



## Pakistan Raises Revenue (P165982)

SOUTH ASIA | Pakistan | Governance Global Practice |  
IBRD/IDA | Investment Project Financing | FY 2019 | Seq No: 4 | ARCHIVED on 29-Jun-2021 | ISR46362 |

Implementing Agencies: Islamic Republic of Pakistan, Federal Board of Revenue

### Key Dates

#### Key Project Dates

Bank Approval Date: 13-Jun-2019

Effectiveness Date: 18-Jun-2019

Planned Mid Term Review Date: 31-Dec-2021

Actual Mid-Term Review Date:

Original Closing Date: 30-Jun-2024

Revised Closing Date: 30-Jun-2024

### Project Development Objectives

Project Development Objective (from Project Appraisal Document)

Contribute to a sustainable increase in domestic revenue by broadening the tax base and facilitating compliance

Has the Project Development Objective been changed since Board Approval of the Project Objective?

No

### Components Table

Name

Results-based component: This component includes four objectives areas: 1. Simple & transparent tax system, 2. Control of taxpayer obligations, 3. Compliance facilitation, 4. Institutional development:(Cost \$320.00 M)

Traditional IPF component: Upgrade of FBR's ICT systems:(Cost \$80.00 M)

### Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	<input type="checkbox"/> Satisfactory	<input type="checkbox"/> Satisfactory
Overall Implementation Progress (IP)	<input type="checkbox"/> Moderately Satisfactory	<input type="checkbox"/> Moderately Satisfactory
Overall Risk Rating	<input type="checkbox"/> Substantial	<input type="checkbox"/> Moderate

### Implementation Status and Key Decisions

#### Component 1: Results Based

The project's achievements include the reduction in the number of withholding lines from 49 in FY 2019/2020 to 37 in the FY2020/2021 (DL1) and the MoF has published in the Annual Budget Statement (ABS) detailed tax expenditure and evidence-based revenue forecasts in the Finance Bill currently under discussion in the parliament (DLI#2). There is, however, slow progress in measures to strengthen provincial coordination on exchange of taxpayer data and harmonization of property tax (DLI3). The FBR has assigned its provincial representatives to work with selected district authorities to review market valuation of immovable property. The FBR has recently awarded the license for Track and Trace (T&T) to enable the electronic monitoring of production in key sectors (DLI4). The establishment of T&T in the initial four sectors is now frozen following a court injunction. To strengthen the audit capacity, the FBR has recently restructured its Audit Wing (DLI6) to create two units, namely Compliance Unit and Audit Unit. This is expected to further strengthen the ecosystem for risk-based audit function. The FBR and all the 12 provincial revenue authorities have recently signed a Memorandum of Understanding (MoU) establishing a single tax return and single portal for the General Sales Tax



(GST), part of a broader framework for harmonizing the GST on goods and services (DLI7). Progress has also been made in strengthening customs processing with the reduction in the frequency of physical inspections at the border. The volume of good declared through the red and yellow channels has now been reduced from a baseline of about 60 percent in 2018/2019 to about 42 percent in FY2020/2021 (DLI8). Pre-arrival and Pre-clearance business process standard procedure and flow chart have been drafted and the pre-arrival procedures tested at Karachi International Airport. There is also progress in the development of the Automated Entry-Exit System (AEES) which now includes the Non-Intrusive Inspection (NII) technology for the four seaports in Karachi. Piloting of the scanning of goods through the new blue channel has been undertaken at the Karachi International Airport. Simplification of FBR's core business processes-is proceeding and to date, FBR has completed the review of about 24 business processes. Finally, the FBR has continued to track the Key Performance Indicators and published the results on its website to enhance transparency (DLI10) .

**Component 2: Investment Project Financing**

There has been satisfactory progress under this component during the period under review. Following the approval of the PC1 the delayed recruitment of the Chief Information Officer has now been completed. There is satisfactory progress in the definition of a common conceptual approach for the customs risk management system and post clearance audit (PCA). The PCA framework has been prepared and the compliance risk based approaches developed. Procurement of several IT equipment has commenced following the approval of the Procurement Plan. In the next six months, it is expected that key activities such as the replacement of end of life equipment and update of legacy software as well as the establishment of the data warehouse and business intelligence systems will be well underway. Procurement under this component will need to be stepped up to meet implementation timelines.

**Risks**

**Systematic Operations Risk-rating Tool**

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	☐ Substantial	☐ Substantial	☐ Moderate
Macroeconomic	☐ Substantial	☐ Substantial	☐ Moderate
Sector Strategies and Policies	☐ High	☐ High	☐ Moderate
Technical Design of Project or Program	☐ Moderate	☐ Moderate	☐ Moderate
Institutional Capacity for Implementation and Sustainability	☐ Substantial	☐ Moderate	☐ Moderate
Fiduciary	☐ Substantial	☐ Substantial	☐ Substantial
Environment and Social	☐ Moderate	☐ Moderate	☐ Moderate
Stakeholders	☐ High	☐ Substantial	☐ Substantial
Other	--	--	☐ Low
Overall	☐ High	☐ Substantial	☐ Moderate

**Results**

**PDO Indicators by Objectives / Outcomes**

Increased tax and customs receipts (% of GDP)



► Tax to GDP ratio (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	13.00	11.00	12.70	17.00
Date	29-Jun-2018	01-Oct-2020	31-May-2021	28-Jun-2024
Comments:	The data for FY2018/19 (July 2018-June 2019) is updated on August 12, 2020 as reported by the Ministry of Finance, in Fiscal Operations report.			

Expanded tax net				
► Number of compliant tax payers (Number (Thousand), Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	1,159.00	1,996.07	2,859.00	3,500.00
Date	29-Jun-2018	01-Oct-2020	31-May-2021	28-Jun-2024
Comments:	This shows total number of income tax filers who paid taxes in FY19 (updated data as of September 2, 2020). Data for FY20 is not yet available as the returns for the period are currently being filed. Total number of income tax filers are <b>2,859,000</b> in FY20.			

Taxpayer compliance facilitated				
► Hours to prepare, file and pay/withhold CIT and GST measured by 'paying taxes indicator' in Doing Business (excluding social security contributions) (Hours, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	253.50	243.00	243.00	130.00
Date	31-Dec-2018	01-Oct-2020	31-May-2021	28-Jun-2024
Comments:	In the 'paying taxes' indicator in the Doing Business 2020 report, <b>the time to file and pay CIT and GST was brought down to 243 hours from 253.5 in the previous report.</b>			

Customs clearance facilitated				
► Hours spent for customs clearance at the border per the 'trading across borders' Doing Business indicator (average of exports, imports) (Hours, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	97.50	89.00	89.00	48.50
Date	31-Dec-2018	01-Oct-2020	31-May-2021	28-Jun-2024
Comments:	In the Doing Business 2020 report, Pakistan's ranking rose from 142nd to 111th and time waiting for border clearance was reduced to 58 hours for exports and 120 hours from imports, resulting in <b>an average waiting time of 89 hours for imports and exports, down from 97.5 hours</b> in the previous year's report. This result has exceeded the project's target of 90 hours for year 1. Data for the Doing Business 2021 Report have not been released.			



Intermediate Results Indicators by Components

Results-based: a) Simpler tax system, b) Compliance control, c) Facilitation, d) Institutional devt				
▶ Simplified regulations for tax administration (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Tax laws do not incorporate later amendments in the main text and have different provisions for tax administration. Customs Act not fully in line with international agreements that Pakistan is a party to.	The Customs Act, Sales Tax Act, the Income Tax Ordinance and the Federal Excise Act have been updated incorporating all amendments, including those introduced by the Finance Act of June 2019 that are highlighted the main text. The Customs Act has also been aligned with the Kyoto and TIR Conventions.	Work has been initiated for the development of a single IRS Code by merging the administrative provisions of all taxes administered by IRS, i.e. Income Tax, Sales Tax, Federal Excise Tax, Capital Value Tax as well as Tax on Goods and Services in ICT.	Tax laws updated to include all subsequent amendments in the text; unified tax administration provisions for all tax instruments; and Customs Act is fully aligned with Kyoto and TIR Conventions.
Date	29-Mar-2019	01-Oct-2020	31-May-2021	28-Jun-2024
▶ Automated sharing of taxpayer data (number of entities sharing data with the FBR) (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	3.00	8.00	84.00	20.00
Date	29-Mar-2019	01-Oct-2020	31-May-2021	28-Jun-2024
Comments:	<b>There has been an important advance in the number of entities with which information is shared for tax purposes</b>			
▶ Systematic tracking of arrears (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No regular monitoring and reporting system on tax arrears in place.	FBR has developed its Arrears Management System.	Analysis of arrears not completed	Tax arrears tracked through Management Information System, collectability analyzed, and at least of 60% of collectable arrears at the start of the FY are recovered.
Date	29-Mar-2019	01-Oct-2020	31-May-2021	28-Jun-2024



► Effective risk management in Customs (% inspections & audits that detect material violations) (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	2.50	2.50	46.41	6.50
Date	29-Jun-2018	01-Oct-2020	31-May-2021	31-Jul-2024
► E-services for taxpayers and traders (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Online filing and payment, and ATM payments launched.	Mobile applications for GST taxpayer registration and for registered users' access to the Customs WeBOC system launched. FASTER system for e-submission and processing of GST and federal excise refunds launched.	Partially achieved as Income Tax return may be filed through tax Asaan aap	Filing by mobile phone, payments by credit/debit card and non-banking services enabled; taxpayers able to review their records online; taxpayers able to offset liabilities against receivables across taxes and fiscal years.
Date	29-Mar-2019	01-Oct-2020	31-May-2021	30-Jun-2023
► Resolution of refunds (% of refunds claims resolved within 90 days) (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	5.00	15.00	15.00	50.00
Date	29-Jun-2018	01-Oct-2020	31-May-2021	28-Jun-2024
Comments:	99% under Sales Tax Act, 1990 from July 2020 to March, 2021 whereas 59% of rebates have been processed under Customs Act, 1969.			
► Authorized Economic Operator (AEO) program (# of firms accredited) (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No AEO program in place	The Finance Act FY2020/21 introduced an amendment to the Customs Code to enable the AEO program, which is expected to start in September 2020.	3 firm registered in the pilot program	20 firms accredited
Date	29-Mar-2019	01-Oct-2020	31-May-2021	28-Jun-2024
► Technical streams and specialized functions established (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	FBR staff are not assigned to a specific function with career	Technical streams have not been established.	Technical streams have not been established.	At least 40% of grade 17 officers assigned to a technical stream and



	prospects within the function. Specialized non-core functions (procurement, internal audit, communications, human resource management) staffed by generalists from within FBR.			receive specialized training. Dedicated units for non-core functions established and staffed with externally hired professionals.
Date	29-Mar-2019	01-Oct-2020	31-May-2021	28-Jun-2024
<b>► Timely transfer tax receipts and reconciliation of accounts in the TSA (Text, Custom)</b>				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Some tax receipts are reported manually and transferred to the TSA with a delay of 30 days or more.	Finance Act for FY21 requires transfer of tax receipts to the TSA on the same business day.	Finance Act for FY21 requires transfer of tax receipts to the TSA on the same business day.	Banks transfer tax receipts to the TSA at the end of each business day and reconciliation of accounts takes place monthly.
Date	29-Mar-2019	01-Oct-2020	31-May-2021	28-Jun-2024
<b>► Women's representation among FBR staff (Percentage, Custom)</b>				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	4.50	5.10	5.10	10.00
Date	29-Mar-2019	01-Oct-2020	31-May-2021	28-Jun-2024

<b>Upgrade of ICT systems (traditional IPF)</b>				
<b>► Obsolete ICT equipment replaced, legacy branded software updated, and active-active private cloud established (Percentage, Custom)</b>				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	100.00
Date	28-Feb-2019	01-Oct-2020	31-May-2021	28-Jun-2024
Comments:	This activity is delayed. The technical requirements have been prepared, but the procurement has not been launched and is in the process of being finalized.			
<b>► Data Warehouse with big data capacity and Business Intelligence tools are functional (Yes/No, Custom)</b>				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	No	No	Yes
Date	28-Feb-2019	01-Oct-2020	31-May-2021	28-Jun-2024
Comments:	This activity is delayed			



► FBR offices with full, permanent and reliable connectivity (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	6.00	6.00	6.00	42.00
Date	28-Feb-2019	01-Oct-2020	31-May-2021	28-Jun-2024
Comments:	This activity is delayed. The technical requirements have been prepared, but the procurement has not been launched and is in the process of being finalized.			
► Customs border stations with Automated Entry-Exit System (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	4.00
Date	28-Feb-2019	01-Oct-2020	31-May-2021	28-Jun-2024
Comments:	Functional requirements for the system have been prepared but procurement has not been launched.			

### Performance-Based Conditions

► PBC 1 Scope of withholding regime reduced (number of withholding lines) (Number, Intermediate Outcome, 32,000,000.00, 0.00%)				
	Baseline	Actual (Previous)	Actual (Current)	July 1, 2023 - June 30, 2024
Value	58.00	49.00	37.00	20.00
Date	--	01-Oct-2020	30-Jun-2021	--
Comments:	One withholding line (section 236 W of the Income Tax Ordinance) on advance collection of income tax by persons/firms transferring or selling immovable property from the buyer/transfer beneficiary was abolished by amendments introduced with the Finance Bill in June 2019.			

► PBC 2 Transparent tax system (Text, Output, 32,000,000.00, 0.00%)				
	Baseline	Actual (Previous)	Actual (Current)	July 1, 2023 - June 30, 2024
Value	Aggregate tax expenditure is published.	Detailed statement of tax expenditure published as annex to the ABS of FY2020/21 budget.	Detailed statement of tax expenditure published as annex to the ABS of	MoF (with input from FBR) has published in the ABS detailed tax expenditure,



			FY2020/21 budget presented to Parliament.	evidence-based revenue forecasts, and tax gap estimates disaggregated by tax instrument
Date	--	01-Oct-2020	30-Jun-2021	--

►PBC 3 Coordination with provinces (Text, Intermediate Outcome, 34,000,000.00, 0.00%)				
	Baseline	Actual (Previous)	Actual (Current)	July 1, 2023 - June 30, 2024
Value	One data-sharing MoU with FBR to be signed by KP Revenue Authority with FBR by June 30, 2019, as prior result of KP Revenue Mobilization PForR (P162302).	MoUs on data-sharing signed with 8 out of 12 provincial tax authorities.	MoUs on data-sharing signed with 8 out of 12 provincial tax authorities. MOUs with remaining 4 authorities under process. Work on updating immoveable property valuation tables is underway, and related agreement is yet to be signed with all 4 provinces.	FBR has harmonized the definitions of economic activities subject to GST/GSTS harmonized with all 4 provinces
Date	--	01-Oct-2020	30-Jun-2021	--

►PBC 4 Track & Trace and electronic monitoring of production in key sectors (# of sectors) (Number, Intermediate Outcome, 32,000,000.00, 0.00%)				
	Baseline	Actual (Previous)	Actual (Current)	July 1, 2023 - June 30, 2024
Value	0.00	0.00	0.00	1.00
Date	--	01-Oct-2020	30-Jun-2021	--
Comments:	The application process for granting licenses to firms to undertake track and trace/ electronic monitoring of production is underway.			

►PBC 5 New taxpayers identified through automated data sharing and ICT-based business intelligence (Number (Thousand), Outcome, 32,500,000.00, 0.00%)				
	Baseline	Actual (Previous)	Actual (Current)	July 1, 2023 - June 30, 2024
Value	5.80	121.06	221.06	500.00





Date	--	01-Oct-2020	30-Jun-2021	--
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► PBC 6 Risk-based audit (Text, Intermediate Outcome, 40,000,000.00, 0.00%)				
	Baseline	Actual (Previous)	Actual (Current)	July 1, 2023 - June 30, 2024
Value	Risk-based audits piloted in one FBR office	The FBR has amended the regulations of the tax laws to make automated, risk-based selection of audit cases mandatory for at least 90% of annual audits and making any audits proposed by FBR field offices subject to approval by the Member Audit.	FBR has restructured the Audit Wing to include a Compliance Unit and an Audit Unit.	FBR has completed at least 45 additional comprehensive field audits of Large Taxpayers and 15 issue-oriented audits for cases selected by the risk-based selection tool and monitored by the Compliance Unit through AMIS with associated reports submitted to FBR management.
Date	--	01-Oct-2020	30-Jun-2021	--

► PBC 7 GST filing simplification (Text, Intermediate Outcome, 32,000,000.00, 0.00%)				
	Baseline	Actual (Previous)	Actual (Current)	July 1, 2023 - June 30, 2024
Value	Online filing available on FBR website	Standardized GST return form prepared, integrated in the GST portal, and MoUs signed with 3 out of 4 provincial GSTS-collecting tax authorities.	The MOU to provide for a standardized tax return form for GST/GSTS signed by FBR and all provincial GSTS revenue authorities. Standardized form for GST/GSTS filing yet to be made available on federal/provincial websites.	Single portal automatically calculates and pays GST refunds to taxpayers
Date	--	01-Oct-2020	30-Jun-2021	--
Comments:	The FBR has also recently launched a mobile app for the registration of new GST taxpayers.			

► PBC 8 Goods declarations going through the red and yellow channels at the border (Percentage, Outcome, 40,000,000.00, 0.00%)				
	Baseline	Actual (Previous)	Actual (Current)	July 1, 2023 - June 30, 2024



Value	65.00	42.18	41.95	25.00
Date	--	01-Oct-2020	30-Jun-2021	--
Comments:	Amendments to the Customs Act passed by the Parliament on June 27, 2019 provide for inspections of goods consignments at the border according to risk-based selection.			

► PBC 9 FBR core business processes (BPs) simplified and automated (Text, Intermediate Outcome, 35,500,000.00, 0.00%)				
	Baseline	Actual (Previous)	Actual (Current)	July 1, 2023 - June 30, 2024
Value	3 business processes mapped (exports, transit, transshipment)	3 business processes mapped Chief Information Officer has been appointed Full time staff from Inland Revenue Services and Customs not assigned	14 additional steps completed for Business Process Improvement. Chief Information Officer recruited and onboard. Full time staff from Inland Revenue Services and Customs assigned to Business Domain Team.	FBR has eliminated and replaced previously paper-based processes with the newly automated business processes created under the Business Process Improvement.
Date	--	01-Oct-2020	30-Jun-2021	--
Comments:	Position of CIO has been advertised.			

► PBC 10 Organizational effectiveness and transparency (Text, Output, 10,000,000.00, 0.00%)				
	Baseline	Actual (Previous)	Actual (Current)	July 1, 2023 - June 30, 2024
Value	FBR does not publish regular reports on KPIs, so no details of FBR performance are available to the public.	FBR has adopted KPIs endorsed by the Ministry of Finance and published them on its website.	FBR Published annual report on the KPIs on its website.	FBR has published six-monthly report within 2 months of end of Q2 and annual report on the KPIs within 3 months of end of FY.
Date	--	01-Oct-2020	30-Jun-2021	--

## Data on Financial Performance

### Disbursements (by loan)

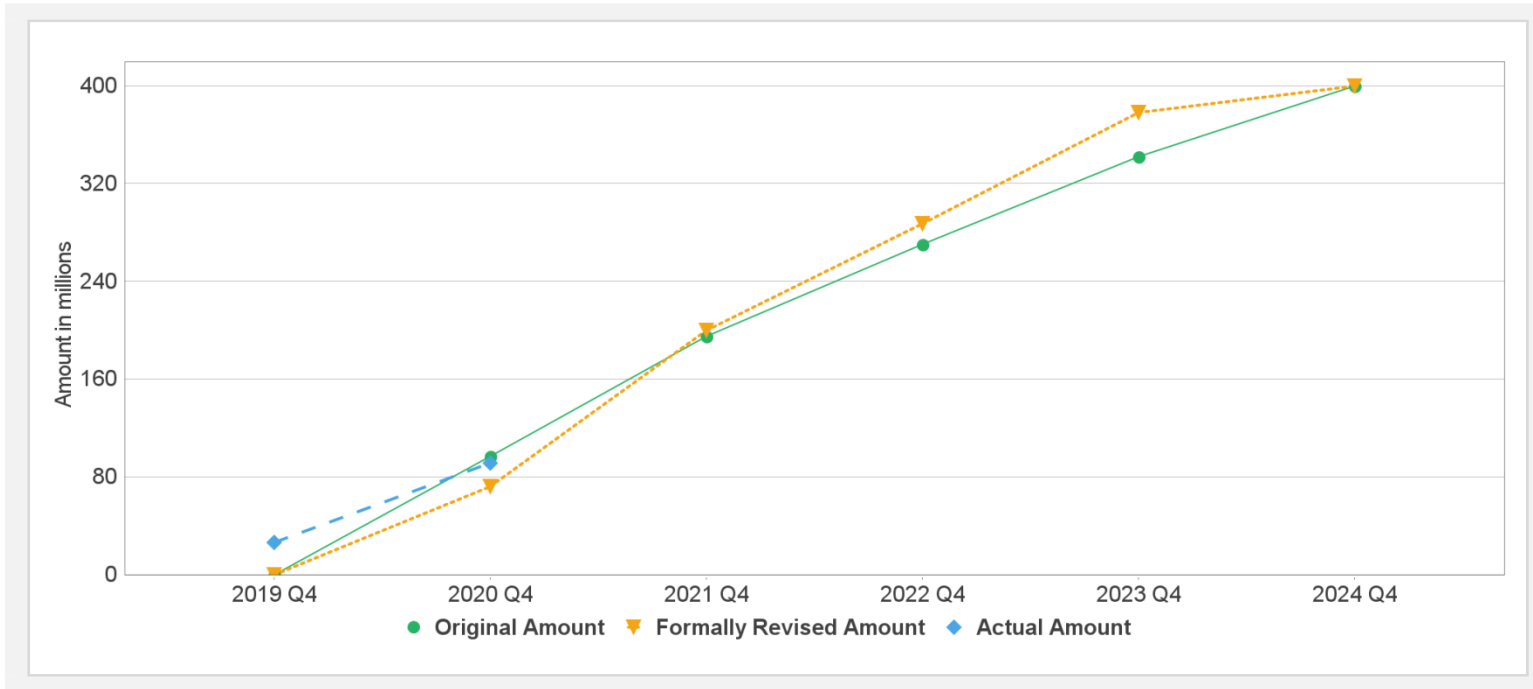
Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P165982	IDA-64350	Effective	USD	400.00	400.00	0.00	101.74	309.21	25%



**Key Dates (by loan)**

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P165982	IDA-64350	Effective	13-Jun-2019	17-Jun-2019	18-Jun-2019	30-Jun-2024	30-Jun-2024

**Cumulative Disbursements**



**PBC Disbursement**

PBC ID	PBC Type	Description	Coc	PBC Amount	Achievement Status	Disbursed amount in Coc	Disbursement % for PBC
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**Restructuring History**

There has been no restructuring to date.

**Related Project(s)**

There are no related projects.