

the consideration of the Commission and any person so required shall, notwithstanding anything contained in sub-section (2) of section 54 of the Indian Income-tax Act, 1922, or in any other law for the time being in force be deemed to be legally bound to furnish such information within the meaning of section 176 of the Indian Penal Code.

(3) The Commission shall be deemed to be a civil court for the purposes of sections 480 and 482 of the Code of Criminal Procedure, 1898 (Act V of 1898).

Explanation.—For the purposes of enforcing the attendance of witnesses, the local limits of the Commission's jurisdiction shall be the limits of the territory of India.

APPENDIX III

CORRESPONDENCE WITH THE UNION AND STATE GOVERNMENTS

(i) Letter (dated 15th April 1964) to all Accountants-General regarding Statewise collections of income-tax.

(ii) Note (dated 15th April 1964) to Ministry of Finance (Deptt. of Economic Affairs), New Delhi regarding forecast, revenue and capital grants, plan schemes and loan repayments.

(iii) Letter (dated 30th April 1964) to all Accountants-General regarding repayment of loans.

(iv) Letter (dated 12th May 1964) to all State Governments regarding Memorandum on Commission's terms of reference, forecast and information on Subsidiary Points.

(v) Letter (dated 9th July 1964) to all State Governments (except Nagaland) regarding questionnaire relating to terms of reference (e) and supplementary information.

(vi) Letter (dated 5th August 1964) to Secretary, Deptt. of Economic Affairs, Ministry of Finance, Government of India.

(vii) Letter (dated 11th August 1964) from the Secretary, Deptt. of Economic Affairs, Ministry of Finance, Government of India, to Member-Secretary, Finance Commission.

(viii) Letter (dated 28th November 1964) to Secretary, Deptt. of Economic Affairs, Ministry of Finance, Government of India.

(ix) Letter (dated 4th December 1964) to all States regarding details of committed expenditure.

(x) Letter (dated 9th March 1965) from Secretary, Deptt. of Economic Affairs, Ministry of Finance, Government of India with enclosures.

(xi) Letter (dated 11th January 1955) from Shri M. V. Rangachari, Deptt. of Revenue and Expenditure, Ministry of Finance, Government of India, to Finance Secretaries of all Part A and Part B States except J. & K.

APPENDIX III

CORRESPONDENCE WITH THE UNION AND
STATE GOVERNMENTS

- (i) D.O. letter No. EC 4(1)-B/64, dated the 15th April, 1964, from Shri P. C. Mathew, Special Secretary, Ministry of Finance (Department of Economic Affairs), New Delhi, to all the Accountants General.

(Vide para 3 of Report)

The Fourth Finance Commission is expected to be set up shortly as required by article 280 of the Constitution. For the purposes of making recommendations to the President as to the distribution between the Union and States of the net proceeds of taxes on income, the Commission will require state-wise figures of actual collections of income-tax forming the divisible pool during each of the years 1961-62, 1962-63 and 1963-64 (preliminary actuals). I shall be grateful if the required information is compiled and furnished to the Commission by 1st June, 1964. A copy of the proforma showing the heads under which the figures may be furnished, is enclosed. The sub-heads shown in the proforma may please be compared with the heads under which figures are compiled in your office; and where there is any difference in nomenclatures, or if any other heads are opened in your books, these may be indicated in the statements furnished by you and appropriate figures of collections shown against them so that the Commission will have a complete picture of the State-wise collections of taxes which form the divisible pool. If there are any Centrally administered territories included in your circle, the figures relating to them may be given in a separate statement.

2*. In addition to the figures relating to Assam State, you are requested kindly to send the figures in respect of the State of Nagaland also. The latter figures for the past years, will be those pertaining to the Naga Hills and Tuensang Area.

Copy forwarded to—

- (1) The A.G.C.R., New Delhi, with the request that similar information in respect of the Union Territories of Delhi, and Andaman and Nicobar Islands may be furnished so as to reach here by 1st June, 1964.

- (2) Director of Accounts, Goa, Daman and Diu, Panjim.
(3) Pay and Accounts Officer, Pondicherry.

It is requested that the information, to the extent available in respect of income tax collections in the Union Territories of Goa, Daman and Diu and Pondicherry, including those which were formerly being credited to the Head "L-II-Miscellaneous" may be furnished so as to reach here by 1st June, 1964.

*For Accountant-General, Assam and Nagaland only.

IV—Taxes on income other than Corporation Tax for the State of.....
(excluding Central surcharge, income-tax on Union emoluments, advance pay-
ments and miscellaneous items).

(In thousands of Rs.)

	Accounts, 1961-62	Accounts, 1962-63	Preliminary actuals, 1963-64
--	----------------------	----------------------	------------------------------------

Income-Tax

1. Ordinary collections :
 - (i) Income Tax on companies
 - (ii) Other collections
2. Deductions from salaries and pensions ;
 - (ii) Taxes in respect of other Gov-
ernment employees
 - (iii) Taxes in respect of persons other
than Government employees
3. Deductions from interest on Securities
4. Deductions from dividends and other
incomes (excluding salaries and inter-
est on securities)

Deduct—Refunds

- (i) Payment on account of Double
Income Tax relief granted to com-
panies.
- (ii) Other income-tax refunds granted
to companies
- (iv) Other refunds

Super-Tax

1. Deduction from salaries and pensions
 - (ii) Super-tax in respect of other
Government employees
 - (iii) Super-tax in respect of persons
other than Govt. employees.
2. Deductions from interest on securities
3. Deductions from dividends and other
income (excluding salaries and interest
on securities)
5. Other collections

	Accounts, 1961-62	Accounts, 1962-63	Preliminary actuals, 1963-64
--	----------------------	----------------------	------------------------------------

Deduct—Refunds

- (ii) Other Refunds

Surcharge (Special)

- (i) Ordinary collections
- (ii) *Deduct—Refunds*

Excess Profits Tax

- (1) Ordinary collections
- (2) *Deduct—Amount transferred to the
Deposit Account of Excess Profits Tax
refundable to assesseees under Indian
Finance Act, 1942.*
- (3) *Deduct—Refunds*
 - (i) Double Excess Profits Tax relief
 - (ii) Other refunds

Business Profits Tax

- (i) Ordinary collections
- (ii) *Deduct—Refunds*

Net—Grand Total

Appendix III (ii)

(ii) Note No. FC 1(1)-B/64 dated the 15th April, 1964 from Shri P. C. Mathew, Special Secretary, Ministry of Finance (Department of Economic Affairs), New Delhi, to the Joint Secretary (Budget), Ministry of Finance (Department of Economic Affairs), New Delhi.

(vide para 3 of Report)

Will the Budget Division kindly arrange to collect the following material for the information and use of the Finance Commission:

- (a) A forecast, in the attached form, of the Revenue and expenditure of the Central Government by major heads of account for the years 1965-66 to 1970-71 together with the corresponding data for the four-year period 1961-62 to 1964-65. In working out the forecast of expenditures for the years 1966-67 to 1970-71, due provision may please be made for maintenance expenditure on account of the schemes taken up in the Third Plan and likely to be completed by 1965-66. It will be a great help if the estimates of this type of maintenance expenditure are shown separately;
- (b) A statement showing for each of the four years ending 1964-65 estimates of grants to the States from current revenues. Brief notes explaining the basis on which each grant was calculated and the purpose of the grant may also be furnished. The break up of these grants between plan and non-plan items may also be indicated. In case it is possible to give State-wise estimates, that may also be done. (For the purpose of this Statement, the payment of the States' share of income tax and Union excise, and the allocation to the States of Estate Duty and additional duties of excise in lieu of sales tax should not be treated as a grant).
- (c) A statement showing capital grants (but not loans) to the States over the four years 1961-62 to 1964-65. The nature of these grants and their distribution between plan and non-plan heads may also be indicated. Here again, in case it is possible to give State-wise figures, that may also please be done.

- (d) A statement showing centrally-sponsored schemes of the Third Plan under each of the developmental heads with brief explanatory notes.
- (e) A statement showing repayments of loans due from each State in each of the years 1966-67 to 1970-71 under the three broad categories:
 - (i) Repayments in respect of loans for plan schemes paid to the States upto 1963-64;
 - (ii) Repayments on account of loans given to States on account of small savings collections upto 1963-64; and
 - (iii) Repayments in respect of other loans given to the States upto 1963-64.

In respect of the last category, brief notes regarding the nature, terms and duration of the loans may be indicated.

2. Ten copies of the material assembled may be kept ready and sent to the Commission by 1st June, 1964 by which time it is expected that the Commission would have been set up.

Enclosure to Appendix III (ii)

I

Revenue Receipt

		(Rs. in lakhs)															
		1965-66 (Estimates)											Total 1966-67 to 1970-71				
		1962-63 (Accts)	1963-64 (R.E.)	1964-65 (B.E.)	1965-66 (Estimates)	1961-62 to 1965-66	1966-67 to 1970-71										
		1	2	3	4	5	6	7	8	9	10	11	12	13			
1961-62 (Accts)																	
1962-63 (Accts)																	
1963-64 (R.E.)																	
1964-65 (B.E.)																	
1965-66 (Estimates)																	
1966-67 to 1970-71																	
TOTAL																	

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II

Revenue Expenditure

		(Rs. in lakhs)															
		1965-66 (Estimates)											Total 1966-67 to 1970-71				
		1962-63 (Accts)	1963-64 (R.E.)	1964-65 (B.E.)	1965-66 (Estimates)	1961-62 to 1965-66	1966-67 to 1970-71										
		1	2	3	4	5	6	7	8	9	10	11	12	13			
1961-62 (Accts)																	
1962-63 (Accts)																	
1963-64 (R.E.)																	
1964-65 (B.E.)																	
1965-66 (Estimates)																	
1966-67 to 1970-71																	
TOTAL																	

Net Surplus
Deficit

Notes:

Enclosure to Appendix III (ii)

1. As mentioned in the U. O. note, figures are to be shown by major heads of account. Details may, however, be given under Major heads like "Miscellaneous" of special items of significant magnitudes.

2. In working out the forecast for the years 1966-67 to 1970-71, following points may please be kept in mind:

- In the Section dealing with revenue, no deductions should be made on account of the States share of income tax or estate duty; but a separate statement should be furnished giving an estimate for each year of the divisible pool of income tax and the total of the distributable amount of estate duty. The contribution receivable from the railways in lieu of tax on railway fares should be shown separately from other contribution from railways.
- Brief explanations should be given of any large variations in the revenue estimates from year to year.
- Details of the estimates relating to Union excise duties may be given by major articles.
- In the expenditure estimates, details of the provision included in each year for grants to States should be given.
- Grants payable to the States in lieu of tax on railway fares should be shown separately from other grants.
- The share of the divisible excises (including additional duties of excise) payable to the States, if included in the expenditure estimates, should be shown separately.
- As on the revenue side, variations in the estimates of expenditure from year to year should be briefly explained.
- Both the revenue and the expenditure estimates should be on the existing levels of taxation and the present scales of expenditures; they should, however, take into account the normal growth of revenue and expenditures. Provision should also be made for any foreseeable measures of important non-developmental expenditures, showing the amounts separately with suitable explanations to indicate obligatory character of such measures.
- In the statement relating to revenue expenditure for the years 1961-62 to 1965-66, under such heads of accounts as have plan expenditures, the break up of total expenditure

Enclosure to Appendix III (ii)—contd.

between plan and non-plan may please be indicated. For the years 1966-67 to 1970-71, no provision should be included in the estimates for such developmental expenditures as will be included in the Fourth Plan; these are to be shown in a separate statement. For these years the estimates to be included in the Statement should refer to:

- (a) maintenance expenditure on account of the Third plan schemes, both revenue and capital;
- (b) such new developmental expenditure as for one reason or the other is not going to be included in the Fourth Plan; and
- (c) all such normal continuing expenditure as was not included in the Third Plan and as would not be included in the Fourth Plan either.

Appendix III (iii)

- (iii) D. O. letter No. FC2(1)-B/64, dated the 30th April, 1964, from Shri P. C. Mathew, Special Secretary, Ministry of Finance, (Department of Economic Affairs), New Delhi, to all the Accountants General.

Will you please refer to my D. O. letter No. 4(1)-B/64, dated the 15th April, 1964 regarding information about income tax collections in each State?

2. The Commission would also like to have information about the repayments of various loans due from the States to the Central Government during the period 1966-67 to 1970-71.

3. I request that information in the proforma enclosed may be sent in respect of the State(s) with which you are concerned, so as to reach the Commission by the 1st June, 1964.

- (a) A statement showing repayments of loans due from the State in each of the years 1966-67 to 1970-71 under the three broad categories:
 - (i) Repayments in respect of Loans for Plan Schemes paid to the States upto 1963-64;
 - (ii) Repayments in respect of loans given to States on account of small savings collections upto 1963-64; and
 - (iii) Repayments in respect of other loans given to the States upto 1963-64.

[The repayments should include repayment of loans advanced from Funds such as the Special Development Fund.]

- (b) In respect of the last category i.e. '(iii) other loans', brief notes indicating the nature, terms and duration of the loans may be furnished.

Enclosure to Appendix III(iii)

Repayment of outstanding loans due to the Government of India
from..... State

(In thousands of rupees)

Category of Loans	1966-67	1967-68	1968-69	1969-70	1970-71	TOTAL
(i) Loans for plan schemes paid to State upto 1963-64						
(ii) Loans given to State on account of Small Savings Collections upto 1963-64						
(iii) *Other loans given to State upto 1963-64						

*Brief notes regarding nature, terms and duration of the loans may be attached in respect of category (iii) of the loans viz. 'other loans.'

NOTE: Repayments should include those in respect of loans advanced from Special Development Fund and other Funds.

Appendix III (iv)

(iv) Letter No. FC 1(2)-B/64, dated the 12th May 1964, from Shri P. C. Mathew, Special Secretary, Ministry of Finance (Department of Economic Affairs), New Delhi, to the Finance Secretaries of all the States.

(vide para 3 of Report)

I send herewith copy of the Notification, dated May, 5, 1964, containing the Presidential Order setting up the Fourth Finance Commission. It will be seen from the terms of reference that the Commission has to make recommendations to the President *inter alia* in regard to the following

- (i) the allocations of income-tax and other divisible taxes under Articles 270 and 272 of the Constitution; and
- (ii) the sums to be paid as grants-in-aid of the revenues of the States under the substantive part of Article 275(1) of the Constitution to such States as are found to be in need of them.

2. As regards the allocation and distribution of income-tax, the Commission will have before it the considerations which have influenced the past settlement. But it will assist the Commission if each State Government prepares a self-contained memorandum expressing its views on the existing basis for the division of proceeds of the income-tax and setting forth the modifications, if any, which it would urge and the reasons in support thereof.

3. As regards the allocation of Union excise duties, including additional excise duties levied in lieu of sales tax, the Commission would welcome the comments of the State Governments on the existing division and their suggestions in regard to future allocation. Here again a self-contained memorandum will be useful.

4. For determining the States in need of assistance and grants-in-aid under the substantive part of the article 275(1), the Commission will require from all States a forecast, year by year, of the estimated revenue and expenditure for 1965-66 and for the subsequent five years ending 1970-71. This forecast may please be prepared in the forms appended as Annexure I to this letter. It is necessary to point out that the data for the five years ending 1970-71 to be given in Annexure I should exclude:

- (i) receipts from any additional taxation that might be undertaken during the period 1966-67 to 1970-71; and

- (ii) expenditure on schemes to be undertaken as part of the Fourth Plan.

On both these points it is proposed to address the Planning Commission to supply the necessary data.

5. Both the Second and the Third Finance Commissions had asked for detailed notes on several subsidiary points relating to financial and economic matters. The points on which similar detailed notes are likely to be required by the Fourth Finance Commission are listed in Annexure II. I shall be glad if you kindly arrange to send a detailed note on each of these points.

6. One of the terms of reference of the present Finance Commission is to make recommendations to the President in regard to the following:

“the effect of the combined incidence of a State's sales tax and Union duties of excise on the production, consumption or export of commodities or products, the duties on which are shareable with the States, and the adjustments, if any, to be made in the State's share of Union excise duties, if there is any increase in the State's sales tax on such commodities or products over a limit to be specified by the Commission”.

The Commission would naturally like to have data which might assist it in a proper study of the above question. A detailed questionnaire on this may be sent later but in the meantime whatever data State Governments feel might be of use to the Commission on this point, may please be sent along with a memorandum setting out the views of the State Governments on this subject.

7. Some of the items asked for in Annexures I and II may not be directly related to the questions referred to in article 280(3)(a) and (b) of the Constitution but information on such related matters is likely to be of help to assist the Commission to weigh alternative claims and arguments on the terms of reference and to understand the real basis for the States' plans and forecasts.

8. I shall be grateful if the memorandum and the statements asked for in this letter (with ten spare copies) are sent to the Commission by the middle of July 1964. In case the Commission decides to ask for further material, I will write to you accordingly.

9. If there is any point on which you require any clarification or further instructions, will you kindly write to me?

STATEMENT ONE

RECEIPTS ON REVENUE ACCOUNT

		(Rs. in lakhs)									
1961-62 (Accis)	1962-63 (Accis)	1963-64 (R. E.)	1964-65 (B.E.)	1965-66 (Esti- mates)	1966-67	1968-69	1970-71	Total for five years 1966-67 to 1970-71			
1	2	3	4	5	6 T	1	2	3	4	5	6 T
		Hheads of Account		Total						Total for five years 1966-67 to 1970-71	
A. TAXES, DUTIES & OTHER PRIN- CIPAL HEADS OF REVENUE											
IV. Taxes on income other than Corpo- ration tax.											
Information asked for each Major Head of Revenue (not repeated)											
TOTAL—REVENUE RECEIPTS											

In this statement, for the period 1966-67 to 1970-71, credit may not be taken for non-plan non-statutory grants, a separate note may, however, be furnished indicating the precise basis and the amounts anticipated during the Fourth Plan period.

Enclosure to Appendix III (iv)
Annexure I—(contd.)

EXPLANATORY NOTE REGARDING STATEMENT ONE

1. For the period 1966-67 to 1970-71 no estimates need be given in regard to the States' share of income-tax, divisible excises, additional duties of excise collected by the Centre in lieu of Sales Tax and estate duty in respect of non-agricultural properties.
2. For the period 1966-67 to 1970-71, grants received by the States under the substantive provision of article 275 (1) of the Constitution, grant in lieu of tax on railway fares and all such grants as are linked with the Fourth Plan schemes should not be taken credit for. Full details should be given of any other grants from the Centre included in the estimates, indicating the major heads of account under which they are shown.
3. As regards various items of State taxes like land revenue, sales tax etc., the estimates of receipts for the Third Plan period should be inclusive of receipts from additional taxation undertaken during this period. The forecast for the Fourth Plan period should be on the basis of the *tax rates likely to be reached in the financial year 1965-66*. In working out the forecast, account should be taken not only of the past trends, but also of the impact that the growth of the economy and production increases in the Fourth Plan period would have on tax and non-tax items. It would be useful if assumptions made in this respect are clearly spelt out. It is well known that receipts under all taxes do not respond uniformly to the growth of the economy. Some taxes are linked with agricultural production while others with industrial production. In working out the estimates such structural relations might be borne in mind.
4. While working out estimates of various taxes, account should be taken of the possible realisation of outstanding arrears. It would be useful if the amounts representing arrear collections in respect of various items from year to year both for the Third as well as the Fourth Plan periods, are explained suitably. A separate statement indicating the likely outstanding arrears as at end of the Third Plan and the progress in regard to their realization during the Fourth Plan period may please be furnished.
5. Under items of non-tax revenues like forest, irrigation etc. the figures should exclude all grants from the Centre and transfers from

funds as these are required to be shown separately. In working out the estimates for the period of the Fourth Plan, the assumption might be made that the present rates or prices charged by various enterprises like irrigation, industrial projects, transport scheme, etc. will continue. The question of making changes in rates or prices charged will have to be considered separately. In working out the estimates, allowance should be made for increases in production as a result of the growth of the economy or of expansion programmes in various sectors contemplated under the Fourth Plan.

6. In the case of interest, credit should be taken for only such receipts as are likely to be realized on account of loans disbursed up to the end of the Third Plan period or on non-plan loans likely to be disbursed in the Fourth Plan period. Interest receipts on account of plan loans to be disbursed in the Fourth Plan period are not to be shown in this statement; these are to be indicated in Statement Three.

7. In case under any of the items, credit has been taken for transfers from any Funds maintained in the Public Account, this may please be indicated along with details. Similarly if in Statement Two, there are entries relating to transfers to Funds, those may also be shown separately. It would be best to incorporate the information relating to operation of Funds in a self contained Memorandum.

Encloser to Appendix III (iv)
Annexure I—contd.

STATEMENT TWO
EXPENDITURE MET FROM REVENUE

STATEMENT TWO
EXPENDITURE MET FROM REVENUE

NAME OF THE STATE	Third Plan period					Total for five years 1961-62 to 1965-66	Fourth Plan period					Total for five years 1966-67 to 1970-71
	1	2	3	4	5		T.	1	2	3	4	
	1961-62	1962-63	1963-64	1964-65	1965-66		1966-67	1967-68	1968-69	1969-70	1970-71	

A. COLLECTION OF TAXES, DUTIES AND OTHER PRINCIPAL REVENUES:

- (a) Plan expenditure:—
 - (i) State
 - (ii) Central Plan
- (b) Non-Plan expenditure:—
 - (i) Third Plan maintenance
 - (ii) Other expenditure

28. Education:

- (i) State
 - (ii) Central Plan
- Information asked for under each Major Head of Expenditure (Not repeated)

TOTAL—EXPENDITURE MET FROM REVENUE

EXPLANATORY NOTES REGARDING STATEMENT TWO

1. This statement calls for data on revenue expenditure not connected with the Fourth Plan. In working out the estimates for the period 1966-67 to 1970-71, due account should be taken of such liability as the maintenance expenditure on account of the Third Plan schemes would throw on the State budget. Each of the items of developmental nature like education, irrigation etc., has been divided in this statement into two sub-heads, namely (a) Plan expenditures, and (b) Non-Plan expenditures. Sub-head (a) has been further divided into two, viz., (a)(i) expenditure on State Plan schemes, and (a)(ii) expenditure on Central Plan schemes. For the Third Plan period, Plan expenditure is to be shown against items (a)(i) and (a)(ii). However, for the Fourth Plan period, no estimates are to be given in this statement under these items. The total committed expenditure for the Fourth Plan period, under each main item has to be shown against sub-head (b). The estimates shown under (b) for the Fourth Plan period should provide for expenditure which is essential for maintaining the level of development expected to be reached by the end of the Third Plan including maintenance expenditure on Third Plan schemes. Sub-head (b) has also been broken into two, namely (b)(i) expenditure connected with the maintenance of Third Plan schemes and (b)(ii) the remaining expenditure. The estimates of expenditure on the maintenance of Third Plan Schemes—whether they are State schemes or Central schemes and whether they are on capital account or revenue account—to be shown against (b)(i) should include maintenance expenditure of a recurring nature. The basis of the figures shown against (b)(i) may please be explained. While projecting committed expenditure during the Fourth Plan period care has to be taken to eliminate all expenditures of a non-recurring nature incurred in the Third Plan period—whether as part of the Plan or outside it. In the case of maintenance expenditure relating to Centrally sponsored schemes, explanatory notes may please be furnished indicating the likely Central grants that are anticipated over the Fourth Plan period. Credit for these grants is not to be taken in Statement One but the relevant information has in any case to be furnished.

2. In regard to 'interest on debt and other obligations', estimates for the Fourth Plan period should relate to only such interest payments as will be required on account of loans outstanding as on

31st March 1966. No provision should be made here for interest on account of borrowings that may have to be resorted to in the period of the Fourth Plan; estimate for these are to be given in Statement Three. It may be noted that interest payment on account of loans debited to commercial enterprises, such as electricity schemes, road transport schemes, irrigation schemes, multi-purpose river valley schemes and industrial schemes are also to be included here and shown separately.

3. Estimates in regard to appropriation for reduction or avoidance of debt should not include any provision for depreciation, amortisation or repayment of loans. These should include only: (i) provision for any *obligatory* sinking fund or depreciation charges in respect of public loans, and (ii) the transfer of the proceeds of the betterment levy towards reduction of the capital cost of the project and/or repayment to the Centre. A self-contained note on the present position in regard to the maintenance of sinking fund for avoidance of debt and the modification proposed in this regard may please be furnished.

4. Estimates of non-development expenditure like general administration, police etc., during the period of the Fourth Plan should take into account the scope for economy consistent with efficiency. An attempt should be made to give a realistic picture of the claims of non-development expenditure of the State's resources.

5. In the case of multi-purpose river valley schemes, irrigation and electricity schemes, and road and water transport schemes, details of working expenses, interest charges etc. should be indicated separately for each year.

6. If the estimates include any special item of expenditure, this should be indicated in explanatory notes; particularly, any major increase in the non-plan expenditure due to reasons such as administrative reorganisation, general revision of emoluments etc., should be explained in detail.

STATEMENT THREE

Interest Receipts and Liability on Account of Borrowings and Related Operations during the Fourth Plan Period

(Not taken into account in Statements ONE and TWO)

	(Rs. in lakhs)					
	1966-67	1967-68	1968-69	1969-70	1970-71	Total for five years.
	I	2	3	4	5	T
1. Interest receipts on account of loans and advances given by the State Government during the years 1966-67 to 1970-71.						
2. Interest payments to the public on account of loans to be raised in the Fourth Plan period.						
3. Interest payments to the Centre on account of loans likely to be received in the Fourth Plan period						
(i) on loans for plan schemes						
(ii) on loans under the Small Savings sharing formula						
(iii) on other loans						
4. Appropriation for reduction or avoidance of debt on loans raised during the Fourth Plan period.						
(i) on account of public loans						
(ii) on account of the loans from the Centre.						

EXPLANATORY NOTE REGARDING STATEMENT THREE

Precise basis of the estimates may please be given. For example, in the case of interest liability on account of loans from the public in the Fourth Plan period it would be necessary to get the following data for each of the years—

- (i) Outstandings as at the end of 1966-67.
- (ii) Borrowing from the public in 1967-68.
- (iii) Repayments during the year 1966-67.
- (iv) Outstandings as at the end of 1966-67.
- (v) Rate of interest.

-
- (i) Outstandings as at the end of 1966-67.
 - (ii) Borrowing from the public in 1967-68.
 - (iii)
 - (iv)
 - (v)

Similar information in the case of (i) loans and advances from the State Government to third parties as also (ii) loans to the State Governments from the Centre, would be useful.

It is realised that the estimates involve various assumptions and that these assumptions will have to be checked with estimates that emerge in connection with the Fourth Plan.

Enclosure to Appendix III (iv)
Annexure II

List of Subsidiary Points

1. Rates of principal taxes/duties/fees:—

- (i) Agricultural income tax
- (ii) Stamp duties
- (iii) Registration fees
- (iv) Motor vehicles tax
- (v) Taxes on passengers and goods
- (vi) Sales tax on motor spirit and General Sales Tax
- (vii) Entertainment tax, Cinema show tax and Betting Tax
- (viii) Electricity duty, and
- (ix) Other taxes

in 1960-61 and the changes made therein during the period upto 1963-64. Any changes that may be or may have been made in 1964-65 may also be indicated.

2. Basis and rates of land revenue assessment including surcharge, special rates, etc. in 1960-61 and changes during 1961-62, and onwards. The rates of land revenue assessment may be given:—

- (i) for each district and
- (ii) minimum and maximum rates for dry, wet or garden lands.

3. Details of excise revenue for the years 1960-61 to 1964-65. A self-contained note giving factual information in regard to prohibition, the State Government's views on the subject and the future plans in that regard.

4. Particulars of cesses levied by the State, their purposes, the total proceeds of each cess, the amounts, if any, thereof transferred to local bodies or spent directly by the State Governments during 1960-61 and onwards.

5. The nature of economy measures, if any, carried out by the State Government in the years 1960-61 to 1963-64 inclusive and their results.

6. Revisions of pay and allowances of—

- (i) State employees,
- (ii) Employees of local authorities, and
- (iii) Employees of quasi-government bodies.

financed by the State Government in each of the years from 1960-61 onwards and the consequent increase in expenditure.

7. Important measures of administrative reorganisations, if any, carried out during the years 1960-61 and onwards, the purpose of these reorganisations and their impact on the revenue budget of the State Government.

8. Financial results of the working of the State commercial and industrial undertakings like road transport, electricity schemes, industries etc. for which commercial accounts are maintained, during each of the years beginning 1960-61.

9. New State enterprises established or addition to, and expansion of, existing enterprises during 1960-61 to 1963-64 and those proposed to be established during 1964-65 and 1965-66 and from 1966-67 to 1970-71 (only schemes costing Rs. 10 lakhs and over need be given).

10. Debt position of the State showing separately the total outstanding debt to (i) the public, (ii) the Central Government and (iii) any other institution on 1st April 1952, 1st April 1957, and on the 1st April of each of the years beginning 1961, and the interest yielding assets held against such debt (as per illustrative proforma).

11. Position of Takavi and land improvement loans—advances, recoveries and remissions and writes-off during each of the years beginning 1960-61 and total outstandings and overdue arrears at the end of each of these years. The action taken on the Report of the Committee on Takavi loans and Cooperative Credit may kindly be indicated in detail.

12. Revenue (indicating separately grants from State Government) of local bodies and expenditure incurred by them on roads, education, medical and health services in each of the years beginning 1960-61 (in this connection, the action taken on the Report of the Study Team on Panchayati Raj Finances, 1963 may kindly be indicated).

13. Mileage of National highways and A, B and C class roads on 1st April 1948, 1st April 1951, 1st April 1956 and 1st April 1961, 1962, 1963, 1964 and 1965. In this connection, the mileage of highways, District Board roads, famine roads etc. may kindly be given separately. The amounts of grants-in-aid made under article 275 (1) in pursuance of the recommendations of the Third Finance Commission and the utilisation thereof and the consequent improvement in communications may also be stated.

14. Strength of establishment under Police (with separate figures for border police where such police is maintained separately, Home Guards, Prantiya Raksha Dal etc.). General Administration, Justice, Jails on 1st April 1948, 1st April 1951, 1st April 1956 and in each of the years beginning April 1960.

15. Number of primary schools, pupils and teachers therein on 1st April 1948, 1st April 1952, 1st April 1956 and in each of the years beginning April 1960. In this connection the additional strength of pupils in these schools together with the age-groups may kindly be given.

16. Number of hospitals and dispensaries, total number of beds, nurses, doctors and midwives, rural and urban separately, on 1st April 1948, 1st April 1952, 1st April 1956 and in each of the years beginning 1st April 1960.

17. Programme of agrarian reforms in the State, their effect on revenue and expenditure, production of food-grains and commercial crops, during the years 1960-61 and onwards.

18. Grow More Food Schemes, 1960-61 to 1964-65. Give for each year particulars of—

- (i) gross expenditure,
- (ii) loans,
- (iii) grants received from the Centre.

Also give increase in food production over this period.

19. Details of the programme of Community Development, giving specially the progress so far in regard to opening of Community Development and National Extension Service blocks in each of the years beginning 1960-61, as well as the programmes for the extension of the scheme during the rest of the Third Plan period and the programme for the Fourth Five Year Plan period. In this connection, the strength and work of the Village Volunteer Force may please be given.

20. Kilowatt hours of energy generated in 1948, 1952, 1956, and in each of the years beginning 1960, by

- (i) State undertakings (excluding purchases from D.V.C.) and
- (ii) private undertakings.

In this connection, the progress of rural electrification programme since 1956 may be indicated, together with the programme for each of the years upto 1965-66, and for the Fourth Five Year Plan period.

21. Financial and other details of each of the major irrigation and hydro-electric projects, relating to the period 1956-57 to 1960-61- and in each of the subsequent years, indicating capital outlay, running costs and the revenue derived each year and other tangible benefits of the project.

22. The progress made in the reorientation of the economy towards defence, and the consequent impact on the budget.

23. Preparation and compilation of statistics relating to State income, collection of consumption data regarding commodities subject to Union Excise duties. (An explanatory note on the subject may be given).

24. The amounts included in the forecasts by way of transfers to and from any reserve funds with explanations as to the nature of those funds.

25. A statement showing the recommendations of the Taxation Enquiry Commission which have been implemented, the resulting increase in revenue and the estimated additional revenue if the remaining recommendations are implemented.

26. A statement giving the details of additional taxation which the State Government had proposed at the time of the formulation of the Third Five Year Plan and the taxation measures actually implemented with their yields during the period of that Plan and their expected proceeds during future years.

27. The position of arrears in the collection of land revenue and of sales tax, during the years 1960-61 to 1963-64 with a detailed statement showing for each year, and in respect of each of these two sources of revenue (i) the arrears outstanding at the beginning

of the year; (ii) the demand for the year, (iii) the amounts collected, (iv) the amounts remitted or written off, and (v) the balance carried forward to the subsequent year.

28. Matching or *ad hoc* grants received or expected to be received from the Central Government and other statutory or non-statutory bodies, e.g., the National Cooperative Development and Warehousing Board, the Indian Council of Agricultural Research, the Indian Central Cotton Committee, the Indian Central Jute Committee, the Handloom Board etc. during the year 1960-61 to 1964-65 showing separately:

- (i) the gross expenditure on account of plan and non-plan schemes financed by such grants;
- (ii) the pattern and duration of the grants.

29. Receipts, payments and balances in the State Road Fund, and the famine and natural calamities fund, if established (*vide* para 184 of the second Finance Commission's report and para 17 of the Third Finance Commission's Report), for each of the years 1960-61 to 1964-65.

30. Total expenditure in connection with famine and natural calamities in each of the last 10 years and the amount of assistance received from the Centre towards such expenditure, by way of supply of foodgrains at concessional prices or otherwise.

Enclosure to Appendix III (iv)
Annexure II—*contd.*

PROFORMA FOR ITEM NO. 10

NAME OF THE STATE. _____

FINANCIAL POSITION OF THE STATE GOVERNMENT

(The position of liabilities and assets under some important heads)

(Rs. in lakhs)

Outstanding as on

	31st March 1952		31st March 1957		31st March 1961		31st March 1962		31st March 1963		31st March 1964		31st March 1965		31st March 1966	
A. Indebtedness :																
1. Loans from the public																
2. Loans from the Centre																
3. Loans from R. B. I.																
4. Loans from L. I. C.																
5. Loans from the National Cooperative Development Corporation																
6. Floating debt*																
7. Unfunded debt																
8. Any other loans																

*This should include outstanding ways and means advances from RBI and cash credit advances from the State Bank of India, if any.

Outstanding as on

	31st March 1952	31st March 1957	31st March 1961	31st March 1962	31st March 1963	31st March 1964	31st March 1965	31st March 1966
B. Cash Balances and Holdings of Securities:								
1. Cash balance.								
2. Securities held in Cash Balance Investment Account								
3. Securities held in Sinking Fund Investment Account								
4. Securities held on account of other Reserve Funds								
C. Loans and Advances by the State:								
1. To local bodies.								
2. To agriculturists for various purposes								
3. To others.								
D. Holdings of Stocks of* Essential Commodities on Government Account.								

*Value and not the quantity as such has to be indicated.

- (v) Letter No. FC 14(1)-B/64, dated the 9th July, 1964, from Dr. D. N. Saxena, Joint Secretary, Finance Commission, Church Road Hutments, New Delhi, to the Finance Secretaries of all the States (except Nagaland).

(vide para 86 of the Report)

I am directed to invite a reference to paragraph 6 of the Ministry of Finance letter No. FC 1(2)-B/64, dated May 12 1964, dealing with supply of material for the use of the Fourth Finance Commission. In paragraph 6 of that letter it was stated that on the subject of co-ordination between sales taxes and Union excise duties, which is covered by part (e) of the terms of reference of this Commission a detailed questionnaire would be sent later. Herewith I send five copies of a proforma setting out the items in respect of which information is needed.

2. The information to be furnished in the proforma may please be supplemented with—

- (i) Six copies of General sales Tax Act and the Act dealing with Sales Tax on Motor Spirits as applicable to your State (these should be up-to-date i.e. should include all amendments carried out recently);
- (ii) a brief note indicating such salient features of the sales tax system as the minimum turnover at which the tax becomes applicable, the system of levy i.e. whether it is single point, multi point or double point or a combination, exemptions etc; and
- (iii) a self-contained memorandum setting out the views of the State Government on part (e) of the terms of reference of the Commission.

3. It is requested that the Acts asked for vide item (i) above may please be sent by the end of this month and the remaining information alongwith the Memorandum by the middle of August, 1964.

PROFORMA ATTACHED TO FINANCE COMMISSION LETTER
NO. 14(1)-B/64, DATED JULY 9, 1964.

Rates of Sales Tax on Commodities/Products bearing Union Excise Duties

Commodities/Products	System of of levy whether single point or multi- point or double point	1961-62				$\frac{4}{5} \times 100$
		Rate of sales tax	Sales tax yield (Rs. lakhs)	Total value of sales at the final stage	Total effective sales tax rate on each commo- dity	
1	2	3	4	5	6	
1.						
2.						
3.						
4.						
5.						
6.						
8.						
9.						
10.						
11.						

NOTE: Similar information to be furnished for each year up to 1964-65.

Enclosure to Appendix III(v)

EXPLANATORY NOTE TO PROFORMA ATTACHED TO FINANCE
COMMISSION LETTER No. FC 14(1)-B/64, DATED JULY 9, 1964

This proforma is intended to collect information in regard to rates of sales taxes in different States on commodities that are subject to Union excise levies.

2. At present there are as many as 68 commodities on the Union excise tariff list. Out of these, the following eight are exempt from sales taxes in all the States in terms of the arrangement regarding additional excises in lieu of sales taxes. These are:

- (i) Cotton fabrics;
- (ii) Silk fabrics;
- (iii) Rayon or artificial silk fabrics;
- (iv) Woollen fabrics;
- (v) Sugar;
- (vi) Tobacco (unmanufactured);
- (vii) Cigars and Cheroots; and
- (viii) Cigarettes.

The above commodities are, therefore, not to be included in the proforma. It is only in respect of the remaining 60 commodities that the information asked for in the proforma has to be given. These 60 commodities are as follows:

1. Motor spirit.
2. Motor vehicles.
3. Tyres and tubes.
4. Cycles and parts thereof.
5. Gramophones.
6. Wireless receiving sets.
7. Refrigerators and Air conditioners.
8. Electric motors.
9. Electric batteries.
10. Electric bulbs and tubes.
11. Electric fans.
12. Electric wires and cables.
13. Internal Combustion engines.
14. Rubber Products
15. Iron and steel products.

16. Refined Diesel oils and vaporizing oils.
17. Diesel oils n.o.s.
18. Furnance oil.
19. Soap.
20. Cosmetics and Toilets.
21. Petroleum Products n.o.s.
22. Paper.
23. Plywood.
24. Rayon or synthetic fibres and yarn.
25. Plastics.
26. Asphalt and bitumen.
27. Pigments and colours.
28. Soda Ash.
29. Caustic Soda.
30. Glycerine.
31. Synthetic organic dye stuff.
32. Patent and proprietary medicines.
33. Acids.
34. Gases.
35. Sodium silicate.
36. Cellophane.
37. Cement.
38. Glass and glassware.
39. Chinaware.
40. Asbestos cement products.
41. Coffee.
42. Tea.
43. Kerosene.
44. Matches.
45. Vegetable products.
46. Vegetable non-essential oils.
47. Footwear.
48. Cinematograph films.
49. Copper and copper alloys.

50. Zinc.
51. Aluminium.
52. Tin plates.
53. Pig iron.
54. Steel ingots.
55. Cotton yarn.
56. Woollen yarn. . . .
57. Jute manufactures.
58. Mechanical lighters.
59. Silver.
60. Salt.*

*There is no excise on this item.

3. In presenting the information it would perhaps be convenient to re-arrange the above list so that items bearing the same rate are brought within a single group. For example, all items which bear a 10 per cent. single point sales tax levy could be put in one group; the second group could then show all such items which bear a 5 per cent. levy; a third group could include all such commodities which bear a 2 per cent. levy and so on and so forth. The suggestion for grouping the commodities should not, however, be taken to mean that rates for individual commodities are not to be shown. In fact, the entire presentation has to be in terms of each of the 60 commodities set out above. For the sake of convenience, however, these may be shown under different groups formed on the basis of the rates of levy.

4. Columns 2 and 3 dealing with system of levy and with rates of sales taxes are simple and will not create any difficulty. The same cannot, however, be said about the rest of the columns. Two types of difficulties are likely to crop up.

- (i) commodity-wise details may not be available; and
- (ii) even if one ignored the difficulty regarding commodity-wise details, one may not get from the available records precise information in regard to total value of sales at the final stage, namely, at the retail stage.

The sole objective of seeking information in regard to total value of sales at the final stage is to arrive at a reasonable estimate of total effective sales tax rate on each commodity. For example, assuming that in case of, say, vegetable products one has the data regarding

the total value of sales at the final stage i.e. at the retail stage and that one also knows how much sales tax was collected from this item, one can then work out total effective sales tax rate on the vegetable products. In the case of single point tax, the effective sales tax rate would be the same as the rate of the single point levy, but in the case of multi-point or double point levies, the effective rate may be different from the rate as per the Act because the effective rate would depend upon the number of points through which the commodity has passed before reaching the final consumer.

5. The intention of the proforma is to elicit information in regard to effective sales tax rates on each commodity; in other words, the rate of sales tax which should have been devised if the intention was to collect the same yield through a single point levy. In case it is found that precise information in regard to total value of sales at the final stage and yield from sales taxes in respect of each commodity cannot be had, perhaps the best thing would be to give a rough estimate of the effective sales tax rate on each commodity. The basis of the estimate may please be explained in detail.

6. The information to be given in the proforma has to be confined to State sales taxes; Central sales tax is not to be brought in the picture.

7. Supplementary point No. 23 vide Annexure II to Ministry of Finance letter No. FC 1(2)-B/64, dated May 12, 1964, seeks information from each State in regard to preparation and compilation of statistics relating to State income and collection of consumption data regarding commodities subject to Union excise duties. It is hoped that the note to be furnished with reference to this supplementary point would deal in some detail in regard to the estimates of consumption in regard to commodities subject to Union excises.

Appendix III (vi)

(vi) D.O. letter No. MS/688/64, dated the 5th August, 1964, from Shri P. C. Mathew, Member-Secretary, Finance Commission, Church Road Hutments, New Delhi, to Shri S. Bhoothalingam, Secretary, Department of Economic Affairs, Ministry of Finance, New Delhi.

(vide para 124 of the Report)

Please see paragraph 4a(iii) of the terms of reference to the Fourth Finance Commission which requires it to take into account,

on the requirements side of the non-plan revenue accounts of the States, the expenditure likely to devolve upon the States for the servicing of their debt. A question has been raised whether the receipts to the States resulting from the Fourth Plan schemes during the Fourth Plan period should be credited on the receipt side of the non-Plan account or whether these receipts will be included on the receipts side in the plan account, while estimating the resources available to the States for the Fourth Plan e.g. on page 6 of their publication "West Bengal Third Five Year Plan", the West Bengal Government have taken credit for Rs. 7.00 crores on account of Receipts from Third Plan Schemes (excluding major industrial schemes). Apart from the fact that it would be difficult for the States and the Finance Commission to estimate the magnitude of these receipts at this stage when there is little information available regarding the specific Fourth plan schemes from which these receipts may be expected, there is also risk of double counting or complete omission of this item of resources from both the Plan and the non-Plan accounts. I shall be grateful if you would let the commission know whether this item is being included in the receipts side of the plan account, in estimating resources for the Fourth Plan.

Appendix III(vii)

(vii) D.O. letter No. 3028-SCDN/64 dated the 11th August, 1964, from Shri S. Bhoothalingam, Secretary, Ministry of Finance (Department of Co-ordination), New Delhi, to Shri P. C. Mathew, Member-Secretary, Finance Commission, New Delhi.

(vide para 124 of the Report)

Your D.O. No. MS/688/64, dated 5th August, 1964 regarding the reckoning of receipts accruing to the States from the Fourth Plan Schemes.

2. Expenditure for the servicing of the debt is always treated as a non-plan item. That is why para 4(a) (iii) of the terms of reference of the Finance Commission specifically refers to the burden devolving upon the States for the servicing of their debt which would also include interest payments relating to the debt likely to be incurred by the States in the Fourth Plan. On the other hand, receipts accruing to the States from the Fourth Plan Schemes cannot appropriately be reckoned as a non-plan receipt since the expenditure on those schemes would form part of the Plan. These receipts have, therefore, to be excluded in the computations to be made by the Finance Commission.

Appendix III (viii)

(viii) D.O. letter No. MS-132264, dated 28th November, 1964, from Shri P. C. Mathew, Member-Secretary, Finance Commission, New Delhi, to Shri S. Bhoothalingam, Secretary, Ministry of Finance (Department of Economic Affairs), New Delhi.

(vide paras 148 and 149 of the Report)

In assessing the requirements of the State Governments the Finance Commission has to decide whether the State Governments should be allowed to make provision for annual contribution to the Sinking Funds for market borrowings and/or loans from the Central Government and if so at what rates. This question was considered by the Ministry of Finance (Economic Affairs Department) who issued instructions in January 1955 advising the State Governments that provision for Sinking Funds in the Revenue Budget may be restricted to what the State Government was bound to provide in accordance with any law or with any specific undertakings given in the case of any loan. It will be recalled that the Second and the Third Finance Commissions, however, did not allow any provision (not even the obligatory ones) for reduction or avoidance of debt in assessing the non-plan gaps, except in the case of Maharashtra which had revenue surplus.

2. It is understood that there has been some rethinking about the earlier decision of the Government of India preventing the States from making contribution to the Sinking Funds, and that this question was considered in the Finance Ministers' Conference held in November 1963. The Central Government has also expressed anxiety about the mounting debt of the State Governments, vide para 31 of the Finance Minister's Speech while presenting the Budget for 1964-65. Before the Finance Commission takes a final decision in this regard, we shall be grateful to know the views of the Finance Ministry on the subject, so far as the period of the Fourth Plan is concerned.

Appendix III(ix)

(ix) Letter No. FC 1(2)-B/64, dated 4th December, 1964, from Dr. D. N. Saxena, Joint Secretary, Finance Commission, to Secretary, Finance Departments of all State Governments.

(vide para 116 of the Report)

I am to state that from the forecasts of revenue and expenditure received from the State Governments, it is observed that the provision

proposed by them for maintenance expenditure on Third Plan schemes during the Fourth Plan period shows large variation as between one State and another and as between one major head and another in the same State.

2. In order to enable the Commission to make realistic assessment of the committed expenditure, the State Government are requested to furnish following details of the Plan expenditure on revenue account during the last year of the Third Plan proposed by them under each major head :*

Major Head.	Plan expenditure in 1965-66	Expenditure which would become committed on the non-plan side during each year of the Fourth Plan period (1966-67 to 1970-71).
(i) Salaries and Establishment expenditure		
(ii) Contingency expenditure—		
(a) Recurring.		
(b) Non-recurring.		
(iii) Grants-in-aid to Institutions and local bodies		
(iv) Minor Works.		
TOTAL		

*Only such heads may be covered as have plan items in them.

In addition, it may be indicated on what amount of gross capital outlay on the completed schemes of the Third Plan, maintenance and repair charges have to be provided on the non-plan side in the Fourth Plan period on the items 'public works' and 'irrigation'.

3. It is requested that the above information may be furnished so as to reach before the 1st of January, 1965.

Appendix III(x)

(x) D.O. letter No. 785-SEA/65, dated the 6th/9th March, 1965, from Shri S. Boothalingam, Secretary, Ministry of Finance (Department of Economic Affairs), New Delhi, to Shri P. C. Mathew, Member-Secretary, Finance Commission, New Delhi.

(Vide para 149 of the Report)

Please refer to your D.O. No. MS-1322/64, dated the 28th November, 1964 regarding the amortisation of Public Debt from Revenue in the States. A copy of a communication sent to the State Governments in this connection which is self-explanatory, is enclosed for the reference of the Fourth Finance Commission.

Enclosure to Appendix III(x)

Letter No. F 1(9)-B/65, dated the 9th March, 1965 from Shri A. B. Shirali, Joint Secretary, Ministry of Finance (Department of Economic Affairs), New Delhi, to the Finance Secretaries of all State Governments.

(Vide paras 110 and 149 of the Report)

(Enclosure to letter dated 9th March, 1965 from Finance Secretary Government of India)

I am directed to say that some State Governments have enquired about the views of the Government of India on the question of the amortisation of Public Debt from Revenue. While the Government of India are satisfied that the decision communicated in Shri Rangachari's D.O. letter No. 41/SF/55, dated the 11th January, 1955 to the Finance Secretaries of all State Governments continues to be valid, the matter has nevertheless been carefully examined and the conclusions reached are set forth below :—

2. The utilisation of borrowed moneys for expenditure on productive assets which are capable of paying at least the interest charges on the capital invested is fully justified and raises no problem of amortisation from Revenue. It is only where such moneys are utilised for expenditure on non-productive assets or insufficiently productive works such as flood protection works, irrigation works, school buildings, hospitals and dispensaries, rural roads etc. that the doubt arises whether the related expenditure is an appropriate charge on borrowed moneys. While it is possible to argue that such outlays too represent permanent assets which could be validly shown against the borrowed moneys, the view could be urged that such charges should ultimately be met from Revenue even if for budgetary convenience they are initially met from borrowed moneys. However, the procedure for writing back to Revenue over a period of years the expenditure incurred out of borrowed moneys as a matter of budgetary convenience has not been extended to expenditure incurred on non-productive or insufficiently productive assets. The more convenient arrangement in such cases would be to adjust initially under Revenue such part of expenditure incurred on non-productive or insufficiently productive assets as is considered appropriate, instead of meeting it from borrowed moneys in the first instance, and then writing it back to Revenue over a period of years. This would necessitate a reconsideration of the existing criterion for meeting expenditure of a capital nature from borrowed moneys or in other words, for allocation of expenditure between Revenue and Capital.

3. The reconsideration of the criterion for allocation of expenditure between Revenue and Capital could have reference either to the objects of expenditure or to the monetary limits adopted for the purpose. It would be appreciated that the more practicable arrangement would be not to disturb the essential basis of the existing arrangement for debiting expenditure resulting in creation of assets to Capital, but to increase the monetary limit adopted for debiting the expenditure on individual works or schemes to Capital. For this purpose, the present limits for meeting from Revenue the expenditure on new works satisfying the definition of capital expenditure, viz., Rs. 20,000 in the case of individual works and Rs. 1 lakhs for works of same character and forming part of a scheme, having a continuity of time, purpose and space, might, having regard to the present day conditions, be increased to Rs. 1 lakh Rs. 5 lakhs respectively. This modification will result in expenditure of a Capital nature being met from Revenue to a larger extent than at present and thus serve essentially the same object as the amortisation of a part of the Public Debt from Revenue.

4. The modification in the existing arrangement of the allocation of expenditure between Revenue and Capital referred to in the preceding paragraph is proposed to be given effect to at the Centre from the commencement of the Fourth Plan period. It would of course apply not only to new works or schemes but also works or schemes in progress and carried over to 1966-67. The expenditure which would be transferred to the Revenue Section as a result, would be debited to distinct Capital heads within the Revenue account following the procedure which obtained prior to 1956-57. If the State Governments agree, they may initiate necessary action to implement the proposal in respect of their expenditure during the Fourth Plan period. The Comptroller and Auditor General who has been consulted is in agreement with these views.

5. The receipt of this communication may be acknowledged. A copy of this is also being sent to the Fourth Finance Commission.

Appendix III (xi)

Letter No. 41/SR/55, dated 11th January, 1955, from Shri M. V. Rangachari, Government of India, Ministry of Finance (Deptt. of Revenue & Expenditure), to Finance Secretaries of all Part A & Part B States except J. & K.

(Vide para 148 of Report)

Some of the State Governments have brought up the difficulty experienced in balancing their revenue budgets, due among other things to the progressive increase in debt charges arising out of the implementation of the Plan. While it is obvious that interest and obligatory sinking fund charges must be fully met from current revenues, in the present context, when all the resources at the Centre and the States are mobilised for financing development and no real revenue surplus is available for repayment of debt or debt redemption, there is no reason why the revenue budget should be distorted by including provision for repayment of loans or for non-obligatory sinking funds. Provision for the repayment of loans may be made in the capital budget and the provision for sinking funds in the revenue budget restricted to what the State Government is bound to provide in accordance with any law or with any specific undertaking given in the case of any loan. If you agree, the budget for the coming year may be framed on the above basis.

2. It would perhaps also be an advantage if the procedure in the matter of meeting capital expenditure from the revenue budget is made as uniform as possible. The practice probably varies from State to State and I shall be glad if you would kindly let me know urgently the procedure adopted in this matter by your State in some detail. We shall then consider the extent to which standardisation is possible or desirable and process the matter with you and the other States.

APPENDIX IV

Dates and Venues of discussions with the representatives of the State Governments and Central Ministries; the Planning Commission; the Comptroller & Auditor General of India and the Accountants General.

(vide para 5 of the Report)

(A) Dates of discussions with State Governments

State	Dates of discussions	Venue
1. Gujarat	16th and 18th January, 1965.	Bombay.
2. Maharashtra	20th and 21st January, 1965.	Bombay.
3. Rajasthan	3rd and 4th February, 1965.	New Delhi.
4. Bihar	5th and 6th February, 1965.	New Delhi.
5. Nagaland	9th and 10th February, 1965.	New Delhi.
6. Mysore	5th and 6th March, 1965.	Madras.
7. Madras	9th and 10th March, 1965.	Madras.
8. Uttar Pradesh	23rd and 24th March, 1965.	New Delhi.
9. Punjab	25th and 26th March, 1965.	New Delhi.
10. West Bengal	5th, 6th and 7th April, 1965.	Calcutta.
11. Assam	8th and 9th April, 1965.	Calcutta.
12. Jammu & Kashmir	21st and 22nd April, 1965.	New Delhi.
13. Andhra Pradesh	23rd and 24th April, 1965.	New Delhi.
14. Orissa	26th and 27th April, 1965.	New Delhi.
15. Madhya Pradesh	28th and 29th April, 1965.	New Delhi.
16. Kerala	28th and 29th May, 1965.	Bangalore.

(B) Dates and Venues of discussions with Central Ministries, Planning Commission and Comptroller and Auditor General of India

Ministry etc.	Date of discussion	Venue
1. Minister of Commerce and Prof. V. K. R. V. Rao, Member, Planning Commission.	4th February, 1965.	New Delhi.
2. Secretary, Ministry of Home Affairs.	27th March, 1965.	New Delhi.
3. Secretaries and other officers in the Ministry of Finance.	30th April, 1965.	New Delhi.
4. Comptroller & Auditor General of India.	30th April, 1965.	New Delhi.
5. Planning Commission.	1st May, 1965.	New Delhi.

Appendix IV—concl'd.

(C) Dates of discussions with the Accountants General

Accountant General	Date of discussion	Venue
1. Gujarat	18th January, 1965.	Bombay.
2. Maharashtra	22nd January, 1965.	Bombay.
3. Rajasthan	4th February, 1965.	New Delhi.
4. Bihar	6th February, 1965.	New Delhi.
5. Nagaland	10th February, 1965.	New Delhi.
6. Mysore	6th March, 1965.	Madras.
7. Madras	10th March, 1965.	Madras.
8. Uttar Pradesh	24th March, 1965.	New Delhi.
9. Punjab	27th March, 1965.	New Delhi.
10. West Bengal	7th April, 1965.	Calcutta.
11. Assam	9th April, 1965.	Calcutta.
12. Jammu & Kashmir	22nd April, 1965.	New Delhi.
13. Andhra Pradesh	24th April, 1965.	New Delhi.
14. Orissa	27th April, 1965.	New Delhi.
15. Madhya Pradesh	29th April, 1965.	New Delhi.
16. Kerala	29th May, 1965.	Bangalore.

APPENDIX V

Names of organisations, universities and individuals who submitted Memoranda to the Commission

(vide para 7 of the Report)

- (a) Organisations which submitted Memoranda to the Commission.
1. Mill Owners' Association, Bombay.
 2. The Paper Traders Association, Bombay.
 3. Federation of Gujarat Mills and Industries, Baroda.
 4. Federation of Paper Traders Association, Bombay.
 5. Bharat Chamber of Commerce, Calcutta.
 6. Maharashtra Chamber of Commerce, Bombay.
 7. The United Planters Association of South India, Coonoor.
 8. Bihar State Cooperative Bank Ltd., Patna.
 9. Federation of Indian Chamber of Commerce and Industry, New Delhi.
 10. Saurashtra Mill Owners' Association, Surendranagar.
 11. Bihar State Small and Medium Newspapers Association, Patna.
 12. Iron, Steel & Hardware Merchants and Manufacturers' Chamber of India, Bombay.
 13. Indian Chambers of Commerce, Calcutta.
 14. All India Iron & Steel Merchants' Federation, New Delhi.
 15. Bengal National Chamber of Commerce and Industry, Calcutta.
 16. Gujarat Vepari Mahamandal, Ahmedabad.
 17. The Indian Merchants' Chamber, Bombay.
 18. (a) Burmah Shell Oil Storage & Distributing Company of India Ltd., Bombay.
(b) M/s ESSO Standard Eastern Inc., Bombay.
(c) M/s Caltex (India) Ltd., Bombay.
(d) Indian Oil Corporation Ltd., Bombay.
(e) Burmah Oil Company (India Trading) Ltd., Bombay.
 19. Maharashtra Chamber of Commerce and Industry, Poona.