

XI. Grants-in-aid in lieu of Jute Export Duty

118. Under the Government of India Act 1935, the net proceeds of the export duty on jute and jute products were shared with the Provinces of Assam, Bihar, Orissa and West Bengal. The Constitution does not provide for the sharing of any duty of customs between the Union and the States, but to enable these States to fill the gap in their revenues caused by the elimination of these receipts, provision was made in article 273 for the payment of grants-in-aid to them for a limited period in lieu of the assignment of any share of these duties. This period will expire with the financial year 1959-60. These grants-in-aid were fixed sums, unrelated to the actual yield from the export duty; and although owing to the suspension of the duty and the ban on exports, the revenue has almost been wiped out during the last three years, these States have continued to receive fixed grants-in-aid.

119. In their representations, the Governments of Bihar and West Bengal desired that the existing grants should be permanently secured to them as grants under article 275. The Government of Assam suggested that the amount of the grant should be recalculated with reference to the increase in the production of raw jute since 1949-50, as the last Commission took into account the production in that year in arriving at the amounts of the grants-in-aid recommended by them. The Government of Orissa suggested that the total sum of Rs. 315 lakhs, which the States were receiving, should be redistributed among them on the basis of the relative production of jute in these States during the years 1952-53 to 1955-56. They also suggested that the grants-in-aid should be continued after 1959-60 and if there was any constitutional difficulty in extending the period prescribed by article 273, corresponding amounts should be paid as grants-in-aid under article 275 separately and specifically on this account.

120. We have to make recommendations as to the sums which should be prescribed as grants-in-aid for the three years 1957-58 to 1959-60. These grants-in-aid have had no relation to the actual revenue of the Government of India from the export duty on jute and jute products. There is, therefore, no question of relating them in any way to the production of jute. We think that the amounts mentioned in our interim report, which are equal to the sums prescribed on the recommendations of the first Finance Commission, as subsequently readjusted on account of the transfer of certain areas