

TERMS OF REFERENCE OF THE THIRD FINANCE COMMISSION

Para 4 of the Presidential Order dated 2nd December, 1960 issued by the Department of Economic Affairs as modified by that Department's letters Nos. 4(14)-B/60 dated 28.02.1961 and 13(4)-B/61 dated 21.04.1961 stated as follows:-

4. In addition to the matters on which under the provisions of sub-clauses (a) and (b) of the 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 revenues 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 manner in which the sums of Rs. 12.5 crores, which the Railway have agreed to pay to the General Revenues every year consequent on the decision taken to merge the tax on Railway Fares with the passenger fares and repeal the Railway Passenger Fares Act, 1957, should be distributed amongst the States;
 - (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) silk fabrics
 - (iv) woollen fabrics
 - (v) sugar, and
 - (vi) tobacco, including manufactured tobacco, in replacement of the sales taxes formerly levied by the State Governments."