

## COUNCIL OF STATES

Wednesday, 21 st May 1952

The Council met at a quarter<sup>1\*\*</sup> of seven of the clock, MR. CHAIRMAN in the Chair.

### MEMBERS SWORN

Shri T. Bhaskara Rao (Madras). Shri S. Venkataraman (Madras).

### PAPER LAID ON THE TABLE

MR. CHAIRMAN: Paper to be laid on the Table, as entered in the Supplementary List, deals with a copy of the First Report of the Finance Commission. ;

THE LEADER OF THE COUNCIL  
(SHRI N. GOPALSWAMI): Sir, I beg to lay on the Table, in pursuance of Article 281 of the Constitution, a copy of the First Report of the Finance Commission to the President together with an Explanatory Memorandum as to the action taken thereon :

#### "FIRST REPORT OF THE FINANCE COMMISSION;-"

We have been constituted as the Finance Commission under Article 280 of the Constitution and we assumed office on the afternoon of the 30th November 1951.

As the work of the Commission has only just begun and is likely to take some time to complete we have considered the question of making certain provisional recommendations to the President in respect of the matters in which, after the appointment of the Finance Commission, the Constitution requires him to take into account their recommendations before making an Order.

The Commission understand that the allocation of income-tax between the Union and the States and the distribution of the States' share among them, the payment of grants to certain States in lieu of assignment  
5 C.S.D.

, of any share of the net proceeds in each year: of export duty on jute and jute products and the payment of general grants-in-aid to certain States are now regulated by an Order made by the President from year to year and that the Order now regulating these matters - is current upto the 31st March 1952. Pending their final recommendations the Commission consider that some provisional arrangements should be made so as to avoid dislocation to the finances of the States which are now receiving a share of income-tax or grant; under one or other of the provisions of the Constitution. We feel that the most appropriate course would be for the existing position to be maintained for the year 1952-53, subject to the condition that any decision taken on our final recommendations should be given effect to from the year 1952-53. The Commission accordingly recommend that subject to the aforesaid condition the President may be pleased to make an Order applying the provisions of paragraphs 3 and 4 of the Constitution (Distribution of Revenues) Order, 1950, in relation to the year ending on the 31st day of March 1953, as they apply in relation to the year ending on the 31st day of March 1952.

We also understand that some of the States specified in Part A of the First Schedule to the Constitution in which certain territories of former Indian States have been merged are now receiving grants on the same basis as certain States specified in Part B of the First Schedule to the Constitution receiving grants under sub-clause (i)(b) of Article 278 of the Constitution. The Commission recommend that such grants, if any, payable to the States concerned may also be continued during the year ending on the 31st day of March 1953, subject to the condition that they are treated as provisional and readjusted in the light of any decisions that may be taken on their final recommendations in regard to financial assistance to these States.

(Sd.) K. C. NEOGY, *Chairman*.

(Sd.) V. P. MENON.

(Sd.) R. KAUSHALENDRA RAO.

(Sd.) B. K. MADAN.

(Sd.) M. V. RANGACHARI.

NEW DELHI; The 15th  
December 1951.

#### EXPLANATORY MEMORANDUM ON THE ACTION TAKEN ON THE FIRST REPORT OF THE FINANCE COMMISSION

The recommendations have been accepted by Government and will be implemented. -

(Sd.) K. G. AMBEGAOKAR, *Secretary*"