

III. DISTRIBUTION OF ASSIGNED TAXES

(i) *Estâte Duty*

19. Article 269 gives a list of duties and taxes which are to be levied and collected by the Government of India, but are assigned to the States. Of the permissible levies mentioned, only two, namely, 'estate duty in respect of property other than agricultural land' and 'tax on railway passenger fares' had hitherto been imposed. The Act imposing a tax on railway passenger fares was, however, repealed in April 1961. The only levy under this article now in force is estate duty on property other than agricultural land.

20. Article 269 also provides that the net proceeds of this duty after excluding those attributable to Union territories are to be distributed amongst the States in accordance with the principles formulated by Parliament by law. We are required to recommend the changes, if any, in the principles on which this distribution is made.

21. We agree with the second Finance Commission that these taxes have been placed under the Union Government to ensure uniformity of taxation and convenience of collection and further that each State should receive broadly the amounts which it would have raised if it had the power to levy and collect them.

22. Some of the States were content with the principles laid down by the second Commission, but, some others suggested a revision on the lines submitted for the consideration of the second Commission. After discussion with us, all the States agreed that the principles enunciated by the second Commission might be left undisturbed. We recommend the continuance of these principles which are reproduced below:

- (1) that out of the net proceeds of the duty in each financial year, a sum equal to 1 (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; and
- (4) the sum apportioned to property other than immovable property be distributed among the States in proportion to their population.

23. The percentages laid down by the second Commission need, however, revision on the basis of 1961 census. The revised percentages will be:

State	Percentage
Andhra Pradesh	8.34
Assam	2.75
Bihar	10.78
Gujarat	4.78
Jammu and Kashmir	0.83
Kerala	3.92
Madhya Pradesh	7.51
Madras	7.80
Maharashtra	9.16
Mysore	5.46
Orissa	4.08
Punjab	4.71
Rajasthan	4.67
Uttar Pradesh	17.10
West Bengal	8.11

✓ (ii) Ad hoc grant of Rs. 12.5 crores in lieu of tax on railway passenger fares.

24. The Act imposing a tax on railway passenger fares was repealed by Act No. VIII of 1961 after the Commission had been constituted. The Union Government has decided, however, to make to the States an ad hoc grant for the quinquennium 1961-66 of Rs. 12.5 crores per year representing the average of the actual collections during the two years 1958-59 and 1959-60. Our terms of reference were accordingly modified and we were asked to recommend instead the principles on which this ad hoc grant should be distributed.

25. The estimates of revenue and expenditure submitted to the Planning Commission by the States had taken account of the receipts

from this levy. It was presumably on this score that the *ad hoc* grant has been provided. We consider, therefore, that the distribution should be on the principle of compensation to place the States broadly on the same footing as before. This would accord also with the purpose of the grant. We accordingly recommended that the distribution of the sum of Rs. 12.5 crores per year amongst the States be as follows:

State	(Rupees in crores)
Andhra Pradesh	1.11
Assam	0.34
Bihar	1.17
Gujarat	0.68
Kerala	0.23
Madhya Pradesh	1.04
Madras	0.81
Maharashtra	1.35
Mysore	0.56
Orissa	0.22
Punjab	1.01
Rajasthan	0.85
Uttar Pradesh	2.34
West Bengal	0.79

12.50