REPORT ON 1ST BIANNUAL MONITORING ON THE IMPLEMENTATION OF NFC AWARD

(July – December, 2019)

GOVERNMENT OF PAKISTAN
NATIONAL FINANCE COMMISSION SECRETARIAT

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PREFACE

Article 160 of the Constitution of Islamic Republic of Pakistan authorizes the President of Pakistan to approve distribution of revenues between the federation and the provinces through an Order (the NFC Award), on the recommendations of the National Finance Commission (NFC).

2. The 7th NFC Award was signed on 30th December, 2009 and its recommendations were given legal cover with effect from 1st July, 2010, through President's Order No.5 of 2010 (Distribution of Revenues and Grants-in-Aid Order, 2010).

3. Clause 3(B) of Article 160 of the Constitution of Islamic Republic of Pakistan provides as follows:

> *"Federal Finance Minister and Provincial Finance Ministers shall monitor the implementation of the Award biannually and lay their report before both Houses of Majlis-e-Shoora (Parliament) and the Provincial Assemblies."*

4. In pursuance of the above provision, it is imperative upon the Finance Ministers of the Federal and Provincial Governments to monitor implementation of the Award biannually and lay a report before both Houses of the Parliament and Provincial Assemblies.

5. The bi-annual monitoring report for the period from July to December, 2019 has been approved by the Federal and Provincial Finance Ministers for laying before both Houses of the Parliament and Provincial Assemblies.

6. Report contains details of FBR collections, vertical and horizontal distribution of shares of divisible pool and straight transfers to provinces as well as Federal and Provincial Governments efforts for streamlining tax collection and fiscal discipline during the period.

Naveed Kamran Baloch
Secretary
Finance Division

Islamabad, the 8th December, 2020.

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EXECUTIVE SUMMARY

This 1st Biannual Monitoring Report on implementation of 7th NFC award covers the period from July to December, 2019 of Financial Year 2019-20. Total tax collection, as reported by FBR, remained Rs.2,190.486 billion for the period under report. After subtracting non-divisible pool components and 1% each as collection charges and additionality for Khyber Pakhtunkhwa on account of War on Terror (WoT), the net divisible pool comes to Rs.2,118.892 billion. On the basis of vertical distribution the Provincial share comes to Rs.1,218.363 billion, and the balance of Rs.900.529 billion for Federal Government. The Provincial share has been distributed as follows:

- Rs.630.381 billion released to Punjab (51.74%);
- Rs.299.108 billion released to Sindh (24.55%);
- Rs.178.125 billion released to Khyber Pakhtunkhwa (14.62%). Khyber Pakhtunkhwa got additional Rs.21.403 billion as expenses on War on Terror (1% of undivided divisible pool); and
- Rs.110.749 billion to Balochistan (9.09%). Pursuant to the guarantee available in the Award that the share would not be less than budget estimates, Balochistan got Rs.29.866 billion as additionality. This amount has been released from the share of the Federal Government.

On account of Royalty on Crude Oil, Royalty on Natural Gas and Gas Development Surcharge, an amount of Rs.15.279 billion, Rs.33.318 billion and Rs.2.796 billion was transferred to the provinces respectively during July-December, 2019 after deducting 2% collection charges. Similarly, an amount of Rs.4.803 billion has been transferred, on account of excise duty on Natural Gas to provinces during the report period.

The Province of Sindh is entitled to receive grant-in-aid equivalent to 0.66% of the provincial share out of the net proceeds of the divisible pool, as compensation for losses on account of abolition of Octroi and Zilla Tax (OZT). An amount of Rs.8.845 billion was released to Government of Sindh under this head.

INTRODUCTION

1.1 The recommendations of the 7th NFC (Award), concluded on 31th December, 2009, were given legal cover through President's Order No.5 of 2010*"Distribution of Revenues and Grants-in-Aid Order 2010"(Annex-I)*. The main responsibilities entrusted to the Federal and Provincial Governments through this Award are:

a. Distribution of Divisible Pool Taxes between the Federation and Provinces and amongst the Provinces as prescribed in the Award (Articles 3 and 4 of the Order).

b. Transfers of royalties, surcharge on gas and, excise duty on gas to the Provinces as prescribed in the Award/Constitution (Articles 5 & 6 of the Order).

c. Provision of obligatory grants to Provinces as prescribed in the Award (Article 7 of the Order).

d. Entrusting collection powers of GST on Services to Provinces (Article 8 of the Order).

e. Achieving 15% tax to GDP ratio by the terminal year of the Award i.e. 2014-15. To achieve this target, a path was recommended by the NFC for both Federal and Provincial Governments (Clause 2 of Article 9 of the Order).

f. Maintaining fiscal discipline both at Federal and Provincial levels (Clause 3 of Article 9 of the Order).

1.2 Clause (3B) of Article 160 of the Constitution empowers the Federal and Provincial Finance Ministers to monitor implementation of the Award biannually and lay a report in this regard in both Houses of the Parliament and the Provincial Assemblies. This 1st Biannual report presents the implementation status of the above provisions of the President's Order for the period from July to December, 2019. Articles 1 & 2 of the President's Order consist of title and definition and therefore no action warrants on these Articles.

DIVISION OF DIVISIBLE POOL TAXES

Articles 3 and 4 of the President's Order regulate the distribution of divisible pool taxes between the Federal and Provincial Governments (vertical distribution) and amongst the four Provinces (horizontal distribution).

2.1: FBR Tax Receipts

2.1.1 Federal Board of Revenues (FBR) reported tax collection of Rs.2,190.486 billion from July to December, 2019 (FY 2019-20), as presented in the following table:

TABLE-I:Total FBR Collection (July – Dec., 2019)

(Rs. in billion)

A	Provisional collection reported on fortnightly basis during July - December, 2019.	1,963.457
B	Arrears worked out on receipt of final reconciled collection for F.Y. 2018-19 reported and released in F.Y. 2019-20	227.029
C	**Total Collection reported during the period of report (A+B)**	**2,190.486**

2.1.2 The Provinces were released funds on the basis of FBR collection during the 1st half of the FY 2019-20 amounting to Rs.2,190.486 billion including 1% on account of War on Terror for Khyber Pakhtunkhwa and additionality paid to Balochistan. During the corresponding period of last financial year (FY 2018-19), the figures was Rs.2,011.442 billion (inclusive of arrears of previous year). As such there is a growth of 8.9% during the first half of the FY 2019-20 over the same of period of last FY 2018-19.

2.2: Distribution of Divisible Pool Taxes

2.2.1 Article 3 (1) of the President's Order explain component of divisible pool taxes. Receipts of the FBR also include some non-divisible pool components. Therefore, after deducting such components, the gross divisible pool taxes were worked out to be Rs.2170.369 billion against total tax receipts of Rs. 2,190.486 billion. A detailed breakup in this regard is given as follows:

TABLE-II: Calculation of Gross Divisible Pool Tax

(Rs. in billion)

	1st half of FY 2019-20
Total Collection FBR Receipts	**2,190.486**
Less Non-Divisible Pool Components	**20.117**
WWF	9.548
GST on Services (ICT)	1.252
Excise Duty on Natural Gas	4.901
Exp. Development Surcharge	4.416
Gross Divisible Pool Tax	**2,170.369**

2.3: Vertical Distribution

2.3.1 After subtracting the non-divisible pool components out of FBR receipts, net divisible pool is determined by deducting cost of collection (1%)and then entire proceeds are distributed between the Federation and Provinces in accordance with the provisions of Articles 3 & 4 of the Order. The details of vertical distribution are as follows:

Table-III: Vertical Distribution of Share (July-December, 2019)

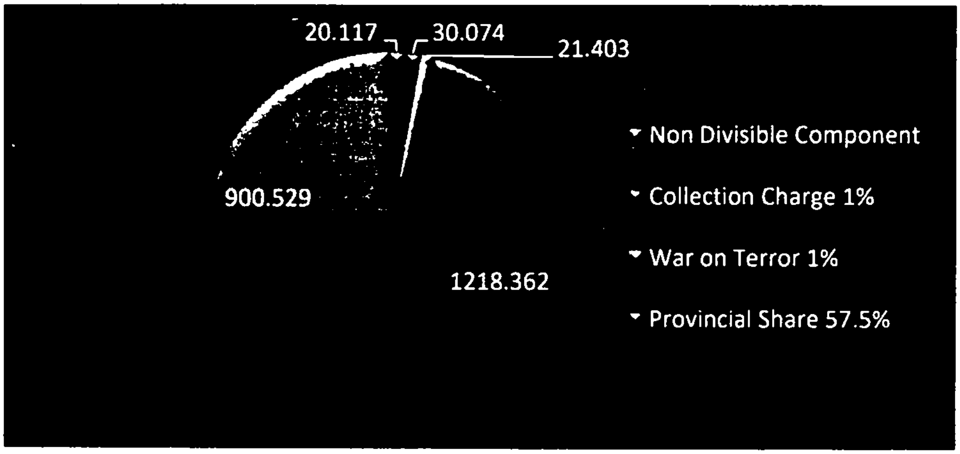
(Rs. in billion)

Divisible Pool Taxes	FBR Collection Reported	Collection Charges (1%/2%)	Net Divisible Pool Taxes	1% set aside for WoT for KPK	Balance Net Div. Pool	Provincial Share (57.5%)
Divisible Pool Taxes	**2,170.369**	*** 30.074**	**2,140.295**	**21.403**	**2,118.892**	**1,218.363**
Income Tax	837.005	16.740	820.265	8.203	812.062	466.936
Capital Value Tax	3.350	0.034	3.317	0.033	3.283	1.888
Sales Tax (Excl. GST on Services)	871.526	8.715	862.811	8.628	854.183	491.155
Federal Excise(Excl. ED on NG)	123.576	1.236	122.340	1.223	121.117	69.642
Customs(Excl. Export Dev. Surcharge)	334.912	3.349	331.563	3.316	328.247	188.742

* Includes 1 % on account of income tax deducted from remuneration paid out of the federal consolidated fund, which is not part of the divisible pool taxes.

2.3.2 During 1st half of FY 2018-19, an amount of Rs.1,150.951 billion was transferred to the Provinces while the amount transferred during the period under report i.e. 1st half of FY 2019-20 comes to Rs.1,269.632 billion which shows an increase of 10.3%.

2.3.3 Following Pie Chart shows the distribution of Total Tax Collection:-



2.4: Horizontal Distribution

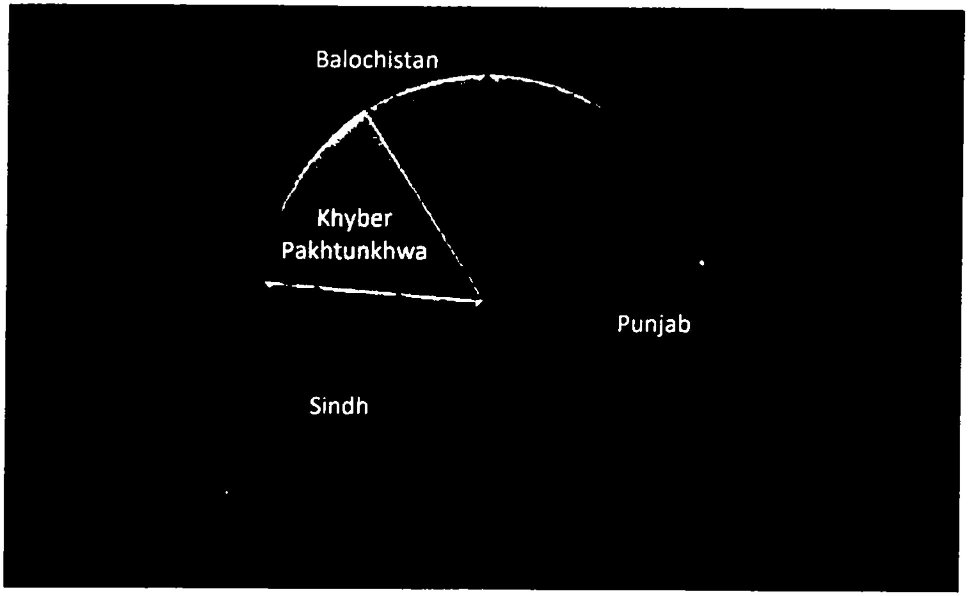
2.4.1 Article 4(2) of the President's Order provides percentage share of each Province in the Provincial share, out of divisible pool taxes. Provincial share against their percentages for the period from July-December, 2019 has been worked out as follows:-

Table-IV: Provincial Share out of Divisible Pool (July-December, 2019)

(Rs. in billion)

	Total (100%)	Punjab (51.74%)	Sindh (24.55%)	Khyber Pakhtunkhwa (14.62%)	Balochistan (9.09%)
Divisible Pool Taxes	**1,218.363**	**630.381**	**299.108**	**178.125**	**110.749**
Income Tax	**466.936**	241.593	114.633	68.266	42.444
Capital Value Tax	**1.888**	0.977	0.463	0.276	0.172
Sales Tax(Excl.GST on Services)	**491.155**	254.124	120.579	71.807	44.646
Federal Excise(Excl. ED on NG)	**69.642**	36.033	17.097	10.182	6.330
Customs(Excl. Export Dev. Surcharge)	**188.742**	97.655	46.336	27.594	17.157

2.4.2 Following Pie chart shows Horizontal Distribution of Provincial Share:-



2.5 Additionality to Khyber Pakhtunkhwa & Balochistan

2.5.1 Article 3(2) of the President's Order entitles Province of Khyber Pakhtunkhwa to receive 1% of the net proceeds of undivided divisible pool taxes in addition to its formal share, on account of losses on WoT. An additional amount of Rs. 21.403 billion has been paid to Khyber Pakhtunkhwa Province on this account during the period of report. As this arrangement remains protected during the currency of the Award, the share of Khyber Pakhtunkhwa Province is calculated as under:-

Table-V:Additional Funds to Khyber Pakhtunkhwa (WoT)

(Rs. in billion)

	July-Dec, 2019
Share in the Divisible Pool (14.62%)	178.125
1% War on Terror	21.403
Total:-	**199.528**

2.5.2 Similarly, Clause (3) of Article 4 of the Order also guarantees that the Balochistan province shall receive the projected sum of its share in the net proceeds of divisible pool taxes and any shortfall shall be made up by the Federal Government from its own resources. As this arrangement for Balochistan remains protected during the currency of the Award, Federal Government paid an additionality of Rs.29.866 billion from its own resources, based on annual budgetary projections, to Balochistan Province during the period of report, as shown in the following table.

Table-VI: Additionality to Balochistan

(Rs. in billion)

	July-Dec, 2019
Share in the Divisible Pool (9.09%)	110.749
Additionality provided by Federal Government	29.866
Total:-	**140.615**

STRAIGHT TRANSFERS/GRANTS-IN-AID

3.1: Distribution of Royalty on Crude Oil

3.1.1 Article 5 of the Order relates to the distribution of net proceeds of royalty on crude oil. Petroleum Division is responsible for collection of this levy and reports to Finance Division on monthly basis for onward transfer to the Provinces. Accordingly, entire net proceeds reported by Petroleum Division during July – December, 2019, were distributed amongst the provinces in accordance with the said provision, as follows:

Table-VII: Royalty on Crude Oil

(Rs. in billion)

	Punjab	Sindh	Khyber Pakhtunkhwa	Balochistan	Total
(July – December, 2019)	2.586	3.889	8.803	0.001	**15.279**

3.2: Distribution of Gas Development Surcharge and Royalty on Natural Gas

3.2.1 Article 6 of the President's Order (Award) governs distribution of Development Surcharge on Gas (GDS) and Royalty on Natural Gas. Petroleum Division is the collection agency for these two levies. The proceeds collected are reported to Finance Division on monthly basis for onward transfer to provinces. Accordingly, entire net proceeds of Royalty and Development Surcharge on Gas reported by Petroleum Division were distributed amongst the provinces in accordance with said provision. Following table gives details of distribution:

Table-VIII: Royalty on Natural Gas and GDS (July – Dec, 2019)

(Rs. in billion)

	Punjab	Sindh	Khyber Pakhtunkhwa	Balochistan	Total
Royalty on Natural Gas	1.040	19.366	5.613	7.299	**33.318**
Gas Dev. Surcharge	0.237	2.235	0.068	0.256	**2.796**

3.3: Distribution of Excise Duty on Natural Gas

3.3.1 As per Article 161 (1) of the Constitution of Islamic Republic of Pakistan, the excise duty on Natural Gas is required to be paid to the province in which the well head of Natural Gas is situated. FBR is the collection agency for this levy. The proceeds so collected are reported to the Finance Division on monthly basis for onward transfer to provinces. Accordingly, net proceeds of Rs.4.803 billion were distributed amongst the provinces, as presented in the following table:

Table-IX: Excise Duty on Natural Gas

(Rs. in billion)

	Punjab	Sindh	Khyber Pakhtunkhwa	Balochistan	Total
July – Dec, 2019	0.186	3.125	0.723	0.769	**4.803**

3.3.2 The figures reflected in the above table represent actual transfers and has been reconciled with the Finance Departments of the Provinces.

3.4 Grants-in-Aid to Sindh Province

3.4.1 Under Article 7 of the Order, Sindh province is entitled to receive a grant-in-aid equivalent to 0.66% of the provincial share in the net proceeds of the divisible pool as a compensation for losses on account of abolition of Octroi and Zila Tax (OZT). During the period of report, the provincial share in the divisible pool was Rs.1,218.363 billion. Accordingly, said grant-in-aid was worked out to be Rs.8.041 billion. However, a sum of Rs.8.845 billion was released which includes some arrears of last year.

GENERAL SALES TAX ON SERVICES

4.1 General Sales Tax on Services (GSTS)

4.1.1 Article 8 of the Order relates to the General Sales Tax on Services. The 7th NFC accepted that General Sales Tax on Services is a provincial subject under the Constitution and may be collected by the respective Provinces, if they so desire.

4.1.2 All Provincial Governments have established their own Revenue Agencies and collecting GST on Services by themselves. Details of the GST collected by the Provincial Revenue Authorities during the period under report are as under:-

Table-X: GST Collection by the Provinces

Rs. in Billion

	B.E. 2019-20	Receipt upto December, 2019	(%) over B.E.
Provinces	**336.904**	**109.863**	**32.6%**
Punjab	161.550	49.982	**30.9%**
Sindh	145.000	47.175	**32.5%**
Khyber Pakhtunkhwa	20.354	8.164	**40.1%**
Balochistan	10.000	4.542	**45.4%**

MISCELLANEOUS PROVISIONS OF PRESIDENT'S ORDER

5.1: Miscellaneous

5.1.1 Article-9 of the Order relates to miscellaneous recommendations. In this regard, clause 9(1) provide for increase in the rate of excise duty on Natural Gas to Rs.10.0 per MMBTU. The recommendation stands already implemented through Finance Bill, 2010.

5.2: Streamlining Tax Collection

5.2.1 Article-9(2) provides for streamlining of tax collection to improve taxation and to maintain fiscal discipline by the Federal and Provincial Governments. In this regard, the NFC recommended that the Federal and Provincial Governments would streamline their tax collection systems to reduce leakages and increase revenues through efforts to improve taxation in order to achieve 15% tax to GDP ratio by the terminal year of the Award i.e. 2014-15. It was also recommended that Provinces would initiate steps to effectively tax the Agriculture and Real Estate sectors. The projections regarding tax efforts recommended by the NFC were as follows:

Table-XI: Projections for increasing Tax-to-GDP ratio.

(As % of GDP)

	Benchmark	Projections				
	2009-10	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**
FBR Taxes	9.30	10.30	11.20	12.00	12.70	13.25
Surcharges	0.90	0.80	0.80	0.70	0.60	0.60
Provincial taxes	0.50	0.65	0.80	0.90	1.00	1.15
Total	10.70	11.75	12.80	13.60	14.30	15.00
FBR tax efforts		*1.00*	*0.90*	*0.80*	*0.70*	*0.55*
Provinces' tax efforts		*0.15*	*0.15*	*0.10*	*0.10*	*0.15*

Steps taken for Streamlining Tax Collection by Federal and Provincial Governments

Federal Government

MAJOR INITIATIVES TAKEN BY FBR

The following reforms / special initiatives and steps are envisioned by FBR in the coming time aligned with progress in the sectoral policies for the facilitation of taxpayers. These initiatives are intended to give fruitful results in the form of better revenue collection in line with efforts to facilitate the taxpayers for best outcome.

1. Strict enforcement and monitoring
2. Measures for broadening of tax base and documentation of economy
3. Deployment of technology to identify risk areas to support risk based audit

IRS IMPLEMENTATION PLAN:

A. Automation of business processes

B. Income tax enforcement measures
- Withholding Taxes
- Broadening of Tax Base (BTB) Initiatives

C. Registration of persons for sales tax

D. Sales tax (enforcement measures)
- Point Of Sales (POS)
- Track & Trace System for Specified Goods (i.e., Tobacco, Cement, Sugar, Beverages and Fertilizers)
- Establishment of Port Teams for Third Schedule items
- Joint Anti-smuggling field intelligence exercise
- Inland Revenue Enforcement Network (IREN)

OTHER INITIATIVES:

1. Identifying and check evasion by High Net worth Individuals
2. Plaza Mapping at Lahore, Karachi and Islamabad

3. Launch of Device Identification, Registration and Blocking System (DIRBS) to control smuggling of mobile devices
4. Discouraging imports of luxurious goods through additional Regulatory Duties (RDs)
5. Forensic audit in Sugar, Tobacco and Steel Industries to address leakages and tax evasion and in these industries

CUSTOMS IMPLEMENTATION PLAN:

The following are the priority initiatives for FY 2019-20 for Customs:

1. More contribution / collection through realizing stuck-up revenue through administrative measures like Auctions, Recovery, litigation disposal etc.
2. Enhance Effectiveness of the Risk Management Process/ Establishment of National Targeting Centre to prevent loss of revenue through mis-declarations in values, quantities, & description
3. Strengthening of Post Clearance Audit Organization and Function to ensure that consignments cleared through Green channel are scrutinized and possible evasions/short payments are recovered
4. Design, Develop and Roll Out of WeBOC-glo for ease of doing business and promote bonafide imports

WAY FORWARD

Besides above listed steps / initiatives, the government has also launched a five year reform program by obtaining a loan from the World Bank which includes wide-ranging reforms including that of automation, policy and administrative one.

- Transformation of Business Model
- Organizational capacity building by HR system improvement
- Simplification of laws and procedures
- Taxpayer facilitation through behavioral change

Government of Punjab

1. The Stamp Duty rates on the instruments of 'Agreements to Deposit' of title deeds, pawn, pledges and mortgages was imposed through the Punjab Finance Act, 2006 (which amended the Stamp Act, 1899) have been revised upward to more accurately reflect current market conditioning.

2. The rates of Land Based Agricultural Income Tax under the First Schedule of the Punjab Agricultural Income Tax Act, 1997 were fixed in 2003 which were in force for the last 16 years, despite the fact that support price of wheat has increased from rupees 350/- per 40 Kg in 2003 to Rs.1350 in 2019. Additionally, the exemption threshold of Rs.80,000/- for payment of Agricultural Income Tax was fixed in 2001 and the same had not been enhanced for the last 18 years. On the genuine demand of the farmer [community, that the exemption threshold granted under the Second Schedule of the Punjab Agricultural Income Tax Act, 1997 should be enhanced, the Government has increased the exemption limit from Rs.80,000/- to Rs.400,000/- with the aim to promote the Agriculture Sector and to effect more equality in incidence of taxation.

3. In order to broaden the tax base in the Province of Punjab, tax has been approved to be collected from properties along major highways and motorways in the Punjab. Furthermore, Registration Fee for imported vehicles has been brought at par with that being charged by the Federal Government in a bid to enhance uniformity of fees and rates across Pakistan. Besides, Property Tax relief has been given to divorcee women and single female orphans in line with relief already provided to widows; and outdated rates of Professional Tax have been rationalized.

4. The operational experience of the Punjab Revenue Authority during the last Financial Year has convincingly necessitated certain procedural and technical amendments in the Punjab Sales Tax on Services Act, 2012 for better compliance of the Act *ibid* while ensuring "Ease of Doing Business" in the Province. Apart from change in some penal provisions, these amendments provide for minimum tax liability, updating

appeal related provisions, improving recovery of tax and introducing a modern electronic invoicing system to plug revenue leakages. Further, descriptions of a few taxable services have been modified for removal of gaps and misapplications and updated for a clearer understanding of tax obligations. Certain new services have also been included in the tax net. The overall objective is to broaden the tax base of Punjab Sales Tax on Services, to achieve eventual goal of a Negative Tariff List for Punjab Sales Tax.

Government of Sindh

i. With a view to ensuring tax compliance, monitoring, combating possible tax evasion and promoting the cause of documentation of economy, Sindh Revenue Board introduced a system of linking the POS system of Beauty Parlours/Beauty Clinics/Gyms/Fitness Centres with the electronic system of SRB on real time basis.

ii. The Audit wing has been strengthened by hiring 12 Auditors (having professional qualification of Chartered Accountancy and ACCA) who have duly trained in tax auditing and sales tax laws.

iii. 30 Sindh Sales Tax Officers (SSTOs), were hired as Interns in February 2019, and were regularized on March, 2020 after completing their Internship period and also Final Passing Out (FPO) exam. Thus the Tax Operation wing was strengthened to cope up with the increasing work hand.

iv. Legal Wing of SRB has been strengthened, headed by a full time Senior Member (Legal). Professional Lawyers have been hired in the Legal Wing so that a pro-active and efficient legal team in SRB could effectively deal with the ever-rising litigation cases.

v. The IT Wing has been strengthened and most of core functions of SRB in Tax Operations are now online.

vi. CRM (Customer Relations Management) system has been installed in SRB Call Centre which provides information and assistance to taxpayers and also provides e-support services.

vii. SRB systems are linked with SECP and PRAL for data gathering, coordination and assistance.

viii. Sales Tax Real Time Invoice Verification (STRIVe) system was introduced in SRB for detecting cases of inadmissible input tax and to curb avenues of tax evasion or fraud.

ix. An independent wing of Survey & Development was created to trace out un-registered and non-compliant service providers through different methods including gathering information from the concerned departments, verifying the existence of unregistered and non-compliant service providers through physical survey.

x. SRB held 3 Day Workshop on Best Global Practices of VAT/GST in collaboration with International Bureau of Fiscal Documentation (IBFD) of Holland on September 13-15, 2019 at IBA, Karachi (City Campus). This provided the SRB participants with exposure of international practices and procedures of VAT system.

xi. Annual Report for the FY 2018-19 was prepared and laid before the Provincial Assembly of Sindh in January, 2020, as per the statutory requirement of section 12 of the SRB Act, 2010. Quarterly reports are being prepared in FY 2019-20 which, at the end of the year, shall be compiled to make the Annual Report for 2019-20.

xii. With the approval of the Federal Government as well as of the Government of Sindh, General Survey of the Properties in Karachi, with the assistance of World Bank under the Nomenclature of Competitive & Livable City of Karachi Project "CLICK" has been approved.

xiii. Online Tax Collection. Scheme initiated by the Department is almost at the launching stage. In the first stage Online Tax Collection of Motor Vehicle Tax will be started shortly and in the 2nd stage it will include Property Tax, Professional Tax etc. In this regard an agreement has been signed with M/s. 1Link (Pvt,), Limited for facilitating the Department in respect of financial receipt payment through different ADCs.

xiv. Sharing of Data between FBR & ET&NC Department. The Excise, Taxation & Narcotics Control Department is in the final stage of signing a "Bilateral Agreement for Data Sharing with Federal Board of Revenue (FBR) Government of Pakistan. Through this agreement Department will share its Data of Motor Vehicle Registration and CNIC based Data of Property Tax with FBR.

xv. Project Management Unit of Geodatabase (PMU-GIS)is performing management and supervisory role and develop GIS based infrastructure in the form of e-Governance model facilitating the stakeholders/organizations and general public. Therefore, a spatial link is created between GIS based mapping of each survey number and their land ownership record to facilitate the common user.

xvi. **Development of Geographical Information System (GIS)**: Fully functional G.I.S lab has also been established with required technical manpower, hardware and software capabilities; Digital District and Deh maps for all 5979 Dehs of the Province have been developed. Digital Survey number maps of 4000 out of 5979 Dehs have further been completed while progress on remaining 1979 Digital maps is also under way. The digital maps are being integrated with the computerized land records.

xvii. The GIS Section has been equipped with the capability of identifying changes in occupancy on state land through GIS Imagery in Karachi Division up to survey number level.

xviii. The high resolution satellite imagery has also been procured for district Hyderabad, Thatta, Badin, TandoAllhayar & Shaheed Benazirabad for Geo Referencing and digitization of old revenue maps up to survey number level.

xix. To ensure transparency, free Online Calculator has been provided on www.sindhzameen.gos.pk, to facilitate registrant public in calculating stamp duty, registration fee and other taxes applicable on property registration.

xx. Preservation of old survey settlement record and maps through chemical processing as well as using electronic methods including scanning, Micro Filming. Digitization, Printing, Storage and cataloging; Revamping of Survey & Settlement Department by introducing modern survey techniques.

Government of Khyber Pakhtunkhwa

(i) Streamlining the detailed object /Head Wise of Tax and Non-Tax receipts which were haphazard. This exercise was not done in the last six years and compilation of such huge data was a cumbersome task which was completed effectively.

(ii) Bifurcation of highly complexed head of accounts as per Federal Chart of Accounts issued by Controller General of Accounts (CGA), Islamabad.

(iii) For the first time targets for 2019-20 were set object wise for each department and completely in line with their actual receipts.

(iv) A comprehensive analysis hundred pages report of all the revenue collecting departments was generated in three months, so as to find out additional avenues of revenue generation.

(v) Separation of Receipts Head from one department to another in order to assess revenue collection performance.

(vi) As an incentive, departments were motivated to share their genuine administrative issue in revenue collection and sharing Resource Mobilization Proposals for 2019-20 which they happily agreed upon and for the first time 22 out of 26 Revenue Collecting departments shared their proposals for revenue enhancement.

Government of Balochistan

(1) Government of Balochistan in the Finance Act, 2019 revised and rationalized various taxes as part of its strive to expand its revenue base, with the spirit of 18th Constitutional Amendment;

(2) Initiatives to bring Board of Revenue and Excise & Taxation Department under automation system, are in progress;

(3) Public Financial Management Reforms Office (PFMRO) has been set up in the Finance Department aimed at assisting revenue generating departments to review its existing tax collection mechanism and suggesting reforms, tax policy formulation, implementation and monitoring;

(4) Balochistan Revenue Authority (BRA) is being strengthened. Efforts are underway to turn the BRA into an efficient & effective organization;

(5) Viability Gap Fund and Project Development Fund have been earmarked and invested to facilitate investment initiatives under Public Private Partnership Act, 2018 in the province;

5.3: Fiscal Discipline

5.3.1 Article 9(3) of said order provides that Federal and Provincial government would develop and enforce mechanism for maintaining fiscal discipline at the federal and provincial levels through legislative and administrative measures. In this regard, efforts of the Federal Government as well as Provincial Government are reproduced as follows:-

Steps taken by Federal and Provincial Government for Fiscal Discipline

Federal Government

(I) It is stated that increased provincial share envisaged under the 7th NFC Award was in a way linked with achieving tax-to-GDP ratio of 15% by the Federal and Provincial Governments by year 2014-15. FBR taxes were considered the major contributors for achievement of the requisite tax-to-GDP ratio as against benchmark of 9.30 % in year 2009-10. It was envisaged to increase it to 13.25% in year 2014-15. As a matter of fact, FBR has not achieved this milestone so far. So, it is need of the hour that FBR undertakes measures to increase tax-to-GDP ratio as highlighted below;

- Broadening of tax net;
- Rationalization of tax structure by improving the ratio of direct taxes vis-à-vis indirect taxes;
- Strengthening of audit and enforcement functions;
- Better taxpayer facilitation and education;
- Automation and business process re-engineering for better data management and electronic monitoring of business activities;
- Better human resource management in terms of better training and compensation liked with desired level of performance.

Moreover, the Federal and Provincial Governments need to integrate their systems for sharing of data of sales, purchases etc for better taxation on either side as per jurisdiction. They also need to resolve the mutual issues like sales tax input adjustment for improved working liaison at the national level.

(II) For regulating the custody of the Federal Consolidated Fund and to give elaborate mechanism of public finance management, the Public Finance Management Act, 2019 has been promulgated with a view to strengthen management of public finances to improve definition and implementation of fiscal policy for better macroeconomic management and clarify institutional responsibilities related to financial management, and strengthen budgetary management. Regarding fiscal discipline at federal and provincial levels, both the governments may work in close coordination to optimize revenue collection and rationalize their expenditures to attain the desired levels of fiscal performance. Especially, in the event of less revenue collection by FBR and resultant less provincial share in divisible pool taxes, the provincial governments may work out strategy to accordingly reduce their budgetary outlay for having reasonable level of surplus by the end of financial year. During 1st half of CFY 2019-20, the fiscal deficit has been contained to 2.3% of GDP as against 2.7% of GDP for the same period of last Financial Year 2018-19. For restricting the fiscal deficit during the CFY 2019-20 at 7.1% of GDP, following steps are being taken by the Federal Government.

- No Supplementary Grants has been released by Ministry of Finance upto the end of 2nd quarter (July-December 2019).
- Now, all cases of Supplementary Grants/Technical Supplementary Grants are submitted to the Federal Cabinet through ECC for consideration.
- The Federal Cabinet has directed all Divisions/Departments to discourage Supplementary Grants.
- Complete ban on purchase of all type of vehicles except operational vehicles for law enforcing agencies.
- Ban on creation of new posts except those required for development projects.
- Entitlement of periodical, magazines, newspapers etc of entitled officers is restricted to only one.
- Foreign visits are restricted;

- ➢ All Principal Accounting Officers (PAOs), have been asked to ensure rationalization of utility consumption, purchase of assets etc.
- ➢ Strict austerity measures on entertainment and gifts are being enforced.
- ➢ Effective measures are being taken to enhance the overall revenue collection.
- ➢ Revenue collection & expenditure are being monitored on monthly basis.

<u>Government of Sindh</u>

<u>Cash Monitoring</u>: Govt. of Sindh tries its best to avoid the overdraft from the State Bank of Pakistan. The cash balance position of the Provincial Government with SBP is monitored on daily basis, and it is handled effectively through efficient financial management.

<u>Government of Khyber Pakhtunkhwa</u>

(i) While considering the budget estimates 2019-20 the Provincial Cabinet approved certain guiding principles to curtail the recurring expenditure effective from 1st July 2019 **(Annex-II)**.

(ii) In order to maintain financial discipline and in time availability of funds, the Government of Khyber Pakhtunkhwa with the approval of competent authority devised a release policy for current and development expenditure **(Annex-III)**.

(iii) The cash balances of KP Accounts maintained with State Bank of Pakistan remained in surplus over the period of the report.

It is further added that the actual figures of Federal Transfer shown in the tables at pages 4 – 9 of the bi-annual report (July – December 2019 FY 2019-20), on account of divisible pool share and straight transfers in respect of Khyber Pakhtunkhwa has been checked and found correct. However, there is a difference of Rs.32.0 million between the figures of this Department and Finance Division, Islamabad as shown in Table-X at page 10 of the Report in respect of Provincial Tax Receipts. According to the record of this Government (Civil Accounts for the month of December, 2019), the Provincial Tax Receipts comes to Rs.12.541 billion, whereas, Finance Division has shown the same figures as Rs.12.573 billion resulting a difference of Rs.0.032 billion.

Government of Balochistan

(1) Proposal is submitted to the Provincial Cabinet for approval of Internal Audit Charter for carrying internal Audit of Provincial Departments through Internal Audit Unit in the PFMRO established in Finance Department, Government of Balochistan;

(2) Public Financial Management Reforms Strategy has been developed and approved by the Provincial Cabinet;

(3) Efforts are in progress for bringing entire pensioners of the GoB under Direct Credit System (DCS);

(4) Initiatives are underway to introduce e-procurement to ensure efficiency and transparency in the procurement system.

Government of Punjab

1) Punjab Government followed strict austerity measures to reduce expenditure on purchase of durable goods i.e. air-conditioners, generators and vehicles. Purchase of expensive durable goods was subject to clearance of the high-level austerity committee headed by the Finance Minister.

2) e-pay Punjab is first ever Government Payment aggregator in Pakistan for Public to Government (P2G) & Business to Government (B2G) payments. It is an initiative of Finance Department - Government of the Punjab. Currently, the Citizens can make payments through Alternate Delivery Channels (Internet Banking, Mobile Banking & ATM) of 24 banks & Over the Counter branches of 28 banks in Pakistan, by using the GoPb Biller.

3) e-Pay Punjab was launched with 12 levies (Token Tax, Motor Vehicle Registration, Transfer of Motor Vehicle, Professional Tax, Cotton Fee, Property Tax, Fard Fee, Mutation Fee, eStamp Paper, Sales Tax on Services, Punjab Infrastructure Development Cess, Business Registration Fee).

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PART I

Acts, Ordinances, President's Orders and Regulations

GOVERNMENT OF PAKISTAN

MINISTRY OF LAW, JUSTICE AND PARLIAMENTARY AFFAIRS

Islamabad, the 10th May, 2010

No. F. 2 (2)/2010-Pub.—The following President's Order Promulgated by the President is hereby published for general information:—

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;

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[2438(2010)/Ex. Gaz.]

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 Grants-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

(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.**—(1) 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 the sales and 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 per cent of the net proceeds of divisible pool taxes shall be assigned to Government of Khyber Pakhtunkhwa 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 per cent shall be assigned to provinces during the financial year 2010-11 and fifty-seven and half per cent from the financial year 2011-12 onwards. The share of the Federal Government in the net proceeds of divisible pool shall be forty-four per cent during the financial year 2010-11 and forty-two and half per cent 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%
(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 the 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 161 of the 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 1st July, 2002, shall be re-worked out hypothetically on the basis of the formula given in clause (1) and the amount, subject to maximum of ten billion rupees, shall be paid in five years in five equal instalments 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 zilla 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 sectors. Federal Government and Provincial Government 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.

(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 Grants-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.

SYED SULTAN AHMED,
Senior Joint Secretary.

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ANNEX-II

ECONOMY/AUSTERITY MEASURES FOR FINANCIAL YEAR 2019-20

1. There shall be complete ban on:

   a. **Creation of posts** except posts required for completed developmental Projects unless scrutinized and recommended by the **committee** comprising of Secretaries to Govt. of Khyber Pakhtunkhwa, Finance, Establishment & Administration, Planning & Development Department as well as concerned Department and approved by the Chief Minister, Khyber Pakhtunkhwa.

   b. **Purchase of new vehicles** except Ambulances, Earth moving machinery, Fire Trucks, Tractors, Non-Luxury vehicles, Single Cab Pickup 4x4 and 4x2, 3 Door Jeeps, Trucks, Buses, Passenger vans, Prisoners Vans, Motorcycles, Water Bowser Trucks, Recovery/Rescue vehicles, Rescue/Life Saving boats. Rest of the vehicles will be purchased on the recommendations of the **committee** consisting of Secretary Finance, Secretary Administration, Secretary Transport, Secretary P&D and Secretary of the Department concerned and approved by the Chief Minister, Khyber Pakhtunkhwa.

   c. Participation in **workshops/seminars and training abroad** involving provincial funds.

   d. Holding Seminars and Workshops in **Five Star Hotels** involving Provincial funds.

   e. **Treatment abroad** on Provincial Government's expense.

2. All Administrative Secretaries and Heads of Autonomous/Semi-Autonomous Bodies, being Principal Accounting Officers, shall conduct meetings of **Departmental Accounts Committee** regularly under intimation to Finance Department so as to ensure **internal audit** of their respective Departments /Organizations.

3. To bring efficiency in revenue collections, a high powered **"Provincial Revenues Review Committee"** shall be constituted under the chairmanship of Minister Finance to review the performance of all revenue collecting entities of the Provincial Government and to propose structural changes, performance indicators, legal reforms and other realignments in the procedures.

4. All Administrative Secretaries shall conduct review meetings on progress on the targets against **Key Performance Indicators (KPIs)** of their respective Departments quarterly under intimation to Finance Department.

5. All Government **Rest Houses/Guest Houses** etc. shall be managed on commercial basis through appropriate institutional arrangements.

6. No appointment of **contingent paid staff** shall be made during the course of the financial year 2019-20 unless recommended by the committee as mentioned serial No.1 (a) above.

7. No appointment shall be made against **leave vacancies** without prior approval of Finance Department.

8. No appointment will be made against vacant posts (except Class-IV & promotion posts) without obtaining **NOC from the concerned Surplus Pool.**

9. Principal Accounting Officers will make sure that no appointment is made against a **vacant post of dying cadre** and will also initiate disciplinary action, if any such appointments have been made previously.

10. **Expenditure shall be restricted** to the funds released and the Administrative Departments shall not incur expenditure in anticipation of additional or supplementary grants.

11. No developmental scheme involving creation of posts and purchase of vehicles, machinery & equipment and furniture **(Revenue Component)** will be considered without prior clearance of Finance Department.

12. **No department shall retain receipts in Bank Accounts**. The Departments must remit all Receipts to Provincial Account forthwith except where Departments/ facilities have been specifically permitted under some Statute/Act. All MTIs shall share the **balances in Reserve Fund** with Finance Department on **quarterly basis alongwith the Procurement Plan.**

13. **No funds will be utilized** on account of annual and special repair of such Roads & Buildings which have been **repaired / rehabilitated during last three years** except flood and earthquake affected Government infrastructure. To ensure the scope and standard of such works, **Director General, Monitoring & Evaluation (M&E),** shall inspect the sites periodically and provide a quarterly **report to P&D & Finance Department.**

14. The **advertisement charges** allocated under Current Revenue Expenditure shall be utilized on current side only. As regards expenditure on developmental side, necessary provision will be made in the PC-I(s)/Costs Estimate(s) of the concerned scheme(s) whereas the devolved Department's expenditure on this account shall be met out of **Account-IV** of the District concerned.

15. All posts which are lying vacant for the last **three (03) years** shall stand abolished.

16. Finance Department shall undertake next phase of the **expenditure review** to realize further savings as part of an integrated sectoral review process.

17. P&D Department shall initial **District & Sectoral plans** spread over the next three (03) years as part of the mid-term development framework for the purpose of improved planning and to eliminate wasteful expenditure.

18. **All Autonomous / Semi-Autonomous bodies,** Medical Teaching Institutions, other Institutions and Authorities under Provincial Government **shall adopt the measures** within their respective organizations with the approval of their competent forums.

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ANNEX-III

RELEASE POLICY

Besides, the Finance Department has circulated Release Policy for financial year 2019-20, Provincial and Local Governments, duly approved by the Provincial Cabinet, to be effective from 1st July, 2019 as per details given below:-

1. DEVELOPMENT EXPENDITURE:

Type of schemes	Funds Release Methodology
1. Ongoing Approved Schemes 2. Works Departments (DWSS, Roads and Water) 3. High Impact Projects 4. Combined Release to other Sectors	i. 25% funds allocated to ongoing schemes of a sector will be released at the start of the financial year. ii. Out of released 25% funds; the Administrative Department will ensure adequate releases to the on-going due for completion schemes and to the schemes pertaining to snow bound areas (either due for completion or not) through intra sectoral re-appropriations. iii. Subsequent releases to each sector will be made on provision of Utilization Certificate of at least 75% of already released funds or justification to be provided by Administrative Department for non-utilization / low utilization on case to case basis. i. 100% allocated budget for FY 2019-20 shall be released to all approved schemes. Similarly, for all unapproved schemes, 100% of allocated funds will be released as and when these schemes are approved i. P&D shall carry out sectoral assessment of high impact schemes to identify upto 125 most high impact schemes. The approved schemes amongst this category shall be Released 100% of budgeted allocation for 2019-20 henceforth. Similarly, for all unapproved schemes, 100% of allocated funds will be released as and when these schemes are approved. i. All approved schemes not falling in any of above categories shall be released 75% (including 25% of the already released funds) Similarly, for all unapproved schemes, upto 75% of allocated funds will be released as and when these schemes are approved depending upon the project needs
5. New Approved Schemes	25% funds allocated to new schemes of each sector will be released on production of Administrative Approval (AA). Remaining allocations for such schemes will be released as and when demanded by the Administrative Department on production of utilization report and on case to case basis.
6. Schemes with 'R' status in ADP 2019-20	Additional Funds will be released to the schemes of **'R' status** in ADP 2019-20 on the basis of notified Administrative Approval.

(i) District wise complete breakup of the umbrella schemes shall be provided by the Department within one week after release of funds to enable Finance Department to punch it in SAP system.

(ii) No release shall be made in the name of individuals with respect to Umbrella schemes.

(iii) 75% release will be made for procurement of medicines under schemes of Health Department on the request of the Department. Subsequent 25% funds will also be made available after utilization of 75% of the released funds by the Health Department.

(iv) 100% funds shall be released to the schemes on account of land acquisition so as to avoid unnecessary delay in completion of schemes.

(v) Development funds to schemes having designated accounts will be released subject to production of utilization report and bank statement of their accounts.

(vi) Intra-Sectoral re-appropriation approved by Administrative Departments to development schemes shall be punched in SAP system by Administrative Departments themselves and not by the Finance Department.

(vii) No re-appropriation shall be made against those schemes wherefrom funds are re-appropriated to other schemes, during current financial year.

(A) <u>CURRENT EXPENDITURE — PROVINCIAL</u>

S#	OBJECTS	FUNDS TO BE RELEASED
1.	• Salary* (except Honoraria which shall be released on case to case basis)	100%
2.	• Electricity • Sui Gas Charges • Advertisement Charges (Current side only) • Financial Assistance to the families of Government servants who die while in service	100%

3	Rest/Others	25%
4.	Purchase of Physical Assets	25%
5.	Maintenance & Repair **	25%
6.	Wheat Subsidy	Release on the request of Food Department
7.	Funds at the disposal of Finance Department	Release on case to case basis through re-appropriation as per Guidelines contained in Finance Department's circular letter No. BOA/ED/5-17/2014-15 dated 12/06/2015
8.	S.N.E (Fresh)	Authentication of Audit Copy by the Finance Department

NOTE:

1. **Medical Charges***:- The funds released under object A01274-Medical Charges shall be utilized by the concerned sanctioning authorities only upto the limit of medical re-imbursement claims i.e Rs.30,000/-where verification / authentication by Director General, Health Services, Khyber Pakhtunkhwa is not required under the prevailing rules/policy instructions. The incurrence of expenditure against the remaining claims shall be authorized by Finance Department on case to case basis as usual.

2. **Repair & Maintenance****:- The funds allocated for civil works, maintenance and repair of Roads, Highways and Buildings and Irrigation Works, will be released on case to case basis on the approval of competent forum and issuance of Administrative Approval.

3. **Release of Withheld Budget**: - The withheld budget under Current Expenditure (Provincial) will be released in 2nd quarter of current financial year subject to availability of financial resources. The individual demands for release of balance funds shall be examined at the level of concerned Sections/ and decided by the competent authority based on justification(s) provided by the Administrative Department concerned."

4. **Grant in Aid**:- Grant in Aid will be released subject to the provision of Bank statement by the concerned autonomous entity after unconditional releases in 1st quarter.

(C) **(DEVELOPMENT & CURRENT EXPENDITURE – LOCAL GOVERNMENTS**

i. **DEVELOPMENT EXPENDITURE (LOCAL GOVERNMENT)**

Development share of District Development Funds shall be transferred to respective Local Governments on quarterly installment basis, which have not been provided development funds during financial year 2019-20. Such Districts, TMAs and VCs/NCs which have been provided development funds during last financial year (2018-19), shall be facilitated with funds subject to utilization of **60%** development funds of last financial year.

ii. **CURRENT EXPENDITURE(LOCAL GOVERNMENT)**

Sr.#	Grant	Funds to be transferred
1.	Salary	On monthly instalment basis subject to adjustment of balance available from previous month.
2.	Non-salary	On quarterly instalment basis subject to availability of financial resources.

(D). GRANT TO LOCAL COUNCILS

Sr.#	Grant	Funds to be transferred
1.	TMA	On monthly instalment basis subject to availability of financial resources.
2.	District Councils	**20%** share of the Grant on monthly instalment basis of the total allocation which shall be released subject to availability of financial resources.
3.	Grant to VCs/NCs	**80%** share of the Grant on monthly instalment basis subject to availability of financial resources.
4.	Cantt: Board	On monthly instalment basis subject to availability of financial resources.

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