



**REPORT OF THE  
NATIONAL FINANCE COMMISSION**

**1990**

GOVERNMENT OF PAKISTAN  
NATIONAL FINANCE COMMISSION SECRETARIAT  
APRIL, 1991



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## **NATIONAL FINANCE COMMISSION, 1990**

### **I. INTRODUCTION**

In a federal system of Government such as prevalent in Pakistan, the basic framework for the management of public finance, division of financial powers and distribution of revenues between the Federation and the Provinces is laid down in the Constitution. It is, however, not a one time constitutional exercise but a dynamic intra-state inter-governmental relationship reflected in day to day operations and the concomitant issues and problems of public finance. Under the Constitution of the Islamic Republic of Pakistan, 1973, the Federation and the Provinces have in addition to their exclusive sources of revenues, a divisible pool comprising the net proceeds of specified taxes which is shared by all the Constituents and the Federation. Taking into consideration the fiscal and socio-economic realities, the Federal Government meets the additional requirements of the Provinces through special transfers, concessions and measures such as grants-in-aid, subsidies subvention, assistance, relief and federalisation of functions. Acknowledging the importance and complexity of revenue-sharing, the Constitution provides under Article 160 for the setting up of a National Finance Commission periodically to recommend on the operation of divisible pool, borrowing powers, grants-in-aid and such other matters relating to finance as may be referred to it by the President. The National Finance Commission has, therefore, a role to perform which is both significant and sensitive. The importance of the NFC 1990 was compounded and so were its problems, by the fact that no Commission had submitted a report for the last sixteen years for various reasons.

### **II. PRE-INDEPENDENCE ARRANGEMENT**

2. On the eve of independence the financial relations between the Central Government and the Provinces were governed by the Government of India Act, 1935. The constitutional responsibilities of the Federal Government and the constituent units as well as the

distribution of revenues between various component units was specifically laid down in the Act. The Centre was made exclusively responsible for the conduct of foreign affairs, defence, communications and currency and had concurrent responsibility for the maintenance of law and order, agriculture, industry and public welfare services, including education and health. In accordance with this division of responsibilities, the resources were categorized under the following four heads:—

- (i) Taxes levied and retained by the Centre,
- (ii) Taxes levied by the Centre but divided between the Centre and the Provinces,
- (iii) Taxes levied by the Centre but distributed among the Provinces, and
- (iv) Taxes levied by the Provinces and retained by them.

3. Taxes levied and retained by the Centre included import duties and receipts from public under-takings administered by the Centre *e.g.*, Railways, Posts and Telegraphs. Taxes levied by the Centre but divided between the Centre and the Provinces included export duties in jute, excise duties (with certain exceptions) and taxes on income other than agricultural income. Taxes levied by the Centre and distributed among the Provinces were mainly composed of stamp duties in respects of various instruments of credit, terminal taxes on movement of goods and passengers by rail or air and succession duties excluding those on agricultural property. The major taxes levied and retained by the Provinces were land revenue, irrigation charges and sales tax. Other provincial taxes and duties also included succession duties on agricultural property, taxes on agricultural income, duties on goods and passengers carried by inland waterways, tolls, excise and taxes on employment and professions, mineral rights, and entertainment.

#### **Niemeyer Award, 1937**

4. The terms of the Act relating to income tax were elaborated by the 'Niemeyer Award' of 1937, which *inter alia* provided for additional assistance to some of the Provinces. The Provincial share of the divisible pool of income tax collections was prescribed as 50 per cent.

In view of their meagre revenues the North West Frontier Province and Sind were given Federal subventions of Rs. 10 million and Rs. 10.5 million, respectively. As the resource position of Sind improved during World War II, the grant payable was capitalized and taken into account in settlement of debt due to the Federal Government. Consequently, no annual grant-in-aid was being paid to Sind at the time of Independence.

### III. POST-INDEPENDENCE ARRANGEMENT

5. The basic financial structure existing before Independence was adopted by Pakistan. The abnormal conditions created by the large influx of refugees and the compulsions of defence requirements necessitated a review of the fiscal arrangements and consequently the following adjustments were carried out in the budgets of the Federal Government for 1948-49 and 1949-50:—

- (1) The railway budget was merged with the General Budget. The railways were, however allowed to charge and accumulate depreciation funds at normal rates and to operate on commercial lines to the maximum possible extent.
- (2) The sharing of income tax with the Provinces was temporarily suspended in 1948-49.
- (3) The sales tax, which was a Provincial source of revenue, was temporarily handed over to the Centre, subject to the allocation of 50% of proceeds to the Provinces.
- (4) The raising of money through public loans was made the sole concern of the Centre which, was to provide loans to the provinces according to their needs.

#### **Raisman Award, 1951**

6. In view of overall improvement in the resources of the country, the issue regarding the redistribution of revenues between the Centre and Provinces was reopened in 1951 and Sir Jermy Raisman was assigned the task of proposing a new formula. On the basis of his

recommendations, the following revenue-sharing arrangements were introduced on 1st April, 1952:—

- (1) Of the proceeds of income tax (other than corporation tax and those pertaining to the Federal Capital and taxes payable in respect of federal emoluments), 50% was distributed amongst the Provinces and to the Federated States in the following manner:—

<i>Province/State</i>	<i>Share %</i>
East Pakistan	45.0
Punjab	27.0
Sind	12.0
North West Frontier Province	8.0
Bahawalpur	4.0
Khairpur	0.6
Baluchistan States Union	0.6
Remainder	2.8
Total	100.0

The balance of 2.8% was meant for other princely States which might accede to Pakistan but for the time being this amount was allocated to the existing units in the given proportion.

- (2) Sales tax was continued to be administered by the Federal Government but the Provinces were allowed to receive one-half of the net collections in their respective areas. The minimum share of East Pakistan was Rs. 18 million. Half of the collection in Karachi was to be distributed among the various units in West Pakistan in the following manner:

<i>Provinces/State</i>	<i>Share %</i>
Punjab	54.0
Sind	16.0
North West Frontier Province	10.0
Bahawalpur	4.0
Khairpur	0.1
Baluchistan States Union	1.5
Remainder (for Karachi and Tribal Areas)	14.4

- (3) The net proceeds of the excise duties on tea, tobacco and betelnut were divided among various units in accordance with the formula for the distribution of income tax receipts.
- (4) East Pakistan was allocated 62.5% of the basic duty on jute and 10% of any additional duty.
- (5) The subvention to North West Frontier Province was raised from Rs. 10 million to Rs. 12.5 million.

7. Prior to the promulgation of the Constitution in 1956, the financial relations between the Federal Government and the provinces were governed by the Government of India Act, of 1935. Following Statutory Orders were issued during this period.

- (i) NIEMEYER Award, 1937 implemented *vide* Distribution of Revenues Order, 1949 (GGO No. 3 of 1949). (Annex I).
- (ii) RAISMAN Award, 1951 implemented *vide* Distribution of Revenues Order, 1953 (GGO No. 23 of 1953) and Distribution of Revenues (Amendment) Order, 1954 (GGO No. 3 of 1954). (Annex II and III).

8. A number of National Finance Commissions were formed under the Constitutions of 1956, 1962 and 1973. The relevant articles of these Constitutions are at Annex IV to VI. A gist of the working of various Commissions is given below:—

#### **National Finance Commission, 1961-62**

9. A National Finance Commission was appointed by the President on 19th. December, 1961, to examine and report on:—

- (a) the allocation of sources of revenue between the Centre and the Provinces, indicating specifically the taxes and duties which should be collected and administered by the Centre and Provinces respectively and which of the taxes and duties collected and administered by the Centre should be divided between the Centre and Provinces;
- (b) the distribution between the Centre and the Provinces of the proceeds of the taxes and duties which may be raised by the Centre, but may be divisible between the Centre and the



Provinces and the apportionment between the two Provinces of the Provincial share of such proceeds;

- (c) the principles which should govern the allocation to the Provinces of resources at the disposal of the Centre, including the making of grants-in-aid to the Provinces, keeping particularly in view the requirements of planned economic development;
- (d) whether any modification was required in the terms of repayment of the debt liability of the Provinces to the Centre and of the Centre to the State Bank;
- (e) the borrowing power of the Provinces, internal and external, under the 1962 Constitution; and
- (f) any other allied matter referred to the Commission by the President.

(2) In pursuance of the recommendations of the Commission, a Presidential Order called 'the Distribution of Revenues and Repayment of Loans Order, 1962' was issued on 5th June, 1962 (Annex-VII). Under this Order, the following assignments were made to the Provinces from 1st July, 1962:—

<i>Tax Heads</i>	<i>Share %</i>
(a) Taxes on income (including corporation tax)	50
(b) Sales tax	60
(c) Federal excise duties on betelnut, tea and (tobacco manufactured and unmanufactured)	60
(d) Export duties on jute and cotton	100
(e) Estate and succession duties in respect of agricultural land	100
(f) Taxes on the capital value of immovable property.	100

10. The sums assigned to the provinces were to be apportioned between the two Provinces in following manner:—

- (i) *Sales tax*.—(a) Of the total sum assigned 30% was distributed among the Provinces in the same proportion as collection in their respective area.

- (b) Of the balance of 70% East Pakistan received 54% and West Pakistan 46%.
- (ii) *Other taxes and duties.*—Of the sum assigned, East Pakistan received 54% and West Pakistan 46%.
- (iii) *Estate and succession duties on agricultural land and the capital value of immovable property.*—Each Province received an amount equal to the collection in that Province.

11. In addition to increased revenue assignments, the Provinces were given relief in loan repayment. All loans other than foreign loans made by the Federal Government to the Provinces after August 14, 1947, and outstanding on June 30, 1961, were written down by fifty per cent and consolidated into a single loan in each case to bear interest at the rate of 3.5% and repayable over a period of 25 years commencing on July 1, 1961. For three years, the recovery of charges upto Rs. 40 million on account of interest from West Pakistan Government was suspended. The recovery from the Provinces in respect of pre-independence loans and interest thereon was suspended until an overall financial settlement was reached between Pakistan and India.

#### **National Finance Commission, 1964**

12. The Federal Government set up, a National Finance Commission in 1964 under Article 144 of the 1962 Constitution. The Commission assessed the fiscal position of the Centre and the Provinces in the light of financial targets, of the Third Five Year Plan and the financial resources that could be mobilized on the basis of existing rates and the revenue sharing arrangements.

13. The main considerations which governed the recommendations of the Commission were as follows:—

- (a) A strong viable Federal Budget is essential for sustaining and raising the credit worthiness of the country, both at home and abroad.
- (b) A revenue surplus with the Centre can be more easily conserved for development and made available for financing the development expenditure of both the Provinces and the Centre.

- (c) There should be sufficient cushion for the Centre to enable it to render financial assistance to the Provinces in times of unforeseen calamities and also to meet the requirements of defence in any national emergency.
- (d) Customs revenue being susceptible to wide fluctuations on account of changes in international trade, there is a need to provide a cushion for meeting a possible fall in the revenue in lean years.

14. The Commission recommended that out of the net proceeds of the following taxes and duties 65% be assigned to the Provinces and the balance of 35% retained by the Centre:—

- (i) Taxes on income, including corporation tax but not including taxes on income consisting of remuneration paid out of the Federal Consolidated Fund.
- (ii) Sales Tax.
- (iii) Excise duties on tea, tobacco and betelnut.
- (iv) Export duties on jute and cotton.

The existing basis for distribution between the two Provinces was continued. Thus out of the divisible pool of taxes on income, excise duties and export duties, East Pakistan received 54% and West Pakistan 46% while in the case of sales tax 30% was distributed in the proportion of collections in each Province and the balance in the same ratio as other taxes.

15. The Commission also recommended that a suitable procedure be devised to ensure the use of funds for development purposes and that the Provincial Governments should endeavour to raise additional resources by fresh taxation possibly in the area of agricultural income. The Commission made some other recommendations such as effective financial discipline to reduce investment in unremunerative projects; discontinuance of separate development grants for plant protection and other transferred schemes; continuance of non-development grants in respect of transferred institutions at the 1964-65 level in accordance with the procedure for revenue subvention to West Pakistan; untying of development grants

except for schemes of high priority or national importance or those financed on a sharing basis, like family planning and distribution of fertilizer; simplification of the procedure for release of grants; continuance of the annual subvention of Rs. 29.4 million to West Pakistan and continuance of the existing arrangements for other grants-in-aid.

16. The recommendations of the Commission were accepted and the enhanced share of the Provinces in the divisible taxes was given effect from 1st July, 1965 through the "Distribution of Revenues Order 1965". (Annex VIII).

### **Interim arrangement for new Provinces in West Pakistan**

17. The dissolution of the Province of West Pakistan (One Unit), from 1st July, 1970, necessitated redistribution of the West Pakistan share in Federal Taxes for purposes of the budget 1970-71. The One Unit (Re-organisation) Committee decided on the following provisional redistribution of the 46% share of the province of West Pakistan:—

<i>Province</i>	<i>Share %</i>
Punjab	56.5
Sind	23.5
NWFP	15.5
Balochistan	4.5
Total	100.0

### **National Finance Committee, 1970**

18. A Committee was set up by the President on 17th April, 1970, under the chairmanship of the Finance Minister, to review the existing inter-government fiscal relations and to make recommendations as to:—

- (a) the distribution between the Federal Government and the

Provincial Governments of the proceeds (after deducting the cost of their collections) of following taxes:—

- (i) taxes on income, including corporation tax but not including taxes on income consisting of remuneration paid out of the Federal Consolidated fund,
  - (ii) taxes on sales and purchases,
  - (iii) export duty on jute and cotton, and
  - (iv) duties of excise on tea, tobacco and betelnut.
- (b) the making of grants-in-aid by the Federal Government to the Provincial Governments;
  - (c) modification, if any, required in the terms of repayment of debt liability of the Provinces to the Centre;
  - (d) the progress made during the Third Plan period in advancing the object of ensuring that disparities between various Provinces and between different areas within a Province in relation to *per capita* income are removed and that the resources of Pakistan (including resources in foreign exchange) are used and allocated in such manner as to achieve that object in the shortest possible time;
  - (e) the manner in which the object referred to in (d) should be achieved in the Fourth Plan Period.

19. The Distribution of Revenue Order, 1971 (Annex-IX), which was based on the recommendations of the Committee assigned the following share of the net proceeds of various taxes and duties:—

<i>Tax Heads</i>	<i>Share %</i>
(a) Taxes on Income	80
(b) Duties of excise on tea, tobacco and betelnut	80
(c) Taxes on sales and purchases	80
(d) Export duties on jute and cotton	80
(e) Estate and succession duties in respect of agricultural land	100
(f) Taxes on capital value of immovable property	100

20. The share assigned to the Provincial Governments was distributed in following manner:—

- (1) *Taxes on sales and purchases.*—As to 30 per cent of the sum assigned in each financial year East Pakistan received an amount bearing to the said 30 per cent the same proportion as collections in that Province and, as to the balance of 70 per cent of the sum so assigned in each year, East Pakistan received 54 per cent. The remaining amount of the sum assigned was paid to other Provinces.
- (2) *Other taxes and duties.*—Of the sums assigned in each financial year in respect of taxes and duties specified above, other than taxes on sales and purchases, East Pakistan received 54 per cent and the other Provinces received 46 per cent collectively.
- (3) The share assigned under clause (1) or under (2) above to the Provinces other than the Province of East Pakistan, was distributed amongst the Provinces on the basis of the percentage specified against each:—

<i>Province</i>	<i>Share %</i>
Punjab	56.5
Sind	23.5
NWFP	15.5
<b>Balochistan</b>	<b>4.5</b>
Total	100.0

21. The Distribution of Revenues Order, 1971, was made effective from 1st. of July, 1970. After the separation of East Pakistan in December 1971, the share of Central taxes payable to that Province was retained by the Federal Government. The Provinces in West Pakistan, however, continued to receive their 46% share out of the 80% divisible pool.

## National Finance Commission, 1974

22. The President appointed the first National Finance Commission under the 1973 Constitution on 9th. February, 1974, to make recommendations on the following issues:—

- (a) The distribution between the Federation and the Provinces of the net proceeds of—
  - (i) taxes on income, including corporation tax, but not including taxes on income consisting of remuneration paid out of the Federal Consolidated Fund;
  - (ii) taxes on sales and purchases; and
  - (iii) export duties on cotton.
- (b) The making of grants-in-aid by the Federal Government to the Provincial Governments.
- (c) The exercise by the Federal Government and the Provincial Governments of the borrowing powers conferred by the Constitution.

23. The National Finance Commission, in a unanimous report, made the following recommendations with regard to its terms of reference:—

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- (a) (1) The Provinces should be allocated eighty per cent of the net proceeds of sharable Federal taxes.
- (2) The share of the Provinces should be according to their respective population, namely:—

Punjab	60.25%
Sind	22.50%
NWFP	13.39%
Balochistan	3.86%

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100.0 %

- (b) The making of grants-in-aid by the Federal Government to the Provincial Governments:—
  - (i) **Balochistan** and the North West Frontier Province

should be made a fixed subvention by the Federal Government in the following amounts:—

<b>Balochistan</b>	Rs. 50 million
North West Frontier Province	Rs. 100 million

- (ii) Grants-in-aid by the Federal Government to the Provincial Governments for the maintenance of roads of national importance and national highways should be on actual cost basis.
  - (iii) Grants-in-aid for the sharing of the cost of maintenance of strategic roads should be decided by mutual agreement between the Federal Government and the Provincial Governments.
  - (iv) Grants-in-aid for agency functions and for work done by or for tasks assigned to the Provinces on behalf of the Federal Government should be made on the basis of actual expenditure the scale of which should be mutually agreed upon.
- (c) The existing arrangements, under which the borrowings by the Federal Government and the Provincial Governments are not subject to any statutory limit have so far worked satisfactorily and should be continued without any change.

24. The recommendations of the National Finance Commission at (a) and (b) (i) above were given effect from 1st. July, 1975, through the Distribution of Revenues and Grants-in-aid Order, 1975 (P. O. No. 2 of 1975 Annex-X). Other recommendations were implemented through administrative arrangements between the Federal and the Provincial Governments.

#### **National Finance Commission, 1979**

25. The National Finance Commission appointed on 11th. February 1979 was required to make recommendations to the President as to:—

- (a) The distribution between the Federation and the Provinces



of the net proceeds of the taxes given below :—

- (i) Taxes on income, including corporation tax, but not including taxes on income consisting of remuneration paid out of the Federal Consolidated Fund;
  - (ii) Taxes on the sales and purchases of goods imported, exported, produced manufactured or consumed;
  - (iii) Export duties on cotton; and
  - (iv) Excise duty on tobacco and tobacco manufacturers.
- (b) The making of grants-in-aid by the Federal Government to the Provincial Governments;
  - (c) The exercise by the Federal Government and the Provincial Governments of the borrowing powers conferred by the Constitution; and
  - (d) Any other matter relating to finance referred to the Commission by the President.

26. The excise duty on tobacco and tobacco manufactures was included in the terms of the Commission with a view to broadening the base of the divisible pool.

27. In accordance with para (d) of para 25 above, the Commission was also directed to submit its recommendations regarding distribution of local funds between Provinces and local bodies.

28. No formal report was submitted by the National Finance Commission 1979. However it was considered necessary by the Government that the results of 1981 population census be reflected in the distribution of the provincial share of the Federal divisible taxes. Accordingly, Distribution of Revenue Order 1983 (President Order No. 8 of 1983 (Annex-XI) was issued and made effective from 1st. July, 1983.

### National Finance Commission, 1985

29. The National Finance Commission comprising ten members was constituted on 25th. July, 1985 to make recommendations as to :—

- (a) the distribution between the Federation and the Provinces of the net proceeds of the taxes given below :—
  - (i) Taxes on income including corporation tax but not including taxes on income consisting of remuneration paid out of the Federal Consolidated Fund.
  - (ii) Taxes on the sales and purchases of goods imported, exported, produced, manufactured or consumed ;
  - (iii) export duties on cotton ; and
  - (iv) excise duty on tobacco manufactures ;
- (b) the making of grants-in-aid by the Federal Government to the Provincial Governments ;
- (c) the exercise by the Federal Government and Provincial Governments of the borrowing powers conferred by the Constitution ;
- (d) distribution of local funds between Provinces and local bodies ; and
- (e) any other matter relating to Finance referred to the Commission by the President.

30. The Commission held as many as nine meetings over a period of three years. The tenth meeting was scheduled to be held on 26th October, 1988. The draft report was prepared for the approval of the Commission but the meeting was postponed. The Commission's recommendations could not be finalized though it had done some useful work and had nearly reached a consensus. As the elected political government had been removed in May 1988, the Interim Government did not think it proper to take up this issue as it could be later challenged by the elected successor government. The elected government installed in December 1988, did not hold any meeting of this Commission till the life of the Commission expired in July 1990.

## IV. NATIONAL FINANCE COMMISSION 1990

31. In pursuance of provisions contained in Clause (1) of Article 160 of the Constitution, the President was pleased to constitute, with effect from 23rd. July, 1990 (Annex-XII) a National Finance Commission with the following members:

- |  |                    |
|--|--------------------|
| (1) Minister for Finance, Government of Pakistan.                                      | <i>Chairperson</i> |
| (2) Minister for Finance, Government of the Punjab                                     | <i>Member.</i>     |
| (3) Minister for Finance, Government of Sindh  | <i>Member.</i>     |
| (4) Minister for Finance, Government of N.W.F.P.                                       | <i>Member.</i>     |
| (5) Minister for Finance, Government of Balochistan                                    | <i>Member.</i>     |
| (6) Advisor to the Prime Minister on Finance, Economic Affairs, Planning & Development | <i>Member.</i>     |
| (7) Minister of State for Finance, Economic Affairs, Planning and Development          | <i>Member.</i>     |
| (8) Dr. Mahbubul Haq, Senator, (Punjab)  | <i>Member.</i>     |
| (9) Mr. Piyar Ali G. Allana, (Sindh)   | <i>Member.</i>     |
| (10) Mir Afzal Khan, Senator, (NWFP)   | <i>Member.</i>     |

- (11) Mr. Tariq Mehmood Khetran, MPA, *Member.*  
(Balochistan)
- (12) Finance Secretary, *Official Expert.*  
Government of Pakistan

32. After the induction of newly elected government in November, 1990, the President was pleased to change the composition of non-statutory members (Annex-XIII). The revised composition and terms of reference of the Commission are as follows:—

- (1) Minister for Finance, *Chairman.*  
Government of Pakistan
- (2) Minister for Finance, *Member.*  
Government of the Punjab
- (3) Minister for Finance, *Member.*  
Government of Sindh
- (4) Minister for Finance, *Member.*  
Government of N.W.F.P.
- (5) Minister for Finance, *Member.*  
Government of Balochistan
- (6) Mr. Mukhtar Masood, *Member.*  
(Punjab)
- (7) Mr. G.D. Memon, *Member.*  
(Sindh)
- (8) Mr. Anwar Saifullah Khan, Senator *Member.*  
(NWFP)
- (9) Mir Zafarullah Khan Jamali, *Member.*  
(Balochistan)
- (10) Finance Secretary, *Official Expert.*  
Government of Pakistan

## Terms of Reference

33. In accordance with the provisions of Clause (2) of Article 160 of the Constitution the National Finance Commission has to make recommendations to the President as to:—

- (a) the distribution between the Federation and the Provinces of the net proceeds of the taxes mentioned in Clause (3);
- (b) the making of grants-in-aid by the Federal Government to the Provincial Governments;
- (c) the exercise by the Federal Government and the Provincial Governments of the borrowing powers conferred by the Constitution; and
- (d) any other matter relating to finance referred to the Commission by the President.

34. In prescribing the terms of reference of the National Finance Commission 1990 the President has exercised the powers vested in him by clause 2 (d) and 3(v) of the Article 160 to include matters such as royalties on crude oil, surcharge on natural gas, and excise duty on tobacco and tobacco manufactures and sugar. the terms of reference of the present National Finance Commission are to make recommendations as to:—

- (a) the distribution between the Federal and the Provinces of the net proceeds of the taxes given below:—
  - (i) Taxes on income including corporation tax, but not including taxes on income consisting of remuneration paid out of the Federal Consolidated Fund;
  - (ii) Taxes on the sales and purchases of goods imported, exported, produced, manufactured or consumed;
  - (iii) Excise duty on tobacco and tobacco manufactures, and sugar;
  - (iv) Export duties on cotton;
- (b) examine the question whether and in what manner, the net proceeds, collected by the Federal Government (i) of

royalties on crude oil, and (ii) of surcharge on natural gas shall be paid to the Provinces concerned;

- (c) the making of grants-in-aid by the Federal Government to the Provincial Governments;
- (d) the exercise by the Federal Government and the Provincial Governments of the borrowing powers conferred by the Constitution; and
- (e) any other matter relating to finance referred to the Commission by the President.

## V. DELIBERATIONS OF THE COMMISSION

35. The Commission held its first meeting on 16th. January, 1991 and assessed the fiscal and financial situation within which it was to undertake its assignment of apportioning revenues between the Federation and the Provinces. At the outset, the Ministry of Finance apprised the Commission about the serious strain on the resources of the Federation as a result of the defence expenditure, debt servicing and the Gulf crisis. The limited increase in the revenues of the Federal Government and the Provinces and the need for allocation of additional resources for all the Constituents and the Federation for financing an efficient administrative set up and upgrading of socio-economic infrastructure added to the complexities of the assignment given to the N.F.C. The Commission was informed that the current year deficit of the Federal Government has increased and would be financed partly through market borrowing. It was also found that the position of provincial finances was no better. The Commission deliberated these constraints and also the forecast of the economic growth under varying assumptions before taking up the discussion of the specific items of the terms of reference.

36. The first meeting of the N.F.C. presented an opportunity to the representatives of the Provinces to place before the Commission in full detail their assessment of the situation and their views on various issues. Some of the pleas made were:—

- (i) Any new formula for the distribution of revenues should be based on the realistic requirements of the Provinces as the

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Finance Division  
Islamabad

inadequacy of resources since the long out-dated 1975 Award has led to many financial and administrative distortions.

- (ii) The Provinces without oil, gas or hydel power but with a strong agricultural base should be given due credit for their contribution to the food crops and cash crops whereby they save as well as earn the foreign exchange. These Provinces have also a claim to share profits in state trading of their agricultural produce.
- (iii) Excessive urbanization should be checked and adequate provision made to meet the welfare cost of big cities.
- (iv) The under-developed Provinces should be accorded special treatment in allocation of resources.
- (v) The net proceeds of the divisible pool should be distributed on the basis of area or collection.
- (vi) The entire amount of net proceeds of surcharge on natural gas should be transferred to the concerned Provinces.
- (vii) Sales tax should be transferred to the category of taxes levied, collected and retained by the Provinces.

37. While noting the above views for future deliberations, the Commission reached a consensus in the very first meeting on many issues falling within its terms of reference such as the borrowing powers of the Provinces and the distribution of divisible pool (including the new items of tobacco and tobacco manufactures and sugar) on the basis of 80:20.

### **Provincial budgetary expenditure projections**

38. The basic issue of matching resources with expenditure in the next five years required technical analysis of the past trends and future projections. A Working Group was set up comprising Federal Additional Finance Secretary (Budget) and the Provincial Finance Secretaries. The Group had to determine the provincial budgetary expenditures, the base year and growth rate for future projections.

39. Provincial Finance Secretaries emphasised in the Working Group that the freeze imposed by the Federal Government on their revenue budgets had hampered their normal growth and their present

budgets did not reflect real needs. The Punjab Government desired that their actual expenditure for 1987-88 be projected at 21.5% to the level of Rs. 43.2 billion in 1990-91. The future projection may also be worked out at an annual growth rate of 21.5%. The Sindh Government desired to adopt the growth rates worked out by the previous Working Group in 1988 with a future projection at 19%. The Government of NWFP wanted their estimates of 1985-86 to be increased by 9% and 15% for non-development and development departments and a growth rate of 20% for 1991-92. For future, they wanted a growth rate of 9% and 15% for the development and non-development departments. The Government of Balochistan wanted the Budget Estimates of 1986-87 as benchmark with a growth rate of 19.7%.

40. The Federal Government felt that the present financial situation would not permit such sharp increments in non-development expenditure. The withdrawal of freeze would add Rs. 6 to 7 billion to Provincial expenditure. In addition Rs. 5 billion were required for pay and pension relief. These commitments would reduce the availability of funds for development. It was, therefore, suggested that the following options could be considered for projecting provincial expenditure:—

- (i) The base figure of 1990-91 proposed by the Federal Government with 12.5% growth may be taken as the benchmark ;
- (ii) the actual expenditure of 1986-87 may be taken as base with a compound growth rate of 9% per annum to determine the benchmark.

41. It was also considered that the actuals of expenditure of the Provinces for 1989-90, as reported by the respective Accountants General may be taken as the base. Thereafter, the requirement for 1991-92 could be determined by incorporating an overall increase of 25% for the intervening two years as given below:—

(Rs. in million)				
Punjab	Sind	N.W.F.P.	Balochistan	Total
35,573.6	16,078.0	12,052.3	5,985.1	69,689.0
(includes pay, pension and other benefits)				



On this basis, the transfer to the Provinces would increase by Rs. 16.79 billion over 1990-91 budgetary level.

42. Finally it was unanimously agreed to adopt the following levels of Provincial revenue expenditure for 1991-92. It includes the expenditure on debt servicing:—

(Rs. in million)				
Punjab	Sind	N.W.F.P.	Balochistan	Total
38,000.0	17,000.0	12,800.0	6,400.0	74,200.0

This was taken as a benchmark and future projections were agreed at the growth rate of 14% (Annex-XIV).

### **Provincial Receipts Projections**

43. The figures for Budget Estimate 1991-92 are not available. In order to adopt receipts (including net capital receipt) as benchmark for 1991-92, the 1990-91 receipts (with measures) have been projected at the rate of 8%. The projections of anticipated receipts for next years beginning from 1992-93 have also been made at the rate of 8%.

44. The growth rate of 8% for future projections has been adopted at a uniform rate. This rate for projections was intimated by Finance Department, Government of Punjab. The projections sent by Government of Sindh, Finance Department ranged between 4% to 12% with an average growth rate of about 8%. The NWFP Government also adopted uniform rate of 8% for their projections. Only the Government of Balochistan restricted the projection of receipts at the rate of 6%. In order to maintain a uniform policy, the rates for projection of Provincial receipts have been worked out at the rate of 8%. The anticipated receipts position of Provincial Governments is given at Annex-XV.

### **Expansion and distribution of Divisible Pool of Federal taxes**

45. The inadequacy of the divisible pool distributed under 1975 NFC Award was duly realised by the successive Governments.

Therefore, the inclusion of duty on tobacco and tobacco manufactures and sugar by the President in the terms of reference of present Commission was considered timely. As regards the demand that the sales tax should be transferred to the Provinces on 100% basis, it was realised that its inclusion in the divisible pool prevents any different treatment to it at this stage. It was agreed that as a part of future reforms, net sales tax on domestic consumption may be collected by the Provinces after they have made necessary arrangements for collection at consumer level.

46. The claim of Provinces on export duties as well as the profits realised from cotton and rice was not pursued.

47. The distribution formula for the divisible pool was extensively discussed. The 1975 Commission gave 80:20 distribution between the Federal and Provincial Governments resulting in an allocation of Rs. 2.3 billion to the Provinces. This ratio was proposed to be revised to 65:35 by the 1985 Commission which could not finalise its recommendations. The decrease in the share of the Provinces was contemplated because of expansion of divisible pool from 1975 pool, and transfer of additional Federal assignments. The present Commission agreed to retain 1975 formula (80:20) notwithstanding the enlarged pool and addition of straight transfers. The new transfers to the Provinces under the new divisible pool are likely to be Rs. 47.37 billion in 1991-92. This has been achieved despite extremely difficult economic and financial situation being faced by the Federation on account of mounting deficits, increasing debt servicing and impact of Gulf War.

48. The divisible pool represents a major portion of resources to be distributed. Federal divisible taxes consist of income tax and corporate tax, export duty on cotton, sales tax, excise duty on tobacco and tobacco manufactures and sugar. The budget estimates for 1991-92 have been taken as benchmark. Only the estimates of excise duty on tobacco and tobacco manufactures and excise duty on sugar have been taken after raising budget estimates 1990-91 at 7%. The total estimates for 1991-92 are Rs. 62,619.7 million. The anticipated increase in divisible pool and provincial shares are given at Annex-XVI.

## **Straight transfers**

49. The Commission discussed at length the question of payment of surcharge on natural gas to the Provinces and the manner of its distribution. The Provinces claimed 100% surcharge levied on natural gas on production basis. The claim was based on the argument that the increase in the rate of surcharge since 1973 *vis-a-vis* excise duty had reduced the transfers to Provinces. Although 1973 Constitution had recognized the existence of gas surcharge as a Federal levy, the financial resources of Balochistan needed substantial improvements. The fact that the Federal Government had been picking up large revenue gaps of Balochistan through grants and subventions in the past, merited assignment of a permanent source of revenue to that Province. The Commission considered options ranging between 60 to 100% transfer of net proceeds to the Provinces and ultimately agreed to total transfer of net proceeds to the Provinces. This was considered necessary because Balochistan did not have an adequate tax base and their own receipts were the lowest among the Provinces. It was also envisaged that the ratio between excise duty and development surcharge on gas should be substantially improved in favour of excise duty.

50. For net proceeds of development surcharge on natural gas, the budget estimates 1991-92 have been taken as benchmark. The net proceeds of development surcharge on gas have been determined after deduction of collection charges. The gas production is expected to increase in near future and the development surcharge will also increase. In view of this position growth of 10% has been adopted. The development surcharge on gas would be distributed amongst the gas producing Provinces on the basis of production of gas during that financial year. The projected net proceeds of development surcharge on gas are at Annex-XVII.

51. The Federal excise duty & royalty on natural gas do not form part of the Federal Consolidated Fund and are paid to the concerned Provinces. The growth rate of royalty and excise duty on natural gas have been adopted at 10% for future projections over 1991-92. (Annex-XVIII and XIX).

52. For royalty on crude oil, the budget estimates 1991-92 have

been taken as benchmark. The growth rate has been adopted at 10% (Annex-XX).

### **Federal Government's revenue expenditure**

53. The Commission noted that non-development budget of the Federation had shown a sharp upward trend in the recent past. The special efforts being made by the present Government to restrict such expenditure were lauded. Further efforts by Federal and Provincial Governments to maximise economy in non-development expenditure, reduction in leakages and expansion in tax revenue were recommended. Strong views in favour of transferring Government activities falling within Provincial jurisdiction from the Federal Government were also expressed. The policy of self-reliance and decreasing dependence on foreign aid were supported.

54. The Federal Government's current revenue expenditure for the last five years, the historical growth rate for various items with and without defence, subsidy, debt servicing with the projection of expenditure for the next five years are at Annex-XXI-XXII. The growth rate adopted for the projection was on actual growth rate for past five years.

### **Loan and debt servicing of Provinces**

55. Before the unanimous adoption of expenditure levels of the Provinces for 1991-92, the need for debt relief was stressed by the Provinces. The Federal Government expressed inability to extend this concession as it was already overburdened with debt liabilities. The Federal Government did not have many options for financial flexibility to accommodate debt servicing of the magnitude of Rs. 16.5 billion in 1991-92 (Annex-XXIII). As the accepted levels of provincial expenditures, included debt servicing and loans, the need for relief had been obviated.

### **Grants and Subvention**

56. The issue of continuation of subvention under the new arrangements on the basis of historical justifications and development needs was advocated. As one Province was still likely to be in deficit at the agreed projected expenditure levels, some grant-in-aid for limited

period was considered necessary. Such grants/subvention could now be kept only as special dispensations confined to limited period. Therefore, the Commission agreed to pay special annual grants to provinces of Punjab and Sindh for three and five years respectively. Subvention to NWFP and Balochistan was agreed for three years.

57. Some Provinces desired continuation of grants-in-aid for specific purposes. It was agreed that grants for strategic roads, agency functions and directives from Federal Government may continue as in the past. The Federal Government should also assist the Provinces through specific grants in time of unforeseen calamities and other needs. However, the present practice of meeting deficits and picking of surplus of the Provinces was considered inadvisable. Any surplus generated or available to the Provinces under the new distribution should be an additionality in the Provincial Development programmes.

#### **Distribution formula for divisible pool**

58. The division of revenue among the Provinces on population basis was challenged by some Provinces. Evolution of some other formula for a more equitable distribution of resources either on collection of duties or area or any other combination was urged by these Provinces. However, the Commission noted the factors which made it difficult to evolve any other practicable and neutral basis for such a distribution. Notwithstanding any implications, there appeared no better alternative than population for distribution of resources. The four Provincial Finance Ministers met separately to tackle the issue and agreed to continue with the present formula. The ratio of population among the four Provinces was desired to be modified to reflect the finally adopted 1981 census figures.

#### **Electricity Profits**

59. The Commission was asked by CCI on 12th. January, 1991 to suggest whether the net hydel power profits due to the Province concerned under the Constitution should be paid by the Federal Government or the generating agency. It was suggested that the Federal Government should guarantee payment of net profits to the Provinces by the concerned agencies each financial year so that their ways and

means position is not adversely affected. The estimates of electricity profits of 1990-91 are not available at present. WAPDA had supplied provisional profit of Rs. 5637 million for 1989-90 of hydel power stations situated in Punjab and NWFP. In order to arrive at the benchmark of 1991-92, the profits for 1989-90 were projected at 8%. The base of net profits thus comes to Rs. 6087.9 million. For future projections the growth rates have been taken at 10% (Annex-XXIV).

60. In view of the position explained in the preceding paras, the total federal transfers to the Provinces are at Annex-XXV.

## VI. FINANCIAL IMPACT OF NFC AWARD

61. Under the existing arrangements the federal transfers to Provinces during fiscal year 1990-91 were estimated to be Rs. 39,795.80 million. These estimates registered an increase of Rs. 3,236.7 million due to revision in pay, pensions, etc. The total transfers during the financial year 1990-91 come to Rs. 43,032.5 million. As a result of NFC recommendations the total transfers to Provinces are estimated to be Rs. 65,627.4 million for the year 1991-92. Thus, there will be an additional transfer of resources to the provinces to the extent of Rs. 22.6 billion during 1991-92. (Annex-XXVI).

62. Under the revised scheme of distribution of revenues between the Federation and the Provinces, the Provincial share in Federal divisible taxes is estimated to be Rs. 47,374.4 million for the year 1991-92 against Rs. 32,532.0 million for the year 1990-91.

63. Under the 1973 Constitution, the Federal excise duty and royalty on natural gas do not form part of the Federal Consolidated Fund and are paid to be provinces. In addition, the net profits earned by the Federal Government or any of its agencies from bulk generation of power at a hydro electric station are also payable to the Province in which the station is situated. The net profits would be paid to the Provinces concerned in accordance with the decision of Council of Common Interests. The royalty on crude oil and development surcharge on gas will also be paid to the Provinces concerned. All these add up to Rs. 16,252.3 million (Annex-XXVII).

64. With substantial increase in the provincial shares of divisible federal taxes, allocation of excise duty and royalty on natural gas, royalty on crude oil, development surcharge on gas and electricity profits and some special grants, there is a sizeable transfer of revenues from the Federal Government to the provinces. This would ensure financial viability of Provinces in the coming years (Annex-XXVIII to XXXI).

## VII. RECOMMENDATIONS RELATING TO AWARD

65. After careful consideration of all the issues and their implications, the Commission makes the following recommendations:—

- (i) The divisible pool, which originally consisted of the first three items only, is now enlarged to add two additional items. It would now have following composition:—
  - (a) Income and Corporate tax
  - (b) Sales tax
  - (c) Export duty on cotton
  - (d) Excise duty on tobacco and tobacco manufactures.
  - (e) Excise duty on sugar
- (ii) The divisible pool be distributed between the Federation and Provinces in the ratio of 20:80.
- (iii) Pending the adoption of next National Census Report, the Provincial shares be distributed between Provinces on the basis of their respective populations according to the 1981 Census. The ratios finally adopted after 1981 Census are:—

Punjab	57.88%
Sindh	23.28%
NWFP	13.54%
Balochistan	5.30%

The shares would be worked out again when new ratios are finally adopted after next Census.

- (iv) A special annual grant of Rs. 700 million shall be given to

Sindh during the currency of present award for five years starting from 1st. July, 1991.

- (v) A special annual grant of Rs. 1000 million shall be given to the Punjab Province for three years from 1st. July, 1991.
- (vi) The net profits on account of generation of Hydel power stations located in the Provinces shall be paid to the Provinces in accordance with the decision of Council of Common Interests made on 12th. January, 1991 under Article 161(2) of the Constitution. The Federal Government shall guarantee payment of net profits to Provinces by the concerned agencies each financial year so that their ways and means position is not adversely affected.
- (vii) From 1st. July, 1991, the net proceeds of development surcharge on natural gas would be transferred to the Provinces and shall be distributed on production basis at well heads after deducting the collection charges of 2%. The net proceeds would be determined by Ministry of Petroleum and Natural Resources, in accordance with the past practices and criteria after taking into account any international agreement entered into by the Government.
- (viii) The royalty and excise duty on natural gas be continued to be paid to Provinces under Article 161(1) of the Constitution.
- (ix) The net amount of royalty from crude oil be paid to the Provinces according to the production in each Province.
- (x) The present practice of meeting budgetary deficits and picking up surpluses of the Provinces would be discontinued. The Provinces would take care of their current expenditure and debt services.
- (xi) The subventions would be paid to NWFP and Balochistan from 1st July, 1991 for three years at the rate of Rs. 200 and Rs. 100 million respectively.
- (xii) In case of temporary imbalance, the Federal Government may permit the Provinces to float market loans after due scrutiny or obtain ways and means advances from State



Bank of Pakistan. The limit of ways and means advance would be revised in consultation with the concerned Province.

- (xiii) From 1st. July, 1991, any revenue surplus generated by the Provinces or available due to the pool distribution and direct transfers would be utilized towards financing development programme without affecting their normal share in the public sector development programme.
- (xiv) Grants for strategic roads and agency functions may continue as at present.
- (xv) A specific activity undertaken on the directives of President/ Prime Minister may be specially funded by the Federal Government, unless mutually agreed otherwise.
- (xvi) The Federation may assist the Provinces through specific grants in times of unforeseen calamities and other needs.
- (xvii) As a part of future reforms, net sales tax on domestic consumption should be collected by the Provinces. The collection of net sales tax at retail level should be entrusted to the Provinces after arrangements for collecting this tax at the consumer level have been put into place.

### VIII. OTHER RECOMMENDATIONS

66. Besides the above award, the Commission has agreed to make the following recommendations in order to improve the overall financial position of the Federal and Provincial Governments:—

- (i) The present financial positions of Federal Government and Provincial Governments underline the need for maximum economy in non-development expenditure. It would be desirable that these Governments should curtail their expenditure, avoid wastages and any unnecessary administrative structures are not created.
- (ii) The Federal and Provincial Governments should streamline their systems to reduce leakage and increase their tax revenues. The Tax Reforms Committee set up by the

Federal Government in December 1990 has made some useful recommendations for increasing Provincial revenues. The Provincial Government may consider these recommendations and set up their own committees for reforms and resource mobilization.

- (iii) Federal Government should carry out an in-depth exercise to decide which particular programmes and activities performed by Federal Government can be transferred to the Provinces.
- (iv) In future the ratio between excise duty and development surcharge on gas should be substantially improved in favour of excise duty.

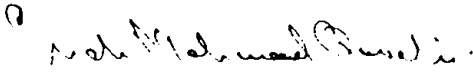
67. The Commission would like to place on record and appreciate the highly cooperative attitude and the spirit of accommodation demonstrated by all concerned in reaching these recommendations through the process of discussions in a congenial atmosphere. Without this, it would not have been possible for the Commission to finish the work and arrive at a consensus in this highly complex area of financial resources distribution between the Federation and Provinces.

68. The Commission would like to acknowledge with appreciation the contribution made by Secretariat of the Commission and the Provincial officials.

*Dated 9th. April, 1991.*



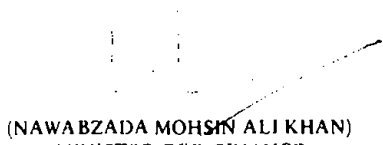
(SARTAJ AZIZ)  
MINISTER FOR FINANCE  
& ECONOMIC AFFAIRS  
CHAIRMAN NATIONAL FINANCE COMMISSION



(MAKHDOOMZADA SHAH MAHMOOD QURESHI)  
MINISTER FOR FINANCE  
GOVERNMENT OF THE PUNJAB  
MEMBER



(LIAQUAT ALI JATOI)  
MINISTER FOR FINANCE  
GOVERNMENT OF SINDH  
MEMBER



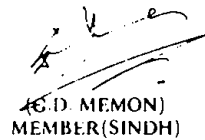
(NAWABZADA MOHSIN ALI KHAN)  
MINISTER FOR FINANCE  
GOVERNMENT OF NWFP  
MEMBER



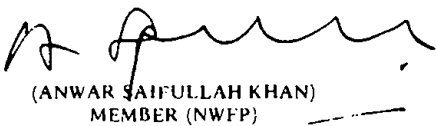
(NAWAB MUHAMMAD ASLAM RAISANI)  
MINISTER FOR FINANCE  
GOVERNMENT OF BALOCHISTAN  
MEMBER



(MUKHTAR MASOOD)  
MEMBER (PUNJAB)



(G.D. MEMON)  
MEMBER (SINDH)

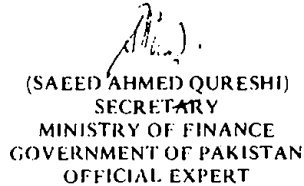


(ANWAR SAIFULLAH KHAN)  
MEMBER (NWFP)



9/4/91

(MIR ZAFARULLAH KHAN JAMALI)  
MEMBER (BALOCHISTAN)



(SAEED AHMED QURESHI)  
SECRETARY  
MINISTRY OF FINANCE  
GOVERNMENT OF PAKISTAN  
OFFICIAL EXPERT

10/1/20

## **(ANNEXURES)**

(10/1/20)

**THE GOVERNMENT OF PAKISTAN (DISTRIBUTION  
OF REVENUE) ORDER, 1949**

G.G.O. No. 3

*[25th March, 1949]*

In exercise of the powers conferred by sub-section (2) of section 140 of the Government of India Act, 1935 (26 Geo. 5, ch. 2), and of all other powers enabling him in that behalf, the Governor-General is pleased to make the following Order:—

1. (1) This Order may be cited as the Government of Pakistan (Distribution of Revenue) Order, 1949.

(2) It shall be deemed to have come into force on the first day of April 1948, and as from that date the provisions of paragraph 8 of the Government of India (Distribution of Revenues) Order, 1936, shall be deemed to have become inoperative.

2. The proportion of the net proceeds in each year of any export duty on jute or jute products which under sub-section (2) of section one hundred and forty of the Government of India Act, 1935 (26 Geo. 5, ch. 2) is to be assigned to the Provinces of Federated States in which jute is grown shall be sixty-two and one-half per cent or rupees three and one-half crores, whichever is less.

K. NAZIMUDDIN,  
*Governor-General.*

GOVERNMENT OF PAKISTAN

## MINISTRY OF FINANCE

## THE DISTRIBUTION OF REVENUES ORDER, 1953

G.G.O. No. 23 of 1953

WHEREAS by sub-section (1) of section one hundred and thirty-eight of the Government of India Act, 1935, hereafter in this Order referred to as the Act, it is provided that taxes on income other than agricultural income shall be levied and collected by the Federation, but that (subject to the provisions of the said sub-section with respect to surcharges for Federal purposes) a prescribed percentage of the net proceeds in any financial year of any such tax, except in so far as those proceeds represent proceeds attributable to Chief Commissioners, provinces or to the Capital of the Federation or to taxes payable in respect of Federal emoluments, shall be assigned to the Provinces and to the Federated States, if any, within which that tax is leviable in that year, and shall be distributed among the Provinces and those States in such manner as may be prescribed by Order of the Governor-General;

AND WHEREAS by sub-section (2) of section one hundred and forty of the Act, it is provided that such proportion as the Governor-General may by Order determine of the net proceeds in each year of any export duty on jute or jute products shall be assigned to the Provinces or Federated States in which jute is grown in proportion to the respective amounts of jute grown therein;

AND WHEREAS by section one hundred and forty-A of the Act it is provided that tax on the sale of goods shall be levied and collected by the Federation, but such portion of the net proceeds in any financial year of any such tax as may be prescribed by order of the Governor-General shall be assigned to the Provinces and to the Federated States, if any, within which that tax is leviable in that year, and shall be distributed among the Provinces and those States in such manner as may be prescribed by Order of the Governor-General;

AND WHEREAS by sub-section (1) of section one hundred and forty of the Act, read with section 2 of the Central Excises (Distribution of Revenue) Act, 1952 (II of 1952), it is provided that one half of the net proceeds of the duties of excise on tobacco, betelnuts and tea in any financial year shall be assigned to the Provinces and the Federated States, if any, within which those duties are leviable in that year and shall be distributed among the same so as to ensure an equitable distribution of revenue in such manner as may be prescribed by Order of the Governor-General;

AND WHEREAS by section one hundred and forty-two of the Act it is provided that such sums as may be prescribed by Order of the Governor-General shall be charged on the revenues of the Federation in each year as grant-in-aid of the revenues of such Provinces as the Governor-General may determine to be in need of assistance;

AND WHEREAS it is desirable that the distribution of revenues contemplated by this Order should be accompanied by the setting up of a convention that no taxes or duties shall be imposed by a Province or an Acceding State particularly on commodities exported outside its borders, which trench upon the field of the Central duties of customs and excise;

NOW, THEREFORE, the Governor-General, in the exercise of the powers conferred on him as aforesaid and of all other powers enabling him in that behalf, is pleased to make the following Order:—

## INTRODUCTORY

1. (1) This Order may be called the Distribution of Revenues Order, 1953.

(2) It shall be deemed to have come into force on the first day of April, 1952, and on and from that date the provisions of the Government of India (Distribution of Revenues) Order, 1936, and of the Government of Pakistan (Distribution of Revenues) Order, 1949, shall cease to have effect.

2. The General Clauses Act, 1897 (X of 1897), applies for the interpretation of the Order as it applies for the interpretation of a Central Act.

### TAXES ON INCOME

3. The percentage which under sub-section (1) of section one hundred and thirty-eight of the Act is to be prescribed by the Governor-General shall be fifty per cent and the sums falling to be distributed under that sub-section in any financial year among the Provinces and the Federated States within which that tax is leviable in that year shall be distributed as follows:—

	<i>Per cent</i>
East Bengal	45
Punjab	27
Sind	12
North-West Frontier Province	8
Bahawalpur	4
Remainder	4
	100

The share of four per cent assigned to the remainder is to be distributed in favour of any new Province hereafter created and any State hereafter acceding in respect of income-tax, but until such creation or accession the whole or any part of the said four per cent left undistributed as aforesaid shall be distributed among the Provinces and the State named above in the same proportions as the share aggregating ninety-six per cent.

### JUTE EXPORT DUTIES

4. The proportion of the net proceeds in each financial year of any export duty on jute or jute products which under sub-section (2) of section one hundred and forty of the Act is to be assigned to the



Provinces or the Federated States shall be sixty-two and one-half per cent in the case of the basic duty and ten per cent in case of any additional duty that may be levied from time to time, provided that for the purpose of assigning a share in the duty on jute products the basic and additional duties shall be determined with reference to the raw jute content in the product.

In this paragraph,—

the expression 'basic duty' means:—

- (i) in the case of cuttings, the duty actually imposed from time to time up to a maximum of Rs. 6 per bale of 400 lbs. and
- (ii) in the case of all other descriptions, the duty actually imposed from time to time up to a maximum of Rs. 20 per bale of 400 lbs.;

and the expression 'additional duty' means:—

- (i) in the case of cuttings, such duty exceeding Rs. 6 per bale of 400 lbs. as may be imposed from time to time, and
- (ii) in the case of all other descriptions such duty exceeding Rs. 20 per bale of 400 lbs. as may be imposed from time to time.

## SALES TAX

5. The portion of the net proceeds in any financial year of any tax on the sale of goods which is to be prescribed by the Governor-General under section 140-A of the Act, as assigned to the Provinces and to those Federated States within which that tax is leviable in that year shall be one half of the net proceeds collected on account of that tax in that Province or State, provided that—

- (i) the share of the Province of East Bengal shall in no case be less than Rs. 180 lakhs, and
- (ii) an additional share at the following percentages of one half of the net collections at Karachi shall be assigned to the

following Provinces and State in which that tax is levied :

	<i>Per cent</i>
Punjab	54
Sind	16
North-West Frontier Province	10
Bahawalpur	4

### FEDERAL EXCISE DUTIES

6. The portion of the net proceeds of the Federal duties of excise on tobacco, betelnuts and tea which under section 2 of the Central Excises (Distribution of Revenues) Act, 1952 (II of 1952), is to be assigned to the Provinces and the Federated States in which those duties are leviable shall be one half of the net proceeds collected on account of those duties and it shall be assigned to the same in accordance with the same percentage as perscribed in paragraph 4 above in the case of taxes on income.

### GRANTS-IN-AID TO PROVINCES

7. There shall be charged on the revenues of the Federation as a grant-in-aid of the revenues of the North-West Frontier Province a sum of Rs. 125 lakhs in each year.

### CONVENTION REGARDING IMPOSITION OF TAXES

8. Action shall be taken as soon as may be by the Government of Pakistan, in agreement with the Provincial Governments and the Governments of Acceding States, to set up a convention that no taxes or duties shall be imposed by the Provinces and States, particularly on commodities exported outside their borders, which trench upon the field of the Central duties of customs and excise.

**GHULAM MOHAMMAD,**  
*Governor-General.*

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**MUMTAZ HASAN,**  
*Secretary.*

GOVERNMENT OF PAKISTAN

MINISTRY OF FINANCE

THE DISTRIBUTION OF REVENUES (AMENDMENT)  
ORDER, 1954

G.G.O. No. 3 of 1954

WHEREAS the Governor-General made the Distribution of Revenues Order, 1953, in the exercise of certain powers stated in the preamble to that Order;

AND WHEREAS, with the accession of the State of Khairpur and the Baluchistan States Union with effect on and from the first day of April, 1953, in respect of taxes on income, sales tax and Federal excise duties, it is desirable to amend the said order;

NOW, THEREFORE, in exercise of the powers aforesaid and of all other powers enabling him in that behalf, the Governor-General is pleased to make the following Order:—

1.—(1) This Order may be called the Distribution of Revenues (Amendment) Order, 1954.

(2) It shall be deemed to have come into force on the first day of April, 1953.

2. In paragraph 3 of the Distribution of Revenues Order, 1953, hereinafter referred to as the said Order,—

(i) in the table of percentages, for the last entry and the corresponding figure against it, the following entries, marks and figures shall be *substituted*, namely:—

“Khairpur	.6
Baluchistan States Union	.6
Remainder	2.8”

- (ii) *for* the words "four per cent" twice occurring, the figures and words "2.8 per cent" shall be *substituted* at both places and *for* the words "ninety-six per cent" and "state" the figures and words "9.2 per cent" and "States" respectively, shall be *substituted*.

3. In paragraph 5 of the said Order, *after* the last entry and the corresponding figures against it, the following entries and figures shall be *added*, namely:—

"Khairpur	·1
Baluchistan State Union	1·5"

4. In paragraph 6 of the said Order, *for* the word and figure "paragraph 4", the word and figure "paragraph 3" shall be substituted.

GHULAM MOHAMMAD,  
*Governor-General.*

MUMTAZ HASAN,  
*Secretary.*

## PROVISIONS OF CONSTITUTION, 1956

**National Finance Commission**

**Article-118.**—(1) As soon as may be after the Constitution Day and thereafter at intervals not exceeding five years, the President shall constitute a National Finance Commission consisting of the Minister of Finance of the Federal Government, the Ministers of Finance of the Provincial Governments, and such other persons as may be appointed by the President after consultation with the Governors of the Provinces.

(2) It shall be the duty of the National Finance Commission to make recommendations to the President as to:—

- (a) the distribution between the Federation and the Provinces of the net proceeds of the taxes mentioned in clause (3);
- (b) the making of grants-in-aid by the Federal Government to the Governments of the Provinces;
- (c) the exercise by the Federal Government and Provincial Governments of the borrowing powers conferred by the Constitution; and
- (d) any other matter relating to finance referred to the Commission by the President.

**Explanation.**—In this Article “net proceeds” means, in relation to any tax, the proceeds thereof reduced by the cost of collection.

(3) the taxes referred to in paragraph (a) of clause (2) are the following taxes raised under the authority of Parliament, namely:—

- (a) export duty on jute and cotton; and any other specified export duty;
- (b) taxes on income other than corporation tax;
- (c) specified duties of Federal excise;
- (d) taxes on sales and purchases; and
- (e) any other specified tax.

(4) As soon as may be after receiving the recommendations of National Finance Commission, the President shall by Order specify, in accordance with the recommendations of the Commission under sub-clause (a) of clause (2), the share of the net proceeds of the taxes mentioned in clause (3) which is to be allocated to each Province, and that share shall be paid to the Government of the Province concerned, and shall not form part of the Federal Consolidated Fund.

(5) The recommendations of the National Finance Commission, together with an explanatory memorandum as to the action taken thereon, shall be laid before the National Assembly and the Provincial Assemblies.

## PROVISIONS OF CONSTITUTION 1962

**National Finance Commission**

**Article—144.**—(1) The President may, from time to time, constitute a National Finance Commission for the purposes of clause (4) of this Article.

(2) The President shall constitute a National Finance Commission for the purposes of clause (6) of this Article not later than fifteen months before the expiration of each period specified by the National Economic Council under clause (5) of Article 145 (in this Article referred to as a “plan period”).

(3) A National Finance Commission shall consist of the Ministers in charge of the portfolios of Finance in the Central and the Provincial Governments and such other persons as, after consultation with the Governors of the Provinces, the President may appoint.

(4) A National Finance Commission constituted for the purposes of this clause shall make recommendations to the President with respect to:—

- (a) the distribution between the Central Government and the Provincial Governments of the proceeds (after deducting the cost of their collection) of the following taxes:—
  - (i) Taxes on income, including corporation tax, but not including taxes on income consisting of remuneration paid out of the Central Consolidated Fund;
  - (ii) Taxes on sales and purchases;
  - (iii) Export duty on jute and cotton, and such other export duties as may be specified by the President;
- (b) the making of grants-in-aid by the Central Government to the Provincial Governments;

- (c) the exercise by the Central Government and the Provincial Governments of the borrowing powers conferred by this Constitution; and
- (d) any other matter relating to finance referred to the Commission by the President.

(5) As soon as is practicable after receiving the recommendations of the Commission referred to in clause (4) of this Article, the President shall, after considering the recommendations, specify by Order the share of the proceeds of the taxes referred to in paragraph (a) of clause (4) of this Article which is to be allocated to each Provincial Government, and that share shall be paid to the Government of the Province concerned, and notwithstanding Article 37, shall not form part of the Central Consolidated Fund.

(6) A National Finance Commission constituted for the purposes of this clause shall submit to the President, not later than six months before the expiration of the plan period during which it is constituted:—

- (a) a report on the progress made during that period in advancing the object referred to in clause (4) of Article 145; and
- (b) recommendations as to the manner in which that object should be achieved in the next succeeding plan period.

(7) The President shall furnish a copy of the report and the recommendations submitted to him under clause (6) of this Article to the National Economic Council, which shall take those recommendations into account in formulating its plans.

(8) Any recommendations of a National Finance Commission furnished to the President shall, together with an explanatory memorandum as to the action taken on them, be laid before the National Assembly and before each of the Provincial Assemblies.

(9) The same Commission may be constituted for the purposes of clause (4) and clause (6) of this Article.



## PROVISIONS OF CONSTITUTION 1973

**National Finance Commission**

**Article—160.**—(1) Within six months of the commencing day and thereafter at intervals not exceeding five years, the President shall constitute a National Finance Commission consisting of the Minister for Finance of the Federal Government, the Ministers of Finance of the Provincial Governments, and such other persons as may be appointed by the President after consultation with the Governors of the Provinces:

(2) It shall be the duty of the National Finance Commission to make recommendations to the President as to:—

- (a) the distribution between the Federation and the Provinces of the net proceeds of the taxes mentioned in clause (3);
- (b) the making of grants-in-aid by the Federal Government to the Provincial Governments;
- (c) the exercise by the Federal Government and the Provincial Governments of the borrowing powers conferred by the Constitution; and
- (d) any other matter relating to finance referred to the Commission by the President.

(3) The Taxes referred to in paragraph (a) of clause (2) are the following taxes raised under the authority of [Majlis-e-Shoora (Parliament)], namely:—

- (i) taxes on income, including corporation tax, but not including taxes on income consisting of remuneration paid out of the Federal Consolidated Fund;
- (ii) taxes on the sales and purchases of goods imported, exported, produced, manufactured or consumed;
- (iii) export duties on cotton, and such other export duties as may be specified by the President;

- (iv) such duties of exercise as may be specified by the President;  
and
- (v) such other taxes as may be specified by the President.

(4) As soon as may be after receiving the recommendations of the National Finance Commission, the President shall, by Order, specify, in accordance with the recommendations of the Commission under paragraph (a) of clause (2), the share of the net proceeds of the taxes mentioned in clause (3) which is to be allocated to each Province, and that share shall be paid to the Government of the Province concerned, and, notwithstanding the provision of Article 78 shall not form part of the Federal consolidated Fund.

(5) The recommendations of the National Finance Commission, together with an explanatory memorandum as to the action taken thereon, shall be laid before both Houses and the Provincial Assemblies.

(6) At any time before an Order under clause (4) is made, the president may, by Order, make such amendments or modifications in the law relating to the distribution of revenues between the Federal Government and the Provincial Governments as he may deem necessary or expedient.

(7) The President may, by Order, make grants-in-aid of the revenues of the Provinces in need of assistance and such grants shall be charged upon the Federal Consolidated Fund.

THE DISTRIBUTION OF REVENUES AND CONSOLIDATION  
AND REPAYMENT OF LOANS ORDER, 1962

PRESIDENT'S ORDER NO. 23 OF 1962

[5th June, 1962]

WHEREAS a Finance Commission was appointed on the nineteenth day of December, 1961, to examine and report on the distribution between the Centre and the Provinces of the net proceeds of the taxes and duties which may be raised by the Centre but may be divisible between the Centre and the Provinces, on the apportionment between the two Provinces of the Provincial share of such proceeds, and on the question whether any modification was required to be made in the terms of the repayment of the debt liability of the Provinces to the Centre, and allied matters;

AND WHEREAS the said Commission has submitted its report, which has been duly considered;

AND WHEREAS it is expedient to make certain provisions for the distribution to the Provinces of the net proceeds of certain taxes and duties levied and collected by the Central Government, and for the consolidation and payment of the loans made by the Centre to the Provinces;

NOW, THEREFORE, in pursuance of the Proclamation of the seventh day of October, 1958, and in exercise of all powers enabling him in that behalf, the President is pleased to make and promulgate the following Order:—

1. **Short title and commencement.**—(1) This Order may be called the Distribution of Revenues and Consolidation and Repayment of Loans Order, 1962.

(2) It shall come into force at once.

2. **Distribution of revenues, etc.**—(1) The Provinces shall be assigned in each financial year, beginning on the first day of July, 1962, a share of the net proceeds of the following taxes and duties levied and collected by the Central Government in that year calculated according to the percentages specified against each, that is to say,—

(a) Taxes on income.	50 per cent
(b) Sales tax.	60 per cent
(c) Federal excise duties on tea, betelnut and tobacco (manufactured and unmanufactured).	60 per cent
(d) Export duties on jute and cotton.	100 per cent
(e) Estate and succession duties in respect of agricultural land.	100 per cent
(f) Taxes on the capital value of immovable property.	100 per cent

(2) The sums assigned to the Provinces under clause (1) shall not form part of the Central Consolidated Fund and shall be distributed between the provinces in the following manner, namely:—

- (a) *Sales tax.*—(i) Of the 30 per cent of the sum assigned in each financial year, each Province shall receive an amount bearing to the said 30 per cent the same proportion as the collections in that Province in that year bear to the total collections; and
- (ii) Of the balance of 70 per cent of the sum so assigned in each such year, East Pakistan shall receive 54 per cent and West Pakistan 46 per cent.
- (b) *Estate and succession duties in respect of agricultural land and the taxes on the capital value of immovable property.*—Of the sums so assigned in each financial year, each Province shall receive an amount equal to the collection in that Province in that year.
- (c) *Other taxes and duties.*—Of the sum so assigned in each financial year, East Pakistan shall receive 54 per cent and West Pakistan 46 per cent.

(3) In this paragraph,—

- (a) “net proceeds” means in relation to any tax or duty, the proceeds thereof reduced by the cost of collection; and, for the purposes of clause (1), the net proceeds of any tax or duty shall be ascertained and certified by the

Comptroller and Auditor General of Pakistan, whose certificate in the matter shall be final; and

- (b) "Taxes on income" includes corporation tax, but does not include taxes payable in respect of Central emoluments or any surcharge levied and collected for the purposes of the Central Government.

3. **Consolidation and repayment of loans.**—(1) All loans, not being the loans specified in clauses (2) and (3), made by the Central Government to the Provinces after the fourteenth day of August, 1947, and outstanding on the thirtieth day of June, 1961, shall be written down by fifty per cent and converted into one loan bearing interest at the rate of three and a half per cent and repayable by the Province concerned to the Central Government in equated annual instalments over a period of twenty-five years beginning on the first day of July, 1961:

Provided that for the financial year beginning on the first day of July, 1962, and for each of the next two succeeding financial years, the recovery of an amount not exceeding four crores of rupees, on account of interest charges so payable by the Government of West Pakistan, shall be suspended.

(2) The recovery from the Provinces in respect of pre-Independence loans and interest thereon shall be suspended by the Central Government until an overall financial settlement is reached between Pakistan and India.

(3) Loans obtained by the Central Government from foreign agencies for a Province and passed on to that Province shall remain the liability of the Province concerned, and shall be repaid by such Province with interest in accordance with the terms and conditions of those loans.

4. **Repeal.**—Article 3, 4, 5, 6, and 8 of the distribution of Revenues Order, 1953 (G.G.O. No. 23 of 1953), shall, as from the first day of July, 1962, stand repealed.

MOHAMMAD AYUB KHAN, N. Pk. H.J.,  
FIELD MARSHAL  
*President.*

GOVERNMENT OF PAKISTAN  
**MINISTRY OF LAW AND PARLIAMENTARY AFFAIRS**  
**(Law Division)**

*Rawalpindi, the 14th June, 1965*

**No. F. 24(1)/65-Pub.**—The following Order made by the President on the 12th June, 1965, is hereby published for general information:—

**THE DISTRIBUTION OF REVENUES ORDER, 1965**

PRESIDENT'S ORDER NO. 3 OF 1965

WHEREAS the President, in pursuance of clause (1) of Article 144 of the Constitution, constituted on the thirty-first day of March, 1964, a National Finance Commission for the purposes of clause (4) of the said Article;

AND WHEREAS the said Commission has, in pursuance of the said clause (4), submitted to the President its recommendations with respect to the distribution between the Central Government and the Provincial Governments of the proceeds of the taxes referred to in paragraph (a) of that clause;

NOW, THEREFORE, in pursuance of the provision of clause (5) of the said Article, the President, after considering the said recommendations, is pleased to make the following Order:—

1. **Short title and commencement.**—(1) This Order may be called the Distribution of Revenues Order, 1965.

(2) It shall come into force on the first day of July, 1965.

2. **Definitions.**—In this Order, unless there is anything repugnant in the subject or context,—

(a) “net proceeds” means, in relation to any tax or duty, the proceeds thereof reduced by the cost of collection; and

- (b) "taxes on income" includes corporation tax but does not include taxes on income consisting of remuneration paid out of the Central Consolidated Fund.

3. **Distribution of revenues.**—The Provincial Governments shall be assigned in each financial year a share of the net proceeds of the following taxes and duties levied and collected by the Central Government in that year calculated according to the percentage specified against each, that is to say,—

(a) Taxes on income.	65 per cent
(b) Duties of excise on tea, tobacco and betelnut.	65 per cent
(c) Taxes on sales and purchases.	65 per cent
(d) Export duties on jute and cotton.	65 per cent

4. **Allocation of shares to the Provincial Governments.**—The sums assigned to the Provincial Governments under Article 3 shall be distributed between the Government of East Pakistan and the Government of West Pakistan in the following manner, namely:—

- (1) *Taxes on sales and purchases.*—(a) Of the 30 per cent of the sum assigned in each financial year, the Government of each Province shall receive an amount bearing to the said 30 per cent the same proportion as the collections in that Province in that year bear to the total collections; and (b) of the balance of 70 per cent of the sum so assigned in each year, East Pakistan shall receive 54 per cent and West Pakistan 46 per cent.
- (2) *Other taxes and duties.*—Of the sums assigned in each financial year, East Pakistan shall receive 54 per cent and West Pakistan 46 per cent.

5. **Ascertainment of the net proceeds of taxes.**—For the purposes of this Order, the net proceeds of any tax or duty shall be ascertained and certified by the Comptroller and Auditor General whose certificate shall be final.

6. **Repeal.**—In the Distribution of Revenues and Consolidation and Repayment of Loans Order, 1962 (P. O. No. 23 of 1962) , in Article 2, paragraphs (a), (b), (c) and (d) of clause (1), paragraphs (a) and (c) of clause (2) and clause (3) shall, upon the commencement of this Order, stand repealed.

MOHAMMAD AYUB KHAN, N.P.K., H. J.,  
FIELD MARTIAL  
*President.*

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M. M. AHMED,  
*Secretary Finance.*



GOVERNMENT OF PAKISTAN

**MINISTRY OF LAW AND PARLIAMENTARY AFFAIRS****(Law Division)***Islamabad, the 8th September, 1971*

**No. F. 24(1)/71-Pub.**—The following Order made by the President on the 1st September, 1971, is hereby published for general information:—

**THE DISTRIBUTION OF REVENUES ORDER, 1971**

PRESIDENT'S ORDER NO. 10 OF 1971

WHEREAS the President and CMLA by Ministry of Finance Notification No. 5(1)-B VI/68/611, dated the 17th April, 1970 appointed a Committee to examine and report, among others, upon the distribution between the Central Government and the Provincial Governments of the proceeds of certain taxes;

AND WHEREAS the said Committee has submitted its recommendations with respect to the distribution between the Central Government and the Provincial Governments of those taxes;

NOW THEREFORE, in pursuance of the Proclamation of the 25th day of March, 1969, read with the Provisional Constitution Order, the President and CMLA, after considering the said recommendations, is pleased to make the following Order:—

1. **Short title and commencement.**—(1) This Order may be called the Distribution of Revenues Order, 1971.

(2) It shall come into force at once and shall be deemed to have taken effect on the first day of July, 1970.

2. **Definitions.**—In this Order, unless there is anything repugnant in the subject or context,—

- (a) “net proceeds” means, in relation to any tax or duty, the proceeds thereof reduced by the cost of collection; and
- (b) “taxes on income” includes corporation tax but does not include taxes on income consisting of remuneration paid out of the Central Consolidated Fund.

3. **Distribution of revenues.**—The Provincial Government shall be assigned in each financial year a share of the net proceeds of the following taxes and duties levied and collected by the Central Government in that year calculated according to the percentages specified against each, that is to say,—

- (a) Taxes on income. 80%
- (b) Duties of excise on tea, tobacco and betelnut. 80%
- (c) Taxes on sales and purchases. 80%
- (d) Export duties on jute and cotton. 80%

4. **Allocation of shares to the Provincial Governments.**—(1) The sums assigned to the Provincial Governments under Article 3 shall be distributed amongst Provinces in the following manner:—

- (1) *Taxes on sales and purchases.*—As to 30 per cent of the sum assigned in each financial year as respect taxes on sales and purchases, East Pakistan shall receive an amount bearing to the said 30 per cent the same proportion as collections in that Province in that year bear to the total collections and as to the balance of 70 per cent of the sum so assigned in each year, East Pakistan shall receive 54 per cent. The remaining amount of the sum assigned shall be paid to the other Provinces.
- (2) *Other taxes and duties.*—Of the sums assigned in each financial year as respect taxes and duties specified in Article 3 other than taxes on sales and purchases, East Pakistan shall receive 54 per cent and the other Provinces together shall receive 46 per cent.

- (3) The share assigned under clause (1) or under clause (2) to the Provinces, other than the Province of East Pakistan, shall be distributed amongst those Provinces on the basis of the percentages specified against each:—

Punjab.	56.5%
Sind.	23.5%
North-West Frontier Province.	15.5%
Baluchistan.	4.5%

5. **Ascertainment of the net proceeds of taxes.**—For the purpose of this Order, the net proceeds of any tax or duty shall be ascertained and certified by the Comptroller and Auditor General whose certificate shall be final.

6. **Repeal.**—The Distribution of Revenues Order, 1965 (P. O. No. 3 of 1965) is hereby repealed.

A. M. YAHYA KHAN, H. Pk., H.J.,  
(GENERAL),  
*President and Chief Martial Law Administrator.*

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MOHAMMAD GUL, SQA,  
*Secretary.*

MINISTRY OF LAW AND PARLIAMENTARY AFFAIRS

(Law Division)

*Islamabad, the 9th June, 1975*

**No. F. 24(1)/75-Pub\*.**—The following Order made by the President on the 6th June, 1975 is hereby published for general information:—

PRESIDENT'S ORDER NO. 2 OF 1975

WHEREAS, in pursuance of clause (1) of Article 160 of the Constitution, the President, by the Finance Division Notification No. SRO 158(I)/74, dated the 9th February, 1974, appointed a National Finance Commission to make recommendations, among other matters, as to the distribution between the Federation and the Provinces of the net proceeds of certain taxes;

AND WHEREAS the said Commission has submitted its recommendations with regard to the said distribution;

NOW, THEREFORE, in pursuance of clause (4) of Article 160 of the Constitution, the President is pleased to make the following Order:—

1. **Short title and commencement.**—(1) This Order may be called the Distribution of Revenues and Grants-in-Aid Order, 1975.

(2) It shall come into force on the first day of July, 1975.

2. **Definitions.**—In this Order, unless there is anything repugnant in the subject or context,—

(a) “net proceeds” means, in relation to any tax or duty, the proceeds thereof reduced by the cost of collection, as ascertained and certified by the Auditor-General; and

(b) “taxes on income” includes corporation tax but does not include taxes on income consisting of remuneration paid out of the Federal Consolidated Fund.

3. **Distribution of revenues.**—The Provincial Governments shall be assigned in each financial year a share equal to eighty per cent of

the net proceeds of the following taxes and duties levied and collected by the Federal Government in that year, namely:—

- (a) Taxes on income.
- (b) Taxes on sales and purchases.
- (c) Export duties on cotton.

4. **Allocation of shares to the Provincial Governments.**—The sum assigned to the Provincial Governments under Article 3 shall be distributed amongst the Provinces on the basis of their respective population in the percentage specified against each:—

The Punjab.	60.25%
Sind.	22.50%
The North-West Frontier Province.	13.39%
Baluchistan.	3.86%
Total	100%

5. **Grants-in-aid to the Provinces.**—There shall be charged upon the Federal Consolidated Fund each year, as a grant-in-aid of the revenues of Baluchistan and the North-West Frontier Province, a sum of five crore rupees and ten crore rupees respectively.

6. **Repeal.**—Article 7 of the Distribution of Revenues Order, 1953 (GGO No. 23 of 1953), paragraphs (e) and (f) of clause (1) Article 2 of the Distribution of Revenues and Consolidation and Repayment of Loans Order, 1962 (P. O. No. 23 of 1962, and the Distribution of Revenues Order, 1971 (P. O. No. 10 of 1971) are hereby repealed.

CHAUDHRY FAZAL ELAHI,  
*President.*

*Countersigned*  
ZULFIKAR ALI BHUTTO,  
*Prime Minister.*

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ABAID ULLAH KHAN,  
*Solicitor.*

GOVERNMENT OF PAKISTAN  
MINISTRY OF LAW AND PARLIAMENTARY AFFAIRS  
(Law Division)

*Islamabad, the 12th June, 1983*

**No. F. 17(2)/83-Pub.**—The following Order made by the President is hereby published for general information:—

**THE DISTRIBUTION OF REVENUES ORDER, 1983**

**PRESIDENT'S ORDER NO. 8 OF 1983**

In pursuance of the Proclamation of the fifth day of July, 1977, and in exercise of all powers enabling him in that behalf, the President is pleased to make the following Order:—

1. **Short Title and Commencement.**—(1) This Order may be called the Distribution of Revenues Order, 1983.

(2) It shall come into force on the first day of July, 1983.

2. **Order to Override Other Laws.**—The Provisions of this Order shall have effect notwithstanding anything contained in any other law for the time being in force.

3. **Distribution of Revenues.**—The sum assigned to the Provincial Governments under Article 3 of the Distribution of Revenues and Grants-in-Aid Order, 1975 (P. O. No. 2 of 1975), shall be distributed

amongst the Provinces on the basis of their respective population in the percentage specified against each:

The Punjab.	57.97%
Sind.	23.34%
The North-West Frontier Province.	13.39%
Baluchistan.	5.30%
Total	<u>100.00%</u>

GENERAL,  
M. ZIA-UL-HAQ,  
*President.*

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C. A. RAHMAN,  
*Secretary.*

## GOVERNMENT OF PAKISTAN

## FINANCE DIVISION

## NOTIFICATIONS

*Islamabad, the 23rd July, 1990*

**S. R. O. 764(I)/90.**—In pursuance of Article 160 (1) of the Constitution, the President is pleased to constitute National Finance Commission consisting of the following, namely:—

- |  |                         |
|--|-------------------------|
| (i) Minister for Finance,<br>Government of Pakistan.   | <i>Chairperson</i>      |
| (ii) Minister for Finance,<br>Government of the Punjab.  | <i>Member</i>           |
| (iii) Minister for Finance,<br>Government of Sind.   | <i>Member</i>           |
| (iv) Minister for Finance,<br>Government of N.W.F.P.   | <i>Member</i>           |
| (v) Minister for Finance,<br>Government of Baluchistan.  | <i>Member</i>           |
| (vi) Advisor to the Prime Minister<br>on Finance, Economic Affairs,<br>Planning & Development. | <i>Member</i>           |
| (vii) Minister of State for Finance,<br>Economic Affairs, Planning and<br>Development.         | <i>Member</i>           |
| (viii) Dr. Mahbubul Haq, Senator,<br>(Punjab).   | <i>Member</i>           |
| (ix) Mr Piyar Ali G. Allana, (Sind).   | <i>Member</i>           |
| (x) Mir Afzal Khan, Senator, (NWFP).   | <i>Member</i>           |
| (xi) Mr. Tariq Mehmood Khetran, MPA,<br>(Baluchistan).   | <i>Member</i>           |
| (xii) Finance Secretary, Government of<br>Pakistan.  | <i>Official Expert.</i> |



## Terms of Reference

2. The terms of reference for the Commission are as follows:—

- (a) The distribution between the Federation and the Provinces of the net proceeds of the taxes given below:—
  - (1) Taxes on income including corporation tax, but not including taxes on income consisting of remuneration paid out of the Federal Consolidated Fund.
  - (2) Taxes on the sales and purchase of goods imported, exported, produced, manufactured or consumed.
  - (3) Excise duty on tobacco and tobacco manufactures and sugar.
  - (4) Export duties on cotton.
- (b) Examine the question whether and in what manner, the net proceeds, collected by the Federal Government:
  - (i) of royalties on crude oil, and
  - (ii) of surcharge on natural gas, shall be paid to the Province concerned.
- (c) The making of grants-in-aid by the Federal Government to the Provincial Governments.
- (d) The exercise by the Federal Government and the Provincial Governments of the borrowing powers conferred by the Constitution.
- (e) Any other matter relating to finance referred to the Commission by the President.

3. The National Finance Commission notified *vide* Gazette of Pakistan Extraordinary S. R. O. 717 (I)/85, dated 25th July, 1985, shall stand dissolved with immediate effect.

[No. F. 2(1) NFC/90.]

JAVED TALAT,  
Addl. Finance Secretary (B).

GOVERNMENT OF PAKISTAN

**FINANCE DIVISION****(NFC Secretariat)****NOTIFICATION***Islamabad, the 30th December, 1990*

**S. R. O. 1341 (I)/90.**—In partial modification of notification No. S. R. O. 764 (I)/90, dated 23rd July, 1990, and in pursuance of Article 160(1) of the Constitution, the President, on the recommendations of Governors of the Provinces, is pleased to appoint following non-statutory members of the National Finance Commission to represent the Provinces mentioned against each:—

- |  |              |
|--|--------------|
| (i) Mr. Mukhtar Masood.                  | Punjab.      |
| (ii) Mr. G. D. Memon.                    | Sindh.       |
| (iii) Mr. Anwar Saifullah Khan, Senator. | N.W.F.P.     |
| (iv) Mir Zafarullah Khan Jamali.         | Balochistan. |

They would replace the non-statutory members appointed earlier on 23rd July, 1990.

2. The statutory members *i.e.* Federal Finance Minister (Chairman) and four Provincial Finance Ministers from the Punjab, Sindh, N.W.F.P. and Balochistan would continue as usual.

3. The President is also pleased to delete the Advisor to the Prime Minister on Finance, Economic Affairs, Planning and Development and Minister of State for Finance, Economic Affairs, Planning and Development from the composition of the Commission.

[No. F. 2(1) NFC/90.]

**SYED SHAUKAT HUSSAIN,**  
*Secretary (NFC.).*

**PROJECTION OF CURRENT REVENUE EXPENDITURE OF PROVINCIAL GOVERNMENTS**

(Rs. in Million)

Province	Benchmark 1991-92	Growth Rate	Projections			
			1992-93	1993-94	1994-95	1995-96
Punjab	38,000.0	14%	43,320.0	49,384.80	56,298.67	64,180.48
Sindh	17,000.0	..	19,380.0	22,093.20	25,186.25	28,712.33
N.W.F.P.	12,800.0	..	14,592.0	16,634.00	18,963.76	21,618.69
Balochistan	6,400.0	..	7,296.0	8,317.44	9,481.88	10,809.34
<b>Total :</b>	<b>74,200</b>	<b>14%</b>	<b>84,588.0</b>	<b>96,430.32</b>	<b>109,930.56</b>	<b>125,320.84</b>

PROJECTION OF PROVINCIAL RECEIPTS  
(INCLUDING NET CAPITAL RECEIPT)

(Rs. in Million)

Province	Benchmark 1991-92	Growth Rate	Projections			
			1992-93	1993-94	1994-95	1995-96
Punjab	8,037	8%	8,680.0	9,374.4	10,124.4	10,934.3
Sindh	3,975	8%	4,293.0	4,636.4	5,007.3	5,407.9
N.W.F.P.	1,426	8%	1,540.1	1,663.3	1,796.4	1,940.1
Balochistan	228	8%	246.2	265.9	287.2	310.2
<b>Total :</b>	<b>13,666</b>		<b>14,759.3</b>	<b>15,940.0</b>	<b>17,215.3</b>	<b>18,592.5</b>

**PROJECTION OF REVENUE RECEIPTS OF FEDERAL GOVERNMENT WORKING OF  
DIVISIBLE POOL TAXES**

(Rs. in Million)

	Benchmark 1991-92 (BE)	Growth Rate	Projection			
			1992-93	1993-94	1994-95	1995-96
Income Tax & Corporate Tax	20,048.6	18.56%	23,769.6	28,181.3	33,411.7	39,612.9
Export duty on Cotton	4,313.8	15.13%	4,966.5	5,717.9	6,583.0	7,579.0
Sales Tax	25,114.5	17.81%	29,587.4	34,856.9	41,064.9	48,378.6
Excise duty on Tobacco & Tobacco Manufactures	9,309.0	15.96%	10,794.7	12,517.6	14,515.4	16,832.0
Excise duty on Sugar	3,833.8	15.96%	4,445.7	5,152.2	5,978.0	6,932.1
<b>Total :</b>	<b>62,619.7</b>		<b>73,563.9</b>	<b>86,425.9</b>	<b>101,553.0</b>	<b>119,334.6</b>
<b>Less</b>	<b>3,402.0</b>		<b>3,999.1</b>	<b>4,701.8</b>	<b>5,528.7</b>	<b>6,501.5</b>
(i) Collection Charges (5%)	(3,131.3)		(3,678.2)	(4,321.3)	(5,077.6)	(5,966.7)
(ii) Federal Emoluments (1.35%)	(270.7)		(320.9)	(380.5)	(451.1)	(534.8)
<b>Balance Divisible Pool</b>	<b>59,217.7</b>		<b>69,564.8</b>	<b>81,724.1</b>	<b>96,024.3</b>	<b>112,833.1</b>
<b>Federal Share (20%)</b>	<b>11,843.6</b>		<b>13,913.0</b>	<b>16,344.8</b>	<b>19,204.9</b>	<b>22,566.6</b>
<b>Provincial Share (80%)</b>	<b>47,374.1</b>		<b>55,651.8</b>	<b>65,379.3</b>	<b>76,819.4</b>	<b>90,266.5</b>
Punjab (57.88%)	27,420.1		32,211.3	37,841.5	44,463.1	52,246.3
Sindh (23.28%)	11,028.7		12,955.7	15,220.3	17,883.6	21,014.0
N.W.F.P. (13.54%)	6,414.5		7,535.3	8,852.4	10,401.3	12,222.1
Balochistan (5.30%)	2,510.8		2,949.5	3,465.1	4,071.4	4,784.1

*Note :* Projected at growth rate as recommended by Economic Advisors' Wing of Finance Division, Islamabad.

Annex-XVII

## PROJECTION OF DEVELOPMENT SURCHARGE ON NATURAL GAS

(Rs. in Million)

	Benchmark 1991-92 (BE)	Growth Rate	Projection			
			1992-93	1993-94	1994-95	1995-96
Surcharge on Gas (Gross)	7,187.0					
Less 2% Collection Charges	143.7					
Net	7,043.3	10%	7,747.6	8,522.4	9,374.6	10,312.1
Payable to provinces (100%)	7,043.3	10%	7,747.6	8,522.5	9,374.6	10,312.1
*Punjab	431.7		474.9	522.4	574.6	632.0
Sindh	1,817.9		1,999.7	2,199.7	2,419.6	2,661.6
Balochistan	4,793.7		5,273.0	5,800.4	6,380.4	7,018.5

(\*Based on average production for five years)

## PROJECTION OF EXCISE DUTY ON NATURAL GAS

(Rs. in Million)

	Benchmark 1991-92 (BE)	Projections			
		1992-93	1993-94	1994-95	1995-96
1. Punjab	57.49				
Less 2% collection charges	1.15				
Net Payable	56.34	61.9	68.1	74.9	82.4
2. Sindh	468.90				
Less 2% Collection Charges	9.38				
Net Payable	459.52	505.5	556.0	611.6	672.8
3. Balochistan	731.41				
Less 2% Collection Charges	14.63				
Net Payable	716.78	788.5	867.3	954.0	1,049.4
Total Payable :	1,232.6	1,355.9	1,491.4	1,640.5	1,804.6

NOTE :—Growth Adopted at 10% for Projection.

Annex-XIX

## PROJECTION OF ROYALTY ON NATURAL GAS

(Rs. in Million)

Province	Benchmark 1991-92	Growth Rate	Projection			
			1992-93	1993-94	1994-95	1995-96
1. Punjab	60.615					
Less Collection Charges 2%	-1,213					
Net Payable	59.402	10%	65.34	71.87	79.06	86.97
2. Sindh	265.903					
Less Collection Charges 2%	-5.318					
Net Payable	260.585	10%	286.65	315.32	346.85	381.54
3. Balochistan	301.052					
Less Collection Charges 2%	-6.021					
Net Payable	295.031	10%	324.53	356.98	392.68	431.95
Total Net	615.018		676.52	744.17	818.59	900.46



## PROJECTION OF ROYALTY ON CRUDE OIL

(Rs. in Million)

Name of Province	Benchmark 1991-92 (BE)	Growth Rate	Projection			
			1992-93	1993-94	1994-95	1995-96
1. Punjab	601.492					
Less 2% Collection Charges	12.03					
Net Payable	589.46	10%	648.41	713.25	784.58	863.04
2. Sindh	697.962					
Less 2% Collection Charges	13.96					
Net Payable	684.00	10%	752.40	827.64	910.40	1,001.44
Total Payable :	1,273.46		1,400.81	1,540.89	1,694.98	1,864.48

## CURRENT EXPENDITURE OF FEDERAL GOVERNMENT MET FROM REVENUES

Heads	(Rs. in Million)											
	1985-86 (Actuals)	1986-87 (Actuals)	Growth Rate %	1987-88 (Actuals)	Growth Rate %	1988-89 (Actuals)	Growth Rate %	1989-90 (R.E.)	Growth Rate %	1990-91 (B.E.)	Growth Rate %	Aggregate Growth Rate Adopted %
<b>A</b>												
General Administration	4,633.4	4,590.9	-0.9	5,210.6	13.5	5,560.6	6.7	5,863.0	5.4	7,016.8	19.7	8.9
Law & Order	1,791.6	1,964.0	9.6	2,102.8	7.1	2,819.5	34.1	3,364.8	19.3	3,302.5	-1.9	13.5
Community Services	1,511.5	1,814.6	20.0	1,945.3	7.2	1,997.8	2.7	2,046.9	2.5	2,247.7	9.8	8.4
Social Services	2,982.9	3,940.9	32.1	4,538.2	15.2	5,582.0	23.0	4,896.0	-12.3	5,096.8	4.1	12.4
Economic Services	1,166.3	2,237.2	91.8	1,112.6	-50.3	1,082.7	-2.7	1,010.0	-6.7	1,049.7	3.9	7.2
Sub--Total (A)	12,085.7	14,547.6	20.4	14,909.5	2.5	17,042.6	14.3	17,180.7	0.8	18,713.5	8.9	9.4
<b>B</b>												
Defence	35,606.4	38,899.2	9.2	45,295.1	16.4	51,103.2	12.8	61,926.3	21.2	63,273.1	12.2	12.4
Subsidies	3,676.1	4,842.6	31.7	4,034.3	-16.7	8,313.2	106.0	8,558.8	2.9	6,621.6	-22.6	*15.0
Debt Servicing:--	36,374.3	47,283.5	30.0	56,366.1	19.2	58,562.5	3.9	67,820.9	15.8	78,577.2	15.9	16.9
(i)	36,368.2	46,043.8		55,067.7		57,852.4		65,859.3		76,739.7		
(ii)	6.1	1,239.7		1,298.4		710.1		1,961.6		1,837.5		
Sub--Total (B)	75,656.8	91,025.3	20.3	105,695.5	16.1	117,978.9	11.6	138,306.0	17.2	148,471.9	7.3	14.5
Grant Total (A + B)	87,742.5	105,572.9		120,605.0		135,021.5		155,486.7		167,185.4		

\*Aggregate growth rate adopted taking in to account the normal historical trend of expenditure and present policy.

## PROJECTION OF FEDERAL GOVERNMENT CURRENT EXPENDITURE MET FROM REVENUE

(Rs. in million)

	Base Year 1990-91 (BE)	Growth Rate	PROJECTION				
			1991-92	1992-93	1993-94	1994-95	1995-96
A— General Administration	7,017						
Defence	63,273						
Law & Order	3,302						
Community Services	2,248						
Social Services	5,097	11.9%					
Economic Services	1,050						
Subsidies	6,622						
Debt Servicing	78,577						
<b>TOTAL:—</b>	<b>167,186</b>						
B(1) <b>Administrative Expenditure</b>			187,081	209,344	234,256	262,132	293,326
General Administration	7,017						
Law & Orders	3,302						
Community Service	2,248	9.4%					
Social Services	5,097						
Economic Services	1,050						
<b>SUB-TOTAL (B(1))</b>	<b>18,714</b>		20,473	22,397	24,502	26,805	29,325
B(2) <b>Other Expenditure</b>							
Defence	63,273						
Subsidies	6,622	14.8%					
Debt Servicing	78,577						
<b>SUB-TOTAL (B(2))</b>	<b>148,472</b>		170,446	195,672	224,631	257,877	296,042
<b>TOTAL (B(1 + 2))</b>	<b>167,186</b>		190,919	218,069	249,133	284,682	325,367

Note:

- (i) The projections have been prepared on actual growth rate for past five years.
- (ii) We are trying to bring down revenue expenditure shown under B(1). Even if it increases later on, we shall keep it at a much lower level than 9.4% (probably around 5%).

STATEMENT SHOWING DEBT SERVICE CHARGES  
IN RESPECT OF CASH DEVELOPMENT LOANS DURING 1991-92

(Rs. in million)

Provinces	Balance amount of loans as on 1-7-1991	Recoverable during 1991-92		
		Principal	Interest	Total
1	2	3	4	5
Punjab	49,747.979	626.529	7,798.067	8,424.596
Sindh	21,235.774	320.066	3,279.867	3,599.933
N.W.F.P.	18,546.562	226.905	2,891.639	3,118.544
Balochistan	7,982.117	106.878	1,264.827	1,371.705
<b>TOTAL:</b>	<b>97,512.432</b>	<b>1,280.378</b>	<b>15,234.400</b>	<b>16,514.778</b>

## PROJECTION OF ELECTRICITY PROFITS (NET)

(Rs. in million)

Province	Basic Year 1991-92	Growth Rate	Projection			
			1992-93	1993-94	1994-95	1995-96
Punjab	100.4	10%	110.44	121.48	133.63	146.99
N.W.F.P.	5,987.5	10%	6,586.25	7,244.88	7,969.37	8,766.31
Total:—	6,087.9		6,396.69	7,366.36	8,103.0	8,913.3

**FEDERAL TRANSFERS AS A RESULT OF NEW ARRANGEMENTS**  
1991-92

(Rs. in million)

	Punjab	Sindh	N.W.F.P.	Balochistan	Total
<b>A— Divisible Pool Taxes</b>					
(Revenue Assignments)	27,420.1	11,028.7	6,414.5	2,510.8	47,374.1
<b>B— Straight Transfers</b>	<b>2,237.3</b>	<b>3,922.0</b>	<b>6,187.5</b>	<b>5,905.5</b>	<b>18,252.3</b>
(i) Electricity Profits	100.4	—	5,987.5	—	6,087.9
(ii) Grant equal to royalty on Crude Oil	589.5	684.0	—	—	1,273.5
(iii) Excise duty on Natural Gas	56.3	459.5	—	716.8	1,232.6
(iv) Royalty on Natural Gas	59.4	260.6	—	295.0	615.0
(v) Surcharge on Gas	431.7	1,817.9	—	4,793.7	7,043.3
(vi) Special Grants, Subvention	1,000.0	700.0	200.0	100.0	2,000.0
<b>Total Transfers (A + B)</b>	<b>29,657.4</b>	<b>14,950.7</b>	<b>12,602.0</b>	<b>8,416.3</b>	<b>65,626.4</b>

## FINANCIAL IMPACT OF NFC AWARD 1991-92

(Rs. in million)

	1991-92 (BE)	Less (A + B)	Collection Charges 5% (A)	Federal Emoluments (1.35%) (B)	Balance Divisible Pool	Federal Share 20%	Provincial Share 80%	Punjab	Sindh	N. W. F. P.	Balochistan	Total
<b>A— New Pool</b>												
Export duty on cotton	4,313.8	215.7	( 215.7)	—	4,098.1	819.6	3,278.5	1,897.6	763.2	443.9	173.8	3,278.5
Income & Corporate Tax	20,048.6	1,273.1	(1,002.4)	(270.7)	18,775.5	3,775.1	15,020.4	8,693.7	3,496.8	2,033.8	796.1	15,020.4
Sales Tax	25,114.5	1,255.7	(1,255.7)	—	23,858.8	4,771.8	19,087.0	11,047.6	4,443.4	2,584.4	1,011.6	19,087.0
Excise on tobacco & tobacco manufacturers	9,309.0	465.5	( 465.5)	—	8,843.5	1,768.7	7,074.8	4,094.9	1,647.1	957.9	374.9	7,074.8
Excise duty on sugar	3,833.8	192.0	( 192.0)	—	3,641.8	728.4	2,913.4	1,686.3	678.2	394.5	154.4	2,913.4
Sub-Total (A)	62,619.7	3,402.0	(3,131.3)	(270.7)	59,217.7	11,843.6	47,374.1	27,420.1	11,028.7	6,414.5	2,510.8	47,374.1
<b>B—Straight Transfers</b>												
(i) Electricity Profits								100.4	—	5,987.5	—	6,087.9
(ii) Ex-gratia grant equal to royalty on crude oil								589.5	684.0	—	—	1,273.5
(iii) Excise duty on natural gas								56.3	459.5	—	716.8	1,232.6
(iv) Royalty on natural gas								59.4	260.6	—	295.0	615.0
(v) Surcharge on gas								431.7	1,817.9	—	4,793.7	7,043.3
Sub-Total (B)								1,237.3	3,222.0	5,987.5	5,805.5	16,252.3
<b>TOTAL TRANSFERS (A + B)</b>								<b>28,657.4</b>	<b>14,250.7</b>	<b>12,402.0</b>	<b>8,316.3</b>	<b>63,626.4</b>
<b>C—Additional Transfers</b>												
(i) Special grants								1,000.0	700.0	—	—	1,700.0
(ii) Subvention								—	—	200.0	100.0	300.0
Sub-total (C)								1,000.0	700.0	200.0	100.0	2,000.0
(1) Grant total (A + B + C)								29,657.4	14,950.7	12,602.0	8,416.3	65,626.4
(2) Existing transfers (1990-91)								21,113.0	9,293.9	8,456.0	4,169.6	43,032.5
Net additionality in 1991-92								8,544.4	5,656.8	4,146.0	4,246.7	22,593.9

FINANCIAL IMPACT OF NFC AWARD 1991-92  
STRAIGHT TRANSERS

(Rs. in Million)

	Punjab	Sind	N.W.F.P.	Baluchistan	Total
1. Electricity Profits.	100.4	—	5,987.5	—	6,087.9
2. Grant equal to Royalty on Crude Oil.	589.5	684.0	—	—	1,273.5
3. Excise Duty on Natural Gas.	56.3	459.5	—	716.8	1,232.6
4. Royalty on Natural Gas.	59.4	260.6	—	295.0	615.0
5. Surcharge on Gas.	431.7	1,817.9	—	4,793.7	7,043.3
Total .....	<u>1,237.3</u>	<u>3,222.0</u>	<u>5,987.5</u>	<u>5,805.5</u>	<u>16,252.3</u>



**PROJECTION OF PROVINCIAL BUDGETARY POSITION  
AFTER IMPLEMENTATION OF NFC'S RECOMMENDATIONS**

**PUNJAB**

(Rs. in million)

	Benchmark 1991-92	1992-93	1993-94	1994-95	1995-96
Current Revenue Expenditure	38,000.0	43,320.0	49,384.8	56,298.7	64,180.5
Provincial Receipts (including net capital receipts)	8,037.0	8,680.0	9,374.4	10,124.4	10,934.3
Gross Position (Deficit)	29,963.0	34,640.0	40,010.4	46,174.3	53,246.2
<b>FEDERAL TRANSFERS</b>					
(i) Divisible Pool Taxes (Revenue Assignments)	27,420.1	32,211.3	37,841.5	44,463.1	52,246.3
(ii) Royalty on Natural Gas	59.4	65.3	71.9	79.1	87.0
(iii) Excise duty on Natural Gas	56.3	61.9	68.1	74.9	82.4
(iv) Grant equal to Royalty on Crude Oil	589.5	648.4	713.3	784.6	863.0
(v) Electricity Profits	100.4	110.4	121.5	133.6	147.0
(vi) Surcharge on Gas	431.7	474.9	522.4	574.6	632.0
<b>TOTAL TRANSFERS</b>	28,657.4	33,572.2	39,338.7	46,109.9	54,057.7
Net Position (Deficit (-) Surplus (+))	-1,305.6	-1,067.8	- 671.7	- 64.4	+ 811.5
Add Special grant	1,000.0	1,000.0	1,000.0	—	—
<b>FINAL POSITION</b>	- 305.6	- 67.8	+ 328.3	- 64.4	+ 811.5

PROJECTION OF PROVINCIAL BUDGETARY POSITION  
AFTER IMPLEMENTATION OF NFC'S RECOMMENDATIONS

## SINDH

(Rs. in million)

	Benchmark 1991-92	1992-93	1993-94	1994-95	1995-96
Current Revenue Expenditure	17,000.0	19,380.0	22,093.2	25,186.2	28,712.3
Provincial Receipts (including net capital receipts)	3,975.0	4,293.0	4,636.4	5,007.3	5,407.9
Gross Position (Deficit (-))	13,025.0	15,087.0	17,456.8	20,178.9	23,304.4
<b>FEDERAL TRANSFERS</b>					
(i) Divisible Pool Taxes (Revenue Assignments)	11,028.7	12,955.7	15,220.3	17,883.6	21,014.0
(ii) Royalty on Natural Gas	260.6	286.7	315.3	346.9	381.5
(iii) Excise duty on Natural Gas	459.5	505.5	556.0	611.6	672.8
(iv) Grant equal to Royalty on Crude Oil	684.0	752.4	827.6	910.4	1,001.4
(v) Surcharge on Gas	1,817.9	1,999.7	2,199.7	2,419.6	2,661.6
<b>TOTAL TRANSFERS</b>	<b>14,250.9</b>	<b>16,500.0</b>	<b>19,118.9</b>	<b>22,172.1</b>	<b>25,731.3</b>
Net Position (Surplus (+))	1,225.9	1,413.0	1,662.1	1,993.2	2,426.9
Add Special grant	700.0	700.0	700.0	700.0	700.0
<b>FINAL POSITION (Surplus (+))</b>	<b>1,925.9</b>	<b>2,113.0</b>	<b>2,362.1</b>	<b>2,693.2</b>	<b>3,126.9</b>

PROJECTION OF PROVINCIAL BUDGETARY POSITION  
AFTER IMPLEMENTATION OF NFC'S RECOMMENDATIONS

N.W.F.P.

(Rs. in million)

	Benchmark				
	1991-92	1992-93	1993-94	1994-95	1995-96
Current Revenue Expenditure	12,800.0	14,592.0	16,634.9	18,963.8	21,618.7
Provincial Receipts (including net capital receipts)	1,426.0	1,540.1	1,663.3	1,796.4	1,940.1
Gross Position (Deficit—)	11,374.0	13,051.9	14,971.6	17,167.4	19,678.6
<b>FEDERAL TRANSFERS</b>					
(i) Divisible Pool Taxes (Revenue Assignments)	6,414.5	7,535.3	8,852.4	10,401.3	12,222.1
(ii) Electricity Profits	5,987.5	6,586.3	7,244.9	7,969.4	8,766.3
<b>TOTAL TRANSFERS</b>	12,402.0	14,121.6	16,097.3	18,370.7	20,988.4
Net Position Surplus (+)	1,028.0	1,069.7	1,125.7	1,203.3	1,309.8
Add Subvention	200.0	200.0	200.0	—	—
<b>FINAL POSITION (Surplus +)</b>	1,228.0	1,269.7	1,325.7	1,203.3	1,309.8

PROJECTION OF PROVINCIAL BUDGETARY POSITION  
AFTER IMPLEMENTATION OF NFC'S RECOMMENDATIONS

BALUCHISTAN

(Rs. in million)

	Benchmark 1991-92	1992-93	1993-94	1994-95	1995-96
Current Revenue Expenditure	6,400.0	7,296.0	8,317.4	9,481.9	10,809.3
Provincial Receipts (including net capital receipts)	228.0	246.2	265.9	287.2	310.2
Gross Position (Deficit—)	6,172.0	7,049.8	8,051.5	9,194.7	10,499.1
FEDERAL TRANSFERS					
(i) Divisible Pool Taxes (Revenue Assignments)	2,510.8	2,949.5	3,465.1	4,071.4	4,784.1
(ii) Royalty on Natural Gas	295.0	324.0	357.0	392.7	432.0
(iii) Excise duty on Natural Gas	716.8	788.5	867.3	954.0	1,049.4
(iv) Surcharge on Gas (100%)	4,793.7	5,273.0	5,800.4	6,380.4	7,018.5
TOTAL TRANSFERS	8,316.3	9,335.5	10,489.8	11,798.5	13,284.0
Net Position (Surplus) (+)	2,144.3	2,285.7	2,438.3	2,603.8	2,784.9
Add Subvention	100.0	100.0	100.0	—	—
FINAL POSITION (Surplus (+))	2,244.3	2,385.7	2,538.3	2,603.8	2,784.9

Assistant Secretary (NFC)  
Secretary (NFC)  
Finance Division  
Islamabad