

1. PAUSE TO REFLECT

1(1): Learn, Add and Propagate (LAP)

Human purpose is to learn, add and propagate knowledge.

What for we are born? Are we born out of emotional feelings or with some purpose? Whether humankind (*Homo Sapiens*) have got some purpose? In what sense we are said to be the creation of the highest order? What is our attribute or faculty which makes us different from other creations?

If we analyze ourselves and compare ourselves with other animals then we observe that there is nothing but the only feature of learn, add and propagate that makes us different. Animals also feel, think, eat, drink, play, fight, procreate and so on. Animals even learn, see for example a sniffer dog. Once trained these dogs sniff the required things but they cannot train this learning to their next generations. Animals are good artists, see for example a weaving bird. It builds a very beautiful hanging nest from generation to generation. But the same type of nest it is building from several thousands of years, rather from the date of its creation. But look at the feature of a human being, it first delved into caves, then learnt to build a house of mud, stone, or straw. Then it built a house of concrete and is now making sky scrapper. This is possible though the feature of learn, add and propagate which no other creation possess. Human learn a knowledge, add further knowledges and propagate the knowledge to its next generations. And this combined feature of learning, adding and propagating knowledge makes it distinct from other creation and itself as the creation of the highest order. And thus, the purpose of a human being is established to learn, add and propagate knowledge.

1(2): Knowledge

Knowledge is a set of propositions that guide human behaviour.

Set is a mathematical term to imply a group composed of unique members. So, when we simply say a group, we mean it a collection of entities wherein the same entity may appear twice. For example, when we say a group of vowels then its members may be A, A, E, E, E, I, O, U, U (9 members). But when we say a set of vowels then we imply one vowel to appear once in this collection. So, a set of vowels will be: A, E, I, O, U (5 members).

Proposition is a term of logic which imply statements. Statement is kind of sentence that either affirm or negate a fact. Other type of sentence such as question, command and exclamation cannot be a proposition because they neither affirm nor negate a fact.

A statement of fact or proposition forms the stimulus to the human brain for decision making. So, if we say that ‘water is hot’ then our brain will tell us to drink it when it gets cool. Similarly, if we say that it is raining outside then our brain tells us to move outside with an umbrella because we know that the rain may drench us.

1(3): Sources of knowledge

The two sources of knowledge are: revelation and reflection.

Revelation implies knowledge revealed by the Nature through messengers. For example, Quran revealed through Muhammad, Bible (New Testament) revealed through Jesus, Torah (Old Testament) revealed through Moses, Geeta revealed through Krishna and so on.

Reflection implies addition of knowledge by human through reasoning. For example, geometric theorem of Euclid, discovery of gravitational force by Newton, and so on.

1(4): Reasoning

Reasoning is *inferring conclusion* from the premises.

There are two types of reasoning: deduction and induction.

Deduction is a process in which one infers a conclusion from a given set of premises; conclusion is claimed to follow from its premises with absolute necessity. *Satya se satya ki khoj* (statement to statement). In deduction we start with general principles and arrive at specific conclusions, and so it is a top–down reasoning. For example,

All humans are mortal.

Socrates is a human.

Therefore, Socrates is mortal.

Induction is a process of inference in which one draws a universal statement from particular facts; conclusion is claimed to follow from its premises only with probability ie if the set of facts changes the concluded statement will also change; black swan is a good example. *Sattayapit se satya ki khoj* (observation to statement). In induction we start with specific observations and derive general principles. It is a bottom–up reasoning. For example,

Socrates is mortal.

Plato is mortal.

Many humans are mortal.

Therefore, humans are mortal.

1(5): Requirement of peace

The prerequisite for reasoning is peace.

When the mind is not at peace then it may not infer properly.
Peace of mind gets disturbed through doubts and conflicts.

Doubt arises in the mind when we are unsure about the outcome, or when we are uncertain about the effectiveness, of something. It stems from our innate desire to obtain favourable results and to avoid pain. It is a sign of creativity, as it prompts us to imagine different possibilities and scenarios.

Conflict is interpersonal and arises from the desire to have more than our share. This too is a sign of creativity, in the sense that it leads us to consider various options for aligning ourselves with different groups.

That is why we always wish *As-Salam Alaikum* (Peace be upon you).

2. STRIVE FOR JUSTICE

2(1): Striving and Divine Design

***Khudi* (selfhood) means striving with full effort while humbly accepting the role of Divine Design, so that one avoids both arrogance in success and despair in failure.**

خُدی کو کر بلند اتنا کہ ہر تقدیر سے پہلے

خُدا بندے سے خود پوچھے: بتا، تیری رضا کیا ہے

[Elevate your selfhood (khudi) to such heights that before every
destiny is written,

God Himself asks you: ‘Tell Me, what do *you* wish it to be?]

This couplet of Allama Iqbal is so famous that it needs no introduction. Yet a correct appreciation of *Khudi* is essential. *Khudi* (selfhood) is like a double-edged sword. On one side, it gives us confidence and lifts our morale to pursue our dreams. On the other side, it can lead either to arrogance or to frustration.

Arrogance arises when we overlook the dignity of others and believe that our success is entirely self-made. Frustration arises when failure makes us see our shortcomings as irreversible, and we lose hope—becoming blind even to our remaining strengths—until we fall prey to depression.

The usage of *Khudi* in this couplet kept us in thoughtful unease until another of Iqbal’s compositions provided clarity, as follows:

خُدٰی کا سِرِّ نہاں لا اِلٰہَ اِلَّا اللّٰہ

خُدٰی ہے تیغ، فساں لا اِلٰہَ اِلَّا اللّٰہ

[The secret of the Self (*Khudi*) is: *There is no god but Allah.*

The Self is a sword, and its sharpening stone is: *There is no god but Allah.*]

Here, *Khudi* has been defined as effort (the blunt sword), which succeeds only in accordance with Divine Design (the sharpening stone). This introduction of Divine Design as a determining factor completes the argument in the first couplet and removes the limitations that lead to either arrogance or frustration. It is

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similar to the addition of epsilon ( $\epsilon$ ) in an inferential statistical model to account for unknown error or uncertainty.

In other words, this eases the limitations of the causal theory—which holds that a cause is sufficient for its effect—and instead aligns with the producers-product theory, where multiple producers (factors) combine to create a product (effect). The producers-product theory is well explained by R. L. Ackoff in his book *Creating the Corporate Future*. Ackoff, a leading proponent of systems theory, inherited this philosophy from Singer Jr. through C. W. Churchman. He illustrates it with the example of corn: a seed of corn, though necessary, is not by itself sufficient to produce a corn plant. If the seed alone were sufficient, it would grow even if thrown into the ocean or the desert. Other producers—such as soil, water, and sunlight—are also required for the emergence of the corn plant.

Even the known producers may fail if Divine Design does not intervene. This Divine Design, or unknown factor, is often referred to as luck. Luck, however, does not obviate the necessity of effort. Thus, acknowledging Divine Design along with effort not only saves us from arrogance or frustration, but also leads us to introspect and seek the unknown with humility. And this, in fact, is the very purpose of being human, or of *Khudi* (selfhood).

## 2(2): Economic activities and conflict

**Economic activities of production and distribution leads to conflicts.**

It is a common nature of human being to unite for producing a desired result. Teams are formed with this spirit and *cooperation* among members leads to production. But when the fruit is borne out of this team work, the self interest causes to have a bigger

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chunk of pie. And, there starts the *conflict* of distribution. This process of cooperation and conflict is referred to as politics which is prevalent in every organised economics activities.

2(3): Peace through justice

Community establishes peace through justice.

Suum cuique ensures everyone gets his due and thus justice prevails.

2(4): Primacy of Justice in Indian Constitution

The Preamble affirms that India’s constitutional order rests on securing justice, liberty, equality, and fraternity for all citizens, with justice as the foremost value—without which, and without giving each their due (*sum cuique*), the nation loses its constitutional relevance.

The Preamble of our Constitution reflects the ideals and purposes for which free India was brought into being, in following terms:

“We, the people of India, having solemnly resolved

to constitute India into a sovereign socialist secular democratic
REPUBLIC

and *to secure* to all its citizens: JUSTICE, social, economic and political; LIBERTY of thought, expression, belief, faith and worship; EQUALITY of status and of opportunity;

and *to promote* among them all FRATERNITY assuring the dignity of the individual and the unity and integrity of the nation;

in our constituent assembly this twenty-sixth day of November, 1949, do hereby adopt, enact and give to ourselves this constitution.”

One may easily observe the priority with which justice has been expressed. Without *sum cuique*, the nation loses its constitutional relevance.

2(5): Need for Public Finance

Community needs resources for its working and thus entail **public expenditures**. To meet these expenditures, members of the community *contribute* in the form of **taxes**. Excess of expenditures over taxes is financed through **fiscal debts**. Accounting of expenditures, taxes and debts requires **financial administration**, the chief component of which is budget.

Taxes may be levied directly on the members of the community or indirectly through intermediaries.

Thus, through the measures of public finance—by allocating resources for collective welfare, regulating economic activity, and ensuring fair and transparent taxation—the Constitution fosters peace, order, and justice in society. A stable and just public framework enables individuals to pursue their aspirations, fulfil their life’s purpose, and ultimately move toward self-actualisation.

2(7): Zakat

Zakat is a foundational instrument of socio-economic justice because it operates at the intersection of income taxation and wealth taxation.

Unlike systems that focus solely on annual earnings, Zakat requires individuals who meet prescribed thresholds to contribute not only a share of their income but also a portion of their accumulated wealth, savings, trade assets, and certain forms of capital. By taxing both the *flow* of income and the *stock* of

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wealth, it prevents excessive concentration of economic power, ensures periodic redistribution, and keeps wealth circulating within the community. This dual nature creates an automatic stabiliser in the economy: when wealth rises, contributions rise; when wealth remains stagnant, the obligation adjusts proportionately. The underlying objective is not merely charity but the establishment of a just socio-economic order in which the needs of the vulnerable are met, structural inequality is moderated, and the moral responsibility of the affluent is institutionalised. Thus, Zakat serves simultaneously as a spiritual duty, a fiscal instrument, and a social-justice mechanism.

## 2(8): Spending of Zakat

**Al-Qur’ān establishes that public funds (ṣadaqāt/zakāt) may *only* be expended on eight clearly defined categories of vulnerable or deserving persons and community functions, forming a divinely ordained framework for justice-oriented and peace-maintaining fiscal governance.**

Al Quran states thus:

إِنَّمَا الصَّدَقَاتُ لِلْفُقَرَاءِ وَالْمَسْكِينِ وَالْعَامِلِينَ عَلَيْهَا وَ  
الْمُؤَلَّفَةِ قُلُوبُهُمْ وَفِي الرِّقَابِ وَالْغَارِمِينَ وَفِي سَبِيلِ اللَّهِ  
وَأَبْنِ السَّبِيلِ فَرِيضَةً مِّنَ اللَّهِ وَاللَّهُ عَلِيمٌ حَكِيمٌ (60)

Alms are for the poor and the needy, and those employed to administer the (funds); for those whose hearts have been (recently) reconciled (to truth); for those in bondage and in debt; in the cause of Allah; and for the wayfarer: (thus is it) ordained by Allah, and Allah is full of knowledge and wisdom. [Al Quran 9:60 = R163(1)]

In other words, expenditure allowed for a community responsible for dispensing justice and maintaining peace are:

1. **The poor** – those without sufficient means of living.
2. **The needy** – those in hardship but not openly begging.
3. **Those appointed to administer and distribute the funds** – collectors, managers, and workers engaged in the process.
4. **Those whose hearts are to be reconciled** – individuals recently inclined toward truth or needing moral, social, or political support.
5. **Those in bondage** – people enslaved, trapped, or seeking emancipation.
6. **Those in debt** – individuals burdened with debts they cannot repay.
7. **In the cause of Allah** – religious, social, or charitable causes furthering divine purposes.
8. **The wayfarer** – travellers stranded or in need of assistance.

## 2(9): Public Expenditure under Indian Constitution

As a community evolves into a nation, its collective needs expand correspondingly, and the expenditures once borne by the community transform into public expenditure, systematically allocated across the various functional domains. The functional domains enunciated in the Seventh Schedule to the Constitution of India are as follows.

### 1. Defence

Defence, National Security & Strategic Affairs including Defence services (Army, Navy, Air Force, other armed forces); Defence works, cantonments, military industries, ordnance;

Intelligence, investigations, preventive detention (security-related); Atomic energy & strategic minerals; War, peace, demobilisation.

## 2. External Affairs

Foreign Affairs & International Relations including Diplomacy, consulates, embassies; Treaties, international organisations (UN, IMF, World Bank bodies); International conferences, foreign jurisdiction; Passport, visa, immigration & emigration; Foreign trade policy relating to international borders.

## 3. Police

Public Safety, Internal Administration & Disaster Management including Police, public order, prisons, reformatories; Preventive detention (state security), vagrancy; Criminal law & procedure, evidence & oaths; All-India Services, UPSC & State PSCs; State public services & administration; State police, railway/village police; Fire services, disaster response; Migration control, quarantine.

## 4. Courts

Justice, Courts & Legal Affairs including Supreme Court, High Courts, subordinate courts; Criminal & civil procedure; Administration of justice; contempt jurisdiction; Court fees, legal profession, arbitration.

## 5. Fiscal Services

Fiscal Services, Public Debt & Financial Regulation including Currency, coinage, RBI, foreign exchange; Public debt; Banking, insurance, stock markets, futures markets; National Savings, Post Office Savings Bank; Financial corporations & regulatory bodies; Stamp duties.

## **6. General Administration**

General Administration, Elections & Audit including Parliament & State legislatures (salaries/privileges); President, Governors, Ministers of Union & States; CAG (audit), census, surveys, statistics; Elections (ECI + State ECs); Administrative buildings & establishments

## **7. Transport**

Transport & Infrastructure including Railways, national highways, state roads, bridges; Ports (major & minor), lighthouses, maritime services; National waterways & inland water transport; Airways, aerodromes, air traffic control;

## **8. Communications**

Communication including Posts, telegraphs, telephones, broadcasting, wireless; Internet & telecommunication infrastructure

## **9. Energy & Minerals**

Energy, Natural Resources & Mineral Development including Mines & minerals (Union-controlled + State-regulated); Oilfields, petroleum products; Electricity (generation + transmission + distribution); Gas works & pipelines; Forests (Concurrent); Wildlife protection & environmental conservation

## **10. Agriculture**

Agriculture, Rural Development & Land Management including Agriculture, research, education; Irrigation, water storage, canals; Land revenue, land records; Agricultural loans, indebtedness relief; Animal husbandry, veterinary services; Rural roads, local government institutions (Panchayats)

## **11. Industry**

Industry, Trade & Commerce including Industries (Union-controlled + State-regulated); Trade & commerce (inter-State + intra-State); Production, supply & distribution of goods; Weights & measures, quality standards; Industrial disputes & labour regulation

## **12. Education**

Education, Scientific Research & Cultural Affairs including Universities (Central + State + National importance); Technical, medical & higher education; Scientific research institutions & surveys (Geological, Botanical, etc.); Museums, libraries, archaeological sites; Monuments of national or state importance

## **13. Health**

Health, Family Welfare & Social Protection including Public health, sanitation, hospitals, dispensaries; Medical & paramedical services; Drugs & poisons regulation; Mental health institutions; Family planning, population control; Social security, employment, unemployment benefits.

## **14. Labour**

Labour Welfare, Social Justice & Human Development including Labour conditions, safety, welfare; Provident funds, pensions, maternity benefits; Welfare of disabled & unemployable; Relief & rehabilitation (including displaced persons); Protection of women, children & weaker sections.

## **15. Housing**

Housing, Urban Development & Municipal Services including Local government institutions (municipalities, improvement trusts); Urban planning, markets, fairs; Housing, land improvement; Water supply, drainage, waste management

## 16. Entertainment

Culture, Sports & Recreation including Theatres, cinemas, entertainment, Sports & amusements, Charitable & religious institutions, Cultural festivals & heritage promotion

## 17. Miscellaneous

Miscellaneous & Residual Functions including Lotteries; Treasuries; Any matter not enumerated in Lists.

## 2(10): Public Revenue under Indian Constitution

The Constitution of India authorizes a carefully distributed scheme of taxation—covering income, property, goods and services, trade, transportation, and other miscellaneous levies—to generate the public revenue necessary for meeting the nation’s expenditure. Kinds of such taxes are:

### 1. Taxes on Income & Wealth

- Income tax (non-agricultural)
- Corporate tax
- Agricultural income tax
- Capital value tax on assets (non-agricultural)
- Wealth-related taxes
- Profession tax

### 2. Taxes on Property & Capital Transactions

- Estate duty (non-agricultural land)
- Estate duty (agricultural land)

- Succession duty (non-agricultural land)
- Succession to agricultural land
- Stamp duty on instruments
- Land revenue
- Taxes on lands & buildings

### **3. Taxes on Goods & Services (Indirect Taxes)**

- Customs (import/export duties)
- Union excise duties (except alcohol/opium)
- GST on inter-State supplies (IGST)
- GST on services
- Excise on alcoholic liquor for human consumption
- GST on intra-State supplies (SGST)
- Entry tax (local area)
- Taxes on consumption/sale of electricity
- Entertainment & luxury taxes (subject to GST subsumption)

### **4. Taxes on Trade, Commerce & Transactions**

- Taxes on inter-State trade (IGST)
- Taxes on intra-State sale of goods
- Taxes on stock exchange transactions (non-stamp duties)
- Betting & gambling taxes
- Tolls
- Market fees (non-tax), cess on produce

### **5. Transportation & Mobility Taxes**

- Terminal taxes (rail, sea, air)
- Passenger & freight taxes (rail, sea, air)
- Vehicle taxes
- Taxes on animals, boats

- Taxes on goods/passengers by road/inland waterways
- Taxes on Consignments

## 6. Miscellaneous Revenue

- Taxes on advertisements (other than newspapers)
- Newspaper sales tax
- Lotteries
- Capitation taxes
- Court fees
- Fees relating to subjects in each list (non-court fees)

## 2(11): Provisions shaping Public Finance in India

Legislatures enact laws for national regulation and development, generating public expenditure, and empower the executive to raise revenue through taxation while prescribing restrictions to ensure equity and transparency. Provisions of Indian Constitution in this regard are as follows:

### Law making power

**Article 245:** Extent of Laws Made by Parliament and State Legislatures

**Article 246:** Subject-Matter of Laws Made by Parliament and State Legislatures

**Article 246A:** Special Power for Goods and Services Tax (GST)

**Article 247:** Power of Parliament to Provide for Additional Courts

**Articles 248:** Residuary Powers of Legislation

**Article 249:** Parliament's Power to Legislate on State List in National Interest

**Article 250:** Parliament's Power During Emergency

**Article 251:** Inconsistency Between Union and State Laws Under Articles 249 & 250

**Article 252:** Power of Parliament to Legislate for Two or More States by Consent

**Article 254:** Inconsistency Between Union and State Laws on Concurrent Subjects

**Article 368:** Constitution Amendment Power

**Seventh Schedule — Three Legislative Lists**

**List I — Union List (97 entries)**

Subjects requiring national uniformity: defence, foreign affairs, atomic energy, railways, banking, currency, income tax (except agricultural income), etc.

**List II — State List (66 entries)**

Local/state subjects: police, public health, agriculture, land, local government, betting and gambling, etc.

**List III — Concurrent List (47 entries)**

Shared subjects: criminal law, criminal procedure, forests, education, marriage and divorce, bankruptcy and insolvency, etc.

**Correlation of public expenditure and revenue**

Entry 1 to 81 of List I, entry 1 to 42 of List II, and entry 1 to 43 of List III of the Seventh Schedule of the Constitution of India enumerates the subject matters of legislation that involves expenditure.

The entries following them are the subject matters of taxation, i.e., entry 82 to 96 of List I, entry 43 to 66 of List II, and entry 44 to 47 of List III.

This is not a mere coincidence but a well chalked out plan to carry out the ideals of the Constitution. Constituent Assembly Debates does not bear much debates in respect of this for the simple reason that this arrangement was taken without much debate from the Government of India Act 1935 and the learned drafters of the Constitution were well aware of the mechanism and they understood its significance in governance of a State.

By the passage of time, however, a myth has developed that the State has unlimited power to tax as well as to spend as an *attribute of its sovereignty*. [Jindal Stainless Ltd. V State of Haryana (2017) 12 SCC 1]

The constitutional scheme does not support such lawlessness. When the subject-matter of legislation has been delineated, the expenditure must follow the same lines, and taxation must be coterminous with it.

### Restrictions on states and union in tax matters

**Article 265:** No tax without authority of law

**Articles 276:** Tax on professions, trades, callings — State power, subject to a constitutional ceiling.

**Article 277:** Continuation of taxes existing before the commencement of the Constitution unless changed by Parliament.

**Article 285:** Property of the Union is exempt from State taxation.

**Article 286:** Restrictions as to imposition of tax on the sale or purchase of goods

**Article 287:** Exemption of electricity consumed by the Union from State taxes.

**Article 289:** State property is exempt from Union taxation

### **Distribution of tax revenues between union & states**

**Article 268:** Duties levied by the Union but collected and appropriated by the States

**Article 269:** Taxes levied and collected by the Union but assigned to the States

**Article 269A:** Levy and collection of IGST by the Union with apportionment between Union & States.

**Article 270:** Taxes levied and collected by Union but shared between Union and States

**Article 271:** Surcharge on taxes and duties — exclusive power of Parliament; proceeds go entirely to the Union.

### **Finance Commission**

**Article 280:** Constitution of Finance Commission every five years to recommend:

### **Union Budget**

**Article 112:** Annual Financial Statement (AFS)

**Article 113:** Parliamentary Procedure on Estimates

**Article 114:** Appropriation Bill

**Article 115:** Supplementary, Additional & Excess Grants

**Article 116:** Vote on Account, Vote of Credit & Exceptional Grants

**Article 110:** Definition of Money Bill

**Article 117:** Special Provisions for Money Bills & Financial Bills

**Article 266:** Consolidated Fund, Contingency Fund & Public Account

**Article 267:** Establishment of Contingency Fund

### **Comptroller and Auditor-General**

**Article 148:** Comptroller and Auditor-General of India

**Article 149:** Duties & Powers of the CAG

**Article 150:** Form of Accounts of the Union and States

**Article 151:** Audit Reports