

TERMS OF REFERENCE OF THE SECOND FINANCE COMMISSION

Para 4 of the Presidential Order dated 1st June, 1956 stated as follows:-

4. The Commission shall, in addition to making recommendations as to the matters specified in sub-clauses (a) to (c) of clause (3) of article 280, make recommendations as to the following matters, namely:-
 - (a) the sums which may be prescribed under article 273 as grants-in-aid of the revenues of the States of Assam, Bihar, Orissa and West Bengal in lieu of assignment of any share of the net proceeds in each year of export duty on jute and jute products to those States;
 - (b) the States which are in need of assistance by way of grants-in-aid of the revenues of those States under article 275, and the sums to be paid to those States, having regard, among other considerations, to:-
 - (i) the requirements of the Second Five Year Plan, and
 - (ii) the efforts made by those States to raise additional revenue from the sources available to them;
 - (c) the principles which should govern the distribution under article 269 of the net proceeds in any financial year of estate duty in respect of property other than agricultural land, levied by the Government of India in the States within which such duty is leviable; and
 - (d) the modifications, 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 the 15th day of August, 1947 and the 31st day of March, 1956". The following two matters were added to the terms of reference on 22.05.1957:-
 - (e) "the principles which should govern the distribution among the States of the net proceeds of the additional duty of excise on mill made textiles, sugar and tobacco (including manufactured tobacco) and the amounts which should be assured to the States as the income now derived by them from the levy on these commodities and the States Sales Tax which is to be replaced by the additional duty of excise. (f) the principles which should govern the distribution, under article 269 of the Constitution of the net proceeds in any financial year of the tax on railway fares proposed to be levied by the Railway Passenger Fares Bill, 1957, introduced in the Lok Sabha on 15th May, 1957".