

Explanatory Memorandum on the action taken on the recommendations of the Ninth Finance Commission in its First Report dated 29th July, 1988

The First Report of the Ninth Finance Commission covering the financial year 1989-90 is being laid on the Table of the House. A summary of the main recommendations in the Report is contained in Chapter XII of the Report.

The recommendations of the Finance Commission regarding devolution of Income Tax, Union Excise Duties, Additional Duties of Excise in lieu of Sales Tax, Grants-in-aid in lieu of tax on Railway Passenger Fares, Financing of relief expenditure, and Debt relief have been accepted. In regard to Grant-in-aid Government accept the recommendations of the Finance Commission with the proviso that the recommendation relating to Grant-in-aid for meeting the requirements of the revenue component of the State Plan may be kept in view by the Planning Commission, while finalising the funding arrangements for the Annual Plans of the States for 1989-90.

The other recommendations of the Commission not relating to immediate devolution, will be considered separately.

Sd/-
(S.B. Chavan)
Finance Minister

New Delhi
2nd September, 1988.

Explanatory Memorandum on the amendments to the First Report of the Ninth Finance Commission

The First Report of the Ninth Finance Commission and the memorandum on the Government's decision on the recommendations made therein were laid on the Table of the House on 2nd September, 1988. This is to lay on the Table of the House the amendments to that report proposed by the Commission subsequently to correct a few minor computational errors that had crept into the Report. The amendments are:-

- i) the share of Union Territories in the net proceeds of income tax earlier fixed at 1.044% (Para 5.30 of the Report) is revised to 1.124%;
- ii) States' share in the net proceeds of income tax earlier indicated as Rs. 2990.38 crores (Col. (i) of Table 9 on page 53 of the Report) is revised as Rs. 2987.94 crores i.e. Rs. 2.44 crores less; and

- iii) as a result of the reduction in the States' share of income tax, the grants given to the following deficit States, are increased by the amount shown against each-

(Rs. In crore)

Sl.No.	State	Sums to be paid as grant-in-aid (Rs. in crores)
1	Arunachal Pradesh	0.01
2	Assam	0.05
3	Goa	0.01
4	Himachal Pradesh	0.02
5	Jammu & Kashmir	0.05
6	Manipur	0.01
7	Mizoram	0.02
8	Nagaland	0.02
9	Orissa	0.05
10	Rajasthan	0.08
11	Tripura	0.02
Total		494.83

The Government has accepted the amendments in the First Report as proposed by the Ninth Finance Commission.

Sd/-
(S.B. Chavan)
Finance Minister

New Delhi
February 23, 1989

Explanatory Memorandum as to the action taken on the recommendations made by the Ninth Finance Commission in its Second Report submitted to the President on 18th December, 1989

The Second Report of the Ninth Finance Commission covering the five years period commencing from the 1st of April, 1990 together with the Explanatory Memorandum on the action taken on the recommendations of the Commission is being laid on the Table of the House, in pursuance of Article 281 of the Constitution. A summary of the Commission's main recommendations relating to devolution of taxes and duties to the States, grants-in-aid under Article 275 of the Constitution, financing of relief expenditure and debt relief to the States and other matters, is summarised in Chapter-XI of its Report.

A SHARES OF CENTRAL TAXES AND DUTIES

For the period of five years commencing from the 1st of April, 1990, recommendations contained in the Second Report of the Finance Commission relating to sharing of Income tax, Union Duties of excise, additional excise duties in lieu of States' sales tax, have been accepted. The recommendation of the Commission relating to grants in lieu of the repealed tax on railway passenger fares has also been accepted by Government.

B GRANTS-IN-AID OF THE REVENUES OF STATES UNDER THE SUBSTANTIVE PROVISION OF ARTICLE 275 OF THE CONSTITUTION

(i) Grants-in-aid to cover non-Plan gap on Revenue Account:

The Government have accepted the recommendations contained in the Second Report of the Commission for payment of grants-in-aid of the revenues of certain States under the substantive provision of Article 275 (I) of the Constitution towards meeting their non-Plan revenue gap as assessed by the Commission for the five years 1990-95.

(ii) Grants-in-aid to cover part of deficits on Plan Revenue Account:

The Government have accepted the recommendations of the Commission for the payment of grant-in-aid to certain States to cover a part of the deficit of such State Governments on plan account for the five years commencing from the 1st of April, 1990. These grants will be taken into account by the Planning Commission as a resource for financing the States' Plans.

C RECOMMENDATIONS ON OTHER TERMS OF REFERENCES

(i) Financing of Relief Expenditure:

The Government have accepted, in principle, the recommendations of the Commission relating to financing of relief expenditure and setting up of a Calamity Relief Fund in each of the States. The arrangements for the custody and operation of the Fund will be separately worked out in consultation with the Comptroller & Auditor General of India and the Reserve Bank of India.

The recommendation of the Commission on grants to the Madhya Pradesh Government for the Bhopal Gas Leak disaster will be considered as a part of the general scheme for providing interim compensation to gas leak victims.

(ii) Debt Relief:

The Government have accepted the recommendations of the Commission in regard to rescheduling/write off of certain loans outstanding against State Governments and elongation of the maturity period of future Central loan for State Plans from 15 years to 20 years with 50 per cent loans enjoying a grace

period of 5 years have been accepted. The other recommendations on debt relief requiring in depth examination will be considered in due course.

D NOTE OF DISSENT

The report of the Commission has appended to it a Note of Dissent on certain recommendations. The Government have carefully considered the note and decided to accept the recommendations of the majority as indicated in paras 2,3, and 4 above.

E IMPLEMENTATION

The Commission's recommendations fall in three categories:

- (i) Those to be implemented by an Order of the President.
- (ii) Those to be implemented by Law of Parliament.
- (iii) Those to be implemented by executive order.

The recommendations under Article 270 and 275(1) of the Constitution relating to income tax and grants-in-aid respectively fall in the first category and the necessary order will be submitted to the President for approval. Recommendations relating to distribution of Union Excise duties including Additional Duties of Excise in lieu of sales tax (Under Article 272 of the Constitution) fall in the second category. Necessary legislation will be promoted for implementing them. The recommendations relating to distribution of grants to States in lieu of tax on railway passenger fares and rescheduling of Central Loans will be implemented by executive order.

The Commission has made certain other recommendations in the Report. These do not require any immediate action and will be considered in due course.

Sd/-
(Madhu Dandavate)
Finance Minister

New Delhi
March 12, 1990