



Annex-IV

**Government of Pakistan
Ministry of Law, Justice, Human Rights &
Parliamentary Affairs**

No.F.2(2)/97-Pub Islamabad, the 12th February, 1997

The following Order made by the President is hereby published for general information:-

PRESIDENT ORDER NO. 1 OF 1997

WHEREAS, in pursuance of Clause (1) of Article 160 of the Constitution, the President, by the Finance Division's Notification No. SRO 733(I)/95, dated 23rd July, 1995, as modified by the said Division's Notification No. SRO 1361(I)/96, dated the 10th December, 1996, 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, 1997.



(2) It shall come into force on the first day of July, 1997.

2. **Definition.-** In this Order, unless there is anything repugnant in the subject or context;

- (a) **"net proceeds"** means, in relation to any tax, duty or levy, the proceeds thereof reduced by the cost of collection, as ascertained and certified by the Auditor-General of Pakistan; 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 thirty-seven point five percent 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. wealth tax;
- c. capital value tax;
- d. taxes on sales and purchases;
- e. export duties on cotton;
- f. customs-duties;
- g. federal excise duties excluding the excise duty on gas charged at well-head; and
- h. any other tax which may be levied by the Federal Government.



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:-

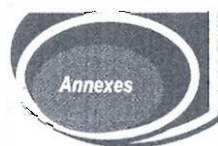
The Punjab	57.88%
Sindh	23.28%
The North-West Frontier Province	13.54%
Balochistan	5.30%

Total:	100.00%

5. **Payment of net proceeds of royalty on crude oil.-** Each of the provinces shall be paid in each financial year as a share in the net proceeds of the total royalties on crude oil an amount which bears to the total net proceeds the same proportion as the production of crude oil in the Province in that year bears to the total production of crude oil.

6. **Payment of net proceeds of development surcharge on natural gas to the Provinces.-** Each of Provinces shall be paid in each financial year as a share in the net proceeds of surcharge on natural gas an amount which bears to the total net proceeds the same proportion as the well-head production of natural gas in the province in that year bears to the total well-head production of natural gas.

7. **Grants-in-Aid to the Provinces.-**There shall be charged upon the Federal Consolidated Fund each year, as



grants-in-aid of the revenues of the provinces, (for the period) specified against each, the amount so specified:-

Province	Period	Amount
The North-West Frontier Province	For 5 years	Rs. 3310 million
Balochistan	For 5 years	Rs. 4080 million

Note.- the grants-in-aid will be increased annually by 11% subject to subsequent adjustment in line with the actual rate of inflation for each year.

8. **Matching Grants to Provinces.-** Whereas the Provincial Governments achieve a minimum growth of 14.2% in Provincial receipts with fiscal efforts which include increases in tax rates, withdrawal of exemptions, imposition of new taxes and revision in rates of user charges, as ascertained and certified by the Auditor General of Pakistan, the Federal Government will pay to each province in the subsequent year, the matching grant subject to the maximum limits specified below:-

The Punjab	500 million
Sindh	500 million
The North-West Frontier Province	100 million
Balochistan	100 million

9. **Repeal.-** Articles 2,3,4,5,6, and 7 of the Distribution of Revenues and Grants-in-Aid Order, 1991 (P.O. No.1 of 1991), are hereby repealed.

Farooq Ahmad Khan Leghari
President

Justice (R) (Akhtar Hassan)
Secretary