CHAPTER 2

CONSTITUTIONAL PROVISIONS ON TAXES

How the Constitution controls the **funds** of the Federation and Provinces, the **budget procedure**, what is **charged** and what is **voted**, and which taxes the Federation may impose. The provincial articles mirror the federal ones — learn the differences.

CHAPTER ROADMAP

1 **Federal financial procedures** — Arts 78 – 88
2 **Provincial financial procedures** — Arts 118 – 127
3 **Federal Legislative List** — Entries 43 – 53
4 **Powers of the Provinces** — residual

KEY IDEA The Constitution **distributes powers** between the Federation and Provinces and lays down how taxes are levied and how the money received is held, authorised and spent.

1 FUNDS AND THEIR CUSTODY

Articles 78 and 79

FEDERAL CONSOLIDATED FUND

All revenues, **all loans raised** and **all repayments of loans** received by the Federal Government.

PUBLIC ACCOUNT

All other moneys received by or for the Federal Government, or **deposited with the Supreme Court** or any federal court.

CUSTODY · ART 79

Regulated by an **Act of Parliament**; until then, by **rules made by the President**.

2 BUDGET STATEMENT AND PROCEDURE

Articles 80 – 83

ANNUAL BUDGET STATEMENT

Laid before the **National Assembly** every year: estimated receipts and spending. Shows **charged** and **other** expenditure separately, and **revenue account** apart from other.

CHARGED EXPENDITURE

May be **discussed** in the Assembly but **not voted**.

OTHER EXPENDITURE

Submitted as **demands for grants**: the Assembly may **assent, refuse, or assent with a reduction**. No demand without the **Federal Government's recommendation**.

AUTHENTICATION · ART 83

The **Prime Minister signs** the schedule of authorised expenditure; it is laid before the Assembly, **not open to discussion or vote**. No spending is authorised unless it is in the schedule.

3 EXPENDITURE CHARGED ON THE FEDERAL CONSOLIDATED FUND

Article 81

REMUNERATION OF

The **President**; judges of the **Federal Constitutional Court, Supreme Court and Islamabad High Court**; **Chief Election Commissioner**; Chairman and Deputy Chairman (Senate); Speaker and Deputy Speaker (NA); **Auditor-General**.

ADMINISTRATIVE EXPENSES OF

The courts, the Judicial Commission and Supreme Judicial Council, the Auditor-General's department, the CEC's office and Election Commission, and the **Secretariats of the Senate and NA**.

DEBT CHARGES

Interest, sinking fund charges, repayment of capital and costs of raising loans.

JUDGMENTS AND ELECTIONS

Sums to satisfy any **judgment, decree or award** against Pakistan; cost of **elections** to the NA, Senate, Provincial Assemblies and **local governments**; any other sum so declared.

4 EXTRA SPENDING AND TIME LIMITS

Articles 84 – 88

SUPPLEMENTARY STATEMENT
Amount for a service is **insufficient**, or a **new service** is needed.

EXCESS STATEMENT
Money has been **spent in excess** of the amount granted.

VOTE ON ACCOUNT · ART 85
NA may grant in advance for up to **four months** while the grants are being finalised.

ASSEMBLY DISSOLVED · ART 86
Federal Government may authorise spending for up to **four months** in a financial year.

SECRETARIATS · ART 87
Each House has a **separate Secretariat**; **common posts** may be created. Rules: Speaker / Chairman with the President's approval until a law is made.

FINANCE COMMITTEES · ART 88
Spending of the NA and Senate is controlled on the advice of its Finance Committee: **Speaker / Chairman, Minister of Finance** and members elected by the House.

BOTH STATEMENTS
A Supplementary or Excess Budget Statement is laid before the **National Assembly** and follows Articles 80 – 83.

5 PROVINCIAL FINANCIAL PROCEDURES

Articles 118 – 127 · federal article + 40

Topic	Federal	Provincial
Funds	**Art 78** – Consolidated Fund; Public Account (Supreme / federal courts)	**Art 118** – Consolidated Fund; Public Account (High Court / provincial courts)
Custody	**Art 79** – Act of Parliament, else rules by the **President**	**Art 119** – Act of Provincial Assembly, else rules by the **Governor**
Budget statement	**Art 80** – before the National Assembly	**Art 120** – before the Provincial Assembly
Charged expenditure	**Art 81** – President, federal judges, CEC, Chairman, Speaker, Auditor-General, debt, judgments, elections	**Art 121** – **Governor, High Court judges, Provincial Speaker and Deputy**, High Court and Assembly Secretariat costs, debt, judgments
Grants procedure	**Art 82**	**Art 122**
Authentication	**Art 83** – **Prime Minister**	**Art 123** – **Chief Minister**
Supplementary / excess	**Art 84**	**Art 124**
Vote on account	**Art 85** – up to **4 months**	**Art 125** – up to **3 months**
Assembly dissolved	**Art 86** – up to 4 months	**Art 126** – up to **4 months**
Secretariats · committees	**Arts 87, 88**	**Art 127** applies them: President → Governor, PM → Chief Minister, NA → Provincial Assembly

TIME LIMITS The one number that differs: a **vote on account** is **4 months** for the National Assembly but **3 months** for a Provincial Assembly; when an Assembly stands **dissolved** both Governments may authorise **4 months**.

6 FEDERAL LEGISLATIVE LIST · TAXES

Entries 43 – 53

Entry	Tax the Federation may impose	Law enacted
43	Duties of customs, including export duties	Customs Act, 1969
44	Duties of excise, including salt, **but not alcoholic liquors, opium or other narcotics**	Federal Excise Act, 2005
47	Taxes on **income other than agricultural income**	Income Tax Ordinance, 2001
48	Taxes on corporations	Income Tax Ordinance, 2001
49	Taxes on **sales and purchases of goods** imported, exported, produced, manufactured or consumed, **except sales tax on services**	Sales Tax Act, 1990 · FED Act · Customs Act
50	Taxes on the **capital value of assets**, not including taxes on immovable property	Capital Value Tax through Finance Act, 1989
51	Taxes on mineral oil, natural gas and minerals for use in generation of nuclear energy	Income Tax Ordinance, 2001
52	Taxes and duties on the **production capacity** of any plant, machinery or undertaking in lieu of other taxes	Sales Tax Act, 1990 (capacity tax)
53	**Terminal taxes** on goods or passengers carried by railway, sea or air; taxes on their fares and freights	–

7 POWERS OF THE PROVINCES

everything not in the federal list

SALES TAX ON SERVICES
Provincial (and Islamabad law).

TRANSFER OF IMMOVABLE PROPERTY
Provincial.

PROFESSIONAL TAX
Provincial.

LUXURY HOUSES & VEHICLES
Tax on luxury houses; registration of luxury vehicles.

PROPERTY TAX
Provincial.

8 EXAM FOCUS · MCQ TRAPS

what examiners test

1 Loans go to the Fund
Loans raised and loan repayments form part of the **Consolidated Fund** — not the Public Account.

2 Charged ≠ voted
Charged expenditure is **discussed, never voted**.

3 Assembly cannot increase
It may assent, refuse or reduce; demands need the **Government's recommendation**.

4 Schedule is signed, not voted
PM authenticates; laid before the NA; no discussion or vote.

5 New or short = supplementary
Insufficient or new service → **Supplementary**; overspent → **Excess**.

6 Months
Vote on account: NA **4**, Province **3**; dissolved assembly: both **4**.

7 Who acts
Custody rules until an Act: **President / Governor**; provincial schedule: **Chief Minister**.

8 Liquor and services
Federal excise excludes **alcoholic liquors**; sales tax on **services** is not federal.

CLASSIFY IT · WHERE DOES IT GO?

1	Income tax collected by the FBR	CONSOLIDATED FUND
2	Loan raised by the Federal Government	CONSOLIDATED FUND
3	Repayment of a loan given by the Government	CONSOLIDATED FUND
4	Money deposited with the Supreme Court	PUBLIC ACCOUNT
5	Other moneys received on behalf of the Government	PUBLIC ACCOUNT
6	Remuneration of the Auditor-General	CHARGED
7	Salaries of a ministry's staff	VOTED
8	Interest and repayment of federal debt	CHARGED

CLASSIFY IT · FEDERAL OR PROVINCIAL?

1	Customs duties including export duties	FEDERAL
2	Excise duty on alcoholic liquors	PROVINCIAL
3	Tax on income other than agricultural income	FEDERAL
4	Tax on agricultural income	PROVINCIAL
5	Sales tax on goods	FEDERAL
6	Sales tax on services	PROVINCIAL
7	CVT on assets other than immovable property	FEDERAL
8	Tax on transfer of immovable property	PROVINCIAL

LISTS TO KNOW

Fund	Public Account	Charged	Votes on account	Schedule
Revenues + loans + repayments	All other moneys	Discuss, no vote	NA 4 · PA 3 months	PM / CM signs

REVISION MAP

1 · FUNDS
Consolidated Fund = revenues + loans raised + loan repayments · Public Account = all other moneys and court deposits · custody by Act, else President / Governor

2 · BUDGET
Statement before the Assembly · charged: discuss, no vote · other: demands for grants — assent, refuse, reduce · PM / CM signs the schedule

CHAPTER 2
ARTICLES & ENTRIES

3 · EXTRA AND TIME
Supplementary (insufficient / new) · excess (overspent) · vote on account 4 months (NA) / 3 months (PA) · dissolved: 4 months

4 · TAXES
Federal: entries 43, 44, 47 – 53 · Provinces: all others — services sales tax, immovable property, professional, luxury houses and vehicles, property tax

Funds
Fund and Public Account.

Budget
Charged vs voted.

Limits
4 months, 3 for provinces.

Lists
Federal vs provincial.