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ANNUAL REPORT

2020-21

KHYBER PAKHTUNKHWA REVENUE AUTHORITY



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The background of the image is a white canvas decorated with a pattern of triangles in various shades of teal and blue. These triangles are arranged in a way that they appear to be floating or overlapping, creating a modern, geometric aesthetic. The colors range from light, airy blues to deeper, more saturated teals.

**MY TAXPAYER
MY HERO**

TRIBUTE TO LATE IFTIKHAR QUTAB

ADVISOR TAX POLICY AND REFORMS, KPRA

Iftikhar Qutab joined KPRA in March 2019 as Advisor Tax Policy and shouldered this responsibility with utmost zeal, dedication, passion and integrity till his very last breath. A renowned tax expert of international stature and seasoned retired bureaucrat of customs group, he was a man whose reputation rightly preceded him. During his illustrious career as a civil servant, he served on various important positions like Chairman PRA, Member FBR and Chief Commissioner IRS.

A walking encyclopedia, an avid reader, author of several books and a Tax expert par excellence, Mr. Iftikhar Qutab had a loving personality with wit and humor an integral part of his persona. Late Iftikhar Qutab was not only instrumental in the institutional building of KPRA but he also championed the rights of Khyber Pakhtunkhwa on various forums including National Tax Council and Inter Provincial Coordination Committee. He was simply larger than life character. The Authority, for years to come, will benefit from the work he did as Advisor Tax Policy.

The employees of the Authority pay a rich tribute to his dedication, hard work and love he had for the people of Khyber Pakhtunkhwa with whom he spent the last two years of his life.

May his soul rest in eternal peace.



Photo by Naveed Yousafzai



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MESSAGE OF THE CHIEF MINISTER

MEHMOOD KHAN



It gives me immense pleasure to read the annual report of the KPRA for the year 2020-21. Despite the challenges posed by the Pandemic Covid-19 and its adverse effects on the economy as a whole and services sector in particular, KPRA, during the year, has recorded an impressive growth in terms of revenue collection as well as broadening of tax base which is indeed both remarkable and praiseworthy.

KPRA, over the years, has contributed significantly to the public exchequer and has become the major contributor to provincial own source revenue surpassing all other revenue collecting entities in the province. This itself speaks volumes of the professionalism and dedication exhibited by KPRA.

There are no two opinions that the primary agenda and concern of any elected government is to promote welfare and social justice in the society, for which availability of sufficient resources and fiscal space is a must. KPRA, by its contribution to the own source revenue, has certainly helped the government in realizing its vision in the shape of various public welfare initiatives like Sehat Card and the like.

I am also happy to note that KPRA, as a modern tax authority, has made several strides in terms of tax administration on modern lines which include the tax rationalization regime, operationalization of Alternate Delivery Channel (ADC), installation of Restaurant Invoice Monitoring System (RIMS) and launching of Sales Tax Real time Invoice Verification System (eSTRIVE). These steps itself will not only ensure transparency and efficiency but will also go a long way in facilitating the tax payers in the discharge of their duties as a responsible citizens.

I believe that KPRA will continue raising its performance standards to help the Province to meet its various resource mobilization challenges in the future. I am also optimistic that we will witness more success stories of KPRA in the coming years.

I wish good luck to KPRA team.

Mahmood Khan
Chief Minister, Khyber Pakhtunkhwa

MESSAGE OF THE FINANCE MINISTER

TAIMUR KHAN JHAGRA

For the past 3 years, as the Finance Minister, Khyber Pakhtunkhwa, I have been committed to the vision of transparency and fairness, all across the province coupled with good systematic governance and effort-based growth in own source revenue. We have been determined to inculcate and build analytical capacity within the various revenue collecting authorities, and Khyber Pakhtunkhwa Revenue Authority (KPRA) has been the starting point and role model on this path to sustainable and long-term growth, amongst others.

I am happy to note that KPRA has not only outperformed others in terms of growth but has also become a more mature and progressive tax authority. The multi-pronged strategy to monitor growth, introduce digitization, incentivize compliance and develop an organizational spirit towards measurable key performance indicators, has benefitted the organizational culture as well.

KPRA has broadened its tax base, demonstrated compliance-based growth and doubled its revenue within the last three years, growing from a total collection of Rs. 10.4 billion in FY 2018-19 to Rs. 20.8 billion in FY 2020-21. Despite dealing with the adverse effects of COVID 19, achieving a growth of 22% with an addition of Rs.3.5 billion and surpassing the target of Rs.20 billion is no less than an achievement itself, for which I must congratulate both the organization and its employees.

The performance of KPRA as a tax authority is commendable, not only from the perspective of increased revenue but by the very fact that an overwhelming majority of taxpayers expressed their trust and confidence in the transparency of KPRA tax administration, as evidenced by two consecutive third party surveys conducted in February, 2020 and August, 2020. KPRA is consistently upgrading itself as a result of sustained reforms as evident from the operationalization of ADC and eSTRIVE etc. Besides, the Performance Based Incentive and Management System is proving to be an effective tool in propelling the organization towards higher standards with KPRA being able to achieve most of the Revenue and Non-Revenue Key Performance Indicators for the year 2020-21. I earnestly hope that KPRA would continue to rise to the occasion and achieve new heights during the FY 2021-22. I also wish DG, KPRA and his team for higher professional excellence, operational resilience and exemplary success in the time to come.



Taimur Khan Jhagra
Finance Minister, Khyber Pakhtunkhwa

MESSAGE OF THE SECRETARY FINANCE

ATIF REHMAN

Indeed it gives me a great pleasure to learn that Khyber Pakhtunkhwa Revenue Authority has composed its annual report for FY 2020-21 which is fifth one in a row and second one during my tenure as Secretary Finance Department, Khyber Pakhtunkhwa. During the last two years, Provincial Government has taken several important decisions to make KPRA a more effective modern tax collecting organization and the same has started to bear fruits.

I am glad to observe that as a result of these steps and initiatives, the revenue collection has entered into a steady and buoyant growth phase. With the unprecedented rationalization of its tariffs and well thought out reductions in tax rates, the sales tax collection has shown remarkable growth during FY 2020-21 and it is expected that such growth trends will continue

in future as well. Further, the efforts made by KPRA in intensifying its public awareness and taxpayers facilitation have greatly contributed to the promotion of voluntary tax compliance in the province.

I am hopeful that the measures introduced by KPRA such as online payment through Alternate Delivery Channel (ADC), installation of Restaurant Invoice Monitoring System (RIMS) and launching of Sales Tax Real time Invoice Verification System (eSTRIVE) will go a long way in terms of both improving the revenue collection as well as taxpayer facilitation.

I truly believe and expect that KPRA would continue its legacy of professionalism, dedication and transparent tax administration, and will also continue its growth trajectory in terms of revenue collection and expansion of tax base during FY 2021-22.

I wish good luck to KPRA team.

Atif Rehman

Secretary Finance Department
Khyber Pakhtunkhwa

STATEMENT OF DIRECTOR GENERAL KPRA

FAYYAZ ALI SHAH

I indeed feel honored and privileged to present the KPRA Annual Report for FY 2020-21 for second consecutive year as Director General, KPRA.

The year 2020-21 had particularly been a challenging one in the sense that, on one hand, KPRA was assigned an ambitious target of Rs.20 billion and, on the other, the economy was still reeling with the damaging effects of COVID-19.

This very situation warranted a comprehensive strategy to be devised, adopted and followed in letter and spirit from the very first day. Undoubtedly, the task at hand was a gigantic one but I was confident that if we moved in a systematic way and with a positive mind set we would definitely be able to come up to the expectations of the provincial government. The end result is clear in the shape of this annual report which highlights the excellent performance of the Authority in terms of revenue collection, KPRA being able to not only achieve the assigned target but it also surpassed it with additional Rs.800 million. Alongside, the number of registered tax payers also increased from 11000 to 15000 during FY 2020-21. Most of the Major sectors recorded positive growth which include Telecom, Banking & Insurance, Transportation, Franchise, Courier and Automobile sector etc.

This performance must be viewed in the backdrop of tax rationalization regime resulting in reduction of tax rates in a number of service sectors to mitigate the adverse impact of COVID-19 pandemic on businesses and to provide financial relief for the revival of economic growth.

During the year, KPRA was also able to achieve several milestones such as implementation of Alternate Delivery Channel, installation of Restaurant Invoice Monitoring System (RIMS), and implementation of eSTRIVE etc. KPRA also achieved a phenomenal growth in IDC collection during the year 2020-21 collecting a total of Rs.1.5 billion against Rs. 0.194 billion in the year 2019-20.

In the end, I would like to thank Hon'ble Chief Minister for his guidance, Minister Finance for his active support and the KPRA team for their relentless efforts. I am confident that KPRA would be able to achieve the assigned target for FY 2021-22 as well.



Fayyaz Ali Shah
Director General, KPRA



VALUES

Integrity
Transparency
Fairness
esprit de corps

VISION

We Facilitate tax prayers
and strive to make
Khyber Pakhtunkhwa
self reliant

MISSION

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

KPRA: GOALS AND OBJECTIVES



CHAPTER 1

ABOUT KPRA

Khyber Pakhtunkhwa Revenue Authority was established under Khyber Pakhtunkhwa Finance Act, 2013, as a corporate body, with the mandate to collect and administer sales tax on services provided, supplied, rendered, initiated, originated, executed, received, delivered or consumed in the Province of the Khyber Pakhtunkhwa. Collection of Infrastructural Development Cess (IDC) was entrusted to KPRA in 2019-20



The Authority comprises of Director General and not less than three Directors who are appointed by the Government. The Director General acts as Head of the Authority.



The Policy Making Council is the apex forum of the Authority comprising of the following:

- | | | |
|-------|--|-----------|
| i. | Chief Minister, Khyber Pakhtunkhwa | Chairman |
| ii. | Minister for Finance | Member |
| iii. | Minister for Law and Parliamentary Affairs | Member |
| iv. | Minister for Excise and Taxation | Member |
| v. | Chief Secretary, Khyber Pakhtunkhwa | Member |
| vi. | Secretary Finance | Member |
| vii. | Secretary, Law and Parliamentary Affairs, | Member |
| viii. | Secretary ET & NC | Member |
| ix. | Director General, KPRA | Secretary |
| x. | Four representatives nominated by the Government from the private sector | |

The Council is a policy making body for the Authority and formulates Policy guidelines pertaining to tax administration, planning, reforms, budget and any other matter referred to it by the Government. The policies formulated by the Council are binding on the Authority.

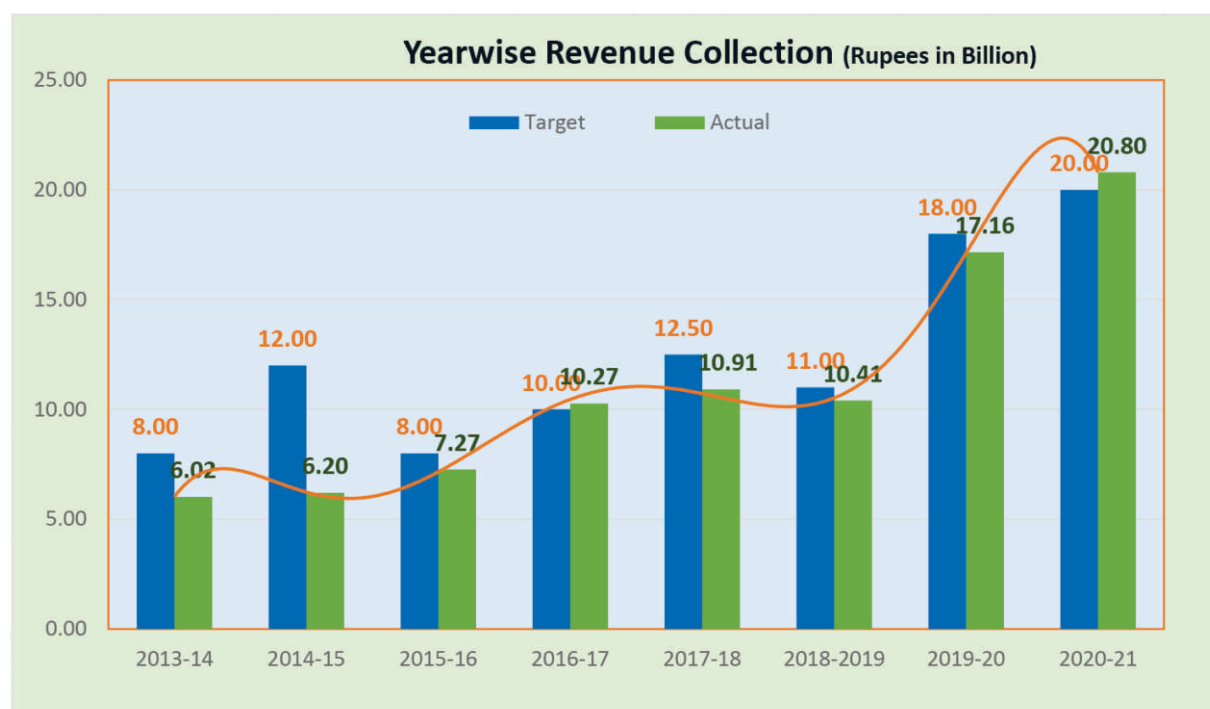


CHAPTER 2

REVENUE ANALYTICS

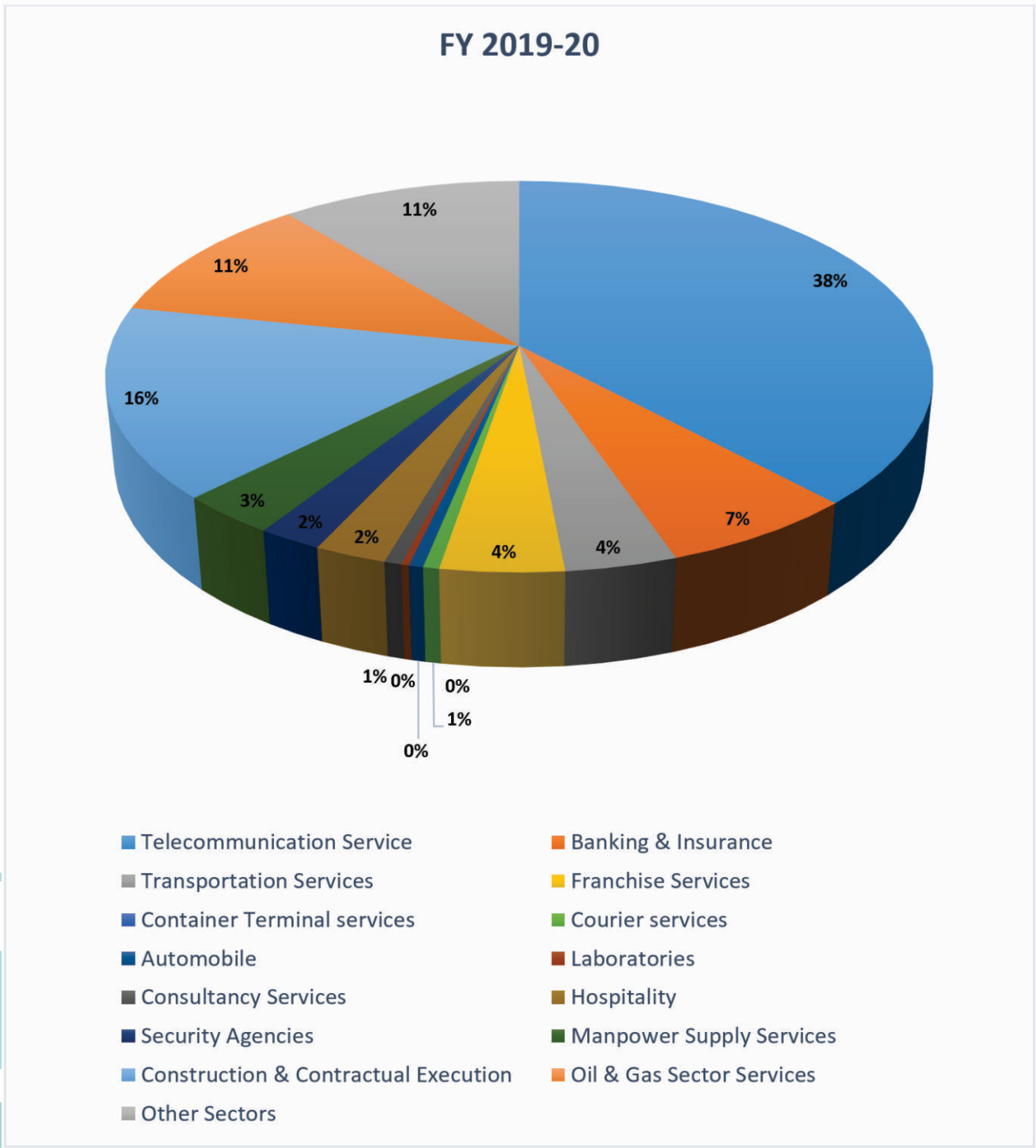
During the FY 2020-21 KPRA collected Rs. 20.8 billion, achieving a growth of 22% in comparison to the FY 2019-20. The revenue trends vis-e-vis revised targets as recorded since creation of KPRA are reflected in the table and graphics below:

Year	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Target	8.00	12.00	8.00	10.00	12.50	11.00	18.00	20.00
Actual	6.02	6.20	7.27	10.27	10.91	10.41	17.16	20.80
Difference	-1.98	-5.8	-0.73	0.27	-1.59	-0.59	-0.84	0.8
% Achievement	75.25	51.66	90.87	102.70	87.28	94.63	95.33	104

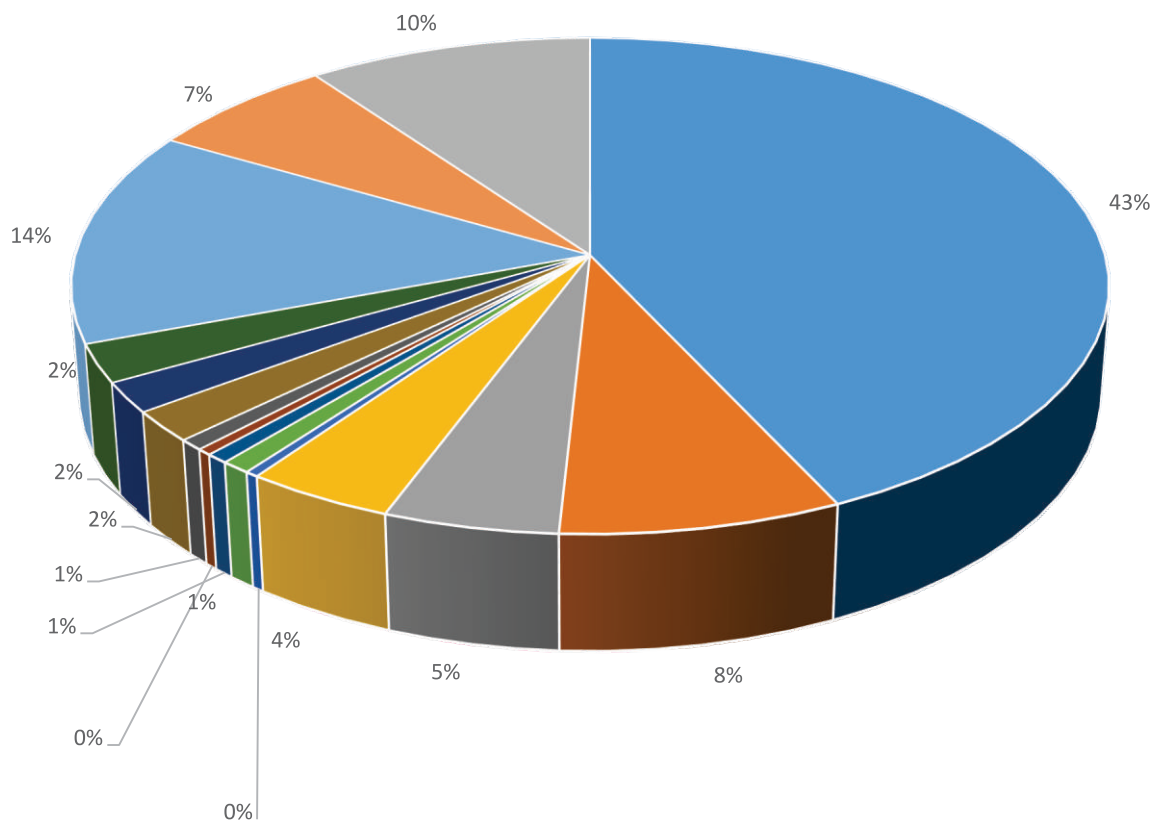


The reforms introduced by the Provincial Government for enhancing province own receipts are bringing fruitful results. The establishment of Regional Offices at Mardan, Abbottabad and Bannu followed by the introduction of reduced rates of sales tax on services on more than twenty taxable services, and implementation of Withholding Regulation, 2020, contributed to the phenomenal growth in Sales Tax Collection despite the adverse impact of COVID-19.

Sector wise comparison of the sales tax on services for FY 2020-21 vis-à-vis FY 2019-20 is given as under:

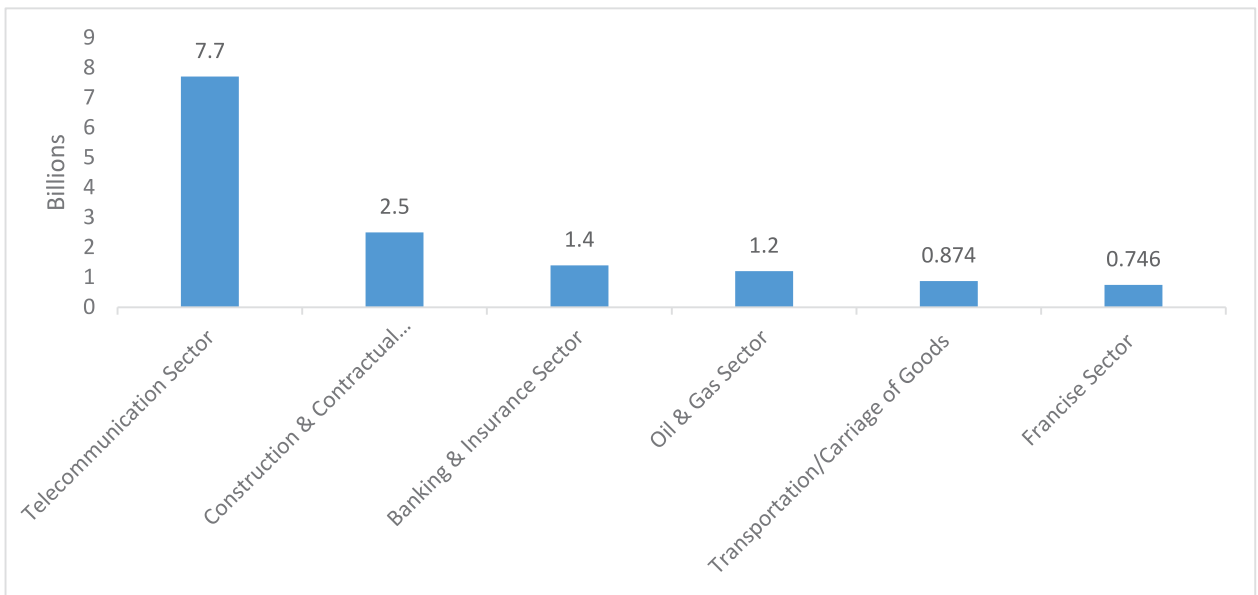


FY 2020-21

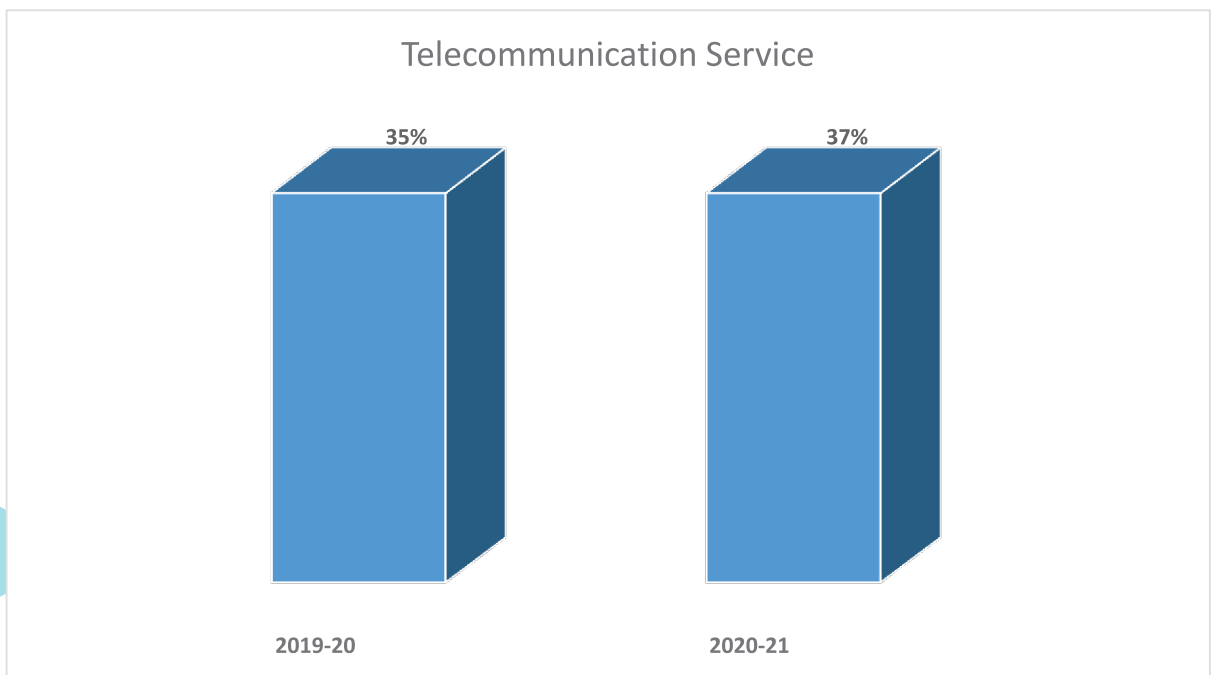


- Telecommunication Service
- Transportation Services
- Container Terminal services
- Automobile
- Consultancy Services
- Security Agencies
- Construction & Contractual Execution
- Other Sectors
- Banking & Insurance
- Franchise Services
- Courier services
- Laboratories
- Hospitality
- Manpower Supply Services
- Oil & Gas Sector Services

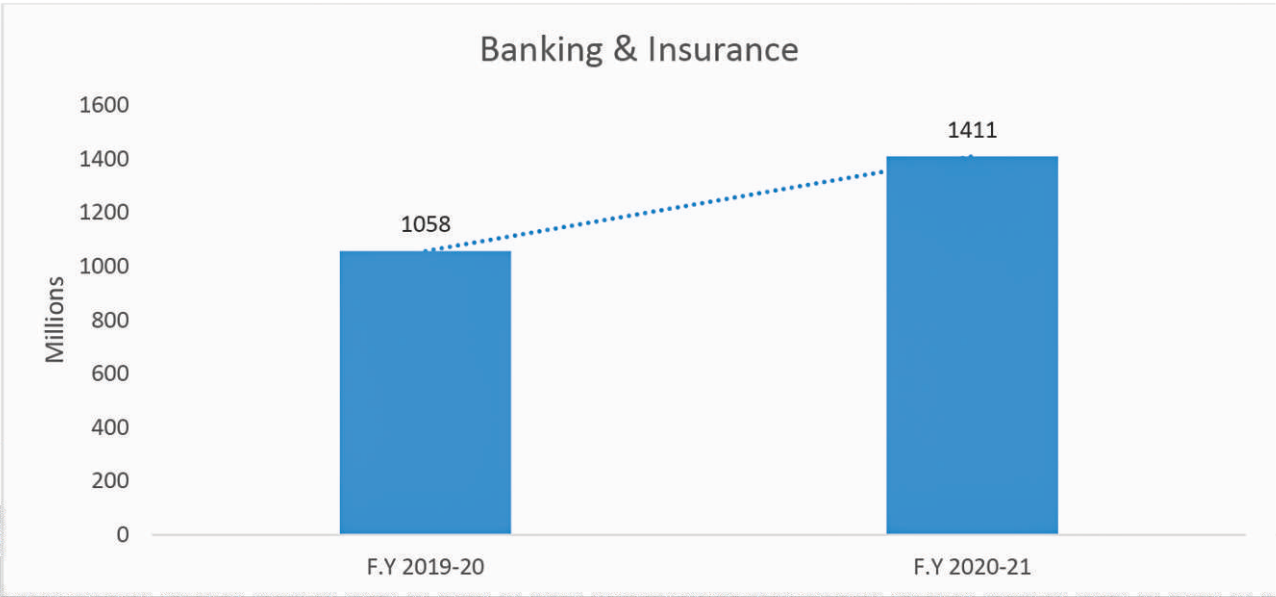
Revenue Spinner



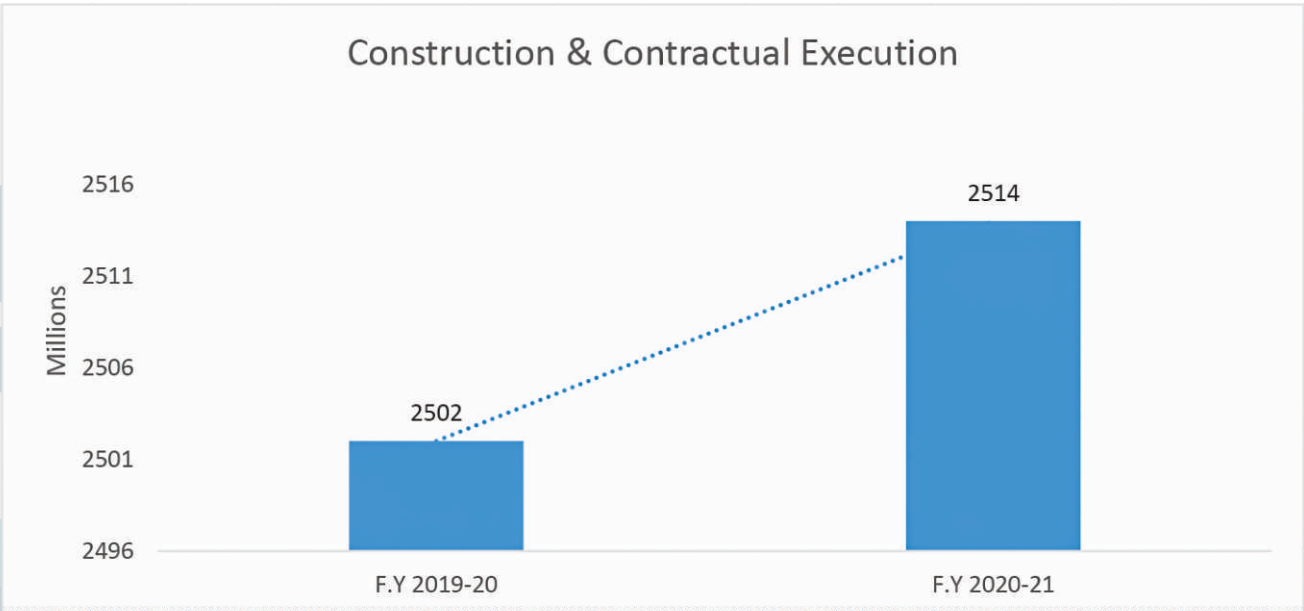
Telecom Sector remained the major revenue contributor having share of 37% in the total collection of FY 2020-21.



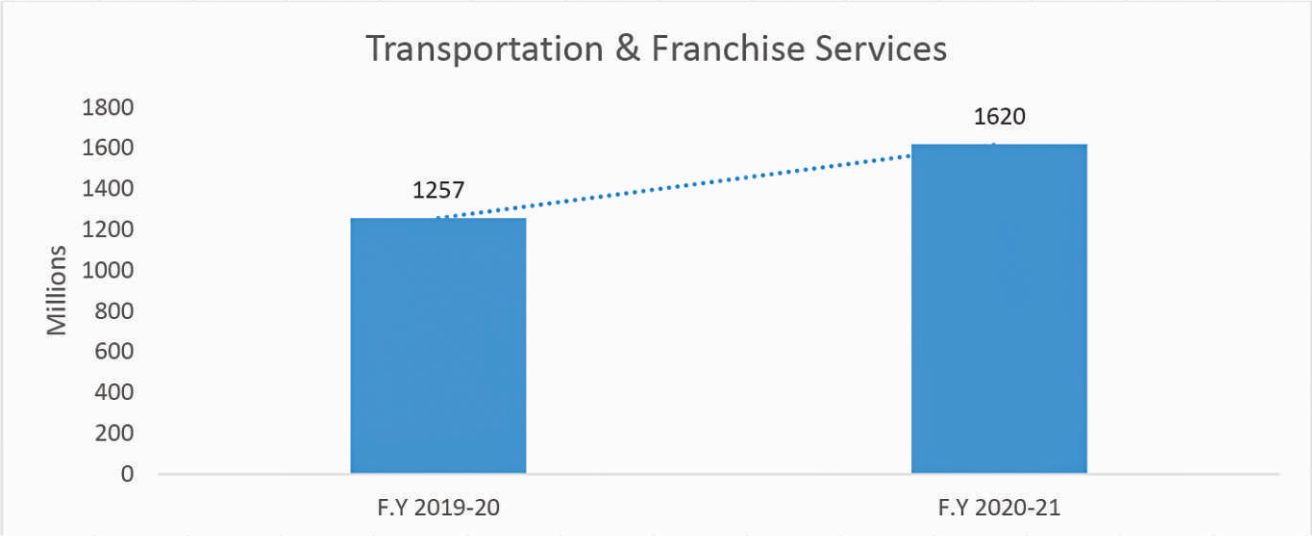
Banking & Insurance was another sector which contributed 7% in the overall collection for FY 2020-21.



Tax collection from Construction & Contractual Execution sector remained Rs 2.5 billion for FY 2020-21. Despite reduced tax rate, the tax collection during the FY 2020-21 from this sector remained at par with the previous year. Overall share of this sector was 14% in the total collection of FY 2020-21.

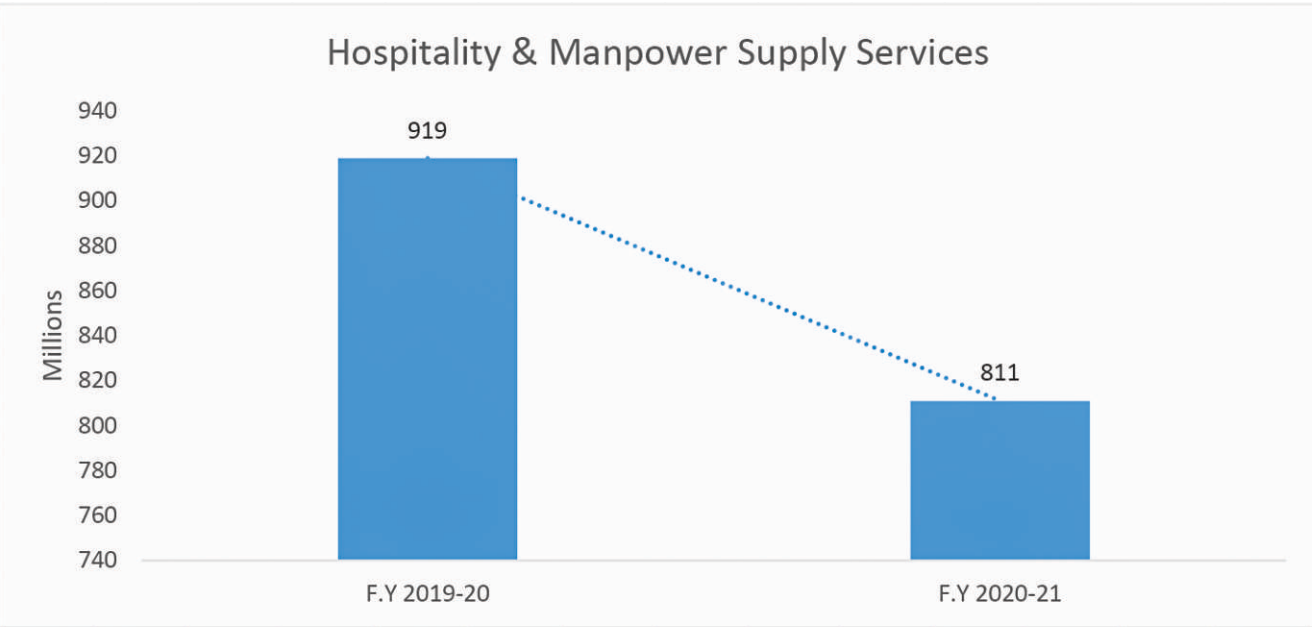


Tax collection from transportation services also showed impressive growth of 46%. In terms of revenue contribution, an additional sum of Rs 270 million was collected during F.Y 2020-21 from this sector.



Tax collection from Oil & Gas sector is mainly based on the activities carried out at oil fields located in the province. As compared to FY 2019-20 a major dip has been observed in revenue collection during FY 2020-21. The prime reason for this dip was that the major E&P Companies restricted their activities mainly due to the unavailability of multinational companies due to COVID-19 impact. Despite less activity, KPRA was able to collect a sum of Rs 1.2 billion from this sector.

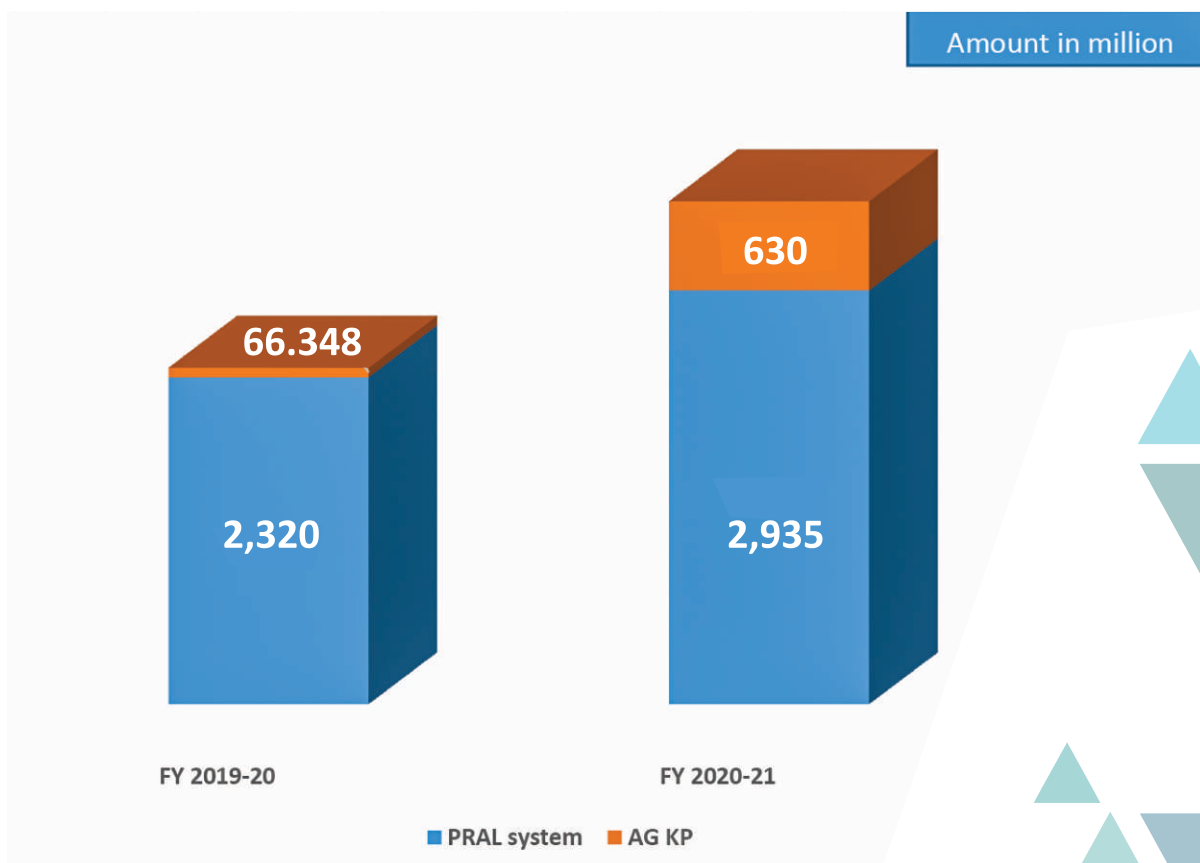
Tax Collections from sectors like Hospitality and Manpower supply services showed a decline in FY 2020-21 in comparison to FY 2019-20, mainly because of the adverse effects of COVID 19 restrictions.



Sales Tax Collection under Withholding Regime

KPRA like any other tax collection authority in the country has introduced the Withholding regime in order to tap the revenue from non-compliant taxpayers. Withholding of taxes is used to secure tax compliance at all backward and forward linkages of supply chain and generate timely revenue to meet the budgetary expenses of the government. Earlier, the withholding regime of KP sales tax on services was notified through Khyber Pakhtunkhwa Sales Tax on Services Special Procedure (Withholding) Regulation, 2015, which has now been replaced (from 1st September 2020) with KP Sales Tax on Services (Withholding) Regulation, 2020.

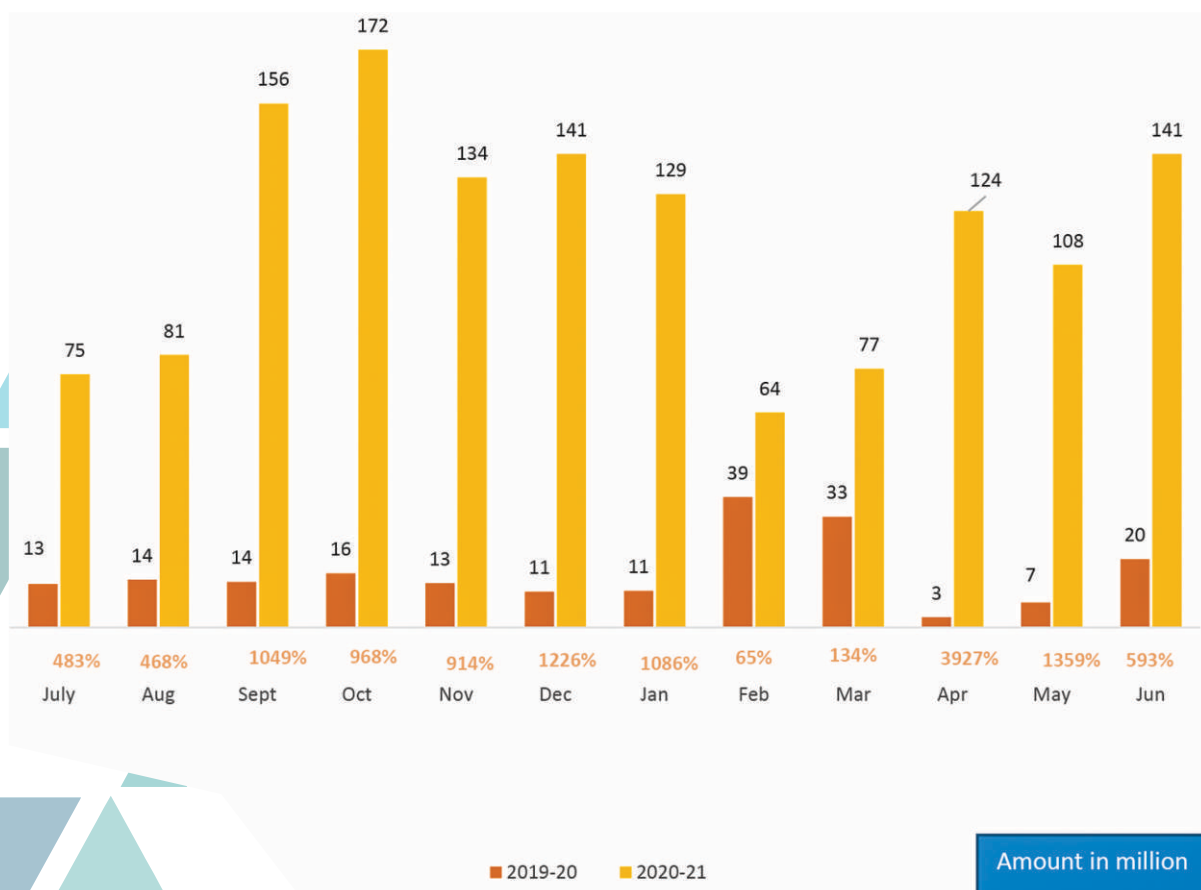
KPRA has collected about Rs. 3.566 billion as compared to the last year collection of Rs. 2.386 billion recording growth of about 49%. KPRA collected this significant amount of tax from withholding regime as give under:



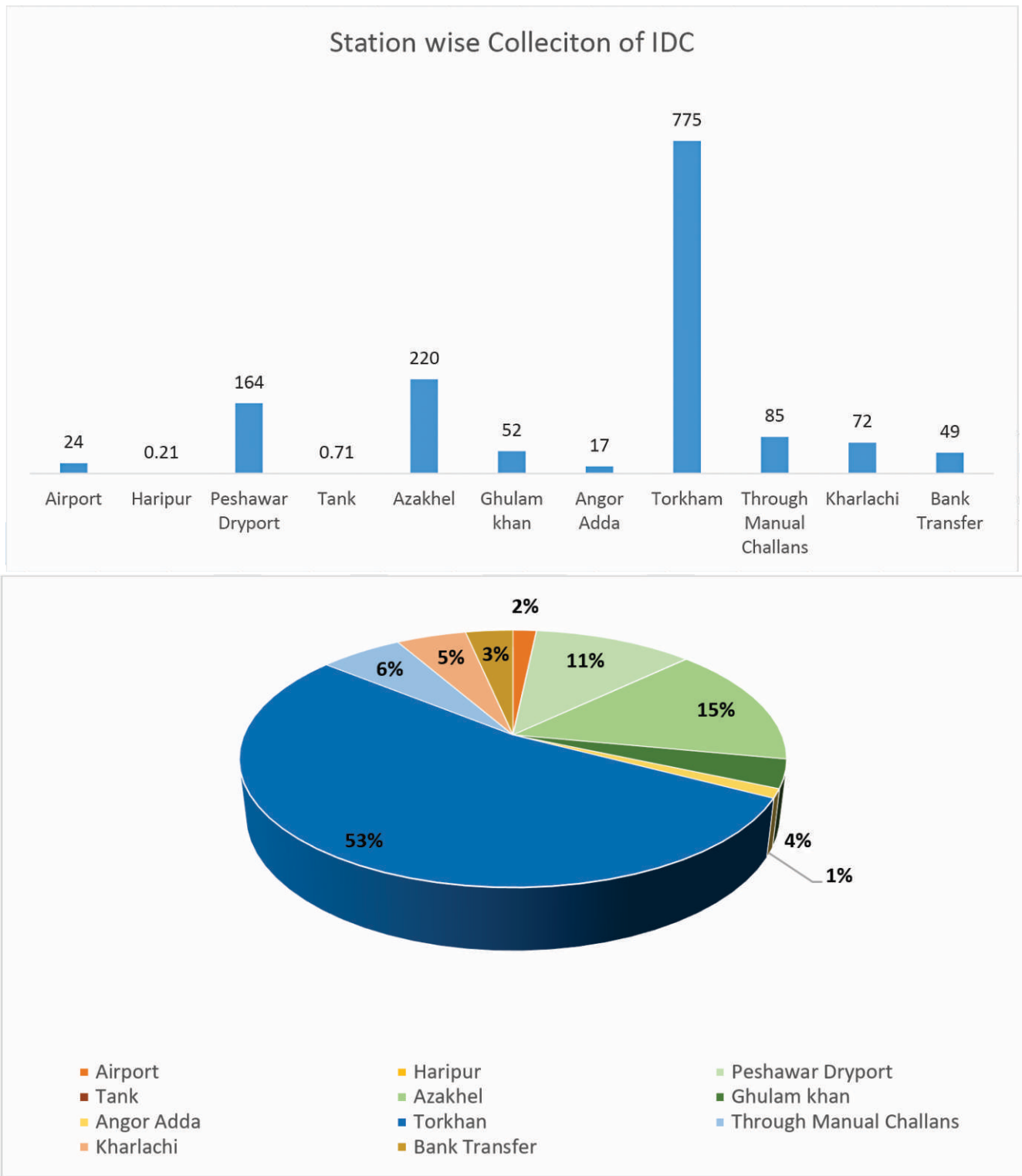
CHAPTER 3

INFRASTRUCTURE DEVELOPMENT CESS

The collection of Infrastructure Development Cess was entrusted to Khyber Pakhtunkhwa Revenue Authority vide Finance Act, 2019 through amendment in Section 94. Previously, the Infrastructure Development Cess was collected by Excise and Taxation Department. During FY 2020-21, KPRA was able to achieve a phenomenal growth in the collection of IDC by collecting a total of Rs.1.5 billion against Rs. 0.194 billion in the year 2019-20 as illustrated below:



The growth was achieved through enhanced cess collection from the existing stations as well as by operationalization of additional stations/collection points such as Azakhel, Angor Adda, Ghulam Khan, Kharlachi etc. Station wise cess collection is illustrated below:



CHAPTER 4

TAX REGIME RATIONALIZATION

To mitigate the adverse impact of COVID-19 pandemic on businesses and to provide financial relief for the revival of economic growth, certain measures for reduction in tax rates were introduced during 2020-21. The main purpose of these measures was to encourage, establish and strengthen a sustainable tax culture in semi-organized and informal sector businesses. Moreover, these measures were also intended to promote confidence of the taxpayers' community in the propriety and equity of the tax system.

The measures taken during the past two years i.e. 2019-20 and 2020-21, bore fruits despite an unprecedented economic slump and subsequent lockdown due to COVID-19 pandemic throughout the country. The highlights of the amendments made in the Second Schedule of the Khyber Pakhtunkhwa Finance Act, 2013 are given below:

1

Reduction in tax rate on non-corporate hotels and restaurants from 15% to 8% without input tax adjustment

2

In case of RIMS installation in the non-corporate restaurant businesses, the rate of tax further reduced to 5% without any input tax adjustment.

3

The existing rate of 2% on restaurants operating purely in informal manner or style was further reduced to 1%;

4

The tax rates on beauty parlor services reduced from 8% to 5% without any input tax adjustment;

5

The tax rates on medium sized stand-alone laundries and dry-cleaning businesses reduced from 8% to 2%

6

The tax rate on business support services and manpower supply services reduced from 15% to 5% without input tax adjustment

7

The tax rate on entertainment and exhibition and allied services reduced from 15% to 8% without input tax adjustment

8

The tax rate on whole range of laboratory services reduced from 15% to 5% without input adjustment

9

The tax rate on entertainment and exhibition and allied services reduced from 15% to 8% without input tax adjustment

10

The tax rate on whole range of laboratory services reduced from 15% to 5% without input adjustment

11

The tax rate on the testing services reduced from 15% to 5% without input tax adjustment

12

The tax rate of 15% on airport, dry port, container terminal and warehousing services reduced to 10% without input tax adjustment

13

Tax rate on indenters, auctioneers, underwriters, services of quality assurers reduced from 15% to 2% without input tax adjustment

14

The tax rate on services relating to installation, erection, commissioning and similar services (other than for domestic purposes) reduced from 15% to 2% without input tax adjustment

15

The tax rate on whole range of laboratory services reduced from 15% to 5% without input adjustment

16

The tax rate of 15% on airport, dry port, container terminal and warehousing services reduced to 10% without input tax adjustment

17

Tax rate on indenters, auctioneers, underwriters, services of quality assurers reduced from 15% to 2% without input tax adjustment

18

The tax rate on services relating to installation, erection, commissioning and similar services (other than for domestic purposes) reduced from 15% to 2% without input tax adjustment



19

The tax rate on all type of digital /IT /OMP services, and Call center services reduced from 5% to 2% without input tax adjustment

20

The tax rate on Cinematographic Services reduced from 10% to 2% without input tax adjustment

21

The tax rate on property dealers, second hand automobile dealers and dealers of second hand goods, equipment renting businesses reduced from 5% to 2% without input tax adjustment

22

The tax rate on industrial workshops reduced from 10% to 5% without input tax adjustment

23

In case of all other categories of workshops, the rates further reduced from 5% to 2% without input tax adjustment

24

The tax rate for services provided by construction contractors, architects, civil engineers, land or property surveyors, construction consultants, designing and supervision consultants, including interior decorators or allied or ancillary professions reduced from 15% to 2% without input tax adjustment

25

In case of Pakistan Railways the tax rate on Courier services or cargo services and Services provided for inland carriage of goods against freight and carriage charges reduced from 15% to 2% without input tax adjustment



26

The tax rate on the contractual execution or performance of works reduced from 15% to 5% without input tax adjustment

27

The tax rate on Cinematographic Services reduced from 10% to 2% without input tax adjustment

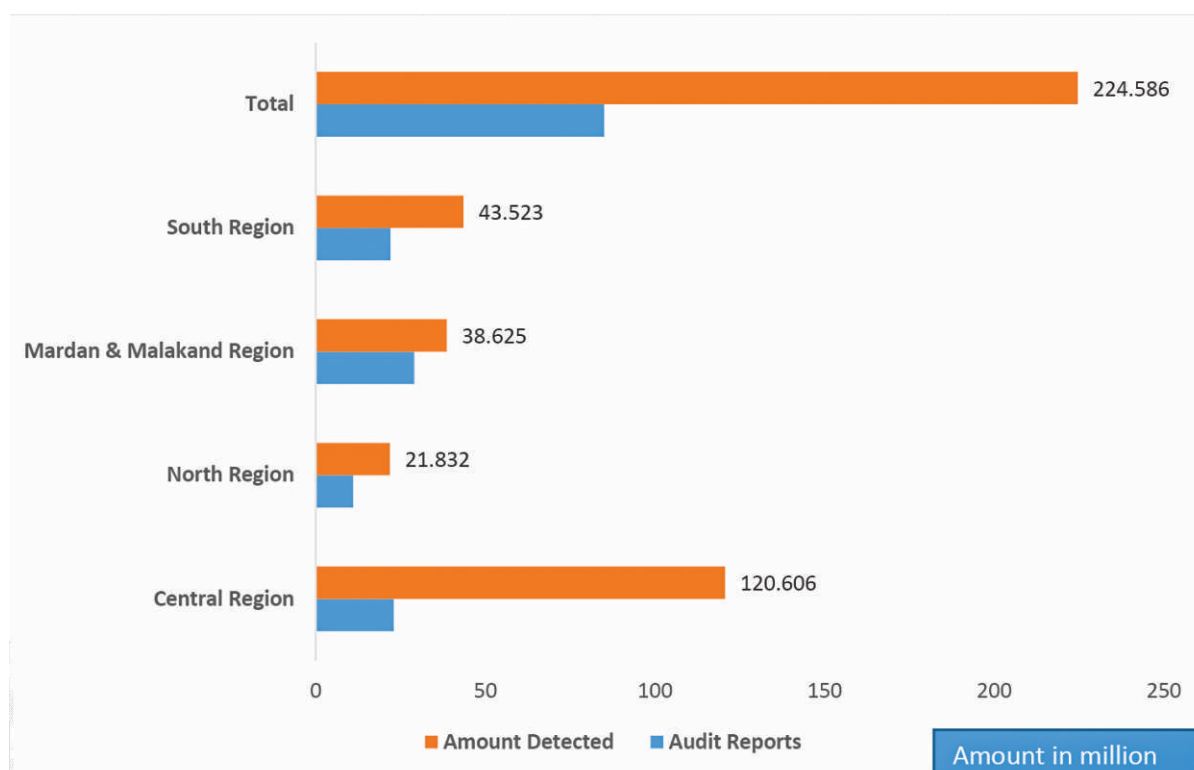
CHAPTER 5

ENFORCEMENT AND TAX AUDIT

Tax Audit:

Risk management is an important element of effective and efficient audit program. However, risk-based audit selection system is not possible without automation. Therefore, selection of registered persons for audit during 2020-21, was carried out manually on the basis of data available on PTMS/DSS, risk-based analysis and third-party information.

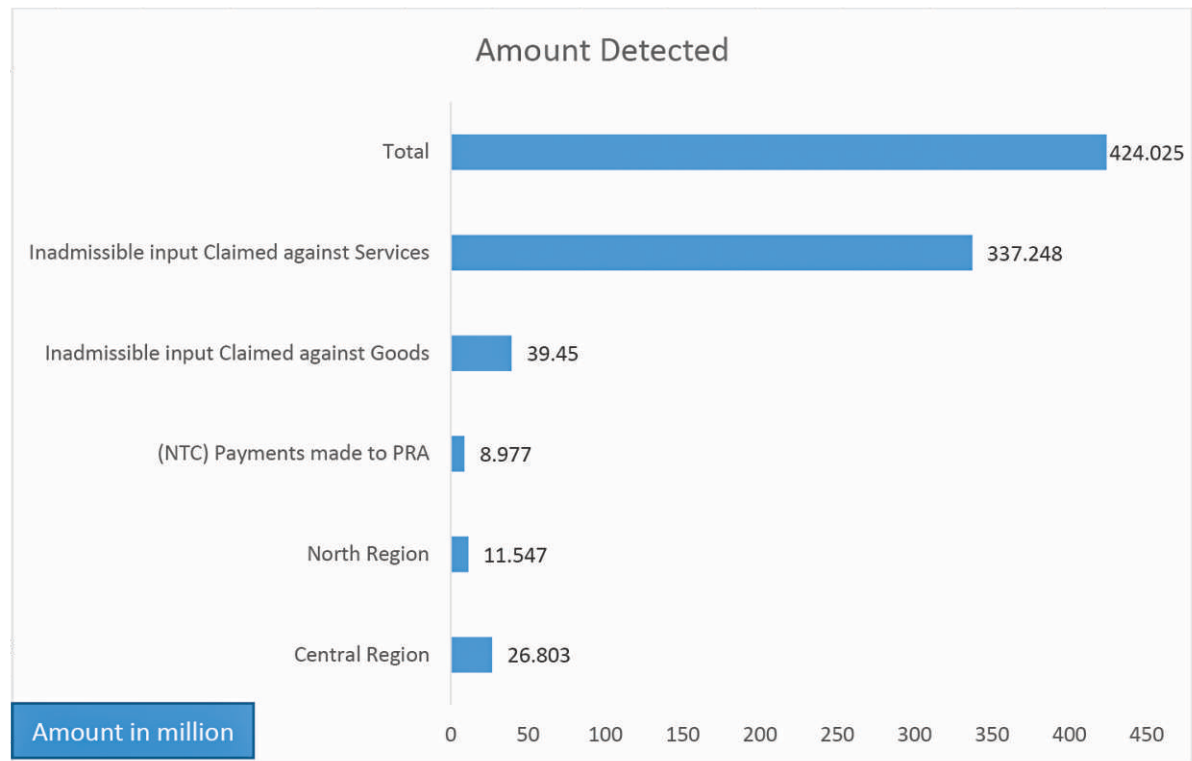
Regions-wise details of audit is shown below:



Inquiry and Investigation:

During 2020-21, the Inquiry & Investigation wing completed fourteen (14) inquiries. An amount of Rs. 424.024 million was detected on account of different violations like non-payment, short payment and inadmissible input tax adjustment etc. The case of National Telecommunication Corporation (NTC) was of specific nature, where the NTC paid the output tax generated in the jurisdiction of KPRA to Punjab Revenue Authority. The inquiry reports were submitted to concerned regions for adjudication.

The following graph shows amount detected in various regions:




Restaurant Invoice Monitoring System (RIMS):

KPRA launched RIMS in January, 2021 and was able to install the software in 114 restaurants by the close of June, 2021. The System enables KPRA to get access to real time data of restaurants' sales and tax collection ensuring complete transparency in tax collected by the restaurants from the consumers. The system also empowers the taxpayers to check their invoices through KPRA website to make sure that the tax, they pay at a restaurant, has been duly deposited with the Authority. KPRA, as part of incentive to the restaurants, reduced the tax rate from 8% to 5% in all those non-corporate restaurants where RIMS has already been installed, thereby, benefiting both the restaurants as well as the consumers.

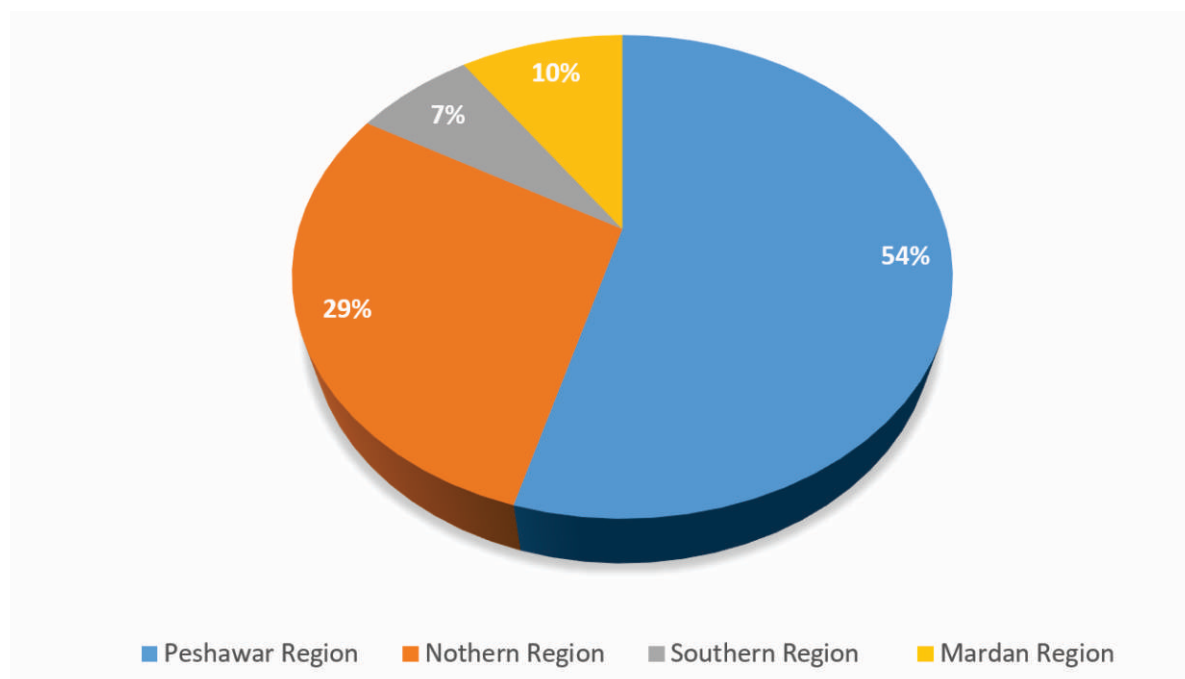
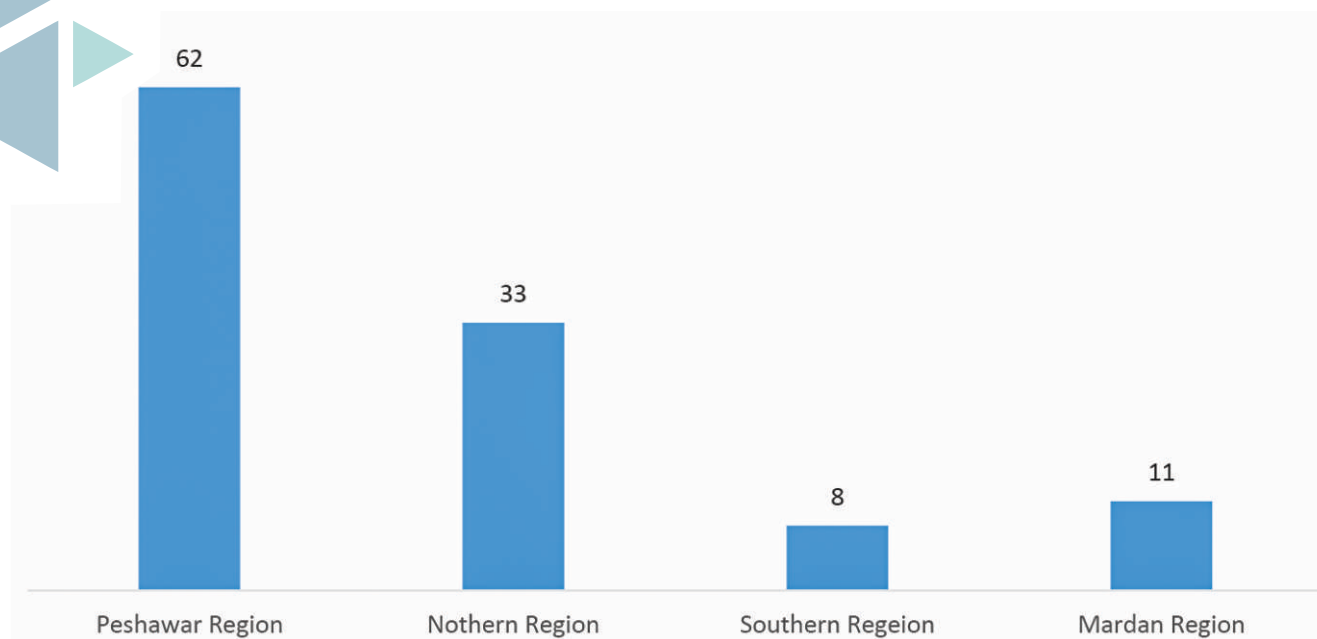
A complete list of 114 restaurants where RIMS has been installed is given as under:

Deminister Cafe	Abbottabad	New Yorker Pizza (Abbottabad)	Abbottabad
Mnak Restaurant	Abbottabad	Optp (Abotabad)	Abbottabad
Mnak-li Awan Plaza	Abbottabad	Mabali Private Limited	Abbottabad
Jessie'S Burger	Abbottabad	Trend Setter Services	Abbottabad
Taste Planet	Abbottabad	Dude Patti	Abbottabad
Aroma Cafe	Abbottabad	Hidden Hills Hotel & Resorts	Abbottabad
Usmania Abottabad	Abbottabad	Summitt Apartment	Abbottabad
Cafe Beany Bonito	Abbottabad	Shelton Restaurant	Bannu
Khabbay Ki Sajii	Abbottabad	Melto Cafe	Bannu
The Cofee House & Grill	Abbottabad	National Club	Bannu
Tams Cafe & Restaurant	Abbottabad	Wasaien	Bannu
Isloo Grill	Abbottabad	Peshawar Hotel Kohat	Bannu
Alpine Hotel	Abbottabad	Foodies	Bannu
Hotel Al-Azeem	Abbottabad	The Pizza Hut	Bannu
Taj Hotel	Abbottabad	Spinghar Shinwari Restaurant	Bannu
Baithak	Abbottabad	River View Hotel & Restaurant	Mardan
Aashiana Hotel	Abbottabad	Korba Restaurant	Mardan
Mcdonalds (Abbotabad)	Abbottabad	Deewan Restaurant	Mardan
Food Hut Restaurant	Abbottabad	Baghicha Restaurantt	Mardan
Green Valley Restaurant (Manshera)	Abbottabad	Kpk Pizza Hut	Mardan
Munchies	Abbottabad	Platter House Restaurant	Mardan
Food Planet	Abbottabad	Akbar Fish Shop	Mardan
One Stop Burger Shop	Abbottabad	Traskoon Restaurant	Mardan
Jessie Burger	Abbottabad	Shelton Restaurant	Mardan
Chaaye Khana	Abbottabad	Usmania Restaurant	Mardan
Pizza Hut Abbotabad	Abbottabad	Pizza Hut Mardan	Mardan
M/S Habibi Restaurant (Garrison Peshawar)	Peshawar	Wakhan Cafe & Bakers	Peshawar
M/S Habibi Restaurant & Bar-B-Q	Peshawar	Usmania Restaurant, Peshawar	Peshawar
Kaps Foods China Terrace	Peshawar	Fort Continental Restaurant.	Peshawar
Hong Kong Chinese Restaurant	Peshawar	Mr Code (Gulbahar)	Peshawar
M/S Hujra Restaurant	Peshawar	Mr. Code (M/S Platinum Co.)	Peshawar
Islamia Restaurant	Peshawar	Shiraz Ronaq	Peshawar
Thams Burger	Peshawar	Khyber Charsi Tikka	Peshawar



Bread Chef Cafe & Bakers	Peshawar	Shiraz Restaurant (Arbab Road)	Peshawar
Hakeem Khan Tikka Karhai	Peshawar	Traskoon (Ring Road)	Peshawar
Grannis Ice Cream	Peshawar	Taste In Train Restaurant	Peshawar
Thali Spot	Peshawar	Sizzlers	Peshawar
Chai Khana	Peshawar	Mcdonalds (Peshawar)	Peshawar
Hunger Lounge Restaurant & Cafe	Peshawar	Food Punch	Peshawar
Shelton Rezidor Restaurant	Peshawar	Khyber Shinwari Restaurant	Peshawar
M/S Silver Dragon Chinese	Peshawar	University Tikka Hut	Peshawar
Cafe' Crunch & Bakeshop	Peshawar	Pizza Hut Peshawar Army Fc	Peshawar
Take And Taste	Peshawar	Pizza Hut Peshawar Hayatabad	Peshawar
Chick.N.Fire Fast Food Restaurant	Peshawar	Downtown Bistro (Hayatabad)	Peshawar
Al Maidah Café Phase 6	Peshawar	Downtown Bistro (Tehkal)	Peshawar
Almaidah Cafe (Phase 4)	Peshawar	Bombay Chowpatty	Peshawar
Jalil Kabab House	Peshawar	Cone Heads Bitesa	Peshawar
De Kitchen	Peshawar	Flame Pizza Cafe	Peshawar
Bon Appetit	Peshawar	Zooperzzz	Peshawar
Melting Spot	Peshawar	New Yorker Pizza (Peshawar)	Peshawar
Chief Burger	Peshawar	Jans Deli	Peshawar
Chief Grill	Peshawar	Pizza Papa Jans	Peshawar
Zaiqa Restaurant	Peshawar	Eatzilla Restaurant	Peshawar
P2P1 Moroso	Peshawar	Grill Burgers	Peshawar
Kaldis Cafe & Grill	Peshawar	Bannu Beef Pulao & Sweets Bar	Peshawar
Locanta By Foodawa	Peshawar	Hardees Restaurant	Peshawar
Gloria Jeans	Peshawar	Cuisine Lounge	Peshawar

The spread of RIMS installation in various regions across the province is illustrated is as under:



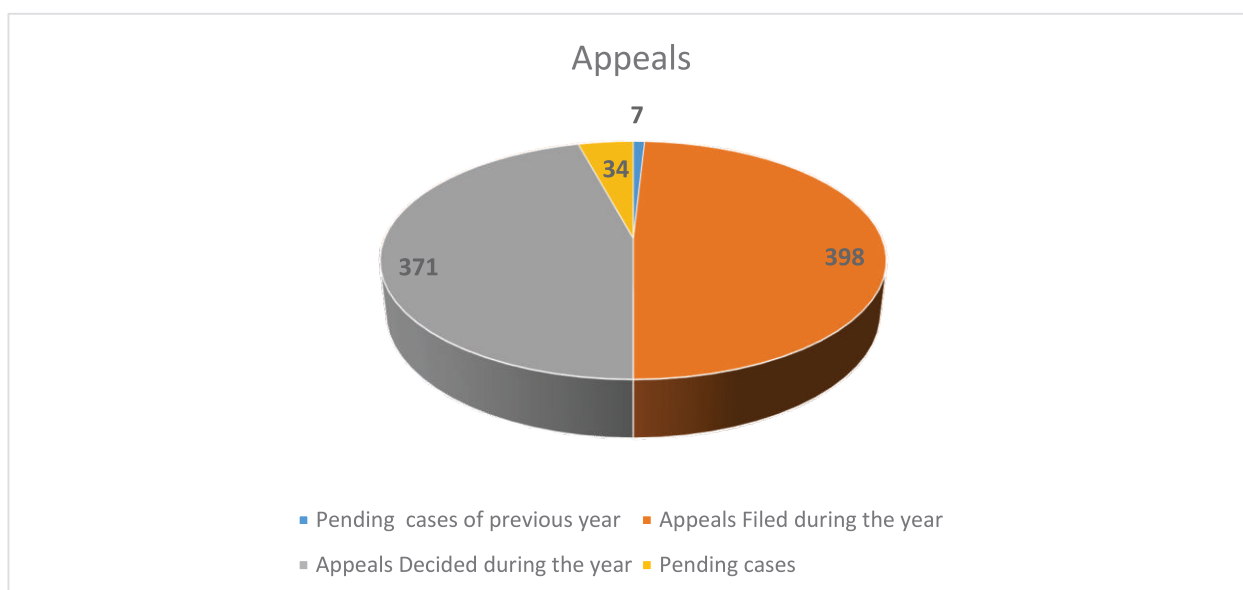
CHAPTER 6

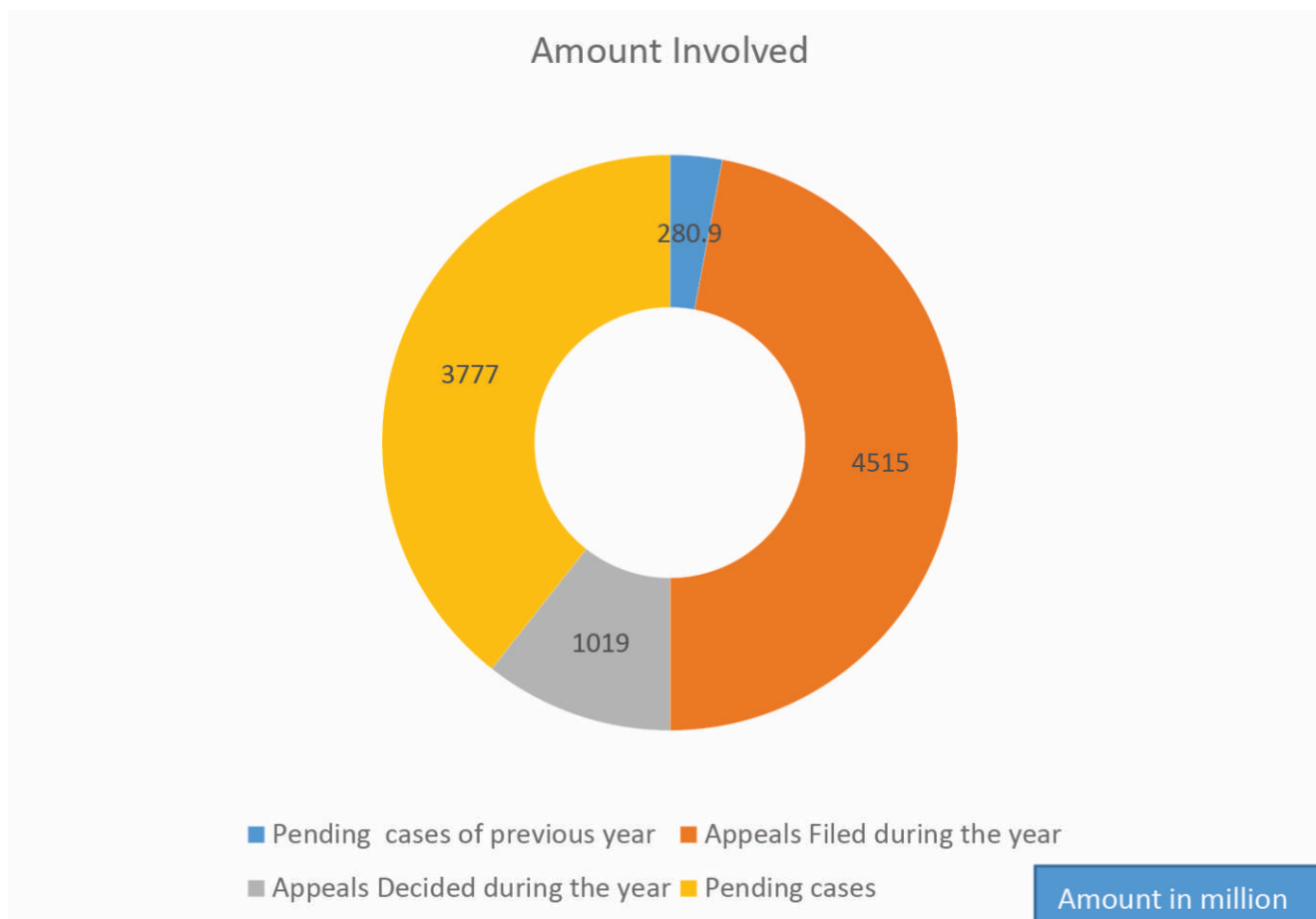
APPEALS & LITIGATION

The adjudicating officers of the Authority, during the year 2020-21, passed two hundred and fourteen (214) assessment orders and imposed penalty in four thousand and sixteen (4016) cases of Non/Late-Filers creating tax demand of Rs. 6,826 million.

Out of two hundred and fourteen (214) assessment orders passed during the year, the taxpayers, filed appeals in one hundred and eleven (111) cases with Collector (Appeals). Whereas, against the four thousand and sixteen (4016) penalty orders on account of Non/Late-Filing, the taxpayers filed two hundred and eighty-seven (287) appeals with Collector (Appeals).

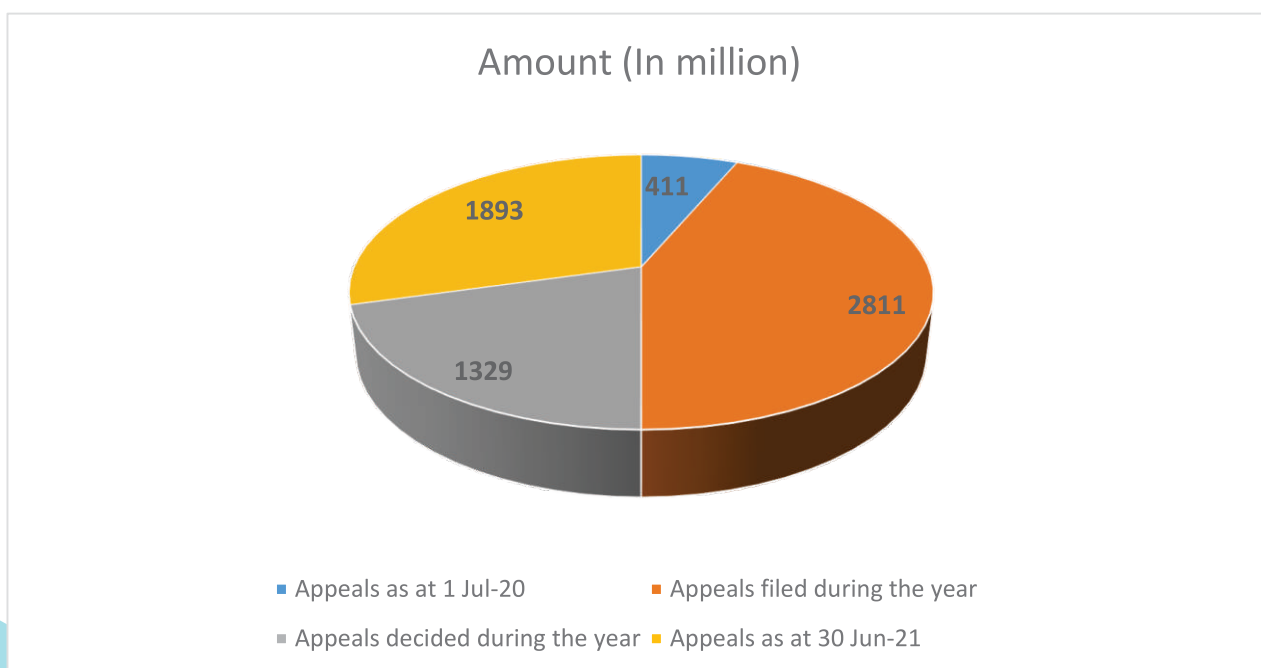
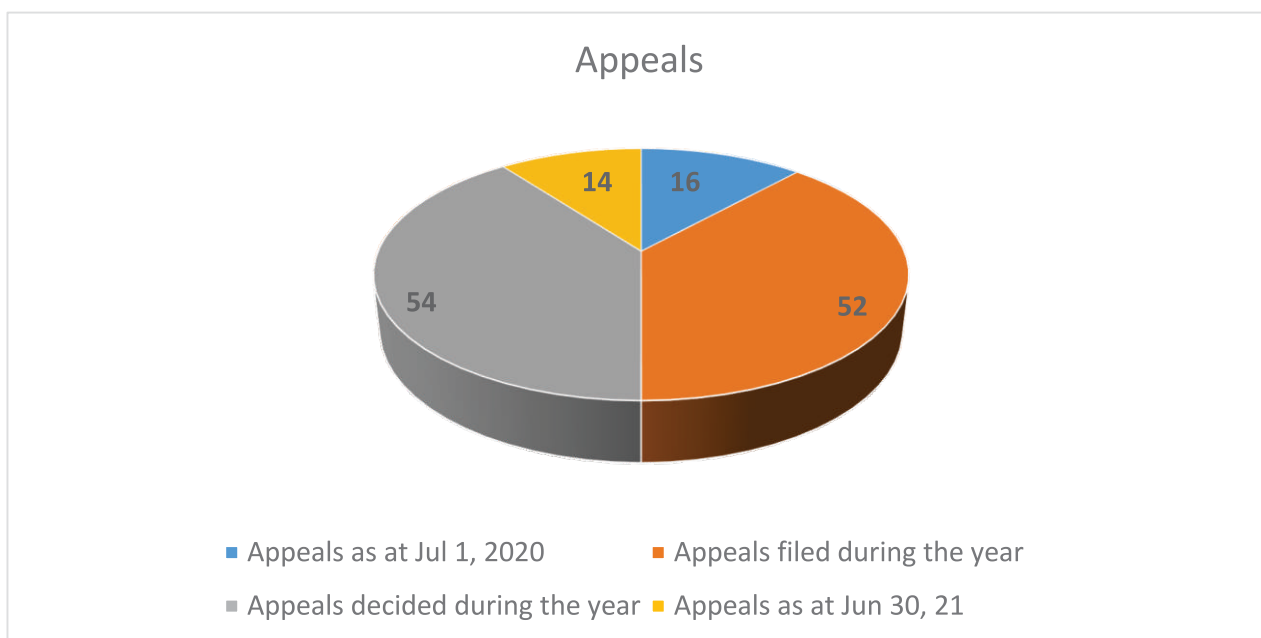
Collector Appeals is an independent appellate forum within the Authority and has the mandate under section 81 of the Act to pass such order as he thinks fit, confirming, varying, altering, setting aside or annulling the decision or order appealed against. Three hundred and ninety-eight (398) taxpayers aggrieved by the order passed by the adjudicating officers of the Authority, filed appeals with the Collector Appeals during the year 2020-21. Besides seven (7) appeals were brought forward from the previous year. Three hundred and seventy-one (371) appeals were decided during the period under report. Thirty-four (34) appeals were pending on 30th June, 2021. Status of appeals filed and decided by the Collector (Appeals) is given below:





Appellate Tribunal of Khyber Pakhtunkhwa Sales Tax on Services is the second/final fact-finding forum of appeals against the decisions of the Collector (Appeals). The tribunal consist of one judicial member and one technical member. Government has designated the judicial member as its chairman. The tribunal became functional in February 2020. During the year 2020-21 fifty-two (52) appeals were filed.

Besides, sixteen (16) appeals were brought forward from the previous year. Against the sixty-eight (68) appeals, fifty-four (54) were decided within the statutory period of six months in terms of sub-section (2) of section 85. Fourteen (14) appeals were pending with the tribunal on 30th June, 2021. Details are given as under:



High Court is the next forum for filing of reference application against the judgments of the Appellate Tribunal. During the year sixty-three (63) writ petitions and eleven (11) Sales Tax References were filed in the Peshawar High Court and its benches. During the year five writ petitions were decided by the Honorable High Court



Supreme Court of Pakistan is the final forum for all type of cases filed either by the taxpayers or by the Authority. At present, fourteen cases on the issue of Infrastructure Development Cess filed by the different entities against the judgment of Hon'ble Peshawar High Court; are pending in the Honorable Supreme Court



CHAPTER 7

ADMINISTRATION AND HUMAN RESOURCE MANAGEMENT

The Khyber Pakhtunkhwa Finance Act, 2013 empowers the Authority to improve productivity through human resource strategy, develop and implement its own human resource management policies and implement a transparent and objective evaluation process to determine that an employee is qualified for posting against an available post; appoint advisors and consultants, experts etc. The appointment, promotion and transfer in the Authority is regulated by Khyber Pakhtunkhwa Revenue Authority Directors (Terms and Conditions) Service Rules, 2017; Khyber Pakhtunkhwa Revenue Authority Employees (Appointment, Promotion and Transfer) Regulation, 2017; and Khyber Pakhtunkhwa Revenue Authority (Appointment of Consultants and Advisors) Regulation, 2017.

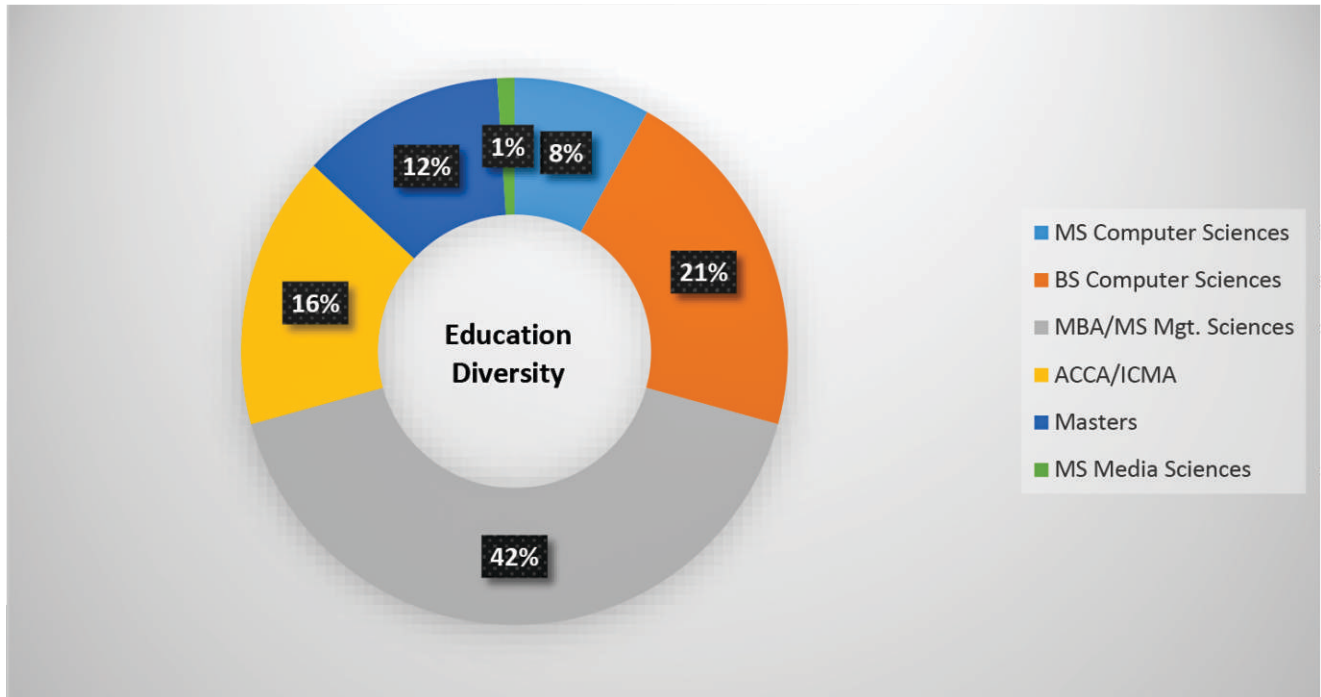
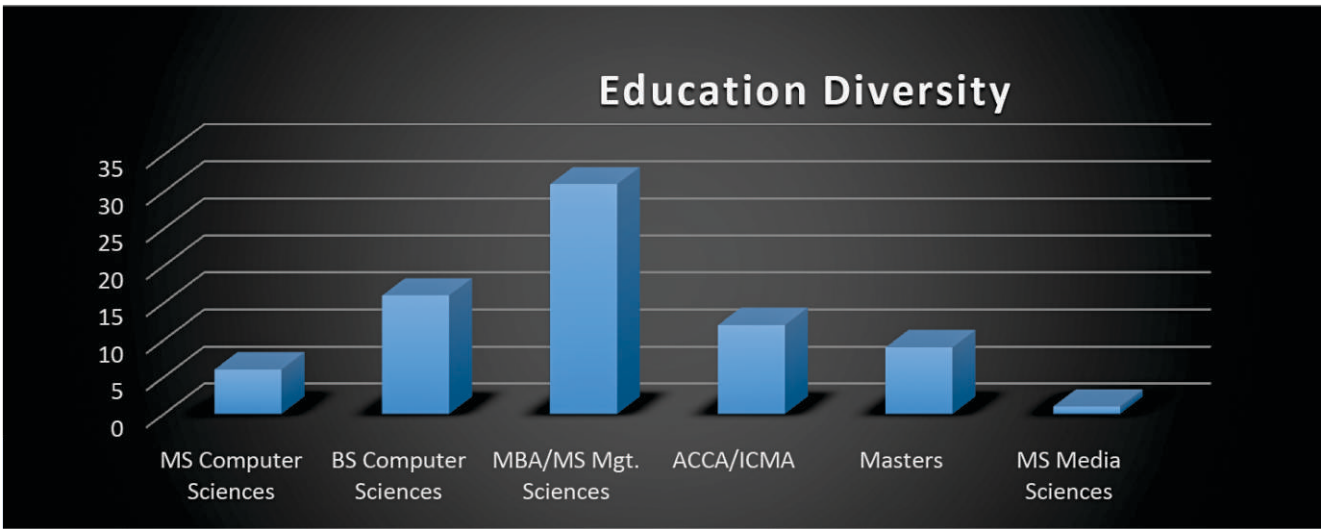
During the last three years Directorate of HR, Admn and Coordination has done a tremendous job in terms of fulfilling its HR and logistic needs as well as institutional development.

The figure shows distribution of available strength:



Education Diversity

More than 79 % of the Authority's employees are masters and professional degree holders. The Authority has always believed in continuous learning and encourages its staff to constantly upgrade their knowledge and skills on a regular basis.



Training and Development

The Authority with the support of development partners, is working on a systematic approach to develop training programs and materials to achieve learning goals and to provide performance based trainings, such as instructional system design (ISD). The ISD process will identify what learners currently know, defining what they need to know, and creating an intervention to bridge the gap. A comprehensive training plan is being developed with the technical assistance of our development partners, which will be implemented during 2021-22.

Physical Asset Management

Since the inception, KPRA purchased assets worth Rs. 125.380 million till date. While our developing partners provided assets worth to Rs. 30.231 million.

Details of assets acquired up to 30.6.2021 is given below:

S.NO.	Acquisition of Assets		(Amounts in Million)		
	Assets Category	KPRA Fund	GPP	GIZ	Total
1	Transport	68.504	-	-	68.504
2	Computer Equipment	23.579	3.355	-	26.934
3	IT Equipment	13.745	4.134	-	17.879
4	Machinery & Equip.	8.598	3.533	-	12.131
5	Furniture & Fixture	8.877	17.208	2	28.085
6	Other Assets	1.844	-	-	1.844
7	Building Structure	0.234	-	-	0.234
	Total	125.381	28.231	2	155.612

The Authority is in the process of developing its Computerized Asset Management System to be implemented by Directorate of ICT.

Technical and Financial Support of the Development Partners

To increase voluntary compliance, improve efficiency in revenue management; and improve coordination framework, various donor agencies have been engaged to seek both financial and technical assistance. USAID-KPRM, World Bank, GIZ and UKAID have been contributing to the ongoing reforms through various interventions in the shape of reviewing tax laws and rules, conducting educational workshops; trainings; research and surveys and diagnostic studies, establishing tax facilitation centers, and development of sector notes and audit guidelines etc. KPRA looks forward to a long standing synergistic partnership with all the respective development partners.

CHAPTER 8

INFORMATION TECHNOLOGY AND COMMUNICATION REGIMES

The Authority has a full-fledged in-house ICT Directorate equipped with modern IT hardware, strong knowledge base for software development and well-qualified experienced professionals and technical support personnel. The KPRA's ICT team, with the support of development partners, initiated several important software development and application measures to facilitate taxpayers and to enhance revenue collection. These measures include database replication and Decision Support System (DSS). The system provides quick reports related to taxpayer's data including enrollments, returns filing and payments.

The salient features DSS are given hereafter:



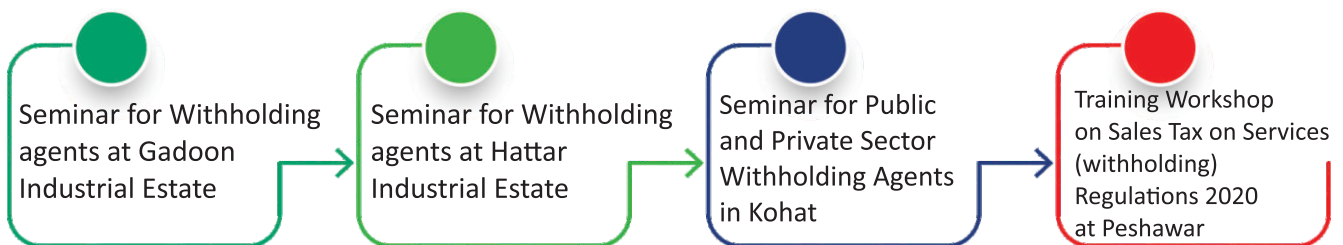
CHAPTER 9

TAXPAYER EDUCATION, COMMUNICATION AND FACILITATION

Communications and Public Relations (PR) is an integral part of Khyber Pakhtunkhwa Revenue Authority's (KPRA) organizational structure. The Communications and PR section of KPRA utilizes the print, electronic and social media for promoting Tax Culture in the province along with providing timely information to its stakeholders regarding the government's decision for any modification in the tax laws, rules or regulations.

Educational Seminars and Workshops

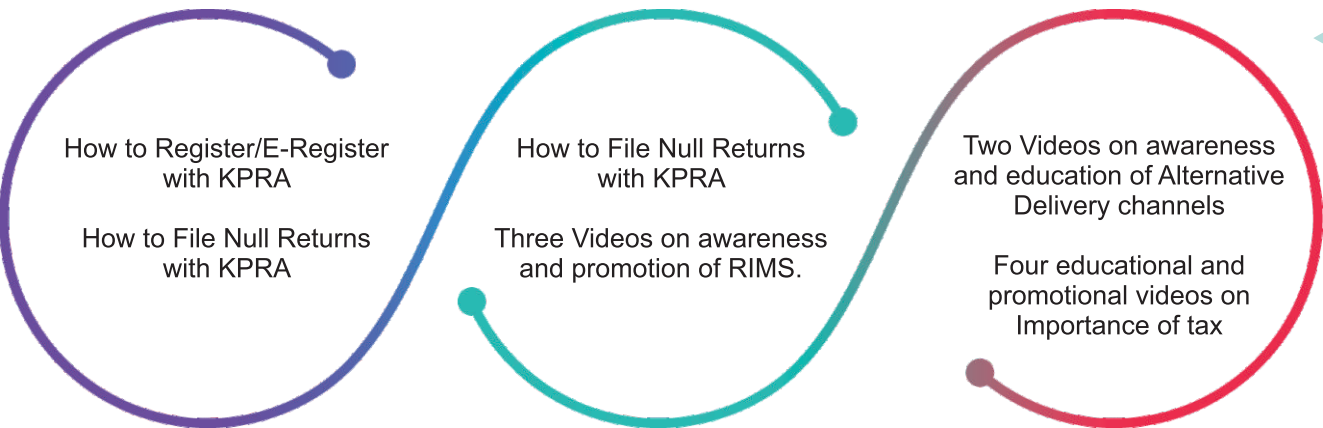
Despite a year marred by COVID 19 pandemic and consequent restrictions, the Authority managed to conduct following awareness sessions for the education of the withholding agents both in the public and private sector observing all the applicable SOPs for COVID-19:



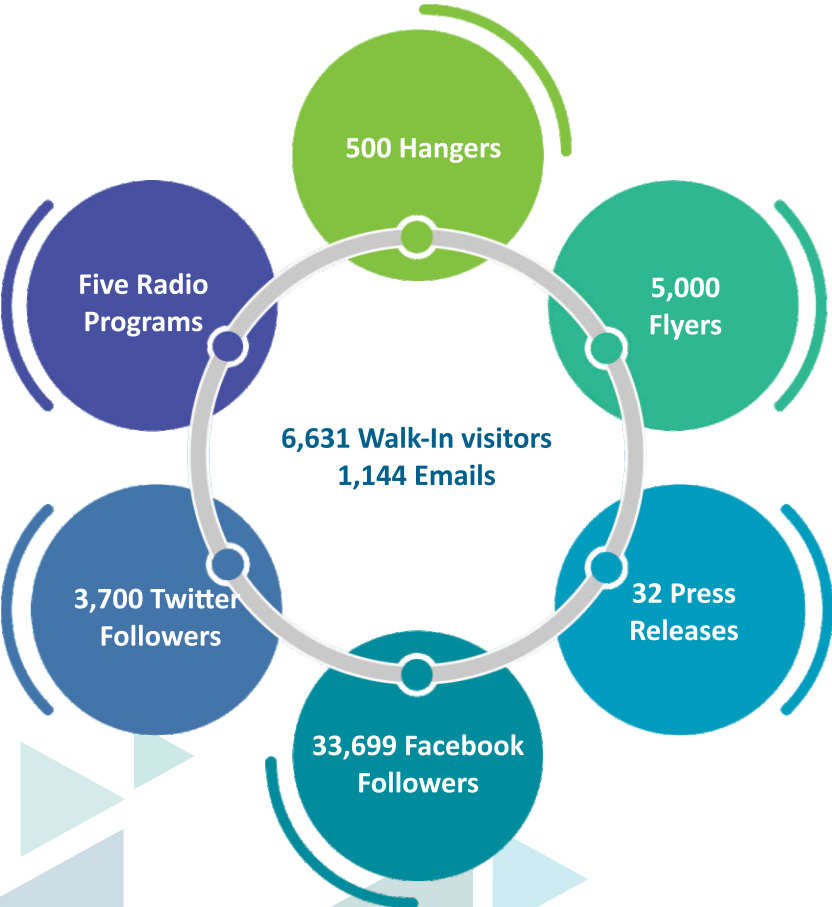
Audio/Visual Media Intervention

The Authority also produced 15 short videos comprising instructional, informative and promotional material which were uploaded and shared on KPRA social media pages including its YouTube Channel, Facebook Page, Website and Twitter Handle.

Details of 15 videos uploaded on the social media are given below:



In addition, as a part of KPRA communication strategy, the following activities were carried out:





CHAPTER 10

FINANCIAL MANAGEMENT

Regulatory Framework

The Khyber Pakhtunkhwa Finance Act, 2013 (section 12-14), provides for financial management of the Authority including establishment of KPRA Fund, preparation of budget, compilation of accounts, preparation of financial statements and audit by the Auditor General of Pakistan. In addition to the legal framework, enforcement of internal controls is supported by Khyber Pakhtunkhwa Revenue Authority (Financial) Regulation, 2020.

Budget Estimates

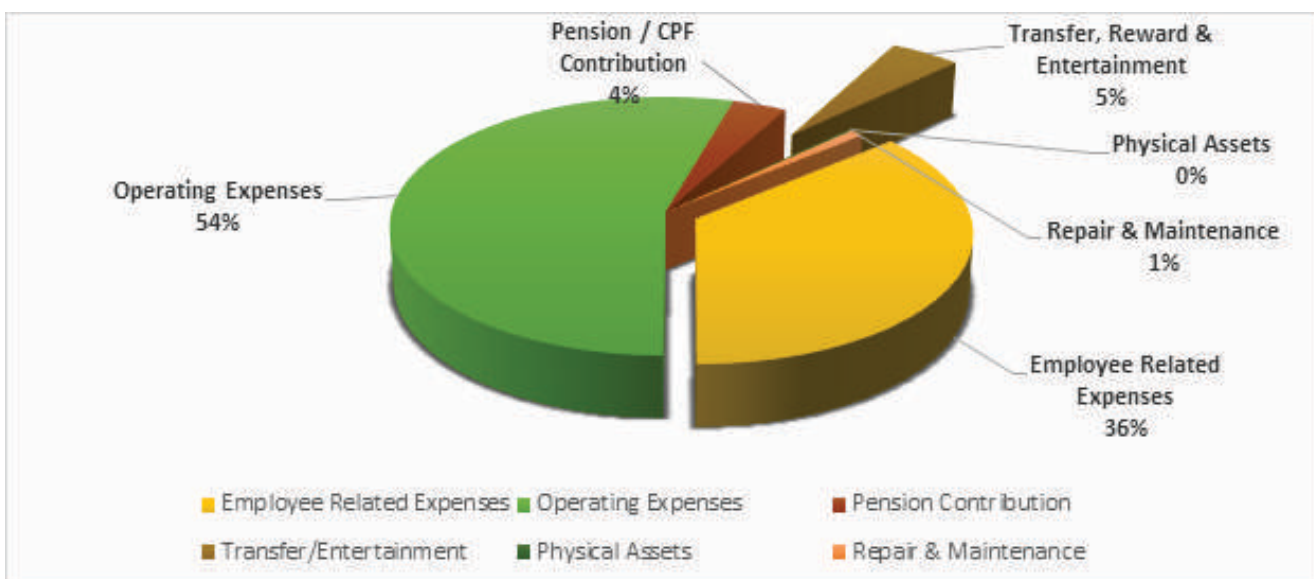
As per requirement of section 13 (1) of the Act, budget proposals for allocation of Grant-in-Aid of Rs 550 million was submitted to Government. Finance Department, however, agreed to release Rs 380 million for utilization during financial year 2020-21. Opening balance of Rs 44.911 million was available on 01.07.2020. Profit of Rs 1.85 million was credited to KPRA Fund by The Bank of Khyber during 2020-21. Against the Revised Estimates of Rs 426.725 million, expenditure of Rs 378.186 million was incurred during the year. The unspent balance of Rs 48.575 million was carried forward to next financial year.

Major object wise detail of expenditure of Rs. 378.186 million is given below:

Object Code	Major Object	FY 2020-21 (Amount in Rupees)	FY-2019-20 (Amount in Rupees)
A01	Employees Related Expenses	137,095,865	146,502,797
A03	Operating Expenses	205,319,211	109,721,375
A04	Employees Retirement Benefits	13,325,244	5,178,139
A06	Transfer (Reward & Entertainment)	18,338,585	274,457
A09	Physical Assets	750,569	38,829,699
A13	Repair & Maintenance	3,356,960	2,940,675
	Total expenditure	378,186,434	303,447,142

Source: Statement of Receipts & Expenditure 2020 -21

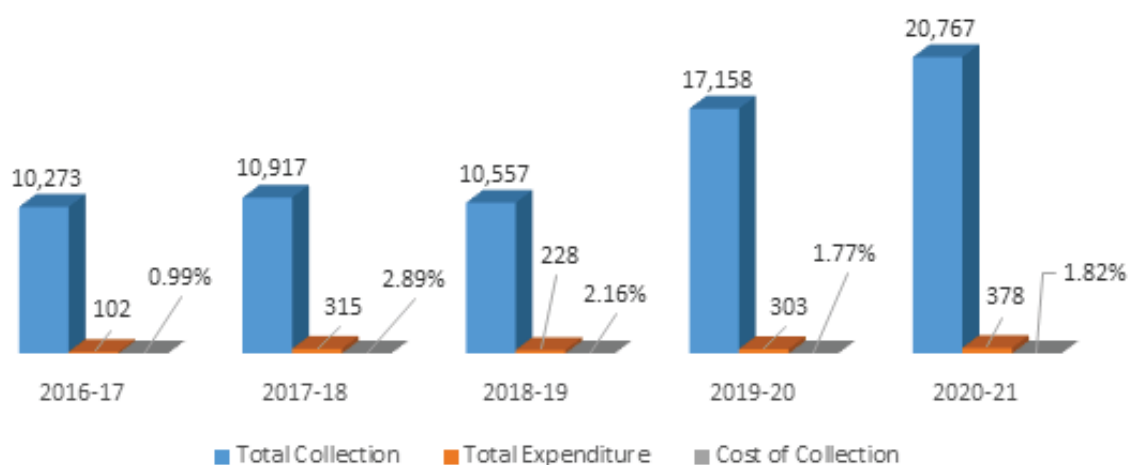
During the period under review operating expenses accounted for the highest share of the total expenses at 54%. This was followed by Employees related expenses and Transfer Payment (Reward and Entertainment) that accounted for 36% and 5% respectively. The following figure shows percentage (%) of expenditure under each major object.



The following graph shows comparison of expenditure during the period from 2013-14 to 2020-21.

Cost of Revenue Collection

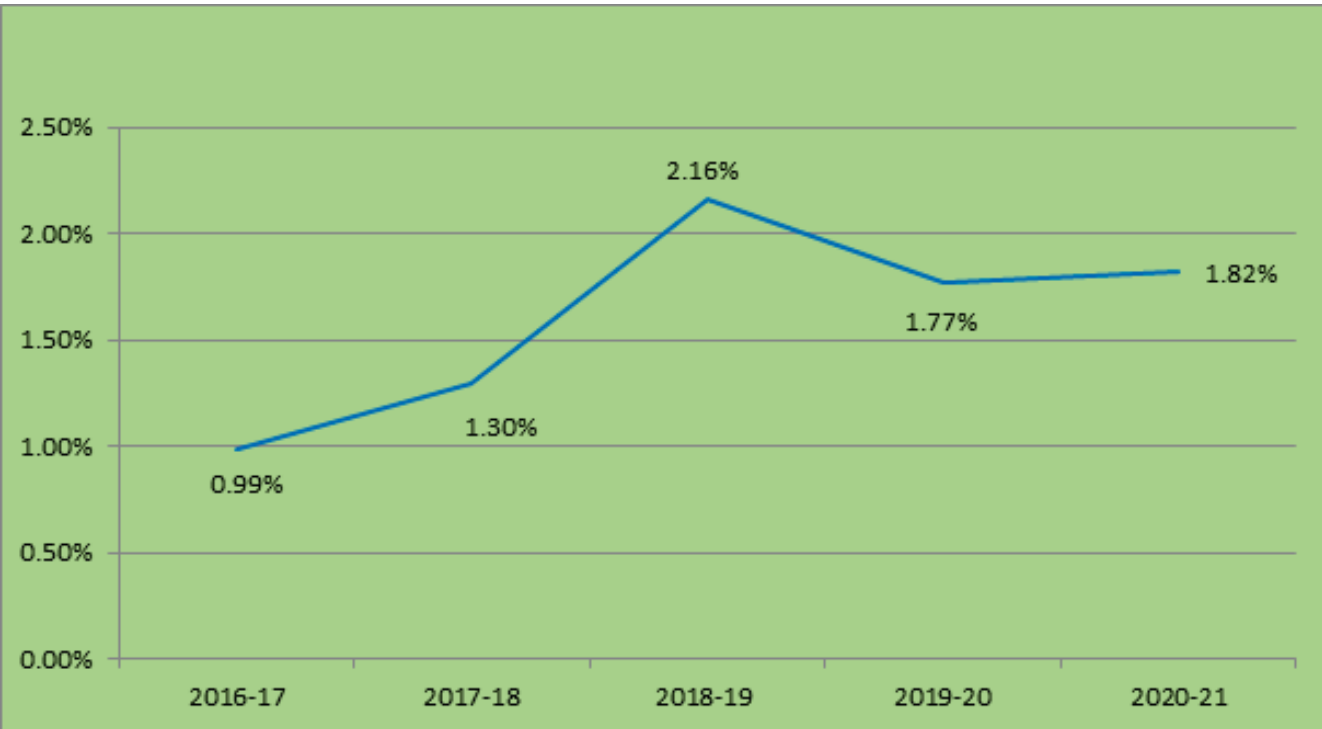
Cost of Collection



The proportion of government funding relative to the total taxes collected is an important measure that tracks the efficacy of the tax administration. The cost of collection ratio compares the annual costs incurred by a revenue administration with the total revenue collected over the course of a fiscal year. Observed over time, a downward trend can constitute evidence of a reduction in relative costs (i.e. improved efficiency) and/or improved tax compliance (i.e. improved effectiveness).

The KPRA cost of collection ratio during the year was 1.82%. As shown in the following graph, cost of revenue collection ratio has averaged 1.61 % during the last five years.

Cost of yearly collection as % of tax collected during the period from 2016-17 to 2020-21



Source: KPRA Annual Reports

Financial Statements

As required under section 13(3) of the Act, the Authority has prepared the Financial Statements i.e. Statement of Assets and Liabilities, Statement of Receipts and Expenditure and Statement of Budget vs Actual Expenditure (appropriation account) for the year 2020-2021 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 2021

	Amount in Rupees	
	2021	2020
CURRENT ASSETS		
Cash & Cash equivalents	73,810,466	44,911,454
Receivables & Advances	4,232	4,232
Investments		
Total current Assets	73,814,698	44,915,686
NON-CURRENT ASSETS		
Non Current Assets	125,379,551	124,628,982
TOTAL ASSETS	199,194,249	169,544,668
CURRENT LIABILITIES		
Other Payables	5,066	5,066
Net CPF Payable	18,594,707	
Oustanding Cheaques	6,640,003	
Total Current Liabilities	25,239,776	5,066
TOTAL LIABILITIES	25,239,776	5,066
RESIDUAL EQUITY	173,950,241	169,539,602
TOTAL RESIDUAL EQUITY & LIABILITIES	199,190,017	169,544,668

**KHYBER PAKHTUNKHWA REVENUE AUTHORITY
STATEMENT OF RECEIPTS AND EXPENDITURES
FOR THE YAER ENDED 30TH JUNE 2021**

		Amount in Rupees	
		2020-21	2019-20
		Receipts & Expenditure	Receipts & Expenditure
RECEIPTS			
Opening Balance	₹	44,911,454	
Grant in aid	₹	380,000,000	348,411,456
Profit credited by Bank	₹	1,850,736	
Departmental Receipts	₹	-	-
Total		426,762,190	348,411,456
EXPENDITURE			
A01- Employees Related Expenses	₹	137,095,865	146,502,797
A03- Operating Expenses	₹	205,319,211	109,721,375
A04- Employees Retirement Benefits	₹	13,325,244	5,178,139
06- Transfer/Entertainment	₹	18,338,585	274,457
A09- Physical Assets	₹	750,569	38,829,699
A13- Repair and Maintenance	₹	3,356,960	2,940,675
TOTAL		378,186,434	303,447,142
Amount Lapsed as result of uncashed cheques	₹		(52,860)
Surplus Funds		48,575,756	44,911,454

KHYBER PAKHTUNKHWA REVENUE AUTHORITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL EXPENDITURE
FOR THE YEAR ENDED 30TH JUNE, 2021

	2019-20	2020-21			
		(Amount In Rupees)			
		Budget Estimates	Revised Budget Estimates	Actual Receipts & Expenditures	Variation Savings / (Excess)
Receipts					
Opening Balance	00	44,911,454	44,911,454	44,911,454	
Grant in aid	00	330,000,000	380,000,000	380,000,000	
Profit Credited by Bank FY 2020-21	02	-	1,850,736	1,850,736	1,850,736
Departmental receipts		-	-	-	
Total Receipts		374,911,454	426,762,190	426,762,190	
Payments					
Employee Related Expenses	09	155,346,220	141,586,426	137,095,865	4,490,561
Operating Expenses	06	109,000,000	214,256,382	205,319,211	8,937,171
Employee Retirement Benefit Pension Contribution & CPF	05	12,420,460	13,706,165	13,325,244	380,921
Transfer/Entertainment	06	48,688,774	45,949,603	18,338,585	27,611,018
Physical Assets	07	44,206,000	4,048,028	750,569	3,297,459
Civil Works	08	1,300,000	-		
Repair & Maintenance	08	3,950,000	5,364,850	3,356,960	2,007,890
Advances		-	-		-
Total expenditure		374,911,454	424,911,454	378,186,434	48,575,756
Closing Balance		-	1,850,736	48,575,756	48,575,756

Statement of Assets and Liabilities

There is increase of Rs 29.645 million in the assets and liabilities during the year due to the following reasons:

	Assets	Liabilities
i. Increase in Cash	Rs. 28,894,780	--
ii. CP Fund accumulation during the year.		Rs.18,594,707
iii. Cheques issued but not cashed before 30 th June, 2021.	-	Rs. 6,640,003
iv. Increase in residual equity	-	Rs. 4,414,871
v. Assets purchased during the year	Rs. 750,569	-
vi. Liabilities cleared during the year	-	Rs. (4,232)
Total	Rs. 29,645,349	Rs. 29,645,349

Statement of Comparison of Budget and Actual Expenditure

The positive variance of Rs 48.538 million was due to the reason that provision made for payment of performance-based incentives and reward to KPRA employees could not be utilized before the close of the financial year.

The KPRA Employees Retirement Benefits (Contributory Provident Fund)

KPRA Employees Contributory Provident Fund (CPF) consisting of employee's subscription and Authority's contribution, has been established under para 3 of KPRA Employees (Contributory Provident Fund) Regulation, 2020. The employees have subscribed Rs 9.615 million with equivalent contribution from the KPRA Fund. The bank profit of Rs 0.122 million was credited to the CPF during the second half of the financial year. Advances of Rs 0.797 million were paid to the employees during the year. Recoveries of Rs 0.039 million have since been made. The bank has credited profit of Rs 0.122 million in January, 2021 for the first half of the financial year. An amount of Rs 18.594 million is available on 30.06.2021 in Employees CPF. The statement showing receipts and payments of the fund during the year is given hereafter:

Amounts in rupees

Receipts	
Opening Balance	0
CPF Subscription by Employees	9,614,908
CPF Contribution by Employer	9,614,908
Recovery of Advances from Employees	39,650
Bank profit	122,681
Total	19,392,147
Expenditure	
Advances to Employees	797,440
Total	797,440
Closing Balance	18,594,707

External Audit

As a public body established under the Act of the Provincial Assembly, the accounts of the Authority are subject to audit by the Auditor General of Pakistan under section 14 (1) of the Khyber Pakhtunkhwa Finance Act, 2013. The audit is aimed at providing 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 audit of the following accounts of the Authority:

- i. Accounts of Revenue Receipts 2019-20;
- ii. Accounts of Expenditure 2019-20; and
- iii. Information system Audit 2019-20.

The Audit report in respect of Information System Audit has since been received in May, 2021. The report has been examined and annotative replies of the audit paras will be submitted to Principal Accounting Officer in October, 2021 for arranging meeting of the Departmental Accounts Committee (DAC).

CHAPTER 11

WAY FORWARD

Automation of KPRA

Advanced Version of RIMS

**Applied Research on
Tax Potential of Digital Economy**

Upgradation of KPRA Website

GEO Mapping of Businesses

Establishment of KPRA Disaster Recovery (DR) Site

**Development of Sector Notes and Audit Guidelines in
respect of Oil & Gas and Mines & Mineral Sectors**

**Development of Risk Based
Audit Selection (RBAS) System**

Implement pro-tourism KP sales tax

HIGHLIGHTS OF



www.kpra.gov.pk

EVENTS



Additional Collector South Imran Khan speaking at training workshop for withholding agents in Kohat



AC South Abdul Wahab and Director Legal Aftab Ahmad speaking at training workshop for withholding agents in Kohat



DG KPRA addressing a farewell ceremony arranged for outgoing officers



DG KPRA presenting shield to outgoing Deputy Collector Zulfikar Ahmed



DG KPRA presenting shield to outgoing Deputy Director Finance Amjad Khan



DG KPRA presenting shield to outgoing Director Finance Ajmal Khan



DG KPRA presenting shield to outgoing PS to DG Khalid Riaz



DG KPRA presenting shield to outgoing Director Legal Shareefullah Khan



DG KPRA presenting shield to outgoing Fazal Amin Shah



DG KPRA, Secretary Finance and State Bank signing agreement for Alternative Delivery Channels of tax payment



Director Finance and A.D.C. South in internal review meeting of first quarter



Finance Minister Taimur Jhagra chairing monthly progress review meeting of KPRA



Internal review meeting



KPRA I&I and IT teams installing RIMS



KPRA IT and Monitoring team Installing RIMS in a restaurant



KPRA Mardan Team in meeting with Industrialists



KPRA Mardan Team installing RIMS in a restaurant



KPRA South team discussing Sales Tax on Services with representatives of Housing Societies



KPRA staff in discussion with restaurant manager



Annual Planning meeting with USAID's Khyber Pakhtunkhwa Revenue Mobilization staff



Officials of KPRA South in meeting with sugar mills owner



Officials of KPRA South in meeting with Young Doctors Association Bannu



DG KPRA and Secretary Finance exchanging MoU Documents



DG KPRA Fayyaz Ali Shah Chairing Authority meeting

Towards Self Reliance



PHASE # 3 CHOWK,
NEAR RAILWAYS TRACK
HAYATABAD, PESHAWAR
PHONE: 091 921 9202



kpraOfficial



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