

Performance Assessment Report

Islamic Republic of Pakistan

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Graham Whyte, Jose Eduardo Gutierrez Ossio,
Kosugi Naofumi, and Najam Javaid

October 2021

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TADAT is a collaborative undertaking of the following partners:



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ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
AGP	Auditor General of Pakistan
BTB	Broadening of Tax Base Initiative
CIT	Corporate Income Tax
CRM	Compliance Risk Management
DGIA	Directorate General of Internal Audit
DRM	Domestic Resource Mobilization
FAD	Fiscal Affairs Department
FASTER	Fully Automated Sales Tax e-Refund system
FATE	Facilitation and Taxpayer Education
FBR	Federal Board of Revenue
FCDO	Foreign and Commonwealth Development Office
FED	Federal Excise Duties
FIA	Federal Investigation Agency
FTO	Federal Tax Ombudsman
IMC	Integrity Management Cell
IMF	International Monetary Fund
IMC	Integrity Management Cell
IR	Inland Revenue
IRIS	Inland Revenue Information System
ITMS	Integrated Tax Management System
ITR	Income Tax Return
LTO	Large Taxpayers Office
MOF	Ministry of Finance
NAB	National Accountability Bureau
NADRA	National Database and Registration Authority
NTA	National Tax Agency (of Japan)
PAC	Public Accounts Committee (of Parliament)
PAYE	Pay As You Earn
PIT	Personal Income Tax
POA	Performance Outcome Area
PRAC	Post-Refund Analysis Cell
PRAL	Pakistan Revenue Automation Limited

PKR	Pakistani Rupee
PRR	Pakistan Raises Revenue Project
ReMIT	Revenue Management, Investment and Trade
SPR&S	Strategic Planning Reform & Statistics
SBP	State Bank of Pakistan
TA	Technical Assistance
TADAT	Tax Administration Diagnostic Assessment Tool
USD	United States Dollar
VAT	Value Added Tax
WeBOC	Web-Based One Customs
WB	World Bank

PREFACE

An assessment of the system of tax administration of the Islamic Republic of Pakistan was undertaken during the period August 23 to September 13, 2021, using the Tax Administration Diagnostic Assessment Tool (TADAT). TADAT provides an assessment baseline of tax administration performance that can be used to determine reform priorities, and, with subsequent repeat assessments, highlight reform achievements.

The assessment team was led by Mr. Munawer Khwaja (formerly of the TADAT Secretariat and Asian Development Bank (ADB) advisor) and included the following TADAT experts representing four development partners: Messrs. Dom O'Connell (Foreign and Commonwealth Development Office – FCDO); Graham Whyte (International Monetary Fund - IMF); Jose Eduardo Gutierrez Ossio (World Bank); Kosugi Naofumi (National Tax Agency of Japan - NTA); Go Nagata (ADB) and Najam Javaid (ADB, Islamabad Country Office). Because of travel restrictions due to COVID-19, Mr. Najam Javaid and Ms. Naghma-e-Tehniat Jerral (FCDO, Islamabad Office) provided valuable support for the validation of documents and databases, as well as for the field visits to the large taxpayer office and the local tax office. Ms. Farzana Noshab and Mr. Ahmad Mujtaba, both from the ADB's Islamabad Office, provided logistic support for the team meetings. Ms. Zehra Aslam, World Bank Islamabad Office, provided inputs for the “Economic Situation” in the Introduction section of the report.

The assessment team met the senior management of the Federal Board of Revenue (FBR) including Ms. Ambreen Iftikhar (Member - Reforms and Modernization), Mr. Nadeem Bashir (Chief of Modernization), and other senior officials including Ms. Nazish Amjad, Mr. Asad Aziz, Mr. Mehdi Hassan, Mr. Mohammad Farooq, Mr. Osama Idrees, Mr. Rashid Mahmood Bhattani, and Mr. Saarim Bhatti. The team also met Mr. Rashid Javaid Rana (Facilitation and Taxpayer Education - FATE), Mr. Majid Chaudhary (Chief of Tax Audit) and officers of the large taxpayer office in Islamabad and the local tax office in Peshawar. The assessment team would like to express its sincere gratitude to Ms. Ambreen Iftikhar, Mr. Nadeem Bashir and Ms. Nazish Amjad for putting together all the documentary evidence and data tables and coordinating the numerous virtual meetings with FBR officials at the headquarters, the large taxpayer office, and the Peshawar regional tax office.

A draft performance assessment report was presented to Dr. Muhammed Ashfaq Ahmed, Chairman FBR, at the virtual exit meeting on September 13, 2021. Written comments since received from the FBR on the draft report have been considered by the assessment team and, as appropriate, reflected in this final version of the report. The PAR has been reviewed and cleared by the TADAT Secretariat.

EXECUTIVE SUMMARY

The FBR has been implementing a series of tax reforms in recent years with the assistance of development partners including the ADB, FCDO, IMF and World Bank. As a result, significant progress has been made in modernizing its administration in the last several years. The development of its information systems has helped digitalize the registration process, electronic submission of tax declaration, electronic payment of taxes, extensive use of third-party information and web-based taxpayer services. The system has allowed secure access to businesses and individuals to their taxpayer accounts. Internal and external audit mechanisms are well developed.

Nonetheless, the FBR faces severe challenges in its domestic resource mobilization (DRM) effort that has kept its tax-to-GDP ratio consistently below 10 percent. The FBR not yet been able to leverage the full potential of available data to systematically identify, quantify and mitigate compliance risks. A structured compliance risk management program is not yet in place. On-time filing and on-time payments are low and follow-up actions have not yielded the desired upswing in filing or payment compliance. FBR does very limited monitoring of the quality and effectiveness of tax audits. A strategic plan for 2019-2024 was developed several years ago but this has not yet been approved nor published. Although a large volume of third-party data is automatically generated by the system, its use in cross-checking information and follow-up actions have been limited.

Some of the weaknesses identified in this assessment can be rectified relatively quickly, for example, the implementation of a robust risk management system and the development of a non-filers follow-up process. Other weaknesses will require continued FBR commitment to reforming the tax administration and improving DRM. Judging from the reforms undertaken thus far, the FBR is capable of making significant improvements.

The results of the TADAT assessment for Pakistan follow, including the identification of the main strengths and weaknesses.

Strengths

- Information held in the registration database is adequate, centralized, computerized, and allows frontline officers a full view of taxpayer's details.
- There are good initiatives to detect unregistered businesses and individuals
- Information on taxpayer obligations and entitlements are readily available for all core taxes, taxpayer groups, disadvantaged groups and

Weaknesses

- Although active and inactive taxpayers are readily identified by the IT system, the taxpayer database is not routinely updated.
- FBR's risk management system is weak and does not have the processes in place that are used to assess, rank, and quantify taxpayer compliance risks nor

Strengths

intermediaries. Campaigns are in place to tackle common areas of taxpayer need.

- Almost all calls coming to the call center are answered within six minutes.
- Tax withholding and advance payments of taxes are routinely used as efficient means of collection.
- FBR has a graduated system of independent administrative and judicial review available to and used by taxpayers.
- FBR's accounting system is fully automated and meets government IT and accounting standards.
- The Auditor General of Pakistan provides a robust external oversight of the FBR's operational and financial performance and its reports are published.
- There is a well-functioning and independent Directorate General of Internal Audit.
- A Federal Tax Ombudsman exists to investigate cases of maladministration. FBR acts on the findings of the Ombudsman.

Weaknesses

is there a documented annual compliance improvement program.

- FBR does not have the processes to monitor and evaluate the impact of compliance risk mitigation activities.
- There are no processes, nor a business continuity program to identify, assess and mitigate operational risks.
- There is no structure or capacity to manage human capital risks.
- FBR does not have a systematic and well-defined consultation and response process to identify the deficiencies in products and services.
- On-time filing rates are very low for most core taxes. On-time VAT payment rate is relatively low, especially for large taxpayers
- There are no dedicated filing enforcement staff, and the taxpayer database is not regularly updated.
- FBR does not have a systematic program to monitor the quality of taxpayer audits and monitoring the effectiveness of audit function.
- There are significant delays in resolving tax disputes.
- There is no mechanism to conduct systematic and independent perception surveys to monitor public confidence in the FBR.

Table 1 provides a summary of performance scores, and Figure 1 a graphical snapshot of the distribution of scores. The scoring is structured around the TADAT framework's nine performance outcome areas (POAs) and 32 high level indicators critical to tax administration performance. An 'ABCD' scale is used to score each indicator, with 'A' representing the highest level of performance and 'D' the lowest.

Table 1. Pakistan: Summary of TADAT Performance Assessment

Indicator	Scores 2021	Summary Explanation of Assessment
POA 1: Integrity of the Registered Taxpayer Base		
P1-1. Accurate and reliable taxpayer information.	C	Information held in the registration database provides a complete view of the taxpayer adequate. The database is centralized and each taxpayer has a unique high integrity taxpayer identification. The database interfaces with the filing and payment subsystems and allows frontline staff have a full view of taxpayer profile. The database provides secure access to the taxpayer portal. Although documented procedures exist to remove inactive taxpayers, there is no management, internal audit or external audit reports to indicate this. Active and inactive taxpayers are readily identified by the system, but the taxpayer database is not regularly updated.
P1-2. Knowledge of the potential taxpayer base.	B	There are fairly good initiatives to detect unregistered businesses and individuals and these are reflected in FBR's Annual Report.
POA 2: Effective Risk Management		
P2-3. Identification, assessment, ranking, and quantification of compliance risks.	D	FBR has some intelligence gathering and research activities in place to identify compliance risks in respect of the main tax obligations. FBR does not have processes in place to assess, rank, and quantify taxpayer compliance risks.
P2-4. Mitigation of risks through a compliance improvement plan.	D	FBR does not have in place a documented annual compliance improvement program which would

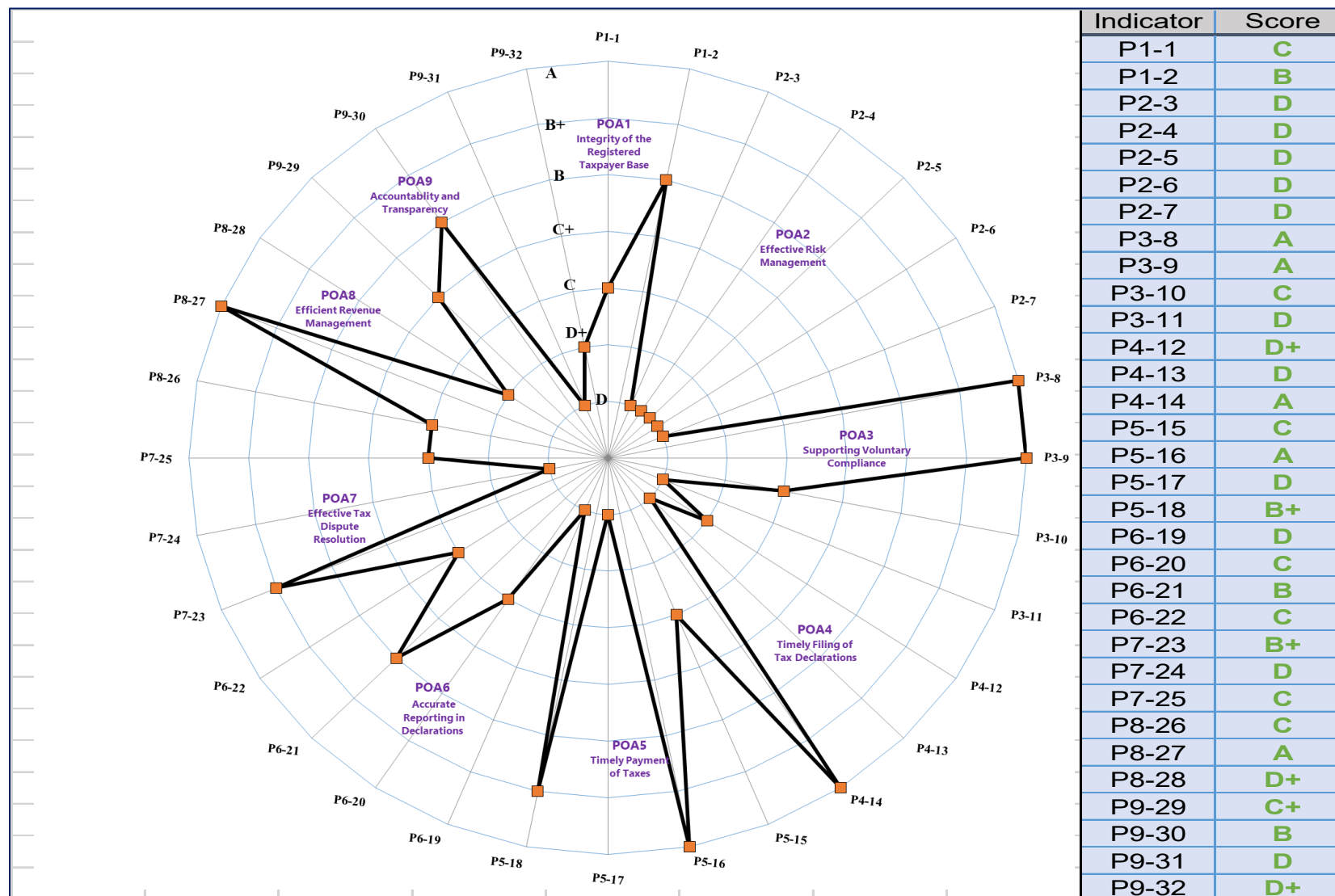
Indicator	Scores 2021	Summary Explanation of Assessment
		identify mitigation activities in respect of risks detected in the tax system.
P2-5. Monitoring and evaluation of compliance risk mitigation activities.	D	FBR does not have processes in place to monitor and evaluate the impact of compliance risk mitigation activities.
P2-6. Management of operational risks.	D	FBR does not have in place processes or a business continuity program to identify, assess and mitigate operational risks.
P2-7. Management of human capital risks.	D	FBR has not developed the capacity nor structures to manage human capital risks. FBR does not evaluate the status of human capital risks and related mitigation interventions.
POA 3: Supporting Voluntary Compliance		
P3-8. Scope, currency, and accessibility of information.	A	Information on taxpayer obligations and entitlements is readily available for all core taxes and it is tailored to meet the needs of taxpayers. The Facilitation and Taxpayer Education (FATE) unit is responsible for designing and maintaining all taxpayer guidance and support material. FATE deploys a number of methods both active and passive, to support taxpayers and information is made available in a variety of ways at no cost to the taxpayers. Taxpayer education and awareness programs are regularly conducted by FATE across the country.
P3-9. Time taken to respond to information requests.	A	Almost all calls were answered within six minutes in the FY 2020-21.
P3-10. Scope of initiatives to reduce taxpayer compliance costs.	C	The FBR has an ongoing reform process to simplify and reduce costs for Small and Medium Sized Taxpayers (SMEs). Common questions and misunderstanding are regularly analyzed. Taxpayers and their authorized agents can access to account online via username and password. Tax returns and forms are reviewed regularly. As a result, FBR has introduced a simplified wizard-based Income Tax Return filing mechanism as a new feature of Tax <i>Asaan</i> mobile application.

Indicator	Scores 2021	Summary Explanation of Assessment
P3-11. Obtaining taxpayer feedback on products and services.	D	The FBR has an ongoing process to engage with taxpayers and obtain feedback on a number of issues but no independent third-party led survey is conducted. FBR use a variety of methods to obtain feedback from taxpayers regularly. No evidence was available of a systematic and routine consultation to test products and services and implement appropriate compliance responses.
POA 4: Timely Filing of Tax Declarations		
P4-12. On-time filing rate.	D+	On-time filing rates are very low for most core taxes
P4-13. Management of non-filers.	D	Follow-up actions are taken on non-filers on regular basis. However, there are no documented procedures to guide these actions and no dedicated filing enforcement staffs.
P4-14. Use of electronic filing facilities.	A	Almost all returns for core taxes are filed electronically.
POA 5: Timely Payment of Taxes		
P5-15. Use of electronic payment methods.	C	Electronic payment rates for all core taxes are sharply rising in FY 2021.
P5-16. Use of efficient collection systems.	A	Tax withholding at source and advance payments are routinely used.
P5-17. Timeliness of payments.	D	On-time VAT payment rate is relatively low especially for large taxpayers.
P5-18. Stock and flow of tax arrears.	B+	The level of tax arrears of FBR is relatively low, and the performance of collecting tax arrears is good.
POA 6: Accurate Reporting in Declarations		
P6-19. Scope of verification actions taken to detect and deter inaccurate reporting.	D	FBR has a tax audit program in place but this is not systematized around uniform practices. There is no systematic program in place to monitor the quality of taxpayer audits. FBR has limited monitoring of the effectiveness of taxpayer audit function through the Monthly Performance Report.

Indicator	Scores 2021	Summary Explanation of Assessment
P6-20. Use of large-scale data-matching systems to detect inaccurate reporting.	C	There is large-scale automated crosschecking but limited automated use to verify information reported in tax declarations.
P6-21. Initiatives undertaken to encourage accurate reporting.	B	Pakistan's Tax Code contains provisions for advance rulings system and FBR provides answers regarding the tax treatment of specific transactions.
P6-22. Monitoring the tax gap to assess inaccuracy of reporting levels.	C	A tax gap analysis for FBR was conducted by the World Bank in August 2019 but the results were not made public.
POA 7: Effective Tax Dispute Resolution		
P7-23. Existence of an independent, workable, and graduated dispute resolution process.	B+	The FBR has a graduated system of independent administrative and judicial review available to and used by taxpayers. General information on taxpayer dispute rights and the dispute resolution process is publicly available and is uploaded on the website of FBR as well as notified in assessment orders, but not included in orders of administrative appeals on regular basis.
P7-24. Time taken to resolve disputes.	D	Tax disputes are not resolved in a timely manner.
P7-25. Degree to which dispute outcomes are acted upon.	C	Dispute outcomes of a material nature are analyzed on an ad hoc basis.
POA 8: Efficient Revenue Management		
P8-26. Contribution to government tax revenue forecasting process.	C	FBR provides input to the MOF in its revenue forecasting and estimating function. Now in its second year, the tax expenditure report is a detailed report on expenditures across all core taxes and different types of expenditure.
P8-27. Adequacy of the tax revenue accounting system.	A	The FBR's accounting system is fully automated and meets government IT and accounting standards.
P8-28. Adequacy of tax refund processing.	D+	The VAT refund system is largely automated with strong validation of VAT refund applications at the point of application. However, the total number of VAT refund claims paid within 30 days

Indicator	Scores 2021	Summary Explanation of Assessment
		between July 2020 and June 2021 was 58.8 percent.
POA 9: Accountability and Transparency		
P9-29. Internal assurance mechanisms.	C+	FBR has a well-functioning and administratively independent Directorate General of Internal Audit reporting directly to the Chairman. FBR has an Integrity Management Cell (IMC) which reports to the Member Administration FBR and solely devoted to internal affairs. FBR has a Code of Conduct and staff are made aware of it. Integrity-related statistics are not routinely maintained and not published.
P9-30. External oversight of the tax administration.	B	The Auditor General of Pakistan provides external oversight over FBR's operational and financial performance. External review findings are responded to and are publicly reported. A Federal Tax Ombudsman exists to investigate cases of maladministration. The National Accountability Bureau and Federal Investigation Agency investigate serious cases of corruption allegations. FBR acts on the findings of the Ombudsman and the anti-corruption agencies but the monitoring of cases by the senior management is not monthly but ad hoc.
P9-31. Public perception of integrity.	D	There is no mechanism to conduct systematic surveys to monitor public confidence in the FBR.
P9-32. Publication of activities, results and plans.	D+	Annual reports of FBR's performance are regularly published but only within nine months of the completion of the fiscal year. FBR's strategic plans have not yet been published.

Figure 1. Pakistan: Distribution of Performance Scores



I. INTRODUCTION

This report documents the results of the TADAT assessment of the FBR conducted in Pakistan during the period August 23 to September 13, 2021, and subsequently reviewed by the TADAT Secretariat. The report is structured around the TADAT framework of nine POAs and 32 high level indicators critical to tax administration performance that is linked to the POAs. Fifty-five measurement dimensions are taken into account in arriving at each indicator score. A four-point 'ABCD' scale is used to score each dimension and indicator:

- 'A' denotes performance that meets or exceeds international good practice. In this regard, for TADAT purposes, a good practice is taken to be a tested and proven approach applied by a majority of leading tax administrations. It should be noted, however, that for a process to be considered 'good practice', it does not need to be at the forefront or vanguard of technological and other developments. Given the dynamic nature of tax administration, the good practices described throughout the field guide can be expected to evolve over time as technology advances and innovative approaches are tested and gain wide acceptance.
- 'B' represents sound performance (i.e. a healthy level of performance but a rung below international good practice).
- 'C' means weak performance relative to international good practice.
- 'D' denotes inadequate performance and is applied when the requirements for a 'C' rating or higher are not met. Furthermore, a 'D' score is given in certain situations where there is insufficient information available to assessors to determine and score the level of performance. For example, where a tax administration is unable to produce basic numerical data for purposes of assessing operational performance (e.g., in areas of filing, payment, and refund processing) a 'D' score is given. The underlying rationale is that the inability of the tax administration to provide the required data is indicative of deficiencies in its management information systems and performance monitoring practices.

For further details on the TADAT framework, see Attachment I.

1. Some points to note about the TADAT diagnostic approach are:

- TADAT assesses the performance outcomes achieved in the administration of the major direct and indirect taxes critical to central government revenues, specifically corporate income tax (CIT), personal income tax (PIT), value added tax (VAT), domestic excise tax (with a focus is on those registered domestic excise taxpayers who trade in the category of goods/services that contribute 70 percent of the total domestic excise revenue by value), and Pay As You Earn (PAYE) amounts withheld by employers (which, strictly speaking, are

remittances of PIT).. By assessing outcomes in relation to administration of these core taxes, a picture can be developed of the relative strengths and weaknesses of a country's tax administration.

- TADAT assessments are evidence based (see Attachment V for the sources of evidence applicable to the assessment of Pakistan).
- TADAT is not designed to assess special tax regimes, such as those applying in the natural resource sector. Nor does it assess customs administration.
- TADAT provides an assessment within the existing revenue policy framework in a country, with assessments highlighting performance issues that may be best dealt with by a mix of administrative and policy responses.

2. The aim of TADAT is to provide an objective assessment of the health of key components of the system of tax administration, the extent of reform required, and the relative priorities for attention. TADAT assessments are particularly helpful in:

- Identifying the relative strengths and weaknesses in tax administration.
- Facilitating a shared view among all stakeholders (country authorities, international organizations, donor countries, and technical assistance providers).
- Setting the reform agenda (objectives, priorities, reform initiatives, and implementation sequencing).
- Facilitating management and coordination of external support for reforms and achieving faster and more efficient implementation.
- Monitoring and evaluating reform progress by way of subsequent repeat assessments.
-

I. COUNTRY BACKGROUND INFORMATION

A. Country Profile

General background information on Pakistan and the environment in which its tax system operates are provided in the country snapshot in Attachment II.

B. Data Tables

Numerical data gathered from the authorities and used in this TADAT performance assessment is contained in the tables comprising Attachment III.

C. Economic Situation

Pakistan's economy has witnessed slow growth during the past two decades. Annual per capita growth has averaged only 2 percent, less than half of South Asia's average, partly due to inconsistent macroeconomic policies and an under-reliance on investment and exports to drive economic growth. Brief periods of rapid consumption-fueled growth frequently led to sizable current account and fiscal deficits, that ultimately required policy tightening, resulting in recurrent boom-bust cycles. In early FY2020,¹ following one such episode of external and fiscal imbalances, the country entered into a 39-month IMF-Extended Fund Facility that supported an economic reform program focused on domestic revenue mobilization, reduction of energy sector arrears, and independence of the State Bank of Pakistan. The associated adjustment measures, including fiscal consolidation, contributed to a reduction of the imbalances over the year and improved macroeconomic stability. However, the containment measures adopted in response to the COVID-19 pandemic led to a severe contraction in economic activity during the final quarter of FY2020. As a result, GDP growth contracted by 0.5 percent in FY2020, the first contraction since 1952.

On the back of low-base effects and recovering domestic demand, Pakistan's real GDP growth (at factor cost) is estimated to rebound to 3.5 percent in FY2021.² Buttressed by record-high official remittance inflows and an accommodative monetary policy with a credible market-based exchange rate regime, private consumption and investment are both estimated to have strengthened during the FY 2021 – driving the overall economic recovery. Government consumption is also estimated to rise, but at a slower pace than in FY2020 when the COVID-19 fiscal stimulus package was rolled out. In contrast, net exports are estimated to contract in FY2021, as imports growth almost doubled that of exports due to strong domestic demand. On the production side, in line with the 14.8 percent y-o-y growth in the large-scale manufacturing index in FY2021, industrial activity is projected to rebound after contracting for two consecutive years. Similarly, the services sector that accounts for 60 percent of GDP, is estimated to expand over the FY, as generalized lockdown measures were increasingly lifted. In contrast, growth in the agriculture sector is expected to slow down compared to FY2020, partly due to a near 30 percent decline in cotton production on account of adverse weather conditions.

Despite slowing to 8.9 percent in FY21 from 10.7 percent in FY20, headline consumer price inflation remained elevated – mostly on account of high food inflation. Food inflation is likely to disproportionately impact poorer households that spend a larger share of their income on food items compared to non-food items. With the policy rate being held at 7.0 percent throughout the FY2020, real interest rates were negative, supporting the economic recovery. The

¹ Pakistan reports data on fiscal year (FY) basis. The fiscal year runs from July 1 through June 30.

² World Bank estimate. The Government's preliminary real GDP growth estimate for FY21 is 3.9 percent

financial sector has remained profitable during the COVID-19 pandemic, primarily due to a sharp increase in Government borrowing from commercial banks. The capital adequacy ratio of 18.3 percent at end-June FY2021 remained well above the minimum regulatory requirement of 12.5 percent, indicating banking sector resilience.

The current account deficit narrowed from 1.7 percent of GDP in FY2020 to 0.6 percent of GDP in FY21 as robust remittance inflows partly offset a wider trade deficit. In line with stronger domestic demand, the import of goods surged in FY21, but exports also reached record levels amidst improved external conditions and supportive export policy measures. The latter included subsidies for power and gas supply, lower export financing costs, and additional financing channels for exporters. While foreign direct investment decreased in FY21, portfolio inflows increased with the issuance of US\$2.5 billion Eurobonds. Overall, the balance of payments recorded a surplus of 1.9 percent of GDP in FY21, and official foreign exchange reserves rose to US\$18.7 billion at end-FY21, the highest since January 2017 and equivalent to 3.4 months of imports of goods and services. Accordingly, the Pakistani rupee appreciated by 5.8 percent against the U.S. dollar over the FY, while the real effective exchange rate rose by 10.4 percent.

In FY2021, the fiscal deficit (including grants) narrowed to 7.2 percent of GDP from 8.0 percent in FY2020, as revenue growth, underpinned by stronger domestic activity, outpaced the increase in expenditures. Total revenues increased by 10.1 percent y-o-y during the FY, of which tax revenues grew by 21.2 percent and non-tax revenues declined by 24.8 percent.³ Meanwhile, total expenditures expanded by 6.8 percent during FY21, of which current expenditures recorded a growth of 6.5 percent and development expenditures and net lending grew by 9.3 percent. Public debt, including guaranteed debt, ticked down to 90.7 percent of GDP at end-June FY21 from 92.7 percent at end-June FY20.⁴ Of the total public debt at end-June FY21, the share of external public debt was 33.9 percent, whereas short-term debt was 16.2 percent – implying low rollover risks. Nonetheless, the debt level is in breach of the Fiscal Responsibility and Debt Limitation Act (FRDLA) 2005 (amended in 2017) that stipulated a reduction of total public debt to 60 percent of GDP by end-FY18.⁵

³ Non-tax receipts were significantly higher in FY20 because of one-off renewal fees for 4G spectrum licenses from telecommunications companies, and a high volume of transfers from the State Bank of Pakistan (SBP) due to higher interest rates which resulted in higher SBP profits as it holds a large volume of the government debt portfolio.

⁴ Public debt includes general government debt and public guarantees, defined as guarantees to State-Owned Enterprises.

⁵ As per the FRDLA, public debt is defined as “debt of the government (including the Federal Government and the Provincial Governments) serviced out of the consolidated fund, and debts owed to the International Monetary Fund (IMF), less accumulated deposits of the Federal and Provincial Governments with the banking system”. As per this definition, debt stood at 76.7 percent of GDP at end-June 2021. The amendment to the FRDLA also stipulates a

(continued)

D. Main Taxes

The core taxes collected by the FBR in Pakistan are the Corporate Income Tax (CIT), Personal Income Tax (PIT), Sales Tax and Federal Excise Duties (FED). Withholding provisions are in place for Pay as You Earn (PAYE). The following provisions govern the core taxes: (i) Income Tax Ordinance, 2001; (ii) Sales Tax Act, 1990; and (iii) Federal Excise Act, 2007. The rate for CIT is 29 percent. PIT rates are progressive and range from 5 percent to 35 percent for different income brackets. Sales Tax is levied on the supply and import of goods and the rendering of certain specified services. The federal government normally levies sales tax only on the supply of goods throughout Pakistan as well as services rendered only in the Islamabad Capital Territory (ICT) whereas provincial governments levy sales tax in respect of services rendered in their respective provinces. FED is chargeable in a similar manner as VAT on certain services. The standard rate for sales tax is 17 percent on goods and that on services rendered in the ICT is 16 percent. Overall, revenue collections account for approximately 10 percent of GDP.

Sales Tax on domestic supplies is the largest contributor to tax revenues at 40.1 percent of total tax revenues, followed by Sales Tax on imports amounting to 23.0 percent of total tax revenues. CIT generates 17.7 percent of total tax collections while PIT, including that withhold at source, contributes 14.2 percent of total tax revenues. FED on domestic products contributes 6.2 percent of total revenues.

Further details on tax revenue collections are provided in Table 1 of Attachment III.

E. Institutional Framework

The FBR (the Board) in Pakistan is responsible for the administration of all taxes including Customs. The Board was established under section 3 of Federal Board of Revenue Act, 2007 and is responsible for carrying out all the functions that are necessary to: (i) implement the tax administration reforms; (ii) promote voluntary tax compliance and make the Board a service-oriented organization; and (iii) implement comprehensive policies and programs for the education and facilitation of taxpayers, stakeholders, and employees, etc.

In order to develop the FBR into a modern and efficient authority, the FBR is in process of carrying out reforms to: (i) implement information technology systems and policies with a view to consolidating assessments, improving processes, organizing improved registration of taxpayers, widening the tax base, and making departmental remedies more efficient; (ii) improve the productivity through a comprehensive and effective human resource strategy; and (iii)

reduction of total public debt by 0.5 percent each year from FY19-FY23 and by 0.75 percent each year from FY24-FY33 after which, public debt would be maintained at a level of 50 percent of GDP or less.

undertake appropriate measures including internal controls to combat corruption within the organization and provide checks to ensure the integrity of employees.

The FBR is headed by a Chairman-cum-Secretary Revenue Division who, being the executive head of the FBR, is required to interact with the President, the Prime Minister, all economic Ministries, and trade and industry. The FBR has eleven divisions comprising of: (i) inland revenue (IR) operations; (ii) customs operations; (iii) administration and human resources; (iv) IR policy; (v) Customs policy; (vi) facilitation and taxpayer education (FATE); (vii) reforms and modernization; (viii) IR legal; (ix) Customs legal and accounting; (x) audit and accounting; and (xi) information technology, each headed by a Member. There are 10 Director Generals for IR and 11 for Customs. The FBR has a workforce strength of 19,486, of which 18,494 are working under different field offices and large taxpayer offices. There are five large taxpayer offices, two in Karachi and one each in Islamabad, Lahore and Multan.

An organizational chart of the tax administration is provided in Attachment IV.

F. Current Status of Tax Administration Reform

The FBR has been implementing a series of tax reforms in recent years with the assistance of several development partners. A high point of the reform is the World Bank-funded Pakistan Raises Revenue (PRR) project which aims to contribute to the sustainable increase in domestic revenue by broadening the tax base and facilitating compliance. By strengthening the exchange of information, risk-based audit, reduction of withholding lines, and increasing the number of registered taxpayers, the PRR targets modernizing the tax and customs business processes through extensive automation and simplification across the board. In addition, the Revenue Management, Investment and Trade (ReMIT) technical assistance (TA) program financed by the FCDO provides FBR support in key areas such as criminal investigation, transfer pricing, Automatic Exchange of Information (AEIO), and compliance risk management.

FBR is receiving TA from the IMF⁶ on the adoption of a structured, systematic, and documented Compliance Risk Management (CRM) framework that will, over time, deliver lasting improvements in compliance. FBR's goal is to develop a sustainable tax system by providing: (i) analysis of the existing tax gap; (ii) reviewing of tax code and identifying necessary reform options on tax policy and administration; and (iii) recommendations on the establishment and operationalization of a Tax Policy Unit. The latter is supported by technical assistance from the ADB, which is also funding the implementation of key reforms⁷ through: (i) rationalization of CIT, PIT and tariffs; and (ii) institutional strengthening. A key component of the program supports the implementation of the Pakistan Single Window (PSW).

⁶ IMF-Fiscal Affairs Department (FAD) COVID-19 Crisis Capacity Development Initiative

⁷ ADB's Trade and Competitiveness Program Loan

G. International Information Exchange

Pakistan has entered into bilateral Double Taxation Avoidance agreements with 66 different countries.⁸ Pakistan is also a signatory of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (MAC). These treaties contain relevant articles for the exchange of information. Pakistan is also a member of Organization for Economic Cooperation Development's (OECD) Global Forum on Transparency and Exchange of Information for tax purpose since 2011. The first round of review has been done (Phase I & II) during 2014-2016 while the second round is scheduled from 30 September 2021. The recommendations made by OECD during first round of review are being implemented.⁹

II. ASSESSMENT OF PERFORMANCE OUTCOME AREAS

A. POA 1: Integrity of the Registered Taxpayer Base

A fundamental initial step in administering taxes is taxpayer registration and numbering. Tax administrations must compile and maintain a complete database of businesses and individuals that are required by law to register; these will include taxpayers in their own right, as well as others such as employers with PAYE withholding responsibilities. Registration and numbering of each taxpayer underpins key administrative processes associated with filing, payment, assessment, and collection.

Two performance indicators are used to assess POA 1:

- P1-1—Accurate and reliable taxpayer information.
- P1-2—Knowledge of the potential taxpayer base.

P1-1: Accurate and reliable taxpayer information

For this indicator two measurement dimensions assess: (1) the adequacy of information held in the tax administration's registration database and the extent to which it supports effective interactions with taxpayers and tax intermediaries (i.e., tax advisors and accountants); and (2) the accuracy of information held in the database. Assessed scores are shown in Table 2 followed by an explanation of reasons underlying the assessment.

⁸ <https://fbr.gov.pk/bilateral-full-scope-treaties/152329>

⁹ Phase 1 reviews assess the quality of a jurisdiction's legal and regulatory framework for the exchange of information, while Phase 2 reviews look at the practical implementation of that framework.

Table 2. P1-1 Assessment

Measurement dimensions	Scoring Method	Score 2021
P1-1-1. The adequacy of information held in respect of registered taxpayers and the extent to which the registration database supports effective interactions with taxpayers and tax intermediaries.	M1	B
P1-1-2. The accuracy of information held in the registration database.		C

The information held in the registration database is adequate, but it is not used to generate pre-filled tax declarations. Individuals and companies entitled for taxpayers' registration follow a robust registration process at FBR. Eligible individuals register for PIT, and qualified companies register for the CIT regime. In addition, individuals and companies liable for Sales Tax (VAT) register voluntarily. In the case of federal excise, customs, and other taxes, all businesses are linked to the National Tax Number (NTN). The taxpayer registration process can be completed online through IRIS¹⁰ and through in-person visits to a regional office where a customer service personnel assists the taxpayer during the IRIS registration process. FBR has specific registration forms under section 184 of the Income Tax Ordinance 2001 and under section 14 of the Sales Tax Act, 1990. New registrants are required to fill in the basic information such as full name, commercial/personal address, telephone number, email, date of birth, and main taxpayer activity. In the case of companies, the IRIS registry system is linked to the Security and Exchange Commission (SEC) database which provides information on related entities (shareholders and associated subsidiaries).

The registration database is centralized and computerized, and each taxpayer has a unique taxpayer identification. At the end of the registration process, the FBR generates a National Taxpayer Number (NTN), a 13-digit high integrity number. In the case of individuals, the NTN is linked to the Computerized National Identity Card (CNIC) database to verify the full name, address, and date of birth. In the case of companies, IRIS is linked to the SEC database.

The registration database interfaces with the filing and payment subsystems and allows secure access to taxpayers. The taxpayer registration database is managed by Pakistan Revenue Automation Limited¹¹ (PRAL) through an ORACLE application. The interface with the Integrated Tax Management System (ITMS) subsystems allows the frontline tax officers, depending on their digital credentials, to have access to a full view of taxpayer information. The system allows for deregistration and segregation of active and inactive taxpayers. PRAL regularly

¹⁰ <https://iris.fbr.gov.pk/public/txplogin.xhtml>

¹¹ PRAL is a government owned company for providing IT support to FBR which is the majority shareholder of PRAL. The Chairman of FBR is the Chairman of the PRAL Board.

generates monthly and annual management statistics that are required by the senior FBR management. Only authorized officials can enter the database using a password which is security-enhanced by a two-step verification code that keeps an audit trail of user access. The automated registration process enables a secure environment for taxpayers to register and update their details. The system sends a verification code to taxpayer's telephone to validate the phone number, full name, and address. The validity of the user's email address is ensured by sending a confirmation password via e-mail.¹²

Although documented procedures exist to remove inactive taxpayers, there is no management report, internal audit or external audit to confirm that this is the case. The authenticity of the registration applicants is assured through the links of applicant's information with the CNIC and SEC databases, which provide proof of identity and minimize false registration. FBR also gets a large number of third-party information from other government agencies which is used. However, the registration database contains many non-filers who have not been segregated. Active and inactive taxpayers are readily identified by the system. Persons who do not file returns within the due date are placed on inactive status, but due to existing laws on filing of PIT and Sales Tax returns, these inactive taxpayers cannot be mentioned under the head "Not Required to File Returns" resulting in the database containing many non-filers. Neither the annual report nor audit report indicated any level of confidence in the accuracy of the registration database

P1-2: Knowledge of the potential taxpayer base

This indicator measures the extent of tax administration efforts to detect unregistered businesses and individuals. The assessed score is shown in Table 3 followed by an explanation of reasons underlying the assessment.

Table 3. P1-2 Assessment

Measurement dimension	Scoring Method	Score 2021
P1-2. The extent of initiatives to detect businesses and individuals who are required to register but fail to do so.	M1	B

¹² To log into IRIS to complete the next registration steps, the taxpayer must enter the PIN and the password received by email. Once the taxpayer has been registered for income tax, they can be registered to sales tax and will add information about bank accounts, commercial address, commercial meter, utility bills, and copies of any rental. The taxpayer will wait for 30 minutes to verify the CNIC information and once it matches, the start date of the sales tax registration will be confirmed. To submit the sales tax return, the taxpayer first needs to go to the national Database and Registration Authority (NADRA) for fingerprints registration and once confirmed, the taxpayer will be allowed to submit the tax returns through the ITMS.

There are fairly good initiatives to detect unregistered businesses and individuals and these are reflected in FBR's Annual Report. The FBR's Broadening the Tax (BTB) Initiative has implemented cross-verification information with third-party data as well as internal information from, for example, returns, audits financial statements to identify potential taxpayers subject to registration. Data sources include property registration information, vehicle registry for luxury cars, utility bills, boat ownership, and information on bank withdrawals.¹³ These transactions are captured in a Data Bank for sending notices to those hiding in the shadows. The BTB initiative conducts some impromptu visits to shopping districts to detect unregistered businesses. FBR efforts to enhance the tax base are reflected in the Annual Report of FY20¹⁴ where the new taxpayers registered under the income tax were 1.2 million and under the sales tax regime 37,963. These efforts are a result of World Bank/FCDO supported reforms implemented especially through the exchange of information and ICT-based business intelligence.¹⁵

B. POA 2: Effective Risk Management

Tax administrations face numerous risks that have the potential to adversely affect revenue and/or tax administration operations. For convenience, these risks can be classified as:

- Compliance risks—where revenue may be lost if businesses and individuals fail to meet the four main taxpayer obligations (i.e. registration in the tax system; filing of tax declarations; payment of taxes on time; and complete and accurate reporting of information in declarations); and
- Institutional risks—where tax administration functions may be interrupted if certain external or internal events occur, such as natural disasters, sabotage, loss or destruction of physical assets, failure of IT system hardware or software, strike action by employees, and administrative breaches (e.g., leakage of confidential taxpayer information which results in loss of community confidence and trust in the tax administration). For TADAT purposes, institutional risk is divided into two components. These are:
 - *Operational risk*—refers to disruptive actions that destroy or affect part or all of the administration's assets and resources, such as buildings, IT, and other equipment, data and records; and

¹³ *Fiscal Development*, Chapter 4. 2.06.2020

¹⁴ *FBR Annual Report* 2019-20

¹⁵ Validation visits by Islamabad-based TADAT assessor to PRAL to see the IRIS system showed details of the taxpayers withholding tax details, integration of data with banks, educational institutions, telecommunication companies and vehicle registration authorities.

- *Human capital risk*—refers to interruptions that affect the tax administration arising out of capability, capacity, compliance, cost and connection (engagement) gaps of and by its employees.

Risk management is essential to effective tax administration and involves a structured approach to identifying, assessing, prioritizing, and mitigating risks. It is an integral part of multi-year strategic and annual operational planning.

Five performance indicators are used to assess POA 2:

- P2-3—Identification, assessment, ranking, and quantification of compliance risks.
- P2-4—Mitigation of risks through a compliance improvement plan.
- P2-5—Monitoring and evaluation of compliance risk mitigation activities.
- P2-6—Management of operational (i.e. systems and processes) risks.
- P2-7—Management of human capital risks.

P2-3: Identification, assessment, ranking, and quantification of compliance risks

For this indicator two measurement dimensions assess: (1) the scope of intelligence gathering and research to identify risks to the tax system; and (2) the process used to assess, rank, and quantify compliance risks. Assessed scores are shown in Table 4 followed by an explanation of reasons underlying the assessment.

Table 4. P2-3 Assessment

Measurement dimensions	Scoring Method	Score 2021	
P2-3-1. The extent of intelligence gathering and research to identify compliance risks in respect of the main tax obligations.	M1	C	D
P2-3-2. The process used to assess, rank, and quantify taxpayer compliance risks.		D	

FBR has some intelligence gathering and research activities to identify compliance risks in respect of the main tax obligations in place. Evidence of the research activities includes a Pakistan Governmental economic study that FBR had input into, some analysis of tax returns, and a Performance Audit undertaken by the Auditor General. The World Bank conducted a tax gap study for the FBR in 2019.

FBR does not have the processes in place that assess, rank and quantify taxpayer compliance risks. No evidence was available to confirm that any processes are used to assess, rank, and quantify taxpayer compliance risks.

P2-4: Mitigation of risks through a compliance improvement plan

This indicator examines the extent to which the tax administration has formulated a compliance improvement plan to address identified risks. The assessed score is shown in Table 5 followed by an explanation of reasons underlying the assessment.

Table 5. P2-4 Assessment

Measurement dimension	Scoring Method	Score 2021
P2-4. The degree to which the tax administration mitigates assessed risks to the tax system through a compliance improvement plan.	M1	D

FBR does not have a documented annual compliance program in place which identifies mitigation activities in respect of identified risks in the tax system. No evidence of any compliance improvement plan was available.

P2-5: Monitoring and evaluation of compliance risk mitigation activities

This indicator looks at the process used to monitor and evaluate compliance mitigation activities. The assessed score is shown in Table 6 followed by an explanation of reasons underlying the assessment.

Table 6. P2-5 Assessment

Measurement dimension	Scoring Method	Score 2021
P2-5. The process used to monitor and evaluate the impact of compliance risk mitigation activities.	M1	D

FBR do not have in place processes that monitor and evaluate the impact of compliance risk mitigation activities. No evidence of any processes used to monitor and evaluate the impact of compliance risk mitigation activities was available.

P2-6: Management of operational risks

This indicator examines how the tax administration manages operational risks other than those related to human resources. The assessed score is shown in Table 7 followed by an explanation of reasons underlying the assessment.

Table 7. P2-6 Assessment

Measurement dimensions	Scoring Method	Score 2021	
P2-6-1. The process used to identify, assess and mitigate operational risks.	M1	D	D
P2-6-2. The extent to which the effectiveness of the business continuity program is tested, monitored and evaluated.		D	

FBR do not have the processes, or a business continuity program, used to identify, assess and mitigate operational risks. No evidence of processes used to identify, assess and mitigate operational risks was available.

FBR does not have a business continuity program in place. No evidence of any processes used to identify, assess and mitigate operational risks was available.

P2-7: Management of human capital risks

This indicator examines how the tax administration manages human capital risks. The assessed score is shown in Table 8 followed by an explanation of reasons underlying the assessment.

Table 8. P2-7 Assessment

Measurement dimensions	Scoring Method	Score 2021	
P2-7-1. The extent to which the tax administration has in place the capacity and structures to manage human capital risks.	M1	D	D
P2-7-2. The degree to which the tax administration evaluates the status of human capital risks and related mitigation interventions.		D	

FBR has not developed the capacity nor structures to manage human capital risks. No evidence of processes used to identify, assess and mitigate operational risks was available.

FBR does not evaluate the status of human capital risks and related mitigation interventions. No evidence on the evaluation of human capital risks and related mitigation interventions was available.

C. POA 3: Supporting Voluntary Compliance

To promote voluntary compliance and public confidence in the tax system, tax administrations must adopt a service-oriented attitude toward taxpayers, ensuring that taxpayers have the information and support they need to meet their obligations and claim their entitlements under the law. Because few taxpayers use the law itself as a primary source of information, assistance from the tax administration plays a crucial role in bridging the knowledge gap. Taxpayers expect that the tax administration will provide summarized, understandable information on which they can rely.

Efforts to reduce taxpayer costs of compliance are also important. Small businesses, for example, gain from simplified record keeping and reporting requirements. Likewise, individuals with relatively simple tax obligations (e.g., employees, retirees, and passive investors) benefit from simplified filing arrangements and systems that eliminate the need to file.

Four performance indicators are used to assess POA 3:

- P3-8—Scope, currency, and accessibility of information.
- P3-9—Time taken to respond to information requests.
- P3-10—Scope of initiatives to reduce taxpayer compliance costs.
- P3-11—Obtaining taxpayer feedback on products and services.

P3-8: Scope, currency, and accessibility of information

For this indicator four measurement dimensions assess: (1) whether taxpayers have the information they need to meet their obligations; (2) whether the information available to taxpayers reflects the current law and administrative policy; (3) how easy it is for taxpayers to obtain information. Assessed scores are shown in Table 9 followed by an explanation of reasons underlying the assessment.

Table 9. P3-8 Assessment

Measurement dimensions	Scoring Method	Score 2021
P3-8-1. The range of information available to taxpayers to explain, in clear terms, what their obligations and entitlements are in respect of each core tax.	M1	A
P3-8-2. The degree to which information is current in terms of the law and administrative policy.		A
P3-8-3. The ease by which taxpayers obtain information from the tax administration.		A

Information on taxpayer obligations and entitlements is readily available for all core taxes, and it is tailored to meet the needs of taxpayers.¹⁶ FBR has an extensive engagement program, delivered in a variety of formats and targeted at different taxpayer groups, intermediaries and disadvantaged groups such as linguistic minorities.¹⁷ The Facilitation and Taxpayer Education (FATE) unit¹⁸ within the FBR is responsible for dissemination of information to taxpayers in a timely manner. FATE designs and delivers taxpayer products, campaigns, and events focused on a variety of taxpayer segments to support taxpayers. The FBR has a published Taxpayer Charter, setting out clearly the rights and obligations of the taxpaying population.¹⁹ Information is available on all core taxes and it is tailored to segments²⁰ based on risk or capabilities, including dedicated outreach activities with representative groups.²¹

¹⁶ 'Supplementary Tutorials and Manuals' on profile updates, income tax filing and payment of income tax, sales tax & customs duties.

¹⁷ Information is available primarily in English but video tutorials and documentation in other languages are available to guide taxpayer on issues like enrolment, registration, and filing the simplified salary returns. Through the engagement with representative bodies, information is tailored to intermediaries.

¹⁸ 'Evidence of FATE functions', p. 4

¹⁹ Taxpayer Charter

²⁰ Web site link: Home page 3.png – screenshot of 'sector and issue guidance' page

²¹ 'FATE Outreach Programme' – Evidence of campaign planning and taxpayer outreach – pp. 6-9

The FATE unit designs and maintains all taxpayer guidance and support material.²² There is a designated office for issuing regular updates and clarifications. The FBR website also contains the latest updates of all the applicable tax rules and regulations. The information to taxpayers is communicated before the law or policy takes effect using the website and the print and social media. Publicity campaigns are in place to tackle common areas of taxpayers' needs.

FATE employs both active and passive methods to support taxpayers. Information is made available in a variety of ways and FATE support officials to facilitate this.²³ For example, the website includes guidance in both text and video format, covering a broad range of areas to support taxpayers to file their tax return²⁴. In addition, the run both broad media campaigns covering common issues, or targeted campaigns focused on particular risk areas or enforcement activity. The call center uses a Customer Relationship Management system to facilitate and manage contact with taxpayers and has an extensive FAQ at its disposal. It is open from 08:00 until 23:00 on all working days and uses common FAQs that are updated, using feedback from taxpayers from a variety of contacts.²⁵ Taxpayers may also walk into their respective tax office with queries and to get advice from dedicated 'facilitation desks'.

FATE regularly conducted taxpayer education and awareness programs across the country. The information is generally available to taxpayers at no cost. The campaigns and outreach programs come in a variety of formats, including workshops, seminars and personal visits to prominent institutions and organizations in the country. These initiatives focus on highlighting the importance of filing tax returns along with detailed briefings that include guidance on how file tax returns on FBR's Income Tax portal (IRIS).

P3-9: The time taken to respond to requests for information.

This indicator examines how quickly the tax administration responds to requests by taxpayers and tax intermediaries for information (for this dimension, waiting time for telephone enquiry calls is used as a proxy for measuring a tax administration's performance in information requests generally). Assessed scores are shown in Table 10 followed by an explanation of reasons underlying the assessment.

²² Evidence of FATE functions', p. 4

²³ 'Training Material'

²⁴ For example, see - <https://www.fbr.gov.pk/video-tutorials-income-tax-return-filing/132186>

²⁵ 'Evidence of FAQ research and updates', p. 68

Table 10. P3-9 Assessment

Measurement dimension	Scoring Method	Score 2021
P3-9: The time taken to respond to taxpayers and tax intermediaries' requests for information.	M1	A

Almost all calls were answered within six minutes in FY 2020-21. An Islamabad-based member of the TADAT assessment team visited the FBR call center and noted that it was properly staffed.²⁶ It was found that because of adequate staff, all the calls are replied in person and calls are not diverted to an answering machine. As a sample check, the record for Nov 2020 was verified with the data provided in Questionnaire Table 3 was found to be accurate.^{27 28}

P3-10: Scope of initiatives to reduce taxpayer compliance costs

This indicator examines the tax administration's efforts to reduce taxpayer compliance costs. Assessed scores are shown in Table 11 followed by an explanation of reasons underlying the assessment.

Table 11. P3-10 Assessment

Measurement dimension	Scoring Method	Score 2021
P3-10. The extent of initiatives to reduce taxpayer compliance costs.	M1	C

The FBR has an ongoing reform process to simplify and reduce costs for Small and Medium Sized Taxpayers (SMEs). Through the Finance Act, 2021, a new section 100(E) has been inserted in the Income Tax Ordinance, 2001 to introduce a single-page simplified income tax return form for small & medium-sized enterprises (SMEs).²⁹ In addition, a '*MaloomatTaxRay*

²⁶ Picture of call center.jpg

²⁷ Sample validation of Table 3 figures for November 2020 with call center activity log.xlsx

²⁸ Screenshot of call center activity report.pdf

²⁹ 100E. Special provisions relating to small and medium enterprises— (1) For tax year 2021 and onwards, the tax payable by a small and medium enterprise as defined in clause (59A) of section 2 shall be computed and paid in accordance with rules made under the Fourteenth Schedule. (2) The Board may prescribe a simplified return for a small and medium enterprise.]

Section 2 (59) 2 [(59A) "small and medium enterprise" means a person who is engaged in manufacturing as defined in clause (iv) of sub-section (7) of section 153 of the Ordinance and his business turnover in a tax year does not exceed two hundred and fifty million rupees: Provided that if annual business turnover of a small and medium enterprise exceeds two hundred and fifty million rupees, it shall not qualify as small and medium enterprise in the tax year in which annual turnover exceeds that turnover or any subsequent tax year.]

*App*³⁰ has been developed to help taxpayers get the information about their assets and withholding deductions and manage their tax affairs effectively. The information provided by this App helps taxpayers file their annual tax returns correctly without the help of intermediaries.

Through line manager oversight of call center staff and monthly reports on grievances to the Chairman, common questions and misunderstanding are regularly analyzed in order to improve taxpayer service effectiveness. FAQs are used by the call center and taxpayer feedback is considered in under FBR's outreach program.

Taxpayers and their authorized agents can access taxpayer account online via username and password. The integrity and confidentiality of taxpayers are protected by the taxpayer's own mobile number and email verification. Taxpayers are facilitated to make payments of core taxes and duty liabilities through Alternative Delivery Channels (ADC). This enables them to pay their tax at low cost, at any time and through different banking instruments, including debit/credit cards, ATMs, mobile banking (e.g. Jazz Cash), or over bank counter.

Pre-filled returns have not been implemented, but tax returns and forms are reviewed regularly. As a result, FBR has introduced a simplified wizard-based Income Tax Return (ITR) filing mechanism as a new feature of Tax Asaan mobile application. This feature will help taxpayer to proceed step-by-step using interactive questions for return filing, even familiarizing the taxpayer with the various issues related to tax and giving the best possible experience to file the ITR. The 'wizard' based solution supports salaried taxpayers, individual business Income Tax return for resident and non-resident taxpayers. The mobile application enables the taxpayer to draft the return offline, thus giving them freedom and flexibility to file their return at their own convenience and submit their ITR online.

P3-11: Obtaining taxpayer feedback on products and services

For this indicator, two measurement dimensions assess: (1) the extent to which the tax administration seeks taxpayer and other stakeholder views of service delivery; and (2) the degree to which taxpayer feedback is taken into account in the design of administrative processes and products. Assessed scores are shown in Table 12 followed by an explanation of reasons underlying the assessment.

³⁰ <https://iris.fbr.gov.pk/public/txpAllLogin.xhtml>

Table 12. P3-11 Assessment

Measurement dimensions	Scoring Method	Score 2021	
P3-11-1. The use and frequency of methods to obtain performance feedback from taxpayers on the standard of services provided.	M1	D	D
P3-11-2. The extent to which taxpayer input is taken into account in the design of administrative processes and products.		C	

The FBR has an ongoing process to engage with taxpayers and obtain feedback on a number of issues but no independent third party survey is conducted. Draft Statutory Regulatory Ordinances (SROs) are placed on the FBR's website before issuance for amendments in certain law and rules. This occurs annually, covering all the proposals in the Finance Act of that year. The purpose of this exercise is to publish for the information of all persons likely to be affected and suggestions/objections received within 15 days after issuance, responding to government need as opposed to taxpayers. Feedback on services is obtained and acted upon on an ad hoc basis through the business process redesign efforts.

FBR uses a variety of methods to obtain feedback from taxpayers regularly that include:

- (i) meeting with Chamber of Commerce and Industries;
- (ii) monthly FBR and field Formations *Khuli Kachheris* (Open Courts);
- (iii) seminars conducted at educational institutions;
- (iv) complaint Box at each Field Formation; and
- (v) during the annual budget finalization process.

While feedback is obtained through the methods outlined above, no evidence was available of a systematic and routine consultation and response process and implementation of appropriate compliance interventions. Incorporating taxpayer feedback into the design and delivery of services is ad hoc and there is no active involvement of taxpayers through testing products and services before release to identify deficiencies in products and services before release.

D. POA 4: Timely Filing of Tax Declarations

Filing of tax declarations (also known as tax returns) remains a principal means by which a taxpayer's tax liability is established and becomes due and payable. As noted in POA 3, however, there is a trend towards streamlining preparation and filing of declarations of taxpayers with relatively uncomplicated tax affairs (e.g., through pre-filing tax declarations). Moreover, several

countries treat income tax withheld at source as a final tax, thereby eliminating the need for large numbers of PIT taxpayers to file annual income tax declarations. There is also a strong trend towards electronic filing of declarations for all core taxes. Declarations may be filed by taxpayers themselves or via tax intermediaries.

It is important that all taxpayers who are required to file do so, including those who are unable to pay the tax owing at the time a declaration is due (for these taxpayers, the first priority of the tax administration is to obtain a declaration from the taxpayer to confirm the amount owed, and then secure payment through the enforcement and other measures covered in POA 5).

Three performance indicators are used to assess POA 4:

- P4-12—On-time filing rate.
- P4-13—Management of non-filers
- P4-14—Use of electronic filing facilities.

P4-12: On-time filing rate

A single performance indicator, with four measurement dimensions, is used to assess the on-time filing rate for CIT, PIT, VAT and domestic excise tax, and PAYE withholding declarations. A high on-time filing rate is indicative of effective compliance management including, for example, provision of convenient means to file declarations (especially electronic filing facilities), simplified declarations forms, and enforcement action against those who fail to file on time. Assessed scores are shown in Table 13 followed by an explanation of reasons underlying the assessment.

Table 13. P4-12 Assessment

Measurement dimensions	Scoring Method	Score 2021	
P4-12-1. The number of CIT declarations filed by the statutory due date as a percentage of the number of declarations expected from registered CIT taxpayers.	M2	D	D ⁺
P4-12-2. The number of PIT declarations filed by the statutory due date as a percentage of the number of declarations expected from registered PIT taxpayers.		D	
P4-12-3. The number of VAT declarations filed by the statutory due date as a percentage of the number of declarations expected from registered VAT taxpayers.		C	

P4-12-4. The number of domestic excise tax declarations filed by the statutory due date as a percentage of the number of declarations expected from registered domestic excise taxpayers.		D	
P4-12-5. The number of PAYE withholding declarations filed by employers by the statutory due date as a percentage of the number of PAYE declarations expected from registered employers.		D	

While large taxpayers have a high on-time filing rate, smaller taxpayers are significantly less compliant. This indicator is scored using quantitative measurements from Attachment III, Tables 4 - 10. For all taxpayers, data gathered for FY2019-2020 shows that 47.9 percent of CIT declarations, 46.9 percent of PIT declarations, 61.5 percent of VAT declarations, 36.2 percent of domestic excise tax declarations, and 37.7 percent of withholding declarations are filed on time.³¹ For large taxpayers, 94.8 percent of CIT declarations are filed on-time, 94.9 percent of VAT declarations are filed on-time, and 76.1 percent of domestic excise tax declarations are filed on time in the same fiscal year. [Attachment III, Tables 4 to 10]

P4-13: Management of non-filers

This indicator measures the extent to taxpayers who have failed to file declarations when due are managed. The assessed score is shown in Table 14 followed by an explanation of reasons underlying the assessment.

Table 14. P4-13 Assessment

Measurement dimension	Scoring Method	Score 2021
P4-13. Action taken to follow up non-filers.	M1	D

Follow-up actions are taken on non-filers regularly, but there are no documented procedures, no dedicated filing enforcement staff, and the taxpayer database is not updated regularly. IRIS and ITMS have function to identify taxpayers who have been failed to file declarations when due and tax officials can generate a notice for non-filers with the use of systems. Penalties are generated automatically by the systems for non-filers and their issuance to taxpayers is done manually by tax officers. However, documented procedures are not in place for filing enforcement follow-up actions. Also, FBR does not have dedicated filing enforcement

³¹ The figures in Table 10 include declarations from all withholding agents (for salary, dividend and interest) and is not limited to declarations by just employers PAYE withholding.

unit in each local tax office. ATL (active taxpayer list) is not updated regularly in the taxpayer database and, as a result, many non-active taxpayers may remain as active status.

In its written comments on the draft PAR, the FBR requested upgrading the score on the grounds that automatic identification of non-filers through IRIS is in place and that, together with NADRA, this would develop to the required level. However, it was confirmed that currently, documented procedures and dedicated filing enforcement units do not exist for follow-up actions on filing enforcement, both of which are minimum requirements for a 'C' score.

P4-14: Use of electronic filing facilities

This indicator measures the extent to which declarations, for all core taxes, are filed electronically. Assessed scores are shown in Table 15 followed by an explanation of reasons underlying the assessment.

Table 15. P4-14 Assessment

Measurement dimension	Scoring Method	Score 2021
P4-14. The extent to which tax declarations are filed electronically.	M1	A

Most of tax declarations are filed electronically. Data gathered for 2020 shows that all of CIT, VAT, PAYE, and domestic excise tax declarations are filed electronically, and 98.5 percent of PIT declarations are filed electronically. There is a mandatory requirement for tax declarations for the core taxes to be submitted electronically. [Attachment III, Tables 11].

E. POA 5: Timely Payment of Taxes

Taxpayers are expected to pay taxes on time. Tax laws and administrative procedures specify payment requirements, including deadlines (due dates) for payment, who is required to pay, and payment methods. Depending on the system in place, payments due will be either self-assessed or administratively assessed. Failure by a taxpayer to pay on time results in imposition of interest and penalties and, for some taxpayers, legal debt recovery action. The aim of the tax administration should be to achieve high rates of voluntary on-time payment and low incidence of tax arrears.

Four performance indicators are used to assess POA 5:

- P5-15—Use of electronic payment methods.
- P5-16—Use of efficient collection systems.

- P5-17—Timeliness of payments
- P5-18—Stock and flow of tax arrears.

P5-15: Use of electronic payment methods

This indicator examines the degree to which core taxes are paid by electronic means without the direct intervention of bank staff or tax administration, including through electronic funds transfer (where money is electronically transferred via the Internet from a taxpayer's bank account to the Government's account), credit cards, and debit cards. Assessed scores are shown in Table 16 followed by an explanation of reasons underlying the assessment.

Table 16. P5-15 Assessment

Measurement dimension	Scoring Method	Score 2021
P5-15. The extent to which core taxes are paid electronically.	M1	C

Electronic payment rates for all core taxes are sharply rising in FY 2021. FBR is promoting electronic payment options for all taxpayers such as internet banking, mobile banking, and ATMs. The campaign is shown in Annual Performance Report of FBR (FY 2019-20) at p. 39. In addition, corporate taxpayers are recently required to pay taxes only through electronic payment. For most core taxes, the value of electronic payments as a percent of total payments is greater than 75 percent. However, for PIT, the value of electronic payments as a percent of total payments is still 43.7 percent. For large taxpayers for all core taxes, the value of electronic payments as a percent of total payments is 91.5 percent. [Table 11 in Attachment III].

P5-16: Use of efficient collection systems

This indicator assesses the extent to which acknowledged efficient collection systems—especially withholding at source and advance payment systems—are used. Assessed scores are shown in Table 17 followed by an explanation of reasons underlying the assessment.

Table 17. P5-16 Assessment

Measurement dimension	Scoring Method	Score 2021
P5-16. The extent to which withholding at source and advance payment systems are used.	M1	A

Tax withholding at source and advance payments are routinely used. Section 149³², 150³³ and 151³⁴ of Income Tax Ordinance, 2001 deals with withholding of tax from payments under the head “salary”, “dividend” and “profit on debt” respectively. The advance payment regime is used for corporate income tax and personal income tax under section 147³⁵ and 148³⁶ of Income Tax Ordinance, 2001. Advance tax is paid quarterly and, for withholding tax, the reporting arrangements are in place.

P5-17: Timeliness of payments

This indicator assesses the extent to which payments are made on time (by number and by value). For TADAT measurement purposes, VAT payment performance is used as a proxy for on-time payment performance of core taxes generally. A high on-time payment percentage is indicative of sound compliance management including, for example, provision of convenient payment methods and effective follow-up of overdue amounts. Assessed scores are shown in Table 18 followed by an explanation of reasons underlying the assessment.

³² **149. Salary.** — (1) Every person responsible for paying salary to an employee shall, at the time of payment, deduct tax from the amount paid at the employee’s average rate of tax computed at the rates specified in Division I of Part I of the First Schedule on the estimated income of the employee chargeable under the head “Salary” for the tax year in which the payment is made after making⁴ [adjustment of tax withheld from employee under other heads and tax credit admissible under section 61, 62, 63 and 64 during the tax year after obtaining documentary evidence],

³³ **150. Dividends.** — Every 2 [person] paying a dividend shall deduct tax from the gross amount of the dividend paid or collect tax from the amount of dividend in specie at the rate specified in Division I of Part III of the First Schedule.

³⁴ **151. Profit on debt.** — (1) Where [(a) a person pays yield on an account, deposit or a certificate under the National Savings Scheme or Post Office Savings Account; (b) a banking company financial institution pays any profit on a debt, being an account or deposit maintained with the company or institution; (c) the Federal Government, a Provincial Government or a Local Government pays to any person profit on any security other than that referred to in clause (a)] issued by such Government or authority; or (d) a banking company, a financial institution, a company referred to in sub-clauses (i) and (ii) of clause (b)] of sub-section (2) of section 80, or a finance society pays any profit on any bond, certificate, debenture, security or instrument of any kind (other than a loan agreement between a borrower and a banking company or a development finance institution) to any person other than financial institution.

³⁵ **147. Advance tax paid by the taxpayer**— (1) Subject to sub-section (2), every taxpayer 1 [whose income was charged to tax for the latest tax year under this Ordinance or latest assessment year under the repealed Ordinance

³⁶ **148. Imports**— (1) The Collector of Customs shall collect advance tax from every importer of goods on the value of the goods at the rate specified in Part II of the First Schedule 1 in respect of goods classified in

Table 18. P5-17 Assessment

Measurement dimensions	Scoring Method	Score 2021	
P5-17-1. The number of VAT payments made by the statutory due date in percent of the total number of payments due.	M1	D	D
P5-17-2. The value of VAT payments made by the statutory due date in percent of the total value of VAT payments due.		D	

On-time VAT payment rate is relatively low especially for large taxpayers. In FY 2021, the on-time VAT payment rate in number of payments is 64.8 percent and in value of payments is 70.6 percent. In the case of large taxpayers, aforementioned percentages decline to 54.0 percent and 53.6 percent respectively. [See Table 12 in Attachment III].

P5-18: Stock and flow of tax arrears

This indicator examines the extent of accumulated tax arrears. Two measurement dimensions are used to gauge the size of the administration's tax arrears inventory: (1) the ratio of end-year tax arrears to the denominator of annual tax collections; and (2) the more refined ratio of end-year 'collectible tax arrears' to annual collections.³⁷ A third measurement dimension looks at the extent of unpaid tax liabilities that are more than a year overdue (a high percentage may indicate poor debt collection practices and performance given that the rate of recovery of tax arrears tends to decline as arrears get older). Assessed scores are shown in Table 19 followed by an explanation of reasons underlying the assessment.

Table 19. P5-18 Assessment

Measurement dimensions	Scoring Method	Score 2021	
P5-18-1. The value of total core tax arrears at fiscal year-end as a percentage of total core tax revenue collections for the fiscal year.	M2	C	B+
P5-18-2. The value of collectible core tax arrears at fiscal year-end as a percentage of total core tax revenue collections for the fiscal year.		A	
P5-18-3. The value of core tax arrears more than 12 months old as a percentage of the value of all core tax arrears.		A	

³⁷ For purposes of this ratio, 'collectible' tax arrears is defined as total domestic tax arrears excluding: (a) amounts formally disputed by the taxpayer and for which collection action has been suspended pending the outcome, (b) amounts that are not legally recoverable (e.g., debt foregone through bankruptcy), and (c) arrears otherwise uncollectible (e.g., the debtor has no funds or other assets).

The level of tax arrears of FBR is relatively low, and the performance of collecting tax arrears is good. The three-year average of core tax arrears at fiscal year-end as a percentage of core tax revenue collection for the fiscal year is 25.1 percent, which is rated as a “C” score. On the other hand, the three-year average of collectible core tax arrears of fiscal year-end as a percentage of total core tax revenue collections for the fiscal year is 4.5 percent. The value of core tax arrears more than 12 months old as a percentage of the value of all core tax arrears is 15.2 percent which is a quite good performance compared with most countries.³⁸ The report of the Auditor General of Pakistan provides an insight into the low volume of old arrears.³⁹ [Table 13 in Attachment III].

F. POA 6: Accurate Reporting in Declarations

Tax systems rely heavily on complete and accurate reporting of information by taxpayers in tax declarations. Tax administrations therefore need to regularly monitor tax revenue losses from inaccurate reporting, especially by business taxpayers, and take a range of actions to ensure compliance. These actions fall into two broad groups: verification activities (e.g., tax audits, investigations, and income matching against third party information sources) and proactive initiatives (e.g., taxpayer assistance and education as covered in POA 3, and cooperative compliance approaches).

If well designed and managed, tax audit programs can have far wider impact than simply raising additional revenue from discrepancies detected by tax audits. Detecting and penalizing serious offenders serve to remind all taxpayers of the consequences of inaccurate reporting.

Also prominent in modern tax administration is high-volume automated crosschecking of amounts reported in tax declarations with third-party information. Because of the high cost and relative low coverage rates associated with traditional audit methods, tax administrations are increasingly using technology to screen large numbers of taxpayer records to detect discrepancies and encourage correct reporting.

Proactive initiatives also play an important role in addressing risks of inaccurate reporting. These include adoption of cooperative compliance approaches to build collaborative and trust-based relationships with taxpayers (especially large taxpayers) and intermediaries to resolve tax issues and bring certainty to companies’ tax positions in advance of a tax declaration being filed, or

³⁸ Tax Administration 2019 Comparative Information on OECD and Other Advanced and Emerging Economies.

³⁹ Performance Audit Report on Inland Revenue Services of Federal Board of Revenue (2018-19), p. 7. In this report, the AGP has noted that tax demand once created gets deleted very soon due to various reasons including write off, appeal effect, rectification, and irrecoverable demand, leaving behind lower collectible tax demand, mainly owing to weak pursuance by tax authorities.

before a transaction is actually entered into. A system of binding tax rulings can play an important role here.

Finally, on the issue of monitoring the extent of inaccurate reporting across the taxpayer population generally, a variety of approaches are being used, including: use of tax compliance gap estimating models, both for direct and indirect taxes; advanced analytics using large data sets (e.g., predictive models, clustering techniques, and scoring models) to determine the likelihood of taxpayers making full and accurate disclosures of income; and surveys to monitor taxpayer attitudes towards accurate reporting of income.

Against this background, four performance indicators are used to assess POA 6:

- P6-19—Scope of verification actions taken to detect and deter inaccurate reporting.
- P6-20—Use of large-scale data-matching systems to detect inaccurate reporting.
- P6-21—Initiatives undertaken to encourage accurate reporting.
- P6-22—Monitoring the tax gap to assess inaccuracy of reporting levels.

P6-19: Scope of verification actions taken to detect and deter inaccurate reporting

For this indicator, four measurement dimensions provide an indication of the nature and scope of the tax administration's verification program. Assessed scores are shown in Table 20 followed by an explanation of reasons underlying the assessment.

Table 20. P6-19 Assessment

Measurement dimensions	Scoring Method	Score 2021
P6-19-1. The nature and scope of the tax audit program in place to detect and deter inaccurate reporting.	M1	C
P6-19-2. The extent to which the audit program is systematized around uniform practices.		D
P6-19-3. The degree to which the quality of taxpayer audits is monitored.		D
P6-19-4. The degree to which the tax administration monitors the effectiveness of the taxpayer audit function.		D

FBR has a tax audit program in place as evidenced by its Audit Policy. The Audit Policy is lacking in detail that would be expected in an annual tax audit plan. The current plan is dated 2019 for the 2018 year and the plan for 2020 has not been approved. There is at least a one-

year time lag in issuing the policy. The policy arguably covers all core taxes and segments and is oriented towards higher risk taxpayers; however, this is not detailed in the document. Audit cases are selected through their Risk Based Audit Management System using risk parameters. There are processes in place to update the risk parameters. Not all audit cases are selected centrally with many selected by regional offices. FBR use a range of audit types but does not have single issue audits. No evaluation of the impact of audits on compliance is undertaken.

The audit program lacks evidence to determine if its is systematized around uniform practices. FBR has a National Audit Manual, prepared in 2007, and is still an unfinished draft. There are no manuals for specific sectors. Training would appear to be mostly on-the-job without a dedicated training program. There was no evidence of a systematic quality assurance program, however, audit managers reviewed audit cases and provided feedback. Sectors were not ranked, and the case selection process is bottom-up only without any top-down (e.g., sector) view.

There is no systematic program in place to monitor the quality of taxpayer audits. There is a Monthly Performance Report that is generated at the unit level and consolidated at the FBR level. This report is focused solely on revenue raised and the quantity and not quality of audits. There is no evidence of processes used monitor the quality of taxpayer audits.

FBR has limited monitoring of the effectiveness of taxpayer audit function through the Monthly Performance Report. The focus on the report is revenue raised and case numbers only, and is manually prepared as there is no automated case management system in place.

P6-20: Use of large-scale data-matching systems to detect inaccurate reporting.

For this indicator, one measurement dimension provides an indication of the extent to which the tax administration leverages technology to screen large numbers of taxpayer records against third-party information to detect discrepancies and encourage correct reporting. Assessed scores are shown in Table 21 followed by an explanation of reasons underlying the assessment.

Table 21. P6-20 Assessment

Measurement dimension	Scoring Method	Score 2021
P6-20. The extent of large-scale automated crosschecking to verify information reported in tax declarations.	M1	C

There is limited evidence of large-scale automated crosschecking to verify information reported in tax declarations. FBR acquires large amounts of automated data both internally from Customs, employers' tax withholding return, as well as from motor vehicle registry,

procurement agencies and property registry. However, there is limited evidence of how this technology is leveraged to cross-check data, on a large scale, against declarations. Crosschecking is, in the main, done manually by auditors when reviewing declarations to identify issues for audit. FBR advised that it used the Risk Based Audit Management System to crossmatch taxpayer declarations with third-party data. However, there was no further evidence to understand the type of data and extent of matching.

In its written comments on the PAR, the FBR mentioned that while selecting a case for audit, RAMS can be configured to cross-match third party data as a risk parameter. However, FBR confirmed that cross-checking is being done manually and no provision exists in RAMS for automatic cross-checking with financial institutions and that this is being done only on a case-by-case basis.

P6-21: Initiatives undertaken to encourage accurate reporting

This indicator assesses the nature and scope of cooperative compliance and other proactive initiatives undertaken to encourage accurate reporting. Assessed scores are shown in Table 22 followed by an explanation of reasons underlying the assessment.

Table 22. P6-21 Assessment

Measurement dimension	Scoring Method	Score 2021
P6-21. The nature and scope of proactive initiatives undertaken to encourage accurate reporting.	M1	B

Pakistan's Income Tax Ordinance contains provisions for advance rulings system so that FBR can provide answers regarding the tax treatment of specific transactions.⁴⁰ On the FBR website, there are the procedures for applicants to follow. Advance rulings are not bifurcated into private and public. Advance rulings, once issued, are binding on FBR. There are limited and informal cooperative compliance approaches which involve a dialog with the various bar/legal and accounting bodies. There was no evaluation of the impact of the advance rulings system on compliance.

P6-22: Monitoring the tax gap to assess inaccuracy of reporting levels

This indicator examines the soundness of methods used by the tax administration to monitor the extent of inaccurate reporting in declarations. The assessed score is shown in Table 23 followed by an explanation of reasons underlying the assessment.

⁴⁰ Section 206A of the Income Tax Ordinance pertains to advance ruling

Table 23. P6-22 Assessment

Measurement dimensions	Scoring Method	Score 2021
P6-22. The soundness of tax gap analysis method/s used by the tax administration to monitor the extent of inaccurate reporting.	M1	C

A tax gap analysis for FBR was conducted by the World Bank in August 2019 but the results were not made public. The tax gap analysis covers sales tax and income tax at the country level and for a number of key sectors identified by FBR. It was originally planned that this would be a regular program; however, there is no evidence that this is the case. The tax gap results have not been subject to “credibility tests” such as an independent review, and have not been made public. Nevertheless, the results have been used to support the implementation of a “track and trace system” to improve accuracy of reporting.

G. POA 7: Effective Tax Dispute Resolution

This POA deals with the process by which a taxpayer seeks an independent review, on grounds of facts or interpretation of the law, of a tax assessment resulting from an audit. Above all, a tax dispute process must safeguard a taxpayer’s right to challenge a tax assessment and get a fair hearing. The process should be based on a legal framework, be known and understood by taxpayers, be easily accessible, guarantee transparent independent decision-making, and resolve disputed matters in a timely manner.

Three performance indicators are used to assess POA 7:

- P7-23—Existence of an independent, workable, and graduated dispute resolution process.
- P7-24—Time taken to resolve disputes.
- P7-25—Degree to which dispute outcomes are acted upon.

P7-23: Existence of an independent, workable, and graduated resolution process

For this indicator three measurement dimensions assess: (1) the extent to which a dispute may be escalated to an independent external tribunal or court where a taxpayer is dissatisfied with the result of the tax administration’s review process; (2) the extent to which the tax administration’s review process is truly independent; and (3) the extent to which taxpayers are informed of their rights and avenues of review. Assessed scores are shown in Table 24 followed by an explanation of reasons underlying the assessment.

Table 24. P7-23 Assessment

Measurement dimensions	Scoring Method	Score 2021	
P7-23-1. The extent to which an appropriately graduated mechanism of administrative and judicial review is available to, and used by, taxpayers.	M2	A	B+
P7-23-2. Whether the administrative review mechanism is independent of the audit process.		A	
P7-23-3. Whether information on the dispute process is published, and whether taxpayers are explicitly made aware of it.		C	

The FBR has a graduated system of independent administrative and judicial review available to and used by taxpayers. The FBR uses a three-tier review mechanism in which taxpayers have the legal right to appeal to an independent administrative review managed by the Commissioner (Appeals) who reports to Member, Legal Wing in the FBR and is, thus, physically and organizationally independent of the audit department.⁴¹ Where a taxpayer objects to an order passed by the Commissioner (Appeals), the Appellate Tribunal, independent and external tribunals outside the FBR, with specialized tax benches, are available as a second tier of the review process.⁴² Taxpayers also have an additional level of dispute review by the High Court and Supreme Court to resolve legal interpretations. The administrative review process is widely used by taxpayers.⁴³

General information on taxpayer dispute rights and the dispute resolution process is publicly available and is uploaded on the FBR's website.⁴⁴ The dispute rights and associated dispute procedures are included in audit finalization letters and notices of assessment. However, in orders of the Commissioner Appeals, they are included only on an ad hoc basis. Further, there are no written instructions that require auditors and administrative review staffs to explicitly inform taxpayers of their dispute rights and the associated dispute procedures.

In its written comments on the PAR, the FBR mentioned that the TADAT criteria to require auditors to explicitly inform taxpayers about their right to appeal is questionable since FBR procedures are aimed at reducing interaction between tax officers and taxpayers and verbally communicating with taxpayers about their dispute rights would run counter to this design. It

⁴¹ Section 127 of the Income Tax Ordinance and Section 45B of the Sales Tax Act

⁴² Section 131 of the Income Tax Ordinance and Section 46 of the Sales Tax Act

⁴³ Section 133 of the Income Tax Ordinance and Section 47 of the Sales Tax Act

⁴⁴ <https://fbr.gov.pk/categ/income-tax-appeals/51147/40848/81151> (for income tax) and <https://www.fbr.gov.pk/categ/sales-tax-appeals/51148/50855/131149> (for sales tax)

must be pointed out in this regard that, while minimizing interaction is a good practice which helps reduce compliance cost for the taxpayer, disputes arise mainly because of an audit adjustment which requires some interaction, whether electronic or live. Whenever there is an audit, it is only fair that the taxpayer is explained upfront, verbally or electronically, that a potential adjustment can be contested in appeal, and what the appeal process is.

P7-24: Time taken to resolve disputes

This indicator assesses how responsive the tax administration is in completing administrative reviews. Assessed scores are shown in Table 25 followed by an explanation of reasons underlying the assessment.

Table 25. P7-24 Assessment

Measurement dimensions	Scoring Method	Score 2021
P7-24. The time taken to complete administrative reviews.	M1	D

Tax disputes are not resolved in a timely manner. Data on the time taken to resolve administrative appeals started being monitored only from December 2020 onwards, and that too, only for appeals disposed of within 90 days. There is no statutory deadline applicable to the administrative review. Data monitored since December 2020 shows that only 25.1 percent of the stock of administrative appeals relating to income tax and 43.2 percent of the stock of administrative appeals relating to sales tax and federal excise are resolved within 90 days. [Attachment III, Table 14].

P7-25: Degree to which dispute outcomes are acted upon

This indicator looks at the extent to which dispute outcomes are taken into account in determining policy, legislation, and administrative procedure. The assessed score is shown in Table 26 followed by an explanation of reasons underlying the assessment.

Table 26. P7-25 Assessment

Measurement dimension	Scoring Method	Score 2021
P7-25. The extent to which the tax administration responds to dispute outcomes.	M1	C

Dispute outcomes of a material nature are analyzed on an ad hoc basis. The Legal Wing monitors pending cases and dispute outcomes in cooperation with the Field Formations, but the monitoring is done on an ad hoc basis and the information held by the Legal Wing is not comprehensive nor verified. An online Litigation Management System was introduced by 2016

but not used, and the monitoring is done manually. There is also no formal process for FBR to consider dispute outcomes in the formulation or change of policy, legislation, and administrative procedures. When there is a judicial decision that may induce amendment in the current tax policy, legislation or administrative procedures, action is expected to be taken by Policy Wing with no formal communication among FBR. Also, during the budget formulation process managed by the Policy Wing, the other units in FBR may submit proposals on an ad hoc basis, on recurrent issues, and where the Court decisions are consistently interpreting the law in a manner that FBR considers contrary to legislative intent. Available evidence shows that one of the Field Formation submissions related to the Income Tax Ordinance was considered by the FBR's Policy Wing.

H. POA 8: Efficient Revenue Management

This POA focuses on three key activities performed by tax administrations in relation to revenue management:

- Providing input to government budgeting processes of tax revenue forecasting and tax revenue estimating. (As a general rule, primary responsibility for advising government on tax revenue forecasts and estimates rests with the Ministry of Finance. The tax administration provides data and analytical input to the forecasting and estimating processes. Ministries of Finance often set operational revenue collection targets for the tax administration based on forecasts of revenue for different taxes.)⁴⁵
- Maintaining a system of revenue accounts.
- Paying tax refunds.

Three performance indicators are used to assess POA 8:

- P8-26—Contribution to government tax revenue forecasting process.
- P8-27—Adequacy of the tax revenue accounting system.
- P8-28—Adequacy of tax refund processing.

P8-26: Contribution to government tax revenue forecasting process

This indicator assesses the extent of tax administration input to government tax revenue forecasting and estimating. The assessed score is shown in Table 27 followed by an explanation of reasons underlying the assessment.

⁴⁵ It is common for Ministries of Finance to review budget revenue forecasts and related tax collection targets during the fiscal year (particularly mid-year) to take account of changes in forecasting assumptions, especially changes in the macroeconomic environment.

Table 27. P8-26 Assessment

Measurement dimensions	Scoring Method	Score 2021
P8-26. The extent of tax administration input to government tax revenue forecasting and estimating.	M1	C

FBR provides input to the MOF in its revenue forecasting and estimating function.

Dedicated analysts in the Directorate General of Strategic Planning, Reforms and Statistics (SPR&S) FBR, in collaboration with Inland Revenue and Customs Wings of FBR and the Directorate of Research and Statistics (DR&S) FBR provide input to the MOF on revenue forecasting and tax revenue estimating⁴⁶. SPR&S formally monitors collection of all core taxes on a monthly basis and submits the collection reports to the MOF. Estimates are provided for all core taxes. Both the ITMS (for taxes collected by Inland Revenue) and WeBOC (for Custom Duties) generate detailed reports for collection of all core taxes for any range and time period and for each regional office. Information provided by SPR&S also informs the revenue target set by the MOF. Besides the monthly reporting on receipts, SPR&S has also begun producing the 'Evidence Based Forecasting Report'⁴⁷. This is a more detailed report, analyzing collection trends over the last five years. It includes analysis of regional collection, high-level sector analysis and tax buoyancy and forecasts receipts for the coming year. The first one was published this year with the intention that this becomes an annual report.

Now in its second year, the tax expenditure report is a detailed report on expenditures across all core taxes and different types of expenditure.⁴⁸ This report also includes an analysis of the VAT gap using the consumption approach. SPR&S does not forecast VAT refund levels systematically to ensure sufficient budget requirements. Further, the FBR does not monitor and report on the stock of tax losses and credits/refunds carried forward by taxpayers that may be offset against future tax liabilities.

P8-27: Adequacy of the tax revenue accounting system

This indicator examines the adequacy of the tax revenue accounting system. Assessed scores are shown in Table 28 followed by an explanation of reasons underlying the assessment.

⁴⁶ See <https://www.fbr.gov.pk/organizational-chart/131167/131166> and <https://www.fbr.gov.pk/strategic-planning-reforms-statistics/142253/131273>

⁴⁷ See http://www.finance.gov.pk/budget/Budget_2021_22/Evidence_Based_Revenue_Forecasting_FY_2021_22.pdf

⁴⁸ See http://www.finance.gov.pk/budget/Budget_2021_22/Tax_Expenditure_Report_2021_22.pdf

Table 28. P8-27 Assessment

Measurement dimension	Scoring Method	Score 2021
P8-27. Adequacy of the tax administration's revenue accounting system.	M1	A

The FBR's accounting system is fully automated and meets government IT and accounting standards⁴⁹. The primary accounting systems are ITMS for inland taxes and WeBOC for customs revenue. Additionally, the FBR's accounting system interfaces with the State Bank of Pakistan's (SBP) system directly with payments updated in the system in real-time, if made electronically, and within 24 hours if paid manually. While the FBR system does not directly interface with the MOF's system, this is unnecessary since MOF's account is held with the SBP which is the Treasurer for the MOF and with which FBR has interface. The SBP system interfaces directly with the MOF⁵⁰. Taxpayers' ledgers are reviewed when the taxpayers are selected for tax audits. The IRIS system digitally determines the amount of tax payable or refund once the taxpayer provides the details that include income, expenditures, adjustable taxes and credits. In the case of the VAT and FED, as the taxpayer inputs details of purchases and supplies made within a tax period, the system (ITMS in this case) calculates the Sales Tax liabilities or tax credits/refund automatically for that particular tax period. These accounting systems are audited both internally and externally to check if they meet government accounting standards⁵¹.

P8-28: Adequacy of tax refund processing

For this indicator, two measurement dimensions assess the tax administration's system of processing VAT refund claims. Assessed scores are shown in Table 29 followed by an explanation of reasons underlying the assessment.

Table 29. P8-28 Assessment

Measurement dimensions	Scoring Method	Score 2021	
P8-28-1. Adequacy of the VAT refund system.	M2	C	D+
P8-28-2. The time taken to pay (or offset) VAT refunds.		D	

The VAT refund system is largely automated with strong validation of VAT refund applications at the point of application. VAT refunds are risk-assessed at the beginning of the claim process using an objective set of risk criteria. If they do not meet the requirements, they are automatically rejected. All sales tax refunds of exporters (representing the bulk of VAT

⁴⁹ Report of the Auditor General of Pakistan AG report

⁵⁰ Public Accountability Act, section 31

⁵¹ FBR annual report 2020-21

refund claims) are processed through a fully automated system known as FASTER⁵². Post-refund audits are conducted by the field offices having jurisdiction over the claim. In addition, post-refund analysis is also conducted at FBR headquarters by the Post Refund Analysis Cell (PRAC). As per section 67 of the Sales Tax Act, 1990, interest is paid on refunds delayed without reason. If there is any demand regarding sales tax, income tax or FED, it is offset by the sanctioned amount of refund first. However, there is no specific budget allocated to meet refund claims or preferential fast track treatment for low-risk taxpayers other than exporters.

The total number of VAT refund claims paid by number within 30 days was 58.8 percent between July 2020 and June 2021. Total value of refunds paid within 30 days was 76.7 percent for the same period. [Attachment III - Table 15].

I. POA 9: Accountability and Transparency

Accountability and transparency are central pillars of good governance. Their institutionalization reflects the principle that tax administrations should be answerable for the way they use public resources and exercise authority. To enhance community confidence and trust, tax administrations should be openly accountable for their actions within a framework of responsibility to the minister, government, legislature, and the general public.

Four performance indicators are used to assess POA 9:

- P9-29—Internal assurance mechanisms.
- P9-30—External oversight of the tax administration.
- P9-31—Public perception of integrity.
- P9-32—Publication of activities, results, and plans.

P9-29: Internal assurance mechanisms

For this indicator, two measurement dimensions assess the internal assurance mechanisms in place to protect the tax administration from loss, error, and fraud. Assessed scores are shown in Table 30 followed by an explanation of reasons underlying the assessment.

⁵² FBR website reference on FASTER (rule 29 of the Sales Tax Rules 2006)

Table 30. P9-29 Assessment

Measurement dimensions	Scoring Method	Score 2021	
P9-29-1. Assurance provided by internal audit.	M2	B	C+
P9-29-2. Staff integrity assurance mechanisms.		C	

The FBR has a well-functioning and organizationally independent Directorate General of Internal Audit (DGIA) reporting directly to the Chairman FBR. The annual internal audit plan is quite elaborate and provides a wide coverage of examination of performance of key operational, financial and accounting areas. An Annual Inspection Report⁵³ provides details of internal audit findings and recommendations and action taken by the FBR formations. There is an Internal Audit Manual⁵⁴ that provides a repository of internal control and internal audit policies, procedures and guidance for internal audit staff. Officers posted in the DGIA are provided training in audit methodologies by the Directorate of Training approximately twice a year.⁵⁵ There is regular monitoring of internal audit investigation by the Member Operations⁵⁶. The Auditor General of Pakistan (AGP), an external Constitutional body, conducts independent review of the DGIA regularly.⁵⁷ The FBR Information Security Policy⁵⁸ lays down a wide range of IT systems controls⁵⁹ in order to detect incidences of security breach and safeguards the security and integrity of FBR databases.⁶⁰ Access to databases is strictly controlled through passwords plus a two-step validation code, and an audit trail of user access is maintained. Internal audit of the IT system at PRAL is overseen by the FBR Member in charge of IT.

FBR has an Integrity Management Cell (IMC)⁶¹ which reports to the Member Administration and is solely devoted to internal affairs. FBR has a Code of Conduct⁶² which

⁵³ Directorate General Internal Audit Annual Inspection Report 2020-21

⁵⁴ Internal Audit Manual, 2018

⁵⁵ List of training programs conducted by the Directorate of Training

⁵⁶ Monitoring of Internal Audit Investigations

⁵⁷ Annual Report of the Auditor General of Pakistan

⁵⁸ FBR Information Security Policy, 2008 as amended from time to time, the latest amendment being in April 2019

⁵⁹ IT controls in the Information Security Policy include controls relating to Backup, Domain Security, Workstation Security, Software Installation, Anti-virus, Internet Use, Monitoring and Filtering, Email Use, Encryption, Network, Virtual Private Network, data and Information and Incident Reports.

⁶⁰ A recent example was when there was a cyber-attack on PRAL, the FBR system, which was quickly detected and allowed the system to automatically shut off to prevent breach of confidentiality.

⁶¹ Scan – TOR of IMC

⁶² Code of Conduct of FBR 2004;

<https://download1.fbr.gov.pk/Docs/2015529165522423InternalCommunicationPolicyofFBR.pdf>

is aligned with the all-of-government Civil Servants Conduct Rules, 1964. During induction training of new officers and staff, such as inspectors, foundation courses⁶³ are organized by the Civil Service Academy and the Directorate of Training; these include explicit sensitization on norms of behavior and integrity. CIMC receives complaints of corruption issues via the FBR helpline, email or at the following link: <http://crm.fbr.gov.pk:9090/ComplaintsRegistration/>. IMC then sets up a Probe Committee headed by the Chief of IMC to investigate the complaints and recommend actions to the Member Administration⁶⁴. There are also Regional Integrity Cells reporting to the Chief of IMC. The IMC monitors and corresponds with the external anti-corruption agency on behalf of the FBR on serious anti-corruption cases handled by the latter.⁶⁵ Integrity-related statistics are not routinely maintained and not published.

P9-30: External oversight of the tax administration

Two measurement dimensions of this indicator assess: (1) the extent of independent external oversight of the tax administration's operations and financial performance; and (2) the investigation process for suspected wrongdoing and maladministration. Assessed scores are shown in Table 31 followed by an explanation of reasons underlying the assessment.

Table 31. P9-30 Assessment

Measurement dimensions	Scoring Method	Score 2021	
P9-30-1. The extent of independent external oversight of the tax administration's operations and financial performance.	M2	A	B
P9-30-2. The investigation process for suspected wrongdoing and maladministration.		C	

The Auditor General of Pakistan (AGP) provides external oversight over FBR's operational and financial performance. External review findings are responded to and are publicly reported.

The AGP is a constitutional authority and has an annual audit program of FBR's performance.⁶⁶ The audit reports are responded to by the FBR and discussed in the Public Accounts Committee of Parliament. These reports are publicly available both on the FBR, AGP and PAC websites.⁶⁷

⁶³ Scan - Training program for officers and inspectors; (ii) New recruits training conditions; (iii) New recruits appointment letter

⁶⁴ Role of IMC in Integrity Management. pdf

⁶⁵ IMC FBR response to NAB Correspondence.pdf

⁶⁶ Annual program of external audit: [https://agp.gov.pk/SiteImage/Misc/files/14th%20Draft%20Final%20-%20Corporate%20Audit%20Plan%202020-21%20\(RAZA%208%20pm\).pdf](https://agp.gov.pk/SiteImage/Misc/files/14th%20Draft%20Final%20-%20Corporate%20Audit%20Plan%202020-21%20(RAZA%208%20pm).pdf)

⁶⁷ Public reports of the external oversight: (i) Auditor General Report 2019.pdf; (ii) <https://www.agp.gov.pk/AuditReports>; (iii) [Financial Audit report of AGP on specific actions.pdf](#); (iv) [Response of FBR to AGP audit paras](#); (v) <https://agp.gov.pk/SiteImage/Misc/files/Performance-Audit-Manual.pdf>.

A Federal Tax Ombudsman (FTO) exists to investigate cases of maladministration by tax officials. Two federal anti-corruption agencies, the National Accountability Bureau (NAB) and Federal Investigation Agency (FIA), exist to investigate serious cases of corruption allegations.⁶⁸ Details of the mandate of the FTO is available on its website:

<http://www.fto.gov.pk/Default> under the Tab “Legal Framework.” The FTO investigations reports of taxpayers’ complaints are available at <http://www.fto.gov.pk/annualReports>. Details on mandate, legal framework and Annual Reports of NAB and the FIA are also available on their respective websites. FBR acts on findings of the FTO and the anti-corruption agencies and, on rare occasions, are even raised with the President’s Secretariat.^{69 70 71 72 73} However, the monitoring of cases and action taken by the senior management is ad hoc, as and when cases arise.

P9-31: Public perception of integrity

This indicator examines measures taken to gauge public confidence in the tax administration. The assessed score is shown in Table 32 followed by an explanation of reasons underlying the assessment.

Table 32. P9-31 Assessment

Measurement dimension	Scoring Method	Score 2021
P9-31. The mechanism for monitoring public confidence in the tax administration.	M1	D

There is no mechanism to conduct systematic surveys to monitor public confidence in the FBR.

P9-32: Publication of activities, results, and plans

Two measurement dimensions of this indicator assess the extent of: (1) public reporting of financial and operational performance; and (2) publication of future directions and plans. Assessed scores are shown in Table 33 followed by an explanation of reasons underlying the assessment.

⁶⁸ (i) https://nab.gov.pk/Public_info_material.asp#iMP_dOC (ii) <https://www.fia.gov.pk/laws>

⁶⁹ Correspondence with field Commissioners on follow up of Ombudsman report

⁷⁰ Follow up on Ombudsman-directive by President's Sectt .pdf

⁷¹ Response to Ombudsman.pdf;

⁷² IMC FBR response to NAB Correspondence.pdf

⁷³ Response of FBR to Ombudsman queries.pdf

Table 33. P9-32 Assessment

Measurement dimensions	Scoring Method	Score 2021	
P9-32-1. The extent to which the financial and operational performance of the tax administration is made public, and the timeliness of publication.	M2	C	D+
P9-32-2. The extent to which the tax administration's future directions and plans are made public, and the timeliness of publication.		D	

Annual reports of FBR's performance are regularly published but only within nine months of the completion of the fiscal year. The FBR Annual Yearbook for the FY 2019-20 which ended in June 2020 was published in February 2021.⁷⁴ There is, however, an Annual Revenue Division Report which is published within three months of the end of the FY.⁷⁵ The latter report focuses only on the revenue performance, whereas the Annual Yearbook focuses on all key functions of the tax administration. A new Annual Report of Key Performance Indicator has been published for the first time for FY 2020-21 by the Reform Wing of the FBR.

The FBR's strategic plan has not yet been published. A five-year strategic plan for 2019-2024 has been developed but has not yet been approved by the FBR nor published.

⁷⁴ Letter to FATE to publish Year Book.pdf

⁷⁵ Date of publication of Revenue Year Book.pdf

Attachment I. TADAT Framework

Performance outcome areas

TADAT assesses the performance of a country's tax administration system by reference to nine outcome areas:

1. **Integrity of the registered taxpayer base:** Registration of taxpayers and maintenance of a complete and accurate taxpayer database is fundamental to effective tax administration.
2. **Effective risk management:** Performance improves when risks to revenue and tax administration operations are identified and systematically managed.
3. **Supporting voluntary compliance:**
Usually, most taxpayers will meet their tax obligations if they are given the necessary information and support to enable them to comply voluntarily.
4. **On-time filing of declarations:** Timely filing is essential because the filing of a tax declaration is a principal means by which a taxpayer's tax liability is established and becomes due and payable.
5. **On-time payment of taxes:** Non-payment and late payment of taxes can have a detrimental effect on government budgets and cash management. Collection of tax arrears is costly and time consuming.
6. **Accurate reporting in declarations:** Tax systems rely heavily on complete and accurate reporting of information in tax declarations. Audit and other verification activities, and proactive initiatives of taxpayer assistance, promote accurate reporting and mitigate tax fraud.
7. **Effective Tax Dispute Resolution:** Independent, accessible, and efficient review mechanisms safeguard a taxpayer's right to challenge a tax assessment and get a fair hearing in a timely manner.
8. **Efficient revenue management:** Tax revenue collections must be fully accounted for, monitored against budget expectations, and analyzed to inform government revenue forecasting. Legitimate tax refunds to individuals and businesses must be paid promptly.
9. **Accountability and transparency:** As public institutions, tax administrations are answerable for the way they use public resources and exercise authority. Community confidence and trust are enhanced when there is open accountability for administrative actions within a framework of responsibility to



the minister, legislature, and general community.

Indicators and associated measurement dimensions

A set of 32 high-level indicators critical to tax administration performance are linked to the performance outcome areas. It is these indicators that are scored and reported on. A total of 55 measurement dimensions are taken into account in arriving at the indicator scores. Each indicator has between one and five measurement dimensions.

Repeated assessments will provide information on the extent to which a country's tax administration is improving.

Scoring methodology

The assessment of indicators follows the same approach followed in the Public Expenditure and Financial Accountability (PEFA) diagnostic tool so as to aid comparability where both tools are used.

Each of TADAT's 55 measurement dimensions is assessed separately. The overall score for an indicator is based on the assessment of the individual dimensions of the indicator. Combining the scores for dimensions into an overall score for an indicator is done using one of two methods: Method 1 (M1) or Method 2 (M2). For both M1 and M2, the four-point 'ABCD' scale is used to score each dimension and indicator.

Method M1 is used for all single dimensional indicators and for multi-dimensional indicators where poor performance on one dimension of the indicator is likely to undermine the impact of good performance on other dimensions of the same indicator (in other words, by the weakest link in the connected dimensions of the indicator).

Method M2 is based on averaging the scores for individual dimensions of an indicator. It is used for selected multi-dimensional indicators where a low score on one dimension of the indicator does not necessarily undermine the impact of higher scores on other dimensions for the same indicator.

Attachment II. Pakistan - Country Snapshot

Geography	Pakistan is situated in South Asia and is bounded by Iran to the west, Afghanistan to the northwest and north, China to the northeast, and India to the east and southeast. The coast of the Arabian Sea forms its southern border. The country has a total area of 796,095 sq km and its national language is Urdu.
Population	207.684 million [year (2017)] Census [Source: Pakistan Bureau of Statistics] ⁷⁶
Adult literacy rate	60 ⁷⁷ percent of persons aged 15 and over can read and write. [Source: Economic Survey of Pakistan 2020-2021 / Human Development Report (UNDP) 2020]
Gross Domestic Product	2020 GDP at market price: US\$262.8 billion [Source: IMF country report on Pakistan 21/73 dated April 2021–Table 1–Pakistan Selected Economic Indicators; p. 31]
Per capita GDP	US\$ 1,248.30 [Source: e.g., IMF country report on Pakistan 21/73 dated April 2021–Table 1 - Pakistan Selected Economic Indicators; p. 31] ⁷⁸
Main industries	Textile, leather, surgical goods, footwear, oil and gas, mining, telecommunication, cement, engineering goods, pharmaceutical, chemicals and fertilizers.
Communications	- Internet users per 100 people: 69.33. - Mobile phone subscribers per 100 people: 78 [Source: Ministry of Science and Technology] ⁷⁹
Main taxes	CIT, PIT, Sales Tax, Customs duty and Federal Excise.
Tax-to-GDP	8.38 percent in 2021 excluding Customs tax collections (9.99 percent including customs). [Source: Finance Division, Government of Pakistan] ⁸⁰
Number of taxpayers	CIT (84,832); PIT (5,310,675), PAYE (20,023*); VAT (222,001), and Domestic Excise Taxes (655) (2018)[Source: FBR]
Main collection agency	Federal Board of Revenue
Number of staff in the FBR	Total:19,486 (Head Office: 992; Field Offices:18,494) (Male:18,401; Female: 1,085) [Source: FBR]
Financial Year	1 st July to 30 th June

⁷⁶ https://www.pbs.gov.pk/sites/default/files//population_census/National.pdf

⁷⁷ Pakistan Social and Living Standards Measurement (PSLM) District Level Survey, 2019-20, Pakistan Bureau of Statistics Note: GER is calculated by dividing the number of students enrolled in a given level of education regardless of age by the population of the age group which officially corresponds to the given level of education and multiply the result by 100.

⁷⁸ IMF Country Report No 21/73 April 2021

⁷⁹ <https://moitt.gov.pk/>

⁸⁰ http://www.finance.gov.pk/fiscal/July_Jun_2020_21.pdf

Attachment III. Data Tables

A. Tax Revenue Collections

Table 1. Tax Revenue Collections, ¹			
	[2018-19]	[2019-20]	[2020-21]
In Pakistani Rupee			
National budgeted tax revenue forecast²	4,150	3,908	4,691
Total tax revenue collections	3,829	3,997	4,735
Corporate Income Tax (CIT)	847	878	953
Personal Income Tax (PIT)	527	520	620
Pay As You Earn (PAYE) withholding by employers	71	125	152
Value Added Tax (VAT) net ⁸¹ (net domestic + imports)	1,459	1,597	1,982
- Value-Added Tax (VAT)—gross domestic collections	670	816	1,035
- Value-Added Tax (VAT)—collected on imports	810	876	1,156
- Value-Added Tax (VAT)—refunds paid	(21)	(96)	(209)
Excises on domestic transactions	226	241	260
Excises—collected on imports	13	9	24
Social contribution collections	686	626	744
Other domestic taxes ³	-	-	-
	-	-	-
In percent of total tax revenue collections			
Total tax revenue collections	100.0	100.0	100.0
Corporate Income Tax (CIT)	22.1	22.0	20.1
Personal Income Tax (PIT)	13.8	13.0	13.1
Pay As You Earn (PAYE) withholding by employers	1.9	3.1	3.2
Value Added Tax (VAT) net	38.1	40.0	41.9
- Value-Added Tax (VAT)—gross domestic collections	17.5	20.4	21.9
- Value-Added Tax (VAT)—collected on imports	21.2	21.9	24.4
- Value-Added Tax (VAT)—refunds paid	(0.6)	(2.4)	(4.4)
Excises—collected on domestic transactions	5.9	6.0	5.5
Excises—collected on imports	0.3	0.2	0.5
Social contribution collections	17.9	15.7	15.7
Other domestic taxes	-	-	-
In percent of GDP			
Total tax revenue collections	10.1	9.6	9.9
Corporate Income Tax (CIT)	2.2	2.1	2.0
Personal Income Tax (PIT)	1.4	1.3	1.3
Pay As You Earn (PAYE) withholding by employers	0.2	0.3	0.3
Value Added Tax (VAT) net	3.8	3.8	4.2
- Value-Added Tax (VAT)—gross domestic collections	1.7	1.9	2.2
- Value-Added Tax (VAT)—collected on imports	2.1	2.1	2.4
- Value-Added Tax (VAT)—refunds paid	(0.06)	(0.2)	(0.5)
Excises—collected on domestic transactions	0.6	0.6	0.5
Excises—collected on imports	0.03	0.02	0.05
Social contribution collections			
Other domestic taxes			
Nominal GDP in local currency	38,086	41,556	47,709

⁸¹ Value Added Tax = (gross domestic VAT collected + VAT collected on imports) – VAT refunds paid

Explanatory notes:

¹ This table gathers data for three fiscal years (e.g. 2016 -18) in respect of all domestic tax revenues collected by the tax administration at the national level, plus VAT and Excise tax collected on imports by the customs and/or other agency.

² This forecast is normally set by the Ministry of Finance (or equivalent) with input from the tax administration and, for purposes of this table, should only cover the taxes listed in the table. The final budgeted forecast, as adjusted through any mid-year review process, should be used.

³ Other domestic taxes collected at the national level by the tax administration include, for example, property taxes, financial transaction taxes, and environment taxes.

B. Movements in the Taxpayer Register

Table 2. Movements in the Taxpayer Register, (Ref: POA1)

Table 2. Movements in the Taxpayer Register, (Ref: POA1)					
	Registered taxpayers ¹ [A]	Taxpayers otherwise not required to file ² [B]	Taxpayers Expected to File [C] = [(A) – (B)] ³	Memorandum items ⁴ [D]	
				New Registrations [D1]	Taxpayers deregistered during year [D2]
[2018]					
Corporate income tax	87,051	4,552	82,499	10,927	3
Personal income tax	4,713,737	0	4,713,737	532,544	8
PAYE withholding (# of employers)	662,333	0	662,333	47,674	
Value Added Tax	214,724	0	214,724	11,431	28
Domestic excise tax ⁵	599	0	599	27	
Other taxpayers					
[2019]					
Corporate income tax	104,195	5,595	98,600	17,147	3
Personal income tax	5,245,771	0	5,245,771	532,048	14
PAYE withholding (# of employers)	715,166	0	715,166	52,833	
Value Added Tax	227,168	0	227,168	12,444	
Domestic excise tax ⁵	625	0	625	26	
Other taxpayers					
[2020]					
Corporate income tax	123,702	7,220	116,482	19,508	1
Personal income tax	6,248,751	0	6,248,751	1,182,992	12
PAYE withholding (# of employers)	774,686	0	774,686	59,520	
Value Added Tax	265,011	0	265,011	37,843	
Domestic excise tax ⁵	655	0	655	30	
Other taxpayers					
Explanatory Notes:					
¹ A registered taxpayer who is in the tax administration's taxpayer database.					
² Taxpayers not required to file declarations' means taxpayers who are registered but are currently not required to file by law or regulation and are explicitly flagged in the automated tax administration system.					
³ Expected filing calculations to be used in Indicator P4-12.					
⁴ Taxpayer register activity information.					
⁵ For purposes of a TADAT assessment, the focus is on those registered domestic excise taxpayers who trade in goods/services that contribute 70 percent of the total domestic excise revenue by value.					

C. Telephone Enquiries

(Ref: POA 3)

Table 3. Telephone Enquiry Call Waiting Time for FY 2019-20			
Month	Total number of telephone enquiry calls received	Telephone enquiry calls answered within 6 minutes' waiting time	
		Number	In percent of total calls
July 2020	15,050	14,120	93.8
August 2020	22,923	22,759	99.3
September 2020	40,130	40,128	100.0
October 2020	27,878	27,873	100.0
November 2020	24,989	24,981	100.0
December 2020	42,413	41,534	97.9
January 2021	27,322	27,227	99.7
February 2021	21,269	21,267	100.0
March 2021	40,608	40,506	99.7
April 2021	21,860	21,786	99.7
May 2021	17,719	17,707	99.9
June 2021	23,266	23,244	99.9
12-month total	325,427	323,132	99.3

D. Filing of Tax Declarations

(Ref: POA 4)

Table 4. On-time Filing of CIT Declarations for FY 2019-20			
	Number of declarations filed on-time ¹	Number of declarations expected to be filed ²	On-time filing rate ³ (In percent)
All CIT taxpayers	55,822	116,482	47.9
Large taxpayers only	2,359	2,489	94.8

Explanatory notes:

¹ 'On-time' filing means declarations (also known as 'returns') filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).

² 'Expected declarations' means the number of CIT declarations that the tax administration expected to receive from registered CIT taxpayers that were required by law to file declarations.

³ The 'on-time filing rate' is the number of declarations filed by the statutory due date as a percentage of the total number of declarations expected from registered taxpayers, i.e. expressed as a ratio:

$$\frac{\text{Number of CIT declarations filed by the due date}}{\text{Number of declarations expected from active CIT taxpayers}} \times 100$$

Table 5. On-time Filing of PIT Declarations for FY 2019-20

Number of declarations filed on-time ¹	Number of declarations expected to be filed ²	On-time filing rate ³ (In percent)
3,016,930	6,428,751	46.9

Explanatory notes:

¹ 'On-time' filing means declarations (also known as 'returns') filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).

² 'Expected declarations' means the number of PIT declarations that the tax administration expected to receive from registered PIT taxpayers that were required by law to file declarations.

³ The 'on-time filing rate' is the number of declarations filed by the statutory due date as a percentage of the total number of declarations expected from registered taxpayers, i.e. expressed as a ratio:

$$\frac{\text{Number of PIT declarations filed by the due date}}{\text{Number of PIT declarations expected from active PIT taxpayers}} \times 100$$

Table 6. On-time Filing of VAT Declarations—All VAT taxpayers for FY 2019-20

Month	Number of declarations filed on-time ¹	Number of declarations expected to be filed ²	On-time filing rate ³ (In percent)
July 2020	142,523	228,501	62.4
August 2020	146,185	234,302	62.3
September 2020	150,232	240,615	62.4
October 2020	151,954	245,128	61.9
November 2020	153,310	248,481	61.7
December 2020	155,463	252,213	61.7
January 2021	157,151	256,229	61.3
February 2021	158,301	259,209	61.0
March 2021	159,598	261,497	61.0
April 2021	159,682	262,278	60.9
May 2021	159,754	263,178	60.7
June 2021	160,784	265,011	60.8
12-month total	1,854,937	3,016,642	61.5

Explanatory notes:

¹ 'On-time' filing means declarations filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).

² 'Expected declarations' means the number of VAT declarations that the tax administration expected to receive from registered VAT taxpayers that were required by law to file declarations.

³ The 'on-time filing rate' is the number of VAT declarations filed by the statutory due date as a percentage of the total number of declarations expected from registered VAT taxpayers, i.e., expressed as a ratio:

$$\frac{\text{Number of VAT declarations filed by the due date}}{\text{Number of declarations expected from active VAT taxpayers}} \times 100$$

Table 7. On-time Filing of VAT Declarations—Large taxpayers only for FY 2019-20

Month	Number of declarations filed on-time ¹	Number of declarations expected to be filed ²	On-time filing rate ³ (In percent)
July 2020	3,234	3,373	95.9
August 2020	3,247	3,394	95.7
September 2020	3,256	3,411	95.5
October 2020	3,252	3,418	95.1
November 2020	3,254	3,425	95.0
December 2020	3,254	3,429	94.9
January 2021	3,249	3,434	94.6
February 2021	3,255	3,444	94.5
March 2021	3,260	3,448	94.6
April 2021	3,263	3,448	94.6
May 2021	3,260	3,448	94.6
June 2021	3,256	3,450	94.4
12-month total	39,040	41,122	94.9

Explanatory notes:

¹ 'On-time' filing means declarations filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).

² 'Expected declarations' means the number of VAT declarations that the tax administration expected to receive from large taxpayers that were required by law to file VAT declarations.

³ The 'on-time filing rate' is the number of VAT declarations filed by large taxpayers by the statutory due date as a percentage of the total number of VAT declarations expected from large taxpayers, i.e. expressed as a ratio:

$$\frac{\text{Number of VAT declarations filed by the due date by large taxpayers}}{\text{Number of VAT declarations expected from active large taxpayers}} \times 100$$

Table 8. On-time Filing of Domestic Excise Tax Declarations for FY 2019-20
[for those excise tax goods/services categories contributing, by value, 70 percent of total domestic excise tax]

Month	Number of declarations filed on-time ¹	Number of declarations expected to be filed ²	On-time filing rate ³ (In percent)
July 2020	189	599	31.6
August 2020	199	599	33.2
September 2020	197	599	32.9
October 2020	200	599	33.4
November 2020	200	599	33.4
December 2020	190	599	31.7
January 2021	187	599	31.2
February 2021	197	599	32.9
March 2021	192	599	32.0
April 2021	193	599	32.2
May 2021	193	599	32.2
June 2021	188	599	31.4
12-month total	2,325	7,188	32.5

Explanatory notes:

¹ 'On-time' filing means declarations filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy) by registered domestic excise tax taxpayers who contribute up to 70 percent, by value, of the total domestic excise tax revenue.

² 'Expected declarations' means the number of excise tax declarations that the tax administration expected to receive from registered domestic excise tax taxpayers (the focus is on those registered domestic excise taxpayers who trade in the categories of goods/services that contribute 70 percent of the total domestic excise revenue by value) that are required by law to file excise tax declarations.

³ The 'on-time filing rate' is the number of excise tax declarations filed by taxpayers by the statutory due date as a percentage of the total number of excise duties declarations expected from registered domestic excise tax taxpayers who trade in the categories of goods/services that contribute 70 percent of the total domestic excise revenue by value, i.e. expressed as a ratio:

$$\frac{\text{Number of domestic excise tax declarations filed by the due date}}{\text{No. of domestic excise tax declarations expected from active domestic excise tax taxpayers}} \times 100$$

Table 9. On-time Filing of Domestic Excise Tax Declarations—Large taxpayers only
(for FY 2019-20)

Month	Number of declarations filed on-time ¹	Number of declarations expected to be filed ²	On-time filing rate ³ (In percent)
July 2020	114	138	82.6
August 2020	109	138	78.9
September 2020	114	138	82.6
October 2020	118	138	85.5
November 2020	114	138	82.6
December 2020	114	138	82.6
January 2021	109	138	78.9
February 2021	113	138	81.9
March 2021	114	138	82.6
April 2021	111	138	80.4
May 2021	109	138	78.9
June 2021	105	138	76.1
12-month total	1,344	1,656	81.2

Explanatory notes:

¹ 'On-time' filing means declarations filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy) by large taxpayers registered for domestic excise tax.

² 'Expected declarations' means the number of excise tax declarations that the tax administration expected to receive from ALL large taxpayers registered for domestic excise tax and are required by law to file excise tax declarations.

³ The 'on-time filing rate' is the number of excise tax declarations filed by large taxpayers by the statutory due date as a percentage of the total number of excise duties declarations expected from large taxpayers registered for domestic excise tax taxpayers, i.e. expressed as a ratio:

$$\frac{\text{Number of domestic excise tax declarations from large taxpayers filed by the due date}}{\text{No. of domestic excise tax declarations expected from active large taxpayers registered for domestic excise tax}} \times 100$$

**Table 10. On-time Filing of Annual PAYE Withholding Declarations (filed by employers)
2019-20**

Month	Number of declarations filed on-time ¹	Number of declarations expected to be filed ²	On-time filing rate ³ (In percent)
Note: Employers pay withholding tax for employees monthly but are required to file annual returns only – hence no monthly declaration			
12-month total	58,366	154,626	37.7
Explanatory notes: ¹ ‘On-time’ filing means declarations filed by the statutory due date for filing (plus any ‘days of grace’ applied by the tax administration as a matter of administrative policy). ² ‘Expected declarations’ means the number of PAYE withholding declarations that the tax administration expected to receive from registered employers with PAYE withholding obligations that were required by law to file declarations. ³ The ‘on-time filing rate’ is the number of PAYE withholding declarations filed by employers by the statutory due date as a percentage of the total number of PAYE withholding declarations expected from registered employers, i.e. expressed as a ratio: $\frac{\text{Number of PAYE withholding declarations filed by the due date}}{\text{Number of PAYE withholding declarations expected from registered employers}} \times 100$			

E. Electronic Services

(Ref: POAs 4 and 5)

Table 11. Use of Electronic Services, 2018-19 to 2020-21¹

	[2018-19]	[2019-20]	[2020-21]
	Electronic filing² (In percent of all declarations filed for each tax type)		
CIT	100.0	100.0	100.0
PIT	94.2	97.5	98.5
PAYE (Withholding)	100.0	100.0	100.0
VAT	100.0	100.0	100.0
Domestic excise tax (for all registered taxpayers)	100.0	100.0	100.0
Large taxpayers (all core taxes)	100.0	100.0	100.0
	Electronic payments³ (In percent of total number of payments received for each tax type)		
CIT	2.4	9.2	87.8
PIT	1.3	9.1	53.7
PAYE (Withholding)	2.9	7.7	43.5
VAT	1.5	6.4	45.7
Domestic excise tax (for all registered taxpayers)	3.8	7.1	81.1
Large taxpayers (all core taxes)	7.5	27.6	85.0
	Electronic payments (In percent of total value of payments received for each tax type)		
CIT	9.6	21.5	96.6
PIT	2.6	6.7	43.7
PAYE (Withholding)	11.6	23.0	74.0
VAT	2.9	6.8	84.5
Domestic excise tax (for all registered taxpayers)	2.7	6.1	91.2
Large taxpayers (all core taxes)	8.3	17.0	91.5

Explanatory notes:

¹ Data in this table will provide an indicator of the extent to which the tax administration is using modern technology to transform operations, namely in areas of filing and payment.

² For purposes of this table, electronic filing involves facilities that enable taxpayers to complete tax declarations online and file those declarations via the Internet.

³ An electronic payment is a payment made from one bank account to another via electronic means without the direct intervention of bank staff instead of using cash or check, in person or by mail. Methods of electronic payment include credit cards, debit cards, and electronic funds transfer (where money is electronically transferred via the Internet from a taxpayer's bank account to the Treasury account). Electronic payments may be made, for example, by mobile telephone where technology is used to turn mobile phones into an Internet terminal from which payments can be made.

F. Payments

(Ref: POA 5)

Table 12. VAT Payments Made During FY 2019-20

	VAT payments made on-time ¹		VAT payments due ²		On-time payment rate ³ (In percent)	
	All VAT payers	Large VAT payers	All VAT payers	Large VAT payers	All VAT payers	Large VAT payers
Number of payments	294,309	14,678	454,230	27,182	64.8	54.0
Value of payments (PKR)	730,737,739,497	463,062,296,442	1,035,221,484,973	864,670,776,289	70.6	53.6

Explanatory notes:

¹ 'On-time' payment means paid on or before the statutory due date for payment (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).

² 'Payments due' include all payments due, whether self-assessed or administratively assessed (including as a result of an audit).

³ The 'on-time payment rate' is the number (or value) of VAT payments made by the statutory due date in percent of the total number (or value) of VAT payments due, i.e. expressed as ratios:

- The on-time payment rate by number is: $\frac{\text{Number of VAT payments made by the due date}}{\text{Total number of VAT payments due}} \times 100.0$
- The on-time payment rate by value is: $\frac{\text{Value of VAT payments made by the due date}}{\text{Total value of VAT payments due}} \times 100.0$

G. Domestic Tax Arrears

(Ref: POA 5)

Table 13. Value of Tax Arrears, FY 2018-19 to 2021¹

	[2018-19]	[2019-20]	[2020-21]
	In PKR million		
Total core tax revenue collections (from Table 1) (A)	3,143,000	3,350,589	3,965,902
Total core tax arrears at end of fiscal year ² (B)	699,629	882,232	1,054,240
Of which: Collectible ³ (C)	99,902	188,201	186,322
Of which: More than 12 months' old (D)	106,238	162,894	126,952
	In percent		
Ratio of (B) to (A) ⁴	22.3	26.3	26.6
Ratio of (C) to (A) ⁵	3.2	5.6	4.7
Ratio of (D) to (B) ⁶	15.2	18.5	12.0

Explanatory notes:

¹ Data in this table will be used in assessing the value of core tax arrears relative to annual collections and examining the extent to which unpaid tax liabilities are significantly overdue (i.e. older than 12 months).

² 'Total core tax arrears' include tax, penalties, and accumulated interest.

³ 'Collectible' core tax arrears is defined as the total amount of domestic tax, including interest and penalties, that is overdue for payment and which is not subject to collection impediments. Collectible core tax arrears therefore generally exclude: (a) amounts formally disputed by the taxpayer and for which collection action has been suspended pending the outcome, (b) amounts that are not legally recoverable (e.g., debt foregone through bankruptcy), and (c) arrears otherwise uncollectible (e.g., the debtor has no funds or other assets).

⁴ i.e. $\frac{\text{Value of total core tax arrears at end of fiscal year (B)}}{\text{Total core tax collected for fiscal year (A)}} \times 100.0$

⁵ i.e. $\frac{\text{Value of collectible core tax arrears at end of fiscal year (C)}}{\text{Total core tax collected for fiscal year (A)}} \times 100.0$

⁶ i.e. $\frac{\text{Value of core tax arrears > 12 months' old at end of year (D)}}{\text{Value of total core tax arrears at end of fiscal year (B)}} \times 100.0$

H. Tax Dispute Resolution

(Ref: POA 7)

Table 14 A. Finalization of Administrative Appeals for Income Tax for FY 2019-20

Month	Number of administrative review cases				Finalized within 30 days		Finalized within 60 days		Finalized within 90 days	
	Stock at beginning of month [A]	Received during the month [B]	Finalized during the month [C]	Stock at end of month [D] = [A + B - C]	Number [E]	In percent of total [F] = [E/D]	Number [G]	In percent of total [H] = [G/D]	Number [I]	In percent of total [J] = [I / D]
July, 2020	11,710	2,486	1,261	12,935						
August, 2020	12,934	1,398	1,335	12,997						
September, 2020	12,997	1,644	1,799	12,842						
October, 2020	12,846	1,527	1,813	12,560						
November, 2020	12,560	1,374	2,014	11,920						
December, 2020	11,920	905	1,711	11,114					562	5.1
January, 2021	11,702	2,881	1,635	12,948					502	3.9
February, 2021	12,947	1,849	1,705	13,091					491	3.8
March, 2021	13,086	2,141	1,716	13,511					408	3.1
April, 2021	13,494	1,801	1,766	13,529					489	3.6
May, 2021	13,529	1,722	1,705	13,546					460	3.4
June, 2021	13,595	2,700	2,110	14,185					642	4.5
12-month total									3,554	25.1

Table 14 B. Finalization of Administrative Appeals for Sales Tax and Federal Excise Duties for FY 2019-20

Month	Number of administrative review cases				Finalized within 30 days		Finalized within 60 days		Finalized within 90 days	
	Stock at beginning of month [A]	Received during the month [B]	Finalized during the month [C]	Stock at end of month [D] = [A + B - C]	Number [E]	In percent of total [F] = [E/D]	Number [G]	In percent of total [H] = [G/D]	Number [I]	In percent of total [J] = [I / D]
July, 2020	2151	441	342	2250						
August, 2020	2248	340	275	2313						
September, 2020	2308	454	523	2239						
October, 2020	2240	335	438	2137						
November, 2020	2137	286	360	2063						
December, 2020	2063	309	346	2026					147	7.3
January, 2021	2181	527	357	2351					137	5.8
February, 2021	2351	470	330	2491					168	6.7
March, 2021	2491	589	416	2664					158	5.9
April, 2021	2710	507	422	2795					194	6.9
May, 2021	2795	492	410	2877					209	7.2
June, 2021	2877	518	545	2850					218	7.6
12-month total									1,231	43.2

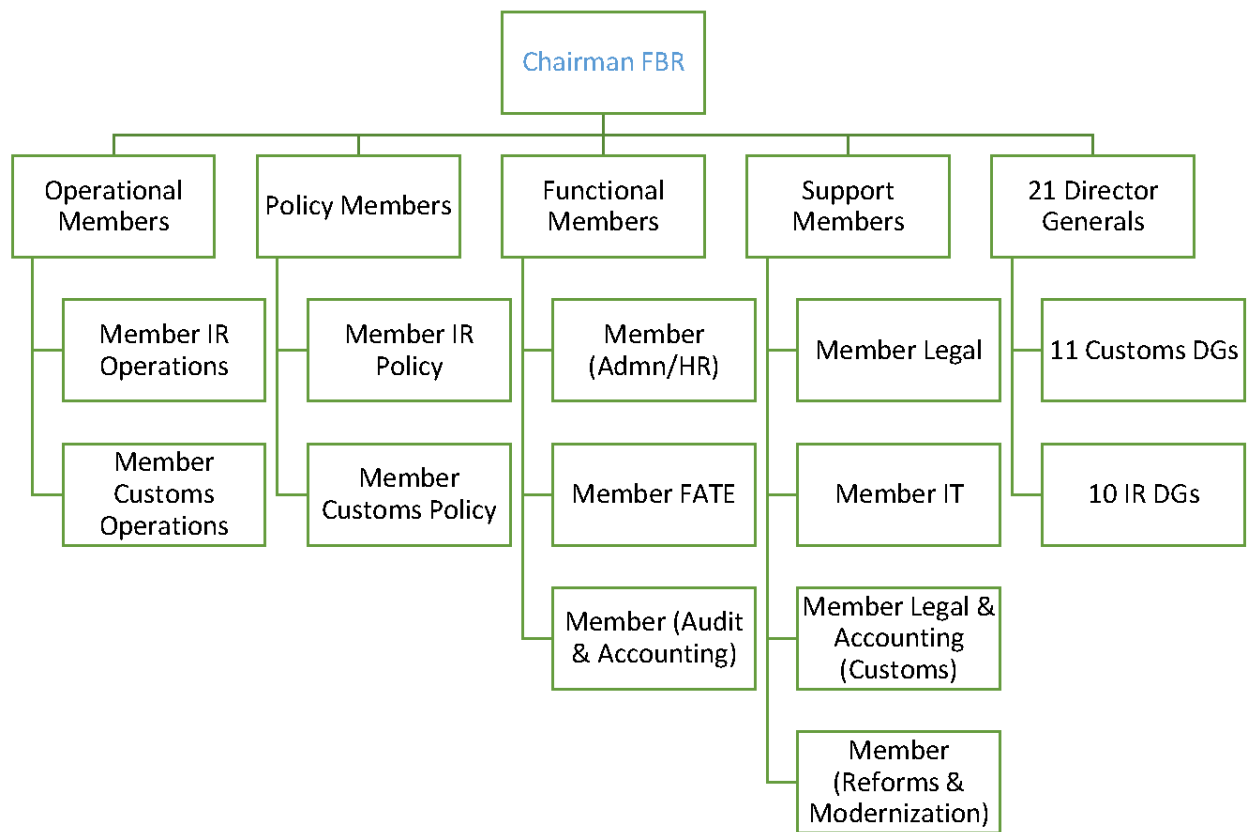
I. Payment of VAT Refunds

(Ref: POA 8)

Table 15. VAT Refunds
(FY 2019-20)

	Number of cases	Value in PKR billions
Total VAT refund claims received (A)	61,918	254.756
Total VAT refunds paid ¹	46,201	208.889
Of which: paid within 30 days (B) ²	36,432	195.289
Of which: paid outside 30 days	9,769	13.600
Total VAT refund claims declined ³		
Of which: declined within 30 days (C)		
Of which: declined outside 30 days		
Total VAT refund claims not processed ⁴	15,717	45,847
Of which: no decision taken to decline refund	244	32,964
Of which: approved but not yet paid or offset	15,473	12,883
In percent		
Ratio of (B+C) to (A) ⁵	58.8	76.7
<p>Explanatory note:</p> <p>¹ Include all refunds paid, as well as refunds offset against other tax liabilities.</p> <p>² TADAT measures performance against a 30-day standard.</p> <p>³ Include cases where a formal decision has been taken to decline (refuse) the taxpayer's claim for refund (e.g., where the legal requirements for refund have not been met).</p> <p>⁴ Include all cases where refund processing is incomplete—i.e. where (a) the formal decision has not been taken to decline the refund claim; or (b) the refund has been approved but not paid or offset.</p> <p>⁵ i.e. $\frac{\text{VAT refunds paid within 30 days (B)} + \text{VAT refunds declined within 30 days (C)}}{\text{Total VAT refund claims received (A)}} \times 100.0$</p>		

Attachment IV.
FBR ORGANIZATIONAL CHART



Attachment V. Sources of Evidence

Indicators	Sources of Evidence
P1-1. Accurate and reliable taxpayer information.	<ul style="list-style-type: none"> Federal Board of Revenue automated systems for taxpayer database FBR automation systems - IRIS and Integrated Tax Management System (ITMS) – Annex 1 (All screen shots) Section 181 of Income Tax Ordinance, 2001 on taxpayer's registration Section 181A of Income Tax Ordinance, 2001 on taxpayer's "Active Taxpayer List" Rule 80 of Income Tax Rules, 2002 on taxpayer registration (https://download1.fbr.gov.pk/Docs/202010211102851544IncomeTaxRules2002.pdf) Rule 82 of Income Tax Rules, 2002 on modification or cancellation of registration Section 14 of Sales Tax Act, 1990 on registration of taxpayer Section 21 of Sales Tax Act, 1990 on de-registration, blacklisting and suspension of registration Application form for Income Tax registration Registration guidelines of individuals on IRIS Taxpayer profile inquiry confirming operation of online verification system FBR website link "https://iris.fbr.gov.pk/public/txploginxhtml"
P1-2. Knowledge of the potential taxpayer base.	<ul style="list-style-type: none"> FBR press release regarding integration with NADRA substantiating linkage of taxpayer profile Fiscal Development 02-06-2020, Chapter 4 Memorandum of Understanding with SECP and Employees Old Age Benefit Institution (EOBI) for establishment, operation and administration of third party information and virtual one-stop shop for company registration IRIS system showing the details of the taxpayers withholding tax details showing integration of data with banks, educational institutes, telecommunication companies and vehicle registration authorities FBR Annual Report for FY 2020 showing performance in adding new taxpayers
P2-3. Identification, assessment, ranking, and quantification of compliance risks.	<ul style="list-style-type: none"> Media reports regarding security breach of Pakistan Automation Private Limited (PRAL) Year Book 2019-2020 containing analysis of tax returns
P2-4. Mitigation of risks through a compliance improvement plan.	<ul style="list-style-type: none"> FBR response to mitigate the risks caused through natural hazard and cyber risks
P2-5. Monitoring and evaluation of compliance risk mitigation activities.	<ul style="list-style-type: none"> Screen shot of Cross matching with vehicle registration department

Indicators	Sources of Evidence
P2-6. Management of operational (i.e. systems and processes) risks.	<ul style="list-style-type: none"> • Screen shot of dashboard on business intelligence
P2-7. Management of human capital risks.	<ul style="list-style-type: none"> • Inland Revenue Services reform plan
P3-8. Scope, currency, and accessibility of information.	<ul style="list-style-type: none"> • Videos and tutorial on FBR website on (i) enrolment and registration for NTN, (ii) Income tax return for salaried person, (iii) filing of the wealth statement, (iv) process for tax payment, and (v) process for income tax refund • https://www.fbr.gov.pk/video-tutorials-income-tax-return-filing/132186 • Income Tax Return Filing – TVCS on (i) last date to file return, (ii) who must file tax return, (iii) IRIS tutorial, (iv) Income tax return filing for FY 2018 -FY 2020, and (iv) online submission of returns • Supplementary tutorials on (i) IRIS application to file condonation request against reference order, (ii) IRIS application to file rectification request against reference order, and (iii) registration tutorial for builders and developers • Manuals on (i) Profile update u/s 114A of Income Tax Ordinance, 2021 – User Guide, (ii) e-payment of Income Tax, Sales Tax and Federal Excise (iii) e-Payment Customs Duty, and (iv) e-payment FAQ's • https://download1.fbr.gov.pk/Docs/20211191412128257e-PaymentIncomeTax,SalesTax&FEDpdf • https://download1.fbr.gov.pk/Docs/20211191412336950e-PaymentCustomspdf • https://download1.fbr.gov.pk/Docs/20211191412336950e-PaymentCustomspdf • https://download1.fbr.gov.pk/Docs/2020122914123835238ProfileUpdate-UserGuidepdf • FBR application to provide taxpayers information about their assets and withholding tax deductions "MaloomatTaxRayApp / "FBR Maloomat Taxray" • https://iris.fbr.gov.pk/public/txpAllLoginxhtml • Memorandum of understanding signed with the provincial governments • Press release regarding signing of letter of understanding with Federal Directorate of Education • Examples of mass communication campaigns in print and electronic media • FATE Outreach program • Taxpayer Charter • Handbook on improving Communication Skills – Tax Reform Component [Governance Program]

Indicators	Sources of Evidence
P3-9. Time taken to respond to information requests.	<ul style="list-style-type: none"> Annex III, Table 3 Discussions with FBR officials as how the call records are being kept and what is the source and database through which the call response time is communicated Evidence of operation of call center – Screen shot of operational timing of Call Center
P3-10. Scope of initiatives to reduce taxpayer compliance costs.	<ul style="list-style-type: none"> Section 100 E of Income Tax Ordinance, 2001 inserted read with Clause 2(59) inserted through Finance Act, 2021 Simplified tax return form for retailers having turnover upto Rs 10 million Videos TaxASSAN application on filing of simplified tax return through an ASAAN mobile application https://www.fbr.gov.pk/tax-asaan-application/152393 Frequently asked questions to facilitate taxpayers in understanding the filing and other requirements Evidence of the alternate payment modes
P3-11. Obtaining taxpayer feedback on products and services.	<ul style="list-style-type: none"> Evidence of the research for updating the frequently asked questions Evidence of the FBR's approach to talk with intermediaries and with other representative bodies only, or for the individual tax affairs Evidence of the FBR's consultation on tax administration changes in products and services Evidence /examples of the feedback received in consultation and changes made as a result for (i) policy consultation, and (ii) administrative consultation Evidence of the proactive efforts to identify taxpayer's affected by proposals and target education or information at them Evidence of the FBR's monitoring and analyses different forms of customer contact to inform the design of services
P4-12. On-time filing rate.	<ul style="list-style-type: none"> Attachment III – Table 4 -10
P4-13 Management of non-filers.	<ul style="list-style-type: none"> Chapter XI, Rule 73 of Income Tax Rule, 2002 on furnishing of returns Chapter VIII – Rule 34 of Income Tax Rules, 2002 on return of income IRIS software view of the filers and non-filers Screen shot of data base of notices to non-filers issued under section 176 of Income Tax Ordinance, 2001 Screen shot of data base of notices to NIL filers issued under section 176 of Income Tax Ordinance, 2001 Screen shot of filing history of individual taxpayer Screen shot of data base of notices to non-filers issued under section 114 of Income Tax Ordinance, 2001

Indicators	Sources of Evidence
	<ul style="list-style-type: none"> Screen shot of database of taxpayer who has been issued notices for penalties
P4-14. Use of electronic filing facilities.	<ul style="list-style-type: none"> Attachment III – Table 11
P5-15. Use of electronic payment methods.	<ul style="list-style-type: none"> Attachment III – Table 11
P5-16. Use of efficient collection systems.	<ul style="list-style-type: none"> Section 149, 150 and 151 of Income Tax Ordinance, 2001 that deals with withholding of tax from payments under the head “salary”, “dividend” and “profit on debt” respectively Section 147 and 148 of Income Tax Ordinance, 2001 Advance tax that deals with advance payment regime for corporate income tax and personal income tax Screen shot of tax system data base showing the monitoring of actual collection against the target
P5-17. Timeliness of payments.	<ul style="list-style-type: none"> Attachment III, Table 12
P5-18. Stock and flow of tax arrears.	<ul style="list-style-type: none"> Attachment III, Table 13 Tax Administration 2019 Comparative Information on OECD and Other Advanced and Emerging Economies Performance Audit Report on Inland Revenue Services of Federal Board of Revenue (2018-19) p 7
P6-19. Scope of verification actions taken to detect and deter inaccurate reporting.	<ul style="list-style-type: none"> Audit policy 2019 National Audit Manual 2007 Template of monthly audit performance monitoring report Screen shot of monthly monitoring report of audit cases Screen shot of monthly report of audit Screen shot of monthly report of audit by (i) core tax categories, and (ii) under different provisions of statutes
P6-20. Use of large-scale data-matching systems to detect inaccurate reporting.	<ul style="list-style-type: none"> Benami Transactions (Prohibition) Rules, 2019 Screen shots of taxpayer information about vehicles and property sales and purchase Screen shots of taxpayer information about withholding tax deducted, travel abroad and expenditures on education fee Screen shot of invoice data at retailer level Screen shot of cross matching with POS configured retailers Screen shot of interface with major export commodities FBR Sales Tax General Order 2 of 2022 dated 6 Sep 2021 on integration of FBR with Tier -I retailers
P6-21. Initiatives undertaken to encourage accurate reporting.	<ul style="list-style-type: none"> Section 206A of Income Tax Ordinance, 2001 on advance ruling

Indicators	Sources of Evidence
P6-22. Monitoring the tax gap to assess inaccuracy of reporting levels.	<ul style="list-style-type: none"> • Multi-donor trust fund for accelerating growth and reforms – Tax policy and tax administration reform component [Annual Report 2018-2019] – Tax Gap Analysis for Cement, Steel and Sugar Sector • Methodology on Tax Gap Analysis • Tax Gap estimates 2019 • Pakistan Micro-simulation Model • Federal Board of Revenue – Tax gap analysis and recommendations – Cement Sector • Federal Board of Revenue – Tax gap analysis and recommendations – GST and Income Tax • Federal Board of Revenue – Tax gap analysis and recommendations – Steel Sector • Federal Board of Revenue – Tax gap analysis and recommendations – Sugar Sector • Federal Board of Revenue – Tax gap analysis and recommendations – Tobacco and Beverages Sector • Screen shot of monthly performance report
P7-23. Existence of an independent, workable, and graduated dispute resolution process.	<ul style="list-style-type: none"> • Section 127 of Income Tax Ordinance, 2001 and Section 45B of the Sales Tax Act on filing of appeal before Commissioner Appeals • https://fbrgovpk/categ/income-tax-appeals/51147/40848/81151 (for income tax) and https://www.fbrgovpk/categ/sales-tax-appeals/51148/50855/131149 (for sales tax) • Section 131 of Income Tax Ordinance, 2001 and section 46 of the Sales Tax Act on filing of appeal before Appellate Tribunal • Section 133 of Income Tax Ordinance, 2001 and section 47 of the Sales tax Act on making reference to the High Court against the order of Appellate Tribunal • Section 130 of Income Tax Ordinance, 2001 on establishment of Appellate Tribunal • Section 132 of Income Tax Ordinance, 2001 on disposal of appeal by Appellate Tribunal • Copy of order passed by Deputy Commissioner Inland Revenue 29 Sep 2018 showing the right of appeal to the parties before Commissioner (Appeal) • Copy of Order passed by Commissioner Inland Revenue (Appeal – II) Lahore showing the right of Appeal before the Appellate Tribunal • Copy of order passed by Assistant Commissioner Audit allowing right to appeal u/s 127 of Income Tax Ordinance, 2001
P7-24. Time taken to resolve disputes.	<ul style="list-style-type: none"> • Attachment III – Table 12

Indicators	Sources of Evidence
P7-25. Degree to which dispute outcomes are acted upon.	<ul style="list-style-type: none"> Budget proposal from Medium Taxpayer Office, Multan providing evidence that the court order against departments is considered in proposing amendment in legislation
P8-26. Contribution to government tax revenue forecasting process.	<ul style="list-style-type: none"> Organization Structure of the Directorate General of Strategic Planning, Reforms and Statistics (SPR&S) https://www.fbr.gov.pk/organizational-chart/131167/131166 https://www.fbr.gov.pk/strategic-planning-reforms-statistics/142253/131273 Key Job description of SPR&S Evidence Based forecasting' report of SPR&S http://www.finance.gov.pk/budget/Budget_2021_22/Evidence_Based_Revenue_Forecasting_FY_2021_22.pdf Tax Expenditure Report for FY 2021-22 http://www.finance.gov.pk/budget/Budget_2021_22/Tax_Expenditure_Report_2021_22.pdf FBR correspondence on monthly reporting of tax collection to Finance Division FBR correspondence with Finance Division on budget estimates FBR report on policy impact analysis
P8-27. Adequacy of the tax revenue accounting system.	<ul style="list-style-type: none"> Section 30 and 31 of Public Finance Management Act, 2019 dealing with cash management and government banking arrangement http://www.finance.gov.pk/PublicFinanceManagementAct2019.pdf Auditor General of Pakistan Report FBR Annual Report Internal Audit Communication with Regional Tax Office on Audit on Federal Receipts and Financial Attest for FY 2021 Evidence of reporting structure of Chief Inland Revenue Screen shot of monitoring of daily and monthly collections Screen shot of monitoring of collection branches Statement of account regarding collection of Income Tax, Sales Tax and Custom Duty for FY 2020-2021
P8-28. Adequacy of tax refund processing.	<ul style="list-style-type: none"> FBR Annual Report for FY 2020-2021 Rule 31 of Sales Tax Act, 1990 regarding payment of sales tax refunds by Chief Sales Tax Refund Office (CSTRO) Evidence of monitoring of refund processing Evidence of monitoring of refunds claimed and paid Attachment III, Table 15

Indicators	Sources of Evidence
P9-29. Internal assurance mechanisms.	<ul style="list-style-type: none"> • Internal Audit Manual 2011 • List of training program conducted by the Directorate of Training /Training schedule of the audit staff • Invitation letter for training of audit staff • Terms of Reference of Integrity management cell • Composition of integrity management cell • Monitoring of internal audit investigations • Auditor Report of the Auditor General of Pakistan • Special Inspection notes, other cases, and proposals made by DG Internal Audit (IR) • Code of Conduct of FBR, 2004 https://download1.fbr.gov.pk/Docs/2015529165522423InternalCommunicationPolicyofFBR.pdf • Appointment Letters issued to audit staff confirming the communication of conduct rules to be followed [(i) New recruits training conditions, and (ii) new recruits appointment letters] • FBR information security policy, 2008 as amended from time to time, and master document list • Audit observation about information security system
P9-30. External oversight of the tax administration.	<ul style="list-style-type: none"> • Minutes of DAC confirming the response given by FBR to Office of AGP on audit observations raised • Order / Letter No1-83-1SB-19-IMP dated 16/09/2020 from Federal Tax Ombudsman • Order from Federal Tax Ombudsman against compliant number 0132/OM/2019 • Representation of identical nature filed by Federal Board of Revenue on Suo moto notice through own motion by FTO • Representation preferred by Federal Board of Revenue on Suo moto notice through own motion by the Honorable FTO • Letter form NAB on provision of information • https://nab.gov.pk/Public_info_material.asp#iMP_dOC • https://www.fiagovpk/laws • Annual Program of external audit https://agpgovpk/Sitelmage/Misc/files/14th%20Draft%20Final%20-%20Corporate%20Audit%20Plan%202020-21%20(RAZA%208%20pm).pdf • Public reports of the external oversight; (i) AGP Report 2019pdf; (ii) https://www.agpgovpk/AuditReports, (iii) Financial Audit report of AGP on specific actionspdf; (iv) (Response of FBR to AGP audit paras. (v) https://agpgovpk/Sitelmage/Misc/files/Performance-Audit-Manual.pdf

Indicators	Sources of Evidence
	<ul style="list-style-type: none"> • Correspondence with field Commissioners on follow up of Ombudsman report • Follow up on Ombudsman -directive by President's Secretariat • Response to Ombudsman
P9-31. Public perception of integrity.	<ul style="list-style-type: none"> • FBR biannual review July – December 2020
P9-32. Publication of activities, results and plans.	<ul style="list-style-type: none"> • FBR annual report for FY 2019-2020 • Letter confirming uploading of annual report on FBR website • https://www.fbr.gov.pk/fbr-year-books/132039

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