

CHAPTER XVIII

SUMMARY OF RECOMMENDATIONS

Our recommendations to the President in regard to devolution of taxes and grants-in-aid of the revenues of the States are set out below.—

I. Income-tax :

In respect of distribution of the net proceeds of income-tax in each of the financial years from 1974-75 to 1978-79:

- (1) Out of the net proceeds of taxes on income in each financial year, a sum equal to 1.79 per cent thereof be deemed to represent the proceeds attributable to Union Territories;
- (2) the percentage of the net proceeds of taxes on income, except the portion representing the proceeds attributable to Union Territories, to be assigned to the States, should be eighty;
- (3) the distribution among the States *inter se* of the share assigned to the States in respect of each financial year should be on the basis of the following percentages :

State	Percentage
1. Andhra Pradesh	7.76
2. Assam	2.54
3. Bihar	9.61
4. Gujarat	5.55
5. Haryana	1.77
6. Himachal Pradesh	0.60
7. Jammu & Kashmir	0.81
8. Karnataka	5.33
9. Kerala	3.92
10. Madhya Pradesh	7.30
11. Maharashtra	11.05
12. Manipur	0.18
13. Meghalaya	0.18
14. Nagaland	0.09
15. Orissa	3.73
16. Punjab	2.75
17. Rajasthan	4.50
18. Tamil Nadu	7.94
19. Tripura	0.27
20. Uttar Pradesh	15.23
21. West Bengal	8.89
Total	160.00

II. Union Excise Duties :

- (a) During each of the years 1974-75 and 1975-76 a sum equivalent to 20 (twenty) per cent of

the net proceeds of Union duties of excise on all articles levied and collected in that year, excluding auxiliary duties of excise and cesses levied under special Acts and earmarked for special purposes, should be paid out of the Consolidated Fund of India to the States;

- (b) during the years 1976-77, 1977-78 and 1978-79 a sum equivalent to 20 (twenty) per cent of the net proceeds of Union duties of excise on all articles levied and collected in the respective year, including auxiliary duties of excise, but excluding cesses levied under special Acts and earmarked for special purposes, should be paid out of the Consolidated Fund of India to the States; and
- (c) the distribution among the States of the sum payable to the States in respect of each financial year should be made on the basis of the following percentages:—

State	Percentage
1. Andhra Pradesh	8.16
2. Assam	2.71
3. Bihar	11.47
4. Gujarat	4.57
5. Haryana	1.53
6. Himachal Pradesh	0.63
7. Jammu & Kashmir	0.90
8. Karnataka	5.45
9. Kerala	3.86
10. Madhya Pradesh	8.15
11. Maharashtra	8.58
12. Manipur	0.21
13. Meghalaya	0.19
14. Nagaland	0.11
15. Orissa	4.06
16. Punjab	1.87
17. Rajasthan	5.00
18. Tamil Nadu	7.43
19. Tripura	0.30
20. Uttar Pradesh	17.03
21. West Bengal	7.79
Total	100.00

III. Additional Duties of Excise:

- (1) There is no need to set apart any guaranteed amounts to the States as in our opinion there is no risk of the share of any State in the net proceeds of

additional excise duties falling short of the revenue realised from the levy of the sales tax on the commodities subject to additional duties of excise in lieu of sales tax for the financial year 1956-57 in that State;

(2) the net proceeds of the additional excise duties during each financial year be distributed on the following basis :—

- (a) A sum equal to 1.41 per cent of such net proceeds be retained by the Union as attributable to Union Territories;
- (b) the balance of 98.59 per cent of such net proceeds be distributed among the States in accordance with their respective percentage shares of such balance as under:—

State	Percentage of distribution
1. Andhra Pradesh	8.39
2. Assam	2.47
3. Bihar	9.36
4. Gujarat	5.91
5. Haryana	1.94
6. Himachal Pradesh	0.59
7. Jammu & Kashmir	0.73
8. Karnataka	5.62
9. Kerala	3.58
10. Madhya Pradesh	6.98
11. Maharashtra	11.65
12. Manipur	0.17
13. Meghalaya	0.17
14. Nagaland	0.08
15. Orissa	3.59
16. Punjab	2.68
17. Rajasthan	4.17
18. Tamil Nadu	7.27
19. Tripura	0.25
20. Uttar Pradesh	16.10
21. West Bengal	8.30
Total	100.00

IV. Grant in lieu of tax on Railway Passenger Fares :

The grant to be made available to the States in lieu of tax under the repealed Railway Passenger Fares Tax Act, 1957 be distributed among the States as under:—

State	Percentage share
1. Andhra Pradesh	8.01
2. Assam	2.70
3. Bihar	10.58
4. Gujarat	7.47
5. Haryana	2.57
6. Himachal Pradesh	0.17
7. Jammu & Kashmir	0.02
8. Karnataka	3.47
9. Kerala	1.61
10. Madhya Pradesh	9.89
11. Maharashtra	8.87
12. Manipur	..
13. Meghalaya	..
14. Nagaland	0.01
15. Orissa	2.24
16. Punjab	5.06
17. Rajasthan	6.59
18. Tamil Nadu	5.14
19. Tripura	0.02
20. Uttar Pradesh	19.85
21. West Bengal	5.73
Total	100.00

V. Estate Duty :

(1) Out of the net proceeds of the estate duty in each financial year, a sum equal to 2.5 per cent thereof be retained by the Union as being the proceeds attributable to Union Territories; and

(2) the balance of net proceeds be distributed among the States in accordance with the following principles;

- (a) Such balance be first apportioned between immovable property and other property in the ratio of the gross value of all such properties brought into assessment in that year;
- (b) 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 brought into assessment in that year; and
- (c) the sum apportioned to property other than immovable property be distributed among the States in proportion to the population of each state, namely:

State	Percentage
1. Andhra Pradesh	8.04
2. Assam	2.70
3. Bihar	10.41
4. Gujarat	4.93
5. Haryana	1.86
6. Himachal Pradesh	0.64
7. Jammu and Kashmir	0.85
8. Karnataka	5.41
9. Kerala	3.94
10. Madhya Pradesh	7.70
11. Maharashtra	9.31
12. Manipur	0.20
13. Meghalaya	0.19
14. Nagaland	0.10
15. Orissa	4.05
16. Punjab	2.50
17. Rajasthan	4.76
18. Tamil Nadu	7.61
19. Tripura	0.29
20. Uttar Pradesh	16.32
21. West Bengal	8.19
Total	100.00

VI. Grant on account of wealth tax on agricultural property :

The grant to be made available to the States be distributed among the States in proportion to the value of agricultural property located in each State and brought into assessment in each year.

VII. Grants-in-aids :

The following States be paid the sums specified against each of them as grants-in-aid of their revenues in the respective years indicated in the table below, under the substantive part of Clause (1) of Article 275 of the Constitution:—

(Rs. crores)

State	Total amount to be paid in the five years	Grants in-aid to be paid in				
		1974-75	1975-76	1976-77	1977-78	1978-79
1. Andhra Pradesh	205.93	42.83	43.47	41.89	39.45	38.29
2. Assam	254.53	49.66	51.33	50.60	51.35	51.59
3. Bihar	106.28	18.78	23.92	21.12	21.53	20.93
4. Himachal Pradesh	160.96	31.72	32.02	32.15	32.42	32.65
5. Jammu & Kashmir	173.49	34.57	34.65	34.73	34.83	34.71
6. Kerala	208.93	43.85	43.46	41.19	40.92	39.51
7. Manipur	114.53	21.05	21.97	22.85	23.84	24.82
8. Meghalaya	74.67	13.61	14.23	14.90	15.63	16.30
9. Nagaland	128.84	23.77	24.68	25.72	26.77	27.90
10. Orissa	304.73	56.97	60.11	61.00	62.56	64.09
11. Rajasthan	230.53	49.30	48.57	46.05	44.30	42.31
12. Tripura	112.50	20.66	21.53	22.44	23.45	24.42
13. Uttar Pradesh	198.83	21.61	33.91	39.23	49.10	54.98
14. West Bengal	234.86	53.29	49.27	46.57	44.55	41.18
Total	2509.61	481.67	503.12	500.44	510.70	513.68

OUR RECOMMENDATIONS ON OTHER TERMS OF REFERENCE

I. Financing of Relief Expenditure

In the light of our analysis of the advantages and disadvantages of the establishment of a National Fund, and the views expressed by the State Governments we have concluded that the establishment of a National Fund, fed by Central and State contributions, is neither feasible nor desirable. At the same time the present arrangements for providing assistance to the States for meeting expenditure on relief operations need to be completely overhauled. Detailed programmes of both medium and long term significance for permanent improvement of the areas liable to drought and flood should be drawn up with the utmost urgency and these programmes fully integrated with the Plan. We strongly urge that instead of incurring expenditure on relief on *ad hoc* basis on schemes of dubious value, provision should be made on a much larger scale for development of drought and flood-prone areas in the Fifth Plan both in the State and Central sectors. Any assistance which is provided to the States for purposes of relief in this manner would be subject to the overall ceiling of Central assistance for the Plan period as a whole. At the same time we feel that the provision of a reasonable margin in the forecasts of State expenditure should be considered as a legitimate charge on the revenue accounts of the States. We recommend the following annual provisions under "64—Famine Relief" for different States.

State	(Rs. crores)
1. Andhra Pradesh	4.31
2. Assam	1.25
3. Bihar	4.61
4. Gujarat	4.55
5. Haryana	1.24
6. Himachal Pradesh	0.03
7. Jammu & Kashmir	0.35
8. Karnataka	1.91
9. Kerala	0.30
10. Madhya Pradesh	3.41
11. Maharashtra	4.17
12. Manipur	0.04
13. Meghalaya	0.04
14. Nagaland	0.02
15. Orissa	3.58
16. Punjab	0.33
17. Rajasthan	10.19
18. Tamil Nadu	1.52
19. Tripura	0.07
20. Uttar Pradesh	2.18
21. West Bengal	6.61

We have taken these figures into account in arriving at the grants, if any, needed by the States under Article 275 of the Constitution.

II. Changes in the terms of repayment of Central Loans

We have made an assessment of the non-Plan capital gap of the States on uniform and comparable basis for the five years ending with 1978-79. The methodology adopted by us and the State-wise non-Plan capital gaps as assessed by us are indicated in Chapter XVI. In the light of this assessment, we have made a general review of the States' debt position with particular reference to the Central loans advanced to them and likely to be outstanding as at the end of 1973-74 and have recommended changes in the existing terms of repayment having regard to all relevant factors including the overall non-Plan gaps of the States, their relative position, the purposes for which the loans have been utilised and the requirements of the Centre. Our proposals for consolidation of outstanding Central loans and revision of their terms of repayment are estimated to ensure relief in the amount falling due for repayment by the States to the Centre over the period

1974—79 as under :—

State	(Rs. crores) Estimated relief in repayment of loans to Government of India during Fifth Plan period on the basis of our pro- posals
1. Andhra Pradesh	191.20
2. Assam	162.49
3. Bihar	133.35
4. Gujarat	36.25
5. Haryana	33.14
6. Himachal Pradesh	34.57
7. Jammu & Kashmir	133.43
8. Karnataka	127.04
9. Kerala	109.77
10. Madhya Pradesh	87.16
11. Maharashtra	66.58
12. Manipur	15.23
13. Meghalaya	7.64
14. Nagaland	5.84
15. Orissa	157.32
16. Punjab	15.18
17. Rajasthan	258.14
18. Tamil Nadu	87.05
19. Tripura	14.35
20. Uttar Pradesh	-150.77
21. West Bengal	143.12
Total	1969.62

K. Brahmananda Reddi
Chairman

B. S. Minhas
Member

S. A. Masud
Member

I. S. Gulati
Member

G. Ramachandran
Member-Secretary

New Delhi
October 28, 1973.