TERMS OF REFERENCE OF THE TENTH FINANCE COMMISSION

Paras 3-9 of the Presidential Order dated 15th June, 1992 containing the terms of reference of the Tenth Finance Commission are reproduced below:-

3. The Commission shall make recommendations relating to the following matters:-

(a) the distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them under Chapter I of Part XII of the Constitution and the allocation between the States of the respective shares of such proceeds;

(b) the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India and the sums to be paid to the States which are in need of assistance by way of grants-in-aid of their revenues under article 275 of the Constitution for purposes other than those specified in the provisos to clause (1) of that article.

4. In making its recommendations, the Commission shall have regard, among other considerations, to:-

(i) the objective of not only balancing the receipts and expenditure on revenue account of both the States and the Central Government, but also generating surplus for capital investment and reducing fiscal deficit;

(ii) the resources of the Central Government and the demands thereon, in particular, on account of expenditure on civil administration, defence and border security, debt servicing and other committed expenditure or liabilities;

(iii) the maintenance and upkeep of capital assets and maintenance expenditure on plan schemes to be completed by 31st March, 1995 and the norms on the basis of which specified amounts are recommended for the maintenance of the capital assets and the manner of monitoring such expenditure;

(iv) the requirements of States for modernisation of administration, e.g. computerisation of land records and providing faster channels of communication upto and above district level, and for upgrading the standards in non-developmental sectors and services, and the manner in which such expenditure can be monitored;

(v) the revenue resources of the States for the five years commencing on 1st April, 1995, on the basis of the levels of taxation likely to be reached in 1993-94, targets set for additional resource mobilisation for the plan and the potential for raising additional taxes;

(vi) the requirements of the States for meeting the non-Plan revenue expenditure also keeping in view the potential for raising additional taxes;

(vii) the tax efforts made by the States;

(viii) the need for ensuring reasonable returns on investment by the States in irrigation projects, power projects, state transport undertakings, departmental commercial under takings, public sector enterprises, etc; and

(ix) the scope for better fiscal management consistent with efficiency and economy in expenditure.

5. The Commission may suggest changes, if any, to be made in the principles governing the distribution of:-

(a) the net proceeds in any financial year of the additional excise duties leviable under the Additional Duties of Excise (Goods of Special Importance) Act, 1957, in replacement of the sales tax levied formerly by the State Governments; and

(b) the grants to be made available to the States in lieu of the tax under the repealed Railway Passenger Fares Act, 1957.

6. In making its recommendations on the various matters aforesaid, the Commission shall adopt the population figures of 1971 in all cases where population is regarded as a factor for determination of devolution of taxes and duties and grants-in-aid.

7. The Commission may review the present scheme of Calamity Relief Fund and may make appropriate recommendations thereon. 8. The Commission may make an assessment of the debt position of the State as on 31st March, 1994, and suggest such corrective measures as are deemed necessary also keeping in view the financial requirements of the Centre."