

Annex-V

**Government of Pakistan
Ministry of Law, Justice, & Human Rights
(Law, Justice, & Human Rights Division)**

No.F.2(2)/2006-Pub Islamabad, the 19th January, 2006

The following Order promulgated by the President is hereby published for general information.

**ORDER NO. 1 OF 2006
AN
ORDER**

Further to amend the Distribution of Revenues and Grants-in-Aid Order, 1997

WHEREAS, in pursuance of clause (1) of Article 160 of the Constitution, the President, by the Finance Division's Notification No. SRO 529 (1)/2000, dated 22nd July, 2000, as modified by SRO No.895(1)/2000, dated 18th December, 2000, Notification No.F.2(2)NFC/2000-508 dated 7th November, 2001, Notification No. F.2(2)NFC/2000-200 dated 6th April, 2002, SRO No.1043(I)/2003, dated 13th November, 2003, read with SRO No.739(I)/2005, dated 21st July, 2005 and SRO NO.950(I)/2005, dated 12th September, 2005, 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 Commission could not submit its recommendations with regard to the said distribution and the matter being of urgent and national importance can not be further delayed;



AND WHEREAS it is expedient further to amend the Distribution of Revenues and Grants-in-Aid Order, 1997 (P.O.No.1 of 1997) for the purposes hereinafter appearing;

NOW, THEREFORE, in pursuance of clauses (6) read with clause (7) of Article 160 of the Constitution of Islamic Republic of Pakistan, the President is pleased to make the following Order:-

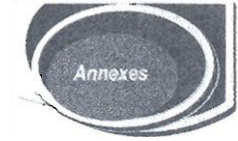
1. **Short title and commencement.**- (1) This Order may be called the Distribution of Revenues and Grants-in-Aid (Amendment) Order, 2006.

(2) It shall come into force on the first day of July, 2006.

2. **Substitution of Articles 3, 4 and 7, P.O. No.1 of 1997.** - In the Distribution of Revenues and Grants-in-Aid Order, 1997 (P.O. No. 1 of 1997) for Articles 3, 4 and 7 the following shall be substituted, namely:-

“3. **Distribution of Revenues.**- (1) The Provincial Governments shall be assigned in each financial year a share equal to the percentage of the net proceeds of the following taxes and duties levied and collected by the Federal Government in that year as specified in clause (2) :-

- a. taxes on income;
- b. wealth tax;
- c. capital value tax;
- d. taxes on sales and purchases;

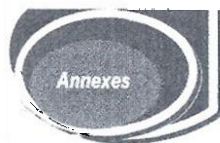


- e. sales tax on services (CE mode);
- f. export duties on cotton;
- g. customs-duties;
- h. federal excise duties excluding the excise duty on gas charged at well-head; and
- i. any other tax which may be levied by the Federal Government.

(2) The percentage share of the provinces from the net proceeds of taxes and duties in each year shall be as under:--

<u>Financial year</u>	<u>Percentage share</u>
2006-07	41.50%
2007-08	42.50%
2008-09	43.75%
2009-10	45.00%
2010-11 and onward	46.25%

4. **Allocation of shares to the Provincial Governments.**- (1) Out of the sum assigned to the Provincial Governments under Article 3 an amount equal to the net proceeds of 1/6th of Sales Tax shall be distributed amongst the provinces at the following ratio and the Provincial Governments shall further transfer the whole of such amounts to the District



Governments and Cantonment Boards
without retaining any part thereof:-

The Punjab	50.00%
Sindh	34.85%
The North-West	9.93%
Frontier Province	
Balochistan	5.22%

Total:	100.00%

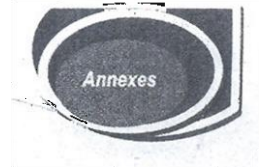
(2) The balance shall be distributed amongst the provinces on the basis of their respective population in the percentage specified against each:-

The Punjab	57.36%
Sindh	23.71%
The North-West	
Frontier Province	13.82%
Balochistan	5.11%

Total:	100.00%

7. **Grants-in-Aid to the Provinces.**— There shall be charged upon the Federal Consolidated Fund each year a sum of Rupees twenty seven billion seven hundred and fifty million, as grants-in-aid of the revenues of the provinces to be distributed amongst the provinces as per ratio specified against each province, namely:-

<u>Province</u>	<u>Amount</u>
The Punjab	11.00%
Sindh	21.00%



The North-West Frontier Province	35.00%
Balochistan	33.00%
Total:	100.00%

Note.-- The grants-in-aid will be increased annually in line with the growth of net proceeds of divisible taxes for each year.

Explanation:- With the arrangements contained in Articles 3 and 7 above, the overall provincial share in the net Divisible Pool Taxes would not be less than 45% in the first financial year and 50% in the last financial year."

**General
Pervez Musharraf
President**

**Justice (R) Mansoor Ahmad
Secretary**