

CONSTITUTION OF THE COMMISSION AND ITS TERMS OF
REFERENCE

MINISTRY OF FINANCE

(Department of Economic Affairs)

NOTIFICATION

New Delhi, the 2nd December, 1960.

O. 2913.—The following order made by the President is published for general information:—

ORDER

In pursuance of the provisions of article 280 of the Constitution of India and of the Finance Commission (Miscellaneous Provisions) Act, (XXXIII of 1951), the President is pleased to constitute a Finance Commission consisting of Shri Ashok Kumar Chanda as the Chairman and the following four members, viz.,

- (1) Shri P. Govinda Menon, former Chief Minister of Kerala State.
- (2) Shri Dwijendra Nath Roy, Retired High Court Judge, Allahabad.
- (3) Prof. M. V. Mathur, Head of the Department of Economics and Public Administration, University of Rajasthan, Jaipur.
- (4) Shri G. R. Kamat—*Member-Secretary*.

2. The members of the Commission shall hold office for a period of twelve months from the date on which they respectively assume office.

3. The Chairman of the Commission, Shri Ashok Kumar Chanda, shall be part-time Chairman, whereas the members shall render full-time service to the Commission.

4. In addition to the matters on which under the provisions of sub-clauses (a) and (b) of clause (3) of article 280 of the Constitution, the Commission is required to make recommendations, the Commission should also make recommendations in regard to—

- (a) the States which are in need of assistance by way of grants-in-aid of their revenues under article 275, and the sums to be paid to those States other than the sums specified in the

provisos to clause (1) of that article, having regard, among other considerations, to—

- (i) the requirements of the third Five-Year Plan, and
 - (ii) the efforts to be made by those States to raise additional revenue from the sources available to them;
- (b) the changes, if any, to be made in the principles governing the distribution amongst the States under article 269 of the net proceeds in any financial year of estate duty in respect of property other than agricultural land;
- (c) the changes, if any, to be made in the principles governing the distribution among the States under article 269 of the net proceeds in any financial year of taxes on railway fares; and
- (d) the changes, if any, to be made in the principles governing the distribution of the net proceeds in any financial year of the additional excise duties levied on each of the following commodities, namely:—
- (i) cotton fabrics,
 - (ii) rayon or artificial silk fabrics,
 - (iii) woollen fabrics,
 - (iv) sugar, and
 - (v) tobacco, including manufactured tobacco, in replacement of the States sales taxes formerly levied by the State Governments:

Provided that the share accruing to each State shall not be less than the revenue realised from the levy of sales tax in the financial year 1956-57 in that State.

5. The recommendations of the Commission shall, in each of the above cases, cover the period of four years commencing from the 1 April, 1962.

RAJENDRA PRASAD,
President.

[No. FC. 5(1)-A/6
K. P. MATHRAJ
Additional Secretary

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(Department of Economic Affairs)

New Delhi, the 28th February, 1961.

From

Shri K. P. Mathrani, I.C.S.,
Additional Secretary to the Government of India.

TO

The Secretary to the Finance Commission;
New Dem.

Sir,

I am directed to **invite** a reference to **paragraph 4(c)** of the Order issued by the President on the 2nd December, 1960, regarding the **constitution** and terms of reference of the third Finance Commission and to state that subsequent to the issue of this Order, it has been decided, in pursuance of the recommendations made by the Railway Convention Committee, 1960, to merge the tax on Railway fares with the passenger fares from the 1st April, 1961. Accordingly, it is proposed to repeal the **Railway Passenger Fares Act, 1957** with effect from that date. With the repeal of this Act, the question of the distribution amongst the States under article 269 of its net proceeds will not arise. The Railways, however, have agreed to pay to the General Revenues a tied sum of **Rs. 12.5 crores** per year during the **quinquennium 1961-66** representing the average of the actual collections during the two years 1958-59 and 1959-60. This amount is proposed to be distributed amongst the States as a grant under article 282 of the Constitution.

2. The President has been pleased to decide that the Commission may be requested to make its recommendations as to the manner in which the said sum of **Rs. 12.5 crores** should be **distributed** amongst the States. It is proposed to give effect to these recommendations from the **year** commencing on the 1st April, 1961.

3. I am to request that this reference may **be** placed before the Commission for necessary action. Accordingly, **no recommendation** of the Commission will be necessary in regard to **paragraph 4(c)** of the Order.

Yours faithfully,

K. P. MATHRANI,

Additional Secretary to the **Government** of India..