

## Finance Commission Meets

THE Finance Commission held its first meeting here on Monday last to discuss its range of work, settle procedural matters and to make interim recommendations so as to enable the Finance Ministers, at the Centre and in the States, to frame their 1952-53 budget proposals in time. The task of reviewing the entire range of financial relations between the Centre and the States is hound to be a difficult one and will take several months to complete. But the State Governments cannot wait that long. The Deshmukh Award, which was enforced by an order of the President expires on March 31 next and has now to be replaced by a more suitable scheme of allocation. As the 'divisible pool' of income-tax and Central grants-in-aid are an important factor in the framing of State budgets, there is considerable impatience in State. Government circles to have the interim advice of the Finance Commission well before March next. The Central Government are equally anxious for it so that they could try to satisfy the States better than hitherto.

The Commission, it is learnt, will therefore first address itself to an interim scheme of income-tax allocation to the States and fix the compensatory grants-in-aid under Article 273 of the Constitution. If they could outline a satisfactory pattern of distribution at this moment, they would have removed the discontent of the Governments of West Bengal, Assam, Orissa, Bihar and East Punjab all of which feel sore on the point. It is not known whether the Commission would approach its immediate problem with a view to assisting those States which were worst affected by partition and its aftermath. There is a suggestion that the special difficulties of those States should first be examined and interim recommendations made for their share of income tax and Central grants before other problems are tackled. On the other hand, there is also the feeling that the Commission should not tackle the subject from the angle of any particular State or States, but must first decide on the issues which vitally concern the worst affected States most. If interim recommendations are made in a hurry, the final findings may necessitate, in the near future, a drastic change. This will

be another source of uncertainty, irritation and discontent. The Commission will naturally try to frame its interim proposals carefully so that they may fit into the pattern of financial relations between the Centre and the states which it envisages.

The Commission's task, easy by no means, is not rendered easier by the States over-emphasising their own difficulties & needs. Every State has, in its memorandum to the Commission, chosen to emphasise that principle which would yield best results for itself. There are mainly four bones of contention between the Centre and the States, viz.,

- (1) The Central income-tax pool;
- (2) Central excises;
- (3) Export duties; and
- (4) Grants-in-aid.

The States which suffered most after partition appear to have chosen (1), (3) and (4) for criticism and special pleading while the more prosperous States have shifted their attack on Central excises and income-tax distribution. How to balance their respective demands through these four instruments of aid is the problem that faces the Commission.

The Government of Assam have drawn attention to the fact that during the last 32 years they could not balance their budget in as many as 22 years. Since 1935 the tax screw has been applied there as vigorously as possible. Six new taxes have been imposed, namely, agricultural income tax, amusement and betting tax, tax on motor vehicles, tax on motor spirits and lubricants, tax on professions, callings, trades and employments, and tax on sales. Still Assam is unable to provide for administrative and social service standards obtaining in other parts of the Union. It is a frontier state and is facing the problem of providing for refugee population. Besides, Assam has a special responsibility to rehabilitate the tribal people. Assam has therefore demanded at least 80 per cent of the export and excise duty on tea grown in the State<sup>1</sup> and 80 per cent of the excise duty on petrol and kerosene produced in the area. Assam also wants generous development grants, in addition to the above.

The case for Bengal has also been powerfully argued. Firstly, Bengal's share in income-tax divisible pool has been reduced from 20 per cent

according to the Niemeyer Award) to 13.5 per cent under the Deshmukh Award. Since the shrinking of the area of Bengal as a result of partition has been far greater than the reduction in population, the reduction in the share of income-tax from 20 to 13.5 per cent is excessive and should be rectified.

As regards grants-in-aid in lieu of the jute duty, Bengal has complained that the reduction of her share from 62½ to 20 per cent was too severe. The West Bengal Government, it may be recalled, made the following proposals to the Sarkar Committee on the Financial Provisions of the Constitution (1947):

(a) 60 per cent of the income tax receipts should be divided among the States (The Sarkar Committee accepted this suggestion);

(b) 25 per cent of the federal excise should be allocated to the States;

(c) 75 per cent of the export duties on jute and jute products should be divided among the concerned states;

(d) 25 per cent of the net proceeds of the export duties other than on jute should be distributed among the States; and

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