

TERMS OF REFERENCE OF THE FOURTH FINANCE COMMISSION

Para 4 of the Presidential Order dated 5th May, 1964 stated as follows:

4. In addition to the matters on which, under the provisions of sub-clauses (a) and (b) of clause (3) of the 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 revenue 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 consideration to:-
 - (i) the revenues resources of those States for the five years ending with the financial year 1970-71 on the basis of the levels of taxation likely to be reached in financial year 1965-66;
 - (ii) the requirements of those States to meet the committed expenditure on maintenance and upkeep of plan schemes completed during the Third Plan;
 - (iii) and further expenditure likely to devolve upon those States for the servicing of their debt;
 - (iv) creation of a fund out of the excess, if any, over a limit to be specified by the Commission of the net proceeds of estate duty on property other than agricultural land accruing to a State in any financial year, for the repayment of the State's debt to the Central Government; and
 - (v) the scope for economy consistent with efficiency, which may be effected by the States in their administrative expenditure;
 - (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 amongst the States of the grant to be made available to the States in lieu of taxes on railway fares;
 - (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) silk fabrics
 - (iii) rayon or artificial silk fabrics
 - (iv) woolen fabrics

(v) sugar, and

(vi) tobacco (including manufactured tobacco)

in replacement in 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 the sales tax for the financial year 1956-57 in the State;

(e) 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 States sales tax on such commodities or products over a limit to be specified by the Commission."