

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.

Explanation :

For the purpose 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

Provisions of the Constitution having a bearing on the work of the Finance Commission

Article 246 — Subject matter of laws made by Parliament and by the Legislatures of States.

- (1) Notwithstanding anything in clauses (2) and (3), Parliament has exclusive power to make laws with respect to any of the matters enumerated in List I in the Seventh Schedule (in this Constitution referred to as the "Union List").
- (2) Notwithstanding anything in clause (3), Parliament, and subject to clause (1), the Legislature of any State also, have power to make laws with respect to any of the matter enumerated in List III in the Seventh Schedule (in this Constitution referred to as the "Concurrent List").
- (3) Subject to clauses (1) and (2), the Legislature of any State has exclusive power to make laws for such State or any part thereof with respect to any of the matters enumerated in List II in the Seventh Schedule (in this Constitution referred to as the "State List").
- (4) Parliament has power to make laws with respect to any matter for any part of the territory of India not included in a State notwithstanding that such matter is a matter enumerated in the State List.

Relevant entries in List I — Union List

- 82 Taxes on income other than agricultural income.
- 83 Duties of customs including export duties.
- 84 Duties of excise on tobacco and other goods manufactured or produced in India except —
 - (a) alcoholic liquors for human consumption;
 - (b) opium, Indian hemp and other narcotic drugs and narcotics,
 but including medicinal and toilet preparations containing alcohol or any substance included in sub-paragraph (b) of this entry.
- 85 Corporation tax.
- 86 Taxes on the capital value of the assets, exclusive of agricultural land, of individuals and companies; taxes on the capital of companies.
- 87 Estate duty in respect of property other than agricultural land.
- 88 Duties in respect of succession to property other than agricultural land.
- 89 Terminal taxes on goods and passengers, carried by railway, sea or air; taxes on railway fares and freights.
- 90 Taxes other than stamp duties on transactions in stock exchanges and futures markets.
- 91 Rates of stamp duty in respect of bills of exchange, cheques, promissory notes, bills of lading, letters of credit, policies of insurance, transfer of shares, debentures, proxies and receipts.
- 92 Taxes on the sale or purchase of newspapers and on advertisements published therein.
- 92A Taxes on the sale or purchase of goods other than newspapers, where such sale or purchase takes place in the course of inter-State trade or commerce.

Relevant entries in List II — State List

- 45 Land revenue, including the assessment and collection of revenue, the maintenance of land records, survey for revenue purposes and records of rights, and alienation of revenues.
- 46 Taxes on agricultural income.
- 47 Duties in respect of succession to agricultural land.

- 48 Estate duty in respect of agricultural land.
- 49 Taxes on lands and buildings.
- 50 Taxes on mineral rights subject to any limitations imposed by Parliament by law relating to mineral development.
- 51 Duties of excise on the following goods manufactured or produced in the State and counter-
vailing duties at the same or lower rates on similar goods manufactured or produced else-
where in India :—
(a) alcoholic liquors for human consumption;
(b) opium, Indian hemp and other narcotic drugs and narcotics;
but not including medicinal and toilet preparations containing alcohol or any substance includ-
ed in sub-paragraph (b) of this entry.
- 52 Taxes on the entry of goods into a local area for consumption, use or sale therein.
- 53 Taxes on the consumption or sale of electricity.
- 54 Taxes on the sale or purchase of goods other than newspapers, subject to the provisions of
entry 92A of List I.
- 55 Taxes on advertisement other than advertisements published in the newspapers and adver-
tisements broadcast by radio or television.
- 56 Taxes on goods and passengers carried by road or on inland waterways.
- 57 Taxes on vehicles, whether machanically propelled or not, suitable for use on roads, includ-
ing tramcars subject to the provisions of entry 35 of List III.
- 58 Taxes on animals and boats.
- 59 Tolls.
- 60 Taxes on professions, trades, callings and employments.
- 61 Capitation taxes.
- 62 Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling.
- 63 Rates of stamp duty in respect of documents other than those specified in the provisions of
List I with regard to rates of stamp duty

Article 268 – Duties levied by the Union but collected and appropriated by the States.

(1) Such stamp duties and such duties of excise on medicinal and toilet preparations as are mentioned
in the Union List shall be levied by the Government of India but shall be collected –

- (a) in the case where such duties are leviable within any Union Territory, by the Government
of India, and
(b) in other cases, by the States within which such duties are respectively leviable.

(2) The proceeds in any financial year of any such duty leviable within any State shall not form part
of the Consolidated Fund of India, but shall be assigned to that State.

Article 269 – Taxes levied and collected by the Union but assigned to the States.

(1) The following duties and taxes shall be levied and collected by the Government of India but shall
be assigned to the States in the manner provided in clause (2), namely:—

- (a) duties in respect of succession to property other than agricultural land;
(b) estate duty in respect of property other than agricultural land;
(c) terminal taxes on goods or passengers carried by railway, sea or air;
(d) taxes on railway fares and freights;
(e) taxes other than stamp duties on transactions in stock exchanges and futures markets;
(f) taxes on the sale or purchase of newspapers and on advertisements published therein;
(g) taxes on the sale or purchase of goods other than newspapers, where such sale or purchase
takes place in the course of inter-State trade or commerce.

(2) The net proceeds in any financial year of any such duty or tax, except in so far as those proceeds
represent proceeds attributable to Union territories, shall not form part of the Consolidated Fund of
India, but shall be assigned to the States within which that duty or tax is leviable in that year, and
shall be distributed among those States in accordance with such principles of distribution as may be
formulated by Parliament by law.

(3) Parliament may by law formulate principles for determining when a sale or purchase of goods
takes place in the course of inter-state trade or commerce.

Article 270 — Taxes levied and collected by the Union and distributed between the Union and the State.

- (1) Taxes on income other than agricultural income shall be levied and collected by the Government of India and distributed between the Union and the States in the manner provided in clause (2).
- (2) Such percentage, as may be prescribed, of the net proceeds in any financial year of any such tax, except in so far as those proceeds represent proceeds attributable to Union territories or to taxes payable in respect of Union emoluments, shall not form part of the Consolidated Fund of India, but shall be assigned to the States within which that tax is leviable in that year, and shall be distributed among those States in such manner and from such time as may be prescribed.
- (3) For the purpose of clause (2), in each financial year such percentage as may be prescribed of so much of the net proceeds of taxes on income as does not represent the net proceeds of taxes payable in respect of Union emoluments shall be deemed to represent proceeds attributable to Union territories.
- (4) In this article —
- (a) "taxes on income" does not include a corporation tax;
 - (b) "prescribed" means —
 - (i) until a Finance Commission has been constituted, prescribed by the President by Order, and
 - (ii) after a Finance Commission has been constituted, prescribed by the President by Order after considering the recommendations of the Finance Commission;
 - (c) "Union emoluments" includes all emoluments and pensions payable out of the Consolidated Fund of India in respect of which income-tax is chargeable.

Article 271 — Surcharge on certain duties and taxes for purposes of the Union.

Notwithstanding anything in article 269 and 270, Parliament may at any time increase any of the duties or taxes referred to in those articles by a surcharge for purposes of the Union and the whole proceeds of any such surcharge shall form part of the Consolidated Fund of India.

Article 272 — Taxes which are levied and collected by the Union and may be distributed between the Union and the States.

Union duties of excise other than such duties of excise on medicinal and toilet preparations as are mentioned in the Union List shall be levied and collected by the Government of India, but, if Parliament by law so provides, there shall be paid out of the Consolidated Fund of India to the States to which the law imposing the duty extends sums equivalent to the whole or any part of the net proceeds of that duty, and those sums shall be distributed among those States in accordance with such principles of distribution as may be formulated by such law.

Article 274 — Prior recommendation of President required to Bills affecting taxation in which States are interested..

(1) No Bill or amendment which imposes or varies any tax or duty in which States are interested, or which varies the meaning of the expression "agricultural income" as defined for the purposes of the enactments relating to Indian income-tax, or which affects the principles on which under any of the foregoing provisions of this Chapter moneys are or may be distributable to States, or which impose any such surcharge for the purposes of the Union as is mentioned in the foregoing provisions of this Chapter shall be introduced or moved in either House of Parliament except on the recommendations of the President.

(2) In this article, the expression "tax or duty in which States are interested" means —

- (a) a tax or duty the whole or part of the net proceeds whereof are assigned to any States; or
- (b) a tax or duty by reference to the net proceeds whereof sums are for the time being payable out of the Consolidated Fund of India to any State.

Article 275 — Grants from the Union to certain States.

(1) Such sums as Parliament may by law provide shall be charged on the Consolidated Fund of India in each year as grants-in-aid of the revenues of such States as Parliament may determine to be in need of assistance, and different sums may be fixed for different States :

Provided that there shall be paid out of the Consolidated Fund of India as grants-in-aid of the revenues of a State such capital and recurring sums as may be necessary to enable that State to meet

the costs of such schemes of development as may be undertaken by the State with the approval of the Government of India for the purpose of promoting the welfare of the Scheduled Tribes in that State or raising the level of the administration of the Scheduled Areas therein to that of the administration of the rest of the areas of that State :

Provided further that there shall be paid out of the Consolidated Fund of India as grants-in-aid of the revenues of the State of Assam sums, capital and recurring equivalent to —

- (a) the average excess of expenditure over the revenues during the two years immediately preceding the commencement of the Constitution in respect of the administration of the tribal areas specified in Part A of the table appended to paragraph 20 of the Sixth Schedule; and
- (b) the cost of such schemes of development as may be undertaken by that State with the approval of the Government of India for the purpose of raising the level of administration of the said areas to that of the administration of the rest of the areas of that State.

(2) Until provision is made by Parliament under clause (1) the powers conferred on Parliament under that clause shall be exercisable by the President by order and any order made by the President under this clause shall have effect subject to any provision so made by Parliament :

Provided that after a Finance Commission has been constituted no order shall be made under this clause by the President except after considering the recommendations of the Finance Commission.

Article 279 — Calculation of "net proceeds". etc.

(1) In the foregoing provisions of this Chapter, "net proceeds" means in relation to any tax or duty the proceeds thereof reduced by the cost of collectin, and for the purposes of those provisions the net proceeds of any tax or duty, or of any part of any tax or duty, in or attributable to any area shall be ascertained and certified by the Comptroller and Auditor-General of India, whose certificate shall be final.

(2) Subject as aforesaid, and to any other express provision of this Chapter, a law made by Parliament or an order of the President may, in any case where under this Part the proceeds of any duty or tax are, or may be, assigned to any State, provide for the manner in which the proceeds are to be calculated, for the time from or at which and the manner in which any payments are to be made, for the making of adjustments between one financial year and another, and for any other incidental or ancillary matters.

Article 280 — Finance Commission.

(1) The President shall, within two years from the commencement of this Commission and thereafter at the expiration of every fifth year or at such earlier time as the President considers necessary, by order constitute a Finance Commission which shall consist of a Chairman and four other members to be appointed by the President.

(2) Parliament may by law determine the qualifications which shall be requisite for appointment as members of the Commission and the manner in which they shall be selected.

(3) It shall be the duty of the Commission to make recommendations to the President as to —

- (a) the distribution between the Union and the States, of the net proceeds of taxes which are to be, or may be, divided between them under this Chapter and the allocation between the States of the respective shares of such proceeds;
- (b) the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India;
- (c) any other matter referred to the Commission by the President in the interests of sound finance.

(4) The Commission shall determine their procedure and shall have such powers in the performance of their functions as Parliament may by law confer on them.

Article 281 — Recommendations of the Finance Commission.

The President shall cause every recommendation made by the Finance Commission under the provisions of this Constitution together with an explanatory memorandum as to the action taken thereon to be laid before each House of Parliament.

Article 282 — Expenditure defrayable by the Union or a State out of its revenues.

The union or a State may make any grants for any public purpose, notwithstanding that the purpose is not one with respect to which Parliament or the Legislature of the State, as the case may be, may make laws.

Appendix IV

Transfers to the States on the basis of the recommendations of
the Finance Commissions during 1951-52 - 1983-84

(Rs. Crores)										
1	Share in Divisible Taxes & Duties				6	Statutory and other grants			10	11
	Income Tax	Union duties of excise	Estate Duty	Total		Article 275 grants	In lieu of Tax on Rail-way Fares	Other grants			Grand Total
	2	3	4	5		7	8	9		
<u>1st Five-Year Plan</u>										
1951-52	53	..	..	..	53	1	..	16	17	70
1952-53	57	17	..	..	74	5	..	14	19	93
1953-54	57	15	..	..	72	7	..	14	21	93
1954-55	56	15	..	.	71	7	..	15	22	93
1955-56	55	17	..	2	74	7	..	17	24	98
<u>Total:</u>	<u>278</u>	<u>64</u>	<u>..</u>	<u>2</u>	<u>344</u>	<u>27</u>	<u>..</u>	<u>76</u>	<u>103</u>	<u>447</u>
<u>2nd Five-Year Plan</u>										
1956-57	59	18	..	2	79*	8	..	12	20	99
1957-58	74	29	11	2	116*	36	5	7	48	164
1958-59	76	33	40	2	151*	36	11	10	57	208
1959-60	79	36	39	3	157*	36	13	13	62	219
1960-61	87	37	38	3	165*	37	14	12	63	228
<u>Total:</u>	<u>375</u>	<u>153</u>	<u>128</u>	<u>12</u>	<u>668</u>	<u>153</u>	<u>43</u>	<u>54</u>	<u>250</u>	<u>918</u>
<u>3rd Five-Year Plan</u>										
1961-62	94	41	40	4	179	40	12	4	56	235
1962-63	95	79	46	4	224	61	12	7	80	304
1963-64	119	92	44	4	259	62	13	7	82	341
1964-65	124	86	41	7	258	65	13	10	88	346
1965-66	123	100	46	7	276	64	13	11	88	364
<u>Total:</u>	<u>555</u>	<u>398</u>	<u>217</u>	<u>26</u>	<u>1196</u>	<u>292</u>	<u>63</u>	<u>39</u>	<u>394</u>	<u>1590</u>
<u>Three Annual Plans</u>										
1966-67	137	184	47	5	373	141	16	12	169	542
1967-68	175	203	32	7	417	141	16	8	165	582
1968-69	195	241	50	6	492	141	16	9	166	658
<u>Total:</u>	<u>507</u>	<u>628</u>	<u>129</u>	<u>18</u>	<u>1282</u>	<u>423</u>	<u>48</u>	<u>29</u>	<u>500</u>	<u>1782</u>
<u>4th Five-Year Plan</u>										
1969-70	293	266	56	7	622	153	16	10	179	801
1970-71	359	318	72	6	755	142	16	13	171	926
1971-72	462	369	106	7	944	141	16	11	168	1112
1972-73	492	432	135	8	1067	146	16	15	177	1244
1973-74	532	465	166	11	1174	131	16	17	164	1338
<u>Total:</u>	<u>2138</u>	<u>1850</u>	<u>535</u>	<u>39</u>	<u>4562</u>	<u>713</u>	<u>80</u>	<u>66</u>	<u>859</u>	<u>5421</u>

Appendix IV (Concl'd.)

		Shares in Divisible Taxes & Duties				Statutory and other grants			Grand			
		Income Tax	Union duties of excise	Estate Duty	Total	Article 275 grants on Rail-way fares	In lieu of Tax grants	Other grants	Total	Total		
			Basic	Additional								
		1	2	3	4	5	6	7	8	9	10	11
5th Five-Year Plan	1974-75		512	524	178	10	1224	482	16	8	506	1730
	1975-76		734	646	211	8	1599	503	16	..	519	2118
	1976-77		652	774	254	10	1690	500	16	..	516	2206
	1977-78		676	817	303	10	1806	583	16	1	600	2406
	1978-79		700	944	301	11	1956	615	16	1	632	2588
	Total:			3274	3705	1247	49	8275	2683	80	10	2773	11048
6th Five-Year Plan	1979-80		862	2201	330	11	3404	256	17	1	274	3678
	1980-81		1003	2378	396	12	3789	281	16	1	298	4087
	1981-82		1019	2759	462	17	4257	292	16	1	309	4586
	1982-83(RE)		1132	2999	492	16	4639	399	16	Neg.	415	5054
	1983-84(BE)		1175	3293	604	16	5088	399	16	Neg.	415	5503
	Total:			5191	13630	2284	72	21177	1627	81	3	1711	22888

* Does not take into account State 'share' in tax on railway passenger fares. These transfers are shown under 'Other grants'.

Source: Report of Seventh Finance Commission (Appendix IV.1(ii)) for data upto the year 1976-77 and State Budgets/Finance Accounts for later years.

Statewise Net Domestic Product at current prices: 1976-77 to 1978-79

Appendix - V

(Rs. Crores)

STATE	1976-77	1977-78	1978-79	1976-79(Average)
1	2	3	4	5
1. Andhra Pradesh	4310.16	5015.78	5530.08	4952.00
2. Assam	1583.64	1789.48	1824.97	1726.03
3. Bihar	4498.60	4861.72	5225.13	4861.82
4. Gujarat	4525.64	5007.92	5272.30	4935.28
5. Haryana	1993.74	2239.59	2415.41	2218.25
6. Himachal Pradesh	416.13	498.64	548.89	487.89
7. Jammu & Kashmir	502.39	629.47	684.51	605.46
8. Karnataka	3578.40	4205.29	4377.65	4053.78
9. Kerala	2642.10	2789.13	3052.95	2828.06
10. Madhya Pradesh	3894.67	4694.02	4597.12	4395.27
11. Maharashtra	8639.71	9613.93	10734.43	9662.69
12. Manipur	102.30	117.33	118.12	112.58
13. Meghalaya	108.97	127.73	143.96	126.89
14. Nagaland	58.97	70.62	85.89	71.83
15. Orissa	1973.92	2304.48	2650.58	2309.66
16. Punjab	3048.39	3506.86	3767.24	3440.83
17. Rajasthan	3116.76	3544.10	3767.31	3476.06
18. Sikkim	NA	NA	NA	NA
19. Tamil Nadu	4758.64	5441.73	5751.32	5318.56
20. Tripura	181.22	218.97	211.87	204.02
21. Uttar Pradesh	7999.69	8912.98	9330.47	8747.71
22. West Bengal	5986.59	6515.16	6805.08	6435.61
All States:	63888.83	72104.93	76895.28	70966.28
Union Territories:	2273.00	2744.90	2849.05	2622.32
All India:	66171.63	74849.83	79744.33	73588.60

SOURCE: Central Statistical Organisation.