REPORT ON
2[ND] BIANNUAL MONITORING ON THE THE IMPLEMENTATION OF NFC AWARD

(January – June, 2020)

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 recommendations 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:

> *"Federal Finance Minister and Provincial Finance Ministers shall monitor the implementation of the Award biannually and lay their report 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 bi-annual monitoring report for the period from January to June, 2020 was approved by the Federal and Provincial Finance Ministers for laying before both Houses of the Parliament and Provincial Assemblies.

6. The Bi-annual Report contains total FBR Collections during January – June, 2020, details of Non Divisible Pool Components, Vertical Distribution of share between Federal and Provincial Governments, Horizontal distribution of shares between 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 collections system to reduce leakages and increase their revenues as well as efforts for maintaining fiscal discipline at Federal and Provincial level during the reported period.

Kamran Ali Afzal
Secretary
Finance Division

Islamabad, the 8th March, 2021

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EXECUTIVE SUMMARY

This 2nd Biannual Monitoring Report on implementation of 7th NFC award covers the period from January to June, 2020 of Financial Year 2019-20. Total tax collection as reported by FBR remained Rs.1,929.334 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.1,865.904 billion. The Provincial share comes to Rs.1,072.895 billion, leaving a balance of Rs.793.009 billion for the Federal Government. The Provincial share has been distributed as: Rs.555.155 billion to Punjab (51.74%), Rs.263.395 billion to Sindh (24.55%), Rs.156.857 billion to Khyber Pakhtunkhwa (14.62%) and Rs.97.526 billion to Balochistan (9.09%). Khyber Pakhtunkhwa received Rs.18.848 billion on account of War on Terror.

During the period January – June 2020, Rs.9.043 billion, Rs.6.068 billion and Rs.18.211 billion were collected on account of Royalty on Crude Oil, Gas Development Surcharge (GDS) and Royalty on Natural Gas, respectively which were transferred to the Provinces. Similarly, an amount of Rs.4.371 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.7.404 billion was released to Government of Sindh on this account.

INTRODUCTION

1.1 The NFC Award 2009 has been in operation since FY 2010-11 through ***"Distribution of Revenues and Grants-in-Aid Order 2010" (Annex-I)***. 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 amongst 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. GST on Services (Article 8 of the Order).

e. Achieving 15% Tax to GDP ratio by 2014-15. To achieve this target, a path has been 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 As provided under clause (3B) of Article 160 of the Constitution, the Federal and Provincial Finance Ministers have been mandated to monitor implementation of the Award biannually and lay reports in this regard before both Houses of the Parliament and the Provincial Assemblies.

1.3 The implementation status of the above provisions of the President's Order, i.e., Distribution of Revenues and Grants-in-Aid Order, 2010, is given in the following chapters.

DIVISION OF DIVISIBLE POOL TAXES

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 amongst the four Provinces horizontally.

2.1: FBR Tax Receipts

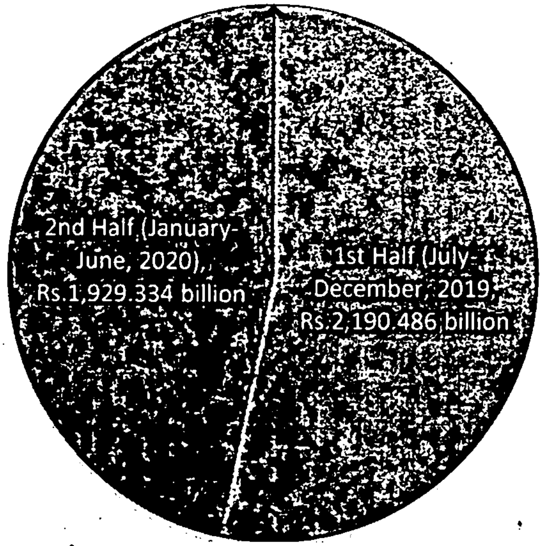
2.1.1 Federal Board of Revenue (FBR) reported the following tax collection for Financial Year 2019-20:

TABLE-I: Total FBR Collection during FY: 2019-20

(Rs. in Billion)

A	Provisional collection reported on fortnightly basis during FY 2019-20	3,892.790
B	Arrears worked out on receipt of final reconciled collection for FY 2018-19 reported in FY 2019-20	227.029
C	**Total Collection reported during FY 2019-20 (A+B)**	**4,119.820**

2.1.2 The releases to the Provinces during the financial year 2019-20 were made on the basis of FBR collection amounting to Rs 4,119.820 billion. Out of this collection, Rs. 2,190.486 billion was reported during first half (July to December, 2019) and Rs.-1,929.334 billion was reported during second half (January to June, 2020) of the financial year 2019-20. The following chart shows a snapshot of collection during the two halves of the FY 2019-20;



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 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.4,081.700 billion against total tax receipts of Rs.4119.820 billion. Gross divisible pool taxes for 2nd half of F.Y.2019-20 (January–June, 2020) come to Rs. 1,911.331 billion. A detailed breakup of non-divisible pool components is given below:

TABLE-II: Details of Non-Divisible Pool Components

(Rs. in Billion)

	FY 2019-20	2nd half 2019-20
Total Collection FBR Receipts	**4119.820**	**1929.334**
Less Non-Divisible Pool Components	**38.120**	**18.003**
WWF	12.422	2.874
GST on Services	7.937	6.685
Excise Duty on Natural Gas	9.362	4.461
Income Support Levy	-	-
Exp. Development Surcharge	8.399	3.983
Gross Divisible Pool Tax	**4,081.700**	**1,911.331**

2.3: Vertical Distribution

2.3.1 After subtracting the non-divisible pool components out of FBR taxes, net amount of divisible pool taxes is determined by deducting cost of collection. The entire proceeds are then distributed between the Federation and Provinces in accordance with the provisions of Articles 3 & 4 of the Order. The details of vertical distribution for entire Financial Year 2019-20 and 2nd half of FY-2019-20 (Jan-June, 2020) are as follows:

TABLE-III: Vertical Distribution of Share For F.Y-2019-20

(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	**4,081.700**	☆ **56.65**	**4,025.05**	**40.250**	**3,984.80**	**2,291.26**
Income Tax	1,583.081	31.662	1,551.419	15.514	1,535.905	883.145
Capital Value Tax	4.245	0.042	4.203	0.042	4.161	2.392
Sales Tax (Excl.GST on Services)	1,615.383	16.154	1,599.229	15.992	1,583.237	910.361
Federal Excise (Excl. ED on NG)	250.378	2.504	247.874	2.479	245.395	141.102
Customs (Excl. Export Dev. Surcharge)	628.608	6.286	622.322	6.223	616.099	354.257

☆ Includes deduction of Income Tax Paid out of the Federal Consolidated Fund

TABLE-IV: Vertical Distribution of Share For 2nd Half FY-2019-20 (January – June, 2020)

(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	**1,911.331**	☆ **26.574**	**1,884.752**	**18.848**	**1,865.904**	**1,072.895**
Income Tax	746.076	14.922	731.154	7.312	723.843	416.210
Capital Value Tax	0.895	0.009	0.886	0.009	0.877	0.504
Sales Tax (Excl.GST on Services)	743.857	7.439	736.418	7.364	729.054	419.206
Federal Excise (Excl. ED on NG)	126.802	1.268	125.534	1.255	124.279	71.460
Customs (Excl. Export Dev. Surcharge)	293.701	2.937	290.759	2.908	287.851	165.515

☆ Includes deduction of Income Tax Paid out of the Federal Consolidated Fund

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 share against their percentages for entire Financial Year 2019-20 has been worked out as follows:

TABLE-V: Horizontal Distribution of Share For FY-2019-20

(Rs. in billion)

	Punjab	Sindh	Khyber Pakhtunkhwa	Balochistan	**Total**
	(51.74%)	(24.55%)	(14.62%)	(9.09%)	**100%**
Divisible Pool Taxes	**1,185.496**	**562.504**	**334.982**	**208.275**	**2,291.260**
Income Tax	456.939	216.812	129.116	80.278	**883.145**
Capital Value Tax	1.238	0.587	0.350	0.217	**2.392**
Sales Tax (Excl.GST on Services)	471.021	223.494	133.095	82.752	**910.361**
Federal Excise (Excl. ED on NG)	73.006	34.641	20.629	12.826	**141.102**
Customs (Excl. EDS)	183.292	86.970	51.792	32.202	**354.257**

2.4.2 The table below presents the horizontal distribution of share for the 2nd half of FY 2019-20:

TABLE-VI: Horizontal Distribution of Share For 2nd Half of FY-2019-20 (Jan - Jun, 2020)

(Rs in billion)

	Punjab	Sindh	Khyber Pakhtunkhwa	Balochistan	**Total**
	(51.74%)	(24.55%)	(14.62%)	(9.09%)	**100%**
Divisible Pool Taxes	**555.115**	**263.395**	**156.857**	**97.526**	**1,072.895**
Income Tax	215.347	102.179	60.850	37.833	**416.210**
Capital Value Tax	0.261	0.124	0.074	0.046	**0.504**
Sales Tax (Excl.GST on Services)	216.897	102.915	61.288	38.106	**419.206**
Federal Excise (Excl. ED on NG)	36.973	17.543	10.447	6.496	**71.460**
Customs (Excl. EDS)	85.637	40.634	24.198	15.045	**165.515**

2.4.3 Khyber Pakhtunkhwa has been paid an amount of Rs.334.982 billion during F.Y.2019-20. Out of this an amount of Rs.156.857 billion was paid during the period under report i.e January–June, 2020. Detail of amounts released to Khyber Pakhtunkhwa is shown as under:

TABLE-VII: Releases To Khyber Pakhtunkhwa on Account of WoT

(Rs in billion)

Particulars	FY 2019-20	2^{nd} Half of FY 2019-20
Share in the Divisible Pool (14.62%)	334.982	156.857
1% War on Terror	40.251	18.848
Total:-	**375.233**	**175.705**

2.4.4 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. The position of additional transfers out of the Federal resources depicted as follows:

(Rs in billion)

Particulars	**FY 2019-20**	**2^{nd} Half of FY 2019-20**
Share in the Divisible Pool (9.09%)	208.275	97.526
Additionality paid	72.955	43.089
Total:-	281.230	140.615

It may be added that the above releases of the entire financial year 2019-20 stand reconciled with the Provincial Finance Departments.

STRAIGHT TRANSFERS/GRANTS-IN-AID

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 monthly for onward transfer to Provinces. Accordingly, entire net proceeds reported by Petroleum Division were distributed amongst the Provinces as shown below:

TABLE-VIII: Royalty on Crude Oil

(Rs in billion)

Period	Punjab	Sindh	Khyber Pakhtunkhwa	Balochistan	Total
FY:2019-20 Full Year	4.768	5.565	13.98	0.009	**24.322**
2nd Half FY: 2019-20 (Jan-Jun,2020)	2.182	1.676	5.177	0.008	**9.043**

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 monthly for onward transfer to Provinces. Accordingly, entire net proceeds of Royalty and Development Surcharge on Gas reported by Petroleum Division were distributed amongst the Provinces as presented in the following table:

TABLE-IX: Total Distribution of Royalty on Natural Gas and GDS for FY.2019-20

(Rs in billion)

Item	Punjab	Sindh	Khyber Pakhtunkhwa	Balochistan	Total
Royalty on Natural Gas	1.846	31.932	9.223	8.528	**51.529**
Gas Development Surcharge	0.652	7.888	0.068	0.256	**8.864**

TABLE-X: Amount of Royalty on Natural Gas and GDS in 2nd Half Of FY.2019-20 (January - June, 2020)

(Rs in billion)

Item	Punjab	Sindh	Khyber Pakhtunkhwa	Balochistan	Total
Royalty on Natural Gas	0.806	12.566	3.61	1.229	**18.211**
Gas Dev. Surcharge	0.415	5.653	0	0	**6.068**

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 monthly for onward transfer to Provinces. Accordingly, net proceeds were distributed amongst the Provinces in accordance with said provision as follows:

TABLE-XI: Excise Duty on Gas

(Rs in billion)

Period	Punjab	Sindh	Khyber Pakhtunkhwa	Balochistan	Total
FY:2019-20 Full Year	0.328	6.128	1.329	1.389	**9.174**
2nd Half FY:2019-20 (Jan-Jun, 2020)	0.142	3.003	0.606	0.620	**4.371**

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

3.4 Grants-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 a compensation for losses on account of abolition of Octroi and Zilla Tax. During the financial year 2019-20, the provincial share in the divisible pool was Rs. 2,291.260 billion. Accordingly, the amount of said grant-in-aid comes to Rs.15.926 billion, the same has been paid to the Government of Sindh during FY-2019-20. Out of total Grant-in-Aid, Rs.7.885 billion was paid to the Government of Sindh during the period under report.

GENERAL SALES TAX ON SERVICES

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 desired.

4.1.2 Provincial Governments have established their own Revenue Agencies, and started collecting GST on Services at their own.

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. The projections regarding tax efforts recommended by the NFC were as follows:

Table-XII: Projections for increasing Tax-to-GDP ratio.

(As % of GDP)

	Benchmark	Projections				
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
FBR Taxes	9.30	10.30	11.20	12.00	12.70	13.25
Surcharges	0.90	0.80	0.80	0.70	0.60	0.60
Provincial taxes	0.50	0.65	0.80	0.90	1.00	1.15
Total	10.70	11.75	12.80	13.60	14.30	15.00
FBR tax efforts	-	*1.00*	*0.90*	*0.80*	*0.70*	*0.55*
Provinces' tax efforts	-	*0.15*	*0.15*	*0.10*	*0.10*	*0.15*

5.2.2 As against the above recommended path, the tax receipts of Federal and Provincial Governments during F.Y.2019-20 are as follows:

Table-XIII: Tax Receipts by the Federal and Provincial Governments

(Rs. in billion)

	B.E. 2019-20	**Tax Receipt upto June, 2020**	**(%) over B.E.**
Federal	**5,822.160**	**4,334.185**	**74%**
of which FBR Receipts	5,555.000	3,996.716	**72%**
Provinces	**609.258**	**412.849**	**68%**
Punjab	294.963	188.539	**64%**
Sindh	266.517	182.615	**69%**
Khyber Pakhtunkhwa	33.023	25.506	**77%**
Balochistan	14.755	16.189	**110%**

Note: Detail of provincial tax and non-tax receipt is at **Annex-II**.

Steps taken for Streamlining Tax Collection by Federal and Provincial Governments

Federal Government

MAJOR INITIATIVES TAKEN BY FBR

FBR collected Rs. 1,902.6 billion during January-June, 2019-20 showing negative growth of 6.4% over the corresponding year last year. This negative growth is caused by the recurring impact of COVID-19, a global pandemic which has affected every economy of the World. A tax-wise detail of the tax collection is given below:

Head-wise Collection during January - June FY 2019-20

(Rs. Billion)

Fiscal Year	2019-20	2018-19	Growth (%)
Direct Tax	738.2	777.1	-5.0
Sales Tax	739.3	771.2	-4.1
FED	125.4	135.9	-7.7
Customs	299.8	349.5	-14.2
Total	**1,902.6**	**2,033.7**	**-6.4**

MAJOR INITIATIVES TAKEN BY FBR

The following reforms and special initiatives are envisioned by FBR in the coming months, which are aimed both at improving tax collection and facilitating tax payments:

CORE INCOME TAX INITIATIVES:

A. Automation of business processes
B. Income tax enforcement measures

- Withholding Taxes
- Broadening of Tax Base (BTB) Initiatives

C. Registration of persons for sales tax
D. Sales tax (enforcement measures)

- Point Of Sales (POS)
- Track & Trace System for Specified Goods (i.e., Tobacco, Cement, Sugar, Beverages and Fertilizers)
- Establishment of Port Teams for Third Schedule items
- Joint Anti-smuggling field intelligence exercise
- Inland Revenue Enforcement Network (IREN)

OTHER INITIATIVES:

1. Identifying and checking evasion by High Net Worth Individuals
2. Plaza Mapping at Lahore, Karachi and Islamabad
3. Launch of Device Identification, Registration and Blocking System (DIRBS) to control smuggling of mobile devices
4. Discouraging imports of luxurious goods through additional Regulatory Duties (RDs)
5. Forensic audit in Sugar, Tobacco and Steel Industries to address leakages and tax evasion and in these industries

CUSTOMS INITIATIVES:

1. More contribution / collection through realizing currently unrealizable revenue through administrative measures like Auctions, Recovery, litigation disposal, etc.
2. Enhance Effectiveness of the Risk Management Process/ Establishment of National Targeting Centre to prevent loss of revenue through mis-declarations in values, quantities, & description
3. Strengthening of Post Clearance Audit Organization and Function to ensure that consignments cleared through Green channel are scrutinized and possible evasions/short payments are recovered
4. Design, Develop and Roll Out of WeBOC-glo for ease of doing business and promote bona-fide imports

WAY FORWARD

Besides above listed steps / initiatives, the government has also launched a five-year reform program with support from the World Bank, which includes wide-ranging reforms including that of automation, policy and administrative one.

- Transformation of Business Model
- Organizational capacity building by HR system improvement
- Simplification of laws and procedures
- Taxpayer facilitation through behavioral change

Government of Punjab.

1. The Stamp Duty rates on the instruments of 'Agreements to Deposit' of title deeds, pawn, pledges and mortgages, imposed through the Punjab Finance Act, 2006 (which amended the Stamp Act, 1899), have been revised upward to more accurately reflect current market conditions.

2. The rates of Land Based Agricultural Income Tax under the First Schedule of the Punjab Agricultural Income Tax Act, 1997 were fixed in 2003 and had been in force for the last 16 years, despite the fact that support price of wheat increased from Rs.350/- per 40 Kg in 2003 to Rs.1350 in 2019. Additionally, the exemption threshold of Rs.80,000/- for payment of Agricultural Income Tax was fixed in 2001 and the same had not been enhanced for the last 18 years. On the genuine demand of the farmer community, that the exemption threshold granted under the Second Schedule of the Punjab Agricultural Income Tax Act, 1997 should be enhanced, the Government has increased the exemption limit from Rs.80,000/- to Rs.400,000/- with the aim to promote the Agriculture Sector and to bring more equality in incidence of taxation.

3. In order to broaden the tax base in the Province of Punjab, tax on properties along major highways and motorways in the Punjab has been approved. Furthermore, Registration Fee for imported vehicles has been brought at par with that being charged by the Federal Government in a bid to enhance uniformity of fees and rates across Pakistan. Alongside, Property Tax relief

has been given to divorced women and single female orphans in line with relief already provided to widows; and outdated rates of Professional Tax have been rationalized.

4. The operational experience of the Punjab Revenue Authority during the last Financial Year has necessitated certain procedural and technical amendments in the Punjab Sales Tax on Services Act, 2012 for better compliance of the Act ibid while ensuring "Ease of Doing Business" in the Province. Apart from change in some penal provisions, these amendments provide for minimum tax liability, updating appeal related provisions, improving recovery of tax and introducing a modern electronic invoicing system to plug revenue leakages. Further, descriptions of a few taxable services have been modified for removal of gaps and misapplications and updated for a clearer understanding of tax obligations. Certain new services have also been included in the tax net. The overall objective is to broaden the tax base of Punjab Sales Tax on Services, to achieve eventual goal of a Negative Tariff List for Punjab Sales Tax.

Government of Sindh.

i. With a view to ensuring tax compliance, monitoring, combating possible tax evasion and promoting the cause of documentation of economy, Sindh Revenue Board introduced a system of linking the POS system of Beauty Parlours /Beauty Clinics/Gyms/Fitness Centers with the electronic system of SRB on real time basis.

ii. The Audit wing has been strengthened by hiring 12 Auditors (having professional qualification of Chartered Accountancy and ACCA) who are duly trained in tax auditing and sales tax laws.

iii. 30 Sindh Sales Tax Officers (SSTOs), were hired as Interns in February 2019, and were regularized on March, 2020 after completing their Internship period and also Final Passing Out (FPO) exam. Thus the Tax Operation wing was strengthened to cope up with the increasing work hand.

iv. Legal Wing of SRB has been strengthened, headed by a full time Senior Member (Legal). Professional Lawyers have been hired in the Legal Wing so that a pro-active and efficient legal team in SRB could effectively deal with the ever-rising litigation cases.

v. The IT Wing has been strengthened and most of core functions of SRB in Tax Operations are now online.

vi. CRM (Customer Relations Management) system has been installed in SRB Call Centre which provides information and assistance to taxpayers and also provides e-support services.

vii. SRB systems are linked with SECP and PRAL for data gathering, coordination and assistance.

viii. Sales Tax Real Time Invoice Verification (STRIVe) system was introduced in SRB for detecting cases of inadmissible input tax and to curb avenues of tax evasion or fraud.

ix. An independent wing of Survey & Development was created to trace out un-registered and non-compliant service providers through different methods including gathering information from the concerned departments, verifying the existence of unregistered and non-compliant service providers through physical survey.

x. SRB held 3 Day Workshop on Best Global Practices of VAT/GST in collaboration with International Bureau of Fiscal Documentation (IBFD) of Holland on September 13-15, 2019 at IBA, Karachi (City Campus). This provided the SRB participants with exposure of international practices and procedures of VAT system.

xi. Annual Report for the FY 2018-19 was prepared and laid before the Provincial Assembly of Sindh in January, 2020, as per the statutory requirement of section 12 of the SRB Act, 2010. Quarterly reports are being prepared in FY 2019-20 which, at the end of the year, shall be compiled to make the Annual Report for 2019-20.

xii. With the approval of the Federal Government as well as of the Government of Sindh, General Survey of the Properties in Karachi, with the assistance of World Bank under the Nomenclature of Competitive & Livable City of Karachi Project "CLICK" has been approved.

xiii. Online Tax Collection. Scheme initiated by the Department is almost at the launching stage. In the first stage Online Tax Collection of Motor Vehicle Tax will be started shortly and in the 2nd stage it will include Property Tax, Professional Tax etc. In this regard an agreement has been signed with M/s. 1Link (Pvt.), Limited for facilitating the Department in respect of financial receipt payment through different ADCs.

xiv. Sharing of Data between FBR & ET&NC Department. The Excise, Taxation & Narcotics Control Department is in the final stage of signing a "Bilateral Agreement for Data Sharing with Federal Board of Revenue (FBR), Government of Pakistan. Through this agreement Department will share its Data of Motor Vehicle Registration and CNIC based Data of Property Tax with FBR.

xv. Project Management Unit of Geodatabase (PMU-GIS) is performing management and supervisory role and developing GIS based infrastructure in the form of e-Governance model to facilitate the stakeholders/organizations and general public. Therefore, a spatial link is created between GIS based mapping of each survey number and their land ownership record to facilitate the common user.

xvi. Development of Geographical Information System (GIS) Fully functional G.I.S lab has also been established with required technical manpower, hardware and software capabilities; Digital District and Deh maps for all 5979 Dehs of the Province have been developed. Digital Survey number maps of 4000 out of 5979 Dehs have further been completed while progress on remaining 1979 Digital maps is also under way. The digital maps are being integrated with the computerized land records.

xvii. The GIS Section has been equipped with the capability of identifying changes in occupancy on state land through GIS Imagery in Karachi Division up to survey number level.

xviii. The high resolution satellite imagery has also been procured for district Hyderabad, Thatta, Badin, Tando Allhayar & Shaheed Benazirabad for Geo Referencing and digitization of old revenue maps up to survey number level.

xix. To ensure transparency, free Online Calculator has been provided on www.sindhzameen.gos.pk, to facilitate registrant public in calculating stamp duty, registration fee and other taxes applicable on property registration.

xx. Preservation of old survey settlement record and maps through chemical processing as well as using electronic methods including scanning, Micro Filming. Digitization, Printing, Storage and cataloging; Revamping of Survey & Settlement Department by introducing modern survey techniques.

Government of Khyber Paktunkhwa.

i. Government of Khyber Pakhtunkhwa made a concerted effort to augment and revive the overall revenue generation to enhance its own receipts for the Fiscal Year 2019-20.

ii. A thorough Resource Mobilization strategy was introduced for both tax and non-tax receipts which revolved around institutional reforms, effective communicative strategy, data analytics and internal processes analysis.

iii. As a result of these reforms, the forecast annual growth based on first nine months collection for the Financial Year 2019-20 prior to the lockdown stood around Rs. 41 Billion with a 38% growth against last year.

iv. The growth prior to the lockdown was 32% for total receipts, while tax receipts were growing at 36% and non-tax revenue was growing by 23%.

v. After the lockdown the total receipts declined by 11%, the major decline came from Tax Revenue i.e. 16% & 14% by Non-Tax Revenue heads.

vi. The major chunk of the growth and overall revenue could be attributed to Khyber Pakhtunkhwa Revenue Authority (KPRA).

vii. Despite of the major economic setback, full exemptions on construction and prolong slowdown on the industry, KPRA still managed to grow and demonstrate enhanced compliance rate. The collections went up to Rs. 15.57 Billion, increased by 81% against last year, considering the revenue collection till end of May, 2020.

viii. KPRA successfully managed to expand revenue and tax payers based within effective registration drive and communication strategy.

Government of Balochistan.

(a) Finance Department, with the approval of Government, has issued "Balochistan Tax Revenue Mobilization Strategy". Under this strategy, the respective enactments all the major provincial taxes were reviewed whereby certain amendments were made therein through Balochistan Finance Act, 2020. Since, most of the provincial tax statutes are relating to era of one-unit regime which were subsequently adopted by the Government of Balochistan through Balochistan Tax Laws Adaptation Order, 1975, therefore, the Government, with a motive to bring at par the stated laws with the requirements of the current era and to streamline sundry Laws, introduced significant amendments in almost all the major tax laws. Moreover, the rates were also rationalized.

(b) The Provincial tax laws, which were reviewed and amended, include Stamp Duty Act, 1899, Motor vehicle Tax Act, 1958, Balochistan Sales Tax on services Act, 2015, Balochistan Finance Act, 1964 (for amending its section 11 related to Tax on trades, callings and professions), Balochistan Finance Act, 1965 (for amending its section 12 related to Hotel Tax), Excise and Minerals (Labor Welfare) Act, 1967 etc.

(c) Further, Government of Balochistan, with a vision to strengthen Balochistan Revenue Authority, introduced landmark amendments in Balochistan Revenue Authority Act, 2015. Such amendments will put positive impact upon enhancing receipts of Balochistan Sales Tax on services.

(d) Considering the business growth in real-estate sector, Capital value Tax (CVT) on immovable property is also one of the major provincial taxes. To derive more economic benefits from it, Government of Balochistan has drafted a new bill with a title of "Balochistan Capital Value Tax on immovable Property, 2020". In this new law/bill all the necessary areas of any tax statute have been addressed. Such areas may include, registration of taxpayers, tax assessment basis, taxpayer's grievances redress mechanism, audit and other areas etc.

(e) Similarly, with a purpose to increase the tax receipts from the collections of Electricity Duty and repeal the obsolete provisions relating to electricity Duty in Balochistan Finance Act, 1964, Government of Balochistan has also drafted a new bill with title of "Balochistan Electricity Duty, 2020". This bill is also drafted on similar grounds as afore-stated in case of CVT.

5.3: Fiscal Discipline

5.3.1 Article 9(3) of said order provides that Federal and Provincial government 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 Government are reproduced as follows:-

Steps taken by Federal and Provincial Government for Fiscal Discipline
Federal Government

(a) Federal Government regulates and elaborates the Federal Consolidated Fund. The mechanism of public finance management, the Public Finance Management Act, 2019 has been promulgated with a view to strengthen management of public finances to improve definition and implementation of fiscal policy for better macroeconomic management and clarify institutional responsibilities related to financial management, and strengthen budgetary management. Regarding fiscal discipline at federal and provincial levels, both the governments may work in close coordination to optimize revenue collection and rationalize their expenditures to attain the desired levels of fiscal performance. Especially, in the event of less revenue collection by FBR and resultant less provincial share in divisible pool taxes, the provincial governments may work out strategy to accordingly reduce their budgetary outlay for having reasonable level of surplus by the end of financial year.

During 2^{nd} half of CFY 2019-20, the fiscal deficit has been contained to 5.8% of GDP as against 6.3% of GDP for the same period of last Financial Year 2018-19. For restricting the fiscal deficit during the CFY 2020-21 at 7.0% of GDP, following steps are being taken by the Federal Government.

- All proposals of Supplementary Grants (SG)/Technical Supplementary Grants (TSG) shall be routed through Finance Division. The Finance Division shall review the position of the grant as a whole with reference to verified actual as on that data and that of the previous year.

- All the cases of Supplementary Grants/Technical Supplementary Grants are submitted to the Federal Cabinet through ECC for consideration

- No Expenditure, in any head of account, shall be incurred over & above the limit imposed by the Ministry of Finance;

- Complete ban on purchase of all type of vehicles (excluding motorcycles) both for current as well as development expenditure;

- Ban on creation of new posts except those required for development projects and approved by the competent authority;

- Entitlement of periodical, magazines, newspapers etc of entitled officers is restricted to only one;

- All Principal Accounting Officers have been asked to ensure rationalization of utility consumption, purchase of assets, repair and maintenance and all other operational expenditures shall be kept at bare minimum level while remaining within the budgetary allocation for the financial year; and

- Two sides of paper shall be used in all official communications.

(b) Provincial Governments are also advised to promulgate their Public Finance Management Act, to enforce fiscal discipline. They may also adopt the austerity measures adopted by the Federal Government.

Government of Punjab.

A. **Austerity Measures:** Punjab Government followed strict austerity measures to reduce expenditure on purchase of durable goods i.e. air-conditioners, generators and vehicles. Purchase of expensive durable goods was subject to clearance of the high-level Austerity Committee headed by the Finance Minister's leading to estimated savings worth **Rs.1522.891 million**.

B. **Supplementary Grant:** All administrative Departments were required to remain within budgetary allocations to minimize the incidence of supplementary grants. Furthermore, the request for supplementary grants, if unavoidable, were placed before Provincial Cabinet/ Standing Committee of the Cabinet on Finance & Development (SCCFD) for consideration.

C. **Ease of Paying Taxes:** e-Pay Punjab launched in October 2019, is first ever Government Payment aggregator in Pakistan for Public to Government (P2G) & Business to Government (B2G) payments. It is an initiative of Finance Department, Government of the Punjab. In Phase-I the citizens can make payments for 12 Government Taxes/levies through Alternate Delivery Channels (Internet Banking, Mobile Banking & ATM) of 24 banks & over-the-counter branches of 28 banks across Pakistan by using the GoPb Biller.

Government of Sindh.

Cash Monitoring: Govt. of Sindh tries its best to avoid the overdraft from the State Bank of Pakistan. The cash balance position of the Provincial Government with SBP is monitored on daily basis, and it is handled effectively through efficient financial management.

Government of Khyber Pakhtunkhwa.

i. While considering the budget estimates 2019-20 the Provincial Cabinet approved certain guiding principles to curtail the recurring expenditure effective from 1st July, 2019 **(Annex-III).**

ii. In order to maintain financial discipline and in time availability of funds, the Government of Khyber Pakhtunkhwa with the approval of competent authority devised a release policy for current and development expenditure **(Annex-IV).**

iii. The cash balances of Khyber Pakhtunkhwa Accounts maintained with State Bank of Pakistan remained in surplus over the period of the report.

Government of Balochistan.

(1) In addition to the above, the underlying objectives of Public Finance Management such as strengthening management of public finances, clarifying institutional responsibility related to financial management and strengthening budgetary framework in the province and also to ensure compliance with the FATF requirements, Government of Balochistan

legislated Balochistan Public Finance Management Act, 2020.In addition to its basis of Legislation i.e. the fiscal discipline in Balochistan, it is also aimed to provide a parent enactment to all the applicable financial rules such as GFR, FTR etc. This law is legislated within the powers conferred by Article 119 of the Constitutions, which was required by Article 270 AA of the Constitution.

(2) To manage public finances effectively, efficiently and economically, this Act addresses all significant areas of Public Financial Management such as budget management, its preparation and presentation, development projects and maintenance and use of public assets, control of Provincial Consolidated Fund and Public Account, treasury management, special purpose funds, accounting & reporting and public entities.

(3) Moreover, to achieve different fiscal aims, effective utilization of resources and affective Public Financial Management and ensuring fiscal sustainability, Government of Balochistan has established certain specialized units within Finance Department. These units include Provincial Revenue Management unit, Internal Audit Unit and Debt, Risk and investment Management Unit. The core mandate of these units is to ensure an affective and sustainable Public Financial Management.

(4) As regards Debt Management, Government of Balochistan has issued a comprehensive Debt Analysis & Bulletin Report. Moreover, to make easier access of general public with the debt portfolio of Provincial Government, a specific disclosure note regarding provincial debt has been given in the Annual Budget Statement (ABS) and Annual Financial Statements of Government of Balochistan.

(5) Finally, it is not out of place to mention here that in order to ensure financial discipline and transparency regarding collection of receipts and withdrawal of moneys from the provincial consolidated Fund and Public Accounts; Government of Balochistan developed a comprehensive "Internal Audit Charter". This charter enables the

Government to determine whether the governance processes, internal controls and risk management systems designed for different departments/sectors of Government, are adequate and functioning in an effective and efficient manner. To carry out this process, Government of Balochistan has also devised a comprehensive methodology under the title of "Internal Audit Manual". Moreover, Government of Balochistan has constituted and notified a "Provincial Audit Committee" with a motive to ensure the independence of the internal audit activity.

Conclusion

As this report has shown, resource were shared during the period under consideration in accordance with the provisions of the 7^{th} NFC Award, which was given legal cover through Distribution of Revenues and Grants in Aid Order, 2010 (President's Order No.5 of 2010). Furthermore, the Federal and the Provincial Governments are making efforts to enhance revenue generation. However, the Covid-19 pandemic has hampered impact of the measures. Nevertheless, adoption of austerity measures to curtail unnecessary expenditures, as outlined in the report, has proved to be effective.

Annex-I

REGISTERED No. M - 302 / L.-7646

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 clauses (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 per cent 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 per cent shall be assigned to provinces during the financial year 2010-11 and fifty-seven and half per cent from the financial year 2011-12 onwards. The share of the Federal Government in the net proceeds of divisible pool shall be forty-four per cent during the financial year 2010-11 and forty-two and half per cent 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 as agreed upon are:—

(a)	Population	82.0%
(b)	Poverty or backwardness	10.3%
(c)	Revenue collection or 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:—

(a)	Balochistan	9.09%
(b)	Khyber Pakhtunkhwa	14.62%
(c)	Punjab	51.74%
(d)	Sindh	24.55%
	Total:	100.00%

(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. 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 remaining four years of the Award 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 the 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 instalments 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.

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.

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Provinces' Own Revenue Receipts (2019-20) June Final

Position as on 30.06.2020

Rs in million

Code	DESCRIPTION	Punjab B.E.	Punjab Actual	Punjab % of BE	Sindh B.E.	Sindh Actual	Sindh % of BE	Khyber P.Khwa B.E.	Khyber P.Khwa Actual	Khyber P.Khwa % of BE	Balochistan B.E.	Balochistan Actual	Balochistan % of BE
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B01	Direct Taxes	36,697	18,933	52%	20,070	5,988	30%	4,644	2,946	[illegible]	856	1,489	174%
B'011	Tax On Income	2,074	2,052		2,240	619		88	68		37	16	
B'013	Property Tax	14,537	1,817		9,080	1,771		627	(686)		453	686	
B'014	Land Revenue	18,286	14,208		750	197		3,050	2,439		304	416	
B'015	Workers Welfare Tax	-	-		-	-		-	-		-	-	
B'016	Tax on Profession, Trades and Callings	1,800	727		1,000	614		450	677		15	21	
B'017	Capital Value Tax on Imoveable Property	-	130		7,000	2,787		429	449		47	151	
B018&19	C.V.T(Moveable property)	-	-		-	-		-	-		-	199	
B02	Indirect Taxes	245,971	166,124	68%	176,591	119,304	68%	25,986	20,025	77%	12,735	12,370	97%
B'023	Sales Tax on Svc GST	161,550	105,565		145,000	99,823		20,354	16,967		10,000	10,631	
B'026	Provincial Excise	7,140	2,354		7,620	4,605		35	29		764	674	
B'027	Stamps Duties	60,721	48,340		15,000	8,653		3,744	1,699		470	457	
B'028	Motor Vehicles	16,560	9,865		8,971	6,221		1,853	1,330		1,501	607	
B'029	Sale of Opium	-	-		-	1		-	-		-	-	
B03	Indirect Taxes-Others	12,295	3,481		69,856	57,323		2,393	2,535		1,164	2,330	
B030	Indirect Taxes-Others	12,295	3,481		69,856	57,323		2,393	2,535		1,164	2,330	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C01	Income from Property & Enterprise	32,355	8,552	26%	17	[illegible]	8%	17,592	19,140	109%	204	202	99%
C010	Profit & HHP	32,000	7,000		-	-		17,510	18,710		-	-	
C011	State Trading Schemes	-	-		-	-		-	-		-	-	
C013	Interest on Loans & Advance to District Govt/TMA	45	45		17	0		-	-		-	1	
C014	Interest on Loans to Financial Institutions	175	244		-	0		14	-		-	-	
C015	Interest on Loans Non-financial Institutions	129	119		-	-		16	-		-	-	
C016	Interest on Loans & Advance to Govt. Servants	1	0		-	0		2	0		-	1	
C018	Interest on Loans 0-others	5	4		-	1		30	78		-	-	
C019	Dividends	-	1,140		-	-		20	351		204	200	
C02	Receipt from Civil Administration and other Functions	18,774	15,338	82%	6,597	3,749	57%	5,498	4,922	90%	972	723	74%
C021	General Admin. Receipts-Organisations of State	255	359		193	97		196	78		32	28	
C022	General Admin. Receipts-Fiscal Administration	398	849		594	753		160	413		25	33	
C023	General Admin.Receipts-Economic Regulations	171	187		459	84		32	27		16	8	
C026	Law and Order Receipts	7,016	5,173		3,575	2,207		2,118	2,034		471	318	
C027	Community Services Receipts	5,217	3,484		644	271		930	683		157	117	
C028	Social Services	5,122	4,774		1,131	336		2,010	1,646		266	212	
C029	Social Services Miscellaneous	595	512		-	2		52	40		5	5	
C03	Miscellaneous Receipts	31,671	38,629	122%	15,579	5,978	38%	9,197	8,783	95%	18,250	5,264	29%
C031	Economic Services Receipts-Food & Agri.	1,464	967		459	55		202	186		872	202	
C032	Eco.Serv. Receipts-Fisheries & Animal Husbandery	1,413	1,559		56	14		214	263		135	97	
C033	Economic Services Receipts Forest	889	824		336	45		495	187		199	108	
C034	Economic Services Receipts, Coooperation, Irrigation & Embankment-Dralnge Works	4,204	3,263		784	277		578	219		89	65	
C035	Economic Services Receipts-Others	164	114		655	187		359	551		272	369	
C037	Extraodinary Receipts	4,090	977		5,600	714		-	-		13,541	1,219	
C038	Others	19,447	30,926		7,689	4,686		7,350	7,378		441	820	
C039	Others		(0)		-	0		-	0		2,701	2,383	
	Total Own Receipts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ECONOMY/AUSTERITY MEASURES FOR FINANCIAL YEAR 2019-20

1. There shall be complete ban on:

   a. **Creation of posts** except posts required for completed developmental Projects unless scrutinized and recommended by the **committee** comprising of Secretaries to Govt. of Khyber Pakhtunkhwa, Finance, Establishment & Administration, Planning & Development Department as well as concerned Department and approved by the Chief Minister, Khyber Pakhtunkhwa.

   b. **Purchase of new vehicles** except Ambulances, Earth moving machinery, Fire Trucks, Tractors, Non-Luxury vehicles, Single Cab Pickup 4x4 and 4x2, 3 Door Jeeps, Trucks, Buses, Passenger vans, Prisoners Vans, Motorcycles, Water Bowser Trucks, Recovery/Rescue vehicles, Rescue/Life Saving boats. Rest of the vehicles will be purchased on the recommendations of the **committee** consisting of Secretary Finance, Secretary Administration, Secretary Transport, Secretary P&D and Secretary of the Department concerned and approved by the Chief Minister, Khyber Pakhtunkhwa.

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

   d. Holding Seminars and Workshops in **Five Star Hotels** involving Provincial funds.

   e. **Treatment abroad** on Provincial Government's expense.

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

3. To bring efficiency in revenue collections, a high powered "**Provincial Revenues Review Committee**" shall be constituted 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.

4. All Administrative Secretaries shall conduct review meetings on progress on the targets against **Key Performance Indicators (KPIs)** of their respective Departments quarterly under intimation to Finance Department.

5. All Government **Rest Houses/Guest Houses** etc. shall be managed on commercial basis through appropriate institutional arrangements.

6. No appointment of **contingent paid staff** shall be made during the course of the financial year 2019-20 unless recommended by the committee as mentioned serial No.1 (a) above.

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

8. No appointment will be made against vacant posts (except Class-IV & promotion posts) without obtaining **NOC from the concerned Surplus Pool.**

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

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

11. 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.

12. **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 alongwith the Procurement Plan.**

13. **No funds will be utilized** on account of annual and special repair of such Roads & Buildings 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.**

14. 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** of the District concerned.

15. All posts which are lying vacant for the last **three (03) years** shall stand abolished.

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

17. P&D Department shall initial **District & Sectoral plans** spread over the next three (03) years as part of the mid-term development framework for the purpose of improved planning and to eliminate wasteful expenditure.

18. **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.

-.-.-.-.-.-.-.-.-.-.-.-.-.-.-.-.-.-.-

ANNEX-IV

RELEASE POLICY

Besides, the Finance Department has circulated Release Policy for financial year 2019-20, Provincial and Local Governments, duly approved by the Provincial Cabinet, to be effective from 1st July, 2019 as per details given below:-

1. DEVELOPMENT EXPENDITURE:

Type of schemes	Funds Release Methodology
1. Ongoing Approved Schemes 2. Works Departments (DWSS, Roads and Water) 3. High Impact Projects 4. Combined Release to other Sectors	i. 25% funds allocated to ongoing schemes of a sector will be released at the start of the financial year. ii. Out of released 25% funds; the Administrative Department will ensure adequate releases to the on-going due for completion schemes 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 75% of already released funds or justification to be provided by Administrative Department for non-utilization / low utilization on case to case basis. i. 100% allocated budget for FY 2019-20 shall be released to all approved schemes. Similarly, for all unapproved schemes, 100% of allocated funds will be released as and when these schemes are approved i. P&D shall carry out sectoral assessment of high impact schemes to identify upto 125 most high impact schemes. The approved schemes amongst this category shall be Released 100% of budgeted allocation for 2019-20 henceforth. Similarly, for all unapproved schemes, 100% of allocated funds will be released as and when these schemes are approved. i. All approved schemes not falling in any of above categories shall be released 75% (including 25% of the already released funds) Similarly, for all unapproved schemes, upto 75% of allocated funds will be released as and when these schemes are approved depending upon the project needs
5. New Approved Schemes	25% funds allocated to new schemes of each sector will be released 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.
6. Schemes with 'R' status in ADP 2019-20	Additional Funds will be released to the schemes of **'R' status** in ADP 2019-20 on the basis of notified 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) 75% release will be made for procurement of medicines under schemes of Health Department on the request of the Department. Subsequent 25% funds will also be made available after utilization of 75% of the released funds by the Health Department.

(iv) 100% funds shall be released to the schemes on account of land acquisition so as to avoid unnecessary delay in completion of schemes.

(v) Development funds to schemes having designated accounts will be released subject to production of utilization report and bank statement of their accounts.

(vi) 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.

(vii) No re-appropriation shall be made against those schemes wherefrom funds are re-appropriated to other schemes, during current financial year.

(A) 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	Rest/Others	25%
4.	Purchase of Physical Assets	25%
5.	Maintenance & Repair **	25%
6.	Wheat Subsidy	Release on the request of Food Department
7.	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. BOA/ED/5-17/2014-15 dated 12/06/2015
8.	S.N.E (Fresh)	Authentication of Audit Copy by the Finance Department

NOTE:

1. **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.

2. **Repair & Maintenance****:- The funds allocated for civil works, maintenance and repair of Roads, Highways and Buildings and Irrigation Works, will be released on case to case basis on the approval of competent forum and issuance of Administrative Approval.

3. **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. 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."

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

(C) **(DEVELOPMENT & CURRENT EXPENDITURE — LOCAL GOVERNMENTS**

i. **DEVELOPMENT EXPENDITURE (LOCAL GOVERNMENT)**

Development share of District Development Funds shall be transferred to respective Local Governments on quarterly installment basis, which have not been provided development funds during financial year 2019-20. Such Districts, TMAs and VCs/NCs which have been provided development funds during last financial year (2018-19), shall be facilitated with funds subject to utilization of **60%** development funds of last financial year.

ii. **CURRENT EXPENDITURE(LOCAL GOVERNMENT)**

Sr.#	Grant	Funds to be transferred
1.	Salary	On monthly instalment basis subject to adjustment of balance available from previous month.
2.	Non-salary	On quarterly instalment basis subject to availability of financial resources.

(D). GRANT TO LOCAL COUNCILS

Sr.#	Grant	Funds to be transferred
1.	TMA	On monthly instalment basis subject to availability of financial resources.
2.	District Councils	**20%** share of the Grant on monthly instalment basis of the total allocation which shall be released subject to availability of financial resources.
3.	Grant to VCs/NCs	**80%** share of the Grant on monthly instalment basis subject to availability of financial resources.
4.	Cantt: Board	On monthly instalment basis subject to availability of financial resources.

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