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## CHAPTER 1

### INTRODUCTORY

This Finance Commission, the fifth Commission to be set up under Article 280 of the Constitution, was constituted by an Order of the President dated the 29th February, 1968, which is reproduced below:—

“In pursuance of the provisions of article 280 of the Constitution of India and of the Finance Commission (Miscellaneous Provisions) Act, 1951 (33 of 1951), the President is pleased to constitute with effect from the 15th March, 1968, a Finance Commission consisting of Shri Mahavir Tyagi, former Union Minister of Rehabilitation, as the Chairman and the following four other members, namely:

- \* (1) Shri P. C. Bhattacharyya, former Governor, Reserve Bank of India.
- (2) Shri M. Seshachalapathy, retired Judge, Andhra Pradesh High Court.
- (3) Dr. D. T. Lakdawala, Professor, Department of Economics, Bombay University.
- (4) Shri V. L. Gidwani, former Chief Secretary, Government of Gujarat, Member-Secretary.

2. The members of the Commission shall hold office until the 31st day of July, 1969.
3. Shri Mahavir Tyagi shall render part-time service as Chairman of the Commission until such date as the Central Government may specify in this behalf and thereafter, he shall render whole-time service as Chairman of the Commission. Of the other members, Shri P. C. Bhattacharyya shall render part-time service as member of the Commission until such date as the Central Government may specify in this behalf and thereafter, he shall render whole-time service as member of the Commission. The other three members will render whole-time service.
4. The Commission shall make recommendations as to the following matters:—
  - (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 Chapter 1 of Part XII of the Constitution 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 and the sums to be paid to the States which are in need of assistance by way of grants-in-aid of their revenues under article 275 for purposes other than those specified in the provisos to clause (1) of that article and other than the requirements of the Five Year Plan, having regard, among other considerations, to—
- (i) the revenue resources of those States for the five years ending with the financial year 1973-74 on the basis of the levels of taxation likely to be reached at the end of the financial year 1968-69;
  - (ii) the requirements on revenue account of those States to meet the expenditure on administration, interest charges in respect of their debt, maintenance and upkeep of Plan schemes completed by the end of 1968-69, transfer of funds to local bodies and aided institutions and other committed expenditure;
  - (iii) the scope for better fiscal management as also for economy consistent with efficiency which may be effected by the States in their administrative, maintenance, developmental and other expenditure;
- (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 the repealed tax on railway passenger fares;
- (d) 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;
- (e) the desirability or otherwise of maintaining the existing arrangements under the Additional Duties of Excise (Goods of Special Importance) Act, 1957, in regard to the levy of additional duties of excise on sugar, textiles and tobacco in lieu of the States' sales taxes thereon, with or without any modifications and the scope for extending such arrangements to other items or commodities;
- (f) irrespective of the recommendation made under item (e) above, 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 leviable under the 1957 Act aforesaid on each of the following commodities, namely,
- (i) cotton fabrics,
  - (ii) silk fabrics,

- (iii) woollen fabrics,
  - (iv) rayon or artificial silk fabrics,
  - (v) sugar, and
  - (vi) tobacco including manufactured tobacco,
- in replacement of 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 that State;

- (g) the principles which should govern the distribution of the net proceeds of such additional items or commodities as may be recommended under item (e) above for levy of additional excise duties in lieu of the States' sales taxes thereon;
  - (h) the scope for raising revenue from the taxes and duties mentioned in article 269 of the Constitution but not levied at present;
  - (i) the scope for raising additional revenue by the various State Governments from the sources of revenue available to them; and
  - (j) the problem of unauthorised overdrafts of certain States with the Reserve Bank and the procedure to be observed for avoiding such overdrafts.
5. The Commission in making its recommendations on the various matters aforesaid shall have regard to the resources of the Central Government and the demands thereon on account of the expenditure on civil administration, defence and border security, debt servicing and other committed expenditures or liabilities.
6. The Commission shall make an interim Report by the 30th September, 1968 covering as many of the matters mentioned in para 4 above as possible and in particular, in respect of the financial year 1969-70; and make the final Report by the 31st July, 1969 on each of the said matters and covering a period of five years commencing from the 1st day of April, 1969, indicating in its Reports the basis on which it has arrived at its findings and making available the relevant documents."

The date for submission of the interim Report was extended to 31st October, 1968, by the President's subsequent Order dated 24th September, 1968.

1.2 During the earlier stages of our work a question arose as regards advance tax collections being included in the net proceeds of income tax divisible between the Union and the States. We took up this matter with the Comptroller and Auditor-General of India and

the Government of India. Subsequently on the 1st May, 1969 we received a supplementary reference from the President which is reproduced below:

“Whereas since the commencement of the Constitution, Advance Tax collections made under the Income-tax Act have been taken into account in determining the net proceeds of taxes on income for purposes of article 270 (2) of the Constitution only on completion of regular assessment;

And whereas successive Finance Commissions have recommended the distribution between the Union and the States of the net proceeds of taxes on income under article 280 (3) (a) of the Constitution on the said basis;

And whereas the Comptroller and Auditor-General of India has also certified the net proceeds of taxes on income under article 279 (1) of the Constitution in each of the financial years until and including 1966-67 on the said basis;

And whereas it is now considered that the Advance Tax collections made in a financial year should be taken into account in determining the net proceeds of taxes on income in that year and not be left over for such determination in subsequent years on completion of regular assessment as hitherto;

Now, therefore, in pursuance of sub-clause (a) and (c) of clause (3) of article 280 of the Constitution of India, the President is pleased to refer the following further matters to the Finance Commission, constituted by S.O. No. 812, dated the 29th February, 1968, namely:—

- (a) the distribution of the Advance Tax already collected and not included in the net proceeds of taxes on income in the financial years until and including 1966-67 as certified by the Comptroller and Auditor-General of India;
- (b) the changes, if any, in the distribution between the Union and the States of the net proceeds of taxes on income as prescribed in the Constitution (Distribution of Revenue) Order, 1965, in so far as the taxes on income collected in the financial years 1967-68 and 1968-69 are concerned, in the event of the net proceeds thereof being certified by the Comptroller and Auditor-General of India after taking into account the Advance Tax collected in the respective years; and
- (c) the distribution of the net proceeds of taxes on income in each of the financial years 1969-70 to 1973-74 as determined on the revised basis.

2. The Commission shall take into account the effect of the recommendations made by them on the matters specified in paragraph 1 above in making their recommendations

under S.O. 812 aforesaid, as to the distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them and the allocation between the States of the respective shares of such proceeds under sub-clause (a) of clause (3) of article 280 of the Constitution and also as to the determination of the sums to be paid as grants-in-aid of the revenues of the States in need of assistance under clause (1) of article 275 of the Constitution."

1.3 We assumed office on the 15th March, 1968. The Chairman served on the Commission on a part-time basis upto 31st July, 1968 and thereafter rendered whole-time service. Of the other Members, Shri P. C. Bhattacharyya rendered part-time service till the date of his sudden demise on the 13th February, 1969. His untimely death has been a great loss to the Commission, and we place on record our appreciation and gratitude for the valuable contribution made by him in the Commission's deliberations with his keen intellect, profound learning and wide experience.

1.4 In place of the late Shri P. C. Bhattacharyya, the President by his Order dated the 19th February, 1969, appointed Shri G. Swaminathan, former Additional Deputy Comptroller and Auditor-General of India, as a part-time Member of the Commission. Shri Swaminathan assumed office as Member on the 21st February, 1969.

1.5 We held our first meeting on the 16th March, 1968 and adopted rules of procedure similar to those framed by the Fourth Finance Commission. A Press Note was issued on the same day indicating the terms of reference of the Commission and inviting written memoranda setting out views and specific suggestions from those interested in the matter.

1.6 Before the actual appointment of the Commission our Member-Secretary was appointed as Officer on Special Duty to attend to the preliminary work in the Union Finance Ministry. He addressed the State Governments and the Accountants General in advance for supply of material required in connection with the work of the Commission. The State Governments were requested to supply the forecast of revenue receipts and non-Plan revenue expenditure for the 5 years 1969-70 to 1973-74 and information on various subsidiary points by the 5th April, 1968. The Union Finance Ministry was also requested to send its forecast and other information by the 15th April, 1968. These dates were later extended. The State Governments were asked to submit the information in so far as it was relevant for the interim Report by the end of May, 1968 and their forecasts and Memoranda for the final Report by the end of September, 1968. However, due to certain Constitutional changes and mid-term elections in certain States we received the required material from some of them as late as in March, 1969.

1.7 The Comptroller and Auditor-General of India was requested to instruct his principal civil Accounts Officers to supply such statistical material as the Commission might call for and also to meet it for discussion when the Commission visited the State headquarters.

1.8 In view of the limited time available for submission of the interim Report, we invited the State Governments to send their representatives to New Delhi for discussions in respect of all matters to be covered by the interim Report. These discussions were held during the period June to August, 1968.

1.9 Our interim Report covering items (c), (d) and (j) of paragraph 4 of the Presidential Order and making interim recommendations for devolutions and grants in respect of the financial year 1969-70 was submitted to the President on the 31st October, 1968. A copy of the interim Report is included as Annexure to this final Report.

1.10 We commenced our discussions and consultations with the State Governments for our final Report in November, 1968, and visited the headquarters of each State for this purpose. Owing mainly to the delay in receipt of forecasts and other necessary material from certain States we were able to complete our visits to all the States only in April, 1969. The dates of the discussions are indicated at Appendix II. They generally commenced with meetings with the Chief Minister, Finance Minister and other Ministers or with the Governor and his senior advisers in case of States then under the President's rule. Thereafter, we had detailed discussions with senior officials for clarification and elucidation of their forecasts and examination of the memoranda and other material furnished. A final meeting was also generally held with the Chief Minister and other Ministers or the Governor. The Chief Minister of Jammu and Kashmir, whom we were not able to meet when we visited the State, was kind enough to come to New Delhi for discussions soon after our return. The Chief Minister of Orissa also held further discussions with us at New Delhi. At the time of our visits to Bihar, Punjab, Uttar Pradesh and West Bengal, these States were under President's rule. After the formation of representative Governments in these States, the Finance Minister of Punjab and the Chief Minister and Finance Minister of Uttar Pradesh had supplementary discussions with us at New Delhi. All these discussions with the representatives of State Governments at various levels were held in private sessions, and they were frank and informative and gave us a clear picture of their various problems and difficulties as well as their policies and programmes in various matters. We wish to place on record our sincere appreciation and gratitude for the assistance, co-operation and hospitality which we received in ample measure from all the State Governments.

1.11 Both at the time of discussions with State Governments' representatives at New Delhi in connection with the interim Report and at State headquarters for the final Report, the Accountants General of the respective States were present. The Commission had also separate meeting with the Accountant General at the end of discussion with the State's representatives. Our thanks are due to these officers and to the Comptroller and Auditor-General for all the assistance which they have readily rendered to us.

1.12 In some State Capitals, on the conclusion of our discussions with the State Governments we met representatives of the Press to keep them informed of the progress of our work, though it was

obviously not possible for us to indicate to them any views or conclusions on various matters, which we had still to formulate after completion of the discussions with all State Governments as well as the Government of India. We should like to express our appreciation of the interest shown by the Press in our work.

1.13 Towards the conclusion of our work, we had discussions with the Cabinet Secretary and the Secretaries of the Finance Ministry, Government of India, and with the Chairmen of the Railway Board and the Central Board of Direct Taxes. We had also the opportunity of exchanging views with other distinguished persons including Dr. V. K. R. V. Rao, Minister of Education and Youth Services, Dr. K. L. Rao, Minister of Irrigation and Power, Shri K. Santhanam, Chairman of the Second Finance Commission, Shri A. K. Chanda, former Comptroller and Auditor-General of India and Chairman of the Third Finance Commission, Dr. D. R. Gadgil, Deputy Chairman of the Planning Commission, Shri B. Venkatappiah, Member of the Planning Commission and Shri N. Rajagopala Ayyangar, Chairman of the Press Council of India. A complete list of persons who appeared before the Commission is given in Appendix IV.

1.14 In pursuance of the Press Note issued by the Commission a number of memoranda was received from the various Chambers of Commerce and Industry, Universities, Economists, Members of Parliament and State Legislatures and others. A list of the organisations and individuals who sent memoranda is given in Appendix III. The Commission also held discussions with a number of individuals and representatives of Chambers of Commerce and other organisations at the various State headquarters and at New Delhi as indicated in Appendix IV. We are grateful to all the persons and organisations who have assisted us in our work, for sending their written memoranda and responding to our request to meet us for personal discussions at New Delhi and various State headquarters.

1.15 We wish to place on record our sense of appreciation of the very useful work done by our officers and the members of our staff. Our Joint Secretary, Shri G. C. Katoch, and Deputy Secretaries, Shri R. K. Mukherji and Dr. V. P. Kachwaha, efficiently carried out their onerous responsibilities of collecting, analysing and placing for our consideration a large mass of information from several sources and assisted us in our deliberations. Our Under Secretary, Shri G. H. Bijlani, and our team of Senior Research Officers consisting of Sarvaswari T. S. Rangamannar, R. D. Gupta, G. G. Nair, S. P. Sharma and K. V. Nambiar and the technical staff did excellent work, often at great pressure, in collecting and processing the budgetary data and other statistics and material for our use and in detailed scrutiny of the forecasts furnished by the State Governments and the Government of India. Our Superintendent, Shri P. Seshadri, and the staff under him efficiently looked after the running of the office; and our personal staff ungrudgingly carried out the duties assigned to them at all times. But for the diligence and willing co-operation of all the officers and members of our staff it would not have been possible for the Commission to complete its task satisfactorily, and we are deeply grateful to them all.



### THE PROBLEMS—OUR APPROACH

#### I.—Union-State financial relationships

2.1 In our Constitution, India is described as a Union of States. Due to a number of provisions in it tending towards a strong Centre, eminent Constitutional writers have described the Indian Constitution as quasi-federal. The imbalance between the functional responsibilities assigned to the States and the financial resources allocated to them, which is a general feature of many full-fledged federations, also exists in India. Many economic, social and developmental services like education, medicine and public health, agriculture, cooperation, small industries, etc., require local supervision and nearness of the governing authority, and they have been naturally included in the functions of States which are in more direct contact with the people. In a developing economy these services have to grow rapidly. On the other hand, in regard to distribution of powers of taxation, the Constitution has recognised adequately the economic allegiance of taxes and has assigned each tax exclusively to one or other of the two layers of Government which is best in a position to levy and collect it, thereby attempting to avoid overlapping of tax jurisdiction. In view of the increasing trend of the economy towards integration under modern conditions, the taxes assigned to the Union have been producing increasingly larger yields. This has resulted in the Union having relatively larger resources than the States, and consequently there is need for substantial transfers to the States. The changes in the assignment of tax powers which have been adopted hitherto, for instance the amendment of the Constitution regarding tax on inter-State sales and the arrangements in respect of estate duty on agricultural land, have been in the direction of giving further tax powers to the Union. In the current discussions on the question of Union-State financial relationships, while increase in the functions and powers of States is being generally demanded, no clear suggestions have yet emerged regarding the tax powers which should be transferred to the States. On the other hand there is a large school of opinion that advocates the centralization of the tax on agricultural income. There is a chronic gap between the States' own revenues and their expenditure commitments and consequently there is persistent and growing need for larger transfers of funds to States.

2.2 A distinguishing feature of Union-State financial relationships in India is the explicit recognition in the Constitution of the varying nature of this need and the provision of a periodical review of the situation by a quasi-judicial body. Aware of the experience of other federations regarding the great disparity between the States' capacity to raise revenues and their need to effectively discharge their essential functions, our Constitution-makers made specific provisions for remedying this imbalance.

## CHAPTER 2

### THE PROBLEMS—OUR APPROACH

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2.3 A number of taxes, though levied by the Government of India, are collected and retained by the States (Article 268); the net proceeds of seven items of taxation, though levied and collected by the Government of India, are entirely assigned to the States and distributed among them in accordance with the principles of distribution formulated by Parliament (Article 269). In addition, a percentage of the net proceeds of income-tax is assigned to the States (Article 270). The proceeds thus assigned to the States do not form part of the Consolidated Fund of India. Union excise duties can be shared with the States if Parliament so decides (Article 272), and almost from the commencement of the Constitution, excise duties have been so shared. In 1950-51 the receipts from income-tax and excise duties formed nearly one-half of the Union tax revenues so that the divisible pool was by no means inconsiderable. Further, Article 275 recognises the necessity for grants-in-aid of revenues of States which may be in need of assistance. Different sums can be fixed for different States, so that the weaker States can be given specific assistance to meet the necessary expenditure in the proper discharge of their duties to their people. Article 282 provides for grants by the Union and the States for any public purpose.

2.4 None of the Articles 270, 272, 275 and 282 however mentions what amounts are to be so given to the States, or lays down the principles according to which they are to be distributed among the States. Some eminent persons have expressed the view that it would have been better if at least the States' shares in the divisible pool of income-tax and Union excise duties were specifically laid down in the Constitution so as to obviate controversy and uncertainty. In our opinion, the case for such a change is by no means clear. All the four Finance Commissions have recommended progressive enlargement of the divisible pool of taxes to be shared as well as the States' share therein, as the following table indicates :—

*Transfers from tax sharing under  
Finance Commissions' Awards*

(Rs. crores)

Commissions	First year of the Commission's period	Devolution of taxes in the preceding year	Devolution of taxes in the first year of the Commission's period
First	1952-53	52·66	73·23
Second	1957-58	78·25	120·72
Third	1962-63	192·86	236·58
Fourth	1966-67	288·56	384·08

The principles of distribution of income-tax and Union excise duties among States *inter se* have also been varied by the Finance Commissions from time to time. These facts constitute a strong case against rigid determination of the States' share in the Constitution itself. Grants under Article 275 must in their very nature be variable and they have to be related to the needs of particular States. But recourse to Article 275 or Article 282 may not be sufficient in itself to meet the needs of additional transfers to States. The founding fathers of our Constitution were aware of this situation and have, therefore, made the provisions relating to federal transfers sufficiently flexible to deal with changing conditions.

2.5 The Constitution, therefore, provides for a regular statutory machinery to deal with the devolution of taxes and grants from the Union to the States. The President has to constitute a Finance Commission to carry out this task at the expiration of every fifth year or at such earlier time as he considers necessary. It is the duty of the Commission to make recommendations regarding the distribution of income-tax and Union excise duties between the Union and the States and the allocation of the States' share among them, and also as to the principles which should govern grants under Article 275. The President may also refer any other matter to the Commission in the interests of sound finance. Under this last provision, questions like the distribution of additional excise duties, taxes under Article 269 and grant in lieu of the tax on railway passenger fares have been referred to the Finance Commissions. Grants under Article 282 are outside the purview of the Finance Commission. It is under this Article that the Government of India give Plan grants to promote new programmes, and other grants to meet difficulties of States arising during the interval between two Finance Commissions. In order to meet greater needs arising in their own sphere, the Government of India are also empowered under Article 271 to levy surcharges on the taxes and duties mentioned in Article 269 and on income-tax.

2.6 The constitutional arrangement under which a statutory body is charged with the duty of periodically recommending a major part of transfers of Central funds to States is a unique feature of the Indian Constitution. No such machinery for periodical readjustments has been provided for in any of the older federations. The only near parallel is the Australian Commonwealth Grants Commission, which examines annually the plea of the claimant States of Australia for Commonwealth assistance. This body, however, is not constituted under the Australian Constitution but by a Commonwealth law; it has no power to suggest changes in tax-sharing or to recommend conditional grants. Its functions are confined to recommending unconditional grants for a few States. The innovation of a periodical Finance Commission in the Indian Constitution has the advantage of making it possible to formulate periodically an appropriate combined scheme to cover most of the transfers from the Union to the States. Such transfers have to be made under different Articles and in determining them due regard has to be paid to the language of the Articles and the principles of distribution hitherto adopted. But taken together as a whole they can, and must, subserve the overall purpose of providing necessary assistance to the States on an equitable basis.

2.7 A purposive scheme of federal finance should be designed to serve the following two broad purposes. It should, firstly, augment the States' own limited resources so as to help them meet their expanding need for expenditure as far as that can be done from surpluses of the Union. It must be remembered that the Government of India are not in the happy situation of certain other Federal Governments, whose surpluses are sometimes so large as to create a deflationary influence on the economy. A large transfer to the States means a greater dent in the funds of the Government of India, who have to provide for the compulsive requirements of national defence, situations of national emergency, and the equally imperative overall needs of planning. The pre-emptive character of the financial needs of the Union constitutes a limiting factor in formulating the scheme of transfers to States. Yet the States should have fairly adequate funds, including their own revenues and transfers from the Union, to maintain and improve their services to a reasonable extent. It is essential to provide for investment in human resources, maintenance of welfare services, and building up of necessary infrastructure, which are largely within the State sphere, and the States can justly claim that they should be enabled to carry out these functions upto a reasonable standard and should not be left helpless in the vicious circle of stagnation and low development due to inadequate finance. It is the task of the Finance Commission to strike a dynamic balance between the competing claims of the two layers of Government and to allocate the available resources between them so as to serve the needs of the country's welfare and development as a whole. In the case of both, the existing levels of taxation and of expenditure are not adequately indicative of their potential resources and reasonable requirements. It is these factors that the Commission has to take into account in making its recommendations.

2.8 Secondly, it is desirable to see that the transfer of funds is so designed as to assist adequately the States with comparatively less capacity to raise resources. The distribution of Union transfers among the States has to be made after taking into account the resources of individual States so as to avoid large disparities. Of the 17 States in India, the richest has a *per capita* income of Rs. 619 and the poorest of 292; the largest State has a population of 9 crores and the smallest one of 4 lakhs. The progress of the nation depends, in a real sense, on the development of the weaker States and there is a danger that large and persistent disparities in the basic service levels in different States would weaken national unity and strength. Substantial amounts distributed among States on the basis of population have the result, to some extent, of reducing disparities between their resources. But the need for equalisation demands a more positive redistributive policy. Such purposive distribution of funds has to distinguish between more advanced and less developed States. Where the general level of economic development of the country is not high, the degree to which backward States can be assisted to come up to the average level of services is a matter for detailed assessment, but there can be no doubt that Article 275 of the Constitution is designed to help the States which are less developed and have less capacity to raise resources of their own. How far such transfers can be made available to enable States with low *per capita* income to improve their level of services, and the stages

by which that should be done, are matters to be decided not merely on fiscal considerations, but with due regard also to the promotion of a sense of national unity.

2.9 The transfer of funds recommended by the Finance Commission can only partially fulfil the objective of equalisation in view of the division of functions which now exists between the Planning Commission and the Finance Commission, whereby the former looks after developmental needs and gives Plan grants for this purpose. As the language of Article 275 stands, there is nothing to exclude from its purview grants for meeting revenue expenditure on Plan schemes, nor is there any explicit bar against grants for capital purposes. In the terms of reference of the First Finance Commission there was no mention regarding Plan expenditure, and that Commission dealt with the revenue expenditure requirements of the States as a whole. The Second Finance Commission was asked to take into account the requirements of the Second Five Year Plan as well as the efforts made by the States to raise additional revenue from the sources available to them. Its recommendations for grants under Article 275 were such that the States may thereby be able to meet their total revenue expenditure on Plan and non-Plan account along with the Plan grants and revenues from additional tax measures. The Third Finance Commission had similar terms of reference and it recommended, by a majority, grants under Article 275 to the States of such amounts as would enable them, along with any surplus out of tax devolutions, to cover 75 per cent of the revenue portion of their Plan outlay after taking into account the additional tax revenues expected of them. This recommendation was, however, not accepted by the Government of India. The Fourth Finance Commission was not specifically asked to take into consideration the requirements of the Fourth Plan. While it did not consider itself precluded from recommending Plan grants, it did not do so, because it considered it desirable that the Planning Commission, having been specifically constituted for this purpose, should have unhampered authority in this domain. The present Commission is by its terms of reference specifically asked not to take into consideration requirements of the Plan for the purpose of recommending sums to be given as grants under Article 275. The principles evolved for allocation of Central assistance for the Plan among the States provide for a portion of the assistance being distributed only among States with *per capita* income below the all-India average. It has been argued before us that while our terms of reference exclude the requirements of Plan schemes, they do not contain an embargo on our considering increased expenditure so as to improve the levels of specific social services outside the Plan and that it was open to us to recommend grants for meeting such increases in expenditure. We are not, however, able to agree with this view as it would blur the entire division of functions between this Commission and the Planning Commission.

2.10 It may be observed that there is no similar limitation on the process of tax devolution. The Articles in the Constitution which provide for devolution of taxes have, on the other hand, their own requirements. One State has in its memoranda submitted to us suggested that the proceeds of all taxes and duties, whether they are

assigned to States or shared with them compulsorily or voluntarily, should be distributed among them in accordance with an integrated scheme of devolution, so that the proceeds of each such tax or duty are treated alike as feeder sources of a common divisible pool; and that their distribution among the States *inter se* should be made on the basis of uniform principles serving the sole purpose of meeting the fiscal needs of each State. We have carefully considered this suggestion which applies generally to the whole scheme of tax devolution. In our view the Constitution has made a clear distinction between taxes and duties wholly assigned to the States (Article 269), taxes compulsorily shared between the Union and the States (Article 270) and duties which may be divided between the Union and the States optionally if so provided by Parliament by law (Article 272). There is separate provision in Article 275 for grants-in-aid to States in need of assistance. In the case of taxes on income other than agricultural income, the proceeds of which are compulsorily shared between the Union and the States, the allocation of a part of such proceeds on the basis of contribution has been hitherto adopted, and it can, in a sense, be considered to be the counterpart of the tax on agricultural income which can be levied by the States themselves. Different considerations might arise in the distribution of excise duties where sharing is not obligatory, while the needs of States for assistance as grant-in-aid of their revenues can be dealt with separately by grants under Article 275. We have not therefore thought it necessary or desirable to depart from the practice established by the previous Finance Commissions in formulating separate schemes for distribution of different taxes and duties like estate duty, income tax, Union excise duties, etc.

2.11 All the Finance Commissions have taken the view that taxes under Article 269 are levied by the Government of India largely for the sake of uniformity and convenience and they are therefore distributable among the States on the basis of their origin. Regarding income-tax which is compulsorily shareable under Article 270 and the Union excise duties which may be shared under the permissive provisions of Article 272, distribution has to be made among all the States in which they are leviable, in conformity with suitable principles formulated in a Presidential Order or Parliamentary Enactment after considering the recommendations of the Finance Commission. As these taxes are leviable in all States, no State can be excluded from a share in the distribution nor can the particular requirements of individual States be taken into consideration. Within these limitations, the scheme of transfers has to be so devised that, on the whole, the States with low *per capita* income may be enabled to provide services reasonably near the all-India level. It cannot however be expected that, as a result of the Finance Commissions' recommendations, all the States would be put in a position of equality. States with higher *per capita* incomes, higher rates of taxation or greater assets in relation to their debt liabilities, will, to some extent, remain in a better financial position. They would, therefore, be able to spend more on non-Plan revenue account, or have a surplus available for Plan and capital purposes. On the other hand, weaker States with *per capita* expenditure higher than the average, lower tax levels or more unproductive debt and unremunerative



commercial departments or enterprises, would, apart from the devaluation accruing to them, have to make further efforts to improve their position.

## II.—Recent development in State finances

2.12 In performing its task, the Finance Commission has first to address itself to the question of determining the size of deviations on a broad consideration of the needs of the States and the available surplus funds with the Union. It may be useful in this connection to review the major developments in the field of State finances since the implementation of the recommendations of the Fourth Finance Commission. These recommendations were expected to leave ten States with no deficit on non-Plan revenue account and six States with surpluses on such account. However, in a brief interval of less than three years, a large number of States showed substantial revenue and capital deficits and several States ran into unauthorised overdrafts. The Fourth Finance Commission did not entirely adopt the mechanical approach of covering all the non-Plan revenue deficits estimated by the States, but they reassessed them to some extent. The major modifications made in the States' forecasts were that the Electricity Boards and other Public Corporations were assumed to pay the entire interest due on loans given to them by the States, and departmentally managed enterprises (including electricity schemes) were not to show any working losses. But even if the States had achieved these goals, their deficits would have substantially continued. It will be worthwhile to analyse the causes which underlie this rapid worsening of the financial position of the States.

2.13 The years 1965-66 and 1966-67 were characterised by a combination of difficult circumstances. The hostilities with Pakistan, sudden cessation of American aid, devaluation of the rupee and serious failures of the monsoon made for an extremely uncertain and gloomy situation resulting in the postponement of the Fourth Five Year Plan. Food prices rose sharply, growth of industrial production slowed down, and real incomes fell. As a result of large increases in the All India Working Class Consumer Price Index number, there was agitation by State Government employees for increases in dearness allowance. During the period from April, 1966 to March, 1969, the Government of India enhanced dearness allowance of their employees with effect from six different dates. With varying time lags, the State Governments had to follow suit. In many States, no margin was left for meeting any increase in other expenditure resulting from increased prices, much less for Plan expenditure. The serious failure of the monsoon in 1966 and 1967 also had the effect of increasing the States' expenditure on famine relief, which amounted to Rs. 73.49 crores and Rs. 78.89 crores in 1966-67 and 1967-68, respectively as against the provision of Rs. 15.69 crores per annum which the Fourth Commission had taken into account. The States' finances were also adversely affected due to remissions and suspensions of land revenue and lower recovery of interest and loan instalments due for repayment. The Government of India's scheme for famine assistance by way of grants and loans took care

of a substantial part of the approved famine expenditure; but the uncovered portion of the approved expenditure, as well as the unapproved items and expenditure by way of loans and advances, cast an additional burden on States' revenues. Owing to the pressing needs of the law and order situation, non-developmental expenditure (excluding interest and famine relief) increased at a rate faster than that of non-Plan developmental expenditure. On the receipts side, the States obtained a sizeable benefit by way of larger devolution of taxes to the extent of Rs. 87 crores in 1968-69 due to additional taxation measures taken by the Government of India. Even then, many States had to reduce their revenue Plan expenditure, and some of them relied solely on Central assistance for financing their Plan expenditure. The pattern of Plan assistance complicated the picture by covering a part of the revenue expenditure on Plan account by loans from the Centre. The States also ran into serious difficulties on the capital side, as they got less loan assistance from the Centre and had to make larger repayments. The net transfers from the Centre to the States on capital account decreased from Rs. 560 crores in 1965-66 to Rs. 514 crores in 1967-68 and Rs. 431 crores in 1968-69 (B.E.). The States tried to meet a part of the reduction in loan receipts by reducing their loans and advances to others, but even then there remained a considerable strain on their finances. In addition, in several States other non-Plan expenditure (excluding dearness allowance, famine relief and interest charges over which they had no control) has shown a steep increase. It was not possible for us to examine in detail the reasons for this increase.

2.14 In the context of these difficulties and the heavy requirements for expenditure which they had to meet, the efforts made by State Governments for raising more revenues and effecting economy of expenditure were on an extremely inadequate scale. The additional tax measures adopted by State Governments from year to year were on a diminishing scale, being Rs. 40 crores in 1966-67, Rs. 26 crores in 1967-68 and Rs. 18 crores in 1968-69. In the last two years, some States abolished or reduced land revenue on smaller holdings. The total loss due to various tax reductions is estimated at Rs. 13 crores in 1969-70 of which Rs. 9 crores would be under land revenue.

2.15 The above aggregate picture of the States financial position does not fully reflect the magnitude of the difficulties of individual States; in the case of weaker States the stress was more acute. It may be mentioned that the position of the Government of India was also not comfortable. Owing to the inflationary pressures and industrial recession, their tax revenues increased at a rate of only 0.75 per cent, which is lower than that of State taxes. With an additional taxation of Rs. 155 crores, the Centre's revenue surplus diminished by Rs. 316 crores between the years 1965-66 and 1968-69 (R.E.).

2.16 The States have thus had to meet the requirements of increased revenue liabilities for which their own revenues along with the transfers recommended by the Fourth Finance Commission have

not been sufficient. The Government of India sanctioned further increase in dearness allowance to their own employees in 1968 when the twelve-monthly average of the cost of living index reached 215. Many of the State Governments have followed suit. Besides these increased commitments, they have placed before us fresh proposals which will add considerably to their non-Plan expenditure. Under the financial stress, the State Governments had postponed some items of necessary expenditure which now need urgent attention. Payments of grants to local bodies and schools were delayed and they will now have to be made. Maintenance of roads and buildings was greatly neglected, and it will have to be improved. The Education Commission presided over by Dr. Kothari recommended minimum pay scales for school teachers, and several States have suggested provisions for implementing them. A number of States had appointed Pay Commissions for revising the salary structures of their employees; their recommendations have now to be carried out. A few States are considering proposals for reorganisation and expansion of their police force in the light of their law and order situations. Interest charges on State borrowings are fast increasing, but returns from investments and receipts of interest on loans and advances to others have not been adequate. Some States have sought to question the norms adopted by the Fourth Finance Commission regarding recovery of interest on loans to Electricity Boards on the ground that the assumptions made by that Commission did not take into account certain facts like investment on works-in-progress, losses on rural electrification, high costs of distribution, lack of hydro-electric power, etc. The Fourth Finance Commission had allowed provision for amortisation of market loans to the extent that the State Governments were actually making such provision. Other State Governments that were left out had protested to the Government of India who agreed to compensate them by converting a part of their Plan loans into grants. Many State Governments have now proposed to extend the amortisation provision to their loans from the Government of India. On the commencement of the Fourth Five Year Plan, the revenue expenditure on maintenance of completed Plan schemes of the years 1966-67 to 1968-69 has become committed expenditure for which no Plan grant would be received.

### III.—Our approach

2.17 In our interim Report, we recommended grants under Article 275 to cover only the expenditure requirements of the States on a cash basis for the year 1969-70. In determining such requirements, we had proceeded on the basis of the 1968-69 budget estimates of the States and allowed for some growth, and for extra expenditure on dearness allowance. We also provided for committed expenditure on an *ad hoc* basis. On that footing, we provisionally recommended grants under Article 275 to thirteen States, totalling Rs. 176.81 crores. We had postponed consideration of questions relating to norms of tax effort, expenditure and returns from commercial enterprises, provision for amortisation of debt, items of fresh expenditure, etc. We have tried to deal with these matters in this Report.

2.18 The question of assessment of the forecasts of revenue receipts and expenditure of the States is considered in detail in Chapter 6 of this Report, which deals with grants under Article 275. We propose to indicate here our broad approach to the problem. In estimating the total deficit of each State we have taken into account their revenue resources on the basis of 1968-69 levels of taxation and their requirements for expenditure on revenue account, including committed Plan expenditure and interest charges. We have adopted the States' forecasts of tax and non-tax revenues as well as normal revenue expenditure on the basis of existing policies, with some adjustments. We have assumed suitable rates of returns in respect of investments in Departmental commercial schemes and in other concerns, and recovery of interest due on loans to Electricity Boards and to other parties. These assumptions are made in the expectation that the State Governments will take effective measures to obtain adequate interest on their loans and returns on their investments and commercial undertakings which will safeguard them from loss. No interest has been allowed for *ad hoc* loans taken from the Government of India to cover unauthorised overdrafts.

2.19 Having arrived at a broad assessment of the shortfall in the States' revenue resources on this basis, we had to determine how far it should be covered by devolution of taxes and how far by grants under Article 275. The general suggestion of most of the States and the view of many distinguished witnesses before us was that the States' need for additional resources should be met, as far as possible, by devolution of taxes rather than by grants. The earlier Commissions have also expressed the same view. We consider that the aim of a reasonable policy of transfer of resources should be to minimise the number of States receiving grants so that as many States as possible may have the benefit of such additional resources as they may raise.

2.20 In the light of these general principles, we considered the question of distribution of proceeds of divisible taxes. We noted that due to inclusion of advance tax collections in the same year according to the revised basis now adopted, the size of the divisible pool of income-tax will now be larger than it was hitherto. In view of the increased needs of the States, however, we considered it necessary to maintain the States' share at the existing level and also to increase the States' share of Union excise duties in the last two years of the five-year period by including the proceeds of special excise duties in the divisible pool. We have also modified the principles of distribution of the States' share among them, with a view to giving greater weightage to population and increasing the relative shares of States which have lower *per capita* income and are economically more backward.

2.21 The question of determining the quantum of grants under Article 275 raises several important considerations. The general principle followed hitherto has been to cover by such grants the non-Plan revenue deficits left after taking tax devolutions into account. From our analysis of the States' forecasts, it was clear to us that States' deficits on revenue account could not be entirely ascribed to

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their low taxable capacity or their special problems. In some States the rates of taxes are much lower than the general level of rates levied by other States. Some States have adopted policies resulting in expenditure above the average all-India level. Several States urged before us that filling up the entire revenue deficits in such cases was unfair to States which paid greater regard to financial prudence and made greater efforts in raising revenues. A number of eminent witnesses who appeared before us commented adversely on the procedure of mechanically filling up budgetary deficits of States, which puts a premium on disregard of proper fiscal management. We see considerable force in this view. We have also to consider whether the Union can spare all the money needed to cover fully the States' estimated deficits which, according to their forecasts, are of the order of Rs. 7368 crores for the five-year period.

2.22 Under a federal Constitution, the States have plenary powers within their own sphere in deciding on their policies of taxation, expenditure and investment. It is difficult for a Commission or any outside authority to judge the propriety of these policies. It is not, therefore, possible to regulate the grants to States on the basis of any judgment regarding the particular policies adopted by individual States. Our terms of reference, however, require us to have regard to the scope for economy consistent with efficiency and to the scope for better fiscal management. All that can be done is to keep in view broad considerations which can be applied to all the States as regards their total tax effort, overall expenditure levels, and returns from investment. There are a few items of revenue receipts and expenditure in respect of which no suitable general consideration could be adopted. These have been taken into account on the basis of actuals.

2.23 The deficits worked out in the manner broadly explained in the preceding paragraphs have been taken as reflecting the needs of the States. In case of States where such deficits are not covered by the tax devolutions along with other transfers under Article 269 and the States' share of the grant in lieu of railway passenger fare tax and additional excise duties, the remaining portions of the deficits have been taken into account for determining grants under Article 275.

2.24 It was found that for the year 1969-70 and subsequent years the actual deficits of some of the States were likely to be substantially larger than those worked out by us in the manner described above. It is, however, desirable for maintaining the administrative and social services that such States should be given further help for a short period during which they may be expected to take suitable measures for improving their finances. It is necessary also to have regard to the fact that many of the States might have been under the impression that their whole deficit would be taken care of. Accordingly, in cases where the States were likely to incur actual deficits substantially higher than those estimated according to our assessment, we have recommended suitable larger grants in the earlier years and reduced their amounts gradually over the five-year period.

**INCOME-TAX**

3.1 Under item (a) of paragraph 4 of the President's Order dated the 29th February, 1968, this Commission is required to make recommendations as to "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 Chapter I of Part XII of the Constitution and the allocation between the States of the respective shares of such proceeds." Under this item we have to consider the distribution of: (1) taxes on income other than agricultural income, in accordance with Article 270 of the Constitution, and (2) Union duties of excise which may be divided between the Union and the States under Article 272 of the Constitution, if Parliament by law so provides. In this Chapter we shall deal with the distribution of proceeds of taxes on income other than agricultural income.

3.2 In this connection we may refer at the outset to the question of inclusion of Advance Tax collections in determining the proceeds of income-tax during the same financial year for the purpose of distribution between the Union and the States. The practice in this regard has hitherto been that Advance Tax collections under the income-tax law have been taken into account in determining the net proceeds of income-tax only on completion of regular assessments. In 1948 it was decided to credit advance tax collections to the revenue head "Taxes on Income". At that time the Government of India decided after consulting the Comptroller and Auditor-General that it was not necessary to change the existing practice of including advance tax collections in the divisible pool only on completion of assessments. This decision was communicated to the then Provincial Governments in January, 1949. Successive Finance Commissions have recommended the distribution between the Union and the States of the net proceeds of income-tax having regard to the estimates of net proceeds furnished by the Government of India on this basis. The Comptroller and Auditor-General of India has also been certifying the net proceeds under Article 279(1) of the Constitution for the years upto 1966-67 on this basis.

3.3 In their memoranda submitted to us soon after our appointment, some of the State Governments represented that the advance tax collections should form part of the divisible pool in the same year in which they are collected and that their distribution should not be deferred till the completion of assessments. Thereupon we took up this question with the Comptroller and Auditor-General and the Government of India. On examination of the question the Government of India now consider that the advance tax collections made in a financial year should be taken into account in determining the net proceeds of income-tax in that year and not be left over for

such determination on completion of regular assessments in subsequent years as hitherto. The President has therefore made a supplementary reference to us under his Order dated 1st May, 1969 (reproduced in Chapter 1) which requires us to make recommendations regarding the distribution of the advance tax already collected and not included in the net proceeds of the years upto 1966-67, as certified by the Comptroller and Auditor-General, and also the changes, if any, in the distribution between the Union and the States of the income-tax collected during the years 1967-68 and 1968-69 in the event of the Comptroller and Auditor-General certifying the net proceeds of those years after taking into account the advance tax collected in the respective years. We are also required to make recommendations regarding the distribution of the net proceeds of income-tax in the years 1969-70 to 1973-74 as determined on the revised basis.

3.4 Soon after the receipt of the Presidential Order dated 1st May, 1969, we requested all the State Governments and the Government of India to furnish their views and suggestions on the supplementary reference received by us. Their replies have been taken into account in framing our recommendations.

### **I. Unadjusted balance of advance tax collections upto 1966-67**

3.5 Item (a) of the supplementary reference relates to the distribution of the unadjusted amount of advance tax collected under the income-tax law during the years upto 1966-67. One State has expressed the view that since the determination of the net proceeds of income-tax under Article 279 is outside the functions of the Finance Commission and has to be made by the Comptroller and Auditor-General according to law, the Presidential Orders issued from time to time on the basis of the recommendations made by the respective Finance Commissions have not lost their validity merely because of the realisation that an error was committed in computing the divisible pool, and the correct amount of net proceeds should therefore be distributed in accordance with the respective Presidential Orders. It is not practicable to proceed on this basis for the reasons explained in the succeeding paragraph.

3.6 The collections of advance tax during the years upto 1966-67 were being accounted for under a distinct minor head "Advance Payments of Tax" under the major head "IV-Taxes on Income other than Corporation Tax". As and when each assessment of income-tax was completed, the amount of advance tax, if any, was being adjusted by transfer from the minor head "Advance Payments of Tax" to the respective minor heads, such as (i) "Income Tax—Ordinary Collections" and (ii) "Surcharge (Union)", after refunding the excess payment, if any, to the assessee. The adjustments were so made for all assessments completed during each year, without accounting separately for the amounts of advance tax collections in different previous years. The balance of advance tax collected in the years upto 1966-67 and not included in the net proceeds of those years as certified by the Comptroller and Auditor-General thus includes amounts actually collected over a number of years as advance tax payments both towards ordinary income-tax, which is divisible between the Union and the States, and towards the Union surcharge

on income-tax. It is, therefore, not possible to determine what amounts comprised in the unadjusted balance at the end of 1966-67 are relatable to the actual collection of advance tax in each of the earlier years upto that year.

3.7 We have ascertained from the Comptroller and Auditor-General that the total unadjusted amount of advance tax outstanding at the end of the financial year 1966-67 was Rs. 387.74 crores. As different rates of surcharge have been in force during different years, the exact amount pertaining to the Union surcharge which forms part of the unadjusted balance of advance tax collections cannot be determined until assessments in all cases relating to those years are completed. However, on an analysis of the aggregate amounts of advance tax collections, adjustments and refunds reflected in the accounts of each year, and having regard to the different rates of surcharge in force during each year, the Comptroller and Auditor-General has calculated the portion of the unadjusted balance relating to the Union surcharge, on an approximate basis, as Rs. 16.62 crores. This would leave an amount of Rs. 371.12 crores as ordinary income-tax, to be divided between the Union and the States subject to adjustment in due course, if necessary.

3.8 Some amounts relatable to the unadjusted balance of advance tax collections would become due for refund to the assessees on completion of regular assessments made during the years 1967-68 onwards. Though the actual refunds made on the basis of assessments during any year, whether in respect of advance tax or ordinary tax collections or Union surcharge, are relatable to collections made in earlier years, they are actually paid out of the collections received as proceeds of tax during that year and they cannot be adjusted against the proceeds of the earlier years. The refunds relatable to the unadjusted portion of advance tax collections would, accordingly be paid out of the proceeds of the subsequent years, and would be taken into account in reduction of the gross collections in determining the proceeds of income-tax in those years. It therefore appears that the whole amount of Rs. 371.12 crores, representing the divisible portion of the unadjusted amount of advance tax collections, is available for distribution under item (a) of the supplementary reference.

3.9 The first question that we have to consider is what percentage of this amount should be assigned to the States, after excluding the proceeds attributable to Union territories. A view has been expressed that since the collections comprising the unadjusted balance formed part of the income-tax proceeds of a number of years which had not been included in the divisible pool, the percentage constituting the States' share should be worked out on the basis of the Presidential Orders applicable to the ordinary income-tax collections of the respective years. Another view is that since the practice upto this time has been to give to the States the percentage share applicable to the year in which the advance tax collections get adjusted and treated as part of the proceeds after completion of assessments, the unadjusted advance tax collections, which would be brought into the divisible pool now on adoption of the revised procedure from 1967-68, should be distributed between the Union and the States on the same basis as is adopted for distribution of the net proceeds of income-tax



for that year. Accordingly some States have urged that 75 per cent of the net collections of the entire accumulated balance of advance tax collections should be allocated to the States.

3.10 The States' share of the net proceeds of income-tax after excluding the proceeds attributable to Union territories was 50 per cent during the years 1949-50 to 1951-52, 55 per cent during the years 1952-53 to 1956-57, 60 per cent during 1957-58 to 1961-62, 66  $\frac{2}{3}$  per cent during 1962-63 to 1965-66, and 75 per cent thereafter. As explained above, there are practical difficulties in dividing the balance of advance tax collections on the basis of the percentage applicable from time to time to the respective earlier years upto 1966-67 since it is not possible to ascertain the actual amount of unadjusted advance tax collections which pertains to each year and is included in the total unadjusted balance of advance tax collections at the end of 1966-67.

3.11 We considered whether some percentage between 50 and 75 per cent could be adopted as being equitable to both the Union and the States. It has been argued by some of the States that the greater part of the accumulations of unadjusted advance tax collections represents the share of the States unpaid to them for many years, and that they could have had the use and benefit of the money or saved a part of the interest liability incurred by them if it had been received by them earlier. Whatever portion of the balance we might recommend as the States' share, we have, under the terms of the supplementary reference, to take into account the effect of our recommendations on the devolutions and grants to be recommended by us for the five year period from 1969-70 to 1973-74. We, therefore, consider that it would be proper if the share of the States out of the divisible portion of unadjusted advance tax collections upto the year 1966-67 is determined at 75 per cent. The Fourth Finance Commission had recommended this percentage as the share to be assigned to the States, and we are also recommending the same percentage for the years 1967-68 and 1968-69, *vide* paragraph 3.15 below.

3.12 As regards the distribution among the States of the States' share of the accumulated advance tax collections, the views expressed by many of them are on the same lines as those indicated above. Some States suggested that the amount relatable to each of the years upto 1966-67 should be distributed among the States in accordance with the scheme of distribution applicable to the relevant year. Some States are of opinion that since arrears are being paid now, the *inter se* distribution should also be on the basis of the Presidential Order in force at present. One State expressed the view that the distribution among the States should be made on the same principles as we might recommend for the years 1969-70 to 1973-74.

3.13 We have already mentioned certain practical difficulties involved in determining the States' share of the unadjusted balance on the basis of the Presidential Orders applicable to the respective earlier years upto 1966-67. There are additional complications in working out individual States' shares of the percentage assigned to the States, in view of the reorganisation of States and formation of

new States at different times during this period. On these considerations, and consistent with our recommendation in regard to the share to be assigned to the States out of the unadjusted balance of advance tax collections, we consider that the distribution of the States' share of the unadjusted balance among the States should also follow the same basis that is applicable to the distribution of the States' share of the net proceeds of income-tax in the year 1967-68. On this basis, the portion of the unadjusted balance which is attributable to Union territories may be fixed at  $2\frac{1}{2}$  per cent, with necessary adjustment in respect of Chandigarh and the areas transferred to Himachal Pradesh, in accordance with the provisions of the Punjab Reorganisation Act, 1966.

3.14 In regard to the manner of payment of the States' respective shares to them, one suggestion which has been made is to make suitable payments according to the amounts which may be adjusted on the basis of assessments during each year. Other alternatives would be either to pay the whole amount in one lump sum, or to spread the payment over a number of instalments. We are not in agreement with the first suggestion as it is not in keeping with the revised basis now adopted for determining the net proceeds of income-tax, according to which inclusion of the advance tax collections is not to be regulated with reference to the completion of assessments. Moreover, such a procedure would involve uncertainty regarding the actual sums which would become payable from year to year. However, we consider that payment of the whole of the States' share of unadjusted balance of advance tax collections in a single year is likely to strain the ways and means position of the Government of India unduly. We therefore consider that it would on the whole be fair and reasonable to provide for payment of the States' share in three equal annual instalments. The determination of the net proceeds of income-tax in the years 1967-68 and 1968-69 on the revised basis would have the result of substantial amounts becoming payable to the States during the current year and in 1970-71 as arrears of their share after adjusting the amounts paid to them on the earlier basis. In view of this and also as an equitable arrangement for spreading the additional burden on the Government of India over a period of years, we consider that the annual instalments of the States' share in respect of the unadjusted amount of advance tax collections upto the year 1966-67 may be paid to the States during each of the years from 1971-72 to 1973-74.

## II. Distribution of net proceeds of income-tax in 1967-68 and 1968-69

3.15 We now turn to item (b) of the supplementary reference which relates to the distribution between the Union and the States of the net proceeds of income-tax in the years 1967-68 and 1968-69. In the event of the net proceeds of income-tax in these years being certified by the Comptroller and Auditor-General after taking into account the advance tax collected in the respective years, such collections will form part of the certified net proceeds going into the divisible pool, while no adjustments would be made in respect of advance tax collections of previous years. Under clause (b) of the supplementary reference made to us, it is open to us to suggest changes in the distribution between the Union and the States of the net proceeds of

income-tax determined for these years on the revised basis. The Fourth Finance Commission had made its recommendations for the five-year period including these two years having regard to the forecast of the net proceeds which had been furnished by the Government of India on the basis of the earlier practice of excluding advance tax collections until their adjustment after completion of regular assessments. In view of the revised basis now adopted, the size of the divisible pool for these two years will be substantially increased. We do not, however, think it necessary to suggest any change in the distribution between the Union and the States on the ground that the divisible pool would be larger than what was estimated earlier. We have noted that the Fourth Finance Commission had fixed the States' share at 75 per cent after having regard to the necessity of maintaining the interest of the Government of India in the proceeds at a significant level. The scheme of devolution and grants formulated by the Fourth Finance Commission was based on its assessment of the needs and resources of the States and the surplus available with the Union on the basis of such material and information as were then available to it. It would not be expedient to modify only one part of that Commission's recommendations without a review of the whole question. Payments have also been made to the States on the basis of the departmental estimates of receipts in accordance with the recommendations of Fourth Finance Commission. We therefore consider it desirable that the percentage distribution between the Union and the States of the net proceeds of income-tax in the years 1967-68 and 1968-69 should remain unchanged, and we do not suggest any modification therein. We have, in making our calculations, assumed that the balance of the States' share of the net proceeds of income-tax in these two years would be paid to them in the years 1969-70 and 1970-71 respectively when the net proceeds have been certified by the Comptroller and Auditor-General.

### III. Distribution of net proceeds of income-tax in 1969-70 to 1973-74

3.16 We shall now consider item (c) of the supplementary reference, read with item (a) of paragraph 4 of the Presidential Order dated the 29th February, 1968. The provisions of Article 270 read with Article 280(3) of the Constitution require us to make recommendations in regard to the following matters:—

- (a) The percentage of the net proceeds of taxes on income other than agricultural income to be assigned to the States within which such taxes are leviable;
- (b) The manner of distribution among the States of the percentage of such net proceeds assigned to them; and
- (c) The portion of the net proceeds which shall be deemed to represent proceeds attributable to Union territories.

3.17 According to the existing scheme of distribution, 2½ per cent of the net proceeds of income-tax are deemed to represent proceeds attributable to Union territories. Of the balance, 75 per cent is assigned to the States and the distribution among the States is made according to prescribed percentage shares, determined 80 per cent on the basis of population of the States and 20 per cent on the basis

of collections within the States. The Union also retains a portion of the prescribed share of former Punjab State in respect of Chandigarh and part of Himachal Pradesh, in accordance with the Punjab Reorganisation Act, 1966.

3.18 We may at outset refer briefly to the views placed before us by the State Governments. Most of them suggested an increase in the percentage to be assigned to the States, the suggestions varying from 80 per cent to 100 per cent of the net proceeds. Some of them have also suggested that the net proceeds to be divided between the Union and the States should include a part or the whole of the proceeds of corporation tax and the surcharge at present levied on income-tax for Union purposes, or alternatively, that the Union surcharge should be merged with the basic rates of income-tax. We note that similar views were expressed by States before the earlier Finance Commissions also.

3.19 On the question of allocation between the States of the percentage share assigned to the States together, seven States have suggested that it should be distributed solely on the basis of population. Others have suggested a weightage to population ranging from 50 per cent to 90 per cent, with suitable weightage to other criteria suggested, such as collections, area, urban population, and the States' *per capita* income. Only one State has expressed the view that the existing scheme of distribution may continue.

3.20 The Third and the Fourth Finance Commissions, when they recommended an increase in the States' share of income-tax from 60 per cent to 66 $\frac{2}{3}$  per cent and from 66 $\frac{2}{3}$  per cent to 75 per cent respectively had already taken due notice of the States' representation about the shrinkage of the divisible pool due to the reclassification in 1959 of income-tax paid by companies as corporation tax. We consider that no further increase in the States' share on this ground only is necessary.

3.21 The States' complaint regarding surcharge for Union purposes is that it has continued for a long time and they suggest that it should be merged in the basic rates. They have pointed out that the continuance for a long time of a surcharge wholly retained by the Union does in practice have the result of reducing the percentage share assigned to the States. In this regard the specific provision in Article 271 of the Constitution clearly permits such a levy, and it cannot be said that the quantum of the surcharge is such as to reduce unduly the scope of the divisible pool. Nor does the language of that Article warrant the assumption that such surcharge must be related to requirements of a temporary nature only. We think that the grievance expressed by the States in this regard is a matter for the Government of India to consider.

3.22 As regards the size of the States' share, we appreciate the desire of the State Governments to have an increased share of receipts from this source in view of their greater and growing needs. However, we are in agreement with the view expressed by the Third and Fourth Finance Commissions that :

“In the case of a divisible tax in which there is obligatory participation between the Union and the States a sound maxim

to adopt would be that all participating Governments, more particularly the one responsible for levy and collection, should have a significant interest in the yield of that tax."

We feel that on this principle any further increase in the States' share should be considered only if there is sufficiently strong justification therefor having regard to the scheme of devolution of taxes as a whole. So far as the present five-year period is concerned, the revised basis for determining the proceeds of income-tax by including advance tax collections without waiting for regular assessments has already resulted in increasing the size of the divisible pool so that the amounts which would be assigned to the States on the existing basis of 75 per cent would be larger. We do not therefore think it necessary to suggest any increase in the States' share of the net proceeds.

3.23 As regards the principles of distribution among the States of their share of the divisible pool, the principles adopted by the First Finance Commission were that the distribution should be made 80 per cent on the basis of population and 20 per cent on the basis of collection. It considered that the elements which should enter into an appropriate scheme of distribution should be firstly, a general measure of need as furnished by population, and secondly, contribution. That Commission adopted the figures of collections to measure the factor of contribution although it was recognised that such figures were only an inadequate and partial measure of contribution.

3.24 The Third and Fourth Finance Commissions had also adopted the same principles, but the Second Finance Commission was of the view that the principle of collection was not an equitable basis of distribution and should be completely abandoned in favour of population. In coming to this conclusion that Commission took into account the diminished significance of land revenue as a source of States revenues and the greater financial strength of urbanised and industrially developed States. It was also impressed by the consideration that income-tax was paid by a small portion of the population and the bulk of the tax arose out of business incomes which, in the context of economic integration of the country and disappearance of barriers to inter-State trade, was derived from the country as a whole. In order, however, to avoid a sudden break with the recommendations of the First Finance Commission, the Second Finance Commission recommended that the States' share should be distributed 90 per cent on the basis of population and 10 per cent on the basis of collection.

3.25 The Third Finance Commission restored the 20 per cent weightage given to the factor of contribution as indicated by collections, on the grounds, firstly, that there was a case for weightage to collection in the field of taxes on personal income which included incomes of local origin, as had been recognised even by the Second Finance Commission; and secondly, that with the exclusion from the divisible pool of the income-tax paid by companies which would largely have accrued from incomes of all-India origin, a higher percentage than before of the income-tax collections would relate to incomes of local origin.

3.26 The Fourth Finance Commission agreed with the earlier Commissions that only the two factors of population and contribution

were relevant to the distribution scheme; and though contribution was not synonymous with collection, in the absence of suitable data necessary for correct determination of the contribution of each State collection must be taken as the only available indicator of contribution. That Commission did not recommend any change in the relative weightage given by the Third Finance Commission to the two factors of population and collection, as it felt that a sense of certainty and stability should prevail as regards the principles to be adopted in the distribution of income-tax.

3.27 While continuity in the principles of distribution of shareable taxes is desirable, we find it difficult to agree with the observation of the Fourth Finance Commission that the question of principles of distribution should not be reopened everytime a new Finance Commission is appointed. Considerable changes are likely to take place during the period between the appointment of two Finance Commissions in the economic and fiscal situation and the relative needs and resources of the States. We feel that the appointment of a new Finance Commission should provide an opportunity for fresh consideration of various problems in the light of changed circumstances and available information, with due regard to the desirability of maintaining continuity as far as possible. There is nothing wrong in principle in reviewing the basis of distribution of taxes by each Finance Commission. We have, therefore, considered the matter *de novo*.

3.28 The views urged before us by the State Governments indicate a sharp divergence of opinion regarding the factor of contribution or collection. The more developed States have urged that the factor of contribution should be given greater weightage than at present. In support of this it has been pointed out that as a result of exclusion of income-tax paid by companies, a greater portion of the income-tax collections pertains to incomes of local origin. One State has estimated that about 40 per cent of the total income-tax collections in the country are paid by assesseees having income not exceeding Rs. 40,000 and it is claimed that this percentage may be taken as the minimum portion attributable to incomes of local origin. A study made by us in this connection, however, indicated that this would not be true in respect of all the States. Some of the States have objected to the concept of need being adopted in the distribution of shareable taxes, on the ground that devolution of proceeds of tax resources is quite distinct from financial assistance from the Union which should be regulated only under Articles 275 and 282 of the Constitution. It is argued that even if relative needs are to be taken into account, the industrially advanced States should receive a larger share to meet their additional liabilities due to law and order problems, concentrations of industrial labour, urban population, and higher cost of administrative and social services.

3.29 On the other hand, many of the other States have expressed the view that the factor of collection should be eliminated altogether, while some have urged that the weightage given to collection should be reduced. They have pointed out that nearly three-fourths of the income-tax collections are made only from four industrially advanced States, and that the existing weightage to collection gives

a disproportionate benefit to such States. The contention of the more industrially advanced and urbanised States that they have to incur extra expenditure on problems of concentration of industrial labour, etc., is countered by the argument that greater industrial development also enables such States to collect larger revenues from sales taxes and other State levies, and that the fiscal advantages far outweigh any extra liabilities for maintenance of law and order, provision of services, etc.

3.30 It is also pointed out that the level of industrial development in a State is dependent on several historical and other factors and is greatly affected by policies and decisions taken in the context of national Plans of development; it does not depend only on State policies or the initiative of local people. If a large portion of the divisible pool is made over to the more advanced States, it can only result in an enhancement of the existing disparities in social and economic development of various States.

3.31 The arguments for and against contribution being taken as a factor have been effectively dealt with by the First Finance Commission and we need not go over the same ground. Successive Finance Commissions have recommended the distribution of a part of the proceeds of taxes on income on the basis of contribution as roughly indicated by collection. This manner of allocation to the States of a part of taxes on non-agricultural income contributed by them can, in a sense, be regarded as the counterpart in the non-agricultural sector of the taxes on agricultural income which under the Constitution can be levied by the States themselves. It would not therefore be proper to eliminate the factor of contribution entirely. At the same time we have to take into account the increasing economic unity of the country and interdependence of different regions and the growing impact of development undertaken through National Plans. The increasing needs of States arising from committed expenditure related to Plan schemes and other factors affecting the country as a whole also require that there should be greater weightage to the factor of population, which is a general measure of need. Some modification in the weightage to contribution is also justified on the ground that the size of the divisible pool of income-tax will now be enhanced due to the inclusion of advance tax collections in the proceeds of the same financial year. Having regard to broader considerations of equity and the main purpose of devolution, which is to secure a more balanced correspondence between needs and resources of States in widely different circumstances, we feel that the present weightage to contribution which results in marked disparities between more and less developed States should be reduced. We are, therefore, of opinion that the weightage given to the factor of contribution should be fixed at 10 per cent and the weightage to population should be increased to 90 per cent.

3.32 As regards measurement of the factor of contribution, it is difficult in the absence of suitable statistics to form a direct estimate of the contribution to the income-tax pool made by incomes of local origin in each State. The criterion of collection hitherto adopted as a measure of contribution has been recognised to be inadequate and unsatisfactory. Firstly, it does not make any allowance for incomes originating outside the State. It is well-known that the place of

collection is determined by convenience of the assesseees without reference to origin of incomes. Industrialists and other persons with high personal incomes derive profits from activities all over the country. Secondly, the large amounts of deduction of tax at source on dividends, interest payments and in other cases, give undue benefit of larger collections to States having metropolitan and industrial centres, insofar as the collections relate to assesseees residing in other States. On the other hand any refunds payable in respect of such assesseees go to reduce still further the figures of collections of those States where they reside. Moreover, the figures of collection may include large overpayments or underpayments which are adjusted only on assessments. We have considered the matter carefully and it appears to us that, instead of figures of collections, the statistics of assessments in different States, after making allowance for reductions on account of appellate orders, references, revisions, rectifications, etc., would provide a more reliable basis to measure the factor of contribution. Accordingly, we consider that during the quinquennium from 1969-70 to 1973-74, 90 per cent of the States' share of the divisible pool of income-tax should be distributed among them on the basis of population, and the remaining 10 per cent on the basis of figures of assessments after allowing for reductions on account of appellate orders, references, revisions, rectifications, etc.

3.33 The previous Commissions have expressed respective shares of States, worked out on the principles adopted by them, in terms of fixed percentages. For the sake of convenience, we propose to continue this practice. In working out the percentage share of each State we have taken the population figures according to the 1961 Census and the average of the assessments made during the three years ending with 1964-65 which are the latest years for which firm figures are available, after adjustment for reductions on account of appellate orders, etc. during the same years.

3.34 We further recommend that 2.6 per cent of the net proceeds of income-tax should be deemed to be the portion of such proceeds attributable to Union territories. We have arrived at this figure by allocating to the Union territories as at present constituted, taken together, the share which would have accrued to them had they collectively been entitled to a share of income-tax on the same basis that we have recommended for the distribution of States' share among them.

3.35 We accordingly make the following recommendations:—

- (a) In respect of distribution of the unadjusted balance of advance tax collections upto the year 1966-67:
  - (i) Out of the amount of such advance tax collections, as determined by the Comptroller and Auditor-General of India, a sum equal to 2½ (two and a half) per cent thereof be deemed to be the portion which represents the proceeds attributable to Union territories, as constituted immediately prior to the Punjab Reorganisation Act, 1966;
  - (ii) The percentage of the amount of advance tax as determined by the Comptroller and Auditor-General of



India except the portion attributable to Union territories, to be assigned to the States should be 75 (seventy-five) per cent;

- (iii) The distribution among the States *inter se* of the share assigned to the States should be made on the basis of the percentages recommended by the Fourth Finance Commission, with appropriate adjustments in regard to the share of reorganised Punjab and Haryana States and Union territories in accordance with the Punjab Reorganisation Act, 1966;
- (iv) The share of each State should be paid to the State Government in three equal annual instalments during the years from 1971-72 to 1973-74;
- (b) In respect of distribution between the Union and the States of the net proceeds of income-tax in the years 1967-68 and 1968-69, there should be no change in the distribution as prescribed in the Constitution (Distribution of Revenues) Order, 1965, in the event of the said net proceeds being certified by the Comptroller and Auditor-General of India on the revised basis;
- (c) In respect of the distribution of net proceeds of income-tax in the financial years from 1969-70 to 1973-74 :
- (i) Out of the net proceeds of taxes on income in each financial year, a sum equal to 2.6 per cent thereof be deemed to be the portion which represents the proceeds attributable to Union territories;
- (ii) The percentage of the net proceeds of taxes on income, except the portion which represents proceeds attributable to Union territories, to be assigned to the States should be 75 (seventy-five) per cent; and
- (iii) The distribution among the States *inter se* of the share assigned to the States in respect of each financial year should be made on the basis of the following percentages :—

States	Percentage
Andhra Pradesh . . . . .	8.01
Assam . . . . .	2.67
Bihar . . . . .	9.99
Gujarat . . . . .	5.13
Haryana . . . . .	1.73
Jammu & Kashmir . . . . .	0.79
Kerala . . . . .	3.83
Madhya Pradesh . . . . .	7.09
Maharashtra . . . . .	11.34
Mysore . . . . .	5.40
Nagaland . . . . .	0.08
Orissa . . . . .	3.75
Punjab . . . . .	2.55
Rajasthan . . . . .	4.34
Tamil Nadu . . . . .	8.18
Uttar Pradesh . . . . .	16.01
West Bengal . . . . .	9.11
Total . . . . .	<hr/> 100.00

## CHAPTER 4

### UNION EXCISE DUTIES

4.1 As mentioned earlier in paragraph 3.1 we have to consider under item (a) of paragraph 4 of the President's Order dated the 29th February, 1968, the distribution between the Union and the States of the net proceeds of taxes on income other than agricultural income and of Union duties of excise. The distribution of income-tax has been dealt with in Chapter 3. We shall now consider the distribution of the net proceeds of Union excise duties under Article 272 of the Constitution in this Chapter.

4.2 Under Article 272, if Parliament by law so provides, the whole or part of the net proceeds of any Union excise duty can be paid out of the Consolidated Fund of India and distributed among the States to which the law imposing the duty extends. Thus, the sharing of proceeds of Union excise duties by the Union with the States has been left to be decided by Parliament. For this purpose, Parliament is required to lay down the principles of distribution among the States after taking into account the recommendations of the Finance Commission under sub-clause (a) of clause (3) of Article 280.

4.3 In accordance with the recommendations of the earlier Finance Commissions, the States have been getting a share out of the proceeds of Union excise duties as part of the devolution of taxes recommended by the Commissions. The sharing of Union excise duties was considered necessary by the earlier Commissions in order to meet the growing needs of the States mainly by devolution of tax revenues, so that both the Union and the States may share in what elasticity the divided taxes possess, and the payment of grants under Article 275 may be required to a lesser extent. It was also considered desirable to widen the field of devolution by having more than one divisible tax so as to secure a balanced scheme of devolution under which the different buoyancy of each tax may not affect the scheme unduly, and on the whole a more even distribution may prevail over a period of years. Moreover, it was felt that income-tax which is compulsorily divisible under the provisions of Article 270, had a limited scope for expansion while the requirements of the States for expenditure were growing at an increasing pace, particularly due to implementation of National Plans of development. It was therefore considered necessary to provide for increased devolution to the States by a share of Union excise duties under the enabling provisions of Article 272.

4.4 The size of devolution under Union excise duties has been increasing under the recommendations of successive Finance Commissions, which have extended the sharing to more and more items though they have generally reduced the percentage share of the States out of the total proceeds of duties on such larger number of

items. The First Finance Commission recommended the distribution among the States of 40 per cent of the duties on three items, namely, matches, tobacco and vegetable products. The Second Finance Commission added five more items, namely, sugar, tea, coffee, paper and vegetable non-essential oils, and reduced the States' share to 25 per cent. The Third Finance Commission recommended that 20 per cent of the proceeds of all Union excise duties which were then being levied, should be shared with the States, excluding only those items of which the yield was then below Rs. 50 lakhs a year. It also excluded the duty on motor spirit for which a separate scheme for distribution of grants for maintenance and improvement of communications was recommended. The main reasons for extending the scope of sharing to all excise duties was to secure the participation of the States, by convention, in the proceeds of the whole field of Union excises, so that the Union and the States may have a common interest therein which would be conducive to better psychological satisfaction to the States. It would also provide a broader base for distribution, in which the buoyancy of yield on some articles may make good the shortfall on others, so as to maintain a steady flow of assistance. The Fourth Finance Commission recommended the sharing of Union excise duties on all items including even those on which the yield was less than Rs. 50 lakhs per year, and also new commodities on which the excise duties might be levied during the five years, 1966—71. The Commission did not bring within the scheme of sharing certain categories of excise duties, namely, cesses levied on certain goods under special Acts, regulatory duties of excise levied under the Finance Acts, and the special duties of excise on certain articles which were being levied from 1963 in the form of surcharges on basic duties on certain items.

4.5 In their memoranda submitted to us, the State Governments have generally asked for an increase in their share of the proceeds of excise duties from 20 per cent to higher levels ranging from 30 to 50 per cent. One State has suggested that 30 per cent of the duties on petroleum products should be separately shared only among the States producing crude oil, the remaining 70 per cent being included in the general divisible pool. Another State has suggested that at least 60 per cent of the yield from duty on motor spirit should be separately distributed as a special grant to States which are backward in road communications. Many States have also demanded that the special duties of excise levied on certain articles in addition to basic duty, which are now retained entirely by the Union, should also be brought within the divisible pool and shared with the States.

4.6 We will first consider the question of sharing special excise duties. These duties are being levied from 1963, and the proceeds are earmarked exclusively for Union purposes by a provision included in the Finance Acts under which they are levied. The States had represented to the Fourth Finance Commission also that these should be made shareable. That Commission took the view that it was open to it to suggest that these duties should also be shared with the States and as far as the legal provision made in the Finance Acts is concerned, it considered that such provision could always be modified by Parliament, particularly in the light of the

recommendations that the Finance Commission may make. The Third and Fourth Finance Commissions extended the principle of sharing to all basic excise duties mainly with a view to securing the participation and common interest of both the Union and the States in this field of taxation so that both may have proportionate benefits from its buoyancy. The Fourth Finance Commission did not, however, suggest the extension of the scheme of sharing to special duties of excise as these duties had been introduced recently in the context of National Emergency; that Commission felt that the object of enlarging the size of the States' share of excise duties could equally well be achieved by suggesting a larger share for the States out of the total proceeds of basic duties. That Commission has observed as under :—

"These duties are renewed on a year to year basis and are not on the same footing as the basic duties of excise under the Central Excises and Salt Act, 1944...."

"We, however, suggest that in future the resort by the Union Government to Special excises should not be the rule but the exception...."

4.7 The representatives of the Government of India with whom we discussed this question explained that the need for special excise duties had not disappeared. In this connection, they referred to increased defence expenditure, the necessity of subsidising exports and the cost of the Central Police Force. They stated that what was important in this regard was not whether the proceeds of special excise duties should be distributed or not among the States, but that the percentage share of the States should be so fixed as not to cut into the essential requirements of the Union.

4.8 The special excise duties have now been in existence for more than six years since they were first levied in 1963. We agree with the Fourth Finance Commission that such special excise duties should not be the rule but the exception, and are of opinion that if these duties are continued on a long term basis it would be desirable to include them along with other duties in the divisible proceeds. This will fulfil the main purpose of securing a common interest of the Union and the States in the whole field of excise taxation which the Third and Fourth Commissions had kept in view while making their recommendations as explained in paragraphs 4.4 and 4.6 above. While we consider that the inclusion of special excise duties in the divisible pool is desirable in principle, we have not thought it necessary to recommend any change in the present arrangements for the first three years from 1969-70 for the reason explained in the succeeding paragraph.

4.9 In making our recommendations relating to the distribution of proceeds of income-tax, we have assumed that the balance of the States' share of such proceeds pertaining to the years 1967-68 and 1968-69, resulting mainly from the increase due to inclusion of advance tax in the proceeds on the revised basis, will be paid to them

\*Report of the Finance Commission, 1965, para 46.

\*\*Report of the Finance Commission, 1965, para 52.

in 1969-70 and 1970-71 respectively. The States' share of the unjust amount of advance tax collections upto 1966-67 would be paid to them in three equal instalments from 1971-72. Considering the growing requirements of the States, we think that some further increase in the devolutions during the last two years 1972-73 and 1973-74 would be necessary. We, therefore, recommend that the proceeds of special excise duties should be included in the divisible proceeds from the year 1972-73 if such special duties are continued till that year. Having regard to the resources of the Government of India (including the likely additional taxation as indicated in the Draft Fourth Five Year Plan) and the demands thereon on account of expenditure on civil administration, defence and border security, debt servicing and other committed expenditures or liabilities, as also to the revenue resources and expenditure of the States and the estimated yield from basic excise duties and special excise duties, we consider that the share of the States should remain at 20 per cent of the divisible proceeds in each of the five years.

4.10 As regards the distribution of the States' share, the First Finance Commission adopted the basis of their respective population. It felt that the object of having an equitable distribution to augment the resources of States could be best achieved by distribution on the basis of population. That Commission was not able to consider consumption, which had been suggested as a basis for distribution, as no reliable statistics of consumption were available. The Second Finance Commission also could not consider the basis of consumption in the absence of necessary data. It noted, however, that while the figures of consumption, if available may provide a suitable basis of distribution, it must be borne in mind that such distribution would operate in favour of the more urbanised States which are already in a position to raise more substantial revenues from sales tax on such consumption. On the whole it preferred that the distribution should be made on the basis of population. It was, however, felt necessary by that Commission to apply a corrective in favour of particular States who would otherwise have been left in a less advantageous position. The shares of States were worked out 90 per cent on basis of population and 10 per cent was used for making certain adjustments in favour of particular States. The Third Finance Commission considered that while population should continue to be the major factor, other factors like the relative financial weakness of the States, disparity in the levels of development, percentage of scheduled castes and tribes and backward classes population, etc., should also be taken into account. The Fourth Finance Commission considered that while consumption or distribution could be taken as a factor for distribution, there were no reliable statistics on the basis of which this could be done. It did not favour the suggestion of using indirect data like ratio of urban population for measuring consumption. It felt that population should be a major factor in determining the distribution, and relative economic and social backwardness should also be taken into account. It however considered that relative financial weakness as measured by revenue deficit should not be taken as an element in sharing taxes. That Commission took population as a general measure of need of States and distributed the States' share 80 per cent on the basis of population and the remaining 20 per cent on the basis of

social and economic backwardness of the States as assessed on the basis of selective factors as under:—

- (i) Per capita gross value of agricultural production;
- (ii) Per capita value added by manufacture;
- (iii) Percentage of workers (as defined in the Census) to the total population;
- (iv) Percentage of enrolment in Classes I to V to the population in age group 6—11;
- (v) Population per hospital bed;
- (vi) Percentage of rural population to total population; and
- (vii) Percentage of population of Scheduled Castes and Tribes to total population.

The exact manner in which these factors have been combined was not indicated in the Fourth Finance Commission's Report.

4.11 Various views on this question have been expressed by the States before us. Two States favour continuance of the scheme laid down by the Fourth Finance Commission. Some States have urged that economic backwardness is not a suitable criterion for devolution of taxes. One State has suggested that the distribution should be made on the basis of population and urban population, so as to reflect the higher consumption for urban areas. Another State has suggested that the distribution should be entirely on the basis of consumption which may be measured by total sales-tax collections. Two States have suggested that the criteria should be population and per capita income. One of them suggested per capita income to be used for giving a share only to the States below the average level, while the other suggested inverse per capita income as the basis. Other States have suggested different weightages to be assigned to population and economic backwardness, some of them also suggesting certain criteria by which economic backwardness might be measured. One State has suggested that all the three factors—population, economic backwardness and contribution—should be given suitable weightage. One of the States has expressed the view that the distribution should be mainly regulated by the financial needs of the States and some portion of the States' share may be distributed on the basis of the degree of tax effort achieved by the States, as an incentive.

4.12 In considering this question of distribution among the States it is necessary to keep in mind the main purpose of devolution, which is to augment the resources of States in an equitable manner to enable them to meet their growing needs. Such needs depend mainly on the size of the States' populations, their relative income and resources and their levels of economic development. The principle of contribution is not appropriate as a factor in the distribution among the States of a tax that is shared on a discretionary basis, as is the case with Union excise duties. As observed by the Second Finance Commission, the fact of consumption would operate to the disadvantage of less urbanised States which are not in a position to raise revenues from sales tax to the same extent as more urbanised States. We therefore consider that consumption is not

a suitable factor for this purpose, and that the distribution should be based mainly on population, along with some criteria to take into account lower potential for raising resources and relative backwardness in economic and social development. We feel that as a broad measure of needs of different States, due regard should be had to criteria like population and suitable indicators of backwardness, rather than the relative financial weakness or budgetary deficits of the States. At the same time, since the States having less per capita incomes have lower potential for raising resources and are therefore placed at a disadvantage as compared to the States with higher per capita income, we consider it reasonable that some portion of the States' share should be distributed to States with per capita income less than the average of all States. For this purpose we have utilised the figures of per capita income of States for the years 1962-63 to 1964-65, prepared by the Central Statistical Organisation, which were made available to us. Having regard to these considerations, we are of opinion that the States' share of Union excise duties should be distributed among them on the following basis:—

(1) 80 per cent on the basis of population of respective States;

(2) Out of the remaining 20 per cent—

(a)  $\frac{2}{3}$ rd should be distributed among States whose per capita income is below the average per capita income of all States in proportion to the shortfall of the State's per capita income from all States' average, multiplied by the population of the State. For this purpose, Nagaland, for which the requisite per capita income statistics are not available, should be equated with Assam.

(b)  $\frac{1}{3}$ rd should be distributed according to the integrated index of backwardness on the basis of the following six criteria, viz.,

- (i) Scheduled tribes population;
- (ii) Number of factory workers per lakh population;
- (iii) Net irrigated area per cultivator;
- (iv) Length of railways and surfaced roads per 100 square kilometres;
- (v) Shortfall in number of school-going children as compared to those of school going age;
- (vi) Number of hospital beds per 1,000 population.

On this basis, the percentage shares of each of the States out of the total States' shares have been worked out, as indicated in the succeeding paragraph. In working out these shares, we used the inverse of indicators for items (ii), (iii), (iv) and (vi) above, after applying some moderation in the case of States where an indicator was less than one third or more than three times of the average for all the States, and combined them with equal weightage to each along with the remaining indicators.

4.13 We, therefore, recommend that—

- (a) during each of the years, 1969-70 to 1971-72 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 special excises, regulatory duties and duties 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 1972-73 and 1973-74, 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 special excises, but excluding regulatory duties and duties and 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
Andhra Pradesh . . . . .	7.15
Assam . . . . .	2.51
Bihar . . . . .	13.81
Gujarat . . . . .	4.17
Haryana . . . . .	1.49
Jammu & Kashmir . . . . .	1.12
Kerala . . . . .	4.28
Madhya Pradesh . . . . .	8.48
Maharashtra . . . . .	7.93
Mysore . . . . .	4.65
Nagaland . . . . .	0.08
Orissa . . . . .	4.72
Punjab . . . . .	2.17
Rajasthan . . . . .	5.28
Tamil Nadu . . . . .	6.50
Uttar Pradesh . . . . .	18.82
West Bengal . . . . .	6.84
TOTAL . . . . .	<u>100.00</u>



**ADDITIONAL DUTIES OF EXCISE**

5.1 Before we turn to the question of grants under Article 275 of the Constitution, we wish to deal with items (e), (f) and (g) of paragraph 4 of the Order of the President dated the 29th February, 1969, which relate to additional duties of excise. Under these items we are required to make recommendations as to the desirability or otherwise of maintaining the existing arrangements in regard to the levy of additional duties of excise on textiles, sugar and tobacco in lieu of States' sales taxes thereon, with or without any modifications, and the scope for extending such arrangements to other items or commodities. We are also asked, irrespective of the recommendation which we may make regarding maintaining the existing arrangements, to recommend to what extent changes, if any, should be made in the principles of distribution of the net proceeds of the existing additional excise duties, provided that the share of each State is not less than the revenue realised from the levy of sales tax on these items for the financial year 1956-57 in that State. In the case of the items or commodities which we may recommend for extension of such arrangements, we have further to recommend the principles which should govern the distribution of the net proceeds of additional excise duties thereon among the States.

5.2 The Additional Duties of Excise (Goods of Special Importance) Act, 1957, was enacted in pursuance of a decision taken by the National Development Council in December, 1956, and the recommendations of the Second Finance Commission regarding distribution of the net proceeds among the States. Under the Act, additional duties of excise in lieu of sales taxes then being levied by State Governments on mill-made textiles (except pure silk fabrics), sugar and tobacco came to be levied and collected by the Union, and the levy was extended subsequently to cover pure silk fabrics other than those manufactured on handlooms. The Act laid down the rates of duties chargeable on these items and also the scheme of distribution of the net proceeds among the States by way of payment of certain guaranteed amounts to each State and distribution of the excess by way of percentage shares. The Act does not debar the State Governments from levying sales tax on the specified commodities; but it provides that if, in any year, a State Government levies a tax on the sale or purchase of such commodities, no sums shall be paid to that State in that year as its share out of the net proceeds of additional excise duties, unless the Government of India by special order directs otherwise.

5.3 The main considerations which appear to have weighed in favour of the substitution of State sales taxes on these commodities by the levy of additional excise duties by the Union, were the minimisation of chances of leakage and evasion, and the convenience to

## CHAPTER 5

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4.13 We, therefore, recommend that—

- (a) during each of the years, 1969-70 to 1971-72 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 special excises, regulatory duties and duties and cesses levied under special Acts and earmarked for special purposes, should be paid out of the Consolidated Fund of India to the States;
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Rajasthan . . . . .	5.28
Tamil Nadu . . . . .	6.50
Uttar Pradesh . . . . .	18.82
West Bengal . . . . .	6.84
TOTAL . . . . .	<u>100.00</u>

trade and industry resulting from a levy at the point of production. It was also expected that the scheme would enable the Government of India to have more effective control on the total incidence of commodity taxation and to ensure uniformity in the inter-State incidence of taxation. It was felt that due to less evasion the revenue realised from the Central levies would be more than the total collections from State sales taxes on these commodities, even though the incidence of the additional excise duties was somewhat lower than the then prevailing average incidence of the sales taxes levied by States on the commodities.

5.4 The present scheme has been in operation for more than a decade and we may now examine how far it has worked to the satisfaction of the parties concerned.

5.5 Two States, Jammu & Kashmir and Nagaland, were in favour of maintaining the existing arrangements and also extending them to cover more items. Most of the other States have expressed before us their dissatisfaction with the manner in which the scheme of additional excise duties has worked. They complained that the Government of India, while increasing basic excise duties and introducing special excise duties on the same commodities, had kept unchanged the rates of the additional excise duties. The States pointed out that they had suffered loss of potential increase in revenue by surrendering their right to levy sales tax. Whereas the sales tax rates are *ad valorem*, the additional excise duties have been largely specific, due to which they have lost the advantage of a price-elastic source of revenue. During the past decade the sales tax rates on similar commodities have also been increased. The States contended that they have thus been put to a double disadvantage. It is necessary to examine these contentions of the States which they had also voiced in similar terms before the Fourth Finance Commission.

5.6 During the period 1958-59 to 1968-69, there were practically no changes in basic excise duties on sugar; but there were increases in basic duties on tobacco, unmanufactured and manufactured. The basic excise duties on textiles have also been adjusted a number of times. In addition, special excise duties have been levied on tobacco. The rates of additional excise duties have remained practically unchanged, except for some increase in the case of cigars and cigarettes. The result has been that between 1958-59 and 1967-68, the revenue from basic and special excise duties on these three commodities increased by more than 70 per cent, while that from additional excise duties increased only by 45 per cent.

5.7 The average incidence of additional excise duties in 1966-67 worked out to 1.98 per cent on textiles, 2.93 per cent on unmanufactured tobacco and 7.12 per cent on cigars and cigarettes. The additional excise duty on cigarettes has since been increased, and a 4 per cent *ad valorem* duty is levied on sugar. The comparative rates of sales tax levied at a single point in some of the States on

allied commodities like kerosene, matches, tea, coffee, etc, are as under:—

	Rates of single point sales tax
Foodgrains . . . . .	1% to 3%
Kerosene . . . . .	3% to 7%
Matches . . . . .	3% to 7%
Vanaspati . . . . .	5% to 10%
Gur . . . . .	2% to 7%
Butter & Ghee . . . . .	3% to 4%
Tea . . . . .	2% to 8%
Coffee . . . . .	4% to 8%
Leather goods . . . . .	5% to 10%

These rates are generally higher than the incidence of additional excise duties and it appears that if the States had been free to exercise their power to levy sales tax on textiles, sugar and tobacco, many of them would have been able to realise more tax revenue from them. The producing States would also have derived the benefit of Central sales tax on exports of these commodities to other States.

5.8 A number of States who had suggested discontinuance of the Scheme, during our discussions with them expressed their willingness to agree to its continuance if certain modifications were made so as to enhance the yield from the additional excise duties adequately. Some of them have suggested for this purpose that the rates of duty should be directly related to the rates of basic and special excise duties, while other States have suggested that they may be reviewed so as to reflect the increase in prices of the commodities in question and the average incidence of States sales taxes on similar items. About half the number of States have urged that the existing arrangements should be discontinued and they should be free to levy sales tax on these commodities themselves. They were not in favour of continuing the scheme even if modifications are made to increase the rates of duty.

5.9 We put it to the States that the rates of basic excise duties on sugar and textiles were regulated from time to time on considerations of economic policy and not merely on the basis of revenue requirements. The States sales taxes are not usually modified in this manner. While the feasibility of raising rates of additional excise duties could be considered when the basic or special duties are increased, no useful purpose would be served by any formal linking of the two.

5.10 There is force in the argument of the States that the rates of additional excise duties being specific, their incidence has not

kept pace with that of States sales taxes on similar commodities. To meet this point, the rates could be turned into *ad valorem* rates, as has been already done in the case of sugar and cigarettes; and even specific rates could be revised periodically having regard to changes in prices. The rates could also be modified to reflect changes in the sales tax rates on corresponding commodities in the States as a whole. Some of the States to whom we put this suggestion were doubtful about the possibility of such an arrangement. They, however, said that they would be agreeable if satisfactory arrangements in this regard could be made, but they were generally averse to extending the arrangement to other commodities. Eight of the States were insistent on the system being discontinued. They pointed out that under the existing arrangement they do not have freedom to increase revenue from taxation of these commodities in the light of their own requirements and judgement. Since these commodities cover a considerable part of the States' field of sales taxation they keenly desire to have once more the authority to levy sales tax themselves.

5.11 Under the provisions of Section 7 of the Additional Duties of Excise (Goods of Special Importance) Act, 1957, as originally enacted, the items on which additional duties of excise are leviable were declared as goods of special importance in inter-State trade and commerce and the levy of sales tax thereon was made subject to the restrictions specified in Section 14 of the Central Sales Tax Act, 1956. Section 7 of the former Act of 1957 was repealed by the Central Sales Tax (Second Amendment) Act, 1958 and these items were added to the list of declared goods. Some of the State Governments who wanted the additional excise duties to be withdrawn, pointed out to us that the other goods of special importance like coal, unmanufactured cotton, etc., are industrial raw materials or intermediate goods and belong to a category different from textiles, sugar and tobacco, which are consumer goods. They demanded that these restrictions, which had originally been enacted as an integral part of the present arrangements, should also be withdrawn when these arrangements are discontinued, so as to restore to the States unrestricted power to levy sales taxes as on other similar items. We have no doubt that the Government of India will consider this matter if and when the need arises.

5.12 We also discussed this subject with representatives of various Chambers of Commerce and other trade organisations. They generally expressed the view that the existing arrangements have resulted in considerable administrative convenience and have brought relief to the commercial community. They suggested, therefore, that the scheme should be continued; and some of them also proposed its extension to other commodities like iron and steel, cement and paper. Other items suggested to us for this purpose are kerosene, matches and tea. To meet the grievances of the States, some of the Chambers were agreeable to the conversion of the rates of duty into *ad valorem* rates where possible, and periodical revision of rates in other cases.

5.13 During our discussions with the representatives of the Government of India they expressed the view that, on the whole, the arrangements had worked satisfactorily. As regards the main grievance of the States about the growth of revenue from additional excises having been comparatively small, they felt that the matter could be gone into by the Government of India. The recent conversion of rates of duty on sugar into *ad valorem* rates would secure for the States the benefit of higher yield with increase in prices. It was stated that while the Government of India derives no revenue from the scheme, they would like it to be continued, if possible, because indirect taxation, particularly on items of mass consumption, could serve as an instrument of fiscal policy.

5.14 The rationale of the present scheme of additional excises in lieu of sales taxes and the advantages which it was expected to bring, hold good even now. But although a scheme of uniform levy of excise duties in lieu of sales taxes at varying rates on commodities of common consumption might have its own advantages, we consider that the full utility of such a scheme cannot be realised unless the arrangements could be extended to other important commodities also. This could, however, be achieved only if the States were agreeable to such extension. In view of the general opposition of the States, there is obviously no scope for extending the arrangements to other items or commodities in the foreseeable future. Moreover, as rightly pointed out by the Fourth Finance Commission, such a scheme is essentially in the nature of a tax rental agreement between the Union and the States, the operation of which is contingent upon the parties agreeing between themselves. Many States now keenly desire that the power to levy sales tax on these items should revert to them to enable them to make maximum efforts to raise greater resources under their own powers of taxation. While there may be advantages in the present scheme, inasmuch as the States are generally opposed to it, we consider that it would not be desirable to continue the scheme unless the Government of India, after discussing the matter further with the State Governments, can arrive at a general agreement for its continuance with suitable modifications. We would suggest that such discussions with the State Governments may be held as soon as possible.

5.15 This brings us to the question whether any changes should be made in the principles governing the distribution of the net proceeds of additional excise duties leviable under the 1957 Act if the existing arrangements are to continue. In any scheme of distribution for this purpose, it is necessary to see that each State gets a share not less than the revenue realised by it from levy of sales tax on these three items for the year 1956-57. The minimum amounts to be guaranteed to each State were first determined by the Second Finance Commission. Though the State Governments represented to the Third Finance Commission that the amounts should be reassessed, that Commission did not reopen the question. It only increased the amounts suitably to cover pure silk fabrics to which the arrangements has been extended, and divided the share of Bombay State between the new Maharashtra and Gujarat States. The Fourth Finance Commission confirmed the same amounts to be guaranteed to each State. We also decided that it was not possible

to reopen the question of determining the amounts which should be deemed to represent the revenue realised by each State from sales tax on these items in 1956-57. We have only worked out the shares of the new States of Punjab and Haryana on the basis of the amount guaranteed to the former Punjab State.

5.16 Like the earlier Commissions, we have examined the question whether guaranteed amounts should first be set apart from the net proceeds and the balance then distributed among the States on suitable principles, or whether the entire net proceeds should be distributed on suitable principles subject to ensuring that no State gets less than the guaranteed amount as its share. The previous Commissions adopted the first method as they felt that the alternative procedure might create difficulties in case some State's share fell short of the guaranteed amount. On the basis of the forecast of receipts from this source furnished by the Government of India it appeared to us that this difficulty was not likely to arise. We could not, however, altogether rule out such a contingency. We decided, therefore, to continue the practice already followed in this regard.

5.17 At present, one per cent of the net proceeds are retained as being attributable to Union territories, and 1.5 per cent and 0.05 per cent of the net proceeds are paid to Jammu and Kashmir and Nagaland as their respective shares. These percentages appear to have been adopted on an ad hoc basis. We consider that it will be more appropriate to determine the shares of these two States and the portion of the net proceeds attributable to Union territories on the basis of their respective populations. On this basis the portion to be retained by the Union as being attributable to Union territories will be 2.05 per cent of the net proceeds, while the shares of Jammu and Kashmir and Nagaland will be 0.83 per cent and 0.09 per cent thereof respectively.

5.18 In regard to the principles for distribution of the balance of the net proceeds of additional excise duties after excluding the total of the guaranteed amounts, the Fourth Finance Commission took the view that figures of collection of all sales taxes were more directly indicative of the contribution made by each State to the divisible surplus, than population. The figures of total sales tax collections have, however, certain limitations for this purpose. Sales taxes are levied at different rates and according to different systems in various States. On the other hand, the additional excise duties on sugar, textiles and tobacco are levied at uniform rates at a single point. Further, the rates of sales taxes vary with the nature of commodities. They are the lowest in case of raw materials and intermediate goods, higher on semi-luxuries than on necessities, and the highest on luxuries. Sugar and the bulk of textiles belong to the group of necessities while tobacco may be regarded as a semi-luxury. The richer States are likely to get larger sales tax realisations because of their higher consumption of luxuries and semi-luxuries. It is not possible to make allowances for all these variable factors in adjusting the figures of sales tax collections for this purpose. We can only exclude the realisations on inter-State sales, which are due to exports outside the States.



5.19 Theoretically, the best way of distributing the additional excise duties would be on the basis of consumption. The agreement reached at the National Development Council approving the scheme of additional excise duties on these three commodities had mentioned consumption as the basis of sharing. The data of Statewise consumption compiled by the Central Statistical Organisation include figures for these commodities, *vide* Tables 50—52. Sugar is being taxed at 4 per cent *ad valorem* and price differences between different varieties are not large. Figures of sugar consumption by different States are available. In the case of cotton textiles, on which additional excise duties are levied at different rates on a quantitative basis from 3.6 paise to 15.5 paise per sq. metre, only the figures of total expenditure on clothing could be obtained. The statistics regarding tobacco are in terms of quantities of cigarettes consumed. According to the rates of duty in force at present, unmanufactured tobacco is being taxed at three different rates ranging from 6 paise to Rs. 1.10 per Kg. Cigarettes are liable to additional excise duty at rates varying from 5 per cent to 23 per cent, and the actual amounts of duty work out to something from less than 37 paise to more than Rs. 5.75 per thousand. Consumption figures cannot, therefore, furnish us with a satisfactory basis for distribution of proceeds of the additional excise duties. Considering all the circumstances, we have come to the conclusion that the excess of proceeds of additional excise duties over the guaranteed amounts should be distributed partly on the basis of sales tax collections (excluding inter-State sales tax) during the years 1965-66 to 1967-68, and partly on the basis of population. We have, accordingly worked out the percentage shares of States (other than Jammu and Kashmir and Nagaland) on this basis with equal weightage to sales tax collections and population. The shares of the States have been expressed in terms of percentage of the excess amount after payment of the guaranteed amounts.

5.20 As we are unable to recommend the extension of the existing arrangements to other items or commodities, the question of considering the principles which should govern the distribution of net proceeds of such additional items mentioned in item (g) of paragraph 4 of the Presidential Order does not arise.

5.21 Accordingly, we recommend that—

- (1) (a) It would not be desirable to maintain the existing arrangements in regard to the levy of additional duties of excise on textiles, sugar and tobacco, unless the Government of India, after discussing the matter further with the State Governments, can arrive at a general agreement for the continuance of the present scheme with suitable modifications;
- (b) While the arrangements are continued, the rates of duties may be made *ad valorem* as far as possible, and may be revised periodically so as to secure reasonable incidence having regard to the prevailing prices and

the general level of sales taxes on similar items levied by the States;

- (2) There is no scope at present for extending such arrangements to other items or commodities;
- (3) The net proceeds of the additional excise duties during each financial year in which the existing arrangements continue, should be distributed to the following basis:—
- A sum equal to 2·05 per cent of such net proceeds be retained by the Union as attributable to Union territories;
  - A sum equal to 0·83 per cent of such net proceeds be paid to the State of Jammu and Kashmir as its share;
  - A sum equal to 0·09 per cent of such net proceeds be paid to the State of Nagaland as its share;
  - Out of the remaining balance of 97·03 per cent of such net proceeds the sums specified below, representing the revenue realised in the financial year 1956-57 by each respective State from the levy of sales taxes on the commodities subject to additional excise duties, be first paid as guaranteed amounts to the following States:—

States	Guaranteed amount (Rs. lakhs)
Andhra Pradesh . . . . .	235·24
Assam . . . . .	85·08
Bihar . . . . .	130·16
Gujarat . . . . .	323·45
Haryana . . . . .	65·49
Kerala . . . . .	95·08
Madhya Pradesh . . . . .	155·17
Maharashtra . . . . .	637·77
Mysore . . . . .	100·10
Orissa . . . . .	85·10
Punjab . . . . .	96·07
Rajasthan . . . . .	90·10
Tamil Nadu . . . . .	285·34
Uttar Pradesh . . . . .	575·81
West Bengal . . . . .	280·41

(e) The balance be distributed among the States other than Jammu and Kashmir and Nagaland in accordance with their respective percentage shares of such balance as under:—

States	Percentage distribution of excess amount
Andhra Pradesh . . . . .	8·13
Assam . . . . .	2·47
Bihar . . . . .	8·40
Gujarat . . . . .	6·33
Haryana . . . . .	1·70
Kerala . . . . .	4·84
Madhya Pradesh . . . . .	6·34
Maharashtra . . . . .	13·89
Mysore . . . . .	6·00
Orissa . . . . .	3·13
Punjab . . . . .	2·98
Rajasthan . . . . .	4·42
Tamil Nadu . . . . .	9·63
Uttar Pradesh . . . . .	12·99
West Bengal . . . . .	8·75
TOTAL . . . . .	<u>100·00</u>

(f) In case the existing arrangements are discontinued during the course of a financial year, the sums specified in clause (d) above, be reduced *pro rata* in proportion to the period for which the arrangements have continued.

## CHAPTER 6

### GRANTS-IN-AID UNDER ARTICLE 275 OF THE CONSTITUTION

6.1 Under item (b) of paragraph 4 of the President's Order dated the 29th February, 1968, we are required to make recommendations as to the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India and also to recommend the sums to be paid to the States which are in need of assistance by way of grants-in-aid of their revenues under Article 275 for purposes other than the Five Year Plans, having regard, among other considerations, to—

- (i) the revenue resources of those States for the five years ending with the financial year 1973-74 on the basis of the levels of taxation likely to be reached at the end of the financial year 1968-69;
- (ii) the requirements on revenue account of those States to meet the expenditure on administration, interest charges in respect of their debt, maintenance and upkeep of Plan schemes completed by the end of 1968-69, transfer of funds to local bodies and aided institutions and other committed expenditure; and
- (iii) the scope for better fiscal management as also for economy consistent with efficiency which may be effected by the States in their administrative, maintenance, developmental and other expenditure.

6.2 The earlier Finance Commissions have broadly agreed that while the budgetary needs of the States are an important factor in determining the assistance required by the States, a number of adjustments have to be made and several broad considerations kept in mind to determine the amounts of assistance which the States need as grants under Article 275. Their budgetary forecasts have first to be suitably modified to a standard form so as to make them comparable. It is necessary to take into account the efforts made by them to raise resources in relation to their tax potential and the scope for economy in expenditure, and to have regard to the need to avoid large disparities in the standards of basic social services and to provide for special burdens of national interest likely to prove financially strenuous to States. These principles have been generally recognised as unexceptionable. The main differences have been the approach of the different Commissions to grants for Plan purposes and earmarked grants for broad national purposes like education.

6.3 In Chapter 2, we have already explained that it is not possible for us to take into account any requirements for the Five Year Plan. It has been suggested to us that we should follow the procedure of the First Finance Commission and earmark a portion of the

grant for the purpose of raising school teachers' salaries to a minimum level. We think, however, that it would be difficult for us as a Commission to judge the requirements for improving the efficiency of existing services through better terms of remuneration. We understand that for the purpose of Plan assistance, the Planning Commission has also been thinking of shifting the emphasis from grants for specific purposes towards block grants for Plan expenditure generally. The Fourth Finance Commission had observed in this connection that even if a special grant could be made under Article 275, such a grant would get merged with the general revenues of the States. Its utilisation could only be reviewed by a subsequent Finance Commission and this would not be of any practical value. We agree with this view.

6.4 While the Finance Commissions have broadly agreed on the principles which should govern the determination of the States' need for assistance, there have been differences in the extent to which they have been able to take these into account. As regards assessment of tax effort, the Second Finance Commission stated—

“In our assessment of tax effort we have assumed that if a State raised additional revenue which it has promised for the Plan, it will have done its part”.\*

The Third Finance Commission did not take tax effort into account as it felt that the comparative determination of the tax effort of the States had to be related to their tax potential and required special study. The Fourth Finance Commission expressed agreement with the principle of considering how far the States had made efforts to raise resources in relation to their tax potential. However, in its assessment of the States' needs, it took into account only non-Plan revenue expenditure and the revenue receipts anticipated on the basis of the then existing level of taxes, and did not examine the extent of additional tax effort as it was related to the financing of the States' Plan expenditure. It left out of account the estimated losses by departmentally managed enterprises and assumed full realisation of current interest dues from autonomous corporations like the State Electricity Boards.

6.5 In view of the rapid growth of State expenditure and the very large size of budgetary deficits which, as indicated in the States' forecasts, comes to Rs. 7,368 crores, we consider that the emphasis must shift significantly from budgetary needs to broad fiscal needs as suggested by the Second Finance Commission. We have accordingly tried to apply the principles laid down by the previous Commissions more extensively. For the purpose of assessing the needs of each State for meeting revenue expenditure, the States' forecasts were duly scrutinised with a view to placing them on a comparable footing as well as correcting errors of estimation. The receipts and working expenses in respect of the various departmental commercial schemes were segregated to facilitate separate examination of such schemes. Receipts of interest and dividends as well as payment of interest and provision for repayment or amortisation of debt were also separately

\*Report of the Finance Commission, 1967, para 64.

dealt with. For important items of tax receipts and of expenditure we adopted growth rates within suitable maximum and minimum limits on the basis of past trends, future scope and other relevant factors as explained by the States. The preliminary actuals of 1968-69, wherever available, and budget estimates for 1969-70, were also utilised in assessing the forecasts relating to the initial year 1969-70.

6.6 In our assessment of revenue receipts we have taken credit for the interest due from Electricity Boards, except in the case of Assam and Rajasthan. In these two States, we found that the cost of generation and distribution was abnormally high due to factors over which the State Governments had little control. The increased cost could not be covered by the revenue realised despite relatively high tariffs. We have, therefore, assumed in their case receipt of interest only to the extent of half the amount due. To the extent that the estimates of working of certain Electricity Boards during the five years reflected a net surplus, we have also assumed recovery of arrears of interest payments due from them; but we left out of account the portion of such arrears which had resulted from non-payment of interest in respect of the years 1966-67 to 1968-69, as the Fourth Finance Commission had assumed full payment of interest falling due from 1966-67 in assessing the budgetary needs of the States. In regard to recovery of interest of loans and advances by States to other parties, we assumed that each State Government would realise interest on such loans and advances; at least at the average rate of interest payable on its own borrowings. No increase over the forecast of recovery of interest has, however, been assumed in respect of rehabilitation loans given by the State Governments.

6.7 The material furnished by State Governments showed large amounts of arrears of tax revenues, particularly land revenue and sales taxes. In our assessment we have assumed that where these arrears exceed a moderate level representing normal arrears, the excess over such level would be realised during the Fourth Plan period.

6.8 Some State Governments indicated to us their intention to introduce prohibition by gradual stages, which would result in larger budgetary gaps on account of loss of excise revenue as well as additional expenditure required for enforcement staff. Some of them had assumed the receipt of grants from the Government of India for this purpose, on the basis of a communication from the then Deputy Prime Minister and Finance Minister offering to reimburse one-half of the loss of revenue suffered by the States on this account for a period of five years. We have taken the view that, while the State Governments have to decide their own policy regarding adoption of prohibition at such time and by such stages as they may consider desirable, the loss of revenue as well as the additional burden of expenditure required to be incurred on account of such policy should, at the same time, be made good by the States by raising further amounts from the resources available to them and adopting suitable measures of economy, with such assistance as the Government of India may be prepared to give to them. The grant of such assistance would be a matter for settlement between the concerned State Government and the Government of India, when the occasion arises.

Accordingly, in our assessment of the State Governments' forecasts, we have assumed the continuance of receipts from excise duties and expenditure on administration of State Excise Departments having regard to the position existing at the end of the year 1968-69.

6.9 On the expenditure side some of the States had provided for large transfers to certain Funds like State Road Funds. To the extent that the transfers to the Funds were utilised either for capital expenditure or for Plan expenditure, they have not been taken into account. Generally, we have also not included in our assessment any net accretions to these Funds.

6.10 We have taken into account the provision made in the States forecasts for repayment of zamindari abolition bonds or similar compensation bonds, except where, as in the case of Tamil Nadu, the arrangement was intended to be self-financing and the entire cost of compensation was to be recovered from the allottees over a period of time.

6.11 We did not take into account losses in the case of road transport schemes, in the expectation that the State Governments will take effective measures to obtain returns from them which would cover the working expenses, depreciation and interest.

6.12 A number of States included in their forecasts large amounts for expenditure on maintenance and repairs of roads and buildings and irrigation works. It was represented that on account of paucity of funds they had not been able to maintain their assets properly in the past, and that it was necessary to provide for clearance of the backlog of repairs as well as for maintenance on improved standards. Some State Governments gave us detailed estimates indicating the levels of expenditure considered necessary for such improved maintenance. The Ministry of Transport and Shipping also furnished us with estimates of normal costs of proper maintenance of certain categories of roads by regions as worked out by a Committee of technical officers. The provisions suggested in these estimates could not be put on a comparable basis and we did not find it practicable to adopt a general standard for such expenditure which could be uniformly applied. However, in our assessment we recognised the need for better maintenance and included provision on the basis of average expenditure during the last three years with substantial increase thereon. Similar increase was also made in the case of capital expenditure on public works and irrigation met from revenue.

6.13 Many States included in their forecasts their requirements of expenditure for increases in dearness allowance and revision of pay scales for which they had already incurred liabilities in most cases. So far as dearness allowance is concerned, it was urged that the periodical decisions of the Government of India to increase the dearness allowance of their employees left the State Governments with little option but to allow similar increases for their own employees. In some States the pay scales have also been revised recently, whereas a general revision of the scales of pay of Central Government employees has not been undertaken since 1959, and in such cases we did not think that parity of rates of dearness allowance

could justifiably be claimed with those applicable to Central Government employees. We did not find it possible to adjust the requirements on this account owing to lack of detailed information. We have therefore taken into account the likely expenditure on dearness allowance in full. We have not, however, provided for increases of dearness allowance in future. In regard to pay revisions, some State Governments had already given effect to their decisions before the end of 1968-69; others took decisions during the current year, whereas in some cases the States indicated the anticipated effect of pay revisions on the basis of reports of their Pay Commissions, or the likely recommendations of the Commissions whose reports were still awaited. We consider that in cases where the level of expenditure of a State Government is already high, it is necessary to exercise greater restraint in undertaking additional liabilities such as those resulting from pay revision, unless additional resources to meet them can be found by the State Government's own efforts. At the same time, we felt that the recommendations of such Pay Commissions would generally have to be implemented by the State Governments, and for the purpose of our assessment we have included the provisions necessary for this purpose.

6.14 We have allowed provision for payment of food subsidies which are at present being given, but we have not included any provision for enlargement of their scope or for fresh expenditure on such schemes. On the same principle, we have also allowed in our assessments subsidies to State Electricity Boards on account of rural electrification wherever included by the State Governments in their forecasts.

6.15 The earlier Finance Commissions took into account the likely expenditure on relief measures necessitated by natural calamities like famine, floods, etc. The Fourth Finance Commission reassessed the amounts required for this item on the basis of figures of gross expenditure for the eight years ending with 1964-65. We noted that expenditure on this account in the years 1966-67 and 1967-68 during which large parts of the country suffered from severe drought, was clearly abnormal. We, therefore, reassessed the amounts likely to be required for this item on the basis of the average expenditure for the nine years 1957-58 to 1965-66, increased by 25 per cent. in each case. The provision allowed by the Fourth Finance Commission was, however, retained if it was higher than the figures worked out on this basis. In the case of Punjab and Haryana, the requirement was worked out in respect of the former Punjab State on the same principle, and the shares of the two States were determined in the proportion in which the non-Plan expenditure under head "64—Famine Relief" had been allocated by the Dehejia Committee on the division of assets and liabilities of Punjab, in consequence of the Punjab Reorganisation Act, 1966. The Fourth Finance Commission has mentioned in its Report that the provision allowed in the case of West Bengal was strictly comparable with that of other States, as the expenditure in this State under the head "64—Famine Relief" included some expenditure which was not normally included under this head in other States. We have, therefore, determined the requirement on the basis of the provision allowed for the neighbouring



State of Orissa, on a *per capita* basis. The difference between the amount so arrived at and the annual provision made for this purpose by the Fourth Finance Commission for West Bengal, has been added to the estimate of the State's expenditure under the head "Miscellaneous" for calculating its revenue deficit.

6.16 The annual average provisions allowed by us in the States' forecasts on the basis explained above are indicated below:—

State	Annual provision allowed for relief from natural cala- mities  (Rs. lakhs)
Andhra Pradesh . . . . .	75
Assam . . . . .	48
Bihar . . . . .	150
Gujarat . . . . .	80
Haryana . . . . .	155
Jammu & Kashmir . . . . .	40
Kerala . . . . .	10
Madhya Pradesh . . . . .	80
Maharashtra . . . . .	86
Mysore . . . . .	44
Nagaland . . . . .	..
Orissa . . . . .	125
Punjab . . . . .	41
Rajasthan . . . . .	108
Tamil Nadu . . . . .	50
Uttar Pradesh . . . . .	94
West Bengal . . . . .	261
TOTAL . . . . .	1447

6.17 While continuing the practice of making a separate annual provision for expenditure under Famine Relief, we consider that the excess of such provision over the actual expenditure on famine relief in each year should be transferred to a separate Famine Relief Fund which may be drawn upon in other years for meeting expenditure required in excess of the provision allowed by us. We also suggest that the amount of appropriations to the Famine Relief Fund should be invested in easily realisable securities. Although an exactly similar recommendation was made by earlier Finance Commissions also

the State Governments have not apparently been able to implement it. If this position continues and the annual appropriations are used to relieve the current ways and means position of the State, the provision allowed by us for famine relief and natural calamities would not serve its real purpose. We, therefore, hope that the State Governments will be able to take appropriate action to implement our recommendation in this respect. Further, in determining the assistance to be given by the Government of India under their scheme of assistance to States for expenditure on relief measures, we think that the accumulated provision for the entire period from 1969-70, and not merely the annual provision relating to the year in which the natural calamity occurs, should be taken into account. Further, it seems to us that for meeting expenditure on natural calamities it would be more fitting if the 75 per cent. assistance to the States, whose finances would also have been adversely affected on the receipts side, is given wholly in the form of grants; and only the amount required for State loans to others may be covered by Central loans. The remaining burden of famine relief expenditure should be met by the State itself, as it will be the primary authority for deciding the level of famine expenditure. As at present, a ways and means loan may be given to the States, where necessary, to meet temporary difficulties.

6.18 Separate estimates were furnished by the States in regard to the requirements of expenditure on the maintenance and upkeep of Plan schemes completed by the end of 1968-69. These estimates were scrutinised with reference to the schemewise break-up of the revenue Plan outlays during 1968-69. Generally speaking, we did not take into account provision for contingent expenditure of a non-recurring nature, minor works, or grants for purposes of a capital nature. Expenditure on Establishment and contingencies was generally allowed. Provision for maintenance of roads, buildings, etc., was allowed on the same basis as for similar non-Plan expenditure. The rates of growth adopted in estimating the recurring committed expenditure over the five-year period were limited to the rates adopted in assessing corresponding items of revenue expenditure. In cases where such schemewise scrutiny was not possible due to inadequate data and the provision in the State's forecast worked out to a higher percentage of the revenue Plan outlay for 1968-69 than the percentage of the committed expenditure in 1966-67 to the revenue Plan outlay in 1965-66, the provision was limited to the latter percentage after increasing it by 10 per cent. thereof, in order to cover possible variations in the pattern of completed Plan schemes.

6.19 For the purpose of estimating the sums likely to accrue to the States under our recommendations for devolution of taxes, we have adopted the estimates of taxes and duties furnished to us by the Ministry of Finance. We have taken into account the grant in lieu of the tax on railway passenger fares at its present level of Rs. 16.25 crores a year. In case the present arrangements regarding additional excise duties are discontinued, we have assumed that the States will continue to get at least the same amounts from sales tax on these commodities as their share of the proceeds of additional excise duties. Unlike the previous Finance Commissions, this Commission has had

to deal with the problem of distribution of unadjusted advance tax collections for the years upto 1966-67, and the increased net proceeds of income-tax determined on the revised basis for the years 1967-68 and 1968-69. We have assumed that final payment to the States for the year 1967-68 will be made in 1969-70 when the net proceeds are certified by the Comptroller and Auditor General, and that similar payment for the year 1968-69 will be made in 1970-71. We have recommended that the States' share of the unadjusted advance tax collections upto 1966-67 should be paid to them in three equal instalments during the years 1971-72 to 1973-74. The total sums expected to be transferred to States by devolution of taxes in the five years have been estimated on this basis. The total amount of such devolution of taxes to all the States, including the grant in lieu of tax on railway passenger fares and proceeds of additional excise duties comes to about 66 per cent. more than the amount of such devolution as recommended by the Fourth Finance Commission in its report for the five-year period from 1966-67 to 1970-71.

6.20 Some States have argued that the increased devolution due to the inclusion of advance tax collections of past years should not be taken into account in estimating their resources over the next five years as they should have been paid larger shares of income-tax proceeds in the earlier years when the collections were made. They have represented that the delay has already added to their financial difficulties and left them with greater loan liabilities. Though we appreciate the States' argument in this regard, particularly in view of the higher expenditure on dearness allowance, etc., which they have had to incur, we cannot agree with their contention that the increase in devolution which they will receive on this account in the next five years should not be included in their revenue resources for assessing their needs for grants. The share of the divisible pool which the States should receive has not been laid down in any specific terms under the Constitution, but it is to be determined for each period on the basis of the recommendations of the Finance Commission appointed under Article 280 of the Constitution. It is clear that the earlier Finance Commissions had before them the estimates of proceeds of income-tax worked out by the Government of India on the basis that advance tax collections were to be included in the proceeds only after completion of assessments. The recommendations of these Commissions for distribution of income-tax as well as other devolution of taxes and grants under Article 275 were based on these estimates and also on their overall view regarding the total transfers which were necessary to meet the requirements of States as assessed by them. It is not possible for anyone to form an opinion as to what the earlier Commissions would have done in the matter of devolutions if the estimates of proceeds of income-tax before them had included advance tax collections. But the procedure followed by them makes it clear that at least the grants under Article 275 recommended by them might have been smaller. We consider that the States cannot claim as of right that their share of the unforeseen increase in the divisible proceeds of past years which has resulted from the modification in the method of determining the net proceeds of income-tax should be paid to them without being taken into account for the purpose of the whole scheme of transfer of funds to them on assessment of their needs for the next

five years. The supplementary reference made to us also specifically requires us to take into account the effect of our recommendations regarding the matters specified therein, in making our recommendations for other devolutions and grants. We have accordingly treated the States' shares of the unadjusted amount of advance tax and balance of income-tax proceeds of earlier years as part of the resources available to them for meeting their revenue expenditure in the five-year period.

6.21 On the basis of the estimated devolution of taxes to each State worked out as above and assessment of the States' forecasts of their revenue receipts and expenditure as indicated earlier, we found that the States of Bihar, Gujarat, Haryana, Madhya Pradesh, Maharashtra, Mysore, Punjab and Uttar Pradesh will be receiving by devolution of taxes amounts which will be sufficient to cover their non-Plan revenue expenditure in the next five years as assessed by us.

6.22 The requirements of the other States for grants under Article 275 were then examined in greater detail. As regards their revenue receipts, we have, according to our terms of reference, taken into consideration the scope for better fiscal management. We also kept in mind the principle approved by the earlier Finance Commissions that the efforts made by the States to raise resources in relation to their tax potential should be taken into account. We made a broad comparison of each State's total tax revenue at the existing levels of taxation with that of other States on a *per capita* basis. We excluded the receipts from inter-State sales tax in making this comparison. Taking the basis of average State incomes for the three years 1962-63 to 1964-65 furnished to us by the Central Statistical Organisation, we also compared the tax effort as indicated by taking the total tax revenues as a percentage of the State income, after making some allowance for lower yields from agricultural income. We felt that owing to the different circumstances of each State and different policies of the State Governments and the lack of satisfactory data regarding the bases of different State taxes, it was not possible to compare the incidence or yields of particular taxes levied by the States. We therefore considered that a broad comparison should be made on the basis of the incidence of total State taxes in the context of the tax potential of each State as indicated by its level of *per capita* income. In coming to a view regarding the tax effort of a State where the incidence of total State taxes was low, however, we took note of the relative rates of comparable taxes to the extent possible. In cases where the tax effort of the State examined in this manner appeared to be considerably lower than that of other States with similar *per capita* income, and particularly States with similar conditions of development, we took this factor into account in assessing the extent to which the State could be expected to make efforts to raise its resources so as to bring it to a comparable level, unless we found that the level of expenditure of the State as compared to similar States was also appreciably lower.

6.23 As regards non-tax revenues, we felt that it was not possible to compare the receipts from mining royalties and net receipts from forests. No adjustment for these receipts was considered necessary.

Receipts from interest on loans and dividends on investments as well as receipts from departmental commercial schemes were separated for being considered on a different footing. The balance of other non-tax revenues was not examined directly, but we took it into account in reduction of the State's revenue expenditure on normal items (excluding interest and other debt charges; expenditure on departmental commercial schemes and provision for famine relief), and we compared such net expenditure with similar expenditure of other States having the same order of *per capita* income and economic development on the lines indicated in paragraph 6.26 below. We shall consider the question of interest receipts, dividends and receipts from departmental commercial schemes along with the interest payments and expenditure on departmental commercial schemes respectively in subsequent paragraphs.

6.24 We examined the revenue expenditure of the States as assessed by us according to broad categories. We separated the provisions for interest, appropriation for reduction of debt and expenditure on departmental commercial schemes which are not of a comparable nature. We have considered these along with the corresponding receipts under paragraph 6.33. We also excluded provision for famine relief, which has been dealt with in paragraphs 6.15 and 6.16 above. The remaining expenditure including provision for dearness allowance, pay revision, committed expenditure and proposals for fresh expenditure included in the forecasts was taken as the State's normal revenue expenditure for the purpose of comparison with the level of expenditure in other States.

6.25 The terms of reference require us to have regard to the scope for economy consistent with efficiency. We collected from the States information regarding the economy measures undertaken by them. They gave us details of the steps they had taken in this direction from 1965-66 to 1967-68, including directives to keep vacancies unfillied, curtailment of contingent and travelling expenditure, reduction of provision for maintenance of public works, etc. Several States, however, urged that by their very nature such measures could only be of a short duration and that if they were to continue for a long time they were likely to have an adverse effect on efficiency. They, therefore, proposed to relax most of these restrictions. It was not feasible for us to undertake any examination of the requirements of various State Departments and judge the possibilities of effecting economy. We have, therefore, examined the total revenue expenditure (after excluding famine relief, losses on departmental commercial schemes and net burden of interest) on broad considerations in the light of the levels of such expenditure in other States, particularly those with similar *per capita* income and having similar conditions.

6.26 As the expenditure levels of different States in respect of particular departments and services differ considerably on account of their individual circumstances and policies and the growth of various State activities in the past, it was not possible for us to compare the levels of expenditure in different States in particular fields. We considered that a broad comparison of the levels of total revenue expenditure (after excluding the items mentioned above) would be suitable

for assessing the relative needs of States on an equitable basis, particularly as between States with similar levels of income and similar conditions, but with large variations in regard to levels of expenditure. We also took into consideration certain special features of some of the States which tend to increase the level of their revenue expenditure, such as border areas, proportion of Scheduled Tribes, sparseness of population and higher level of development of social services. These are dealt with further in paragraphs 6.27 to 6.32, below. After making some allowance for such factors, we considered that where the level of expenditure in a State was substantially higher than that generally indicated by expenditure in other comparable States, it should be the State's responsibility to find further resources for meeting part of the extra expenditure and the budgetary deficit as assessed by us should not be covered entirely by grants under Article 275 unless we found that the tax effort of the State in relation to its *per capita* income was also substantially higher than that of States with similar *per capita* income and comparable conditions.

6.27 Several States asked us to consider allowing them a higher level of revenue expenditure on account of certain special factors. These factors are mainly problems of border areas, refugee rehabilitation, large proportion of Scheduled Tribes and sparseness of population. As far as border problems are concerned, many of them are being looked after by the Union which has the responsibility of guarding the frontiers of the country and maintaining the necessary armed and other forces. Border roads of strategic value are constructed entirely from the funds of the Government of India and special grants are also given to State Governments for their maintenance. In addition, the Government of India give special grants for development of border areas. Nevertheless, the States on the border, especially those adjoining Pakistan and China, have to incur some extra expenditure for guarding against infiltration and sabotage and for seeing that the people in the border areas are assisted in their problems. We have kept this factor in view in assessing the level of expenditure of such States.

6.28 In this connection, we may mention that the Government of Jammu and Kashmir had proposed a special provision of Rs. 920 crores for strengthening and re-organisation of police along the border. These requirements are largely related to the existence of a long cease-fire line with Pakistan and the security problems arising therefrom. We took the view that where such problems exist, it should be left to the Government of India to determine the quantum of further assistance for such purposes in the light of circumstances existing from time to time. Another special liability of border States for which some of them suggested provision, is on account of maintenance of border roads. The responsibility of maintenance of border roads of strategic value built by or at the instance of the Central Government is at present that of the Government of India. We took the view that maintenance of other State Roads in border areas was the normal responsibility of the State Government concerned and no special grant can be provided for this purpose as requested by one State.

6.29 As regards relief and rehabilitation of displaced persons, the Government of India are making provision for this purpose in their budget and they also give grants and loans to States. Such loans are repaid only to the extent that the State Governments can recover them. We, therefore, did not see any reason for making a special provision on this account.

6.30 As far as Scheduled Tribes are concerned, the first proviso to Article 275(1) of the Constitution contains a special provision regarding grants for schemes to promote their welfare, and substantial amounts are being disbursed to States under this provision. Special loans are also being given to States for the welfare of Scheduled Tribes. Besides, the Planning Commission makes special provision both in State Plans and under Centrally sponsored schemes for their social and economic development. However, in view of the economy of the Scheduled Tribes being largely a non-monetized economy and their taxable capacity being lower than that of other sections of the people, we have included the proportion of Scheduled Tribes population in the weightage given to backwardness in our scheme for distribution of Union excise duties. We have also kept this factor in view while considering the comparative levels of expenditure in various States.

6.31 Some sparsely populated States represented to us that their costs of administration and level of expenditure for maintaining an efficient level of social services are high because of their relatively larger area. In some cases, though their actual expenditure is not high, that is due to their lack of resources and low level of services which they are able to provide. We consider this factor is relevant for assessing the level of expenditure and we have kept it in mind.

6.32 We found that more developed economic and social services were one of the important reasons for the higher revenue expenditure in some States. These services have been developed upto different levels mainly due to historical reasons and different policies regarding expenditure on Plan schemes relating to education and other social services. Any contraction of such services is not desirable. The States where such expenditure is high and which are in need of grants under Article 275 cannot be expected to raise entirely by their own efforts the additional resources for meeting the increased costs for a number of years. We have therefore allowed in case of such States a substantially higher level of expenditure as compared to other States.

6.33 We now turn to the consideration of the net expenditure on account of interest charges and returns from departmental commercial schemes and other investments. As indicated in paragraph 6.6 above, we have, following the principle adopted by the Fourth Finance Commission, generally assumed that the full amount of interest due would be received by the States from their Electricity Boards. We also assumed recovery of interest on loans and advances to other parties at a rate equivalent to the average rate of interest payable by the State on its own borrowings. The bulk of the remaining part of the States' debt is accounted for by capital expenditure on

departmental schemes of irrigation, road transport etc., and by investments in other corporations, companies and industrial concerns. We have applied the principle similar to that adopted by the Fourth Finance Commission in case of these investments. We consider that in the case of multi-purpose river schemes (excluding the cost allocated to flood control) as well as irrigation (commercial), it should be possible for the States to take measures to increase their receipts so as to cover the working expenses on maintenance and management as well as interest on the capital outlay. Many agriculturists have been incurring higher costs in obtaining water from private sources, and there seems to be no reason why public sources of irrigation cannot be managed more satisfactorily so as to produce returns which can at least avoid loss. However, we have, for the present, assumed that within the next five years it would be possible for the State Governments to take steps to improve the returns for covering the working expenses and interest at the rate of  $2\frac{1}{2}$  per cent on the investment. As regards other departmental schemes and investments of State Governments, we have assumed that on the whole there would be no net loss and that these schemes and investments taken together will yield returns and dividends which would at least cover the interest charges on the capital involved.

6.34 The balance of the States' debt, which is not covered either by loans and advances or by outlay on commercial schemes or investments, is mainly represented by their capital expenditure on other works like roads, buildings, social services etc. In some cases, this debt is also partly due to miscellaneous development loans under the Plan, and *ad hoc* loans given by the Government of India to cover the unauthorised overdrafts of the State Governments. We have taken the view that the burden of interest charges related to *ad hoc* loans should not be taken into account for determining the need of the State for grant under Article 275, and it should be left to meet on its own the interest liability as well as repayment by making efforts to curtail its expenditure and augment its revenues. As regards the other debt, which is not covered by the State's loans to others or its investments and commercial schemes, it is clear that the States cannot meet the interest charges except from their general revenues. We found that the burden of such debt used for purposes not producing any direct returns varied greatly as between different States. We considered that it is desirable to keep the amount of such loans used for unproductive purposes within a suitable proportion of the States' own annual revenues. We have allowed interest on such debt after limiting its amount to 50 per cent of the States' own annual revenues as assessed by us. In the case of Assam, Jammu and Kashmir and Nagaland, such interest has been allowed on the whole amount of debt as well as their unfunded debt.

6.35 On the question of interest on fresh borrowings during the five-year period, we have adopted principles similar to those adopted for the existing debt at the end of 1968-69. The amount of such borrowings, or the purposes for which the moneys would be utilised, cannot be definitely estimated at this stage pending finalisation of the Five-Years Plan. The State Governments (excluding Jammu and Kashmir) have estimated the amount of such fresh loans to be taken by them at about Rs. 5,500 crores. It is certain that a large amount



of such loans will be in the form of Central assistance for the Plan, and some Central loans would also be given to the States for other purposes. We are of opinion that the use of loan funds should be restricted mainly to the requirement of loans and advances to be given by the States and for investment in their productive schemes which can in the long run earn enough to meet their interest charges at normal rates, in addition to working expenses and depreciation. Interest on such schemes during the time required for construction and a short gestation period thereafter, may have to be deferred or capitalised if the State cannot meet it from the surpluses of other schemes or its general revenues. But the returns in subsequent years should be expected to meet this additional liability of deferred or capitalised interest over a suitable period. In case of investments in schemes like irrigation which may not be able to pay the full interest charges for a considerable period, we consider that the terms of the loans should be suitably fixed by the Government of India having regard to the anticipated level of returns, and the interest may be waived or kept at a low rate during the period of construction as well as for a suitable period thereafter. The liability of interest in such cases could also be deferred for a suitable period if the State is unable to meet it from its other resources. We consider that in all such cases the burden of interest on the outlay need not be taken into account for the purpose of assessing the need of the State for a grant under Article 275.

6.36 Besides the loans used for schemes of revenue-yielding nature, which we have dealt with in the foregoing paragraph, the States also have to spend every year some amounts for capital expenditure on non-revenue yielding assets like roads, buildings, flood control works, etc. We are of the view that when such expenditure cannot be met from available revenue surpluses, it should be permissible to meet it from loans, and the interest payment for such loans should be included in the assessment of the revenue expenditure of the States. The amount of loans which the States will utilise for such purposes during the five-year period has not been settled and cannot be estimated properly but we have assumed a total amount of about Rs. 235 crores during the five years for such loans to be taken by all the States, and distributed it among them on the basis of population. We have allowed full interest on fresh borrowings to this extent.

6.37 In the past, a considerable part of the loans taken by States has been used for meeting revenue expenditure instead of creating assets, making investment in productive schemes or relending to other parties on suitable terms. Substantial amounts have thus been lent by the Government of India to the States in the form of Miscellaneous Development Loans. Even a part of the assistance given by the Government of India for meeting relief expenditure in case of famine and other natural calamities is in the form of loans. In recent years, several States have run into unauthorised overdrafts with the Reserve Bank of India, partly as a result of deficits in their revenue account. The Government of India have given *ad hoc* loans to the States for covering the unauthorised overdrafts. We consider that the use of loan funds for such purposes is not desirable in the interests of sound finance. We have therefore not made any provision for interest on any borrowings for such purposes.

6.38 We now turn to the question of provision for amortisation of the existing debt of the States as well as their likely borrowings in the five-year period. In this connection, we wish first to indicate the extent to which the total borrowings of States from the Central Government and other sources have increased during the recent years, as indicated below:

	(Rs. crores)			
	1955-56	1960-61	1965-66	1968-69
(A) Public debt at the close of the year				
Loans from Central Government . . . . .	876.07	2015.81	4100.92	5585.74
Others . . . . .	272.68	586.44	1149.11	1338.07
TOTAL . . . . .	<u>1148.75</u>	<u>2602.25</u>	<u>5250.03</u>	<u>6923.81</u>
(B) Unfunded debt . . . . .	83.19	134.93	194.82	305.07
Interest payments by States during the year . . . . .	322.98	86.73	207.20	339.08

6.39 The Second and Third Finance Commissions were of the view that it is not necessary to provide for amortisation of debts from revenue when such provision has to come out of devolution or grants under Article 275. The Fourth Finance Commission, however, took the view that the amortisation of market borrowing of the State Governments must form part of their revenue liabilities. It considered that the question of including provision for amortisation of loans in the revenue requirements of the States was not affected by the source from which the revenues of the State are derived, whether levied and collected by them or accruing to them by way of devolution of taxes or grants under Article 275. That Commission provided for amortisation of market borrowings of the State Governments to the extent of the provision made by them in accordance with their budgetary practices. The Government of India have recently extended to other States, which were not making such provision, the benefit of an equivalent amount for conversion of their Plan loans into grants, in order to remove the disparity between the States resulting from the procedure adopted by the Fourth Finance Commission.

6.40 The State Governments have in their forecasts submitted to us asked a total provision of Rs. 1,222 crores for amortisation of all their existing market loans as well a large part of their Central and other loans and also their fresh borrowings during the five-year period. The Chairman and one of our Members (Shri G. Swaminathan) are of the view that it would not be appropriate to allow any provision for the amortisation of debt as a liability on the revenue account of the States for the purpose of determining their need for

assistance under Article 275 of the Constitution. This is in accordance with the view expressed by the Second and the Third Finance Commissions. Their view is that the Centre should not be called upon to make an addition to the grants paid to the States to enable them to amortise from revenue any portion of their borrowings. States which have genuine revenue surpluses would, however, be free to make such provision for amortisation as they consider possible. Although the Fourth Finance Commission made a departure and allowed some amortisation provision in accordance with the then existing practices followed by the States, and the Government of India also granted further amounts to certain States where the provision taken into account by that Commission was inadequate, there is no reason why the Centre should give grants to States to enable them to repay their loans. It would be for the States themselves to raise adequate resources in order to meet amortisation charges and if this is not found practicable to repay their loans out of fresh borrowings. Apart from this, any scheme of amortisation confined to market loans will confer a greater benefit on the more advanced States which are in a better position to borrow from the open market.

6.41 It is no doubt desirable that such capital outlay as has been incurred on non-revenue-yielding assets should be written off to revenue over a suitable period of years, but the Finance Commission as such is not in a position to assess the extent to which the capital outlay should be treated as wholly unproductive. This examination should be entrusted to an expert Committee with which a representative of the Comptroller and Auditor-General of India should preferably be associated. It is desirable that such an examination is initiated by the Government of India as early as possible and suitable criteria laid down for future guidance. Pending such an examination the Chairman and Shri Swaminathan are of the view that it would be unnecessary to include any provision for amortisation in determining the grants-in-aid to be paid to the States. They are not in favour of the Commission themselves making a provision for amortisation or for writing off unproductive capital expenditure on an *ad hoc* basis, as this will not cover the entire amount of such expenditure and cannot solve the problem.

6.42 The remaining three Members of the Commission do not agree with the views expressed on this question by the Chairman and Shri Swaminathan. The view taken by these three members and their recommendations in this regard are as indicated in the following paragraphs.

6.43 After careful consideration of the views expressed on this question by the Second and Third Finance Commissions, they are of opinion that though the amounts of devolutions and grants under Article 275 are transferred to the States from the Union under relevant orders of the President or relevant legislation of Parliament, they are as much a part of their own resources as the revenue derived by them under their powers of taxation and from other sources available to them. The devolution of taxes and statutory grants has been incorporated in the Constitution as a part of the scheme of distribution of revenues between the Union and the States. They are, there-

fore, in agreement with the view taken by the Fourth Finance Commission that the question of provision for amortisation of loans is not affected by the sources from which the revenues of the States are derived, whether levied and collected by them or accruing to them by devolution of taxes or grants under Article 275. They consider, however, that the provision for amortisation should be more properly related to the purpose for which loan funds are utilised, rather than the source from which the loans have been obtained. Apart from the normal use of borrowed funds by States for making loans and advances to other parties and for capital outlay on departmental, commercial schemes and investment in corporations, Electricity Boards, etc., the States have also to find funds for their capital expenditure of non-revenue-yielding nature. They consider that when sufficient surpluses on revenue account are not available, there can be no objection to the use of borrowed funds for this purpose to a limited extent having regard to the annual revenues of the States. It is for this reason that the Commission has provided for interest on only a part of that portion of the existing debt which is not covered by loans and advances given by the State Governments and their productive capital expenditure and investments. On the same basis, the Commission has also provided for interest on a suitable amount of fresh borrowings in the next five years as explained in paragraph 6.36 above. They are, therefore, of opinion that provision should be made for amortisation, or repayment from revenue, of existing debt not covered by such revenue-yielding investments and loans, and of fresh borrowings utilised for such purpose. They have accordingly decided to include necessary provision for this purpose in assessing the revenue requirements of the States. In doing so, they have limited the amount of existing debt to be amortised to fifteen times the annual provision for the five-year period which the Commission has assumed for such loans and they have calculated the amounts required on the basis of amortisation over a period of 20 years in each case. They have also taken care to see that in cases where the total amount of productive investments and loans of a State is less than the amount of its Central debt (excluding *ad hoc* loans), the balance of the Central debt is also excluded from the remaining unproductive debt, so that the provision made by them should not involve the repayment or amortisation of any part of the Central debt of the States.

6.44 While they have made only a limited provision for the amortisation of loans used for non-revenue-yielding purposes, they wish to emphasise that it would be desirable for the States, in the interest of improving their finances, to make larger provision for amortisation of their loans to the maximum extent possible, having regard to their revenue position, and that the amounts so provided in their budgets should be either used for repayment of the loans or be earmarked and kept invested separately from their cash balances so that the moneys become available for meeting their liability for repayment in due course.

6.45 The amounts included as provision for amortisation or repayment of debt, including fresh borrowings in the five-year period, in

the assessment of the revenue requirements of the States in accordance with the view taken by the majority of the members of the Commission, are as given below:

*Provision for amortisation*

(Rs. crores)

State	Amount
Andhra Pradesh . . . . .	1.20
Assam . . . . .	3.34
Bihar . . . . .	12.02
Gujarat . . . . .	0.69
Haryana . . . . .	1.73
Jammu & Kashmir . . . . .	0.24
Kerala . . . . .	4.78
Madhya Pradesh . . . . .	9.12
Maharashtra . . . . .	1.32
Mysore . . . . .	0.78
Nagaland . . . . .	0.01
Orissa . . . . .	4.96
Punjab . . . . .	0.37
Rajasthan . . . . .	5.68
Tamil Nadu . . . . .	1.12
Uttar Pradesh . . . . .	2.45
West Bengal . . . . .	9.85
TOTAL . . . . .	<u>59.66</u>

These amounts are exclusive of the provision which have been made in the case of zamindari abolition bonds and the provision made in case of Rajasthan equal to the receipts from sale of lands mainly in the Rajasthan Canal Project for reducing the capital at charge.

6.46 Having expressed our separate views regarding the question of amortisation, we wish to indicate that we have, in assessing the revenue receipts and expenditure of the States and applying the principles and general conditions explained in the preceding paragraphs, particularly kept in view the special problems of the States of Assam, Jammu and Kashmir and Nagaland. We have tried to treat their needs and requirements with as much care and consideration as possible. The grants which we are recommending for these States are of a much larger magnitude than would ordinarily be justified in case of other States of similar size or having similar resources. We hope that these three States also will, on their part, make efforts to increase their resources and exercise better fiscal management and proper economy consistent with efficiency and take steps to improve the returns on their investments so that their financial position may steadily improve and in course of time they may be enabled to have more adequate revenues to improve their social and administrative services.

6.47 After assessing the forecasts of the revenue receipts and non-Plan revenue expenditure of the States and making suitable adjustments in accordance with the principles and general considerations explained in the foregoing paragraphs, we have come to the conclusion that States of Andhra Pradesh, Assam, Jammu and Kashmir, Kerala, Nagaland, Orissa, Rajasthan, Tamil Nadu and West Bengal will be requiring grants-in-aid under Article 275 of the Constitution. As we have modified the estimate of the States' requirements having regard to several considerations and assumptions, their existing budgetary requirements will not be covered by their own resources along with the devolutions of taxes and grants under Article 275 as worked out on this basis. As explained in paragraph 2.24, we consider that in such circumstances it is desirable for maintaining administrative and social services that the States should be given further assistance for some time during which they may be expected to take effective measures for improving their finances. We, therefore, consider it necessary to recommend larger sums as grants to these States for the earlier years and suitably reduced amounts during the subsequent years.

6.48 In the case of Mysore, the surplus after taking into account the amount of transfers comes to a nominal amount of Rs. 2.58 crores. The average amount of devolutions to this State during the five-year period would be less than the average annual amount of devolution of taxes and grants which it would have received on the basis of the recommendations of the Fourth Finance Commission. We consider it desirable that this State also should be given some further assistance on a diminishing basis, so as to allow the State sometime in which it can make suitable adjustments in its financial arrangements.

6.49 In accordance with the assessment of the States' revenue resources and their requirements on revenue account for non-Plan expenditure, including the provisions mentioned in paragraph 6.45 above, we find that, besides Mysore, the following States will, after the transfers to them by devolution of taxes as well as their share of the grant in lieu of tax on railway passenger fares and the proceeds of additional excise duties as recommended by us, having surpluses during the five-year period as indicated below. We do not, therefore, recommend any grant to the following States under Article 275:—

State	Surplus (Rs. crores)
Bihar . . . . .	199.46
Gujarat . . . . .	158.99
Haryana . . . . .	79.88
Madhya Pradesh . . . . .	15.09
Maharashtra . . . . .	419.29
Punjab . . . . .	117.22
Uttar Pradesh . . . . .	280.87
<b>TOTAL . . . . .</b>	<b>1270.80</b>

Of these States, Haryana, Maharashtra and Punjab had a revenue surplus according to our assessment, even without devolutions. The level of expenditure in Bihar and Uttar Pradesh was found to be low, and the deficits of these two States, as assessed by us, were much smaller than the devolutions which they will get on the basis of the principles adopted by us.

6.50 After making the assessments of the forecasts of revenue receipts and non-Plan revenue expenditure of the States as indicated in paragraph 6.47, and taking into account the provisions mentioned in paragraph 6.45 to the inclusion of which the Chairman and Shri Swaminathan do not agree, we recommend that the following States, which will be in need of assistance after the transfers to them by devolution of taxes and their share of the grant in lieu of the tax on railway passenger fares and the proceeds of additional excise duties as recommended by us, be paid sums specified against each of them as grants-in-aid of their revenues in the respective years indicated below under the substantive part of Clause (1) of Article 275 of the Constitution :

(Rs. crores)

State	Total of the sums to be paid in the five years	Grants-in-aid to be paid in				
		1969-70	1970-71	1971-72	1972-73	1973-74
1	2	3	4	5	6	7
Andhra Pradesh . . . . .	65.01	15.54	14.27	13.00	11.73	10.47
Assam . . . . .	101.97	90.89	20.60	20.39	20.19	19.99
Jammu & Kashmir . . . . .	73.68	16.81	15.77	14.74	13.70	12.66
Kerala . . . . .	49.65	9.93	9.93	9.93	9.93	9.93
Mysore . . . . .	17.99	6.48	5.04	3.60	2.16	0.71
Nagaland . . . . .	77.95	17.40	16.49	15.59	14.69	13.78
Orissa . . . . .	104.67	24.51	22.72	20.94	19.14	17.36
Rajasthan . . . . .	51.49	12.36	11.33	10.30	9.27	8.23
Tamil Nadu . . . . .	22.82	6.61	5.59	4.56	3.54	2.52
West Bengal . . . . .	72.62	22.29	18.41	14.52	10.64	6.76
<b>TOTAL</b>	<b>637.85</b>	<b>152.73</b>	<b>140.15</b>	<b>127.57</b>	<b>114.99</b>	<b>102.41</b>

These sums include the amounts required to cover the residual deficits of the States on the basis of the assessments made by us, which have been distributed in equal instalments over the five years. They also include supplementary amounts which have been allowed on a diminishing basis as a measure of transitional assistance to the States in respect of losses on departmental commercial schemes and investments, recovery of interest and loans, lower tax effort and higher level of expenditure, for which adjustments were made by us in the assessment of their deficits.

## CHAPTER 7

### TAXES AND DUTIES UNDER ARTICLE 269 OF THE CONSTITUTION

7.1 Paragraph 4(h) of the Order of the President requires us to make recommendations as to the scope for raising revenue from the taxes and duties mentioned in Article 269 of the Constitution but not levied at present.

7.2 Article 269 mentions the following taxes and duties:—

- (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.

7.3 Of these taxes and duties, those mentioned at (b) and (g) are already being levied and they are therefore outside the purview of the matters referred to us. In regard to item (c), a terminal tax on passengers carried by railway from or to a place of pilgrimage, etc., is being levied under the provisions of the Terminal Tax on Railway Passengers Act, 1956. We considered whether we could examine the scope for raising revenue from this source. Although such a tax on passengers carried by railway falling under item (c) of Article 269(1) of the Constitution is in force, the Act itself restricts the levy of the tax to places of a particular category, namely places of pilgrimage, or places where fairs, melas or exhibitions are held; and the Government have no general power under the Act to levy terminal tax on passengers carried to other categories of towns. The existing law does not thus cover most of the towns to or from which railway passengers are carried, and the field of taxation has been limited to a part of the available field over which the tax could be levied. We have therefore taken the view that we are required to consider this item also insofar as the levy of such tax in respect of other places is concerned, and to make recommendations regarding the scope for raising revenue therefrom.



7.4 We invited the views and suggestions of the State Governments on the scope for the levy of the taxes mentioned in Article 269; and the views expressed and suggestions made by them have been taken into account in making our recommendations in respect of each item. At the outset we may mention that there seems to be an impression among some of the States that the Government of India have not shown sufficient interest in the field of taxation covered by this Article in which the whole proceeds are assigned to the States. One of the States pointed out that while taxes mentioned in this Article have not been levied, some new taxes have been introduced which are essentially taxes on income, but do not form a part of the divisible pool of income-tax, e.g., gift tax, wealth tax, and expenditure tax. Our examination of the matter does not show that there has been lack of interest in exploiting this part of the States' sources of revenue. In fact, two of these taxes are being levied at present. The inclusion of this item in our terms of reference also appears to indicate a desire on the part of the Government of India to explore the possibilities of raising revenue from taxes under Article 269.

7.5 We now proceed to examine the scope of raising revenue from each item of taxes and duties mentioned in this Article, other than estate duty in respect of non-agricultural property and inter-State sales tax.

### **I. Duties in respect of succession to property other than Agricultural Land**

7.6 Though succession duties and estate duty in respect of property other than agricultural land are both specified in Article 269, their incidence falls on the same object, namely, property passing on the death of the owner to his successors. In the case of succession duties, the levy would be based on the parts of an estate devolving on each of the successors, while in the case of estate duty the levy is regulated by the value of the whole estate, though recovery of the duty is made from all the persons benefiting by the estate. Estate duty is already being levied and we think that there would be no particular advantage in levying succession duties also.

### **II. Terminal taxes on goods or passengers carried by Railway, Sea or Air**

(i) *Terminal tax on goods carried by railway:*

7.7 Although terminal taxes on goods or octroi duties are being levied since long by a number of local bodies, a separate terminal tax on goods carried by rail has not been imposed so far by the Government of India.

7.8 Different views have been expressed by the State Governments regarding this item. While some are in favour of the levy, some others consider that this tax is regressive in nature; still others feel that the revenue realised from this levy may not be very significant. We also consulted the Railway Board, who are likely to be affected directly by this levy and who will also be the agency

for its collection. They pointed out that in the event of levy of terminal tax on goods carried by railway, it will be necessary to ensure that the States also impose simultaneously a parallel tax on goods carried by road, so as not to disturb to the disadvantage of the railways the existing relativity between transport charges by rail and road. They stated that the levy of a parallel tax on passengers carried by road had already run into difficulties and the States might not be agreeable to levy a parallel terminal tax on goods carried by road. They also informed us that the question of levy of a terminal tax on goods carried by rail was considered by the State Finance Secretaries in August, 1957, and it was envisaged that certain articles of necessity and common consumption would have to be exempted from the purview of the tax. The Railway Board pointed out that if exemptions have to be granted in respect of such commodities, which at present constitute quite a substantial part of goods traffic on railways, then levy of the tax on the remaining commodities might not be financially attractive. Further, it was pointed out that the proceeds from this tax would go to local bodies concerned and the State Governments might not derive benefit therefrom.

7.9 We consider that the fact that proceeds from the terminal tax on goods are to be passed on to the local bodies should not stand in the way of levy of the tax, if otherwise justified. To the extent that the revenues of local bodies are increased on this account, the need for grants to be given to these bodies by the State Governments would be reduced. We are, however, of opinion that a terminal tax levied on goods carried by railway would be administratively inconvenient, as it would involve collection of tax at different rates according to destinations, and separate accounting of receipts to be transferred to each State for different local areas therein. It would be far simpler for municipal bodies to suitably modify their octroi or terminal tax rates, or, preferably, impose some levy on the sale or consumption of the goods entering their territorial limits.

(ii) *Terminal tax on passengers carried by railway:*

7.10 We were informed that a proposal to levy terminal tax on railway passengers travelling a distance of not less than 150 miles to cities with a population of 3 lakhs or more was considered by the Government of India in 1956, but it was not proceeded with at that time in view of periodical increases in the railway fares. It was estimated then that about Rs. 2.5 crores could be realised from the proposed levy. It was also envisaged that a parallel tax would be levied by the State Governments on passengers carried by road. The Ministry of Railways are of the view that when a terminal tax is levied on railway passengers, it would have to be accompanied by a parallel tax on passengers coming by road transport, or enhancement of the rate of such tax if already levied, so that the relativity of the fares charged by the railway and road transport is maintained. It has also been pointed out to us that the possibility of imposing this tax has to be considered in the context of the total fares

payable by railway passengers, in which there have been a number of increases recently. The administrative difficulties in collecting the tax and the need for equalisation of the tax structure with taxes levied on road transport would also have to be taken into account.

7.11 We have tried to estimate the likely revenue from a terminal tax on passengers carried by railway, on the basis of information furnished by the Railway Board about the numbers of passengers of each class other than suburban passengers in the year 1967-68, originating from cities having a population of more than one lakh according to the Census taken in 1961. It has been stated by that Board that, over a period of time, the numbers of passengers originating from and those terminating at any place may be assumed to be not significantly different. On the assumption that the terminal tax would be levied on non-suburban passengers travelling over distance exceeding 50 Kilometres at rates similar to those at which such tax is at present levied on pilgrims, the likely revenue may be of the order of Rs. 5 crores per annum. Having regard to the administrative difficulties and inconvenience involved in collection, and the need to levy a corresponding tax on passengers travelling by road, we are of opinion that it would not be worthwhile to levy this tax.

*(iii) Terminal tax on goods and passengers carried by sea:*

7.12 We examined the scope for the levy of a terminal tax on goods and passengers carried by sea on the basis of the facts available to us. The Ministry of Shipping and Transport have pointed out that the coastal passenger traffic is mainly in the Konkan sector and there have been persistent complaints that the fares are already high. There is overseas passenger traffic only on a few routes. With the exception of India/U.K./Continent route, passengers on other routes are mostly deck passengers. A passenger welfare cess is already being levied at Rs. 1 per unberthed passenger and Rs. 2 per saloon or cabin passenger.

7.13 We have estimated that even if a terminal tax is levied at Rs. 2 to Rs. 5 per deck passenger and Rs. 10 to Rs. 15 per saloon or cabin passenger, the yield is not likely to exceed half a crore of rupees. We are of opinion that a revenue of this order would not justify the imposition of such tax on this mode of transport only.

7.14 A terminal tax on goods carried by sea can be levied either on the goods exported from or imported into the country or on coastal traffic. Such imports and exports as well as coastal traffic are already subject to various charges at the ports. The volume of goods shipped or landed at such ports is dependent on many factors of location, communication, etc., and is related to the trade and industry of the various regions in the hinterland served by the ports. In view of this larger impact of the shipping cargo traffic we consider that the levy of a terminal tax for the benefit of the ports only would not be justified, and no such tax need be levied in addition to the port charges and other fees already in force.

(iv) *Terminal tax on goods and passengers carried by air:*

7.15 The incidence of terminal taxes on goods and passengers carried by air would fall on the internal air traffic at many airports in the country as well as international traffic at a small number of airports. The internal traffic is mainly with Indian Airlines Corporation while the international traffic is carried by Air India and the international airlines operating in India. The Government of India (Ministry of Tourism & Civil Aviation), Air India and the Indian Airlines have expressed the view that, having regard to the existing levies on the air industry, there is little scope at present to introduce any new tax, particularly in the context of the need to attract more foreign tourists and to promote civil airlines activity.

7.16 It is further urged that any levy on passengers or cargo at airports ought to be related to the facilities provided for them at the airports. The facilities provided at present in India are inadequate compared to many airports abroad.

7.17 As regards internal traffic, it is stated that such levy would hamper full utilisation of the increased capacity expected as a result of introduction of large capacity jets in India. It will also discourage growth of cargo traffic by air. The levy, therefore, would not be in the interest of growth of civil aviation in the country. There is already a fee of Rs. 15 per head levied on passengers leaving India for destinations abroad by air from the four international airports in India. Further, such terminal tax is levied in very few other countries.

7.18 We think that while there is force in some of these arguments, a moderate terminal tax on passengers carried by air cannot be ruled out on these grounds. However, a terminal tax on passengers levied at Rs. 5 per passenger on internal flights and Rs. 25 per passenger on international flights is estimated to yield about Rs. 2½ crores only. In view of the small yield and as we are not recommending levy of a similar tax on passengers using other modes of transport, we think that levy of such a tax would not at present be expedient. As regards the levy of a terminal tax on air cargo, we feel that such a measure would not be advisable at this stage when this mode of transport of goods is still not sufficiently developed.

### III. Taxes on Railway Fares and Freights

(i) *Tax on railway fares:*

7.19 In Chapter 2 of our interim Report we referred to the representations made by a number of States about the inadequacy of the grant in lieu of the repealed tax on railway fares and the suggestions made by some States for the revival of the tax. Before considering the matter in the present context, we may briefly recall the history of its levy and its subsequent abolition.

7.20 A tax on railway fares was levied in 1957 as a percentage of the fares and was recovered as an addition to the fare. The rates

of tax were:—

(1) Passengers travelling on season tickets . . . . .	Nil.
(2) Passengers travelling for distance upto 15 miles (inclusive) . . . . .	Nil .
(3) Passengers travelling for distances from 16 miles to 30 miles (inclusive) . . . . .	5% of fare.
(4) Passengers travelling for distances from 31 miles to 500 miles (inclusive) . . . . .	15% of fare
(5) Passengers travelling for distances over 500 miles . . . . .	10% of fare
(6) Passengers travelling on mileage coupons . . . . .	12½% of cost of the coupons.

The tax was in force till the end of 1960-61.

7.21 In 1960 the Railway Board represented to the Railway Convention Committee that in order to enable the Railways to obviate the necessity of making up the shortfall in their surplus in the quinquennium 1961—66, and to avoid the continued financing of the Railway Development Fund through loans from General Revenues, it was necessary to allocate to the railways the entire proceeds of the passenger tax to be collected in the period 1961-66, which were estimated to be about Rs. 70 crores. The Board suggested that the tax should be merged with existing fares, so that the proceeds accrue to the Railways in the first instance in the ordinary way; and that the Railways may be required to make every year a special payment, for transfer to the States, equal to the average collection of passenger tax during the three years 1958—61 (or even the maximum collection of the three years, as may be decided).

7.22 On the basis of these suggestions the Railway Convention Committee, 1960, recommended that the passenger tax at the then existing rates might be merged with passenger fares from 1st April, 1961 and that the State Governments should be paid a fixed grant of Rs. 12.50 crores per year during the quinquennium 1961-66 representing the average of the actual collections for the years 1958-59 and 1959-60. This was on the consideration that the States, to whom the proceeds from this tax were payable, were likely to have included this source of income as part of their resources for purposes of the Third Five Year Plan.

7.23 Consequent on representations made by the States to the Fourth Finance Commission, the Railway Board suggested to the Railway Convention Committee, 1965, that the grant may be raised to Rs. 16.25 crores, keeping in view the rate of increase in traffic during the five years 1960-61 to 1964-65 and the expected increase in subsequent years. For this purpose it was suggested that the Railways should pay to the Government of India an amount equal to

one per cent of the capital at charge on 31-3-1964, out of which Rs. 16.25 crores may be paid as grant to States in lieu of the repealed tax and the balance of about Rs. 1.50 crores may be utilised to assist the States to provide their share of the cost of Railway safety works. The Railway Convention Committee approved this suggestion.

7.24 In their memoranda submitted to us the States have urged that either the tax on railway fares be reintroduced at the same rates at which it was levied in 1957-58, or the quantum of the grant in lieu of the tax may be increased and fixed as a percentage of the railway passenger earnings, such percentage being fixed on the basis of actual tax collections and passenger earnings in the years upto 1960-61 prior to the repeal of the tax.

7.25 From the data available to us, it appears that during the three years 1958-59 to 1960-61, the yield from this tax constituted 10.03 per cent to 11.69 per cent of the total non-suburban passenger earnings of railways, inclusive of the tax. The average for the three years comes to about 10.7 per cent. On this basis the amounts payable to the States in lieu of the tax would be higher than the fixed grants recommended by the Railway Convention Committees, and would be of the order of Rs. 25 crores at present.

7.26 A new Railway Convention Committee has been set up in December, 1968. We expected that their recommendations in regard to the grant to be paid to the States from 1969-70 onwards would be available to us before completion of our work, but it is understood that the Committee's report would not be available for some months.

7.27 We discussed with representatives of the Railway Board the suggestions of the States that either the tax should be reintroduced or the quantum of the grant in lieu of the tax increased. The Railways have in recent years been incurring heavy losses. It was represented to us that the cost of passenger services had increased considerably, and that whatever additional revenues could be obtained by increase in fares would have to be utilised by them towards meeting the increased cost of operation. Further, they stated that their experience was that whenever fares were increased, there had been a set back in the rate of growth of passenger traffic and they felt that the reintroduction of the tax would affect the railway finances adversely.

7.28 It appears to us that the quantum of the grant would have been higher than Rs. 12.50 crores if it had been fixed on the basis of actual tax collections during the three full years in which the tax was in existence. The subsequent revision in 1965 also was not related to the increase in total passenger earnings but it took into account the increase in passenger traffic. Due to the substitution of

the tax by a fixed grant, the States do not get a benefit proportionate to what they could have expected from the tax which was levied under Article 269 the proceeds of which are wholly assignable to States. In view of this, their desire for reimposition of the tax can be regarded as legitimate. Nevertheless, we have also to consider the implications of an increase in passenger fares at the present juncture and its adverse effect on the economy. We consider that in view of what has been represented to us regarding the unsatisfactory state of Railway finances during the last few years and their increased expenditure commitments, there is no scope for the reimposition of the tax on railway passenger fares in the present circumstances. We suggest, however, that this question may be reviewed by the Government of India if and when the railway finances show sufficient improvement.

7.29 As regards the States' suggestion for increase in the quantum of the grant as an alternative to the reimposition of the tax, we had intended to consider the matter while examining the question of scope for raising revenue from this source under item (h) of the terms of reference. However, as stated above, we have taken the view that in the present circumstances there is no scope for reimposition of the tax. The question of determining the quantum of the grant does not also, strictly, fall within the purview of (them) (h) of our terms of reference. We have no doubt that the Railway Convention Committee will take into account the views of the States as well as the representations of the Railways in this regard.

(ii) *Tax on railway freights:*

7.30 A tax on railway freights would in effect amount to a general increase in the railway freights. The difference between a tax on railway freights and the terminal tax, which we have dealt with earlier in this Chapter, is that the former is leviable on the freight chargeable for carriage of goods irrespective of the place of origin or destination, while the latter is leviable at fixed amounts with reference to specified places. The levy of a terminal tax would have the effect of raising prices of commodities in some places only; but the levy of a tax on freights would result in a general increase in the prices of commodities transported according to the distances covered. It would also increase the differences in prices prevailing in different regions due to increase in the cost of transport. Besides, such a tax will have a cumulative effect in many cases as it will be leviable on raw materials as well as on goods manufactured therefrom.

7.31 During the First World War a tax in the form of a surcharge on freights charged by Railways and inland steam vessels was imposed on certain commodities. This tax was discontinued in 1922.

7.32 It has been urged before us by the Railway Board that the Indian Railways' freight structure has been so framed as to assist industrial and agricultural development of the country. Coal, for instance, is being carried at a rate which does not cover even the cost of carriage. Other instances of low-rated commodities are ores,

manures and fodder. Such liberal treatment is allowed by the railways because the materials are used for industry, and if rates are increased upto the level justified by the cost of transport, there would be general increase in prices which would impede economic development.

7.33 The Railways feel that if there is any scope for the levy of the tax it can equally be said that there is scope for an increase in the freights, and in the present State of Railway finances such scope should be utilised for the purpose of improving railway revenues rather than for levy of a tax on freights. Another point made by them is that a levy on the freights should be accompanied by a parallel levy on the goods freight charged by the road operators.

7.34 We are of opinion that the freight structure should be consistent with the requirements of economic development of the country as a whole and it should conform to the objectives of the economic policies of Government. We are inclined to the view that, having regard to the position of railway finances at present, the levy of a tax on railway freights is not desirable, particularly as a large portion of the traffic, e.g., foodgrains, coal and coke and ores may, for policy reasons, have to be exempted. Such a tax would increase costs of transport which is not desirable in the interest of general economic policy, and it would also necessitate a corresponding tax on road freights. We feel that in order to derive more revenue for the Union or State exchequers, the increased levy of Union excise duties and State sales taxes would be preferable to a tax on freights for carriage of goods.

#### IV. Taxes other than stamp duties on transactions in stock-exchanges and futures markets

(i) *Tax on transactions in stock-exchanges:*

7.35 Since 1957 all security markets are governed by the Securities Contracts (Regulation) Act, 1956, under which only stock-exchanges recognised by the Central Government are permitted to function.

7.36 There are two types of transactions in securities on stock-exchanges—those for spot or hand delivery and the others for clearance. The transactions for the purpose of investments are made for spot or hand delivery, while the transactions for clearance are of a speculative nature. Apart from the brokerage, the purchases or sales of securities in stock-exchanges are at present subject to certain levies. The Government of India levy stamp duty on the actual transfer of shares and debentures under entry 92 of the Union List in the seventh Schedule. Some State Governments levy a stamp duty under entry 63 of the State List on instruments relating to purchase and sale transactions in shares, debentures and other securities. Item (e) of Article 269 relates to taxes other than stamp duty which may be levied on transactions in stock-exchanges and futures markets. The levy of such tax on transactions in stock-exchanges under Article 269 would be in addition to the stamp duty levied by State Governments on the instruments relating to the transactions. The rate of



stamp duty levied by the Government of India on transfer of shares is 25 paise per Rs. 100 or part thereof. The rates of stamp duties levied by State Governments on clearance lists of transactions in stock-exchanges vary from 20 paise for Rs. 5,000 or part thereof in the case of Calcutta stock-exchange to 20 paise for Rs. 2,500 or part thereof in the case of Ahmedabad stock-exchange.

7.37 We invited the views of the State Governments on the levy of this tax. Some of the States were in favour of this levy, while some others felt that the yield from this tax would not be substantial or that such levy would not bring any advantage to them in the absence of stock-exchanges or futures markets in their area.

7.38 We also invited the views of the various stock-exchange associations in the country. They have all expressed opposition to any fresh levy on the stock-exchanges transactions. According to them, even the existing stamp duty levied by the State Governments is prejudicial to the proper working of stock-exchanges.

7.39 We have been able to get statistics relating to the number of securities purchased or sold in stock-exchanges during the years 1966-67 and 1967-68, but we could not get complete statistics regarding the value of such transactions. Due to the large volume of purchase and sale transactions which are entered into on the basis of daily price fluctuations, the rate of any tax under this item can be only of a low order similar to the rate of stamp duty levied by the State Governments on such transactions. Assuming the same rates of tax, the total revenue likely to be realised from this source would not be more than a crore of rupees per year. Since the stamp duties are already being levied by some State Governments on clearance lists and contract notes relating to transactions in stock-exchanges and there is already in existence machinery for collection of such stamp duties, we feel that further scope, if any, for revenue from these transactions could be better exploited by an increase in the rate of such stamp duties, and it is not desirable to introduce a separate tax under Article 269 on such transactions.

(ii) *Tax on transactions in futures markets:*

7.40 The forward contracts in the country are regulated by the Forward Contracts (Regulation) Act, 1952. This Act is primarily concerned with the regulation of forward contracts other than non-transferable specific delivery contracts in notified commodities other than securities. It also provides for the regulation of non-transferable specific delivery contracts if considered necessary by Government. At present futures trading under recognised or registered associations is permitted under the Act in cotton seed, linseed, castor seed, coconut oil, turmeric, pepper, jute goods, kapas and kardi seed.

7.41 The rate of a tax on transactions in futures markets has necessarily to be very moderate as in the case of transactions in stock-exchanges. It is estimated by the Forward Markets Commission that a tax of 25 paise for every Rs. 10,000 value of transactions would yield a revenue of about Rs. 16 lakhs only. In view of such small yield, we consider that it would not be worthwhile to impose the tax,

and that such levy could be justified more as a regulatory measure rather than on revenue considerations.

### V. Taxes on the sale or purchase of newspapers and on advertisements published therein

7.42 According to the twelfth annual report of the Registrar of Newspapers for India, at the end of the year 1967 there were in existence 9,315 newspapers in India, and 2,363 periodical publications which were not newspapers in the full sense of the term. The total combined circulation of newspapers during that year was 258.17 lakhs, out of which about half the circulation was accounted for by dailies and periodicals having news interest having a circulation of less than 15,000 only. About three fourths of the circulation relates to newspapers in languages other than English.

7.43 The Taxation Enquiry Commission who examined the question in 1953 had felt that a sales tax on newspapers would entail a degree of hardship disproportionate to the revenue, particularly on newspapers with smaller circulation, to which category belonged most of the newspapers published in regional languages. They were of opinion that such sales tax or a tax on advertisements in newspapers would not at that stage be worthwhile, having regard to the fairly widespread opposition which might be expected and which, *ex hypothesi*, would be vocal.

7.44 Many States have expressed themselves in favour of a levy on sale or purchase of newspapers. Others feel that the newspaper reading habit has not yet spread sufficiently and any tax on sale of newspapers would retard improvement in this regard. As regards the tax on advertisements published in newspapers, some States are of the view that such tax would affect the revenues of small newspapers. A number of States are, however, in favour of this levy and have pointed out that the burden of the tax would fall on the advertisers and not on publishers. The advertisers being mostly companies and business concerns, the addition of the tax would not make any material difference to them. Advertisement agents also obtain large commissions and part of the incidence of the tax could be absorbed by them.

7.45 The Ministry of Information and Broadcasting, Government of India, have stated that newspaper readership in the country is low and confined primarily to large cities and towns. A vast majority of our people are unable to subscribe to newspapers. Therefore, any taxation on the sale of newspapers is likely to hit their existing low sales and circulation and restrict the dissemination of news. As regards levy of a tax on advertisements appearing in newspapers, it has been pointed out by them that this will adversely affect the starting of new newspapers, so necessary in a democracy, and may also cause difficulties to existing newspapers with tight budgets, particularly those with small and medium circulation.

7.46 In this connection we have taken note of the fact that in respect of the number of copies of daily newspapers circulated per

thousand of population, India lags far behind many other countries as the following table indicates:—

Country	Number of copies of dailies circulated per 1000 population
Sweden . . . . . (1963)	499
U.K. . . . . (1963)	488
Japan . . . . . (1963)	416
Federal Republic of Germany (1963)	351
U.S.A. . . . . (1963)	311
France . . . . . (1962)	252
Canada . . . . . (1963)	221
U.S.S.R. . . . . (1963)	216
Chile . . . . . (1961)	134
Italy . . . . . (1962)	122
Brazil . . . . . (1963)	54
Ceylon . . . . . (1960)	30
U.A.R. . . . . (1959)	20
India . . . . . (1966)	13.3
Burma . . . . . (1962)	9
Cambodia . . . . . (1962)	
Pakistan . . . . . (1962)	5

As the incidence of a tax on the sale of newspapers would be passed on to the reader, it is likely to affect adversely newspaper readership. In many States text books and other reading matter are exempted from sales tax. If a tax is levied on the sale of newspapers, smaller newspapers will have to be exempted. It has been estimated that even at the rate of 10 per cent on newspapers with a circulation of more than 15,000, the likely revenue from such tax would not exceed Rs. 3½ crores. Having regard to this order of revenue and the adverse effect on newspaper readership, we are of opinion that there is not much scope, in the present circumstances, for raising revenue from a tax on the sale or purchase of newspapers.

7.47 As regards tax on advertisements published in newspapers, we were not able to obtain data relating to the total revenue accruing from advertisements to publishers of newspapers. But there is no doubt that advertisement revenue forms an important source of the income of newspapers, which in some cases may be as much as 50 to 75 per cent of the total income. While the burden of such a

tax would mainly fall on the advertisers and advertising agents and not on the publishers, it is possible that the tax might adversely affect the finances of smaller newspapers. It will, therefore, be desirable to exempt small newspapers and periodicals from such tax. A part of the burden of the tax might indirectly fall on the Government of India and State Governments. Nevertheless, we consider that this is *prima facie*, a reasonable source from which additional revenues assignable to States could conveniently be raised. Taxes on parallel forms of publicity media like film slides, hoardings, etc. are already being levied. A tax levied at suitable rates, with higher rates on some advertisements like those inserted by companies, large business houses, cinema exhibitors, etc. may not be an undue burden if provision is made for exemption of small newspapers. In the absence of requisite data, we could not arrive at a reliable estimate of the likely revenue. But we consider that there is scope for the levy of this tax and we suggest that the Government of India may examine the question of its levy, rate structure, exemptions to be given, and other relevant matters.

## CHAPTER 8

### SCOPE FOR ADDITIONAL REVENUE

8.1 Under item (i) of paragraph 4 of the Presidential Order dated the 29th February, 1968, we have to make recommendations on the scope for raising additional revenue by the States from the sources of revenue available to them. A full examination of this question would involve our embarking upon an enquiry which can only be adequately undertaken by a Taxation Enquiry Commission. Apart from limitations of time, we did not have sufficient material supplied by the States on this question. In the views expressed by them, some States like Andhra Pradesh, Assam and Gujarat stated that they had already fully exploited all the sources of revenue available to them, and that there was hardly any fresh avenue left. Some of them referred to the ways in which the Government of India could help them in raising more revenues. The Government of Assam referred to the Centre's unhelpful attitude regarding revision of rate of royalty on crude oil and other minerals and the reimposition of carriage tax on tea and jute. The Government of Gujarat pointed out that the *per capita* incidence of State taxes in Gujarat had increased in recent years and that, unlike other States which had abolished land revenue, it had imposed education cess and raised the rate of local fund cess. They suggested that stamp duties under Article 268 on bills of exchange, cheques, etc., could be increased. Several States like Mysore, Haryana, Punjab and Rajasthan referred to their difficulties in increasing rates of taxes because of lower rates in neighbouring States. Bihar, Kerala, Punjab and Uttar Pradesh had already appointed Taxation Enquiry Committees whose reports were then awaited and Mysore was contemplating the appointment of a similar Committee. Haryana, Madhya Pradesh, Jammu and Kashmir, Rajasthan and Orissa conceded that there was some scope for raising taxes.

8.2 The State Governments had agreed with the Planning Commission to targets aggregating to Rs. 1,109 crores for mobilisation of additional resources during the Fourth Plan. These targets include revenue resources as well as receipts from rural debentures (*vide* Table 10). The representatives of many States told us that they had not had time to work out detailed proposals to achieve these targets. The data available with us are thus mainly limited to comparative yields and rates of some of the different taxes in States, which we compiled and the published material on the subject including recent reports by the Taxation Enquiry Committees of Uttar Pradesh and Kerala. We have, therefore, confined our comments only to a few general features.

8.3 We may begin with a broad picture of the States' tax revenues *per capita* and as percentage of their income (*vide* Tables 14 and 15). Unfortunately, the Central Statistical Organisation has not compiled firm estimates of the States' income on a comparable basis for years later than 1964-65, and we have used the average State

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incomes for the three years 1962-63 to 1964-65 as the basis of assessing the average incidence of State taxes; tax revenue figures are, however, available for 1967-68. The effect of taking the tax yields of 1967-68 as a percentage of average State incomes of 1962-63 to 1964-65 would naturally be to exaggerate to some extent the tax burden in all the States. The extent of such over-statement can be seen from the fact that the national income of the country increased during the period by 61 per cent. The extent of increase of money incomes for each State would differ as it would not have participated to the same extent in the change in national income.

8.4 Table 14 shows large variations in *per capita* tax revenues from Rs. 12 in Bihar and Orissa to Rs. 37 approximately in Maharashtra and Punjab. The percentages of tax revenue to State income (*vide* Table 12) also show a wide range of variation from 4.3 per cent. for Orissa to 8.7 per cent. for Kerala. The percentages are widely different even among States with a similar level of *per capita* income. For instance, among the States with higher *per capita* income, while Maharashtra and Punjab raised more than 8 per cent. of their incomes as tax revenues, West Bengal with a similar industrial base as Maharashtra obtained only 6.2 per cent. Among the other four States with *per capita* income above the all-India average, Tamil Nadu raised 7.8 per cent., while Andhra Pradesh and Assam got only a little above 5 per cent.

8.5 Table 15 indicates *prima facie* substantial differences between the tax efforts of States which are similarly situated as regards their *per capita* income and economic structure. It would be possible for many States to raise larger resources by studying the tax systems and rates adopted by the more highly taxed States in their own income-groups.

8.6 Table 14 shows Statewise the *per capita* yields of important taxes in 1967-68. The four major State taxes are general sales tax, excise duties, land revenue including agricultural income-tax and taxes on transport. The *per capita* yield of general sales tax among the five States with higher *per capita* income varied from more than Rs. 14 in Maharashtra to less than Rs. 7 in West Bengal and Haryana. In the next group, Tamil Nadu had Rs. 11 per head; while Andhra Pradesh and Assam had Rs. 6.88 and Rs. 5.23 respectively. From the States with *per capita* income below the all-India average, Kerala obtained more than Rs. 10

8.7 In taxes on transport, Jammu and Kashmir derived the highest *per capita* tax revenue of Rs. 9.26 and Tamil Nadu came next; West Bengal with Rs. 3.42 was ninth in rank in this regard.

8.8 The yield of excise duties depends on the States' policy regarding prohibition. In this field, Punjab derived by far the highest revenue of Rs. 11 *per capita* and the next highest was Haryana with Rs. 6.86. Kerala obtained Rs. 4.7, while West Bengal derived only Rs. 3.21. Both Gujarat and Tamil Nadu with prohibition policies obtained less than Re. 0.3 per head; Maharashtra, which has recently relaxed its excise policy, got less than Re. 1. Here again, West Bengal was behind Andhra Pradesh which had a large dry area, Jammu and Kashmir and even Rajasthan



8.9 Land revenue and agricultural income-tax proceeds in different States on a *per capita* basis are not comparable. But considering that these are the only two direct taxes on incomes from agriculture, which constitute more than two-fifths of the total income of all States, their total contribution of Rs. 113 crores to the tax revenue of all States cannot be considered *prima facie* to be very satisfactory. Agricultural income tax contributed on an average only one-tenth of the direct taxes on land in all States; in Kerala it was two-thirds; in Assam one-half; in Tamil Nadu and Mysore one-fifth; and in West Bengal less than one-seventh. Many States do not levy tax on agricultural income.

8.10 As particular taxes are levied on different bases, it would be more useful to assess their comparative burden by taking their yields as percentages of their bases. It has not, however, been possible to quantify the base of each tax. Proceeds from land revenue and agricultural income-tax may be fairly compared with the agricultural incomes of the States. In case of other taxes, State incomes can be considered as broad indicators of their potential productivity. Land taxation in 1967-68 as percentage of State agricultural income in 1962-65 was the highest in Rajasthan, being 2.49 per cent. In the most prosperous agricultural State, Punjab, it was 0.52 per cent., the same as in Bihar and Orissa, the two States with lowest *per capita* income. In Andhra Pradesh the yield was less than one per cent. In spite of the general applicability of land taxes to all land holders, the total revenues in all States were only 1.3 per cent. of the agricultural income as compared with personal income-tax on non-agricultural income which amounted to 2.5 per cent. of such income. As percentage of State incomes (*vide* Table 15), general sales tax proceeds came to 3 per cent. in Kerala and Maharashtra, but only 1.4 per cent. in West Bengal and Haryana. Taxes on transport gave 3.1 per cent. in Jammu and Kashmir, and about 1.5 per cent. in Kerala and Tamil Nadu. State excise duties contributed 2.3 per cent. in Punjab, 1.6 per cent. in Haryana and about 1.5 per cent. in Jammu and Kashmir and Kerala, but 0.7 per cent. only in West Bengal.

8.11 This comparative study of the contribution of important State taxes brings out the importance of indirect taxation in State finances. It also shows the large differences in their exploitation by the States.

8.12 It is unfortunately not possible to get a full picture of the long term changes in the burden of State taxation in relation to their income, as reliable figures of State incomes are not available over a sufficiently long period. It is, however, possible to compare the changes in the combined tax revenues of all States with those in the all-India national income. It will be seen (Table 13) that whereas State tax revenues increased faster than national income in the fifteen years since 1950-51, the percentage of State tax revenues to national income has diminished between 1965-66 and 1967-68 in spite of additional taxation.

8.13 Table 7 gives the yields of different State taxes since 1950-51 for all States together. It shows that the general complaint that the

States' sources of tax revenue are inelastic is not true of all taxes. State tax revenues have increased five-fold during this period, while Union tax revenues have grown nearly six-fold in the same period. There are, however, important State taxes like sales tax and taxes on transport the yields of which have grown more rapidly. The yield of State excise has however not increased proportionately and land revenue has proved stagnant between 1960-61 and 1967-68. The former is due to the policies adopted by different States. As to land revenue, a detailed examination could be made by the States themselves whether it cannot be made more elastic by suitable changes or supplemented by other productive tax devices.

3.14 After this review of the States' tax structure, we may consider some general problems of State taxation. For this purpose, it is convenient to consider the question separately in relation to the agricultural and non-agricultural sectors. Both these are subject to a number of common levies like sales tax, excise duties, etc. Studies have, however, revealed that the incidence of such common taxation on the two sectors is uneven, largely due to the consumption in kind of the agricultural sector. The agricultural sector naturally pays less *per capita* as indirect taxes than the non-agricultural sector, in which *per capita* incomes are relatively higher, but the same expenditure groups in the rural sector also pay less than their counterparts in urban areas. It is probable that, with greater monetization, more rural prosperity and better integration of the rural and urban economies, this disparity might become reduced.

3.15 But the more important difference between the agricultural and non-agricultural sectors is regarding the different systems of direct taxation to which they are subject. All non-agricultural incomes are subject to a highly progressive personal income-tax. On the other hand, the agricultural sector is, by and large, subject to relatively fixed land taxes levied at proportionate rates, though their level has varied in different regions and also according to the different times when the settlements took place. Apart from a well-designed system of suspensions and remissions, land revenue does not pay regard to the changes in the income of the landholder or his personal circumstances. The only time the land revenue rates are revised is at the time of periodical resettlement, though during this interregnum of thirty to forty years there may be rapid changes in agricultural productivity, terms of trade and farm returns. Even at the time of resettlement, the increase in land revenue is hedged in with various restrictions regarding the permissible enhancement in rates, the treatment of improvements, etc. In a number of States, resettlement has not been attempted since the depression of the nineteen thirties, owing to its time-consuming and complex nature and the general public opposition it has encountered. Some States attempted to supplement land revenue with surcharges on commercial crops, or on bigger holdings. A few States like Maharashtra have adopted a system of substantial proportionate cesses for local purposes. Some States have also levied agricultural income-tax at fairly progressive rates; but a greater part of the proceeds comes from income of plantations which are under corporate management. Direct taxation on agriculturists so far is thus out of accord with modern concepts of progressivity. Whether or not the agricultural

sector should be more lightly taxed than the non-agricultural sector may be a matter of opinion; but it is a fact that the prosperous part of the agricultural sector is now definitely under-taxed. And as agricultural incomes grow, the disparity will become even more pronounced.

8.16 The urgent need for devising an appropriate progressive tax policy for Indian agriculture is obvious. Representatives of many States have expressed the view that the development of the agricultural sector is of the utmost importance for progressing towards national prosperity. A large number of schemes involving considerable expenditure are being taken up for this purpose under the Plan. The benefits of such schemes have been improving the condition of agriculturists in many areas but the smaller cultivators and a large section of the rural community have still to face many difficulties. An extensive area in this field has still to be covered by development schemes. For this purpose greater outlay and investment will have to be undertaken in the coming years. In the context of these difficulties and the need for greater expenditure for the improvement of the agricultural sector, the problem of rural taxation requires to be considered. The more prosperous agriculturists who have derived larger benefits from such schemes would not be reluctant to contribute to the resources needed by the States so that more speedy progress could be achieved, by which they as well as the smaller agriculturists would be able to attain greater prosperity.

8.17 Some valuable light on the revenue potential of the agricultural sector could have been got from departmental statistics compiled for the administration of agricultural income-tax. The material available is, however, incomplete and inconclusive. In the first place, some important States like Andhra Pradesh, Gujarat, Madhya Pradesh, Haryana and Punjab do not levy tax on agricultural incomes, while such tax is levied in Maharashtra only on incomes above Rs. 36,000. Secondly, there is a general feeling that even in States where this tax is levied, it is inadequately enforced.

8.18 The 1961 Census of land holdings carried out by the National Sample Survey shows that, over the country as a whole, land holdings of more than 25 acres accounted for 31 per cent of the area cultivated, and that only two-fifths of the area cultivated was in holdings of less than 10 acres (*vide* Table 59). While the position in each individual State differs in this respect, and figures may have somewhat changed in the interval, these data indicate that there is a good scope for progressive land taxation.

8.19 By and large, the benefits of improvements in farming techniques, organisation and terms of trade tend to go to the larger farmers who have bigger marketable surpluses and more creditworthiness. Technical and organisational developments in the agricultural field have greatly helped the bigger farmers. The problem of rural tax policy is largely one of obtaining some part of the increased incomes of the more prosperous agriculturists for the State revenues so that the facilities which have brought prosperity to the larger farmers could be extended more widely, besides providing more amenities and services to the community in general.

8.20 The best way to secure a share of the increased margins in the agricultural sector would be to levy an effective income-tax. A tax like land revenue based on the potential ability of a factor of production has the advantage of certainty and fixity and has to be based on some objective tests like size and average productivity of land holdings. It is neutral in its incidence as regards the farmers' willingness to work and earn more. It works well in a simple society with a small degree of differentiation. But where the standards of cultivation differ widely or where there are rapid changes from year to year, such system would only be tolerated if the rate is low. In course of time as the agricultural economy loses its distinct and separate structure and farming becomes more and more a method of earning in the general economy, the separation of agricultural incomes from other incomes loses its significance. Under the present system, the division of total income into two fragments is an important factor in determining the burden of taxation, and this gives scope for considerable evasion. A single income-tax levied both on agricultural and non-agricultural incomes will have the advantage of a unified system, leaving no scope for evasion by showing greater income under less-taxed or non-taxed sections; it will also be in line with the practice of other advanced countries of the world.

8.21 There is another reason why agricultural prosperity should be taxed. A number of services, Central and State, have to be rendered to the agriculturists free or at concessional rates; rural electrification, distribution of improved seeds, pesticides, fertilisers, rural pumpsets and implements, rural credit, etc., have been, at one time or another, subsidized with a view to stimulate their use and increasing agricultural production. It is not our purpose to question the policy of subsidies and free services. It is perfectly legitimate to charge lower rates for a while to encourage the adoption of better practices and the use of services which improve agricultural production, or to subsidize handicapped farmers even as a long-term policy. However, the former objective has been largely achieved except in some areas. If it is not practicable to charge differential prices to more prosperous farmers, that is an additional reason for levy of a tax on their incomes.

8.22 The Taxation Enquiry Commission (1953-54) had recommended that the eventual aim should be to merge agricultural income with non-agricultural income and levy one income-tax. But under our Constitution, the power to levy tax on agricultural income is assigned to the States, while the power to levy taxes on income other than agricultural income is assigned to the Union. Thus, the powers to tax agricultural income and income other than agricultural income fall under two separate spheres of legislative competence. This separation of agricultural income and non-agricultural income for the purpose of taxation is perhaps unique in this country. It is unnecessary to refer to the circumstances that have led to this dichotomy. In order to make a tax on agricultural income effective, some have suggested a Constitutional amendment while others have expressed the view that the States could delegate their tax power to the Union so that it can levy tax on agricultural income along with non-agricultural income, and distribute among the States their due share relating to agricultural incomes generated in their

jurisdiction. This would depend upon an agreement being reached by the States to have recourse to Article 252 of the Constitution as in the case of estate duty on agricultural land. Apart from possible legal difficulties, it appears to us that the States may be hesitant to delegate their power to the Union unless a large national consensus is achieved in this behalf. It seems to us *prima facie* that, even without such unified levy of income-tax, the States could derive larger revenue from the tax on agricultural income if, for the purpose of determining the rate of assessment on such income, the total income of the assessee including the non-agricultural income is taken into account. Such a procedure will not be open to the objection that the State is levying tax on non-agricultural income. All that it would mean is that the non-agricultural income would be taken into account only for the purpose of fixing the rate of tax on the agricultural income as is now being done in regard to income accruing outside India in the case of non-residents under the Indian Income-Tax Act. For many years, non-residents have been taxed on their income in India at rates applicable to their "total world income". We, therefore, suggest that this line of approach may be pursued by the States.

8.23 It has been argued that while in principle an agricultural income-tax looks attractive, the proposal does not take into account practical difficulties due to peculiarities and conditions of the Indian farmer. Hitherto, income tax has been confined to a few assessees at limited centres accustomed to a highly monetized system, and even so there are many complaints of vexation and harassment. The Indian farmer, it is urged, is largely accustomed to the direct tax on land with a simple fixed liability. He is not used to keep detailed accounts or to face inquiries regarding his production, prices and farm expenditure. These difficulties, however, may not be applicable to the more prosperous agriculturists. The number of farmers who are likely to become subject to agricultural income-tax constitute only a small percentage of the farming community, and their conditions and ability are not greatly different from those of smaller assessees in urban areas. Presumptive rules regarding income per hectare from particular crop under different types of agriculture by regions would minimise inconvenience; seasonal variations in different years may be met by suitable changes in such rules. Even in the case of non-agricultural income-tax, such rules have been adopted for small or illiterate assessees.

8.24 Some States like Jammu and Kashmir and Maharashtra have pointed out that the amounts which they can raise at present from the agricultural income-tax could be more than made up by alternative levy of other taxes like land cesses or taxes on movement of goods. We however feel that the potential yield from a properly devised and enforced agricultural income-tax has been greatly under-estimated. The present proceeds are hardly an indication of the revenue potential of a proper agricultural income-tax in the near future with fast-changing techniques. Further, as compared to tax on agricultural income, the incidence of other taxes would fall in a different manner on different groups, and it is very unlikely that such incidence would prove to be progressive or obtain a suitable share of the incomes of better-off farmers. In

view of the need for more resources, it should be possible to adopt a combination of both these alternatives, which would bring in much larger sums to the State revenues.

8.25 Some State Governments, however, have stated that agricultural income-tax cannot be levied by them for administrative and other reasons, and that in any case they would like to wait till they are reasonably sure that agricultural production has turned the corner. As an alternative, we would suggest in case of such States the levy of crop taxes at differential rates and levy of progressive surcharges on larger landholdings. Both the U.P. and Bihar Taxation Enquiry Committees, which did not see any immediate scope for agricultural income taxation, have recommended the levy of surcharges. These have, however, all the defects of land revenue on which they are based, the incidence of which involves large regional disparities. We feel that such alternative levies would to some extent introduce progression in taxation of the agricultural sector.

8.26 In the last few years, several States have taken measures to exempt small landholdings from land revenue, and have given up land revenue income, wholly or partially. The types of concessions given by different States vary in their coverage and detailed application. In some cases, no distinction is made between irrigated and un-irrigated lands for purposes of exemption (*vide* Table 27). These exemptions will cost the States Rs. 78 crores during the Fourth Plan period. The economic justification urged for exemption is that the smaller farmers are living below the subsistence level and, therefore, they have no taxable surplus. In a country with low national income, trying simultaneously to develop its economy and to provide for better social welfare, it may not be entirely possible to avoid taxation of persons with low incomes. A part of land revenue may be justified on the ground that the State has to incur considerable expenditure for maintaining up-to-date records of land rights. There is enough material to prove that the cultivator greatly values this service and regards land revenue receipts as evidence in his possession of his title to land. The Uttar Pradesh Taxation Enquiry Committee has mentioned that none of the farmers giving evidence before it had demanded abolition of land revenue.

8.27 If land revenue is an important source of revenue, the question also arises as to whether the present systems of levy can be so changed as to be more equitable among different areas, and to keep in step with changes in the value of money or the profitability of crops. Periodical revisions of land revenue settlements provide one method for achieving this, but they are cumbersome and unduly costly in money and time. Such costly procedure may be worthwhile only in areas which have not been properly settled yet. As the Taxation Enquiry Commission suggested, surcharges could be levied in areas where the land revenue burden is low. It may also be examined whether some *ad hoc* increase in surcharges is not possible periodically to bring them in line with price and productivity increases. The rates of tax could also be increased on lands used for non-agricultural purposes, including industrial and commercial users, particularly in larger urban centres and developing industrial areas.

8.28 As we have said earlier, the incidence of State excise largely depends on the States' policy. Some State Governments have stated that the economic and social advantages of prohibition are sufficient to justify the loss of revenue. Unlike other measures of tax reduction, a successful prohibition policy reduces spendings on drink and adds to the incomes available for other uses. Although it would not be possible to tax additional expenditure at the same rate as on liquor, it should be possible by an elastic tax policy to make good a large part of the revenue loss. However, it would be necessary to ensure that the policy does not fail for lack of proper implementation. It seems, therefore, desirable that State Governments which have adopted a policy of prohibition may review its working and may continue it only if it is serving its real purpose.

8.29 As far as other States are concerned, they could examine the policy of their excise arrangements to ensure maximum and stable revenue and minimum evasion. Some States pointed out to us that the supply of alcohol and molasses had become difficult. If regular official supplies cannot be maintained, irregular channels are likely to spring up. Also, licensed dealers are often under temptation to deal in non-taxed illicit liquor. To make them stick to sales of supplies from official agencies a system of auctions of liquor shop licences with a small *ad valorem* tax on liquor is more helpful than a system of small licence fees coupled with a heavy *ad valorem* tax on liquor. The former system has worked successfully in Punjab. This policy has also been commended by the Uttar Pradesh Taxation Enquiry Committee.\* We feel this matter could be considered by other States with advantage.

8.30 We may now make some general observations regarding other taxes like sales tax, motor vehicles tax, entertainment taxes, etc. Tables 20 to 26 give the variations in rates of different taxes among States and indicate that a review by the State Governments of the rates levied in their States in the light of rates in different States may be useful. Apart from the question of rates, the collection and evaluation of relevant statistics so as to determine the sources of evasion and avoidance, and their magnitude and direction may help to plug the loopholes. It appears that as regards sales tax definite information about the production, sales and yield of tax in respect of individual commodities is not available. Such information would be useful for taking policy decisions. There is evidence to indicate that evasion exists to a large extent in the case of sales tax. For instance it is stated in the report of the Uttar Pradesh Taxation Enquiry Committee that the State Government raised 53 per cent more from sales tax in 1967-68 over 1965-66 without any increase in rates of tax, mainly as a result of improvement in administrative efficiency. The Kerala State Taxation Enquiry Committee estimated the evasion of sales tax on certain commercial groups on the basis of their marketable surplus and the portion which paid sales tax. It was calculated that about half of the taxable transactions in copra and its products and a similar amount of arecanut evaded tax.\*\* It is likely that

\*Report of the U. P. Taxation Enquiry Committee, p. 46, para 22 : "It is certainly surprising that a small State like Punjab can consume 120 L. P. litres of country spirit while consumption in U. P. is only 146 lakh L.P. litres".

\*\*Report of the Kerala Taxation Enquiry Committee, Appendix X, pp. 506-511.

similar problems exist in regard to other commodities and in other States also. It is important to undertake detailed investigations on such lines to ascertain the magnitude of evasion. This would help further studies to locate the likely points of evasion for working out suitable remedial measures. It has also been suggested that greater co-ordination with and supply of information by road, railway and air authorities regarding bulk movements of goods, and their consignees would be of great use to sales tax authorities.

8.31 Several States have urged before us that in determining their tax rates they had to take into consideration the rates which are in operation in other States, especially in neighbouring States. While some variations in tax rates among neighbouring States are only to be expected, large variations in some types of taxes may make resource mobilisation by the States more difficult. In land revenue and betterment duties, the effects are only psychological as there is no mobility of the object taxed. Variations in rates of taxes on sales of final consumption goods of daily use may not be of great practical consequence as the consumers cannot generally shift their site of purchase from one State to another. The possibilities of avoidance are, however, greater in the case of durable and more expensive consumer goods. The States have, therefore, arrived at an agreement regarding certain minimum rates of tax on such articles. Similar scope also exists in bulk commodities and industrial raw materials and intermediate goods. Unfortunately similar agreement has not been reached for such goods except those covered by the Central Sales Tax Act. Several States, on the other hand, offer competitive concessions and exemptions to industries in order to make it more profitable for them to be located within their borders. There is always the risk that industries might sell goods outside the State or make their purchases from outside on a consignment basis. Since local consumption is the basis of sales tax, the former practice cannot be properly objected to. But the latter can affect the basis of State taxation adversely. To promote necessary coordination in tax policies, the neighbouring States should be prepared to adjust their tax rates and for this purpose it will be useful if the Government of India can also give its assistance and support. It has been represented to us, however, that in a few cases the Centre has not given a favourable response. It is stated that the Union territory of Delhi adopted the policy that its sales tax rates must be at least one point lower than those in neighbouring States. The Uttar Pradesh Taxation Enquiry Committee has pointed out several instances where the rates in Uttar Pradesh had to be reduced in order to put its industries on a par with those in Delhi.\* We are of opinion that this matter deserves to be examined early.

8.32 The Uttar Pradesh Taxation Enquiry Committee has also remarked that in many cases transactions shown as consignments and works contracts, which are not liable to States' sales taxation, were not genuine and that they were manipulated to hide the real nature of sales transactions. It is desirable that the Government of India as well as State Governments may consider what measures could be devised to meet this situation.

\*Report of the Uttar Pradesh Taxation Enquiry Committee, pp. 64-65.



8.33 Collection of past arrears is as much an addition to current resources as tax revenues. We, therefore, tried to obtain from State Governments detailed information about their tax arrears. These amount to Rs. 186 crores (*vide* Table 17). It is likely that a large part of such arrears may not be recoverable and some of them may be the subject of appeal or revision proceedings. But the size of realisable arrears would still seem to be very large. A further analysis was made of the land revenue and sales tax arrears, which account for about nine-tenths of the total tax arrears, and it showed that these arrears had increased from Rs. 106 crores in 1963-64 to Rs. 146 crores in 1967-68. In the case of land revenue, we found that the arrears, which naturally varied from year to year due to differences in the season, were consistently more than 30 per cent of current dues in the case of a few States (*vide* Table 18). While there were no similar annual variations in the case of sales tax arrears, there were a few States with more than one-fifth of their current dues as arrears (*vide* Table 19). We feel that the magnitude of arrears can be considerably brought down by State Governments.

8.34 Non-tax revenues (excluding grants) are a significant portion of the total revenues of States accounting for more than one-third. In the case of some States like Jammu and Kashmir, Nagaland and Orissa, they account for more than one-half (*vide* Table 11). Some of these receipts, like forest revenue, are dependent on the natural resources of the States and the extent to which these are properly exploited. Some items, like departmental receipts, depend on the scale of services provided and policy decisions regarding charges to be levied for the services. These could be reviewed periodically so as to reduce the net cost of such services. Some other items like receipts from mining royalties depend on policies and decisions of the Government of India. We shall confine our remarks here to receipts of interest on loans advanced by State Governments, returns on departmental commercial schemes and dividends from investments.

8.35 The value of assets owned and amount of loans advanced by the State Governments at the end of 1968-69 totalled Rs. 8,400 crores of which Rs. 3,200 crores was loans, and Rs. 5,200 crores direct investments (*vide* Table 41). Multipurpose river schemes and commercial irrigation accounted for one-fourth of the capital outlay, and loans to Electricity Boards and investment in electricity schemes for an equal amount. Investments in industrial and economic development amounted to Rs. 500 crores, and loans to others (excluding Electricity Boards) Rs. 1,200 crores. Capital outlay on assets like roads and buildings, non-commercial irrigation, public health and agriculture accounted for another Rs. 2,200 crores.

8.36 Out of the productive capital outlay, that on multipurpose river schemes and commercial irrigation presents certain difficulties in the matter of obtaining adequate returns. In 1967-68, the losses on multi-purpose river schemes, after taking into account the interest liability, amounted to Rs. 24 crores of which Andhra Pradesh accounted for more than Rs. 8 crores. In commercial irrigation, the gross receipts did not cover even the working expenses; there was a net loss of Rs. 52 crores (*vide* Table 34) in that year after providing for interest charges.

8.37 The Committee (known as Nijalingappa Committee) which was appointed by the Government of India in 1964 to suggest ways and means of improving financial returns from irrigation projects recommended a levy at the rate of 25 to 40 per cent of the net benefits accruing due to irrigation, and where such net benefits were not ascertainable, a rate of 5 to 12 per cent of the value of gross produce. It found that the prevalent water rates were much lower. It recommended a quinquennial revision of rates in accordance with price changes. A comparison of the irrigation rates charged at present on rice, wheat and sugarcane shows wide variations between States (*vide* Table 23). In some States water rates which were fixed long back have not been raised in spite of higher prices and costs, and improved techniques. A statement prepared by the Ministry of Irrigation and Power estimated that if water rates on rice, wheat and sugarcane were increased to 12 per cent of the gross benefit, which is the maximum recommended by the Nijalingappa Committee, the receipts would increase to Rs. 187 crores a year (Table 60).

8.38 Losses on irrigation schemes can be due to various reasons, such as low water rates, inability or unwillingness to revise them, faulty planning, lack of ability to take follow-up measures, bad water management, etc. They can only be made more paying if remedial action is taken regarding these matters. We hope the State Governments concerned will examine the importance of such factors in the case of their schemes and take necessary steps to improve the returns from them.

8.39 The State Electricity Boards are expected to conduct their working on business principles without loss. By and large, electricity is either an item of domestic consumption or it is used by medium and large industries which should be in a position to pay for it. Rural electrification has just become important and in some States it is being subsidised directly and forms an item of the States' expenditure. The Committee on the Working of State Electricity Boards (known as Venkataraman Committee), visualised two phases during which they should improve their working and earn 9.5 per cent on their capital base, besides 1½ per cent in the form of electricity duties. According to the Committee, the immediate objective of the State Electricity Boards should be to achieve self-sufficiency which implied net receipts of 6.5 per cent on the total capital invested after meeting working expenses and provision for depreciation. This return was to be utilised for meeting interest charges (6 per cent) and for contribution to the general reserve fund (0.5 per cent). In the second phase, the Boards were expected to be able to secure an additional net return of 3 per cent on the capital base. The Committee opined that the Boards which have already achieved the first stage should take steps to realise the second phase immediately, and the remaining Boards should achieve the first stage in 3 to 5 years and the second stage within 3 to 5 years thereafter. By now, the first phase should have been completed for almost all the Boards.

8.40 The Committee visualised that in order to achieve this end, suitable upward revision of power tariff rates and maximum economy in the working expenses would be essential. An undertaking to take such measures has also been given by the State Governments to the

World Bank. In spite of this, the working of the Electricity Boards for 1968-69 shows that some Boards do not have enough surplus to pay the interest due on State loans given to them (Tables 36 and 37). Some of them have large arrears of interest to clear up. With some more effort and improved management, the Boards should be able to attain much better results.

8.41 The rates charged for electricity vary widely according to the purposes for which it is used. Electricity for domestic use attracts the highest rate. Often, the charge varies according to whether the use is for lighting or heating. Large industrial users and agriculturists are charged lower rates. The weighted average of the rates charged for separate uses varied widely from 6.4 paise per unit in Mysore to 13.4 in Punjab and 16.4 in Andhra (excluding electricity duty). In the case of some Electricity Boards making losses, the rates were lower and could *prima facie* be increased. Efforts could also be made to reduce disparity of rates in neighbouring States by consultations between States on a regional basis.

8.42 Loans to third parties other than Electricity Boards fetched interest at a low average rate of 3.7 per cent in 1967-68, the State-wise figures varying from about 5 per cent to 1 per cent. There were interest arrears of Rs. 19 crores excluding those due from displaced persons. With a firmer and more businesslike policy, higher recoveries could be expected.

8.43 Investment in Road Transport Corporations yields a good rate of return even now. The problem of subsidising them is confined only to urban areas. Other investments seem to be yielding much less. An average return of only 1.35 per cent was earned on State investments in 1968-69 (*vide* Table 42). Among the States the returns varied from 3.37 per cent to less than 1 per cent. It should be possible to step up the returns substantially. The States should be able to cover lower returns from some investments by higher returns from others, so as to realise an average return not less than the interest on their own borrowings.

8.44 In order to make certain levies more acceptable to the people paying them, the proceeds are sometimes earmarked for purposes of special interest to those on whom the incidence of such levies falls. Education is one of such purposes which can evoke a favourable response. In recent years, the policy of free and compulsory education is being extended to cover children beyond the primary stage and tuition fees are being exempted on a large scale. In one State education even at the University level is free. The Constitutional directive requires provision of free and compulsory education for children upto the age of fourteen years. Expenditure on education is bound to increase particularly if the recommendations of the Education Commission regarding minimum salaries of school teachers are implemented. Education for children upto fourteen is an objective in which every citizen would be interested, and the improvement of the pay of teachers would also find general support. Some States already levied education cess on land revenue and tax on property. We suggest that other States may also consider the possibility of taking similar action.

## CHAPTER 9

### SUMMARY OF RECOMMENDATIONS

9.1 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 :

- (a) In respect of distribution of the unadjusted balance of advance tax collections upto the year 1966-67:
  - (i) Out of the amount of such advance tax collections, as determined by the Comptroller and Auditor-General of India, a sum equal to  $2\frac{1}{2}$  (two and a half) per cent thereof be deemed to be the portion which represents the proceeds attributable to Union territories, as constituted immediately prior to the Punjab Reorganisation Act, 1966;
  - (ii) The percentage of the amount of advance tax as determined by the Comptroller and Auditor-General of India except the portion attributable to Union territories, to be assigned to the States should be 75 (seventy-five) per cent;
  - (iii) The distribution among the States *inter se* of the share assigned to the States should be made on the basis of the percentages recommended by the Fourth Finance Commission, with appropriate adjustments in regard to the share of reorganised Punjab and Haryana States and Union territories in accordance with the Punjab Reorganisation Act, 1966;
  - (iv) The share of each State should be paid to the State Government in three equal annual instalments during the years from 1971-72 to 1973-74.
- (b) In respect of distribution between the Union and the States of the net proceeds of income-tax in the years 1967-68 and 1968-69, there should be no change in the distribution as prescribed in the Constitution (Distribution of Revenues) Order, 1965, in the event of the said net proceeds being certified by the Comptroller and Auditor-General of India on the revised basis;
- (c) In respect of the distribution of net proceeds of income-tax in the financial years from 1969-70 to 1973-74;
  - (i) Out of the net proceeds of taxes on income in each financial year, a sum equal to 2.6 per cent thereof be deemed to be the portion which represents the proceeds attributable to Union territories;
  - (ii) The percentage of the net proceeds of taxes on income, except the portion which represents proceeds attributable to Union territories, to be assigned to the States should be 75 (seventy-five) per cent; and

(iii) The distribution among the States *inter se* of the share assigned to the States in respect of each financial year should be made on the basis of the following percentages:—

State	Percentage
Andhra Pradesh . . . . .	8.01
Assam . . . . .	2.67
Bihar . . . . .	9.99
Gujarat . . . . .	5.13
Haryana . . . . .	1.73
Jammu and Kashmir . . . . .	0.79
Kerala . . . . .	3.83
Madhya Pradesh . . . . .	7.09
Maharashtra . . . . .	11.34
Mysore . . . . .	5.40
Nagaland . . . . .	0.08
Orissa . . . . .	3.75
Punjab . . . . .	2.55
Rajasthan . . . . .	4.34
Tamil Nadu . . . . .	8.18
Uttar Pradesh . . . . .	16.01
West Bengal . . . . .	9.11
TOTAL . . . . .	<u>100.00</u>

### 11.—Union Excise Duties :

- (a) During each of the years 1969-70 to 1971-72 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 special excises, regulatory duties and duties 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 1972-73 and 1973-74, 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 special excises, but excluding regulatory duties and duties and cesses levied under special Acts and earmarked for special purposes, should be paid out of the Consolidated Fund of India to the States; and

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  - (iv) The share of each State should be paid to the State Government in three equal annual instalments during the years from 1971-72 to 1973-74.
- (b) In respect of distribution between the Union and the States of the net proceeds of income-tax in the years 1967-68 and 1968-69, there should be no change in the distribution as prescribed in the Constitution (Distribution of Revenues) Order, 1965, in the event of the said net proceeds being certified by the Comptroller and Auditor-General of India on the revised basis;
- (c) In respect of the distribution of net proceeds of income-tax in the financial years from 1969-70 to 1973-74;
  - (i) Out of the net proceeds of taxes on income in each financial year, a sum equal to 2.6 per cent thereof be deemed to be the portion which represents the proceeds attributable to Union territories;
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- (iii) The distribution among the States *inter se* of the share assigned to the States in respect of each financial year should be made on the basis of the following percentages:—

State	Percentage
Andhra Pradesh . . . . .	8.01
Assam . . . . .	2.67
Bihar . . . . .	9.99
Gujarat . . . . .	5.13
Haryana . . . . .	1.73
Jammu and Kashmir . . . . .	0.79
Kerala . . . . .	3.83
Madhya Pradesh . . . . .	7.09
Maharashtra . . . . .	11.34
Mysore . . . . .	5.40
Nagaland . . . . .	0.08
Orissa . . . . .	3.75
Punjab . . . . .	2.55
Rajasthan . . . . .	4.34
Tamil Nadu . . . . .	8.18
Uttar Pradesh . . . . .	16.01
West Bengal . . . . .	9.11
TOTAL . . . . .	<u>100.00</u>

### 11.—Union Excise Duties :

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- (b) during the years 1972-73 and 1973-74, 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 special excises, but excluding regulatory duties and duties and 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
Andhra Pradesh . . . . .	7.15
Assam . . . . .	2.51
Bihar . . . . .	13.81
Gujarat . . . . .	4.17
Haryana . . . . .	1.49
Jammu and Kashmir . . . . .	1.12
Kerala . . . . .	4.28
Madhya Pradesh . . . . .	8.48
Maharashtra . . . . .	7.93
Mysore . . . . .	4.65
Nagaland . . . . .	0.08
Orissa . . . . .	4.72
Punjab . . . . .	2.17
Rajasthan . . . . .	5.28
Tamil Nadu . . . . .	6.50
Uttar Pradesh . . . . .	13.82
West Bengal . . . . .	6.84
TOTAL . . . . .	<u>100.00</u>

### III—Additional Duties of Excise:

- (1) (a) It would not be desirable to maintain the existing arrangements in regard to the levy of additional duties of excise on textiles, sugar and tobacco, unless the Government of India, after discussing the matter further with the State Governments, can arrive at a general agreement for the continuance of the present scheme with suitable modifications;
- (b) While the arrangements are continued, the rates of duties may be made *ad valorem* as far as possible, and may be revised periodically so as to secure reasonable incidence having regard to the prevailing prices and the general level of sales taxes on similar items levied by the States;
- (2) There is no scope at present for extending such arrangements to other items or commodities;



(3) The net proceeds of the additional excise duties during each financial year in which the existing arrangements continue, should be distributed on the following basis:—

- (a) A sum equal to 2·05 per cent. of such net proceeds be retained by the Union as attributable to Union territories;
- (b) A sum equal to 0·83 per cent. of such net proceeds be paid to the State of Jammu and Kashmir as its share;
- (c) A sum equal to 0·09 per cent. of such net proceeds be paid to the State of Nagaland as its share;
- (d) Out of the remaining balance of 97·03 per cent. of such net proceeds the sums specified below, representing the revenue realised in the financial year 1956-57 by each respective State from the levy of sales taxes on the commodities subject to additional excise duties, be first paid as guaranteed amounts to the following States:—

State	Guaranteed amount (Rs. lakhs)
Andhra Pradesh . . . . .	235·24
Assam . . . . .	85·08
Bihar . . . . .	130·16
Gujarat . . . . .	323·45
Haryana . . . . .	65·49
Kerala . . . . .	95·08
Madhy Pradesh . . . . .	155·17
Maharashtra . . . . .	637·77
Mysore . . . . .	100·10
Orissa . . . . .	85·10
Punjab . . . . .	96·07
Rajasthan . . . . .	90·10
Tamil Nadu . . . . .	285·34
Uttar Pradesh . . . . .	575·81
West Bena <sup>l</sup> . . . . .	280·41

(e) The balance be distributed among the States other than Jammu and Kashmir and Nagaland in accordance with their respective percentage shares of such balance as under:—

State	Percentage distribution of excess amount
Andhra Pradesh . . . . .	8·13
Assam . . . . .	2·47
Bihar . . . . .	8·40
Gujarat . . . . .	6·33
Haryana . . . . .	1·70
Kerala . . . . .	4·84
Madhya Pradesh . . . . .	6·34
Maharashtra . . . . .	13·89
Mysore . . . . .	6·00
Orissa . . . . .	3·13
Punjab . . . . .	2·98
Rajasthan . . . . .	4·42
Tamil Nadu . . . . .	9·63
Uttar Pradesh . . . . .	12·99
West Bengal . . . . .	8·75
TOTAL . . . . .	<u>100·00</u>

(f) In case the existing arrangements are discontinued during the course of a financial year, the sums specified in clause (d) above, be reduced *pro rata* to the period for which the arrangements have continued.

#### IV—Grants -in-aid :

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) 7—60 M. of Fin.

## of Article 275 of the Constitution:—

(Rs. crores)

State	Total of the sums to be paid in the five years	Grants-in-aid to be paid in				
		1969-70	1970-71	1971-72	1972-73	1973-74
Andhra Pradesh . . . . .	65.01	15.54	14.27	13.00	11.73	10.47
Assam . . . . .	101.97	20.80	20.60	20.39	20.19	19.99
Jammu and Kashmir . . . . .	73.68	16.81	15.77	14.74	13.70	12.66
Kerala . . . . .	49.65	9.93	9.93	9.93	9.93	9.93
Mysore . . . . .	17.99	6.48	5.04	3.60	2.16	0.71
Nagaland . . . . .	77.95	17.40	16.49	15.89	14.69	13.78
Orissa . . . . .	104.67	24.51	22.72	20.94	19.14	17.36
Rajasthan . . . . .	51.49	12.36	11.33	10.30	9.27	8.23
Tamil Nadu . . . . .	22.82	6.61	5.59	4.56	3.54	2.52
West Bengal . . . . .	72.62	22.29	18.41	14.52	10.64	6.76
<b>TOTAL</b> . . . . .	<b>637.85</b>	<b>152.73</b>	<b>140.15</b>	<b>127.57</b>	<b>114.99</b>	<b>102.41</b>

These sums are inclusive of the amounts specified in paragraph 6.45, as recommended by the majority of the Members.

9.2 With reference to Clause (e) of paragraph 76 of our interim Report, we recommend that the payments made to the States on the basis of recommendations in clauses (a) to (d) of that paragraph be adjusted against the respective amounts payable to them in accordance with the recommendations made in this Report.

9.3 The position regarding the estimated amounts of transfer of funds to the States by way of their share of taxes and duties and grants under Article 275(1) in the five years 1969-70 to 1973-74 in accordance with the recommendations made in our interim Report and in this Report, as compared with such transfers envisaged by the Fourth Finance Commission for the period 1966-67 to 1970-71, is shown in Appendix VI.

MAHAVIR TYAGI,  
*Chairman*

M. SESHACHELAPATI,  
*Member*

D. T. LAKDAWALA,  
*Member*

G. SWAMINATHAN,  
*Member*

V. L. GIDWANI,  
*Member-Secretary.*

NEW DELHI,  
July 31, 1969.

## APPENDIX I

### PROVISIONS OF THE CONSTITUTION BEARING ON THE WORK OF THE FINANCE COMMISSION

#### *Article 268—*

(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—*

(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—*

(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 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 purposes 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—*

Notwithstanding anything in articles 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—*

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—*

(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 imposes 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 recommendation 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 State; 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—*

(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 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 this 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—*

(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 collection, 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—*

(1) The President shall, within two years from the commencement of this Constitution 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—*

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—*

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 II

### DATES OF DISCUSSIONS WITH STATE GOVERNMENTS AND CENTRAL GOVERNMENT MINISTRIES.

#### *(A) Discussions with State Governments at State Headquarters.*

Punjab . . . . .	18th, 20th and 21st November, 1968.
Haryana . . . . .	19th and 21st November, 1968.
Assam . . . . .	2nd and 3rd December, 1968.
Rajasthan . . . . .	16th and 17th December, 1968.
Mysore . . . . .	3rd and 4th January, 1969.
Tamil Nadu . . . . .	6th and 7th January, 1969.
Kerala . . . . .	9th and 10th January, 1969.
Uttar Pradesh . . . . .	17th and 18th January, 1969.
Bihar . . . . .	20th and 21st January, 1969.
Andhra Pradesh . . . . .	27th and 28th January, 1969.
Orissa . . . . .	31st January and 1st February, 1969.
Madhya Pradesh . . . . .	2nd and 3rd March, 1969.
Gujarat . . . . .	15 th March, 1969.
Nagaland . . . . .	31st March, 1969.
West Bengal . . . . .	2nd, 3rd and 4th April, 1969.
Maharashtra . . . . .	7th, 8th and 9th April, 1969.
Jammu and Kashmir . . . . .	15th and 16th April, 1969.

#### *Further meetings held at New Delhi.*

Finance Minister, Punjab . . . . .	14th April, 1969.
Chief Minister, Jammu and Kashmir . . . . .	19th April, 1969.
Chief Minister, Orissa . . . . .	21st April, 1969.
Chief Minister and Finance Minister, Uttar Pradesh . . . . .	13th May, 1969.

#### *(B) Discussions with Central Government Ministries.*

Chairman, Central Board of Direct Taxes . . . . .	9th June, 1969.
Finance Secretary, Secretary (Expendi- ture), Special Secretary, Ministry of Finance . . . . .	19th and 20th June and 10th July, 1969.
Chairman, Railway Board and Financial Commissioner, Railway Board . . . . .	21st June 1969



### APPENDIX III

#### NAMES OF ORGANISATIONS AND INDIVIDUALS WHO SUBMITTED MEMORANDA TO THE COMMISSION

(a) *Organisations which submitted Memoranda to the Commission:*

1. Assam Parishad, Gauhati.
2. Bharat Chamber of Commerce, Calcutta.
3. Bihar Chamber of Commerce, Patna.
4. Birla Institute of Technology & Science, Pilani, Rajasthan.
5. Bombay Shroffs Association, Bombay.
6. Chemists and Druggists Association, Madras.
7. Communist Party of India, Marxists, Kerala.
8. Delhi State Chemists Association, New Delhi.
9. Department of Economics, Calcutta University.
10. Engineering Association of Northern India, Kanpur.
11. Executive Committee of Congress Legislative Party, Gujarat.
12. Federation of Gujarat Mills and Industry, Baroda.
13. Federation of Paper Traders Association of India, Bombay.
14. Gujarat Chamber of Commerce and Industry, Ahmedabad.
15. Gokhale Institute of Public Affairs, Bangalore.
16. Indian Roads and Transport Development Association Ltd., Bombay.
17. Indian Chamber of Commerce, Calcutta.
18. Inter-University Board of India and Ceylon, New Delhi.
19. Kerala State Committee of Communist Party.
20. Madurai Ramnad Chamber of Commerce, Madurai.
21. Merchants Chamber of Uttar Pradesh.
22. Mysore Chamber of Commerce & Industry, Bangalore.
23. Non-Gazetted Officers Association, Gulbarga.
24. Non-official members of the State Planning Board, Kerala.
25. Rajasthan Chamber of Commerce, Jaipur.
26. Rajasthan Vyapar Udyog Mandal, Jaipur.
27. Raniganj Chamber of Commerce, West Bengal.
28. The Indian Merchants Chamber, Bombay.
29. The Institute of Chartered Accountants of India, New Delhi.
30. University of Madras, Chepauk, Madras.
31. Vyaparik Association Mandal, Hanumangarh Town, Rajasthan.

## APPENDIX IV

### INDIVIDUALS AND ORGANISATIONS WHOSE REPRESENTATIVES APPEARED BEFORE THE COMMISSION AND GAVE ORAL EVIDENCE

#### (a) *Individuals who appeared before the Commission:*

1. Dr. V.K.R.V. Rao, Union Minister of Education and Youth Services.
2. Dr. K.L. Rao, Union Minister of Irrigation and Power.
3. Dr. D.R. Gadgil, Deputy Chairman, Planning Commission.
4. Shri N. Rajagopala Iyengar, Chairman, Press Council of India.
5. Shri K. Santhanam, Ex-Chairman, Second Finance Commission.
6. Shri A.K. Chanda, Ex-Chairman, Third Finance Commission.
7. Shri B. Venkatappiah, Member, Planning Commission.
8. Shri B. Sivaraman, Cabinet Secretary.
9. Shri A. K. Gopalan, Member, Lok Sabha.
10. Shri N. Sreekantan Nair, Member, Lok Sabha.
11. Shri P. Viswambharan, Member, Lok Sabha.
12. Shri K. Chandrasekharan, Member, Rajya Sabha.
13. Shri C. Achutha Menon, Member, Rajya Sabha.
14. Sri K. Karunakaran, M.L.A., Kerala.
15. Shri K. M. George, M.L.A., Kerala.
16. Shri E. Ahmed, M.L.A., Kerala.
17. Shri P. Govinda Pillai, M.L.A., Kerala.
18. Shri Vavilala Gopalakrishnaiah, M.L.A., Andhra Pradesh.
19. Shri J.J. Anjaria, Deputy Governor, Reserve Bank of India, Bombay.
20. Shri N.E. Balaram, Kerala.
21. Shri V.V. Bhatt, Reserve Bank of India.
22. Dr. P.R. Brahmananda, Bombay University.
23. Dr. P.K. Bhargava, Banaras Hindu University.
24. Dr. R.J. Challyah, Osmania University.
25. Dr. V.V. Bokar, Marathwada University.
26. Prof. A.K. Das Gupta, A. N. Sinha Institute of Social Studies.
27. Prof. M.L. Dantwala, University of Bombay.
28. Dr. M.H. Gopal, University of Mysore.
29. Shri O.J. Joseph, Kerala.
30. Dr. M.D. Joshi, Lucknow University.
31. Prof. Lovel Harris, University of Columbia.

APPENDIX IV—*concl'd.*

32. Prof. E.T. Mathew, University of Kerala, Trivandrum.
33. Dr. Minocha, Hamedia University.
34. Dr. B. Misra, Utkal University.
35. Shri K.N. Nagar Katti, Madhya Pradesh.
36. Prof. V.R. Pillay, Kerala University, Trivandrum.
37. Shri Ravikarunakaran, Kerala.
38. Dr. Raj Krishna, University of Rajasthan.
39. Shri P. Sambaiah, State Bank of India.;
40. Dr. Sailendra Singh, Lucknow University.
41. Dr. Shanmuga Sundaram, Madras University.
42. Dr. P.C. Thomas, Gauhati University, Gauhati.
43. Dr. Ved Gandhi, Indian Institute of Management, Ahmedabad.
44. Mr. W. Prest, Melbourn University, Australia.

*(b) Organisations whose representatives appeared before the Commission :*

1. Bharat Chamber of Commerce, Calcutta.
2. Bihar Chamber of Commerce, Patna.
3. Bombay Shroffs' Association.
4. Communist Party of India, Marxists, Kerala.
5. Engineering Association (including representatives of Small Scale Industries).
6. Federation of Paper Traders Association of India.
7. Gokhale Institute of Public Affairs, Bangalore.
8. Gujarat Chamber of Commerce and Industries, Ahmedabad.
9. Indian Chamber of Commerce, Calcutta.
10. Indian Merchants Chamber, Bombay.
11. Leaders of the Congress Party of the Gujarat Legislative Assembly.
12. Leaders of Opposition parties of the Gujarat Legislative Assembly.
13. Mysore Chamber of Commerce, Bangalore.
14. Merchants' Chamber of Commerce, Uttar Pradesh.
15. Non-official members of the State Planning Board, Kerala.
16. Rajasthan Chamber of Commerce and Industries, Jaipur.
17. Rajasthan Vyapar Udyog Mandal, Jaipur.
18. Upper India Chamber of Commerce.
19. Uttar Pradesh Chamber of Commerce.
20. Vyapari Association Mandal, Hanumangarh.

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APPENDIX V  
STATISTICAL TABLES

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APPENDIX V  
STATISTICAL TABLES

*Table No.*

*A. Area, population and State incomes*

1. Population of States (1961 Census).
2. Measurement of sparsity of population in States.
3. Population of Scheduled Castes and Scheduled Tribes in States (1961 Census).
4. Total State incomes (Net Domestic Product) from 1960-61 to 1964-65 by States indicating figures relating to Agriculture and Animal Husbandry sectors.
5. Per capita income in 1960-61 to 1964-65 by States (at current prices).

*B. States' revenues*

6. Growth and pattern of States' revenues 1961-62 and 1965-66 to 1968-69.
7. Growth of revenue from important taxes for all States—1950-51 to 1967-68.
8. Statewise revenue from general sales tax, sales tax on motor spirit and Central sales tax during 1965-66 to 1967-68.
9. Total of State tax revenues and per capita tax revenues in 1960-61 and 1965-66 to 1968-69 and targets of additional taxation and realisations thereof in the Third Plan and the three Annual Plans.
10. Targets of additional resource mobilisation agreed to by States for the Fourth Plan.
11. Tax revenues and non-tax revenues of States in 1967-68.
12. States' income for 1962-63 to 1964-65 (average), tax revenues in 1967-68 and tax revenues as proportion of the State incomes.
13. All States tax revenues as percentage of national income from 1950-51 to 1967-68.
14. Per capita revenue from important State taxes in 1967-68.
15. Per capita tax revenues in 1967-68 as percentage of per capita incomes for 1962-63 to 1964-65 (average).
16. Incidence of land revenue per hectare of net area sown.
17. Arrears of tax revenues.
18. Percentage of land revenue arrears to the total demand.
19. Percentage of sales tax arrears to the total demand.
20. Rates of general sales tax for important commodities (in terms of percentage of the value).
21. Rates of sales tax on motor spirit.
22. Average rates of electricity supply and electricity duty.
23. Water rates for rice, wheat and sugarcane.

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24. Rates of entertainment tax (in terms of percentage of the admission or entry ticket).
25. Rates of stamp duties and registration.
26. Rates of tax on motor vehicles.
27. Estimated loss of land revenue over the five-year period 1969-70 to 1973-74 from abolition of the tax or concession given during 1967-68 and 1968-69.
28. Estimated loss of revenue over the five-year period 1969-70 to 1973-74 from abolition of taxes other than land revenue or concessions given during 1966-67 to 1968-69.

*C. States' expenditure*

29. Growth and pattern of States' revenue expenditure.
30. Per capita expenditure under important heads in 1967-68.
31. Revenue expenditure on natural calamities during the years 1957-58 to 1967-68.
32. Plan outlay in 1965-66 and 1968-69 and committed expenditure thereon in 1966-67 and 1969-70.

*D. Financial results of States' commercial schemes*

33. Financial results of multipurpose river schemes.
34. Financial results of irrigation works (commercial).
35. Financial results of electricity schemes run departmentally.
36. Financial working of State Electricity Boards.
37. Rate of return on capital outlays of Electricity Boards from 1966-67 to 1968-69.
38. Electricity Boards : installed capacity, average cost per unit sold, and average price charged per unit sold 1967-68.
39. Financial results of road and water transport schemes run departmentally.

*E. Other Budgetary data*

40. Outstanding public debt, loans and advances and productive capital outlays as at the end of 1968-69.
41. Details of total loans and advances and physical assets of State Governments as on 31-3-1969 (Estimate).
42. Rate of dividends from State investments.

*F. Revenue and expenditure of the Government of India*

43. Revenue receipts of the Government of India.
44. Revenue expenditure of the Government of India.

*G. Divisible taxes*

45. Revenue from Income Tax, Corporation Tax and Union surcharges.
46. State-wise assessment of income tax (excluding tax on Union salaries) for the years 1962-63 to 1964-65 (Net of reductions on account of appellate order, revision, rectification, etcetra).
47. Revenue from Union and Additional Excise Duties from 1965-66 to 1969-70 (Commodity-wise for items subject to additional excise duties and for others taken together).

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48. Revenue from Union Excise Duties, Additional Excise Duties and Special Excise Duties from 1950-51 to 1969-70.
49. Economic indicators for distribution of States' share of Union Excise Duties.
50. Statewise consumption estimates of cigarettes.
51. Statewise consumption estimates of cotton textiles.
52. State-wise consumption of sugar.

*H. Transfers from the Centre to States*

53. Resources transferred from the Centre to States.
54. Transfers from the Centre to States under the First Finance Commission's Award (1952-53 to 1956-67).
55. Transfers from the Centre to States under the Second Finance Commission's Award (1957-58 to 1961-62).
56. Transfers from the Centre to States under the Third Finance Commission's Award (1962-63 to 1965-66).
57. Transfers from the Centre to States under the Fourth Finance Commission's Award (1966-67 to 1968-69).

*I. Agriculture and Irrigation*

58. Area irrigated (net by main sources in 1965-66 and number of cultivators as per Census 1961).
59. Distribution of the area operated and the households by size-classes.
60. Estimated Additional revenue from irrigation on the basis of water rates at 12 per cent of gross income.

*J. Industrial statistics*

61. Number of factory workers in different States and their percentage to population.

*K. Railway, transport and Communications*

62. Number of passengers carried by Indian Airlines embarking and disembarking in January, 1969.
63. Commodity-wise freight earnings of railways on goods carried during 1965-66 to 1967-68.
64. Position of Railway Finances for the years 1964-65 to 1969-70.

*L. Miscellaneous*

65. Transactions relating to purchase and sale of securities in each stock exchange in 1966-67 and 1967-68.



TABLE I : *Population of States*  
(1961 Census)

States	Total population (lakhs)	Urban population (lakhs)	Rural population (lakhs)	Urban population as percentage of State's population	Rural population as percentage of State's population	Percent- age distri- bution of urban popula- tion	Percent- age distri- bution of rural popula- tion
I	2	3	4	5	6	7	8
Andhra Pradesh . . .	359.83	62.74	297.09	17.4	82.6	8.3	8.4
Assam . . . . .	118.73	9.13	109.60	7.7	92.3	1.2	3.1
Bihar . . . . .	464.56	39.14	425.42	8.4	91.6	5.2	12.0
Gujarat . . . . .	206.33	53.16	153.17	25.8	74.2	7.0	4.3
Haryana . . . . .	75.90	13.07	62.83	17.2	82.8	1.7	1.8
Jammu and Kashmir . . .	35.61	5.93	29.68	16.7	83.3	0.8	0.8
Kerala . . . . .	169.04	25.54	143.50	15.1	84.9	3.4	4.1
Madhya Pradesh . . . .	323.72	46.27	277.45	14.3	85.7	6.1	7.8
Maharashtra . . . . .	395.54	111.63	283.91	28.2	71.8	14.7	8.0
Mysore . . . . .	235.87	52.67	183.20	22.3	77.7	6.9	5.2
Nagaland . . . . .	3.69	0.19	3.50	5.1	94.9	Neg.	0.1
Orissa . . . . .	175.49	11.10	164.39	6.3	93.7	1.5	4.6
Punjab . . . . .	111.35	25.67	85.68	23.1	76.9	3.4	2.4
Rajasthan . . . . .	201.56	32.82	168.74	16.3	83.7	4.3	4.8
Tamil Nadu . . . . .	336.87	89.91	246.96	26.7	73.3	11.8	7.0
Uttar Pradesh . . . . .	737.46	94.79	642.67	12.9	87.1	12.5	18.1
West Bengal . . . . .	349.26	85.41	263.85	24.5	75.5	11.2	7.5
All States . . . . .	4300.81	759.17	3541.64	17.7	82.3	(100.0)	(100.0)
Union Territories . . .	89.92	30.13	59.79	33.5	66.5	..	..
All India . . . . .	4390.73	789.30	3601.43	18.0	82.0	..	.

Source : Registrar General of India.

NOTE : Population of the constituents of the composite State of Punjab was as under :—

	Total	Urban	Rural
Haryana . . . . .	75.90	13.07	62.83
Punjab . . . . .	111.35	25.67	85.68
Chandigarh . . . . .	1.20	0.99	0.21
Himachal Pradesh . . .	14.62	1.12	13.50
	<u>203.07</u>	<u>40.85</u>	<u>162.22</u>

TABLE 2 : Measurement of Sparsity of population in States

States	Absolute population upto the range 200 (lakhs)	Actual area occupied upto the range 200 excluding Jammu and Kashmir and Nagaland (000) Sq. Km.** (a)
1	2	3
Andhra Pradesh . . . . .	20·70	32·23
Assam . . . . .	13·52	31·12
Bihar . . . . .	..	..
Gujarat . . . . .	14·30	32·91
Haryana . . . . .	..	..
Jammu and Kashmir . . . . .	N.A.	N.A.
Kerala . . . . .	..	..
Madhya Pradesh . . . . .	143·82	259·91
Maharashtra . . . . .	12·39	23·79
Mysore . . . . .	17·91	24·46
Nagaland . . . . .	N.A.	N.A.
Orissa . . . . .	30·14	49·90
Punjab . . . . .	..	..
Rajasthan . . . . .	88·70	204·14
Tamil Nadu . . . . .	..	..
Uttar Pradesh . . . . .	9·88	22·74
West Bengal . . . . .	..	..
TOTAL . . . . .	<u>351·36*</u>	<u>681·20*</u>

\*Excluding Jammu and Kashmir and Nagaland.

\*\*On the basis of the factor  $\frac{1}{F} = \frac{808.65}{351.36} = 0.023015$  [Sq. Km./person, and taking the minimum figure.

(a) The figures in this column are either the actual area occupied or the [average] area, whichever is lower.

TABLE 3 : Population of Scheduled Castes and Scheduled Tribes in States

(1961 Census)

States	Total population (lakhs)	Scheduled Caste			Scheduled Tribe		
		Total population (lakhs)	Percentage of Scheduled Castes to State's population	Percentage distribution	Total population (lakhs)	Percentage of Scheduled Tribes to State's population	Percentage distribution
I	2	3	4	5	6	7	8
Andhra Pradesh	359.83	49.74	13.8	7.9	13.24	3.7	4.6
Assam	118.73	7.33	6.2	1.2	20.65	17.4	7.1
Bihar	464.56	65.05	14.0	10.3	42.05	9.1	14.5
Gujarat	206.33	13.67	6.6	2.2	27.54	13.3	9.5
Haryana	75.90	13.64	18.0	2.2	..	..	..
Jammu and Kashmir	35.61	2.84	8.0	0.4	..	..	..
Kerala	169.04	14.35	8.5	2.3	2.13	1.3	0.7
Madhya Pradesh	323.72	42.53	13.1	6.7	66.78	20.6	22.9
Maharashtra	395.54	22.27	5.6	3.5	23.97	6.1	8.2
Mysore	235.87	31.17	13.2	4.9	1.92	0.8	0.7
Nagaland	3.69	Neg.	..	..	3.44	93.2	1.2
Orissa	175.49	27.64	15.8	4.4	42.24	24.1	14.5
Punjab	111.35	24.87	22.3	3.9	..	..	..
Rajasthan	201.56	33.60	16.7	5.3	23.51	11.7	8.1
Tamil Nadu	336.87	60.67	18.0	9.6	2.52	0.7	0.9
Uttar Pradesh	737.46	154.00	20.9	24.3	..	..	..
West Bengal	349.26	68.90	19.7	10.9	20.54	5.9	7.1
TOTAL	4300.81	632.27	14.7	(100.0)	290.53	6.8	(100.0)

Source : Census of India 1961—Part V—A(i) and (ii). For Punjab and Haryana however, the figures have been taken from the Statistical Abstracts of Punjab and Haryana respectively for the year 1967.

NOTE : (i) *Scheduled Castes* : Such castes, races or tribes or parts of groups within each Castes, races or tribes as are deemed under Article 341 of the Constitution to be Scheduled Castes.

(ii) *Scheduled Tribes* : Such tribes or tribal communities or parts of groups within such tribes or tribal communities as are deemed under Article 342 of the Constitution to be Scheduled Tribes.

(iii) There are no Scheduled Tribes in Haryana, Jammu and Kashmir, Punjab and U. P.

TABLE 4 : Total State incomes (Net Domestic Product) from 1960-61 to 1964-65 by States indicating figures relating to Agricultural and Animal Husbandry sectors

States	(A: current prices)										
	Total net Domestic Product (All Industries)*										
	1960-61	1961-62	1962-63	1963-64	1964-65	1960-61	1961-62	1962-63	1963-64	1964-65	1964-65
I	2	3	4	5	6	7	8	9	10	11	
Andhra Pradesh	1124	1239	1252	1439	1690	651	728	702	826	975	
Assam	409	426	433	496	580	244	249	242	289	341	
Bihar	992	1033	1116	1302	1505	507	512	527	656	781	
Gujarat	775	862	889	997	1189	353	405	394	442	568	
Haryana	269	287	303	370	427	168	174	180	230	271	
Jammu & Kashmir	95	94	97	110	127	53	49	50	58	66	
Kerala	465	505	533	590	725	230	244	250	274	358	
Madhya Pradesh	878	925	943	1114	1320	505	521	506	620	752	
Maharashtra	1640	1626	1764	2017	2277	676	577	624	738	829	
Mysore	683	755	800	932	1075	355	388	407	488	569	
Orissa	393	414	473	574	658	214	214	251	335	367	
Punjab	422	454	492	578	714	245	256	277	337	441	
Rajasthan	540	602	610	645	795	327	378	368	370	486	
Tamil Nadu	1155	1229	1262	1409	1552	541	556	536	581	638	
Uttar Pradesh	1788	1897	1968	2240	2985	1072	1119	1121	1279	1899	
West Bengal	1331	1391	1531	1780	1916	529	532	570	693	700	
All States (excluding Nagaland)	12959	13739	14466	16593	19535	6670	6902	7005	8216	10044	

Source : Central Statistical Organisation, Cabinet Secretariat. The estimates have been worked out by adopting the concept of 'Income originating within the geographical boundaries of India.

\* Excluding Defence, Government of India Embassies and other establishments abroad and business outside of Indian Insurers.

TABLE 5 : *Per capita income in 1960-61 to 1964-65 by States*  
(At current prices).

(Rupees)

States	Per capita**				
	1960-61	1961-62	1962-63	1963-64	1964-65
Andhra Pradesh . . . . .	314	341	338	381	438
Assam . . . . .	349	353	349	388	441
Bihar . . . . .	216	220	232	265	299
Gujarat . . . . .	380	412	413	451	523
Haryana . . . . .	359	372	381	481	504
Jammu and Kashmir . . . . .	267	263	267	298	341
Kerala . . . . .	278	295	303	328	393
Madhya Pradesh . . . . .	274	282	280	323	373
Maharashtra . . . . .	419	405	429	478	526
Mysore . . . . .	292	316	327	372	420
Orissa . . . . .	226	233	261	309	347
Punjab . . . . .	383	400	421	480	575
Rajasthan . . . . .	271	294	289	297	356
Tamil Nadu . . . . .	344	361	365	401	434
Uttar Pradesh . . . . .	244	254	258	287	374
West Bengal . . . . .	386	392	420	476	498
All States( excluding Nagaland).	304	315	325	364	418

*Source* : Central Statistical Organisation, Cabinet Secretariat. The estimates have been worked out by adopting the concept of 'Income originating' within the geographical boundaries of India.

\*\*Based on Population Projections as on 1st October of the years.

TABLE 6 : Growth and pattern of State revenues : 1961-62 and 1965-66 to 1968-69

(Rs. crores)

State/Years	Land revenue	Sales taxes	Motor vehicle tax	Stamps & registration	Other taxes & duties	Education	Medical & public health	Administrative services	Forests	Total revenue receipts
I	2	3	4	5	6	7	8	9	10	11
<b>Andhra Pradesh</b>										
1961-62	10.12 (11.80)	14.81 (17.27)	2.76 (3.22)	3.42 (3.98)	2.03 (2.37)	0.51 (0.59)	1.06 (1.24)	0.88 (1.03)	4.11 (4.79)	85.77 (100.00)
1965-66	14.12	24.59	8.33	6.21	2.14	0.70	1.05	2.01	5.55	151.79
1966-67	11.07	30.09	8.31	6.48	2.79	0.81	1.26	1.82	5.32	172.26
1967-68	7.90	34.77	9.45	8.15	3.21	0.76	1.47	2.31	6.20	184.27
1968-69 (RE)	17.00 (8.35)	36.33 (17.85)	11.30 (5.55)	8.35 (4.10)	3.61 (1.77)	0.60 (0.29)	1.46 (0.72)	3.35 (1.65)	6.00 (2.95)	203.55 (100.00)
<b>Assam</b>										
1961-62	2.86 (7.09)	3.45 (8.55)	0.77 (1.91)	0.56 (1.39)	2.48 (6.14)	0.18 (0.45)	0.19 (0.47)	0.12 (0.30)	1.66 (4.11)	40.36 (100.00)
1965-66	5.49	7.99	1.18	0.84	1.11	0.24	0.32	0.18	2.58	64.61
1966-67	4.85	8.39	1.31	0.98	1.28	0.26	0.31	0.45	2.80	77.69
1967-68	5.21	10.21	1.62	1.42	1.53	0.30	0.26	0.39	3.25	87.21
1968-69 (RE)	6.07 (6.51)	11.30 (12.13)	1.64 (1.76)	1.15 (1.24)	1.59 (1.71)	0.31 (0.33)	0.33 (0.35)	0.26 (0.28)	3.10 (3.33)	93.20 (100.00)
<b>Bihar</b>										
1961-62	9.11 (11.42)	11.34 (14.21)	0.14 (0.18)	4.66 (5.84)	1.69 (2.12)	0.29 (0.36)	1.81 (2.27)	0.63 (0.79)	2.60 (3.26)	79.81 (100.00)
1965-66	12.05	21.43	0.20	7.37	5.47	0.39	0.73	1.42	3.05	127.88
1966-67	5.46	26.65	0.25	8.00	6.11	0.53	1.06	1.28	2.94	133.96
1967-68	3.24	34.54	0.33	8.53	6.73	0.41	1.21	0.97	3.38	155.44
1968-69 (RE)	10.38 (6.24)	34.57 (20.79)	2.05 (1.23)	6.72 (4.04)	7.04 (4.23)	0.52 (0.31)	1.40 (0.84)	2.22 (1.34)	3.09 (1.86)	166.26 (100.00)

TABLE 6 : Growth and pattern of State revenues : 1961-62 and 1965-66 to 1968-69—contd.

(Rs. crores)

State/Years	(Rs. crores)										
	1	2	3	4	5	6	7	8	9	10	11
	Land revenue	Sales taxes	Motor vehicle tax	Stamps & registration	Other taxes & duties	Educational	Medical & health	Administrative services	Forests	Total revenue receipts	
<b>Gujarat</b>											
1961-62	4.64 (7.40)	13.82 (22.04)	3.39 (5.41)	2.30 (3.67)	2.63 (4.19)	0.48 (0.77)	0.35 (0.56)	0.50 (0.80)	1.77 (2.82)	63.70 (100.00)	
1965-66	7.32	26.98	3.84	3.53	8.74	0.75	1.50	1.26	2.03	120.70	
1966-67	6.32	35.14	4.20	4.00	10.54	3.64	1.62	2.00	2.45	135.59	
1967-68	7.81	39.22	4.76	4.65	12.90	0.85	1.64	1.66	2.54	152.21	
1968-69 (RE)	6.52 (4.13)	43.90 (27.82)	5.19 (3.29)	4.98 (3.16)	13.55 (8.59)	0.74 (0.47)	2.45 (1.55)	1.27 (0.86)	2.33 (1.48)	157.81 (100.00)	
<b>Haryana</b>											
1961-62	0.64	3.46	0.18	0.99	1.60	0.15	0.05	0.18	0.18	24.37	
1965-66	1.43	9.54	0.58	3.58	4.94	1.09	0.34	0.51	0.26	61.81	
1966-67*	1.43	12.55	0.61	3.69	5.95	1.22	0.41	0.87	0.24	74.56	
1967-68	1.92	16.83	0.82	4.95	7.98	1.64	0.55	1.17	0.32	100.00	
1968-69 (RE)	0.64 (2.90)	0.27 (1.22)	0.12 (0.54)	0.22 (1.00)	0.08 (0.36)	0.03 (0.14)	0.04 (0.18)	0.05 (0.23)	3.73 (16.90)	2.07 (100.00)	
<b>Jammu &amp; Kashmir</b>											
1961-62	0.44	0.76	0.51	0.28	0.29	0.11	0.07	0.68	3.15	31.67	
1965-66	0.38	1.09	0.34	0.32	0.35	0.03	0.09	0.15	4.07	48.56	
1966-67	0.58	1.31	0.36	0.43	0.36	0.04	0.09	0.21	3.93	45.75	
1967-68	0.72	1.75	0.51	0.36	0.54	0.03	0.16	0.22	4.20	55.60	
1968-69 (RE)	0.72 (1.29)	3.15 (3.15)	0.92 (0.92)	0.65 (0.65)	0.97 (0.97)	0.05 (0.05)	0.18 (0.18)	0.40 (0.40)	7.55 (7.55)	100.00 (100.00)	

Included under the Composite State of Punjab

*Kerala*

1961-62	1.58 (2.99)	10.56 (19.95)	2.68 (5.06)	2.20 (4.16)	0.28 (0.53)	1.46 (2.76)	0.30 (0.57)	0.37 (0.70)	3.93 (7.42)	52.93 (102.03)
1965-66	2.65	18.30	4.15	4.37	1.80	2.78	0.76	0.91	5.71	82.10
1966-67	2.00	22.78	4.40	4.60	2.75	2.98	1.03	0.98	6.65	108.69
1967-68	1.85	26.29	5.15	5.14	2.76	2.62	1.54	1.43	7.44	125.41
1968-69 (RE)	1.76 (1.33)	28.04 (21.24)	5.65 (4.28)	5.35 (4.05)	2.52 (1.91)	2.87 (2.17)	1.47 (1.11)	1.17 (0.89)	7.54 (5.71)	132.02 (101.00)

*Madhya Pradesh*

1961-62	8.78 (11.21)	8.06 (10.29)	2.11 (2.69)	2.01 (2.57)	2.56 (3.27)	0.68 (0.87)	0.66 (0.84)	0.58 (0.74)	10.38 (13.26)	78.31 (100.00)
1965-66	7.00	20.00	2.85	3.19	6.98	1.14	1.52	0.91	17.20	123.07
1966-67	5.49	23.56	2.93	3.52	7.85	1.34	1.29	0.87	19.41	137.87
1967-68	7.26	28.28	3.14	4.36	8.70	1.10	1.26	1.34	20.65	167.46
1968-69 (RE)	8.49 (4.94)	30.78 (17.92)	3.31 (1.93)	4.61 (2.68)	9.27 (5.40)	1.24 (0.72)	1.45 (0.84)	1.03 (0.60)	22.30 (12.98)	171.80 (100.00)

*Maharashtra*

1961-62	6.19 (5.21)	35.03 (29.50)	5.86 (4.93)	6.05 (5.09)	12.37 (10.42)	0.72 (0.61)	2.56 (2.16)	1.62 (1.36)	5.42 (4.56)	118.75 (100.00)
1965-66	5.58	70.59	6.76	9.08	25.90	1.34	5.23	3.28	7.65	227.39
1966-67	7.26	87.47	9.58	9.89	34.02	1.86	4.75	5.40	7.79	272.03
1967-68	8.75	96.09	10.41	11.26	37.58	2.11	6.97	5.27	8.87	309.69
1968-69 (RE)	7.59 (2.13)	104.56 (29.31)	11.51 (3.23)	12.17 (3.41)	42.16 (11.82)	1.37 (0.38)	6.55 (1.84)	4.98 (1.40)	9.56 (2.68)	356.76 (100.00)

*Mysore*

1961-62	4.51 (4.95)	9.45 (10.38)	4.59 (5.04)	2.43 (2.67)	2.59 (2.85)	0.89 (0.98)	0.75 (0.82)	0.53 (0.58)	8.05 (8.84)	91.02 (100.00)
1965-66	5.57	19.54	5.69	4.39	5.63	1.55	1.60	1.50	10.08	120.49
1966-67	3.87	26.43	6.10	4.89	5.80	1.36	1.71	1.16	10.97	156.40
1967-68	7.41	28.25	6.89	5.53	6.05	1.63	2.55	1.23	11.07	170.99
1968-69 (RE)	5.05 (2.34)	33.00 (15.32)	7.50 (3.48)	6.16 (2.86)	8.30 (3.85)	2.47 (1.15)	2.67 (1.24)	1.25 (0.58)	12.24 (5.68)	215.36 (100.00)

\*Haryana was formed on November 1, 1966.



TABLE 6 : Growth and pattern of States revenues : 1961-62 and 1965-66 to 1968-69—contd.

(Rs. crores)

State/Years	Land revenue	Sales taxes	Motor vehicle tax	Stamps and registration	Other taxes and duties	Educational	Medical & public health	Administrative services	Forests	Total revenue receipts
I	2	3	4	5	6	7	8	9	10	11
<i>Nagaland</i>										
1961-62	..	..	..	..	..	..	..	..	..	..
1965-66	0.01 (0.09)	0.06 (0.53)	0.03 (0.27)	0.01 (0.09)	0.02 (0.18)	0.02 (0.18)	..	0.01 (0.09)	0.09 (0.80)	11.32 (100.00)
1966-67	0.01	0.05	0.04	..	0.02	0.02	..	0.01	0.06	14.98
1967-68	0.01	0.09	0.04	Neg.	0.02	0.02	Neg.	0.02	0.08	17.07
1968-69 (RE)	0.01 (0.05)	0.03 (0.15)	0.06 (0.31)	0.01 (0.05)	0.02 (0.10)	0.02 (0.10)	Neg. (—)	0.05 (0.26)	0.10 (0.51)	19.61 (100.00)
<i>Orissa</i>										
1961-62	2.42 (5.25)	4.02 (8.71)	1.03 (2.23)	0.96 (2.08)	0.19 (0.41)	0.38 (0.82)	0.23 (0.50)	0.13 (0.28)	3.10 (6.72)	46.13 (100.00)
1965-66	2.86	9.93	1.71	1.64	1.30	0.64	0.23	0.30	4.70	80.39
1966-67	2.51	10.97	1.87	1.70	1.61	0.63	0.28	0.84	4.59	106.80
1967-68	1.61	12.56	2.17	2.05	2.91	0.57	0.36	0.88	4.79	109.03
1968-69 (RE)	1.75 (1.45)	12.82 (10.59)	2.28 (1.88)	1.98 (1.64)	2.57 (2.12)	0.51 (0.42)	0.40 (0.33)	0.63 (0.52)	5.66 (4.68)	121.03 (100.00)
<i>Punjab</i>										
1961-62*	3.98 (5.11)	8.91 (11.43)	1.10 (1.41)	4.80 (6.16)	5.47 (7.02)	1.87 (2.40)	0.50 (0.64)	0.69 (0.89)	1.42 (1.82)	77.96 (100.00)
1965-66*	3.98	19.89	1.32	6.51	10.95	1.71	0.85	1.71	1.40	139.43
1966-67†	2.34	19.91	1.28	6.65	10.32	1.41	0.89	2.32	1.16	117.00
1967-68	1.85	18.06	0.96	6.21	7.96	0.90	0.60	1.85	0.52	105.46
1968-69 (RE)	1.96 (1.56)	21.62 (17.16)	1.01 (0.80)	7.05 (5.60)	8.66 (6.87)	0.97 (0.77)	0.74 (0.59)	2.52 (2.00)	0.55 (0.44)	126.00 (100.00)

## Rajasthan

1961-62	8.68 (18.78)	4.62 (10.00)	1.10 (2.38)	1.12 (2.42)	1.20 (2.60)	0.61 (1.32)	0.62 (1.34)	0.38 (0.82)	0.82 (1.77)	46.21 (100.00)
1965-66	6.98	14.17	1.70	1.75	3.00	0.77	1.16	0.85	1.09	96.88
1966-67	6.98	15.91	2.11	1.85	3.70	0.90	1.73	1.13	1.14	96.75
1967-68	10.14	19.76	2.41	2.35	4.15	1.08	6.08	1.00	1.18	121.38
1968-69 (RE)	6.37 (4.92)	21.75 (16.78)	2.64 (2.04)	2.65 (2.04)	4.57 (3.53)	1.10 (0.85)	2.25 (1.74)	1.49 (1.15)	0.96 (0.74)	129.59 (100.00)

## Tamil Nadu

1961-62	4.43 (4.81)	21.26 (23.06)	7.03 (6.73)	6.35 (6.89)	2.79 (3.03)	0.48 (0.52)	0.97 (1.06)	1.42 (1.54)	2.52 (2.73)	92.18 (100.00)
1965-66	6.76	40.95	13.31	9.96	10.51	0.91	1.30	2.61	2.81	172.80
1966-67	3.88	48.77	14.96	11.02	12.46	1.10	1.31	2.78	3.19	194.55
1967-68	5.28	57.48	16.83	13.35	15.22	1.80	2.01	2.96	3.39	233.39
1968-69 (RE)	4.21 (1.52)	61.04 (22.01)	18.13 (6.54)	12.69 (4.58)	16.11 (5.81)	1.13 (0.41)	2.22 (0.80)	4.43 (1.60)	3.22 (1.16)	277.28 (100.00)

## Uttar Pradesh

1961-62	21.12 (13.72)	13.02 (8.46)	3.43 (2.23)	5.00 (3.25)	7.26 (4.71)	1.50 (0.98)	0.64 (0.42)	2.33 (1.51)	7.44 (4.83)	153.99 (100.00)
1965-66	24.10	24.85	4.42	8.01	19.36	2.43	1.23	2.37	14.26	263.97
1966-67	20.49	30.13	4.45	8.95	21.06	2.70	1.12	2.72	15.42	300.87
1967-68	25.33	38.03	5.29	10.46	23.63	3.16	1.77	3.17	17.51	350.16
1968-69 (RE)	23.31 (6.42)	39.95 (11.00)	5.18 (1.43)	10.41 (2.87)	21.71 (5.98)	3.47 (0.96)	1.25 (0.59)	2.63 (0.72)	17.04 (4.69)	363.12 (100.00)

\* Figures for 1961-62 and 1965-66 include Haryana also.

† Include Haryana for the first seven months of the year

TABLE 6 : Growth and pattern of State revenues : 1961-62 and 1965-66 to 1968-69—concl'd.

(Rs. crores)

State/Years	Land revenue	Sales taxes	Motor vehicle tax	Stamps & registration	Other taxes and duties	Educational	Medical and public health	Administrative services	Forests	Total revenue receipts
I	2	3	4	5	6	7	8	9	10	11
<i>West Bengal</i>										
1961-62 . . . . .	6.20 (6.10)	21.45 (21.09)	2.35 (2.31)	4.96 (4.88)	9.89 (9.72)	0.75 (0.74)	0.92 (0.90)	0.94 (0.92)	1.71 (1.68)	101.70 (100.00)
1965-66 . . . . .	7.02	45.38	5.60	8.63	14.77	0.64	0.91	2.00	2.28	169.82
1966-67 . . . . .	6.00	48.65	5.76	8.67	15.40	0.73	0.85	1.68	2.14	185.34
1967-68 . . . . .	8.00	58.34	6.50	10.39	17.81	0.74	0.99	1.86	2.40	234.77
1968-69 (RE) . . . . .	6.36 (2.97)	57.21 (26.70)	5.70 (2.66)	9.58 (4.47)	17.74 (8.28)	0.74 (0.35)	0.96 (0.45)	1.83 (0.85)	2.28 (1.06)	214.29 (100.00)

Source : (i) 1961-62, 1965-66 and 1966-67 from Conspectus of the budgets of the Central, State and Union Territory Governments.

(ii) 1967-68 and 1968-69 figures from State budgets.

NOTE : Figures in brackets indicate percentage to the total revenue.

TABLE 7 : Growth of revenue from important taxes for all States, 1950-51 to 1967-68.

(Rs. crores)

Heads	1950-51	1955-56	1960-61	1965-66	1966-67	1967-68
1	2	3	4	5	6	7
Agricultural Income Tax . . . . .	3.59 (100)	7.68 (214)	11.92 (332)	9.62 (268)	10.25 (286)	12.05 (336)
Land Revenue(a) . . . . .	49.60 (100)	77.78 (157)	97.50 (197)	112.83 (227)	91.41 (184)	104.74 (211)
State Excise . . . . .	48.03 (100)	43.70 (91)	53.09 (111)	96.36 (201)	108.91 (227)	130.60 (272)
Taxes on Transport(b) . . . . .	7.58 (100)	15.85 (209)	35.57 (469)	64.66 (853)	70.82 (934)	78.06 (1030)
Sales Taxes(c) . . . . .	55.99 (100)	78.33 (140)	157.92 (282)	365.41 (653)	439.45 (785)	509.56 (910)
Other Taxes and Duties . . . . .	24.41 (100)	26.29 (108)	45.25 (185)	117.97 (483)	137.46 (563)	155.40 (637)
Stamps . . . . .	22.17 (100)	24.30 (110)	36.79 (166)	64.21 (290)	69.34 (313)	81.00 (365)
Registration . . . . .	3.84 (100)	3.92 (102)	6.73 (175)	11.56 (301)	13.17 (343)	15.22 (404)
<b>TOTAL</b> . . . . .	<b>215.21</b> (100)	<b>277.85</b> (129)	<b>444.77</b> (207)	<b>842.62</b> (392)	<b>940.81</b> (437)	<b>1086.63</b> (505)

(a) Includes royalty on mineral oils (Assam and Gujarat).

(b) Includes taxes on motor vehicles, passengers and goods and road toll.

(c) Includes inter-State Sales Tax.

N.B.—Figures in brackets indicate indices with 1950-51 equal to 100.

Source : (i) Combined Finance and Revenue Accounts.

(ii) State Budgets.

TABLE 8 : State-wise revenue from general sales tax, sales tax on motor spirit and Central sales tax during 1965-66 to 1967-68

(Rs. crores)

States	General sales tax and sales tax on motor spirit			Central sales tax		
	1965-66	1966-67	1967-68	1965-66	1966-67	1967-68
I	2	3	4	5	6	7
Andhra Pradesh . . . . .	23.48	28.57	30.41	1.11	1.52	4.36
Assam . . . . .	7.39	7.96	7.39	0.60	0.43	0.60
Bihar . . . . .	15.32	19.83	27.14	6.11	6.82	7.40
Gujarat . . . . .	22.26	28.59	31.58	3.07	6.55	7.64
Haryana . . . . .	5.13	5.85	6.00	1.82	2.08	3.54
Jammu & Kashmir . . . . .	0.77	1.09	1.31	..	..	..
Kerala . . . . .	16.22	20.33	23.67	2.08	2.45	2.62
Madhya Pradesh . . . . .	15.46	17.57	20.58	4.54	5.99	7.66
Maharashtra . . . . .	55.25	68.04	71.91	15.34	19.43	24.18
Mysore . . . . .	17.87	24.56	25.81	1.67	1.87	2.44
Nagaland . . . . .	0.06	0.05	0.09	..	..	..
Orissa . . . . .	7.00	7.26	8.34	2.93	3.71	4.22
Punjab . . . . .	9.14	12.41	13.69	2.25	2.84	4.37
Rajasthan . . . . .	12.44	13.61	17.20	1.73	2.30	2.56
Tamil Nadu . . . . .	33.80	39.69	46.32	7.15	9.08	10.16
Uttar Pradesh . . . . .	25.29	30.96	35.20	2.03	2.49	2.83
West Bengal . . . . .	29.32	31.97	36.81	16.06	16.68	21.53
<b>TOTAL</b> . . . . .	<b>296.20</b>	<b>358.34</b>	<b>403.45</b>	<b>68.49</b>	<b>84.24</b>	<b>106.11</b>

Source : State Budgets.

Realisation	Tax Revenue in 1965-66		Annual Plan 1966-67		Annual Plan 1967-68		Annual Plan 1968-69		Tax Revenue in 1968-69 (R.E.)					
	Total	Additional taxation in 1966-67	Tax revenue in 1966-67		Additional taxation in 1967-68		Tax revenue in 1968-69		Total	Per Capita				
			Total	Per Capita	Targets	Realisation	Total	Per Capita						
4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
47.41	69.13	17.00	6.00	73.14	18.34	2.75	3.13	79.48	19.67	3.00	1.00		13.60	22.33
13.86	21.61	16.50	0.52	22.06	15.92	1.68	0.41	26.31	18.66	..	0.76		29.24	19.83
14.01	54.92	10.14	1.08	55.76	10.62	2.36	1.14	64.29	12.06	5.30	2.00		72.23	13.11
4.07	51.79	22.00	1.43	62.56	26.24	2.00	1.12	71.90	29.59	..	0.10		76.99	30.56
(a)	..	..	..	8.35(b)	9.35	4.25	3.21	26.34	28.95	..	1.01		32.84	34.57
5.14	5.24	13.80	0.17	6.52	17.01	0.40	0.23	7.58	19.44	0.60	0.60		9.18	23.31
2.21	38.56	20.40	0.05	45.28	23.46	4.00	1.22	53.79	27.44	..	1.00		56.10	27.64
4.29	48.96	13.45	2.64	53.48	14.48	4.50	2.24	63.54	16.94	..	1.10		69.41	17.87
5.21	122.42	27.71	2.43	152.29	33.61	6.00	1.46	168.28	36.50	3.00	..		183.87	38.57
4.31	46.48	17.80	0.52	53.01	19.87	3.50	2.50	63.10	23.28	..	..		73.72	26.34
..	0.14	3.53	..	..	..	..	..	0.23	5.60	..	..		0.17	4.07
3.73	19.74	10.23	0.31	21.18	10.73	1.28	0.81	24.25	12.12	1.14	..		1.33	24.88
10.46(c)	55.91	24.13	0.97	53.45(d)	40.80	5.32	0.90	50.20	37.46	..	..		1.63	63.60
3.26	35.42	15.53	0.66	38.94	16.97	3.85	3.17	46.60	19.50	..	..		..	46.98
5.79	83.21	22.98	..	93.05	25.25	5.75	5.37	109.54	29.37	..	..		..	114.72
9.068	94.97	11.71	1.28	102.65	12.37	..	1.52	123.09	14.60	..	..		..	121.66
0.040	94.12	23.99	3.85	99.09	24.58	3.50	0.79	108.11	26.30	..	2.00		..	113.20
..	842.62	17.63	45.75(e)	22.41	940.81	19.29	51.14	29.22	1086.63	21.92	13.04(f)		12.53	1182.39

Cons of the Budgets of the Central and State Governments. Cols. 13 and 17 from State budgets. Figures of additional taxation obtained from Planning Commission.

of the only. This state came into being on November 1, 1966.  
 or the while State of Punjab and for the next 5 months for the reorganised State of Punjab.  
 States need to raise Rs. 102 crores through measures undertaken either in 1965-66 subsequent to the presentation of Budget or through  
 The for 1966-67 shown in this table had been worked out by excluding Rs. 102 crores, the amounts raised in 1965-66.  
 which the figures are given, several other States had also indicated their willingness to undertake additional taxation, but no specific  
 or there

(Rs. crores except per capita)

States	Tax revenue at the beginning of the Third Plan (1960-61)			Tax Revenue in 1965-66			Annual Plan 1966-67			Annual Plan 1967-68			Annual Plan 1968-69						
	Total	Per Capita	Targets	Total	Per Capita	Realisation	Additional taxation in 1966-67	Total	Per Capita	Targets	Realisation	Additional taxation in 1967-68	Total	Per Capita	Targets	Realisation	Additional taxation in 1968-69	Total	Per Capita
Andhra Pradesh	40.18	11.17	53.00	47.41	69.13	17.69	4.00	6.00	73.14	18.34	2.75	3.13	79.48	19.67	3.00	1.00	93.60	22.33	
Assam	12.27	10.33	16.00	13.86	21.61	16.07	0.50	0.52	22.06	15.92	1.68	0.41	26.31	18.66	..	0.76	29.24	19.83	
Bihar	31.24	6.72	50.00	24.01	54.92	10.71	2.14	1.08	55.76	10.62	2.36	1.14	64.29	12.06	5.30	2.00	72.23	13.11	
Gujarat	21.08	10.22	29.00	44.07	51.79	22.33	..	1.43	62.56	26.24	2.00	1.12	71.90	29.59	..	0.10	76.99	30.56	
Haryana	(a)	..	(a)	(a)	..	..	..	..	8.35(b)	9.35	4.25	3.21	26.34	28.95	..	1.01	32.84	34.57	
Jammu and Kashmir	2.85	8.00	8.00	6.14	5.24	13.87	0.80	0.17	6.52	17.01	0.40	0.23	7.58	19.44	0.60	0.60	9.18	23.31	
Kerala	20.17	11.93	23.00	26.21	38.56	20.49	0.75	0.05	45.28	23.46	4.00	1.22	53.79	27.44	..	1.00	56.10	27.64	
Madhya Pradesh	27.20	8.40	48.00	32.29	48.96	13.48	6.58	2.64	53.48	14.48	4.50	2.24	63.54	16.94	..	1.10	69.41	17.87	
Maharashtra	64.26	16.25	52.00	79.21	122.42	27.72	1.30	2.43	152.29	33.61	6.00	1.46	168.28	36.50	3.00	..	183.87	38.57	
Mysore	24.42	10.35	42.00	38.31	46.48	17.84	7.75	0.52	53.01	19.87	3.50	2.50	63.10	23.28	..	..	73.72	26.34	
Nagaland	..	..	..	..	0.14	3.53	..	..	..	..	..	..	0.23	5.60	..	..	0.17	4.07	
Orissa	8.54	4.87	23.00	32.73	19.74	10.23	3.25	0.81	21.18	10.73	1.28	0.81	24.25	12.12	1.14	1.33	24.88	12.03	
Punjab	25.66	12.64	40.00(c)	52.46(c)	55.91	24.13	4.50(c)	0.97	53.45(d)	40.80	5.32	0.90	50.20	37.46	..	1.63	63.60	45.64	
Rajasthan	18.12	8.99	32.00	31.16	35.42	15.53	4.83	0.66	38.94	16.97	3.85	3.17	46.60	19.50	..	..	46.98	18.89	
Tamil Nadu	39.80	11.81	45.00	56.79	83.21	22.98	0.20	..	93.05	25.25	5.75	5.37	109.54	29.37	..	..	114.72	30.05	
Uttar Pradesh	57.45	7.79	109.00	89.68	94.97	11.71	2.40	1.28	102.65	12.37	..	1.52	123.09	14.60	..	..	121.66	14.00	
West Bengal	51.53	14.75	40.00	41.40	94.12	23.99	6.75	3.85	99.09	24.58	3.50	0.79	108.11	26.30	..	2.00	113.20	26.58	
<b>TOTAL</b>	<b>444.77</b>	<b>10.30</b>	<b>610.00</b>	<b>615.73</b>	<b>842.62</b>	<b>17.63</b>	<b>45.75(e)</b>	<b>22.41</b>	<b>940.81</b>	<b>19.29</b>	<b>51.14</b>	<b>29.22</b>	<b>1086.63</b>	<b>21.92</b>	<b>13.04(f)</b>	<b>12.53</b>	<b>1182.39</b>	<b>23.08</b>	

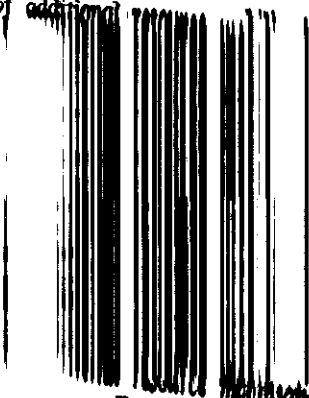
Source : Cols. 1, 5 and 9 from Conspectus of the Budgets of the Central and State Governments. Cols. 13 and 17 from State budgets. Figures of additional taxation targets and realisations obtained from Planning Commission.

- (a) Included under Punjab.
- (b) For the last 5 months of the year only. This state came into being on November 1, 1966.
- (c) Includes Haryana also.
- (d) For the first 7 months for the erstwhile State of Punjab and for the next 5 months for the reorganised State of Punjab.
- (e) For the 1966-67 Plan, the States agreed to raise Rs. 102 crores through measures undertaken either in 1965-66 subsequent to the presentation of Budget or through fresh measures in 1966-67. The target for 1966-67 shown in this table had been worked out by excluding .0m Rs. 102 crores, the amounts raised in 1965-66.
- (f) Apart from the State for which the figures are given, several other States had also indicated their willingness to undertake additional taxation, but no specific targets were worked out for them.





TABLE 10 : Targets of additional



... ..  
Fourth Plan. ... .. agreed to by States for the

**TABLE 10 : Targets of additional resource mobilisation agreed to by States for the Fourth Plan.**

	(Rs. crores)
Andhra Pradesh . . . . .	100·0
Assam . . . . .	*
Bihar . . . . .	100·0
Gujarat . . . . .	116·7
Haryana . . . . .	30·0
Jammu and Kashmir . . . . .	9·0
Kerala . . . . .	60·0
Madhya Pradesh . . . . .	100·0
Maharashtra . . . . .	50·0
Mysore . . . . .	50·0
Nagaland . . . . .	..
Orissa . . . . .	35·0
Punjab . . . . .	78·0
Rajasthan . . . . .	40·0
Tamil Nadu . . . . .	85·0
Uttar Pradesh . . . . .	175·0
West Bengal . . . . .	80·0
<b>TOTAL . . . . .</b>	<b>1108·7</b>

Source : Fourth Five-Year Plan (Draft).

\*Estimate not yet furnished by the State.

TABLE II : Tax revenues and non-tax revenues of States in 1967-68 .

States	Tax revenue* (Rs. crores)	Non-tax revenue** (Rs. crores)	Total revenue (Rs. crores)	Non-tax re- venue as percentage of total (Percentages)
1	2	3	4	5
Andhra Pradesh . . . . .	79.48	43.31	122.79	35.27
Assam . . . . .	26.31	8.59	34.90	24.61
Bihar . . . . .	64.29	28.67	92.96	30.84
Gujarat . . . . .	71.90	31.94	103.84	30.76
Haryana . . . . .	26.34	22.02	48.36	45.53
Jammu & Kashmir . . . . .	7.58	12.85	20.43	62.90
Kerala . . . . .	53.79	23.69	77.48	30.58
Madhya Pradesh . . . . .	63.54	43.65	107.19	40.72
Maharashtra . . . . .	168.28	63.45	231.73	27.38
Mysore . . . . .	63.10	50.68	113.78	44.54
Nagaland . . . . .	0.23	0.76	0.99	76.77
Orissa . . . . .	24.25	27.25	51.50	52.91
Punjab . . . . .	50.20	33.68	83.88	40.15
Rajasthan . . . . .	46.60	27.59	74.19	37.19
Tamil Nadu . . . . .	109.54	61.49	171.03	35.95
Uttar Pradesh . . . . .	123.09	112.74	235.83	47.81
West Bengal . . . . .	108.11	31.86	139.97	22.76
<b>TOTAL . . . . .</b>	<b>1086.63(b)</b>	<b>624.22</b>	<b>1710.85</b>	<b>36.49</b>

\*Excludes transfer of taxes from the Centre.

\*\*Excludes all grants from the Centre.

(b) Includes receipts from royalty on mineral oil (Assam & Gujarat) and road tolls (J&K).

Sources : State Budgets.

TABLE 12 : State incomes for 1962-63 to 1964-65 (average), tax revenues in 1967-68 and tax revenues as proportion of the State incomes

State	State incomes for 1962-63 to 1964-65 (average)		Tax revenues* in 1967-68		Percentage of tax revenues to State incomes (col. 4 to col. 2)
	Total amount (Rs. crores)	Per capita (Rs.)	Total amount (Rs. crores)	Per capita** (Rs.)	
I	2	3	4	5	6
Punjab . . . . .	595	492	50.20	37.46	8.44
Maharashtra . . . . .	2019	478	168.28	36.50	8.34
West Bengal . . . . .	1742	465	108.11	26.30	6.21
Gujarat . . . . .	1025	462	71.90	29.59	7.01
Haryana . . . . .	367	445	26.34	28.95	7.18
Tamil Nadu . . . . .	1408	400	109.54	29.37	7.78
Assam . . . . .	503	393	26.31	18.66	5.23
Andhra Pradesh . . . . .	1460	386	79.48	19.67	5.44
Mysore . . . . .	936	373	63.10	23.28	6.74
Kerala . . . . .	616	341	53.79	27.44	8.73
Madhya Pradesh . . . . .	1126	325	63.54	16.94	5.64
Rajasthan . . . . .	683	314	46.60	19.50	6.82
Uttar Pradesh . . . . .	2398	306	123.09	14.60	5.13
Orissa . . . . .	568	306	24.25	12.12	4.27
Jammu & Kashmir . . . . .	111	302	7.58	19.44	6.83
Bihar . . . . .	1308	265	64.29	12.06	4.91
Nagaland . . . . .	NA	NA	0.23	5.75	NA <sup>1</sup>
TOTAL . . . . .	16865	369	1086.63	21.92	6.44

\* Excludes transfer of taxes from the Centre but includes receipts from inter-State Sales Tax, road tolls (J&K) and royalty on mineral oil (Assam and Gujarat),

\*\* Based on population estimate for March, 1967 as worked out in the Central Statistical Organisation.

Source : (i) C.S.O. for State incomes and per capita incomes.

(ii) State Budgets for tax revenues.

TABLE 13 : All-States tax revenues as percentage of national income from 1950-51 to 1967-68

	National Income (at current prices)		Total Tax Revenues of all States		Percentage of all States Tax Revenues to National Income (Percentage)	Percentage increase in Tax Revenues over increase in National Income (b) (Percentage)
	Total amount	Increase over the previous period	Total amount(a)	Increase over the previous period		
	(Rs. crores)	(Percentage)	(Rs. crores)	(Percentage)		
1	2	3	4	5	6	7
1950-51 . . . . .	9530	..	215·21		2·25	..
1955-56 . . . . .	9980	4·72	277·85	29·11	2·78	13·9
1960-61 . . . . .	14140 (13274)	41·68 (33·01)	444·77	60·08	3·15 (3·35)	4·0 (5·1)
1965-66 . . . . .	20340* (20573)	43·84 (54·99)	842·62	89·45	4·14 (4·10)	6·4 (5·4)
1966-67 . . . . .	23120** (23651)	13·67 (14·96)	940·81	11·65	4·07 (3·98)	3·5 (3·2)
1967-68 . . . . .	N.A. (27901)*	N.A. (17·97)	1086·63	15·50	N.A. (3·89)	(3·4)

(a) Includes royalty on mineral oil (Assam and Gujarat) and road tolls (J. & K).

(b) Percentage of the difference between two successive figures of col. 2 to the difference of the two successive figures of col. 4.

\*Preliminary Estimates.

\*\*Quick Estimates.

N.B.—Figures in brackets relate to revised series.

Source : (i) National Income—Central Statistical Organisation.

(ii) Combined Finance and Revenue Accounts.

(iii) State Budgets.

TABLE 14 : Per capita revenue from important State taxes in 1967-68

(In rupees)

States	Taxes on land*	State Excise	Taxes on transport**	General Sales Tax	Inter-State Sales tax	Stamps & Registration	Other taxes and duties	Total tax revenue
1	2	3	4	5	6	7	8	9
Punjab	1.38	11.31	4.43	9.34	3.26	4.64	3.10	37.46
Maharashtra	1.91	0.90	5.76	14.09	5.25	2.44	6.15	36.50
West Bengal	2.36	3.21	3.42	6.64	4.79	2.56	3.32	26.30
Gujarat	3.54(a)	0.26	4.98	12.04	3.15	1.91	3.71	29.59
Haryana	1.57	6.86	4.24	6.15	3.89	3.96	2.28	28.95
Tamil Nadu	1.85	0.20	5.89	11.01	2.76	3.58	4.08	29.37
Assam	6.10(a)	2.10	3.04	5.23	0.42	1.01	0.76	18.66
Andhra Pradesh	1.96	3.96	2.99	6.88	1.08	2.01	0.79	19.67
Mysore	3.42	2.62	4.24	7.80	1.67	2.05	1.48	23.28
Kerala	2.64	4.73	4.81	10.39	1.33	2.62	0.92	27.44
Madhya Pradesh	1.94	3.16	2.21	5.11	1.99	1.16	1.37	16.94
Rajasthan	4.25	3.26	2.42	6.94	1.07	0.98	0.58	19.50
Uttar Pradesh	3.03	2.38	1.70	4.10	0.42	1.24	1.73	14.60
Orissa	0.83	1.43	1.57	3.69	2.12	1.02	1.46	12.12
Jammu and Kashmir	1.49	4.46	9.26	2.57	..	1.10	0.56	19.44
Bihar	0.64	2.02	1.06	3.70	2.20	1.32	1.12	12.06
Nagaland	0.25	1.25	1.25	2.50	..	..	0.50	5.75
TOTAL	2.36	2.63	3.28	7.18	2.74	1.95	1.78	21.92

\*Includes agricultural income tax and land revenue.

\*\*Includes tax on motor vehicles, tax on passenger and goods and road tolls.

(a) Takes into account royalty on mineral oil.

N.B.—Based on population estimates for March, 1967. (Central Statistical Organisation).

TABLE 17: *Arrears of Tax Revenues*  
(Latest available position)

States	As on	(Rs. crores)							Total
		1	2	3	4	5	6	7	
Andhra Pradesh	31-3-1968	..	11.24(b)	3.97	5.62	0.09	N.A.	N.A.	30.02
Assam	31-3-1968(c)	1.45	4.30	..	1.41	..	1.41	1.66	8.33
Bihar	31-3-1969	N.A.	10.71	0.50	6.91	0.05	0.64	0.64	18.31
Gujarat	31-3-1968	..	3.07	0.09	2.33	N.A.	N.A.	N.A.	5.49
Haryana	31-3-1968	..	0.34	N.A.	0.09	N.A.	N.A.	N.A.	0.43
Jammu and Kashmir	31-3-1969	..	0.48	N.A.	0.05	N.A.	N.A.	N.A.	0.53
Kerala	31-3-1969	1.25	1.13	0.60	5.25	N.A.	1.00	1.00	9.33
Madhya Pradesh	31-3-1968	..	3.77	1.40	2.93	N.A.	N.A.	N.A.	8.10
Maharashtra	31-3-1968	0.43	2.21	N.A.	14.22	N.A.	0.99(d)	0.99(d)	17.85
Mysore	31-3-1968	N.A.	8.18	0.54	4.13	0.03	N.A.	N.A.	13.88
Orissa	31-3-1968	N.A.	1.42	0.08	3.16	N.A.	N.A.	N.A.	4.66
Punjab	31-3-1969	..	0.60	0.10	0.45	Neg.	0.30	0.30	1.45
Rajasthan	31-3-1968	N.A.	5.50	0.68	2.30	0.01	0.54	0.54	9.13
Tamil Nadu	31-3-1969	0.40	2.56	N.A.	7.28	0.05	N.A.	N.A.	10.29
Uttar Pradesh	31-3-1969	0.78	9.04(e)	0.35(f)	16.87(j)	Neg.	1.72(d)	1.72(d)	28.76
West Bengal	31-3-1969	1.33(f)	3.94	N.A.	22.00	N.A.	1.17(g)	1.17(g)	28.44
<b>TOTAL</b>		5.64	68.49	8.31	95.09	0.23	8.02	8.02	185.78

(a) As at the end of the agricultural year.

(b) Includes Rs. 8.26 crores pertaining to 1967-68.

(c) As supplied by the State Government to the Planning Commission.

(d) Relates to sugarcane cess and purchase tax on sugarcane.

(e) Includes Rs. 1.68 crores in respect of consolidation fee.

(f) Relates to 1967-68 end.

(g) This is in respect of tax on raw jute.

TABLE 18 : *Percentage of land revenue arrears to the total demand*

(Percentages)

States	1964-65	1965-66	1966-67	1967-68
I	2	3	4	5
Andhra Pradesh . . . . .	27.44	26.11	19.01	57.41
Assam . . . . .	61.58	47.42	55.27	N.A.
Bihar . . . . .	29.13	31.22	66.77	85.44
Gujarat . . . . .	33.89	37.36	31.40	N.A.
Haryana . . . . .	..	..	30.09	17.80
Jammu & Kashmir . . . . .	29.47	53.93	64.22	N.A.
Kerala . . . . .	35.61	7.54	9.81	16.47
Madhya Pradesh . . . . .	13.29	20.07	40.25	37.78
Maharashtra . . . . .	17.99	37.51	27.93	N.A.
Mysore . . . . .	39.81	61.34	68.10	67.77
Nagaland . . . . .	..	..	..	..
Orissa . . . . .	28.62	37.64	52.85	66.36
Punjab . . . . .	12.09	9.76	9.97	27.55
Rajasthan . . . . .	32.91	51.08	51.44	33.27
Tamil Nadu . . . . .	13.79	13.13	16.91	19.38
Uttar Pradesh . . . . .	9.43	11.38	32.10	21.24
West Bengal . . . . .	32.47	41.99	40.30	N.A.
Total . . . . .	25.18	29.67	38.21	43.62*

\*This does not include Assam, Gujarat, Jammu and Kashmir, Maharashtra and West Bengal; information in respect of these States is not available.

Source : Material received from the State Governments.



TABLE 19 : Percentage of Sales Tax arrears to the total demand

(Percentage)

States	1964-65	1965-66	1966-67	1967-68
I	2	3	4	5
Andhra Pradesh . . . . .	13.82	13.49	11.17	10.20
Assam . . . . .	9.35	10.15	13.15	N.A.
Bihar . . . . .	23.22	22.98	24.00	21.64
Gujarat . . . . .	6.09	6.23	5.37	N.A.
Haryana . . . . .	..	..	5.39	0.91
Jammu & Kashmir . . . . .	2.33	10.59	9.17	N.A.
Kerala . . . . .	18.01	18.92	16.76	20.43
Madhya Pradesh . . . . .	10.54	9.60	8.89	9.42
Maharashtra . . . . .	12.86	12.27	10.75	N.A.
Mysore . . . . .	12.13	12.05	12.44	17.30
Nagaland . . . . .	..	..	..	..
Orissa . . . . .	22.73	22.04	23.53	21.21
Punjab . . . . .	3.09	3.70	3.76	2.45
Rajasthan . . . . .	7.58	8.76	11.62	10.69
Tamil Nadu . . . . .	13.63	15.57	14.86	13.22
Uttar Pradesh . . . . .	35.96	32.84	29.96	28.72
West Bengal . . . . .	28.40	25.64	25.64	28.78
TOTAL . . . . .	17.14	16.56	15.73	18.53*

\* This does not include Assam, Gujarat, Jammu & Kashmir and Maharashtra, information in regard to these States is not available.

Source : Material received from the State Governments.

TABLE 17: *Arrears of Tax Revenues*

(Latest available position)

(Rs. crores)

States	As on	Agricultural income tax	Land revenue (a)	State Excise	Sales Tax	Entertain- ment Tax	Other taxes	Total
	1	2	3	4	5	6	7	8
Andhra Pradesh	31-3-1968	..	11.24(b)	3.97	5.62	0.09	N.A.	20.02
Assam	31-3-1968(c)	1.45	4.30	..	1.41	..	1.66	8.82
Bihar	31-3-1969	N.A.	10.71	0.50	6.91	0.05	0.64	18.81
Gujarat	31-3-1968	..	3.07	0.09	2.33	N.A.	N.A.	5.49
Haryana	31-3-1968	..	0.34	N.A.	0.09	N.A.	N.A.	0.43
Jammu and Kashmir	31-3-1969	..	0.48	N.A.	0.05	N.A.	N.A.	0.53
Kerala	31-3-1969	1.25	1.13	0.60	5.25	..	1.00	9.23
Madhya Pradesh	31-3-1968	..	3.77	1.40	2.93	N.A.	N.A.	8.10
Maharashtra	31-3-1968	0.43	2.21	N.A.	14.22	N.A.	0.99(d)	17.85
Mysore	31-3-1968	N.A.	8.18	0.54	4.13	0.03	N.A.	13.88
Orissa	31-3-1968	N.A.	1.42	0.08	3.16	N.A.	N.A.	4.66
Punjab	31-3-1969	..	0.60	0.10	0.45	Neg.	0.30	1.45
Rajasthan	31-3-1968	N.A.	5.50	0.68	2.39	0.01	0.54	9.12
Tamil Nadu	31-3-1969	0.40	2.56	N.A.	7.28	0.05	N.A.	10.29
Uttar Pradesh	31-3-1969	0.78	9.04(e)	0.35(f)	16.87(f)	Neg.	1.72(d)	28.76
West Bengal	31-3-1969	1.33(f)	3.94	N.A.	22.00	N.A.	1.17(g)	28.44
<b>TOTAL</b>		<b>5.64</b>	<b>68.49</b>	<b>8.31</b>	<b>95.09</b>	<b>0.23</b>	<b>8.02</b>	<b>185.78</b>

(a) As at the end of the agricultural year.

(b) Includes Rs. 8.26 crores pertaining to 1967-68.

(c) As supplied by the State Government to the Planning Commission.

(d) Relates to sugarcane cess and purchase tax on sugarcane.

(e) Includes Rs. 1.68 crores in respect of consolidation fee.

(f) Relates to 1967-68 end.

(g) This is in respect of tax on raw juts.

TABLE 16 : Incidence of land revenue per hectare of net area sown

States	Land revenue in 1967-68 (Rs. crores)	Net area sown in 1965-66* (Thousand hectares)	Land revenue per hectare (Rupees)
1	2	3	4
Andhra Pradesh . . . . .	7.90**	10995	7.19
Assam . . . . .	3.04	2337	13.01
Bihar . . . . .	3.24	8338	3.89
Gujarat . . . . .	7.81	9528	8.20
Haryana . . . . .	1.43	3403	4.20
Jammu & Kashmir . . . . .	0.58	671	8.64
Kerala . . . . .	1.85	2064	8.96
Madhya Pradesh . . . . .	7.26	16529	4.39
Maharashtra . . . . .	8.74	18122	4.82
Mysore . . . . .	7.41	10011	7.40
Nagaland . . . . .	0.01	47	2.13
Orissa . . . . .	1.61	5989	2.69
Punjab . . . . .	1.85	3836	4.82
Rajasthan . . . . .	10.14	14131	7.18
Tamil Nadu . . . . .	5.28	5934	8.90
Uttar Pradesh . . . . .	25.33	17343	14.61
West Bengal . . . . .	5.47	5443	10.05
<b>TOTAL . . . . .</b>	<b>98.95</b>	<b>134721</b>	<b>7.34</b>

Source : Col (2) State Budgets.

Col. (3) Directorate of Economics and Statistics, Ministry of Food and Agriculture, Community Development and Co-operation.

\*Figures for years later than 1965-66 are not available.

\*\*This includes revenue from irrigation charges also for which separate figures are not available.

Commodities	Andhra Pradesh	Assam	Bihar	Gujarat	Haryana	Jammu & Kashmir	Kerala	Madhya Pradesh	Maha-rashtra	Mysore	Orissa	Punjab	Rajas-than	Tamil Nadu	Uttar Pradesh	West Bengal
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1. Cement . . . . .	5	6	7	7	6	7	7	7	6	6½	5	6	10	6	7	NA
2. Foodgrains—																
	Rice 6* Jowar 2	NA	NA	NA	Wheat } Maize } Flour } 1½ ted	exemp- ted	1	2	NA	1½MP	1	Wheat } Maize } Flour } 1½ Jowar } Maize } 1	NA	1.5	NA	
													Others 2			
3. Kerosene . . . . .	3	NA	4	3	NA	exemp- ted	4	7	2	4	1 & 5†	NA	7	5½	7	NA
4. Safety matches . . . . .	5	NA	7	3	6	exemp- ted	2	7	2	3 MP	3	6	7	3	7	5
5. Vanaspati . . . . .	5	6	5	8	6	7	6	7	3	6½	5	6	10	7	7	5
6. Motor vehicles, parts and accessories . . . . .	10	12	10	10	10	10	12	11	11	11	10	10	10	12	10	12
7. Tyres and Tubes . . . . .	10	12	10	Car 10 Cycle 7	10	8	Car 12 Cycle 5	11	Car 11 Cycle 7	11	7	10	Car 10 Cycle & Trac- tor 7	Motor vehic- le 12 Trac- tor 7	7	10
8. Electric fans . . . . .	7	7	10	10	10	10	7	11	11	6½	7	10	10	7	10	NA
9. Wireless instruments, Radio, etc. . . . .	10	12	10	10	10	10	12	11	12	11	10	10	12	12	10	12
10. Refrigerators & air conditioning plants & component parts . . . . .	10	12	10	10	10	10	12	11	12	11	10	10	15	12	10	12
11. Paper . . . . .	..	NA	7	5	6	exemp- ted	5	7	5	NA	7	6	6	3	6	5
12. Cotton yarn . . . . .	½	NA	..	3	3	exemp- ted	1	1	3	1	2	3	2	2	2	3
13. Leather goods other than foot-wear . . . . .	3MP	6	NA	8	8	10	5	7	8	5½	5	6	7	3	3	NA
14. Tea . . . . .	4	NA	7	8	NA	2	5	7	6	5½	5	NA	7	5½	7	NA

\*At the point of sale by the first wholesale dealer in the State effecting the sale subject to a rebate of 2 paise in a rupee on the rice sold and consumed in the State.

†Inferior 1 per cent and superior 5 per cent.



TABLE 21 : Rates of Sales Tax on Motor Spirit

(In terms of paise per litre)

States	Motor Spirit	High Speed Diesel Oil	Light Diesel Oil	Aviation Spirit	Vaporising Oil
1	2	3	4	5	6
Andhra Pradesh . . . . .	11	10	10	10(g)	N.A.
Assam . . . . .	15(c)	11	11	N.A.	N.A.
Bihar . . . . .	12	N.A.	5(d)	N.A.	0
Gujarat . . . . .	12	5	N.A.	5	3
Haryana . . . . .	6	6	6	6	6
Jammu & Kashmir . . . . .	10	10	10	10	N.A.†
Kerala . . . . .	20(b)	N.A.	N.A.	12	N.A.
Madhya Pradesh . . . . .	12(h)	7	7	5(i)	N.A.
Maharashtra . . . . .	11	6	11	5	3
Mysore . . . . .	9(k)	8	8	8	8
Nagaland . . . . .	N.A.‡	N.A.	N.A.‡	N.A.	N.A.
Orissa . . . . .	12	9	9	5	N.A.
Punjab . . . . .	7	7	7	7	7
Rajasthan . . . . .	12	7	7	8	N.A.
Tamil Nadu . . . . .	10(j)	10	10	10	2
Uttar Pradesh . . . . .	9	7	7	N.A.	N.A.
West Bengal . . . . .	10(l)	N.A.‡	N.A.	N.A.	N.A.

Source : Information supplied by State Governments to the Fifth Finance Commission.

- (a) Diesel oil N.O.S.
- (b) At the point of first sale on orange spirit other than petrol. Petrol is liable to tax at 15 per cent at the point of first sale.
- (c) Motor spirit other than petrol and diesel or aviation fuel is 2 paise per litre.
- (d) Motor spirit other than petrol 3 paise per litre.
- (e) Except for diesel oil and internal combustion oil other than petrol.
- (f) On motor spirit which has a flashing point at or above 27.4 degrees centigrade. On other motor spirit 12 paise per litre.
- (g) Aviation turbine fuel at 6 paise per litre.
- (h) Motor spirit other than petrol, diesel oil, aviation spirit and aviation turbine fuel is 7 paise per litre.
- (i) 5 paise per litre for turbine fuel also.



TABLE 23 : Water rates for Rice, Wheat and Sugarcane 1968-69

(Rs. per acre)

States	Rice	Wheat	Sugarcane
1	2	3	4
Andhra Pradesh . . . . .	15	N.A.	22.50
Assam . . . . .	N.A.	..	..
Bihar . . . . .	16	9	N.A.†
Gujarat . . . . .	18	15	120
Jammu & Kashmir . . . . .	4.62 to 6.50	3.50 to 4.75	4.67
Kerala . . . . .	5 to 10	..	N.A.
Madhya Pradesh . . . . .	10 to 12	4 to 7.50	20
Maharashtra . . . . .	15	9	120 to 180
Mysore . . . . .	16	8	30 to 45
Orissa . . . . .	20 to 30	4 to 10	21
Punjab & Haryana . . . . .	4.5 to 9.88	2.75 to 5.84	5.45 to 16.62
Rajasthan . . . . .	8.5 to 9.0	6 to 10	21.5 to 27
Tamil Nadu . . . . .	3.75 to 15	..	N.A.
Uttar Pradesh . . . . .	4 to 14	3.75 to 12	6.75 to 32
West Bengal . . . . .	5.50 to 12.50	6 to 15	9



TABLE 24 : Rates of Entertainment Tax

(In terms of percentage of the admission or entry ticket)

*Andhra Pradesh:*

- (a) 35% on tickets upto Rs. 1.50;
- (b) 45% on tickets of more than Rs. 1.50;
- (c) On dramatic and music performances:
  - (i) 1/8th of the tickets upto Rs. 3;
  - (ii) 1/5th of the tickets of Rs. 3 to 5;
  - (iii) 1/3rd of the tickets of more than Rs. 5.

*Assam:*

- (a) 25% on tickets of less than Re. 1;
- (b) 50% on tickets of Rs. 1 to 2;
- (c) 60% on tickets of more than Rs. 2;
- (d) 37% for race courses.

*Bihar:*

- (a) 25% of the admission fee on circuses;
- (b) 75% of the admission fee on other entertainments.

*Gujarat\*:*

- (a) 30% for tickets upto Re. 1;
- (b) 40% for tickets of more than Re. 1 to Rs. 2;
- (c) 50% for tickets of more than Rs. 2 to Rs. 3;
- (d) 55% for tickets of more than Rs. 3 to Rs. 3.60;
- (e) 60% for tickets of more than Rs. 3.60.

*Haryana:*

50% of the payment for admission for any entertainment.

*Jammu & Kashmir:*

- (a) 4 to 37 paise for tickets upto Re. 1;
- (b) 46 to 75 paise for tickets of more than Re. 1 to Rs. 2;
- (c) 84 paise to Rs. 1.87 for tickets of more than Rs. 2 to Rs. 5;
- (d) Rs. 2.25 to Rs. 3.37 for tickets of more than Rs. 5 to 10;
- (e) 37½% for tickets of more than Rs. 10.

\* The rates given here apply to the cities of Ahmedabad, Surat, Baroda, Bhavnagar, Rajkot and Jammu. For other areas, the rates are : 25% for tickets upto 40 paise, 30% on tickets of more than 40 paise to Re. 1; 35% on tickets of more than Re. 1 to Rs. 2; 45% on tickets of more than Rs. 2 to Rs. 3 and 50% on tickets of more than Rs. 3.

TABLE 2A : Rates of Entertainment Tax—contd.

*Kerala :*

- (a) The rates range from 10% to 25%. Specific rates are not indicated ;
- (b) There is also an additional tax on entertainment at the rate of :
- (i) 5 paise on tickets of less than 50 paise ;
- (ii) 10 paise on tickets of more than 50 paise to Re. 1 ;
- (iii) 20 paise on tickets of more than Re. 1.

*Madhya Pradesh :*

33-1/3% on all entertainments, but 40% for cinema tickets of more than Rs. 1.50.

*Maharashtra\*\* :*

- (a) 37½% on the admission fee upto Re. 1 ;
- (b) 55% on next Re. 1 ;
- (c) 65% on above Rs. 2.

*Mysore :*

- (a) 20% on tickets upto Re. 0.50 ;
- (b) 25% on tickets of more than Re. 0.50 to Rs. 1.50 ;
- (c) 30% on tickets of more than than Rs. 1.50 to Rs. 3 ;
- (d) 35% on tickets of more than Rs. 3.

*Orissa :*

- (a) 25% on tickets upto Re. 1 ;
- (b) 40% on tickets of more than Re. 1 to Rs. 3 ;
- (c) 50% on tickets of more than Rs. 3 ;
- (d) There is also a surcharge of 25% in certain municipalities and notified areas.

*Punjab :*

50% of the payment for admission for any entertainment.

*Rajasthan :*

- (a) 35% on tickets upto Re. 0.50 ;
- (b) 50% on tickets of more than Re. 0.50 to Re. 1 ;
- (c) 60% on tickets of more than Re. 1 to Rs. 2 ;
- (d) 70% on tickets of more than Rs. 2.

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\*\*The rates given here apply to Greater Bombay, Sholapur and the cities and cantonments of Poona and Nagpur. For other areas the corresponding rates are 32½%, 47½% and 60%.

TABLE 2A : Rates of Entertainment Tax—concl'd.

*Tamil Nadu :*

- (a) 1/4th of the value of tickets upto 30 paise;
- (b) 1/3rd of the value of tickets of more than 30 paise and upto R. 1·50 ;
- (c) 2/5th of the ticket of more than Rs. 1·50.

*Uttar Pradesh :*

- (a) 12½% on cultural programmes ;
- (b) 25% on circuses ;
- (c) 60% on variety shows, skating and games ;
- (d) 75% on cinematograph exhibitions.

*West Bengal :*

- (a) 25% general rate for any entertainment ;
- (b) From 5 paise to Rs. 2 for theatres, circuses and shadow plays depending on the value of tickets ;
- (c) For cinemas :
  - (i) Exempted upto tickets of 19 paise ;
  - (ii) 25% for tickets from paise 20 to 50 ;
  - (iii) 50% for tickets of more than Re. 0·50 to Rs. 1·20 ;
  - (iv) 100% on tickets of more than Rs. 2·25.

TABLE 25: Rates of Stamp Duties and Registration

(1967-68)

(Rupees)

States	Stamps			Registration
	Agreement relating to deposit of title deeds, pawn or pledge for Rs. 10,000 when drawn singly	For bonds of Rs. 1,000 (other than administration bonds, indemnity bonds and respondentia bonds)	Conveyance with amount or value of consideration of Rs. 1,000	On documents of the value of the consideration of Rs. 1,000
1	2	3	4	5
Andhra Pradesh	40.50	22.50	45.00	10.00
Assam	2.50(a) to 5.00	15.00	22.50	7.50
Bihar	13.50	7.50	15.00	10.00
Gujarat	14.85	15.00	40.00(b)	9.30
Haryana	N.A.	N.A.	50.00(c)	21.00
Jammu and Kashmir	N.A.	10.00	15.00	30.00
Kerala	40.50	22.50	45.00(d)	10.00
Madhya Pradesh	9.00(a) and 18.00	20.00	35.00	11.00
Maharashtra	2.75(a) and 5.50	15.00	30.00(e)	10.50
Mysore	40.50	22.50	45.00	10.00
Nagaland	N.A.	N.A.	N.A.	N.A.
Orissa	25.24	14.06	28.13	10.00
Punjab	N.A.	N.A.	30.00(d)	21.00
Rajasthan	18.00	15.00	30.00	12.50
Tamil Nadu	40.50	22.50	45.00	10.00
Uttar Pradesh	28.00	N.A.	N.A.	21.00
West Bengal	27.00	12.00	27.00	15.00

(a) If the loan or debt is repayable within three months from the date of agreement.

(b) Rs. 50 to 60 for immovable property.

(c) Rs. 100 for immovable property.

(d) Rs. 60 for immovable property.

(e) Rs. 50 to 100 for immovable property in urban areas.

Source: Information furnished by the State Governments to the Fifth Finance Commission.

TABLE 26 : Rates of tax on motor vehicles (annual): 1967-68

States	Goods vehicles		Public service vehicles (highest category passenger vehicles plying for hire)	Private cars with unladen weight upto 1000 Kg and kept for personal use
	Smallest category	For vehicles of 8000 Kg laden weight		
1	2	3	4	5
Andhra Pradesh	Rs. 170 upto 300 Kg laden weight.	Rs. 670	Rs. 160 per passenger on vehicles covering distance upto 80 Km. per day.	Rs. 180 (762 Kg to 1524 Kg).
Assam	Rs. 420 upto 1 metric tonne	Rs. 420 upto 1 metric tonne plus Rs. 105 for every additional $\frac{1}{4}$ metric tonne.	For stage carriages Rs. 56 per seat.	Rs. 135 (upto 14 HP).
Bihar	Rs. 175 upto 500 Kg laden weight for vehicles with pneumatic tyres & additional 25% for vehicles with other tyres.	Rs. 975 for vehicles with pneumatic tyres and additional 25% for similar vehicles with other tyres.	Rs. 1980 for 33 passengers plus Rs. 30 for every additional seat for vehicles with pneumatic tyres and additional 25% for vehicles with other tyres.	Rs. 350 for five persons plus Rs. 60 for every additional person on vehicles with pneumatic tyres. Additional 25% on vehicles with other tyres.
Gujarat	Rs. 175 upto 750 Kg laden weight.	Rs. 1244	Rs. 400 for 9 passengers plus Rs. 32 for every additional seat.	Rs. 150 (750 Kg to 1500 Kg).
Haryana	Rs. 172.50 upto 12 Cwt unladen weight.	Rs. 875 upto 4 tons unladen weight.	Rs. 75 per seat subject to maximum of Rs. 3000.	Rs. 600 for four persons and Rs. 31.25 for every additional seat.
Jammu & Kashmir	Rs. 160 upto 450 Kg laden weight.	Rs. 300	Rs. 380 for 34 persons or more.	Rs. 40 (upto 14 HP).

Kerala	Rs. 132 upto 300 Kg laden weight for vehicles with pneumatic tyres and Rs. 172 for vehicles with other tyre.	Rs. 2100 for vehicles with pneumatic tyres and Rs. 3300 for vehicles with other tyre.	Rs. 140 per seat for vehicles covering 200 Km in a day and fitted with pneumatic tyres and Rs. 200 per seat for similar vehicles with other tyres.	Rs. 160 for vehicles with pneumatic tyres and Rs. 220 for similar vehicles with other tyres.
Madhya Pradesh	Rs. 240 upto 1780 Kg laden weight.	Rs. 1230	Rs. 1050 upto 25 passengers and Rs. 84 for every additional passenger.	Rs. 102 (760 Kg to 1520 Kg)
Maharashtra	Rs. 200 upto 750 Kg laden weight.	Rs. 1350	Rs. 240 for four passengers plus Rs. 55 for every additional passenger.	Rs. 120 (750 Kg to 1500 Kg)
Mysore	Rs. 180 for vehicles with laden weight of 300 Kg and fitted with pneumatic tyres and Rs. 220 for similar other vehicles.	Rs. 2400 for vehicles with pneumatic tyres and Rs. 3600 for other vehicles.	Rs. 140 for every seat in vehicles with pneumatic tyres and Rs. 210 for every seat in other vehicles.	Rs. 160 for vehicles with pneumatic tyres and Rs. 220 for others (750 Kg to 1500 Kg).
Orissa	Rs. 300 upto 1000 Kg laden weight for vehicles fitted with pneumatic tyres and Rs. 450 for other vehicles.	Rs. 1900 for vehicles with pneumatic tyre and Rs. 2850 for other vehicles.	Rs. 120 for each seat for vehicles with pneumatic tyres and Rs. 180 for each seat for other vehicles.	Rs. 120 and Rs. 180 for vehicles with pneumatic tyres and other tyres respectively (762 Kg to 1524 Kg).
Punjab	Rs. 172.50 upto 12 Cwt unladen weight.	Rs. 875 for unladen weight of 4 tons.	Rs. 75 per seat subject to Rs. 4200 maximum.	Rs. 600 for four persons and Rs. 31.25 for every additional seat.
Rajasthan*	For vehicles with 2 tonne capacity and fitted with pneumatic tyres: (a) Rs. 440 for fixed route, (b) Rs. 782 for one region, (c) Rs. 1370 for whole State.	For vehicles fitted with pneumatic tyres: (a) Rs. 822 for fixed route, (b) Rs. 1450 for one region, (c) Rs. 2320 for whole State.	Rs. 50 per seat for vehicles with more than 40 seats and fitted with pneumatic tyres.	Rs. 25 per seat.

\*There are higher rates for all categories of vehicles fitted with tyres other than pneumatic tyres.

TABLE 26 : Rates of tax on motor vehicles (annual) : 1967-68—concl'd.

States	Goods vehicles		Public service vehicles (highest category passenger vehicles plying for hire)	Private cars with unladen weight upto 1000 Kg and kept for personal use
	Smallest category	For vehicles of 8000 Kg laden weight		
1	2	3	4	5
Tamil Nadu . . . . .	Rs. 132 for vehicles upto 300 Kg and fitted with pneumatic tyres and Rs. 172 for other similar vehicles using other tyres.	Rs. 2400 for vehicles fitted with pneumatic tyres and Rs. 3600 for others.	Rs. 112 per seat for stage carriages in Madras city running upto 210 Km and fitted with pneumatic tyres & Rs. 160 per seat for vehicles using other tyres.	Rs. 160 for vehicles with pneumatic tyres and Rs. 220 for vehicles with other tyres (700 Kg to 1500 Kg).
Uttar Pradesh . . . . .	Rs. 280 upto 762 Kg load in A class routes, Rs. 252 in B class routes and Rs. 228 in C class routes for vehicles with pneumatic tyres. Higher rates for vehicles fitted with resilient and non-resilient tyres.	Rates mentioned in Col. 2 plus Rs. 10 for every 51 Kg in excess of 762 Kg load in A class routes.	(i) For 'A' class routes Rs. 1004 for 32 seats plus Rs. 56 for every additional seat. (ii) For B class routes Rs. 840 for 32 seats plus Rs. 40 for every additional seat.	Rs. 60 upto 1016 Kg.
West Bengal . . . . .	Rs. 175 upto 500 Kg laden weight.	Rs. 975	Rs. 1980 for 33 seats plus Rs. 33 for every additional seat.	Rs. 90 (Rs. 18 for every 200 Kg.).

Source : Information supplied by the State Governments to the Fifth Finance Commission.

TABLE 27 : *Estimated loss of land revenue over the 5-year period 1969-70 to 1973-74 from abolition of the tax or concession given during 1967-68 and 1968-69.*

States/Measures	Year/date of abolition/concession	Estimated loss of revenue	
		1969-70	1969-70 to 1973-74
1	2	3	4
		(Rs. crores)	(Rs. crores)
<b>1. Andhra Pradesh</b>			
(i) Pattadars liable to pay Rs. 10 and less on dry lands under the Andhra Pradesh Land Revenue (Enhancement) Act, 1967 exempted . . . . .	July 1, 1967	2.50	15.00
(ii) Land under irrigation from precarious sources like wells, spring channels, nadi-nalas, parrekalvas etc. not to be treated as wet lands on par with those irrigated from other sources, and only dry assessment to be levied on such lands . . . . .	July 1, 1967	0.10	0.50
(iii) Reduction of land revenue by 25% on wet lands served by rain fed tanks . . . . .	July 1, 1967	0.25	1.25
TOTAL . . . . .		2.85	16.75
<b>2. Jammu &amp; Kashmir</b>			
Exemption of holdings assessable upto Rs. 9/- . . . . .	1968-69	0.26	1.30
<b>3. Kerala</b>			
Exemption from the basic tax if the aggregate land held by a landholder in the State is less than 0.810 hectares . . . . .	April 1, 1968	0.40	2.00
<b>4. Madhya Pradesh</b>			
Land Revenue abolished** . . . . .	August, 1969	7.74 (1.80)	39.00 (9.00)
<b>5. Orissa</b>			
Abolished land revenue except in respect of urban lands . . . . .	April 1, 1967	1.96	9.80
<b>6. Punjab</b>			
Abolition of land revenue on holdings upto 7 acres together with surcharge thereon . . . . .	1967-68	0.88	4.40



TABLE 27 : *Estimated loss of land revenue over the 5-year period 1969-70 to 1973-74 from abolition of the tax or concession given during 1967-68 and 1968-69.*  
(concl'd)

States/Measures	Year/date of abolition/concession	Estimated loss of revenue	
		1969-70	1969-70 to 1973-74
1	2	3	4
		(Rs. crores)	(Rs. crores)
<b>7. Tamil Nadu</b>			
Waiver of basic assessment on dry lands . . . . .	July 1, 1967	1.60	8.30
<b>8. Uttar Pradesh</b>			
Withdrawal of surcharge on land revenue . . . . .	1967-68	5.25	26.25
<b>GRAND TOTAL . . . . .</b>		<b>15.00*</b>	<b>77.80*</b>

\*\* In Madhya Pradesh land revenue was replaced by Agricultural Land Development Tax and the tax on commercial crops with a total annual yield of Rs. 5.94 crores. After taking credit for this, the remaining loss would be about Rs. 9 crores over 1969-74 which is on account of the exemption granted to holdings upto 10 acres under the new Land Development Tax. Figures in brackets show net loss.

\* Takes into account only net loss in the case of Madhya Pradesh.

TABLE 28 : Estimated loss of revenue over the 5-year period 1969-70 to 1973-74 from abolition of taxes other than land revenue or concession given during 1966-67 to 1968-69

States/Measures	Year of abolition/ concession	Estimated loss of revenue	
		1969-70	1969-70 to 1973-74
1	2	3	4
(Rs. crores)			
<b>1. Andhra Pradesh</b>			
<i>Motor Vehicles Tax</i>			
Certain tractors, trailer combinations used for agricultural purposes exempted from payment of tax . . . . .	1966-67	0.03	0.15
<b>2. Haryana</b>			
<i>(i) Property Tax:</i>			
Owner of sole residential property unit in self-occupation exempted . . . . .	April 1, 1968	0.08	0.40
<i>(ii) Re-introduction of the fee* concessions upto middle classes</i>	August 1, 1968	0.82	4.50*
TOTAL . . . . .		0.90	4.90
<b>3. Madhya Pradesh</b>			
Withdrawal of toll tax on bridges . . . . .	March 25, 1969	0.15	0.85
<b>4. Orissa</b>			
<i>Irrigation Rates :</i>			
Levies in respect of certain crops raised and basic water rates reduced. (The overall effect about 50% reduction in the rates).	April 1, 1967	Loss in revenue is merely notional.	
<b>5. Punjab</b>			
<i>(i) Exemption to the agricultural land in the rating areas from the payment of Punjab Immovable property tax . . . . .</i>	1966-67	0.05	0.25

\* There was concession in fees upto higher secondary level until 1st July, 1967 when this was withdrawn. In Punjab education is free upto middle standard for boys and upto high school for girls.



TABLE 29 : Growth and Pattern of States' Revenue Expenditure

(Rs. crores)

States/Year	Non-Developmental					Developmental					Total Revenue Expenditure
	Tax Collection Charges	Debt Services	General Administration	Police	Others	Educa-tion	Medical	Public Health	Agricul-ture & Animal Husbandry	Others	
1	2	3	4	5	6	7	8	9	10	11	12
<b>Andhra Pradesh</b>											
1961-62	6.76 (7.46)	0.86 (0.95)	7.34 (8.10)	6.32 (6.97)	1.75 (1.93)	21.23 (23.42)	5.71 (6.30)	1.62 (1.79)	3.29 (3.63)	35.76 (39.45)	90.64 (100.00)
1965-66	3.50	17.50	10.06	8.15	4.22	27.58	8.99	3.51	10.41	65.65	159.57
1966-67	3.95	30.36	11.43	9.17	5.08	32.88	10.06	4.43	11.89	65.43	184.68
1967-68	4.23	27.43	11.66	9.91	5.23	37.61	11.37	5.47	11.58	65.32	189.81
1968-69 (RE)	4.94 (2.06)	32.41 (13.52)	13.83 (5.77)	10.77 (4.50)	5.86 (2.45)	44.70 (18.65)	12.99 (5.42)	5.96 (2.49)	11.76 (4.90)	96.45 (40.24)	239.67 (100.00)
<b>Assam</b>											
1961-62	2.28 (5.37)	2.16 (13.52)	1.60 (3.77)	4.30 (10.13)	0.55 (1.29)	7.80 (18.37)	1.76 (4.15)	1.33 (3.13)	2.07 (4.88)	18.60 (43.82)	42.45 (100.00)
1965-66	1.90	8.03	1.75	8.86	1.02	15.09	2.97	2.82	5.51	32.51	80.46
1966-67	1.90	9.84	2.00	10.70	1.12	16.30	2.95	2.28	6.32	38.17	91.58
1967-68	2.25	11.32	2.13	11.15	1.32	17.77	3.43	2.39	6.28	37.00	95.04
1968-69 (RE)	2.61 (2.63)	12.37 (12.45)	2.41 (2.43)	10.04 (10.10)	1.44 (1.45)	21.17 (21.30)	4.25 (4.28)	2.52 (2.53)	6.77 (6.81)	35.79 (36.02)	99.37 (100.00)
<b>Bihar</b>											
1961-62	6.71 (8.28)	6.63 (8.18)	4.06 (5.01)	6.06 (7.48)	2.54 (3.14)	15.07 (18.60)	3.59 (4.43)	4.03 (4.97)	5.84 (7.21)	26.50 (32.70)	81.03 (100.00)
1965-66	6.62	26.19	4.18	8.94	3.83	19.20	5.34	3.49	9.26	38.16	125.21
1966-67	6.33	21.67	4.27	9.54	4.88	22.06	6.08	3.88	19.19	49.60	147.50
1967-68	6.52	25.05	5.74	10.90	5.08	26.55	7.66	1.20	15.98	65.82	170.50
1968-69 (RE)	7.10 (4.15)	34.76 (20.30)	5.78 (3.37)	12.26 (7.16)	5.96 (3.48)	31.94 (18.65)	9.48 (5.54)	4.47 (2.61)	14.78 (8.63)	44.71 (26.11)	171.24 (100.00)

TABLE 29 : Growth and Pattern of States' Revenue Expenditure—contd.

(Rs. crore.)

States/Year	Non-Developmental												Developmental			Total Revenue Expenditure	
	1. Tax Collection Charges	2	3	4	5	6	7	8	9	10	11	12	Public Health	Agriculture & Animal Husbandry	Others		
<b>Gujarat</b>																	
1961-62	4.61 (7.16)	7.14 (11.09)	4.14 (6.43)	4.95 (7.69)	1.20 (1.87)	12.96 (20.13)	2.37 (3.68)	1.80 (2.80)	3.31 (5.14)	21.89 (34.01)	64.37 (100.00)						
1965-66	5.66	18.24	3.35	7.76	2.53	19.21	4.52	3.92	5.62	42.70	113.51						
1966-67	6.14	18.97	3.27	8.76	2.98	21.18	5.03	6.38	6.68	50.37	129.76						
1967-68	6.89	21.46	3.64	10.47	3.13	26.41	6.05	5.70	7.05	55.94	146.74						
1968-69 (RE)	8.87 (5.54)	23.93 (14.95)	4.08 (2.55)	10.80 (6.75)	3.26 (2.04)	30.24 (18.89)	6.80 (4.25)	6.30 (3.94)	7.39 (4.62)	58.37 (36.47)	160.04 (100.00)						
<b>Haryana</b>																	
1961-62	..	..	..	..	..	..	..	..	..	..	..						
1965-66	0.38	3.55	0.57	1.11	0.30	3.21	0.78	0.38	1.07	7.73	19.08						
1966-67	1.25	13.28	1.74	3.15	1.04	10.66	1.66	1.61	3.02	17.91	55.32						
1967-68	1.47	15.99	2.13	3.20	1.26	14.47	2.06	1.98	4.35	24.18	71.09						
1968-69 (RE)	(2.07)	(22.49)	(3.00)	(4.50)	(1.77)	(20.35)	(2.90)	(2.79)	(6.12)	(34.01)	(100.00)						
<b>Jammu &amp; Kashmir</b>																	
1961-62	1.32 (6.93)	0.03 (0.16)	0.63 (3.31)	2.04 (10.71)	0.20 (1.05)	2.32 (12.19)	0.87 (4.57)	0.31 (1.63)	0.71 (3.73)	10.61 (55.72)	19.04 (100.00)						
1965-66	0.75	0.60	0.82	3.88	0.91	4.18	1.53	0.48	1.12	18.20	32.47						
1966-67	0.90	0.60	0.97	4.58	1.07	5.28	1.91	1.01	1.52	24.01	41.86						
1967-68	1.06	0.72	1.20	4.14	1.18	6.61	2.34	1.21	2.33	22.64	43.43						
1968-69 (RE)	1.19 (2.10)	0.99 (1.74)	1.35 (2.38)	3.90 (6.86)	1.52 (2.68)	7.36 (12.95)	2.72 (4.79)	1.12 (1.97)	3.53 (6.21)	33.14 (58.32)	56.82 (100.00)						

*Kerala*

1961-62	3.00 (5.06)	3.93 (6.62)	1.78 (3.00)	2.61 (4.40)	1.34 (2.26)	18.55 (31.26)	3.22 (5.43)	2.14 (3.60)	2.46 (4.14)	20.31 (34.23)	59.34 (100.00)
1965-66	2.75	8.30	2.00	4.04	2.15	28.37	5.71	2.81	5.03	20.76	81.83
1966-67	3.37	10.67	2.26	4.75	2.24	34.70	6.67	3.30	6.54	24.04	98.54
1967-68	4.09	14.60	2.80	5.35	6.18	41.43	8.22	4.38	8.61	28.21	123.87
1968-69 (RE)	4.60 (3.37)	15.68 (11.48)	3.18 (2.33)	5.70 (4.17)	6.11 (4.47)	47.55 (34.82)	9.38 (6.87)	4.80 (3.52)	6.90 (5.05)	32.66 (23.92)	136.56 (100.00)

*Madhya Pradesh*

1961-62	7.65 (9.50)	5.00 (6.21)	4.29 (5.33)	7.66 (9.52)	1.74 (2.16)	18.20 (22.61)	3.84 (4.77)	5.66 (7.03)	3.65 (4.54)	22.80 (28.33)	80.49 (100.00)
1965-66	4.66	15.22	4.68	9.54	2.63	29.96	5.12	5.77	7.76	40.34	125.68
1966-67	5.13	21.77	4.75	11.24	3.12	31.14	5.40	6.07	7.31	59.68	155.61
1967-68	5.92	25.34	5.85	13.00	3.70	39.68	6.10	7.72	9.57	60.04	176.93
1968-69 (RE)	6.45 (3.63)	28.42 (16.00)	5.86 (3.30)	13.52 (7.61)	3.67 (2.07)	43.56 (24.53)	6.63 (3.73)	9.71 (5.47)	10.11 (5.69)	49.68 (27.97)	177.61 (100.00)

*Maharashtra*

1961-62	12.94 (10.25)	13.66 (10.82)	7.87 (6.23)	11.20 (8.87)	3.16 (2.50)	24.49 (19.39)	6.46 (5.12)	3.43 (2.72)	6.23 (4.93)	36.83 (29.17)	126.27 (100.00)
1965-66	17.82	26.61	10.21	19.16	6.19	40.61	11.42	4.32	23.84	80.94	241.12
1966-67	23.56	50.52	10.42	19.53	9.47	42.41	12.29	7.51	25.26	82.87	283.84
1967-68	24.87	48.65	12.05	22.42	10.39	56.88	14.02	9.87	22.75	89.28	311.18
1968-69 (RE)	28.64 (8.02)	62.47 (17.48)	13.62 (3.81)	22.58 (6.32)	11.64 (3.26)	71.57 (20.03)	16.42 (4.60)	13.63 (3.81)	24.32 (6.81)	92.40 (25.86)	357.29 (100.00)

⚭ The reorganised States of Punjab and Haryana came into existence on November 1, 1966. Upto that the figures for Haryana are included under Punjab.

TABLE 29 : Growth and Pattern of States' Revenue Expenditure—Contd.

(Rs. Crores)

States/Year	Non-Developmental					Developmental					Total Revenue Expenditure
	Tax Collection Charges	Debt Services	General Administration	Police	Others	Educa-tion	Medical	Public Health	Agricul-ture & Animal Husbandry	Others	
I	2	3	4	5	6	7	8	9	10	11	12
<b>Mysore</b>											
1961-62 . . .	8.08 (8.44)	8.57 (8.96)	3.20 (3.34)	3.92 (4.10)	1.33 (1.39)	14.40 (15.05)	3.14 (3.28)	2.02 (2.11)	4.04 (4.22)	46.99 (49.11)	95.69 (100.00)
1965-66 . . .	3.24	15.64	3.32	6.58	3.49	24.60	4.12	3.01	8.20	54.17	125.47
1966-67 . . .	3.62	29.01	3.56	6.32	4.02	28.38	4.86	3.72	7.63	60.32	151.44
1967-68 . . .	3.81	25.72	4.04	6.91	4.39	31.53	5.78	4.47	9.95	60.92	157.52
1968-69 (RE) . . .	5.26 (2.44)	36.05 (16.74)	4.41 (2.05)	7.37 (3.42)	4.75 (2.21)	37.89 (17.59)	6.40 (2.97)	5.56 (2.63)	14.05 (6.52)	93.53 (43.43)	215.37 (100.00)
<b>Nagaland</b>											
1961-62 . . .	..	..	..	..	..	..	..	..	..	..	..
1965-66 . . .	0.01	..	1.17	3.53	0.40	1.16	0.36	0.21	0.67	2.17	9.68
1966-67 . . .	0.02	0.37	1.36	3.60	0.27	1.52	0.51	0.27	0.75	4.42	13.09
1967-68 . . .	0.03	0.29	1.44	3.94	0.58	1.88	0.65	0.18	0.80	4.97	14.76
1968-69 (RE) . . .	0.07 (0.35)	0.50 (2.48)	1.81 (9.00)	4.58 (22.76)	0.77 (3.83)	2.36 (11.73)	1.08 (5.37)	0.26 (1.29)	1.09 (5.42)	7.60 (37.77)	20.12 (100.00)
<b>Orissa</b>											
1961-62 . . .	3.11 (5.07)	11.03 (17.98)	3.09 (5.04)	2.33 (3.80)	0.69 (1.12)	6.73 (10.97)	1.68 (2.74)	1.02 (1.66)	2.92 (4.76)	28.75 (46.86)	61.35 (100.00)
1965-66 . . .	4.11	16.74	3.09	5.46	1.41	10.52	2.96	3.97	5.79	37.26	91.31
1966-67 . . .	4.31	20.33	3.02	5.64	1.63	12.62	3.41	3.16	7.93	42.47	104.42
1967-68 . . .	4.50	23.06	3.82	6.39	1.86	15.98	3.96	3.67	7.53	42.43	113.20
1968-69 (RE) . . .	5.05 (3.77)	25.97 (19.41)	4.21 (3.15)	6.06 (4.53)	2.04 (1.52)	19.54 (14.61)	4.33 (3.24)	3.94 (2.95)	9.52 (7.12)	53.10 (39.70)	133.76 (100.00)
<b>Punjab*</b>											
1961-62 . . .	4.86 (7.22)	3.64 (5.41)	3.34 (4.96)	5.28 (7.84)	1.44 (2.14)	12.68 (18.83)	2.92 (4.34)	1.53 (2.27)	2.54 (3.77)	29.10 (43.22)	67.33 (100.00)

1965-66 . . . . .	3.05	19.39	4.74	11.84	2.62	21.42	5.06	3.25	7.17	46.35	124.89
1966-67 . . . . .	2.60	18.79	3.91	8.85	2.23	20.66	4.30	2.39	7.11	40.63	111.47
1967-68 . . . . .	2.13	16.64	2.92	6.45	2.12	21.12	3.55	2.44	6.01	32.28	95.66
1968-69 (RE) . . . . .	6.06 (5.26)	17.33 (15.04)	3.82 (3.32)	7.27 (6.31)	2.53 (2.20)	25.80 (22.40)	4.57 (3.97)	2.93 (2.54)	7.09 (6.15)	37.80 (32.81)	115.20 (100.00)

## Rajasthan

1961-62 . . . . .	3.68 (7.08)	5.64 (10.84)	2.87 (5.52)	5.07 (9.75)	0.91 (1.75)	11.58 (22.27)	3.53 (6.79)	2.25 (4.33)	2.39 (4.59)	14.08 (27.08)	52.00 (100.00)
1965-66 . . . . .	4.03	21.81	2.95	8.31	2.04	19.00	5.30	3.98	5.79	27.18	100.39
1966-67 . . . . .	4.55	19.55	3.30	7.72	2.45	21.43	6.04	4.55	6.09	40.69	116.37
1967-68 . . . . .	5.30	23.38	3.84	9.00	2.71	27.07	7.33	10.28	6.91	40.48	136.30
1968-69 (RE) . . . . .	6.42 (3.94)	30.41 (18.68)	4.20 (2.58)	9.46 (5.81)	2.82 (1.73)	31.77 (19.51)	8.50 (5.22)	6.92 (4.25)	7.51 (4.63)	54.79 (33.65)	162.83 (100.00)

## Tamil Nadu

1961-62 . . . . .	3.59 (3.53)	5.86 (5.76)	7.21 (7.08)	6.60 (6.48)	2.96 (2.91)	23.46 (23.05)	6.50 (6.38)	2.18 (2.14)	5.56 (5.56)	37.77 (37.11)	101.79 (100.00)
1965-66 . . . . .	3.55	17.38	9.60	9.46	5.15	37.85	10.33	3.62	13.99	69.73	180.66
1966-67 . . . . .	3.94	26.75	10.12	10.50	5.86	43.86	11.73	5.02	15.18	68.47	201.43
1967-68 . . . . .	4.25	30.56	10.39	11.38	5.85	53.56	12.70	5.19	16.95	82.50	233.33
1968-69 (RE) . . . . .	4.97 (1.89)	35.00 (13.28)	11.16 (4.23)	12.98 (4.92)	16.39 (6.22)	58.95 (22.36)	14.76 (5.60)	5.67 (2.15)	16.62 (6.30)	87.11 (33.05)	263.61 (100.00)

## Uttar Pradesh

1961-62 . . . . .	11.64 (7.57)	16.18 (10.70)	9.62 (6.37)	11.47 (7.59)	3.47 (2.30)	23.79 (15.74)	5.36 (3.55)	3.41 (2.26)	6.42 (4.25)	59.95 (39.67)	151.11 (100.00)
1965-66 . . . . .	12.71	34.83	14.92	16.15	6.47	44.74	8.58	7.04	12.15	102.09	259.68
1966-67 . . . . .	14.21	47.83	14.22	16.98	7.15	46.65	9.38	8.94	15.05	116.67	297.08
1967-68 . . . . .	17.18	52.07	14.59	19.15	8.45	53.65	10.72	9.44	17.27	126.85	329.37
1968-69 (RE) . . . . .	17.12 (4.74)	65.13 (18.02)	14.91 (4.12)	23.20 (6.42)	9.49 (2.62)	61.12 (16.91)	11.69 (3.23)	12.87 (3.56)	18.10 (5.01)	127.86 (35.37)	361.49 (100.00)

\*The reorganised States of Punjab and Haryana came into existence on November 1, 1966. Upto that the figures for Haryana are included under Punjab.



TABLE 29 : Growth and Pattern of States' Revenue Expenditure—concd.

States/Year	(Rs. crores)										
	Non-Developmental					Developmental					Total Revenue Expenditure
	Tax Collection Charges	Debt Services	General Administration	Police	Others	Education	Medical	Public Health	Agriculture & Animal Husbandry	Others	
1	2	3	4	5	6	7	8	9	10	11	12
<i>West Bengal</i>											
1961-62 . . . . .	6.50 (6.34)	9.34 (9.11)	4.23 (4.13)	8.96 (8.74)	2.43 (2.37)	21.30 (20.79)	7.20 (7.03)	3.02 (2.95)	5.75 (5.61)	33.75 (32.93)	102.48 (100.00)
1965-66 . . . . .	6.61	22.18	4.50	13.41	7.52	30.58	11.24	3.51	14.01	53.98	167.54
1966-67 . . . . .	6.80	25.49	5.28	13.48	9.38	36.94	12.59	4.41	14.41	59.89	188.67
1967-68 . . . . .	8.58	16.93	6.04	17.28	9.43	45.87	15.33	6.04	15.75	62.87	204.12
1968-69 (RE) . . . . .	9.32 (3.62)	38.90 (15.10)	6.46 (2.51)	19.50 (7.57)	10.68 (4.14)	47.36 (18.38)	14.63 (5.68)	6.91 (2.68)	17.92 (6.96)	85.95 (33.36)	257.63 (100.00)

Source : For 1961-62 and 1965-66 to 1966-67, the Conspectus of the Central and State Governments and for 1967-68 and 1968-69 the State Budgets.

Figures in brackets indicate the percentages to the total revenue expenditure.

TABLE 30 : Per capita expenditure under important heads in 1967-68

(Rupees)

State	Debt services	Govt. commercial schemes	Tax collection charges	Administrative services							Social and Developmental services							Total ordi- nary expendi- ture (Cols. 4+8+14)
				General Administration	Police	Other Administration	Total Administration	Edu- cation	Medi- cal	Public Health	Agri- culture and Animal hus- bandry	Other social and develop- ment services	Total social and develop- ment services					
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16			
Andhra Pradesh	6.78	5.33	1.05	2.89	2.45	1.29	6.63	9.30	2.81	1.35	2.87	3.70	20.03	27.71	46.96			
Assam	8.00	1.55	1.59	1.51	7.88	0.93	10.32	12.57	2.43	1.69	4.31	4.72	25.72	37.63	67.19			
Bihar	4.70	1.10	1.22	1.08	2.04	0.95	4.07	4.98	1.44	0.23	3.00	3.10	12.75	18.04	31.97			
Gujarat	8.84	2.73	2.84	1.50	4.31	1.29	7.10	10.88	2.49	2.35	2.90	4.89	23.51	33.45	60.44			
Haryana	14.56	9.39	1.37	1.90	3.45	1.14	6.49	11.69	1.82	1.77	3.31	3.70	22.29	30.15	60.68			
Jammu & Kashmir	1.86	14.14	2.75	3.10	10.71	3.05	16.86	17.09	6.05	3.13	6.03	6.10	38.40	58.01	112.31			
Kerala	7.44	0.72	2.08	1.43	2.72	3.15	7.30	21.11	4.19	2.23	3.85	5.51	36.89	46.27	63.12			
Madhya Pradesh	6.75	0.04	1.58	1.56	3.46	0.99	6.01	10.57	1.62	2.06	2.55	4.30	21.10	28.69	47.12			
Maharashtra	10.56	1.83	5.40	2.62	4.87	2.25	9.74	12.34	3.04	2.14	4.94	5.17	27.63	42.77	67.52			
Misore	9.49	3.13	1.41	1.49	2.55	1.62	5.66	11.63	2.13	1.65	3.29	8.20	26.90	33.97	58.12			
Nagaland	7.11	9.07	0.74	35.29	96.57	14.22	146.08	46.08	15.93	4.41	19.61	14.46	100.49	247.31	301.76			
Orissa	11.50	6.77	2.25	1.90	3.19	0.93	6.02	7.97	1.98	1.83	3.22	5.80	20.80	29.07	56.48			
Punjab	12.44	9.95	1.59	2.18	4.82	1.59	8.59	15.79	2.66	1.82	4.49	5.02	29.78	39.96	71.59			
Rajasthan	9.77	3.02	2.22	1.61	3.76	1.13	6.50	11.31	3.06	4.29	2.89	3.25	24.80	33.52	56.95			
Tamil Nadu	8.20	4.95	1.14	2.79	3.05	1.57	7.41	14.36	3.41	1.39	4.54	6.02	29.72	38.27	62.60			
Uttar Pradesh	6.18	5.27	1.92	1.74	2.27	1.00	5.01	6.36	1.27	1.12	2.05	4.78	15.58	22.51	39.09			
West Bengal	4.12	1.04	2.09	1.51	4.21	2.26	7.98	11.17	3.73	1.47	3.84	4.24	24.45	34.52	49.72			
TOTAL	7.59	3.43	2.05	1.89	3.45	1.46	6.80	10.37	2.44	1.64	3.33	4.75	22.53	31.39	52.38			

Source : State Budgets.

Note : Per capita based on population projections as on March 1, 1967.



TABLE 32 : Plan outlay in 1965-66 and 1968-69 and committed expenditure thereon in 1966-67 and 1969-70.

States	Committed expenditure of Third Plan			Committed expenditure of three Annual Plans 1966-67, 1967-68 and 1968-69		
	Revenue Plan outlay in 1965-66 (Rs. crores)	Committed expenditure in 1966-67 (Rs. crores)	Per capita of Col. 2 (Rs.) (a)	Revenue Plan outlay in 1968-69 (Rs. crores)	Committed expenditure in 1969-70 (Rs. crores)	Per capita of Col. 5 (Rs.) (b)
	1	2	3	4	5	6
Andhra Pradesh	30.10	15.03	3.80	20.38	11.19	2.66
Assam	16.06	6.57	4.79	15.06	5.18	3.44
Bihar	28.57	12.00	3.30	23.92	6.93	1.24
Gujarat	23.44	10.43	4.42	29.66	8.34	3.25
Haryana		Included under punjab		9.26	3.92	4.04
Jammu and Kashmir	6.11	4.39	11.56	7.58	4.94	12.42
Kerala	20.43	9.64	5.04	19.00	9.03	4.38
Madhya Pradesh	26.12	13.79	3.77	26.26	10.98(c)	2.78
Maharashtra	64.19	23.21	5.17	53.81	18.96	3.91
Mysore	19.34	7.98	3.02	24.94	9.00	3.17
Nagaland	1.99	1.05	26.18	3.08	1.03	24.35
Orissa	22.26	9.90	5.05	13.33	7.58	3.61
Punjab	23.30*	7.92*	3.35*	14.72	7.99	5.62
Rajasthan	18.96	7.96	3.42	20.98	9.76	3.85
Tamil Nadu	35.99	12.52	3.42	32.11	12.30	3.18
Uttar Pradesh	60.69	31.15	3.78	49.24	27.80	3.15
West Bengal	36.14	19.42	4.87	29.47	16.80	3.87
TOTAL	433.69	192.96	3.99	392.80	171.73	3.30

Source : Information furnished by States to the Finance Commission and the Planning Commission.

(a) Based on population as on 1st March, 1966.

(b) Based on population as on 1st March, 1969.

(c) Does not include provision for maintenance of public works and irrigation projects to be completed during the Fourth Plan period and also Rs. 0.68 lakh for Malaria Control indicated subsequently.

\*Relates to the erstwhile State of Punjab.

TABLE 31 : Revenue expenditure on Natural Calamities during the years 1957-58 to 1967-68

(Rs. lakhs)

States	1957-58	1958-59	1959-60	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68
	I	2	3	4	5	6	7	8	9	10	11
Andhra Pradesh . . . . .	13	18	24	100	26	21	18	46	90	164	34
Assam . . . . .	46	21	47	61	16	62	39	22	29	358	304
Bihar . . . . .	180	389	54	58	131	166	27	26	48	1036	2562
Gujarat . . . . .	†	†	†	18	47	17	163	78	121	590	595
Haryana . . . . .	*	*	*	*	*	*	*	*	*	10	29
Jammu & Kashmir . . . . .	35	34	80	8	30	12	38	30	22	46	43
Kerala . . . . .	3	6	5	4	16	13	8	7	6	3	9
Madhya Pradesh . . . . .	52	111	4	7	3	12	21	33	338	2075	1864
Maharashtra . . . . .	23†	70†	45†	5	235	107	63	35	40	55	372
Mysore . . . . .	38	10	28	57	30	25	25	48	56	257	70
Nagaland . . . . .	..	..	..	..	..	..	..	..	..	..	..
Orissa . . . . .	..	7	22	61	291	239	89	61	128	710	501
Punjab . . . . .	8	75	16	557	460	66	148	137	55	97	10
Rajasthan . . . . .	18	25	4	15	42	11	127	417	113	1142	780
Tamil Nadu . . . . .	32	7	21	24	25	10	8	51	44	116	22
Uttar Pradesh . . . . .	128	144	76	84	76	70	38	32	26	292	277
West Bengal . . . . .	290	724	592	756	556	488	540	386	426	734	800
TOTAL . . . . .	866	1641	1018	1815	1984	1319	1352	1409	1542	7685	8272

\* Included under 'Punjab'.

† Incurred by the erstwhile State of Bombay: 5

Source : State Finance Accounts.

Source : Fourth Finance Commissions Report.

TABLE 33 : Financial Results of Multipurpose River Schemes

(Rs. crores)

States	1965-66				1966-67				1967-68				1968-69 R.E.			
	Gross receipts	Working expenses	Interest charges	Net receipts	Gross receipts	Working expenses	Interest charges	Net receipts	Gross receipts	Working expenses	Interest charges	Net receipts	Gross receipts	Working expenses	Interest charges	Net receipts
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Andhra Pradesh	..	..	5.24	-5.24	..	..	5.85	-5.85	..	..	8.23	-8.23	..	..	8.49	-8.49
Assam	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Bihar	0.02	0.02	..	..	0.32	0.04	2.75	-2.47	0.45	0.13	2.66	-2.34	1.20	1.17	2.70	-2.67
Gujarat	..	..	0.69	-0.69	..	..	1.05	-1.05	..	..	1.62	-1.62	..	..	2.30	-2.30
Haryana	..	..	..	..	..	..	..	..	2.88	1.20	2.41	-0.73	2.52	1.30	2.41	-1.19
Jammu & Kashmir	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Kerala	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Madhya Pradesh	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Maharashtra	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Mysore	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Nagaland	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Orissa	2.37	1.01	5.13	-3.77	1.55	0.89	3.99	-3.33	1.30	1.03	4.31	-4.04	2.37	1.19	5.04	-3.86
Punjab	..	..	..	N.A.	..	..	..	N.A.	1.40	0.98	2.71	-2.29	0.61(a)	0.61	2.71	-2.71
Rajasthan	0.73	0.63	2.55	-2.45	0.51	0.62	2.59	-2.70	0.96	0.66	2.69	-2.39	1.35	0.70	2.73	-2.08
Tamil Nadu	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Uttar Pradesh	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
West Bengal	0.53	0.83	1.48	-1.78	0.51	0.95	1.75	-2.19	0.47	0.96	1.90	-2.39	0.60	0.45	2.08	-1.93
TOTAL	3.65	2.49	15.09	-13.93	2.89	2.50	17.98	-17.59	7.46	4.96	26.53	-24.03	8.65	5.42	28.46	-25.23

(a) Budget Estimate.

TABLE 34 : Financial Results of Irrigation Works (Commercial)

(Rs. crores)

States	1965-66				1966-67				1967-68				1967-68(R.E.)			
	Gross receipts	Working expenses	Interest charges	Net receipts	Gross receipts	Working expenses	Interest charges	Net receipts	Gross receipts	Working expenses	Interest charges	Net receipts	Gross receipts	Working expenses	Interest charges	Net receipts
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Andhra Pradesh	0.19(c)	2.40	4.89	-7.10	0.40(c)	2.68	5.39	-7.67	0.28(c)	2.13	5.82	-7.67	0.17(c)	2.36	6.22	-8.41
Assam*	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Bihar	1.90	1.63	0.47	-0.20	1.15	1.90	0.51	-1.26	1.85	2.43	0.12	-0.70	2.54	3.10	0.55	-1.11
Gujarat	0.63	0.69	3.77	-3.83	0.89	0.73	3.97	-3.81	0.89	0.75	4.20	-4.06	1.31	1.22	4.40	-4.31
Haryana	..	..	..	..	..	..	..	N.A.	1.57	1.14	0.97	-0.54	1.95	1.60	1.16	-0.81
Jammu & Kashmir	..	0.16	..	-0.16	..	0.15	..	-0.15	..	0.18	0.34	-0.52	0.11	0.20	0.33	-0.42
Kerala	0.09	0.17	1.10	-1.18	0.13	0.17	1.16	-1.20	0.10	0.16	1.25	-1.31	0.13	0.24	1.28	-1.39
Madhya Pradesh*	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Maharashtra*	1.88	0.99	4.97	-4.08	2.07	1.02	5.97	-4.92	2.52	1.07	7.08	-5.63	2.74	1.74	8.41	-7.41
Mysore	0.45	0.93	5.59	-6.07	0.39	1.21	6.51	-7.33	0.33(b)	1.11	7.16	-7.94	0.81	1.72	7.00	-7.91
Nagaland*	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Orissa	0.40	0.25	1.02	-0.87	0.25	0.40	2.75	-2.90	0.26	0.46	3.38	-3.58	0.35	0.70	3.74	-4.09
Punjab	..	..	..	N.A.	..	..	..	N.A.	3.14	2.43	2.73	-2.02	3.45	2.53	3.32	-2.40
Rajasthan	0.53	0.22	0.49	-0.18	0.52	0.34	0.58	-0.40	0.69	0.34	3.36	-3.01	0.87	0.49	3.59	-3.21
Tamil Nadu	1.41	1.03	4.10	-3.72	1.65	1.15	4.52	-4.02	1.83	1.68	4.84	-4.69	1.97	1.84	5.15	-5.02
Uttar Pradesh	14.41	13.22	7.49	-6.30	13.72	15.15	7.00	-8.43	16.33	16.43(d)	9.35	-9.45	16.49	18.34	8.63	-10.48
West Bengal	0.32	0.34	0.32	-0.34	0.35	0.36	0.40	-0.41	0.17	0.35	0.43	-0.61	0.15	0.31	0.46	-0.62
TOTAL	22.21	22.03	34.21	-34.03	21.52	25.26	38.76	-42.50	29.96(a)	30.66(a)	51.02(a)	-51.73	33.04	36.39	54.24	-57.59

\*No commercial accounts are kept.

(a) Revised Estimate.

(b) Preliminary actuals.

(c) Excludes land revenue attributable to irrigation.

(d) Estimates.

TABLE 35 : Financial Results of Electricity Schemes run Departmentally.

(Rs. crores)

States	1965-66				1966-67				1967-68				1968-69 R.E.					
	Gross receipts	Working expenses	Interest charges	Net receipts	Gross receipts	Working expenses	Interest charges	Net receipts	Gross receipts	Working expenses	Interest charges	Depreciation Fund	Net receipts	Gross receipts	Working expenses	Interest charges	Depreciation Fund	Net receipts
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Andhra Pradesh	1.79	1.00	3.09	-2.30	1.97	1.18	3.76	-2.97	2.12	0.81	4.36	..	-3.05	3.66	1.26	4.0	..	-1.69
Assam	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Bihar	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Gujarat	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Haryana	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Jammu & Kashmir	0.99	0.43	0.68	-0.12	1.16	0.84	0.77	-0.45	1.29	1.32	0.51	0.23	-0.77	1.50	1.49	0.64	0.24	-0.87
Kerala	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Madhya Pradesh	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Maharashtra	1.73	..	1.55(b)	+0.18	0.30	..	0.92(b)	-0.62	3.32	..	1.87(b)	..	+1.45	6.34	..	2.05	..	+4.29
Mysore	0.50	0.04	..	+0.46	8.00	0.12	..	+7.88	4.88	0.16	..	..	+4.72	9.64	..	19.89	..	-10.25
Nagaland	0.06	0.02(d)	..	+0.04	0.06	0.17(d)	..	-0.11	0.06	0.15	0.02	..	-0.11	0.09	0.23	..	..	-0.14
Orissa	1.59	0.67(a)	1.23	-0.31	0.84	0.32(a)	1.44	-0.92	0.48	0.11(a)	2.09	..	-1.72	1.01	1.42	2.13	..	-2.54
Punjab	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Rajasthan	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Tamil Nadu	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Uttar Pradesh	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
West Bengal	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
<b>TOTAL</b>	<b>6.66</b>	<b>2.16</b>	<b>6.55</b>	<b>-2.05</b>	<b>12.33</b>	<b>2.63</b>	<b>6.89</b>	<b>+2.81</b>	<b>12.15</b>	<b>2.55</b>	<b>8.85</b>	<b>0.23</b>	<b>+0.52</b>	<b>22.24</b>	<b>26.34</b>	<b>6.86</b>	<b>0.24</b>	<b>-11.20</b>

(a) Includes transfer to depreciation fund.

(b) Includes working expenses and other expenditure

(d) Includes maintenance expenditure on Plan schemes.





TABLE 36 : Financial working of State Electricity Boards

(Rs. crores)

States	1966-67									
	Block Capital as on 1-4-66	Receipts (a)	Working expenses	Transfer to Depreciation fund	Transfer to General Reserve fund	Interest to State Government (accrual)	Interest on other loans	Net receipts	Transfer to loan redemption fund	Net receipts after taking into account item 9
	1	2	3	4	5	6	7	8	9	10
Andhra Pradesh . . . . .	135.54	18.08	11.81	3.25	0.61	6.35	1.00	-4.94	-1.17	-6.11
Assam . . . . .	51.60	1.89	1.27	0.54	..	..	0.08	..	..	..
Bihar . . . . .	111.12	14.01	11.36	1.78	..	5.88	0.54	-5.55	-0.23	-5.78
Gujarat . . . . .	90.65	16.39	9.27	3.06	0.44	4.38	0.69	-1.45	..	-1.45
Haryana . . . . .	..	..	..	..	..	Not available	..	..	..	..
Jammu and Kashmir . . . . .	..	..	..	..	..	..	..	..	..	..
Kerala . . . . .	94.24	8.62	3.51	1.13	0.05	4.46	0.23	-0.76	-0.48	-1.24
Madhya Pradesh . . . . .	123.14	16.53	7.28	2.34	0.33	6.58	..	..	..	..
Maharashtra . . . . .	99.51	25.28	16.83	2.23	0.43	3.02	1.92	+0.85	-0.86	-0.01
Mysore . . . . .	74.55	21.24	12.37	2.14	..	2.31	0.76	+3.66	..	+3.66
Nagaland . . . . .	..	..	..	..	..	..	..	..	..	..
Orissa . . . . .	40.02	6.43	4.90	0.80	0.15	1.14	0.77	-1.33	-0.54	-1.87
Punjab . . . . .	..	..	..	..	..	..	..	..	..	..
Rajasthan . . . . .	N.A.	7.27	5.83	1.06	0.23	3.72	0.15	-3.72	..	-3.72
Tamil Nadu . . . . .	253.28	40.30	22.67	6.43	0.92	8.64	1.64	..	..	..
Uttar Pradesh . . . . .	254.77	29.63	15.88	3.25	..	13.67	0.68	-3.85	-0.66	-4.51
West Bengal . . . . .	65.02	14.22	8.80	1.43	0.24	3.58	0.25	-0.08	-0.47	-0.55
<b>TOTAL</b> . . . . .	<b>1393.44</b>	<b>219.89</b>	<b>131.78</b>	<b>29.44</b>	<b>3.40</b>	<b>63.73</b>	<b>8.71</b>	<b>-17.17</b>	<b>-4.41</b>	<b>-21.58</b>

(a) Includes recovery of arrears.

TABLE 36 : Financial working of State Electricity Boards—contd.

(Rs. crores)

States	1967-1968									
	Block Capital as on 1-4-66	Receipts (a)	Working expenses	Transfer to Depreciation fund	Transfer to General Reserve Fund	Interest to State Government (accrual)	Interest on other loans	Net receipts	Transfer to loan redemption fund	Net receipts after taking into account item 19
	11	12	13	14	15	16	17	18	19	20
Andhra Pradesh	161.43	24.50	12.20	5.60	0.70	4.46	1.27	+0.27	-1.30	-1.03
Assam	56.37	2.55	1.68	0.74	..	N.A.	0.13	..	..	..
Bihar	135.17	15.67	13.22	2.77	0.01	6.96	0.79	-8.08	-0.23	-8.31
Gujarat	103.27	19.00	11.66	3.54	0.50	4.94	0.83	-2.47	..	-2.47
Haryana	13.15	7.60	2.70	1.11	0.29	3.10	0.10	+0.30	-0.13	+0.17
Jammu and Kashmir	..	..	..	..	..	..	..	..	..	..
Kerala	107.74	9.42	4.26	1.90	0.05	5.18	0.23	-2.20	-0.49	-2.69
Madhya Pradesh	131.26	17.97	9.23	2.93	0.43	5.38	..	..	..	..
Maharashtra	125.92	28.09	18.52	3.25	0.51	3.80	-0.09	+2.10	-1.14	+0.96
Mysore	83.33	20.56	10.07	2.52	..	3.49	0.95	+3.63	..	+3.63
Nagaland	..	..	..	..	..	..	..	..	..	..
Orissa	43.23	7.11	5.13	0.90	0.14	1.23	0.84	-1.23	-0.87	-2.10
Punjab	105.66	10.77	3.84	2.20	0.25	5.60	0.15	-1.27	-0.19	-1.46
Rajasthan	N.A.	10.11	7.88	1.83	0.21	5.05	0.19	-5.05	..	-5.05
Tamil Nadu	280.42	44.62	22.23	7.50	1.23	11.49	2.17	..	..	..
Uttar Pradesh	309.31	34.39	19.46	5.01	..	16.97	0.91	-7.96	-0.96	-8.92
West Bengal	74.32	15.88	9.03	1.97	0.35	3.48	0.60	+0.45	-0.47	-0.02
TOTAL	1730.58	268.24	151.11	43.86	4.68	81.03	9.07	-21.51	-5.78	-27.29

(a) Includes recovery of arrears.

TABLE 36 : Financial working of State Electricity Boards—concl.

(Rs. crores)

States	1968-1969									
	Block Capital as on 1-4-66	Receipts (a)	Working expenses	Transfer to Depreciation fund	Transfer to General Reserve fund	Interest to State Government (accrual)	Interest on other loans	Net receipts	Transfer to loan redemption fund	Net receipts after taking into account item 29
	21	22	23	24	25	26	27	28	29	30
Andhra Pradesh . . . . .	181.43	31.70	13.80	7.00	0.90	6.90]	1.60	+1.50	-1.50	..
Assam . . . . .	65.47	3.82	1.71	1.40	..	NA	0.39	+0.32	-0.32	..
Bihar . . . . .	157.07	18.87	13.29	3.52	0.01	8.07	0.81	-6.83	-0.23	-7.06
Gujarat . . . . .	115.36	22.05	12.55	3.90	0.55	5.38]	1.22	-1.55	..	-1.55
Haryana . . . . .	13.15	10.92	4.17	1.88	0.34	4.09]	0.25	+0.19	-0.22	-0.03
Jammu and Kashmir . . . . .	..	..	..	..	..	..	..	..	..	..
Kerala . . . . .	123.56	12.00	5.72	2.34	0.05	5.79]	0.32	-2.22	-0.51	-2.73
Madhya Pradesh . . . . .	144.04	20.89	8.84	4.00	0.61	7.37]	..	+0.07	..	+0.07
Maharashtra . . . . .	162.65	33.98	21.90	3.80	0.63	4.41]	1.89	+1.35	-1.65	-0.30
Mysore . . . . .	98.91	15.96	10.35	2.77	..	4.88	1.23	-3.27	..	-3.27
Nagaland . . . . .	..	..	..	..	..	..	..	..	..	..
Orissa . . . . .	63.78	8.38	3.77	1.51	0.16	2.13	0.97	-0.16	-1.01	-1.17
Punjab . . . . .	127.37	14.63	5.00	2.59	..	6.17	0.59	+0.28	-0.19	+0.09
Rajasthan . . . . .	NA	12.32	7.93	2.25	0.49	5.82	0.28	-4.45	..	-4.45
Tamil Nadu . . . . .	315.46	48.41	26.68	8.05	1.41	9.54	2.73	..	..	..
Uttar Pradesh . . . . .	366.95	43.26	22.42	6.40	..	20.93]	1.14	-7.63	..	-7.63
West Bengal . . . . .	83.79	18.82	11.96	2.39	0.40	3.76]	0.41	-0.10	-0.56	-0.66
TOTAL . . . . .	2018.99	316.01	170.09	53.80	5.55	95.24	13.83	-22.50	-6.19	-28.69

(a) Includes of recovery arrears.

TABLE 39 : Financial Results of Road

(Rs.)

States	1965-66				1966-67					
	Gross receipts	Work- ing expen- ses	Inte- rest char- ges	Depre- ciation Fund	Net receipts	Gross receipts	Working charges	Interest expen- ses	Depre- ciation Fund	Net receipts
	1	2	3	4	5	6	7		9	10
Andhra Pradesh	..	..	..	..	..	..	..	..	..	..
Assam	2.03	1.97(a)	..	..	+0.06	2.26	2.11(a)	..	..	+0.15
Bihar	..	..	..	..	..	..	..	..	..	..
Gujarat	..	..	..	..	..	..	..	..	..	..
Haryana	..	..	..	..	..	..	..	..	..	..
Jammu & Kashmir	3.08	2.45	0.11	0.39	+0.13	-3.59	-2.80	0.11	0.34	+0.34
Kerala	..	..	..	..	..	..	..	..	..	..
Madhya Pradesh	..	..	..	..	..	..	..	..	..	..
Maharashtra	..	..	..	..	..	..	..	..	..	..
Mysore	..	..	..	..	..	..	..	..	..	..
Nagaland	0.05	..	..	..	+0.05	0.09	0.08	..	..	+0.01
Orissa	2.18	1.68(b)	0.10	..	+0.40	2.22	1.72(b)	0.11	..	+0.39
Punjab	..	..	..	..	N.A.	..	..	..	..	N.A.
Rajasthan	..	..	..	..	..	..	..	..	..	..
Tamil Nadu	7.75	6.25	0.47	1.16	-0.13	8.99	7.60	0.53	1.31	-0.45
Uttar Pradesh	16.74	13.94	0.71	..	+2.09	15.08	14.10	0.94	..	+0.04
West Bengal	..	..	..	..	..	..	..	..	..	..
<b>TOTAL</b>	<b>31.83</b>	<b>26.29</b>	<b>1.39</b>	<b>1.55</b>	<b>+2.60</b>	<b>32.23</b>	<b>28.41</b>	<b>1.69</b>	<b>1.65</b>	<b>+0.48</b>

(a) Includes interest charges also.

Water Transport Schemes run Departmentally

crores )

1967-68					1968-69 R.E.				
Gross receipts	Working expenses	Interest charges	Depreciation Fund	Net receipts	Gross receipts	Working expenses	Interest charges	Depreciation Fund	Net receipts
11	12	13	14	15	16	17	18	19	20
..	..	..	..	..	..	..	..	..	..
1·96	2·19(a)	..	..	-0·23(a)	2·43	2·46	..	..	-0·03
..	..	..	..	..	..	..	..	..	..
..	..	..	..	..	..	..	..	..	..
3·45	2·67	0·15	..	+0·63	4·57	3·58	0·22	..	+0·77
4·18	3·40	0·09	0·22	+0·47	4·40	3·33	0·12	0·38	+0·57
..	..	..	..	..	0·21	0·01	0·21	..	-0·01
..	..	..	..	..	..	..	..	..	..
..	..	..	..	..	..	..	..	..	..
..	..	..	..	..	..	..	..	..	..
0·12	0·15	..	..	-0·03	0·23	0·27	..	..	-0·04
2·39	1·82	0·14	0·06	+0·37	2·50	1·85	0·15	0·26	+0·24
4·91	4·33	0·09	..	+0·49	5·53	4·61	0·22	..	+0·70
..	..	..	..	..	..	..	..	..	..
11·30	9·42	0·69	1·45	-0·26	14·19	11·82	0·77	1·50	-0·30
19·89	19·02	0·99	..	-0·12	20·14	17·26	0·93	..	+1·95
..	..	..	..	..	0·34	0·56	0·05	..	-0·27
48·20	43·00	2·15	1·73	+1·32	54·54	45·75	2·67	2·54	+3·58

(b) Includes transfer to depreciation fund.

TABLE 40 : Outstanding public debt, loans and advances and productive capital outlays as at the end of 1968-69.

(Rs. crores)

States	Public debt.		Loans and advances by State Governments			Productive capital outlay, i.e., on Departmental Commercial outlay Undertakings, etc.			
	Out-standing amount (Rs. crores)	Per capita (Rupees)	Electricity Boards	Others	Total (cols. 3+4)	Irrigation and Multi-purpose River Schemes	Electricity and Road Transport Schemes	Investments	Total (cols. 6 to 8)
	1	2	3	4	5	6	7	8	9
Andhra Pradesh	613.26	145.56	131.97	72.61	204.58	267.75	68.92	47.74	384.41
Assam	239.93	159.45	64.58	31.49	96.07	..	4.04	13.92	17.96
Bihar	620.47	110.83	140.74	71.52	212.26	243.50	21.44	14.67	279.61
Gujarat	306.64	119.53	73.18	59.15	132.33	141.52	0.76	36.51	178.79
Haryana	159.71	164.73	180.01	19.83	37.84	26.85	4.23	6.01	37.09
Jammu and Kashmir	152.49	383.53	..	18.34	18.34	8.75	37.42	13.30	39.47
Kerala	261.86	126.88	112.47	39.86	152.33	20.79	0.08	32.05	52.92
Madhya Pradesh	465.89	118.03	137.10	59.38	196.48	121.57	—0.19	35.64	157.02
Maharashtra	650.83	134.24	152.31	195.81	348.12	167.46	74.51	74.75	315.72
Mysore	386.47	135.91	44.33	112.06	156.39	147.18	98.88	73.23	319.29
Nagaland	14.53	343.50	..	1.75	1.75	..	3.16	0.30	3.46
Orissa	413.63	197.01	24.03	30.78	54.81	172.91	36.82	30.24	239.97
Punjab	249.70	176.59	219.55	47.95	267.50	226.80	5.48	18.34	250.62
Rajasthan	500.27	197.39	112.35	52.44	164.79	162.59	2.46	12.39	177.44
Tamil Nadu	484.94	125.54	220.96	137.23	358.19	96.55	16.01	33.78	146.34
Uttar Pradesh	812.28	92.07	410.82	149.11	559.93	244.61	18.74	51.29	314.64
West Bengal	590.91	136.24	68.50	129.72	198.22	157.98	8.60	12.39	178.97
<b>TOTAL</b>	<b>6923.81</b>	<b>132.96</b>	<b>1930.90</b>	<b>1229.03</b>	<b>3159.93</b>	<b>2206.93</b>	<b>401.36</b>	<b>505.55</b>	<b>3113.72</b>

Source : State Finance Accounts for 1967-68 and State Budgets for 1969-70.

NOTE : Allocation of capital expenditure of the erstwhile State of Punjab between the reorganised States of Punjab and Haryana does not appear to have been carried out.

TABLE 38 : Electricity Boards : Installed capacity, Average cost per unit sold and Average price charged per unit sold : 1967-68

States	Installed capacity (M.W.)		Power Generated (M.W.)		Power Purchased (Million Kwh.)		Working expenditure (Rs. crores)		Depreciation (Rs. crores)		Interest on accrual basis (Rs. crores)		Total cost per unit sold (Paise)		Total receipts per unit sold (Rs. crores)		Average price charged per unit sold (Paise)	
	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	
Andhra Pradesh	646	356	1299	620	1334	12.20	5.60	5.73	23.53	17.6	24.50	18.4						
Assam	152	36	157	..	115	1.68	0.74	0.13(a)	2.55	22.4	2.55	22.2						
Bihar	159	300	685	1067	1327	13.22	2.77	7.75	23.74	17.9	15.67	11.8						
Gujarat	424	NA	1689	143	1404	11.66	3.54	5.77	20.97	14.9	19.00	13.5						
Haryana	1173	NA	604	..	501	2.70	1.11	3.20	7.01	14.0	7.60	15.1						
Kerala	528	247	1407	32	1208	4.26	1.90	5.41	11.57	9.6	9.42	7.8						
Madhya Pradesh	471	322	1758	53	1438	9.23	2.93	5.38	17.54	12.2	17.97	12.5						
Maharashtra	786	745	3726	348	3429	18.52	3.25	3.71	25.48	7.4	28.09	8.2						
Mysore	231	527	1120	1146	1915	10.07	2.52	4.34	16.93	8.8	16.77	8.8						
Orissa	366	216	4	1061	1024	5.13	1.14	2.07	8.34	8.1	7.11	6.9						
Punjab	1138	217	2043	..	1709	3.84	2.20	5.75	11.79	6.9	10.77	6.3						
Rajasthan	361	128	256	290	400	7.88	1.83	5.25	14.96	37.4	10.11	25.3						
Tamil Nadu	1070	964	3057	1753	3966	22.23	7.50	13.66	43.39	10.9	44.62	11.3						
Uttar Pradesh	1075	712	3294	496	2953	19.46	5.01	17.88	42.35	14.0	34.39	11.6						
West Bengal	392	325	1026	481	1337	9.03	1.97	4.08	15.08	11.3	15.88	11.9						

Source : Information obtained from State Governments.

(a) Amount actually paid. Due amount not available.



TABLE 39 : Financial Results of Road

(Rs.)

States	1965-66				1966-67					
	Gross receipts	Working expenses	Interest charges	Depreciation Fund	Net receipts	Gross receipts	Working charges	Interest expenses	Depreciation Fund	Net receipts
	1	2	3	4	5	6	7		9	10
Andhra Pradesh	..	..	..	..	..	..	..	..	..	..
Assam	2.03	1.97(a)	..	..	+0.06	2.26	2.11(a)	..	..	+0.15
Bihar	..	..	..	..	..	..	..	..	..	..
Gujarat	..	..	..	..	..	..	..	..	..	..
Haryana	..	..	..	..	..	..	..	..	..	..
Jammu & Kashmir	3.08	2.45	0.11	0.39	+0.13	-3.59	-2.80	0.11	0.34	+0.34
Kerala	..	..	..	..	..	..	..	..	..	..
Madhya Pradesh	..	..	..	..	..	..	..	..	..	..
Maharashtra	..	..	..	..	..	..	..	..	..	..
Mysore	..	..	..	..	..	..	..	..	..	..
Nagaland	0.05	..	..	..	+0.05	0.09	0.08	..	..	+0.01
Orissa	2.18	1.68(b)	0.10	..	+0.40	2.22	1.72(b)	0.11	..	+0.39
Punjab	..	..	..	..	N.A.	..	..	..	..	N.A.
Rajasthan	..	..	..	..	..	..	..	..	..	..
Tamil Nadu	7.75	6.25	0.47	1.16	-0.13	8.99	7.60	0.53	1.31	-0.45
Uttar Pradesh	16.74	13.94	0.71	..	+2.09	15.08	14.10	0.94	..	+0.04
West Bengal	..	..	..	..	..	..	..	..	..	..
<b>TOTAL</b>	<b>31.83</b>	<b>26.29</b>	<b>1.39</b>	<b>1.55</b>	<b>+2.60</b>	<b>32.23</b>	<b>28.41</b>	<b>1.69</b>	<b>1.65</b>	<b>+0.48</b>

(a) Includes interest charges also.

TABLE 42 : Rate of Dividends on State Investments

(Rs. lakhs)

States	Total investments as* at the end of 1967-68 (Rs. lakhs)	Dividends in 1968-69 (R.E.) (Rs. lakhs)	Rate of dividends (Col. 3 as percentage of Col. 2). (Percentage)
I	2	3	4
Andhra Pradesh . . . . .	4188	29	0.69
Assam . . . . .	1349	1	0.07
Bihar . . . . .	NA	3	NA
Gujarat . . . . .	2911	98	3.37
Haryana . . . . .	NA	2	
Jammu & Kashmir . . . . .	896	1	0.11
Kerala . . . . .	3027	28	0.92
Madhya Pradesh . . . . .	2890	89	3.08
Maharashtra . . . . .	5023	90	1.79
Mysore . . . . .	3414	41	1.20
Nagaland . . . . .	NA	NA	NA
Orissa . . . . .	3071	10	0.33
Punjab . . . . .	1557	16	1.03
Rajasthan . . . . .	824	16	1.94
Tamil Nadu . . . . .	2525	19	0.75
Uttar Pradesh . . . . .	2684	49	1.83
West Bengal . . . . .	2241	1	0.04
<b>TOTAL</b> . . . . .	<b>36600</b>	<b>493</b>	<b>1.35</b>

\* These represent investments in Statutory Corporations (other than Electricity Boards), Government Companies, Joint Stock Companies and Cooperative Institutions.

Source : (i) Finance Accounts, 1967-68,

(ii) Audit Reports; and

(iii) Information received from States.

TABLE 43 : Revenue receipts of the Government of India

(Rs. crores)

	1964-65	1965-66	1966-67	1967-68	1968-69 (R.E.)
<b>I. Tax Revenue</b>					
1. Customs . . . . .	397.50	538.97	585.37	513.35	445.00
2. Union Excise Duties . . . . .	801.51	897.92	1033.77	1148.52	1320.45
3. Corporation Tax . . . . .	313.64	304.84	330.80	310.33	322.00
4. Taxes on Income other than Corporation Tax . . . . .	266.92	271.80	306.63	325.62	338.00
5. Estate Duty . . . . .	5.43	6.66	6.26	6.37	7.00
6. Taxes on Wealth . . . . .	10.52	12.06	10.73	10.67	11.00
7. Others . . . . .	25.16	28.42	32.94	37.55	46.33
<b>TOTAL : Taxes and Duties . . . . .</b>	<b>1820.68</b>	<b>2060.67</b>	<b>2306.50</b>	<b>2352.41</b>	<b>2489.78</b>
Less States' share of:—					
(i) Union Excise Duties . . . . .	—127.34	—145.92	—230.91	—234.64	—290.93
(ii) Income Tax . . . . .	—123.77	—123.34	—137.10	—174.52	—194.52
(iii) Estate Duty . . . . .	—6.78	—6.79	—4.54	—6.58	—5.54
<b>TOTAL : States' share . . . . .</b>	<b>—257.89</b>	<b>—276.05</b>	<b>—372.55</b>	<b>—415.74</b>	<b>—490.98</b>
<b>Net Tax Revenue retained by the Centre . . . . .</b>	<b>1562.79</b>	<b>1784.62</b>	<b>1933.95</b>	<b>1936.67</b>	<b>1998.80</b>
<b>II. Non-Tax Revenue</b>					
8. Debt services . . . . .	257.29	307.67	377.48	425.38	496.03
9. Administrative services . . . . .	8.85	9.25	10.64	10.22	9.78
10. Social and Developmental services . . . . .	27.86	19.38	22.53	29.89	30.47
11. Transport & Communications . . . . .	7.47	7.73	9.14	10.51	11.88
12. Currency and Mint . . . . .	53.72	63.67	68.30	78.93	87.19
13. Miscellaneous . . . . .	24.13	27.00	25.34	31.54	26.19
<b>TOTAL : Non-Tax Revenue . . . . .</b>	<b>379.32</b>	<b>434.70</b>	<b>513.43</b>	<b>586.47</b>	<b>661.54</b>

TABLE 43 : Revenue receipts of the Government of India—Concl'd.

	(Rs. crores)				
	1964-65	1965-66	1966-67	1967-68	1968-69 (R.E.)
<b>III. Contributions &amp; Miscellaneous Adjustments</b>					
14. Contribution from Railways . . . . .	23·25	25·90	30·76	30·29	29·32
15. Contribution from P & T . . . . .	1·44	1·15	..	5·55	2·68
16. Dividend etc. from Commercial and other Undertakings . . . . .	6·89	6·65	7·86	10·14	12·10
<b>TOTAL : Contribution etc.</b> . . . . .	<u>31·58</u>	<u>33·70</u>	<u>38·62</u>	<u>45·98</u>	<u>44·10</u>
<b>IV. Extraordinary Items</b> . . . . .	123·02	86·67	8·23	8·12	36·72
<b>V. Others</b> . . . . .	5·03	4·71	5·91	8·05	7·52
<b>TOTAL : Revenue Receipts</b> . . . . .	<u>2 101·74</u>	<u>2344</u>			

Source : Central Government Budgets.



Heads of Expenditure	1964-65			1965-66			1966-67			1967-68			1968-69 (RE)		
	Non-Plan	Plan	Total	Non-Plan	Plan	Total	Non-Plan	Plan	Total	Non-Plan	Plan	Total	Non-Plan	Plan	Total
	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
<b>I. Non-Development</b>															
1. Collection of Taxes and Duties.	26.30	..	26.30	30.06	..	30.06	32.18	..	32.18	35.20	..	35.20	40.11	..	40.11
2. Interest on Debt and other obligations	311.41	..	311.41	365.62	..	365.62	458.45	..	458.45	496.43	..	496.43	522.69	..	522.69
3. Appropriation for reduction or avoidance of debt	5.00	..	5.00	5.00	..	5.00	5.00	..	5.00	5.00	..	5.00	5.00	..	5.00
4. Administrative Services	81.78	0.08	81.86	95.33	0.08	95.41	123.13	0.12	123.25	136.25	0.23	136.48	152.62	0.20	152.82
<b>II. Social and Developmental Services</b>															
5. Scientific Depts.	27.72	6.07	33.79	27.99	9.85	37.84	34.00	7.59	41.59	39.25	11.03	50.28	39.97	16.02	55.99
6. Education	15.44	26.32	41.76	18.16	31.24	49.40	32.31	22.47	54.78	35.75	26.20	61.95	37.47	32.10	69.57
7. Medical and Public Health	7.73	4.59	12.32	9.23	5.88	15.11	12.48	5.00	17.48	13.01	6.04	19.05	14.10	9.27	23.37
8. Agriculture	6.71	3.04	9.75	6.50	1.96	8.46	12.39	1.49	13.88	10.98	5.03	16.01	10.41	7.83	18.24
9. Other Social and Developmental Services	41.85	28.10	69.95	38.92	29.98	68.90	40.40	24.69	65.09	42.62	29.14	71.76	44.85	29.37	74.22
<b>TOTAL—Social and Developmental Services</b>	<b>99.45</b>	<b>68.12</b>	<b>167.57</b>	<b>100.80</b>	<b>78.91</b>	<b>179.71</b>	<b>131.58</b>	<b>61.24</b>	<b>192.82</b>	<b>141.61</b>	<b>77.44</b>	<b>219.05</b>	<b>146.80</b>	<b>94.59</b>	<b>241.39</b>
10. Multipurpose River Schemes (Irrigation and Electricity Schemes)	0.42	0.70	1.12	0.34	0.94	1.28	1.01	1.03	2.04	2.12	1.22	3.34	1.18	1.77	2.95
11. Public Works (including roads and schemes of miscellaneous public improvements)	20.59	0.30	20.89	22.55	0.69	23.24	25.13	1.37	26.50	22.74	1.13	23.87	34.94	1.45	36.39
12. Transport and Communications	10.29	0.37	10.66	10.44	0.63	11.07	11.64	0.65	12.29	14.81	1.43	16.24	13.20	1.28	14.48
13. Currency and Mint	14.66	0.06	14.72	17.00	0.19	17.19	19.65	0.57	20.22	22.79	..	22.79	24.99	..	24.99
14. Miscellaneous	89.27	6.04	95.31	117.40	6.35	123.75	169.47	6.47	175.94	168.16	3.91	172.07	194.04	9.54	203.58
15. Grants-in-aid to State and Union Territory Governments	126.74	141.94	268.68	143.30	180.77	324.07	254.48	151.41	405.89	286.22	187.30	473.52	311.85	224.81	536.66
16. Extraordinary Items	127.05	0.23	127.28	81.29	..	81.29	14.07	..	14.07	8.91	..	8.91	11.32	..	11.32
17. Defence Services (net)	692.85	..	692.85	762.18	..	762.18	797.80	..	797.80	862.21	..	862.21	943.63	..	943.63
18. Others	4.22	..	4.22	4.77	..	4.77	5.88	..	5.88	6.19	..	6.19	9.04	..	9.04
<b>TOTAL</b>	<b>1610.03</b>	<b>217.84</b>	<b>1827.87</b>	<b>1756.08</b>	<b>268.56</b>	<b>2024.64</b>	<b>2049.47</b>	<b>222.86</b>	<b>2272.33</b>	<b>2208.64</b>	<b>272.66</b>	<b>2481.30</b>	<b>2411.41</b>	<b>333.61</b>	<b>2745.05</b>



TABLE 45 : Revenue from Income Tax, Corporation Tax and Union Surcharges

(Rs. crores)

Year	Income tax	Corporation tax	Union surcharges
1	2	3	4
1952-53 . . . . .	143·2	43·8	6·1
1953-54 . . . . .	124·2	41·6	4·9
1954-55 . . . . .	123·2	37·3	5·0
1955-56 . . . . .	132·0	37·1	5·0
1956-57 . . . . .	151·2	51·2	5·6
1957-58 . . . . .	161·6	56·1	6·9
1958-59 . . . . .	172·8	54·3	8·4
1959-60 . . . . .	149·2	106·6	8·3
1960-61 . . . . .	168·7	110·7	5·7
1961-62 . . . . .	161·0	160·8	5·1
1962-63 . . . . .	187·4	220·1	5·6
1963-64 . . . . .	245·6	287·3	14·9
1964-65 . . . . .	266·9	313·6	12·6
1965-66 . . . . .	271·9	304·8	7·1
1966-67 . . . . .	306·3	330·8	8·2
1967-68 . . . . .	313·3	310·3	9·3
1968-69 (R.E.) . . . . .	338·0	322·0	14·0

Source : Combined finance and revenue accounts and Central Government documents.



TABLE 46 : State-wise assessment of income tax (excluding tax on Union Salaries) for the years 1962-63 to 1964-65.

(Net of reductions on account of appellate order, revision, rectification, etc.)

(Rs. crores)

States	1962-63	1963-64	1964-65	Total 1962-63 to 1964-65
Andhra Pradesh . . . . .	4.91	5.99	6.40	17.30
Assam . . . . .	2.25	2.29	2.30	6.84
Bihar . . . . .	2.90	1.88	4.80	9.58
Gujarat . . . . .	9.85	9.22	9.98	29.05
Haryana* . . . . .	1.76	1.53	2.02	5.31
Jammu & Kashmir . . . . .	0.47	0.48	0.62	1.57
Kerala . . . . .	3.55	3.26	3.66	10.47
Madhya Pradesh . . . . .	3.09	2.56	5.32	10.97
Maharashtra . . . . .	35.16	35.72	38.75	109.63
Mysore . . . . .	6.06	5.96	4.98	17.00
Nagaland . . . . .	..	..	..	..
Orissa . . . . .	0.76	0.77	1.49	3.02
Punjab* . . . . .	2.58	2.22	2.96	7.76
Rajasthan . . . . .	0.53	1.92	2.08	4.53
Tamil Nadu . . . . .	13.08	14.27	12.99	40.34
Uttar Pradesh . . . . .	5.85	6.56	7.92	20.33
West Bengal . . . . .	21.61	20.08	22.86	64.55
<b>TOTAL . . . . .</b>	<b>114.41</b>	<b>114.71</b>	<b>129.13</b>	<b>358.25</b>

Source : Central Board of Direct Taxes.

\*The figure of the composite State of Punjab has been divided amongst the re-organised States of Punjab and Haryana as follows:—

Punjab . . . . .	54.84 per cent
Haryana . . . . .	37.38 per cent

TABLE 47 : Revenue from Union and Additional Excise Duties from 1965-66 to 1969-70  
(Commodity-wise for items subject to additional excise duties and for others taken together)

		Excise Revenue from				Total excise revenue from other commodities	Grand total of excise revenue
Year		Sugar	Tobacco and cigarettes	Textiles	Total of sugar, tobacco and textiles		
I		2	3	4	5	6	7
1965-66	Basic . . . . .	53.69	82.37	53.20	189.26	603.37	792.63
	Special . . . . .	..	16.51	0.43	16.94	41.20	58.14
	Additional . . . . .	16.38	10.25	20.52	47.15	..	47.15
	TOTAL . . . . .	70.07	109.13	74.15	253.35	644.57	897.92
1966-67	Basic . . . . .	89.78	95.77	59.27	244.82	682.35	927.17
	Special . . . . .	..	19.21	0.44	19.65	36.48	56.13
	Additional . . . . .	19.56	11.11	19.81	50.48	..	50.48
	TOTAL . . . . .	109.34	126.09	79.52	314.95	718.83	1033.78
1967-68	Basic . . . . .	60.45	117.32	55.84	233.61	800.59	1034.20
	Special . . . . .	..	22.94	0.45	23.39	42.31	65.70
	Additional . . . . .	13.99	15.08	19.55	48.62	..	48.62
	TOTAL . . . . .	74.44	155.34	75.84	305.62	842.90	1148.52
1968-69	Basic . . . . .	48.87	142.05	57.78	248.70	940.00	1188.70
	(R.E.) Special . . . . .	..	28.42	0.54	28.96	40.66	77.62
	Additional . . . . .	14.76	18.26	21.11	54.13	..	54.13
	TOTAL . . . . .	63.63	188.73	79.43	331.79	988.66	1320.45
1969-70*	Basic . . . . .	80.66	156.10	58.13	294.89	985.16	1280.05
	(B.E.) Special . . . . .	..	31.03	0.57	31.60	47.23	78.83
	Additional . . . . .	16.75	23.09	22.91	62.75	..	62.75
	TOTAL . . . . .	97.41	210.22	81.61	389.24	1032.39	1421.63

Source : Budgets of the Government of India.

\*Includes additional taxation.

TABLE 48 : Revenue from Union Excise Duties. Additional Excise Duties and Special Excise Duties from 1950-51 to 1969-70.

(Rs. crores)

Year	Revenue from			Total
	Union Excise Duties	Additional Excise Duties	Special Excise Duties	
1950-51	67.5	..	..	67.5
1953-54	95.6	..	..	95.6
1954-55	108.2	..	..	108.2
1955-56	145.8	..	..	145.8
1956-57	190.4	..	..	190.4
1957-58	271.0	2.6	..	273.6
1958-59	296.8	16.1	..	312.9
1959-60	332.4	28.3	..	360.7
1960-61	382.8	33.6	..	416.4
1961-62	450.3	39.0	..	489.3
1962-63	550.9	44.8	3.1	598.8
1963-64	631.7	43.1	54.8	729.6
1964-65	696.7	44.5	60.3	801.5
1965-66	792.6	47.2	58.1	897.9
1966-67	927.2	50.5	56.1	1033.8
1967-68	1034.2	48.6	65.7	1148.5
1968-69 (R.E.)	1188.8	54.1	77.6	1320.5
1969-70 (B.E.)	1280.0	62.8	78.8	1421.6

Source : Union Budgets.

TABLE 49 : Economics indicators for distribution of States' share of Union Excise Duties.

States	Factory Workers per lakh of population 1966	Net irrigated area per cultivator (Hectares)	Number of hospital beds per thousand of population as on 1-4-1968	Scheduled Tribes population (1961) (Census Lakhs)	Length of railways and surfaced roads as on 31-3-1967			School going children in age group 6 to 11 years (1967-68)	
					Railways per 100 Sq. Km.	Surfaced road per 100 Sq. Km.	Total	Estimated population of children (thousands)	Enrolment of children in classes I to V (thousands)
	1	2	3	4	5	6	7	8	9
Andhra Pradesh . . . . .	639	0·398	0·612	13·24	17	10	27	5212	3694
Assam . . . . .	583	0·184	0·381	20·65	18	4	22	2142	501
Bihar . . . . .	453	0·192	0·305	42·05	30	8	38	7599	4110
Gujarat . . . . .	1735	0·786	0·428	27·54	29	8	37	3473	2676
Haryana . . . . .	809	0·704	0·431	..	32	13	45	1426	834
Jammu and Kashmir . . . . .	237	0·250	1·016	..	Neg.	1	1	494	337
Kerala . . . . .	1036	0·307	0·988	2·13	23	50	73	2629	3156
Madhya Pradesh . . . . .	575	0·092	0·380	66·78	12	6	18	5356	2918
Maharashtra . . . . .	2068	0·141	0·787	23·97	17	10	27	6254	5635
Mysore . . . . .	899	0·168	0·814	1·92	14	18	32	3722	3052
Nagaland . . . . .	N.A.	0·062	1·750	3·44	1	2	3	56	62

States	I	2	3	4	5	6	7	8	9
Orissa . . . . .	345	0·224	0·362	42·24	11	6	17	2658	1925
Punjab . . . . .	794	1·412	0·655	..	42	12	54	2095	1333
Rajasthan . . . . .	328	0·249	0·515	23·51	16	5	21	3448	1920
Tamil Nadu . . . . .	1098	0·372	0·692	2·52	28	31	59	4551	4732
Uttar Pradesh . . . . .	500	0·319	0·411	..	29	9	38	11424	9180
West Bengal . . . . .	2166	0·321	0·872	20·54	35	18	53	5788	3878
TOTAL . . . . .	943	0·269	0·568	290·53	19	10	29	68327	49943

Source : Col. (1)—Pocket Book of Labour Statistics (1968)—Labour Bureau, Department of Labour and Employment.  
 Col. (2)—Directorate of Economic and Statistics, Ministry of Food and Agriculture, C. D. & Cooperation.  
 Col. (3)—Information on Subsidiary Points submitted by the State Governments.  
 Col. (4)—Census of India—1961.  
 Col. (5)—Ministry of Railways (Railway Board).  
 Col. (6)—Basic Road Statistics of India (1968), Ministry of Transport and Shipping.  
 Cols. (8) and (9)—Selected Educational Statistics, Ministry of Education.

NOTES : Col. (4)—There are no Scheduled Tribes in Haryana, Jammu and Kashmir, Punjab and Uttar Pradesh.

Cols. (8) and (9)—The pupils in classes I to V also include those who are above or below the age group of 6 to 11 years. Hence the enrolment in certain cases exceeds the corresponding population.

TABLE 50 : State-wise consumption estimates of Cigarettes

(Million numbers)

States	1964	1965	1966	1967
Andhra Pradesh	2152 (4.7)	2453 (4.6)	2886 (4.9)	2828 (5.2)
Assam	1347 (3.0)	1680 (3.1)	2002 (3.4)	1503 (3.5)
Bihar	2427 (5.3)	3251 (6.0)	2298 (5.6)	2556 (4.7)
Gujarat	1557 (3.4)	1734 (3.2)	1649 (2.8)	1631 (3.0)
Haryana	\$	\$	\$	\$
Jammu & Kashmir	824 (1.8)	921 (1.7)	1119 (1.9)	1468 (2.7)
Kerala	2290 (5.0)	2655 (4.9)	3258 (5.6)	3154 (5.8)
Madhya Pradesh	2244 (4.9)	2926 (5.4)	2886 (4.9)	2284 (4.2)
Maharashtra	5312 (11.6)	6123 (11.3)	6596 (11.2)	6254 (11.5)
Mysore	2473 (5.4)	2818 (5.2)	2945 (5.0)	2828 (5.2)
Nagaland	N.A.	N.A.	N.A.	N.A.
Orissa	641 (1.4)	975 (1.8)	1237 (2.1)	971 (1.8)
Punjab	4671* (10.2)	5365* (9.6)	5772* (9.8)	5275* (9.7)
Rajasthan	1053 (2.3)	1355 (2.5)	1118 (2.0)	761 (1.4)
Tamil Nadu	5175 (11.3)	5507 (10.9)	6772 (11.5)	6525 (12.0)
Uttar Pradesh	5724 (12.5)	6719 (12.4)	6891 (11.7)	5710 (10.5)
West Bengal	5266 (11.5)	6394 (11.8)	7244 (12.3)	6689 (12.3)
Union Territories	2610 (5.7)	2872 (5.3)	3121 (5.3)	3535 (6.5)
<b>TOTAL</b>	<b>45793</b> (100.0)	<b>54188</b> (100.0)	<b>58895</b> (100.0)	<b>54372</b> (100.0)

TABLE 51 : State-wise consumption estimates of Cotton Textiles.

(Rs. Crores)

States	1964	1965	1966
Andhra Pradesh . . . . .	63.0 <sup>§</sup> (7.7)	63.9 (7.7)	66.1 (7.7)
Assam . . . . .	18.4 (2.2)	18.7 (2.2)	19.3 (2.2)
Bihar . . . . .	69.8 (8.5)	70.8 (8.5)	72.4 (8.4)
Gujarat . . . . .	28.4 (3.4)	28.8 (3.4)	29.8 (3.4)
Haryana . . . . .	§	§	§
Jammu and Kashmir . . . . .	7.1 (0.9)	7.2 (0.9)	7.4 (0.9)
Kerala . . . . .	19.2 (2.3)	19.4 (2.3)	20.1 (2.3)
Madhya Pradesh, . . . . .	69.6 (8.5)	70.6 (8.5)	73.0 (8.5)
Maharashtra . . . . .	87.7 (10.7)	88.9 (10.7)	92.0 (10.7)
Mysore . . . . .	42.6 (5.2)	43.2 (5.2)	44.7 (5.2)
Orissa . . . . .	24.2 (2.9)	24.6 (2.9)	25.4 (2.9)
Punjab . . . . .	60.9** (7.4)	61.8** (7.4)	63.9** (7.4)
Rajasthan . . . . .	48.9 (5.9)	49.6 (5.9)	51.3 (5.9)
Tamil Nadu . . . . .	58.6 (7.1)	59.5 (7.1)	61.5 (7.1)
Uttar Pradesh . . . . .	158.5 (19.3)	160.8 (19.3)	166.3 (19.3)
West Bengal . . . . .	51.4 (6.2)	52.2 (6.3)	53.9 (6.3)
Union Territories* . . . . .	14.4 (1.8)	14.6 (1.7)	15.1 (1.8)
<b>TOTAL</b>	<b>822.7</b> <b>(100.0)</b>	<b>834.6</b> <b>(100.0)</b>	<b>862.2</b> <b>(100.0)</b>

Source : Central Statistical Organisation (Planning and State Statistical Division).

NOTE : Figures in brackets are percentages to total.

§Included under Punjab.

\*\*Relates to composite State of Punjab.

\*Includes estimates for Nagaland which are negligible.

TABLE 52 : State-wise consumption of Sugar.

(,000 Tonnes)

States	1964-65 *	1965-66 *	1966-67 *
Andhra Pradesh . . . . .	118 (4.8)	137 (4.9)	129 (5.0)
Assam** . . . . .	85 (3.4)	71 (2.5)	78 (3.0)
Bihar . . . . .	142 (5.8)	171 (6.2)	154 (5.9)
Gujarat . . . . .	256 (10.5)	284 (10.2)	255 (9.8)
Haryana . . . . .	£	£	£
Jammu and Kashmir . . . . .	25 (1.0)	12 (0.4)	20 (0.8)
Kerala . . . . .	75 (3.2)	99 (3.6)	100 (3.8)
Madhya Pradesh . . . . .	147 (6.0)	158 (5.7)	144 (5.5)
Maharashtra . . . . .	379 (15.5)	447 (16.1)	416 (16.0)
Mysore . . . . .	111 (4.5)	134 (4.8)	129 (4.0)
Orissa . . . . .	51 (2.1)	56 (2.0)	58 (2.2)
Punjab . . . . .	169*** (7.3)	196*** (7.1)	171*** (6.6)
Rajasthan . . . . .	89 (3.6)	101 (3.6)	93 (3.4)
Tamil Nadu . . . . .	140 (5.7)	172 (6.2)	168 (6.5)
Uttar Pradesh . . . . .	279 (11.4)	327 (11.8)	288 (11.2)
West Bengal . . . . .	265 (10.9)	298 (10.7)	276 (10.6)
Union Territories . . . . .	100 (4.3)	116 (4.2)	121 (4.7)
<b>TOTAL . . . . .</b>	<b>2441 (100.0)</b>	<b>2779 (100.0)</b>	<b>2600 (100.0)</b>



TABLE 53 : Resources transferred from the Centre to the States.

(Rs. crores)

	First Five-Year Plan	Second Five-year Plan	Third Five-Year Plan	1965-66*	1966-67	1967-68	1968-69 (R.E.)
	1	2	3	4	5	6	7
<b>I. Share of Divisible Taxes and Duties :</b>							
1. Income Tax . . . . .	278	375	555	123	137	175	194
2. Union Excise Duties :							
(a) Basic . . . . .	46	153	398	100	184	202	241
(b) Additional . . . . .	..	128	217	46	47	32	50
3. Tax on Railway Passenger Fare . . . . .	..	43	..	..	..	..	..
Estate Duty . . . . .	2	13	26	7	5	7	6
<b>TOTAL I</b> . . . . .	<b>326</b>	<b>712</b>	<b>1196</b>	<b>276</b>	<b>373</b>	<b>416</b>	<b>491</b>
<b>II. Grants met from Revenue :</b>							
<b>A. Statutory Grants :</b>							
1. Grants under Article 273 of the Constitution . . . . .	14	13	..	..	..	..	..
2. Grants under substantive provision of Article 275 (1) of the Constitution . . . . .	27	153	290	64	141	141	141
3. Grants under Proviso to Article 275(1) of the Constitution . . . . .	13	34	40	11	12	9	9
4. Grants under Article 278 of the Constitution . . . . .	49	..	..	..	..	..	..

5. Grants under Section 74 of the S. R. Act	..	7	..	..	..	..	..
TOTAL of A	103	207	330	75	153	150	150
B. Other Grants :	145	461	818	222	196	264	305
TOTAL II	248	668	1148	297	349	414	455
III. Grants from Central Road Fund	16	19	14	1	6	3	4
IV. Grants met from Capital	24	59	142	51	58	53	49
V. Loans	799	1411	3100	821	920	880	891
GRAND TOTAL	1413	2869	5600	1446	1706	1766	1890

Source : Budgets of the Central Government.

\*This is the last year of the Third Five Year Plan and is included in Column 3.



States	1952-53			1953-54			1954-55			1955-56			1956-57			Total for four years (1952-53 to 1955-56)		
	Share of Taxes	Grants	Total	Share of Taxes	Grants	Total	Share of Taxes	Grants	Total	Share of Taxes	Grants	Total	Share of Taxes	Grants	Total	Share of Taxes	Grants	Total
I	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Andhra Pradesh	..	..	..	2.22	..	2.22	4.22	..	4.22	4.26	..	4.26	..	..	..	10.70	..	10.70
Assam	1.85	1.75	3.60	1.83	1.75	3.58	1.75	1.75	3.50	1.78	1.75	3.53	..	..	..	7.21	7.00	14.21
Bihar	8.03	0.75	8.78	7.96	1.16	9.12	7.66	1.30	8.96	7.76	1.44	9.20	..	..	..	31.41	4.65	36.06
Bombay	12.49	..	12.49	12.48	..	12.48	12.07	..	12.07	12.08	..	12.08	..	..	..	49.12	..	49.12
Hyderabad	3.42	..	3.42	3.40	0.20	3.60	3.54	0.27	3.81	3.58	0.33	3.91	..	..	..	13.94	0.80	14.74
Madhya Bharat	1.36	..	1.36	1.35	0.09	1.44	1.41	0.12	1.53	1.44	0.15	1.59	..	..	**Shown Separately	5.56	0.36	5.92
Madhya Pradesh	4.27	..	4.27	4.26	0.25	4.51	4.11	0.33	4.44	4.16	0.42	4.58	..	..	on	16.80	1.00	17.80
Madras	12.31	..	12.31	3.88	..	3.88	7.34	..	7.34	7.43	..	7.43	..	..	next page	30.96	..	30.96
Mysore	..	0.40	0.40	0.09	0.40	0.49	0.16	0.40	0.56	0.16	0.40	0.56	..	..	..	0.41	1.60	2.01
Orissa	2.82	0.90	3.72	2.81	1.06	3.87	2.76	1.12	3.88	2.92	1.17	4.09	..	..	..	11.31	4.25	15.56
Pepsu	0.41	..	0.41	0.76	0.05	0.81	0.61	0.06	0.67	0.62	0.08	0.70	..	..	..	2.40	0.19	2.59
Punjab	2.70	1.25	3.95	2.69	1.39	4.08	2.52	1.44	3.96	2.55	1.48	4.03	..	..	..	10.46	5.56	16.02
Rajasthan	2.69	..	2.69	2.67	0.20	2.87	2.79	0.26	3.05	2.83	0.33	3.16	..	..	..	10.98	0.79	11.77
Saurashtra	..	0.40	0.40	..	0.40	0.40	..	0.40	0.40	..	0.40	0.40	..	..	..	..	1.60	1.60
Travancore Cochin	..	0.45	0.45	..	0.45	0.45	..	0.45	0.45	..	0.45	0.45	..	..	..	..	1.80	1.80
Uttar Pradesh	12.76	..	12.76	12.67	..	12.67	12.30	..	12.30	12.45	..	12.45	..	..	..	50.18	..	50.18
West Bengal	8.12	2.30	10.42	8.11	2.30	10.41	7.84	2.30	10.14	7.85	2.30	10.15	..	..	..	31.92	9.20	41.12
Jammu and Kashmir	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
<b>TOTAL</b>	<b>73.23</b>	<b>8.20</b>	<b>81.43</b>	<b>67.18</b>	<b>9.70</b>	<b>76.88</b>	<b>71.08</b>	<b>10.20</b>	<b>81.28</b>	<b>71.87</b>	<b>10.70</b>	<b>82.57</b>	<b>78.25</b>	<b>11.20</b>	<b>89.45</b>	<b>283.36</b>	<b>38.80</b>	<b>322.16</b>
																(361.61)*	(50.00)*	(411.61)*

Source : State Budgets.

\*\*Because of reorganisation of States in 1956-57, the figures for that year cannot be put on a comparable basis.

\*Figures within brackets are totals for five years 1952-53 to 1956-57.

	1956-57		
	Share of Taxes	Grants*	Total
	1	2	3
<i>States whose accounts were not affected by Reorganisation of States</i>			
Andhra Pradesh . . . . .	5.38	..	5.38
Assam . . . . .	1.86	1.75	3.61
Orissa . . . . .	2.91	1.22	4.13
Uttar Pradesh . . . . .	12.93	..	12.93
West Bengal . . . . .	8.30	2.30	10.60
<i>States for the Pre-reorganisation period whose accounts were closed on 31-10-1956—</i>			
Bihar . . . . .	3.98	1.58	5.56
Bombay . . . . .	6.67	..	6.67
Madhya Pradesh . . . . .	2.51	0.50	3.01
Madras . . . . .	4.48	..	4.48
Punjab . . . . .	1.54	1.53	3.07
Hyderabad . . . . .	2.16	0.40	2.56
Madhya Bharat . . . . .	0.86	0.18	1.04
Mysore . . . . .	1.16	0.40	1.56
Pepsu . . . . .	0.12	0.09	0.21
Rajasthan . . . . .	1.71	0.40	2.11
Saurashtra . . . . .	0.48	0.40	0.88
Travancore Cochin . . . . .	0.04	0.45	0.49
<i>States formed as a result of Re- organisation of States</i>			
Bihar . . . . .	3.96	..	3.96
Bombay . . . . .	6.59	..	6.59
Kerala . . . . .	1.25	..	1.25
Madhya Pradesh . . . . .	1.80	..	1.80
Madras . . . . .	2.73	..	2.73
Mysore . . . . .	1.96	..	1.96
Punjab . . . . .	1.63	..	1.63
Rajasthan . . . . .	1.24	..	1.24
Ajmer . . . . .	..	..	..
Bhopal . . . . .	..	..	..
Coorg . . . . .	..	..	..
Himachal Pradesh . . . . .	..	..	..
Vindhya Pradesh . . . . .	..	..	..
<b>TOTAL . . . . .</b>	<b>78.25</b>	<b>11.20</b>	<b>89.45</b>

Source : Combined Finance and Revenue Accounts 1956-57.

\*Includes Grants under Article 273.

TABLE 55 : *Transfers from the Centre to States under the Second Finance Commission's Award.*

(1957-58 to 1961-62)

(Rs. crores)

States	1957-58			1958-59			1959-60			1960-61			1961-62			Total for 5 years 1957-58 to 1961-62		
	Shares of Taxes	Grants <sup>£</sup>	Total	Shares of Taxes	Grants <sup>£</sup>	Total	Shares of Taxes	Grants <sup>£</sup>	Total	Shares of Taxes	Grants	Total	Shares of Taxes §	Grants	Total	Shares of Taxes	Grants	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Andhra Pradesh	10.07	4.00	14.07	13.28	4.00	17.28	14.25	4.00	18.25	16.70	4.00	20.70	15.75	4.00	19.75	70.05	20.00	90.05
Assam	3.25	4.50	7.75	4.37	4.50	8.87	4.66	4.50	9.16	5.43	4.50	9.93	5.15	4.50	9.65	22.86	22.50	45.36
Bihar	11.67	4.22	15.89	14.14	4.22	18.36	14.90	4.22	19.12	16.40	4.25	20.65	17.05	4.25	21.30	74.16	21.16	95.32
Maharashtra*	19.38	..	19.38	29.25	..	29.25	30.44	..	30.44	14.96	..	14.96	15.82	..	15.82	109.85	..	109.85
Gujarat*										17.10	..	17.10	18.69	..	18.69	35.79	..	35.79
Jammu and Kashmir	1.45	3.00	4.45	1.96	3.00	4.96	2.06	3.00	5.06	2.12	3.00	5.12	1.98	3.00	4.98	9.57	15.00	24.57
Kerala	4.36	1.75	6.11	5.48	1.75	7.23	5.87	1.75	7.62	6.95	1.75	8.70	6.50	1.75	8.25	29.16	8.75	37.91
Madhya Pradesh	8.21	3.00	11.21	10.66	3.00	13.66	11.46	3.00	14.46	13.52	3.00	16.52	12.69	3.00	15.69	56.54	15.00	71.54
Mysore	6.41	6.00	12.41	8.02	6.00	14.02	8.55	6.00	14.55	10.91	6.00	16.91	9.57	6.00	15.57	43.46	30.00	73.46
Orissa	4.47	3.40	7.87	5.63	3.40	9.03	6.02	3.40	9.42	7.19	3.50	10.69	6.74	3.50	10.24	30.05	17.20	47.25
Punjab	5.54	2.25	7.79	7.89	2.25	10.14	8.32	2.25	10.57	9.73	2.25	11.98	9.19	2.25	11.44	40.67	11.25	51.92
Rajasthan	5.14	2.50	7.64	6.70	2.50	9.20	7.22	2.50	9.72	8.51	2.50	11.01	7.95	2.50	10.45	35.52	12.50	48.02
Tamil Nadu	9.90	..	9.90	13.20	..	13.20	14.12	..	14.12	20.03	..	20.03	15.63	..	15.63	72.88	..	72.88
Uttar Pradesh	19.75	..	19.75	26.90	..	26.90	28.76	..	28.76	34.56	..	34.56	31.72	..	31.72	141.69	..	141.69
West Bengal	11.12	4.78	15.90	14.58	4.78	19.36	15.25	4.78	20.03	21.58	4.75	26.33	16.99	4.75	21.74	79.52	23.84	103.36
TOTAL	120.72	39.40	160.12	162.06	39.40	201.46	171.88	39.40	211.28	205.69	39.50	245.19	191.42	39.50	230.92	851.77	197.20	1048.97

Source : State Budgets.

£ Including Grants under Article 273.

§ Includes grants in lieu of tax on Railway Passenger Fares.

\* Figures for these States upto 1959-50 relate to the composite State of Bombay.

States	1962-63			1963-64			1964-65			1965-66			Total for 4 years 1962-63 to 1965-66		
	Shares of Taxes	Grants	Total	Shares of Taxes	Grants	Total	Shares of Taxes	Grants	Total	Shares of Taxes	Grants	Total	Shares of Taxes	Grants	Total
	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Andhra Pradesh	18.60	9.50	28.10	21.46	9.50	30.96	21.30	9.50	30.80	22.76	9.50	32.26	84.12	38.00	122.12
Assam	7.63	6.00	13.63	8.84	6.00	14.84	8.66	6.00	14.66	9.44	6.00	15.44	34.57	24.00	58.57
Bihar	22.11	0.75	22.86	24.57	0.75	25.32	25.45	0.75	26.20	27.50	0.75	28.25	99.63	3.00	102.63
Gujarat	14.41	5.25	19.66	16.39	5.25	21.64	16.13	5.25	21.38	17.25	5.25	22.50	64.18	21.00	85.18
Jammu and Kashmir	3.28	2.00	5.28	3.55	2.00	5.55	3.29	2.00	5.29	3.63	2.00	5.63	13.75	8.00	21.75
Kerala	9.53	6.25	15.78	11.17	6.25	17.42	10.92	6.25	17.17	11.83	6.25	18.08	43.45	25.00	68.45
Madhya Pradesh	16.53	3.00	19.53	19.13	3.00	22.13	18.84	3.00	21.84	20.31	3.00	23.31	74.81	12.00	86.81
Maharashtra	26.76	..	26.76	30.13	..	30.13	30.70	..	30.70	31.93	..	31.93	119.52	..	119.52
Mysore	11.93	6.75	18.68	13.90	6.75	20.65	13.70	6.75	20.45	14.70	6.75	21.45	54.23	27.00	81.23
Nagaland	..	..	..	0.09*	..	0.09	0.29	..	0.29	0.30	..	0.30	0.68	..	0.68
Orissa	10.59	13.25	23.84	12.36	13.25	25.61	12.03	13.25	25.28	13.22	13.25	26.47	48.20	53.00	101.20
Punjab	13.15	..	13.15	15.03	..	15.03	14.83	..	14.83	15.98	..	15.98	58.99	..	58.99
Rajasthan	10.86	5.25	16.11	12.58	5.25	17.83	12.39	5.25	17.64	13.38	5.25	18.63	49.21	21.00	70.21
Tamil Nadu	17.71	3.00	20.71	20.31	3.00	23.31	20.26	3.00	23.26	21.47	3.00	24.47	79.75	12.00	91.75
Uttar Pradesh	32.90	..	32.90	37.66	..	37.66	37.47	..	37.47	39.92	..	39.92	147.95	..	147.95
West Bengal	20.58	..	20.58	23.79	..	23.79	24.14	..	24.14	25.21	..	25.21	93.72	..	93.72
<b>TOTAL</b>	<b>236.57</b>	<b>61.00</b>	<b>297.57</b>	<b>270.96</b>	<b>61.00</b>	<b>331.96</b>	<b>270.40</b>	<b>61.00</b>	<b>331.40</b>	<b>288.83</b>	<b>61.00</b>	<b>349.83</b>	<b>1066.76</b>	<b>244.00</b>	<b>1310.76</b>

Source : State Budgets.

NOTE : Shares of Taxes include : 'Grants in lieu of Tax on Railway fares'.

\*For three months only.

TABLE 57 : Transfers from the Centre to States under the Fourth Finance Commission's Award  
(1966-67 to 1968-69)

States	(Rs. crores)									
	1966-67			1967-68			1968-69 <del>(1968-69)</del>			
	Shares of Taxes	Grants	Total	Shares of Taxes	Grants	Total	Shares of Taxes	Grants	Total	
I	2	3	4	5	6	7	8	9	10	
Andhra Pradesh	28.18	13.51	41.69	33.06	13.51	46.57	38.72	13.51	52.23	37
Assam	11.25	16.52	27.77	12.31	16.52	28.83	14.76	16.52	31.28	14
Bihar	35.57	..	35.57	38.70	..	38.70	46.34	..	46.34	44
Gujarat	21.80	..	21.80	23.86	..	23.86	28.11	..	28.11	26
Haryana	3.97*	..	3.97*	7.67	..	7.67	9.13	..	9.13	8
Jammu and Kashmir	5.89	6.57	12.46	6.38	6.57	12.95	7.68	6.57	14.25	7
Kerala	14.93	20.82	35.75	16.54	20.82	37.36	19.74	20.82	40.56	218
Madhya Pradesh	25.54	2.70	28.24	29.18	2.70	31.88	34.95	2.70	37.65	3
Maharashtra	45.60	..	45.60	52.02	..	52.02	59.57	..	59.57	2
Mysore	19.69	20.82	40.51	22.38	20.82	43.20	26.03	20.82	46.85	2
Nagaland	4.07	7.07	11.14	4.59	7.07	11.66	5.26	7.07	12.33	5
Orissa	15.42	29.18	44.60	16.87	29.18	46.05	20.38	29.18	49.56	19
Punjab	13.95*	..	13.95*	11.33	..	11.33	13.49	..	13.49	2
Rejasthan	16.89	6.73	23.62	19.00	6.73	25.73	22.80	6.73	29.53	2
Tamil Nadu	30.30	6.84	37.14	34.53	6.84	41.37	39.75	6.84	46.59	2
Uttar Pradesh	57.87	9.85	67.72	63.77	9.85	73.62	75.04	9.85	84.89	7
West Bengal	33.16	..	33.16	39.80	..	39.80	45.37	..	45.37	4
TOTAL	384.08	140.61	524.69	431.99	140.61	572.60	507.12	140.61	647.73	4

Source (i) 1966-67 State Budgets.

(ii) 1967-68 and 1968-69 Central Budgets.

\*Since the reorganised States of Punjab and Haryana came into being on November 1, 1966 the figures for Punjab in Col. 1 relate to the composite State for the first 7 months of the year and the reorganised State for the next 5 months. The figures for Haryana relate to only the last 5 months of the year.



TABLE 58 : Area irrigated (net) by main sources in 1965-66 and number of cultivators as per Census 1961.

States	Area in thousand hectares irrigated by					Number of cultivators as on 1-3-1961 (thousands)
	Canals	Tanks	Wells	Other sources	Total	
I	2	3	4	5	6	7
Andhra Pradesh . . . . .	1226	1189	455	108	2978	7487
Assam . . . . .	364	..	..	248	612	3324
Bihar . . . . .	632	175	289	895	1991	10362
Gujarat . . . . .	111	22	668	36	837	4519
Haryana . . . . .	960	4	224	38	1226	1838
Jammu and Kashmir	279	1	2	6	288	1153
Kerala . . . . .	177	60	4	121	362	1178
Madhya Pradesh . . . . .	462	118	345	52	977	10612
Maharashtra . . . . .	248	213	683	86	1230	8737
Mysore . . . . .	361	325	163	128	977	5807
Nagaland . . . . .	..	..	..	12	12	193
Orissa . . . . .	225	495	38	219	977	4353
Punjab . . . . .	1295	4	887	77	2263	1603
Rajasthan . . . . .	487	203	1023	40	1753	7055
Tamil Nadu . . . . .	799	903	659	38	2399	6458
Uttar Pradesh . . . . .	2300	391	2905	279	5875	18428
West Bengal . . . . .	902	328	16	184	1430	4459
TOTAL . . . . .	10828	4431	8361	2467	26187	97566

Source : Cols. 1 to 5—Directorate of Economic and Statistics, Ministry of Food and Agriculture, Community Development and Co-operation. Figures in respect of Haryana and Punjab have been taken from the Statistical Abstracts of Haryana and Punjab respectively for the year 1967.



TABLE 59 : *Distribution of the area operated and the households by size classes*

Size of holdings	Total area operated		No. of households	
	Area (lakh acres)	Percentage	Total No. (in '000)	Percentage
1	2	3	4	5
(a) Below 2.5 acres . . . . .	216	6.67	41524	57.6
(b) Over 2.5 but not exceeding 5 acres . . . . .	391	12.08	11606	16.1
(c) Over 5 but not exceeding 7.5 acres . . . . .	352	10.87	6488	9.0
(d) Over 7.5 but not exceed- ing 10 acres . . . . .	294	9.08	3466	4.8
(e) Over 10 but not exceed- ing 15 acres . . . . .	446	13.77	3911	5.4
(f) Over 15 but not exceeding 20 acres . . . . .	304	9.39	1826	2.5
(g) Over 20 but not exceeding 25 acres . . . . .	232	7.17	1088	1.5
Over 25 acres . . . . .	1003	30.97	2143	3.0
TOTAL . . . . .	3238	100.00	72052	100.00

N. B. (i) Area operated represents all lands used wholly or partly for agricultural production and operated by the persons, alone or with the assistance of others, without regard to title, size, or location.

(ii) A house-hold is a group of persons who usually live together and take their meals from a common kitchen.

Source : National Sample Survey, 17th Round.

TABLE 60 : Estimated additional revenue from irrigation on the basis of water rates at 12 per cent of gross income.

(Rs. lakhs)

States	Total revenue from irrigated land under				Existing Revenue from water rates from all crops (1968-69)	Additional revenue expected (5-6)
	Rice	Wheat	Sugar-cane	Total (2+3+4)		
1	2	3	4	5	6	7
Andhra Pradesh . . . . .	3440	N.A.	795	4235	993	3242
Assam . . . . .	N.A.	..	..	..	4	..
Bihar . . . . .	500	75	N.A.	575	306	269
Gujarat . . . . .	34	175	N.A.	209	107	102
Jammu and Kashmir	N.A.	N.A.	Neg.	..	13	..
Kerala . . . . .	288	..	Neg.	288	3	285
Madhya Pradesh . . . . .	236	78	N.A.	314	110	204
Maharashtra . . . . .	141	40	650	831	242	589
Mysore . . . . .	445	3	427	875	175	700
Orissa . . . . .	726	N.A.	N.A.	726	31	695
Punjab and Haryana	180	935	1080	2195	680	1515
Rajasthan . . . . .	13	335	70	418	188	230
Tamil Nadu . . . . .	2260	..	N.A.	2260	285	1975
Uttar Pradesh . . . . .	125	960	3530	4615	1638	2977
West Bengal . . . . .	1120	11	N.A.	1131	83	1048
<b>TOTAL</b> . . . . .	<b>9508</b>	<b>2612</b>	<b>6552</b>	<b>18672</b>	<b>4841</b>	<b>13831*</b>

\*Excluding Assam and Jammu and Kashmir.

N. A.—Not available.

Neg.—Negligible.

Source : Ministry of Irrigation and Power except Col. 6 which has been taken from State budgets for 1969-70.

TABLE 61 : Number of factory workers in different States and their percentage to population.

States	Population as on 1-7-1966 (000')	Number of factory workers (1966) (000')	Percentage of factory workers to States population
1	2	3	4
Andhra Pradesh . . . . .	39876	255	0.64
Assam . . . . .	13855	81	0.59
Bihar . . . . .	52487	238	0.45
Gujarat . . . . .	23838	413	1.73
Haryana . . . . .	8931	72	0.81
Jammu and Kashmir . . . . .	3833	9	0.24
Kerala . . . . .	19299	200	1.04
Madhya Pradesh . . . . .	36931	212	0.57
Maharashtra . . . . .	45315	937	2.07
Mysore . . . . .	26677	240	0.90
Nagaland . . . . .	..	N.A.	N.A.
Orissa . . . . .	19739	68	0.34
Punjab . . . . .	13102	104	0.79
Rajasthan . . . . .	23482	77	0.33
Tamil Nadu . . . . .	36855	405	1.10
Uttar Pradesh . . . . .	82998	415	0.50
West Bengal . . . . .	40316	873	2.17
TOTAL . . . . . (excluding Nagaland)	487534	4599	0.94

Source : Col. 2.—Pocket Book of Labour Statistics (1968), Labour Bureau, Department of Labour and Employment.

TABLE 62 : Number of passengers carried by Indian Airlines embarking and disembarking in January, 1969

State/Union Territory	Number of passengers	
	Embarking	Disembarking
<b>1. Andhra Pradesh</b>		
Hyderabad . . . . .	6,346	6,692
Vijayawada . . . . .	259	227
Visakhapatnam . . . . .	1,009	994
	7,614	7,913
<b>2. Assam</b>		
Dibrugarh . . . . .	1,639	1,634
Gauhati . . . . .	4,989	4,577
Jorhat . . . . .	1,373	1,362
Kamalpur . . . . .	373	334
Lilabari . . . . .	1,095	817
Silchar . . . . .	2,578	2,486
Tezpur . . . . .	708	537
	12,755	11,747
<b>3. Bihar</b>		
Jamshedpur . . . . .	265	252
Patna . . . . .	1,606	1,779
Ranchi . . . . .	551	499
	2,422	2,530
<b>4. Gujarat</b>		
Ahmedabad . . . . .	2,773	2,447
Baroda . . . . .	..	..
Bhavnagar . . . . .	1,058	1,023
Bhuj . . . . .	629	640
Jamnagar . . . . .	1,012	1,012
Kandla . . . . .	364	398
Keshod . . . . .	368	328
Porbundur . . . . .	299	298
Rajkot . . . . .	976	956
	7,479	7,102
<b>5. Haryana . . . . .</b>		
	..	..
<b>6. Jammu and Kashmir</b>		
Jammu . . . . .	1,118	1,563
Srinagar . . . . .	2,028	1,359
	3,146	2,922

TABLE 62 : Number of passengers carried by Indian Airlines embarking and disembarking in January, 1969—contd.

State/Union Territory	Number of passengers	
	Embarking	Disembarking
<i>7. Kerala</i>		
Cochin . . . . .	4,760	4,519
Trivandrum . . . . .	1,688	1,563
	6,448	6,082
<i>8. Madhya Pradesh</i>		
Bhopal . . . . .	590	556
Indore . . . . .	875	800
Khujuraho . . . . .	344	338
	1,809	1,694
<i>9. Maharashtra</i>		
Aurangabad . . . . .	1,056	1,045
Bombay . . . . .	35,955	36,275
Nagpur . . . . .	932	825
Poona . . . . .	1,912	1,880
	39,855	40,025
<i>10. Mysore</i>		
Bangalote . . . . .	7,248	7,117
Belgaum . . . . .	635	581
Mangalore . . . . .	678	688
	8,561	8,386
<i>11. Nagaland</i>		
	..	..
<i>12. Orissa</i>		
Bhubaneswar . . . . .	647	619
Rourkela . . . . .	67	54
	714	673
<i>13. Punjab</i>		
Amritsar . . . . .	385	421
	385	421
<i>14. Rajasthan</i>		
Jaipur . . . . .	2,469	2,553
Udaipur . . . . .	1,088	1,117
	3,557	3,670

TABLE 62 : Number of passengers carried by Indian Airlines embarking and disembarking in January, 1969—concl'd.

State/Union Territory	Number of passengers	
	Embarking	Disembarking
<b>15. Tamil Nadu</b>		
Coimbatore . . . . .	977	1,021
Madras . . . . .	13,964	13,684
Madurai . . . . .	852	910
Trichurapalli . . . . .	976	1,018
	<u>16,769</u>	<u>16,633</u>
<b>16. Uttar Pradesh</b>		
Agra . . . . .	2,316	2,257
Allahat ad . . . . .	86	118
Banaras . . . . .	1,868	1,703
Kanpur . . . . .	853	785
Lucknow . . . . .	1,063	1,360
	<u>6,186</u>	<u>6,223</u>
<b>17. West Eengal</b>		
Calcutta . . . . .	23,244	25,759
Cooch Behar . . . . .	221	204
Siliguri . . . . .	1,258	1,052
	<u>24,723</u>	<u>27,016</u>
<i>All States</i>	<u>1,42,423</u>	<u>1,43,037</u>
<b>18. Union Territories</b>		
<i>(i) Andaman and Nicobar Islands</i>		
Port Blair . . . . .	219	160
<i>(ii) Chandigarh . . . . .</i>		
	525	544
<i>(iii) Delhi . . . . .</i>		
	24,449	25,243
<i>(iv) Goa . . . . .</i>		
Dabolim . . . . .	1,994	1,893
<i>(v) Manipur . . . . .</i>		
Imphal . . . . .	1,586	1,372
<i>(vi) Tripura . . . . .</i>		
Agartala . . . . .	3,996	3,313
Kailashahar . . . . .	714	691
Khowai . . . . .	331	187
All Union Territories . . . . .	<u>33,814</u>	<u>33,403</u>
ALL INDIA . . . . .	<u>1,76,237</u>	<u>1,76,440</u>

Source : Indian Airlines.



TABLE : 63 *Commodity-wise freight earnings of Railways on goods carried during 1965-66 to 1967-68*

(Rs. crores)

Commodity	1965-66	1966-67	1967-68
1. Food grains . . . . .	39.93	45.45	45.52
2. Coal and Coke . . . . .	78.79	77.99	89.19
3. Bamboo and other wood . . . . .	10.84	11.37	11.68
4. Fruits and Vegetables fresh . . . . .	3.12	3.72	3.82
5. Sugar including candy and Glucose . . . . .	7.78	7.98	6.08
6. Salt . . . . .	9.38	9.09	11.87
7. Paper . . . . .	4.69	5.15	5.51
8. Oil seeds . . . . .	6.37	6.17	5.99
9. Cotton raw (pressed and unpressed) . . . . .	4.80	4.64	5.47
10. Jutre raw (pressed and unpressed) . . . . .	4.47	5.04	6.80
11. Cotton manufactured and other piece goods . . . . .	4.78	4.08	4.41
12. Provisions . . . . .	7.60	11.19	15.70
13. Electrical goods . . . . .	3.91	3.62	4.14
14. Cement . . . . .	20.21	22.58	25.71
15. Lime Stone and Dolomite . . . . .	9.85	9.46	9.70
16. Stone other than marble and gypsum . . . . .	8.38	10.35	8.13
17. Gypsum . . . . .	4.25	4.36	4.25
18. Chemical manures . . . . .	7.60	11.19	15.70
19. Ores (Iron, Manganese and others) . . . . .	29.42	32.76	36.44
20. Iron and Steel . . . . .	58.98	60.43	58.74
21. Diesel oil . . . . .	9.52	10.20	10.38
22. Kerosene oil . . . . .	7.75	6.02	7.10
23. Petrol . . . . .	6.65	6.26	6.28
24. Crude oil . . . . .	3.03	4.31	3.28
25. Other Commodities . . . . .	100.23	95.43	88.24
	<u>452.33</u>	<u>468.84</u>	<u>490.13</u>

Source Ministry of Railways (Railway Board).

TABLE 64 : Position of Railway Finances for the years 1964-65 to 1969-70 (B. E.)

(Rs. crores)

Year	Capital at charge	Revenue		Working expenses		Dividend Payments		Total	Surplus or Deficit (+/-)
		Pas-senger earnings	Total gross receipts	Ordinary working expenses	Total working expenses	General revenues	States in lieu of P.F. tax		
1	2	3(a)	3(b)	4(a)	4(b)	5(a)	5(b)	5(c)	6
1964-65 . . . . .	2435	199·28	661·03	433·45	542·92	92·43	12·50	104·93	+13·18
1965-66 . . . . .	2680	219·17	733·76	485·35	598·92	103·78	12·50	116·28	+18·56
1966-67 . . . . .	2842	229·34	769·00	525·61	654·88	114·70	17·69	132·39	-18·27
1967-68 . . . . .	2978	252·64	818·36	588·22	708·36	123·80	17·73	141·53	-31·53
1968-69 (RE) . . . . .	3116	266·00	902·00	640·00	761·14	133·48	17·86	151·34	-10·01
1969-70 (BE) . . . . .	3248	273·00	947·32	665·35	786·39	140·88	18·13	159·01	+1·91

Source : Ministry of Railways.

TABLE 65 : Transactions relating to purchase and sale of securities in each stock exchange in 1966-67 and 1967-68.

Name of the stock exchange (recognised)	Year	Cleared securities (No. in thousands)	Non-cleared securities (No. in thousands)	Non-cleared preference shares (No. in thousands)	Other securities (Non-cleared) (Rs. crores)	
					Government securities including bonds	Debentures
1	2	3	4	5	6	7
Bombay	1966-67	239670*	3058	94	134.10	1.48
	1967-68	215607*	1939	72	116.85	0.83
Calcutta	1966-67	304484	18507	254	47.55	0.37
	1967-68	245362	10810	175	52.43	0.94
Delhi	1966-67	260813	170	3	0.01	..
	1967-68	218230	361	9	1.30	0.06
Ahmedabad	1966-67	10531	34	6	..	..
	1967-68	9595	26	4	..	..
Madras	1966-67	238	1604	53	17.20	0.37
	1967-68	225	1447	87	16.21	0.04
Madhya Pradesh	1966-67	18	Neg.	Neg.	..	..
	1967-68	9	2	Neg.	..	..
Bangalore	1966-67	..	287	64	0.03	..
	1967-68	..	58	74	..	..
Hyderabad	1966-67	..	49	3	0.13	..
	1967-68	..	218	3	0.05	..
TOTAL	1966-67	815754	23709	477	199.02	2.22
	1967-68	689028	14861	424	186.84	1.87

Source : Ministry of Finance, Department of Economic Affairs.

\*Includes transactions in respect of 7½ per cent Tata Steel 2nd Pref. and India United Deferred.

APPENDIX VI

(See paragraph 9.3)

*Transfer of funds to the States by way of share of Taxes and Duties and Grants under Article 275*

(Rs. crores)

States	Fourth Commission's recom- mendations (1966—71)			Fifth Commission's recom- mendations (1969—74)		
	Share of taxes and duties*	Grants under Article 275	Total	Share of taxes and duties*	Grants under Article 275	Total
8.12 ② Andhra Pradesh . . . . .	166.63	67.55	234.18	274.27	65.01	339.28
5.02 Assam . . . . .	62.36	82.60	144.96	93.24	101.97	195.21
6.84 ② Bihar . . . . .	197.46	..	197.46	407.38	..	407.38
4.21 Gujarat . . . . .	121.55	..	121.55	182.75	..	182.75
1.36 Haryana . . . . .	39.19**	..	39.19	59.61	..	59.61
2.25 Jammu and Kashmir	33.25	32.85	66.10	33.16	73.68	106.84
6.54 Kerala . . . . .	84.51	104.10	188.61	143.78	49.65	193.43
5.61 Madhya Pradesh . . . . .	148.53	13.50	162.03	274.02	..	274.02
9.02 ② Maharashtra . . . . .	260.38	..	260.38	383.66	..	383.66
7.47 ⑤ Mysore . . . . .	111.32	104.10	215.42	179.43	17.99	197.42
2.03 Nagaland . . . . .	23.11	35.35	58.46	2.77	77.95	80.72
8.03 ① Orissa . . . . .	85.95	145.90	231.85	146.01	104.67	250.68
1.99 Punjab . . . . .	57.51**	..	57.51	89.16	..	89.16
1.52 Rajasthan . . . . .	96.76	33.65	130.41	170.16	51.49	221.65
7.18 ⑥ Tamil Nadu . . . . .	173.12	34.20	207.32	272.29	22.82	295.11
19.93 ④ Uttar Pradesh . . . . .	323.77	49.25	373.02	620.12	..	620.12
6.84 ② West Bengal . . . . .	197.41	..	197.41	296.64	72.62	369.26
<b>TOTAL</b> . . . . .	<b>2182.81</b>	<b>703.05</b>	<b>2885.86</b>	<b>3628.45</b>	<b>637.85</b>	<b>4266.30</b>

\*Includes share of grant in lieu of tax on railway passenger fares.

\*\*The share of composite Punjab has been allocated on population basis between Punjab, Haryana and Union Territory.

## APPENDIX VI

(See paragraph 9.3)

*Transfer of funds to the States by way of share of Taxes and Duties and Grants under Article 275*

(Rs. crores)

States	Fourth Commission's recommendations (1966-71)			Fifth Commission's recommendations (1969-74)		
	Share of taxes and duties*	Grants under Article 275	Total	Share of taxes and duties*	Grants under Article 275	Total
Andhra Pradesh . . . . .	166.63	67.55	234.18	274.27	65.01	339.28
Assam . . . . .	62.36	82.60	144.96	93.24	101.97	195.21
Bihar . . . . .	197.46	..	197.46	407.38	..	407.38
Gujarat . . . . .	121.55	..	121.55	182.75	..	182.75
Haryana . . . . .	39.19**	..	39.19	59.61	..	59.61
Jammu and Kashmir	33.25	32.85	66.10	33.16	73.68	106.84
Kerala . . . . .	84.51	104.10	188.61	143.78	49.65	193.43
Madhya Pradesh . . . . .	148.53	13.50	162.03	274.02	..	274.02
Maharashtra . . . . .	260.38	..	260.38	383.66	..	383.66
Mysore . . . . .	111.32	104.10	215.42	179.43	17.99	197.42
Nagaland . . . . .	23.11	35.35	58.46	2.77	77.95	80.72
Orissa . . . . .	85.95	145.90	231.85	146.01	104.67	250.68
Punjab . . . . .	57.51**	..	57.51	89.16	..	89.16
Rajasthan . . . . .	96.76	33.65	130.41	170.16	51.49	221.65
Tamil Nadu . . . . .	173.12	34.20	207.32	272.29	22.82	295.11
Uttar Pradesh . . . . .	323.77	49.25	373.02	620.12	..	620.12
West Bengal . . . . .	197.41	..	197.41	296.64	72.62	369.26
<b>TOTAL</b> . . . . .	<b>2182.81</b>	<b>703.05</b>	<b>2885.86</b>	<b>3628.45</b>	<b>637.85</b>	<b>4266.30</b>

\*Includes share of grant in lieu of tax on railway passenger fares.

\*\*The share of composite Punjab has been allocated on population basis between Punjab, Haryana and Union Territory.

TABLE 65 : Transactions relating to purchase and sale of securities in each stock exchange in 1966-67 and 1967-68.

Name of the stock exchange (recognised)	Year	Cleared securities (No. in thousands)	Non-cleared securities (No. in thousands)	Non-cleared preference shares (No. in thousands)	Other securities (Non-cleared) (RS. crores)	
					Government securities including bonds	Debentures
1	2	3	4	5	6	7
Bombay	1966-67	239670*	3058	94	134.10	1.48
	1967-68	215607*	1939	72	116.85	0.83
Calcutta	1966-67	304484	18507	254	47.55	0.37
	1967-68	245362	10810	175	52.43	0.94
Delhi	1966-67	260813	170	3	0.01	..
	1967-68	218230	361	9	1.30	0.06
Ahmedabad	1966-67	10531	34	6	..	..
	1967-68	9595	26	4	..	..
Madras	1966-67	238	1604	53	17.20	0.37
	1967-68	225	1447	87	16.21	0.04
Madhya Pradesh	1966-67	18	Neg.	Neg.	..	..
	1967-68	9	2	Neg.	..	..
Bangalore	1966-67	..	287	64	0.03	..
	1967-68	..	58	74	..	..
Hyderabad	1966-67	..	49	3	0.13	..
	1967-68	..	218	3	0.05	..
TOTAL	1966-67	815754	23709	477	199.02	2.22
	1967-68	689028	14861	424	186.84	1.87

Source : Ministry of Finance, Department of Economic Affairs.

\*Includes transactions in respect of 7½ per cent Tata Steel 2nd Pref. and India United Deferred.

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ANNEXURE  
INTERIM REPORT  
(October, 1968)

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**INTRODUCTORY**

This Finance Commission is the fifth Commission to be appointed under Article 280 of the Constitution, and was constituted by an Order of the President dated the 29th February, 1968, which is reproduced below. We assumed office on the 15th March, 1968.

“In pursuance of the provisions of article 280 of the Constitution of India and of the Finance Commission (Miscellaneous Provisions) Act, 1951 (33 of 1951), the President is pleased to constitute with effect from the 15th March, 1968, a Finance Commission consisting of Shri Mahavir Tyagi, former Union Minister of Rehabilitation, as the Chairman and the following four other members, namely:

- (1) Shri P. C. Bhattacharyya, former Governor, Reserve Bank of India.
- (2) Shri M. Seshachalopathy, retired Judge, Andhra Pradesh High Court.
- (3) Dr. D. T. Lakdawala, Professor, Department of Economics, Bombay University.
- (4) Shri V. L. Gidwani, former Chief Secretary, Government of Gujarat, Member-Secretary.

2. The members of the Commission shall hold office until the 31st day of July, 1969.
3. Shri Mahavir Tyagi shall render part-time service as Chairman of the Commission until such date as the Central Government may specify in this behalf and thereafter, he shall render whole-time service as Chairman of the Commission. Of the other members, Shri P. C. Bhattacharyya shall render part-time service as member of the Commission until such date as the Central Government may specify in this behalf and, thereafter, he shall render whole-time service as member of the Commission. The other three members will render whole-time service.
4. The Commission shall make recommendations as to the following matters:—
  - (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 Chapter I of Part XII of the Constitution 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 and the sums to be paid to the States

which are in need of assistance by way of grants-in-aid of their revenues under Article 275 for purposes other than those specified in the provisos to clause (1) of that article and other than the requirements of the Five Year Plan, having regard, among other considerations, to—

- (i) the revenue resources of those States for the five years ending with the financial year 1973-74 on the basis of the levels of taxation likely to be reached at the end of the financial year 1968-69;
  - (ii) the requirements on revenue account of those States to meet the expenditure on administration, interest charges in respect of their debt, maintenance and upkeep of Plan schemes completed by the end of 1968-69, transfer of funds to local bodies and aided institutions and other committed expenditure;
  - (iii) the scope for better fiscal management as also for economy consistent with efficiency which may be effected by the States in their administrative, maintenance, developmental and other expenditure;
- (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 the repealed tax on railway passenger fares;
  - (d) 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;
  - (e) the desirability or otherwise of maintaining the existing arrangements under the Additional Duties of Excise (Goods of Special Importance) Act, 1957, in regard to the levy of additional duties of excise on sugar, textiles and tobacco in lieu of the States' sales taxes thereon, with or without any modifications and the scope for extending such arrangements to other items or commodities;
  - (f) irrespective of the recommendation made under item (e) above, 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 leviable under the 1957 Act aforesaid on each of the following commodities, namely,
    - (i) cotton fabrics,
    - (ii) silk fabrics,
    - (iii) woollen fabrics,
    - (iv) rayon or artificial silk fabrics,