and Provincial Governments are explained in the following paragraphs.

5.2.2. **Federal Government**

FBR Reforms Updates

The Revenue organization is doing its best to facilitate the taxpayers to create a congenial environment and to fetch sufficient tax revenues. Major initiatives and achievements during FY 2023-24 are given below:

I. Income Tax Revenue Measures:

i. Enhancing the Scope of Super Tax on high earning Persons U/S 4C

In order to broaden the scope of Super Tax and to bring progressivity in Super Tax rates, additional income slabs and additional rates of Super Tax were imposed which will be applicable across the board on all types of persons where income exceeds Rs.150 million for tax year 2023 and onwards.

ii. Re-Introduction of Advance Withholding Tax on Cash Withdrawal from Banking Companies

Adjustable advance tax at the rate of 0.6% is to be collected from non-ATL persons on cash withdrawals aggregating more than Rs.50,000 per day from a bank account. This tax will only be collected from non-ATL persons. This policy shift will help FBR to increase the number of filers.

iii. Increase in Withholding Tax Rates on the Supply of Goods, on rendering of Services and on Execution of Contracts

The withholding tax rates on transactions made by resident and non-resident person who have Permanent Establishment in Pakistan are increased by 1% of their existing rates as these rates have not been increased for the last five years or more.

iv. Re-introduction of withholding tax as final tax on bonus shares issued by companies

The withholding tax was levied on issuing bonus shares to shareholders at the rate of 10% for ATL persons and 20% for Non-ATL persons as bonus shares have been deemed shareholders' income of shareholders. The amount of 10% will be calculated on the day-end price in the case of listed companies, and for others as prescribed under the Rules.

v. **Enhancing the withholding tax rates on payments**

The withholding tax rates against payment through debit/credit cards remitted abroad have been increased from the current 1% to 5% for ATL persons and from 2% to 10% for non-ATL persons to curb the outflow of foreign exchange.

vi. **Imposition of withholding tax on payments to foreign domestic helpers employed in Pakistan**

In order to improve tax reporting by employers of foreign domestic workers, an amount of Rs.200,000 adjustable advance tax on the employer or sponsor of a foreign domestic helper was levied. The Pakistan authority issuing the work permit to such foreign domestic helpers will collect this advance tax from the employer or sponsor at the time of issuance of the work permit.

vii. **Imposition of Additional Tax on Income, Profits and Gains**

Favorable economic circumstances have led to large profit earnings by many business sectors which is substantially higher than their average profit margin. Following the international best practices, to provide for higher taxation of exceptional profits arising to any person or class of persons in the country, a general provision of law in the Income Tax Ordinance, 2001 was incorporated which will provide for the imposition of additional tax on income profits and gains as disclosed in the financial statements of any person or class of persons upto a rate of fifty percent.

II. Income Tax Relief/Facilitation Measures:

i. Exemption of business income derived by a startup certified by the Pakistan Software Export Board having a turnover of less than 100 million in each of the last 5 tax years, from tax was provided for 3 years. This concession was introduced in tax year 2017. Now such startups enjoy tax credits for three years.

ii. In order to encourage computer services, IT services or IT-enabled services, and to encourage exports of such services, tax concession in the form of reduced rate of tax of 0.25% applicable for TY 2023, has been continued to TY 2026. Such tax shall be final tax on the income of such exporter arising from such export.

iii. **Extension for one-year Income Tax and Sales Tax exemption to FATA/PATA persons:**

Following the Constitution (Twenty-fifth Amendment) Act, 2018 (XXXVII of 2018), Income Tax and Sales Tax exemptions under the Income Tax Ordinance, 2001 and Sales Tax Act, 1990 were provided to persons resident in the Tribal Area forming part of the Provinces of Khyber Pakhtunkhwa and Balochistan under paragraph (d) of Article 246 of the Constitution with effect from the 1st day of June 2018 to the 30th day of June 2023. These exemptions were expiring on 30th June 2023. In order to provide relief to residents of FATA/PATA, the same were extended for the period of one year i.e. up to 30th June 2024 for the residents of FATA/PATA.

iv. **Giving effect to exemptions/concessions provided in the Foreign Investment (Promotions and Protection) Act, 2022 in Income Tax Ordinance 2001, Sales Tax Act 1990, Federal Excise Act 2005, Customs Act 1969 and The Islamabad Capital Territory (Tax on Services) Ordinance, 2001:**

In order to improve the investment climate in Pakistan by way of providing incentive in direct/indirect taxes, the Foreign Investment (Promotions and Protection) Act, 2022 was enacted on 13th December, 2022 which provides for dedicated exemptions/concessions with respect to Income Tax, Sales Tax, Federal Excise, Customs and ICTO Tax on Services. In order to give effect to such direct and indirect taxes exemption/ concessions, such direct and indirect taxes exemptions/concessions under the Foreign Investment (Promotions and Protection) Act, 2022 were incorporated mutatis mutandis in the Income Tax Ordinance, 2001, Sales Tax Act, 1990, Federal Excise Act, 2005, Customs Act, 1969 and The Islamabad Capital Territory (Tax on Services) Ordinance, 2001.

III. Customs Measures:

i. In order to streamline the functions and optimal service delivery to the trade, the Directorate General of Reforms and Automation-Customs and Directorate-General of Customs Risk Management (DGCRM) have been reorganized. Furthermore, functions of the Appropriate Officers have been assigned to the officers of Customs under the Customs Act, 1969.

ii. To address the issue of congestion of dry ports and to reduce the dwell time/clearance time, further dry ports and Customs stations have been notified i.e., Dry Port JiaBagga, M/s Sky Media (Pvt) Ltd, Karachi and M/s Seaboard Logistics (SMC-PVT) Ltd, Karachi as customs ports, declaration of M/s. Qasim Freight Station Off-dock Terminal Karachi as well as enhancement of area of existing customs stations.

iii. To address the shortage of petroleum products in the country, the Federal Government introduced a Scheme for the import, domestic sale and re-export of petroleum products on foreign suppliers' account under the customs bonded facilities. To operationalize the Scheme, FBR notified rules in consultation with Ministries and other stakeholders.

iv. Export Facilitation Scheme (EFS) has emerged as the leading export-oriented scheme aiming at facilitating exporters through single administrative documents with a special focus on small and medium enterprises. At present more than 1500 exporters are availing this Scheme. Scope of International Toll Manufacturing established in coordination with State Bank of Pakistan.

IV. Measures Relating to Reforms and Modernization:

i. FBR has made commendable progress under the Improved Resource Mobilization and Utilization Reform Program (DRM) funded by the Asian Development Bank (ADB). Some of the key achievements under DRM program are as follows:

a. FBR has conducted and published findings of a specially designed independent third-party survey to monitor taxpayer perceptions regarding access to, and quality of, FBR products and services for the corporate sector.

b. FBR has established the legal framework and implemented the Synchronized Withholding Administration and Payment System (SWAPS) through the National Assembly's approval and established the Directorate General of Digital Initiatives and Member (Digital Initiatives) to promote digital transformation and automation in tax administration.

c. FBR approved and commenced implementation of an Information and Cyber security Governance Framework to upgrade its cyber security architecture. In this regard, FBR successfully rolled out IRIS 2.0 for greater efficiency and enhanced user satisfaction.

d. FBR has introduced a model tax treaty, tax treaty policy framework and a manual for the exchange of information on request (EOIR), consistent with international tax transparency and cooperation standards.

ii. FBR has also made commendable progress under the Pakistan Raises Revenue Project (PRRP) funded by the World Bank during the reporting period in broadening the tax base and facilitating compliance. Some of the key achievements under the PRR Program are as follows:

a. The culture of data-driven informed decision making and transparency has continued to flourish in FBR. The FBR has compiled and published the Tax Expenditure Report and Evidence-Based Revenue Forecast Report for FY 2022-23.

b. FBR has piloted a Single Portal and Single Sales Tax Return with Provincial Revenue Administrations for the Telecom Sector.

c. The percentage of GDs through red and yellow channels has decreased to 29%.

d. Track & Trace System has been implemented in the Tobacco Sector in FY 2022-23 and verified by the Independent Verification Agents (IVA).

V. Audit

i. Automation of Audit Monitoring System/Audit Dashboard

In an effort to transform FBR into a modern & Dynamic entity, the manual Monthly Performance Reports (MPRs) for audit has been replaced with an integrated computerization system namely Audit Dashboard/Audit Management Integrated System (AMIS). The AMIS is a fully automated software developed for the purpose of monitoring of the progress of audit proceedings/ activities carried out in the field formations throughout the year by FBR management.

ii. Launching initial Compliance Risk Register (CRR)

FBR has established a Compliance Risk Management Directorate as a step forward in the identification, assessment and prioritization of compliance risks. The Compliance Risk Management Directorate will identify compliance risks and suggest remedial measures to address compliance risk for revenue leakages with a focus on broadening the tax base and enhancing domestic revenue collection and curbing tax leakages. For this purpose, the Compliance Risk Management Directorate is launching an initial Compliance Risk Register (CRR) and a CRM dashboard with Machine Learning Techniques. Currently, the CRR and CRM dash boards are being trailed and they are showing promising signs with the help of the technical team of the IT Wing and a team of IMF consultants/experts using Data Analytics.

VI. Agreement with KARANDAAZ Pakistan for digitization of tax system:

The FBR has entered into an agreement on March 15th, 2024 with Karandaaz Pakistan for the Digitalization of the Tax System, in line with the vision of the Prime Minister of Pakistan to transform FBR into a Digital Tax Administration. FBR has focused on automating its business processes in the wake of digitalizing of the economy. Such initiatives will reduce taxpayers' cost of compliance, document the economy, expand the tax base and lead FBR on the path to sustainable growth.

The FBR is collaborating with Karandaaz to develop a comprehensive digital strategy for realizing the digital transformation of the FBR, its digitalization initiatives and their implementation. The initiative is in line with Karandaaz Pakistan's sponsor, the Bill & Melinda Gates Foundation's, Digital Public Infrastructure work stream. It will help in building a robust ecosystem for Pakistan Digital Stack.

VII. **Broadening of Tax Base (BTB)**

The target for FY2024, set at 1 million for BTB by the SIFC, was ambitiously pursued by the Federal Board of Revenue through a robust and focused strategy. Some of these efforts are outlined below:

i. **Measures for the achievement of BTB target**

a. Use of technology and data analytics - continuous monitoring through Dashboards.

b. The FBR, with the collaboration of NADRA is on the way to creating real-time machine-to-machine data integration with other major organizations holding data on financial transactions.

c. Strong nudging activity- Sending SMS/ What's App messages to high-profile Unregistered persons to file their returns-REMIT Initiative.

d. Media Campaign to encourage the citizens to visit the Malomaat portal and file their returns.

e. MOUs already signed with 28 departments/ organizations for the transfer of data/ information on a real-time basis.

f. Revamped Malomaat portal and Tax Ray effective tools with Field formations.

g. Approximately forty-six (46) sets of third-party data have been shared with Field offices to register new taxpayers, more than 1,354,009 new cases have been identified.

ii. **New Initiatives specifically launched during the year:**

a. **District Tax Office** – DTOs: 145, field offices were created and designated as District Tax Office with specific jurisdiction of broadening of tax base and action against non-filers.

b. A special Committee was formed under the leadership of the Chairman of NADRA, with senior officials of both organizations as its members, and tasked for recommendations on the Broadening of the Tax Base. These recommendations are being implemented.

c. Instructions have been issued to TELCOs for temporarily disabling SIMs of 506,671 non-filers under section 114B of the Income Tax Ordinance 2001 Action against Non-filer/stop filers.

d. **Tajor Dost Scheme (TDS)** has been launched to register 3.3 million retailers, initially through voluntary registration through a user-friendly Tax Assan Mobile phone application during the month of April 2024 which turned compulsory in May 2024. The scheme is applicable to all traders except those who have branches in multiple cities and companies.

The FBR through unwavering resolve and consistent efforts by the field formations touched new heights of adding an all-time high figure of 3.6 million (approximately) as new taxpayer's registration out of which **1,780,406** have also filed their returns.

VIII. **Point of Sale (POS)-II**

Tier-1 retailers are required to integrate all their branches/Point of Sale terminals with the FBR's computerized system and it is a pathway towards digitization of economic transactions as all the invoices to be issued through the FBR's POS system.

i. FBR POS automated system has resulted in the integration of 10,741 retailers and 33,289 point of sale (POS) machines, as on 30.06.2024.

ii. From July, 2023 to 30.06.2024, there is an influx of 1,668 Tier-1 retailers and 2,674 POS machines into the POS system.

The establishment of a new threshold for clause 2(43A)(g) through SRO 1842 of 2023 facilitated further integrations of Tier-1 retailers which provides for integration of retailers whose deductible withholding tax under section 236G or 236H of the Income Tax Ordinance, 2001 during the immediately preceding twelve consecutive months exceeded the prescribed threshold.

IX. **Synchronized Withholding Administration and Payment System (SWAPS)**

The project of Synchronized Withholding Administration and Payment System (SWAPS) project has been successfully integrated into the legal framework, culminating with the issuance of SRO 419(I)/2024 on March 21, 2024, which addresses all pertinent legal considerations.

Technologically, the project has made headway through the development and testing of Application Programming Interfaces (APIs) in partnership with the State Bank of Pakistan (SBP). Additionally, the SWAPS portal's internal interface design on the IRIS platform has also been approved development. The following milestones have been attained:

i. Establishment of the Policy Framework (Rules) for SWAPS.

ii. Issuance of Notifications for Swaps Agents.

iii. Creation of the Technical Framework (Functional Specification Document).

iv. Composition and Testing of API Specifications in conjunction with SBP.

v. Approval of Mock-ups for Software Development on May 3, 2024.

X. Digital Invoicing Initiative:

In response to the evolving landscape of business-to-business (B2B) transactions, the FBR has introduced a digital invoicing initiative that leverages the FBR's portal to adopt digital invoicing fully. This initiative is designed to seamlessly integrate supply chains from import and manufacturing stages right through to the final consumer. By requiring licensing for providers of Enterprise Resources Planning (ERP) and Point of Sale Solutions, the initiative ensures accurate reporting and prevents misreporting. Additionally, integrating third-party data sources allows for the auto-population of tax returns, lightening the administrative load on businesses and enhancing reporting accuracy. This strategy not only reduces direct interactions between taxpayers and tax collectorates but also enhances transparency and lowers the overall cost of tax compliance.

The proposed digital solution marks a significant step towards fully documenting all supply chain transactions. This documentation process involves registering software providers approved by the board's Approval Committee. These providers are tasked with the registration, installation, and operationalization of sales software for registered persons with the FBR. They are also responsible for providing real-time sales and purchase information of registered persons to the FBR via middleware. It is mandatory for registered persons to keep their registration profiles with the software providers updated, ensuring that this information is continually exchanged, updated, and synchronized with the FBR.

XI. Enforcement & Coordination

i. A comprehensive National Anti-Smuggling Strategy has been developed in consultation with relevant stakeholders to combat the smuggling menace in Pakistan. This strategy aims for targeted interventions at both strategic and tactical levels by establishing short, medium, and long-term objectives. Adopting a Whole-of-Government approach, the implementation of this strategy is expected to significantly curtail the influx of smuggled goods.

ii. Pakistan Customs has intensified its anti-smuggling efforts, resulting in the seizure of goods valued at Rs. 106.08 billion during the fiscal year 2023-24, a substantial increase from Rs. 63.40 billion seized during the same period last year, reflecting a growth of 67.80%.

iii. To effectively curb the smuggling of essential commodities, 54 Joint Check Posts (JCPs) and Inter-Provincial Check Posts (IP-JCPs) were established in October 2023. These check posts have significantly bolstered the enforcement campaign against smuggling, with goods worth Rs. 9.3 billion seized from November 2023 to June 2024.

iv. To restrict the reverse flow of Afghan transit goods, items prone to smuggling such as fabric, tires, cosmetics, and home appliances have been prohibited from transit to Afghanistan as per the Ministry of Commerce's SRO-1397(I)/ 2023 dated October 3, 2023.

v. To intercept the movement of smuggled goods on motorways, a Memorandum of Understanding (MoU) has been signed between the National Highway and Motorway Police (NH&MP) and Pakistan Customs.

vi. To enhance enforcement measures, several Information Technology-based solutions have been implemented:

a. A specialized Anti-Smuggling Portal has been developed, offering a comprehensive solution for the seizure and confiscation of smuggled goods. This portal serves both Customs and other Law Enforcement Agencies (LEAs) that hold the authority to prevent smuggling;

b. The Customs Interdiction Module (CIM) has been launched, providing online access and verification for imported cargo. This module generates alerts and red flags for cargo suspected of being smuggled;

c. To enhance the monitoring and movement of essential commodities, an online tracking portal, S-Track, has been implemented.

vii. To strengthen the legal framework and combat the smuggling of essential commodities, items such as wheat, wheat flour, sugar, and urea have been officially listed under SRO 495(I)/2023 dated April 14, 2023. Additionally, to regulate the storage of these commodities, a customs area spanning 10 kilometers adjacent to Pakistan's frontiers with Afghanistan, India, and Iran, and 50 kilometers adjacent to eight districts of Balochistan, has been notified vide SRO 499(I)/2023 dated April 19, 2023.

5.2.3 Provincial Governments

Government of the Punjab

Government of Punjab has taken following steps for streamlining the Tax Collection for effective implementation of NFC Award during the period of report:

I. The Government enhanced the royalty rates of Limestone from Rs.115/- to Rs.250/- for large scale mining and from Rs.90/- to Rs.120/- for small scale mining & Argillaceous Clay from Rs.115/- to Rs.250/- and Rock Salt from Rs.80/- to Rs.100/- produced and carried away from the licensed or leased area.

II. The Government revised the rates of various articles e.g. [affidavit, agreement relating sale of immovable property, contract, divorce, power of attorney executed for authorizing not more than 10 persons, Power of Attorney executed between relatives, re-conveyance and Surrender of Lease] of Schedule-I of the Stamp Act, 1899.

III. The Government revised the schedule for all types of Arms Licenses Fee and Renewal Fee.

IV. The Government approved grant of remission in respect of all property units where tax liability for year 2023-24 exceeds 120% of the property tax payable for year 2013-14.

V. The Government granted an exemption of tax at the rate of ninety-five (95) percent in respect of all motor vehicles propelled on a road entirely by electrical power except the motor vehicles paying lumpsum tax till 30.06.2025.

VI. The Government remitted the Property Tax and Motor Vehicle Tax at the rate of five (5) percent in respect of all the tax being paid, on payment of annual tax through e-payment system for the financial year 2023-24 in order to facilitate the tax payers.

Government of Sindh

The Government of Sindh has been taking measures for broadening of provincial tax base, streamlining of fiscal operations and resource mobilization as required to implement the NFC Award. A brief overview of the measures taken so far is given below:

A. Sindh Tax Revenue Mobilization Plan (2022-26)

STRMP-II has been developed to cover financial period from 2022-26. Revenue targets has been set to grow from Rs. 232 billion in year 2020-21 to Rs. 600 billion till 2025-26.

B. Resource Mobilization Measures

I. **E-Pay Sindh**

The Government of Sindh has initiated to develop a single tax/ non-tax revenue/ receipts collecting aggregator to automate/digitize 34 different levies. It will be completed in 3 years time. It will help in tapping the revenue potential, facilitate the tax payers and create environment with ease of doing business in the province.

II. Point of Sale Invoicing

The Sindh Revenue Board is working on installation of Point of Sale machines at various locations in Sindh covering services of restaurants, Hotels, and Beauty Parlour. The Exercise is expected to capture all the potential services in next two years.

III. Digitizing Measures

a. E-Stamps have been fully digitalized.

b. Automation of Registration through E-Registration mechanism has been developed at all the district Head Quarters level to ensure collection of land related levies by providing a digital data base.

c. E-Service for Domicile and other related documents has been implemented at Sukkur and Kashmore@ Kandhkot and is expected to be rolled out in the districts in current year.

d. Implementation of NADRA Biometric mechanism for registration of new vehicles.

e. For Sindh Sales Tax on Services, adjudication management system (AMS), Business Intelligence (BI), QR code, E-Hearing of appeals and fully automated system including tax payment and return filing have been implemented. These systems have been linked with SECP and PRAI for data gathering, coordination and assistance and further efforts for incorporation of Sindh based companies under One-Window registration mechanism.

f. Introduction of system of 1-Link 1-Bill, facilitating tax payers to pay their tax liability directly from the bank accounts, ATMs, Internet Banking. This allows the taxpayers to make tax payments online or by through any bank branch. This measure also eliminates the reconciliation issues.

g. Linking the point of Sales system with Sindh Revenue Board for real time monitoring and controlling the tax evasion. Besides, the SRB has also implemented the harmonized Single-Portal/ Single return mechanism in the matters of Federal and Provincial Sales Tax/ FED on Telecommunication Services. It will further be extended on other service sectors in future.

Government of Khyber Pakhtunkhwa

The Provincial Government has taken certain steps/measures for streamlining of taxes during the FY 2023-24 **(Annex-III).**

Government of Balochistan

The detailed revenues measures taken by Government of Balochistan are tabulated below:

#	Department	Input/comments
1.	**Excise, Taxation and Anti-Narcotics Department,**	• Excise Taxation and Anti-Narcotics Department has introduced various reforms e.g for assessment / collection of Property Tax under Urban Immovable Property tax Act, 1958, the Annual Rental Value Tables were introduced and the survey process is going on. Which will bring uniformity and transparency. Moreover, the life time tax has been introduced for Motor vehicles upto 1000 cc and motor cycles collected at the time of registration. The surveys for Professional and Trade Tax are also under process. • Furthermore, the PSDP Scheme of "GIS-Based Computerization of Urban Immovable Property Tax" on pilot basis in Quetta district is also under progress for digitizing the Property Tax collection to reduce leakages and increase revenues through improved online tax collection system.
2.	**Energy Department,**	• The Excise duty on natural gas has remained PKR 10.0 Per MMBTU since 2010, while during the same period the wellhead prices varied from \$3.7 to \$6 in different zones and leases, it is recommended that the excise duty shall be linked with wellhead price of the gas, which can be 2.5% of the wellhead price instead of PKR 10/MMBTU.

#	Department	Input/comments
		• The department has been facing difficulties in collecting Electricity Duty levied under the West Pakistan Finance Act, 1964, as the various DISCOs have unjustifiably retained amount of duty collected on account of arrear of payments from different departments which are payable only subject to finalization of reconciliation. Negotiations are being undertaken, however, no progress has so far been noted.
3.	**Balochistan Revenue Authority** **Government of Balochistan**	• The telecommunication sector has initiated the practice of filing tax returns through a single portal, a significant advancement towards facilitating businesses. This initiative is expected to curtail tax leakages and exercise better control over claims associated with input tax adjustments. The plan includes extending this practice to other sectors in subsequent phase. • In Order to Broaden Tax Base (BTB), Balochistan Revenue Authority in continuous liaison with provincial department got able to extract requisite data from Provincial Departments and handed over the same to NADRA Data expert team in compliance of SFC directives. • Discussions are underway regarding a draft Memorandum of Understanding (MoU) for data sharing between the FBR and Provincial Revenue authority. • BRA plays vital role in efforts regarding harmonization of Tariff Codes among Provincial Revenue Authorities, and FBR, with the assistance of the World Bank. • The BRA has also started collecting Balochistan Infrastructure Development Cess according to the Balochistan Developmentand Maintenance of Infrastructure Cess Act, 2021. This is showing quite a substantial growth of tax revenues in the province and expected to increase with passage of time.
4.	**Board of Revenue**	The Board of Revenue has been working on digitization of land record, and introduction of e-stamps in the 4 select districts for stamp papers of denomination of Rs. 1,000 and above. Both, the digitization of land record and introduction of e-stamps are considered to enhance land revenues in the province. The said system is planned for the rest of the province in the due course. In addition to that the BoR had already been working on streamlining the Agriculture Income Tax system to enhance AIT in the province. The same is now being worked upon with the support of the Ministry of Finance under the National Fiscal Pact.

#	Department	Input/comments
5.	Transport Department Government of Balochistan	The transport department has continued to work on the traditional means of revenue collection. However, it has initiated working on alternative measures for improving and streamlining tax collection related to transport route permits and other allied taxes. Any progress on this will be shared accordingly.

5.3 Fiscal Discipline

5.3.1. Article 9(3) of said order provides that Federal and Provincial Governments would develop and enforce mechanism for maintaining fiscal discipline at the federal and provincial levels through legislative and administrative measures. In this regard, efforts of the Federal Government as well as Provincial Governments are reproduced as follows:

Federal Governments

At Federal level, Public Finance Management Act, 2019 was promulgated with a view to strengthen management of public finances, improve implementation of fiscal policy, clarify institutional responsibilities and strengthen budgetary management. Federal and Provincial Government are working in close coordination to increase revenues and curtail non-essential expenditures.

I. **Implementation of Austerity Measures vide letter dated 27th February, 2023.**

   i. There shall be a complete ban on purchase of all new durables till June, 2024;

   ii. There shall be a complete ban on purchase of all vehicles till June 2024;

   iii. Single dish in case of meals and tea & biscuits on other occasion shall be severed in government events / meetings.

   iv. 15% cut (on an annual basis) applied in current expenditure (Non-ERE) of all Ministries/Divisions/ Attached Departments/ Sub-ordinate Offices/ Autonomous Bodies, etc. Except Ministry of Foreign

Affairs expenditures on diplomatic missions abroad owing to currency depreciation effect;

II. **Strategy for Additional Allocation and Re-appropriation of Funds during FY 2023-24 vide O.M dated 24th August, 2023:-**

i. Supplementary Grants/ additional resources were not allowed during Financial Year 2023-24 until the formation of a new government after election. However, it was allowed only under extreme and exceptional circumstances with prior approval of the Federal Cabinet.

During 1st half of FY 2023-24, the overall/consolidated fiscal deficit stood at 2.3% of GDP which was 2.0% of GDP in the 1st half of FY 2022-23. Major reason for increase in fiscal deficit was payments of mark-up by Federal Governments.

5.3.2. Provincial Government

Government of the Punjab

I. **Performance of Own Source Revenue (OSR):** The Government of Punjab performed well in achieving its targets for the first half of the Financial Year 2023-24 through improved tax administration and enforcement. Provincial tax receipts stood at Rs.160.903 billion (July-December 2023) showing an increase of 12 percent compared to the same period last FY 2022-23. Similarly, Rs.57.629 billion was collected as non-tax receipts during first half of FY 2023-24 showing an increase of 36 percent compared to FY 2022-23.

II. **Ease of Paying Taxes:** E-pay is the first ever Government Payment aggregator in Pakistan for Public to Government (P2G) & Business to Government (B2G) payments for facilitation of tax payers and businesses. The platform has increased the digital transactions of Own Source Revenue significantly and collected Rs. 333 Billion from 45 million plus transactions upto December 2023. A total of 18 departments and 79 taxes have been digitized which is resulting in improved service delivery through better collection and enforcement of Govt. levies/taxes.

III. **Supplementary Grant:** The Government of Punjab implemented strict budget controls to ensure all administrative departments operated within their allocated funds, minimizing the need for supplementary grants. Through diligent efforts, the government successfully rationalized additional funding requests from departments, resulting in billions of rupees in savings. In unavoidable cases, requests for supplementary grants were presented to the Provincial Cabinet for review.

IV. **Commodity debt retirement**: In the first half of FY 2023-24, Government of Punjab retired commodity circular debt amounting to Rs.244 billion, reflecting fiscal prudence by methodically reducing debt rather than rolling it over, lowering future interest costs and enhancing fiscal stability.

Government of Sindh

Inter-Provincial Tax Harmonization Efforts

For harmonization of existing GST regime in provinces and Federal level, laws relating to various Services including Restaurant, Construction and Toll Manufacturing and Place of Provision of services have been finalized and implemented along with other Provinces. This measure has helped in revenue mobilization at provincial level.

Government of Khyber Pakhtunkhwa

I. While considering the Budget Estimates 2023-24 the Provincial Cabinet has approved certain guiding principles to curtail the recurring expenditure effective from 1st July 2023 **(Annex-IV).**

II. To maintain financial discipline and in time availability of funds, the Government of Khyber Pakhtunkhwa upon approval of competent authority has devised a release policy for both current and development expenditure for the FY 2023-24 **(Annex-V).**

The Gazette of Pakistan

EXTRAORDINARY

PUBLISHED BY AUTHORITY

ISLAMABAD, MONDAY, MAY 10, 2010

PART I

Acts, Ordinances, President's Orders and Regulations

GOVERNMENT OF PAKISTAN

MINISTRY OF LAW, JUSTICE AND PARLIAMENTARY AFFAIRS

Islamabad, the 10th May, 2010

No. F.2(2)/2010-Pub.—The following President's Order Promulgated by the President is hereby published for general information:-

PRESIDENT'S ORDER NO.5 OF 2010

AN

ORDER

to provide for distribution of revenues and certain grants

WHEREAS in pursuance of Clause (1) of Article 160 of the Constitution of the Islamic Republic of Pakistan hereinafter referred to as the Constitution, the President, by the Finance Division's Notification No. S.R.O. 739(I)/2005 dated 21st July 2005, as modified by the said Division's Notification No. S.R.O. 693(I)/2009, dated 24th July 2009, appointed a National Finance Commission to make recommendations, among other matters, as to the distribution between the Federation and the Provinces of the net proceeds of certain taxes;

Price: Rs. 5.00

[2438 (2010) Ex.Gaz]

AND WHEREAS the said Commission has also submitted its recommendations with regard to the said distribution;

NOW, THEREFORE, in pursuance of clause (4) and (7) of Article 160 of the Constitution, the President is pleased to make the following Order:-

1. **Short title and commencement.-** (1) This Order may be called the Distribution of Revenues and Grants-in-Aid Order, 2010.

(2) It shall come into force on the first day of July, 2010.

2. **Definitions.**— In this Order, unless there is anything repugnant in the subject or context,---

(a) **"net proceeds"** means, in relation to any tax, duty or levy, the proceeds thereof reduced by the cost of collection, as ascertained and certified by the Auditor-General of Pakistan; and

(b) **"taxes on income"** includes corporation tax but does not include taxes on income consisting of remuneration paid out of the Federal Consolidated Fund.

3. **Distribution of Revenues.-** (1) The divisible pool taxes in each year shall consist of the following taxes levied and collected by the Federal Government in that year, namely:-

(a) taxes on income;
(b) wealth tax;
(c) capital value tax;
(d) taxes on the sales and purchases of goods imported, exported, produced, manufactured or consumed;
(e) export duties on cotton;
(f) customs-duties;
(g) federal excise duties excluding the excise duty on gas charged at well-head; and
(h) any other tax which may be levied by the Federal Government.

(2) One percent of the net proceeds of divisible pool taxes shall be assigned to Government of Khyber Pakhtunkhwa to meet the expenses on war on terror.

(3) After deducting the amount as prescribed in clause(2), of the balance amount of the net proceeds of divisible pool taxes, fifty-six percent shall be assigned to provinces during the financial year 2010-11 and fifty-seven and half percent from the financial year 2011-12 onwards. The share of the Federal Government in the net proceeds of divisible pool shall be forty-four percent during the financial year 2010-11 and forty-two and half percent from the financial year 2011-12 onwards.

4. Allocation of shares to the Provincial Governments.- (1) The Province-wise ratios given in clause(2) are based on multiple indicators. The indicators and their respective weights are agreed upon are:–

a. Population:	82.0%
b. Poverty/ backwardness:	10.3%
c. Revenue collection/ generation:	5.0%
d. Inverse population density:	2.7%

(2) The sum assigned to the Provincial Governments under Article 3 shall be distributed amongst the provinces on the basis of the percentage specified against each:-

The Punjab	51.74%
Sindh	24.55%
Khyber Pakhtunkhwa	14.62%
Balochistan	9.09%
Total:	**100.00%**

[1][(3) The Federal Government shall guarantee that Balochistan province shall receive the projected sum of eighty-three billon rupees from the provincial share in the net proceeds of divisible pool taxes in the first year of the Award and any shortfall in this amount shall be made up by the Federal Government from its own resources. This arrangement for Balochistan shall remain protected throughout the Award period based on annual budgetary projections.]

5. **Payment of net proceeds of royalty on crude oil.**- Each of the provinces shall be paid in each financial year as a share in the net proceeds of the total royalties on crude oil an amount which bears to the total net proceeds the same proportion as the production of crude oil in the Province in that year bears to the total production of crude oil.

6. **Payment of net proceeds of development surcharge on natural gas to the Provinces.**- (1) Each of Provinces shall be paid in each financial year as a share in the net proceeds to be worked out based on average rate per MMBTU of the respective province. The average rate per MMBTU shall be derived by notionally clubbing both the royalty on natural gas and development surcharge on Gas. Royalty on natural gas shall be distributed in accordance with clause (1) of Article 161 of the Constitution whereas the development surcharge on natural gas would be distributed by making adjustments based on this average rate.

(2) The development surcharge on natural gas for Balochistan with effect from 1st July, 2002, shall be re-worked out hypothetically on the basis of the formula given in clause (1) and the amount, subject to maximum of ten billion rupees, shall be paid in five years in five equal installments by the Federal Government as grants to be charged on the Federal Consolidated Fund.

7. **Grants-in-Aid to the Provinces.**—There shall be charged upon the Federal Consolidated Fund each year, as grants-in-aid of the revenues of the province of Sindh an amount equivalent to 0.66% of the provincial share in the net proceeds of divisible pool as a compensation for the losses on account of abolition of octroi and zilla tax.

---

[1] Substituted vide "Distribution of Revenues & Grants-in-Aid (Amendment) Order, 2015 (President's Order No.6 of 2015)

8. **Sales tax on services.**---NFC recognizes that sales tax on services is a Provincial subject under the Constitution of the Islamic Republic of Pakistan, and may be collected by respective Provinces, if they so desired.

9. **Miscellaneous.**---(1) NFC also recommended increase in the rate of excise duty on natural gas to Rs.10.0 per MMBTU. Federal Government may initiate necessary legislation accordingly.

(2) The NFC recommended that the Federal Government and Provincial Governments should streamline their tax collection systems to reduce leakages and increase their revenues through efforts to improve taxation in order to achieve a 15% tax to GDP ratio by the terminal year i.e. 2014-15. Provinces would initiate steps to effectively tax the agriculture and real estate sectors. Federal Government and Provincial Government may take necessary administrative and legislative steps accordingly.

(3) Federal Government and Provincial Governments would develop and enforce mechanism for maintaining fiscal discipline at the Federal and Provincial levels through legislative and administrative measures.

(4) The Federal Government may assist the Provinces through specific grants in times of unforeseen calamities.

(5) The meetings of the NFC may be convened regularly on a quarterly basis to monitor implementation of the award in letter and spirit.

10. **Repeal.**--- The Distribution of Revenues and Grants-in-Aid Order, 1997 (P.O. No. 1 of 1997), and the Distribution of Revenues and Grants-in-Aid, Order, 2010 (P.O. 4 of 2010) are hereby repealed.

ASIF ALI ZARDARI,
President.

SYED SULTAN AHMED,
Senior Joint Secretary.

Annex-II

REGISTERED No. M - 302 / L.-7646

The Gazette of Pakistan

EXTRAORDINARY
PUBLISHED BY AUTHORITY

ISLAMABAD, THURSDAY, JULY 2, 2015

PART I

Acts, Ordinances, President's Orders and Regulations

GOVERNMENT OF PAKISTAN

MINISTRY OF LAW, JUSTICE AND HUMAN RIGHTS

Islamabad, the 1st July, 2015

No. F. 2(2)/2013-Pub.—The following President's Order promulgated by the President is hereby published for general information:—

PRESIDENT'S ORDER NO. 6 OF 2015

AN

ORDER

To amend Distribution of Revenues and Grants-in-Aid Order, 2010 (President's Order # 5 of 2010)

WHEREAS, it is expedient to amend the Distribution of Revenues and Grants-in-Aid Order, 2010 (P.O. No. 5 of 2010), for the purpose hereinafter appearing.

NOW, THEREFORE, in pursuance of Clause (6) read with Clause (7) of Article 160 of the Constitution of the Islamic Republic of Pakistan, the President is pleased to make the following Order:—

Price : Rs. 2.00

[1002 (2015)/Ex. Gaz.]

1. **Short title and commencement.**—(1) This Order may be called the Distribution of Revenues and Grants-in-Aid (Amendment) Order, 2015.

(2) It shall come into force on the first day of July, 2015.

(3) It will remain in force till further orders.

2. **Substitution of Article-4(3) P.O. No. 5 of 2010.**—In the Distribution of Revenues and Grants-in-Aid Order, 2010 (P.O. No. 5 of 2010), for Article 4 (3) the following shall be substituted, namely:—

(3) The Federal Government shall guarantee that Balochistan province shall receive the projected sum of eighty-three billion rupees from the provincial share in the net proceeds of divisible pool taxes in the first year of the Award and any shortfall in this amount shall be made up by the Federal Government from its own resources. This arrangement for Balochistan shall remain protected throughout the Award period based on annual budgetary projections.

MAMNOON HUSSAIN,
President.

JUSTICE (R)
MUHAMMAD RAZA KHAN,
Secretary.

PRINTED BY THE MANAGER, PRINTING CORPORATION OF PAKISTAN PRESS, ISLAMABAD.
PUBLISHED BY THE DEPUTY CONTROLLER, STATIONERY AND FORMS, UNIVERSITY ROAD, KARACHI.

Measures Taken to Streamline Tax Collection System by Govt. of Khyber Pakhtunkhwa

I. The Government of Khyber Pakhtunkhwa reduced rate of Sale Tax on Services to one percent (1%) for 10 categories/sectors including Print Media, Industrial Workships, Cinematographic Services, Property Dealers etc. Further, rates of Sales TAX ON Services also reduced for 17 categories/sectors mainly Construction, Marriage Halls, Hotels & Restaurants etc. Furthermore, in the Wedding Halls and Beauty Parlors where RIMS is implemented, the tax rate reduced to 5% as well as the tax rate reduced to 0% for health insurance services including Sehat Card.

II. Total collection on account of Sales Tax on Services made by Khyber Pakhtunkhwa Revenue Authority (KPRA) during the first half of the Financial Year 2023-24 is **Rs.14,611.786**million against the assigned proportionate target of **Rs.17,500.000**million.

III. The Budget target was fixed as **Rs.85,000**. million that for the Provincial revenue generating Tax & Non-Tax Departments. An amount of **Rs.28,435.327** million realized during the 1st half of the Financial Year 2022-23.

Economy/ Austerity Measures

I. Salary budgeting has been done at actually filled positions, therefore, hiring against vacant positions shall be subject to budgetary ceilings.

II. There shall be a complete ban on:

i. Creation of posts excluding completed Developmental Projects.

ii. Purchase of vehicles except Ambulances, Earth moving machinery, Fire Trucks, Tractors, Trucks, Buses, Passenger vans, Prisoners Vans, Motorcycles, Water Bowser Trucks, Recovery/ Rescue vehicles, Rescue/ Life Saving boats.

iii. Participation in workshops/seminars and training abroad involving provincial funds.

iv. Holding Seminars and Workshops in Five Star Hotels involving provincial funds.

v. Treatment abroad on Provincial Government's expense.

III. All Administrative Secretaries and Heads of Autonomous/ Semi-Autonomous Bodies, being Principal Accounting Officers, shall conduct meetings of Departmental Accounts Committee regularly so as to ensure internal audit of their respective Departments / Organizations.

IV. Expenditure shall be restricted to the funds released and the Administrative Departments shall not incur expenditure in anticipation of additional or supplementary grants.

V. To bring efficiency in revenue collections, "Provincial Revenues Review Committee" shall meet regularly under the chairmanship of Minister Finance to review the performance of all revenue collecting entities of the Provincial Government and to propose structural changes, performance indicators, legal reforms and other realignments in the procedures.

VI. Contingent paid staff shall be engaged during the course of the financial year 2023-24 only after approval of the Finance Department.

VII. No appointment shall be made against leave vacancies without prior approval of Finance Department.

VIII. No appointment will be made against vacant posts (except appointment by promotion) without obtaining NOC from the concerned Surplus Pool.

IX. Principal Accounting Officers will make sure that no appointment is made against vacant posts of dying cadre and will also initiate disciplinary action, if such appointments have been made previously.

X. No developmental scheme involving creation of posts and purchase of vehicles, machinery & equipment and furniture (Revenue Component), will be considered without prior clearance of Finance Department.

XI. No department shall retain receipts in Bank Accounts. The Departments must remit all Receipts to Provincial Account forthwith except where Departments/ facilities have been specifically permitted under some Statute/Act. All MTIs shall share the balances in Reserve Fund with Finance Department on quarterly basis along-with the Procurement Plan. Release of subsequent quarter's budget shall be subject to submission of reserve funds balances to Finance Department. All Grant in Aid to Bar Councils and Press Clubs shall be released as per approved criteria. Any fund over and above the approved criteria shall be released with the approval of Chief Minister, Khyber Pakhtunkhwa.

XII. No funds will be utilized on account of annual and special repair of such Roads & Buildings (AOM&R) which have been repaired/ rehabilitated during last three years except flood and earthquake affected Government infrastructure. To ensure the scope and standard of such works, Director General, Monitoring & Evaluation (M&E), shall inspect the sites periodically and provide a quarterly report to P&D & Finance Department. The concerned SDO shall submit a certificate to the effect that no funds have been utilized for Repair & Maintenance of the concerned Road & Building in the last three years

XIII. The advertisement charges allocated under Current Revenue Expenditure shall be utilized on current side only. As regards expenditure on developmental side, necessary provision will be made in the PC-I(s)/Costs Estimate(s) of the concerned scheme(s) whereas the devolved Department's expenditure on this account shall be met out of Account-IV/V, as the case may be, of the district concerned.

XIV. All posts which are lying vacant for the last three (03) years shall be abolished by Finance Department unless justified by the Administrative Department.

XV. P&D Department shall initiate district & sectoral plan spread over the next three (03) years as part of the mid-term development framework for the purpose of improved planning & eliminate wasteful expenditure.

XVI. Keeping in view financial crunch, Finance Department shall carry out monthly Receipts & Expenditure reviews and adjust the release under various heads including development release accordingly.

XVII. All Autonomous/ Semi-Autonomous bodies, Medical Teaching Institutions, other Institutions and Authorities under Provincial Government shall adopt the measures within their respective organizations with the approval of their competent forums.

XVIII. Principal Accounting Officers shall overall review the Departmental overall budgets and ensure judicious spending of various entities. Any intra departmental adjustments/ re-appropriations shall be done at level of Principal Accounting Officers to bridge budgetary/ release gaps.

XIX. The Chief Minister shall constitute a Cabinet Committee to quarterly review the fiscal situation and recommend measures to ensure availability of fiscal space for key service delivery sectors and flagship priorities of the Government.

Release Policy

A. Development Expenditure:

Type of Schemes	Funds Release Methodology
1. Ongoing approved schemes	i) 10% of the allocated funds will be released to ongoing schemes of a sector progressively at the start of the financial year. ii) Out of released 10% funds; the Administrative Department will ensure adequate releases to the on-going schemes, due for completion and to the schemes pertaining to snow bound areas (either due for completion or not) through intra sectoral re-appropriations. iii) Subsequent releases to each sector will be made on provision of Utilization Certificate of at least 90% of already released funds or justification to be provided by Administrative Department for non-utilization / low utilization on case-to-case basis.
2. New approved schemes	Complete Ban
3. Schemes with 'R' status in ADP 2023-24	Funds will be released to the schemes of **'R' status** in ADP 2023-24 on the basis of notified Revised Administrative Approval.

I. District wise complete breakup of the umbrella schemes shall be provided by the Department within one week after release of funds to enable Finance Department to punch it in SAP system.

II. No release shall be made in the name of individuals with respect to Umbrella schemes.

III. 100% release will be made for procurement of medicines and any other essential heads under schemes of Health Department on the request of the Department.

IV. Intra-Sectoral re-appropriation approved by Administrative Departments to development schemes shall be punched in SAP system by Administrative Departments themselves and not by the Finance Department.

V. No re-appropriation shall be made from the "High Impact Priority Projects".

B. **Current Expenditure – Provincial**

S#	Objects	Funds to be Released
1.	• Salary* *(except Honoraria which shall be released on case-to-case basis)*	100%
2.	• Electricity • Sui Gas Charges • Advertisement Charges (Current side only) • Financial Assistance to the families of Government servants who die while in service	100%
3.	O&M Expenses	25%
4.	Purchase of Physical Assets	Complete Ban
5.	Maintenance & Repair **	Release on Need basis
6.	Wheat Subsidy	Release on Need basis
7.	Medical Teaching Institutions (MTIs)	25%
8.	Funds at the disposal of Finance Department	Release on case-to-case basis through re-appropriation as per Guidelines contained in Finance Department's circular letter No BO. I/FD/5-17/2014 - 15 dated 12/06/2015

NOTE:

I. **Medical Charges***: - The funds released under object A01274-Medical Charges shall be utilized by the concerned sanctioning authorities only upto the limit of medical re-imbursement claims i.e Rs.30,000/- where verification / authentication by Director General, Health Services, Khyber Pakhtunkhwa is not required under the prevailing rules/policy instructions. The incurrence of expenditure against the remaining claims shall be authorized by Finance Department on case-to-case basis as usual subject to fulfillment of all codal formalities.

II. **Repair & Maintenance** **: - The funds allocated for civil works including Public Health Engineering & Irrigation, maintenance and repair of Roads, Highways, Bridges and Buildings, Machinery & Equipment will be released on case-to-case basis with the approval of competent forum and issuance of Administrative Approval.

III. **Release of Withheld Budget: -** The withheld budget under Current Expenditure (Provincial) will be released on monthly basis subject to availability of financial resources. The individual demands for release of balance funds shall be examined at the level of concerned Sections and decided by the competent authority based on justification(s) provided by the Administrative Department concerned."

IV. **Grant in Aid: -** Grant-in-Aid will be governed by new rules to be adopted by Provincial Government.

C. **Development & Current Expenditure – Local Governments**

I. **Development Expenditure (Local Government)**

Development share of Local Governments Development Funds shall be transferred to respective Local Governments on quarterly installment basis. However, release of remaining quarter of development funds shall be subject to the 60% utilization of the already released amount of 1st quarter of all Tehsil Governments and VCs/NCs.

II. Current Expenditure (Local Government)

S. No.1	Grant	Funds to be transferred
1	Salary	On monthly installment basis subject to adjustment of balance available from previous month.
2	Non-salary	On monthly installment basis subject to availability of financial resources.

D. Grant to Local Councils

S. No.1	Grant	Funds to be transferred
1.	TMA	On monthly installment basis subject to availability of financial resources.
2.	Grant to VCs/NCs	100% share of the Grant on monthly installment basis subject to availability of financial resources.
3.	Cantt: Board	On monthly installment basis subject to availability of financial resources.

E. Development Authorities

Grant-in-Aid will be governed by new rules to be adopted by Provincial Government

F. Urban Immovable Property Tax

UIPT shall be transferred to respective Development Authorities/ TMAs on need basis.

PCPPI—6844 (25) Fin Div—23-10-2025—1700 Copies—Pc-2.