

APPENDIX III

FIRST REPORT OF THE FINANCE COMMISSION

We have been constituted as the Finance Commission under Article 280 of the Constitution and we assumed office on the afternoon of the 30th November, 1951.

As the work of the Commission has only just begun and is likely to take some time to complete we have considered the question of making certain provisional recommendations to the President in respect of the matters in which, after the appointment of the Finance Commission, the Constitution requires him to take into account their recommendations before making an Order.

The Commission understand that the allocation of income-tax between the Union and the States and the distribution of the States' share among them, the payment of grants to certain States in lieu of assignment of any share of the net proceeds in each year of export duty on jute and jute products and the payment of general grants-in-aid to certain States are now regulated by an Order made by the President from year to year and that the Order now regulating these matters is current upto the 31st March 1952. Pending their final recommendations the Commission consider that some provisional arrangements should be made so as to avoid dislocation to the finances of the States which are now receiving a share of income-tax or grants under one or other of the provisions of the Constitution. We feel that the most appropriate course would be for the existing position to be maintained for the year 1952-53, subject to the condition that any decision taken on our final recommendations should be given effect from the year 1952-53. The Commission accordingly recommend that subject to the aforesaid condition the President may be pleased to make an Order applying the provision of paragraphs 3 and 4 of the Constitution (Distribution of Revenues) Order 1950, in relation to the year ending on the 31st day of March 1953, as they apply in relation to the year ending on the 31st day of March 1952.

We also understand that some of the States specified in Part A of the First Schedule to the Constitution in which certain territories of former Indian States have been merged are now receiving grants on the same basis as certain States specified in Part B of the First Schedule to the Constitution receiving grants under sub-clause (I)(b) of Article 278 of the Constitution. The Commission

recommend that such grants, if any, payable to the States concerned may also be continued during the year ending on the 31st day of March 1953, subject to the condition that they are treated as provisional and readjusted in the light of any decisions that may be taken on their final recommendations in regard to financial assistance to these States.

NEW DELHI,

The 15th December, 1952.

K. C. NEOGY

V. P. MENON

R. KAUSHALENDRA RAO

B. K. MADAN

M. V. RANGACHARI