

Towards Self Reliance



# ANNUAL REPORT

2022-23

Khyber Pakhtunkhwa  
Revenue Authority

## MESSAGE OF CHIEF MINISTER

It is a matter of immense pleasure and a moment of great satisfaction for me to learn regarding the excellent performance of Khyber Pakhtunkhwa Revenue Authority as reflected in this Annual Report (2022-23). With the collection of more than 30.6 billion rupees during financial year 2022-23, KPRA has proved to be the leading tax collecting agency in Khyber Pakhtunkhwa.

I would like to extend my heartfelt congratulations to KPRA's team on such a brilliant achievement which is a testament of their dedication and untiring efforts. It also proves the effectiveness of government's consistent policies and initiatives regarding tax reforms. Such tax collection gives us an opportunity to invest in public services, infrastructure and overall progress of Khyber Pakhtunkhwa.

The 18th constitutional amendment mandated the provinces for collection of Sales Tax on Services, aiming to promote self-reliance and reduce dependence on federal transfers. This is, in fact one of our objectives towards a self-reliant Khyber Pakhtunkhwa.

I am hopeful that the Authority will make all possible efforts to achieve cent percent of the targets set for the financial year 2023-24.

I would also like to extend my sincere gratitude to every taxpayer for their unwavering support and contribution in fulfilling their fundamental obligations. The proactive attitude of taxpayers has, in fact, added to the success stories of the Authority.

I hope the KPRA will continue its journey of success with more zeal and commitment.



**Muhammad Azam Khan**  
Chief Minister, Khyber Pakhtunkhwa

## MESSAGE OF ADVISOR FINANCE

It gives an immense pleasure and pride to reflect upon the remarkable performance of the Khyber Pakhtunkhwa Revenue Authority during the financial year 2022-23. In a society, progress and development rely heavily on the effective mobilization of governmental resources, which ultimately leads to peace, welfare, and prosperity.

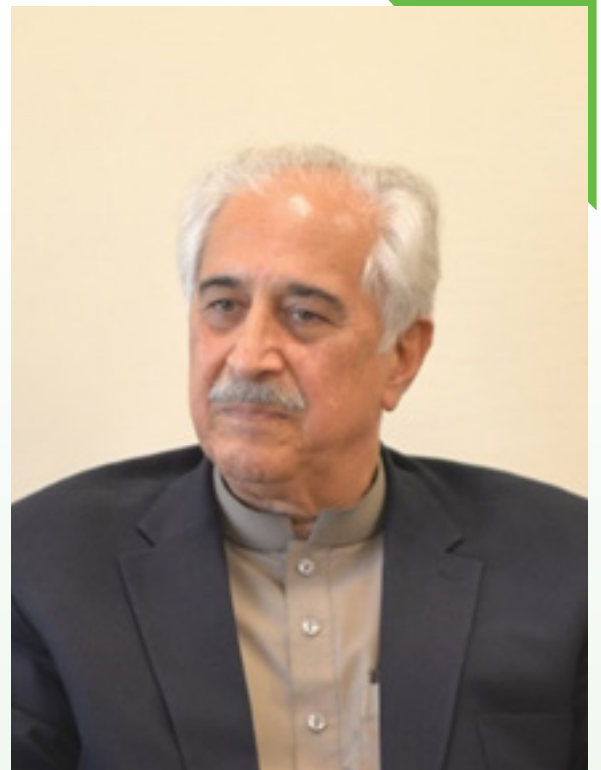
The provincial own source revenue forms a crucial component of Khyber Pakhtunkhwa's total receipts, empowering the government to provide essential services to its citizens and undertake public investments. Among the revenue collecting entities, KPRA stands out as the premium entity, utilizing data analytics, system-supported taxpayer detection and smart enforcement techniques.

The backbone of fiscal policy lies in reforming the tax policy, directly impacting the province's revenue generation. Our serious efforts and bold decisions in introducing several tax reforms, resulted in an impressive revenue collection of Rs 30.6 billion in FY 2022-23. These refined tax policies were implemented inclusively, involving relevant business associations and also entailed rationalized sales tax rates on services provided by small and medium enterprises.

The positive steps and initiatives taken by the Provincial Government in taxation regime have entered a vibrant and buoyant growth phase. The establishment of strong confidence among taxpayers in KPRA's judicious tax management system has yielded excellent results, setting new standards for organizational efficiency and promoting voluntary compliance with sales tax laws in the province.

I express my satisfaction with Authority's performance and extend my heartfelt appreciation to the team for their efforts in proliferating the taxation system across the province with a sustainable and visionary approach.

I also expect that further efforts will enhance performance, particularly in facilitating taxpayers, ensuring a transparent tax recovery system and building public confidence in the mechanism of tax collection.



**Himayat Ullah Khan**  
 Advisor to Chief Minister on  
 Finance and Energy & Power  
 Khyber Pakhtunkhwa



## MESSAGE OF SECRETARY FINANCE

It is a matter of pride to read about excellent performance of Khyber Pakhtunkhwa Revenue Authority as reflected in this Annual Report (2022-23). With collection of more than 30.6 billion during previous year, KPRA has proved to be the leading tax collecting agency in Khyber Pakhtunkhwa.

This revenue collection deserves my heartfelt congratulations to the KPRA's team which is a testament of their dedication and untiring efforts. It also proves the effectiveness of our consistent policies and initiatives regarding tax reforms. Such tax collection gives us an opportunity to invest in public services, infrastructure, and overall progress of Khyber Pakhtunkhwa.

The 18th constitutional amendment mandated the provinces for collection of Sales Tax on Services, aiming to promote self-reliance and reduce dependence on federal transfers. This is, in fact, one of our aimed journeys towards a self-reliant Khyber Pakhtunkhwa.

Looking at confidence in capabilities of the Authority and dedication of our taxpayers and businesses, the revenue target for the upcoming year 2023-24, has been set at Rs. 35 billion.

I convey my sincere gratitude to every taxpayer for their unwavering support and contribution in fulfilling their tax obligations. The proactive attitude of taxpayers has, in fact, added to success stories of the Authority.

I hope the KPRA will continue its journey of success with more zeal and commitment.



**Muhammad Ayaz**  
Secretary Finance Department  
Khyber Pakhtunkhwa



## STATEMENT OF DIRECTOR GENERAL

I am pleased to present the Annual Report for FY 2022-23, highlighting the remarkable performance and achievements of the Khyber Pakhtunkhwa Revenue Authority (KPRA) during the year.

The report provides comprehensive statistics and information regarding KPRA's performance and tax collection activities, substantiating its position as the largest revenue collecting agency in the province.

KPRA functions as the tax collecting agency for the Government of Khyber Pakhtunkhwa, operating under section 3 of the KPRA Act, 2022, to collect revenue through the Khyber Pakhtunkhwa Sales Tax on Services Act, 2022, and the Khyber Pakhtunkhwa Infrastructure Development Cess Act, 2022. The revenue generated from Sales Tax on Services plays a vital role in Khyber Pakhtunkhwa's own source of income, enabling the provincial government to allocate public funds for essential development and social welfare projects in the domains of Health, Education, Urban Mobility, Local and Regional Development benefiting the general public throughout the province.

Operationalized in 2017 with taxation on 11 service categories, KPRA has since expanded progressively to cover 47 service categories. Over time, it has developed its own Acts, Rules and Regulations to provide legal framework for its official operations. The administrative structure has been improved and reformed to cater for the Authority's evolving needs.

The Authority holds an impressive 60% share in the provincial tax revenue, with significant contributions from sectors like Telecom, Banking & Insurance, Transportation, Franchise, Courier and Automobile.

During the year, the number of taxpayers increased from 18,000 to 20,450 in 2022-23, illustrating the Authority's progressive role in widening the tax base and revenue generation while adopting a more professional attitude and encouraging voluntary tax compliance.

The collection of Rs 30.6 billion is testament of the professionalism, integrity, and taxpayer-oriented facilitation efforts of KPRA's team in revenue collection.

We deeply appreciate the cooperation of all taxpayers, whose valuable contribution play a pivotal role in sustaining and enhancing the well-being of our society and fueling essential public services and development projects.



**Shah Mahmood Khan**  
Director General KPRA

## OUR VISION, MISSION & VALUES

01

### VISION

We facilitate taxpayers and strive to make Khyber Pakhtunkhwa self-reliant

V

02

### MISSION

To contribute substantially to provincial own receipts through improved tax administration and voluntary tax compliance

M

03

### VALUES

- Integrity
- Transparency
- Fairness
- Esprit de corps

V

# GOALS AND OBJECTIVES OF KPRA





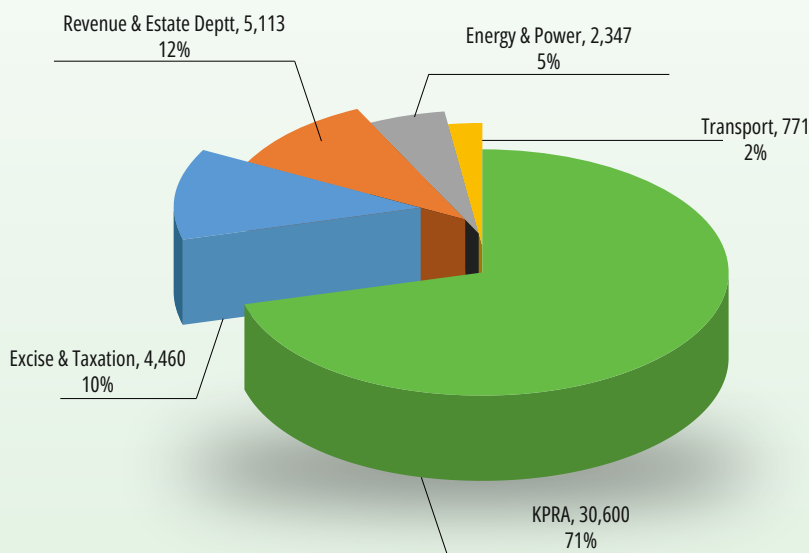
## INTRODUCTION

Taxation plays a vital role as the primary income source for the government. The capacity to generate revenue through tax collection strengthens the fiscal capabilities of the government. By levying taxes and fee, provinces can effectively generate public funds, enabling them to invest in human capital, infrastructure and the delivery of essential services to citizens and businesses. This approach forms a fundamental pathway for driving economic growth and fostering the overall welfare and development of the province.

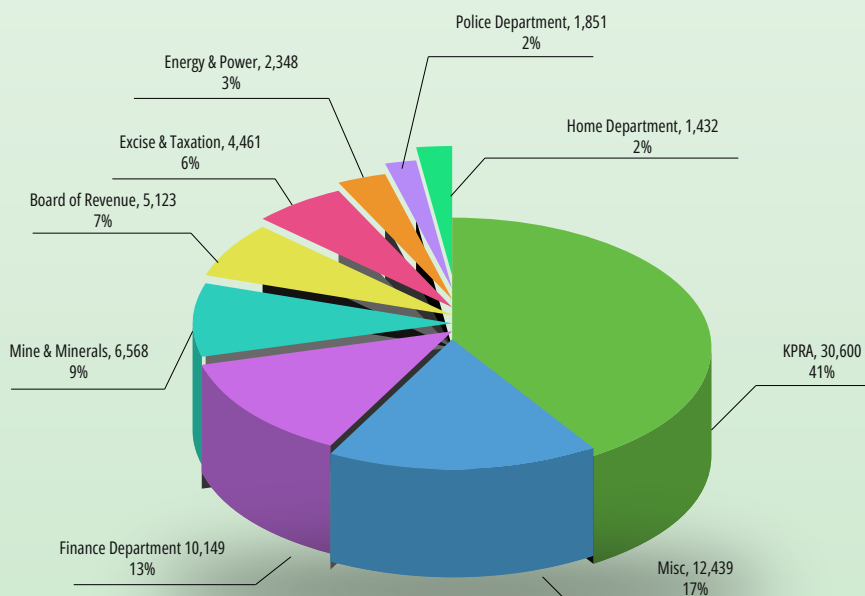
## KPRA’s Role in Revenue Contribution

KPRA retains its profound title of being the prime revenue collection Authority of the Khyber Pakhtunkhwa.

**Share in Provincial Tax Collecting Entities (FY 2022-23)**



**Share in Provincial Overall Revenue Collection (Tax & Non-Tax) FY 2022-23**



## LEGAL FRAMEWORK

KPRA was created through an enactment of the Khyber Pakhtunkhwa Finance Act, 2013 in wake of 18th amendment in the Constitution of Islamic Republic of Pakistan. Its primary objective is to oversee and manage the collection of Sales Tax on Services (STS) within Khyber Pakhtunkhwa. As a dedicated Authority for administering STS, the KPRA carries out tasks such as identification and registration of service providers, educating and facilitating taxpayers about their obligations and conducting audits to ensure compliance with tax laws.

In the year 2022, Government of Khyber Pakhtunkhwa introduced two new Acts, namely 'The Khyber Pakhtunkhwa Sales Tax on Services Act, 2022' and 'The Khyber Pakhtunkhwa Revenue Authority Act, 2022'. As a result, these Acts replaced 'The Khyber Pakhtunkhwa Finance Act, 2013'. This restructuring has led the KPRA to be governed exclusively by these Acts regarding Sales tax on Services.

Keeping the efficient revenue collection and high confidence reposed by the government, the Authority was further entrusted with the responsibility of collecting Infrastructure Development Cess (IDC). For this purpose, the government enacted 'The Khyber Pakhtunkhwa Infrastructure Development Cess Act, 2022' in the same year.

## GOVERNANCE STRUCTURE

The Policy Board is the apex forum of the Authority comprising the following:

|   |  |                  |
|---|--|------------------|
| 1 | Chief Minister, Khyber Pakhtunkhwa   | Chairperson      |
| 2 | Minister for Finance, Khyber Pakhtunkhwa                                   | Vice-Chairperson |
| 3 | Minister for Excise, Taxation and Narcotics Control, Khyber Pakhtunkhwa    | Member           |
| 4 | Minister for Revenue, Khyber Pakhtunkhwa                                   | Member           |
| 5 | Senior Member, Board of Revenue  | Member           |
| 6 | Secretary to Government, Finance Department                                | Member           |
| 7 | Secretary to Government, Excise, Taxation and Narcotics Control Department | Member           |
| 8 | Four private members, including at least one female member.                | Member           |
| 9 | Director General of the Authority.   | Secretary        |



### Directorates

- Human Resource, Admin & Coordinator.
- Finance, Accounts & Audit
- Legal, Tax Policy & Reforms
- I&I and Tax Audit
- ICT

### Collectorates

#### Director Revenue

- Central Region, Peshawar
- Mardan & Malakand Region
- Northern Region –with sub office Hattar
- Southern Region



## PERFORMANCE OVERVIEW

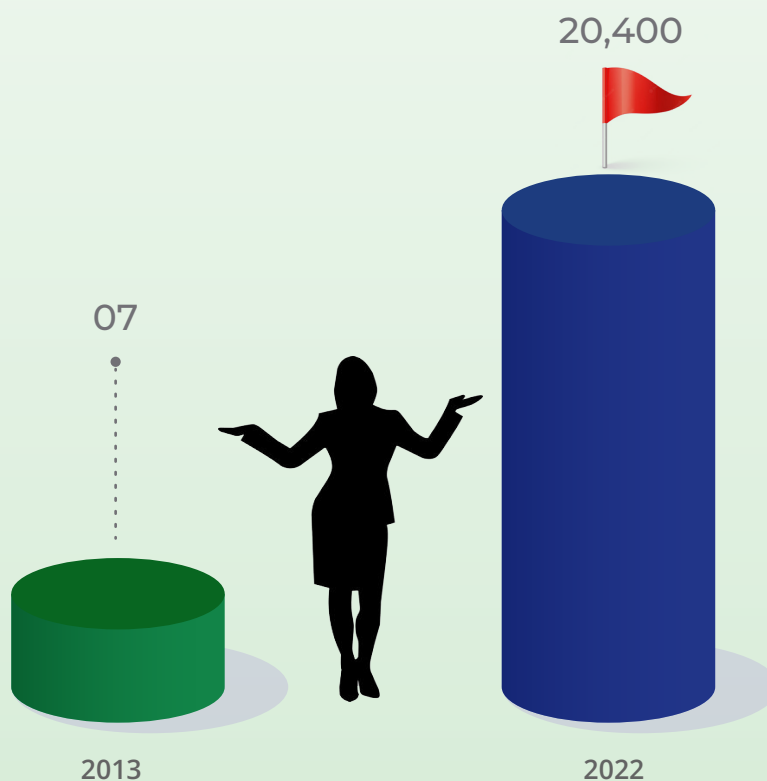
KPRA started its operations on August 6, 2013 by registering only seven tax payers. The number has increased to 20,400 by the end of June, 2023. Simultaneously, the number of taxable services rose from 11 in 2013 to 47 in 2022. These both figures highlight the KPRA's efforts to broaden tax base by increasing taxpayers and bringing more taxable services in the tax net.

These efforts are also reflected in KPRA's revenue collection, as KPRA managed to collect Rs.6.0 billion in financial year 2013-14, which rose to RS. 30.60 billion in the financial year 2022-23. The following graph will better explain the KPRA's performance in a glance.

### Taxable Services

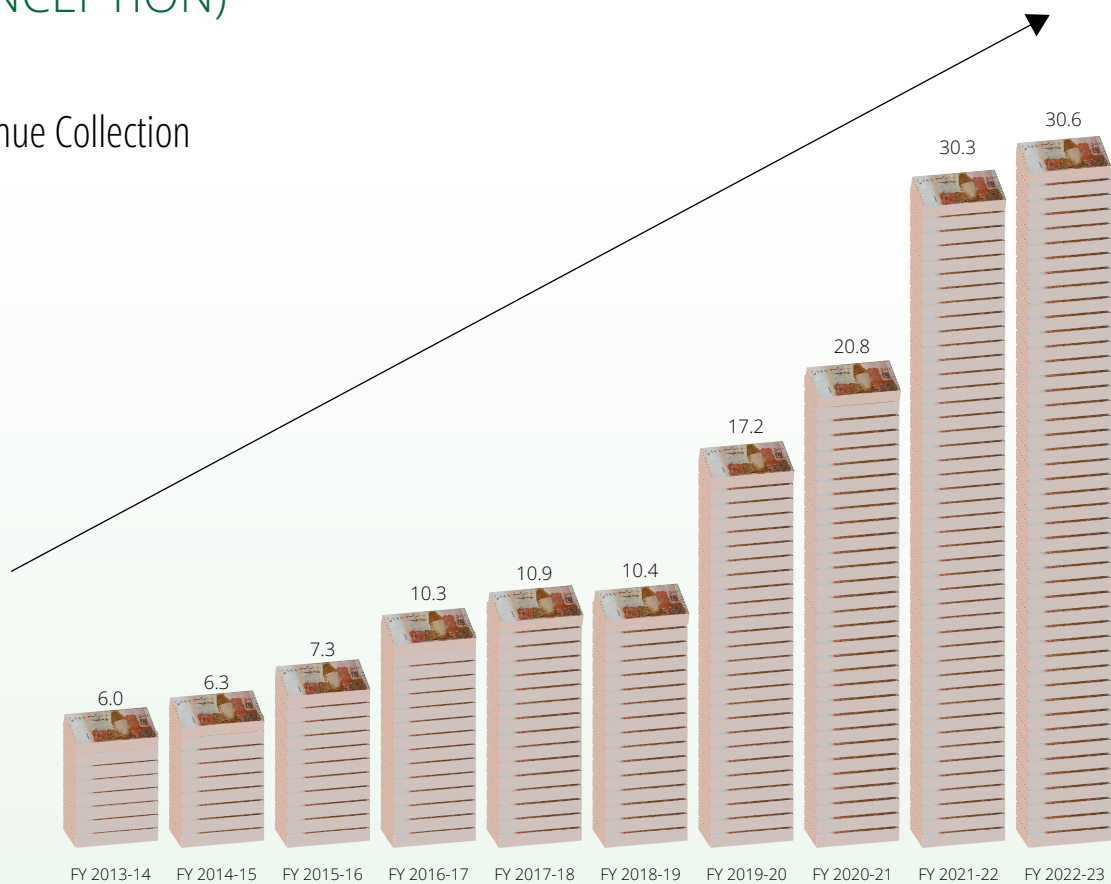


### Taxpayers



## KPRA'S OVERALL PROGRESS CHART (SINCE INCEPTION)

Annual Revenue Collection  
Rs In Billion



### EARLY YEARS' REVENUE COLLECTION (2013 TO 2017)

KPRA was able to collect Rs. 6.02 Billion against the target of Rs 6.0 Billion in FY 2013-14 despite challenges faced by a new organization at its inception stage. However, during the succeeding year in FY 2014-15 the target was raised by 100 % i.e., Rs. 12 Billion without any empirical evidence and altogether ignoring the capacity of a nascent organization. Resultantly, the organization was able to collect Rs. 6.2 Billion. However, despite the odd challenges KPRA kept its upward trajectory of revenue collection.

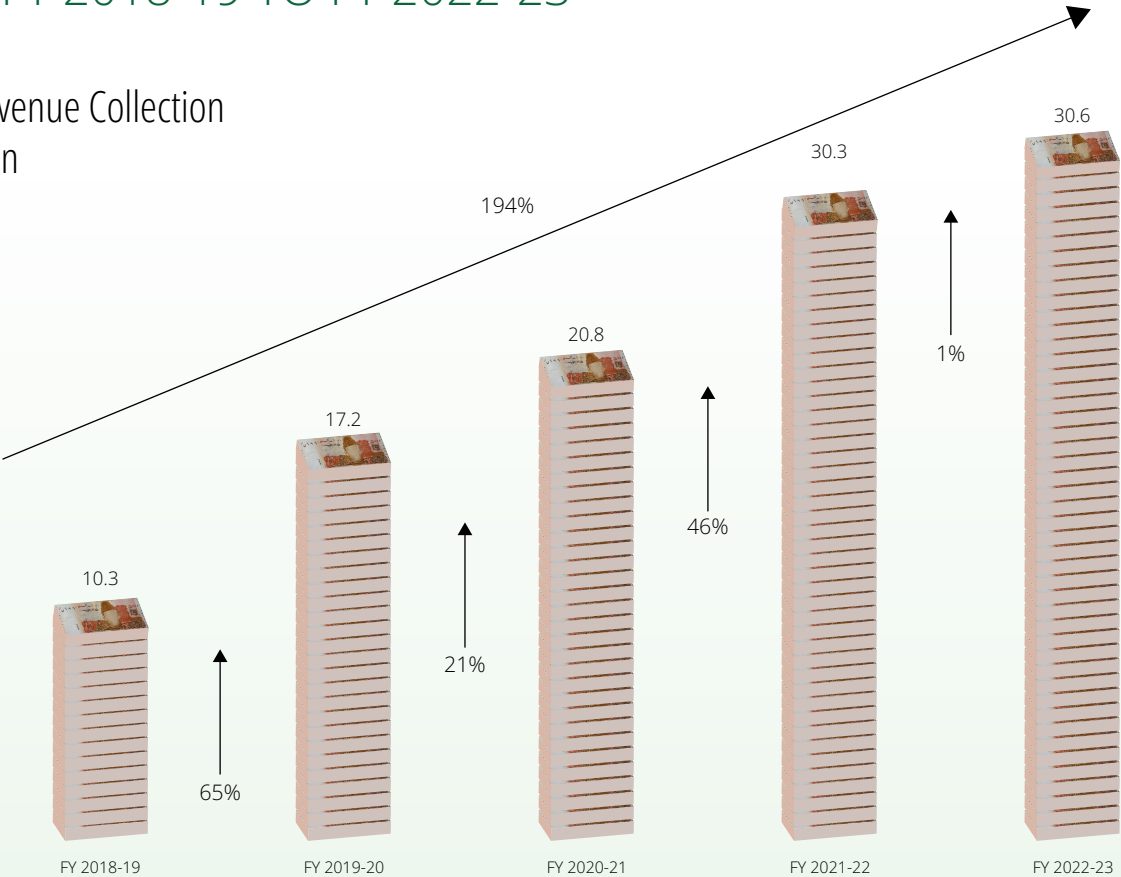
### KICK-OFF PERIOD (2018 ONWARDS)

The institutional framework and capacity were gained by the year 2017 where necessary operational rules were developed, staff appointment rules were framed and KPRA's own employees were recruited and regional offices were established. This provided an opportunity to the Authority in boosting its revenue collection manifolds.

# KPRA'S FIVE YEARS COLLECTION OVERVIEW

## FROM FY 2018-19 TO FY 2022-23

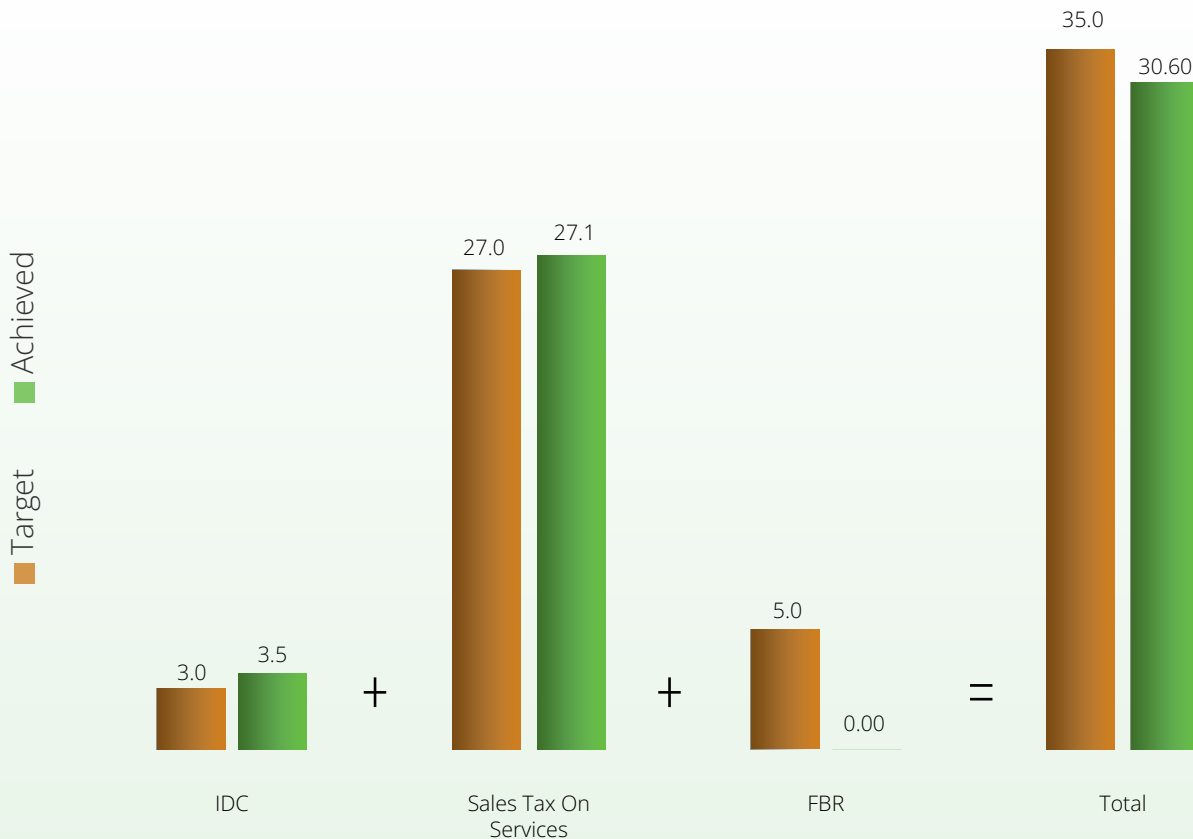
Annual Revenue Collection  
Rs In Billion





## REVENUE COLLECTION ANALYSIS - TARGETS ASSIGNED VS ACHIEVED FY 2022-23

For the fiscal year 2022-23, KPRA was assigned an ambitious target of collecting Rs.35 billion. This target was made up of three major components as shown in the below graph along with revenue collected.

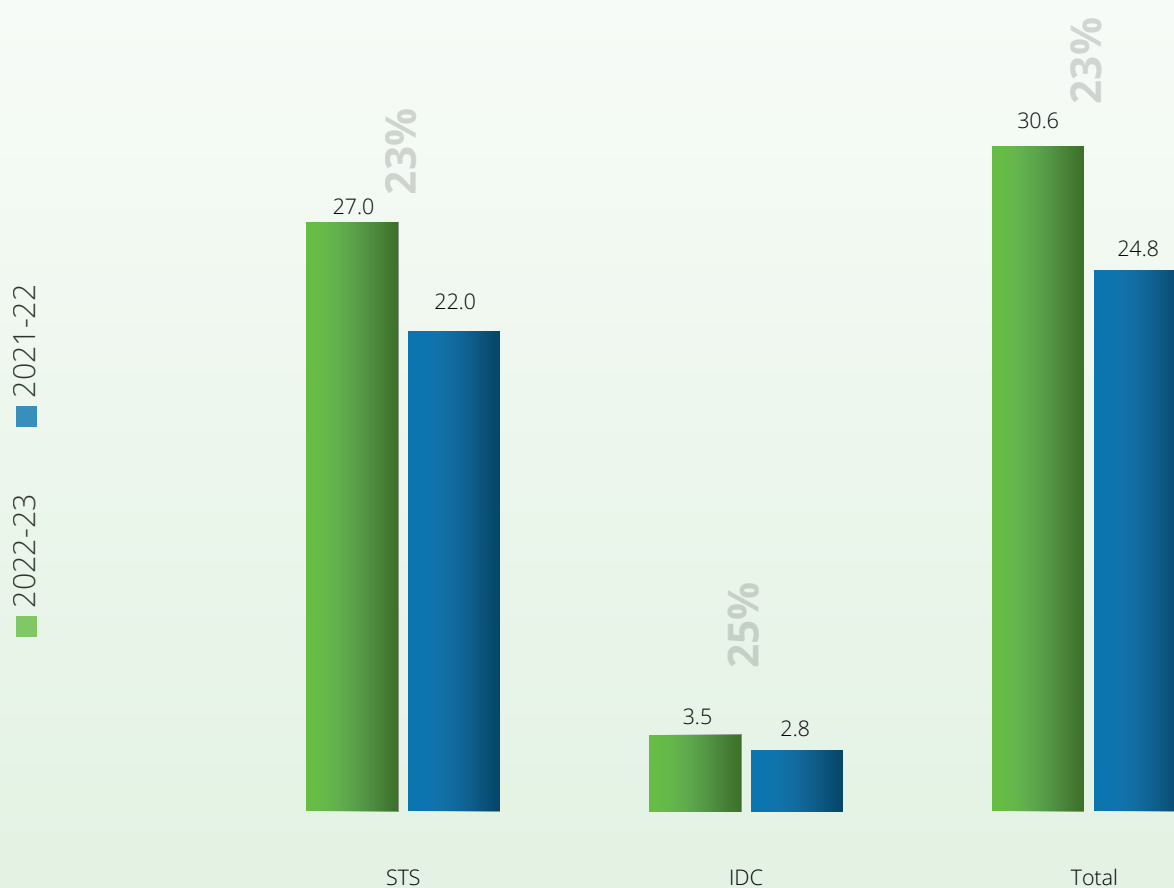


During this period, KPRA successfully collected its part i.e., Rs. 30.6 Billion on account of Sales Tax on Services and infrastructure development cess, in fact, it surpassed the assigned target with margin.

The reason for missing the FBR component was that cross-input tax adjustment from FBR to the tune of Rs. 5 billion was not received, despite official correspondence and active pursuance by the provincial government. Looking back at the previous fiscal year 2021-22, an amount of Rs 5.5 billion was received from FBR.

## COLLECTION OF STS AND IDC IN COMPARISON WITH LAST YEAR'S COLLECTION (EXCLUDING FBR TRANSFER)

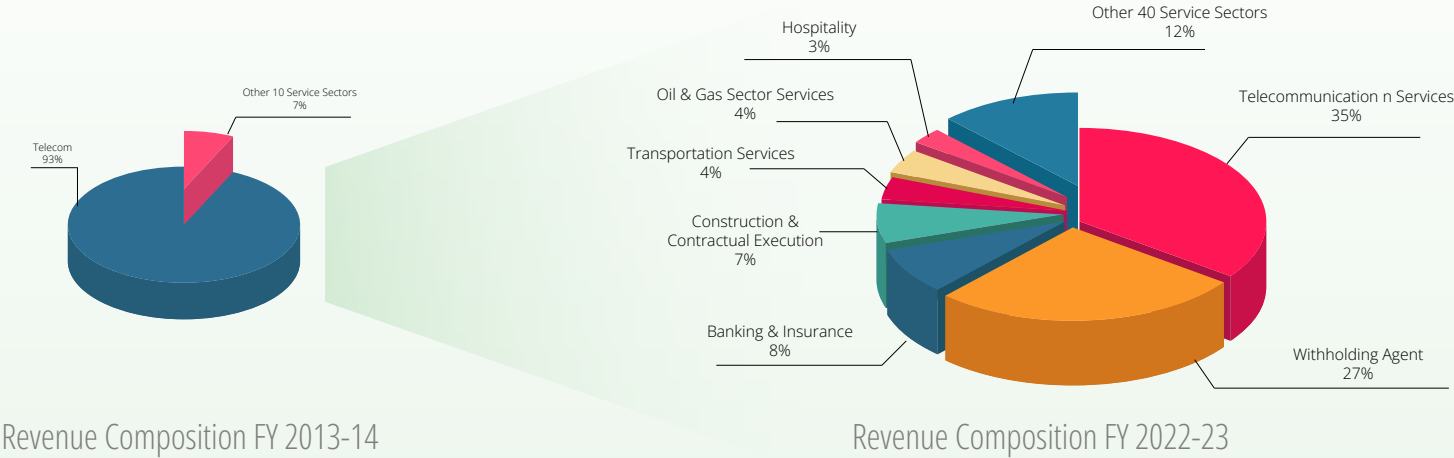
KPRA collected 30.6 Billion during the period which is 23% higher than the last year collection. This accomplishment stands as a testament to the unwavering dedication and efforts of the KPRA team. Despite the collection barriers (such as floods affecting tourism/hospitality sector in the Hazara and Malakand regions, and inflationary impact leading to economic contraction / decrease in consumption of services), the revenue receipt shows a stable stream of collection and persistent year-on-year growth trajectory.



# SALES TAX ON SERVICES

In the fiscal year 2022-23, the major service sectors that significantly contributed to the overall growth in tax collection were Telecom Sector, Withholding, Banking Sector, Construction Sector, Transportation, and Oil and Gas sectors. Over the period, the Authority made efforts to expand its revenue base by bringing more services into the tax net and its efforts are highlighted in below two charts of the FY 2013-14 and 2022-23.

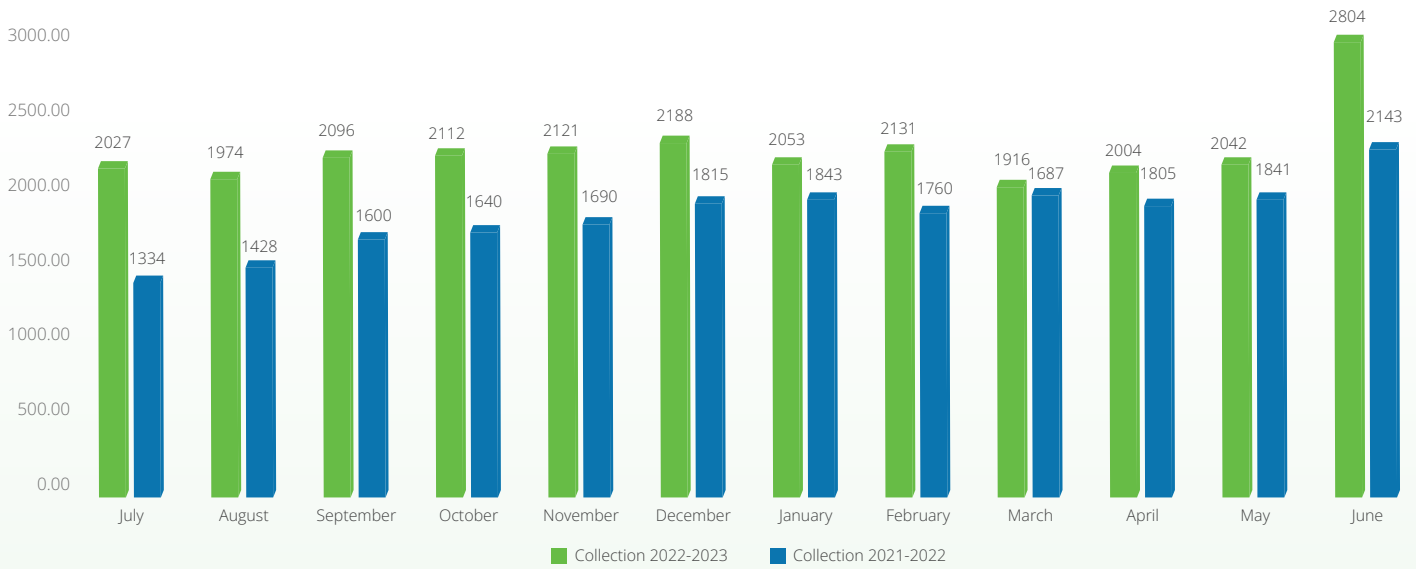
## STS- Major Revenue Contributing Sectors- (FY 2022-23)



It is also reflecting KPRA's efforts to diversify its revenue portfolio and lessen reliance on a single sector. This diversification is part of the KPRA's broader strategy of risk management and broadening tax base.

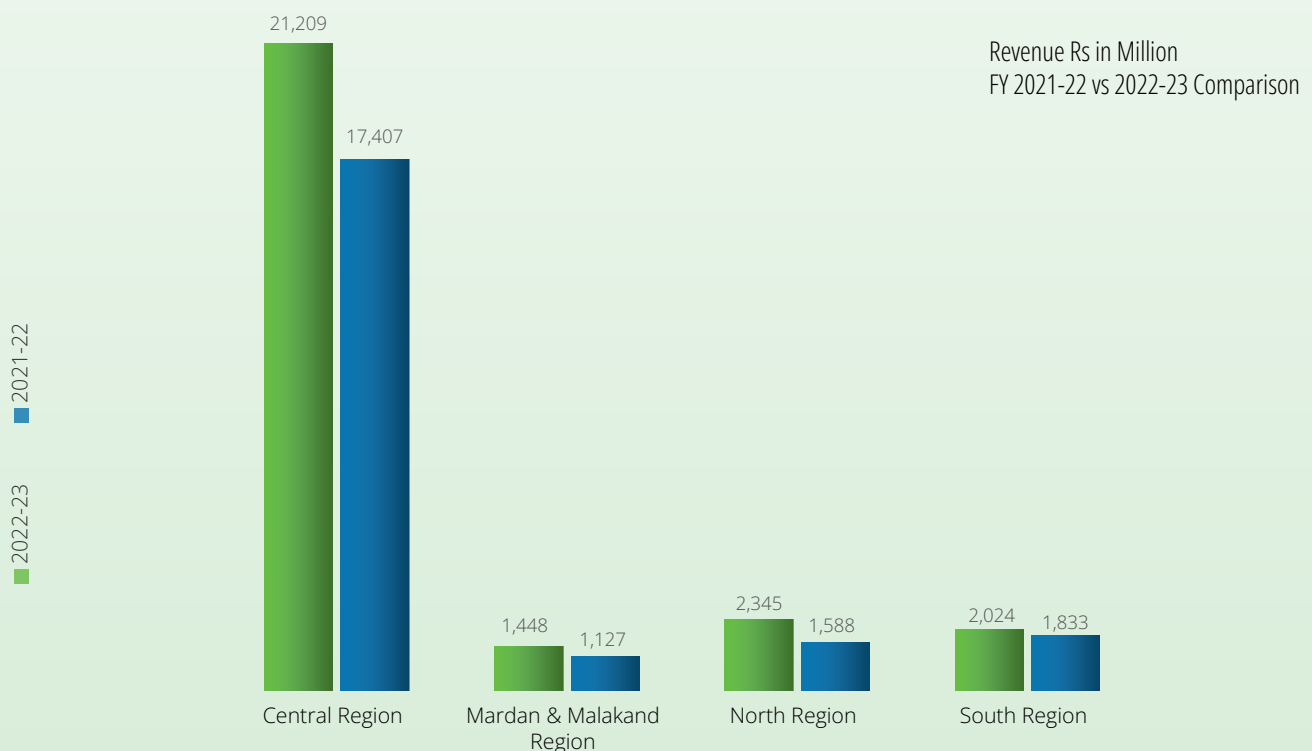


## MONTH WISE COMPARISON FY 2021-22 VS FY 2022-23

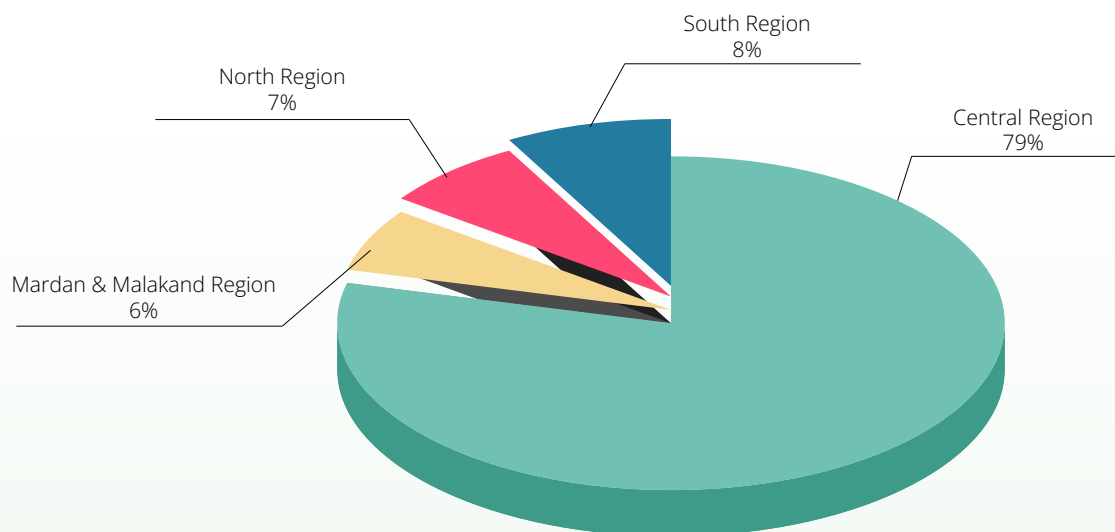


## REGION-WISE COLLECTION (FY 2021-22 VS FY 2022-23)

The establishment of regional KPRA offices in Mardan, Hazara, and Bannu has expanded outreach to taxpayers, resulting in an increased overall tax base and higher revenue collection. Share of regional collection is depicted in the charts below.



## REGION-WISE CONTRIBUTION (FY 2022-23)



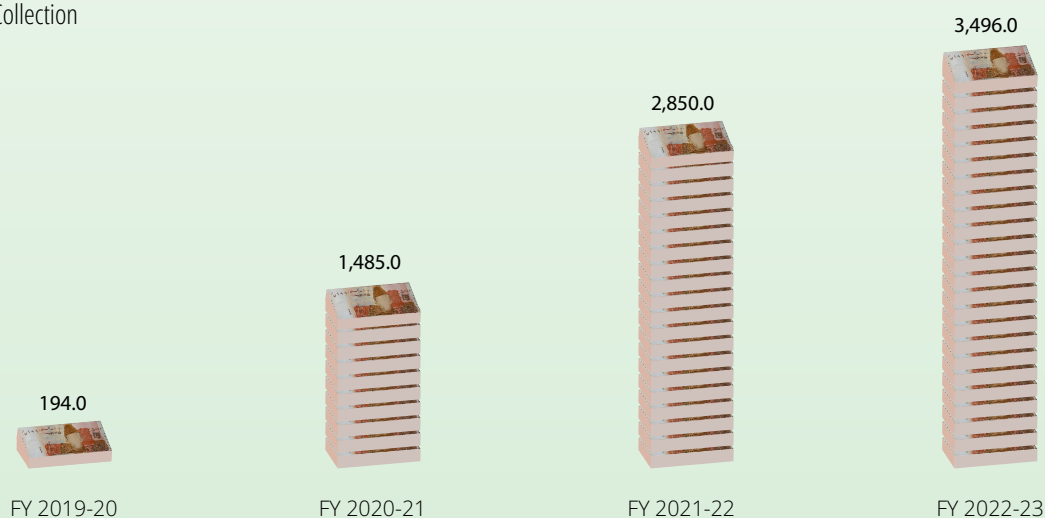
### EXPANSION OF TAX BASE

Over the years, the dedicated team at KPRA has made special efforts to encourage a healthy tax culture, leading to the expansion of the tax base from 18,000 registered persons in FY 2021-22 to 20,400 registrations in FY 2022-23.

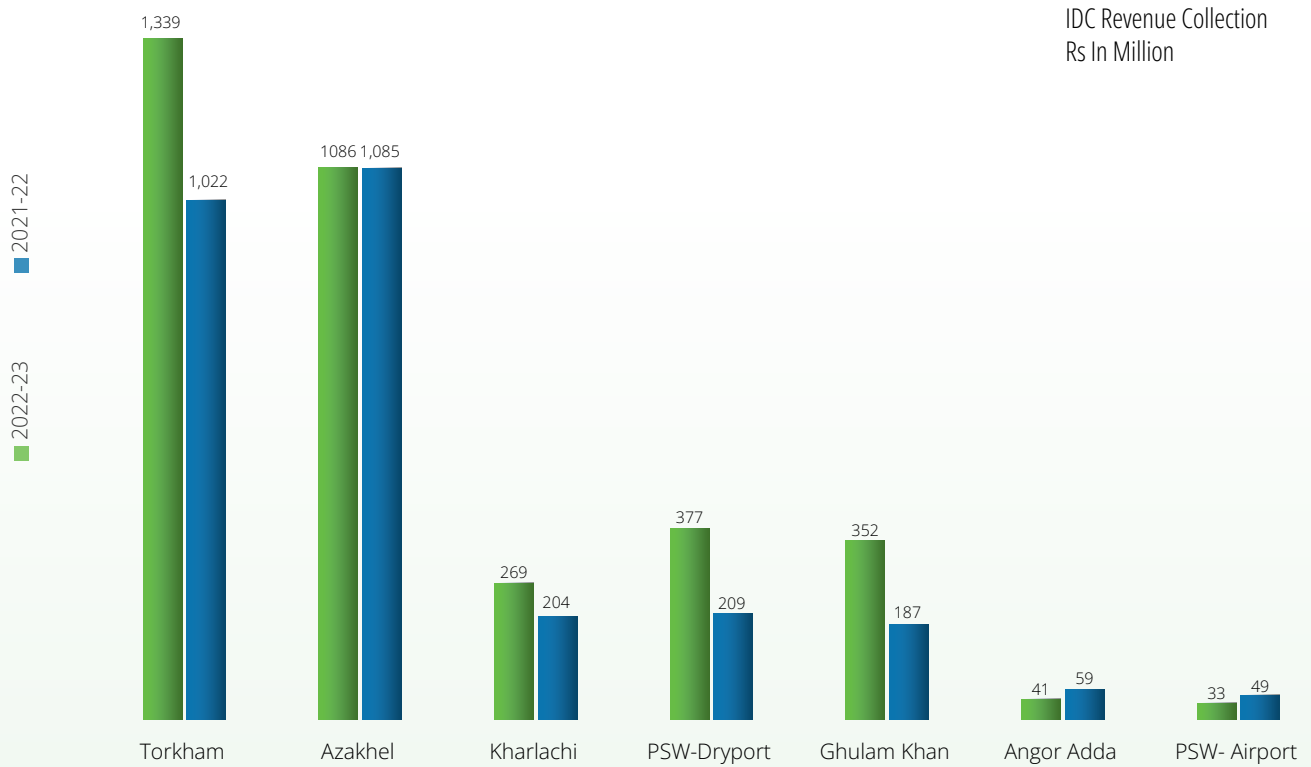
## INFRASTRUCTURE DEVELOPMENT CESS COLLECTION

KPRA is collecting IDC on all imports into the province from outside the country as mandated by the Khyber Pakhtunkhwa Infrastructure Development Cess Act, 2022. The amount is collected through an automated and fool proof system integrated with the Pakistan Customs. The amount so collected is utilized for the repair and maintenance of roads/infrastructure damaged due to heavy transportation.

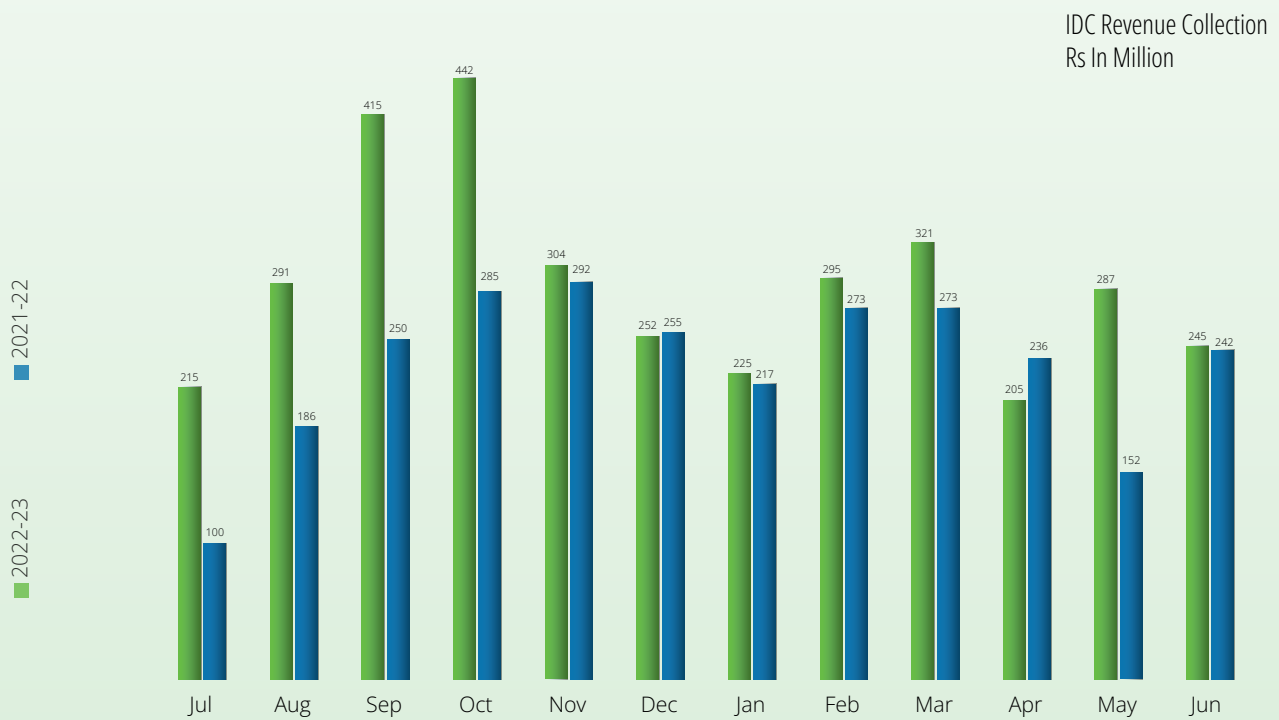
Annual Revenue Collection  
Rs In Million



## IDC Collection Points - Custom Stations



## IDC monthly Collection Comparison- FY 2021-22 VS FY 2022-23



## HUMAN RESOURCE, ADMIN AND COORDINATION

As a support formation of the Authority, the Directorate of HR, Admin & Coordination is entrusted with the development & implementation of HRM Policies, strategies, and operational plans for improving efficiency, performance, and accountability in the Authority. The Directorate ensures optimal utilization of resources, assets and maintains harmony and discipline in the Authority.



As the Authority's tax base continues to grow, the quantum of work has also increased. The HR Directorate has proactively accomplished a comprehensive HR assessment to identify current HR requirements in HQ and the regional offices across Khyber Pakhtunkhwa. Subsequently, the KPRA-Policy Board approved twenty-nine new positions, which include positions of Assistant Collectors, Inspectors, and Audit Officers.

## CAPACITY BUILDING INITIATIVES

A glimpse of the training's sessions arranged in the FY 2022-23 is given below:

| Sr. | Trainings   |
|-----|---|
| 1   | KPPRA Act and Procurement Rules   |
| 2   | Exposure Visit to Sindh Revenue Board   |
| 3   | International Public Sector Accounting Standards (IPSAS)  |
| 4   | Workshop/Training on Withholding regulation for Public Sector/<br>Private Sector Withholding Agents North Region      |
| 5   | Revenue Forecasting and VAT GAP Analysis  |
| 6   | Developing Future Leaders   |
| 7   | Workshop/Training on Withholding regulation for Public Sector/<br>Private Sector Withholding Agents of Dir and Bajaur |
| 8   | Sales Tax Laws  |
| 9   | Workshop/Training on Withholding regulation for Public Sector/<br>Private Sector Withholding Agents                   |
| 10  | One Day Session arranged for the students of Institute of<br>Management Sciences, Peshawar                            |
| 11  | One Day Session arranged for the students of Institute of<br>Management Sciences, Peshawar                            |



## IN-HOUSE TRAINING SESSIONS

The Provincial Assembly of Khyber Pakhtunkhwa had promulgated three new statutes for the KPRA namely, the Khyber Pakhtunkhwa Revenue Authority Act, 2022, the Khyber Pakhtunkhwa Sales Tax on Services Act, 2022 and the Khyber Pakhtunkhwa Infrastructure Development Cess Act, 2022. The KPRA staff had to be trained on these Laws to stay focused and responsive to the changes in the Legal framework of KPRA. The HR Directorate took the initiative for in-house interactive training sessions for all the KPRA staff on the newly enacted laws and designed a comprehensive training plan without incurring any additional cost. Advisor Tax Enforcement and Advisor Financial Management KPRA, with years of experience in their relevant fields were the in-house resource persons who conducted the training sessions, which continued for three months.



## TAXPAYERS' APPRECIATION CEREMONY

In order to promote tax culture in society and acknowledge the contribution of the compliant taxpayers, an Appreciation Ceremony was organized during the fiscal year 2022-23. A total of fifty-one (51) taxpayers, alongside the leading five withholding agents, were chosen from diverse sectors encompassing ten distinct categories. These recipients were selected based on the dual criteria of their substantial revenue contribution and their commendable adherence to overall tax compliance standards.

## ANNUAL FRAMEWORK AGREEMENT

In order to ensure a continuous and efficient workflow, the Directorate has instituted an Annual Framework Agreement for the procurement of goods i.e. stationery and other items. This agreement aims to ensure consistent and uninterrupted provision of vital office materials over the course of the year.

## FINANCIAL MANAGEMENT

### Regulatory Framework

Section 15 of the Khyber Pakhtunkhwa Revenue Authority Act, 2022 provides for financial management of the Authority including establishment of KPRA fund, preparation of budget, compilation of accounts, preparation of financial statements. In addition to the legal framework, enforcement of internal controls is supported by Khyber Pakhtunkhwa Revenue Authority (Financial) Regulation, 2020.

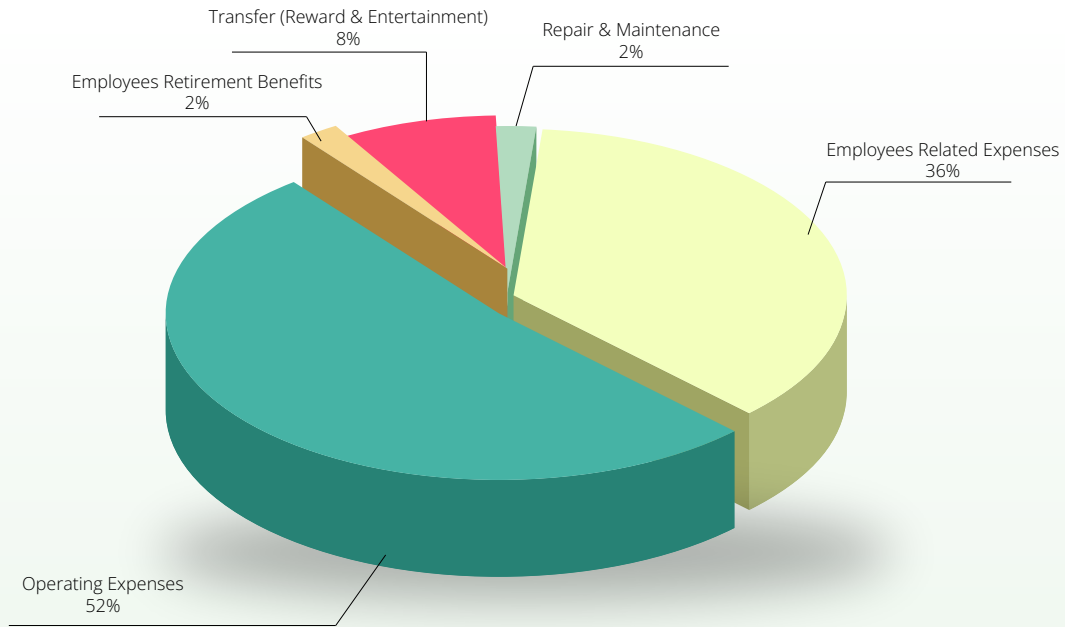
### Budget Estimates

Finance Department authorized Rs.516 million; however, Rs.457.7 million was released during the financial year 2022-23. An opening balance of Rs. 78.040 million was available on 01-07-2022. Profit of Rs. 11 million was credited to KPRA fund by the Bank of Khyber during 2022-23. Against the revised estimates of Rs. 546.7 million, an expenditure of 525.8 million was incurred. The unspent balance of Rs. 20.9 million was carried forward to next financial year.

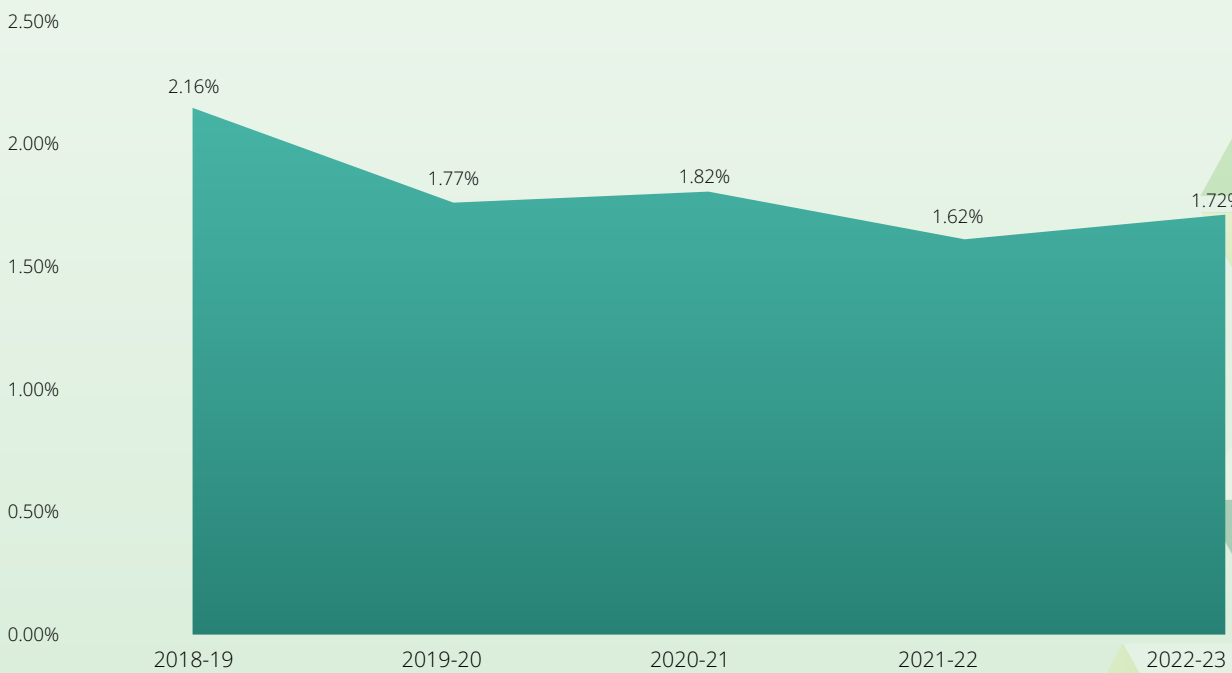
Major object-wise detail of expenditure of Rs. 525.8 million is given below:

| (AMOUNT IN MILLION)                     |              |              |
|---|--------------|--------------|
| MAJOR OBJECT                            | FY 2021-22   | FY 2022-23   |
| A01 - Employees Related Expenses        | 159.1        | 188.6        |
| A03 - Operating Expenses                | 257.4        | 271.6        |
| A04 - Employees Retirement Benefits     | 13.5         | 11.6         |
| A06 - Transfer (Reward & Entertainment) | 56.0         | 43.1         |
| A09 - Physical Assets                   | 1.8          | 1.7          |
| A12 - Civil Works                       | 0            | 0.7          |
| A13 - Repair & Maintenance              | 4.1          | 8.5          |
| <b>Total Expenditure</b>                | <b>491.9</b> | <b>525.8</b> |

During the period under review, operating expenses accounted for the highest share of the total expenses at 51.6%. this was followed by Employees-related expenses and transfer payment (Reward and Entertainment) that accounted for 36% and 8% respectively. The following figure shows percentage of expenditure under each major object.



The KPRA cost of collection ratio during the year was 1.72%, as shown in the following graph. The cost of revenue collection ratio has averaged 1.81% during the last five years.



## FINANCIAL STATEMENTS

As required under section 15(4) of the Act, the Authority has prepared the Financial Statements i.e., Statements of Assets and Liabilities, Statements of Receipts and Expenditure and Statement of Budget vs Actual Expenditure (appropriation account) for the year 2022-23 in accordance with the International Public- Sector Accounting Standards (IPSAS). The Financial Statements are given hereafter:

**KHYBER PAKHTUNKHWA REVENUE AUTHORITY**  
**STATEMENT OF FINANCIAL POSITION**  
**AS ON 30th JUNE 2023**

|  | NOTES | 2022-23<br>(In Rupees) | 2021-22<br>(In Rupees) |
|--|-------|------------------------|------------------------|
| <b>CURRENT ASSETS</b>                          |       |                        |                        |
| Cash & Cash equivalents                        | 6     | 39,538,756             | 90,256,101             |
| Receivables & Advances                         | 7     | -                      | 4,232                  |
| Investments                                    | -     | -                      | -                      |
| <b>Total current Assets</b>                    |       | <b>39,538,756</b>      | <b>90,260,333</b>      |
| <b>NON-CURRENT ASSETS</b>                      |       |                        |                        |
| Non Current Assets                             | 8*    | 129,544,077            | 127,168,751            |
| <b>TOTAL ASSETS</b>                            |       | <b>169,082,833</b>     | <b>217,429,084</b>     |
| <b>CURRENT LIABILITIES</b>                     |       |                        |                        |
| Payables                                       | 7     | -                      | 5,066                  |
| CPF Payable                                    | 9     | 18,670                 | -                      |
| Unclaimed Deposits                             | 10    | 1,712,512              | -                      |
| Outstanding Cheques                            | 11    | 16,818,113             | 12,215,973             |
| <b>Total Current Liabilities</b>               |       | <b>18,549,295</b>      | <b>12,221,039</b>      |
| <b>TOTAL LIABILITIES</b>                       |       | <b>18,549,295</b>      | <b>12,221,039</b>      |
| <b>RESIDUAL EQUITY</b>                         | 12    | <b>150,533,538</b>     | <b>205,208,045</b>     |
| <b>TOTAL RESIDUAL EQUITY &amp; LIABILITIES</b> |       | <b>169,082,833</b>     | <b>217,429,084</b>     |

**KHYBER PAKHTUNKHWA REVENUE AUTHORITY**  
**STATEMENT OF RECEIPTS AND PAYMENTS**  
**FOR THE YEAR ENDED 30TH JUNE 2023**

|   | NOTES | 2022-23<br>In Rupees<br>Receipts<br>(Payments)<br>Controlled by<br>KPRA | 2021-22<br>In Rupees<br>Receipts<br>(Payments)<br>Controlled by<br>KPRA |
|---|-------|---|---|
| <b>RECEIPTS</b>                                       |       |   |   |
| Grant in aid  | 13    | 457,719,000   | 516,350,000   |
| Profit Credited by Bank                               | 14    | 11,004,420  | 5,019,000   |
| Other Receipts  | 15    | 3,575   | 7,000   |
| <b>TOTAL RECEIPTS</b>                                 |       | <b>468,726,995</b>  | <b>521,376,000</b>  |
| <b>EXPENDITURE</b>                                    |       |   |   |
| 401 Employees Related Expenses                        | 16    | 188,598,212   | 159,037,478   |
| 403 Operating Expenses                                | 17    | 271,581,823   | 257,453,779   |
| 404 Employees Retirement Benefits                     | 18    | 11,589,975  | 13,530,707  |
| 406 Transfer/Entertainment                            | 19    | 43,046,082  | 55,987,038  |
| 409 Expenditure incurred on acquiring Physical Assets | 20    | 1,700,267   | 1,789,200   |
| 412 Civil Works                                       | 21    | 765,791   | -   |
| 413 Repair and Maintenance                            | 22    | 8,495,512   | 4,113,426   |
| 4021 Advances   | -     | -   | -   |
| <b>Total Expenditure</b>                              |       | <b>525,777,662</b>  | <b>491,911,628</b>  |
| <b>INCREASE / DECREASE IN CASH</b>                    |       | <b>(57,050,667)</b>   | <b>29,464,372</b>   |
| <b>CASH AT THE BEGINNING OF THE YEAR</b>              |       | <b>78,040,128</b>   | <b>48,575,756</b>   |
| <b>INCREASE / DECREASE IN CASH</b>                    |       | <b>(57,050,667)</b>   | <b>29,464,372</b>   |
| <b>CASH AT THE END OF THE YEAR</b>                    |       | <b>20,989,461</b>   | <b>78,040,128</b>   |

**KHYBER PAKHTUNKHWA REVENUE AUTHORITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**FOR THE YEAR ENDED 30TH JUNE, 2023**

|   | NOTES | Financial Year 2022-23 (in Rupees) |                     |                    | Financial Year 2021-22 (in Rupees) |                     |                    |
|---|-------|------------------------------------|---------------------|--------------------|------------------------------------|---------------------|--------------------|
|   |       | Budgeted Amounts                   |                     | Actual Amounts     | Budgeted Amounts                   |                     | Actual Amounts     |
|   |       | Budget Estimates                   | Revised Budget Est. |                    | Budget Estimates                   | Revised Budget Est. |                    |
| <b>RECEIPTS</b>                                   |       |                                    |                     |                    |                                    |                     |                    |
| Opening Balance                                   |       | 78,040,132                         | 78,040,128          | 78,040,128         | 48,575,756                         | 48,575,756          | 48,575,756         |
| Grant in aid                                      | 13    | 516,350,000                        | 457,719,000         | 457,719,000        | 516,350,000                        | 516,350,000         | 516,350,000        |
| Profit  | 14    | 4,387,001                          | 11,004,420          | 11,004,420         | 5,019,000                          | 5,019,000           | 5,019,000          |
| Other Receipts                                    | 15    | -                                  | 3,575               | 3,575              | -                                  | 7,000               | 7,000              |
| Departmental receipts                             |       | -                                  | -                   | -                  | -                                  | -                   | -                  |
| <b>Total Receipts</b>                             |       | <b>598,777,133</b>                 | <b>546,767,123</b>  | <b>546,767,123</b> | <b>569,944,756</b>                 | <b>569,951,756</b>  | <b>569,951,756</b> |
| <b>PAYMENTS</b>                                   |       |                                    |                     |                    |                                    |                     |                    |
| Employee Related Expenses                         | 16    | 213,334,468                        | 193,158,464         | 188,598,212        | 201,456,000                        | 187,582,075         | 159,037,478        |
| Operating Expenses                                | 17    | 298,492,414                        | 282,539,408         | 271,581,823        | 179,370,000                        | 281,280,637         | 257,453,779        |
| Employee Retirement Benefit                       | 18    | 16,793,000                         | 12,112,000          | 11,589,975         | 36,088,000                         | 14,327,463          | 13,530,707         |
| Transfer Payments                                 | 19    | 43,100,000                         | 43,100,000          | 43,046,082         | 60,950,000                         | 69,536,077          | 55,987,038         |
| Expenditure incurred on acquiring Physical Assets | 20    | 11,457,251                         | 4,357,251           | 1,700,267          | 34,236,000                         | 7,569,200           | 1,789,200          |
| Civil Works                                       | 21    | 4,000,000                          | 1,000,000           | 765,791            | -                                  | -                   | -                  |
| Repair & Maintenance                              | 22    | 10,100,000                         | 10,400,000          | 8,495,512          | 4,250,000                          | 8,556,304           | 4,113,426          |
| Permanent Advance                                 |       | 1,500,000                          | 100,000             | -                  | -                                  | 1,100,000           | -                  |
| <b>Total Payments</b>                             |       | <b>598,777,133</b>                 | <b>546,767,123</b>  | <b>525,777,662</b> | <b>516,350,000</b>                 | <b>569,951,756</b>  | <b>491,911,628</b> |

## EXTERNAL AUDIT

As per requirements of section 16(1) of the Khyber Pakhtunkhwa Revenue Authority Act, 2022, the accounts of the Authority are subject to audit by the Auditor General of Pakistan. The audit is aimed to provide assurance to the public representative that the public body operates in line with the established mandate. During the year, the Director General Audit Khyber Pakhtunkhwa, on behalf of Auditor General of Pakistan, has conducted Revenue Receipts Audit of the financial year 2021-22.

## DIRECTORATE OF LEGAL, TAX POLICY AND REFORMS

'Directorate of Legal, Tax Policy and Reforms' is one of the five (05) directorates of Khyber Pakhtunkhwa Revenue Authority dealing with legal matters, communication and policy matters of the Authority.

### LEGAL FORA

The liability of tax is established upon issuance of Assessment Order by the concerned Adjudicating Officer (Additional Collector/Deputy Collector/Assistant Collector). The aggrieved party is entitled to lodge an appeal at Collectorate of Appeals. The second Appellate Forum against the judgement of Collector Appeals is Khyber Pakhtunkhwa Appellate Tribunal for STS. Further, any person feeling aggrieved of Tribunal judgement may file Reference before honorable High Court.

### QUASI JUDICIAL AUTHORITIES

KHYBER PAKHTUNKHWA  
APPELLATE TRIBUNAL

Chairman/Judicial  
Member: Mr Badruddin

Technical Member:  
Mr Anwar Zeb

COLLECTORATE OF  
APPEALS

Collector Appeals: Muhammad  
Sher Shah (Rtd Session Judge)

### LEGAL COUNSELS

Chapter II of KPRA (Engagement of private lawyers) Regulation, 2018 states for engaging private lawyers for defending cases by/or against the Authority before the Supreme Court, High Court, Appellate Tribunal, Collector (Appeals), Special Judge and in any other Court anywhere in Pakistan.

In this context, the Authority has already hired fifteen (15) number of private counsels dealing the KPRA cases on specified rates. During the FY 2022-23, an additional advocate was hired by the Authority for smooth running of legal matters.

### REGIONAL REPRESENTATIVES

For pleading the tax related cases before the appellate fora/quasi-judicial authorities, the Authority has introduced an innovative model by introducing the concept of Regional Representatives while nominating an officer of concerned regional collectorate to defend or plead the tax related cases pertaining to their regions. In case of their absence/leave due to some emergency, the Additional Collector of concerned region has been empowered to nominate some other well-versed officer as an alternate Regional Representative for smooth running of legal matters.



## LEGAL COMMITTEE

A Legal Committee has been constituted which works under the chairmanship of Director (Legal, Tax Policy and Reforms) with Deputy Director (Litigation) and concerned Regional Additional Collectors along with Regional Representatives as its members. The committee meets normally on fortnight basis but on exigency, the chairman can call the meeting on frequent basis as per need. The legal matters are discussed at committee level. Questions of law are discussed in those cases which are needed to be lodged at August Supreme Court of Pakistan/Hon'ble High Courts. Similarly, grounds for each case are discussed prior to its lodging on legal forum.

## DETAIL OF CASES IN FY 2022-23

| SR NO | LEGAL FORUM / COURT            | TOTAL PENDING CASES AS ON 1ST JULY, 2022 | NEW CASES INSTITUTED IN CURRENT FY | NO OF CASES DISPOSED OFF | CLOSING BALANCE |
|-------|--------------------------------|--|------------------------------------|--------------------------|-----------------|
| 1     | Collectorate of Appeals        | 44                                       | 327                                | 315                      | 56              |
| 2     | KP Appellate Authority for STS | 93                                       | 62                                 | 107                      | 48              |
| 3     | High Court Peshawar            | 148                                      | 97                                 | 102                      | 143             |
| 4     | Supreme Court of Pakistan      | 18                                       | 05                                 | 02                       | 21              |
|       | <b>Total</b>                   | <b>303</b>                               | <b>491</b>                         | <b>526</b>               | <b>268</b>      |

## COMMUNICATION AND PUBLIC RELATIONS

The wing works on a 360-degree campaign utilizing print, electronic, social media, and outdoor publicity media to keep our stakeholders well-informed about the news and developments in KPRa throughout the year. It also works on the capacity building of taxpayers for which training workshops are conducted on a regular basis.



## TAXPAYER EDUCATION

### Training Workshops

Training workshops on Sales Tax on Services (withholding) Regulations 2020 were held at Swat (August 17, 2022), Shangla (August 24, 2022), Nathia Gali (September 14, 2022), PC Bore Ban (September 21-24, 2022) Malakand (September 27, 2022), Lower Dir and Bajaur (October 4, 2022), Upper Dir (October 6, 2022), Bannu (February 7, 2023), Dera Ismail Khan (February 10, 2023), Kohat (February 14, 2023) and Abbottabad (February 22, 2023).

## Audio/Visual Media Intervention

129 videos based on instructional, informative, and promotional materials, were produced and uploaded on authority's social media pages including its YouTube Channel, Facebook Page, Website and Twitter Handle.

A 3D Character known as Mr. KPRA has been created and is available for taxpayers' education which explains the processes of tax payment and monthly returns filing.



## SOCIAL MEDIA UTILIZATION

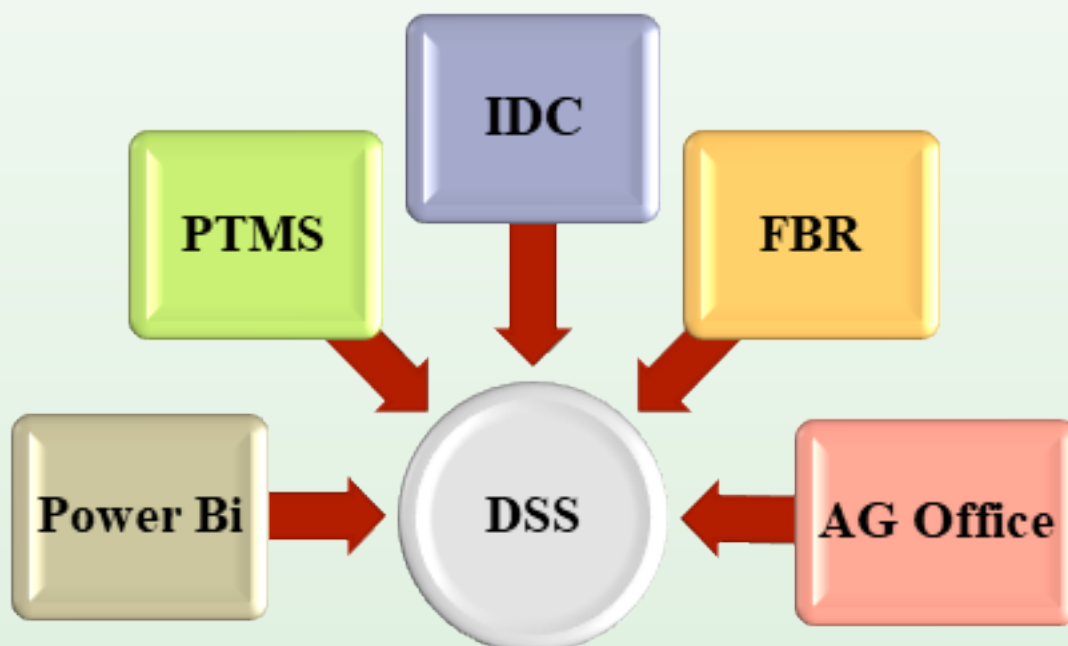


## INFORMATION AND COMMUNICATION TECHNOLOGY

The Authority has adopted modern effective tax administration methods, information technology systems and policies to consolidate assessments, improve processes, organize registration of taxpayers, widen the tax base, and make departmental remedies more efficient including enforcement of, or reduction or remission in duty, penalty or tax, in accordance with relevant fiscal law. In this context, the 'Directorate of Information Technology and Communication' is effectively playing its role in

- Efficient Service Delivery
- Electronic Filing and Payment
- Revenue Increase and Efficiency
- Enhanced Services and Taxpayer Experience
- Reduced Compliance Burden and Administration Costs
- Data Analytics and Revenue Forecasting

The ICT team, with support of development partners, initiated several drastic measures for software development and its application to facilitate taxpayers and enhance revenue collection.



### Decision Support System



**RMRS (Advanced Version of RIMS):** An advanced version of RIMS (RMRS) has been successfully deployed across the province in 50 restaurants, with the support of development partner (SNG-II). RMRS (Restaurants Management and Reporting System) includes Point of Sale and Restaurant Management System.



# DIRECTORATE OF INQUIRY, INVESTIGATION AND TAX AUDIT

## Tax Audit

Audit is one of the core functions of a tax administration and is essential for keeping check and balance on taxpayers to ensure proper compliance to fiscal tax laws and payment of due taxes.

### Audits Conducted During Year 2022-23

Audits of 22 registered persons were conducted where 18 audit reports were finalized which were sent to the concerned regional collectorates for adjudication.

### Inquiry and Investigation

Fraud investigation is an integral part of the compliance and enforcement “tool” of the tax administration, alongside the collection of delinquent tax, securing delinquent tax returns, fiscal inspection, and fiscal audit. In other words, investigation and inquiries are a vital feature of the overall risk hyper driven compliance strategy of tax administration. The primary mission of the inquiry and investigation wing is to identify, target, investigate and recommend action against perpetrators of tax fraud and evasion.

During 2022-23, the Inquiry & Investigation initiated ten (10) inquiries. Five (5) inquiries have been completed and five (5) inquiries are under process.

### GRIEVANCES REDRESSAL SYSTEM (GRS): CITIZEN PORTAL 2022-23

| Total Complaints | Resolved | Feedbacks | Positive Feedbacks | Satisfied Citizens | Escalated |
|------------------|----------|-----------|--------------------|--------------------|-----------|
| 470              | 468      | 306       | 262                | 85.6%              | -         |

## TAXPAYER'S SATISFACTION

KPRA believes in persuasion than coercion. This policy has build taxpayer's confidence which is reflected in the below perception survey conducted by the third party.

Overall comparison since survey's inception shows continuous improvement although the feeling of STS being an unfair tax has exacerbated over the years

| Survey Phase I<br>February 2020<br>FY 2019-20                  | Survey Phase II<br>August 2020<br>FY 2020-21 | Survey Phase III<br>September 2021<br>FY 2021-22 | Survey Phase IV<br>August 2022<br>FY 2022-23 |
|--|--|--|--|
| 64%  | 73%  | 74%  | 79%  |
| Taxpayers agree that KPRA tax collection system is transparent |  |  |  |
| 61%  | 95%  | 95%  | 99%  |
| Taxes have been calculated & collected accurately              |  |  |  |
| 59%  | 81%  | 76%  | 68%  |
| Taxpayers agree that STS is a fair tax                         |  |  |  |
| 65%  | 81%  | 89%  | 91%  |
| Is the KPRA team ethical and professional?                     |  |  |  |





# ACHIEVEMENTS



## KEY HIGHLIGHTS OF THE KPRA ACT 2022

The KPRA Act introduces core principles to enhance organizational efficiency and performance management.

**Autonomy-Based Management:** KPRA gains administrative, financial, and functional autonomy, bolstering efficiency.

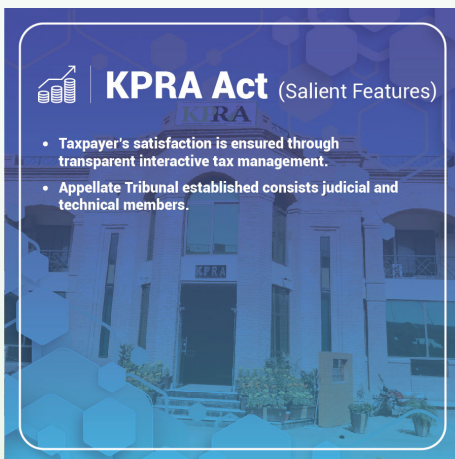
**Lean Corporate Structure:** A streamlined structure is adopted for effectiveness.

**Policy Board:** Comprising private sector members, the board enhances transparency and performance oversight.

**Market-Based Hiring:** Market-driven hiring ensures skilled personnel for key roles.

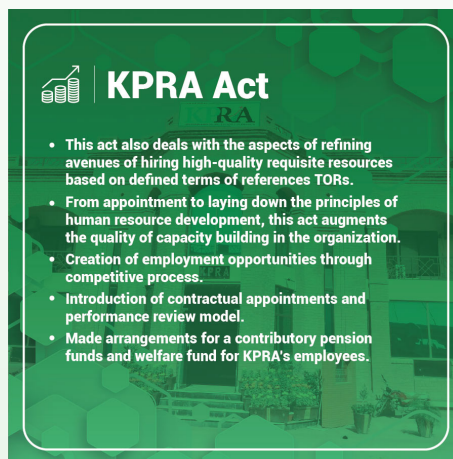
**Operational Freedom:** KPRA gains autonomy within tax collection boundaries.

**Taxpayers' Facilitation:** Transparent tax management enhances taxpayer satisfaction.



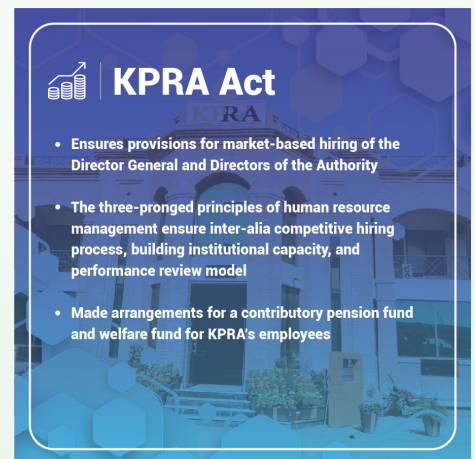
**KPRA Act** (Salient Features)

- Taxpayer's satisfaction is ensured through transparent interactive tax management.
- Appellate Tribunal established consists judicial and technical members.



**KPRA Act**

- This act also deals with the aspects of refining avenues of hiring high-quality requisite resources based on defined terms of references TORs.
- From appointment to laying down the principles of human resource development, this act augments the quality of capacity building in the organization.
- Creation of employment opportunities through competitive process.
- Introduction of contractual appointments and performance review model.
- Made arrangements for a contributory pension funds and welfare fund for KPRA's employees.



**KPRA Act**

- Ensures provisions for market-based hiring of the Director General and Directors of the Authority
- The three-pronged principles of human resource management ensure inter-alia competitive hiring process, building institutional capacity, and performance review model
- Made arrangements for a contributory pension fund and welfare fund for KPRA's employees



**KPRA Act** (Salient Features)

- This act ensures the presence of the private sector members in the organization's Board, under the overarching operational policy guidance through a body represented by members. This will add multi-dimensional professional and technical backgrounds, which will ensure escalation in institutional efficiency.



**KPRA Act** (Salient Features)

- Enabling KP Revenue Authority to be administratively, financially and functionally autonomous for improvement of its efficiency.
- The Policy Board shall meet at least once every quarter.
- The Policy Board may co-opt any expert on a need basis.
- The Policy Board may arrange Third-Party Audit of KPRA Accounts including performance audit.



**KPRA Act**

- Adoption of a lean corporate structure
- The Policy Board may co-opt any expert on a need basis and may also arrange a Third-Party Audit of KPRA Accounts including a performance audit
- Appellate Tribunal established consists of judicial and technical members



## KEY HIGHLIGHTS OF THE KP SALES TAX ON SERVICES ACT, 2022

The KP Sales Tax on Services Act, 2022 simplifies tax rules, broadens tax base, and enhances oversight.

**Simplified Definitions:** Key provisions are updated in line with legal principles and global standards.

**Sovereign Functions Exclusion:** Sovereign functions are exempted from sales tax applicability.

**Withholding Agent Obligations:** Responsibilities of withholding agents are clarified.

**Broadened Tax Base:** Record-keeping obligations are expanded for fairness and transparency. Electronic Transaction Monitoring: Modern techniques are used to monitor electronic transactions.

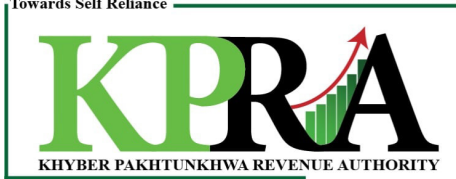
**Taxpayer Incentives:** Compliance incentives and whistleblower rewards are introduced.

These comprehensive reforms undertaken by KPRA highlight a commitment to enhancing efficiency, fairness, transparency, and taxpayer satisfaction. The measures align with global best practices and contribute to a robust legal framework supporting effective revenue collection and administration.



# HIGHLIGHTS OF

Towards Self Reliance



# EVENTS







DG KPRA Shah Mahmood Khan chairing a meeting of the Management Committee of KPRA



Former DG KPRA Raja Fazal Khaliq handing over a memento to outgoing Advisor to KPRA on Tax Audit Mr. Abdul Siddique



Group photo with a team of National Insurance Company Limited (NICL) during their visit to KPRA after detailed discussion



Director Revenue Amjad Meraj receiving a briefing on taxpayer's perception survey conducted with the assistance of USAID



Officers and support staff of KPRA observing Kashmir Day to show solidarity with our Kashmir brothers



Ex-DG KPRA Raja Fazal Khaliq chairing a meeting with World Bank's Mission to Pakistan during their visit to KPRA Headquarters





Group photo of students of Iqra University Peshawar with former DG KPRa during their exposure visit to KPRa



Advisor on Tax Enforcement Mr. Fazal Amin Shah giving training to KPRa officers on KP Sales Tax on Services Act 2022



Officers of KPRa during a meeting with the DG KPRa



KPRa IT and Communication Officers during a training session on KPRa's new website



Meeting on Enterprise Resource Planning Modules Developed and operationalized in KPRa



USAID KPRM handing over equipment to KPRa Deputy Director Administration and HR





An officer of KPRA sealing a restaurant in Peshawar over non-compliance



Director Revenue Amjad Meraj discussing KPRA rules and regulations with KPRA team



Radio programme Aitemad-e-Khyber from Radio Pakhtunkhwa



Additional Collector North Region Mr. Noor Wali Khan chairing a meeting with hotel and restaurant association of Abbottabad



Assistant Collector North Waqar Khan delivering a presentation at training workshop held in Abbottabad



Director Legal, Tax Policy and Reforms Ashfaq Ahmed handing over training completion certificate to a participant in a training workshop held in Abbottabad





Officers of KPRA North Region sealing a restaurant in Naran Bazar over non-compliance



Deputy Collector Mardan and Malakand Region Ejaz Ali Khan Delivering presentation in training workshop for withholding agents in Malakand



A click from a training workshop held for withholding agents in Kohat



Participants asking questions in a training workshop held in Kohat



Deputy Collector KPRA South Region Saud Khan speaking to participants at a training workshop held in Kohat



Deputy Director Communication Khalil ur Rahman handing over training completion certificate to a participant in a training workshop held in Bannu



# Khyber Pakhtunkhwa Revenue Authority



## ANNUAL REPORT 2022-23



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