2ND BIANNUAL REPORT ON MONITORING OF IMPLEMENTATION OF NFC AWARD

(January – June, 2023)

Government of Pakistan
National Finance Commission Secretariat

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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 Grants-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 January to June, 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 January – June, 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 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

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This 2nd Biannual Monitoring Report on implementation of 7th NFC award of Financial Year 2022-23 covers the period from January to June, 2023. Total tax collection as reported by FBR remained Rs.3,994.601 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.3,848.244 billion. The Provincial share comes to Rs.2,212.740 billion, leaving a balance of Rs.1,635.504 billion for the Federal Government. The Provincial share has been distributed as Rs.1,144.872 billion to Punjab (51.74%), Rs.543.228 billion to Sindh (24.55%), Rs.323.503 billion to Khyber Pakhtunkhwa (14.62%) and Rs.201.138 billion to Balochistan (9.09%) @ 60% of (protected share). Khyber Pakhtunkhwa also received Rs.38.871 billion on account of War on Terror. Whereas Balochistan received Rs. 14.267 billion to meet the shortfall in its protected share for FY 2022-23.

During the period January – June 2023, Rs.27.484 billion, Rs.5.672 billion and Rs.33.863 billion were transferred to Provinces on account of Royalty on Crude Oil, Gas Development Surcharge (GDS) & Royalty on Natural Gas, respectively, after deduction of collection charges. Similarly, an amount of Rs. 5.009 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 in the net proceeds of the divisible pool, as compensation for losses on account of abolition of Octroi and Zilla Tax. Accordingly, an amount of Rs.10.130 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 Grants-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 grants 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 before both Houses of the Parliament and the Provincial Assemblies. Accordingly, this report presents the implementation status of the above provisions of the President's Order for the period January to June, 2023.

Articles 1 and 2 consist of title and definition of the President's Order "Distribution of Revenues and Grants-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

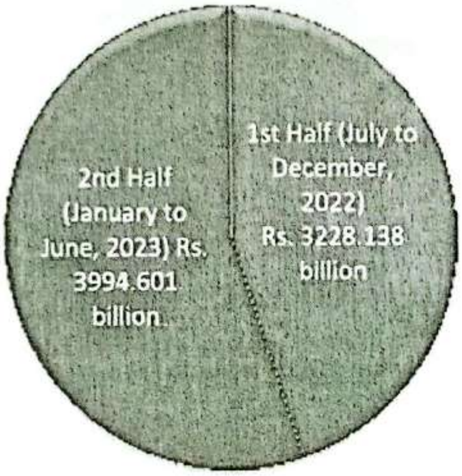
2.1.1. Federal Board of Revenue (FBR) reported the following tax collection for Financial Year 2022-23:

TABLE-I: Total FBR's Collection during FY 2022-23

(Rs. in billion)

Provisional collection reported on fortnightly basis during FY 2022-23	7,109.814
Arrears worked out on receipt of final reconciled collection for FY 2021-22 reported in FY 2022-23	112.925
Total Collection reported during FY 2022-23	**7,222.739**

2.1.2. The releases to the Provinces during the Financial Year 2022-23 were made on the basis of FBR's collection amounting to Rs.7,222.739 billion. Out of this collection, Rs.3,228.138 billion was reported during first half (July to December, 2022) and Rs.3,994.601 billion was reported during second half (January to June, 2023) of the Financial Year 2022-23. The following chart shows a snapshot of collection during the two halves of the FY 2022-23;



2.2. Distribution of Divisible Pool Taxes

2.2.1. The components of divisible pool taxes are laid down in clause (1) of Article 3 of the President's Order No. 5 of 2010. 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.7,150.717 billion against total tax receipts of Rs.7,222.739 billion for FY 2022-23. Gross Divisible Pool Taxes for 2nd half of FY 2022-23 (January–June, 2023) come to Rs. 3,945.745 billion. A detailed breakup of non-divisible pool components is given below:

TABLE-II: Details of Non-Divisible Pool Components

(Rs. in billion)

	FY 2022-23	2nd half 2022-23
Total FBR's Receipts	7,222.739	**3,994.601**
Less Non-Divisible Pool Components	**72.022**	**48.856**
WWF	34.135	22.155
GST on Services	14.082	10.909
Excise Duty on Natural Gas	8.326	5.392
Exp. Development Surcharge	15.533	10.400
Gross Divisible Pool Tax	**7,150.717**	**3,945.745**

2.3. Vertical Distribution

2.3.1. After subtracting the non-divisible pool components from FBR's total receipts, net amount of Divisible Pool Taxes 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 Order. The details of vertical distribution for entire Financial Year 2022-23 and 2nd half of Financial Year -2022-23 (January-June, 2023) are as follows:

TABLE-III: Vertical Distribution of Shares for FY2022-23

(Rs in billion)

	FBR Receipts	Collection Charges (1%)	Net Div. Pool Taxes	1% for WoT for Khyber Pakhtunkhwa	Balance Net Div. Pool	Prov. Share (57.5%)
Divisible Pool Taxes	**7,150.717**	**☆ 104.304**	**7,046.413**	**70.464**	**6,975.949**	**4,011.171**
Income Tax	3,279.698	65.594	3,214.104	32.141	3,181.963	1,829.629
Capital Value Tax	6.445	0.064	6.381	0.064	6.317	3.632
Sales Tax (Excl.GST on Services)	2,572.601	25.726	2,546.875	25.469	2,521.406	1,449.809
Federal Excise (Excl. ED on NG)	356.352	3.564	352.788	3.528	349.261	200.825
Customs (Excl. Export Dev. Surcharge)	935.621	9.356	926.265	9.263	917.002	527.276

☆ 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).

TABLE-IV: Vertical Distribution of Shares for 2nd Half of FY 2022-23 (January – June, 2023)

(Rs in billion)

	FBR Receipts	Collection Charges (1%)	Net Div. Pool Taxes	1% for WoT for Khyber Pakhtunkhwa	Balance Net Div. Pool	Prov. Share (57.5%)
Divisible Pool Taxes	**3,945.745**	**☆ 58.630**	**3,887.115**	**38.871**	**3,848.244**	**2,212.740**
Income Tax	1,917.218	38.344	1,878.874	18.789	1,860.085	1069.549
Capital Value Tax	5.796	0.058	5.738	0.057	5.681	3.266
Sales Tax (Excl. GST on Services)	1,330.703	13.307	1,317.396	13.174	1,304.222	749.928
Federal Excise (Excl. ED on NG)	202.786	2.028	200.758	2.008	198.751	114.282

☆ 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).

2.4: Horizontal Distribution

2.4.1. The percentage share of each province in the provincial share of the divisible pool taxes has been laid down in Clause (2) of Article 4 of President's Order. Provincial shares against their percentages for entire Financial Year 2022-23 have been worked out as follows:

TABLE-V: Horizontal Distribution of Shares for FY 2022-23

(Rs. in billion)

	Punjab	Sindh	Khyber Pakhtunkhwa	Balochistan	Total
	(51.74%)	(24.55%)	(14.62%)	(9.09%)	**100%**
Divisible Pool Taxes	**2,075.380**	**984.742**	**586.734**	**364.615**	**4,011.171**
Income Tax	946.650	449.174	267.492	166.313	1,829.629
Capital Value Tax	1.879	0.892	0.531	0.330	3.632
Sales Tax (Excl.GST on Services)	750.131	355.928	211.962	131.788	1,449.809
Federal Excise (Excl. ED on NG)	103.907	49.302	29.361	18.255	200.825
Customs (Excl. EDS)	272.813	129.446	77.088	47.929	527.276

Note: The left over amounts of Rs.10.483 billion & Rs. 4.974 billion of Punjab and Sindh respectively, have been transferred during FY 2023-24.

2.4.2. The table below presents the horizontal distribution of shares for the 2nd half of FY 2022-23:

TABLE-VI: Horizontal Distribution of Divisible Pool Taxes for 2nd Half of FY 2022-23 (January - June, 2023)

(Rs in billion)

	Punjab	Sindh	Khyber Pakhtunkhwa	Balochistan	Total
	(51.74%)	(24.55%)	(14.62%)	(9.09%)	**100%**
Divisible Pool Taxes	**1,144.872**	**543.227**	**323.503**	**201.138**	**2,212.740**
Income Tax	553.385	262.574	156.368	97.222	**1,069.549**
Capital Value Tax	1.690	0.802	0.478	0.297	**3.267**
Sales Tax (Excl. GST on Services)	388.013	184.107	109.639	68.168	**749.927**
Federal Excise (Excl. ED on NG)	59.129	28.056	16.708	10.388	**114.281**
Customs (Excl. EDS)	142.655	67.688	40.310	25.063	**275.716**

2.5. Additionality to Khyber Pakhtunkhwa & Balochistan

2.5.1 Khyber Pakhtunkhwa has been paid an amount of Rs.656.897 billion during FY2022-23. Out of this, an amount of Rs.362.374 billion was paid during the period under report i.e January–June, 2023. Detail of amounts released to Khyber Pakhtunkhwa is shown as under:

TABLE-VII: Release to Khyber Pakhtunkhwa on Account of WoT

(Rs in billion)

Particulars	FY 2022-23	2nd Half of FY 2022-23
Share in the Divisible Pool (14.62%)	586.433	323.503
1% for War on Terror	70.464	38.871
Total:-	**656.897**	**362.374**

2.5.2. Similarly, Clause (3) of Article 4 of the President's Order also guarantees that Balochistan province shall receive the projected sum of the provincial share in the net proceeds of divisible pool taxes and any shortfall 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, Federal Government paid an additional amount of Rs.23.332 billion, which includes arrears Rs. 9.065 billion pertaining to FY 2021-22. The position of additional transfers out of the Federal resources is depicted as follows:

TABLE-VIII: Release of Balochistan's protected share

(Rs in billion)

Particulars	**FY 2022-23**
Share in the Divisible Pool (9.09%)	364.615
Protected share for the Year	378.883
Amount Transferred to Balochistan upto 30-06-2023	**387.948**
Arrears of FY 2021-22 paid during the Year – 2022-23.	9.065
Net additional amount paid to Government of Balochistan over and above the actual share @ 9.09%	14.267

The above releases for the entire Financial Year 2022-23 stand reconciled with the Provincial Finance Departments.

3.1: Distribution of Royalty on Crude Oil

3.1.1. Article 5 of the President's 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 Provinces. Accordingly, entire net proceeds reported by Petroleum Division during January to June, 2023 were distributed among the Provinces as shown below:

TABLE-IX: Royalty on Crude Oil

(Rs in billion)

Period	Punjab	Sindh	Khyber Pakhtunkhwa	Balochistan	Total
FY 2022-23 (Full Year)	8.891	14.284	27.256	0.409	**50.840**
2nd Half FY 2022-23 (January – June, 2023)	4.497	9.279	13.397	0.311	**27.484**

3.2: Distribution of GDS and Royalty on Natural Gas

3.2.1. Article 6 of the President's Order governs distribution of Development Surcharge on Gas (GDS) and Royalty on Natural Gas. Petroleum Division is the collecting 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 as presented in the following table:

TABLE-X: Distribution of Royalty on Natural Gas and GDS for FY 2022-23

(Rs in billion)

Item	Punjab	Sindh	Khyber Pakhtunkhwa	Balochistan	Total
Royalty on Natural Gas	2.008	37.575	12.311	11.459	**63.353**
Gas Development Surcharge	0.584	10.092	0.859	0.353	**11.888**

TABLE-XI: Royalty on Natural Gas and GDS in 2nd Half of FY 2022-23 (January - June, 2023)

(Rs in billion)

Item	Punjab	Sindh	Khyber Pakhtunkhwa	Balochistan	Total
Royalty on Natural Gas	1.085	21.918	7.455	3.405	**33.863**
Gas Dev. Surcharge	0.345	4.857	0.470	-	**5.672**

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 collecting agency for this levy. The proceeds so collected are reported to Finance Division on monthly basis for onward transfer to Provinces. Accordingly, net proceeds were distributed among the Provinces in accordance with said provision as follows:

TABLE-XII: Excise Duty on Natural Gas

(Rs in billion)

Period	Punjab	Sindh	Khyber Pakhtunkhwa	Balochistan	Total
FY 2022-23 Full Year	0.254	4.755	1.415	1.458	**7.882**
2nd Half FY 2022-23 (January - June, 2023)	0.157	2.981	0.919	0.952	**5.009**

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 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 Zilla Tax. During Financial Year 2022-23, provincial share in the divisible pool was Rs. 4,011.171 billion. Accordingly, the amount of the said grant-in-aid comes to Rs.26.4 billion; however, as the allocated budget got exhausted, therefore, Rs.22.00 billion were paid to Government of Sindh during Financial Year 2022-23 and the remaining balance was paid during the month of July 2023.

4.1 General Sales Tax on Services (GSTS)

4.1.1. As per Article 8 of the Order, 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 themselves. Details of the GST collected by the Provincial Revenue Authorities during the period under report are as under:-

Table-XIII: GST Collection by the Provinces

(Rs. in billion)

	B.E. 2022-23	Receipt upto June, 2023	(%) over B.E.
Provinces	**421.200**	**417.639**	**99.1%**
Punjab	184.000	197.555	**107.4%**
Sindh	180.000	173.874	**96.6%**
Khyber Pakhtunkhwa	32.000	27.094	**84.7%**
Balochistan	25.200	19.116	**75.9%**

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 dut on Natural Gas to Rs.10.0 per MMBTU. The recommendation alread stands implemented through Finance Bill, 2010.

5.2: Streamlining Tax Collection

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

5.2.2. Federal Government

Major Initiatives Taken by FBR

The Revenue organization is doing its best to enhance revenues and tax to GDP ratio. In this regard following m initiatives have been taken:

I. Ease of Doing Business

Indicators relating to "Trading Across Border" improved by ranks from 142 to 111 in 2021, showing a remark improvement in simplification and automation of internati trade.

MISCELLANEOUS PROVISIONS OF PRESIDENT'S ORDER

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I. **Ease of Doing Business**

Indicators relating to "Trading Across Border" improved by 31 ranks from 142 to 111 in 2021, showing a remarkable improvement in simplification and automation of international trade.

II. **Automated Duty Drawback Payment System**

To facilitate exporters, the manual rebate approval system has been replaced with Risk Management System (RMS), with fully automated processing of duty drawback & payment.

III. **Pakistan single Window**

Pakistan Single Window Act, 2021 has been enacted and its rules have been notified. Pakistan Single window was launched on July 01, 2022, with integration of five departments with Customs, as well as 29 commercial banks. The PSW system is making significant progress in reducing the time and cost of doing business by digitalizing Pakistan's cross border trade and eliminating paper-based processes.

IV. **WeBOC**

WeBOC, which is fully automated customs clearance system has now been implemented at all sea-ports, dry-ports and land boarder stations, including the features of paperless processing and online payments for traders.

V. **Risk Management System**

Risk Management System is part of WeBOC clearance which is continually upgraded from time to time. About 57% of the import declarations are being cleared through the green channel, while about 85% of the export consignments are allowed clearance through the green channel.

VI. **Enhanced Regional Connectivity of Pakistan with Central Asian Republics**

Regional connectivity has been enhanced through signing of agreements, simplification of transit procedures and automated clearance. Pak-Uzbekistan Transit Agreement was finalized and operationalized. Three more agreement have been signed with China, Russia and Tajikistan.

VII. **Focused Administrative Effort for Revenue Mobilization**

A number of initiatives have been taken to increase revenue collection through administrative measures including action against mis-invoicing through better valuation, auctions, recoveries etc. These measures have resulted in generation of additional revenues.

VIII. **Control of Smuggling**

For the first time, a counter smuggling policy was laid out with collaborative arrangements with other Federal & Provincial Law Enforcement Agencies, which is an excellent sample of interagency co-operation and support. Moreover, a countrywide operation launched against illegal POL outlets, through which, legitimate imports of POL products increased along with the corresponding increase in revenue collection.

IX. **Greater Facilitation of Trade at the Boarders**

FBR has been able to facilitate trade through quick processing of imports. There has been a reduction in the percentage of imports and exports that undergoes documentary and/ or physical examination through yellow or red channel by customs at the border.

X. **Fostering of Culture of Interprovincial Coordination and Data Sharing**

Uninterrupted and effective communication between Federal and Provincial tax administrations is of paramount importance to ensure intergovernmental coordination as well as taxpayer facilitation across Pakistan. In this regard, FBR has been working together with Provincial authorities to standardize and harmonize tax management to the extent possible. Consequently, FBR has signed memoranda of understanding on data sharing and immoveable property valuation tables.

XI. **Broadening of Tax Base (BTB):** Devoted BTB units have been established at Regional Tax Offices for processing of data sent by the Directorate General and registration of new tax payers. Field formation-wise targets were assigned for financial year 2022-23 in line with FBR's strategy for addition of new taxpayers as required by different donor agencies and stakeholders urging FBR to expand the tax base from existing 1.2 million paid filers to 3.5 million paid filers up to fiscal year 2023-24. This target has already been achieved. FBR was pursuing an increase of 700,000 registered taxpayers through broadening of tax base as per commitment given under Prime Minister's Strategic Programme. The Board surpassed this target, adding 1.2 million new taxpayers/ filers for tax year 2022. The following actions were also taken to contribute to FBR's overall strategy for broadening of tax base:

i. Annex-C of Sales Tax Returns of certain national and multinational manufactures/ importer companies is being used for BTB purpose which contains bulk data of un-registered buyers.

ii. Data of e-stamp has been retrieved for sharing with field formations which is being used for BTB purpose for registration of potential sellers and buyers.

iii. Data of un-registered buyers of sugar extracted from Annex-C of Sales Tax Returns of sugar mills has been sent to respective RTOs for booking of new taxpayers.

iv. Information with reference to tax ducted u/s 236G and 236H by manufacturers of certain sectors from their distributors and by distributors from their retailers respectively has been retrieved. Dealers and retailers have been identified who are still not registered with the FBR and are being registered by their respective RTOs for broadening of tax base.

v. Information obtained from different distribution companies including Gas and Electricity regarding un-registered commercial/ industrial consumers is being used for BTB purpose.

vi. MOUs have been signed with different departments including NADRA, FIA, PITB, SCBA and banks etc. for provision of data for perusal/ matching with the existing data of FBR an exploration for new taxpayers.

vii. The interface of FBR website is under continuous improvement so that it is customer friendly, provides every possible facility to existing as well as new tax payers and is contributing a lot towards the achievement of overall BTB target.

viii. The information gathered from various sources as discussed above is processed and made available to taxpayers under a newly added Tab "Malomaat" on FBR website for their facilitation as well as creating deterrence against non-declaration of existing taxpayers and detection of new taxpayers. This portal is accessible by getting registered though a simple procedure which enables a person to see all types of expenditures incurred by him including purchase of properties & vehicles, bank deposits, salary payment to employees of Federal, as well as Provincial Government Departments, frequent travelers' data and bank accounts data of new businesses. This is to ensure maximum enrollment of new tax payers.

ix. The withholding statements submitted periodically by different taxpayers/ withholding agents regarding deduction of tax are under permanent watch of the DG BTB for search of new taxpayers.

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 services of real estate aggregators were included in information technology-based services while the services provided by cab aggregators were included in ride-hailing services in the 2nd Schedule of Punjab Sales Tax on Services Act, 2012 (XLII of 2012).

II. For ease of doing business, the limit of input tax adjustment was increased from eighty percent to ninety percent of the output tax. A number of provisions regarding limit of input tax adjustment, penalties and time limitation were also part of the legislative proposal seeking amendments in the Act XLII of 2012.

III. In order to achieve a more progressive taxation, enhanced rates for Tax on Luxury Houses were introduced for houses above a certain size with the completion of construction date from 01.07.2022.

IV. The rate of Stamp Duty was increased from the existing rate of one percent to two percent in urban areas, with the aim to increase revenue from multiplication in transactions and move towards parity with the rates in rural areas w.e.f.

1.7.2022. However, these rates were again reduced to one percent w.e.f. 1.10.2022 by the Government through notification dated 29.09.2022.

V. Extension in exemption of 95% for Token Tax of Electric Vehicles (Excluding Vehicles paying Lump Sum Tax) up to 30.06.2023 - Incentive as per National Electric Vehicle Policy.

VI. For purposes of promoting e-payment of urban immovable property tax and motor vehicles tax, a discounted rate of 5% has been introduced. Besides, surcharge and penalty for property tax and motor vehicles tax have also been rationalized by shifting them to the payments made during the last two quarters of the financial year.

VII. An amendment in the Punjab Sales Tax on Services Act, 2012 (XLII of 2012) was carried out for ending the exemption given to student internet package.

Government of Sindh

I. **Linkage of SRB System with PRAL & SECP**

The system of Sindh Revenue Board (SRB) has been linked with Security & Exchange Commission of Pakistan (SECP) & Pakistan Revenue Automation Limited (PRAL) for data gathering, coordination and assistance. Further, efforts are being undertaken for introducing one window registration for the Sindh –based companies incorporated by the SECP.

II. **Collaboration with National Tax Council (NTC)**

Sindh Revenue Board is providing full support and corporation to NTC in its endeavor to harmonize sales tax laws for the purpose of clarity, non-ambiguity, facilitation and Ease of Doing Business (EODB).

III. **Strengthening of SRB Audit Wing**

The Audit wing of SRB has been strengthened by recruiting professional Auditors on its payroll for conducting comprehensive and result-oriented tax audits to combat tax evasion and augment revenues.

IV. **Property Survey of Sukkur District**

Excise Taxation and Narcotics Department has completely Geographic Information System (GIS) based survey for real time assessment of properties and collection of Property and Professional Taxes. Challans will b issue under new system.

V. **Property Survey of Karachi**

The survey for Karachi has been planned under Competitive and Livable city of Karachi (CLICK) Project. The spade work has started and will be completed in next three years.

VI. **Outsourcing of Challan Delivery**

Excise, Taxation and Narcotics Department is in process to outsource the delivery function to Pakistan post. The process of hiring services is under way.

VII. **Establishment of Facilitation Centre**

Information technology (IT) Directorate and I.T policy have been developed by the Excise, Taxation & Narcotics Department. Further, work on establishment of facilitation center at Director General's Complex at I.I. Chundrigar, Road Karachi is ongoing.

VIII. **Integration of Digital Land Record**

The project of Land Administration & Revenue Management Information System (LARMIS) was initiated by the Board of Revenue Sindh to digitalize land record, maps and registries along with over all scanning and archiving. GIS mapping has also been completed except a few missing maps.

IX. **E-Stamping**

Board of Revenue Sindh has developed the system of E-Stamping in collaboration with Punjab Information Technology Board (PITB) which is operational since May, 2022. The collaboration of stamp duty is expected to enhance efficient service delivery at banks level.

X. **E-Pay Innitiative**

In order to bring reforms in conventional tax collection system, Government of Sindh intends to establish Single Collection Portal/ aggregator for collection of all provincial tax and non- tax revenues, which is under process.

Government of Khyber Pakhtunkhwa

The Provincial Government has taken certain steps/ measures for streamlining of tax collection system during FY 2022-23. **(Annex III)**.

Government of Balochistan

The measures taken by Government of Balochistan to streamline the tax collection and few constructive initiatives undertaken during the period of this biannual report are summarized below:

I. Government of Balochistan enacted Balochistan Infrastructure Development Cess Act, 2019 with a purpose to levy infrastructure cess on goods entering and leaving the province from or from outside the country through rail, road, air and sea for development and maintenance of infrastructure of the province. However, several cess prayers (Tax payers), aggrieved by certain provisions of the Act, ibid filed petitions against the ibid Act of 2019 in the Hon'able Balochistan High Court. Accordingly, the Government of Balochistan took a holistic review of the 2019 Act with a purpose to bring a new law in a more refined shape. Consequently, a new bill under the title of Balochistan Development Management of infrastructure Cess Act, 2021" is legislated and notified for the purposes as therein.

II. In order to increase the ratio of provincial own revenues, the Government of Balochistan has also undertaken certain initiatives which include but not limited to introduction of automation of certain potential provincial taxes streamlining their legal frameworks, tax enforcement and administrative restructuring etc.

5.3. Fiscal Discipline

5.3.1. Article 9(3) of the President's Order provides that Federal and Provincial Governments would develop and enforce mechanism for maintaining fiscal discipline through legislative and administrative measures. In this regard, efforts of the Federal Government as well as Provincial Governments are reproduced as follows:

5.3.2. Federal Government

During 2nd half of FY 2022-23, the overall/ consolidated fiscal deficit stood at 5.7% of GDP which was 2% of GDP in the 1st half of FY 2022-23. Major reasons for increase in fiscal deficit were payments of mark-up and un-budget subsidies of Federal Governments, resulting in overall increase in fiscal deficit at 7.7% of GDP for FY2022-23.

I. **Austerity measures for FY 2022-23 vide O.M. dated 7th July, 2022:**

i. Complete ban on purchase of all types of vehicles from current and development budget except utility vehicles such as ambulances, busses for educational institutions, solid waste vehicles, etc.;

ii. Complete ban on creation of new posts except those required for development projects;

iii. Complete ban on treatment abroad at government expenses;

iv. Complete ban on appointment of contingent paid/ daily wagers staff except for development projects;

v. Complete ban on purchase of office furniture except for development projects;

vi. Complete ban on purchase of machinery & equipment including air conditioners, microwave, fridge, photocopier etc.;

vii. Ban on official visits abroad by Government functionaries where GoP funding is involved except obligatory visits;

viii. Ban on official lunches/dinners/hi-tea except for foreign delegations;

ix. Ban on periodical, magazines, news papers etc.;

x. All Principal Accounting Officers shall ensure consumption of utilities be reduced by 10%, existing entitlement for POL for government functionaries be reduced by 30%, avoidable travel be curtailed by promoting use of zoom / video links and vacant / redundant non-productive posts be abolished.

xi. POL usage of Ministers vehicles would be slashed by 40% and security vehicles of Cabinet members would be reduced by 50%.

xii. VVIP cavalcades expense would be reduced without compromising security.

II. **Strategy for Additional Allocation and Re-appropriation of Funds During FY 2022-23 vide O.M dated 4th August, 2022:**

Supplementary Grants/ additional resources were not allowed except some targeted subsidies related payments during Financial Year 2022-23. Supplementary Grants allowed only under extreme and exceptional circumstances with prior approval of the Federal Cabinet.

III. **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;

5.3.3. **Provincial Governments**

Government of the Punjab

I. **Performance of Own Source Revenue (OSR):** The Government of Punjab performed exceptionally well in achieving its targets for the second half of the FY 2022-23 through improved tax administration and compliance.

Provincial tax receipts stood at Rs.309.702 billion against a budgetary target of Rs.337.025 billion showing an increase of 8 percent compared to the same period during FY 2021-22. Similarly, Rs. 115.971 billion was collected against a budgetary target of Rs. 163.526 billion as non-tax receipts during the said period of FY 2022-23 showing a decrease of 19 percent compared to FY 2021-22. The decrease in non-tax receipts mainly pertains to fewer receipts in Public Sector Development Programme (PSDP) grants from Federal Government.

II. **Policy Framework for Improved Management of Fiscal Risks.** Fiscal risks carry the potential to result in financial distress for a Government in the future. Punjab has developed an overarching Fiscal Risk Management Policy Framework approved by the Provincial Government in FY22. This policy framework mandates the issuance of Fiscal Risks Statement (FRS) on an annual basis. The purpose of the Statement is to identify fiscal risks relevant to Government of Punjab, assess their fiscal implications, review the policies and mechanisms already in place to deal with such risks, and explain the fiscal risk management strategy. Govt. of Punjab published Fiscal Risk Statement 2022-23 which highlighted key fiscal risks with the potential to adversely affect province's financial health. These include heavy reliance on FDP transfers, less than ideal performance of OSR collection, burgeoning commodity financing debt, exponential growth in pension expenditure, increasing debt stock/provincial guarantees and exposure to natural disasters. Being cognizant of these fiscal risks, Govt. of Punjab is taking appropriate steps to mitigate all aforementioned risks through strict fiscal discipline and financial prudence.

III. **Punjab Pension Reform Plan**: The Government of Punjab has approved a comprehensive Pension Reform Plan to address the escalating pension liabilities that pose a significant fiscal risk. This plan encompasses following nine major reforms:

   i. Introducing a Defined Contributory Pension Scheme for New Entrants
   ii. Replacing Medical Allowance with Health Insurance Coverage
   iii. Establishing a Minimum Retirement Age
   iv. Applying a Discount Factor for Early Retirement
   v. Reducing the Maximum Rate of Commutation from 35% to 25%
   vi. Indexing Annual Pension and Salary Increases
   vii. Linking Pension to Basic Pay Only
   viii. Introducing a Pension Act to Implement Changes

IV. **Austerity Measures:** An Austerity Committee was constituted under the chairmanship of Minister Finance, Punjab. The Provincial Government continued to follow strict austerity measures to reduce expenditure on purchase of expensive goods like air-conditioners, generator and vehicles etc. and their purchase was subject to clearance of the Austerity Committee.

V. **The Punjab Public Financial Management Act 2022:** The Provincial Assembly passed Punjab Public Financial Management Act on December 02, 2022. It was enacted with the aim to regulate financial affairs in the public sector and matters relating to the Provincial Consolidated Fund and Public Account of the Punjab. The Act is envisioned to inculcate the principles of efficient utilization of resources, transparency, better financial reporting and robust mechanism of fiscal framework, debt management and public investments.

VI. **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. 207 Billion from 31 million plus transactions upto June 2023. A total of 11 departments and 26 taxes have been digitized which is resulting in improved service delivery through better collection and enforcement of Govt. levies/ taxes.

Government of Sindh

Cash Monitoring

The cash balance position the provincial Government with state Bank of Pakistan (SBP) is monitored on daily basis, and handled effectively through efficient Financial Management System.

Government of Khyber Pakhtunkhwa

I. While considering the Budget Estimates 2022-23 the Provincial Cabinet has approved certain guiding principles to curtail the recurring expenditure effective from 1st July 2022 **(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 2022-23 **(Annex-V).**

Government of Balochistan

I. The existing governmental receipts collection system is manual, time consuming, inefficient and non transparent. Therefore to overcome the stated limitations, Finance Department, with the approval of Government of Balochistan, has introduced e-payment system under the title of 'Alternate Delivery Channel System (ADCS)" which has been developed in collaboration with the state bank of (SBP) and 1-link (Pvt) Limited. This ADCS e-payment will ensure digital/ electronics collection of all types of governmental receipts and will further bring efficiency gains by ensuring same day settlement, generating paperless e-scrolls for the designated central District Accounts Office and Computerized Payment Receipts (e-CPRs) for taxpayers. After successful implementation of ACDs e-payment for GoB, the taxpayer/fee payers or now paying Gobs taxes, duties, fesses and other levies through internet banking, mobile banking, 15000 plus ATMs and over- the –Counter (OTC) facility of around 16000 branches of commercial bank across the country.

II. Earlier Government of Balochistan enacted Balochistan Public Finance Management Act, 2020 through Balochistan Finance Act, 2020. T0 achieve objective of further strengthening management of public finances, effective implementation of fiscal policy for better microeconomic management, clarification of institutional responsibilities related to finance management, and to strengthen budgetary management, the Government of Balochistan introduced certain amendments in the enacted Balochistan Public Finance Management and to strengthen budgetary management, the Government of Balochistan introduced certain amendments in the enacted Balochistan Public Finance management Act, 2020 through Balochistan Public management (Amendment Act, 2021).

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 Baloch province shall receive the projected sum of eighty-three billon rupees the provincial share in the net proceeds of divisible pool taxes in th year of the Award and any shortfall in this amount shall be made up Federal Government from its own resources. This arrangeme Balochistan shall remain protected throughout the Award period bas annual budgetary projections.]

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

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

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

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

---

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

[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

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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.

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Measures taken to streamline tax collection system by Govt. of KP

I. The Government of Khyber Pakhtunkhwa increased the target for Revenue Generating Departments for Financial Year 2022-23 for moving towards the self-reliance of the province. However, Government exempted several taxes (Capital Value Tax, Land Tax, and Registration Fee of 0.5% on Registration Deeds for public benefit). Motor Vehicle Registration Fee also reduced to minimum Rs. 1 for all vehicles up to 2500CC. in addition, Admission Fees for both Government Primary & Secondary Schools for Girls & Boys, coupled with free admissions to Professional Government Art Colleges, Hostel Fee and Library Membership Fee stand waived off. The industrial units of Khyber Pakhtunkhwa Economic Zones Development and Management Company exempted from Urban Immovable Property Tax.

II. The Government of Khyber Pakhtunkhwa reduced rate of Sales Tax on Services to one percent (1%) FOR 10 Categories/Sectors including Print Media, Industrial Workshops, 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.

III. Total collection on account of Sales Tax on Services made by Khyber Pakhtunkhwa Revenue Authority (KPRA) during the period of report is Rs. 13,270.929 million.

IV. The Provincial Assembly of Khyber Pakhtunkhwa passed separate legislations for Khyber Pakhtunkhwa Revenue Authority namely Khyber Pakhtunkhwa Sales Tax on Services Act, 2022, Khyber Pakhtunkhwa Revenue Authority Act, 2022 and Infrastructure Development Cess Act, 2022.

V. The Budget target was fixed as Rs. 85,000. million that revised to Rs. 95,295 million for the Provincial revenue generating Tax & Non-Tax Departments. An amount of Rs. 41,242.700 million realized during the 1st half of the Financial Year 2022-23 while during the period of report a sum of Rs. 35,942.718 million realized thus a total of Rs.77,185.418 million against the assigned target of Rs.95,295 million during whole 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 except posts required for completed Developmental Projects. Regular positions shall be created by already notified Committee.

   ii. Purchase of new vehicles except Ambulances, Earth moving machinery, Fire Trucks, Tractors, Trucks, Buses, Passenger vans, Prisoners Vans, Motorcycles, Water Bowser Trucks, Recovery/ Rescue vehicles and Rescue/Life Saving boats. However, a committee already notified under the Chairmanship of Secretary Finance shall ascertain the need and accord approval to purchase vehicles other than those mentioned above.

   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 2022-23 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.

XI. 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.

XII. 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 Grants 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.

XIII. No funds will be utilised 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 utilised for Repair & Maintenance of the concerned Road & Building in the last three year

XIV. 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.

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

XVI. Finance Department shall undertake next phase of the expenditure review to realize further savings as a part of an integrated sectoral review process.

XVII. 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.

XVIII. 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.

XIX. 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.

XX. 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.

XXI. 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
Ongoing approved schemes	i) **50%** 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 **50%** 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 **50%** of already released funds or justification to be provided by Administrative Department for non-utilization/ low utilization on case-to-case basis.
New approved schemes	i) **50%** of the allocated funds will be released to new schemes of each sector on production of Administrative Approval (AA). Remaining allocations for such schemes will be released as and when demanded by the Administrative Department on production of utilization report and on case-to-case basis. ii) Subsequent releases to each sector will be made on provision of Utilization Certificate of at least 50% of already released funds or

Type of Schemes	Funds release methodology
	justification to be provided by Administrative Department for non-utilization/ low utilization on case-to-case basis.
Schemes with 'R' status in ADP 2022-23	Funds will be released to the schemes of **'R' status** in ADP 2022-23 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. No.	Objects	Funds to be rereleased
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	Rest/Others	50%
4	Purchase of Physical Assets	50%
5	Maintenance & Repair **	50%
6	Wheat Subsidy	Release on need basis.
7	Medical Teaching Institutions (MTIs)	25% each quarter; However, 4th quarter release shall be subject to availability of financial resources.
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
9	S.N.E (Fresh)	Authentication of Audit Copy by the Finance Department

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, 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 in 2nd quarter of current financial year subject to availability of financial resources.

IV. 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."

V. **Grant in Aid: -** Grant in Aid will be released subject to the provision of bank statement by the concerned autonomous entity after unconditional release in 1st quarter.

C. **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.

D. **Current Expenditure (Local Government)**

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

E. **Grant to Local Councils**

S. No.	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.

F. **Development Authorities**

Grant in Aid shall be released to the concerned development authority on quarterly basis.

G. **Urban Immovable Property Tax**

UIPT shall be transferred to respective Development Authorities/ TNAs on quarterly basis. During 1st quarter, the amount transferred may be based on provisional estimates. Any adjustments may be made to these amounts in the following quarter based upon actual collections.

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