

131. The table below summarises our recommendations:—

	in crores					
	1957-58	1958-59	1959-60	1960-61	1961-62	Total
Andhra Pradesh	4.00	4.00	4.00	4.00	4.00	20.00
Assam	3.75	3.75	3.75	4.50	4.50	20.25
Bihar	3.50	3.50	3.50	4.25	4.25	19.00
Kerala	1.75	1.75	1.75	1.75	1.75	8.75
Madhya Pradesh	3.00	3.00	3.00	3.00	3.00	15.00
Mysore	6.00	6.00	6.00	6.00	6.00	30.00
Orissa	3.25	3.25	3.25	3.50	3.50	16.75
Punjab	2.25	2.25	2.25	2.25	2.25	11.25
Rajasthan	2.50	2.50	2.50	2.50	2.50	12.50
West Bengal	3.25	3.25	3.25	4.75	4.75	19.25
Jammu and Kashmir	3.00	3.00	3.00	3.00	3.00	15.00
Total	36.25	36.25	36.25	39.50	39.50	187.75

132. Since our scheme of devolution involves substantial transfer of resources for implementing the revenue portion of the plan, which for most States is reflected in the grants-in-aid recommended for them, we considered whether we should make any part of the grants-in-aid conditional on such implementation. We would have liked to do so, if the assistance provided under our scheme had represented the major part of the expenditure. Under our scheme, the States will be receiving a little less than a third of the outlay and a little over a third will come by way of specific assistance from the Union under the plan; for the balance they will have to raise their own resources. We have, therefore, decided not to impose any condition on the grants-in-aid recommended by us.

XIII. Distribution of Estate Duty

133. Under article 269 of the Constitution, estate duty on property other than agricultural land is to be levied and collected by the Union, but the net proceeds, except the proceeds attributable to Union territories, have to be assigned to the States and distributed among them in accordance with the principles formulated by law of Parliament.

134. Estate duty was first levied in this country in 1953 and the total collections upto 31st March 1957 have amounted to about Rs. 4½ crores. Pending Parliamentary legislation, the net proceeds

settled between the State and the Union Governments, will be permanently stationed in the Naga hills at the cost of the State Government. Assam will be unable to meet this additional expenditure and *ad hoc* assistance should be given to it by the Union.

For Bihar, we recommend a grant-in-aid of Rs. 3.5 crores a year, to be raised to Rs. 4.25 crores in each of the last two years for the reason mentioned in the case of a similar increase recommended for Assam. The grant-in-aid to Bihar is intended wholly to enable it to meet its commitments under the five year plan.

For Kerala, we recommend a grant-in-aid of Rs. 1.75 crores a year. This will assist the State to implement the five year plan.

For Madhya Pradesh, we recommend a grant-in-aid of Rs. 3 crores a year. This will assist the State to implement its development plan.

Mysore has been materially affected by reorganisation, and is in need of special assistance for meeting both its ordinary and plan deficits. We recommend a grant-in-aid of Rs. 6 crores a year for this State.

For Orissa, we recommend a grant-in-aid of Rs. 3.25 crores a year, to be raised to Rs. 3.5 crores in each of the last two years for the reason explained in the case of a similar increase recommended for Assam and Bihar. Orissa is in need of assistance both for its basic requirements and for implementing the five year plan.

For Punjab, we recommend a grant-in-aid of Rs. 2.25 crores a year. This State has special problems as a border State, with the scars of partition not wholly healed.

For Rajasthan, we recommend a grant-in-aid of Rs. 2.5 crores a year, mainly to enable it to implement its five year plan.

West Bengal is still in a difficult position; its economy and its administration are being strained by the influx of refugees from East Pakistan and it needs substantial assistance. We recommend a grant-in-aid of Rs. 3.25 crores a year. West Bengal's revenue in the last two years would be seriously dislocated by the disappearance of the grant-in-aid under article 273. The grant-in-aid recommended for that State should be raised to Rs. 4.75 crores in each of these two years.

For Jammu and Kashmir, we recommend a grant-in-aid of Rs. 3 crores a year. For some time to come, the State is likely to need assistance both for its ordinary requirements and for its development.

have been provisionally distributed among the States in the same ratio as the States' share of the divisible pool of income tax.

135. A variety of suggestions were made by the States in regard to the principles of distribution. Andhra Pradesh, Bihar, Kerala, Punjab and Uttar Pradesh proposed population as a suitable basis. Mysore suggested that 90 per cent should be allocated on the basis of population and 10 per cent on the basis of collection; Madhya Pradesh, half by population and half in proportion to the population of scheduled castes and scheduled tribes; and Orissa, 20 per cent on the basis of area and the balance on the basis of population with a weightage for scheduled castes, scheduled tribes and backward classes. Assam wanted the portion attributable to immovable property to be distributed by location and the balance on the principles adopted for the distribution of income tax, while Madras favoured distribution in the same proportion as income tax. West Bengal was for distribution on the basis of attributability and Bombay, on the basis of collection. Rajasthan proposed that 80 per cent should be distributed on the basis of population and 10 per cent on the basis of backwardness and revenue needs, the balance of 10 per cent being reserved for border States. Jammu and Kashmir wanted the distribution to be half on the basis of population and half on the basis of area.

136. Estate duty being a tax on property, the basis of location would be the most appropriate principle of distribution. It is, however, not possible to apply this principle in the case of the part relating to movable property, which may be included in an estate, and in respect of it some general principle of distribution such as population is inescapable.

137. We, therefore, recommend:—

- (1) that out of the net proceeds of the duty in any financial year, a sum equal to one per cent be retained by the Union as proceeds attributable to Union territories;
- (2) the balance be apportioned between immovable property and other property in the ratio of the gross value of all such properties brought into assessment in that year;
- (3) the sum thus apportioned to immovable property be distributed among the States in proportion to the gross value of the immovable property located in each State;

- (4) the sum apportioned to property other than immovable property be distributed among the States in proportion to their population. The percentage share of each State will be as follows:—

State	Percentage
Andhra Pradesh	8·76
Assam	2·53
Bihar	10·86
Bombay	13·52
Kerala	3·79
Madhya Pradesh	7·30
Madras	8·40
Mysore	5·43
Orissa	4·10
Punjab	4·52
Rajasthan	4·47
Uttar Pradesh	17·71
West Bengal	7·37
Jammu & Kashmir	1·24

138. We also recommend that the principles of distribution suggested above take effect from the financial year 1957-58. In respect of the preceding period, their application will be difficult owing to reorganisation of the States and will require laborious calculations. As the total amount involved is not considerable, we recommend that the distribution already made be legally ratified.

XIV. Union Loans to States

139. The next question to be considered is the modification, if any, in the rates of interest and the terms of repayment of the loans made to the various States by the Government of India between 15th August 1947 and 31st March 1956.

140. In recent years there has been a phenomenal growth in the number and amount of the loans given by the Government of India to the States. On 15th August 1947, the total debt of the Provincial Governments to the Centre was only Rs. 43·97 crores. Between that date and 31st March 1951, the number of loans had risen by about 220 and the outstanding amount had gone up to Rs. 195·41 crores. During the period of the first five year plan, namely, from 1st April 1951 to 31st March 1956, the number of outstanding loans rose by about 2570, the total outstanding debt on the latter date being