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**FEDERAL BUDGET 2018-19**

**EXPLANATORY MEMORANDUM**

**ON**

**FEDERAL RECEIPTS**

**Government Of Pakistan**

**Finance Division**

**Islamabad**

**SUBMITTED BY:**

**KAINAT NAEEM (05)**

**SUBMITTED TO:**

**SIR BASHIR**

**P R E F A C E**

The Annual Budget Statement containing estimated Receipts and Expenditures for Financial Year 2018-19 is being tabled in the National Assembly of Pakistan and transmitted to the Senate of Pakistan as required under Article 80(1) and 73(1) of the Constitution of Islamic Republic of Pakistan. The “Explanatory Memorandum on Federal Receipts” is being tabled along with the Annual Budget Statement, as additional information, in order to help the readers to understand the details of the receipts included in the Statement. In a structured manner, the major components of Federal resources have been explained, with a view to distinguish Revenue from Capital receipt and to further categorize Revenue Receipt as Tax and Non Tax Receipt. A separate Chapter is introduced on External Resources with brief explanation, which has been further elaborated in a separate publication titled “Estimates of Foreign Assistance”. The mechanism for distribution of resources amongst the Provinces is also included with a brief over view of self-financing of their respective Annual Development Programs. With the aim of helping the readers to form a comprehensive view of the federal resources that have determined the formulation of the Budget for 2017-18, the nature of receipts has also been explained, wherever considered appropriate. I hope that this document would be useful for a comprehensive understanding of the Annual Budget Statement.

**ARIF AHMED KHAN**

**Secretary to the Government of Pakistan**

**Finance Division**

**Islamabad, 27th April, 2018**

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**CHAPTER 1: FEDERAL RESOURCES AT A GLANC**

Resource Mobilization is essential to meet the recurring as well as development expenditure. At Federal level, resources are generated through a well coordinated and concerted effort by the revenue collecting agencies and other administrative units. The money so raised are properly deposited in the national exchequer, precisely accounted for and accurately reported as per the principles of financial propriety. The constitutional requirements for maintaining the federal receipts are strictly adhered to. Article 78(1) of the Constitution of Islamic Republic of Pakistan provides that all revenues received by the Federal Government, all loans raised by that Government and all moneys received by it in repayment of loan, shall form part of the Federal Consolidated Fund. Article 78(2) further provides that all other moneys received by or on behalf of the Federal Government shall be credited to the Public Account of the Federation. In pursuance thereof, the Federal Receipts are credited to Federal Consolidated Fund as well as the Public Account of Federation. 1.2 Federal Revenue Receipts are broadly categorized as Tax Revenue and Non-Tax Revenue. Federal Board of Revenue (FBR) is the major tax collecting agency as substantial portion of Tax Revenue is administered by it. Tax Revenue collected by FBR constitutes the Divisible Pool Taxes to be distributed amongst the Provinces along with other Straight Transfers in accordance with the provisions of National Finance Commission Award. In addition to FBR Taxes, there are Other Taxes Gas Infrastructure Development , Natural Gas Development Surcharge, Petroleum Levy etc, which are administered by Ministry of Petroleum and Natural Resources.

1.3 Non-Tax Revenue represents the recurring income earned by the Federal Government from sources other than taxes. The major sources are Interest receipts, dividends, profits earned by various regulatory authorities. Moreover, various services provided by the government social services, community services, economic services, defense services etc also yield revenue for the government.

1.4 In addition to Revenue Receipts, there are Capital Receipts reflected in Annual Budget Statement. Capital Receipts comprise Recoveries of loans and advances from provincial Governments, local bodies, financial institutions etc as well as Public Debt raised through various government securities.

1.5 Net proceeds of National Saving Schemes and net receipts from transactions under Deposits and Reserves head being Public Account Receipts, form part of Public Account of the Federation.

1.6 External Resources comprise project loans and grants, program loans and other loans which are received from specialized financial institutions and friendly countries for specific development needs and budgetary requirements.

1.7 Federal Receipts may also be classified as Internal Receipts and External Receipts. Internal Receipts comprise Revenue receipts and Capital receipts. External Receipts comprise project aid, loans and grants.

1.8 Budget Estimates for Fiscal Year 2017-18 and 2018-19 in respect of total Federal Receipts under different heads are given at the next

**TABLE**

**SUMMARY OF FEDRAL RECIPTE**

**(RS in Million)**

**Code Description 2017-18budget 2017-18 Revised 2018-19 Budget**

B **1.Tax revenue** 4,330,463.460 4,147,304.500 4,888,645.0008

**FBR Taxes** 4,013,000.000 3,935,000.000 4,435,000.000

(Direct taxes) 1,594,910.000 1,563,000.000 1,735,000.000

(Indirect taxes) 2,418,090.000 2,372,000.000 2,700,000.000

**Other taxes** 31,463.460 212,304.500 453,645.000

C **2. Non Tax Receipt**  979,853.687 845,181.916 771,860.203

C 01 Income from Property

and Enterprise 214,688.923 236,428.975 236,868.547

C 02 Receipts from Civil 413,172.437 284,459.208 305,836.967

Administration

C 03 Miscellaneous 351,992.327 324,293.733 229,154.689

3 **Total Revenue** 5,310,317.147 4,992,486.416 5,660,505.203

**Receipts (1+2)**

E 4 **Capital Receipts** 427,473.677 677,822.841 559,084.587

E02 Recovery of Loans 112,536.677 134,415.321 152,989.497

And advances

E03 Domestic Debt 314,937.000 543,407.520 406,0960

**Total Internal**

**Receipts** 5,737,790.824 5,670,309.257 6,219,589.790

6 **External Receipts** 837,823.697 1,229,754.459 1,118,023.833

Loans 810,742.323 1,203,754.258 1,087,991.217

Grants 27,081.374 26,000.201 30,032.616

7 **Total Internal and** 6,575,614.521 6,900,063.716 7,337,613.623

**External Receipts**

**Receipts (7+8)**

8 **Public Account**  213,092.868 68,616.770 126,686.176

Deferred Liabilities (Net) 166,003.000 72,921.130 130,697.470

Deposits and Reserves (Net) 47,089.868 (4,304.360) ( 4,011.294)

9 **Gross Federal**  **6,788,707.389 6,968,680.486 7,464,299.799**

**Receipts (7+8)**

10 Less Provincial 2,384,243.193 2,316,079.700 2,590,066.165

Shares in Federal tax

11 **Net Federal 4,404,464.196 4,652,600.786 4,874,233.634**

**Receipts**

**Chapter 2. REVENUE RECEIPTS**

2.1 Revenue Receipts constitute major component of total Federal resources. Revenue Receipts may be categorized as Tax Revenue Receipts and Non-Tax Revenue receipts, which are largely derived from the following sources:-

i. Collection of Federal Taxes

ii. Net revenue of the Public Sector Commercial Departments

iii. Mark up on loans advanced by the Federal Government

iv. Return on investments made by the Federal Government

v. Fees, penalties and other Miscellaneous receipts realized by administrative Ministries and Divisions of the Federal Government

vi. Surcharges, Levy and Royalty on Petroleum

2.2 TAX REVENUE

2.2.1 The major part of Tax Revenue is administered by the Federal Board of Revenue (FBR), which comprises Customs Duty and Inland Revenue i.e Direct Taxes, Sales Tax and Federal Excise Duty. FBR taxes may also be categorized as Direct Taxes and Indirect Taxes. Direct Taxes comprise Income Tax, Workers Welfare Fund and Capital Value Tax. Indirect Taxes include Sales Tax, Federal Excise Duty and Customs Duty.

2.2.2 In addition to FBR taxes, there are Other Taxes i.e Gas Infrastructure Development, Natural Gas Development Surcharge, and Petroleum Levy administered by Ministry of Petroleum and Natural Resources. Besides, the taxes collected by Islamabad Capital Territory (ICT) Administration and the Airport Tax administered by Civil Aviation Authority also constitute Tax Revenue of the Federal Government. Tax Revenue forms part of Federal Consolidated Fund.

2.3 NON TAX REVENUE 2.3.1 Non-Tax Revenue of the federal government is administered by various Ministries /Divisions/Departments comprising the following sources:

i. Income from Property and Enterprise

ii. Receipts from Civil Administration and other functions

iii. Miscellaneous Receipts

Chapter 3 : TAX REVENUE

3.1 FBR TAXES

3.1.1 Tax Revenue collected by Federal Board of Revenue (FBR) comprises Income Tax, Sales Tax, Federal Excise Duty and Customs Duty. Direct Taxes mainly comprise Income Tax. Federal Excise Duty, Sales Tax and Customs duty are indirect taxes. The following table shows the revenue estimates for Fiscal Year 2017-18 (Budget and Revised) and 2018-19 (Budget);

**TABLE 3**

**Tax wise Estimates of FBR Taxes**

( Rs. in Million)

Object Head Tax Head 2017-18 Budget 2017-18 Revised 2018-19 Budget

B01 Direct Taxes 1,594,910.000 1,563,000.000 1,735,000.000

B02 3 Sales Tax 1,605,200.000 1,547,000.000 1,700,000.000

B024-25 Federal Excise 231,519.000 225,000.000 265,000.000

B020-22 Customs Duties 581,371.000 600,000.000 735,000.000

**Total**  **4,013,000.000 3,935,000.000 4,435,000.000**

3.1.2 Detailed analysis of head wise FBR taxes are highlighted below:

3.1.3 DIRECT TAXES

3.1.3.1 During the first 8 months of the current financial year i.e. up to 28-02-2018, Direct Tax collection stood at Rs. 848.9 billion with growth of 12.7%. Income Tax contributes around 98% in total direct taxes. The target for FY 2018-19 has been estimated at Rs. 1,735.0 billion, requiring a growth of 11.0%.

3.1.3.2 Within the direct taxes, Workers Welfare Fund (WWF) is also collected by FBR and is part of Direct Tax collection. The budget estimates for receipts of WWF for 2018-19 is Rs. 18.6 billion.

3.1.3.3 The budget and revised estimates for financial years 2017-18 and 2018-19, on account of Direct Taxes are tabulated hereunder:

3.1.4 INDIRECT TAXES

3.1.4.1 Sales Tax

3.1.4.1.1 During the first 8 months of the current financial year net revenue collection from Sales Tax (import + domestic) remained Rs. 914.2 billion as against Rs. 765.5 billion in the corresponding period of the last financial year showing an increase of 19.4%. The target for FY 2018-19 is estimated at Rs. 1,700.0 billion. The required growth would be 9.9 %

3.1.4.2 Federal Excise Duty

3.1.4.2.1 During first 8 months of the current financial year net revenue collection from Federal Excise Duty remained at Rs. 121.2 billion as against Rs. 108.3 billion in the corresponding period of the last financial year showing a growth of 11.9%. Budget estimates for fiscal year 2018-19 is projected at Rs.265.0 billion. The required growth would be 17.8%

3.1.4.3 Customs Duty

3.1.4.3.1 During the first 8 months of FY 2017-18, net Customs Duty collections is Rs.373.4 billion which is 26.8% higher than the duty collected during the corresponding period of FY 2016-17. Budget estimates for fiscal year 2018-19 is projected at Rs. 735.0 billion. The required growth would be 22.5%. 3.1.4.3.2

3.2 OTHER TAXES

3.2.1 Although FBR administers and collects major portion of Federal Tax Revenue, there are Other Tax sources, which are collected under Ministry of Petroleum and Natural Resources and Aviation Division detailed as under;

3.2.2 Gas Infrastructure Development (GIDC)

3.2.2. 1 Gas Infrastructure Development Act 2015 provides legal framework to levy and collect the from gas consumers other than the domestic sector consumers at the rates as provided in the Second Schedule to this Act. The gas company shall be responsible for billing of to gas consumers, its collection and its onward payment to Federal Government in the manner as prescribed by the Federal Government. As per Section 4 of the Act, the shall be utilized by the Federal Government for or in connection with infrastructure development of Iran Pakistan Pipeline Project, Turkmenistan-Afghanistan-Pakistan-India (TAPI) Pipeline Project, LNG or other ancillary projects. 3.2.2.2 The major billing companies are

1. Sui Northern Gas Pipelines Limited,

2. Sui Southern Gas Company Limited,

3. Mari Petroleum Company Limited (formerly Mari Gas Company Limited),

4. Pakistan Petroleum Limited,

5. Pakistan Development Limited,

6. Oil and Gas Development Company Limited. Rates of (Rs./MMBTU) 11 are Rs.300 for Fertilizer Feed, Rs. 200 for Captive Power, Rs.100 for Industry, Rs.100 for KESC/GENCO, Rs.100 for IPPs, Rs.263 for CNG Region-I and Rs.200 for CNG Region-1 3.

2.3 Natural Gas Development Surcharge 3.2.3.1 As per Natural Gas Development Surcharge Ordinance, 1967, every company as mentioned in the Schedule shall collect and pay to the Federal Government a development surcharge equal to the differential margin the amount by which the fixed sale price exceeds the prescribed price, in respect of natural gas sold by it.

3.2.4 Petroleum Development Levy 3.2.4.1 Petroleum Products (Petroleum Development Levy) Ordinance, 1961 as amended from time to time provides imposition of Petroleum Levy. Ex-refinery/import price of oil is added with Inland Freight Equalization Margin (IFEM), Oil Marketing Companies (OMCs) distribution margin and dealer's commission as fixed by Government of Pakistan in Rs/per On this accumulated price of oil, Petroleum Levy is fixed by Government of Pakistan in Rs. per l from time to time is levied.

3.2.5 Airport Tax 3.2.5.1 Civil Aviation Authority collects Airport Tax from domestic passengers for various services offered at the airports at rates notified by the Government from time to time. The Airline companies charge Airport Tax at the time of preparation of Air Ticket and deposit the same in the Federal treasury.

3.2.6 Budget Estimates 3.2.6.1 The Budget and Revised Estimates for Fiscal Year 2017-18 and Budget Estimates for 2018-19 on account of Other Taxes are tabulated hereunder.

CHAPTER 4 NON TAX REVENUE

4.1 Non-Tax Revenue represents the recurring income earned by the Federal Government from sources other than taxes. The major receipts under this head are "Interest receipts" (received on loans extended by the Federal Government to provinces, Public Sector Enterprises etc), dividends received from public sector entities and profits earned by various regulatory authorities. Various services provided by the government social services, community services, economic services, services etc also yield revenue for the government. Broadly, Non-Tax Revenue fall under three major heads Income from Property and Enterprise, receipts from civil administration and other functions and Misc Receipts of the federal ministries, divisions and departments.

**TABLE 9**

**Summary of Non Tax Receipts**

( **Rs. in Million**)

Object Head Description 2017-18 Budget 2017-18 Revised 2018-19 Budget

C01 Income from 214,688.923 236,428.975 236,868.547

Enterprise

C02 Receipts from Civil 413,172.437 284,459.208 305,836.967

Admin and function

C03 Miscellaneous 351,992.327 324,293.733 229,154.689

**TOTAL** **979,853.687 845,181.916 771,860.203**

4.3. INCOME FROM PROPERTY AND ENTERPRISE

Income from Property & Enterprise comprises profits earned by state regulatory authorities, Mark- up receipts on loans extended to provinces, AJK, Public Sector Enterprises, Local bodies etc and dividends paid on Federal government's investment in the share capital of financial institutions and commercial enterprises.

4.3.1 Profits

4.3.1.1 Profits earned by the Regulatory Authorities i.e NEPRA, SECP, PNRA, PEMRA, OGRA and PTA by way of levy of fees, charges, penalties etc after setting of their 14 authorized expenses is deposited in the Federal Consolidated Fund.

4.3.1.2.1 National Electric Power Regulatory Authority (NEPRA) is mandated to develop and pursue a Regulatory Framework, which ensures the provision of safe, reliable, efficient and affordable electric power to the electricity consumers of Pakistan, by facilitating the transition from a protected monopoly service structure to a competitive environment and maintaining a balance between the interests of the consumers and service providers in unison with the broad economic and social policy objectives of the Government of Pakistan. In order to ensure effective regulatory functions, NEPRA charges different fees at rates notified from time to time for Application & Modification Generation License Fee, Application & Modification Transmission License Fee, Application & Modification Distribution License Fee, Application for the Approval of Competitive Bidding. Besides, NEPRA upfront tariff is also levied like Fees Pertaining to Tariff Standards and Procedures Regulations 2002 i.e Generation Licensees, Transmission Licensees, Distribution Licensees, Consumers etc. 15

4.3.1.2.2 Securities and Exchange Commission of Pakistan (SECP) is mandated for Regulation of corporate sector and capital market, Supervision and regulation of insurance companies, non-banking finance companies and private pension schemes and Oversight of various external service providers to the corporate and financial sectors, including chartered accountants, credit rating agencies, corporate secretaries, brokers, surveyors etc. As per Sixth Schedule of the Companies Ordinance, different fee/charges are enforced by the SECP on various services e.g Registration of different types of companies, Filing, registering or recording any document, Inspection of documents and register kept by the registrar, Seeking approval of the Commission or the registrar in the following matters etc. On various defaults, additional fees/penalties are also imposed.

4.3.1.2.3 Pakistan Nuclear Regulatory Authority (PNRA) is entrusted with the responsibility to control, regulate and supervise all matters related to nuclear safety and radiation protection in Pakistan. It charges Licensing Fee as approved from time to time from nuclear facilities, radiotherapy and nuclear cardiology centers etc.

4.3.1.2.4 Pakistan Electronic Media Regulatory Authority (PEMRA) is required to improve the standards of information, education and entertainment, to facilitate the devolution of responsibility and power to the grass roots by improving the access of the people to mass media at the local and community level and ensure accountability, transparency and good governance by optimization the free flow of information. PEMRA charges Licensing Fee on prescribed rates for FM Radio, Satellite T.V, MMDS, IPTV, Cable TV, DTH, Landing Rights, Temporary Up-linking and Mobile TV.

4.3.1.2.5 Oil and Gas Regulatory Authority (OGRA) has been set up under the Oil and Gas Regulatory Authority Ordinance dated 28th March 2002 to foster competition, increase private investment and ownership in the midstream and downstream petroleum industry, protect the public interest while respecting individual rights and provide effective and efficient regulations. In order to implement regulatory framework, OGRA issues to oil marketing companies, gas distribution networks, fertilizer 16 Manufacturing plant etc and charge fees for the services. It also carries out inspections of oil and gas distribution networks and imposes penalties.

4.3.1.2.6 Pakistan Telecommunication Authority (PTA) is mandated to regulate the establishment, operation and maintenance of telecommunication systems and provision of telecommunication services in Pakistan, to dispose of applications for the use of radio-frequency spectrum, to promote and protect the interests of users of telecommunication services in Pakistan, to promote the availability of a wide range of high quality, efficient, cost effective and competitive telecommunication services throughout Pakistan, to promote rapid modernization of telecommunication systems and telecommunication services, to investigate and adjudicate on complaints and other claims made against licensees arising out of alleged contraventions of the provisions of the Act, the rules made and licenses issued there under and take action accordingly. PTA receives fees for issuance and renewal of various telecom licenses. It also imposed fines, penalties for violations.

4.3.2 Mark Up Receipts 4.3.2.1 Federal Government advances loans to Provinces, Government of Azad Jammu & Kashmir, Public Sector Enterprises, Local Bodies and others to assist them in carrying out their development program and social initiatives. These loans and advances are of two types, namely, Cash Development Loans, and Foreign Relent Loans. The former is advanced by the Federal Government out of its own resources whereas the latter is relent loans.

4.3.2.2 Mark up accrued on the loans granted by the federal government to provincial governments, local bodies, financial institutions, non-financial institutions, commercial departments and government servants is reflected in this section. The mark up is chargeable in accordance with the terms and conditions of each loan agreement.

4.3.2.3 Unless specified otherwise, every loan other than foreign loan advanced by the federal government to the provincial governments is repayable over a period of 25 years. Moratorium of 5 years is allowed on recovery of principal. Simple mark up is realized at a 17 rate yearly determined by the Finance Division, as per actual borrowing cost of the Federal Government.

4.3.2.4 Federal Government also advances loans to the Government servants for building houses and for the purchase of transport etc. These advances are governed by the rules as specified by Finance Division from time to time.

**PRESIDENT'S ORDER NO.5 OF 2010**

**AN**

**ORDER**

**to provide for distribution of revenues and certain grants**

WHEREAS in pursuance of clause (1) of Article 160 of the Constitution of the

Islamic Republic of Pakistan (hereinafter referred to as the Constitution), the President, by the Finance Division's Notification No. S.R.O. 739(I)/2005 dated 21st July, 2005, as modified by the said Division's Notification No.S.R.O.693(I)/2009, dated 24th July, 2009, 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 also submitted its recommendations with regard to the said distribution; NOW, THEREFORE, in pursuance of clauses (4) and (7) 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 Grant-in-Aid Order, 2010.

(2) It shall come into force on the first day of July, 2010.

2. Definitions.- 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 38

(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.

(I) The divisible pool taxes in each year shall consist of the following taxes 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 & purchases of goods imported, exported, produced, manufactured or consumed;

(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.

(2) One percent of the net proceeds of divisible taxes shall be assigned to Government of Khyber Pakhtunkhuwa to meet the expenses on War on Terror.

(3) After deducting the amount as prescribed in clause

(2), of the balance amount of the net proceeds of divisible pool taxes, fifty six percent shall be assigned to the provinces during the financial year 2010-11 and fifty seven and a half percent from the financial year 2011-12 onwards. The share of the Federal Government in the net proceeds of the divisible pool shall be forty-four percent during the financial year 2010- 11 and forty -two and half percent from the financial year 2011-12 onwards 4. Allocation of shares to the Provincial Governments.

(1) The Province -wise ratios given in clause

(2) are based on multiple indicators. The indicators and their respective weights as agreed upon are:- (a) Population 82.0 % (b) Poverty or backwardness 10.3% 39 (c) Revenue collection or generation 5.0 % (d) Inverse population density 2.7 % (2) The sum assigned to the Provincial Governments under Article 3 shall be distributed amongst the Provinces on the basis of the percentage specified against each:- (a) Balochistan 9.09 % (b) Khyber Pakhtunkhwa 14.62% (c) Punjab 51.74 % (d) Sindh 24.55 % Total: 100.00% (3) The Federal Government shall guarantee that Balochistan Province shall receive the projected sum of eighty-three billion rupees from the provincial share in the net proceeds of divisible pool taxes in the first year of the Award. Any shortfall in this amount shall be made up by the Federal Government from its own resources. This arrangement for Balochistan shall remain protected throughout the remaining four years of the Award based on annual budgetary projections. 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 : (1) Each of the Provinces shall be paid in each financial year as a share in net proceeds to be worked out based on average rate per MMBTU of the respective province. The average rate per MMBTU shall be derived by notionally clubbing both the royalty on Natural Gas and Development Surcharge on Gas. Royalty on natural gas shall be distributed in accordance with clause (1) of Article 161of the 40 Constitution whereas the development surcharge on natural gas would be distributed by making adjustments based on this average rate

(2) The development surcharge on natural gas for Balochistan with effect from Ist July, 2002 shall be reworked out hypothetically on the basis of formula given in clause (1) and the amount, subject to maximum of ten billion rupees, shall be paid in five equal installments by the Federal Government as grants to be charged on the Federal Consolidated Fund. 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 province of Sindh an amount equivalent to 0.66% of the provincial share in the net proceeds of divisible pool as a compensation for the losses on account of abolition of octroi and zila tax. 8. Sales Tax on services: NFC recognizes that sales tax on services is a Provincial subject under the Constitution of the Islamic Republic of Pakistan, and may be collected by respective Provinces, if they so desired. 9. Miscellaneous: (1) NFC also recommended increase in the rate of excise duty on natural gas to Rs. 10.0 per MMBTU. Federal Government may initiate necessary legislation accordingly. (2) The NFC recommended that the Federal Government and Provincial Governments should streamline their tax collection systems to reduce leakages and increase their revenues through efforts to improve taxation in order to achieve a 15% tax to GDP ratio by the terminal year i.e. 2014-15. Provinces would initiate steps to effectively tax the agriculture and real estate sector. Federal Government and Provincial Governments may take necessary administrative and legislative steps accordingly. (3) Federal government and Provincial Governments would develop and enforce mechanism for maintaining fiscal discipline at the Federal and Provincial levels through legislative and administrative measures. (4) The Federal Government may assist the Provinces through specific grants in times of unforeseen calamities. 41 (5) The meetings of the NFC may be convened regularly on a quarterly basis to monitor implementation of the award in letter and spirit. 10. Repeal.- The Distribution of Revenues and Grant-in-Aid Order, 1997 (P.O.No.1 of 1997), and the Distribution of Revenues and Grants-in-Aid, Order, 2010. (P.O. 4 of 2010) are hereby repealed.

**ASIF ALI ZARDARI**

**President**

**PRESIDENT'S ORDER NO.6 OF 2015**

**AN**

**ORDER**

**To amend Distribution of Revenues and Grants-in-Aid Order, 2010 (President's Order**

**No.5 of 2010)**

Whereas it is expedient to amend the Distribution of Revenues and Grants-in-Aid Order, 2010 (P.O. No. 5 of 2010) for the purpose hereinafter appearing. Now therefore in pursuance of clause (6) read with clause (7) of Article 16 of the Constitution of the 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 2015. (2) It shall come into force on the first day of July 2015. (3) It will remain in force till further orders. 2. Substitution of Article-4(3) P.O No.5 of 2010: In the Distribution of Revenues and Grants-in-Aid Order, 2010 (P.O. No. 5 of 2010) for Article 4(3) the following shall be substituted; 3. The Federal Government shall guarantee that Baluchistan Province shall receive the projected sum of eighty-three billion rupees from the provincial share in the net proceeds of divisible pool taxes in the first year of the Award and any shortfall in this amount shall be made up by the Federal Government from its own resources. This arrangement for Baluchistan shall remain protected throughout Award period based on annual budgetary projections.

**MAMNOON HUSSAIN President**

**Chapter 6: CAPITAL RECEIPTS**

6.1 Capital receipts comprise Recoveries of Loans and Advances from Provinces and other entities and Public Debt which includes Permanent Debt and Floating Debt. The net capital receipts so realized by the federal government generally constitute the available resources for the financing of its Public Sector Development Program. External finances and un-funded debt (primarily made up of the various instruments available under the National Savings Schemes) also fall under the category of Capital Receipts, however they are covered under separate chapters of this publication.

**3 RECOVERIES OF LOANS AND ADVANCES**

6.3.1 The recovery of principal amount of loans and advances from provinces, public sector enterprises, financial and non-financial institutions is reflected in this section.

6.4.2 DOMESTIC DEBT (PERMANENT) The main features of securities through which domestic debt (permanent) is raised are given below:

51 6.4.2.1 Pakistan Investment Bonds:

6.4.2.1.1 This security having maturity period of 2, 3, 5, 7, 10, 15, 20 and 30 years is in operation since 2000. Against the budgeted receipt of Rs.115,000.000 million for the year 2017-18, the revised estimates for the year 2017-2018 have been worked out at Rs. -3,577.170 million whereas the budget estimates for the year 2018-2019 are estimated at Rs. 100,000.000 million. 6.4.2.2 Government Ibarra Souk Bonds: 6.4.2.2.1 The Government of Pakistan Ikaria Bonds are issued through Pakistan Domestic Skulk Company Limited. The are not redeemable before maturity. The profit on the Skulk is payable bi-annually on rental rate to be announced by State Bank of Pakistan. Against the budget estimates of Rs.60,000.000 for the year 2017-18, the revised estimates have been projected at Rs. 60,000.000 million. The budget estimates for the year 2018-19 are estimated at Rs. 10,620.400 million.

6.4.2.3 National Prize Bonds:

6.4.2.3.1 These are of bearer type non-terminable securities freely en-cashable and transferable by delivery. These are issued in denomination of Rs.100/-, Rs.200/-, Rs.750/-, Rs.1500/-, Rs.7500/-, Rs.15000/-, Rs.25,000/- and Rs.40,000/-. Against the budgeted receipt of Rs.85,000.000 million for the year 2017-2018, the revised estimates for the year 2017-18 are kept at Rs. 80,980.670 million. Budget estimates for the year 2018-19 are estimated at Rs.92,537.690 million.

6.4.2.4 Premium Prize Bonds (Registered):

6.4.2.4.1 Premium Prize Bonds (Registered) of Rs.40,000/- denomination have been launched. These bonds offer biannual profit payment on completed period of six months as well as prize money on quarterly draws. The bond shall be registered against the name of purchaser. The ownership of bond is transferable from one person to another person through an application on prescribed format.

6.4.3 FOREIGN CURRENCY DEBT (PERMANENT)

It includes the following securities:

6.4.3.1 Foreign Exchange Bearer Certificates(FEBCs): Budget estimates in case of repayment of Foreign Exchange Bearer Certificates for financial year 2017-18 were estimated at Rs.5.000 million. Revised estimates for the year 2017-18 are projected at Rs.0.500 million whereas budget estimates for financial year 2018-2019 have been kept at Rs. 5.000 million.

6.4.3.2 Foreign Currency Bearer Certificates(FCBCs):

Repayment on account of Foreign Currency Bearer Certificates in the budget estimates for the year 2017-2018 was estimated at Rs.5.000 million. Revised estimates for the year 2017-2018 and budget estimates on account of repayment have been kept at Rs.1.000 million and Rs.5.000 million respectively. These certificates are in US$ and Pound Sterling. Profit is payable half yearly at floating rates which is not liable to income tax. Investment in these certificates is exempt from Wealth Tax and compulsory deduction of Zakat.

6.4.3.3 US Dollar Bearer Certificates (DBCs):

This security was introduced in 1991 and discontinued on 17th November, 1994. Against the repayment of Rs.3.000 million in the budget estimate 2017-2018, revised estimates 53 2017-2018 and budget estimates for the year 2018-2019 have been kept at Rs. 0.100 million and Rs.3.000 million respectively. 6.4.3.4 Special US Dollar Bonds:

These bonds were issued under Special US Dollar Bonds Rules, 1998 to the Foreign Currency Accounts holders or Foreign Currency Certificates holders with scheduled banks or non-bank financial institutions out of their foreign currency deposits. Against the repayment of Rs.50.000 million provided in budget estimates 2017-2018, the repayment on account of these bonds in revised estimates 2017-2018 has been estimated at Rs.40.000 million. Budget estimates for the year 2018-2019 are estimated at Rs.50.000 million.

Chapter 7: PUBLIC ACCOUNT RECEIPTS

7.1 Article 78(1) of the Constitution of Islamic Republic of Pakistan provides that all revenues received by the Federal Government, all loans raised by that Government and all moneys received by it in repayment of loan, shall form part of the Federal Consolidated Fund. Besides, Article 78(2) provides that all other moneys received by or on behalf of the Federal Government shall be credited to the Public Account of the Federation. Public Account largely comprises money kept by the Government as a trust, which may be repaid on demand subject to such terms and conditions as prescribed in this regard.

7.2 Public Account Receipts may be categorized as Deferred Liabilities and Deposit Receipts.

7.3 DEFERRED LIABILITIES These receipts represent the net proceeds of various savings schemes launched by the Government. Brief introduction of each saving scheme is given below.

7.3.1 Defense Savings Certificates

7.3.1.1 This is a ten years scheme. However, the investment can be encased at any time. The rate of return on Defense Savings Certificates has been linked with the yield of Pakistan Investment Bonds of ten years maturity. The existing rate on this scheme is 7.54% p.a. on maturity. Withholding tax is deducted from the profit payment. Apart from individuals, institutions may invest their individuals’ funds such as pension, gratuity, superannuation, contributory provident funds and trusts etc. in this scheme. 7.3.2 Special Savings Certificates/Accounts

7.3.2.1 Special Savings Certificates (Registered/Accounts) is a three years scheme with profit payable on six monthly basis. The rate of return on Special Savings Certificates/Accounts has been linked with the yield of Pakistan Investment Bonds of three years maturity. The existing rate of profit in this scheme is 6.00% per annum for first to fifth profits and 6.20% for the last sixth profit. Withholding tax is deducted from the profit payment. Apart from individuals, institutions may invest their individuals’ funds 56 such as pension, gratuity, superannuation, contributory provident funds and trusts etc. in this scheme.

7.3.3 Regular Income Certificates 7.3.3.1 This scheme was introduced on 2-2-1993 to ensure payment of income on monthly basis. The rate of return on Regular Savings Certificates has been linked with the yield of Pakistan Investment Bonds of five years maturity. The existing profit on this scheme is 6.54% per annum. The profit in the scheme is subject to withholding tax and the investment is exempt from compulsory deduction of ZAKAT at source. Apart from individuals, institutions may invest their individuals’ funds such as pension, gratuity, superannuation, contributory provident funds and trusts etc. in this scheme. Premature encashment on these certificates carry service charges as under:- (i) if encased before completion of one year from the date of issue @ 2% of face value (ii) Before two years @ 1.50% of face value (iii) Before three years @ 1% of face value (iv) Before four years @ 0.5% of face value 7.3.4 Mahan Amdani Account 7.3.4.1 It is a five years scheme in which only individuals can invest from Rs.500/- to Rs.5000/- each month consecutively for five years and thereafter, the return was paid on monthly basis equal to the amount of monthly deposit till the withdrawal of accumulated principal amount. However, the account holders who opened accounts on or after 1.7.2000 and 1.7.2002 were required to deposit monthly installment for six years and seven years respectively to get monthly profit equal to the amount of monthly deposit so long as the account is not closed. The return upto Rs.1000/- is tax free. ZAKAT is deducted on principal value at the time of payment of return if declaration in this regard is not filed. However, Mahan Amdani Account Scheme has been discontinued after 17th May, 2003. 57

7.3.5 Savings Accounts 7.3.5.1 This is the oldest savings scheme in operation which provides profit on nonchequing accounts. Zakat is deducted @ 2.50% on credit balance on valuation date each year if declaration in this regard is not filed. The existing profit on savings account is 3.95% p.a. Withholding tax is deducted from the profit payment. Apart from individuals, institutions may invest their individuals’ funds such as pension, gratuity, superannuation, contributory provident funds and trusts etc. in this scheme. 7.3.6 Pensioners' Benefit Accounts 7.3.6.1 This scheme has been launched with effect from 20-1-2003 to provide incentives to the retired officials of the Federal Government, Provincial Governments, Azad Government of the State of Jammu and Kashmir, Armed Forces, Semi Governments and autonomous bodies and in case of death the pensioner’s eligible member of the family. Only one account can be opened in the National Savings Centre with a minimum deposit of rupees ten thousand and in multiple of one thousand with the facility of seven subsequent deposits subject to the maximum limit of five million rupees. It is a ten years scheme and profit is payable on completion of each period of one month reckoned from the date of opening of an account till maturity or encashment whichever is earlier. The existing rate of profit on this scheme is 9.36% p.a. Premature encashment before completion of one, two, three and four years carries service charges at the rate of 1.00%, 0.75%, 0.50% and 0.25% of principal amount respectively. Profit accrued from this scheme is exempt from compulsory deduction of withholding tax and ZAKAT. The scheme has been made more attractive as any upward revision in rate of profit notified after 9.3.2009 shall also be applicable to existing accounts holders whereas downward revision shall apply to fresh investment only. 7.3.7 Savings Certificates 7.3.7.1 Initially this scheme was introduced exclusively for widows to cater for their needs with monthly profit payment facility. The scheme was further extended to the aged persons 60 years or above. The existing rate of profit on this scheme is 9.36% per annum. The maximum investment limit in this scheme is five million rupees and ten 58 million rupees for joint holders. It is only a compensatory package to enable widows and senior citizens to supplement their income to lead a respectable life. Service charges at the rate of 1.00%, 0.75%, 0.50% and 0.25% of the face value are deducted if certificates are before completion of one, two, three and four years respectively.