

**Statement showing State-wise Assessment of Income-tax
(excluding Tax on Union Emoluments) for the years
1977-78 to 1981-82.**

STATES	(Rs. in Crores)					
	1977-78	1978-79	1979-80	1980-81	1981-82	Total 1977-78 to 1981-82
1	2	3	4	5	6	7
1. Andhra Pradesh	36.89	40.49	34.07	37.63	15.14	164.22
2. Assam	4.66	9.25	10.26	7.32	7.60	39.09
3. Bihar	12.91	15.83	10.90	16.07	15.61	71.32
4. Gujarat	80.21	93.17	86.47	87.95	100.79	448.59
5. Haryana	11.00	8.04	10.04	14.45	13.26	56.79
6. Himachal Pradesh	1.69	1.75	1.44	1.95	2.00	8.83
7. Jammu & Kashmir	3.76	4.24	4.16	5.56	6.42	24.14
8. Karnataka	15.60	27.40	31.70	31.95	40.02	146.67
9. Kerala	22.00	22.43	23.57	24.06	29.51	121.57
10. Madhya Pradesh	27.52	27.74	28.15	30.06	33.30	146.77
11. Maharashtra	175.16	231.98	166.89	192.37	235.61	1002.01
12. Manipur	0.37	0.35	0.35	1.76	0.36	3.19
13. Meghalaya	0.52	0.60	0.50	0.44	0.68	2.74
14. Nagaland	0.18	0.10	0.17	0.23	0.15	0.83
15. Orissa	4.30	4.33	3.98	5.46	6.45	24.52
16. Punjab	33.69	30.68	38.95	43.51	53.22	200.05
17. Rajasthan	20.71	18.10	23.14	26.27	26.69	114.91
18. Sikkim
19. Tamil Nadu	72.25	62.87	65.14	66.27	83.92	350.45
20. Tripura	0.43	0.47	0.45	0.39	0.55	2.29
21. Uttar Pradesh	40.97	45.81	50.74	53.52	67.16	258.20
22. West Bengal	88.35	73.41	74.67	71.03	84.71	392.17
ALL STATES	653.17	719.04	665.74	718.25	823.15	3579.35
UNION TERRITORIES	62.19	82.95	89.69	133.58	142.13	510.54
TOTAL - ALL INDIA	715.36	801.99	755.43	851.83	965.28	4089.89

SOURCE: Enclosure to D.O. letter No. 385/67/82-II(B) dated 10th April, 1984 from Shri B.Nagarajan, Deputy Secretary, Ministry of Finance to Shri G.Ranga Rao, Joint Secretary, (F.C.).

**Annexure VI-1
(Para 6.8)**

**COMMUNICATIONS FROM THE MINISTRY OF FINANCE REGARDING UNION
EXCISE DUTY ON GENERATION OF POWER.**

Letter No. 46(75)PFI/78 dated the 13th October, 1978 from Finance Secretary to Member Secretary of the Seventh Finance Commission.

As you are aware, Union Excise Duty of 2 paise per kw/h on electricity generated had been levied with effect from 1. 3.1978 as part of the budget proposals for 1978-79. Electricity generated for captive consumption as well as that used in auxiliary plants in the generation stations for the generation of electricity was exempted from this levy. Besides, a rebate of duty had been given in respect of electricity used for agricultural purposes.

2. The rationale behind this levy of excise duty on generation of power was fully explained in the budget speech of the Union Finance Minister. He had observed that the nation has invested heavily in the development of power. The returns from this investment have not been commensurate. It was felt

Sl. No.	ITEM	(Rs. crores)		
		Estimates furnished by Ministry of Finance	Re-assessed estimates	Variation (3 - 2)
0	1	2	3	4
IV.	<u>Disbursements on Capital Account</u>			
1.	Non-Plan capital expenditure	3,818	3,588	(-) 230
2.	Small Savings loans to States	7,611	9,849	(+) 2,238
3.	Other loans to States and others	10,199	10,199	-
	<u>Total-Disbursements on Capital Account(IV)</u>	<u>21,628</u>	<u>23,636</u>	<u>(+) 2,008</u>
	<u>Surplus on Capital Account</u>	<u>45,460</u>	<u>57,196</u>	<u>(+) 11,736</u>
	<u>Total Surplus - (Revenue and Capital Account)</u>	<u>65,912</u>	<u>96,319</u>	<u>(+) 30,407</u>

Annexure V-1
(Para 5.11)

**EXTRACT OF PARA 109 OF THE SUMMARY RECORD OF THE DISCUSSIONS OF
THE MEETING OF THE CHIEF MINISTERS HELD ON THE 20TH MAY, 1979 TO
DISCUSS CERTAIN ISSUES RAISED BY THE SEVENTH FINANCE COMMISSION.**

109. Coming to the question of corporation tax, Prof. Lakdawala said he would not favour the tax to be shared for two major reasons. First, as the Maharashtra Finance Minister pointed out, the Constitutional amendment was a thing to be resorted to as a last step. Before doing that we must find out whether we do not have any other means of achieving the same objective. He felt that the Finance Commission still had enough way of making whatever quantum of transfer of resources it wanted to transfer to the States. No doubt the corporation tax is more buoyant than income tax but it is not buoyant as compared to the excises, which are shared. It was but natural that when resources are transferred from the Centre to States, some will be less buoyant than others. Another difficulty which would arise if the corporation tax was to be shared, was the question of how should the inter se distribution among the States be. Corporation tax in its nature was allied to income tax which was distributed 90 per cent on the basis of population and 10 per cent on the basis of contribution. If the same principles were adopted for distributing corporation tax, it would mean loss to the less advanced States and more to the more advanced States.

that with the enormous investment in power, there was ample justification for claiming a contribution from those who benefit from these investments.

3. There is no constitutional bar to the levy of Central excise duty on generation of power. However, the States have been pressing for either withdrawal of the levy altogether or for transfer to the States of its net proceeds entirely. We have given careful consideration of the view point expressed by the States at various forums including the National Development Council and the Southern Zonal Council. It has now been decided that the entire non-shareable portion of the net proceeds of Central excise duty on generation of power would be transferred to the States in proportion to the revenues realised from each State on this account. This decision will be effective from 1.4.1979. The decision is being brought to the notice of the Seventh Finance Commission so that it may take into account the implications of this decision while assessing Centre's resources as well as finalizing the scheme of devolution to the States for the quinquennium 1979-84.

4. A statement* showing Statewise anticipated revenue from Central excise duty on generation of power for the years 1979 to 1984 as furnished by the Central Electricity Authority is enclosed.

2. Letter No. 46(75)PF. I/78 dated 19th October, 1978 from Finance Secretary to Member Secretary of the Seventh Finance Commission.

Please refer to my D. O. letter No. 46(75)PFI/78 dated the 13th October, 1978, regarding Union excise duty on generation of power.

2. I would like to clarify that the decision that the entire non-shareable portion of the net proceeds of central excise duty on generation of power would be transferred with effect from 1.4.1979 to the States in proportion to the revenues realised from each State on this account is subject to the condition that this duty will continue to be levied beyond that date.

3. Letter No. 46(75)PF. I/78 dated October 23, 1978 from Finance Secretary to Member Secretary of the Seventh Finance Commission.

Please refer to my confidential d. o. letter No. 46(75)PFI/78 dated October 13, 1978 conveying the decision of the Government of India that with effect from 1.4.1979, the entire non-shareable portion of the net proceeds of the Central excise duty on generation of power would be transferred to the States in proportion to the revenues realised from each State on this account. A statement showing State-wise anticipated revenue from this levy for the years 1979-80 to 1983-84, as furnished by the Central Electricity Authority, was also enclosed with my letter.

2. The matter has been examined further in consultation with the Central Electricity Authority and the Department of Power, Ministry of Energy and a fresh statement* of estimated revenue State-wise from the levy of Central excise duty on generation of power for the years 1979-80 to 1983-84 has been worked out which may be taken in substitution of the statement enclosed with my earlier letter of October 13, 1978. The basic premises underlying the present estimates have been spelt out in the explanatory note attached.

An Explanatory Note on the estimates of net revenue from excise duty on generation of power from each State for the years 1979-80 to 1983-84

(1) The State-wise estimates of net revenue are based on the estimates of energy availability as contained in the Tenth Annual Power Survey.

(2) The 'energy availability' represents net generation by the State Electricity Boards and other State authorities, the State's share in generation of power from jointly owned projects, allocation from Central power stations and net generation by private licensees located within the State.

(3) The revenue from D. V. C. has been allocated between West Bengal and Bihar in the ratio adopted in the Tenth Annual Power Survey.

(4) i) The Power available from Singrauli Power Station and Narora Atomic Power Plant has been allocated according to the shares decided by the Government of India. The share reserved by the Government of India for allocation at a later date has been shown as energy available in Uttar Pradesh.

- ii) The power available from Tarapur Atomic Power Station has been allocated equally between Maharashtra and Gujarat.
- iii) The entire power available from Rajasthan Atomic Power Plant Unit I and II has been shown as energy available in Rajasthan.
- iv) The power available from 1st Unit of Kalpakkam Atomic Power Plan has been allocated equally among Tamil Nadu, Karnataka and Andhra Pradesh, while the entire power from IInd Unit has been allocated to Tamil Nadu.
- v) As regards the Central hydro projects the share allocated to each State has been included under that State.
- (5) The estimates of net revenue have been worked out by deducting the rebate towards the estimated agricultural consumption as assessed by the Tenth Annual Power Survey.
- (6) The energy availability shown for Pondicherry and Dadra and Nagar Haveli has been shown as energy available in Tamil Nadu and Gujarat respectively, as these Union territories do not have generation of their own.
- (7) The actual share of each State will be based on collection of revenue on account of excise duty on generation of power and not on the basis of accrual.

Annexure VI-2
(Para 6.13)

**Estimated Receipts of States from Excise
Duty on Electricity (Generation)**

(Rs. in Crores)

STATE	1984-85	1985-86	1986-87	1987-88	1988-89	Total 1984-89
1	2	3	4	5	6	7
1. Andhra Pradesh	16.96	17.75	19.93	22.44	23.19	100.27
2. Assam	2.53	2.94	3.24	3.57	3.94	16.22
3. Bihar	12.54	16.76	18.00	19.36	20.86	87.52
4. Gujarat	20.52	22.33	25.42	28.29	30.63	127.19
5. Haryana	5.31	6.19	7.63	8.85	9.73	37.71
6. Himachal Pradesh	1.17	1.18	1.31	1.62	1.78	7.06
7. Jammu & Kashmir	1.68	1.69	1.88	2.74	3.07	11.06
8. Karnataka	13.97	15.93	18.35	21.60	24.15	94.00
9. Kerala	8.50	8.82	9.54	11.24	11.92	50.02
10. Madhya Pradesh	15.69	17.17	19.11	21.66	23.91	97.54
11. Maharashtra	41.27	41.73	45.60	51.55	54.48	234.63
12. Manipur	0.08	0.08	0.11	0.17	0.18	0.62
13. Meghalaya	0.22	0.22	0.26	0.32	0.35	1.37
14. Nagaland	0.09	0.15	0.17	0.19	0.19	0.79
15. Orissa	7.00	9.89	10.74	12.24	13.18	53.05
16. Punjab	8.90	9.67	11.02	12.60	13.82	56.01
17. Rajasthan	5.70	7.11	7.51	9.53	11.24	41.09
18. Sikkim	0.05	0.07	0.07	0.08	0.09	0.36
19. Tamil Nadu	15.58	16.37	18.04	20.56	23.16	93.71
20. Tripura	0.14	0.15	0.18	0.21	0.24	0.92
21. Uttar Pradesh	15.47	20.76	24.68	30.22	33.26	124.39
22. West Bengal	16.42	20.76	22.38	24.13	26.01	109.70
TOTAL	209.79	237.72	265.17	303.17	329.38	1345.23

SOURCE: Central Electricity Authority.