



GOVERNMENT OF ORISSA
FINANCE DEPARTMENT

ORISSA TAXATION ENQUIRY COMMITTEE REPORT

PRINTED BY
SUPERINTENDENT, ORISSA GOVERNMENT PRESS
CUTTACK, 1961

[Price—Rs. 8]

ERRATA

CHAPTER III

Page 39—Paragraph 8—Subject of the paragraph—
in place of 'under' read 'undue'.

Page 41—Paragraph 12—Subject of the paragraph—
omit the word 'in' between the words 'State' and 'capacity'.

CHAPTER IV

Page 44—Paragraph 1—Subject of the paragraph—
in place of 'Important' read 'Importance'.

Page 51—6th line from the top—in place of '112' read '2'.

CHAPTER VI

Page 119—last line—in place of the word 'are' read 'and'.

Page 121—Paragraph 33—Subject of the paragraph—
in place of the word 'land' read 'lands'.

CHAPTER VII

Page 155—Paragraph 11—rates (*if*) urban—
in place of '1½%' read '12½%'.

CHAPTER XII

Page 297—Paragraph 26—line 4—
in place of the word 'reclamaion' read 'reclamation'.

CHAPTER XIV

Page 325—Paragraph 4—lines 11 and 12—
in place of the words 'som etime' read 'some time'.

CHAPTER XV

Page 345—Paragraph 2—last line—for the words 'Statement A at'
read 'Part I of'.

Paragraph 3—last but one line—
for the words 'the Statement B at' read 'Part II of'.

CHAPTER XVI

Paragraph 2—page 356—first line—
for the word 'atocks' read 'stocks'.

Paragraph 3—page 358—6th line—
for the figure '1·86' read the figure '206'.

Paragraph 3—page 358—7th line—
for the word 'sprited' read 'spirited'.

CHAPTER XVIII

Page 400—Paragraph 7—line 3—
for the word 'important' read 'importance'.

CONTENTS

			PAGES
CHAPTER I	..	Introduction	1—4
CHAPTER II	..	Historical Review of the State Finances.	5—33
CHAPTER III	..	The Problem of Resources	34—43
CHAPTER IV	—	Incidence of Taxation	44—79
CHAPTER V	Tax Revenue ..	Sales Tax	80—107
CHAPTER VI	Ditto ..	Land Revenue and Cess and Agricultural Income-tax.	108—147
CHAPTER VII	Ditto ..	Irrigation Rates and Betterment Levy.	148—163
CHAPTER VIII	Ditto ..	State Excise	164—166
CHAPTER IX	Ditto ..	Taxes on Motor Vehicles and Road Transport.	167—220
CHAPTER X	Ditto ..	Entertainment Tax	221—223
CHAPTER XI	Ditto ..	Stamps and Registration	224—278
CHAPTER XII	Non-Tax Revenue	Forests	279—308
CHAPTER XIII	Ditto ..	Minerals	309—322
CHAPTER XIV	Ditto ..	Electricity Undertaking	323—343
CHAPTER XV	Ditto ..	Road Transport Undertaking	344—354
CHAPTER XVI	Ditto ..	State Trading in foodgrains and Miscellaneous Investments.	355—364
CHAPTER XVII	..	Local taxes	365—396
CHAPTER XVIII	..	Loans and Borrowings	397—406
Supplementary note by Shri S. Mohanty, M.P., Member of the Taxation Enquiry Committee.	..		407—408
Appendices	..		409—507
Summary conclusions and recommendations.	..		508—530
Index	..		531—541

DETAILED CONTENTS

CHAPTER	SUBJECT WITH DETAILS	PARAGRAPHS	PAGES
I	INTRODUCTION—		
	Appointment and terms of reference	-- 1	1—2
	Programme of work	.. 2—4	2—3
	Plan of the report	-- 5	3
	Acknowledgements	-- 7—8	3—4
II	HISTORICAL REVIEW OF THE STATE FINANCES—		
	Introduction	-- 1	5
	Early financial history	-- 2	5
	Pre-war period (1936-39)	.. 3	5
	War period (1939-46)	.. 4	6
	Post-war period (1946-49)	.. 5	6
	Pre-plan period (1949-51)	-- 6	6—7
	Merger brought new problems	.. 7	7
	Enhanced rates of tax	-- 8	7
	First Five-Year Plan (1951-56)	-- 9	7—8
	Additional resources for the First Plan	.. 10	8
	The First Finance Commission.	.. 11	9
	Financial Crisis	.. 12	9
	Deficit in Revenue Account	.. 13	9
	Second Five-Year Plan (1956—61)	.. 14	9—11
	The Second Finance Commission	.. 15	12
	New Taxes levied and some old ones enhanced.	.. 16	12—13
	Trend of finances after merger	.. 17	13
	Tax and Non-Tax Revenues	.. 18	13—16
	Appraisal by origin	.. 19	16
	State Taxes	.. 20	16—18
	Non-Tax Revenues of State origin	.. 21	18—20
	Development and Non-development expenditure.	.. 22	20
	Trend of growth of non-development expenditure.	.. 23	20—22

CHAPTER	SUBJECT WITH DETAILS	PARAGRAPHS	PAGES
	Increase under Direct Demands on Revenue.	24	22—23
	Analysis of expenditure under Civil Administration.	25	24
	Need to limit the growth of non-development expenditure.	26	25
	Appendix 1—Tax Revenues in Orissa from 1949-50 to 1960-61		26—27
	Appendix 2—Non-Tax Revenues of Orissa from 1949-50 to 1960-61.		28—29
	Appendix 3—Growth of non-developmental expenditure in Orissa from 1949-50 to 1960-61.		30—31
	Appendix 4—Growth of development expenditure in Orissa from 1949-50 to 1960-61.		32—33
III	THE PROBLEM OF RESOURCES—		
	Resources for planning .. ✓	1	34
	Growth of Committed expenditure ..	2	34
	Mounting deficits ..	3	34—35
	Plan maintenance causes imbalance ..	4	35—36
	Position in Fourth Plan ..	5	37
	Pattern of outlay cannot be altered ..	6	38
	Burden of debt service ..	7	38
	Need to check the undue growth of Administrative expenditure.	8	39
	Loans to be self-liquidating ..	9	39—40
	Urgent and continuous need for Central assistance.	10	40—41
	Inadequacy of additional taxation by State Government.	11	41
	Limitations of the State capacity to raise more revenues.	12	41—42
	Inelasticity of Land Revenue ..	13	42
	Other limitations on State taxes ..	14	42
	Scope for raising non-tax revenue limited	15	43
	Centre to adopt a realistic and flexible policy.	16	43
	Central help essential ..	17	43

CHAPTER	SUBJECT WITH DETAILS	PARAGRAPHS	PAGES
IV	INCIDENCE OF TAXATION—		
	Importance of the study of incidence ..	1	44
	Findings of the Taxation Enquiry Commission. (1953-54)	2	44
	<i>Per capita</i> tax revenue during the First Plan period.	3	44—45
	Relative position during Second Plan Period.	4	46—47
	Need to compare with <i>per capita</i> income ..	5	47
	Land Revenue <i>per Capital</i> and per acre yield.	6	47—49
	Incidence of Sales Tax ..	7	50
	Family Budget Enquiry ..	8	50—51
	Consumption pattern ..	9	51
	Incidence of direct taxes ..	11	51—53
	Incidence of indirect taxes ..	12	53—57
	Impact on different expenditure groups ..	13	58
	Incidence of all taxes ..	14	58
	Incidence related to income ..	15	58—59
	Lower incidence in rural areas ..	16	59
	Higher burden in urban areas ..	17	59
	Greater real income of rural people ..	18	60
	Taxable capacity ..	19	60
	People's contribution ..	20	60—61
	Meaning of the term "People's Contribution."	21	61
	Quantum of contribution ..	22	61—63
	People's contribution not a serious burden	23	63—79
V	SALES TAX—		
	Introduction ✓ ..	1	80
	Last point levy ..	2	80
	Tax rates ..	3	80
	Limits of taxable turn-over ..	4	81
	Exemptions ..	5	81—82
	Administrative machinery ..	6	82
	Sales Tax Tribunal ..	6	82
	Recent changes in Sales Tax law ..	7	82—83
	Sales Tax—its place in State finances ..	8	83

CHAPTER	SUBJECT WITH DETAILS	PARAGRAPHS	PAGES
	Steps to check avoidance of tax ..	9	83—84
	Popular methods of evasion ..	10	84
	Central Excise and Sales Tax—the need for the latter in a federal system.	11	84—85
	Purchase-tax in certain circumstances ..	12	85
	Multi-point sales tax ..	13	85—86
	Check of evasion—Better administration	14	86
	Sales Tax Officers to concentrate on bigger dealers.	14 (a)	86
	Popularising compounding system ..	14 (a)	87
	Special attention to new business ..	14 (b)	87
	Frequent change in the name of the firm to be strictly viewed.	14 (c)	87
	Inter-State sales-tax machinery to be perfected.	14 (d)	87—88
	Returns need careful check ..	14 (e)	88
	Check posts and Counter-signature of Railway Receipts.	14 (f)	88
	Deterrent penalties on offenders ..	14 (g)	88
	Departmental officers to be empowered to attach properties.	14 (h)	88
	Guard against emergence of Benami dealers.	14 (i)	88
	Cash Memo—Fraudulent practices to be short-circuited.	14 (j)	89
	Standardisation of Accounts ..	14 (k)	89
	Need for research ..	14 (l)	89
	Good will of dealers essential ..	15	89
	Dealers to be kept informed of the latest changes in rules.	15 (a)	90
	Delay in disposal of cases to be avoided	15 (b)	90
	Desirability of annual assessment ..	15 (c)	90
	Revival of hearing on circuit by the tribunal.	15 (d)	90
	Decentralisation of assessing officers so as to be in easy reach of dealers.	15 (e)	90
	Sales Tax Advisory Committee ..	15 (f)	90—91
	Need to check corruption ..	16	91—92
	Appendix 1—Schedule of rates of tax on sales.		93—98
	Appendix 2—Schedule of exemptions..		99—101
	Appendix 3—Number of taxable stages of Sales.		102—107

CHAPTER	SUBJECT WITH DETAILS	PARAGRAPHS	PAGES
VI	LAND REVENUE AND CESS AND AGRICULTURAL INCOME-TAX—		
	Land Revenue—		
	Importance of land revenue ..	2	108
	Revision of land revenue ..	3	108
	History of revenue system ..	4	108—109
	Trend towards royatwari system ..	5	109
	Disparities in rates ..	6	110
	Recommendations of the Taxation Enquiry Commission (1953-54).	7	110
	Standardisation of Rent Bill ..	8	110—111
	Record-of-Rights not up-to-date ..	9	111
	Short-comings of the Bill ..	10	111
	The formula of the Taxation Enquiry Commission also not suitable.	11	111—112
	Need for settlement ..	12	112
	Principles underlying fixation of rent ..	13	113
	Cuttack system ..	14	113
	Sambalpur system ..	15	113—114
	Recommendations ..	16	114—115
	Phasing and rationalisation ..	17	115
	State share in produce ..	18	115
	One-third of net produce ..	19	115—116
	Criterion of average price ..	20	116
	No limit to increase in rent ..	21	116—117
	Minimum rent not favoured ..	22	117
	Decennial revision ..	23	117
	Revision of records of rights ..	24	117
	Fees to be paid on mutation applications ..	25	117—118
	Settlement charges ..	26	118—119
	Land Revenue to be doubled ..	27	119
	Surcharge unsuitable ..	28	119
	Suggestions to increase Land Revenue quickly.	29	119—120
	Rent remissions ..	30	120
	Unsuitability of agricultural Income-tax as a substitute for land revenue.	31	120—121
	Uniform rate of basic tax not favoured	32	121

CHAPTER	SUBJECT WITH DETAILS	PARAGRAPHS	PAGES
	All non-agricultural lands to be assessed	33	121
	Cess—		
	Short history ..	34	122
	Uniform rate ..	35	122
	Additional cess for Zilla Parishad ..	36	122
	Distribution of cess proceeds ..	37	122—123
	Unsuitability of Grama Panchayat collecting revenue.	38	123
	Part of land revenue to be assigned to the local bodies.	39	123
	Agricultural Income-Tax—		
	Basis of tax ..	40	123—124
	Surcharge unsuitable ..	41	124—125
	Recommendations ..	42	125
	Special tax on cash crops undesirable at present.	43	125
	Estate Duty on Agricultural property ..	44	126
	Appendix 1—Rates of Land Revenue ..		127—132
	Appendix 2—Year of settlement in different areas.		133—139
	Appendix 3—Programme of settlement		140—144
	Appendix 4—Statement showing particulars of cess collected in different parts of Orissa.		145—146
	Appendix 5—Rates of Agricultural Income-tax.		147
VII	IRRIGATION RATES AND BETTERMENT LEVY—		
	Irrigation Rates—		
	Evolution of Irrigation System in Orissa.	1	148
	Irrigation development—a recent phenomenon.	2	148—149
	Gap between outlay and revenue ..	3	149
	Upward revision of water-rates to be gradual and dependent upon improved crop practices.	4	150—151
	Salient features of the Orissa Irrigation Act, 1959.	5	151

viii

CHAPTER	SUBJECT WITH DETAILS	PARAGRAPHS	PAGES
	Views of the Irrigation Utilisation Committee.	6	151—152
	Recommendations—rates ..	7	152—153
	Other connected questions ..	8	153
	Betterment Levy—		
	Argument for and against Betterment Levy.	9	154
	Additional considerations ..	10	154—155
	Tax on transfer of Immovable Property..	11	155—156
	Betterment Levy now inexpedient ..	12	156
	Appendix 1—Schedules of rates of water-rates charged for Orissa Canals.		156—157
	Appendix 2—Rules for the levy of water cess on lands irrigated under the Rushikulya system in the Ganjam district.		158
	Appendix 3—Particulars of selected medium irrigation projects.		159
	Appendix 4—Recommendations of the Irrigation Utilisation Committee.		160—163
VIII	STATE EXCISE ✓		
	Declining importance of State Excise as a source of revenue.	1	164
	Progressive prohibition of liquor ..	2	164—165
	Opium completely prohibited ..	3	165
	Controlled sale of Ganja and Bhang to be continued.	4	165
	Widespread opinion against prohibition	5	165
	Measures recommended to improve Excise administration.	5	166
IX	TAXES ON MOTOR VEHICLES AND ROAD TRANSPORT— ✓		
	Taxes on Motor Vehicles—		
	Introduction ..	1	167
	Acts regulating Motor Vehicles tax ..	2	167
	Main features ..	3	167—168
	Upward trend of receipts ..	4	168—169

CHAPTER	SUBJECTS WITH DETAILS	PARAGRAPHS	PAGES
	Goods Vehicles and Buses contribute most.	5	169
	Statistics of growth of vehicles ..	6	169
	Controversy over Central Co-ordination of State Taxes on Motor Vehicles.	7	170—171
	Taxation need not inhibit development of Road Transport.	8	171—173
	Scope of taxation interlinked with expenditure policy.	9	174
	Doubts about a single consolidated tax..	10	174
	Recommendations ..	11	174
	Tax to be raised by 25 per cent. ..	12	175
	Large scale evasion ..	13	175
	Measures to stop evasion ..	13	175
	Tax on Sale of Motor Spirit—		
	Rates ..	14	176
	Buoyancy of receipts ..	15	176
	Rates on petrol and diesel oil to remain unchanged.	16	176
	Supreme Court decision ..	17	177
	Representation by Government of Orissa	18	177
	Recommendations ..	19	178
	Other matters to be dealt else-where ..	20	177—178
	Tolls—		
	Introduction ..	21	178—179
	To be levied on new costly bridges ..	22	179
	Canal tollage—Limitations on the rate for jute.	23	179—180
	Basis of rate ..	24	180
	Appendix 1—Rates of Motor Vehicles Tax.		180—183
	Appendix 2—Rates of Motor Vehicles Tax in Madras State.		184—185
	Appendix 3—Report on the Accounts of the Superintendent of Police in the State of Orissa under Motor Vehicles Act and Motor Vehicles Taxation Act for the year 1959.		186—197

X

CHAPTER	SUBJECT WITH DETAILS	PARAGRAPHS	PAGES
	Appendix—4 Copy of the letter No. C. T. D. 25/60-31533-F., dated the 26th October, 1960 from Shri S. Nanda, I. A. S., Secretary to Government, Finance Department to the Secretary to the Government of India, Ministry of Commerce and Industry, New Delhi-2.		198—220
X	ENTERTAINMENT TAX—		
	History of the tax ..	1	221
	Mode of collection ..	2	221
	Rates of tax ..	3	221
	Increase in number of Cinema houses resulting in greater revenue.	4	222
	Re-orientation of rates structure recommended.	5	222
	Steps to check evasion ..	6	222—223
	Administration of the tax should be entrusted to the Commercial Tax Department.	7	223
	Local bodies claim to a part of the proceeds of the tax.	8	223
	Case for the levy of show tax ..	9	223
XI	STAMPS AND REGISTRATION—		
	Stamps—		
	Short history ..	1	224
	No case for reduction of Court fees ..	2	224—225
	Non-judicial stamps ..	3	226
	Registration fees—		
	Trend of receipts ..	4	226
	Copying fees raised ..	5	227
	Under-valuation to be checked ..	6	227
	Even distribution of registration offices ..	7	227
	Appendix 1—Rates of Stamps Duties in selected States.	4	228—278

CHAPTER	SUBJECT WITH DETAILS	PARAGRAPHS	PAGES
XII	FORESTS—		
	Introduction ..	1	279
	Limited scope of non-tax revenue ..	2	279
	Complementary nature of taxes and non-tax sources of revenue.	3	279—280
	Forests—the largest source of non-tax revenue.	4	280—281
	Forest income comparatively low ..	5	281—282
	Trend of forest revenue ..	6	282—284
	Causes of growth of forest revenue ..	7	284—286
	Analysis of forest expenditure ..	8	286—287
	Salient features of forest policy ..	9	287
	Need to frame the State forest policy ..	10	287
	Proper survey and mapping of forests essential.	11	287—288
	Need to improve communications ..	12	288—289
	Superiority of departmental operation ..	13	289—290
	Principles governing royalty on bamboos	14	290—291
	Administration of bamboo lease agreements.	15	291—292
	Tenants' demand for bamboos ..	16	292
	Revision of the schedule of rates essential	17	292
	Kendu leaves—the most important minor forest produce.	18	292—293
	Elements of a sound kendu leaves policy	19	293
	Suitability of different methods of regulation.	20	293—294
	Views of the Forest Enquiry Committee	21	294
	Merits of the monopoly system ..	22	294—295
	Protection of tenants' interests ..	23	295—296
	Establishment of a fiscal monopoly by law recommended.	24	296—297
	Certain minor forest produce should be exploited on Co-operative lines.	25	297
	Urgent need for afforestation ..	26	297—298
	Appendix 1—Distribution of expenditure on forests of selected State Governments by minor heads.		299—301

CHAPTER	SUBJECT WITH DETAILS	PARAGRAPHS	PAGES
	Appendix 2—Scheme for development of communications in forests.		302—304
	Appendix 3—Departmental working of coupes during Third Plan period.		305
	Appendix 4—Departmental working of Coupes during Fourth Five-Year Plan.		306
	Appendix 5—Bamboo royalty ..		307—308
XIII	MINERALS		
	Rich mineral deposits of Orissa ..	1	309
	Encouraging trend of production ..	2	309—311
	Sources of income from minerals ..	3	311
	Central regulation restricts royalty income	4	312
	Machinery for consultation among the States and Centre necessary.	4	313
	Mining areas development cess ..	5	313
	Limited scope for increase in mineral income.	6	31 ³
	Assessment procedure to be improved ..	7	314
	Greater vigilance is essential to check evasion.	8	314—315
	More check gates ..	8(a)	315
	Weighing platforms ..	8(b)	315
	Transit passes ..	8(c)	315
	Analysis of samples ..	8(d)	316
	More laboratories ..	8(e)	316
	Proper grading ..	8(f)	316
	Optimum exploitation of mines ..	9	316—317
	State operation of mines ..	10	317
	Mining Corporation needs greater support.	11	318—319
	State Trading Corporation ..	12	319
	Low grade ore ..	13	319
	Royalty on minor minerals ..	14	319—320
	Appendix I—Note on proposal to increase royalty.		321—322

CHAPTER	SUBJECT WITH DETAILS	PARAGRAPHS	PAGES
XIV	ELECTRICITY UNDERTAKING—		
	Growth of power potential ..	1	323
	Electricity statistics ..	2	323
	Trend of receipts ..	3	323—325
	Power tariff ..	4	325
	Recommendations of the power tariff Committee.	5	325—326
	Reasonability of intermediate tariff ..	6	326
	Opposing views on concessional rates ..	7	326
	Recipients of concessional rates ..	8	327
	Indian Alluminium Company ..	9	327—328
	The Case for caustic soda industry ..	10	328
	Recommendations ..	11	328—329
	State Electricity Board ..	12	329—330
	Duty on consumption of Electricity ..	13	330
	Appendix 1—Part I-General tariff ..		331—333
	Part II-Rates for supply of electricity from the Government owned diesel stations.		334 335
	Appendix 2—Comparative Electricity tariff in selected States.		336—343
XV	ROAD TRANSPORT UNDERTAKING		
	Two kinds of undertakings ..	1	344
	History and growth of State Transport Service.	2	344—345
	Growth of Orissa Road Transport Company.	3	345
	Structure of fare ..	4	345
	Profitability of transport undertaking ..	5	345—347
	Benefits of nationalisation ..	6	347—348
	Need for developing goods transport ..	7	348—349
	Revenue leakage to be stopped ..	8	349
	Average load factor should be improved	9	349—350
	One class system recommended ..	10	350
	Fares on Balasore-Bhadrak route should increase.	11	350

CHAPTER	SUBJECT WITH DETAILS	PARAGRAPHS	PAGES
	Appendix 1—Part I—Trend of growth of State Transport Service.		351
	Part II—Trend of growth of the Orissa Road Transport Company Ltd.		352
	Appendix 2—Part I—Rate of fares in State Transport Service.		353
	Part II—Rate of fares in the Orissa Road Transport Company Ltd.		354
XVI	STATE TRADING IN FOODGRAINS AND MISCELLANEOUS INVESTMENTS—		
	State Trading in foodgrains—		
	Introduction ..	1	355
	History of State Trading in foodgrains ..	2	355—356
	Profitability of the scheme ..	3	357—358
	State trading unprofitable without Central support.	4	358
	Other arguments against State Trading	5	358
	Higher rates of tax on inter-State sales of rice recommended.	6	358—359
	Miscellaneous State Investments—		
	Finances of industrial concerns need constant watch.	7	359
	Appendix—1—Statement showing the details of investments in commercial and Co-operative undertakings.		360—364
XVII	LOCAL TAXES—		
	Acts constituting Local bodies in Orissa	1	365
	Urban local bodies ..	2	365
	Powers of taxation ..	3	365—366
	Holding tax ..	4	366
	Service taxes ..	5	366
	Profession tax ..	6	366
	Tax on carriages, etc. ..	7	366—367
	Terminal tax ..	8	367
	Statistics of tax, assessed and collected	9	367—369

CHAPTER	SUBJECT WITH DETAILS	PARAGRAPHS	PAGES
	Incidence of local taxes ..	10	369—370
	Trend of revenue ..	11	371—372
	Trend of expenditure ..	12	372—374
	Inadequacy of municipal finances ..	13	374
	Recommendations ..	14	374
	Holding tax at maximum permissible rate.	14 (a)	374
	Compulsory minimum rate ..	14 (b)	374
	Proper valuation of holdings ..	14 (c)	374—375
	Usefulness of Octroi ..	14 (d)	375
	Pilgrim tax at Jajpur ..	14 (e)	375
	Pisciculture ..	14 (f)	375
	Show Tax ..	15	375
	Rural Local bodies—		
	New pattern of rural local administration.	16	375—376
	Sources of income of Grama Panchayats	17	376
	Panchayats' power of taxation ..	18	376—377
	Analysis of Panchayat Finance ..	19	377—378
	Trend of income of various sources ..	20	378—379
	Importance of panchayat tax ..	21	379—381
	Pattern of expenditure ..	22	382—383
	Difficulties of taxation ..	23	383
	Grama Panchayat Enquiry Committee ..	24	383
	Rural Development Fund ..	24	383
	Other suggestions ..	24	384
	Our views—assistance for meeting expenditure on establishment—assignment of revenues.	25	384—385
	Additional observation ..	26	385
	Compulsory levy of Panchayat tax favoured.	27	385—386
	Desirability of multiple tax system ..	28	386
	Contribution of voluntary labour ..	29	386—387
	Proper exploitation of non-tax sources of revenue.	30	387
	Conflict tax jurisdiction to be resolved	31	387—388
	Marriage registration fee ..	32	388

CHAPTER	SUBJECT WITH DETAILS	PARAGRAPHS	PAGES
	Appendix 1—Classification of towns according to population.		389—390
	Appendix 2—Rates of taxes in the Municipalities and Notified Area Councils.		391—392
	Appendix 3—Details of development and non-developmental expenditure in Municipalities and Notified Area Councils.		393—396
XVIII	LOANS AND BORROWINGS—		
	Introduction ..	1	397
	Five categories ..	2	397
	Three stages in the growth of public debt	3	397
	Steady growth of net outstanding debt ..	4	397—398
	Sizeable debt service ..	5	398
	Undesirability of meeting current outlay from loans.	6	398—400
	Limits of public debt ..	7	400
	Essential of a sound borrowing policy ..	8	401
	Appendix 1—Particulars of Public Debt and percentage of Debt Service to total Revenue.		402—405
	Appendix 2—Analysis of Revenue and Capital Accounts of Orissa.		406
	Supplementary note by Shri S. Mohanty, M. P., Member, Taxation Enquiry Committee.		407—408
	Appendices— ..		409
	Appendix 1—Questionnaire ..		411—422
	Appendix 2—Report on Family Budget Enquiry.		423—507
	Summary Conclusions and Recommendations.		508—530
	Index ..		531—541

LIST OF TABLES

Chapters	Table number	Subject	Pages
(1)	(2)	(3)	(4)
II.	1.	Additional taxation for the First Plan	8
	2.	The financing pattern of the Second Plan	10
	3.	Additional taxation during the Second Plan	11
	4.	State revenues classified by source	14—15
	5.	Percentage distribution of State revenues classified by source.	16
	6.	Percentage distribution of State taxes	17
	7.	Percentage distribution of non-tax revenues	19
	8.	Non-development expenditure as percentage to total expenditure.	21
	9.	Expenditure on Direct Demands on Revenue as percentage of State taxes in selected years.	22
	10.	Direct Demands on Revenue as percentage of State taxes in selected States for selected years.	23
	11.	Percentage of increase over 1949-50 under " Civil Administration " in selected States.	24
	12.	Percentage of non-developmental expenditure to total revenue.	25
III.	1.	Receipts and expenditure during the First and Second Plans.	34
	2.	Plan maintenance	35
	3.	Plan expenditure by heads of development	36
	4.	Plan maintenance during the Fourth Plan	37
	5.	Burden of borrowing for the Plans	38
	6.	Pattern of financing of the Third Plan	40—41
IV.	1.	<i>Per capita</i> Revenue from State taxes of different States. (from 1951-52 to 1955-56).	45
	2.	<i>Per capita</i> Revenue from State taxes of different States. (From 1956-57 to 1960-61 B. E.)	46

(1)	(2)	(3)	(4)
3.	<i>Per capita</i> Land Revenue in States. (From 1956-57 to 1960-61 B. E.)	48	
4.	Statistics relating to Land Revenue, area under cultivation and yield of the principal crops in major States of India.	49	
5.	<i>Per capita</i> Sales Tax in States of India. (1956-57 to 1960-61 B. E.)	50	
6.	Incidence of direct taxes ..	52	
7.	Incidence of indirect Central taxes. ..	54-55	
8.	Incidence of indirect State taxes ..	56-57	
9.	Tax as percentage of consumption expenditure per person per month in rural/urban areas of Orissa for the household expenditure—Group 1—50.	64-65	
10.	Tax as percentage of consumption expenditure per person per month in rural/urban areas of Orissa for the household expenditure—Group 51—100.	66-67	
11.	Tax as percentage of consumption expenditure per person per month in rural/urban areas of Orissa for the household expenditure—Group 101—150.	68-69	
12.	Tax as percentage of consumption expenditure per person per month in rural/urban areas of Orissa for the household expenditure—Group 151—300.	70-71	
13.	Tax as percentage of consumption expenditure per person in rural/urban areas of Orissa for the household expenditure—Group 301—500.	72-73	
14.	Tax as percentage of consumption expenditure per person in rural/urban areas of Orissa for the household expenditure—Group 501—1,000.	74-75	
15.	Tax as percentage of consumption expenditure per person per month in rural/urban areas of Orissa for the household expenditure—Group 1,001 and above.	76-77	
16.	Tax as percentage of consumption expenditure per person per month in rural/urban areas for the household expenditure group (All expenditure groups).	78-79	

(1)	(2)	(3)	(4)
	17. Tax as of consumption expenditure and income in Orissa.		59
	18. People's contribution in Phulbani to Plan Projects in selected years.		61
	19. People's contribution to Plan Projects in Barapalli Block in selected years.		62
	20. People's contribution to Plan Projects in Hindol Block in selected years.		62
	21. People's contribution to Plan Projects in Dasarathipur Block in selected years.		62
	22. People's contribution to Plan Projects in Sundargarh Block in selected years.		63
	23. Total people's contribution and <i>per capita</i> people's contribution in all the Blocks in the State year-wise.		63
VI	1. Receipts from Agricultural Income-tax ..		124
	2. Receipts from Estate Duty on Agricultural land ..		126
VII	1. Net receipts from Irrigation Works (Commercial) after deduction of interest charges.		149
VIII	1. Excise Revenue by different groups (from 1949-50 to 1960-61 B. E.)		164
IX	1. Receipts from Motor Vehicles Tax (from 1946-47 to 1960-61 B. E.)		168
	2. Receipts accrued from different vehicles (from 1957-58 to 1959-60).		169
	3. Growth in number of vehicles ..		169
	4. Expenditure on roads ..		173
	5. Receipts from tax on sale of motor-spirit (from 1949-50 to 1960-61 B. E.)		176
	6. Income derived from tolls ..		178-179
X	1. Receipts from entertainment tax (from 1947-48 to 1960-61 B. E.)		222
XI	1. Receipts from stamps (from 1949-50 to 1960-61 B. E.)		224

(1)	(2)	(3)	(4)
	2.	Comparison of receipts from court-fees to expenditure on Administration of Justice (from 1949-50 to 1960-61 B. E.)	225
	3.	Receipts from Registration fees (from 1949-50 to 1960-61 B. E.)	226
XII	1.	Receipts from forest (from 1949-50 to 1960-61 B. E.)	280
	2.	Area, outturn of forests in different States	281-282
	3.	Receipts from forests by minor-heads (from 1949-50 to 1960-61 B. E.)	283
	4.	Distribution of forest revenues by different kinds of forest produce (from 1949-50 to 1960-61 B. E.)	285
	5.	Break-up of expenditure on forests (from 1949-50 to 1960-61 B. E.)	286
	6.	Area and class of forests	288
XIII	1.	Mineral production in Orissa (1950—60)	310
	2.	Production of some of the major minerals during Third Plan period.	311
	3.	Year-wise details of mining receipts (from 1949-50 to 1960-61 B. E.)	311
	4.	Progress of the Orissa Mining Corporation (from 1956-57 to 1959-60).	317
XIV	1.	Installed capacity, actual generation and consumption of Electricity for selected years.	323
	2.	Year-wise net revenue from Electricity (from 1949-50 to 1960-61 B.E.).	324
XV	1.	Particulars of revenue from State Transport Service (from 1948-49 to 1959-60).	346
	2.	Particulars of revenue from the Orissa Road Transport Company Ltd., (from 1951-52 to 1959-60).	347
	3.	Average load factor in the State Transport Service	349
XVI	1.	Financial results of the State Trading Scheme (from 1943-44 to 1958-59).	357

(1)	(2)	(3)	(4)
XVII	1.	Particulars of assessment and collection of taxes and other demands in Municipalities (from 1951-52 to 1958-59)	367
	2.	Particulars of assessment and collection of taxes and other demands on Notified Area Councils (from 1951-52 to 1958-59).	368
	3.	<i>Per capita</i> tax revenue in Municipalities and Notified Area Councils.	369-370
	4.	Particulars of receipts of Municipalities from 1951-52 to 1958-59	371
	5.	Particulars of receipts of Notified Area Councils from 1951-52 to 1958-59	372
	6.	Particulars of expenditure of Municipalities and Notified Area Councils from 1951-52 to 1958-59.	373
	7.	Particulars of income of Grama Panchayats (from 1956-57 to 1958-59).	377
	8.	Break-up of internal sources of revenue of the Grama Panchayats in selected years.	378
	9.	Income of selected Grama Panchayats from pisciculture in selected years.	379
	10.	Number of Grama Panchayats deriving income from Panchayat tax and their percentage to the total number of Grama Panchayats in selected years.	380
	11.	Average income of a Panchayat from Panchayat tax in different districts.	381
	12.	Particulars of expenditure of Grama Panchayats in selected years.	382
	13.	Details of Developmental expenditure of Grama Panchayats.	382
XVIII	1.	Net outstanding debt on the 1st April, 1960	398
	2.	Contributions of the Capital Account and the Public Account towards the difference between net transactions and net Revenue Account.	399

ORISSA TAXATION ENQUIRY COMMITTEE REPORT

CHAPTER I

Introduction

The Orissa Taxation Enquiry Committee was appointed by the Government of Appointment and Orissa in pursuance of Resolution No. F. Y. P.53/59—35774/F., terms of reference. dated the 8th December 1959 of the Finance Department. It reads as follows :—

“ The Second Five-Year Plan will soon be over. Some tentative ideas as to the size and priorities of the Third Plan are presently under discussion. If Orissa is to play its parts in the development of the country and if its people are to reap a fair share of the benefits of planning two steps are essential firstly, to formulate the lines of development and determine the priorities and secondly, to assess and locate the financial resources to the extent necessary. As regards the first aspect, a techno-economic survey has already been undertaken under the auspices of the National Council of Applied Economic Research with a view to ascertain the possible lines of immediate development. The survey report is expected to be published shortly. The work of formulation of detailed schemes is also in full swing. As regards the second aspect, Government fully recognise that careful husbanding of financial resources is the key to planned development. This is evident from the following declaration made by the leaders on the eve of the formation of the present coalition Government :

We know that no planning will succeed without augmenting the present financial resources of the State and it shall be our endeavour to do so with the minimum burden on the common man. Along with this no administrative inefficiency or wastage would be tolerated.

In regard to this important matter Government have come to feel that something more than a mere departmental assessment is indicated in the present

circumstances and that a scientific and detailed survey should be made. Accordingly, they have decided to appoint a Committee consisting of the following :—

1. Dr. P. S. Lokanathan, Director-General, National Council of Applied Economic Research. *Chairman*
 2. Shri Surendra Mohanty, M.P.
 3. Shri Rajkrushna Bose, M.L.A.
 4. Shri Banka Behary Das, M.L.A.
 5. Shri B. Sivaraman, I.C.S.
 6. Dr. D. C. Misra, M.A., Ph. D.
 7. Shri M. Ramakrishnayya, I.A.S. *Member-Secretary*
- } *Members*

2. The term of reference of the Committee shall be as follows :—

(1) To review the present structure and level of taxation, State as well as local.

(2) To assess and advise on the incidence of the present structure and level of taxation on the people of different classes with particular reference to conditions in other States.

(3) To recommend improvements in the present level and system of taxation with reference to—

- (a) requirements of developmental planning;
- (b) equitability of its incidence; and
- (c) possibilities of developing existing or new non-tax sources.

3. The Committee shall submit its report to Government on or before the 30th June 1960 ”.

2. Subsequently, on our request Government have been pleased to extend the term of the Committee from time to time and finally upto the 31st July 1961. At the very first meeting on the 23rd January 1960, we felt that the 30th June 1960 was too early a date for completing the enquiries and submitting the report. We decided to make every possible effort but subsequently we had to request the Government to extend the term of the Committee more than once. On the first occasion extension became necessary as the State-wide Family Budget Enquiry we instituted for the purpose of studying incidence, took a little more time than we originally thought. The second time the sudden and disastrous floods that occurred in August and September 1960 kept some of us busy in relief work and we had to postpone our meetings as a result. All of us including our Member-Secretary are only part-time members of the Committee. Being engaged in other multifarious activities we have not been able to devote as much time to the work of the Committee as was necessary for completing it within the short period of barely six months first allowed to us.

3. In the first week of February, 1960, we published a detailed questionnaire in English as well as in Oriya (vide Appendix I to the Report). 827 copies were issued. We received replies from 109 persons and institutions. In addition, we obtained detailed notes on important problems from departments of Government. We took oral evidence from 140 persons of whom 19 were official witnesses. Nine Sarpanches and six Municipal Councillors have given us the benefit of their experience. For the purpose of taking oral evidence we toured the State. The hearings were held at Cuttack, Puri, Balasore, Baripada, Rourkela, Sambalpur, Bolangir, Berhampur, Koraput and Jeypore. In all, we met eight times and our deliberations lasted for 35 days.

4. At the same time as the questionnaire was issued, we organised the Family Budget Enquiry throughout the State with a view to gather information for studying incidence of taxation. This enquiry was conducted on our behalf by Shri J. K. Misra, Special Officer-cum-Under-Secretary to Government in the Finance Department. Another special enquiry relating to the avoidance of Motor Vehicles Tax was carried out for us by Shri D. S. Mohanty, Audit Officer-cum-Deputy Secretary of the Finance Department with the help of the Internal Audit Organisation under him.

5. The report is divided into 18 Chapters including the present one. In the Second Chapter, a historical review of the finances of the State will be made. Besides, the trends of public revenues and expenditure will be critically analysed. In Chapter III we shall explain the problem of resources during the next two plans. In the next, the existing level and incidence of taxation will be examined. There, we shall also set out the results of the Family Budget Enquiry conducted at our instance. Chapters V, VI, VII, VIII, IX, X and XI will deal with individual taxes in detail. The non-tax revenues will be dealt with in five Chapters (XII, XIII, XIV, XV and XVI). Local taxes will be discussed in Chapter XVII. In the last Chapter (XVIII) we shall briefly review the position of public debt and the borrowing policy of the State. Although this item is not strictly in the terms of reference of the Committee we have felt it necessary to study it and make our observations available to Government as loans are expected to account for a fairly high percentage of the resources set apart for Plans. At the end of the report we have given a summary of our recommendations for ready reference.

6. We regret that one of our colleagues Mr. B. B. Das should have deemed it necessary to resign at the final stage of our enquiry and to absent himself at its last session when the draft report was finalised and the members were ready to sign the Report. We are however, glad that Mr. Das fully participated in all of our deliberations and the report as well as the detailed recommendations contained therein has had his full concurrence.

7. The rest of us would like to place on record our sense of high appreciation and gratitude to our Member-Secretary Mr. M. Ramakrishnayya for the invaluable assistance he gave us at every stage of our enquiry. His exceptional knowledge of and acquaintance with the finances of Orissa considerably facilitated our enquiry. In the midst of his many other pre-occupations he found time to contribute his full share to deliberations of the Committee and the preparation of the report.

8. We wish to take this opportunity to offer our grateful thanks to all persons and institutions who have assisted us in our task. Our special thanks are due to the departments of the State Government and their subordinate heads of departments who gave us comprehensive memoranda and detailed information of various matters. We are also thankful to the Collectors of the districts we have visited or passed through for the excellent arrangements they had made for our comfort. The National Council of Applied Economic Research have given us considerable help and timely advice in regard to the Planning of the Family Budget Enquiry and the preparation of the report of incidence. We also like to place on record our appreciation of the services rendered by Shri D. Mohapatra our Associate Secretary, Shri J. K. Misra, who was placed in charge of the Family Budget Enquiry and other members of the staff.

CHAPTER II

Historical Review of the State Finances

Orissa became a separate province on the 1st April, 1936. It was carved out of the provinces of Bihar and Orissa, Madras and Madhya Pradesh. There were 6 districts only, as compared to the 13 districts at present. It was about 13 years later, i.e., 1949, that Orissa assumed its present shape with the merger of 23 feudatory States on the 1st January, 1948 and another such State on the 1st January 1949. As a result of the merger, the area of the province increased by 84 per cent and population by 60 per cent. Merger was thus a great landmark in the history of Orissa and has to be kept in the fore-front in studying the trend of public revenues and public expenditure in the State. Although most of the Princely States were brought under the administration of Orissa in 1948, the financial integration did not take place till the 1st August, 1949. The revised estimate of 1949-50 was the first financial statement which reflected the effect of this important historical event.

2. The pre-merger period which for financial purposes, extends up to 1948-49, may be divided into 3 parts for the purpose of study, the Early financial history. period before the war 1936-37 to 1938-39, the war period 1939-40 to 1945-46 and the period after the war 1946-47 to 1948-49.

3. The first budget of the State (1936-37) was but a patch-work in which the estimates made by the Governments of Bihar and Orissa, Madras and Madhya Pradesh for their respective out-going territories were added up. It disclosed a deficit of Rs. 40.05 lakhs. Government of India therefore, decided to grant an equal amount to the new Province to enable it to balance the budget. Further, a non-recurring grant of Rs. 9.5 lakhs was given for certain specific purposes. Sir Otto Niemayer who was appointed to suggest the principles of financial settlement between the provinces and the Government of India, observed as follows :

“Some increase in expenditure is inevitable; it is impossible to ignore the fact that the existing standard of expenditure in Orissa is extremely low and scope for expansion of the Province's own resources in the early future is unusually limited.”

The case for Central subvention was, therefore, clear. He, however, took the line that whatever be the needs of the Province the amount of Rs. 50 lakhs that the Centre had already provided in the budget of 1936-37 may be treated as the ceiling of recurring subvention after adjusting the savings resulting from the cancellation of the irrigation debt. Accordingly the subvention was fixed at Rs. 40 lakhs. Thus, the budget of 1936-37 became a formal financial settlement, although at first it was not intended to be so. Its own resources being severely limited and the Central subvention small and inadequate, the Province had to take resort to measures of retrenchment and reduction of pay scales, even to maintain the administration at the level it inherited. The principal heads of revenue consisted of the share from income-tax, salt, land revenue, excise, stamps, forests and registration. The revenue surplus of Rs. 14.80 lakhs in 1936-37 was reduced to Rs. 8.88 lakhs in 1937-38 and to nominal surplus of Rs. 0.71 lakhs in 1938-39. The overall budget ry surplus of Rs. 18.66 lakhs was reduced to Rs. 2.66 lakhs in 1937-38 which was further reduced to a nominal figure of Rs. 1.85 lakhs in 1938-39. The net debt and other liabilities increased from Rs. 18.22 lakhs in 1936-37 to Rs. 90.26 lakhs at the end of 1938-39 inspite of the cancellation of the large pre-Reform debt of Rs 303.93 lakhs. During the short period before the war, the Province could not tap any new source of revenue provided in List II of the Seventh Schedule to the Government of India Act.

4. During the period of the war there was no appreciable change in the pattern of revenue and expenditure. As stated in the War Period, 1939-46, memorandum submitted by the State Government to the Taxation Enquiry Commission (1953-54), "the Province was singularly unfortunate in having to suffer all the evils of the war without reaping any of its benefits, which some of the other Provinces got by way of development of their industries, communications etc. There was general increase in expenditure of all the Departments of Government as a result of the war activities and the inflation caused by the war. Certain new departments had also to be started to cope with the problems created by the war. It would, therefore, have been impossible for the Province to balance its Budget, but for the increase in certain sources of revenue on account of war activities and increased grants and subsidies from the Centre". On the revenue side the receipts were the highest under income-tax which rose from Rs 5.58 lakhs in 1939-40 to Rs. 57.50 lakhs in 1945-46. Excise receipts rose from Rs 29.81 lakhs in 1939-40 to Rs. 88.36 lakhs in 1945-46. Under Forests too there was an increase from Rs. 6.53 lakhs to Rs. 43.22 lakhs. The Province received some temporary subsidies from the Government of India on agency subjects like Press Censorship, Agency Policy, National War front etc. The expenditure incurred by the State on publicity during the period of the war was fully subsidised. The Government of India undertook to bear 60 per cent of the expenditure incurred on Police from 1942-43 in excess of the expenditure of the previous year. A portion of the Civil Defence expenditure was also borne by the Centre in accordance with the prescribed formula. In regard to Grow More Food Campaign and Emergency Irrigation Projects, the Centre gave a grant equivalent to 66 2/3 per cent of the expenditure. The province did not levy any new tax during these years. A surcharge of 25 per cent was, however levied on Stamps and Court fees during 1945 under the Orissa Stamp (Surcharge Amendment) Act, 1945 and the Orissa Court Fees (Surcharge Amendment) Act, 1945. The revenue surplus which had dwindled to Rs. 0.71 lakhs in 1938-39 rose to Rs. 16.60 lakhs by 1945-46. The increase was partly due to increased receipts and partly due to economy in expenditure resulting from the implementation of the recommendations of the Retrenchment Committee of 1937-38. Even the increased revenue surplus is no patch on the balances accumulated by some Provinces. Orissa could not create a Post-war Development Fund as some other Provinces have done. However, on the suggestion of the Centre the Government drew up in 1945-46 a five-year programme and Post-war Reconstruction at an estimated cost of Rs. 37.89 crores and hoped that Central assistance would be available in a liberal measure.

5. The three years after the war witnessed marked changes in the pattern of revenue and expenditure. During this period some new Post-war Period, 1946-49, taxes were imposed. A tax on entertainment general sales-tax and a specific tax on the sale of motor spirit were levied in 1947-48. In the following year agricultural incomes were subjected to tax. Rates of Excise Duty, retail prices of country spirits, Ganja, Bhang, Opium and duty and gallonage fee on foreign liquor were increased in 1947-48. The various grants and subsidies received from the Centre during the war period were either stopped or amalgamated in the Post-war Development block grants. This is also the period in which Orissa's share from income-tax was raised from 2 per cent to 3 per cent. The higher rate came into force on 15th August 1947 by virtue of the Government of India (Distribution of Revenue) Order, 1948.

6. The Post-merger period may be reviewed in 3 parts : the period before Pre-Plan period, 1949-51, planning 1949-50 to 1950-51, the First Five-year Plan 1951-52 to 1955-56 and the Second Five-Year Plan 1956-57 to 1960-61. The first 2 years of this period proved to be financially difficult. Orissa was suddenly faced not only with the question of

organising the administration of the merged areas, but also with the problem of raising the level of administration and social services in those areas to the standards obtaining in the older parts of the province which are themselves low. As a result of the first instalment of merger on the 1st January, 1948, the revenue account for 1948-49 had closed with the huge deficit of Rs. 114.18 lakhs. The financial problem of 1949-50 was how to make up this deficit or at least reduce it. A drastic retrenchment was undertaken and all possible economies in expenditure were ordered. The revenue deficit was accordingly reduced to Rs. 89.16 lakhs in 1949-50, but only to jump again to Rs. 169.88 lakhs in the next year due to the sudden stoppage of Post-war grants. The drive for economy had to be further intensified and a large number of development schemes initiated as part of the Rs. 38 crore Post-war Reconstruction Programme had to be abandoned. While thus economies were being explored, Government had to introduce revised scales of pay and dearness allowance and give effect to them retrospectively from 1st April 1947. The revision was indeed a great necessity from the stand-point of simplification of the prevailing multiplicity of scales as well as improvement of the conditions of the Government employees. The idea of revision was mooted in 1947, soon after the publication of the Central Pay Commission's report and Central Government's decisions thereon. The revision was estimated to increase the cost of administration by Rs. 57 lakhs per annum.

7. Two notable events of financial importance occurred during this period.

Merger brought new problems. Firstly, the inauguration of the Constitution on the 26th January 1950 and the Deshmukh Award pending the appointment of the Finance Commission, made no appreciable change in the devolution of Central taxes. The State's share from income-tax was retained at 3 per cent as fixed by the Order of 1948. Orissa's share from Jute Export Duty, however, fell as a result of the award from Rs. 7.13 lakhs to Rs 5 lakhs. The second event is federal financial integration which came into force on the 1st August, 1949. It was based on the recommendations of the Indian States Finances Enquiry Committee which, in the view of the Government, failed to do justice to Orissa. A sum of Rs. 16 lakhs was provisionally paid in 1950-51 on this account.

Enhanced rates of Tax. 8. In their endeavour to make both ends meet, the Government tried to revise some of the existing taxes upwards. On the 1st April, 1949 the rates of sales tax were enhanced and the specific sales tax on motor spirit was increased from 2 annas per gallon to 6 annas per gallon. The rates of entertainment tax were raised with effect from the 1st January, 1950. The rates of motor vehicles tax were thoroughly revised and increased with effect from the 1st January, 1950.

First Five-Year Plan, 1951-56. 9. The next period of our study coincides with the First Five-Year Plan. It may be recalled that the Provincial Government drew up in 1945-46 a Five-Year Plan for Post-war reconstruction at an estimated cost of Rs 37.89 crores. Several schemes were initiated in the same year. But Central assistance was confined to Grow More Food Scheme till the following year, i.e., 1946-47. As already explained, the question of resources became difficult during the years following the merger and several schemes had to be abandoned. It is against this background that the preparation and implementation of the First Five-Year Plan has to be viewed. In May, 1951, the State Government prepared a Five-Year Plan at a total estimated cost of Rs. 75 crores including Hirakud Project which was at that time estimated to cost Rs. 42 crores. The Plan was but a modified version of the Post-war Reconstruction Programme with a few changes here and there to suit the changed circumstances. However, the

Planning Commission took Hirakud out of the State Plan and fixed the ceiling at Rs. 15 crores for all the other schemes. It is said that the Commission considered the Plan mainly on the basis of the resources that the State could find on its own and did not give sufficient emphasis to the special needs of this under-developed State. The State Government made repeated representations to the Planning Commission to increase the size of the Plan and make more liberal financial assistance available to the State, but there was no satisfactory response. A small increase of Rs. 2.84 crores was allowed and the Plan was finally fixed at Rs. 17.84 crores. Even after this increase the provisions under certain heads of development had to be kept well below the level of expenditure incurred during the period from 1946-47 to 1950-51 under the Post-war Reconstruction Programme and proved to be totally inadequate. As a result, the Government had to continue some important development schemes outside the plan and sum of Rs. 2.78 crores was spent on them during the five-year period. If this amount and the amounts spent on Hirakud Project, and two additional central sector programmes, Delta Irrigation Scheme and Community Development, are added, the total expenditure partaking of the nature of planned development during 1951-52 to 1955-56 works out to Rs. 73.15 crores. This is comparable to the amount of Rs. 75 crores that the State Government proposed in their draft Plan in 1951.

10. The State agreed to raise Rs. 2.90 crores as additional resources for the Plan as indicated below. The amount that was actually raised is also shown in table 1.

TABLE 1
Additional Taxation for the First Plan

(Rupees in crores)		
(1)	Estimated (2)	Actuals (3)
(a) Land Revenue	0.08	0.01
(b) Estate Duty	0.50	0.03
(c) Betterment levy	0.26	..
(d) Irrigation rates	0.40	..
(e) Sales tax	0.04	1.40
(f) Miscellaneous	1.74	0.91
(g) Agricultural Income Tax	(—)0.12	(—)0.19
Total	2.90	2.21

Source : Finance Department, Government of Orissa

It may be noted that no progress was made in regard to betterment levy and irrigation rates. This is partly due to the fact that the major Project of Hirakud was not completed and did not therefore reach the stage when these levies could be imposed. Partly the State Government was awaiting the advice of Central authorities on the principles on which the two levies should be imposed.

11. The most notable event of financial importance during this period is the appointment of the first Finance Commission. The recommendations of the Commission came into force on 1st April, 1953. The State's share of income-tax was raised from 3 to 3.5 per cent. Along with other States it also got for the first time a share in the divisible portion of Excise Duties on Tobacco, Matches and Vegetable products. The State's share was fixed at 4.22 per cent on the basis of population. The grant in regard to Jute Export Duty was increased from Rs. 5 lakhs to Rs. 15 lakhs. Besides, a sum of Rs. 75 lakhs was given per annum as against Rs. 40 lakhs hitherto as general grant-in-aid under the substantive provision of Art. 275 of the Constitution. A specific grant was given for expansion of Primary education on the following scale :—

Rs. 16 lakhs for 1953-54

Rs. 22 lakhs for 1954-55

Rs. 27 lakhs for 1955-56

Rs. 32 lakhs for 1956-57

It is largely due to these recommendations and the consequent increase in revenue receipts that the State Government was able to meet its primary financial responsibilities and the cost of the Plan Schemes.

12. During the last 2 years of the Plan, the State became a victim of natural calamities. Conditions of drought prevailed in 1954-55. In the following year, the Mahanadi was in spate, breached embankments at several places with the result that the protected area in Cuttack, the most populous district, was submerged. That year, too, the main crop failed in several places. Receipts declined, particularly under Land Revenue. At the same time, large sums had to be spent on flood relief, repairs to embankments, etc. Tacavi loans had to be given on a liberal scale to enable the distressed peasantry to tide over the crisis. The sudden increase in receipts and expenditure on the revenue account in the years 1954-55 and 1955-56 were mainly due to subsidies received from the Centre for the purpose of relief and higher expenditure for the same purpose.

13. During this period, no new measure of taxation was adopted. Except in regard to tolls, the rates of existing levies were also not altered. The rate of toll on the carriage of jute by the canals was increased in 1951 in view of the high price of jute. It was reduced in 1954 to the original level on the ground that the price of jute had declined in the meantime. Tolls were also imposed on vehicular traffic using some of the new bridges constructed by Government. During this period, the receipts from State taxes, therefore, remained more or less constant, between Rs. 5 and 5½ crores. The increase in State's share of Central taxes and in grants from the Centre was more than offset by the increase in expenditure with the result that the last year of the Plan (1955-56) closed with a deficit of Rs. 708.11 lakhs on the revenue account and an overall deficit of Rs. 106.71 lakhs by then, the cumulative revenue deficit had reached the level of Rs. 10.23 crores. The financial condition of the State did not, therefore, hold forth any bright prospect for the Second Plan.

14. The Second Five-Year Plan was finalised in the middle of 1955-56. The State Government submitted a plan of Rs. 121.24 crores to the Planning Commission and agreed to find Rs. 27.8 crores from its own resources. The Commission finally fixed the size of the Plan at Rs. 99.98 crores. Subsequently, it was found that the State would not

be able to contribute more than Rs. 10.5 crores from its own resources. The pattern of financing the Plan as agreed to in 1955-56 and subsequently modified in January, 1957 and the position as has worked out in fact may be seen from the Table 2 given below:—

TABLE 2
The Financing Pattern of the Second Plan

(Rupees in crores)

Head of Account	1956—61 As agreed at the Stage 'A' discussion	1956—61 As finally adopted	Actuals
(1)	(2)	(3)	(4)
<i>* Revenue Account—</i>			
1. Receipts on Revenue Account at the rates of taxation existing in 1955-56.	78.1	79.0	88.71
2. Committed expenditure on Revenue Account.	68.4	86.6	101.83
3. Balance from Revenue Account (1-2)	9.7	(—)7.6	(—) 12.62
4. Revenue from Additional Taxation.	8.0	8.0	4.26
5. State's share of Additional Central Taxation.	2.4	2.4	19.24
6. Total Resources on Revenue Account (3+4+5).	20.1	2.8	10.88
<i>Capital Account—</i>			
7. Loans from the public ..	5.0	5.0	14.36
8. Unfunded debt (net) ..	0.6	0.6	1.38
9. Miscellaneous Capital Receipts (net)	(—)0.4	(—)0.4	(—)9.58
10. State's share of Small Savings.	2.5	2.5	4.54
11. Total Resources on Capital Account (7+8+9+10).	7.7	7.7	10.70
12. Total Contribution to the Plan (6+11).	27.8	10.5	21.58

Source : Finance Department, Government of Orissa

The details of the additional taxation proposed initially and raised subsequently are as follows :—

TABLE 3

Additional Taxation During the Second Plan

(Rupees in crores)

Particulars of Tax	Estimates	Actuals
(1)	(2)	(3)
1. Land Revenue ..	2.00	..
2. Betterment Levy ..	*1.60	..
3. Sales Tax ..	3.20	1.05
4. Tax on Sale of Motor Spirit ..	..	0.03
5. Inter-State Sales Tax ..	..	0.56
6. Motor Vehicles Tax ..	0.06	0.68
7. Agricultural Income-Tax ..	0.15	..
8. Water Rates ..	0.60	..
9. Entertainment Tax ..	0.05	0.06
10. Sugarcane Cess ..	0.04	..
11. Transport Fares and Freights— (Tax on passengers and goods).	0.50	0.14
12. Mining Cess ..	0.60	..
13. Mining Royalty, Forest Royalty and price of bamboo.	..	1.12
14. Flood Protection Cess ..	0.32	..
15. Unified Cess ..	0.30	..
16. Transit Tax on Goods ..	..	0.49
17. Other items ..	0.18	..
18. Excise (Opium ) ..	..	0.13
Total ..	*9.60	4.26**

* Rs. 1.60 crores on account of betterment levy to be earmarked for repayment of central loan.

** Includes actuals for four years and anticipated actuals for one year, 1960-61.

Source : Finance Department, Government of Orissa

15. 1956-57, the first year of the Second Five-Year Plan opened with a minus balance of Rs. 107 lakhs, and according to the Revised Estimate it was expected to close with a positive balance of Rs. 23 lakhs. Actually, however, it closed with a minus balance of Rs. 402 lakhs. The overall deficit is mainly due to two factors. Firstly, the revenue account was deficit as a result of the stoppage of central assistance with the close of the First Plan and the sudden increase in the normal or committed expenditure on schemes completed during the period of the Plan. Secondly, central assistance of Rs. 350 lakhs on account of flood and drought relief which was expected to be received before the close of the year, was not received till June 1957. The State Government hoped that the Second Finance Commission, which was set up in 1956, would take a sympathetic view of the situation and recommend a higher allocation of central taxes and a larger subvention. This hope was largely fulfilled when the Commission's report and the Central Government's decisions thereon were made public towards the end of 1957. The main recommendations of the Commission are as follows: Firstly, the States' share of income-tax was raised from 55 to 60 per cent. Secondly, population was recommended as the main basis for distribution among the States, the principle of collection being restricted to 10 per cent only of the divisible tax proceeds. As a result, Orissa's share from income-tax improved from 3.5 per cent to 3.73 per cent. Thirdly, excise duties on some more commodities (sugar, tea, coffee, paper and vegetable oils) were also included in the divisible pool and the share of Orissa was raised from 4.22 per cent to 4.46 per cent. Fourthly, the Commission recommended a general grant-in-aid of Rs. 3.25 crores a year for the first three years and Rs. 3.50 crores a year for the next two years. These recommendations took effect from the 1st April 1957. Although they were expected to correct the precarious condition of the State and place its finances on an even keel, the year 1957-58 closed with an over-all minus balance of Rs. 448 lakhs. While presenting the budget estimates of 1958-59, the Chief Minister observed that "a minus balance appears inherent in the situation and will continue to be a drag on future years, unless the Central Government comes to our aid to wipe it out." He hoped that once the opening deficit is made up, he would be able to maintain a reasonable positive balance at the close of every year. This hope was realised at the end of 1958-59 which closed with a balance of Rs. 185 lakhs. This was made possible by the sanction of a general-purpose loan for wiping out the deficit and increased central assistance for the plan. Also, attempts appear to have been made to keep the non-developmental expenditure under control and to improve the collections of revenue. Budgets were presented with a balanced revenue account during 1958-59 and 1959-60. In the Budget Estimate of 1960-61, however, the old phenomenon of receipts falling short of expenditure in the revenue account reappeared and this has been attributed to the payment of interest from the Revenue account for the loan of the Hirakud Project on the completion of Stage I. Budget speeches of these years contain reference to some new taxation measures. But in actual fact, the more important of them did not materialise. Standardisation of rent, irrigation rates, betterment levy and unified cess are examples to point the circumstances in which the State Government failed to impose these levies will be discussed in detail in the relevant chapters that follow.

16. The following is a brief account of the new taxes levied and changes in the existing taxes during the period of the Second Plan. In 1956-57, the rates of motor vehicles tax were revised upwards and some old ones enhanced. and the increase was generally of the order of 25 per cent. Royalty on bamboos was enhanced in respect of some long leases with effect from the 1st October 1956. In the following year, royalty on minerals was increased. In

1957-58, the sales tax on motor spirit was raised and fixed at Re. 0.40 nP. per gallon. Some marginal upward adjustments were made in the rates of sales tax and entertainment tax as a result of the introduction of the decimal system. An important change in regard to sales tax was introduced in the same year. Tobacco, mill-made textiles and sugar were removed from the list and the Central Government empowered to levy additional excise duty in lieu of Sales Tax on the understanding that the proceeds will be distributed to Orissa among other States on the basis recommended by the Second Finance Commission. This system proved to be beneficial and the receipts on this account have shown a distinct upward trend. During 1958-59, sales tax was replaced by purchase tax in the case of fish and betel leaves. Rice was brought under sales tax for the first time on the 1st January 1958. Subsequently it was converted into Purchase Tax for administrative convenience. Paddy, too was subjected to sales tax. Some other commodities, such as pulses, vegetable oils, inferior kerosene, chillies, coconuts, etc., which have long enjoyed exemption from sales tax were taxed at 1 per cent with effect from the 1st February 1960. Besides, a new tax was imposed in July, 1959 on transport of jute, bamboos and minerals by roads and inland waterways. Kendu leaves were brought under this tax in 1959-60 due to a change in the policy of exploitation of this important item of minor forest produce.

17. Having surveyed the financial history of the State, we may now attempt a critical assessment of the trends of public revenue and expenditure. For this purpose, it appears sufficient to confine our attention to the years 1949-50 onwards as Orissa, as we know it, can truly be said to have come into existence only after the merger of the princely States and their financial integration. As has already been pointed out, the area, the components of revenue, the field of taxation, and the entire gamut of expenditure underwent such radical transformation and phenomenal enlargement that it will neither be correct nor useful to institute a comparison between the trends of the pre-merger period with those of the post-merger epoch.

18. The revenue of the State may be classified into two broad categories, tax-revenue and non-tax revenue. Receipts under these two broad categories and the heads of account comprising them have been shown in the statements at Appendices 1 and 2 at the end of this chapter. Here, for the purpose of studying the trends, the two broad categories may be further divided, tax-revenue into shared taxes and state taxes, and non-tax revenue into grants from the Centre and other non-tax revenue. The following table shows the receipts under each category during the period 1949-50 to 1960-61. To appreciate their relative importance, the percentages they bear to the total revenue of the year have also been shown.

TABLE 4
State Revenues classified by source

(Rupees in lakhs)

	1949-50	1950-51	1951-52	1952-53	1953-54	1954-55
Shared Taxes	144.35	142.14	156.93	281.55	279.36	277.94
	13.34	13.78	13.11		22.76	19.86
State Taxes	429.82	509.63	541.28	533.44	557.26	546.46
	39.68	49.42	45.24	42.26	45.41	39.05
Total—Tax Revenue .	573.67	651.77	698.21	814.99	836.62	824.40
	53.02	68.20	58.35	64.56	68.17	58.91
Grants	240.39	115.64	134.26	172.37	139.89	230.62
	22.23	11.22	11.22	13.66	11.41	20.06
Other Non-tax Revenue ..	267.67	263.71	363.96	274.73	250.48	294.02
	24.75	25.58	30.43	21.78	20.42	21.08
Total—Non-tax Revenue ..	508.06	379.35	498.22	447.10	390.37	574.64
	46.98	36.80	41.65	35.44	31.83	41.09
Total—Revenue ..	1,081.73	1,031.12	1,196.43	1,262.09	1,226.99	1,399.04
	100.00	100.00	100.00	100.00	100.00	100.00

Source : Orissa Budgets

TABLE 4—concl'd.
State Revenue classified by source—concl'd.

(Rupees in lakhs)

	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61 (B. E.)
Shared Taxes	298·07	290·65	447·96	562·14	588·44	486·17
	18·49	17·55	20·32	20·45	20·60	13·25
State Taxes	521·10	528·95	645·13	709·21	753·11	891·70
	32·33	31·94	29·27	25·81	26·37	24·31
Total—Tax Revenue ..	819·17	819·60	1,093·09	1,271·35	1,341·55	1,377·87
	50·82	49·49	49·59	48·26	46·97	37·56
Grants	490·85	491·00	601·68	780·17	839·14	1,252·80
	30·47	29·66	27·32	26·58	29·38	34·14
Other Non-tax Revenue ..	301·35	345·02	508·70	746·27	675·42	1,037·12
	18·71	20·85	23·09	27·16	23·05	28·30
Total—Non-tax Revenue ..	792·20	836·02	1,110·38	1,476·44	1,514·56	2,289·42
	49·18	50·51	50·41	53·74	53·03	62·44
Total—Revenue ..	1,611·37	1,655·62	2,203·47	2,747·79	2,856·11	3,667·29
	100·00	100·00	100·00	100·00	100·00	100·00

Source : Orissa Budgets

Two broad conclusions may be drawn from the above table. Firstly, as regards the relative importance of taxes and non-tax sources it may be said that their contributions appear to be almost equal. The share of taxes showed an upward trend had reached the peak with 68.17 per cent in 1953-54. Thereafter there has been a gradual decline. The share of non-tax sources was rather unsteady during the earlier years 1949-50 to 1953-54. They, however, registered a steady improvement in the later years, mainly because of increase in the grants from the Centre. Secondly, in absolute terms, the four categories have shown different rates of growth. During the period 1949-50 to 1959-60 for which actuals are available shared taxes have increased by 303 per cent while State taxes rose by 75 per cent only. Grants from the Centre grew by 248 per cent largely as a result of Five year Plans while other non-tax revenues improved by 152 per cent.

19. Another way of appraising the components of revenue is to group them according to their origin and compare them with each other. For this purpose, shared taxes and grants from the Centre will form one group while the State Taxes and other non-tax revenues will constitute the other group. The table below shows the percentages the two groups bear to the total revenues year by year.

TABLE 5
Percentage Distribution of State Revenues Classified by Source

	1949-50	1950-51	Average pre-Plan	1951-52	1952-53	1953-54	1954-55	1955-56	Average First Plan	1956-57	1957-58	1958-59	1959-60	1960-61 (R. E.)	Average Second Plan
Revenues of Central origin.	36.57	25.00	30.41	24.33	35.96	84.17	39.02	48.06	87.51	47.21	47.64	47.03	40.98	47.39	47.90
Revenues of State origin.	64.43	75.00	69.59	75.67	64.04	85.83	00.03	51.04	62.49	52.79	52.36	52.97	59.02	52.61	52.10

Source : Finance Department, Government of Orissa

There is a clear tendency for the ratio to move in favour of revenue of Central origin. It has improved from 35.57 per cent in 1949-50 to 49.98 per cent in 1959-60. The Budget Estimate for 1960-61 places it at a slightly lower figure 47.39 per cent but the actuals may tell a different story. Revenue of State origin has definitely lost its high position of 64 per cent to 76 per cent of the years 1949-55 and appears to settle down round about 50 per cent. This is a clear indication on the one hand, of the increasing reliance of the State Government on Central assistance for their Plans and on the other, of the recognition of the Central Government that a backward State like Orissa has to be helped on a liberal scale in the interest of balanced regional development.

20. We may analyse in some more detail the revenue items of State origin. The State Taxes may be taken up first. The following table shows the comparative position of certain important State Taxes during the years 1949-50 to 1959-60.

TABLE 6

Percentage Distribution of State Taxes

(Rupees in lakhs)

Year	Total Revenue	Total Tax Revenue	Land Revenue		Stamps and Registration		State Excise		General Sales Tax		Tax on Sale of Motor Spirit		Entertainment Tax		Motor Vehicles Tax	
			% to total Revenue	% to total Tax Revenue	% to total Revenue	% to total Tax Revenue	% to total Revenue	% to total Tax Revenue	% to total Revenue	% to total Tax Revenue	% to total Revenue	% to total Tax Revenue	% to total Revenue	% to total Tax Revenue	% to total Revenue	% to total Tax Revenue
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
1949-50	10,81.73	5,73.67	9.07	17.09	5.72	10.78	16.81	31.70	5.69	10.73	0.80	1.51	0.34	0.64	0.74	1.39
1950-51	10,31.12	6,51.77	10.00	15.82	7.14	11.29	20.67	32.70	7.74	12.25	1.28	2.02	0.53	0.84	1.06	1.68
1951-52	11,96.43	6,98.21	8.64	14.80	6.77	11.60	16.75	28.70	9.30	15.95	1.25	2.15	0.47	0.81	0.93	1.58
1952-53	12,62.09	8,14.99	9.01	13.96	7.00	10.84	14.31	22.16	8.91	13.80	1.25	1.93	0.44	0.68	0.80	1.23
1953-54	12,26.99	8,36.61	12.10	17.74	7.36	10.80	13.58	19.91	9.15	13.42	1.37	2.01	0.49	0.72	0.90	1.31
1954-55	13,99.04	8,24.40	9.03	15.32	6.35	10.76	11.22	19.03	9.50	16.12	1.32	2.25	0.63	1.07	0.77	1.30
1955-56	16,11.37	8,19.17	7.69	15.12	3.65	7.19	8.87	17.44	7.34	14.45	1.71	3.36	0.40	0.78	2.49	4.90
1956-57	16,55.62	8,19.60	9.59	19.36	3.75	7.57	5.83	11.77	7.85	15.86	1.40	2.83	0.48	0.98	2.89	5.83
1957-58	22,03.47	10,93.09	9.03	18.21	3.06	6.18	4.61	9.29	7.55	15.22	1.49	3.01	0.37	0.76	2.97	6.00
1958-59	27,47.79	12,71.35	7.84	16.93	2.55	5.49	4.36	9.43	6.76	14.63	0.99	2.14	0.36	0.79	2.79	6.02
1959-60	28,56.11	13,41.55	7.83	16.67	2.81	5.98	3.80	8.08	7.45	15.85	1.02	2.18	0.42	0.89	2.67	5.68
1960-61	36,67.29	13,77.87	8.00	21.29	2.06	5.50	2.93	7.80	6.00	15.98	1.00	2.68	0.30	0.79	2.13	5.69

(B. E.)

Source : Orissa Budgets

It will be seen that with 16.98 per cent Land Revenue continues to occupy the pride of place among items of tax-revenue, although other items, such as, sales tax and motor vehicle tax have greatly improved their position. Even as a percentage of total revenue the position of Land Revenue has not altered radically. It accounted for 9.07 per cent of the total revenue in 1949-50. The actuals of 1959-60 place it at 7.83 per cent. The main change during the period occurred in respect of State Excise. Its share in the tax revenue declined steeply from 31.70 per cent in 1949-50 to 8.08 per cent in 1959-60 as a result of the adoption of the policy of prohibition. Stamps and Registration too have gone down from 10.78 per cent in 1949-50 to 5.98 per cent in 1959-60. The decline is marked from 1955-56 and this appears to be mainly due to the unification of the system of payment of motor vehicles tax throughout the State and abolition of the use of stamps for the purpose in the districts of Ganjam and Koraput. This apart, there has been a genuine increase in the share of Motor Vehicles Tax. It has moved up to 5.68 per cent in 1959-60 from 1.39 per cent in 1949-50. General sales tax and sales tax on Motor spirit, which may be considered together have registered significant increases. While they accounted for 12.24 per cent of total tax revenue in 1949-50, they have contributed 18.03 per cent in 1959-60. If the figures assumed in the Budget Estimate of 1960-61 are realised, they will account for a still higher share but it is not yet time to say that the general sales tax by itself will surpass Land Revenue as it has done in some other States. This analysis shows that contrary to the popular belief, Land Revenue has remained to date the main source of tax income for Orissa despite the levy and enhancement of other taxes.

21. As regards the trends in some important items of non-tax revenues of State origin, the table given below may be seen.

TABLE 7

Percentage distribution of non-tax revenue

(Rupees in lakhs)

Year	Total Revenue	Non-tax Revenues of State origin	Administrative Receipts		Forests		Irrigation (Capital Accounts)		Irrigation (non-capital Accounts)		Electricity		Transport (net)		Interest		Others	
			% to 2	% to 3	% to 2	% to 3	% to 2	% to 3	% to 2	% to 3	% to 2	% to 3	% to 2	% to 3	% to 2	% to 3	% to 2	% to 3
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
1949-50	10,81.73	2,67.67	10.89	44.03	6.76	27.31	..	..	0.11	0.45	..	..	..	..	1.62	6.56	3.50	14.17
1950-51	10,31.12	2,63.71	10.13	39.64	9.68	37.85	..	..	0.19	0.74	..	..	..	..	2.01	7.87	1.54	6.04
1951-52	11,96.43	3,63.96	9.01	29.64	8.11	26.65	0.01	0.04	0.18	0.59	..	..	0.19	0.64	1.39	4.59	5.06	16.63
1952-53	12,62.09	2,74.73	9.62	44.20	7.03	32.31	..	..	0.15	0.70	..	..	0.23	1.08	1.63	7.52	3.04	13.98
1953-54	12,26.99	2,50.48	7.21	35.35	9.05	44.35	..	..	0.16	0.79	..	..	0.17	0.83	1.82	8.92	1.97	9.65
1954-55	13,99.04	2,94.02	6.44	30.64	10.21	48.59	..	..	0.10	0.52	0.08	0.42	0.13	0.64	1.57	7.49	2.81	13.40
1955-56	16,11.37	3,01.35	6.26	33.50	9.85	52.64	..	..	0.12	0.66	0.35	1.88	..	..	1.44	7.72	1.43	7.67
1956-57	16,55.62	3,45.02	6.53	31.36	11.44	54.91	..	..	0.10	0.51	..	..	0.79	3.81	1.35	6.52	1.58	7.61
1957-58	22,03.47	5,08.70	7.97	34.55	11.65	50.48	..	..	0.09	0.42	0.59	2.58	0.89	3.86	1.12	4.85	1.18	5.14
1958-59	27,47.79	7,46.27	6.61	24.34	10.16	37.43	..	..	0.15	0.55	3.88	14.31	1.05	3.87	1.41	5.19	3.98	14.67
1959-60	28,56.11	6,75.42	6.45	27.27	10.97	46.40	..	..	0.07	0.30	0.85	3.60	0.88	3.75	1.33	5.60	3.32	14.04
1960-61 (B. E.)	36,67.29	10,37.12	13.47	46.73	6.89	24.39	0.43	1.53	0.04	0.15	2.08	7.37	0.85	3.03	1.81	6.43	2.76	10.37

Source : Orissa Budgets

It is clear that of all the items, Forests constitute the largest portion. Next in order is 'Administrative Receipts' which includes mining royalties. 'Miscellaneous receipts' is the third item of importance. 'Interest' comes fourth. 'Road Transport' which presently stands fifth has been ranging above 3.7 per cent. Electricity has great promise although it has not as yet proved to be a steady item. Irrigation tells a sorry tale and strangely, works for which no capital accounts are kept, appear to give a better return than those for which capital accounts are kept. The latter have, more often than not, shown a deficit. As regards the trend of growth too it is only in 'Forests' that a trend is discernible. Forest revenue has improved from 27.31 per cent in 1949-50 to 46.40 per cent in 1959-60. The Budget Estimate of 1960-61 however, shows a fall, apparently due to the loss of a large part of Kendu Leaf income or in other words the transfer of a large part from non-tax category to the tax category. 'Administrative receipts' appear to be subject to frequent fluctuations. The other items do not call for any comment.

22. Now we come to the study of public expenditure. It is usual to distinguish between two kinds of public expenditure, the one that is related to or of the nature of development and the other which is meant for the maintenance of the fabric of State and its administration and which for that reason is often described as non-development. The statements in appendices 3 and 4 at the end of this chapter may be seen for the broad heads of account which are grouped in each category and the yearwise amounts of expenditure from 1949-50 to 1960-61. Here, we may take note of the broad heads only. We may consider what percentage of expenditure was devoted to non-development purposes in each year and at what rate it has grown or fallen over the years. We may also compare the trends noticed in Orissa with those in other States in respect of the more important heads of account.

23. The table below shows the non-development expenditure and the relation each of the components and all of them together bear to the total expenditure during the period of our study.

Trend of growth of Non-Development expenditure.

TABLE 8

Non-development Expenditure as percentage to Total Expenditure

(Rupees in lakhs)

Year	Total Expenditure	Total Non-Development Expenditure	Percentage to Total Expenditure							Total
			Direct Demands on Revenue	Debt Services	Civil Administration	Miscellaneous	Famine	Other Non-Development Expenditure		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
1949-50	11,70·89	4,20·46	4·02	1·69	24·71	1·20	..	4·28	35·90	
1950-51	12,00·99	4,14·49	4·53	0·18	24·53	1·24	..	4·03	34·51	
1951-52	10,85·79	4,47·84	4·75	3·12	27·88	1·46	..	4·03	41·24	
1952-53	11,51·56	4,68·24	6·20	2·12	26·53	1·51	..	4·30	40·66	
1953-54	13,20·67	5,97·09	10·68	2·22	25·66	2·43	0·10	4·12	45·21	
1954-55	15,48·27	7,12·99	9·93	1·81	26·68	3·02	0·31	4·30	46·05	
1955-56	23,19·48	12,62·79	7·98	1·59	25·36	5·06	11·34	3·11	54·44	
1956-57	22,73·82	10,61·16	9·99	3·03	21·61	3·25	6·32	2·46	46·66	
1957-58	23,47·55	9,42·39	8·68	4·35	18·85	3·48	2·05	2·73	40·14	
1958-59	25,87·05	10,11·77	6·14	5·38	19·45	3·45	2·19	2·49	39·10	
1959-60	28,72·02	10,69·11	5·56	7·01	17·17	3·31	1·74	2·43	37·22	
1960-61(B.E.)	40,17·59	12,54·39	4·77	7·37	13·35	2·12	1·24	2·37	31·22	

Source : Orissa Budgets

It will be seen that the share of non-development purposes has increased only slightly over the years. In 1959-60, it accounted for 37.22 per cent of total expenditure while in 1949-50 it stood at 35.90 per cent. The peak was reached in 1955-56. The steady decline thereafter is but a reflection of the rising tempo of development expenditure is a result of Planning. It is, however, necessary to examine whether non-development expenditure has gone up in absolute terms and for what reasons. A glance at column 2 of the above table will show that non-development expenditure has risen by 254 per cent between 1949-50 and 1959-60. The component heads have risen as follows :—

Direct Demands on Revenue	..	339 per cent
Debt Services	..	1,015 per cent
Civil Administration	..	170 per cent
Miscellaneous	..	677 per cent
Famine	..	254.00 per cent
Other Non-Developmental expenditure	..	139 per cent

The increase under 'Famine' is the highest from Rs. 0.2 lakhs to Rs. 50 lakhs but this need not cause any alarm as the increased amount is almost entirely transferred to the Famine Relief Fund for expenditure during years of calamity. The next in order is Debt Services. Large portion of the increase here is the direct result of Plans and may be treated more properly as the recurring cost of the forced pace of economic development. In the third group, 'Miscellaneous', the greater part of the increase is due to larger grants to local bodies towards the emoluments of low-paid employees and higher allocation of Kendu leaf grants to Grama Panchayats. The increase under the head 'Other Non-Developmental Expenditure' is too small for any special comment. The remaining two items, 'Direct Demands on Revenue' and 'Civil Administration', however, deserve to be considered in greater detail although the rates of increase are not comparatively high.

24. The first signs of increase under "Direct Demands on Revenue" were noticed in 1952-53 when the zamindari estates were taken over in the latter part of the year. During the next year, the Demands on Revenue expenditure almost doubled itself. Thereafter it registered small increases. The following table shows the relation of expenditure under this head to the total taxes in selected years.

TABLE 9
Expenditure on Direct Demands on Revenue as percentage of State Taxes in selected years

(Rupees in lakhs)

Years	Total State Taxes	Expenditure on		R E M A R K S			Total
		Direct Demands on Revenue	Percentage of 3 in 2	Net transfer to Zamindary Abolition Fund including works of benefit	Compensation to local bodies	Transfer to State Road Fund	
(1)	2	(3)	(4)	(5)	(6)	(7)	(8)
1949-50	4,29.32	45.38	10.57	..	1.69	..	1.69
1950-51	5,09.63	51.92	10.18	..	2.54	..	2.54
1953-54	5,57.26	69.19	12.42	53.39	4.26	14.23	71.88
1956-57	5,28.95	70.88	13.40	1,21.18	29.21	6.04	1,56.43
1959-60	7,53.11	1,18.77	15.77	35.00	6.01	..	41.01
1960-61	8,91.70	1,45.49	16.32	35.00	11.41	..	46.41
(B. E.)							

Source: Orissa Budgets

As our purpose is to ascertain the growth in expenditure on staff and other items of non-development and compare it with the growth in receipts of State Taxes we have excluded from the expenditure booked under various major heads usually covered by the term "Direct Demands on Revenue" some items of developmental nature and amounts transferred to Zamindari Abolition Fund. The actual amounts excluded in each year have been indicated in the remarks column. The above figures show that the percentage of staff and non-development expenditure has begun to fall lately with an increase in collections. We may add a word about the variations noticed in some years. In 1953-54 the percentage increased due to the establishment of Naib-Tahsildar system of collection in some parts of the State. The rise in 1956-57 is mainly traceable to a fall in receipts, particularly under Excise as a result of introduction of prohibition. This fall was not accompanied by a corresponding retrenchment in staff. 1959-60 saw a further increase in the percentage and this was mainly due to the absorption in the Revenue Department the staff of the Anchals set up for the management of Government estates and the application of Government pay scales to them. The next year registered a further increase. The Orissa scales were extended to the Anchal staff on the 1st November 1957. So, the first year in which this decision is fully reflected in expenditure is 1958-59. It is seen that the expenditure went up to 36.44 lakhs during that year as against 5.59 lakhs in 1956-57. During subsequent years too this item showed some increase (Rs. 50.19 lakhs in 1959-60 and Rs. 60.30 lakhs in 1960-61). It is necessary to note that two new factors, i.e., settlement operations and land reforms involving larger staff expenditure have contributed to the increase in the percentage shown in the above table against 1960-61. At this stage, it will be useful to compare the position in Orissa with that in other States. For this purpose, we may take into account such States only as have not been affected by the States Reorganisation Act, 1956. The table below shows that the percentage has almost doubled over the last 11 years and it ranges generally between 15 and 20 per cent. Thus it will be seen that the trend revealed in Orissa compares favourably with the trends in other States. Of course, it must be remembered that simple comparisons of this kind are often misleading as there may be special factors in each State which may have to be separated for making correct assessment.

TABLE 10
(Direct Demands on Revenue as Percentage of State Taxes in Selected States for selected years)

(Rupees in lakhs)

Year	Orissa	Assam	Uttar Pradesh	West Bengal	Bihar
(1)	(2)	(3)	(4)	(5)	(6)
1949-50	10.96	N. A.	N. A.	5.38	9.29
1950-51	10.68	8.54	14.74	5.88	7.50
1953-54	25.31	11.54	10.61	6.47	16.93
1956-57	42.97	10.33	15.20	12.59	21.15
1959-60 (R. E.)	21.93 (Actuals)	14.58	18.37	13.75	17.64
1960-61 (B. E.)	21.53	15.40	18.84	12.79	17.02

Source : Budgets of the concerned States

25. "Civil Administration" is by far the largest component of non-development expenditure and a careful analysis of its behaviour is, therefore, essential for our purpose. The Table 8 shows that its share in the total expenditure has fallen from 24.71 per cent in 1949-50 to 17.17 per cent in 1959-60 and the Budget Estimate of 1960-61 allows for even less, viz., 13.35 per cent. We have already noted that in absolute terms there has been an increase but it is not too great. In the three years till 1952-53, the annual increases ranged between R. 3 lakhs and Rs. 8 lakhs. 1953-54 witnessed an increase of Rs. 33.43 lakhs mainly due to the grant of additional dearness allowance and increased expenditure on construction of village roads and grain golas. During the next year it went up further by Rs. 74.12 lakhs chiefly on account of special expenditure under "25-General Administration" in connection with drought relief on works like repair of primary school buildings rural communications, model village roads, grain golas, etc., and additional staff for Grama Panchayat Department. In 1955-56, too, a sum of Rs. 1.18 lakhs spent on special relief works was booked under this head and largely explains the increase in that year. Thereafter, a clear decline comes to view in spite of the payment of the second additional dearness allowance to low-paid Government employees with effect from the 1st April 1957 (Rs. 4,91.33, 4,42.54, 5,03.14 and 4,93.15 lakhs in 1956-57, 1957-58, 1958-59 and 1959-60 respectively). The sudden jump in 1958-59 is due to the changed accounting procedure according to which the grants from Motor Vehicles Tax proceeds to be spent through Collectors were provided under "25—General Administration". The position as has obtained in Orissa may now be compared with the experience of some selected States. Table 11 gives the percentage of increases in a few States which are not affected by the reorganisation of 1956. In instituting comparison between State and State it must be remembered that each is peculiar in its own way. Assam, for example, shows more than three-fold increase mainly on account of extra expenditure on Police. Being a border State and beset with Naga troubles the increase may be considered justified. Orissa itself is peculiar as has been pointed out above in so far as certain works expenditure like Road and Grain Golas are booked under "25—General Administration", included in the group "Civil Administration". For these reasons it is difficult to draw any lesson from a simple comparison with other States.

TABLE 11

Percentage of increase over 1949-50 under "Civil Administration in selected States
(Rupees in lakhs)

Year	Orissa	Assam	Uttar Pradesh	West Bengal	Bihar
(1)	(2)	(3)	(4)	(5)	(6)
1949-50	.. 1,00.00	..	..	1,00.00	1,00.00
1950-51	.. 1,01.79	1,00.00	1,00.00	1,11.31	1,06.32
1953-54	.. 1,17.11	1,36.29	1,07.55	1,22.34	1,07.62
1956-57	.. 1,69.75	2,31.97	1,23.84	1,48.89	1,41.19
1959-60	.. 1,71.68	3,07.41	1,38.42	1,64.48	1,66.18
(R. E.)	(Actuals)				
1960-61	.. 1,85.36	3,36.00	1,39.62	1,65.01	1,71.76
(B. E.)					

Source : Orissa Budgets

26. Another way of examining the level of non-development expenditure is to find out what portion of total revenues it consumes. The Statement below shows the year-wise percentages each head of account bears to the total revenue receipts.

TABLE 12
(Percentage of Non-Developmental Expenditure to Total Revenue)

(Rupees in lakhs)

Year	Direct Demands on Revenue	Debt Services	Civil Administration	Miscellaneous	Famine	Other Non-Development Expenditure	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1949-50	4.35	1.83	26.76	1.30	..	4.62	38.86
1950-51	5.23	0.23	28.57	1.44	..	4.68	40.15
1951-52	4.32	2.83	25.30	1.34	..	3.64	37.43
1952-53	5.65	1.94	24.21	1.37	..	3.93	37.10
1953-54	11.50	2.40	27.63	2.61	0.10	4.42	48.66
1954-55	10.99	2.01	29.53	3.33	0.34	4.76	50.96
1955-56	11.49	2.29	36.51	7.26	16.33	4.48	78.36
1956-57	13.73	4.17	29.67	4.46	8.68	3.38	64.09
1957-58	9.26	4.64	20.08	3.72	2.17	2.89	42.76
1958-59	5.78	5.06	18.32	3.25	2.07	2.34	36.82
1959-60	5.60	7.05	17.26	3.32	1.75	2.45	37.43
1960-61	5.24	8.07	14.63	2.31	1.36	2.59	34.20

(B. E.)

Source : Orissa Budgets

We may draw attention to some significant aspects that the above figures disclose. Firstly, in seven out of 12 years 40 per cent or less of the total revenue was used up by items of non-development expenditure. In two years such expenditure ranged between 40 per cent and 50 per cent. The remaining two years are truly exceptional, with a heavy outlay on drought and flood relief. On the basis of these figures, it cannot perhaps be said that in normal years a very high proportion of the revenues have been devoted to purposes other than development. Nothing is further from our thoughts than that this observation should induce a sense of complacency. We therefore affirm that the Government should bear in mind the need for constant vigilance and always endeavour to limit the share of non-development expenditure in the revenues to the very minimum consistent with efficiency. Secondly, among the individual heads of expenditure, "Civil Administration" the major item, has of late been claiming less and less of the revenue. Its share has fallen from 26.76 per cent in 1949-50 to 17.26 per cent in 1959-60 and is likely to fall further in 1960-61, if the Budget Estimate is fulfilled substantially. The fall is particularly noticeable in the period corresponding to the Second Five-Year Plan. This may be due to the fact that once the suitable administrative base is attained the marginal addition to administrative expenditure is likely to be less in comparison with the increase in development expenditure. Besides, the increase in revenues and conscious efforts of recent years to limit and control the growth of non-development expenditure have helped to bring down the share of this item.

APPEN
Tax Revenues in Orissa
(Rupees in

	1949-50	1950-51	1951-52	1952-53	1953-54
1. Taxes on Income—					
(i) Share of Income Tax.	1,37·22	1,42·14	1,56·93	2,07·43	2,09·18
(ii) Agricultural Income Tax.	5·41	9·93	12·91	6·58	5·27
2. Taxes on property and Capital Transactions—					
(i) Estate Duty ..	..	..	..	..	..
(ii) Land Revenue	98·08	1,03·15	1,03·37	1,13·79	1,48·47
(iii) Stamps and Registration.	61·85	73·59	81·05	88·37	90·37
3. Tax on Commodity and services—					
(i) Share of Union Excise.	..	..	..	74·12	70·17
(ii) State Excise ..	1,81·89	2,13·16	2,00·40	1,80·63	1,66·60
(iii) General Sales Tax.	61·56	79·89	1,11·38	1,12·51	1,12·31
(iv) Tax on Sales of Motor Spirit.	8·67	13·21	15·02	15·79	16·87
(v) Entertainment Tax.	3·69	5·51	5·67	5·59	6·09
(vi) Electricity Duty	0·14	0·24	0·39	0·11	0·29
(vii) Tax on Motor Vehicles.	8·03	10·95	11·09	0·07	10·99
(viii) Tax on goods carried by roads and inland waterways.	..	..	..	..	..
(ix) Tax on Railway fares.	..	..	..	..	..
(x) Customs ..	7·13	..	..	..	..
(xi) Salt ..	..	..	..	..	..
Total—Tax Revenue	5,73·67	6,1·77	6,98·21	8,14·99	8,36·61

Source :

DIX I
from 1949-50 to 1960-61
 (lakhs)

1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61 B.E.
2,07·80	2,16·86	2,05·62	2,73·51	2,82·73	2,95·86	1,93·92
3·00	2·4	1·96	2·58	2·81	2·79	2·96
1·95	6·43	8·15	6·62	6·49	7·55	7·25
1,26·37	1,23·94	1,58·75	1,99·14	2,15·32	2,23·67	2,93·41
88·78	8·90	62·08	67·56	69·86	80·20	75·90
68·19	74·78	76·88	1,59·27	2,53·53	261·76	2,62·47
1,56·94	1,42·89	96·53	1,01·63	1,19·91	1,08·42	1,07·47
1,32·93	1,18·41	1,30·00	1,66·45	1,86·01	2,12·68	2,20·29
18·56	27·57	23·20	32·91	27·28	29·22	37·00
8·85	6·47	8·06	8·36	10·07	11·98	11·01
0·24	0·31	0·55	0·86	1·29	3·24	1·20
10·79	40·20	47·82	65·64	76·66	76·23	78·46
..	..	..	..	..	4·68	64·00
..	..	..	8·56	19·39	23·27	22·53
..
..
824·40	8,19·17	8,19·60	10,93·09	12,71·35	13,41·55	13,77·87

APPEN

Non-tax Revenues of Orissa

(Rupees in

Non-tax Revenue	1949-50	1950-51	1951-52	1952-53	1953-54
1. Administrative Receipts.	1,17.88	1,04.54	1,07.89	1,21.44	88.55
2. Forests ..	73.11	99.82	97.02	88.78	1,11.11
3. Irrigation (Net)					
(i) For which capital accounts are kept.	(—) 7.30	(—) 6.36	0.17	(—) 1.48	(—) 8.54
(ii) For which no capital accounts are kept.	1.21	1.97	2.16	1.94	1.98
4. Electricity (Net)..	(—) 4.06	(—) 1.56	(—) 3.12	(—) 4.30	(—) 0.19
5. Road and Water Transport (Net ).	..	..	2.35	2.99	2.09
6. Interest ..	17.58	20.77	16.71	20.68	22.36
7. Grants ..	2,40.39	1,15.64	1,34.26	1,72.37	1,39.89
8. Extraordinary Receipts.	31.32	28.60	80.24	6.25	8.55
9. Other Non-tax Revenue.	37.93	15.93	60.54	38.43	24.19
Total Non-tax Revenue.	5,08.06	3,79.35	4,98.22	4,47.10	3,90.37
Total Revenue .	10,81.73	10,31.12	11,96.43	12,62.09	12,62.99

Source :

DIX 2

from 1949-50 to 1960-61

lakhs)

1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61 (B E)
90.11	1,00.96	1,08.23	1,75.78	1,81.66	1,84.18	4,84.65
1,42.88	1,58.65	1,89.46	2,56.84	2,79.33	3,13.42	2,52.94
(-) 12.83	(-) 26.78	(-) 19.88	(-) 12.30	(-) 13.19	(-) 6.51	15.87
1.53	2.01	1.79	2.14	4.17	2.01	1.56
1.24	5.68	(-) 2.31	13.16	1,06.81	24.30	76.49
1.90	(-) 0.10	13.15	19.64	28.94	25.33	31.45
22.05	23.29	22.50	24.72	38.76	37.87	66.73
2,80.62	4,90.85	4,91.00	6,01.68	7,30.17	8,39.14	12,52.30
7.74	14.50	5.79	2.54	10.31	..	..
39.40	23.14	26.29	26.18	1,09.48	94.82	1,07.43
5,74.64	7,92.20	8,36.02	11,10.38	14,76.44	15,14.56	22,89.42
13,99.04	16,11.37	16,55.62	22,03.47	27,47.79	28,56.11	36,67.29

APPEN

Growth of Non-Developmental Expenditure

(Rupees in

Heads of Accounts	1949-50	1950-51	1951-52	1952-53	1953-54
Direct Demands on Revenue.	47.07	54.47	51.58	71.41	1,41.07
Debt Services ..	19.83	2.26	33.90	24.48	29.45
Civil Administration	2,89.44	2,94.63	3,02.77	3,05.55	3,38.98
Miscellaneous ..	14.01	14.89	15.94	17.31	32.03
Famine ..	0.02	..	..	..	1.24
Other Non-Developmental Expenditure.	50.09	48.24	43.65	49.49	54.32
Total ..	4,20.46	4,14.49	4,47.84	4,68.24	5,97.09

<u>Direct Demands on Revenue</u>	<u>Debt Services</u>	<u>Civil Administration</u>
(i) Agricultural Income Tax.	(i) Interests on Debt and other obligations.	(i) General Administration.
(ii) Land Revenue	(ii) Appropriation for reduction or avoidance of Debt.	(ii) Administration of Justice.
(iii) State Excise		(iii) Jails
(iv) Stamps and Registration.		(iv) Police
(v) Charges on Vehicles		
(vi) Sales Tax		
(vii) Other Taxes and Duties.		

Source :

DIX 3

in Orissa from 1949-50 to 1960-61

lakhs)

1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61 (B. E.)
1,53·64	1,85·15	2,27·31	2,03·96	1,58·73	1,59·78	1,91·90
28·13	36·97	68·96	1,02·21	1,39·16	2,01·25	2,95·88
4,13·10	5,88·39	4,91·33	4,42·54	5,03·14	4,93·15	5,36·52
46·66	1,17·08	73·76	81·90	89·34	94·86	84·81
4·87	2,63·00	1,43·65	47·93	56·89	50·00	50·00
66·59	72·20	56·15	63·85	64·51	70·07	95·28
<hr/>						
7,12·99	12,62·79	10,61·16	9,42·39	10,11·77	10,69·11	12,54·39

FamineOther Non-Developmental Expenditure

(i) Famine Relief

(ii) Transfer to Famine Relief Fund.

(i) Pensions including Territorial and Political pensions ; Privy purses and Allowances of Indian Rulers and commutation of pensions.

(ii) Stationery and Printing.

(iii) Extraordinary Charges.

(iv) Civil Defence.

APPEN-
Growth of Development Expenditure
(Rupees in

Heads of Accounts	1949-50	1950-51	1951-52	1952-53	1953-54
Education ..	133.42	137.51	125.45	147.63	173.62
Medical and Public Health.	71.40	69.75	68.19	79.19	90.69
Agriculture, Veterinary and Co-operation.	88.36	90.35	79.59	78.77	73.44
Irrigation ..	71.92	93.55	99.47	81.96	64.06
Electricity ..	(---)13.74	8.24	7.04	14.47	13.64
Rural and Community Development.	..	..	..	5.03	23.88
Civil Works ..	3,00.03	2,49.95	1,73.56	1,64.14	1,80.93
Industries ..	37.57	58.36	24.76	24.87	19.08
Other Developmental Expenditure.	32.40	46.39	28.12	49.28	45.94
Forests ..	29.07	32.40	31.77	37.98	38.30
Total ..	7,50.43	7,86.50	6,37.95	6,83.32	7,23.58

Source :

DIX 4

in Orissa from 1949-50 to 1960-61

lakhs)

1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61 (B. E.)
1,90·37	2,50·89	2,79·81	3,11·79	3,35·50	4,07·26	4,77·07
91·70	1,13·12	1,18·76	1,39·55	1,57·64	1,91·17	2,58·73
92·10	1,27·34	1,55·30	1,94·82	1,90·33	2,06·17	2,45·05
45·50	44·08	62·23	35·34	43·82	46·99	52·34
18·19	20·59	29·64	15·89	58·78	39·39	46·45
53·72	1,26·02	1,40·79	1,61·18	2,36·13	2,67·89	3,45·40
1,85·82	1,88·11	1,73·23	2,57·61	2,32·21	2,66·40	3,05·86
26·93	30·66	38·06	39·86	40·19	58·12	78·09
87·58	1,06·19	1,62·70	1,93·51	2,01·50	2,32·77	8,47·63
43·37	49·69	52·14	55·61	79·18	86·75	106·58
83,5·28	10,56·69	12,12·66	14,05·16	15,75·28	18,02·91	27,63·20

Orissa Budgets

CHAPTER III

The problem of Resources

According to the preamble of the Government Resolution, the Committee has been appointed to assess and locate the financial resources to the extent necessary for enabling the State to play its part in the development of the country, and its people' to reap a fair share of the benefits of planning'. A little later, in the para-dealing with terms of reference, it has been specifically laid down that in making recommendations the Committee shall bear in mind 'the requirements of developmental planning'. So, it appears, necessary that before going into the individual items of tax and non-tax the Committee should be seized of the magnitude of resources required for the Third Five-Year Plan which is due to begin almost immediately. If possible, note may have to be made of the aftermath of the Third Plan and the outlines of the problem that may be thrown up on the eve of the Fourth Plan.

2. Briefly the problem is as follows. On the close of every five-year plan, several institutions and services will have been brought into-being and the central assistance available during the Plan period will have ceased. They required to be maintained out of the State's own revenues. Secondly, loans incurred for the Plan will have to be serviced. Thirdly, to cope with the increased complexity of administration and problems of law and order thrown up by the new levels of economic activity, the normal services themselves have to be expanded and greater expenditure incurred thereon. These additions to the burden of the State should not prove unbearable if the capital assets created during the Plan period do produce additional revenue and the improvement in the economy of the State resulting from the Plan activities leads to improvement in the normal receipts. But usually there is imbalance between the growth of expenditure on Plan maintenance and the upsurge in revenues. To add to this basic imbalance additional resources have to be raised and set apart for financing a still larger programme of development than in the preceding five years.

3. The following table shows the position as it has developed in Orissa in recent years.

TABLE I
Receipt and expenditure during the First and Second Plan

(Rupees in lakhs)

Particulars	Estimate for five years from the end of the I Plan (1956—61)	Actuals for 1956—61 *	Estimate for five years from the end of II Plan (1961—66)
1	2	3	4
Receipts (Normal)	.. 79,00	90,16	1,47,76
Expenditure (Committed)	.. 86,60	1,01,30	1,69,12
Balance	.. (—) 7,60	(—) 11,14	(—) 21,36

Source : Finance Department, Government of Orissa

* Includes actuals for four years and Budget Estimate for one year, 1960-61. These may undergo changes on account of receipts and expenditure on flood relief provided in Revised Estimate.

The estimate of balance for the Second Plan period was arrived at after taking credit for Rs. 3.7 crores on account of receipts from Hirakud. Although this was accepted by the Planning Commission and placed before the Second Finance Commission, it was subsequently held that the above-said credit was wrongly taken. As a result, it appears that the correct balance should have been put at (—) Rs. 11.3 crores. If the flood relief expenditure of 1960-61 is omitted, the actuals will approximate to the estimate despite addition of certain unforeseen items of expenditure such as, interest and other servicing charges of loans taken during the Plan period and the additional dearness allowance granted since the 1st April 1957. The increase in receipts as a result of the recommendations of the Second Finance Commission and a determined endeavour to keep down non-Plan expenditure are the two factors that are responsible for this achievement. As regards the estimate for the Third Plan period it is too early to say whether they are final. They may have to be revised and the deficit is more likely to increase than to decrease. It is understood that one mistake of the past has been avoided and full account has been taken of the interest, receipts and liabilities and other servicing charges relating to the borrowing and loaning programmes of the Third Plan. This is no doubt an improvement. But there is the important item, revision of pay which is yet to be provided for. When this is included and other items revised on the basis of later information or appraisals, the deficit is bound to go up.

4. The major cause of imbalance being Plan maintenance, we may probe into it in some detail and ascertain the ratio between Plan outlay and Plan maintenance that the First Plan has revealed in actual operation and the Second Plan is expected to bring out. This may provide a useful base for estimating the after-effects of the Third Plan. Plan maintenance consists of two parts, continuance of the staff and the necessary adjuncts already in position during the previous Plan and the working expenses on operational maintenance of assets created by the Plan. In other words, the revenue expenditure incurred on a plan scheme in the last year of the Plan will have to be continued almost entirely and besides, provision has to be made upto a percentage of the total capital expenditure incurred during all the years of the Plan. With these basic aspects in mind, the following tables may be seen. The first table gives an overall idea of plan maintenance in relation to the revenue and capital components of the Plan outlay. The second tries to indicate the relation between the plan expenditure in the last year of a plan and the maintenance expenditure in the first year of the next plan.

TABLE 2
Plan Maintenance

(Rupees in lakhs)

Particulars of Plans	*Total Expenditure	Revenue Expenditure	Capital Expenditure	Plan maintenance for the next five years	
				1956-61 Estimates	1961-66 Actuals
(1)	(2)	(3)	(4)	(5)	(6)
1. First Plan ..	73,15	14,75	58,40	8,82	8,80
2. Second Plan ..	1,01,31	40,01	61,30	34.57	*•

* Includes expenditure on Central Sector Schemes which will eventually become the responsibility of the State to maintain.

*• As agreed to between the State Government and Planning Commission in November, 1960.

Source : Finance Department, Government of Orissa

TABLE 3
Plan expenditure by heads of development

(Rupees in lakhs)

Head of Development	Plan ex- penditure in 1955-56	Plan maintenance expenditure in 1956-57.	Percentage of 3 to 2.	Anticipated ex- penditure 1960-61	Estimate of expenditure on Plan main- tenance in 1961-62	Percentage of 6 to 5.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Agricultural pro- gramme.	1,00	39	17.25	5,55	82	14.77
2. Irrigation and Power	2,26	4	1.77	9,38	16	1.70
3. Industries ..	42	12	28.57	1,42	37	26.08
4. Transport ..	89	7	7.87	1,58	15	9.49
5. Social Service ..	1,39	92	66.14	8,03	4,40	54.79
6. Miscellaneous ..	1	18	22.22	69	34	49.27
	----- 5,97					
<i>Items kept outside the State Plan.</i>						
7. Community Develop- ment.	1,26					
8. Hirakud and Delta	11,08					
9. Others ..	* 80					
	----- 19,11	1,72	9.00	26.65	6,24	23.41

Note—1. Column 5 includes expenditure on Central Sector Schemes which will eventually become the responsibility of the State to maintain.

2. Columns 3 and 6 indicate approximate figures as precise data was not available.

3. For the purpose of calculation of Plan maintenance in column 3 the figures in column 2 against the items 1 and 7, and 6 and 9 of column 1 have been added together.

Source : Finance Department, Government of Orissa

5. On the basis of the experience at the end of the First and Second Position in Fourth Plans, we have estimated the cost of plan maintenance during the Fourth Plan.

TABLE 4
Plan maintenance during the Fourth Plan

(Rupees in lakhs)

Head of Development	Outlay during Third Plan	Revenue	Capital	Estimate of outlay in (1965-66)	Estimate of committed expenditure in (1966-67)	Estimate of committed expenditure during Fourth Plan (1966-71)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Agricultural Programme.	16,82	10,53	6,29	4,00	}	8,90
2. Community Development and Co-operation.	21,28	14,44	6,84	4,45		
3. Irrigation and Power.	68,53	..	68,53	17,23		
4. Industry and Mining.	6,98	2,14	4,48	1,35		
5. Transport and Communication.	8,51	5	8,46	1,85		
6. Social Services	34,02	26,56	7,46	8,61		
7. Miscellaneous	3,86	83	3,03	91		
Total ..	1,60,00	54,55	1,05,45	38,40	8,90	48,00
*For Central Sector Schemes				..	1,20	6,00
					10,10	54,00

* The Plan outlay in the Central Sector has been tentatively taken as Rs. 12 crores during the Third Plan Period.

Source : Planning and Co-ordination (Plan) Department, Government of Orissa

This estimate is meant only to give a broad picture of what is likely to happen during the next but one quinquennium. No accuracy is claimed for the forecast as some of the assumptions may prove to be wrong in actual fact. Firstly, it is assumed that the distribution of outlay between the heads of development will remain unchanged in practice and the annual plans will follow the pattern of the five-year plan rigidly. Secondly, it is assumed that the entire outlay will be spent. However, for all the limitations, it is clear that Plan maintenance during the Fourth Plan will be a substantial figure.

6. The rising volume of plan maintenance from one quinquennium to another need not cause surprise as the assets and institutions created as a result of Plans have to be maintained. The rate of growth may sometimes vary. It is largely a function of the pattern of outlay adopted in the successive Plans. If more is spent, for example, on social services and less on roads, irrigation and power in a Plan the more will be the cost of Plan maintenance. But in an under-developed State where on the one hand, social services are absolutely inadequate and on the other, the provision of economic overheads is an essential pre-requisite of progress, there is not much choice. Plans have to provide for both kinds of outlay and strike a balance at every step. In other words, the pattern of outlay can not be radically altered simply with a view to keep within limits the growth of the cost of Plan maintenance. A fairly big part of the Plans has to be utilised for building up an efficient structure of services, comparable to those in other States, in all the developmental departments, such as, Agriculture, Animal Husbandry, Co-operation, Education, Health, etc., and for raising the standard of services in the large area inhabited by backward classes and tribes. It is possible that the outlays on these items will cease to increase after the optimum is reached. We cannot however, predict when this would happen. All that can be said at present is that the date is far ahead.

7. Next in importance is the increased burden of Debt servicing charges. The following table shows the effects of the volume of borrowing undertaken for the First, Second and Third Plans.

TABLE 5
Burden of borrowings for the Plans

(Rupees in lakhs)

Particulars of plans	Total borrowings for five years	Percentage of borrowings in total plan outlay	Interest charges on the borrowings of the previous plan	Sinking fund, depreciation, etc., charges on the borrowings of the previous plan	Total servicing charges on the borrowings of the previous plan (4+5)	Percentage of servicing charges in the total revenue
1	2	3	4	5	6	7
1. First Plan.	59,25	79,90	..	..	..	..
2. Second Plan.	82,49	82,50	8,33	54	8,87	6.75
3. Third Plan. (Estimate)	1,32,47	82,79	19,72	9,00	28,72	14.52

The figures shown against the Third Plan, it must be pointed out, are every rough estimates and may be taken into consideration only for the purpose of appreciating the magnitude of the problem.

Source : Finance Department, Government of Orissa

8. We may now proceed to consider the ways and means that are open to the State Government to adopt for moving the revenues and expenditure into a state of equilibrium. The first method, to our mind, is to create a machinery for keeping the growth of staff expenditure on plan as well as non-plan schemes under constant review and for suggesting improvements and economics consistent with the need to achieve the highest efficiency possible. Plan maintenance which is swelling like a snow-ball from Plan to Plan consists mainly of staff and unless proper control and periodic review is insisted upon, we may have all the ill-effects of Parkinson's Law. Several witnesses stressed this aspect. We, too, attach great importance to this matter. We feel that while calling upon the people, as the Government must, to bear a larger burden of taxation in the interest of economic development, they should create the necessary confidence that the monies raised will be spent properly and that an unreasonable portion thereof will not be appropriated in inflating the pay rolls. For this purpose, we suggest that a Standing Committee of senior officials be appointed and that it be clothed with sufficient authority to review the execution of the Plan schemes from time to time. The Committee may consist of the Chief Secretary, Member, Board of Revenue, Development Commissioner and Finance Secretary. They may co-opt such specialists as they consider necessary for the review of individual projects. This Committee should be given a whole-time Secretary and the minimum staff necessary for reviewing estimates and auditing efficiency of execution. We have advisedly restricted the membership of this Committee to officials and specialists, because there is already a non-officials committee, called the Estimates Committee appointed by the Orissa Legislative Assembly and the review contemplated here is somewhat different, a continuous operation requiring a knowledge of procedures and techniques. Such a committee has also been suggested by the Planning Commission in the Draft Outline of the Third Five-Year Plan in para. 5 at page 60. The Committee should report through the Chief Minister to the Cabinet. To make the Committee effective, convention should be developed that the recommendations of the Committee are accepted except in a few cases of a truly exceptional nature. The functions of the Committee may be (a) to scrutinise the estimates of selected schemes with large outlay somewhat on the lines of the Committees on Plan Projects appointed by the Planning Commission, (b) to suggest steps for avoidance of administrative wastage, (c) to recommend economics in execution wherever necessary and (d) to pinpoint procedural bottlenecks and the methods for their removal. This Committee should also address itself to the task of ensuring that the non-plan or committed expenditure, particularly of the category of non-development, is kept within a reasonable limit and is not allowed to consume a disproportionately large portion of the revenues. We would commend the formula adopted by the Finance Department during the last three years that barring special items, the committed expenditure should not ordinarily rise by more than 2½ per cent each year. There is nothing sacrosanct about this figure and it may be varied if a careful analysis of all the relevant factors indicates such a course. But what we are particular about is the principle of circumscribing the annual increases within reasonable limits.

9. The second method that occurs to us is a reorientation of the financing policy. While in the conditions of Orissa, reliance has necessarily to be placed to a large extent on loans, it must be ensured that the amounts so raised are utilised for creating revenue-yielding assets rather than on items of revenue expenditure, pure and simple. This is often derided as an orthodox approach unsuitable to the dynamic urges of planning. But, we would affirm that the State can neglect the sound principle continuously over a long time at its own peril. Three consequences flow from this principle : firstly resources in the revenue account, be the taxes

or non-tax receipts, should match the expenditure in the same account. If in a year or two they are allowed to fall apart, it may not matter but they must not be allowed to stray for long but be equated over a period of years and conscious efforts must be made either to raise more resources or to curtail expenditure. In fact the aim should be to produce a surplus in the revenue account and create capital assets therewith. Secondly, the assets created with the loans must be made to yield revenue sufficient to meet all current charges and leave a surplus. Some like Power Projects and Road Transport Schemes yield revenue directly through sale of Power and travel facilities. But there are others like irrigation and road projects which do not yield revenue except through the exercise of the taxation powers of the State. In these cases timely action by the State Government is essential. Thirdly, in fixing up priority among projects, those should be given the first few places which are expected to augment the revenue to the largest extent and in the shortest time possible or create opportunities for the purpose. For, the problems of development and resources continually react on each other and a dynamic view has to be taken of their interaction.

10. However, we feel that the Orissa's problem of resources is too fundamental Urgent and continuous or deep-rooted to be resolved by the methods indicated need for Central assistance. in the foregoing paragraphs. For one thing, the economy of the State is so backward that it cannot be raised to the level of the rest of the country without liberal assistance from outside. The National Council of Applied Economic Research, who have undertaken a Techno-Economic Survey of the State, have indicated in their preliminary reports that an investment outlay of Rs. 1,375 crores during the next decade (1961—71) will be necessary if the State is to catch up with the rest of the country. The facts that led the Council to the conclusion and the plan of investment suggested by them have been summarised at paras. 4 and 5 at pages 7—10 of the Draft Outline of Orissa's Third Five-Year Plan. The State Government have commented as follows :—

“Out of Rs. 1,375 crores of investment indicated as necessary for the next decade, the Council has estimated on a rough basis that about Rs. 650 crores may fall within the State Sector. Assuming that the Fourth Plan will be 50 per cent higher than the Third, the State will have to plan for an investment of about Rs. 250 crores during the quinquennium 1961—66. The total plan expenditure will be still higher as some amount has to be added for current outlay. This estimate will of course have to be considered from various angles.

Eventually, the size of the State's Third Plan has been fixed at Rs. 160 crores. Of this, Rs. 100 crores may roughly be considered to be of the nature of investment. Thus, the investment outlay that has been found possible after full consideration of the position of resources and manpower is about Rs. 160 crores less than what the Council thought necessary. Even this reduced outlay is made up of more than eighty per cent of Central assistance, as the State has agreed to find Rs. 28 crores only by its own efforts. The details are given in the following table :

TABLE 6
Pattern of financing of the Third Plan

	(Rupees in lakhs)	
	Total to the Third Plan period	
1. Balance from current revenues at 1960-61 rates of taxation		(—)21,36
2. Loans from the public (net)	..	21,00
3. Share of Small Savings	..	8,50
4. Unfunded debt (net)	..	1,50

	(Rupees in lakhs)
5. Miscellaneous capital receipts (net) ..	(—)6,12 (*)
<i>Total—Resources on Revenue and Capital account</i> ..	(+) <i>3,52</i>
6. Contribution of public enterprises ..	1,78
<i>Total—State's Resources</i> ..	(+) <i>5,30</i>
7. Additional Taxation ..	23,01
<i>Aggregate Resources</i> ..	<i>28,31</i>

Source : Finance Department, Government of Orissa

11. It will be seen that the State has programmed for additional taxation to the tune of Rs. 23 crores, but a large portion of it, i. e., Rs. 21.63 crores, will go towards wiping out the deficit in the Revenue account. This is mainly due to the increase in the Committed expenditure on account of Plan maintenance (Rs. 34.57 crores).

We have already noted that the Revenue receipts have not kept pace with Revenue expenditure. With the inevitable increase in Plan maintenance, debt servicing charges and normal items, the position is bound to be worse in the Fourth Plan. We shall examine in later chapters while dealing with individual taxes and other receipts whether there is any scope for getting more from current taxes and whether new levies or non-tax sources can be developed. We do not, however, anticipate that the steps we will recommend will have the effect of pushing up the revenues to such a level as to wipe out the deficit and enable the State to meet its responsibilities of planned development during the next ten years. As we shall see presently, State's powers to increase its revenues are limited. It is, therefore necessary that in this matter of committed expenditure too, Orissa will continue to depend on the Centre for its resources. The Third Finance Commission will undoubtedly be seized of the problem.

12. The taxes that the State can levy are enumerated in List II of the Seventh Schedule to the Constitution. They are as under :

Land Revenue ;

Taxes on the sale and purchase of goods, except newspapers ;

Taxes on agricultural income ;

Taxes on lands and buildings ;

Succession and estate duties in respect of agricultural land ;

Excise on alcoholic liquors and narcotics ;

Taxes on the entry of goods into a local area ;

Taxes on mineral rights, subject to any limitations imposed by Parliament ;

Taxes on the consumption or sale of electricity ;

Taxes on vehicles, animals and boats ;

Stamp duties except those specified in the Union List ;

Taxes on goods and passengers carried by road or inland waterways ;

Taxes on luxuries including entertainments, betting and gambling ;

Tolls ;

Taxes on professions, trades and callings and employment ;

Capitation taxes ; and

Taxes on advertisements other than advertisements in news papers.

(*) On account of decrease in repayment of the principal during Third Plan period.

In regard to some of these items, the State has no free hand. For example, taxes on minerals are subject to such restrictions as Parliament may impose for the purpose of regulation and development under Entry 54 of List I. Taxes on vehicles, particularly, the mechanically propelled ones, are limited by the general principles that Parliament may lay down under Entry 35 of List III. Under Article 286, the State is forbidden from taxing (a) imports into or exports from the territory of India, (b) inter-State trade and (c) sale of goods declared by Parliament by law to be essential for the life of the community. Further, the State cannot levy any tax on the property of the Union while the latter may tax by means of a special law of Parliament the trading or business activities of a State which are not incidental to the ordinary functions of Government. These restrictions have been tightened or are in the process of being tightened partly as a result of judicial pronouncements and partly on account of all-India considerations. We may consider in some detail the important trends in this direction and the almost crippling effect they have on the State's capacity to raise more revenues.

13. It is well known that Orissa is predominantly an agricultural State and must accordingly draw the major part of its revenues from land. Methods may differ but in the ultimate analysis it is the products of land that have to bear the levies. Rice is the main crop and although large quantities are exported from the State it can hardly be made to contribute to the exchequer any substantial amount except in the form of land revenue. Inter-State movement is exempted from tax and the sales that take place in the process can be taxed only in accordance with the Central Sales Tax Act, 1956. Jute is the next important crop but being a declared commodity under the abovesaid Act it suffers from serious limitations. Other attempts to make this cash crop pay are fraught with strong all-India objections relating to export promotion or serious administrative difficulties at the State level arising out of the prevailing condition of the trade channels. If in the search for more revenues the State Government delves underground and make the minerals the subject of taxation, their style is cramped as already noted. Royalties have always been controlled by the Centre. In addition, recently there has been a tendency to limit the power of State Government to levy cess meant for specific purposes, such as development of the mining area. The legal battle that started sometime ago on this issue is not yet over, although in the first round the authority of the State has been vindicated. There are also restrictions on taxing the transport of minerals as will be noticed below. Therefore, in respect of land, the State Government has operate mostly through land revenue with its inherent limitations of procedure.

14. In regard to taxation on transport and vehicles, the Union Government have been bringing pressure for sometime on the State Government to fix ceilings. Some committees appointed by them have also made recommendations in this regard. Tolls have been viewed with disfavour by the Centre, although this is one of the recognised methods of meeting the cost of construction of roads and bridges in some advanced foreign countries. Octrois have been condemned as vexatious interference with the free flow of trade. To this formidable list of 'don'ts', the Supreme Court has lately added in *H. P. Barua Atiabari Tea Co. and Khayorbari Tea Co. vs. State of Assam* the dictum that taxes simpliciter too fall within the mischief of the inter-State commerce clause of the Constitution and tax laws entailing restrictions on trade and commerce must not be made except with the previous sanction of the President and the reasonableness or otherwise of the restrictions will be subject to judicial review. This judgement is so wide that the State's powers in respect of several taxes will hereafter be subjected to these limitations.

15. The position is not very much brighter in the field of non-tax revenues. State Trading in rice or other commodities by a component State in a federation is not feasible except with the blessings and active support of the Central Government as we shall see in detail in a subsequent chapter. The future of the paying capacity of the commercial undertakings is also not very clear. Recently, the Centre has proposed to enact a law under clause (2) of Article 289 of the Constitution with a view to impose "any tax in respect of a trade or business of any kind carried on by, or on behalf of, the Government of a State, or any operations connected therewith, or any property used or occupied for the purposes of such trade or business, or any income accruing or arising in connection therewith." The reason given is that there is no uniformity in the pattern of management of State Commercial undertakings and it will be discriminatory to tax those which are corporations or companies and exempt others which are managed departmentally. *Prima facie*, the reasons appear unexceptionable. But, it would be legitimate to ask whether by the same reasoning the departmentally managed commercial undertakings of the Centre will also similarly be subjected to taxes, particularly, the State taxes. In this connexion, we may refer to the assurances given by late Dr. John Mathai, Finance Minister, Government of India, in the Constituent Assembly during the discussion of the relevant Article of the Constitution.

"So I am able to give this assurance. First of all, public utility undertakings would be outside the scope of taxation under the provision; secondly, there would not be any discriminations between the Centre and the State in regard to taxation of industrial undertakings and I hope the house will now find less difficulty in accepting this provision." (Proceedings of the Constituent Assembly on Article 266). We understand suitable representations have been made by the State Governments and no final decision has yet been taken in the matter. We only hope that the State's declining power to raise revenues, their need for more resources and above all the assurances given earlier will be given full and sympathetic consideration they deserve.

16. Obviously, the Centre cannot, on the one hand, impose severe restrictions on the States and expect them on the other, to raise more and more resources of their own. In our opinion, there are fields where the Centre can relax or go slow with its restrictions without serious detriment to itself or to the nation at large. What is called for is a flexible approach to the entire problem. We recommend that Centre should adopt a realistic and flexible policy in this regard.

17. To conclude, Orissa's problem of resources is of such magnitude and its economy so backward and its powers to raise revenues so beset with limitations that for a long time to come it will have to rely heavily on Central assistance. Indeed, it is for the Centre to promote the health and strength of one of the intergral limbs of the body that the country is. This is not, of course, to say that the State has no role to play. All that is open to it must be developed fully without demur.

CHAPTER IV

INCIDENCE OF TAXATION

One of the terms of reference of the Committee is "to assess and advise on the incidence of the present structure and level of taxation on the people of different classes with particular reference to conditions in other States". This is indeed an important but difficult task. It is important because a correct understanding of incidence will doubtless help in evolving a just and equitable tax structure. It is difficult because in the present state of statistical information, it is not easy to frame a very accurate estimate of real incidence. The Taxation Enquiry Commission (1953-54), who was also entrusted with a similar task, have explained at length the difficulties and complexities of the study of incidence (Paras. 2—9 of Chapter IV, Vol. I of the Report). They therefore, confined themselves to a study of what is called 'formal' incidence. With even less resources at our command, we can hardly be expected to undertake a more precise and comprehensive appraisal. We will attempt firstly a comparative study of *per capita* impact of all State taxes together and some important taxes separately in different States, and secondly an analysis of the tax burden *vis-a-vis* the pattern of consumption expenditure of different income groups in the rural and urban sectors in the State. For the latter purpose, the Committee conducted a Family Budget Enquiry on the basis of stratified sampling. The results of this enquiry could not, however, be utilised for instituting a comparison with the conditions prevailing in other States for the simple reason that similar data are not available for the other States. The latest report of National Sample Survey which relates to the year 1952, it may be added can hardly be considered comparable for the purpose.

2. The Taxation Enquiry Commission found that in 1953-54 *per capita* tax revenue was higher in Part B States than in Part A States. This was due to a higher level of State Excise and Land Revenue in the former group of States. Among individual States, Orissa showed the lowest figure (3.67) that year. PEPSU was on top with 12.07, Bombay and Sourashtra following closely with 10.21. The picture drawn by the Commission is no longer relevant as several States have been completely reorganised. Moreover, the two Five-Year Plans have brought about several changes. For all these reasons, it is necessary to make a fresh attempt at Inter-State comparison.

3. Table I below, which is extracted from Table 7 at page 168 of the Report of Second Finance Commission, 1957 shows the *per capita* tax revenue of all the States before reorganisation during the five years from 1951-52 to 1955-56. In compiling this table the population figures as given in the 1951 Census appears, to have been adopted. Income Tax and Union Excise Duties have been excluded.

TABLE I

Per Capita Revenue from State Taxes of different States

(In rupees)

Name of the State	1951-52 (Accounts)	1952-53 (Accounts)	1953-54 (Accounts)	1954-55 (Accounts)	1955-56 (Accounts)
(1)	(2)	(3)	(4)	(5)	(6)
Orissa ..	3.7	3.7	3.8	3.8	3.6
Andhra ..	..	..	*5.8	5.9	6.7
Assam ..	6.4	6.9	6.7	7.9	11.3
Bihar ..	3.7	3.8	4.0	4.0	4.4
Bombay ..	9.3	8.9	10.5	12.6	13.5
Hyderabad ..	10.8	9.9	9.2	9.2	9.0
Kerala ..	..	..	..	..	..
Madhya Bharat ..	8.9	9.2	10.9	10.7	10.1
Madhya Pradesh ..	5.5	5.8	5.8	5.8	5.7
Madras ..	6.3	5.8	*6.6	6.3	7.6
Mysore ..	7.0	6.4	6.2	7.0	8.1
PEPSU ..	12.3	11.4	12.4	13.4	13.3
Punjab ..	6.4	6.2	7.1	7.8	8.1
Rajasthan ..	7.3	7.2	7.3	7.8	6.8
Saurashtra ..	7.1	9.9	12.4	12.3	12.1
Travancore-Cochin ..	9.4	9.0	8.8	9.5	9.5
Uttar Pradesh ..	4.3	4.8	6.8	6.6	6.6
West Bengal ..	9.4	8.9	8.8	9.2	11.3
Jammu and Kashmir ..	6.1	6.6	6.1	2.3	2.0

Source: Budgets of State Governments

* *Per capita* figures for 1953-54 in respect of Andhra Pradesh and Madras have been arrived at by doubling the figures of the second half of the year.

It would be clear that the *per capita* tax revenue remained more or less constant throughout the First Plan in six States and less during the first plan period. Orissa was one of them. Barring Jammu and Kashmir Orissa showed the lowest figure. Bombay and PEPSU continued to occupy the top places with Saurashtra following closely. Assam, Madras, Mysore and West Bengal showed some increase. Among Part A States Orissa was the only State which showed a fall in the last year of the First Plan.

4. The relative position of the States in regard to *per capita* tax revenue during the period of the Second Plan is shown in the following Table 2. Income Tax, Union Excise Duties, Estate Duty and Taxes on Railway fares have been left out of consideration. The figures in this table are not all comparable with those in Table 1, as the former contains fewer States as a result of reorganisation. Moreover, as explained in note 3 below different sets of population figures have been assumed.

TABLE 2
Per Capita Revenue from State Taxes of different States

(In rupees)

States	1956-57 (Accounts)	1957-58 (Accounts)	1958-59 (Accounts)	1959-60 (R. E.)	1960-61 (B. E.)
(1)	(2)	(3)	(4)	(5)	(6)
Orissa	3.44	4.20	4.41	4.82 (R.E.) 4.72 (Actuals)	5.07
Andhra	6.82	9.33	9.13	9.80	10.18
Assam	12.14	12.88	13.42	12.24	11.05
Bihar	4.52	4.80	5.82	6.58	6.06
Bombay	11.43	13.86	12.60	12.94	*Gujrat 10.55 Maharashtra 13.75
Kerala	7.34	8.72	9.15	9.79	10.43
Madhya Pradesh	5.50	7.66	7.29	7.96	7.45
Madras	8.80	9.51	9.32	9.77	10.33
Mysore	5.10	8.11	9.62	10.27	10.30
Punjab	8.05	11.02	11.31	11.87	11.73
Rajasthan	7.03	8.32	8.46	9.29	9.12
Uttar Pradesh	6.93	7.38	6.98	6.84	6.87
West Bengal	12.9	13.09	14.71	14.57	12.35
Jammu and Kashmir	N. A.	2.12	2.68	2.91	4.74

Source : *Budgets of State Governments*

NOTES—1. In case of Kerala and Madhya Pradesh, the revenue figures of second half-year of 1956-57 have been doubled to arrive at the total tax revenue of the year. Similarly in the case of Andhra Pradesh, the second half-year's figures of Telangana have been doubled and added to the full year's figures of Andhra Pradesh.

2. Maharashtra and Gujarat revenue figures are combined as population projection for 1951 is available in respect of the former Bombay State but not separately for the two States. In 1960-61 only separate figures have been shown for the States.

3. Population figures of 1951 Census as projected by the Statistical and Survey Division of the Planning Commission have been adopted for all States for all years except 1960-61. The provisional figures of 1961 Census have been used for 1960-61.

Per capita tax revenue in Orissa has progressively increased from year to year during the Second Plan period. The State's relative position in India however remains as it was during the First Plan period. That is to say, *per capita* tax revenue continues to be the lowest in India if Jammu and Kashmir is excluded. Maharashtra occupies the highest place among the States. West Bengal, Punjab and Assam follow closely. Whatever be the relative position, it is clear that Orissa has stepped up its tax effort to some extent.

5. The *per capita* principle has to be carried a little further if a proper idea is to be formed of the relative position of different States. The *per capita* tax revenue of a State should be compared with the *per capita* income of that State. Such a comparison is not, however, possible as unfortunately there are no authentic estimates of State income. We may, therefore, content our selves by inviting attention to the following passage in the "Techno-Economic Survey of Orissa, Economic Report (Preliminary)" by the National Council of Applied Economic Research :

"The ratio of revenue from State taxes to State Income (in Orissa) * was 1.6 per cent in 1956-57. A comparison with a few States is given below :—

Per Capita Revenue, Revenue from State Taxes and Income in Selected States
(In rupees)

	Assam 1956-57	Madras 1955-56	Andhra Pradesh 1955-56	Madhya Pradesh 1956-57	Bihar 1953-54	Orissa 1956-57
<i>Per Capita</i> income	290	227	227	248	208	207
<i>Per Capita</i> Revenue	23.57	16.19	11.93	18.73*	8.28	10.5
<i>Per Capita</i> Revenue from State Taxes.	11.84	8.33	7.07	7.59*	3.90	3.4
3 as a percentage of 1	4.09	3.66	3.11	3.06*	1.90	1.64

* Figures for 1957-58

Not only is *per capita* revenue from State taxes the lowest in Orissa but the ratio of State taxes to State Income is also low compared to the other States. In 1957-58, the total of revenue from State taxes for all States works out to 3.1 per cent of the National Income; this all-India average is much higher than the corresponding figure of 1.6 for Orissa in 1956-57. This may be taken to indicate a relatively low tax effort in Orissa". (Chapter XIV—Financial Resources)

* Words in brackets are ours

6. As regards individual taxes, it does not appear necessary to examine the position of each one of them. Our purpose will be adequately served if the impact of two of the more important taxes—Land Revenue and Sales Tax is compared. Being broad-based, they are eminently suitable for ascertaining the *per capita* impact.

Table 3 below shows the relative position in regard to Land Revenue during the Second Five-year Plan.

TABLE 3
Per Capita Land Revenue in States

(In rupees)

States	1956-57	1957-58	1958-59	1959-60 (R. E.)	1960-61 (B. E.)
Orissa ..	1.03	1.28	1.34	1.73 (R. E.) 1.42 (Actuals)	1.67
Andhra-Pradesh	3.06	2.50	2.81	2.48	2.50
Assam ..	2.27	2.35	2.27	2.51	2.25
Bihar ..	1.44	1.33	1.82	2.65	2.54
Bombay ..	2.39	2.71	2.36	2.02	* Gujrat 2.32 Maharashtra 1.86
Kerala ..	1.39	0.75	0.80	0.86	0.90
Madhya Pradesh	3.06	3.07	2.89	3.44	3.07
Madras ..	1.40	1.73	1.32	1.31	1.36
Mysore ..	1.08	1.83	2.05	1.88	1.98
Punjab ..	1.73	1.84	1.53	2.20	2.38
Rajasthan ..	3.10	3.38	3.74	4.09	3.99
Uttar Pradesh	2.81	2.83	2.85	2.80	2.88
West Bengal	1.61	1.94	1.98	1.74	1.66
Jammu and Kashmir.	N. A.	0.80	1.17	1.40	1.94

Source : Budgets of State Governments

* NOTE 1—In case of Kerala and Madhya Pradesh, the revenue figures of Second half year of 1956-57 have been doubled to arrive at the total tax revenue of the year. Similarly in the case of Andhra Pradesh, the Second half year's figures of Telengana have been doubled and added to the full year's figures of Andhra Pradesh.

** NOTE 2—Maharashtra and Gujrat revenue figures are combined as population projection for 1951 is available in respect of the former Bombay State but not separately for the two States. In 1960-61, only separate figures have been shown for the States.

NOTE 3—Population figures of 1951 census as projected by the statistical and survey division of the Planning Commission have been adopted for all States for all years except 1960-61. The provisional figures of 1961 census have been used for 1960-61.

Incidence of Land Revenue in Orissa has increased only slightly from year to year during the Second Plan period. This appears to be mainly due to the progress of Zamindari Abolition and better collections. In about six States the impact of Land Revenue seems to remain constant. This is particularly true with regard to the more developed States such as Maharashtra and West Bengal.

We recognise that a simple *per capita* figure may not be the correct basis for comparison and that a great deal depends on the total acreage of land, the acreage under cultivation and above all, the yield per acre of principal crops. In the following table, therefore, an attempt has been made to calculate on the basis of the actuals of 1958-59, the Land Revenue per acre and compare it with the yield per acre of the principal crop.

TABLE 4

Statistics relating to Land Revenue, area under cultivation and yield of Principal Crops in Major States of India

Name of the State	Land Revenue (in lakhs of Rupees) 1957-58	Total land under cultivation (in '000 acres)	Land Revenue per acre (Rs. nP.) Col. 2/Col. 3	Average yield of Principal Crop		Remarks
				Name of the Principal Crop	Average yield of Principal Crop per acre in maunds	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Orissa ..	199	14,263	1.39	Rice *	5.04	
2. Andhra Pradesh	861	33,340	2.58	Rice *	13.54	+ Total land under cultivation has been arrived at by adding the current fallows to total cropped area.
3. Assam ..	237	5,724	4.14	Rice *	10.26	..
4. Bihar ..	560	26,410	2.12	Rice *	4.90	-
5. Bombay ..	1,475	64,846	2.27	Jowar	5.17	-
6. Kerala ..	116	2,590	4.48	Rice *	12.45	+ + Principal crop has been taken to be the crop occupying maximum area.
7. Madhya Pradesh	863	41,035	2.10	Rice *	5.89	-
8. Madras ..	496	18,373	2.70	Rice *	15.22	+ In terms of cleaned rice.
9. Mysore ..	404	24,755	1.63	Jowar	4.41	..
10. Punjab ..	334	21,234	1.57	Wheat	10.93	..
11. Rajasthan ..	607	33,838	1.79	Bajra	2.25	..
12. Uttar Pradesh ..	1,956	53,458	3.66	Rice *	6.45	..
13. West Bengal ..	544	14,314	3.80	Rice *	10.57	..

Source—1. Reserve Bank of India Bulletin, June, 1959 for Column 2. Includes receipts in connection with management of ex-Zamindari Estates, sale of Waste Land, etc.

2. Agricultural situation in India, September, 1959 for Column 3.

3. Area, production and average yield per acre of Principal Crops in India (1949-50 to 1957-58) for Column 3 and Column 6.

NOTE—It has not been possible to separate the figures relating to the receipts from the management of ex-Zamindari Estates.

In will be seen that although yield per acre of rice in States like Bihar, Madhya Pradesh and Uttar Pradesh is about the same as in Orissa the Land revenue per acre is higher.

7. As regards sales tax, Table 5 below may be seen. Here, too, it must be remembered that the income from this tax depends upon the level and pattern of consumption, the extent of urbanisation and the channels of trade in a State and a simple comparison of per capita figures is likely to be somewhat misleading.

TABLE 5
Per capita Sales Tax in State of India

Name of States	1956-57	1957-58	1958-59	1959-60 (R. E.)	1960-61 (B. E.)
Orissa ..	1.00	1.28	1.32	1.34 (R. E.) 1.50 (Actuals)	1.25
Andhra ..	1.98	2.79	2.56	2.99	3.11
Assam ..	1.48	2.37	2.58	2.32	1.72
Bihar ..	1.06	1.30	1.94	1.74	1.30
Bombay ..	5.48	6.93	6.13	6.36	Gujrat 4.82 Maharashtra 6.21
Kerala ..	2.38	3.16	3.76	4.27	4.74
Madhya Pradesh	1.02	1.79	1.50	1.68	1.39
Madras ..	3.76	4.16	4.26	4.45	4.12
Mysore ..	1.34	2.25	3.06	3.51	3.07
Punjab ..	2.04	2.77	2.89	3.25	2.74
Rajasthan ..	1.36	1.79	1.57	1.70	1.53
Uttar Pradesh ..	1.36	1.51	1.23	1.22	1.04
West Bengal ..	3.98	4.47	5.76	5.82	4.34
Jammu and Kashmir.	N.A.	0.20	0.30	0.27	0.70

Source: Budgets of State Government

NOTE—1. In case of Kerala and Madhya Pradesh, the revenue figures of second half year of 1956-57 have been doubled to arrive at the total tax revenue of the year. Similarly in the case of Andhra Pradesh, the second half year's figures of Telengana have been doubled and added to the full year's figures of Andhra Pradesh.

2. Maharashtra and Gujrat revenue figures are combined as population projection for 1951 is available in respect of the former Bombay State but not separately for the two States. In 1960-61 only separate figures have been shown for the States.

3. Population figures of 1951 Census as projected by the Statistical and Survey Division of the Planning Commission have been adopted for all States for all years except 1960-61. The provisional figures of 1961 Census have been used for 1960-61.

Per capita sales tax in Orissa seems to be stationary during the Second Plan period. This is true with regard to a few other undeveloped States like Assam and Rajasthan. In respect of the advanced States like Maharashtra and West Bengal it has increased significantly. *Per capita* sales tax as constituent of *per capita* tax Revenue in Orissa is even poor than *per capita* land Revenue. This is reversed in case of Maharashtra and other advanced States.

8. Now, we turn to the Family Budget Enquiry that was conducted at our Family Budget Enquiry instance during the early part of 1960. It covered 1,201 households in 30 villages and 9 towns spread all over the State. The households were classified into seven groups according to the level of their monthly expenditure (Rs. 1—50, 51—100, 101—150, 151—300, 301—500, 501—1000, 1001 and above). Consumption data were collected in respect of a large number of good and services normally consumed in the State. Of them 92 items were, analysed

For the purpose of calculation of incidence, it was decided to group them into five categories, viz. Cereals ; Milk and Milk products ; other food items ; fuel, lights and intoxicants ; toilet and sundry goods ; clothings etc. miscellaneous goods and services ; and durable and semi-durable goods. Other details, such as, the design of the sample, the consumption expenditure by expenditure groups and categories of goods etc. have been described in Appendix 112 at the end of the report.

9. The enquiry revealed that households in rural areas of Orissa spent on an average Rs. 107.45 per month against Rs. 180.43 in the urban areas. Expenditure on food items alone accounted for 70.5 per cent of total consumption in the rural areas against 56.2 per cent in the urban areas. In the case of households of lower expenditure groups the percentage was still higher both in rural and urban areas. It was also found that 37.6 per cent of consumption was in non-monetary terms in rural areas against 4.8 per cent in the urban areas. :

10. On the basis of the pattern of consumption expenditure disclosed by the enquiry, we have attempted to make an appraisal of the incidence of taxes both direct and indirect, on the different expenditure groups in the rural and urban areas. At first the two kinds of taxes will be discussed separately. Later, their combined effect will be taken note of.

Incidence of direct Taxes. 11. We may start with direct taxes and fees. The following items have been taken into account :—

- (1) Land Revenue
- (2) Income Tax
- (3) Agricultural Income Tax
- (4) Motor Vehicles Tax
- (5) Radio License
- (6) Cycle License
- (7) Other Municipal, Local rates and taxes (excluding Panchayat tax).
- (8) Panchayat Tax
- (9) Other minor local taxes

These include two Central taxes only. Practically all the direct levies made by the State and Local Bodies appear in the list. Table 6 below shows the incidence of these taxes for different expenditure groups in rural and urban areas. We have assumed that direct taxes are not shifted but rest finally on him who pays. Calculation has been made per person per month in each group. For convenience annual figures have also been presented.

TABLE 6
Incidence of Direct Taxes

(Rs. nP.)

Serial No.	Items of Direct Taxes	Expenditure Groups															
		1—50		51—100		101—150		151—300		301—500		501—1000		1001 & above		All Expenditure groups	
		Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
1	Land Revenue . . .	0.05	..	0.06	0.02	0.10	0.02	0.14	0.05	0.23	0.07	0.18	0.57	0.20	1.47	0.10	0.11
2	Income-Tax ..	..	..	..	..	..	..	..	0.02	..	0.03	..	1.61	..	4.67	..	0.24
3	Agricultural Income-tax ..	..	..	..	..	..	..	..	..	..	..	..	0.04	..	0.35	..	0.0
4	Motor Vehicles Tax..	..	..	..	..	..	..	..	..	..	..	..	0.16	..	4.40	..	0.10
5	Radio Licence Tax ..	..	..	..	..	..	..	..	0.01	..	0.04	..	0.05	..	0.12	..	0.01
6	Cycle Licence ..	..	..	..	0.01	..	0.01	..	0.02	0.01	0.02	0.02	0.03	0.02	0.03	..	0.02
7	Other Municipal Tax ..	..	0.13	..	0.19	..	0.13	..	0.15	..	0.36	0.01	0.19	..	2.08	0.01	0.22
8	Panchayat Taxes ..	..	..	0.01	..	..	0.05	0.01	..	0.01	..	..	..	..	0.24	0.01	0.01
9	Others ..	..	..	0.01	..	..	..	..	..	..	..	..	..	0.01	..	0.01	..
Total per month		0.05	0.13	0.08	0.22	0.10	0.21	0.15	0.25	0.25	0.52	0.21	2.65	0.23	13.36	0.13	0.72
Per annum ..		0.60	1.56	0.96	2.64	1.20	25.2	1.80	3.00	3.00	6.24	2.52	31.80	2.76	160.32	1.56	8.64

Source : Orissa Family Budget Survey, 1960

It will be seen that for all groups combined incidence of direct taxes per person per year is Rs. 1.56 in the rural areas against Rs. 8.64, in the urban areas. The corresponding monthly figures are 13 nP. and 72 nP. Incidence in rural and urban areas is in the ratio of 1: 5.5. The wide disparity appears to be mostly due to the fact that Income-tax, Motor Vehicles Tax and certain other items do not at all touch the rural tax-payer and the burden of municipal taxes is several times higher than the corresponding local taxes in the rural areas. It is interesting to note that incidence of land revenue is more or less the same in rural and urban areas. The prevailing notion that urban people do not share any part of land revenue seems to have been dispelled by this survey. One possible explanation of this phenomena is that some of the towns in Orissa, particularly, class IV and V towns, are indeed large villages where one can see extensive farm lands within the municipal limits.

12. For computing incidence of indirect taxes we have made two assumptions : firstly, cash expenditure on such items of consumption only as are subject to indirect taxes levied by the Union and State Governments have been taken into consideration, that is, to say, imputed expenditure for non-monetary transaction have been omitted. Secondly, sellers of taxable commodities are presumed to have shifted the tax entirely to the customer, i. e., to the household making the purchase. The results of our computation are given in the tables 7 and 8. While the first refers to incidence of Central Levies the second shows the incidence of State Taxes.

TABLE
Incidence of Indirect

Serial No.	Items of Consumption	EXPENDITURE						
		1—50		51—100		101—150		
		Rural	Urban	Rural	Urban	Rural	Urban	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
1	Cereals	..	..	..	..	..	..
2	Milk & Milk products	..	..	..	..	..	..
3	Other Food Items	..	0.03	0.03	0.04	0.08	0.07	0.14
4	Fuel, Light and Intoxicants.	0.06	0.08	0.06	0.09	0.08	0.10	
5	Toilets and Sundry goods	..	..	..	..	..	..
6	Clothings, etc.	0.06	0.07	0.07	0.11	0.11	0.14	
7	Miscellaneous goods & services.	..	..	..	..	..	0.03
8	Durable goods & Semi-durable goods.	..	0.01	..	0.01	..	0.01	
Total per month		..	0.15	0.19	0.17	0.29	0.26	0.42
Per annum		..	1.80	2.28	2.04	3.48	3.12	5.04

Source: Orissa Family

7

Central Taxes

GROUPS

151—300		301—500		501—1,000		1,001 & above		All Expenditure Groups	
Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban
(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
..
..
0.11	0.26	0.17	0.42	0.25	0.57	0.17	0.66	0.07	0.24
0.09	0.11	0.10	0.10	0.12	0.12	0.07	0.13	0.08	0.10
..
0.14	0.18	0.26	0.36	0.52	0.56	0.28	1.46	0.09	0.17
0.01	0.03	0.03	0.09	0.04	0.11	0.05	0.56	0.01	0.05
..	..	0.01	0.03	0.05	0.02	0.03	0.11	..	0.02
0.35	0.58	0.57	1.00	0.98	1.38	0.60	2.92	0.25	0.58
4.20	6.96	6.84	12.00	11.76	16.56	7.20	35.04	3.00	6.96

TABLE
Incidence of Indirect

Serial No.	Items of consumption	EXPENDITURE					
		1—50		51—100		101—150	
		Rural	Urban	Rural	Urban	Rural	Urban
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	Cereals	0.06	0.06	0.06	0.06	0.07	0.07
2.	Milk and Milk Products	0.01	0.01	0.01	0.01	0.02	0.02
3.	Other Food Items ..	0.03	0.08	0.06	0.09	0.07	0.08
4.	Fuel, Light and Intoxicants.	0.05	0.02	0.06	0.03	0.10	0.03
5.	Toilets and Sundry goods	0.02	0.03	0.02	0.05	0.02	0.03
6.	Clothings, etc.,	0.01	0.01	0.01	0.01	0.01	0.01
7.	Miscellaneous goods and services.	0.01	0.01	0.01	0.01	0.04	0.04
8.	Durable goods and semi-durable goods.	0.03	0.03	0.03	0.03	0.03	0.03
Total—per month ..		0.10	0.20	0.14	0.25	0.20	0.31
Per annum ..		1.20	2.40	1.68	3.00	2.40	3.72

Source : Orissa Family Budget

8

State Taxes

GROUPS

151—300		301—500		501—1,000		1,001 & above		All Expenditure groups	
Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban
(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
..	0·06	..	0·06	0·01	0·06	..	0·04	..	0·06
..	0·03	..	0·06	..	0·12	0·01	0·07	..	0·04
0·07	0·16	0·11	0·20	0·24	0·30	1·13	0·49	0·06	0·15
0·17	0·05	0·03	0·02	0·10	0·04	0·02	0·05	0·09	0·03
0·06	0·17	0·07	0·08	0·10	0·42	0·03	0·72	0·02	0·14
0·02	0·08	0·04	0·03	0·10	0·08	0·06	0·26	0·01	0·03
0·01	0·03	0·02	0·22	0·02	0·11	0·05	0·13	0·01	0·03
0·02	0·06	0·03	0·11	0·12	0·19	0·14	0·74	0·01	0·08
0·35	0·64	0·30	0·78	0·69	1·32	1·44	2·50	0·20	0·56
4·20	7·68	3·60	9·36	8·28	15·84	17·28	30·00	2·40	6·72

Survey, 1960

13. It may be noted that Central taxes score over State taxes in rural as well as urban sectors. As between the two sectors the urban expenditure groups shows higher incidence. In regard to Central taxes, the ratio between the rural and urban sectors is 1:2.3. In the case of State taxes it is 1:2.8. Central and State levies taken together, the ratio is 1:2.5. In absolute terms, it appears that a person living in the rural areas of Orissa pays Rs. 5.40 per annum towards indirect taxes against Rs. 13.68 paid by the urban-dweller. This is but a broad statement covering all expenditure groups. There are, however, considerable variations from group to group. In the case of households having monthly expenditure of Rs. 50.00 or less, incidence per person per annum is Rs. 3.00 in the rural areas against Rs. 4.68 in the urban area. Here the ratio is only 1:1.6. For the next group Rs. 51—100, the ratio rises to 1.7, the rural and urban figures being Rs. 3.72 and Rs. 6.48 respectively. In the next higher class (Rs. 101—150) the incidence is Rs. 5.52 in rural area against Rs. 8.76 in urban area and the ratio registers a fall only to rise steadily in the next higher groups. Perhaps, it may be said that the all-group ratio noted above is largely the result of the higher ratios of the higher expenditure groups where the size of sample is extremely small.

14. We may now consider the incidence of all the taxes taken together. Incidence of all taxes direct as well as indirect. For this purpose, eight tables have been prepared. Seven of them show the monthly consumption expenditure incurred and the taxes paid by a person in each of the seven expenditure groups in rural as well as urban areas. The eighth table summarises the position of all groups taken together. These may be seen at the end of the Chapter (Tables 9—16). It may be explained that expenditure has been classified into expenditure on taxable items of commodity, non-taxable items and direct taxes. Similarly, taxes paid by a person have been divided into three classes—Central indirect levies, State indirect levies and direct taxes. Total tax paid by a person has been shown as a percentage of average monthly expenditure. Separate figures have been given for each of the five rural regions and the five classes of towns. Besides, the State or all-regional averages have been worked out separately for rural and urban areas.

15. At this stage, it is necessary to point out that the households have been classified and all the above calculations of incidence made income on the basis of monthly expenditure, instead of on the basis of monthly income. This is because it has not been possible to canvas the income schedules correctly during the enquiry and no reliable income estimates could be framed on the basis of the information given by the households. So we have had to devise a procedure, best possible in the circumstances, for computing the average income of each of the expenditure groups. We have assumed that, certain expenditure groups do not have any savings worth the name. For them, therefore, income is the same as expenditure. Three groups (Rs. 1—50, 51—100 and 101-150) fall in this category. In regard to the remaining groups, we think, it is not unreasonable to assume that there are some savings and the higher the group the greater would be the rate of savings. Further, the average propensity to save would be different for urban and rural households in the same expenditure level. Generally speaking, urban households can save less than their counterparts in rural areas in the same expenditure level. On the advice of the National Council of Applied Economic Research, who have conducted Savings Surveys in some parts of the country, the average propensity to save in Orissa has been assumed to be on the average of 5 per cent in rural areas and 11 per cent in urban areas. The rate of savings for each group, rural as well as urban, may be seen in Table 17 where an attempt has been made to compute the income of each expenditure group and the percentage the taxes bear to the

income. It shows that taxes constitute 2.5 per cent of income in rural areas against 5.2 per cent in urban areas, while they form 2.6 per cent and 5.8 per cent of expenditure in rural and urban areas respectively,

TABLE 17
Tax as of Consumption Expenditure and income in Orissa

(Rs. nP.)

Expenditure group	Tax as percentage of consumption expenditure.		Average propensity to save.		Tax as percentage of income.	
	Rural	Urban	Rural	Urban	Rural	Urban
1—50	1.9	3.6	..	..	1.9	3.6
51—100	2.2	4.1	..	..	2.2	4.1
101—150	2.7	4.3	..	..	2.7	4.3
151—300	3.3	4.7	7	7	3.1	4.3
301—500	3.0	5.7	12	10	2.7	3.2
501—1000	2.8	8.2	25	20	2.3	6.8
1000 and above.	2.6	14.6	35	25	1.9	11.7
All Groups	2.6	5.8	5	11	2.5	5.2

Source : Orissa Family Budget Survey, 1960 and N. C. A. E. R.

16. It may be noticed that incidence in rural areas increases rather slowly as the expenditure and income increase reaching the peak at 3.1 per cent of income in the case of the expenditure group Rs. 151—300. Thereafter, it falls, steadily and becomes for the highest expenditure level the same as for the lowest. In other words, households having an income of less than fifty rupees per month and those with more than one thousand rupees of income pay 1.9 per cent of their income as taxes. Even if this striking equality of incidence on the lowest and highest groups is considered accidental, we cannot escape the conclusion that the more well-to-do households in rural areas pay less tax because most of the items they consume are not drawn from the monetised sector of the economy. The poorer households in rural areas seem to pay relatively more because a greater proportion of their consumption is purchased rather than found out of home-grown stock or through barter.

17. In urban areas, on the other hand, incidence of tax progressively increases from 3.6 per cent of income for the lowest group to 11.7 per cent for the highest. Thus the higher the income level, the greater is the burden of taxation. This is to be expected and welcome. Although in general urban people in Orissa pay twice as much tax as rural people, they are paying much less tax than an average Indian is supposed to pay. This may not necessarily be true for urban households of the groups Rs. 501—1,000 and above Rs. 1,000.

18. If the position of rural households spending three hundred rupees or more per month is compared with that of their urban counterparts, it would appear that the former is very much undertaxed. The actual disparity may be still greater as at any expenditure or income level rural people enjoy greater real income than the urban people. This is supported by the study of the National Council of Applied Economic Research in respect of their propensity to save. Rural households spending three hundred rupees or more per month seem to save more than urban households of the same expenditure level. In any case, there appears to be some force in the suggestion that rural households of the expenditure level of Rs. 300 or more might bear a somewhat greater tax burden than at present. This will not only bring about greater equity in taxation among different classes of people but will also remove the regional disparity.

19. We wish to add that the above is but a very rough assessment of the distribution of the tax burden and is based on a number of assumptions. Although it may not constitute a sure and sole guide for policy, it will undoubtedly be useful in determining the broad lines on which future policies may be framed. It throws some light on the questions whether the limit of taxable capacity has been reached and which sections or classes should receive attention in future in the interests of equity and justice. There are, of course, other important aspects that have to be borne in mind while speaking of taxable capacity. It is well known that the limit of taxable capacity of the people in any particular region depends not only on what they are hitherto paying but on what other people in similar circumstances elsewhere do pay. Besides, the pattern and effects of public expenditure, the size of people's income, the standard of public welfare and finally the attitude of people towards taxation have to be taken into consideration. If these factors are favourable the citizen is certainly in a better position to pay a higher amount by way of taxes. In the context of conditions in Orissa, taxable capacity of people would depend on how much of taxes they are paying *vis-a-vis* people in other States in India and the standard of public service they are enjoying or would enjoy if they pay more tax. In case they are in a state of poor development and are living at a subsistence level, taxable capacity is bound to be low. As we do not have precise information about people's income in Orissa as well as in other States, it is difficult to determine the relative taxable capacity of people in this State *vis-a-vis* those in other States. It is also difficult to compute the effects of public expenditure on an individual or a class of people in a precise manner so as to identify the extent of increase in the taxable capacity of the individual or group in question. Determination of either relative or absolute taxable capacity in precise terms is thus a difficult proposition in the present state of our knowledge. However, to the extent possible we have indicated earlier how an increasing portion of public expenditure is being devoted to the economic development and welfare of the people, particularly in the rural areas, and how in comparison with other States, the burden of taxation *per capita* is not too great. These together with the findings of the analysis of incidence would encourage us in the search for ways and means for increasing the tax income of the State.

20. Before we close this chapter on incidence, we may consider the question that is sometimes raised, viz, whether the rural people are contributing to public expenditure something more than they pay in the form of taxes and fees. It has been said that financial participation by people being an essential feature

of the Community Development Programme and some other programme of the plan, the rural people are called upon to contribute substantial sum and thus to bear some burden in addition to taxation. These contributions it must be emphasized, are voluntary in nature and should not be treated on par with the compulsory burden of taxation. They can hardly be taken into account in assessing incidence. At the most, a study of the contributions is relevant only for the purpose of seeing whether after payment of taxes sufficient capacity is left with the people for making the contributions of the size and frequency expected of them now and in future.

21. What, then, is the meaning of the term people's contribution? Government of India have defined it at page 9 of their brochure "Concepts and definitions of items included in Block level Reports and the sources of information." To quote "people's contribution should be calculated in respect of only such items of work as contribute to the community benefit. As for example, the contribution made by the people in the shape of labour, cash, materials, land, etc. for the construction or repair of public drinking water wells, roads, culverts, schools, dispensary buildings, community centres, etc. or in laying demonstration plots for agricultural purposes, could be legitimately taken into account for the purpose of calculating people's contribution in the programme; but the contribution in respect of items like compost pits, etc. which are schemes of individual benefit, should not be taken into consideration". Further on, it is stated that "grants out of funds collected by the Panchayats from the villagers, should be counted as people's contribution, but not the grants made out of funds received by the Panchayats from the Government". For our purpose, amounts paid by Panchayats out of income derived from taxes and fees will also have to be excluded. For, in estimating incidence, we have already taken into account Panchayat tax and other local taxes and fees and to include a part of these again in contribution will be to count it twice. Nevertheless, we have not been able to isolate this item in the calculations that follow.

22. We selected five representative blocks, one in each of the regions fixed for the Family Budget Enquiry and tried to ascertain with the help of the Director of Community Projects and National Extension Service and his Block staff the quantum of people's contribution during the three years 1957—60. Tables 18—22 show the details of the five blocks. Table 23 gives the consolidated figures for all the blocks in the State taken together.

TABLE 18
PEOPLE'S CONTRIBUTION IN PHULBANI TO PLAN PROJECTS
IN SELECTED YEARS.

Region—Phulbani Block—Year of allotment—October, 1955.						
Year	Block funds people's contribution	Non-block funds people's contribution	Panchayat contribution (excluding Kendu leaf grant)	Total people's contribution	Population	Per capita people's contribution
	Rs.	Rs.	Rs.	Rs.	Nos.	Rs.
1957-58	33,306	..	..	33,306	49,487	0·67
1958-59	11,060	..	..	11,060	49,487	0·22
1959-60	24,405	..	300	24,705	49,487	0·50

Source: Planning & Co-ordination (Community Development) Department, Government of Orissa

TABLE 19

PEOPLE'S CONTRIBUTION TO PLAN PROJECTS IN BARAPALI
BLOCK IN SELECTED YEARS

Region—Barapali Block—Year of allotment—April, 1956

Year	Block funds people's contribution	Non-block funds peo- ple's con- tribution	Panchayat contribution (excluding Kendu leaf grant)	Total people's contri- bution	Population	Per capita people's contribution
	Rs.	Rs.	Rs.	Rs	Nos.	Rs.
1957-58	31,510	400	6,730	38,640	56,944	0.68
1958-59	77,407	13,400	3,923	94,730	56,944	1.66
1959-60	32,969	1,640	6,164	40,773	56,944	0.72

Source : Planning & Co-ordination (Community Development) Department,
Government of Orissa

TABLE 20

PEOPLE'S CONTRIBUTION TO PLAN PROJECTS IN HINDOL BLOCK IN
SELECTED YEARS

Region—Hindol Block—Year of allotment—April, 1955

Year	Block funds people's contribution	Non-block funds peo- ple's con- tribution	Panchayat contribution (excluding Kendu leaf grant)	Total people's contribution	Population	Per capita people's contribution
	Rs.	Rs.	Rs.	Rs.	No.	Rs.
1957-58	19,478	1,617	1,196	22,291	77,342	0.29
1958-59	39,063	4,104	1,440	44,607	77,342	0.57
1959-60	58,742	..	5,641	64,383	77,342	0.83

Source : Planning & Co-ordination (Community Development) Department,
Government of Orissa

TABLE 21

PEOPLE'S CONTRIBUTION FOR PLAN PROJECT IN DASHARATHAPUR
BLOCK IN SELECTED YEARS

Region—Dasarathapur Block—Year of allotment—April, 1954

Year	People's contribution	Population (1951 Census)	Per capita contribution
	Rs.	Nos.	Rs.
1957-58	22,389	8,058	0.27
1958-59	23,711	8,058	0.29
1959-60	37,207	82,058	0.45

Source : Planning & Co-ordination (Community Development) Department,
Government of Orissa

TABLE 22
PEOPLE'S CONTRIBUTION TO PLAN PROJECTS IN SUNDARGARH
BLOCK IN SELECTED YEARS

Region—Sundargarh Block—Year of allotment—October, 1953

Year	Block funds people's contribution	Non-block funds people's contribution	Panchayat contribution (excluding Kendu leaf grant)	Total people's contribution	Population	Per capita people's contribution
	Rs.	Rs.	Rs.	Rs.	Nos.	Rs.
1957-58	32,187	1,831	1,990	36,008	66,667	0.54
1958-59	35,147	22,239	2,097	59,483	66,657	0.89
1959-60	18,613	1,900	1,953	22,466	66,667	0.34

*Source : Planning & Co-ordination (Community Development) Department,
 Government of Orissa*

TABLE 23
TOTAL PEOPLE'S CONTRIBUTION AND PER CAPITA PEOPLE'S
CONTRIBUTION IN ALL THE BLOCKS OF THE STATE YEAR-WISE

	1957-58	1958-59	1959-60
	Rs.	Rs.	Rs.
Total people's contribution in the blocks (Rs. '000).	19,75	23,80	28,83
Population covered by blocks reporting progress (Rs. '000).	72,25	72,25	80,70
Per capita people's contribution (sample ratio).	0.27	0.33	0.36
Per capita contribution (weighted)	0.29	0.33	0.40

*Source : Planning & Co-ordination (Community Development) Department,
 Government of Orissa*

23. It will be seen that the contribution for the year 1959-60 varies from People's contribution 34 nP. in Sundergarh Block to 83 nP. in Hindol Block. not a serious burden. For the entire State, the per capita contribution worked out to 40 nP. The figures will be even less if the Panchayat contributions out of their tax income are excluded for the reasons pointed out in para. 21. We may also analyse people's contribution from another point of view. It is known that a major part of people's contribution is in the form of labour. One may think it right to suggest that labour contributed to Community Development Programme has very little opportunity cost. In other words, people contribute labour at a time of the year when they have very little to do as usually, road work or similar type of labour intensive work is rendered at a time when people are free from farm work. In fact most of the labour power would have remained idle had there been no community programme. To sum up, the burden, if any, that the people's contribution, adds in the case of rural people is not such as to seriously detract from the validity of the broad conclusions that we have come to in our study of the problem of incidence.

TABLE

Tax as percentage of consumption expenditure per person per month in

Consumption Expenditure on account of	Rural Regions/Class of Towns					Rural
						Urban
	(1)	(2)	(3)	(4)	(5)	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<i>Rural—</i>						
A. Taxable Items	12·52	11·72	10·13	11·76	13·38	12·36
B. Non-taxable Items ..	2·45	2·51	1·93	1·29	1·97	2·03
C. Direct Taxes ..	0·03	0·25	0·04	0·05	0·08	0·05
Total ..	15·00	14·48	12·10	13·10	15·43	14·44
<i>Urban</i>						
A. Taxable Items ..	17·46	14·78	10·05	12·55	12·95	12·02
B. Non-taxable Items ..	2·63	2·51	1·54	3·07	1·69	1·90
C. Direct Taxes ..	0·11	0·46	0·03	0·05	..	0·13
Total ..	20·20	17·75	11·62	15·67	14·64	14·05

Source ; Orissa Family

Rural/Urban areas of Orissa for the Household Expenditure Group 1—50

Taxes paid on account of	Rural Regions/Class of Towns					Rural
						Urban
	(1)	(2)	(3)	(4)	(5)	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Central Levies ..	0.12	0.11	0.07	0.14	0.20	0.15
State Levies ..	0.13	0.16	0.04	0.03	0.09	0.08
Direct Taxes ..	0.03	0.25	0.04	0.05	0.08	0.05
Total ..	0.28	0.52	0.15	0.22	0.37	0.28
Taxes as per cent of Consumption Expenditure.	1.9	3.6	1.2	1.7	2.4	1.9
Central Levies ..	0.24	0.29	0.15	0.25	0.19	0.19
State Levies ..	0.25	0.21	0.15	0.27	0.14	0.19
Direct Taxes ..	0.11	0.46	0.03	0.05	..	0.13
Total ..	0.60	0.96	0.33	0.57	0.33	0.51
Taxes as per cent of Consumption Expenditure.	3.0	5.4	2.8	3.6	2.3	3.6

TABLE

Tax as percentage of consumption expenditure per person per month in

Consumption Expenditure on account of	Rural Regions/Class of Towns					Rural	Urban
	(1)	(2)	(3)	(4)	(5)		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<i>Rural—</i>							
A. Taxable Items ..	15.29	15.73	12.89	14.92	13.51	14.09	
B. Non-taxable Items ..	2.80	3.51	2.02	2.29	2.34	2.51	
C. Direct Taxes ..	0.14	0.03	0.05	0.08	0.08	0.08	
Total ..	18.23	19.27	14.96	17.29	15.93	16.68	
<i>Urban—</i>							
A. Taxable Items ..	14.89	16.51	14.56	14.91	13.61	15.00	
B. Non-taxable Items ..	5.45	2.84	1.93	4.10	2.08	3.01	
C. Direct Taxes ..	0.46	0.32	0.14	0.09	0.05	0.22	
Total ..	20.80	19.67	16.63	19.10	15.74	18.23	

Source—Family

Rural/Urban areas of Orissa for the Household Expenditure Group 51—100

Taxes paid on account of	Rural Regions/Class of Towns					Rural	Urban
	(1)	(2)	(3)	(4)	(5)		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Central Levies ..	0.18	0.16	0.13	0.15	0.21	0.17	
State Levies ..	0.21	0.14	0.14	0.04	0.08	0.12	
Direct Taxes ..	0.14	0.03	0.05	0.08	0.08	0.08	
Total ..	0.53	0.33	0.32	0.27	0.37	0.37	
Tax as per cent of consumption expenditure.	2.9	1.7	2.1	1.6	2.3	2.2	
Central Levies ..	0.83	0.29	0.28	0.35	0.24	0.29	
State Levies ..	0.23	0.25	0.24	0.30	0.23	0.24	
Direct Taxes ..	0.46	0.32	0.14	0.09	0.05	0.22	
Total ..	1.02	0.86	0.66	0.74	0.52	0.75	
Tax as per cent of consumption expenditure.	4.9	4.4	4.0	3.9	3.3	4.1	

TABLE

Tax as percentage of consumption expenditure per person per month in

Consumption Expenditure on account of	Rural Regions/Class of Towns					Rural	Urban
	(1)	(2)	(3)	(4)	(5)		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<i>Rural—</i>							
A. Taxable Items ..	17·81	19·33	14·75	17·50	16·10	16·79	
B. Non-taxable Items ..	4·07	3·37	2·47	2·25	3·56	3·46	
C. Direct Taxes ..	0·15	0·03	0·12	0·08	0·12	0·10	
Total— ..	22·03	22·73	17·34	19·83	19·78	20·35	
<i>Urban—</i>							
A. Taxable Items ..	15·72	17·06	17·68	19·27	16·07	17·03	
B. Non-taxable Items ..	5·51	4·78	3·52	5·75	4·38	4·86	
C. Direct Taxes ..	0·39	0·20	0·07	0·09	0·06	0·21	
Total ..	21·62	22·04	21·27	25·11	20·51	22·10	

Source—Family

rural/urban areas of Orissa for the Household Expenditure Group (101—150)

Taxes paid on account of	Rural Regions/Class of Towns					Rural
	(1)	(2)	(3)	(4)	(5)	Urban
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Central Levies ..	0.29	0.27	0.20	0.21	0.30	0.26
State Levies ..	0.40	0.17	0.27	0.11	0.10	0.18
Direct Taxes ..	0.15	0.03	0.12	0.08	0.12	0.10
Total ..	0.84	0.47	0.59	0.40	0.52	0.54
Tax as per cent of Consumption Expendi- ture.	3.8	2.1	3.4	2.0	2.6	2.7
Central Levies ..	0.41	0.42	0.43	0.58	0.23	0.42
State Levies ..	0.27	0.28	0.41	0.43	0.25	0.31
Direct Taxes ..	0.39	0.20	0.07	0.09	0.06	0.21
Total ..	1.07	0.90	0.91	1.10	0.59	0.94
Tax as per cent of Consumption Expendi- ture.	4.9	4.1	4.3	4.4	2.9	4.3

TABLE

Tax as percentage of consumption expenditure per person per month in

Consumption Expenditure on account of	Rural Regions/Class of Towns					Rural	
						Urban	
	(1)	(2)	(3)	(4)	(5)		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<i>Rural—</i>							
A—Taxable Items ..	19.73	23.43	18.93	20.85	18.32	19.63	
B—Non-taxable Items ..	4.61	4.68	4.82	4.52	5.45	5.11	
C—Direct Taxes ..	0.03	0.11	0.13	0.09	0.24	0.15	
Total ..	24.37	28.22	23.88	25.46	24.01	24.89	
<i>Add—5 per cent to get Income.</i>	25.59	29.63	25.07	26.73	25.21	26.13	
<i>Urban—</i>							
A—Taxable items ..	21.45	24.08	21.08	22.30	28.22	23.51	
B—Non-taxable Items ..	7.63	8.55	5.82	7.27	7.83	7.63	
C—Direct Taxes ..	0.38	0.26	0.17	0.24	0.03	0.25	
Total ..	29.46	32.89	27.07	29.81	36.08	31.39	

Source—Orissa Family

12

rural/urban areas of Orissa for the Household Expenditure Group (151—300)

Taxes paid on account	Rural Regions/Class of Towns					Rural	Urban
	(1)	(2)	(3)	(4)	(5)		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Central Levies ..	0.47	0.33	0.33	0.27	0.33	0.35	
State Levies ..	0.99	0.33	0.17	0.15	0.15	0.32	
Direct Taxes ..	0.03	0.11	0.13	0.09	0.24	0.15	
Total ..	1.49	0.77	0.63	0.51	0.72	0.82	
Tax as per cent of Consumption Expenditure.	0.1	2.7	3.6	2.0	3.0	0.3	
Tax as per cent of Income	5.8	2.6	2.5	1.9	2.9	3.1	
Central Levies ..	0.40	0.58	0.58	0.98	0.63	0.58	
State Levies ..	0.61	0.64	0.56	0.60	0.81	0.63	
Direct Taxes ..	0.38	0.26	0.17	0.24	0.03	0.25	
Total ..	1.39	1.48	1.31	1.82	1.47	1.46	
Tax as per cent of Consumption Expenditure.	4.7	4.5	4.8	6.1	4.1	4.7	

TABLE

Tax as percentage of consumption expenditure per person in rural/urban areas

Consumption on account of	Rural Regions/Class of Towns					Rural
	(1)	(2)	(3)	(4)	(5)	Urban
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<i>Rural—</i>						
A. Taxable Items ..	30.59	42.14	25.01	26.14	20.44	26.96
B. Non-taxable Items ..	9.51	16.28	5.99	6.36	6.13	8.47
C. Direct Taxes ..	0.48	0.18	0.11	0.09	0.28	0.25
Total ..	40.61	58.60	31.11	32.59	26.85	35.68
<i>Add—5 per cent to get Income.</i>	42.64	61.53	32.66	34.22	28.19	37.46
<i>Urban—</i>						
A. Taxable Items ..	24.46	24.66	33.32	25.42	..	26.59
B. Non-taxable Items ..	13.61	13.23	6.48	9.41	..	12.66
C. Direct Taxes ..	0.59	0.43	0.26	0.73	..	0.52
Total ..	38.66	38.32	39.96	35.56	..	39.77
<i>Add—5 per cent to get Income.</i>	40.59	40.24	41.96	37.34	..	41.76

Source—Orissa Family

13

of Orissa for the Household Expenditure group (301—500)

Taxes paid on account of	Rural Region/Class of Towns					Rural
						Urban
	(1)	(2)	(3)	(4)	(5)	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Central Levies ..	0.76	0.82	0.53	0.39	0.47	0.57
State Levies ..	0.31	0.54	0.44	0.21	0.11	0.26
Direct Taxes ..	0.48	0.18	0.11	0.09	0.28	0.25
Total ..	1.55	1.54	1.08	0.69	0.86	1.08
Tax as per cent of Consumption Expenditure.	3.8	2.6	3.5	2.1	3.2	3.0
Tax as per cent of Income	3.6	2.5	3.3	2.0	3.0	2.9
Central Levies ..	0.70	0.85	1.28	1.38	..	1.00
State Levies	0.64	0.77	0.92	0.79	..	0.76
Direct Taxes ..	0.59	0.43	0.26	0.73	..	0.52
Total ..	1.93	2.05	2.44	2.90	..	2.28
Tax as per cent of Consumption Expenditure.	5.0	5.3	6.1	8.1	..	5.7
Tax as per cent of Income	4.7	5.1	5.8	7.7	..	5.4

TABLE

Tax as percentage of consumption expenditure per person in rural/urban areas

Consumption on account of	Rural Regions/Class of Towns					Rural/ Urban	
	(1)	(2)	(3)	(4)	(5)		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
<i>Rural—</i>							
A—Taxable Items	41·94	30·72	61·60	.. ..	43·42	
B—Non-taxable Items	32·53	10·21	16·07	.. ..	19·07	
C—Direct taxes	0·21	0·12	0·36	.. ..	0·21	
Total	74·68	41·05	78·03	.. ..	62·70	
<i>Add—5 per cent to get Income.</i>	80·65	44·33	84·27	.. ..	67·72	
<i>Urban—</i>							
A Taxable Items	47·95	37·12	66·71	32·59	39·89
B—Non-taxable Items	32·22	20·28	22·93	19·37	22·35
C—Direct taxes	2·51	1·65	1·89	4·31	2·65
Total	82·68	59·05	91·53	56·27	64·89
<i>Add—5 per cent to get Income.</i>	89·29	63·17	98·85	60·17	70·08

Source—Orissa Family

of Orissa for the Household Expenditure Group (501—1,000)

Taxes paid on account of	Rural Region/Class of Towns					Rural/ Urban
	(1)	(2)	(3)	(4)	(5)	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Central Levies	1.19	0.66	1.11	..	0.98
State Levies	0.80	0.46	0.61	..	0.60
Direct Taxes	0.21	0.12	0.36	..	0.21
Total	2.20	1.24	2.08	..	1.79
Tax as per cent of Consumption Expenditure.	2.9	3.0	2.7	..	2.8
Tax as per cent of Income	2.7	2.8	2.5	..	2.6
Central Levies	1.70	1.05	1.94	..	1.38
State Levies	1.40	1.38	2.72	..	1.29
Direct Taxes	2.51	1.65	1.89	..	2.65
Total	5.61	4.08	6.55	..	5.32
Tax as per cent of Consumption Expenditure.	6.8	6.9	7.2	..	8.2
Tax as per cent of Income	6.3	6.4	6.6	..	7.6

TABLE

Tax as percentage of Consumption Expenditure per person per month in Rural
Rural Regions/Class of Towns

Consumption Expenditure on account of	Rural Regions/Class of Towns					Rural	
						Urban	
	(1)	(2)	(3)	(4)	(5)		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
<i>Rural—</i>							
A—Taxable Items	28.55	..	28.55	
B—Non-taxable Items	19.05	..	19.05	
C—Direct Taxes	0.23	..	0.23	
Total	47.83	..	47.83	
<i>Add—8 per cent to get Income.</i>	51.66	..	51.66	
<i>Urban—</i>							
A—Taxable Items	33.38	..	114.83	116.56	70.29	67.08
B—Non-taxable Items	26.60	..	27.89	309.04	46.61	47.95
C—Direct Taxes	1.32	..	21.93	133.73	6.08	13.36
Total	61.30	..	164.65	559.33	122.98	128.39
<i>Add—8 per cent to get Income.</i>	66.20	..	177.82	604.08	132.82	138.66

Source :—Orissa Family

15

Urban areas of Orissa for the Household Expenditure Group (1,001 and above)

Tax paid on account of	Rural regions/Class of towns					Rural	Urban
	(1)	(2)	(3)	(4)	(5)		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Central Levies	0.60	..	0.60	
State Levies	0.40	..	0.40	
Direct Taxes	0.23		0.23	
Total	1.23	..	1.23	
Tax as per cent of Consumption Expenditure.	2.6	..	2.6	
Tax as per cent of Income	2.4	..	2.4	
Central Levies	..	1.38	..	4.57	9.25	2.80	2.92
State Levies	..	1.34	..	4.28	3.43	2.41	2.47
Direct Taxes	..	1.32	..	21.93	133.73	6.08	13.36
Total	..	40.04	..	30.78	146.41	11.29	18.75
Tax as per cent of Consumption Expenditure.	6.6	..	18.07	26.2	9.2	14.6	
Tax as per cent of Income	6.1	.	17.3	24.2	8.5	13.5	

Budget Enquiry, 1960

TABLE

Tax as percentage of Consumption Expenditure per person per month in Rural/

Consumption Expenditure on account	Rural Regions/Class of Towns					Rural
	(1)	(2)	(3)	(4)	(5)	Urban
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<i>Rural—</i>						
A. Taxable Items ..	17.36	20.70	15.35	19.25	15.14	16.94
B. Non-taxable Items..	3.61	5.00	3.03	4.56	3.43	3.97
C. Direct Taxes ..	0.13	0.06	0.09	0.10	0.13	0.12
Total ..	21.10	25.76	18.47	23.91	18.70	21.03
<i>Urban—</i>						
A. Taxable Items ..	20.78	21.80	22.47	23.49	20.66	22.36
B. Non-taxable Items ..	10.99	8.04	4.77	11.16	7.96	8.75
C. Direct Taxes ..	0.63	0.44	0.65	1.88	0.39	0.72
Total ..	32.40	30.29	27.89	36.53	29.01	31.83

Source :—Orissa Family

16

Urban areas of Orissa for the Household Expenditure Group (All Expenditure Group)

Tax paid on account of	Rural Regions/Class of Towns					Rural
	(1)	(2)	(3)	(4)	(5)	Urban
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Central Levies ..	0.26	0.28	0.18	0.23	0.25	0.25
State Levies ..	0.38	0.23	0.17	0.15	0.09	0.18
Direct Taxes ..	0.13	0.06	0.09	0.10	0.13	0.12
Total ..	0.77	0.57	0.44	0.48	0.47	0.55
Tax as per cent of Consumption Expenditure.	3.6	2.2	2.4	2.0	2.6	2.6
Central Levies ..	0.51	0.52	0.52	0.97	0.48	0.58
State Levies ..	0.51	0.50	0.59	0.55	0.52	0.54
Direct Taxes ..	0.63	0.44	0.65	1.88	0.39	0.72
Total ..	30.65	1.46	1.76	3.40	1.39	1.84
Tax as per cent of Consumption Expenditure.	5.1	4.8	6.3	9.3	4.8	5.8

CHAPTER V

Sales Tax

Sales tax was first introduced in Orissa in October, 1947. The Act, that was then promulgated, largely followed the pattern then prevailing in Bihar. It has since been amended seven times. Many changes have been made and some new features introduced during the last 14 years with a view to develop the tax into a significant source of revenue as well as to improve its administration. We may briefly trace the evolution of the tax and note its main features, as at present in force, under five broad headings—

- (a) The point of sale at which the tax is levied
- (b) Rates
- (c) Limit of taxable turnover
- (d) Exemptions
- (e) Machinery of administration

2. At first all goods other than those exempted were subjected to tax at the last-point of sale, although Government had power under the last-point levy. Act to fix different points of sale for different goods. On a representation received from the Retail Dealers' Association, the first point of sale was adopted with effect from the 1st April, 1948 in respect of few selected articles, viz., sugar, spices and condiments, oils including white kerosene oil, tea, coffee, ghee, cigarettes, bidis, matches and soap. It soon became apparent that in the absence of effective control over the sources from which and channels through which these commodities entered the trade in the State, it was well-nigh impossible to check evasion. From 1st April, 1949, therefore, all the above-said goods were brought back to the system of last-point levy. Similarly in regard to mill-made cloth the first-point levy gave fairly satisfactory results as long as the distribution of cloth was subject to control. When the trade in cloth became free, the first-point system could not be continued and was withdrawn. At present the tax is, therefore, levied on all taxable goods at the last-point in the series of sales.

3. In 1947 the rate of tax was quarter of an anna in the rupee of the sale price. This was subsequently raised to half an anna in the rupee on 1st April, 1949 in respect of all taxable goods except bullion and species, handloom woven cloth, jute, matches, meat and fish. The tax on jute was raised to one anna from 1st January, 1951. Three months later, i.e., on the 1st April, this rate was applied to luxury articles. On the 15th July of the same year the general rate of tax was raised to three-quarters of an anna in the rupee. These rates continued till it became necessary to express them as a percentage in the wake of the introduction of the decimal coinage. The rates now range from 1% to 7% (Vide Appendix I). The State Government have agreed along with some others to limit the tax to 7% on some special goods, such as cars, radios, steel furniture, etc., which are of the category of luxury goods. For sometime, the highest rate of tax in force was 13% in respect of diesel oil, high-speed diesel oil and powerine. In 1960 these goods have been removed from the scope of general sales tax to be dealt with under another law, the Motor Spirit (Taxation on Sales) Act. The highest prevailing rate of tax is, therefore, 7 per cent.

4. In the beginning all dealers with annual turn-over of sales of Rs. 5,000 or above were required to register themselves under the Act. Limits of tax- In 1951 the limit was raised to Rs. 10,000 as it was found that able turnover. with the limit of Rs. 5,000 a large number of small dealers incapable of maintaining the books of account required by law were being brought on to the register and were being harassed to some extent. At the same time provision was made for voluntary registration so that dealers on the margin may take advantage of tax-free purchases available to register dealers and in lieu subject themselves at their own option to the rigours of the law. The turn-over limit fixed in 1951 has remained unchanged all these years. The raising of the limit has not, however, put an end to the cry of harassment on the part of small dealers. It has been represented that even the dealers with turn-over ranging from Rs. 10,000 to Rs. 50,000 are experiencing great difficulty in regard to the maintenance of accounts and compliance of the various provisions of the law. After careful consideration, Government decided in 1958 that the limit of turn-over cannot be raised further without giving up a large portion of the revenue and that the genuine grievances of small dealers, say those with turn-over of not more than Rs. 25,000 can be redressed by other suitable methods. Accordingly, a system of compounding of tax was introduced for the dealers with a turn-over of Rs. 25,000 and less. Under this system dealers were required to keep simple accounts of purchases and sales and pay tax according to slab rates applicable to their turn-over without going through the detailed procedure of assessment. The amount of tax per quarter has been fixed at Rs. 100, Rs. 150 and Rs. 185 for turn-overs of Rs. 10,000 to Rs. 15,000, Rs. 15,000 to Rs. 20,000 and Rs. 20,000 to Rs. 25,000 respectively. Dealers can take advantage of this system entirely at their own option. Such of them who opt for it are not called upon to submit for scrutiny detailed accounts as required by law. However very few appear to have availed of this concession. The total number of registered dealers under the Orissa Sales Tax Act and Central Sales Tax Act as on the 30th September 1960, are 11,137 and 4,702 respectively.

5. In the early days of the tax the list of exempted goods contained 29 items. It largely comprised of articles of food other necessities and Exemptions items which were already subjected to tax in some other form. Certain other goods were also included in the list on grounds of sentiment or for special reasons. For example, cooked food known as "Abhada" sold within the premises of the temple of Lord Jagannath at Puri, sacred books, approved text-books for lower classes, raw jute, newspapers agricultural implements costing not more than Rs. 10 each, fertilisers, oilcakes, quinine and einchona febrifuge, goods sold by the canteen stores of the Defence Department, bullion and specie coal and coke. Sales made to persons intending to establish a business were also exempted under certain conditions, as also sale of goods to Electric Supply Concerns licensed under the Indian Electricity Act for supplying electrical energy to the public when such goods are used exclusively in the generation or distribution of such energy. The list has undergone several changes during the past few years. The list now in force may be seen at Appendix 2. It will be seen that rice, paddy, edible oils and other articles of food are no longer exempted from tax. At first rice was subjected to sales tax with effect from 1st April, 1958. Subsequently, on 1st January 1960 the sales tax was replaced by purchase tax and paddy was also brought within the scope of the levy. Other items like edible oils, potatoe and onions were removed from the list of exemptions and subjected to a low rate of sales tax (1%) with effect from the 1st February, 1960. Sales of goods for use in manufacture or for execution of any contract which used to be exempted in the beginning have, of late, been subjected to tax. Among the important additions to the list of exemptions mention must be made of sugar, mill-made textiles and tobacco and tobacco products. These came to be added as a result of the levy of additional excise by the Centre in lieu of

sales tax by the States. At the same time hand-loom cotton cloth was exempted irrespective of value. Producers' Co-operatives marketing the produce of their members on a commission basis were exempted from tax since the 2nd December, 1957 subject to certain conditions.

6. The machinery of administration as it evolved over the years is as follows.

Administrative Machinery.

A separate Commercial Tax Department was set up with a Collector of Commercial Taxes at its head. Although the administration of Agricultural Income-tax Act was also entrusted to him the major part of his work consisted of the administration of the Sales Tax Act. By an amendment in 1957, the Collector was replaced by a Commissioner. The State has been divided into circles with Commercial Tax Officers in charge. There are a few sub-circles in charge of Assistant Commercial Tax Officers. Assessments are made by the Commercial Tax Officers and Assistant Commercial Tax Officers, who hold gazetted rank and are members of the Orissa Finance Service. Under them are Inspectors of Commercial Taxes, who are non-gazetted executive officers and whose duties consist of assisting the assessing authorities in matters of enquiry, checking up evasion, etc. A number of circles are grouped into what are called ranges with an Assistant Commissioner in charge of each of them. The Assistant Commissioner is required not only to inspect the Circle Offices within his range, but also to hear appeals filed against the orders of the assessing officers. He is thus the first appellate authority.

Sales Tax Tribunal.

Appeals against his orders lie to the Sales Tax Tribunal, which is a one-man Tribunal. According to the Act, it is filled by a judicial officer of the rank of District and Sessions Judge. Before 1957 appeals against the orders of Assistant Commissioners used to be heard by the Collector of Commercial Taxes and a member of the three-member Board of Revenue then in existence had powers of revision over the orders of the Collector. Now with the creation of the tribunal, independent of the executive administration, the Head of the Department, i.e., the Commissioner has been shorn of his appellate jurisdiction. He only enjoys some powers of revision in respect of minor matters for which no appeals lie to the Tribunal. The State is represented before the Tribunal by an officer of the rank of an Assistant Commissioner. Under the law it is permissible to make a reference to the High Court against the orders of the Tribunal on questions of law. Applications for such references may be made to the Tribunal either by the dealer or by the State. The gazetted and non-gazetted staff of the department has grown considerably since its creation in 1947 and at present it consists of one Commissioner, one Deputy Commissioner, 4 Assistant Commissioners in charge of ranges, 2 Additional Assistant Commissioners, 20 Commercial Tax Officers and Additional Commercial Tax Officers, and 34 Assistant Commercial Tax Officers and Additional Assistant Commercial Tax Officers. There are 13 regular circles and 2 sub-circles. Besides, a separate Intelligence Circle has been in existence since 1953. It is directly under the Commissioner and is meant to check evasions and undertake special enquiries for collecting intelligence. Each circle has on the average 4 Inspectors and the total strength of Inspectors at present is 70.

7. The history of sales tax in the State will not be complete without reference to three important events. Firstly, the Central Sales Tax Act, 1956, set at rest the doubts and difficulties that attended the levy of tax on goods despatched outside the State, as a result of the restrictions of Article 286 of the Constitution and certain decision of the Supreme Court. This problem was of course common to all States. In what is known as the Bengal Immunity Case, the Supreme Court held in September, 1955, in supersession of the view taken earlier in the United Motors case, that it was *intra vires* of any State to tax sales of an inter-state character.

Subsequently, Article 286 was amended and the Central Government promulgated the Central Sales Tax Act on the basis of the recommendations of the Taxation Enquiry Commission, 1953-54. Under this Act sales tax became leviable on inter-state transactions of sale at one per cent, the proceeds going to the State from which the goods move as a consequence of sale. Section 14 of the Act laid down a restriction on the State Governments that the internal sales tax on certain declared goods (jute, coal, cotton and iron and steel) should not exceed two per cent. Despite this restriction this Act has on balance proved to be beneficial to the State in so far as the inter-state sales have become a source of some definite income. The second event of importance is the decision of the Supreme Court in 1958 in what is known as the Gannon Dunkerley case, according to which it was not within the rights of the State Governments to levy sales tax on works contracts. This has resulted in permanent loss of some revenue, besides giving rise to the need of refunding the amounts already collected during the past several years. Thirdly, the State Government took powers in 1958 by an amendment of the law to levy purchase tax in lieu of sales tax on any good that may be notified from time to time. This step was taken with a view to meet difficulties found in respect of certain goods and to remove the defects in the tax system that facilitated avoidance. Three commodities—fish, rice and paddy were brought under the scope of purchase tax. Betel leaves were also subjected to purchase tax for a short time.

8. Having surveyed briefly the evolution of sales taxation in the State we may now take note of the main points that emerged from the evidence tendered before us. Firstly, we are left with the predominant impression that there is no strong organised opposition to sales tax as such and the broad features of the system presently in force in the State. Witnesses from different walks of life, traders as well as consumers, have recognised that sales tax, though a levy of recent date, has not only come to stay but is also destined to play an increasingly important role in future. In this connection, attention may be invited to the analysis of the trends in tax revenue at para 20 of Chapter II. Table 6 in that para shows that sale tax is second only to land revenue in its contribution to the total tax revenue and with a progressive decline of receipts under State Excise it has improved its position from the third to the second in the list of items of tax revenue since 1956-57. The main burden of the evidence before us is that certain improvements are necessary if this tax is to be developed into a useful and suitable instrument of fiscal policy. Secondly, almost all the witnesses have agreed that the main problem of sales tax is leakage. Several estimates have been mentioned. Some put it at 20 per cent while others feel that it would be as high as 50 per cent. Several suggestions have been made to reduce leakage. They may be grouped broadly into two classes: improvements in the system of taxation and better administration. A large majority of them would place greater reliance on the second group of suggestions than the first.

9. As the Taxation Enquiry Commission, 1953-54 observed, "Leakage in revenue may occur either through a deliberate distortion of facts relating to an assessment after the liability has been incurred, or by so arranging one's affairs before the liability is incurred as to prevent its occurrence or to reduce the incidence of the tax within the frame work of the existing legislation. The former set of transactions is usually referred to as 'evasion' and the latter as 'avoidance'. 'Avoidance' ordinarily arises from drafting defects in the tax legislation. Both avoidance and evasion result in loss of revenue to Government but the former has a colour of legality about it. It follows that the scope for avoidance can be reduced if the provisions of the law are made clearer and more precise. This is illustrated by the improvement noticed during the last three or four years in the field of inter-State transactions. With the enforcement of the Central Sales Tax Act

on 1st July, 1957 the liability of inter-state sales to tax has become clear to a large extent. There are still some loopholes and dealers of a State selling goods to their counterparts in other States avoid sales tax on the transactions by booking the goods on the self-consignment basis. Similarly, certain inter-State sales are shown in the accounts as transfer to branches so that they may not be covered by the term 'sales'. Some of these lacunae can hardly be closed cent per cent. However, through exercise of constant vigilance it may be possible to reduce this kind of avoidance to a larger extent. Often by adjusting tax-rates suitably it may be possible to make it unattractive for the dealers to take resort to avoidance. Recently, at the instance of Central Government several State Governments including Orissa have agreed to fix the tax on some special goods commonly known as luxury goods at a uniform rate. In the same spirit the tax-rates of other goods, which enter inter-State trade, should be reviewed at frequent intervals and adjusted when necessary to be on par with, or atleast not very much different from, the rates prevalent in the neighbouring States concerned.

10. As regards evasion, one may say that it is as old as taxation itself.

Basically, it stems from the motive to make wrongful gain through non-payment of tax due. In some instances, the tax is realised from the customer, but is withheld from the Government. In others, the buyer is also given the benefit with a view to out-bid other dealers and attract more custom. There are also instances in which dealers try to injure themselves against unforeseen tax liability and extra-legal charges that may be visited upon them during the course of assessment and compliance with the formalities of law. Above all, dealers appear to resort to evasion with a view to suppress the real size of their business earnings and escape proper assessment of income-tax. As the motives are multiple, the methods are diverse. Some of the common methods that have come to our notice are (a) omission to enter some or larger part of the goods received in the stock book, (b) carrying out transactions under assumed names or in the name of dummies or figure-heads, (c) maintenance of multiple sets of account books, particularly the cash memo book, (d) omission to issue cash memos, (e) fraudulent changes in account books, (f) distortion of transactions with a view to conceal their true character, and (g) changing the name of the firm at frequent intervals.

11. Several witnesses have suggested that evasion is so very inherent in sales tax and so very rooted in human nature that barring the change of system there is no easy method of eliminating it. They advocated that as many commodities as possible should be taxed at source. When it was pointed out to them that taxation at first point was tried some years ago in respect of some commodities and found to be grossly wanting and that it increased the scope for evasion instead of decreasing it, they replied that in such an event the State might do well to get the sales tax replaced by additional excise duty to be levied by the Centre on as many commodities as possible. Representatives of the trade were enthusiastic about this suggestion, as they believed that it would greatly relieve their burden in regard to maintenance of accounts and compliance with other formalities of sales tax law. Others were equally keen for the reason that such a step will yield greater revenue than the sales tax which is now evaded to a large extent. We have carefully considered these arguments and studied the experience gained during the last three years in regard to the replacement of sales tax by additional central excise on sugar, textiles and tobacco. We feel that the extension of this system to some other commodities will be definitely in the interest of the State, provided certain reasonable principles are adopted by the Centre in distributing the proceeds among the States. The Centre

may first guarantee the existing level of income to each State and make allocations from the remainder on the basis of population duly corrected to some extent with reference to incidence of consumption. It appears reasonable that some weightage is given to net increase in the production of the goods in question over the level obtaining prior to the introduction of the new system. This, in our view, is necessary to safeguard the interests of the States which are just on the eve of considerable expansion of production in the selected lines. We recommend the following commodities for the levy of excise duty in lieu of sales tax—Tea, Coffee, Matches, Paper, Cement and Vegetable products. We do not, however, subscribe to the view that the sales tax should in time be replaced altogether by Central excise. Sales tax is essential for providing some independent source of revenue to States in a federal system of Government. The State should not, therefore, surrender their right except in the case of a few selected goods where the superiority and benefits of a Central levy are manifest.

12. We also recommend that greater use should be made of the provisions of purchase tax in order to see that commodities the bulk of which are sent to markets and factories outside the State do pay tax to the State. For, almost all of them are products of agriculture and are procured by dealers from producers in the *muffasil* Hats and markets and are sent out of the State as raw materials of industry. Devices are often employed to conceal the true character of the transactions, such as, despatch on self-consignment basis, purchases by factory agents, etc., with the result that almost the entire quantity escapes taxation. If the liability to tax in these instances is shifted from the seller to the purchaser, there will be greater likelihood of these items entering the net of taxation. We recommend that in addition to rice, paddy, fish and coconuts, which are already subject to purchase tax, the following commodities may be taxed at the point of purchase at the rates indicated against them :—

Jute	..	2%
Oil-seeds	..	2%
Betel leaves	..	3%
Tamarind	..	5%

We would like to add a note of caution in regard to jute. Before levying purchase tax on jute at the rate recommended the Government should take into account the total incidence of other taxes levied on it.

13. We gave considerable thought to the suggestion that the replacement of the present single-point tax at the last stage by a combined Multi-point sales tax system of general multi-point tax on all commodities and a single-point tax on selected commodities at the first point might reduce the scope and propensity to evade. In the present system, the tax rates are fairly high and the dealers may be finding it rather tempting and worthwhile to evade. The tax payable at each point being small in a multi-point system the dealers may not find it so very worthwhile to resort to the various practices of evasion. Further, in the present system it is extremely difficult to trace the commodities and their quantities through all the stages from the stage of their entry into the trade to the last taxable stage of sale to the consumer or the un-registered dealer. There is no easy means of cross checking tax-free purchases of the dealers higher up in the ladder with taxable sales of the registered dealer at the lowest rung. Under the multi-point system such a cross-check may be easier, as sales at all stages are taxable and thus subject to an equal degree of scrutiny. It has also been impressed

upon us that the sales tax revenue of States which have adopted the multi-point system has generally been buoyant and has in fact accounted for the largest share of their tax revenues. Besides, we had before us the Report on Sales Tax in Madras by our Chairman as well as the weighty recommendation of the Taxation Enquiry Commission (1953-54) that "it is desirable that the sales-tax in a suitable and not unduly burdensome form should reach the lower income groups and cover a large number of persons, for this purpose the rate of tax has to be low, and the system a multi-point one". Accordingly we included specific questions on this aspect in our questionnaire. During oral evidence too we put these ideas to the witnesses and elicited their reaction. Most of the witnesses drawn from trade or with some experience with sales-tax have expressed themselves against introduction of the multi-point system. This was perhaps natural. But official evidence was also against the multi-point levy. Witnesses of the Finance Department and Commercial Tax Department informed us that after very careful consideration the State Government have dropped the multi-point system as unsuitable in the conditions of Orissa. The Government's main objection was that the rate being low in the multi-point system and the number of points being few in Orissa the total effect would be to reduce the present level of revenue. Thereupon we requested the Commissioner, Commercial-taxes, to prepare a statement showing the number of sales transactions that usually occur in the opinion of his Department in respect of the goods presently taxable. The statement submitted by him may be seen at Appendix 3. The Commissioner has said that the statement should be treated as a rough and ready assessment and that in the absence of any detailed and exhaustive enquiry nothing more was possible. However, it brings out in a striking manner how few goods only pass through more than one stage. This is not of course surprising in view of the predominance of the rural and non-monetary sector in the economy of the State. It is only with the progress of urbanisation and achievement of higher standards of living by the people and the consequent diversification of trade that the bulk of the taxable goods can be expected to pass through a larger number of stages of sale. In view of these facts and the evidence before us we conclude that in the conditions of Orissa the advantages of multi-point system are not so pronounced as to justify a change of the present system.

14. We feel that if the problem of evasion is to be tackled satisfactorily and the various defects of the present system are to be removed, the administration has to be strengthened and improved. We will now outline the measures which, in our opinion, are necessary for the purpose.

Check of evasion—
better adminis-
tration.

(a) More than 70% of the assesseees are those with turn-over exceeding Rs. 20,000. They account for more than 95% of the tax collected. Thus 5% or even less of the revenue is derived from small dealers with turn-over of less than Rs. 20,000. By being very meticulous and examining the records of these people closely it may be possible to improve the earnings to some extent. But improvement in absolute terms cannot be very substantial. The Sales Tax Officers should, therefore, realise that more is lost than gained by spending too much of time in the scrutiny of the accounts of small dealers. It is clearly in the interest of the State that the officers of the department deal with small dealers summarily under the compounding provisions introduced recently and concentrate their attention on the accounts of bigger dealers, who, at all events, have to pay more to the State as tax and whose resources for practising evasion are many times larger than their smaller brethren. We have been struck with the poor progress made with the compounding system. It has been said that the dealers rather prefer the off-chance of escaping the tax or paying a lower amount to the certainty of paying the

Sales Tax Officers to concentrate on bigger dealers.

compounded figure. Officials seem to think that the compounding procedure has not proved as attractive as was hoped, mainly because a good number of the goods sold by these dealers have been exempted from tax till recently and that more may opt for the system in future, now that most of these goods have been taken off the exemption list. We feel that enough has not been done to popularise the compounding system and ensure its wide adoption. Most of the small dealers appear to be ignorant of the mechanics and benefits of the system.

Adequate publicity should be given to the system and the dealers actively encouraged to adopt it. As it is, Sales Tax Officers appear to be reluctant to exercise their discretion in regard to the fixation of the slab of turn-over so as to facilitate the easy and ready acceptance of the system. They take resort to prolonged enquiries thereby defeating the very purpose of the compounding system. It should, therefore, be laid down in clear terms that the Sales Tax Officer should dispose of these cases in a summary manner on the basis of purchase accounts and abstracts of daily sales account. He should be made answerable for delays in dealing with these cases. Instead of checking all and sundry for increase in business and change of the slab every year it is desirable that the department concentrates on selected areas where trade is known to have developed during the period in question and arrange for supervision of this work through gazetted officers of the Intelligence Branch. Further, if necessary, the rates may be reduced to provide the incentive to the small dealers to take full advantage of the system. We feel that low rates will be worthwhile if as a result a large number of dealers of this class automatically adopt the compounding procedure. The department should put down firmly the tendency of Inspectors and assessing officers to waste time on petty dealers. Efficiency of officers should be judged with reference to assessments of bigger dealers.

(b) A systematic check should be undertaken of traders who are apt to come up and go out of business fairly fast. There should be Special attention provision for rapid registration of such traders and, if necessary to new busi- the law should be simplified to facilitate this. Evasion of nesses. registrations should be dealt with firmly and quickly. Assessment and collection must be particularly prompt in such cases. Special attention should be paid by the gazetted officers of the Intelligence Branch to areas where such cases are likely to occur due to seasonal or temporary expansion of business.

(c) Changing the name of the firm every year is said to be one of the Frequent change common methods of evasion. Steps should therefore be taken in the name to ensure the continuing liability of the persons making up a firm of the firm to although they may have changed their corporate name or have be strictly taken in some new partners real or benami. It is necessary to viewed. amend the law to provide for vicarious liability and restrict it to a reasonable period In other words, the dealer should be made liable for other's dues for the year in which the transfer of the name of the firm has taken place and one year prior to that. It may be noted that a similar provision is found in the proviso to section 26 (2) of the Indian Income-Tax Act and no difficulty has been found in its working. We have learnt with interest that the Bombay Sales Tax Practitioner's Association have accepted this suggestion as reasonable at their Seminar held on 21st and 22nd January, 1961.

(d) It has been represented to us that 'C' forms which are necessary for inter-State sales are not being issued promptly and what is more Inter-State Sales Tax machinery to be perfected. serious, they are not being honoured by some dealers in other States. As a result, the dealers of the State are being compelled to pay sales tax at higher rates in other States and to evade the tax in Orissa in respect of articles brought from outside with a

view to improve their competitive position. Steps should be taken to avoid delays in issue of these forms and to ensure that they are duly recognised by the dealers of other States.

(e) In regard to inter-state sales tax, the returns submitted by the registered dealers should be carefully checked and tallied with the production capacity and the actual production of the factories during the year of assessment.

Returns need careful check.

(f) The most common method of evasion is to omit from the books of account some or all of the goods brought from outside the State. Those that are brought by rail are sometimes received in the names of fictitious persons or dummies. Those that are brought by road offer even greater facilities for omission from the books of account as there is no independent or recognised source where their entry is recorded. Evasion of this kind cannot be stopped without vigorous measures being taken. Check posts should be established on important routes on the border and also at railheads with suitable legal authority to inspect. Besides, provision should be made in the law making it compulsory for dealers to get the railway receipts countersigned by the Sales Tax Officers before taking delivery of the goods. In all such cases, the dealers should as a prior condition of countersignature, deposit an amount equivalent to the sales-tax leviable on those goods. If it is subsequently proved that he sold some of the goods to registered dealers and is not liable to sales tax to that extent he should be given a suitable refund. These suggestions have in fact been made by the chamber of Commerce who felt that any measure to stop evasion will help the honest dealer and improve his competitive position in the trade. We would affirm that the introduction of the system of countersignature would not work satisfactorily and yield the desired results unless dealers are spared of all avoidable harassment. Therefore, Government should introduce this system only after ensuring that facilities do exist for countersigning the Railway Receipts and for giving refunds quickly. It may not be applied to railheads where such facilities do not exist.

Check-posts and countersignature of Railway Receipts

(g) Delays in payment of tax should be viewed seriously and deterrent penalties levied immediately and not deferred to a later date when assessments are taken up.

Deterrent penalties levied immediately and not deferred to a later date

(h) The department does not appear to be prompt in ensuring that assessments made and penalties levied are collected immediately. There is an excessive reliance on the process of certificate courts. Even this process is not resorted to until very late. In the result several defaulters escape their liability by leaving the place or closing their business. To plug these loop-holes we suggest that the departmental officers must be given powers to attach property against dues and enforce collections.

Departmental Officers to be empowered to attach properties.

(i) The department should guard against the emergence of Benami registered dealers as in some other States. The single-point system gives a lot of scope for evasion through Benami registered dealers who are set up and fictitious sales shown to them. These dealers disappear from time to time with the result that the tax due is never collected. The only way this can be checked is for the Inspecting staff to ensure that the registered dealers are carrying on the business for which they have registered and the volume of their business is sufficient to warrant registration.

Guard against the emergence of Benami dealers.

(j) According to some witnesses several dealers are in the habit of maintaining more than one cash memo book each printed and numbered exactly in the same manner with a view to cheat the Sales Tax Officers on the one hand and the buyers on the other. In these instances, the consumer pays the tax but the State is defrauded. This fraudulent practice, we have been told, can be put a stop to by making it compulsory for the dealers to use cash memos printed and issued by the Government. But, obviously, such a procedure is likely to dislocate business, if for any reason the Government are unable to supply the dealers with cash memos in time. While we do not see our way to recommend the adoption of such a procedure in view of the practical difficulties, we do emphasize the need for instituting some kind of control over cash memos. Perhaps, the procedure can be evolved according to which no cash memo shall be used by the dealers unless it shows on its face the certificate of a Sales Tax Officer. The success of such a procedure will, of course, depend on the arrangements made by Government for enforcing the certificates in time in all parts of the State. If Government do not wish to adopt this procedure on a State-wide scale they may try for some time on a pilot basis in a selected area where they can make fool-proof administrative arrangements. Related to this is the wider question of ensuring that the dealer will invariably issue a cash memo for each sale. Often the seller and the buyer act in collusion in this matter and it is not easy either to locate such instances or to stop them effectively. The only methods are surprise checks and test purchases. We have already stated that issue of the cash memo in a prescribed form should be made compulsory under law.

(k) Besides it is necessary that as far as possible the books of account are standardised. Government may consider prescribing in detail the nature and form of accounts expected to be maintained by the dealers of different kinds.

(l) The Intelligence and Vigilance Branches of the Department should be strengthened considerably. A research cell should be created for making special studies, such as, rate of mortality of firms in particular circles, trend of collection of taxes on certain commodities, defect of tax on a selected business or trade, channels and practices of trade and important goods, etc.

15. During the course of our examination of the representatives of trade and commerce, we have formed the impression that the relations between them and the department need to be improved. The department should treat the dealers in general in a manner that befits the agents who realise their dues. After all, the dealers are entitled under law to shift the tax to consumers. They are to collect what is payable on the commodity and deliver it to Government at suitable intervals. It is true that not a few of the dealers have acquired for themselves a name of unreliability by practising various methods of evasion. Having to deal with dealers of such doubtful reputation the department is apt to look at the entire trade with suspicion. It is not, however, correct to tar all the dealers with the same brush and to equate suspicion and scrutiny with derision and discourtesy. When all is said and done, the department must get on with the dealers and work through them. It is, therefore, essential that the relations between the Sales Tax Officers and the dealers should be as close and cordial as is possible.

under the circumstances. The former should conscientiously aim at improving their public relations. To this end we suggest the following measures :—

(a) All help should be given to the Dealers' Associations and Chambers of Commerce in understanding the latest changes in law and procedure. We heard complaints that no replies are sent by Sales Tax Officers even on factual matters to references made by these bodies. Some officers appear to be following the golden rule of silence in the belief that to answer queries may lead to inconvenient commitments and may cramp their style while actually making assessments. Surely, it should be possible for the department to give replies on facts without undesirable commitments. Instances in which dealers need to make references will be reduced considerably if copies of amendments to Acts and Rules and Notifications are supplied to all dealers at a nominal price and they are thus kept informed of the latest changes from time to time.

(b) The greatest cause for discontent among dealers is delay in the disposal of cases and the long and often fruitless waiting that the dealers are compelled to undergo for getting their accounts scrutinised. Government may examine the desirability of fixing time limits for disposal of cases. At any rate, it should be possible for Sales Tax Officers to draw up programmes and give as precise a time as possible to the assessee for producing their books of account. A number of assessee are called to produce their accounts on certain dates at a certain time when there is no hope of even a fraction of them being disposed of in the day. Officers should so arrange their work that normally a person's work is taken up on the day and at the time he is called upon to appear. Whereas the public may not mind a couple of hours' delay, unnecessary postponements and delays of days together is not conducive to good relations.

(c) There is a provision in the law to make an annual assessment instead of quarterly assessments and dealers should be encouraged to take advantage of this provisions. Moreover, wherever possible one assessment should be made for all the pending quarters at one time instead of examining only a few quarters.

(d) It has been said that the Tribunal has of late stopped going on circuit for hearing appeals. This practice is salutary and should be revived. The Tribunal must take up appeals on circuit atleast at those centres in the State where reasonable legal advice is available to the parties. Dragging everybody to Cuttack is not desirable.

(e) It is understood that all the assessing officers are concentrated at the headquarters of the circle and the dealers are often put to the trouble of making long journeys. The system of having a Sales Tax Officer and Assistant Sales Tax Officers with concurrent jurisdiction over the entire circle should be replaced by another under which each assessing officer has a separate zone of jurisdiction with headquarters suitably located within the zone. This will not only help meet the above-said grievance of the dealers but also facilitate a closer check of their doings on the one hand and the activities of the Inspectors on the other. The need for such decentralisation will be all the greater with the introduction of the procedures of counter-signature of R. Rs. and enfacement of cash memos.

(f) Lastly, the traders in general and dealers in particular have felt that they have no regular means of bringing to the notice of Government or the department problems and difficulties of a general nature. We agree that a proper forum is necessary for this purpose and recommend that a Sales Tax Advisory Committee may be constituted at the State level. Similar committees may also be formed at the level of the range and dealers given an opportunity to discuss across the table problems o

general interest. Such discussions will in our view give them a sense of participation and a feeling of satisfaction which are necessary for building up proper relations between them and the department.

16. As the hope of making sales tax fulfil the promise it holds for the future depends almost entirely on administration, more administration, and better administration the question of corruption assumes great importance. To what extent is evasion the result of collusion with the personnel of the Sales Tax Department? In answering this question we have to remember that helping a dealer in defrauding the State is but one method and other avenues which are not detrimental to the revenues of the State, such as intentional delays and harassments are open to a corrupt official to extract money. But, by and large, even the methods of the latter category do eventually have the effect of lessening the flow of revenue into the exchequer. For, no dealer can be expected to pay out of his own earning for any length of time. We have, therefore, enquired from the witnesses the extent of the prevalence of corruption. The main complaint against the department in this regard appears to Centre largely round one category of officials, viz. the Sales Tax Inspectors. The position appears to be much the same in some other States. The remarks made by the Bombay Sales Tax Enquiry Committee (1957-58), on this matter are worth quoting.

“Further, all through our study of the public reaction in the administration of Sales Tax laws, it has been heavily borne down on us that officials of this category are invested in the public mind with far greater importance than they actually have. The reason is not far to seek. The moment a dealer or his authorised agent enters the premises of the Sales Tax Office he is confronted by a Sales Tax Inspector who takes charge of him and takes up the scrutiny of his books of account and records. It is the Inspector who questions the correctness of his accounts and disputes his understanding of the law and has to be initially satisfied in all matters relating to assessment. The assessment is no doubt done finally by the Sales Tax Officer; for this purpose a further scrutiny is made by this officer of the books of account and records of the dealer who is thus afforded a full opportunity for placing his side of the case before the officer. However, the dealer gets the impression that the officer is guided by notes drawn up by the Inspector as a result of his scrutiny, the contents of which are not disclosed to him and that this note forms the basis of the order passed by the officer. Officials of this category are, in the opinion of many of the dealers, relatively less paid having regard to the degree of responsibility discharged by them and therefore seem to be more amenable to temptations for making unlawful gains at the expense of the dealers or of the public exchequer or of both. We consider it necessary that steps should be taken to remove these impressions from the public mind. The feeling should go away altogether that the Sales Tax Inspector is the virtual master of the situation”.

We fully endorse the above observations and recommend that every possible steps should be taken not only to keep the Inspectors under control, but also enable the dealers to appreciate the position in proper perspective. The recommendation we have earlier made to decentralise the location of Assistant Sales Tax Officers will lead better control than at present. Besides, it appears necessary that the information contained in the note submitted by the Inspector as a result of his visit to the dealer's premises on examination of his records should not be wholly withheld from the dealer and such part of it as in the opinion of the Sales Tax Officer is likely to affect the assessment, should be made available to him. It may also be considered whether, as in Bombay,

the Sales Tax Inspectors should be allowed to visit the dealer's premises only with a written authority of the Sales Tax Officer or the Assistant Sales Tax Officer and given due publicity to such a rule if and when framed.

As the complaint of harassment comes mostly from the small dealers it is desirable that the supervising officers and the vigilance staff are particularly alert in regard to the behaviour of the subordinate administration with this class of dealers. The Inspectors, who have made a habit of dealing with small dealers avoiding the bigger ones should be particularly checked. Generally speaking the assessment of efficiency of a subordinate staff should be on the basis of the quality of work done and not merely on the quantity. Blind appraisal on statistics should be avoided.

APPENDIX 1

SCHEDULE OF RATES OF TAX ON SALES

Serial No. (1)	Description of goods (2)	Rate of tax (3)
1	Bullion and specie	One per cent
2	Potatoes	Ditto
3	Onions	Ditto
4	Mustard-oil	Ditto
5	Castor-oil	Ditto
6	Til-oil	Ditto
7	Niger-oil	Ditto
8	Flour including Atta, Maida and Suji	Ditto
9	Gur and molasses	Ditto
10	Cereals and pulses including all forms of horse-grams, black-gram, peas, mung, arhar, masur, ragi (mandia), Khesari, millet, bajra and jowar, wheat, oats, barley, maize, powdered or broken pulses, sago, besan and sattu.	Ditto
11	Inferior kerosene oil	Ditto
12	Fire wood	Ditto
13	Betel leaves	Ditto
14	Matches	Two per cent
15	Cotton yarn but not including cotton yarn waste	Ditto
16	Coal including coke in all its forms	Ditto
17	Hides and skins, whether in a raw or dressed state	Ditto
18	Iron and steel, that is to say—	Ditto
	(a) pig-iron and iron scrap ;	
	(b) iron plates sold in the same form in which they are directly produced by the rolling mill ;	
	(c) steel scrap, steel ingots, steel billets, steel bars and rods ;	

(1)	(2)	(3)
	<p>(d) (i) steel plates, (ii) steel sheets, (iii) sheet bars and tin bars (iv) rolled steel sections (v) tool alloy steel.</p>	<p>Sold in the same form in which they are directly produced by the rolling mill.</p>
19	<p>Jute that is to say, the fibre extracted from plants belonging to the species corchorous capsulurics and corchorous olitorious and the fibre known as mesta or bimli extracted from plants of the species hibiscus cannapius and hibiscus sabdarifa-var altissima, whether baled or otherwise ;</p>	Two per cent
20	<p>Oil-seeds, that is to say, seeds yielding non-volatile oils used for human consumption or in industry, or in the manufacture of varnishes, soaps and the like, or in lubrication, and volatile oils used chiefly in medicines, perfumes, costmetics and the like.</p>	Ditto
21	<p>Ornaments of personal wear made of gold or silver or with mixture of gold and silver without any addition of precious stones, namely, diamonds, emeralds, rubies, real pearls and suphires.</p>	Ditto
22	<p>Iron-ore, manganese, lime stone and dolomite—</p> <p>(a) When sold to a registered dealer, who is a manufacturer inside the State and when the sale is supported by a true declaration in writing by the purchasing registered dealer or by his authorised agent to the effect that the goods of the quantity and amount specified in the declaration shall be used as raw material for the purpose of manufacture by him/them inside the State.</p>	Ditto
	<p>(b) In other cases.</p>	.. Five per cent
23	<p>Artificial precious stones and artificial or cultured pearls.</p>	Two per cent
24	<p>Cotton, that is to say, all kinds of cotton (indigenous or imported) in its unmanufactured state, whether ginned or unginned, baled, pressed or otherwise.</p>	Ditto

(1)	(2)	(3)
25	Aluminium ingots—	Three per cent
	(a) When sold to a registered dealer, who is a manufacturer inside the State and when the sale is supported by a true declaration in writing by the purchasing registered dealer or by his authorised agent to the effect that the goods of the quantity and amounts specified in the declaration shall be used as raw materials for the purposes of manufacture by him/them inside the State.	
	(b) In other cases.	Five per cent
26.	Jute products.	Seven per cent
27.	All silk goods excluding all mill-made or powerloom woven pure or artificial silk fabrics but including pure silk cloth of handloom origin when the price exceeds rupees ten a piece.	Seven per cent
28.	Silk yarn excluding handspun silk yarn	Ditto
29.	Motor vehicle including motor cars, motor taxi cabs, motor omnibuses, motor vans, motor lorries, chassis of motor vehicles, motor tyres and tubes, spare parts and accessories of motor vehicles.	Ditto
30.	Motor cycles, auto-cycles, motor cycle combinations, motor scooters, motorettes and tyres, tubes and spare parts and accessories of motor cycles auto-cycles, motor cycle combinations, motor scooters and motorettes.	Ditto
31.	Cycles, cycle-rickshaw and parts thereof ...	Ditto
32.	Refrigerators, frigidairs and air-conditioning plants and component parts thereof.	Ditto
33.	Wireless reception instruments and apparatus, radios and radio gramophones, electrical valves, accumulators, amplifiers and loud-speakers and spare parts and accessories thereof.	Ditto
34.	Cinematographic equipment including cameras, projectors and sound recording and reproducing equipment lenses, films and parts and accessories required for use therewith and film packs.	Ditto
35.	Photographic and other cameras and enlargers, lenses, films, film packs and plates paper and cloth and other parts and accessories required for use therewith.	Ditto
36.	All clocks, timepieces and watches and parts thereof.	Ditto

1	2	3
37.	Iron and steel safes and almirahs ..	Seven per cent
38.	All arms including rifles, revolvers, pistols, and ammunition for the same	Ditto
39.	Cigarette cases, pipes and lighters ..	Ditto
40.	Dictaphone and other similar apparatus for recording or reproducing sound and parts and accessories thereof.	Ditto
41.	Sound transmitting equipment including telephones and loud-speakers and spare parts thereof.	Ditto
42.	Typewriters, Tabulating, Calculating Indexing card, Punching and duplicating machines and parts thereof.	Ditto
43.	Binoculars, telescopes and opera glasses	Ditto
44.	Gramophones and component parts thereof and records.	Ditto
45.	Perambulators. ..	Ditto
46.	All articles and wares made of gold and silver or of species (other than those falling under serial (21))	Ditto
47.	Jewellery set with precious stones, unset precious stones and real pearls.	Ditto
48.	Imitation of gold or silver ornaments ..	Ditto
49.	Electroplated articles and wares and articles plated with gold and silver.	Ditto
50.	Ivory articles, articles inlaid with ivory ..	Ditto
51.	Ornamental metal-ware with enamelled or carved designs and gold and silver filigree (other than those falling under serial (21)).	Ditto
52.	Sandal wood and black wood. ..	Ditto
53.	Electrical goods, instruments, apparatus and appliances including fans and lighting bulbs.	Ditto
54.	Electrical earthenware and porcelain and all other accessories.	Ditto
55.	Perfumery, cosmetics, pomades and all toilet articles including toilet soaps.	Ditto
56.	All items of furniture. ..	Ditto

1	2	4
57.	Glassware and china excepting bottles, lamps and lantern chimneys and earthen-ware pottery.	Seven per cent
58.	Toys, playing cards, equipments of all indoor games.	Ditto
59.	Carpets, pile carpets including Kalins and Galichas	Ditto
60.	Fountain pens, fountain pen nibs, stylograph pens and propelling pencils.	Ditto
61.	Tables cutlery including knives and spoons ..	Ditto
62.	Embroidery	Ditto
63.	All musical instruments and parts thereof ..	Ditto
64.	All leather goods including artificial leather goods and leather cloth.	Ditto
65.	All woollen goods including woollen yarn and thread but excluding (woollen fabrics) and hand-made Kambals and handloom and power loom woollen cloth.	Ditto
66.	Thermosflasks ..	Ditto
67.	Incandescent lamps and lantern and parts thereof ..	Ditto
68.	Marbles and articles made thereof ..	Ditto
69.	Parasols and fittings thereof ..	Ditto
70.	Saccharine ..	Ditto
71.	Socks and stockings of all varieties ..	Ditto
72.	Paints and varnishes —	Ditto
73.	Adreama machines —	Ditto
74.	Ladies handbags and other types of vanity bags —	Ditto
75.	Lubricants —	Ditto
76.	All machinery and spare parts and accessories thereof	Ditto
77.	Stainless steel sheets and articles made of stainless steel other than such articles as are used as parts of industrial machinery or plant.	Ditto
78.	Fire works —	Ditto
79.	Furs, skins and articles made thereof ..	Ditto
80.	Aeroplanes ..	Ditto

1	2	3
81. Any other articles	..	Five per cent
PURCHASE TAX		
1. Rice including broken rice	..	One per cent
2. Paddy	..	Ditto
3. Coconut	..	Ditto
4. Fish	..	Three per cent

Source : Finance Department, Government of Orissa

APPENDIX 2

SCHEDULE OF EXEMPTIONS

Serial No.	Description of goods	Conditions and exceptions subject to which exemption has been allowed
1	2	3
1. Bread		
2. Bran		
3. Vegetables green or dried, other than medicinal preparation except potatoes and onions.		Except when sold in sealed containers.
4. "Mahaprasad" of any kind sold within the compound of the Jagannath Temple at Puri.		
5. Salt		
6. Fresh milk		
7. Quinine and cinchona febrifuge		
8. Text-books approved by the Director of Public Instruction and other competent authorities for use in all Educational Institutions in Orissa.		
9. Country liquor including tari and pachwai, potable foreign liquor including medicated wines, excise opium (excluding preparations of opiums), ganja and bhang.		
10. Electrical energy.		
11. Motor spirit, that is to say, any inflammable hydro-carbous (including any mixture of hydrocarbons or any liquid containing hydrocarbon) which is ordinarily used for providing reasonably efficient motive power for any form of motor vehicle.		
12. Newspapers		
13. Water, but not aerated or mineral water sold in bottles or sealed containers.		
14. Goods sold to the Military personnel by the Defence Service Installations.		
15. Handloom or Powerloom woven cloth of all kinds excepting pure silk cloth of handloom origin when the price exceeds rupees ten a piece.		

1	2	3
16. Aviation petrol	..	When sold to Indian Air Transport Companies, Flying Clubs in India and private owners of aircraft who are nationals of the Country in respect of flights performed wholly within India or from India to Pakistan.
17. Hand-spinning implements, such as, Box Charka, Kisan Charka, Big Charka (Pakhi), Carding Bows with striker, Bal Dhunki with striker, Spindles, Brass disk taklis, winders, Lapetas, Salai Pati, Takua Dorasti instrument Savering Board with Hata, Guts.		
18. Khadi handloom woven yarn and Khadi handloom woven cloth.		
19. Meat	..	Except when sold in sealed containers.
20. Eggs		
21. Goods sold to the State or district branches of the Indian Red Cross Society.		When the sale is supported by declaration obtained from the President or Secretary of the State Branch or President of the district Branches of the Indian Red Cross Society on the effect that the goods purchased shall be used for the purpose of the Society.
22. Dried Fish	..	Except when sold in sealed containers.
23. All fruits	..	Other than those which have been canned, preserved, dried or dehydrated.
24. Articles manufactured from Palm juice and Palm leaves, such as sugarcandy, syrup, confectionary, baskets, brushes and mats.		
25. Ambar Charkha and its spare parts.		
26. All mill-made fabrics made wholly or partly of cotton staple fibre, rayon, artificial silk or wool including processed fabrics made in the processing Mills and mill-made pure silk fabrics.		

(1)	(2)	(3)
27.	Sugar, refined sugar, Khandsari and Palmyra sugar.	
28.	Tobacco and all its products	
29.	Charts, publication, pamphlets and books published by the Publication Division of the Government of India, Ministry of Information and Broadcasting and by the Public Relations Branch of the Home Department of the Government of Orissa.	
30.	Cotton velvets and velveteens	
31.	Publications of the Utkal Khadimandal	
32.	Whole blood and blood plasma (liquid) sold by the Orissa Red Cross Blood Bank, Cuttack.	
33.	Poultry	

Source : Finance Department, Government of Orissa

APPENDIX 3

NUMBER OF TAXABLE STAGES OF SALES

Serial No.	Name of the commodity	Present rate of tax	No. of taxable stages of sales in Orissa
(1)	(2)	(3)	(4)
1.	Bullion and Specie	.. 1%	One
2.	Cotton waste	.. 5%	One
3.	Cotton yarn waste	.. 5%	One
4.	Artificial yarn, rayon, synthetic yarn	.. 5%	..
5.	Zari	.. 5%	One
6.	Groundnut and cocoanut-oil	.. 5%	Two
7.	Other oils	.. 1%	Two
8.	Oil-cakes	.. 5%	Two
9.	Chemical fertilisers	.. 5%	Two
10.	All machinery and spare parts and accessories thereto.	.. 7%	One
11.	Tinned or packed milk food, excluding fresh milk	5%	Two
12.	All kinds of wood and Timber	.. 5%	Two
13.	Fire wood	.. 1%	Two
14.	Charcoal	.. 5%	One
15.	Bricks and tiles	.. 5%	One
16.	Confectionary	.. 5%	One
17.	Biscuits and cakes and pastry	.. 5%	One
18.	Ivory and ivory goods	.. 7%	One
19.	Ice	.. 5%	One
20.	Fountain pens, fountainpen nibs, stylograph pens and propelling pencils.	.. 7%	One
21.	Wooden pencil	.. 5%	Two
22.	Coffee	.. 5%	One

(1)	(2)	(3)	(4)
23.	Tea ..	5%	Two
24.	Cement ..	5%	One
25.	Kerosene superior ..	5%	Two
26.	Kerosene inferior ..	1%	Two
27.	Cycles, cycle-rickshaw and parts thereof ..	7%	One
28.	Matches ..	2%	Three
29.	All leather goods including artificial leather goods and leather cloth. ..	7%	One
30.	Aerated water ..	5%	One
31.	Stainless steel sheets and articles made of stainless steel. ..	7%	One
32.	Alluminium, copper, bell-metal and brass sheets and articles made thereof. ..	5%	One
33.	Toilet soaps ..	7%	One
34.	Washing soap ..	5%	Two
35.	All clocks, time-pieces and watches and parts thereof. ..	7%	One
36.	Motor vehicles including motor cars, motor taxi cabs, motor omnibuses, motor vans, motor lorries, chassis of motor vehicles, motor tyres and tubes, spare parts and accessories of motor vehicles. ..	7%	One
37.	Motor cycles, auto-cycles, motor cycle combinations, motor scooters, motorettes and tyres, tubes and spare parts and accessories of motor cycles, auto-cycles, motor cycle combinations, motor scooters and motorettes. ..	7%	One
38.	Refrigerators, frigidaries and air-conditioning plants and component parts thereof. ..	7%	One
39.	Wireless reception instruments and apparatus, radios and radio gramophones, electrical valves accumulators, amplifiers and loud-speakers and spare parts and accessories thereof. ..	7%	One
40.	Cinematographic equipment including cameras, projectors and sound recording and reproducing equipment lenses, films and parts and accessories required for use therewith and film packs. ..	7%	One
41.	Photographic and other cameras and enlargers, lenses, films, film packs and plates, paper and cloth and other parts and accessories required for use therewith. ..	7%	One

(1)	(2)	(3)	(4)
42.	Binoculars, telescopes and opera glasses	.. 7%	One
43.	All Musical instruments and parts thereof	.. 7%	One
44.	Gramophones and component parts thereof and records	.. 7%	One
45.	Dictaphone and other similar apparatus for recording or reproducing sound and parts and accessories thereof	.. 7%	One
46.	Sound transmitting equipment including telephones and loud-speakers and spare parts thereof.	7%	One
47.	Electrical goods, instruments, apparatus and appliances including fans and lighting bulbs	.. 7%	One
48.	Electrical earthenware and porcelain and all other accessories	.. 7%	One
49.	Glassware and Chinaware	.. 7%	One
50.	Glass, bottles, lamps and lantern chimnies and earthenware pottery	.. 5%	One
51.	Spectacles and frames of all kinds	.. 5%	One
52.	Crookery	.. 5%	One
53.	Table outlery including knives, forks and spoons	7%	One
54.	Thermoflasks	.. 7%	One
55.	All arms including rifles, pistols, revolvers and ammunition for the same	.. 7%	One
56.	All items of furniture	.. 7%	One
57.	Foamed rubber sheets, cushions, pillows and other like articles	.. 5%	One
58.	Vegetable products	.. 5%	One
59.	Chemicals, drugs and medicines including indigenous medicines, herbs and roots used for indigenous medicines excepting quinine and cinchona febrifuge	.. 5%	One
60.	Paints and Varnishes	.. 7%	One
61.	Lubricants	.. 7%	One
62.	Dyes and Chemicals	.. 5%	One
63.	Tinned, canned, bottled or packed foods or provisions	.. 5%	One

(1)	(2)	(3)	(4)
64.	Camphor	5%	Two
65.	Perfumary, Cosmetics, pomades and all toilet	7%	One
66.	Furs, skins and articles made thereof	7%	One
67.	Cigarette cases, pipes and lighters	7%	One
68.	Fire works	7%	One
69.	Tin Zinc, lead alluminium (non-ferrous) slabs. bars, blocks, ingots or scraps	5%	One
70.	Plastic sheets and fabrics and articles made therefrom.	5%	One
71.	Umbrellas and parts thereof.	5%	One
72.	Jewellery set with precious stones, unset precious stones and real pearls.	7%	One
73.	Fish	3%	One
74.	Betel leaves	1%	Three
75.	Jute-products	7%	One
76.	Silk goods and silk-yarn	7%	One
77.	Cycles, cycle-rickshaw and parts thereof	7%	One
78.	Iron and steel safes and almirahs	7%	One
79.	Typewriters, tabulating, calculating, indexing card punching and duplicating machines and parts thereof	7%	One
80.	Perambulators	7%	One
81.	All articles and wares made of gold and silver or of species other than ornaments of personal wear made of gold or silver or with mixture of gold and silver without any addition of precious stones namely, diamonds, emeralds, rubies, real pearls and sapphires.	7%	One
82.	Imitation of gold or silver ornaments	7%	One
83.	Electroplated articles and wares and articles plated with gold and silver.	7%	One
84.	Ornaments of personal wear made of gold or silver or with mixture of gold and silver without any addition of precious stones, namely diamonds, emeralds, rubies, real pearls and sapphires.	7%	One

1	2	3	4
85. Ornamental metal-ware with enamelled or carved designs and gold and silver filigree other than those falling under item 84 above		7%	One
86. Sandal wood and blackwood.	..	7%	One
87. Toys, playing cards, equipments of all indoor games.		7%	One
88. Sports equipments for outdoor games	..	5%	One
89. Carpets, pile carpets including kalins and Galichas.		7%	One
90. Embroidery	..	7%	One
91. All woollen goods including woollen yarn and thread but excluding woollen fabrics and handmade kambals and handloom and powerloom woven woollen cloth.		7%	One
92. Sewing machines and knitting machines and parts thereof,		5%	One
93. Incandescent lamps and lantern and parts thereof and incandescent mantles.		7%	One
94. Marbles and articles made thereof		7%	One
95. Parasols and fittings thereof		7%	One
96. Saccharine		7%	One
97. Socks and stockings of all varieties		7%	One
98. Adreama machines		7%	One
99. Ready-made garments and other articles for personal wear in which the weight of cotton is less than fifty per cent.		7%	One
100. Ladies handbags and other types of vanity bags	..	7%	One
101. Aeroplanes	..	7%	One
102. Hardware goods	..	5%	Two
103. Books other than text books	..	5%	One
104. Spices and condiments	..	5%	Two
105. Stationery articles	..	5%	Two
106. Mirrors, combs, ribbons, nail clippers, Razors, tassels, ties, collars, pad locks, trunks, suitcases, blades, horn goods, ready-made bed pillows, mosquito curtains, stoves, cookers, walking sticks.		5%	One
107. Sugarcandy, Betel-nuts	..	5%	Two

1	2	3	4
108.	Rice	.. 1%	Three
109.	Paddy	.. 1%	One
110.	Cereals and pulses including all forms of horsegram, blackgram, peas, mung, arhar, masur, ragi, (Mandia) khesari, millet, bajra and jowar, wheat, oats, barley, maize, powdered or broken pulses, sago, besan and sattu.	1%	Two
111.	Flour including atta, maida and suji	.. 1%	Two
112.	Gur and molasses	.. 1%	Two
113.	Cocoanuts	.. 1%	One
114.	Potatoes and onions	... 1%	One
115.	Declared goods like oilseeds, jute, hides and skins, iron and steel, cotton, cotton yarn, coal and coke being subjected to 2 per cent single point tax are not liable for multipoint tax.		

Source : Commissioner, Commercial Taxes, Orissa

CHAPTER VI

Land Revenue and Cess and Agricultural Income-tax

At the outset we may take note of the main features of the present situation in regard to Land Revenue. We may also summarise the salient points that have emerged from the written and oral evidence tendered to us.

2. As we have seen in Chapter II, Land Revenue & Cess together constitute by far the largest single item among State Taxes. Secondly, as explained in Chapter III, it is to land in general and land revenue in particular that the State Government has to turn for raising a substantial part of the resources required on the Revenue Account for the Third Five-Year Plan. According to the National Council of Applied Economic Research, Agriculture accounts for more than 50 percent of the State income of Orissa, while its share in the national income of the country is slightly less than 50 per cent. From the point of view of the State's own powers too, Land Revenue is the prime source. We shall presently consider whether there is sufficient scope for this item to rise equal to the expectations so raised. Thirdly, we have learnt in Chapter IV that the incidence *per capita* and *per acre* in Orissa is comparatively lower than in most States.

3. We have found a general consensus of opinion on the following points among the witnesses we have examined and the answers we have received to the questionnaire.

(i) At present there is considerable disparity between one district and another and sometimes between one part and another in the same district. The first step of reform, therefore, should be to remove these disparities.

(ii) There is scope for revising Land Revenue rates upwards and for raising a considerably larger amount than at present under this head during the period of the Third Five-Year Plan, the main factors justifying upward revision being the rise in agricultural prices and improvements in communications and transport.

(iii) Removal of disparities and enhancement of the rates have to be considered together as parts of one integrated scheme of rationalisation and settlement is the only acceptable method. In the following paragraphs we shall consider these 3 points in detail.

4. The disparities referred to are but a reflection of the manner in which Orissa came to be constituted as a separate State. Each area brought with it its own system of land revenue with the result that different systems have been prevalent in different parts of the State. Large areas in the districts of Cuttack, Puri and Balasore are under the Bengal system of land revenue, as they originally formed part of the Bengal Province. For the major part, they used to consist of permanently or temporarily settled Zamindari estates and the tenures, etc., are governed by the provisions of the Orissa Tenancy Act, 1913. The small area that remained was directly managed by Government and called Khasmahal but the principles of rent settlement were not different from those of Zamindari areas. The Sadar and Bargarh Subdivisions of the Sambalpur district and the Nawapara area of Kalahandi district came to Orissa in two instalments with revenue and tenancy laws similar in nature but different in certain aspects. Central Provinces Land

Revenue Act, 1881 and Central Provinces Tenancy Act, 1898 applied to Bargarh Subdivision and Sadar Subdivision except Mahadevpalli Police Station, while the later editions of the same Acts, i.e., Central Province Land Revenue Act, 1917 and Central Provinces Tenancy Act, 1920 applied to Mahadevpalli Police-Station of the Sadar Subdivision of Sambalpur District and Nawapara area of Kalahandi district. Ganjam and Koraput Districts have brought with them the Madras system. In a portion of Ganjam District Rayatwari system prevails and land revenue is settled directly between the tenant and Government. The rest of this district and the entire area of Koraput were covered by Zamindari Estates and governed under the Madras Estates Land Act. The agency areas of Ganjam District, which are unsurveyed, present a different picture. There are Mutha Heads or Hill Chiefs in these areas, who pay some Nazarana to Government and collect Mamuls from the Tribal people. It has been decided to abolish Mutha Heads but much progress has not been made in this direction due to the appeal pending in the Supreme Court challenging the authority of Government to abolish the system by an executive order. The system prevailing in the Balliguda Subdivision of Phulbani District is similar to that in the Ganjam Agency. The Khandmals Subdivision of Phulbani and the Angul Subdivision of Dhenkanal District being scheduled areas are under another set of laws called the Khandmals Laws Regulations and Angul Laws Regulations, 1936 respectively. The princely States have added to the diversity in a large measure as the systems prevailing in each State under their own laws or customs have been continued under the Orisas Merged States (Laws) Act, 1950.

5. Broadly speaking, the systems in vogue may be classified into three categories, firstly the Zamindari system in which the State had no direct dealings with the tiller of the land and contented itself with claiming from the Zamindar or the Estate-holder a lump sum fixed in perpetuity or for a period; secondly the village system under which a farmer of revenue, be he called Gountia, Pradhan, Sarbarakar, etc., was made responsible for payment of the demand of the entire village, he being authorised to collect the amounts due from each of the tenants; and thirdly the Rayatwari system in which the amount payable by each tenant is settled with him by Government at periodical intervals on the basis of a detailed assessment. During the last few years, steps have been taken to abolish the first two systems and establish direct relations with the tenants as in the third system. All the permanently and temporarily settled estates have been taken over by Government under the Orissa Estates Abolition Act, 1950. A few revenue free estates only still remain. We have been told that Government have decided to take them over as soon as possible. Similarly, the system of collection through Gountias, Pradhans, etc., is being abolished and Naib-Tahsildars appointed to collect rent directly from the tenants. In short, the State has been moving towards the rayatwari system. This is indeed the direction indicated by the Taxation Enquiry Commission (1953-54) in its Report.

"...the orthodox rayatwari settlement is of more than usual significance to-day, all the other systems are tending to converge to it and the future of the rayatwari settlement may be regarded as the future of the land revenue system of India as a whole".

(Report Vol. III, page 212, para. 12)

Thus with intermediaries removed for the most part and the right path chosen, the stage is now set for rationalisation of the incidence and burden of land revenue.

6. The disparities may be traced to two causes. Firstly, different sets of laws led to the application of different principles and practices of settlement to different areas resulting varying levels of assessment. The prevailing rates may be seen in the statement in Appendix 1 to this chapter. Secondly, the time lag between the settlement of one area and another, and the postponement of resettlement operations much beyond the due dates in most areas have kept the rents out of tune with agricultural prices and other developments. Appendix 2 at the end of this chapter shows the particulars of settlement operations last completed. These causes, it may be added, are not altogether peculiar to Orissa. The Taxation Enquiry Commission (1953-54) who surveyed the all-India scene drew attention to the existence of similar conditions in several States. They made certain suggestions for the consideration of State Government. Now we may review the action taken by Government of Orissa on the suggestions of the Commission and see if it is adequate in the circumstances and what further action is necessary for the immediate lessening and eventual elimination of disparities.

7. The Commission recommended as follows:—

(a) The present levels of assessment should first be standardised over the State as a whole on a simple and *ad hoc* basis.

(b) The settlement units in the State should be divided into four categories according to the price levels prevalent at the time of last settlement and the existing assessments in each category enhanced by a fixed percentage. The highest rate of increase, in their view, might not exceed 25 per cent.

(c) The assessments standardised in the above manner should be revised once in 10 years with reference to changes in the price level.

(d) The scheme of standardisation can be implemented only in areas where the lands have already been surveyed, classified and settled. In other areas, the essential operations of survey, classification and initial settlement will have to be undertaken on an emergent basis with the help of extra personnel borrowed from the first category of States and completed early.

8. The State Government examined the above recommendations and drew up the Orissa Standardisation of Rent Bill. It sought to raise the existing rates on a graded scale, with annas 8 as the minimum of rent and Rs.3-12-0 as the maximum. The details of the increase contemplated are as follows:—

Existing rates	Standardised rates
Up to 4 annas	8 annas
5 annas to 1 rupee	will be increased by 100
Re. 1 to Rs. 1-5-0	will be brought upto Rs.2
Re. 1-6-0 to Rs. 2	will be increased by 5 %
Rs. 2 to Rs. 2-5-0	will be increased upto Rs. 3
Rs. 2-5-0 to Rs. 3	will be increased by 25 %
Rs. 3 to Rs. 3-12-0	will be brought upto Rs. 3-12-0

It will be seen that the above proposal is substantially different from the scheme of standardisation suggested by the Commission. Although it was conceived as a simple, *ad hoc* and statewide scheme in the terms of the Commission, it paid no regard to the price periods by which the Commission laid great store.

The bill was not, however, proceeded with as in subsequent discussions serious difficulties came to notice. It was found that in the existing state of record-of-rights it would be difficult to implement the scheme.

Records-of-rights not up-to-date.

The records are very much out of date in most parts of the State. It only in Koraput, the former zamindari estates of Ganjam, Khurda Khasmahal, Angul Subdivision and Kalahandi district that the records can be said to be reasonably correct.

In these areas the preparation of new records-of-rights has been undertaken in recent years. The records in the rest of the State date back to settlements of 30 or 40 years ago. The rules relating to correction and maintenance between Settlements have not been observed faithfully, with the result the work has fallen into arrears. The situation has gone completely out of hand especially in the coastal districts of Cuttack, Puri and Balasore where the number of intermediaries has been large. The law cast on the intermediary the duty of maintaining the rent roll up-to-date. But taking advantage of certain loop holes in the law and the absence of an adequate supervisory revenue administration most intermediaries have failed to maintain the record-of-rights accurately. Even in the instances where the records have been maintained as required, they have not become available to Government after the abolition of the estates. As a result even day-to-day administration has been hampered in some places. To standardise the rents against this background has been held to be a wellnigh impossible task. It was therefore considered necessary that as a first step the records should be brought up-to-date. Accordingly Government sanctioned special Milan Khasra operations. It has since been decided to develop these into a full-scale revision of records-of-rights. We have been informed that except in certain areas in Gonjam, Keonjhar, the irrigated areas of Sambalpur and some small ex-State areas where a full-fledged settlement with cadastral survey has to be undertaken the record-of-rights can be brought up-to-date through the revision operations developed out of the Milan Khasra pattern.

10. Besides, it was argued by some that although the bill purported to aim at standardisation, its scheme was more in the nature of a graded surcharge than standardisation and suffered from the same defects as a simple surcharge which had earlier been discarded as unsuitable in the conditions of Orissa. It was also said that unlike the scheme of the Taxation Enquiry Commission, the bill cut across the various settlements and in doing so followed no economic principle such as price levels of these settlements. In their view, it is important that the nexus between settlement and rent existing in the minds of the peasantry should be preserved. In the conditions of Orissa, they held, the bill would accentuate the disparities rather than lessen them. It cannot be gainsaid that there is some force in these arguments.

11. We may now see whether the formula of the Taxation Enquiry Commission is suitable. According to it, the assessment of a zone (taluk) should be raised by a percentage ranging from $6\frac{1}{2}$ per cent to 25 per cent on the basis purely of the price level of the period during which the last settlement was done. It is not clear whether the increase in assessment should be calculated on each individual holding, each class of land or the zone as a whole. In the conditions of Orissa, none of the three will provide a satisfactory basis. Existing rents

The formula of the Taxation Enquiry Commission also not suitable.

Short coming of the Bill.

are accidents of history and products of different systems, principles and practices. They can hardly be taken as the starting point for standardisation on a simple price period formula. As the matter is rather important we wish to explain in some detail :

(a) *Individual holding*—The principle of limiting the increase in the rent of an individual holding is not unknown to the revenue laws of the State. The Orissa Tenancy Act and the Madras Estates Land Act contain provisions limiting the increase to annas 2 in the rupee once in 15 years in respect of the rent of a class of land. But in actual working these provisions have only perpetuated the inequalities in individual assessments instead of evening them out. For, the first settlement of rent on the tenant under both the Acts was very much an accident. In most cases the rents prevailing at the time of settlement were continued on the presumption that they were fair. It is only in a few cases where the rates were felt to be too high that they were refixed at a lower level. This basic inequality that was thus brought into being was not corrected in subsequent settlements. In the Western portions of the State where the Central Provinces Land Revenue system prevailed similar initial errors were committed and the village rent was fixed on the basis of Chouth levied by the Marathas. Although some equality was achieved in assessments on individual tenants through the application of an excellent soil factor system the disparities in the village rent themselves could not be corrected. In fact, the entire approach of the Central Provinces settlement operations was to even out this difference between one village and another. This trend was unfortunately not maintained in the last Sambalpur settlement. The problem is more or less the same in the former princely States which followed the Central Provinces system.

(b) *Class of Land*—It is found that there is considerable disparity in the rents fixed for similar lands in the former princely States on the one hand and the adjacent areas of Orissa on the other. Further, in the entire coastal area class of land was not very relevant for the fixation of rent in the old settlements. In fact, in many of the settlements the class of land has not been entered in the record accurately.

(c) *Zone*—Zonal assessment of the last settlement will not be a reliable guide as radical changes have taken place during the last 30 or 40 years. New lands have been brought under cultivation and the irrigated acreage has gone up. In the past, the revenue system was attuned to the need of finding cultivators for the lands. In some areas rents were fixed low with a view to encourage more land being brought under the plough. If zonal assessments made on the basis of the outmoded facts are used as the basis, the inequalities between one zone and another will be given a fresh lease of life.

12. The above discussion brings us to the conclusion that the problem of disparities of rent in Orissa is too complex and deep-rooted to be solved by simple devices. The time-honoured procedure of settlement appears to be the only satisfactory method by which we can ensure over a period of time that lands in a similar class and with similar facilities will pay the same rent in all parts of the State. Settlement is necessarily a time-taking process and the progress towards the goal may have to be made by stages. For this purpose, three things appear to be essential. Firstly, principles for fixation of equitable rent should be fixed and applied uniformly throughout the State. Secondly, the procedures of settlement should be simplified with a view to speed up the entire process. Thirdly, a wellthought-out programme has to be drawn up in fixing priorities among areas.

13. Already the State Government have taken some steps to unify the law on the subject. The Orissa Survey and Settlement Act, 1958 (Orissa Act 3 of 1959) was brought into force on 15th December 1960 and as a result, the corresponding provisions of a number of Acts stood repealed. Under Section 11, Government have taken the power to order revision of the record-of-rights at any time without waiting for long periods of 15 or 20 years. Section 19 of the Act has laid down the main aspects Government should take into account while prescribing the principles for fixing fair and equitable rent.

They are as follows—

(a) the average price of crops during the preceding ten years other than the years which the Government may notify to be or to have been either famine years or abnormal years in respect of any local area;

(b) crop or crops normally grown on such land;

(c) situation of land and the nature of the soil; and

(d) the maximum rent assessed on land of similar quality and productivity elsewhere in the State. No maximum has been laid down in the Act for the increase in rent at successive settlements. This is in contrast with the provisions in the Orissa Tenancy Act and Madras Estates Land Act to which we have referred earlier.

14. Now that the law has been unified the principles of fixation of rent may also be unified. A brief resume of the principles now in vogue in different areas will be useful for evolving a uniform set of principles for future application throughout the State. Firstly, in the Bihar and Orissa system of settlement, which has been adopted substantially in the areas covered by the Madras Estates Land Act, the theoretical rent for a class of land in an area is fixed on the basis of crop cutting experiments which give an indication of the yield of such land under normal conditions. The gross produce is then valued on the basis of the average price of the commodity in the ten normal years previous to the settlement. Thereby, the risk of fixing rent for a long period on the basis of an accidentally high price of a particular year is avoided and the secular or long-term trend only is taken into account. Deductions are made from the gross produce on account of cost of cultivation, cartage and merchants, profit and vicissitude of the season to arrive at the net value. One-half to one-third of that figure is then fixed as the theoretical rent for an acre of that class of land in that area. So far, the principles are very sound. But, unfortunately in practice, the rent fixed for a piece of land has not been co-related to the theoretical rent for that class of land in view of the statutory limitations on increase of rent. Where initially the rent of the holding had been fixed low by the land-lord under his power to settle new lands at rates different from the prevailing rate of the village, settlement after settlement could only widen the gap between the actual rent and the theoretical rent.

15. In the second system which may be called the Sambalpur system, the relative productivity of the various classes of land found in an area is fixed in terms of soil factors. The villages are to be classified into units on the basis of the quality of soil, the proportion of first class lands, rainfall, irrigation and marketing facilities. The numbers are to be so fixed that the village unit multiplied with soil factor gives the rent per acre of the class of land in annas. But such theoretical perfection is still a target to be achieved. In actual practice, the village unit has been fixed on the basis of the incidence of rent and not on the theoretically determined relative values of the villages. The incidence of rent of a village at the start of the settlement was a matter of accident and had no relation to

the theoretical value of the village on the basis of productivity. It may be recalled that the land revenue system of Sambalpur was evolved out of the Chouth system of the Marathas. The Chouth was but a haphazard assessment based on a rough and ready appraisal by the various subordinates of the Marathas Confederacy. Villages in the interior managed to escape scrutiny and those on the main roads bore the brunt. In the first settlement the number of soil units of the lands of the village was totalled up and the rent paid by the village was divided by the number of the soil units of the village to derive the village unit. In order to even out the disparity of the village units in a zone of more or less uniform productivity and marketing facilities the villages in the zone were grouped together and a general averaging up of the village units to the theoretical optimum done. Thus, attempts were made to correlate the village unit system and the actual rents without drastically raising the rent of any village and facing agrarian unrest. The Nethersole and Dewar Settlements of Sambalpur tried to make the village unit system an instrument of perfection. But in the Hamid Settlement of 1923 the basic principles were forgotten with the result that confusion has been created in regard to the relative position of villages. In the Central Province, however, the village unit system was developed further. It is interesting to note that the improved rules of the system were followed by the Kalahandi Durbar in the settlement carried out from 1922 to 1931. The grouping of village units towards the theoretical optimum of the zones was greatly speeded up as a result. We understand that these principles will be followed and developed further in the forthcoming settlement operations in the ex-Zamindari areas of Kalahandi district so that the process of equalising the village units for similar classes of villages with the theoretical optimum will be taken a few stages further. In earlier years, the soil factors used to be based on a single food crop but now it is necessary to take into account the prevailing production practices. We are told that already such an attempt has been made in the recent settlement of Sonepur and Kalahandi. We agree that continuous efforts should be made to improve the system so as to enable it to reflect the present level of productivity of the various classes of land.

16. We feel that the two systems of settlement described above have a number of common features of great value and these can easily provide the main ingredients of a uniform system for the State as a whole. Indeed, such a system will have to be fashioned as an instrument for removing the hated disparities and rationalising the rates. We recommend that the entire State be divided into compact and homogenous zones and lands in each zone be classified according to their relative productivity which should be determined on the basis of crop-cutting experiments. The villages in a zone may then be classified into three or four classes by taking the following factors into account:

- (a) quality of soil and proportion of first class lands,
- (b) the level of the lands, i.e., whether they are mainly on a high level or low level,
- (c) rainfall,
- (d) irrigation facilities,
- (e) proximity to railhead and market, and
- (f) periodicity of drought and flood.

In other words, a suitable soil factor system should be evolved for the various classes of land in the State with reference to their relative productivity

and a system of village units should be developed with reference to the relative advantages of villages. Then only will it be possible to ensure that all lands enjoying the same "net advantage" do pay the same rent.

17. We recognise that the evolution of the system outlined in the above para will take time. For one thing, the number of crop-cutting experiments to be conducted for the purpose will have to be very large and they have to be spread over a period of time if seasonal peculiarities of one year are not to exaggerate or vitiate further calculations. We understand, the Board of Revenue and the Bureau of Statistics and Economics have been conducting crop-cutting experiments during the last two years. The data collected by these organisations should be carefully scrutinised and future operations planned with a view to fill the gaps in respect of areas and crops. We feel that all the necessary data can be obtained in the course of the next two years if organised efforts are made in this direction. For such settlements that will fall due in the meantime, the relative position of the zones can be roughly determined on the basis of a quick appraisal of the existing data. We further suggest that while keeping the State-wide relativities in view, rationalisation may be attempted in two stages. In the first stage the aim should be to rationalise the rents within the Zone. In the second, removal of inter-zonal disparities should be the objective. The second stage of operations should begin not later than five years from the conclusion of the first. Such a phasing would, in our view, meet adequately the administrative difficulties of finding trained personnel of the required number as well as the practical objections against sudden and large increases in some areas on the basis of the new principles.

18. We now proceed to consider how much of the produce the State can legitimately take as land revenue. According to Manu, the State's share in the hoary past was generally one-sixth of the gross produce. In times of emergency, such as war, it used to be raised to one-fourth. Being a share of the gross produce, its determination was easy and no complicated calculations of the relative fertility of the lands and cost of cultivation were necessary. As the Taxation Enquiry Commission observed, "whatever was produced was heaped on the floor and the division was made in the presence of the king's officers. In a bad year, when the crops failed and there was no produce, relief was automatic". Although in due course complications arose with the growth of population and extension of cultivation and increasingly complex devices had to be employed to calculate the State's share, the percentage, the State could claim according to Manu, continued to be adopted without much change by Governments and accepted by the peasantry. In fact, till recently, a part or whole of the State's share was being collected in kind in some areas. Of late, this method has been severely criticised and the peasantry have been pressing for the conversion of produce rent into cash rent. Although in certain circumstances the system of produce rent has in-built safe-guards as explained above, it suffers from other serious defects. With increasing diversity in the pattern of crops, it has become difficult to calculate the produce rent in terms of the main crop only and the simplicity of the system is lost. It is also difficult for the State to organise proper storage of the produce collected and ensure an efficient administration of the stocks. In these circumstances, we do not recommend the reversal of the present trend to replace the produce rent by cash rent.

19. The next questions are whether the State's share should be fixed on the basis of gross produce or net produce and at what rate. After careful consideration, we have come to the conclusion that for theoretical as well as practical reasons the net produce is a more satisfactory basis. For working out the net produce, deduction should be made from the gross produce for (a) cost of cultivation,

(b) cartage and merchants' profit and (c) vicissitudes of season. At present, actual costs of cultivation are estimated carefully and not less than 33 1/3% of the gross produce is usually deducted on this account. Similarly, cartage and merchants' profit are estimated on the basis of the communication and marketing facilities available and the normal difference between the price in the nearby market and the village price. The maximum deduction against this item is 15 per cent of the gross produce. For the third factor, consistent with local conditions deductions range between 6½ per cent of the gross yield on wet lands and 25 per cent on rain-fed and dry lands. To illustrate from actual experience in four zones of Koraput district, deductions of all kinds have worked out to 56 per cent, 63 per cent, 71 per cent and 79 per cent. In our opinion Government should take as their share one-third of the net produce thus arrived at. We recommend the adoption of these principles all-over the State in all the current and future settlements.

20. We notice that in the recent settlements undertaken in Orissa, the average price of the commodities in the ten normal years preceding 1942 has been adopted for converting the State's share of the produce into money and fixing cash rent. This principle, we have been told, is based on the expectation that the price level was abnormal during and after the war and in future the price would settle down at lower levels. With the inflationary pressures of mounting public expenditure and the trend of the growth of population at a rate relatively higher than increase in food production, it is not likely that the price level will fall drastically in the near future. We are convinced that there will always be a secular rise. We do not, therefore, find any justification to make a departure from the normal rule of settlement that the average price of the ten normal years immediately preceding the settlement should be the guiding price. We, therefore, recommend that the practice hitherto followed should be done away with and the usual rule followed in all current and future settlements. A year may be considered abnormal only when factors like drought or extraordinary market phenomena push up the prices for short periods to levels inconsistent with the general trend of the period. Earlier, we have recommended that allowance should be made for abnormal conditions in the calculation of the theoretical or standard rent as well as in determining the net produce. These precautions should, in our view, be sufficient to prevent the fixation of rent from being influenced unduly by abnormal conditions prevailing in one or two years.

21. Hitherto, the practice in some areas has been to limit the increases in rent to 25 percent of the previous rent in respect of the class of land and 100 per cent in the case of a holding. In some others, for example, some princely States, this limitation was done away with long ago, that is the early settlements of 1920 to 1930. The question whether some limitation should be placed on increases during the current and forthcoming settlements has to be considered from the point of view of the large number of witnesses who have pressed before us the urgent need for speedy rationalisation of rents. We have already pointed out that in a large number of instances the existing rents are accidents of history and are for that reason inequitable. To adopt the principle of limitation is, therefore, to perpetuate what is found to be inequitable. It will detract materially from the scheme of rationalisation by stages we have recommended. Besides, a limitation on the increases in the rent of a holding will prevent the State from getting its legitimate share from the lands reclaimed since the last settlement. Considering that in the majority of the areas last settlements were held 30 to 40 years ago the State will stand to lose a great deal indeed. There can be no reasonable objection to the assessment of newly reclaimed lands at the fair rate fixed for the settlement. This apart, the holdings too might have undergone radical

changes due to the upgradation of the class of land as a consequence of irrigation and other facilities provided by the State. In view of these reasons we recommend that no artificial limit need be laid on the increase at the time of settlement.

22. We are also not in favour of the suggestion made by some witnesses to fix a minimum rate of rent. For, like the maximum, the minimum too will interfere with the scheme of rationalisation. We do not see any theoretical or practical justification in support of including the principle of minimum among the principles of settlement. In fact, no rule should be framed which could not reconcile or integrate with the basic principles of relative productivity and net advantage that we have laid down in the earlier paras.

23. Once the assessments are standardised in the manner indicated in paras. 16, 17 and 19, we feel, revision should be undertaken at intervals of 10 years instead of 30 or 40 years as at present. The Taxation Enquiry Commission have also suggested decennial revision on the ground that "many of the difficulties which have arisen and much of the inelasticity of land revenue receipts may be traced to a period of guarantee which in the changed price conditions has proved to be unduly long." We may add that the various development programmes such as, improvement of communications, construction of irrigation works, etc., undertaken as part of Five-Year Plans have often the effect of changing the condition of lands radically and it is only reasonable to take account of the new conditions at intervals of at least ten years of such Plans.

24. We do not, however, agree with the Taxation Enquiry Commission that the decennial revision may be done by adjustments in the rent of holdings on the sole basis of rise in prices. We feel that any attempt at a rough and ready revision of rent merely on the basis of prices will ultimately lead to the same difficulties which face us at present and in due course, the cry of disparities will be heard again. Holdings change hands continuously. They are split and some times additions are made. Lands also change classes and possibilities of such changes are great and frequent when the State deliberately sets out to provide improved economic facilities. Rent cannot be fixed equitably unless all these changes are recorded in the record-of-rights and taken note of. It is, of course, necessary that a proper organisation is built up for regular correction and maintenance of record-of-rights during the period after the settlement. While we concede that the existence and proper working of such an organisation will lessen the work to a great extent at the time of decennial revision. We cannot envisage a situation in which the need for undertaking revision of the record-of-rights at intervals of ten years will be completely eliminated. We recommend that every decennial revision settlement should be preceded by a revision of the record-of-rights unless a test check shows that the changes in the classification of land have not been very numerous, especially in relation to the relevant economic amenities provided by the State during the interval and that the records have been maintained reasonably correctly with reference to the changes that took place in the composition of the holdings. We wish to emphasise that it is very important to ensure the correctness of the record-of-rights and for this purpose special steps are taken at every settlement as well as during one settlement and another.

25. It has been represented to us that the present system of carrying out mutation of records free of charge is not conducive to the development of a proper administrative system for the maintenance of records. The present system was first introduced with a view to protect the tenants against harassment by land-lords or intermediaries. Originally, the land-lords had the right to demand a mutation

fee which was as high as 25 per cent of the transfer fee for sale and transfer of holdings. This initiated transfer of occupancy holdings. One of the first measures of tenancy reform taken in the thirties was to abolish this privilege of the land-lords. Thereafter it was found that mutations were being refused unless the land-lord was satisfied by payment of an illegal abwab. In order to prevent harassment of this kind, it was provided in the law that mutation shall be free. Government too, gave up the right to demand a mutation fee in areas directly managed by the State. In ex-State areas a mutation fee was not considered in proper for a long time, but the reforms introduced in the coastal districts were subsequently extended to these areas and mutation fee was abolished. We are informed that despite the facility of free mutation the record-of-rights taken over from the intermediaries on the vesting of the estates in Government left much to be desired. It is possible that in practice the tenants seeking mutation were being called upon to pay illegal charges. During the evidence taken at Balasore, we learnt that the law on the subject had some loopholes with the result that land-lords were able to refuse mutations in the case of holdings which were split. More important than the law is the machinery of enforcement. In the revenue administration of the Zamindari days, there was little or no staff for checking the working of the law. We have also learnt loss of interest in land among the land-lords in view of the impending liquidation of their rights. This has contributed in no small measure to the confusion. The situation appears to be no better in Khasmahal areas which was directly under the management of Government. It is against this background we have to consider measures of improvement in future. A strong and permanent organisation should be established all over the State for carrying out mutations annually or biennially through local enquiry or otherwise. Of course, initiative has to come from the person to whom the land passes. As one's right to the land depends very often on his name being recorded properly in the record-of-rights, we should ordinarily expect the tenant to take full advantage of the machinery which the State may provide. Mutation is, therefore, an important service that the State renders to the tenants. It is only fair that a fee is levied to meet the cost of the service. It may be fixed at 50 nP. for each mutation application. In addition, Amin charges may also be levied where holdings have been partitioned and maps are prepared for each part of the holding after local inspection. In recommending these fees, we are influenced by the fact that the considerations that led the Government in the past to make mutations free are no longer valid in view of the direct relationship now established between the State and the tenants. We also attach weight to the principle that for specific services rendered, the State is entitled to charge fees at appropriate rates.

26. Under the various Acts governing settlements in the past provision existed for dividing the settlement charges between the land-lord and tenants on reasonable basis. The latest Act of 1959 also contains similar provision. We understand from the Board of Settlement charges. Revenue that full settlement with Cadastral Survey will cost Rs. 3-8-0 per acre and the revision settlements now being done will cost Rs. 2-8-0 per acre. Costs of settlement depend to a very large extent on the number of changes that have to be entered in the record-of-rights. These are bound to be numerous if a settlement is taken up after a long interval and if in the intervening period mutation operations have not been conducted satisfactorily. We therefore feel that once systematic settlements are undertaken and record-of-rights maintained as advised by us in earlier paras, the cost of revision settlements that follow at decennial intervals is bound to fall. The State as well as the tenants benefit by an up-to-date record-of-rights and in our view, it is only fair that the settlement charges are shared by them equally. The few intermediaries that still exist may have to be abolished without further delay. At any rate, in view of the pending abolition no part of the settlement charges needs be levied on them. In this connection, we also like to warn against the tendency of the past to spread out

settlement operations in an area over a long period. A prolonged settlement always means unnecessarily high charges. It will indeed be a relief to the tenants if the State can plan the operations, obtain the trained personnel in the required numbers and in proper time and bring the operations to a conclusion as quickly as possible. A rent settlement should not ordinarily take more than one year from the date of final publication of the record-of-rights.

27. If the settlements now in progress and the new settlements that will be started in the next few years are carried out on the principles described above, we expect that the land revenue will be almost doubled. The present annual demand being Rs. 1.75 crores it will reach the level of Rs. 3.5 to 3.75 crores when settlement of all the areas are completed. We consider this rate of increase reasonable and feasible. In table 4 of Chapter IV we have noted that the incidence of land revenue per acre in 1959 was Rs. 1.39. If this is doubled it will stand at Rs. 2.78. This represents only a small percentage of the average yield per acre of the principal crop, i.e., rice. According to the survey conducted by the Bureau of Statistics and Economics, in the Kharif year 1959-60 the average yield of rice per acre is 10 maunds. At the rate of Rs. 10 per maund the yield of an acre in terms of money will be Rs. 100. Even with the increased demand of land revenue it will remain but a small percentage of the value of the gross produce. This matter may be looked at from another angle, i.e., classes of land. The total acreage of land growing medium and long-term paddy is estimated at 92.35 lakh acres. Of this, more than 20 lakh acres will enjoy almost perennial irrigation from the systems of Hirakud, Salandi and Rushikulya. Some more will be irrigated by other medium and minor projects under execution. The rest, though rainfed, grow a good paddy crop. In addition to the above, there are 13.10 lakh acres which grow short-term varieties of paddy. A total land revenue demand of Rs. 3.5 to Rs. 3.75 crores will be equivalent to a rent of Rs. 5 per acre of perennial irrigated lands, Rs. 3 on other Sarad lands and about Re. 1 on lands growing short-term paddy and other lands. These rates can hardly be considered excessive, particularly in view of the prevailing prices and the position of produce that forms the fair share of the State. These rates will be nowhere near the theoretical optimum that can be fixed in accordance with the principle enunciated by us. But a good beginning will have been made in the direction of rationalisation and proper conditions will have been created for developing the resources necessary for the Fourth Plan.

28. One of our terms of reference being location of resources for the Third Five-Year Plan we examined closely the possibility of finding a method for augmenting the receipts under land revenue during the next 5 years. One way is to levy immediately on the existing rents a surcharge to be absorbed in the rent to be fixed as a result of settlement. A large majority of witnesses expressed themselves against this method. We too felt that surcharge will be open to the same objections as the scheme of standardisation that the Government considered and dropped two years ago. For weighty reasons, administrative as well as psychological, the idea of surcharge may be rejected as unsuitable.

29. We suggest the following measures for increasing the receipts under land revenue in the near future;

Suggestions to increase land revenue quickly.

(a) Settlement may be taken up first in areas where large increases are possible. The programme prepared by the Board of Revenue at our instance are given at Appendix 3 is commended.

(b) The present practice of enforcing the revised rent from the beginning of the agricultural year next following may be given up and it may be brought into force from the year in which the rent settlement is announced. On the time table of past settlements the new rule will bring to the State two or three years of revenue that is now being lost. But in terms of the revised time table suggested by us it will save for the State a year's rent.

(c) All revenue-free estates should be assessed as a matter of priority. If special legislation appears necessary for enfranchising these estates this should be undertaken immediately and completed without delay. Incidentally, such a step will also be in the best interests of the small estate holders.

(d) Considerable income can be obtained from a speedy assessment of unassessed lands particularly, waste lands which were encroached upon in recent years. The encroached lands may be settled with the occupiers or others according to the procedure of such land settlement unless settlement of such lands is objectionable on public or other such grounds. The State may collect from them value of these lands in part or in full. If the economic conditions alone should prevail full value should be collected. But if on social considerations such lands are decided to be resettled with the weaker sections of the population, the question of recovering the value of the lands may have to be reconsidered by Government.

30. Some witnesses pointed out that although in the existing rules there is provision for giving remissions in the event of serious failure of crop on account of drought or floods, such remissions have been rarely given in actual practice. Considering that in the present conditions of Orissa serious failures are not infrequent and land revenue will hereafter be fixed strictly on the basis of relative productivity in accordance with our recommendations, it is essential that the rules relating to remissions are enforced strictly and relief given to land-holders stricken by natural calamities.

31. Now we shall briefly consider the view advanced by some that as a tax land revenue or rent is inequitable and will have to be replaced by a system under which holdings below a certain minimum acreage should be exempted from all levies and larger holdings be taxed at a rate higher than the small holdings. This committee is not the first to be called upon to consider this view. This was also before the Taxation Enquiry Commission, who after careful consideration had rejected it as totally invalid in our circumstances. To quote their words, "the issue of equity is important only if land revenue at the present levels of assessment can be regarded as an unduly heavy burden on a majority of farmers". Further they say that "it seems to us obvious that none of the alternatives cited can be an effective substitute for land revenue from the point of view of the finances of State Governments, though some of the measures suggested such as agricultural income-tax may indeed be extremely appropriate as features supplementary to land revenue itself. It is only necessary to recall that in most States, the proportion of the number of holdings under five acres to the total holdings is more than 50 per cent while those under ten acres account for 75 per cent, in order to realise how inadequate agricultural income-tax would be as a substitute for land revenue from the standpoint of the revenues of State Governments. To this consideration would have to be added the important development implied in recent land reform policies; those policies will

Unsuitability of agricultural income-tax as a substitute for land revenue.

have the effect of further reducing the number of large holdings and consequently of large incomes from agriculture. Agricultural income-tax will undoubtedly be significant as making for the greater equitability of land taxation as a whole inclusive of land revenue; it obviously cannot replace land revenue in the sense of substituting a roughly equivalent source of income for State Governments". In addition to the fiscal grounds, it is necessary to remember that from its very origin land revenue has always been treated as flowing from the right of the community to land. The Land Revenue and Land Tenure Committee, Orissa, who examined the entire background of land revenue and land tenures have observed as follows :

"In the ultimate analysis, land belongs to the community and the community has always a right to regulate it in its own interest. In India this principle had always been accepted and the king or the local ruler had exercised this right as the representative of the community; the fact that private property in land had been recognised was not in any way in derogation of the above principle ; because all private rights in land had always been held subject to it."

32. Before we close our discussion on Land Revenue, we may refer to the suggestion that a low and uniform rate of basic tax should be levied on all lands and that this arrangement be treated as a general revenue settlement under a special law. In our view this proposal suffers from serious objections. It takes no account of the origin and nature of land revenue and does away with the close and important connection between rent payable and the capacity of yield of the land. Travancore-Cochin State adopted this idea and promulgated a special law in 1955. Recently this Act has been struck down as unconstitutional by the Supreme Court. The learned Chief Justice observed as follows : "It is clear, therefore, that inequality is writ large on the Act and is inherent in the very provisions of the taxing section. It is also clear that there is no attempt at classification in the provisions of the Act. Hence no more need be said as to what could have been the basis for a valid classification. It is one of those cases where the lack of classification creates inequality." (AIR 1961 Section 552). Thus a flat rate of basic rent is neither desirable nor feasible.

Uniform rate of basic tax not favoured.

NON-AGRICULTURAL LAND

33. We would affirm that as a direct consequence of the community's rights to regulate land and take a share of its produce, all lands agricultural as well as non-agricultural, should pay rent to the State. We have already suggested the principles to be followed in assessing rent on agricultural lands. Here, we will consider the lands devoted to non-agricultural purposes. Homestead lands in rural areas may be assessed on the same basis as agricultural lands as the uses to which they are put are in a broad sense related or supplementary to agriculture. When agricultural lands in rural areas are put to non-agricultural uses there appears to be no justification for continuing the assessment unchanged. We consider it reasonable to enhance rent on such lands by 25 per cent. In the case of urban areas lands built up or vacant should be assessed to rent on the basis of their relative value. No distinction need be made between the use for residential purposes and those used for commercial purposes. The principle of relative value will adequately cover the difference in the manner of use. Even in urban areas some lands continue to be devoted to agricultural uses. Such lands may be assessed on the same principles as agricultural lands in rural areas.

All non-agricultural land to be assessed

CESS

34. At present, in addition to land revenue some cesses are in force in respect of agricultural lands. These are meant for local purposes, to help, in the main, local bodies provide certain services to the rural population. Neither the rates nor the law under which they are levied are the same for all the districts. The different rates presently in force are given in the statement at Appendix 4. In the districts of Cuttack, Puri and Balasore excluding the ex-State areas the Bengal Cess Act, 1880 read with certain provisions of the Bihar and Orissa Local Self-Government Act, 1885 governs the levy. The rate is two annas in the rupee. In Koraput district where the Madras Local Boards Act, 1920 has been in force the rate is also two annas in the rupee, but in the Ganjam District where the 1936 version of the Madras Act applies the rate is 2½ annas per rupee. In the latter there is in addition an education cess of 6 pies. In the case of ex-Zamindary Estates Government is at present bearing the portion hitherto payable by the Zamindars. Sambalpur was governed at first by the Central Provinces District Councils Act and later by the Central Local Self-Government Act, 1937. The District Board has levied 6½ per cent of the Kamilzama or Malguzari. They had option to levy an additional rate of 3½ per cent but they had not exercised this option. Levy of cess in the ex-State areas is now governed by the Merged States (Laws) Act. There was a multiplicity of cesses in these areas. They were consolidated into one cess at the time of merger wherever the total exceeded two annas in the rupee. Elsewhere different cesses have been continued as before.

35. We recommend that cess should be levied at a uniform rate throughout the State and all lands including non agricultural lands in urban areas should pay the cess. In the case of agricultural lands the levy may be based on the land revenue demand of the holding. For non-agricultural lands the holding or property tax should be the basis. Where property tax is not in force the rental value of the holding may be taken as the basis and a suitable formula evolved for the purpose.

36. We consider it reasonable to fix the rate of cess at 3 annas or 19 nP. in the rupee. It should however be open to the Zilla Parishad to levy for a limited period or on a continuing basis an additional cess over and above the basic rate of three annas that may be levied forthwith on a uniform basis. Such a provision, in our opinion, is necessary for enabling the democratic bodies established under the Panchayatiraj system to work for the achievement of such objectives that they may set before themselves in regard to the provision of specific services or the execution of specified works in their area.

37. The entire proceeds of the basic cess should be handed over to the local bodies after taking the usual collection expenses. The proceeds of the additional cess will similarly be made over to the Zilla Parishad which has sponsored it. We however feel that the income from cess will not be uniformly sufficient for the purpose of the local bodies in all the districts. It is therefore desirable that the Government adopt the following principles in distributing the proceeds :—

(a) The amount collected from a district should be distributed among the local bodies of the district on a *per capita* basis;

(b) While the major part of the proceeds may be distributed in the manner indicated in (a), a small part not exceeding 20 per cent may be reserved for constituting an Equalisation Fund. This fund may be utilised for giving special

allocations to the local bodies of a district the collections of which do not ensure even the basic minimum revenue for those bodies;

(c) The shares of the three sets of the local bodies in a district, Grama Panchayats, Panchayat Samitis and Zilla Parishad may be fixed by Government on a careful study of their functions.

38. It is sometimes argued that in the interest of better collections and economy in the cost of collections Grama Panchayats should be entrusted with the collection of land revenue and cess. The Taxation Enquiry Commission had said that there was no special merit in this proposal. In the present conditions of Orissa we consider it definitely inadvisable to entrust the Grama Panchayats with the work of collection. In large parts of the State the record-of-rights has to be brought up-to-date and all assessable lands have to be brought on to record. This work can best be done by an agency from outside the village. Moreover, most of the Grama Panchayats have not been able to collect even their own dues and can hardly be considered to be in a position to undertake the work of collection of land revenue. This matter may therefore be deferred for consideration at some future date after the completion of the preparation of an up-to-date record-of-rights. Meanwhile, it will be useful for the State to try a pilot scheme in specially selected Grama Panchayats where favourable conditions exist. It will then be possible to study the results of the scheme and appreciate the full implications of the proposal.

39. The question of collection apart, we recommend that a certain percentage of land revenue should be assigned to each of the local bodies, i.e., Zilla Parishads, Panchayat Samitis and Grama Panchayats, because in our view, it is desirable that these bodies are given an assured income and are thus enabled to stand on their own feet without relying unduly on specific or *ad hoc* grants from the State. We do not however feel competent to make a firm recommendation regarding the percentages. These may be fixed after full consideration of the duties and functions of these bodies after they are clearly formulated.

AGRICULTURAL INCOME-TAX

40. As we have noted in para. 31, the function of a separate tax on agricultural incomes is to supplement land revenue and to introduce an element of progression in the field of taxation on agricultural lands. In Orissa such a tax came into force on the 1st April, 1948. Under the Orissa Agricultural Income-Tax Act, 1947 a person is not liable to pay tax unless the total agricultural income after deductions exceeds Rs. 5,000. No tax is assessed on the first Rs. 3,000 of the total taxable agricultural income. Deductions are allowed for (a) land revenue, water rate, cess, chowkidari tax and other local rates actually paid; (b) rent actually paid; (c) expenses of maintenance of any irrigation or protective work constructed for the benefit of the land from which the income in question is derived; (d) expenses of repairs to capital assets; (e) depreciation and interest charges; and (f) expenses of cultivation and transportation of crop to market as well as the cost of maintenance of agricultural implements and cattle. The present rates of tax may be seen in Appendix 5. They

were introduced by the Amendment Act of 1950. Previously the rates varied from six pies a rupee to three annas a rupee. The proceeds of this tax during the last 13 years are given in the table below :—

TABLE 1
Receipts from Agricultural Income-tax
(Rupees in lakhs)

Years	Receipts	Remarks
1948-49	1.68	
1949-50	5.41	
1950-51	9.93	
1951-52	12.91	
1952-53	6.58	
1953-54	5.27	The fall is due to abolition of Zamin-daries.
1954-55	3.00	
1955-56	2.41	
1956-57	1.96	
1957-58	2.58	
1958-59	2.81	
1959-60	2.79	
1960-61	2.96	

(B.E.)

Source—Orissa Budgets

It will be clear from the table that of late the receipts have been falling. This is mainly due to the abolition of intermediaries since 1952. The Orissa Land Reforms Act, 1960 when enforced strictly may also have the effect of reducing the receipts further. On the basis of these facts it is sometimes argued that this tax may not be continued in future. There is some force in this view. However, we feel that in the present conditions Agricultural income-tax has an important function, i.e., to provide an element of progression in the system of land taxation and should, therefore, continue until a better system is evolved. The matter may be reviewed at a later stage.

41. The Taxation Enquiry Commission found that most of the anomalies in regard to this tax have originated from the fact that agricultural and non-agricultural incomes have been split into two

distinct components for the purpose of taxation. They advised that a start should be made towards eventual integration of the two types of income. Further they said that "as a first step all States should adopt a system of surcharge on agricultural income-tax on the basis of the assessee's agricultural incomes, if any." We examined the feasibility of ascertaining the rate of income-tax that the assessees under the Agricultural Income-Tax Act are likely to pay on their non-agricultural incomes and taxing them at that rate. We came to the conclusion that there may be serious administrative difficulties in actual working and that in the conditions of Orissa much would not be gained. The best method will of course be to bring the agricultural income within the scope of Indian Income-Tax Act and to entrust the assessment and collection to the Centre, who will allot to the State the amount of tax collected within it on agricultural incomes. This aspect is very much beyond the scope of our Committee. At any rate, the consent of the Centre as well as other States will be necessary before such a procedure can be adopted.

Surcharge un-
suitable.

42. We examined the provision of the Orissa Agricultural Income-Tax Act carefully with a view to suggest improvements. We recommend the following measures:—

(a) At present no tax is calculated on the first slab of Rs. 3,000. This is not in consonance with the principles of progression in or in line with the procedure followed in respect of non-agricultural incomes. The law should be amended to make all agricultural incomes above Rs. 3,000 subject to tax, the first slab of Rs.1,500 thereof only being exempted.

(b) The main difficulty in the assessment of agricultural income-tax is in regard to the determination of the net income. The assessees do not usually keep any books of account. Cost of cultivation for which deduction has to be made from the gross income is left largely to guess-work and the amount finally assumed is more a result of negotiation between the assessee and the assessing officer than a product of objective calculation. Such a system gives rise to complaints on the one hand and leads to loss of State revenue on the other.

It is, therefore, necessary that the procedure for ascertaining the net income of an assessee should be made simple and as precise as possible. Rules may prescribe the levels of net income that may be assumed for each acre of land according to the class and crop. The assessees, who do not accept prescribed levels for the purpose of assessment, can be given freedom to produce their accounts and prove their net income on the basis of these incomes. We hope, in a large majority of instances the assessees will prefer to be assessed on the basis of the prescribed figures if they are fixed after full consideration of all relevant factors.

43. A suggestion was made to us that a special tax may be levied on cash crops either in lieu of or in addition to agricultural income-tax. This appears to be based on the belief that the best way of achieving progression and avoiding evasion is to confine attention to the crops of the higher income group and fix precise rates for them. After careful consideration we rejected this idea as premature in the present context of Orissa. In the interest of rapid diversification of crops and maximisation of financial returns of irrigation projects we consider it essential that cash crops are encouraged with all possible incentives. A special direct tax on cash crops is sure to have the contrary effect and hence definitely unsuitable in the present conditions.

Special tax
on cash crops
undesirable at
present.

Estate duty on Agricultural Property

44. Agricultural property in Orissa was subjected to Estate Duty for the first time on the 15th October, 1953. The relevant Act was passed by Parliament in pursuance of a resolution adopted by the Orissa Legislative Assembly under Article 252 of the Constitution to the effect that levy of Estate Duty in respect of agricultural lands in the State might be regulated by Parliament by law. Receipts under this head during the last few years are as follows :—

TABLE 2
Receipts from estate duty on Agricultural land

(Rupees in lakhs)

Year	Receipts	Remarks
1953-54	..	
1954-55	0·02	
1955-56	..	
1956-57	0·10	
1957-58	0·03	
1958-59	0·05	

Source—Orissa Budgets

In 1958 the Central Government amended the Act and requested the Government of Orissa to indicate their consent to the application of the new provisions to agricultural property in the State. The main changes are as follows:—

- (1) Lowering the exemption limit in case of property other than an interest in the property of a joint family governed by the Mitakshara, Marumakkattayam or Aliyasantana law from Rs. 1 lakh to Rs. 50,000;
- (2) Changing the basis on which the rate of duty is charged in the case of coparcenary interest of a deceased who was governed by the Mitakshara, Marumakkattayam or Aliyasantana law ;
- (3) Reducing the allowance for probate duty from 100 per cent to 50 per cent of the duty ; and
- (4) Making certain changes in the assesment and appellate procedures so as to bring them in line with the other direct taxation Acts.

This gave an opportunity to the State Government to reconsider the matter *de novo*. They had two alternatives, (a) to agree to the application of all the new provisions to the agricultural property in the State and (b) to exclude agricultural property altogether from the scope of the Estate Duty. The Centre had made it clear that it would not be possible for one State to continue under the old provisions while all other States adopted the new provisions. Finally on the basis of a resolution passed by the Assembly the State Government chose the second alternative. Thus Orissa joined the company of West Bengal in keeping agricultural property out of the reach of the Estate Duty. We have considered this decision from various angles. In our view it was wrong in principle as Estate Duty has a special function in making taxation increasingly progressive and in bringing about greater economic equality. We feel, the income of past years cannot be a faithful guide in view of the lowered taxable limit that has been adopted in the latest amendment. We, therefore, recommend that agricultural property in the State should again be brought within the scope of Estate Duty as soon as possible.

APPENDIX I

Rates of Land Revenue

Name of district	Tahsil or Area	Classification of land	Incidence of rent per acre in areas where Zamindary system abolished and tenants pay their rent direct to Government	Rate of rent per acre where the tenants pay their rent to Zamindars
(1)	(2)	(3)	(4)	(5)
			Rs. a. p.	
1. Balasore	Permanently settled estates.	..	1 14 9	No tenant is paying rent to the Zamindars as all the Zamindaries have since vested in Government.
	Temporarily settled estates and Khasmahal area.	..	2 1 9	
	Nilgiri Subdivison	..	2 2 3	
2. Bolangir	Ex-Zamindary and regular area of Patna ex-Estate.	Babal Khari-pani.	1 2 3	
		Bahal Khari	0 14 7	
		Babal Pani	0 14 7	
		Bahal Mamuli	0 13 1½	
		Berna Khari-pani.	1 2 3	
		Berna Khari	0 13 1½	
		Berna Pani	0 13 1½	
		Berna Mamuli	0 11 7½	
		Malsaman-kharipani.	0 11 7½	
		Malsa Man-khari.	0 10 3	
		Malsa Man-pani.	0 10 3	
		Malsa Man-mamuli.	0 7 3½	
		M a l t i kara Khari.	0 7 3½	

(1)	(2)	(3)	(4)	(5)
			Rs. a. p.	
		M a l t i kara Mamuli.	0 3 8	Rs. a. p.
		Barikharipani	2 4 6	
		Barikhari	1 2 3	
		Baripani	1 2 3	
		Barimamuli	0 7 3½	
		Barcha (Sugar-cane)	2 4 6	
		Atakhari	0 7 3½	
		Atamamuli	0 3 8	
	Sonepur regular area	..	0 13 8	0 11 0
	Sonepur ex-Zamindary	..	Not available	
3. Cuttack	Cuttack Tahsil	1st Class	5 8 0	
		2nd Class	3 8 0	
		3rd Class	1 12 0	
	Salepur Tahsil	Irrigated Land.	5 4 0 to 6 4 0	
		Non-irrigated (Sarad).	3 14 0 to 5 2 0	
		Non-irrigated (Biali).	2 8 0 to 3 2 0	
	Jagatsinghpur Tahsil	..	1 0 0 to 5 8 0	Do.
	Marsaghai Tahsil	..	3 0 0 to 6 4 0	
	Jajpur Tahsil	..	0 1 0 to 3 12 8	
	Kanika Tahsil	..	1 14 0	
	Sukinda Tahsil	Wet I-Sarad	2 8 0 to 3 0 0	
		Wet II-Sarad	2 0 0 to 2 8 0	
		Wet III-Biali	1 4 0 to 2 0 0	
		Biali	0 12 0 to 1 8 0	
	Dompara Tahsil	..	2 6 1	
	Patamundai Tahsil	..	4 0 0 to 5 0 0	

(1)	(2)	(3)	(4)	(5)
			Rs. a. p.	
4. Dhenkanal	Sadar and Kamaksbynagar	.	0 14 11	
	Pallahara	..	1 9 3	No Zamindari area or Zamindar.
	Athmallik	..	1 7 9	
	Talcher		2 11 2	
	Hindol	..	2 7 0	
	Angul	.	1 1 3	
5. Ganjam	Ex-Zamindary	Wet	3 14 3 to 6 11 2	
		Rainfed	1 13 5 to	No Zamindary exists to where tenants pay rent to Zamindars.
		Dry	2 10 7	
			0 15 1 2 3 10	
	Rayatwari area	..	2 1 0	
6. Kalahandi	Ex-Zamindary area	..	0 1 0 to 4 0 0	Ditto
	Regular area	..	0 12 3	
7. Keonjhar	Sadar and Champua Subdivisions including ex-Zamindary area.	First Wet	1 12 0	No Zamindary exists where tenants pay rent to ex-Zamindars.
		Second Wet	1 4 0	
		Third Wet	1 0 0	
		First Gora	6 11 0	
		Second Gora	0 0	
		Third Gora	0 2 0	
		Pal land	1 0 0	
		Sugarcane land	2 8 0	
	Anandpur Subdivision including ex-Zamindary area.	First Wet	3 0 0	
		Second Wet	2 12 0	
		Third Wet	2 4 0	
		First Gora	3 2 0	
		Second Gora	1 12 0	
		Third Gora	1 0 0	

(1)	(2)	(3)	(4)	(5)
			Rs. a. p.	
		Pal land	1 0 0	
		Sugarcane land	2 8 0	
	Amlo estate (ex-Zaminidary)		1 6 1 to 1 3 4	
8. Koraput	(i) Areas where rent settlement has been concluded	..	0 3 0 to 3 8 0 per acre	No Zamindary is in existence.
	(ii) Areas where rent settlement is not over--			
	(a) Ex-Estate Jeoriti villages		One Putty paddy and 1 per acre	
	(b) Ex-Inam villages		1 0 0 Two Putties paddy	
9. Mayurbhanj	Kaptipada	Jal I Class	1 7 2 to	No tenant is paying rent to the Zamindars as all the Zamindaries have since vested in Government.
	Ex-Zamidaries	Jal II Class	2 2 10 1 1 5 to	
		Jal III Class	1 14 5	
		Kala	0 11 7 to 1 4 4	
		Gadi	1 7 2 to 2 8 7	
		Pal I Class	1 10 1 to 2 5 8	
		Pal II Class	1 7 2 to 2 2 10	
		Pal III Class	1 4 4 to 1 13 0	
		Asu I Class	1 1 0 to 1 7 2	
		Asu II Class	0 8 8	
		Dahi	0 3 0	
	Other areas	..	0 1 6 to 0 3 0 1 5 2	

(1)	(2)	(3)	(4)	(5)
			Rs. a. p.	
10. Puri	Sadar Tahasil	..	4 3 0	
	Nimapara Tahasil	..	1 3 3	No tenant is paying rent to the Zamindars as all the Zamindari es have since vested in Government.
	Pipili Tahasil	..	2 4 3	
	Chilka Tahasil	..	1 5 9	
	Bhubaneswar Tahasil	..	0 12 0	
	Ranpur Tahasil	..	3 9 0	
11. Phulbani Ex-Zamindary	Barcha		1 12 0 to 6 4 0	No Zamindary exists where tenants pay rent to Zamindars.
	Bari			
	Bahal Pani	}	0 11 0 to 2 8 0	
	Bahal Khari			
	Bahal Khari pani.		0 13 0 to 3 0 0	
	Bahal sadhara.	}		
	Bara khari	}	0 10 0 to 2 4 0	
	Bara Pani			
	Malkhari Pani		0 9 0 to 2 0 0	
	Malpani	}		
	Malkhari	}	0 8 0 to 1 12 0	
	Mal saman		0 6 0 to 1 4 0	
	Mal Tikra		0 3 0 to 0 1 0	
	Atakhari		0 3 0 to 0 10 0	
	Atasadharan		0 2 0 to 0 6 0	
Khondmal Subdivision.	First Paddy		1 9 0	
	Second Paddy		1 0 8	
	Third Paddy		0 8 4	
	B ri and Homestead.		0 8 4	
	Tail		0 4 2	

(1)	(2)	3)	(4)	(5)
			Rs. a. p.	
	Baliguda Subdivision	Wet	2 0 0	
		Dry	1 0 0	
		Padar	0 12 0	
	Boudh Subdivision	Wet-I	0 7 10 to	
	(except Panchara		3 2 0	
	Tahasil).	Wet-II	0 6 7 to	
			2 10 0	
		Wet-III	0 3 11 to	
			1 9 0	
		Ata-I	0 5 10 to	
			2 1 4	
		Ata-II	0 3 10 to	
			1 6 3	
		Ata-III	0 2 7 to	
			0 14 10	
		Gharbari	1 14 8 to	
			5 7 6	
		Bandha	0 2 3 to	
			0 6 3	
		Bagicha	0 1 5 to	
			0 4 0	
12. Sambalpur	Bargarh Sadar	..	0 4 1	No Zamindary
	Sadar Subdivision	..	0 4 11	exists.
	Kuchinda Subdivision	..	Not available	
	Rayatwari areas	..	0 3 10½	
13. Sundargarh	Ex-Zamindary Regular Panibahal		1 3 8 to	No difference
			1 14 8	in the rate of
		and		rent paid by
		Bahal	1 0 10 to	tenants direct
			1 10 8	to Government
		Pani berna	0 15 0 to	or to
			1 7 8	an intermedi-
		Panimal	0 9 4 to	ary.
			1 1 9	
		Mal	0 6 7 to	
			0 12 10	
		Berna	0 12 2 to	
			1 3 9	
		Kudar	0 5 6 to	
			0 9 1	
		Gora-I	0 1 0 to	
			0 7 0	
		Gora-II	0 0 3 to	
			0 5 0	
		Gora-III	0 3 1	
		Barcha	1 3 8 to	
			1 14 8	
		Gharbari	0 5 6 to	
			0 9 1	
		Bagait	0 1 0 to	
			0 2 0	

APPENDIX 2
Year of Settlement in different areas

Sl. No.	Name of District	Name of area	Year of last Settlement	Period of Settlement (5)	Remarks (6)
(1)	(2)	(3)	(4)	(5)	(6)
1.	Balasore	1. All temporarily settled Estates	1928-29	30	
		2. Government Estate*	1928-29	30	
		3. Bichitrapur	1927-28	30	
		4. Permanently settled Estates (North Balasore).	1927-28	..	Permanently settled Estates.
		5. Ex-States— Nigiri	1921-22	15	
2.	Bolangir	(a) Patna	1934	15	
		(b) Sonepur Khalsa	1929	11	} Survey and Settlement is in progress.
		Zamindary	1934	15	
3.	Cuttack	1. All temporarily settled Estates	1927-28	30	
		2. Government Estate	1942-43	30	
		(a) Cuttack Town and Cantonment Khasmahal.	Revision in 1950.		
		(b) Banki	1920	15	Settlement is in progress.
		3. Other Government Estate (Small)	1927-28	30	
		4. Permanently settled Estates—			
		(a) Kanika	1927-28		
		(b) Aul	1927-28		
		(c) Kunjang	1927-28		
		(d) Harishpur	1927-28		
(e) Bishnupur	1908—12				
(f) Chhedra	1927-28				
(g) Patia	1927-28				
(h) Sukinda	1927-28				

(1)	(2)	(3)	(4)	(5)	(6)
Cuttack—	<i>Contd.</i>	(i) Kalkala	1927-28		
		(j) Darpani	1902		
		5. Ex-Sates—			
		(a) Athgarh	1922	15	Settlement is in pro- gress.
		(b) Baramba	1924	20	
		(c) Tigiria	1931-32	20	
		(d) Narasingpur	1914—18	20	Extended for further period of 10 years upto 1948.
4.	Dhenkanal	1. Government Estate—			
		(a) Angul	1928-29	25	Settlement is in pro- gress.
		2. Ex-States—			
		(a) Athmalik	1927—31	15	
		(b) Dhenkanal	1924-25	10	
		(c) Hindol	1913-14	20	
		(d) Talcher	1928-29	15	
		(e) Pal-Lahra	1932-33	10	
5.	Ganjam	1. Rayatwari areas—			
		(a) Chatrapur Taluk	1910-11	30	
		(b) Kodla Taluk	1918-19	22	
		(c) Berhampur Taluk	1910-11	30	
		(d) Ghumsur Taluk	1913-14	30	
		(e) Aska Taluk	1913-14	30	
		(f) Surada Taluk	1920-21	23	
		(g) Parlakimedi Taluk	1918-19	21	
		2. Ex-Zamindary Areas—			
		(a) Dharakote	1-7-1950		
			43 villages.		
			1-7-1949		
			122 villages		

(1)	(2)	(3)	(4)	(5)	(6)
Ganjam--Contd.	(b) Chikiti		1-7-1949 92 villages. 1-7-1950 2 villages. 1- -1951 13 villages. 1-7-1953 10 villages.		
	(c) Huma		1-7-1949 6 villages.		Rent Settlement in respect of Inam villages is in progress.
	(d) Surangi		1-7-1950 104 villages.		
	(e) Sankhemdi		1-7-1950 100 villages. 1-7-1953 27 villages.		No specific order fixing in the period of settlement has issued but according to provisions of section 177 of Madras States Land Act. The period of Settlement is 20 years.
	(f) Biridi		1-7-1951 70 villages.		
	(g) Athgarh		1-7-1953 216 villages. 1-7-1950 1 village.		
	(h) Baragada		1-7-1950 126 villages.		
	(i) Khalikote		1-7-1953 302 villages.		
	(j) Palur		1-7-1949 1 village. 1-7-1950 18 villages.		

(1)	(2)	(3)	(4)	(5)	(6)
Ganjam—	<i>Concl'd. (k) Barada</i>		1-7-1949 7 villages. 1-7-1950 30 villages. 1-7-1953 15 villages.		
		(l) Sergada	1-7-1949 29 villages.		
		(m) Badakhemdi	1-7-1949 142 villages. 1-7-1950 12 villages. 1-7-1953 24 villages.		
		(n) Aska Malgajari	1-7-1949 2 villages. 1-7-1950 26 villages.		
		(o) Parlakimedi	1936 52 villages. 14-9-1942 14 villages.		
6.	Kalahandi. 1. Ex-States—				
	(a) Kasipur	1932-33	20	} Settlement is in progress.	
	(b) Karlapat	1929-30	20		
	(c) Mohulpatna	1927-28	20		
	(d) Madanpur-Rampur	1926-27	20		
	(e) Lanjigarh	1945-46	20		
	(f) Khalsa Area	1955	20		
	2. Khariar	1922-23	19		Term of Settlement extended by 11 years. Settlement is in progress.
7.	Keonjhar	Ex-States Keonjhar.	1914-15	20	Term extended up to 1944-45 by Darbar Administration.

(1)	(2)	(3)	(4)	(5)	(6)
8.	Koraput	1. Ex-Zamindary Areas			.. Survey and Settlement is in progress. Rent Settlement in respect of Blocks A, B and B 1 and C has been given effect to from 1st July, 1955, 1958 and 1957 respectively.
9.	Mayurbhanj	1. Panchpir Subdivision and Similipal 3 pairs, Jamunabaldanda and Olkudar.	1931	20	
		2. Similipal 2 pairs, Chakiri and Brahmangan.	1936	20	
		3. Banahari	1935	24	
		4. Dukura	1935	24	
		5. Muruda	1935	20	
		6. Rusunia	1935	20	
		7. Saradiha	1935	20	
		8. Poradiha	1935	14	
		9. Khunta	1935	14	
		10. Kainsari	1935	14	
		11. Bari pada Town	1941	14	
		12. Kaptipada Estate	1943	20	
		13. Arpattachilima	1942	20	
		14. Akhua deulia	1942	20	
		15. Sainkula	1942	20	
		16. Saltula	1943	15	
		17. Manitri	1943	15	
		18. Rahanda	1929	12	
		19. Kuradia	1929	12	

(1)	(2)	(3)	(4)	(5)	(6)
Mayurbhanj— <i>Contd.</i>	20.	Kahalia	1929	12	
	21.	Gadoulia	1943	15	
	22.	Deoli	1929	12	
	23.	Amarda	1929	20	
	24.	Narangabaj	1929	20	
	25.	Assarikhali	1929	20	
	26.	Barapalli	1929	20	
	27.	Carigaon	1929	20	
	28.	Balla Kuli	1929	20	
	29.	Baghada	1935	20	
	30.	Barapada	1943	15	
	31.	Majhalbhag	1929	12	
	32.	Uparbhag	1929	12	
	33.	Bamanghaty Subd.vision.	1927	20	
34.	Simulipal 5 pairs, Kasira, Barghty, Niz Similipal, Raj Nagar Barhadpani	1929	12		
10. Puri	1.	All temporarily Settled Estates.	1927-28	30	Settlement is in pro- gress in P a r i k u d and Jasir- mahals.
	2.	Government Estates—			
		(a) Khurda Khasmahal 1929-30		15	Settlement is in pro- gress.
		(b) Balukhand	1929-30	15	
	3.	Other Government Estates (Small).	1927-28	30	

(1)	(2)	(3)	(4)	(5)	(6)
Puri—Contd.	4. Permanently Settled Estates— Marichipur		1927-28		Permanently settled Estates.
	5. Ex-States—				
	(a) Daspalla		1917—21	15	
	(b) Khandpara		1928—31	10	
	(c) Ranpur		1952-53	20	
	(d) Nayagarh		1932-33	10	
11. B o u d h - Phulbani.	1. Khondmals		1924-25	15	For non-Khondmals.
	2. G. Udayagiri		1914-15	..	Information not available.
	Chhapadkadam		1914-15		Ditto
	Ex-States—				
	(a) Boudh		1937-38 to 1949-50	10	Survey and Settlement was being done on rotation.
	(b) Panchara		1934-35	15	Settlement is in progress.
12. Sambalpur	1. Zamindary Areas		1925-26	20	
	2. Khalsa areas including Malguzari.		1925-26	20	
	3. Ex-States—				
	(a) Rairakhol		1930—32	15	
	(b) Bamra		1928-29	10	
13. Sundargarh	1. Ex-States—				
	(a) Gangpur		1929—1936	10	
	(b) Bonai		1913	10	Extended for another term of 10 years.

APPENDIX 3
Programme of Settlement

Serial No. of the Zone	Jurisdiction	Details of division into Blocks	Year in which combined operation is to begin	Remarks
(1)	(2)	(3)	(4)	(5)
<i>1st Block</i>				
1. (i)	Kalahandi District	Ex-Zamindari areas of Kalahandi ex-State excluding Lanjigarh.	In progress. Final publication of record-of-rights after rent settlement is to be taken up in 1961-62.	
<i>2nd Block</i>				
(ii)	Bolangir District excluding the areas benefited by the perennial irrigation of Hirakud.	Unirrigated areas in Sonepur Subdivision.	In progress. Rent Settlement is expected in 1961-62.	
<i>3rd Block</i>				
		Nawapara Subdivision..	1960-61	
<i>4th Block</i>				
(iii)	Sadar and Baragarh Subdivisions of Sambalpur District excluding the areas benefited by perennial irrigation of Hirakud.	Lanjigarh ex-Zamindary } Unirrigated areas in Baragarh Subdivision of Sambalpur District. }	1961-62	
<i>5th Block</i>				
		Titlagarh Subdivision of Bolangir District.	1962-63	
<i>6th Block</i>				
		Bolangir Sadar and Patnagarh subdivisions of Bolangir District.	1963-64	
<i>7th Block</i>				
		Khalsa areas of Kalahandi ex-State.	1966-67	The current settlement was made recently.
<i>1st Block</i>				
2. (i)	Sundargarh District	Bonai Subdivision ..	1961-62	

(1)	(2)	(3)	(4)	(5)
<i>2rd Block</i>				
	(ii) Deogarh and Kuchinda Subdivisions of Sambalpur District.	Sundargarh Sadar and Panposh Subdivisions.		1962-63
<i>3rd Block</i>				
		Deogarh and Kuchinda Subdivisions.		1963-64
<i>1st Block</i>				
3. (i)	Dhenkanal District	Athgarh ex-State of Athgarh Subdivision.	} In progress. Final publication of the record-of-rights is to be taken up in 1961-62.	
	(if) Rairakhol Sub-division of Sambalpur District.	Angul District		
<i>2nd Block</i>				
	(iii) Athagarh Sub-division of Cuttack District.	Hindol and Athmallik Subdivisions of Dhenkanal District.		1961-62
<i>3rd Block</i>				
	(iv) Nayagarh and Daspalla ex-States of Puri District.	Pal-Lahara and Talcher Subdivisions of Dhenkanal District.		1962-63
	(v) Baudh Sub-division of Baudh District.	Athgarh Subdivision excluding Athgarh ex-State. Nayagarh and Daspalla ex-States.		
<i>4th Block</i>				
	(vi) Angul District	Dhenkanal Sadar and Kamakhyanager Subdivisions.		1963-64
<i>5th Block</i>				
		Rairakhol Subdivision ..		1964-65
<i>6th Block</i>				
		Boudh Subdivision ..		1965-66
<i>1st Block</i>				
4. (i)	Cuttack District excluding Athgarh Subdivision.	Banki, Dompura, Khurda and Bhubaneswar estates.		In progress. Final publication of record-of-rights after rent settlement is to be taken up in 1961-62.

(1)	(2)	(3)	(4)	(5)
-----	-----	-----	-----	-----

2nd Block

- | | | | | |
|------|---|---|---------|--|
| (ii) | Puri District excluding Nayagarh and Daspalla States. | Area comprised in the Police Stations of Cuttack Sadar, Tangi, Salepur, Pipli, Delang, Soro, Remuna and Khaira. | 1960-61 | |
|------|---|---|---------|--|

3rd Block

- | | | | | |
|-------|-------------------|--|---------|--|
| (iii) | Balasure District | Area comprised in the Police Stations of Jagatsingpur, Balikuda, Gobindpur, Choudwar, Tirtol, Ersama, Barchana, Dharmasala, Sukinda, Korei, Jajpur, Bali-anta, Balipatna, Nimapara, Gop, Kakatpur, Puri Town, Puri Sadar, Brahmagiri, Simulia, Nilagiri, Berhampur, Bhadrak, Banta, Bhandaripokhari, Dhamnagar, Tihiri, Basudebpur, Chandbali and Bansada. | 1961-62 | |
|-------|-------------------|--|---------|--|

4th Block

- | | | | | |
|--|---|---------|--|--|
| | Rest of the area excluding Ranpur and Cuttack Town Khasmahal. | 1962-63 | | |
|--|---|---------|--|--|

5th Block

- | | | | | |
|--|----------------------|---------|--|--|
| | Ranpur, Cuttack Town | 1966-67 | | |
|--|----------------------|---------|--|--|

.. Ranpur was last settled in 1952-53.

Cuttack Town Kha mahal was last settled in 1950-51.

1st Block

- | | | | | |
|----|-----------------------|---|---------|--|
| 5. | (i) Keonjhar District | Anandapur Subdivision of Keonjhar District. | 1961-62 | |
|----|-----------------------|---|---------|--|

2nd Block

- | | | | | |
|--|---|---------|--|--|
| | Sadar Subdivision of Keonjhar District. | 1962-63 | | |
|--|---|---------|--|--|

(1)	(2)	(3)	(4)	(5)
		<i>3rd Block</i>		
		Champua Subdivision of Keonjhar District.	1963-64	
		<i>4th Block</i>		
	(ii) Mayurbhanj District.	Mayurbhanj District ..	1966-67	
6.	Area benefited by perennial irrigation of Hirakud in the Sambalpur and Bolangir Districts.	The entire area ..	1960-61	
		<i>1st Block</i>		
7.	Ganjam Plains ..	Rayatwari villages of Kodala, Chatrapur and Berhampur Taluks.	1960-61	
		<i>2nd Block</i>		
		Rayatwari villages of Ghumsur Taluk.	1961-62	
		<i>3rd Block</i>		
		Rayatwari villages of Aska, Surada and ex-Zamindari villages of Parlakimedi Taluk.	1962-63	
		<i>4th Block</i>		
		Ex-Zamindari and Inam villages.	Ex- 1966-67	.. Rent Settlement operation concluded recently.
		<i>1st Block</i>		
8.	(i) Ganjam Agency	Ganjam Agency ..	1963-64	
	(ii) Baliguda Sub-division of Boudh District.	..	..
		<i>2nd Block</i>		
	(iii) Khondmal District.	The rest of the area ..	1964-65	
		<i>1st Block</i>		
9.	Koraput ..	Rayagada Subdivision and Koraput Sub-division excluding Narayanpatna and Lakshimpur Police Stations.	In progress. Final publication/republication after rent settlement will be completed before the 30th June, 1961.	

(1)	(2)	(3)	(4)	(5)
<i>2nd Block</i>				
Narayanpatna and Lakshampur Police Stations.	In progress. Final publication after rent settlement will be completed before the 30th June, 1962.			
<i>3rd Block</i>				
Malkangiri and Mathili Police Stations of Malkangiri Taluk.	In progress. Final publication after rent settlement will be completed before the 30th June, 1963.			
<i>4th Block</i>				
Rest of Malkangiri Taluk.	1960-61			
<i>5th Block</i>				
Omerkote, Nawarangpur, Jeypore, Borriguma Tahsils and Koraput Tehsil excluding Narayanpatna and Lakshampur Police Stations.	1966-67	.. Rent settlement recently concluded.		

Source—Board of Revenue, Government of Orissa

APPENDIX 4

Statement showing particulars of Cess collected in different parts of Orissa

Name of the districts (1)	Name of the different cess (2)	Rate of cess (3)
		Rs. a. p.
1. Balasore .. (Ex-State areas)	(i) Road cess ..	0-2-0 per rupee of rent
	(ii) Panchayat cess ..	0-0-3 „
2. Bolangir ..	General cess ..	0-2-0 „
3. Cuttack .. (Ex-State areas)	(i) Local cess ..	0-2-6 „
	(ii) Consolidated cess ..	0-2-0 „
4. Dhenkanal	(i) Consolidated cess —	
	In Sadar, Hindol, Kamakshyanagar, Pallahara and Talcher).	0-2-0 „
	In Athmallik ..	0-1-6 „
	(ii) In Angul an education cess of Re. 0-1-0 per rupee of land revenue is only charged. This amount is not credited into the treasury, but the amount is credited to the funds of Angul Primary Education Committee.	
5. Ganjam ..	(i) Land Cess ..	0-2-6 per rupee of rent
	(ii) Education cess ..	0-0-6 „
6. Kalahandi	Revenue cess ..	0-2-0 „
7. Keonjhar ..	School cess ..	0-0-6 „
	Dispensary cess ..	0-0-6 „
	Local cess ..	0-2-0 „
8. Koraput ..	Land cess ..	0-1-0 per rupee of rent. (Order from the Collector has been issued to collect 0-2-0 cess on the new lands).
9. Mayurbhanj	Public work cess ..	0-1-0 per rupee of rent. (Order from the Collector has been issued to collect Re. 0-2-0 cess on the new lands).

(1)	(2)	(3)
10. Puri ..	Local cess	.. 2 annas per rupee of land revenue.
Nayagarh ..	Consolidated cess	.. 2 annas per rupee
Khandapara	Consolidated cess	.. 2 annas per rupee of assessable rent.
Daspalla ..	Consolidated cess	.. 2 annas per rupee of rent
Ranpur ..	Education cess	.. 1 anna per rupee of rent
11. Phulbani ..	Cess	.. 0-2-0 per rupee of rent
12. Sambalpur Sadar and Bargarh.	Cess	.. 0-0-9 per rupee of rent in the Khalsa, Gountia and Rayatwari villages and 0-0-6 per rupee of rent in Malguzari and ex-Zamindary villages.
13. Sundargarh Sadar and Panposh.	(i) School cess	.. 0-1-3 per rupee of rent
	(ii) Dispensary cess	.. 0-0-9 ..
Bonai ..	School cess	.. 0-1-0 ..

Source—Revenue Department, Government of Orissa

APPENDIX 5

Rates of Agricultural Income-tax

" In case of every person other than a Hindu undivided family consisting of brothers only "

1. On the first three thousand rupees of the total agricultural income.	Nil
2. On the next two thousand rupees of the total agricultural income.	Three per centum
3. On the next five thousand rupees of the total agricultural income.	Six per centum
4. On the next five thousand rupees of the total agricultural income.	Nine per centum
5. On the next five thousand rupees of the total agricultural income.	Sixteen per centum
6. On the next five thousand rupees of the total agricultural income.	Twenty-two per centum
7. On the next five thousand rupees of the total agricultural income.	Twenty-nine per centum
8. On the next fifteen thousand rupees of the total agricultural income.	Thirty-six per centum
9. On the next five thousand rupees of the total agricultural income.	Forty-four per centum
10. On the next fifteen thousand rupees of the total agricultural income.	Fifty per centum
11. On the next fifteen thousand rupees of the total agricultural income.	Sixty-two per centum
12. On the next fifteen thousand rupees of the total agricultural income.	Sixty-nine per centum
13. On the next fifteen thousand rupees of the total agricultural income.	Seventy-two per centum
14. On the next fifteen thousand rupees of the total agricultural income.	Seventy-five per centum
15. On the balance of the total agricultural income	Seventy-eight per centum

" In the case of Hindu undivided family consisting of brothers only "

1. If the share of a brother is five thousand rupees or less.	Two per centum
2. If the share of a brother exceeds five thousand rupees.	The average rate applicable to the share of such brother if he were assessed as an individual.

CHAPTER VII

Irrigation Rates and Betterment Levy

At present irrigation rates are in force in three districts only out of thirteen districts. In Cuttack and Balasore, the lands irrigated by the Orissa Canals are charged under the Bengal Irrigation Act, 1876. In Ganjam district, where the Madras Irrigation Cess Act, 1865 applies, the lands benefited by the Rushikulya system as well as minor works of old pay the water cess. Under the first mentioned Act, water rates are levied and collected in terms of leases executed by the applicants for irrigation. Leases may be for the season or for a period of ten years and the rates payable under the latter are lower than those under the former. While long-term leases can be given only for the total irrigable area in a block, there is no such restriction in the case of seasonal leases. Usually, if 85 per cent of the area is covered by applications, a long-term lease is granted and the owners of the remaining 15 per cent of the lands are compelled to pay the water rates. In special cases, the Superintending Engineer in charge of the Canals has power to grant a long-term lease even if the applications fall short of the percentage mentioned above. One consolidated rate is fixed and no distinction is made between one crop and another or the number of crops grown. The rates now in force may be seen in Appendix I to this chapter. They were originally fixed in 1931 and continued almost unchanged till today except for ten years from 1939 to 1949 when they were lowered by one-third due to the economic depression. The system of long-term leases has proved to be popular on account of the concessions it carried. It has also given a guaranteed income to the State. However, it is defective in so far as it has often led to wastage of water. With its failure to recognise the important facts of economic differences in crops and the periods of supply, it has proved to be a rather feeble instrument for promoting the economic use of a scarce factor of production. The Ganjam system is radically different from that of Cuttack and Balasore. There is no question of lease and all owners of lands within the ayacut of an irrigation source are required to pay a compulsory cess. Irrigation sources of different classes are grouped together in two broad groups for the purpose of fixing the rate. Different rates have been levied for the same crop raised with the water of different groups. The rate of cess meant for the first crop is consolidated with the land rent in the case of wet lands at the option of lessee and for the second and third crops separate rates are charged. In the case of dry and rainfed lands water cess is collected separately for each kind of crop grown according to the class of source. The rates in vogue are given in Appendix 2 to this Chapter. Thus it will be clear that the Ganjam system pays greater regard to economic principles and attempts to provide some incentive for an economic use of water. However, it is also defective to some extent as the rates in force have remained unchanged for decades and are no longer in tune with the economic realities of the present day in certain respects.

2. The above brief survey of the present situation brings out the fact that as in land revenue so in irrigation rates there are great disparities in regard to the law applicable, the practices followed and the burden imposed between one part of the State and another. It is of course necessary to remember that till the completion of Hirakud Project, there was no major system of irrigation in ten districts and the construction of minor or medium sources in large numbers at the cost of public revenues is but a recent policy. During the last twelve years or so the Grow More Food

Irrigation development—a recent phenomenon.

Campaign and the two five-year plans have brought into being a number of irrigation projects. According to the Draft Outline of the State's Third Plan, the additional irrigation potential created at the end of 1960-61 is estimated to be 16.73 lakh acres of which 7.10 lakh acres will be under major works like Hirakud and Delta systems, 0.10 lakh acres under Salki, a medium work and 9.53 lakh acres under minor works costing less than Rs. 10 lakhs each.

3. With the large additions to the irrigable area at the cost of public revenues the time has come for undertaking a thorough review of the law and practice of water rates in the State. Besides the anomaly of some lands paying for the water while others do not, there is the urgent need for closing to the extent possible the gap between the cost of providing water and the price obtained in return. Broadly speaking, the latter aspect is not peculiar to Orissa but is common to most other States. The Taxation Enquiry Commission (1953-54) observed as follows :

“ An analysis of the financial results of certain works taken at random, shows that the average running expenditure on major systems has varied between 54 to 77 per cent of gross receipts during the years 1948-49 to 1950-51 as compared to the average of 40 per cent obtaining in the pre-war year of 1938-39. ”

The Second Finance Commission (1957) also commented on the basis of a comparative study of net receipts from irrigation works (commercial) from Rs. 47 lakhs to Rs. 208.41 lakhs that except Punjab and Uttar Pradesh all the States were showing deficits. That the figures of later years (1956-57 to 1960-61) do not reveal significant improvement as will be clear from a glance at the following table :

TABLE I
[Net receipts from irrigation work (Commercial) after deduction of interest charges]

State	(Rupees in lakhs)				
	1956-57	1957-58	1958-59	1959-60	1960-61
Orissa	(-) 30.75	(-) 23.16	(-) 24.49	(-) 19.04	(-) 1.60
Andhra	(-) 2,69.64	(-) 1,15.49	(-) 3,53.92	(-) 2,33.04	(-) 2,44.03
Assam	..	..	..	..	..
Bihar	(-) 53.49	(-) 93.59	(-) 26.01	(-) 18.10	(+) 21.66
Bombay	(-) 1,05.90	(-) 1,71.36	(-) 1,70.16	(-) 2,63.22	(-) 4,05.47
					(Maharashtra & Gujarat included).
Kerala	(-) 4.14	(-) 40.26	(-) 45.48	(-) 65.39	(-) 70.85
Madhya Pradesh	..	..	..	..	..
Madras	(-) 1,51.04	(-) 1,19.28	(-) 1,28.44	(-) 1,55.31	(-) 1,63.05
Mysore	(+) 7.46	(-) 23.86	(-) 1,25.48	(-) 1,98.86	(-) 1,99.45
Punjab	(+) 1,62.49	(+) 1,30.88	(-) 4.18	(+) 76.57	(-) 44.26
Rajasthan	(+) 5.42	(+) 12.78	(+) 3.48	(+) 17.28	(+) 7.22
Uttar Pradesh	(-) 1,00.99	(-) 2,22.02	(-) 2,27.90	(-) 3,67.70	(-) 3,07.48
West Bengal	(-) 35.22	(-) 37.32	(-) 30.39	(-) 29.22	(-) 31.29
Total	(-) 5,75.80	(-) 7,02.68	(-) 11,32.97	(-) 12,66.03	(-) 14,38.60

Source—Budgets of concerned States

4. More recently, the Planning Commission have drawn the attention of

Upward revision of water-rates to be gradual and dependent upon improved crop practices.

State Governments to the urgent need for overhauling the entire structure of water-rates, firstly in the context of mobilising resources for the Plans, secondly for the purpose of ensuring speedy and economic utilisation of water and thirdly for bringing about a more equitable distribution of the burden of planned development on the people, particularly the users of irrigation facilities. They have advocated the imposition of compulsory water-rates and a betterment levy. We may defer the consideration of the second item to a subsequent stage and concern ourselves immediately with the first. According to the Commission, "water-rates should ordinarily cover working expenses and debt charges and irrigation schemes other than in scarcity areas, should not involve loss to general revenues". (Draft Outline : Third Five-Year Plan, para. 13, page 182). We have considered this proposition very carefully in the context of Orissa. While we generally agree that as a broad statement of aims and objects, it is sound and the State Government should endeavour to reach the goal in due time and with due speed, we must emphasise that there are several limitations in practice. Firstly, this would involve fixing different rates for different projects on the basis merely of their working expenses and debt charges. In practice this may lead to difficulties. It should be sufficient to fix different rates for different classes of works irrespective of different cost of each work in the same class. In other words, the principles can only be considered to be broadly applicable to all the works in a State taken together. Secondly, the proposition lays somewhat lopsided emphasis on costs, and takes no account of the degree of benefits conferred by the works in question. Surely, the rates must have some relation to the capacity of the beneficiaries to pay and the scope and pace of the full and the most economic utilisation of water. Several consequences flow from this statement. For one thing, high rates cannot be imposed all at once and the increases may have to be phased over a period of years with a view to provide incentives to the cultivators to utilise water fully and quickly. For another, positive steps will have to be taken by the State according to a carefully worked out programme to disseminate improved practices and provide the facilities necessary for the adoption of these practices. Improved seeds, fertilisers, pesticides, better implements, technical knowledge relating to cropping patterns and above all credit are the more important of the facilities referred to. Thirdly, the principle is not applicable uniformly and without reservations to all States, irrespective of the state of their agricultural development. States with a large number of works constructed in the past at low cost or with advanced agriculture can adopt this principle with greater facility than those with little or no coverage by old works or with primitive agriculture. In the case of new works the rigid application of the principle will result in absurdly high rates. For example in the case of the multipurpose project of Hirakud the amount at charge under irrigation is about Rs. 48 crores and the working expenses and debt charges are estimated at about Rs. 207 lakhs per year. If the latter amount is spread over the ayacut of 3 80 lakh acres, the rate per acre will work out to Rs. 54 which *prima facie* is very high. The problem may be analysed in another way. In these days of high prices, a medium irrigation project costs anywhere up to about Rs. 600 per acre as per example Budhibudhiani. There are some projects which cost less. At any rate, the average cost may be taken to be about Rs 250 per acre. This will be clear from a glance at Appendix 3 where the estimated cost and ayacut of medium projects selected during recent years have been exhibited. At four per cent the annual interest charges will come to Rs. 10. To this may be added expenses of maintenance at 2 per cent and the water-rate leviable on the formula of the Planning Commission would thus appear to be Rs 15. In the case of a major project the rate will be still higher. We can hardly contemplate the level of such rates in Orissa in the immediate future. To support such a rate the

pattern of cultivation has to become diversified to a considerable degree and the present pathetic dependence of a large number of holdings on rice has to be changed drastically. An investment outlay of a high order in the public and private sectors and the provisions of economic overheads by the State on a tremendous scale such as transport facilities, health and education are essential if the cultivators are to be raised to the required level of economic activity. Till then, it will indeed be prudent to progress by stages and nurse the ayacudars in the meantime instead of setting upon them with the full rate of the Commission's formula. Besides a proper climate has to be created through a well considered land policy for enthrusting the cultivators to put forth their best efforts for speedy and maximum utilisation of water and increased agricultural production. The Committee is strongly of the view that outlay on irrigation should be regarded as only a part of the programme of agricultural development and that it would be wrong to expect adequate return unless all the complementary factors are made available.

5. We shall now examine the steps taken by the State Government to remove the defects of the existing systems and improve the financial returns to irrigation works. In 1959, a new Act, known as the Orissa Irrigation Act, 1959, was passed. It has not yet been brought into force as the rules have not been finally framed. With its promulgation, all the existing Acts will stand repealed. It provides for classification of works. Three kinds of levies are contemplated : the basic water-rate which is compulsory for all the lands in the ayacut and is expected to cover the main kharif crop only ; the water cess which is also compulsory like the basic water-rate but will be charged in lieu thereof in the case of small projects with an ayacut of 60 acres and less ; and the water-rate which being relevant for the second and third crops only will be imposed separately for each kind of crop on a voluntary basis on those that choose to take the water. While considering the general structure of rates envisaged in the Act, it was suggested to us that instead, a compulsory cess sufficient to meet maintenance charges should be levied on all the lands included in the irrigable command of a project, water-rates as such being confined to those in the command who opt to use the water. Although this proposal has some theoretical advantages, we feel it is not suitable. For, the cost of maintenance being appreciable, the cess will have to be fixed so high indeed as to make it burdensome and harmful to the cultivators that opt out at the first instance. On balance we consider that the system envisaged in the Orissa Irrigation Act, 1957 is the best and most suitable.

6. The Act did not spell out the principles to be followed in the classification of works and the fixation of the rates and left them to be prescribed in the Rules. In November, 1959, Government appointed a Committee to advise them on these aspects. The Committee consisted of the Ministers, Revenue and Irrigation, seven non-officials, and six officials of the concerned departments. The Resolution appointing the committee gave the following exhortation :

"The general principles which enter into consideration for fixation of water-rates are mainly—

- (1) the water requirement of the crop,
- (2) value of crop grown,
- (3) extent of benefit realised, or profits made by the cultivator, and
- (4) paying capacity of the cultivator.

The water requirement for various crops depends on the moisture content of the soil, average rainfall and rainfall pattern. So the local conditions have considerable effect on water requirements for the same crop in different zones

In the interest of introduction of special crops for the general economic uplift of an area, it may be considered desirable to adopt preferential rates for such crops. So the water-rate policy should be so oriented as to encourage follow up of the crop pattern that may be outlined for any particular area and actively help maximum utilisation of water resources."

The Committee which in due course came to be known as Irrigation Utilisation Committee divided itself into five sub-committees with a view to consider in detail the peculiar problems of the five zones into which the State was divided. The final report of the Committee is largely based on the recommendations of the zonal sub-committees. All but one member of the committee signed it. The dissent of the single member related entirely to the rates suggested. In his opinion, neither the compulsory basic water-rate nor the voluntary water-rates suggested by the committee could be applied immediately in view of the present low yield of the main crop, rice, and the need to encourage the cultivation of more commercial crops. He had, however, no doubt that "if we give the agriculturist a chance and hope now he can make him capable of paying directly even more in no distant future" and "if co-operatives and scientific methods of cultivation come about as planned, he can give the State much more indirectly". The recommendations of the committee have been extracted at Appendix 4 to this chapter. Here we may only refer to the classification of works and the compulsory rates suggested by the committee. They are as follows—

Class	Period of supply	Rate
		Rs.
I	June to November	8
II	July to November	6
III	July to October	4
IV	July to October (protective)	2

For arriving at these rates and the voluntary rates for the second and third crops, the committee appears to have examined in detail the water requirements of different kinds of crops, their relative importance from the point of view of agricultural policy and other such relevant aspects.

7. We have carefully considered the recommendations of the Irrigation Utilisation Committee. We have come to the conclusion that the rates suggested by the Committee are not such as to cover fully the cost of maintenance, not to speak of debt charges or yielding any net return. However, in view of the limitations pointed out in para. 4 above, we have decided to accept these rates in principle and recommend the following phasing in regard to their application. We have already pointed out how some kind of phasing is essential in the circumstances.

A. New project or projects where the water-rates are being levied for the first time—

First year of supply	Nil
Second year of supply	50 per cent
Third year of supply	Full

B. Old projects or the projects where rates have been in force hitherto—

First year of enforcement of the compulsory water-rate system. 50 per cent of the appropriate rate or the rate already in force, whichever is higher.

Second year of enforcement of the compulsory water-rate system. 75 per cent of the appropriate rate or the rate already in force, whichever is higher.

Third year of enforcement of the compulsory water-rate system. Full

Three members, however, felt that the basic water-rates are high and that instead of accepting them in principle, the Committee should confine its attention to the rates that might be levied immediately. They were of the opinion that the basic water-rate under the Orissa Irrigation Act should be fixed at one rupee higher than the rate now in force in the Orissa Canal System (Rs. 3) and a review of the rates might be undertaken after 5 years to see whether any further increase would be justified in the light of actual benefits. The rate now in force in the Rushikulya system, being higher than even the increased rate suggested by them, they felt, could be continued. The rest of us could not accept this view for two reasons. Firstly, it would amount to the continuance of disparities the early removal of which is accepted by all as a desirable objective. Secondly, it does not appear to give adequate recognition to the urgent need for meeting a reasonable portion of the cost of providing water and thereby making it economically and financially feasible for the State to construct more and more irrigation works.

8. We emphasise that along with the levy of the compulsory basic water-rate, the Government should delimit the irrigable command carefully and take steps to assure the supply of water in time and in sufficient volume to all those registered therein. Obviously, lands to which water cannot flow due to their high level should not be included in the irrigable command. The Government should also establish a machinery to give quick relief to the aggrieved persons and to grant rebates, etc., on account of shortfalls in supply. The machinery should be at the local level in order to give easy approach to the cultivators. In addition, there should be a Water Board for each major project and separate Boards in each district in respect of medium and minor projects, charged with the specific responsibility of supervision of the working of the machinery at the local level and of smoothening out the difficulties that are thrown up from time to time. The Boards should consist of one engineer, one administrator and one prominent agriculturist of the area with knowledge and experience of the problems of irrigation.

Other connected questions.

Betterment Levy

9. As we have briefly said in para. 4, betterment levy is one of the methods that the Planning Commission have urged for improving the financial returns of irrigation projects. The case for this levy has been put in the following words by the Taxation Enquiry Commission (1953-54) :—

Arguments for and against betterment levy.

“It is a matter of common knowledge that the introduction of canal irrigation is generally followed by an increase in the annual and capital value of lands under the command of a project. Such increase in the value of land is not the result of any individual's efforts, but materialises from the corporate activity of the community as a whole. If the entire development value is absorbed through water charges, there would be obviously no case for a further levy on the landowners. However what is taken through water-rates usually constitutes but a small proportion of the increased income of the landowner with the result that considerable unearned increment accrues to owners of land within the project area which they would not have enjoyed without the facility of irrigation provided at the expense of the State. While it is a sound principle to tax the unearned increment in land values, the imposition of such a levy would fulfil other desired objectives, e.g., the stabilisation of land values and, what is even more important in the present context of increasing costs of construction, provide additional resources to Government to liquidate at least a part of the capital costs of the projects”.

From the above citation, we may distinguish two broad aspects of the levy. Firstly, it is said to be in pursuance of the right of State to appropriate a share in the unearned increment of capital value. Secondly, it is said to be a method of recovering a portion, if not the whole, of the capital cost of costly works. One is based on the economic concept of benefit and the other on the accounting concept of debiting the expenditure where it belongs.

In the following paras. we shall consider the difficulties, if any, in the translation of these principles into practice.

10. The States of Bombay, Punjab, Rajasthan, Madras, Andhra, Mysore and Bihar have taken power to impose this levy. In Orissa too, the Betterment Charges Act was passed in 1955 and Rules were framed in 1958. The Act generally followed the law of Madras. It has not, however, been brought into force as there is a considerable volume of opinion in the State against the levy. While in principle, no one seriously disputes the right of the State to take a share of the unearned increment in the capital value of the land, a large number of persons have pointed out that there are serious, almost insurmountable difficulties in applying the principle in practice, firstly in regard to the method of measurement of the increase and secondly the occasion of recovery. It has been said that the increase can be measured only when there is a large number of sales transactions of the lands, in question, and that the land owner can be called upon to pay only when he realises the increment by actual sale. We have carefully considered these points. Our conclusion is that consistent with sound economic principles, the increase in the capital value can be computed as a multiple of increase in the annual product and recovery can be phased over a period of time so as to keep the annual instalments well within the paying capacity of the owners of such lands. Most laws on the subject do not contain any stipulation as to the annual instalment although the total amount claimed is usually limited to 50% of the increase in the capital value and the recovery itself is spread over 10 to 30 years. The Taxation Enquiry Commission has noted that as a result that “the annual instalment of betterment

Additional considerations.

levy, either singly or in combination with normal water charges, may not exceed one-half of the additional income or profits in any one year". (Report Vol. III, para. 31, page 258). While assessing the annual burden on the cultivator the portion of land revenue attributable to irrigation, if, not the entire land revenue, has also to be taken into account, as one can be expected to pay the annual charges only from the annual income that the crops fetch. Put in this manner an important aspect of the problem comes to view. Firstly, if betterment levy is to be imposed on all lands benefited, its annual instalment together with water-rates and the irrigation element of land revenue should not exceed one-half of the estimated increase in the net yield due to irrigation. It must be remembered that large increases in the yields subsequent to irrigation are not always exclusively attributable to irrigation pure and simple and are often the direct consequence of extra investments made by the cultivators with a view to take full advantage of irrigation. If, on the other hand, the levy is to be limited to irrigated lands sold or transferred, the above considerations cease to be valid and the amount can be fixed solely on the basis of the unearned increment in the capital value of the lands in question. There can be no objection either on grounds of economic theory or on considerations of practical administration. The arguments usually advanced, not without some force, against the taxation of unrealised appreciation of capital values, will not apply to such a levy. And there will also be no need to estimate notional values of annual increments and test their equitability with reference to meticulous calculations of annual charges and annual incomes.

11. In the present conditions of Orissa, we do not recommend the imposition of betterment levy in the form in which it is suggested by the Planning Commission and is in force in some States. We suggest that if a tax be imposed on transfer of all immovable property an element of betterment levy be introduced therein by suitable adjustments in rates in respect of lands benefited by a major or medium irrigation project. We propose that this may be done by prescribing a slab system of rates. Assuming that lands benefited by irrigation projects and other community ventures of the same kind do appreciate in value, they will automatically enter the higher slabs and attract the higher rates. We recommend the following slabs and rates :

	Rural	Urban
(i) Immovable property with the value of Rs. 500 per acre and below.	Nil	7½% <i>ad valorem</i> .
(ii) Immovable property exceeding Rs. 500 but below Rs. 1,000 per acre.	5% <i>ad valorem</i> .	1½% Ditto
(iii) Immovable property above Rs. 1,000 per acre.	7½% Ditto	12½% Ditto

The above suggestion has several advantages. In the first place, it ensures the recovery of the unearned increase in capital value when it is actually realised or when it is least objectionable. In the case of sales the position is clear and unexceptionable. In the case of other transfers, such as gifts, the psychological resistance to the recovery is comparatively small, and without much stretch of imagination it can be reasonably said that the transferee on such occasions realises the increased capital value. In other words, the tax falls upon the tax-payer when he is most able to pay. In the second place, it cuts across the need for meticulous calculations of instalments and annual burdens. Thirdly, an elaborate

machinery need not be set up for collection and the cost will be negligible. Fourthly, the present fixation in the mind of the rural population that somehow they are being singled out for an invidious levy will be removed.

12. In making the above recommendation we are guided by one important consideration. In Chapter VI, we have recommended a thorough Betterment levy overhaul of the system of land revenue assessment according to now inexpedient, which full credit will be taken of the benefits of irrigation. It is not expedient to combine it a direct levy of the nature of betterment just at this time.

APPENDIX 1

Schedules of rates of water-rates charged for Orissa canals

Different sorts of leases in which the water-rates are charged	Rate per Mana* (Acre)
1	2
	Rs. a. p.
1. On lease for a term of years for the irrigation of all crops on the land leased (supply of water given from the 16th June to the 31st March in each year).	
For current lease as well as for lease after the 16th June, 1949—	
(a) Under all canals except High Level Canal, Range III ..	3 0 0
(b) Under High Level Canal, Range III ..	2 8 0
2. For Dhoya lands (classified under rule 3) included in a lease for a term of years:—	
Current leases as well as for leases after the 16th June, 1949—	
(a) Under all canals except High Level Canal, Range III ..	1 12 0
(b) Under High Level Canal, Range III ..	1 8 0
The rates fall due on the 1st February each year :— Season Leases—Kharif.	
3. For the irrigation of autumn rice, water supplied from the 16th June to the 30th November.	
(a) Under all canals except High Level Canal, Range III ..	4 4 0
(b) Under High Level Canal, Range III ..	4 0 0
Rate falls due on the 1st February following.	
4. For the irrigation of sugarcane, water-supplied throughout the cultivation of the crop.	7 8 0
Rates fall due on the 1st February following.	
5. For the irrigation of sugarcane, between the 1st April and the 16th June on lands leased for a term of years.	5 8 0

(1)	(2)
	Rs. a. P.
6. For single watering to sugarcane, between the 1st April and the 16th June per watering.	1 5 0
7. For the irrigation of indigo, cotton and any crops other than sugarcane, water-supplied from March to June.	2 0 0

For items 5, 6 and 7 rate falls due on the 1st July.

RABI

8. For irrigation of dalua rice, cotton, tobacco, turmeric, ginger, wheat, vegetable, sugarcane or any crops other than the crops specified below, water-supplied from November to end of March.	2 0 0
Rates fall due on the 5th April except in the case of dalua rice, the rate which fall due on the 1st June.	
9. For the irrigation of cheena, oil seeds and pulses, water-supplied from November to end of March.	2 8 0
Rates fall due on the 5th April.	
10. For water-supplied to irrigate rice or other crops on lands for which a preliminary application for a lease for a term of years or for a season lease, for autumn rice, has been received and failing the completion of such lease, water-supplied from the date of lease till the 30th November:—	
(a) Under all canals except High Level Canal, Range III ..	4 4 0
(b) Under High Level Canal, Range III ..	4 0 0

Rates fall due on the 1st February following.

Unauthorised use of water and waste of water:—

11. For the unauthorised use of water or for waste of water such rate may be charged as determined by the Divisional Canals Officer under rule 29 subject to a maximum of Rs. 10 per Mana.

Such rate shall fall due and shall be payable on presentation of the copy of assessment to the person assessed.

Supply of volumes.

- | | |
|--|-------|
| 12. Water when supplied by volume for irrigation from tanks or otherwise per 10,000 cft. | 2 0 0 |
|--|-------|

* For the purpose of these rules one Mana (acre) contains 25 Gunthas and is exactly equal to one acre.

APPENDIX 2

Rules for the levy of water cess on lands irrigated under the Rushikulya system in the Ganjam district—

(1) For a single wet crop—The difference between the wet and the dry rates at which the land is assessed.

(2) For a second or third wet crop—One-half the charge shown against item (1) plus half the dry assessment.

(3) For a first, second or third dry crop—One-third the charge shown against item (1).

(4) For sugarcane, betel, plantains, etc., other wet crops which ordinarily remain on the ground for more than six months. The sum of the charges specified against items (1) and (2).

(5) For dry crops which ordinarily remain on the ground for more than six months—One and a half times the charge shown against item (3).

When however water is supplied from the Girisola Channel, the rates of water cess prescribed in rule II will be charged.

Note—(1) When manavari lands are irrigated from a Government source irrigation the rate at which water-rate is leviable is the difference between the wet and manavari rate.

(2) When the settlement register does not show the wet taram and rate of dry land such taram and rate shall be determined by the Collector.

II. When water is supplied to lands in Zamindari and whole inam village, the following rates of water cess will be charged:—

	per acre
	Rs.
1. Sugarcane, betel ..	6
2. Plantain, turmeric and elphantyam ..	5
3. Paddy, first crop ..	4
4. Paddy, second or third crop ..	2
5. Onions, garlic, wheat, chillies (garden crop), sweet potatoes (garden crop).	3
6. Tobacco, summerragi, chillies (field crop), sweet potatoes (field crop), pandalum, brinjal, groundnut and jute.	2
7. Gingly, green gram, mustard, bengal gram, coriander, winter ragi, vegetable (cucumber, melons, etc.,).	1

These rates apply to irrigation under the Girisola Channel also.

Note—Three-fourth of the above rates will be charged when water is taken from third, fourth or fifth class source of irrigation.

III. When water used for irrigation cannot be obtained without raising it by bailing or by some mechanical contrivance, the water-rate charged will be three-fourths of the rates specified in rules I and II.

Source : Works Department Government of Orissa

APPENDIX 3

Particulars of selected medium Irrigation Projects

Projects	Estimated cost (in lakhs of rupees)	Culturable commanded area (in thousand acre)	Cost per acre
			Rs.
1. Salandi (Reservoir)	4,65.60	225.0	207
2. Salia (Reservoir)	69.78	20.0	349
3. Budhibudhiani (Reservoir)	35.80	6.0	597
4. Godahada (Reservoir)	40.43	7.5	539
5. Dhanai (Reservoir)	32.10	9.5	338
6. Salki (Diversion)	50.85	40.0	127
7. Derjang (Reservoir)	82.50	16.0	516

Source : Chief Engineer, Irrigation, Orissa.

APPENDIX 4

Recommendations of the Irrigation Utilisation Committee

On a consideration of all the principles and recommendations of Zonal Sub-Committees, the Committee wish to make the following recommendations:—

Classification—Irrigation works may be divided into four classes on the following basis:—

Class of source	Period of supply	Depth of supply in inches to be guaranteed	Remarks
1st	June to November	28	(Supply to be guaranteed for raising paddy seedlings and green manure crop)
2nd	July to November	23	
3rd	July to October	18	
4th	July to October	12 to 9	(In Ggnjam-Phulbani Zone 9" supply deemed sufficient)

Water requirement of crops other than Khariff—The intensity of irrigation for Rabi crops for average class of irrigation works is about 1/10th of the Khariff cultivation except of course in the case of Major dam projects. So crops with heavy requirements of water such as "Dalua" paddy requiring about 60" of water should not be encouraged during Rabi and summer season when capacity of irrigation source is very much limited. Similarly water duty for "Saru" (Arum) crop is very heavy. Such crops need not be allowed to get supply of irrigation in preference to low duty crops unless the Rabi ayacut is fairly extensive as under a major irrigation project with adequate supply available to meet such requirements. In some areas "Dalua" crops is generally grown on the periphery of water reservoirs, such as Ram Sagar and Sita Sagar project of Parlakimedi and of low-lying depression as the water level recedes after the rainy season. To meet such cases the Committee considers that where "Dalua" cultivation in a considerable scale is practised and the water duty is fairly low and can be calculated, this may be allowed as an exception.

The Rabi crops may be divided according to their water requirements into three groups namely (1) Heavy duty crops, (2) Medium duty crops and (3) Low duty crops. The Rabi ayacut may be delimited into blocks and located as near as the head of the source or the supply system to minimise water losses due to seepage evaporation, etc. Each block will have a period of rotation of 3 years for heavy medium and low duty crops according to the crops pattern prescribed for the area. The heavy duty crop are those which require more than 20" of water in the minimum. The crops having a water requirement of below 10" for the base period can be grouped under low duty crops. A few examples of the same are given below:—

- | | |
|-----------------------|--------------------|
| (1) Sugarcane .. | } Heavy duty crops |
| (2) Potatoes .. | |
| (3) Vegetables .. | |
| (4) Tobacco, etc... } | |

(5) Chillies ..	}	Medium duty crops
(6) Wheat ..		
(7) Maize ..		
(8) Groundnut ..		
(9) Ragi, etc. ..		
(10) Mung, etc. ..		Low duty crops

The Committee consider that to obtain the minimum yield of a crop, there should be an optimum supply of water beyond which it becomes injurious. The water requirement of sugarcane appears to be pitched high. Sugarcane which remains in the field throughout the year needs watering for a period of 6 to 7 months and at best 14 watering of 3" each are required. So the water duty for sugarcane should not exceed 42". At the same time the Committee remarks that the 2nd ratoon crop of sugarcane should not be encouraged as red rot infects such crops seriously affecting the yield. Moreover there is no difference in the water requirements of the sown crop and the ratoon crop.

Water-rates

Compulsory Basic Rate—Compulsory Basic water-rate may be levied on the above classes at the following scales:—

Classification	Rates
	Rs.
1st Class	8 per acre per annum
2nd Class	6 Ditto
3rd Class	4 Ditto
4th Class	2 Ditto

The Committee considers that water charts should be drawn up and supplied to the Irrigation authorities responsible for supply and distribution of water. The Committee also considers that steps should be taken to ensure that water is available at the outlets in the required quantity and at the appropriate time for distribution to the fields. The internal distribution to the various field may be left to the villagers.

The Committee recommends that 50 per cent of the compulsory and crop-wise rates may be prescribed for the backward and underdeveloped areas for some years of the beginning until those areas are brought to a reasonable standard of development in the matter utilisation of irrigation and agricultural practices. The Committee advises that the Tribal and Rural Welfare Department may consider to move Government of India to contribute a part of the capital cost of irrigation projects to be constructed or under construction in such areas.

The Committee considers that, if the cultivator takes the same amount of water as required for a paddy crop, for a different crop grown by him in the Kharif season, he will not be required to pay anything more than the compulsory rate. If the crop matures later than the paddy crop and requires water after the Kariff season (fixed for the class of irrigation source) for its maturity, the water-rate will be charged at acre-inch rate as for Rabi crops for supply of water after

the Khariff season for the class of irrigation source. Where the water requirement of a particular crop is greater than that of paddy crop during Khariff season the additional requirement of water for the crop during the Khariff season will be fixed at a reasonable rate not greater than eight annas per acre-inch

Voluntary rates—The water-rates may be levied at Re. 0-8-0 per acre-inch according to water requirement of the crop subject to special consideration when new crops are to be encouraged or introduced in an area.

Water-rates for purposes other than irrigation—The following rates are recommended :—

1. Manufacture of bricks and tiles at Re. 0-1-0 per 1,000 bricks or tiles.
2. For Industrial purposes—For consumption in factories, mills, etc. at Re. 0-2-0 per 1,000 gallons of intake.
3. For bulk supply to Municipalities and Notified Area Councils for drinking, washing, etc., purposes at Rs. 2-8-0 per 1,000 cft.
4. For construction of building at Re. 0-1-0 per 100 cft.
5. For filling tanks, etc., at Rs. 2-8-0 per 10,000 cft.

The Committee considers that when tank-filling is mainly for drinking purposes half the rate may be charged.

Water-rate for irrigation by lift or other mechanical contrivance at the expenses of the cultivator within the ayacut of a project—Fifty per cent of the compulsory basic rate and cropwise rate may be charged. But irrigation by lift from a hill stream should not be liable to assessment of water-rate as it is not flow irrigation nor within the ayacut of a project.

Period of rebate in the case of irrigation works to which the local people have partly contributed—Rebate for a period of 10 years for all classes of irrigation works from the date of their completion may be allowed.

The class or classes of irrigation works which should be subjected to compulsory basic water-rate—All irrigation work having an ayacut of more than 60 acres may be subjected to compulsory basic water-rate.

The class or classes of irrigation works which should be subjected to water cess—All irrigation works having an ayacut of sixty acres and less may be subjected to water cess. The water cess may be equal to the compulsory basic water-rate of the class to which an irrigation works belongs.

The class of project which should be made over to Grama Panchayats for maintenance—All irrigation works having an ayacut of 60 acres and less may be transferred to Grama Panchayats for maintenance. The Grama Panchayats may charge water cess in respect of their irrigation work after classifying them on the principles outlined above. The Grama Panchayats may fix the Rabi ayacuts of these projects and divide the ayacut into blocks and determine the crops to be grown with reference to the water duty on the principles outlined above. The water-rates for Rabi crops may be the same as fixed by Government. The assessment and collection of water cess and rates may be done by the Grama Panchayats.

Guiding principles to be followed in determining low lands which are ordinarily liable to be water logged for the purpose of exemption of such lands from payment of basic water-rate—Land where transplantation of paddy (Sarada crop) is not possible and water cannot be drained off at the time of harvest may be regarded as water-logged lands for the purpose of exemption.

The proportion at which compulsory basic water-rate on the low lands which do not ordinarily require irrigation except in years of drought should be fixed—Land where water ordinarily remains at the time of harvest, that is, December will come under this category as for example, jora or jholla lands in Koraput district. The compulsory basic water-rate may be charged at half rate.

The manner in which water-rate of existing private sources of irrigation has to be estimated to give the necessary relief in respect of lands irrigated from a private source—As per the principle of classification outlined above, the class under which the private source comes may be determined and the difference between the rates of two classes may be charged.

Whether the cost of construction of water courses should be recovered in the form of a general enhancement of the compulsory basic water-rate or water cess or by imposition of a special rate per acre with reference to the cost of construction. In the latter case the number of years during which the recovery will be made has to be specified. The cost of construction of water courses may be recovered by imposition by a special acreage rate and the maximum number of years of recovery should not exceed ten. The Committee considers that, if a project pays for itself including the cost of construction of water courses in a certain number of years, Government may consider exemption from recovery. Besides, the condition prescribed in Rule I of Appendix 4 of the Central Public Works Accounts Code to waive the recovery may also apply.

Source: Report of the Irrigation Utilisation Committee 1950.

CHAPTER VIII
STATE EXCISE

In para. 20 of Chapter II we have already taken note of the declining importance of State Excise as an item of revenue. In 1949-50, it occupied the first place among items of tax revenue. Although with the gradual extension of the policy of prohibition the yield was falling year by year it continued to account for the highest percentage of total tax revenue till 1956-57. In that year it yielded place to land revenue. Thereafter there has been a steady decline with the result that it formed less than 8% of the total tax revenue in the budget estimate of 1960-61 as against 31.70% in 1949-50. The excise income may be divided into four groups, liquor including country spirit and toddy, opium, ganja and bhang, and fines, etc. The trend of receipts under each group may be seen from the table below. In the paragraphs that follow we will briefly describe the evolution of policy in respect of the three main items of excise.

Table I
Excise revenue by different groups

(Rupees in lakhs)

Year	Liquor including country spirit and toddy	Opium	Ganja & bhang	Fines, etc.	Total
1949-50	65.72	87.11	22.75	6.31	1,81.89
1950-51	81.33	1,06.52	24.53	0.78	2,13.16
1951-52	83.50	88.53	22.62	5.75	2,00.40
1952-53	76.51	73.84	25.73	4.54	1,80.62
1953-54	69.15	73.66	20.26	3.53	1,66.60
1954-55	67.50	60.66	24.73	4.05	1,56.94
1955-56	64.64	48.94	25.16	4.15	1,42.89
1956-57	42.70	30.95	19.39	3.49	96.53
1957-58	54.59	16.59	25.92	4.53	1,01.63
1958-59	66.05	15.64	30.85	7.37	1,19.91
1959-60	75.15	2.03	26.30	4.94	1,08.42
1960-61	69.42	2.16	29.01	6.88	1,07.47

2. We may first consider the policy in regard to liquor. The decision to prohibit the consumption of liquor including country spirit and toddy by stages was taken in 1947. The coastal areas east of the railway line in Cuttack, Puri and Balasore districts were brought under prohibition from 1st April 1947. The policy was extended to the remaining areas in these districts gradually in subsequent years so that the three districts excluding the ex-State areas merged therein and a few pockets in Cuttack and Balasore districts became dry by 1954.

Two years later the excluded areas in these three districts as well as the entire districts of Ganjam and Koraput were brought under prohibition. The Notified Area of Rourkela was also declared dry but subsequently, i. e., on the 1st September 1957, prohibition was withdrawn from this industrial area due to serious administrative difficulties and the absence of prohibition in the neighbouring areas of Bihar. In some places, the outstill system was replaced for a time by the distillery system. In regard to foreign liquor a system of 'permits' has been introduced in the districts where prohibition is in force. Rs. 10, Rs. 25, Rs. 100 are charged for temporary or monthly, quarterly and annual permits respectively.

3. In the case of opium, the policy followed was in accordance with the scheme approved by the Central Government for the entire country. It contemplated a reduction of 10 per cent of the basic quota every year and the achievement of complete prohibition by the 31st March, 1959. Accordingly, opium has been completely prohibited for the past two years. All that is now being done is to issue medicinal opium to addicts in accordance with the decision of the Third All India Narcotics Conference.

Opium completely prohibited.

4. In the case of Ganja and Bhang it was first decided to prohibit oral consumption with effect from 1st April, 1961 in accordance with the wishes of the Central Government who seem to have been guided in the matter by the recommendations of the International Narcotics Conference. It has since been deferred by one year with the concurrence of the Government of India. We understand that representations have been made to the Centre that in view of the experience gained in the case of opium it will not be feasible to stop the consumption of Ganja and Bhang suddenly and so soon and that the present policy of controlled sales should be continued at least till the close of the Third Five-Year Plan. The State Government are awaiting the reactions of the Centre.

Controlled sale of Ganja and Bhang to be continued.

5. We are fully aware that the policy of excise and prohibition is not a fiscal policy pure and simple and that all kinds of moral and social considerations have to be taken into account while reviewing it. Besides, there is the fact that prohibition has been inscribed into the Constitution as one of its directive principles. We are concerned essentially with fiscal matters and policies and our terms of reference have to be stretched a great deal if they are to include the diverse considerations mentioned above. Further, we have been told that Government have since appointed another committee exclusively for the purpose of reviewing the entire policy of prohibition from all angles and giving advice. We do not therefore wish to pronounce any opinion on the question whether the policy of prohibition should be withdrawn or its further progress stayed in the sole interest of raising more of the much needed revenue for the purpose of economic development. We would however, fail in our duty if we do not invite attention to the financial loss incurred by the State and the one striking fact in all the evidence we have received by word of mouth and in writing. It is unmistakably clear that there is a considerable volume of opinion in the State against the continuance of prohibition both on fiscal and moral ground. Witness after witness has averred that prohibition has failed in its objective. We have heard this from persons of all categories and classes, lawyers and other professional men, politicians and public men. Some however, stated that the policy has

Wide spread opinion against prohibition.

not been given a fair trial. For the reasons indicated above we propose to confine ourselves to the fiscal effects of the continuance of the *status quo*. Accordingly, we recommend the following measures:—

(i) There is scope for improving the present system of licensing and control of foreign liquor shops. There are reasons to think that the licensees can be made to pay to the State more than they are paying at present. If licenses are given to the highest bidders in an open auction, the State will stand to gain considerably without at the same time jeopardising the main principles of its policy. The rate of duty of foreign liquor and the gallonage fees now in force should be reviewed with reference to the corresponding charges in the neighbouring States and raised, if possible.

(ii) By insisting on the replacement of outstills by distilleries in all places, the State is losing unnecessarily. Outstills should be allowed to continue in areas bordering outstill areas of other States.

(iii) The present policy of opening shops on the borders, particularly, in mining and industrial areas should be continued so long as the neighbouring State in question does not apply the policy of prohibition to the areas concerned.

(iv) As regards opium, the State should not rest content with the prohibition already in force. There are reasons to think that contraband opium is circulating on no small scale in the addicted areas. So, consistent with the general policy in this regard, the State should undertake a definite programme of de-addiction. In this context it is necessary to emphasise that registration of addicts should be carried out quickly and more thoroughly than hitherto and that really bad cases among them should be hospitalised.

CHAPTER IX

TAXES ON MOTOR VEHICLES AND ROAD TRANSPORT

Road Transport in general, and motor vehicles in particular, are subject to five kinds of State taxes in Orissa: (a) Motor vehicles tax, (b) tax on sales of motor spirit, (c) tax on transport of goods carried by Roads, (d) Tolls, and (e) Octroi. While the first two taxes fall upon all motor vehicles, the latter affect some only. The tax on transport of goods is presently limited to four specified goods. It covers within its scope modes of road transport other than motor vehicles and inland water transport. The Octroi, which is also a levy on goods rather than on vehicles and has only an indirect impact on the latter, is in force in three municipal areas only. This being an item of local taxation may be considered in detail in Chapter XVI. Here we shall concern ourselves with the first three taxes and tolls.

MOTOR VEHICLES TAX.

2. Tax on motor vehicles is regulated by two Acts. Madras Motor Vehicles Taxation Act, 1931 applies to the districts of Ganjam and Koraput while the Bihar and Orissa Motor Vehicle Taxation Act, 1930 is in force in the remaining eleven districts. Their provisions are more or less similar. Both of them were amended in 1948 with a view to unify the principles of taxation and fix the rates at the level then prevailing in Madras. The rates were further enhanced by about 25 per cent with effect from the 1st January, 1957 by an amendment Act of 1956. Appendix I may be seen for the particulars of rates now in force.

Main features. 3. The main features of the tax may be briefly described under four headings --

(a) *Basis of taxation*—The rates have been fixed differently for different types of vehicles according to the purpose for which they are designed and the impact they make on the roads. Thus private cars are taxed according to unladen weight and goods vehicles are charged on the basis of laden weight. In the case of passenger buses and taxi cabs the number of seats allowed is the criterion.

(b) *The mode of collection*—For some time the tax used to be collected in the form of non-judicial stamps in the districts governed by the Bihar and Orissa Motor Vehicles Taxation Act. In the other districts, Ganjam and Koraput, the owners were required to deposit the amounts in the treasuries and produce the challans before the Superintendent of Police for obtaining the tax token. In 1955-56 the latter system has been extended to the entire State and the procedure was thus unified although two different Acts continued to be in force.

(c) *Exemptions*—The Government have power under both the Acts to exempt individual vehicles or a class of vehicles from payment of tax partly or entirely as may be considered suitable in each case. So far this power has been exercised in respect of vehicles owned by hospitals and educational institutions. Besides, all motor vehicles belonging to the Central Government other than those used for commercial purposes are exempt from tax. The personal vehicles of rulers of former princely States are also exempt in accordance with the agreement between them and the Central Government at the time of merger.

(d) *Distribution of proceeds*—A good portion of the proceeds is distributed among local bodies, such as municipalities, notified area councils, grama panchayats, district boards and collectors where there are no district boards, on the basis of a formula in proportion to the length of motorable roads maintained by them. In the beginning, the grant was limited to the area under the

Madras Motor Vehicles Taxation Act and was in the nature of compensation for the loss incurred by the local bodies in giving up the tolls or licence fees collected by them from owners of motor vehicles prior to 1931. In 1948, along with the drastic upward revision of rates, a uniform system of distribution was introduced and the municipal bodies and district boards in all the districts were given suitable shares. Grama Panchayats were made eligible in 1957. The districts that were carved out of princely States had no district boards and collectors who performed in those districts the functions normally entrusted to district boards were also given a share of the tax in 1956-57 and 1957-58. Till 1958-59 half of the net proceeds used to be distributed in this manner. A decision was then taken to peg the distributable amount at Rs. 40 lakhs and appropriate the rest for financing the Plan. The other half or so of the proceeds that remained after distribution to local bodies was, for some time, funded in what was called Orissa Road Fund. This practice was in vogue from 1953-54 to 1957-58. The Fund was meant to finance specific road projects. The contributions to the Fund were discontinued on the ground that with the adoption of planning, much more than what was available from Motor Vehicles Tax was being spent on road development and earmarking of these receipts for the purpose was no longer necessary or useful. The accumulations in the fund were then utilised for meeting the State's share of certain Centrally aided road projects. The balance in the Fund on the 31st March 1960 was Rs. 33.53 lakhs.

4. The Table below shows the trend of receipts :—

TABLE 1
Receipts from Motor Vehicles Tax

Year	Rs. in lakhs
1946-47	1.91
1947-48	2.47
1948-49	3.39
1949-50	8.03
1950-51	10.95
1951-52	11.09
1952-53	10.07
1953-54	10.99
1954-55	10.79
1955-56	40.20
1956-57	47.82
1957-58	65.64
1958-59	76.66
1959-60	76.23
1960-61 (B. E.)	78.46

Source : Orissa Budgets.

Before merger the income from this tax was roughly of the order of Rs. 2 lakhs only. The thorough revision of the system and the adoption of higher rates in December 1948 helped to raise the income of 1948-49 to well over Rs. 3 lakhs. However, it was only in the next year that the full effect of the increased rates became noticeable. This together with the financial integration of the States placed the income at about Rs. 10 lakhs. Thereafter the receipts remained more or less

steady till 1955-56 when the 40 lakhs mark was crossed. The increase appears to be mainly due to an increase in the number of vehicles. The rise of more than Rs. 7 lakhs in 1956-57 is obviously due to the enhancement of the rates that came into force in the last quarter of that year. The figures of subsequent three years show that the income has stabilised above Rs. 75 lakhs.

5. We have attempted to analyse the receipts of some years with a view to ascertain which kind of vehicles contribute the most. Three years Goods vehicles and buses contribute most. have been selected for the purpose as some information is available for those years only. The following table has been compiled on the basis of the data supplied by the Inspector-General of Police. The totals in the table do not tally with the total of the Accounts figures reported by Accountant-General and adopted in Budget. It has not been possible to reconcile the discrepancies. However, with these defects the table may be said to point out that the goods vehicles account for the largest portion of the total tax and the buses occupy the second place.

TABLE 2
Receipts accrued from different vehicles

Particulars of vehicles	Amount of tax collected during the years		
	1957-58	1958-59	1959-60
	Rs.	Rs.	Rs.
(1) Cars	3,09,674	3,20,711	2,93,741
(2) Motor cycles	36,493	50,937	32,243
(3) Buses	12,26,140	11,83,167	16,55,673
(4) Goods vehicles	35,31,278	37,69,299	46,23,043
Total	51,03,585	53,24,114	66,04,700

Source : Inspector-General of Police

6. We thought it would be useful to review the growth in the number of vehicles particularly buses and goods vehicles and find out if possible the effects the system and rates of taxation have had on the growth in the number of vehicles. Unfortunately, we could not make satisfactory progress in this aspect of our study as the available data is incomplete. The tables published in the Statistical Abstracts of the Bureau of Statistics and Economics are full of discrepancies. There are significant gaps and nil has been shown against some districts in some years. It is difficult to believe the drastic falls and increases that have been recorded in some districts and in some years. We have not been successful in our attempts to fill the gaps and reconcile the discrepancies, by contacting the registration authorities who are the source for the information. However, we are giving below, for whatever it is worth, the data available for the years 1954-55 to 1957-58.

TABLE 3
Growth in number of vehicles

Particulars of vehicles	1954-55	1955-56	1956-57	1957-58
Buses	500	518	717	704
Goods vehicles	2,833	3,358	4,648	5,055

Source : Statistical Abstracts of Bureau of Statistics and Economics,
Government of Orissa

7. We find that although the tax on motor vehicles is a State subject (vide entry 57 in List II of the Constitution), the Central Government has been evincing great interest in evolving a uniform system throughout the country in pursuance of entry 35 of the Concurrent List which speaks of principles on which taxes on motor vehicles are to be levied. The aims of the Centre appear to be threefold, firstly to remove anomalies of double and multiple taxation, secondly to promote inter-State reciprocity and thirdly to bring about uniformity in the basis as well as the level of taxation. A committee known as Motor Vehicles Taxation Enquiry Committee was appointed in 1950 to examine these aspects and suggest the lines on which Parliament may pass a law. The Committee came to the conclusion that the taxation policies of the Central and State Governments were somewhat at variance with the overall policy of development of transport as a national enterprise. Their main recommendation was to limit taxes on motor vehicles to two items, a fuel tax at the maximum rate of 6 annas per gallon and motor vehicle tax and to abolish all other existing taxes, State as well as local, such as wheel tax, terminal tax, octroi, tolls and taxes on passengers and goods. Besides, they advised that a ceiling be fixed for the State Motor Vehicle Tax at 75 per cent of the rates then in force in Madras. No firm decisions were immediately taken on these recommendations by the Central and State Governments as in the meanwhile the Taxation Enquiry Commission undertook a countrywide review of the entire structure of taxation and it was considered advisable to await its report. The Commission endorsed the general principles and the basis of taxation laid down by the Motor Vehicle Taxation Enquiry Committee but observed that the question of fixing maximum rates of motor vehicles taxes is chiefly one of coordination between State taxation and Central taxation" and that the matter may be resolved by mutual consultation and discussion in the Transport Advisory Council that was already in existence and the Inter-State Taxation Council they had suggested to be established. Thereafter, in 1955 after some consultations with the representatives of State Governments, the Central Government took up actively the question of laying down the principles and the ceiling by an Act of Parliament. This attempt proved abortive as on closer examination of the provisions of the Constitution it was found that Parliament had no power to fix rates or ceiling and that it could only legislate on principles. Once again the Centre reverted to the method of persuasion. The periodical meetings of the Transport Advisory Council and other channels were used to bring pressure on the State Governments to consolidate all taxes on motor vehicles into one tax and to limit the tax to 75 per cent of the Madras rates. (Please see Appendix 2 for the Madras rates). The case for the ceiling has been put in the following words in the memorandum placed before the meeting of the Transport Development Council in June, 1959 :

"It has to be noted that the present taxation on road transport in India is the highest in the world. It has been possible to levy such high taxes merely because of the present extreme shortage of transport vehicles due to many reasons. Once the number of vehicles comes upto the probable demand, the rates will have to come down and high taxation will give only diminishing returns. The increase in revenue from Road Transport should, therefore, be looked for not in the increase in the tax rates but in an increase in the number of vehicles.

It is also obvious that for opening up the country and for the dispersal of industry, specially the small scale industry, cheap road transport is a sine que non. A serious effort has, therefore, to be made to ensure that taxation on road transport does not go beyond reasonable limits."

The Council discussed this matter at some length but could not come to any decision as the State Ministers desired to consult their Cabinets further. The Central Ministry of Transport circulated a detailed note to the State Governments inviting their views. From the replies received it appears that all State Governments except those of Uttar Pradesh, Bombay and Madras agreed to the principle of single tax and there was considerable divergence of views on the question of ceiling. The Orissa Government took the view that the motor vehicles tax prevailing in the State would be less than 75 per cent of the Madras rates if the tax on passengers and goods levied by the latter was taken into consideration. Meanwhile the Ministry also consulted the Road and Inland Water Transport Advisory Committee in January, 1960. The Government of India reviewed the entire position in the light of the comments received from the State Governments and the views expressed by the Road and Inland Water Transport Advisory Committee and recommended to the Transport Development Council as follows. On the question of consolidation of taxes they stated that the tax on passengers and goods need not be consolidated with the motor vehicles tax in view of the fact that it is not a tax on motor vehicles as such and its incidence on the transport operator is rather indirect. In regard to octroi, however, it was recommended that attempts should be made to consolidate it with the tax on passengers and goods or the sales tax. On the question of ceiling it was declared that the Government of India would not press for it for the time being. The State Governments were, however, requested not to increase the tax to a level where it might cripple the industry for the future.

The Transport Development Council endorsed these views at the meeting held in March 1960. It appears, the State Government agreed that they would consider proposals for increasing the level of motor vehicles taxation only when it became absolutely necessary to do so and that they would consult the Central Ministry of Transport and Communications before finalising the increases in accordance with the convention established in 1952. A suggestion also appears to have been made that in view of Entry 35 of the Concurrent List it was definitely advisable for State Governments to consult the Centre before changing their motor vehicles taxation laws. This is indeed a new principle. We hope the Government of Orissa will consider carefully the implications of this principle and take proper legal advice whether in the circumstances, prior consultation is at all necessary. We also hope that the long-run controversy on ceiling has come to a close with the latest decision of the Transport Development Council.

8. We have tried to ascertain whether in all the reports, papers and discussions referred to in the above para any clear economic analysis of the effects of a particular level of taxation on the growth of the transport industry together with relevant statistics has been presented by the protagonists of the single tax and the ceiling. We regret to state that we have not come across any such factual study. Considering that this matter has been engaging the attention of high-powered bodies and special committees for several years it is somewhat surprising that no attempt has been made to analyse the experience of Madras which has gained the distinction of having the highest level of taxation. On the other hand, the Government of Madras, who ought to know their facts, have always held that the level of taxation prevailing in their State had in no way inhibited transport. Their representative categorically stated at the meeting of the Transport Development Council that "the presumption that taxation prevents development of transport is wrong". A renowned transport operator of Madras is reported to have said that an operator does not mind the tax provided that the bulk, if not the whole, of the proceeds of the tax are utilised for the improvement of roads and bridges.

In his opinion, more than the tax it is the vexatious and dilatory procedures relating to permits and other provisions of the motor vehicles law that often stand in the way of rapid and satisfactory development of road transport. We have no reason to think that the position is in any way different in Orissa although the condition of roads is not as good as in Madras. At any rate, there is no evidence that the rates of motor vehicles tax have inhibited development of road transport. On the other hand, table 3 in Para 6 shows despite all its limitations that the number of vehicles has been increasing steadily. The reason is obvious. The demand for transport has always outrun transport capacity. Along with heavy taxation, the State Government have undertaken a programme for improvement of roads. Large amounts which are many times more than the tax collected from motor vehicles have been spent every year for this purpose. A glance at the table below will make this clear.

TABLE 4
Expenditure on Roads

(Rupees in lakhs)

Year	P. W. D. Roads			Revenue Roads	C. D. Roads	Forest Roads	Grants to Local bodies for improvement of Roads	Grand Total
	National High Ways	Others	Total					
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8) .	(9)
1949-50	N. A.	48·11	48·11	..	..	1·03	14·18	63·32
1950-51	N. A.	49·90	49·90	..	..	1·63	9·82	61·35
1951-52	26·36	36·55	62·91	3·00	..	1·83	10·53	78·27
1952-53	21·04	43·05	64·09	8·17	..	1·93	17·55	91·74
1953-54	24·48	69·46	93·94	15·23	..	2·04	40·65	1,51·86
1954-55	32·50	1,16·54	1,49·04	27·65	12·20	3·84	36·85	2,29·58
1955-56	48·60	1,90·91	2,39·51	70·86	14·01	1·47	39·61	3,65·46
1956-57	53·76	2,18·94	2,72·70	50·05	10·45	1·20	42·34	3,76·74
1957-58	38·07	1,91·13	2,29·20	17·95	5·06	1·40	29·86	2,83·47
1958-59	39·39	1,93·97	2,33·36	53·97	17·26	3·53	35·00	3,43·12
1959-60	36·71	2,18·42	2,55·13	46·95	18·41	3·42	11·70	3,35·61
1960-61 (B. E.)	1,22·41	2,30·40	3,52·81	45·54	24·66	2·35	12·50	4,37·86

N. B.—(1) Column 4—In the absence of actuals under “50—Civil Works—Communications—Repairs” for the years 1949-50, 1950-51, 1956-57 and 1957-58 the Revised Estimates have been adopted. In the year 1955-56 the actuals under “81—Capital Accounts, etc.—Communications—Original Works” were not available and hence the Revised Estimate has been adopted.

(2) Column 8—Grants to Local bodies have been arrived at by excluding the amounts booked under “Contributions”. Revised Estimate has been adopted for the first four years as actuals are not available for those years.

Source : Orissa Budgets

9. We are firmly of the view that the proposal to fix a ceiling for all taxes on motor vehicles at 75 per cent of the rates prevalent in Madras is not sound in principle. Whether a tax is excessive in its burden or prohibitive in its effect should be determined firstly on the basis of a study of actual trends and secondly on the extent to which benefits are conferred on a particular sector as a result of public expenditure. We are gratified to find that the Government of India too have, of late, recognised that the present level of motor vehicles taxation, although the highest in the world, had not reached the stage of diminishing returns and that the optimum level of taxation would depend upon a variety of factors. We feel that much of the present criticism will cease if the State Governments match their readiness to subject motor vehicles to optimum rates of taxation with willingness to reorient their policy of expenditure of the proceeds of the tax wherever necessary and to effect substantial improvements in regard to permits and other procedures.

10. As regards the suggestion to replace all the existing taxes on motor vehicles by a single consolidated tax, we generally agree with the latest view taken by the Government of India as explained in Para.7 above. We have some reservations to make in regard to octroi and we shall spell them out in the chapter on Local taxation.

11. We recommend the following steps for improving the procedures:—
Recommendations

(a) Public carrier permits should be given on a zonal basis and not for one or two routes only and all roads in the zone except those which for special reasons may have to be kept closed or reserved, should be open to the permit-holders. There should also be no restriction as to the kind of goods to be carried.

(b) The procedure for issue of permits should be streamlined so as to avoid all delays. The period of validity must not be too short. As far as possible, long periods, say 3 years, should be allowed.

(c) The vehicles may be allowed to carry economic loads. The fact that some culverts or bridges cannot bear the loads need not always stand in the way of permitting higher loads for the entire stretch of the road. In such cases, a condition may be laid down that the permit-holders will make their own diversions near those culverts or bridges.

(d) There is considerable scope for developing inter-State traffic and it should be ensured that the vehicles of the State do get a fair share of this traffic. A careful review of the difficulties will have to be made periodically and the number of vehicles increased according to requirements. A suitable administrative structure will have to be built up for this purpose.

(e) A special programme should be undertaken for improving the culverts and bridges. For this purpose a portion of the motor vehicles tax proceeds may be set apart and a non-lapsable fund constituted. It may be known as 'Orissa Road Fund'. This may be utilised for financing special works which are essential for the purpose of encouraging road transport in a particular area and thereby getting a larger tax income for the State. The management of the fund may be entrusted to the State Transport Authority.

12. We believe that if the above improvements, particularly those mentioned at (a), (b) and (c) are effected the transport operators will be able to bear somewhat higher rates of tax than those presently in force. Some have in fact stated during the oral evidence that they would not be unwilling to pay higher taxes and that the increase in the rates would not be unduly burdensome if facilities were given for economic operation of

Tax to be raised by 25 per cent.

the vehicles. Considered from all these angles, we feel that it is not unreasonable to raise the tax on buses and trucks by 25 per cent on the average. We would leave it to Government to decide after a careful study of all the relevant factors the actual order of increase for each kind of vehicle and for each slab of seating capacity or laden weight. Perhaps, it is necessary to link the increase with the liberalisation of permits and routes as outlined above.

13. At an early stage of our deliberations it was brought to our notice that the administration of the motor vehicles tax was not completely satisfactory and that a sizeable leakage of revenue was occurring. With a view to ascertain the magnitude of the leakage we requested the Finance Department to undertake a Statewide survey and let us know the results. The Internal Audit Organisation of the Finance Department thereupon checked the records maintained by the taxing officers in the State (Superintendents of Police) and the State Transport Authority, Cuttack. The report submitted by the organisation is at Appendix 3. On the basis of the facts collected by them it appears that there is evasion of motor vehicles tax to the extent of 30 to 40 per cent. The report reveals that some vehicles registered in the State have not paid tax on the ground that they are off the road, while some others neither paid the tax nor assigned any reason. The tax that might have been paid by the first category of vehicles is estimated to be Rs 26.67 lakhs. The loss on this account is very high indeed. There is every reason to suspect that a portion at least of this amount is in the nature of evaded tax. The amount of tax payable by the second category of vehicles has been calculated to be more than Rs. 26 lakhs. Even if for the purpose of argument it is assumed that all vehicles in the first category were really off the road and thus not liable to tax it is difficult to explain how a large number of vehicles were allowed to default in payment of tax to the tune of Rs. 26 lakhs without giving satisfactory reasons. Besides, the report refers to various other discrepancies. Although the estimates of evaded tax given in the report may be inaccurate in some respects it cannot be gainsaid that the magnitude of evasion is sizeable.

We are rather disturbed at the order of evasion revealed by the survey, particularly because it is comparatively easy to check or prevent evasion in the case of this tax unlike in the case of some others like sales tax. We are convinced that most of the loopholes facilitating evasion can be plugged by prompt and determined administrative action, and the bulk of the tax now evaded can be collected through greater vigilance and stricter enforcement of the existing checks. To this end, we suggest the following specific steps :—

(a) It should be the duty of the Taxing Officer to satisfy himself before the close of the first month of the quarter that all vehicles registered with him have in fact paid the tax or have given the necessary report that they are off the road. In other words, demand notices should be served on all the defaulters. Simultaneously, instructions should be issued to the subordinate Police Officers to check the truth of the reports received. Vehicles in respect of which reports are not received prior to the issue of the demand notice shall be compelled to pay the tax. Refunds may be granted later if on verification it is found that the vehicles are in fact off the road.

(b) Penalty should be levied for failure to pay tax on the due date and if necessary a grace period of 15 days may be allowed. Provision must be made in the Motor Vehicle Taxation Act for this purpose. This suggestion is on the analogy of all other taxing laws and conform to the principle that avoidance of taxation should be automatically penalised. The levy of penalty should be in addition to such action as may be taken under criminal or civil law.

- (c) Those who report that their vehicles are off the road should be called upon to specify the place where the vehicles are kept and the period for which they are expected to be in that condition.
- (d) The present system of accounting of coupons, registration books and treasury challans should be reviewed so that the existing loopholes are closed.

Tax on sale of Motor Spirit

14. Next in importance to motor vehicles tax among taxes on road transport is the tax on sale of motor spirit. This is being levied in Orissa with effect from the 1st April 1947. Till recently, diesel oil was outside the scope of this tax and it used to be governed by the provisions of the Sales Tax Act like all other Commodities. At first, the rate was 4 annas per gallon. It was raised to six annas with effect from the 1st April 1949. Consequent on the introduction of decimal coinage it was rounded off and refixed at 40 nP. with effect from the 1st January 1958. In the case of diesel oil the rate of sales tax was one anna up to the 1st January 1958 when it was raised to 13 per cent on the 1st February 1961, it was brought under the Motor Spirit Sales Tax Act and the rate was fixed at 41 nP. per gallon or nine nP. per litre.

15. The trend of receipts may be seen from the table below:—

TABLE 5
Receipts from tax on sale of Motor Spirit
(Rupees in lakhs)

Year	Receipts
1949-50	8.67
1950-51	13.21
1951-52	15.02
1952-53	15.79
1953-54	16.87
1954-55	18.56
1955-56	27.57
1956-57	23.20
1957-58	32.91
1958-59	27.28
1959-60	29.22
1960-61 (B. E.)	37.00

Source : Orissa Budgets

The main reason for the buoyancy of receipts is the increase in the number of vehicles and the improved conditions of roads that have made the said increase possible.

Buoyancy of receipts.

16. It may be noted that the rate levied in Orissa on petrol is the same as the maximum recommended by the Motor Vehicles Taxation Enquiry Committee (1950-51) and the Taxation Enquiry Commission (1953-54). The rate on diesel oil though *prima facie* more than the maximum referred to, is reasonable as it has taken into account the economic differences between the two kinds of fuels and the advantage in operational costs the diesel vehicles have over the petrol vehicles. We recommend no change in the rates or the system.

Rates on petrol and diesel oil to remain unchanged.

Tax on Transport of Goods and Passengers

17. For the first time in 1959, the Government of Orissa levied a tax on transport of jute, bamboos and minerals by roads and inland waterways in exercise of their powers implied in entry 56 of the State list. The next year kendu leaves were added to the list of goods. The relevant Act was modelled on the Assam Act XIII of 1954. These differed from the laws promulgated by some other States such as Madras, Punjab and Bihar under the same entry in the Constitution in two important respects. Firstly, the Orissa and Assam taxes are confined to a few specified goods while the taxes of the other States apply not only to all goods but also to passengers. Secondly, the rates in Orissa and Assam are varied according to the value of the commodities transported and its capacity to bear the tax, while the rates in the other States fall uniformly on all goods and are related to the freights paid for their transport rather than their value and capacity to pay. The Assam Act has recently been struck down as *ultra vires* of the Constitution by the Supreme Court. The Act of Orissa may soon receive the same fate as in all material particulars it is similar to that of Assam. The main point of objection is that a tax on transport of goods constitutes a restriction on inter-State trade and commerce and can be levied in terms of the Constitution only if the restriction entailed is proved to be reasonable and has received the prior consent of the President.

18. We understand that the Governments of Orissa and Assam have represented to the Centre that the rates levied by them are reasonable and the tax should not therefore be considered to be a restriction of an unreasonable nature deserving the withholding of consent by the President. We have placed at Appendix 4 a copy of the Orissa Government's letter and the economic notes submitted by them in respect of individual commodities. After a careful study of these notes, we are convinced that there is a strong case for levy of this tax at about the rates suggested by the State Government. We are particularly impressed by the argument that the channels and practices of trade in the commodities selected are such as they escape other recognised taxes, such as, sales tax or are not amenable for State taxation upto the limit of their capacity to pay. If for any reason the President finds himself unable to accord his consent, a picquant situation will arise and the State Government will be put to a loss of more than Rs. 65 lakhs per annum. We have been told that unless the Centre decides to compensate the loss, the State Government may find it difficult to adhere to the agreed scheme of financing the plan. The State Government will no doubt press their case before the Third Finance Commission.

19. With a view to make up as much of the loss as possible, we recommend that a tax be immediately levied on all fares and freights more or less in the same manner as in the States of Andhra Pradesh, Bihar, Madras and Punjab. The rates may be fixed at 15 per cent. Provision may also be made for compounding the tax and thus enabling the operators to pay without vexation or harassment. In the case of passenger services which are mostly operated by the State Government the tax need not necessarily mean an increase in the actual amount payable by the passengers. The State Transport Authority and Road Transport Authority will no doubt take all aspects into account in allowing increases in the fares.

20. We have elsewhere recommended that jute should be subjected to a purchase tax and that line of action may make up to a great extent the loss on account of the giving up of the tax on transport. In the case of bamboos, it may be possible to revise the royalty rates. As regards kendu leaves, however, the position

Supreme Court decisions.

Representation by Government of Orissa.

Recommendations.

Other matters to be dealt elsewhere.

is somewhat difficult. We shall discuss the pros and cons in the chapter on Forests. The steps that are possible in regard to minerals will also be considered in another chapter.

TOLLS

21. Tolls were being levied in the State on a few new bridges in order to recoup the capital expenditure incurred on their construction. Introduction Rates are fixed by Government and the right to collect them was settled in auction to the highest bidder. Vehicles of Government and their employees travelling on duty were exempted. This exemption was held illegal by the High Court in O. J. C. No. 361 of 1956 in 1958 on the ground that it amounted to discrimination. According to the judgment exception could be made only in regard to police vehicles moving on duty. It was then found that the amount that will become payable by Government to the contractor as a result of the judgment is more than the consideration for which the right to collect tolls was settled with him. It was therefore decided to abolish tolls altogether. The income derived from tolls during the past few years is as follows:—

TABLE 6
Income derived from Tolls

Sl. No.	Name of the Toll gate	Income up to end of 1956-57			Average annual income		
		(1)	(2)	(3)	(4)	(5)	(6)
A—Bridges		Rs.	a.	p.	Rs.	a.	p.
1	Daya Toll gate on Bhubaneswar-Puri Road	1,60,127	14	0	22,875	0	0
2	Borum Toll gate on 27th mile, 1st quarter of Sambalpur-Jharsuguda Road (S. H. 10) Bridge.	35,970	0	0	7,194	0	0
3	Dolsahi Toll gate on Bhadrak-Chandbali Road, 5 miles from Bhadrak (S. H. 9)	1,08,125	0	0	15,446	0	0
4	Fati Toll gate on Bhawanipatna-Borriguma Road (S. H. 2) in Kalahandi district.	625	0	0	625	0	0
Total—(A)		3,04,847	14	0	46,140	0	0

(1)	(2)	(3)	(4)
	B—Roads	Rs. a. p.	Rs. a. p.
5	Mydapur Toll gate on Pappadahandi-Mydalpur Road.	.. 2,562 12 0	425 0 0
6	Chatua Toll gate on Vizagpatam-Jeypore Road.	.. 4,075 0 0	680 0 0
7	Alamanda Gate on Parvatipur-Laxmipur Road.	.. 11,225 0 0	1,870 0 0
8	Vikrampur Gate on Gunpur-Bissam-Cuttack Road.	.. 15,140 0 0	2,520 0 0
9	Guma Toll gate on Koraput-Rayagada Road	.. 1,545 0 0	258 0 0
10	Kalyansinghpur Toll gate on Kentalpetta-Kalyansinghpur Road.	.. 905 0 0	150 0 0
11	Ambadola Toll gate on Parvatipur-M. P. Road.	.. 16,778 0 0	2,800 0 0
12	Kussa Toll gate on M. P. Road.	.. 5,720 0 0	950 0 0
13	Tikkarpara Toll gate on Baliguda-Manigudda Road	} 1,582 0 0	250 0 0
14	Kutraguda Toll gate on Baliguda-Manigudda Road.		
	Total—(B)	.. 59,530 12 0	9,903 0 0
	Grand Total	.. 3,64,378 10 0	56,048 0 0

Source : Works Department, Government of Orissa

22. Tolls are always considered to be a vexatious form of taxation. The Taxation Enquiry Commission (1953-54) recommended the abolition of tolls with one reservation, that is, wherever tolls are in force in the case of new bridges costing over say Rs. 5 lakhs, they could be continued till the cost of construction has been recouped. We endorse this recommendation and the State Government may levy tolls on any new costly bridge on road in future.

23. Incidentally, we may refer to another kind of toll that is in force in the State in regard to the traffic carried by the Orissa canal system. The Canal tollage limitations on the rate for jute. present rates were fixed in 1947 under the provisions of the Bengal Canals Act, 1864. The rate for jute was increased for a short period from the 19th October 1951 to the 15th January 1954. The reason given for reducing the toll on jute in 1954 was that the price of jute had fallen and that the toll was placing the cultivators of Orissa at a disadvantage *vis-a-vis* others. This finding does not appear to be based upon any economic analysis of the trend of

prices. Usually, the price of jute in the assembling markets of Orissa is Rs. 4 less than the price ruling in the Calcutta market. Toll or no toll, high rate or low rate, this difference is maintained. The amount of toll is indeed a very small item of the factors that make up the price. If there was a fall in the Orissa Price during the period in question it was almost entirely due to factors, other than tolls. This will be evident from the table of comparative prices at Annexure II of Appendix 4. There is therefore a case for reconsidering the matter. We recommend that the rate of toll for jute be fixed after taking into account all relevant factors, such as, the ruling price of jute, the other taxes on jute, etc.

24. The canal tolls are meant for recouping the cost of maintenance and Basis of rate lock servicing charges for the passage of boats through the canal.

It is only reasonable that the State Government should aim at adjusting the rates suitably from time to time so as to make up the above said expenses. The structure of rates should therefore be kept under constant review. We do not recommend the adoption of any flat rate for all commodities. The rates should be fixed according to the cost of the service rendered and having regard to the nature of the Commodities.

APPENDIX I

Rates of Motor Vehicles Tax (in force since 1956-57)

Description of Motor Vehicles (1)	Annual rate of tax up to 31-12-1956		Annual rate of tax as continuing from 1-1-1957	
	For fitted entirely with pneumatic tyres (2)	For other vehicles (3)	For fitted entirely with pneumatic tyres (4)	For other vehicles (5)
1. Motor Cycles:—	Rs.	Rs.	Rs.	Rs.
(a) Bicycles:—				
(i) not exceeding 200 lbs. in weight unladen ;	30	40	36	48
(ii) exceeding 200 lbs. in weight unladen ;	40	50	48	60
(iii) if used for drawing a side car or trailer in addition to the tax payable under (i) and (ii).	10	10	10	10
(b) Tricycles	40	50	48	60
2. Vehicles (including cycles with an attachment for propelling the same mechanical power) not exceeding 5 cwt. in weight unladen adapted and used solely for the transport of goods in the course of trade.	30	40	30	40

(1)	(2)	(3)	(4)	(5)
	Rs.	Rs.	Rs.	Rs.
3. Vehicles (including tricycles weighing more than 8 cwt. unladen) constructed or adapted for use and used solely for the transport of goods in the course of trade.				
(i) not exceeding 1 ton in weight laden.	200	300	240	360
(ii) exceeding 1 ton but not exceeding $1\frac{1}{2}$ tons in weight laden.	400	600	480	720
(iii) exceeding $1\frac{1}{2}$ tons but not exceeding $2\frac{1}{2}$ tons in weight laden.	480	720	576	864
(iv) exceeding $2\frac{1}{2}$ tons but not exceeding 3 tons in weight laden.	600	900	720	1,080
(v) exceeding 3 tons but not exceeding $4\frac{1}{2}$ tons in weight laden.	720	1,080	864	1,296
(vi) exceeding $4\frac{1}{2}$ tons but not exceeding $5\frac{1}{2}$ tons in weight laden.	880	1,320	1,056	1,584
(vii) exceeding $5\frac{1}{2}$ tons but not exceeding $7\frac{1}{2}$ tons in weight laden.	1,080	1,620	1,296	1,944
(viii) exceeding $7\frac{1}{2}$ tons but not exceeding 9 tons in weight laden.	1,280	1,920	1,536	2,304
(ix) exceeding 9 tons in weight laden.	1,400	2,100	1,680	2,520
(x) Additional tax payable in respect of goods vehicles used for drawing trailers—				
(a) for each trailer not exceeding 20 cwt. in weight laden.	80	120	96	144
(b) for each trailer exceeding 20 cwt. but not exceeding 60 cwt. in weight laden.	300	450	360	540
(c) for each trailer exceeding 60 cwt. in weight laden.	600	900	720	1,080

(1)	(2)	(3)	(4)	(5)
	Rs.	Rs.	Rs.	Rs.
Provided that two or more goods vehicles shall not be chargeable under this clause in respect of the same trailer—				
<i>Explanation</i> —A vehicle shall not be deemed to be used otherwise than solely for the transport of goods, in the course of trade because it is used to convey employees of the trader in the course of their employment.				
4. Motor vehicles plying for hire and used for conveyance of passengers, including motor cabs—				
(i) for seating not more than five persons.	320	480	320	480
(ii) for seating more than five persons for every person which the vehicle is permitted to carry excluding the driver and the conductor.	80	120	96	144
5. Motor vehicles not themselves constructed to carry and load (other than water, fuel, accumulators and other equipment used for the purpose of propulsion, loose tools and loose equipment) used for haulage solely and weighing together with the largest number of trailers proposed to be drawn:—				
(a) not more than 80 cwt. laden.	200	300	200	300
(b) more than 80 cwt. but not more than 120 cwt. laden.	480	720	480	720
(c) more than 120 cwt. laden	1,080	1,620	1,080	1,620
6. Motor vehicles other than those liable to tax under the foregoing provisions of this schedule—				
(i) Weighing not more than 15 cwt. unladen.	70	100	84	120
(ii) Weighing more than 15 cwt. but not more than 30 cwt. laden.	100	150	120	180

(1)	(2)	(3)	(4)	(5)
	Rs.	Rs.	Rs.	Rs.
(iii) Weighing more than 30 cwt. but not more than 45 cwt. unladen.	130	200	156	240
(iv) Weighing more than 45 cwt. but not more than 60 cwt. unladen.	160	240	192	288
(v) Weighing more than 60 cwt. unladen.	200	300	240	360
(vi) Additional tax payable in respect of such vehicles used for drawing trailers—				
(a) Having such trailer not exceeding 1 ton in weight unladen.	40	60	48	72
(b) For each trailer 1 ton in weight unladen.	80	120	96	144

Provided that two more vehicles shall not be chargeable under this clause in respect of the same trailer.

(The rate of tax is chargeable annually.)

Source: Transport Department, Government of Orissa

APPENDIX 2

Rates of Motor Vehicle Tax in Madras State

Description of Motor Vehicles	Annual rate of tax	
	Motor Vehicles Tax	Taxes on Passengers and goods
(1)	(2)	(3)
	Rs.	Rs.
1. Motor Cycles.		
(a) Bicycles—		
(i) not exceeding 200 lbs. in weight unladen	36	..
(ii) exceeding 200 lbs. in weight unladen ..	48	..
(iii) If used for drawing a side-car or trailer in addition to the tax payable under (i) and (ii).		..
(b) Tricycles ..	48	..
2. Vehicles (including cycles with an attachment for propelling the same by mechanical power) not exceeding 5 cwt. in weight unladen adapted and used for invalids.	30	..
3. Vehicles (including tricycles weighing more than 8 cwt. unladen) constructed or adapted for use and used solely for the transport of goods in the course of trade—		
(i) not exceeding 1 ton in weight laden ..	268	..
(ii) exceeding 1 ton but not exceeding 1½ tons in weight laden.	532	..
(iii) exceeding 1½ tons but not exceeding 2½ tons in weight laden.	640	..
(iv) exceeding 2½ tons but not exceeding 3 tons in weight laden.	800	..
(v) exceeding 3 tons but not exceeding 4½ tons in weight laden.	960	468
(vi) exceeding 4½ tons but not exceeding 5½ tons in weight laden.	1,172	468
(vii) exceeding 5½ tons but not exceeding 7½ tons in weight laden.	1,440	468
(viii) exceeding 7½ tons but not exceeding 9 tons in weight laden.	1,708	..
(ix) exceeding 9 tons in weight laden ..	1,868	..
(x) Additional tax payable in respect of goods vehicles used for drawing trailers—		
(a) for each trailer not exceeding 20 cwt. in weight laden.	103	..
(b) for each trailer exceeding 20 cwt. but not exceeding 60 cwt. in weight laden.	400	..
(c) for each trailer exceeding 60 cwt. in weight laden.	800	..

(1)	(2)	(3)
	Rs.	Rs
Provided that two or more goods vehicles shall not be chargeable under this clause in respect of the same trailer.		
<i>Explanation:—</i> A vehicle shall not be deemed to be used otherwise than solely for the transport of goods, in the course of trade because it is used to convey employees of the trader in the course of their employment.		
4. Motor vehicles plying for hire and used for conveyance of passengers, including motor cabs—		
(i) for seating not more than five persons.		
(ii) for seating more than five persons for every person which the vehicle is permitted to carry excluding the driver and the conductor.	} *3,600	1,283
5. Motor vehicles not themselves constructed to carry any load (other than water, fuel, accumulators and other equipment used for the purpose of propulsion, loose tools and loose equipment) used for haulage solely and weighing together with the largest number of trailers proposed to be drawn—		
(a) not more than 80 cwt. laden ..	200	..
(b) more than 80 cwt. but not more than 120 cwt. laden.	480	..
(c) More than 120 cwt. ..	1,080	..
6. Motor vehicles other than those liable to tax under the foregoing provisions of this schedule—		
(i) weighing not more than 15 cwt unladen ..	84	..
(ii) weighing more than 15 cwt but not more than 30 cwt. unladen.	120	..
(iii) weighing more than 30 cwt. but not more than 45 cwt. unladen.	156	..
(iv) weighing more than 45 cwt. but not more than 60 cwt. unladen.	192	..
(v) weighing more than 60 cwt. unladen. ..	240	..
(vi) additional tax payable in respect of such vehicles used for drawing trailers.		
(a) having such trailer not exceeding 1 ton in weight unladen.	48	..
(b) for each trailer 1 ton in weight unladen	96	..
Provided that two or more vehicles shall not be chargeable under this clause in respect of the same trailer.		

(The rate of tax is chargeable annually.)

Source: Transport Department, Government of Orissa

*The average seating capacity of the buses is taken at 30. The total income of a bus during a year works out at Rs. 27,375. Since the tax on passenger is Re. 0-0-9 per rupee, the total tax payable comes to Rs. 1,283-3-0.

APPENDIX 3

**Report on the Accounts of the Superintendents of Police
in the State of Orissa under Motor Vehicles Act and
Motor Vehicles Taxation Act for the year 1959.**

1. The motor vehicle records maintained by the Superintendents of Police in the State during the year 1959 and also by the State Transport Authority, Cuttack in respect of issue of permanent and temporary permits since the year, 1955 have been verified simultaneously by the Internal Audit Organisation, Finance Department, to know the manner and extent of evasion in payment of tax during the year, 1959.

2. As far as vehicles registered in the State are concerned, tax to the tune of Rs. 26,19,895.62 details of which are given below has not been paid without assigning any reason:—

Type of vehicles	Number of vehicles	Amount of tax
		Rs. nP.
1. Public and private carriers	.. 1,748	19,17,296.00
2. Stage carriage	.. 257	4,48,587.12
3. Taxis	.. 13	3,584.00
4. Motor cars, Jeeps, Pick-ups and Station wagons.	1,983	2,01,150.96
5. Motor cycles	.. 749	26,535.20
6. Tractors	.. 80	18,799.66
7. Trailors	.. 76	3,942.68

Total		26,19,895.62

District-wise figures are given in Annexure I appended.

3. Under the law, no tax is payable in respect of the vehicles, the owners of which have sent due intimation about the vehicles being off the roads. The tax involved as a result of the vehicles being off the roads has been calculated to be Rs. 26,67,029.74 as shown below in respect of different categories of vehicles. The district-wise figures of such vehicles are given in Annexure II and III separately for vehicles bearing Orissa registration and registration numbers of other States.

Type of vehicles	Number of vehicles		Amount of tax		Total
	Registered inside the State	Registered outside the State	For registered inside the State	For vehicles registered outside the State	
			Rs. nP.	Rs. nP.	Rs. nP
1. Public and private carriers.	2,212	12	21,28,813·84	4,368·80	21,33,182·64
2. Stage carriages ..	293	2	4,17,460·88	1,248·00	4,18,708·88
3. Motor cars, station wagons etc.	825	..	85,038·18	..	85,038·18
4. Tractors ..	34	..	11,634·67	..	11,634·67
5. Trailers ..	26	..	2,381·37	..	2,381·37
6. Taxis ..	15	..	5,334·40	..	5,334·40
7. Motor cycles ..	419	..	13,749·60	..	13,749·60
	3,824	14	26,61,412·94	5,616·80	26,67,029·74

The amount of tax not paid as a result of the vehicles being off the roads is quite heavy amounting to Rs. 26,67,029·74 and it is for examination whether there is any evasion in this regard.

In paragraph 11 below, the position has been examined and necessary checks have been suggested in order to prevent evasion of tax.

4. On verification of the permits issued by the State Transport Authority, Cuttack for public and private carriers and stage carriages registered outside the State of Orissa, with the credits of tax in respect of such vehicles forthcoming on the books of the respective taxing authorities of the State, it is seen that tax to the tune of Rs. 86,696.48 excluding the amount of tax for the stage carriages, details of which are given below, has not been paid without assigning any reason or submitting reports that they are off the roads.

Type of vehicles	Number of vehicles	Amount	Remarks
		Rs. nP.	
1. Public and private carriers.	28	12,048.88	In these cases the rates of tax payable are known. District-wise figures are given in Annexure IV.
2. Contract carriage ..	1	26.00	
3. Stage carriages ..	9	4,682.40	
4. Public and private carriers.	93	69,939.20	In these cases the rates of tax payable are not known, but a flat rate of Rs. 384 per quarter has been adopted.
5. Stage carriages ..	3	..	In these cases the rates of tax payable are not known as the seating capacity of each of the vehicles is not available.
Total	..	86,696.48	

5. During verification of the accounts of the taxing authorities it is also seen that in respect of some vehicles no particulars except the registration numbers have been recorded in the registration registers and no record of payments is also forthcoming for such vehicles. As the registered laden weight of the transport vehicles, seating capacities of stage carriages and other details are not available, the exact amount of tax not paid for these vehicles, district-wise, is given below :—

District		Number
1. Sambalpur	..	50
2. Ganjam	..	282
3. Balasore	..	7
4. Puri	..	230
5. Bolangir	..	4
6. Koraput	..	23
7. Kalahandi	..	6
8. Dhenkanal	..	4
9. Mayurbhanj	..	32
Total	..	638

6. Some of the vehicles registered in this State are said to be plying in other States for which tax to the tune of Rs. 2,99,131 details of which are given below, has not been paid in this State:—

Type of vehicles	Number of vehicles	Amount of tax Rs.
1. Public and private carriers	186	2,64,912
2. Motor cars ..	183	21,609
3. Motor cycles ..	32	1,194
4. Stage carriages ..	6	11,392
5. Trailer ..	1	24
Total	..	2,99,131

District-wise figures are given in Annexure V. It is presumed that the total amount of tax for these vehicles must have been realised in the respective States, in which they are plying. Hence this will not be treated as a case of evasion in payment of tax. But this is pointed out to indicate the tax that would have been paid in this State, if the vehicles were plying within the State.

7. Under section 6 (2) (ii) of Bihar and Orissa Motor Vehicles Taxation Act, 1930, tax for a period less than a quarter has to be realised at 1/12th of the annual tax for every month or part thereof. But it is seen that in some cases such realisation has not been made.

8. (a) Due to the revision in fixing the maximum safe laden and axle weight of transport vehicles other than motor cabs as notified in notification No. 342-T., dated the 22nd January, 1959, the owners of such vehicles are bound to pay the tax at enhanced rates. It is seen that tax to the tune of Rs. 63,827.79 against 545 vehicles has not been paid at the enhanced rates. District-wise figures are given in Annexure VI.

(b) It is further seen that tax in respect of certain vehicles has been realised at a lower rate than what is due according to the schedule of rates.

9. Under sections 32 of the Motor Vehicles Act and 9 of the Bihar and Orissa Motor Vehicles Taxation Act difference in tax due before and after alterations effected to a vehicle has to be paid. It is seen that in some cases this has not been realised even after alteration.

10. Under Rule 10 (2) of the Rules framed under Bihar and Orissa Motor Vehicles Taxation Act, 1930 a person shall not be entitled to a reduction of Tax under section 10 of the Bihar and Orissa Motor Vehicles Taxation Act, 1930 in respect of an vehicles unless the aggregate amount of the tax for all such vehicles as so reduced is paid for a period ending on the same date. It is seen that in some of the districts the reduction of tax at 10 per cent. or 20 per cent as the case may be, was allowed amounting Rs. 2,241.80 even without payment of tax for the minimum number of vehicles as required under the rules. No evidence has also been recorded to show if the same owner possesses vehicles in other districts also and has paid the tax, which appears necessary before the concession is granted on the basis of the aggregate number of vehicles possessed by the same owner.

District figures are given below :—

District	Amount of tax
	Rs. nP
1. Balasore	131.20
2. Kalahandi	526.60
3. Bolangir	1,420.80
4. Phulbani	163.20

11. *Manner and extent of evasion*:—Rule 22 of the Bihar and Orissa Motor Vehicles Taxation Rules, 1930 provides that if a person does not intend to use a motor vehicle he shall within 15 days from the date of expiry of the quarter for which tax was paid, notify the taxing officer that the vehicle is in his possession but that he does not intend to use it. If tax has already been paid for such vehicle the owner has to surrender the tax token as required under rule 12 (i) (a) of the Bihar and Orissa Motor Vehicles Taxation Rules and he is entitled for refund of the tax in proportion to the unexpired period as provided under section 7 (i) (a) of the Bihar and Orissa Motor Vehicles Taxation Act, 1930. Section 6 (2) of the said Act contemplates that the tax shall be paid by the person who keeps a motor vehicle for use. It, therefore, follows that if a vehicle is off the road, no tax need be paid. Rule 22 of the Bihar and Orissa Motor Vehicles Taxation Rules, 1930 does not require the owner to mention the probable date up to which he does not intend to use the vehicles.

It is noticed that for such vehicles, tax has not been paid indefinitely. It cannot normally be expected that the owner of a vehicle keeps it off the road for an indefinite period unless it is permanently incapable of use and there may be cases of intentional evasion of tax on this pretext, unless otherwise detected.

In order to avoid any probable loss of revenue, it is suggested that the owner should be required to furnish in his 'off the road' report, the probable date up to which he does not intend to use the vehicle and if he wants to extend the period of 'off the road' he should intimate the fact to the taxing authority herein again mentioning the date up to which he intends to extend the period of 'off the road'.

No form has been prescribed for a notification under rule 22 of the Bihar and Orissa Motor Vehicles Taxation Rules. It may be prescribed requiring the owner to furnish the reasons for keeping the vehicle off the road and the period up to which he intends to keep it off the road so as to enable the taxing authority to verify whether the reasons adduced therein are genuine and whether the period up to which he intends to keep the vehicle off the road is justified.

If such taxing authority is other than the original registering authority, it is not incumbent on him to intimate the fact of having accepted the off the road report to the original registering authority to enable him to make necessary entries in his relevant records. Such co-ordination may be prescribed and rule 22 of the Bihar and Orissa Motor Vehicles Taxation Rules, 1930 may be suitably amended.

12. Rule 21 of the Bihar and Orissa Motor Vehicles Taxation Rules, 1930 provides that the taxing authority may at any time grant a duplicate tax token. Issue of such duplicates may result in loss of revenue as there is every scope for the owner of a vehicle to evade payment of tax by mal-practice. For instance, the owner of a vehicle obtains a tax token of payment of the quarterly tax and subsequently obtains a duplicate tax token on a false ground that the original one was lost. After some time, under rule 11 (i) of the said rule, he may surrender the duplicate tax token and for the unexpired period of the quarter, obtain refund of the tax paid under section 7 (i) (a) of the Bihar and Orissa Motor Vehicles Taxation Act, 1930 or under section 5 (i) (c) of the Madras Motor Vehicles Taxation Act and at the same time he may be plying the vehicle on the strength of the original tax token. Government in such cases are put to loss to the extent of the refund of the amount obtained by the owner.

To avoid any loss to Government as illustrated above, it is suggested that whenever a duplicate tax token is issued or refund of tax is allowed on surrender of the tax token, necessary entries to that effect should be recorded in the registration certificate.

13. *Co-ordination*—Provisions in the Motor Vehicles Act (Central Act XXIV of 1939), Bihar and Orissa Motor Vehicles Taxation Act (Act II of 1930) and Madras Motor Vehicles Taxation Act (Act III of 1931) and rules framed under the respective acts do not provide co-ordination among the registering authorities and between the State Transport Authority and the registering authorities in respect of the following matters:—

(a) It may be seen from para. 4 that no tax was paid for transport vehicles plying in this State covered by permits issued by the State Transport Authority for certain periods. If permits are issued only on production of the registration certificates, the State Transport Authority will be in a position to verify from the registration certificates whether tax for any period is outstanding against the vehicle. The above suggestion may be considered.

Then the co-ordination of the State Transport Authority with the taxing authority can be availed of inasmuch as the State Transport Authority should not issue or renew or countersign the permit for a second or subsequent time unless he is satisfied that no tax is outstanding against the vehicle.

(b) Under rule 4 (i) of the Bihar and Orissa Motor Vehicles Taxation Rules, 1930 the owner of the vehicle is at liberty to pay tax by means of a Treasury chalan to the Taxing Officer of the area in which the vehicle is kept for use irrespective of the Taxing Officer who registered the vehicle. In such cases no co-ordination is indicated under the rules insisting upon the Taxing Officer who receives the chalan of payment of tax to intimate the original registering authority concerned about such payment as otherwise the original registering authority will not be aware of the payments made by the owner and his registers

will be incomplete. It is therefore, suggested that a monthly return showing registration number, chalan number and date, name of the treasury in which paid, amount paid and the period for which tax was paid has to be prescribed for submission on the 5th of every month by the Taxing Officer to whom the amount was paid by chalan to the registering authority in whose books the particular vehicle is borne.

(c) Under section 42 (i) of the Motor Vehicles Act (Act IV of 1939), read with rule 53 of the Orissa Motor Vehicles Rule, 1940, the State Transport Authority issues permits in respect of transport vehicles. As far as transport vehicles such as stage carriages, public and private carriers registered in other States and obtaining permits from the State Transport Authority of this State, there is possibility on the part of the owners of such vehicles to ply them without paying tax. Para. 4 will show such cases of non-payment of tax. This is mainly due to the fact that the taxing authority whose area is covered by the permits issued by the State Transport Authority is not aware of the details of such permits as the provisions of the Act and the rules framed thereunder do not contemplate supply of a copy of the permit to the taxing authority concerned. If this is provided the concerned Taxing Officer can take suitable steps for demanding tax.

14. *Improvement*—Generally the owners of the vehicles are paying the tax at the treasury or bank, as the case may be, located at the headquarters of the taxing authority by presenting chalans in duplicate. The treasury or bank returns the original to the party and retains the duplicate. The taxing authority issues the tax token basing on the original copy of the treasury chalan presented by the party and there is no possibility for the Taxing Officer to verify the amount actually credited in to the treasury bank. According to the procedure followed, there is ample scope on the part of the owners of the vehicles to alter the amounts actually credited or fraudulently present a forged chalan to their advantage and evade payment of tax to some extent. This procedure has resulted in a fraud in Koraput district during 1958 involving an amount of Rs. 15,449-00.

Such frauds resulting in loss of revenue to Government can be obviated if credit of tax under the Motor Vehicles Taxation Act is insisted by tendering the amount duly supported by a chalan in triplicate and the Taxing Officer should verify before issue of the tax token the chalan produced by the party with the one received from the Treasury. Note 3 under S. R. 55 of the Orissa Treasury Code Volume I has to be amended by inserting the words "and private persons" in between the words "Government" and "when".

(b) The provisions relating to recovery of arrear dues appear to need some revision. Both under the Bihar and Orissa Motor Vehicles Taxation Act and the Madras Motor Vehicles Taxation Act which only applies to ex-Madras areas, there is provision for recovery of arrear dues through the criminal courts and also by certificate procedure as an arrear of Land Revenue. It appears that resort to certificate procedure is not generally followed and only prosecutions are launched for recovery of dues as fine. Under the Bihar and Orissa Act (Section 12) the fine leviable in case of first conviction is not exceeding $1\frac{1}{2}$ times of the annual tax and in case of a second or any subsequent conviction, twice the amount of annual tax. Under the Madras provisions (Section 7) the fine leviable may extend to Rs. 50 and the amount of tax due shall also be recovered as if it were fine. The provision in the Bihar and Orissa Act do not appear quite satisfactory in as much as the court may impose a fine which may be less than the tax due from the owner of the vehicle. Apart from this, it is not clear why recourse is not taken to the certificate procedure for realisation of arrear dues. In all taxation demands it may be desirable to realise the arrear dues straightway by certificate procedure. Action may also be taken to launch prosecutions against offenders for keeping motor vehicles without paying the tax. Resort to criminal courts in every case of failure to pay tax may only delay the realisation.

ANNEXURE I (Vide Para. 2)

Name of the district	Public and Private carriers		Stage carriages		Taxis		Motor cars, Jeeps, Pickups and Station wagons		Motor Cycles		Tractors		Trailer		Total amount
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)		(15)	(16)
		Rs. nP.		Rs. nP.		Rs.		Rs. nP.		Rs. nP.		Rs. nP.		Rs. nP.	Rs. nP.
1. Cuttack ..	348	3,85,481·60	97	1,74,983·34	6	1,216	728	75,664·36	233	8,269·00	21	3,961·00	52	1,976·00	6,51,551·30
2. Sambalpur ..	467	5,57,528·00	13	28,272·74	1	80	390	40,420·00	172	6,820·00	36	7,250·00	..	..	6,40,370·74
3. Puri ..	81	77,667·20	30	56,650·00	..	..	134	12,317·00	50	1,394·80	..	..	..	..	1,48,029·00
4. Ganjam ..	41	39,457·60	27	41,050·12	..	..	106	8,451·60	24	849·00	1	50·00	..	..	89,858·32
5. Koraput ..	95	1,35,240·00	28	49,310·92	3	1,440	101	10,845·00	27	918·00	1	451·00	..	..	1,98,204·92
6. Kalahandi ..	17	17,564·00	2	3,120·00	..	..	38	4,190·00	8	324·00	..	..	7	486·68	25,684·68
7. Balasore ..	77	87,934·00	12	17,160·00	2	768	85	8,872·00	51	1,796·40	..	..	2	96·00	1,16,626·40
8. Bolangir ..	35	37,532·00	19	35,760·00	..	..	72	6,615·00	24	771·00	2	116·66	5	240·00	81,034·66
9. Sundargarh ..	244	1,82,100·00	2	6,144·00	1	80	89	8,933·00	54	1,665·00	5	2,400·00	..	..	2,01,322·00
10. Mayurbhanj ..	78	79,744·44	17	24,400·00	..	..	102	10,212·00	54	1,956·00	..	..	5	928·00	1,17,240·00
11. Dhenkanal ..	37	31,098·40	1	384·00	..	..	52	5,214·00	16	564·00	4	981·00	3	120·00	38,361·40
12. Keonjhar ..	218	2,80,842·00	8	10,848·00	..	..	64	7,311·00	24	830·00	10	3,590·00	2	96·00	3,03,517·00
13. Phulbani ..	10	5,107·00	1	504·00	..	..	22	2,106·00	12	378·00	..	..	..	..	8,095·20
Total ..	1,748	19,17,296·00	257	4,48,587·12	13	3,584	1,983	2,01,150·96	749	26,535·20	80	18,799·66	76	3,942·68	26,19,895·02

ANNEXURE II (Vide para 3)

District	Public and private carriers		Stage carriages		Motor car , station wagons, Pickups		Tractors		Trailor		Taxis		Motor cycles		Total amount
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)		(15)	(16)
		Rs. nP.		Rs. nP.		Rs. nP.		Rs. nP.		Rs. nP.		Rs. nP.		Rs. nP.	Rs. nP.
1. Cuttack	.. 303	2,48,019·24	72	85,328 00	196	18,367·00	2	200·00	1	50 00	5	2,264·00	69	2,239·00	3,56,935·24
2. Dhenkanal	.. 82	78,028·00	13	20,672·00	48	4,334·00	..	..	1	24·00	..	..	35	1,029·00	1,04,087·00
3. Keonjhar	.. 249	3,22,324·00	12	23,507·20	32	3,523·00	..	..	..	..	5	134·40	14	546·00	3,50,034·60
4. Balasore	.. 233	1,64,528 00	53	61,537·60	35	3,755·00	..	..	2	72·00	6	2,040·00	23	721·00	2,32,653·60
5. Mayurbhanj	.. 161	1,38,564·00	23	25,470·00	58	6,094·00	1	246·00	..	..	..	..	25	1,155·00	1,71,529·00
6. Sundargarh	.. 253	3,16,212·00	11	25,632·00	75	8,449·00	15	5,800 00	..	..	1	320 00	43	1,653·00	3,58,066 00
7. Sambalpur	.. 565	5,37,476·80	26	49,040 00	190	20,607·00	2	400·00	2	96·00	..	..	101	3,442 00	6,11,421·80
8. Bolangir	.. 42	41,224 00	16	27,008·00	51	3,240·00	2	910·00	5	728·00	..	..	31	832·00	75,540·00
9. Phulbani	.. 16	13,004 00	4	8,928·00	3	298 00	..	..	3	132 00	..	..	7	237 00	22,599·00
10. Kalahandi	.. 63	50,352·00	2	4,176·00	31	2,790·00	5	766·67	9	1,131·37	..	..	22	759·00	60,571·04
11. Koraput	.. 159	1,69,764·40	7	7,744·40	23	1,869·38	7	3,312·00	1	48·00	1	432·00	15	367·40	1,85,932·78
12. Ganjam	.. 38	27,759·40	43	74,045·68	48	3,507·60	..	..	2	100·00	..	..	13	334·20	1,02,785·88
13. Puri	.. 48	21,558·00	11	4,372·00	35	2,291·00	..	..	..	..	1	144·00	21	435·00	29,257·00
Total	.. 2,212	21,28,813·84	293	4,17,460·88	825	85,038·18	34	11,634·67	26	2,381·37	15	5,334·40	419	13,749·60	26,61,412·94

ANNEXURE III (Vide Para. 3)

District (1)	Public & private carriers		Stage carriage		Total amount (6) Rs. nP.	
	No.	Amount	No.	Amount		
	(2)	(3) Rs. nP.	(4)	(5) Rs. nP.		
1. Sambalpur	1	140-00	..	..	140 00
2. Ganjam	5	2,167-20	1	624	2,791-20	
3. Balasore	1	1,120-00	..	..	1,120-00
4. Koraput	4	801-60	1	624	1,425-60	
5. Cuttack	1	140-00	..	..	140-00
Total	..	12	4,368-80	2	1,248	5,616-80

ANNEXURE IV (Vide Para. 4)

District (1)	Public and private carriers		Contract and stage carriages		Total amount (6) Rs. nP.	
	No.	Amount	No.	Amount		
	(2)	(3) Rs. nP.	(4)	(5) Rs. nP.		
1. Sambalpur	4	3,740-00	..	..	3,740-00
2. Bolangir	3	1,528-00	..	..	1,528-00
3. Cuttack	3	1,388-00	..	..	1,388-00
4. Ganjam	8	2,533-28	8	4,500-00	7,033-28	
5. Koraput	4	1,067-60	1	182-40	1,250-00	
6. Keonjhar	4	1,084-00	1	26-00	1,110-00	
7. Kalahandi	1	384-00	..	..	384-00
8. Balasore	1	324-00	..	..	324-00
Total	..	28	12,048-88	10	4,708-40	16,757-28

ANNEXURE No. V (Vide Para. 6)

District	Private and public carriers		Cars		Trailor		Motor Cycles		Buses		Total amount	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)		(11)	(12)
1. Cuttack	..	8	Rs. 13,824	59	Rs. 7,029	..	Rs. ..	6	Rs. 252	..	Rs. ..	Rs. 21,105
2. Sambalpur	..	22	28,188	19	2,280	..	..	5	192	..	..	30,660
3. Sundargarh	..	23	31,968	24	2,776	..	..	7	252	..	..	34,996
4. Balasore	..	41	55,544	16	1,806	..	..	1	36	3	5,312	62,698
5. Puri	..	1	840	2	240	..	..	..	..	..	..	1,080
6. Bolangir	..	2	1,188	3	240	..	..	..	..	..	..	1,428
7. Keonjhar	..	47	74,480	18	2,232	..	..	2	84	..	..	76,796
8. Phulbani	1	36	..	..	36
9. Koraput	..	17	26,112	14	1,680	..	..	6	174	1	1,920	29,886
10. Kalahandi	..	8	11,040	4	560	..	..	3	132	..	..	11,732
11. Dhenkanal	..	11	13,952	7	756	1	24	1	36	1	1,664	16,432
12. Mayurbhanj	..	6	7,776	17	2,010	..	..	..	..	1	2,496	12,282
Total	..	186	2,64,912	183	21,609	1	24	32	1,194	6	11,392	2,99,131

ANNEXURE VI [Vide Para. 8 (a)]

Name of the district	No. of vehicles	Amount
		Rs. nP.
1. Sambalpur ..	6	1,116.00
2. Cuttack ..	161	17,836.00
3. Puri ..	22	1,979.28
4. Ganjam ..	37	7,728.00
5. Koraput ..	47	5,880.00
6. Phulbani ..	11	3,514.00
7. Bataasore ..	38	4,840.00
8. Kalahandi ..	23	2,076.00
9. Bolangir ..	11	1,060.00
10. Mayurbhanj ..	94	9,196.00
11. Dhenkanal ..	16	1,880.00
12. Keonjhar ..	79	6,722.51
Total	545	63,827.79

Source—Finance Department, Government of Orissa

APPENDIX 4

Copy of the letter No. C. T. D.-25/60—31533-F., dated the 26th October, 1960, from Shri S. Nanda, I.A.S., Secretary to Government, Finance Department to the Secretary to Government of India, Ministry of Commerce and Industry, New Delhi-2

SUBJECT—Sanction of the President under Art. 304 (b) of the Constitution for introduction of the Orissa Taxation (on goods carried by roads or inland water-ways) Bill, 1960 in the State Assembly—Requested.

Sir,

I am directed to say that the Orissa Taxation (on goods carried by roads or inland water-ways) Act, 1959 (Orissa Act 7 of 1959) was enacted by the State Legislature during 1959 and the same has been amended by the Orissa Taxation (on goods carried by roads or inland water-ways) (Amendment) Act, 1960 (Orissa Act 10 of 1960) and by the Orissa Taxation (on goods carried by roads or inland water-ways) (Second Amendment) Ordinance, 1960 (Orissa Ordinance No. 2 of 1960). The enactment is under Entry 56 of List II of the Constitution. Six copies of each of the Acts and the Ordinance referred to above are enclosed.

2. In view of the judgement of the Supreme Court delivered on the 26th September, 1960 in Civil Appeal Nos. 126 to 128 of 1958 and Writ Petitions Nos. 246 of 1956 and 2 of 1959 in which the validity of the Assam Taxation (on goods carried by roads or inland water-ways) Act, 1954 (Act XIII of 1954) was challenged, the State Government are advised that the Orissa Act referred to in para. 1 above may be declared *ultra vires* by the High Court before whom it has already been challenged, on the ground that the previous sanction of the President under Art. 304 (b) of the Constitution has not been obtained. At the time the Bill was introduced in the State Legislature, previous sanction of the President was not obtained in view of the decision of Assam High Court on the validity of the Assam Taxation (on goods carried by roads or inland water-ways) Act (Assam Act XIII of 1954) and in view of the prevailing settled opinion that taxation laws are governed exclusively by Part XII of the Constitution and are not affected by the provisions of Part XIII. However in view of the latest interpretation given by the Supreme Court, it is considered necessary to introduce a fresh Bill in the State Assembly after obtaining the previous sanction of the President. Six copies of the draft Bill are enclosed.

3. According to the Statement of Objects and Reasons given at the time of the introduction of the Bill (which was enacted as Orissa Act 7 of 1959) it was explained that the receipts from this taxation measure will add to the resources for the Second Five-Year Plan and help in financing important development schemes. All relevant considerations including the effect of the tax on trade, exports and the growth of industries not only in Orissa but also generally in the country were taken into account before Government decided to impose this tax and the commodities to be brought under the tax were very carefully selected. According to the provisions of the Act only jute, bamboo and the minerals and mineral ores such as manganese, iron ore, chromite, limestone, dolomite, coal, fire-clay, china-clay and graphite have been selected for the levy of tax. The rates of tax have been given in Schedules I and II of the Act of 1959. The rates of tax were adopted in the Act after detailed examination by a Select Committee which took evidence from all the interested parties including the State Trading Corporation, India. The Act also provides that the State Government may fix any lower rate of tax in respect of any goods to be specified in a notification. This precaution has been deliberately taken in order to reduce the rates whenever the circumstances so demanded and this provision has already been implemented in the cases of bamboos, manganese ore and graphite. A provision has also been made to exempt payment of tax, in whole or in part, in respect of any goods carried for the purpose of export to places outside the

territory of India for such period as may be fixed from time to time. A further provision has also been made to grant rebate to new industries for a minimum period of 5 years and such concession has already been granted to the industries eligible for it. Subsequently the Act was amended in 1960 by Orissa Act 10 of 1960 so as to bring kendu (bidi) leaves under the purview of this tax. Kendu leaves are an important item of trade in this State and the people carrying on this business earn a decent profit. But owing to certain peculiar features of the trade, this sizeable receipt could not be ensured otherwise than by way of levying a tax under this Act. It was, therefore, considered necessary that this commodity, like others, should bear a fair share of the cost of planned economic development of the State by paying reasonable tax. The Ordinance promulgated by the Governor in 1960 (Ordinance No. 2 of 1960) was for effecting certain modifications in the levy of tax on kendu leaves, which were found necessary. As stated earlier, the receipts from this taxation measure were to add to the resources for the Second Five-Year Plan and the necessity for having this taxation measure during the Third Five-Year Plan is imperative in view of the very limited resources of the State. Government of India are well aware that the State Government have to incur very heavy expenditure during the current year and next year on account of flood relief and as the collection of land revenue is likely to suffer for the same reason it will be impossible for the State Government to manage the situation if the tax from this source is not only lost but at the same time the taxes already collected are required to be refunded. The already heavy deficit position on the revenue account will become still worse. The State Government do not find any alternative source of revenue to make up this loss and this means that our Plan Programme will be completely upset. A revenue of Rs. 64 lakhs per annum has been estimated under this tax and this is a considerable sum for an under-developed State like Orissa.

4. As stated earlier, all possible precautions have been taken while enacting this Legislation and the State Government have no reasons to think that the levy of tax is hindering trade or commerce in any way. The restrictions, whether direct or indirect, imposed in the Act are for the proper payment of tax under the provisions of the Act. In the opinion of the State Government, the restrictions are reasonable as required in the public interest, i.e., raising of revenue for financing the Plan. They, therefore, sincerely hope that the President will be pleased to give his sanction to the Bill for introduction in the State Legislature during the current session. It may be mentioned here that the Orissa Ordinance No. 2 of 1960 promulgated by the Governor has to be replaced by an Act during the current session of the State Assembly but in view of the changed position this could not be done. Unless a fresh Act is enacted early, the levy of tax on kendu (bidi) leaves will not be possible after the expiry of the Ordinance. The current session of the State Assembly has commenced on the 24th October, 1960 and is likely to continue till the 18th November, 1960 and as such the proposed enactment has to be rushed through during the next few days.

5. The State Government would accordingly request that the sanction of the President under Art. 304 (b) of the Constitution to the introduction of the Orissa Taxation (on goods carried by roads or inland water-ways) Bill, 1960 in the State Legislature may kindly be obtained and communicated to them as early as possible so as to enable them to have the Bill enacted into law before the 18th of next month. If for any reason there happens to be any delay in obtaining sanction of the President, the State Government propose to introduce the Bill in anticipation of such sanction and in which event, no doubt, we shall request the Government of India to obtain the President's assent in the light of Art. 255 of the Constitution after the Bill is passed by the Assembly.

The favour of very early action in the matter is requested.

Note on the levy of tax on Jute under the Orissa Taxation (On Goods Carried by Roads or Inland Water-ways) Act, 1959

The rate of tax on jute has been fixed at only 50 nP. per maund (37.3242 Kg.). The total production of jute in Orissa is about 9 lakh maunds and the major portion of it is exported outside the State and only a very little portion is consumed within the State. It was necessary to ensure that cultivators transporting their own produce should, as far as possible, be excluded from the purview of the Act. The average area under jute per cultivator is said to be 0.40 acre while the maximum is put at about 3 acres. The average yield per acre is about 800 lbs. or 10 maunds. As a safe margin, storage in excess of 50 maunds has been prescribed in the Act for making a person liable as a dealer and this exemption limit will exclude the cultivators from coming within the net of taxation.

2. From a close study of the subject it could be safely assumed that Orissa jute can easily bear this tax or even bear a higher rate of tax without either causing hardship to the producers or adversely affecting the demand for Orissa Jute in the Calcutta market. There are three reasons for adequately supporting the case for taxing jute. Firstly, the quality of our jute is rated higher than Assam jute and a premium of one rupee is usually allowed in the prices. The figures relating to the period from September, 1958 up to date as furnished by our Marketing Directorate may be seen in the statement of comparative monthly average prices per standard maund of Assam and Orissa jute (raw, loose, bottom) at Calcutta market as given in Annexure I which shows that the higher price of Orissa jute over the Assam jute in the Calcutta market is continuing to be maintained. Secondly, the lines of communication being shorter in our case than in the case of Assam, there is greater margin for the State to tap. The Indian Central Jute Committee has made a study of the Calcutta landed cost of jute of different origins in 1955-56 and the results are exhibited in the following statement copied from Appendix B-XX of the report of the Jute Enquiry Committee, 1957.

APPENDIX B-XX

Calcutta Landed Cost of Jute for 1955-56

(Rupees per maund)

Secondary market	Transport and other costs from village to market	Cost of transport to Calcutta including Calcutta expenses	Total transport cost at Calcutta
(1)	(2)	(3)	(4)
	Rs. a. p.	Rs. a. p.	Rs. a. p.
Sheoraphuli ..	0 4 0	0 13 0	1 1
Belakoba ..	0 3 10	2 12 8	3 0 6
Purnea ..	0 2 4	2 4 2	2 6 6
Danpur (Orissa) ..	0 5 10	2 0 5	2 6 3
Nowgong (Assam) ..	0 5 0	2 1	4 7 1

The table shows that the transport cost of Danpur is comparable with all centres except those of Bengal themselves. The difference between Nowgong of Assam and Danpur of Orissa is more than Rs. 2. Thirdly, it may be mentioned that jute was subjected to a similar additional impost between the years, 1951—54 in the form of extra tollage on canal movement without any adverse effects on trade or prices. A study of the figures given in Annexure II will show that the removal of the toll in January, 1954 did not make much difference to the cultivator. The price offered to the cultivator at any point of time depends upon the price ruling in the Calcutta market. Generally the difference between Calcutta prices and the Orissa prices is about Rs. 4 to Rs. 5. There has been no appreciable decrease in this difference as a result of the withdrawal of the higher rate of toll. For ready reference differences between the two prices month by month have been tabulated in the statement in Annexure III. The statement does not show that the withdrawal of the toll in January, 1954 by itself led to a fall in the difference between the Calcutta price and the Orissa price and that the cultivator began to get a higher return directly as a result. The tendency for the Orissa prices to move upwards and reduce the margin of difference became noticeable even in October, 1953. The prices remained steady in November. The prices moved further upwards in December. This tendency appears to have been arrested in January, 1954. The closing price of the month showed a difference of Rs 4-12-0 between the two prices and this may be compared with the difference in the closing prices of December which was Rs. 3-10-0. In the month of February the trend was again reversed. The figures for subsequent months show that the removal of the toll in the middle of January had no marked effect on the price offered to the cultivator. If in subsequent years the prices moved sometimes upwards and sometimes downwards it would only show that there are far more powerful factors than the toll that go to determine the return to the cultivator. A study of these figures would show that the toll is but an insignificant factor in the whole matter and the impression formed in 1954 at the time of withdrawing the higher rate of toll is not altogether supported by facts.

3. The road tax on jute was levied from the 1st July, 1959. A study of the market rate of Orissa Jute at Calcutta up to March, 1960, as shown in Annexures II and III will make it abundantly clear that even after the levy of the road tax on jute the prices offered at Calcutta for Orissa jute have rather followed the fortunes of the market there without any regard to the tax. The cultivator has also got his due share. Our experience with the canal tolls as discussed above, i. e., that there are far more powerful factors than the toll that go to determine the return to the cultivators, has again proved true and it would be a fallacy to hold that the low rate of road tax on Jute at 50 nP. a maund is hampering the industry or affecting exports in any way.

4. From the cultivators point of view, it is essential that the price he gets should not only cover the cost of production but yield a reasonable profit. According to the studies made by the Economic Research Section of the Indian Central Jute Committee the cost of production of jute at some selected centres is as follows :

	Rupees per maund					
	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56
Monoharpur (West Bengal)	49·07	28·03	34·05	28·03	28·02	30·04
Belakoba (North Bengal)	28·14	26·13	19·03	14·14	20·13	16·14
Purnea (Bihar) ..	26·00	26·13	17·03	17·01	14·00	15·02
Kendrapara (Orissa) ..	23·05	24·08	17·04	21·01	16·10	16·15
Nowgong (Assam) ..	25·00	33·09	22·03	17·05	18·01	21·09

(Table No. XV of the Report of Jute Enquiry Committee, 1957)

It will be observed from the above table that the cost of production of jute in Orissa is comparatively low and in any case it is lower than the cost of production in Assam. The cost of production in Purnea (Bihar) is no doubt lowest but most of the fibre grown in Purnea is said to be of inferior variety. The statistics of acreage and production of jute in Orissa for the past 12 years as given by the Director of Agriculture is given below :—

Year	Acreage Acres	Production Bales
1948-49 ..	36,000	65,000
1949-50 ..	51,000	1,47,000
1950-51 ..	1,10,000	2,42,000
1951-52 ..	1,61,000	3,87,000
1952-53 ..	1,16,000	2,56,000
1953-54 ..	59,000	1,29,000
1954-55 ..	87,000	1,92,000
1955-56 ..	1,11,000	2,45,000
1956-57 ..	91,000	1,83,000
1957-58 ..	94,000	2,08,000
1958-59 ..	98,500	1,77,000
1959-60 ..	74,000	1,88,000

The fall in production during 1958-59 despite increase in acreage is said to be due to damage of the jute crop by insects. During 1959-60 the production has been rather high even though the acreage under jute cultivation had decreased due to closure of some canals for a longer period consequent on the programme of remodelling of Delta Irrigation system. In fact there has been more intensive cultivation on the acreage not affected by the canal closure programme. These figures do not give the least indication that the road tax on jute levied with effect from July, 1959 has had any adverse effect on the volume of production in Orissa.

5. It may not also be overlooked that this commodity escapes sales tax, both central and local, for the most part due to the peculiar nature of the business and there is no reason why it should not pay some tax like any other commodity.

ANNEXURE I

Comparative monthly average wholesale prices per standard maund of Assam and Orissa Jute (Raw, Loose, Bottom) at Calcutta Market

Period	Assam Variety	Orissa Variety
	Rs. nP.	Rs. nP.
September, 1958	24.00	26.25
October, 1958	23.37	25.81
November, 1958	22.51	24.44
December, 1958	21.22	23.50
January, 1959	20.91	23.19
February, 1959	20.49	22.19
March, 1959	20.95	22.44
April, 1959	20.54	22.19
May, 1959	20.71	21.90
June, 1959	21.46	22.56
July, 1959	23.68	24.55
August, 1959	23.38	25.31
September, 1959	22.87	24.75
October, 1959	23.15	24.94
November, 1959	24.03	25.56
December, 1959	28.97	30.27
January, 1960	31.20	32.10
February, 1960	29.94	30.75
March, 1960	32.19	33.19
April, 1960	35.44	36.40
May, 1960	47.69	48.62
June, 1960	44.62	44.37
July, 1960	35.20	35.20
August, 1960	37.75	38.25
September, 1960	41.50	42.22
October, 1960	51.52	52.77
November, 1960	50.87	51.62
2nd December, 1960	50.39	51.04

Statement showing the average monthly prices of loose jute per

Month	1951		1952	
	Calcutta	Orissa (Danpur)	Calcutta	Orissa (Danpur)
(1)	(2)	(3)	(4)	(5)
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
1. January	.. ..	.. ..	63 0 0	52 6 0
2. February	.. ..	.. ..	54 0 0	46 0 0
3. March	.. ..	.. ..	39 0 0	33 5 0
4. April	.. 91 0 0	87 0 0	41 0 0	28 12 0
5. May	.. 98 0 0	87 0 0	30 0 0	23 15 0
6. June	.. 101 0 0	86 12 0	30 0 0	N. T.
7. July	.. 91 0 0	N. T.	26 8 0	22 13 0
8. August	.. 59 0 0	N. T.	26 4 0	23 14 0
9. September	.. 53 0 0	34 4 0	30 12 0	24 10 0
10. October	.. 56 0 0	46 4 0	29 0 0	24 12 0
11. November	.. 54 8 0	47 0 0	26 0 0	20 6 0
12. December	.. 58 0 0	47 0 0	25 4 0	16 11 0

N. T.—No transactions.

URE II

standard maund at Calcutta and Orissa (Danpur)

1953		1954		1955	
Calcutta	Orissa (Danpur)	Calcutta	Orissa (Danpur)	Calcutta	Orissa (Danpur)
(6)	(7)	(8)	(9)	(10)	(11)
Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
25 8 0	17 4 0	30 8 0	25 12 0	34 13 0	31 10 0
24 0 0	15 13 0	28 8 0	24 14 5	38 14 0	35 5 0
21 8 0	14 12 0	26 8 0	22 8 0	36 0 0	31 14 0
19 10 0	12 11 0	29 0 0	24 15 0	34 8 0	31 0 0
25 14 0	20 0 0	27 11 0	23 9 0	31 14 0	29 0 0
27 10 0	22 0 0	25 2 0	22 6 0	28 0 0	25 8 0
28 0 0	20 13 0	23 5 0	19 4 0	27 5 0	20 14
29 8 0	21 0 0	25 5 0	20 4 0	27 4 0	21 12 0
27 8 0	19 0 0	27 10 0	22 14 0	24 14 0	21 0 0
23 0 0	18 14 0	27 10 0	23 15 0	25 8 0	22 4 0
27 8 0	23 6 0	29 13 0	26 8 0	28 2 0	24 8 0
30 0 0	26 6 0	31 0 0	28 0 0	28 8 0	23 10 0

Statement showing the average monthly prices of loose jute per

Month	1956			1957		
	Calcutta	Orissa (Danpur)		Calcutta	Orissa (Danpur)	
(1)	(12)	(13)	(14)	(15)		
	Rs.	a.	p.	Rs.	a.	p.
1. January	29	6	6	24	13	0
2. February	30	0	0	25	13	0
3. March	29	6	0	24	12	0
4. April	28	2	0	23	8	0
5. May	27	2	0	21	2	0
6. June	27	8	0	21	6	0
7. July	27	4	0	22	8	0
8. August	29	0	0	23	15	0
9. September	29	10	0	24	11	0
10. October	29	8	0	24	0	0
11. November	32	5	0	28	5	0
12. December	34	12	0	32	12	0

URE II

standard maund at Calcutta and Orissa (Danpur)

1958		1959		1960	
Calcutta	Orissa (Danpur)	Calcutta	Orissa (Danpur)	Calcutta	Orissa (Danpur)
(16)	(17)	(18)	(19)	(20)	(21)
Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
28·31	22·31	23·19	17·87	32·10	27·90
26·50	20·12	22·19	17·31	30·75	24·56
26·44	20·19	22·44	17·19	33·19	25·00
27·62	21·87	22·19	17·12	..	..
27·12	22·62	21·90	16·50	..	..
26·69	22·75	22·56	16·50	..	..
27·69	22·75	24·65	16·90	..	..
28·00	22·75	25·31	16·50	..	..
26·31	22·62	24·75	17·86	..	..
25·81	20·44	24·94	18·95	..	..
24·44	20·31	25·56	20·69	..	..
29·56	19·31	30·27	25·25	..	..

ANNEXURE III
Statement showing the difference of prices of loose jute per standard maund between Calcutta and Danpur Market

Month (1)	1951 (2)	1952 (3)	1953 (4)	1954 (5)	1955 (6)	1956 (7)	1957 (8)	1958 (9)	1959 (10)	1960 (11)	
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs.nP.	Rs.nP.	Rs.nP.
January	.. ..	10 10 0	8 4 0	4 12 0	3 3 0	4 9 0	2 1 0	6.00	5.32	4.20
February	.. ..	8 0 0	8 3 0	3 9 0	3 9 0	4 3 0	3 15 0	6.38	4.48	6.19
March	.. ..	5 11 0	6 12 0	4 0 0	4 2 0	4 10 0	5 4 0	6.25	5.25	8.19
April	.. 4 10 0	12 4 0	6 15 0	4 1 0	3 8 0	4 10 0	5 2 0	5.75	5.07	..	
May	.. 11 0 0	6 1 0	5 14 0	4 2 0	2 14 0	6 0 0	6 1 0	4.50	5.40	..	
June	.. 14 4 0	..	5 10 0	2 12 0	2 8 0	6 2 0	6 2 0	3.94	6.06	..	
July	.. ..	3 11 0	7 3 0	4 1 0	6 7 0	4 12 0	5 12 0	4.94	7.75	..
August	.. ..	2 6 0	8 8 0	5 1 0	5 8 0	5 1 0	3 15 0	5.26	8.81	..
September	.. 18 12 0	6 2 0	8 8 0	4 12 0	3 14 0	4 15 0	6 0 0	3.69	6.89	..	
October	.. 9 12 0	4 4 0	4 2 0	3 11 0	3 4 0	4 15 0	6 6 0	5.37	5.99	..	
November	.. 7 8 0	5 10 0	4 2 0	3 5 0	3 10 0	4 0 0	5 11 0	4.13	4.87	..	
December	.. 11 0 0	8 9 0	3 10 0	3 0 0	4 14 0	2 0 0	5.32 nP.	10.25	5.02	..	

**Note on the levy of tax on minerals and mineral ores under the Orissa Taxation
(on Goods carried by Roads or Inland Water-ways) Act, 1959**

Two Statements are attached. In statement I an attempt has been made to calculate the gross profit that should accrue per ton of different ores sold at present after meeting the tax. Statement II gives the quantities raised year by year from mines in Orissa from 1955 onwards till the end of June 1960.

The following conclusions may be drawn from the figures—

(a) The rates of tax for the different minerals have been kept as low as possible keeping in view the capacity of the different minerals to bear the tax. This will be clear from statement I. It cannot be said that the State is claiming any large share from the profits so as to cripple the mining industry. It is realised that a large portion of the minerals produced in the country are exported to foreign countries and the prices are subject to fluctuations depending on the foreign demand. Provision has, therefore, been made in section 5 of the Act (clause 5 of the Bill) for granting exemption in respect of goods exported whenever found necessary. Provision has also been made in section 22 of the Act (clause 24 of the Bill) to grant rebate to any new industry in respect of the tax payable on any of the goods for a maximum period of five years.

(b) The production of minerals as given in Statement II and in particular, the production figures after the levy of this tax, will show that the trend of production is on the side of increase. This is a very clear indication that there is demand for mineral ores from Orissa either for internal consumption or for purposes of export. It is, however, true that some manganese and iron mines have been closed down in the recent past. Quite a number of manganese mines appear to have been closed down during 1959 and the reason is attributed to slump in the manganese market and non-supply of wagons. It may also be that the poorer quality of manganese became unsaleable. According to the information available only two manganese mines have been closed down during 1960. As regards iron ore only a few mines were closed down during 1959 for various reasons and the reason is not attributed to any fall of demand. So far as information is available only one iron mine has been closed down during the year due to heavy rain and want of labour. Hence the closing down of some mines need not perhaps be taken into account in the present context.

STATEMENT I
Calculation of profits on Minerals produced in Orissa

(In Rupees)

Sl. No.	Minerals	Current price per ton FOB/FOR	Deduction for					Total	P. M. V. per ton
			Post charges	Handling charges	Transport charges etc. (Truck)	Railway Freight	Bagging charges		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1.	(a) Manganese Dioxide ..	253·75 FOB	10·00	2·75	7·50	28·31	20·00	68·56	185·19
	(b) Manganese Dioxide—45— Mn. and above.	140·00 FOB	10·00	2·75	7·50	22·87	..	43·12	96·88
2.	Iron Ore (Bichhaghatia Mines) 20 miles.	19·50 FOR	..	0·69	10·00	..	..	10·69	8·81
3.	(a) Chromite high and concen- trates 60 per cent of pro- duction (45 per cent Cr 2°3).	150·00 FOB	10·00	0·75	20·81	21·35	..	52·91	97·09
	(b) Low grade (45 per cent Cr 2°3 40 per cent of pro- duction).	93·50 FOB	10·00	0·75	20·81	21·35	..	52·91	40·59
4.	Lime-stone ..	12·84 FOR	..	0·50	2·03	..	..	2·53	10·31
5.	Dolomite ..	9·56 FOR	..	0·50	0·15	..	..	0·65	8·91
6.	Coal ..	22·63 FOR	..	0·50	0·50	..	..	1·00	21·63
7.	Fireclay ..	15·00 FOR	..	1·06	1·87	..	..	1·93	13·07
8.	China clay ..	87·17 FOR	..	13·00	12·50	..	..	25·50	61·67
9.	Graphite ..	3·05 FOR	..	2·25	5·00	..	..	7·25	297·75

Source : Deputy Director, Mines, Orissa

Sl. No.	Minerals	Extraction cost*	Rate of Royalty (on P. M. V.)	Royalty per ton	Cess per ton	Total (Columns 11, 13, 14)	Gross Profit	Percentage of gross profit to selling price before deduction of road tax	Gross profit after deduction of road tax	Percentage of gross profit to selling price after deduction of road tax	Rate of tax
(1)	(2)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
1. (a)	Manganese Dioxide ..	73.00	15 per cent	27.78	9.95	110.73	74.46	29.34	64.46	25.40	10.00
	(b) Manganese Dioxide—45— Mn. and above.	26.00	7½ per cent	7.27	6.15	39.42	57.46	41.04	56.46	40.33	1.00
2.	Iron ore (Bichhaghatia Mines) 20 miles.	4.00	5 per cent sub- ject to Re. 1 minimum.	1.00	0.34	5.34	3.47	17.79	3.22	16.51	0.25
3. (a)	Chromite high and concen- trates 60 per cent of pro- duction (45 per cent Cr 2°3).	16.00	10 per cent	9.71	4.90	30.61	66.48	44.32	63.48	42.32	3.00
	(b) Low grade (45 per cent Cr 2°3 40 per cent of pro- duction).	16.00	7½ per cent	3.04	2.40	21.44	19.15	20.48	18.15	19.41	1.00
4.	Limestone ..	1.42	5 per cent	0.52	0.15	2.09	8.22	64.02	7.97	62.07	0.25
5.	Dolomite ..	2.42	5 per cent	0.45	1.87	4.74	4.17	43.62	3.92	41.00	0.25
6.	Coal ..	12.63	5 per cent of FOR Statu- tory price.	1.13	0.91	14.66	6.97	30.80	6.72	29.77	0.25
7.	Fire clay ..	6.25	5 per cent	0.65	0.20	7.10	5.97	39.80	5.47	36.47	0.50
8.	China clay ..	27.00	7½ per cent	4.63	3.65	35.28	26.39	30.27	24.39	27.93	2.00
9.	Graphite ..	100.00	10 per cent	29.76	13.15	142.91	154.84	50.77	148.84	48.80	6.00

* Extraction cost shown in column (11) is only approximate since detailed information is not available.

STATEMENT II

Statement showing the Output and value of different Minerals during the years (1955—59) and 1960 (up to June) in the State of Orissa

Name of minerals (1)	1955		1956		1957	
	Out-put in tons (2)	Pit mouth value in Rs. (3)	Out-put in tons (4)	Pit mouth value in Rs. (5)	Out-put in tons (6)	Pit mouth value in Rs. (7)
1. Manganese ..	3,64,134	2,40,32,844 (66·00)	3,72,415	4,52,53,286 (121·52)	3,29,699	4,09,24,072 (124·12)
2. Iron ..	18,22,973	91,14,865 (5·00)	17,97,010	3,09,97,633 (17·25)	20,48,259	3,78,93,791 (18·55)
3. Chromite ..	45,013	32,85,949 (73·00)	49,735	36,62,045 (73·63)	71,893	62,36,716 (86·61)
4. Dolomite and Limestone	12,10,292	1,02,10,982 (6·62)	11,30,221	39,66,679 (3·50)	15,00,096	1,07,43,701 (7·16)
5. Coal ..	4,82,099	71,10,960 (14·54)	5,86,310	92,36,354 (15·75)	5,23,372	94,20,696 (18·00)
6. China clay ..	6,700	4,65,600 (39·00)	9,610	3,54,399 (36·87)	8,661	3,96,656 (45·80)
7. Fire clay ..	11,383	1,35,173 (11·88)	10,097	1,00,970 (10·00)	18,136	1,31,360 (10·00)
8. Kynite ..	219	45,771 (283·91)	223	44,934 (380·87)	..	.. 3,473
9. Soap stone ..	..	..	18	648 (36·00)	129	(27·00) 2,46,441
10. Graphite ..	917	1,38,542 (151·00)	635	1,68,005 (264·50)	923	(267·00)
11. Keoline ..	..	..	..	..	..	..
12. White clay ..	..	..	..	..	..	..
13. Mica ..	..	..	..	..	..	..
14. Asbestos ..	..	..	..	..	..	..
15. Cross Conglomerate	..	..	..	..	..	..

STATEMENT II—Contd.

Statement showing the output and value of different Minerals during the years (1955-59) and 1960 (up to June) in the State of Orissa

Name of minerals (1)	1958		1959		1960 (up to end of June)		Remarks (14)
	Out-put in tons (8)	Pit mouth value in Rs. (9)	Out-put in tons (10)	Pit mouth value in Rs. (11)	Out-put in tons (12)	Pit mouth value in Rs. (13)	
1. Manganese ..	3,30,297	1,65,14,850·00 (50·00)	3,20,867 0 0	1,60,43,350·00 (50·00)	1,61,658	80,82,900 (50·00)	
2. Iron ..	21,78,510	1,30,71,060·00 (6·00)	23,76,453 0 0	1,4,58,718·00 (6·00)	17,85,953	1,07,15,718 (6·00)	
3. Chromite ..	61,915	49,53,200·00 (80·00)	75,180 0 0	60,14,400·00 (80·00)	54,609	43,68,720 (80·00)	
4. Dolomite and Limestone	16,67,410	1,00,04,460·00 (4·00)	18,19,013 0 0	1,09,14,078·00 (4·00)	11,05,588	44,22,352 (4·00)	
5. Coal ..	5,20,599	1,14,53,178·00 (22·00)	6,03,926 0 0	1,32,86,375·00 (22·00)	3,42,016	75,24,352 (22·00)	
6. China clay ..	15,573	6,69,639·00 (43·00)	21,387 0 0	9,19,641·00 (43·00)	5,272	2,26,969 (43·00)	
7. Fire clay ..	23,537	2,35,370 (10·00)	29,477 0 0	2,94,770·00 (10·00)	44,896	4,48,960 (10·00)	
8. Kynite ..	..	..	..	..	..	..
9. Soap stone ..	..	..	..	..	..	..
10. Graphite ..	1,405	1,80,596·00 (232·00)	1,340 0 0	3,10,880·00 (232·00)	615	1,42,680 (232·00)	
11. Keoline ..	..	..	3,950 0 0	3,357·00 (0·85)	3,456	2,937·60 (0·85)	
12. White clay ..	..	..	8,897 0 0	66,728·00 (7·50)	4,563	34,222·50 (7·50)	
13. Mica ..	..	..	62 14 0	12,54·00 (200·00)	511	1,02,200 (200·00)	
14. Asbestos ..	..	..	..	..	..	..
15. Cross Conglomerate ..	..	..	..	..	..	..

(P. M. V. per ton is given below the P. M. V.)

**Note on the levy of tax on Kendu (Bidi) Leaves under the Orissa Taxation
(on Goods carried by Roads or Inland Water-ways) Act, 1959**

Kendu leaves are used for the manufacture of bidis. Orissa produces very fine variety of these leaves in abundance and there is great demand for them outside the State. Kendu leaves occur on Government lands as well as on tenants' holdings. The average annual production of these leaves is well about 2 lakh bags (a bag is equal to 2½ mds). A bag of the superior variety of leaves will fetch a price of anything above Rs. 100 depending on demand and at times the leaves are sold at much higher prices especially in the Pakistan market. It may be safely assumed that even on a conservative estimate Orissa produces kendu leaves worth nearly Rs. 5 crores annually and the major portion of it is sent outside the State.

2. But this important commodity of the State was escaping any kind of tax. Due to the peculiar nature of the business in this commodity, practically no sales tax could be realised as the goods were mostly despatched to the head offices of merchants outside the State or the leaves were sent outside the State and there sold through commission agents. Another important factor that had to be considered is that although the Government lands are leased out by auction, there is nothing to prevent the pilfering of leaves from the leased areas as it would hardly be possible to distinguish leaves of Government lands from other leaves grown on the lands of tenants. It has been estimated that a large portion of the produce is from the Government lands.

3. The revenue derived from auction of Government lands is hardly commensurate with the value of the commodity produced in the State and it was thought expedient to bring this commodity under tax like any other commodity for contributing its share of the cost of planned economic development of the State. Transport of leaves on an intensive scale during a short period of one year causes a lot of damage to the roads in the interior and it is only legitimate that this profitable commodity pays its share of the cost of maintenance and improvement of the roads. This would also be a check on the pilfering of leaves from Government lands as anybody transporting the leaves in the course of business will have to be licensed and also liable to pay the tax. The tax has been fixed by taking several factors into consideration viz., the cost of production, revenue paid by way of lease, price obtained in outside markets etc. The business in kendu leaves is in a flourishing state bringing handsome profits and there can hardly be any objection to the levy of the tax.

**Note on levy of tax on Bamboos under the Orissa Taxation (on Goods carried by
Roads or Inland Water-ways) Act, 1959 and its effect on Paper Industry
in Orissa and outside**

Orissa is a large producer of bamboos. The major portion of the bamboo forests have been settled on long-term leases to the Paper Mills inside and outside Orissa on royalty basis. At present the following Mills take bamboos from Orissa.

Inside Mills	Outside Mills
Orient Paper Mills	Titaghur Paper Mills
Chaudwar Paper Mills	Bengal Paper Mills
Straw Products Co.	

The general rate of royalty appears to be Rs. 3 per 100 bamboos and it is only in special cases that lower rates have been fixed for special reasons. In the case of Chaudwar Paper Mills and Straw Products Co., special concessions have been shown as they are new factories deserving some special treatment in their

infancy. In the case of Orient Paper Mills lower rates have been fixed for some areas in recognition of difficult conditions attending their exploitation, such as terrain and transport.

2. The road tax on bamboos is levied at the rate of Rupee one per 100 bamboos. At the average rate of 400 bamboos to a ton (which is the rate usually adopted) the tax will amount to Rs. 4 per ton. If the highest rate of royalty now in vogue, Rs. 3 per 100 bamboos, is also similarly converted into a ton rate, the total amount payable to Government by way of royalty and tax will be Rs. 16 per ton of bamboos. On the basis of the latest available statistics relating to Paper Industry as gathered from the Government of India publication entitled 'Census of Indian Manufacturers—1957', an earnest attempt has been made as discussed in the subsequent paras to study the effect of this tax on the paper industries who take their supplies of bamboos from Orissa.

(1) The figures given in Statement I will show that bamboo is an important raw material used for manufacture of paper in all States except Bombay and Uttar Pradesh. West Bengal shows the highest consumption of bamboos and although no separate figures for Orissa are available it seems certain that the consumption by the Orissa Mills is much higher. There may be various reasons for this marked preference for bamboos to other materials such as wood pulp, grass, rags etc. One reason for this preference is the cheap availability of bamboos.

(2) Secondly, the figures given in Statement II will show that applying the existing rates of royalty and also adding the Orissa Road Tax to the cost of bamboos at mill site in different States as given in the publication for sake of comparison, the cost per ton of bamboos in other States including Orissa is the lowest. The cost in West Bengal is, no doubt, high but the big difference in cost appears to be mainly due to the cost of transportation. This comparative study does not in any way indicate that in regard to the cost of bamboos, either the Orissa or the West Bengal Mills are in a worse position than Mills in other States.

(3) Thirdly, calculations have been made in Statement III on certain assumptions uniformly applied to see whether the levy of the road tax will have any appreciable effect on the profits. The cost of production may rise as a result of the tax and the increased cost of production may in turn bring down profits from 32.97 per cent to 32.05 per cent in West Bengal and from 26.64 per cent to 25.5 per cent in case of other States including Orissa. The fall is 0.92 per cent in case of West Bengal and 1.14 per cent in the case of Orissa. Decreases of this order in the annual profits cannot be called alarming. In fact, this is no more than what the normal fluctuations in business bring about. Moreover, if the rate of profit of the West Bengal and Orissa Mills are placed in All-India perspective, it will be seen from Statement IV that the percentage of profit for the West Bengal Mills is clearly above the All-India average although unfortunately no separate figures are available for Orissa. It has to be noted that a reasonable rise in the cost of production will only go to reduce the taxable gross profits and will not protanto reduce the net profits to be distributed among the owners of the industry.

(4) Fourthly, it is clear that the level of net profit in the paper industry compares favourably with most of the industries and a little addition to the cost of production by way of tax will be no crippling burden. A glance at Statement V will show that just at the present time paper occupies a good place among other industries in the matter of profits.

3. It may be noted that bamboos used by the paper industry pay no tax whatever to the State and sales tax is not leviable as the Mills extract bamboos by virtue of leases. No Central Sales Tax is also collected as no sale takes place in the course of inter-State trade.

STATEMENT I

Percentage of values of bamboo and other basic materials to value of basic materials

States	Bamboo	Other basic materials	Total	Percentage of bamboo to total materials
	(in Rs.)	(in Rs.)	(2+3)	(2/4 × 100)
(1)	(2)	(3)	(4)	(5)
1957 West Bengal ..	1,36,96,686	1,11,57,208	2,48,53,894	55·11
Madhya Pradesh ..	13,68,442	13,02,619	26,69,061	51·20
Bombay ..	15,11,536	78,77,429	93,88,965	16·10
Uttar Pradesh ..	1,085	38,36,737	38,37,822	0·03
All other States (including Orissa)	96,56,460	2,93,19,566	3,89,76,026	24·77
All-India ..	2,62,32,209	5,34,93,559	7,97,25,768	32·90

(Source—Compiled on the basis of the figures published in Census of Indian Manufactures—1957)

STATEMENT II

Cost of bamboos at Mill site per Ton with Royalty and Tax

States	Cost of bamboos at Mill site (including Royalty)			Royalty per Ton.	Cost of bamboos excluding Royalty per ton.	Cost per ton including Royalty.	Cost per ton including Royalty i.e., Tax at Rs. 16 per Ton.
	Quantity in Ton.	Value in Rs.	Cost per Ton				
		Rs. nP.	Rs. nP.	Rs.nP.	Rs.nP.	Rs.nP.	Rs.nP.
1. Bombay ..	25,853	15,11,536	58·47	12·00	46·47	58·47	62·47
2. West Bengal ..	1,48,461	1,36,96,686	92·26	12·00	80·26	92·26	96·26
3. Uttar Pradesh ..	11	1,085	98·64	12·00	86·64	98·64	102·64
4. Madhya Pradesh ..	18,796	13,66,442	72·70	12·00	60·70	72·70	76·70
5. Other States (including Orissa.)	1,68,112	96,56,460	57·44	12·00	45·44	57·44	61·44
6. All-India ..	3,61,233	2,62,32,209	72·62	12·00	60·62	72·62	76·62

STATE

Change in the profit percentage

State	Royalty per ton	Old cost of production	New cost of production at Rs. 12 per ton as royalty	Second new cost of production with royalty and tax i.e. Rs. 16 per ton	Ex-factory net selling value including amounts received from others for work done for them
(1)	(2)	(3)	(4)	(5)	(6)
	Rs.	Rs.	Rs.	Rs.	Rs.
Bombay ..	12	2,41,15,040	2 41,15,040	2,42,18,452	3,87,47,158
Madhya Pradesh..	12	1,57,28,836	1,57,28,836	1,58,04,020	1,63,03,537
Uttar Pradesh ..	12	1,37,76,225	1,37,76,225	1,37,76,269	1,77,59,473
West Bengal ..	12	8,64,50,312	8,64,50,312	8,70,44,156	11,49,49,330
Other States including Orissa.	..	11,78,87,654	11,84,77,370	11,91,49,818	14,92,89,110
All-India ..	..	25,79,58,067	25,79,58,067	25,94,02,999	33,70,48,608

MENT III

due to royalty and tax

Gross profit at old rates columns (6—3)	Gross profit at first new rates columns (6—4)	Gross profit at second new rates columns (6—5)	Percentage of profit to the old cost of production 7×100 — 3	Percentage of profit to the first new cost of production column 8×100 — 4	Percentage of profit to second new cost of production 9×100 — 5	
(7)	(8)	(9)	(10)	(11)	(12)	
Rs.	Rs.	Rs.				
1,46,32,118	1,46,32,118	1,45,28,706	60.68	60.68	59.99	
5,74,701	5,74,701	4,99,517	3.65	3.65	3.16	
39,83,248	39,83,248	39,83,204	28.91	28.91	28.91	*This re- mains al- most con- stant be- cause of the very small quantity of bamboo (only 11 tons in 1957) con- sumed in U. P. Mills.
2,84,99,018	2,84,99,018	2,79,05,174	32.97	32.97	32.05	
3,14,01,456	3,08,11,740	3,01,39,292	26.64	26.01	25.30	
7,90,90,541	7,90,90,541	7,76,45,609	30.66	30.66	29.93	

STATEMENT IV

Gross profit as percentage to cost of production

State	Cost of Production		Fuels Lubricants etc.	Salaries i.e., wages	Period to other con- cerns for work done for factory	Depreciation	Total	Ex-factory net selling Value	Gross profit	Gross pro- fit as per- centage to cost of pro- duction
	Bamboos	Other materials								
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1. Bombay ..	15,11,536	1,30,89,037	34,54,941	45,59,900	75,015	14,24,611	2,41,15,040	3,87,47,158	1,46,32,118	60.68
2. West Bengal ..	1,36,96,686	3,74,51,265	1,08,94,832	1,91,27,689	13,25,462	39,54,378	8,64,50,312	11,49,49,330	2,84,99,018	32.97
3. Uttar Pradesh ..	1,085	78,97,407	24,89,220	27,03,633	34,840	6,50,040	1,37,76,225	1,77,59,473	39,83,248	28.91
4. Madhya Pradesh	13,66,442	44,70,642	27,88,257	26,95,123	Nil	44,08,372	1,57,28,836	1,63,03,537	5,74,701	3.65
5. Other States in- cluding Orissa.	96,56,460	6,18,51,339	1,49,01,121	2,04,59,193	1,20,225	1,08,99,316	11,78,87,654	14,92,89,110	3,14,01,456	26.64
6. All-India ..	2,62,32,209	12,47,59,690	3,45,28,371	4,95,45,538	15,55,542	2,13,36,717	25,79,58,067	33,70,48,608	7,90,90,541	30.66

* This includes amount received from others for work done for them

Source—Compiled on the basis of figures published in the census of Indian Manufactures 1957

STATEMENT V

Net profit in paper industry in comparison to some other important industries
(After paying all taxes to the Centre)

Serial No.	Industry	1956	1957	1958	1955—58 Average
(1)	(2)	(3)	(4)	(5)	(6)
1	Cotton Textiles ..	7.8	-0.9	0.3	4.1
2	Jute Textiles ..	-4.4	3.1	7.7	1.8
3	Other Textiles ..	9.6	7.6	8.4	8.7
4	Iron and Steel ..	14.6	11.2	11.9	14.9
5	Engineering ..	9.8	9.7	9.7	9.9
6	Cement ..	10.7	7.6	5.5	8.9
7	Sugar ..	10.2	9.7	8.3	9.1
8	Vegetable Oils ..	3.7	-3.8	5.9	3.7
9	Chemicals ..	6.8	5.5	6.3	6.1
10	Paper ..	6.1	7.2	10.7	8.6
11	Matches ..	8.0	3.5	9.5	7.5
12	Coal ..	3.1	5.6	6.7	5.5
13	Electricity generation and supply.	6.7	7.9	8.1	7.5
14	Shipping ..	12.6	13.4	6.2	9.4
15	Tea ..	11.2	3.8	6.0	6.6
16	Other plantations ..	13.8	9.1	9.8	11.4
17	Trading ..	6.6	4.6	7.2	6.1
18	Land and Estate ..	..	..	..	..
19	Total (including) others ..	8.0	6.4	7.1	7.9

Source—The Eastern Economist, 21st October, 1960

CHAPTER X

ENTERTAINMENT TAX

Entertainment Tax was first levied in Orissa on a State-wide basis on the 1st April, 1947. Prior to this date it was a local levy and was in force in four towns only in the districts of Ganjam and Koraput. The municipalities of Berhampur and Parlakimedi and the Union Boards of Gunupur and Jeypore were collecting the tax under the Madras Local Authorities Entertainment Tax Act, 1926. This Act was repealed by the Orissa Entertainment Tax Act, 1946 and the State Government took over the power to levy the tax and appropriate the proceeds. Provision was, however, made to compensate the four local bodies at a rate not less than the net maximum income derived by them during any one of the three years preceding the 1st April, 1946. The total amount thus paid came to Rs. 8,547 per annum. The break up is as given below :—

	Rs.
(a) Gunpur Notified Area Council ..	1,350
(b) Berhampur Municipality ..	4,755
(c) Parlakimedi Municipality ..	370
(d) Jeypore Municipality ..	2,072

2. According to the Act, the term "Entertainment" includes any exhibition, performance, amusement, game or sport to which persons are admitted for payment. The tax is usually collected in the shape of stamps. As a general practice proprietors of places of entertainments purchase stamps from the treasury and affix them to tickets sold to customers. In special cases, however, the proprietors are allowed to compound the tax payable in respect of each ticket for a lump sum fixed for the entertainment as a whole or to pay the tax due on a series of entertainments on the basis of a pre-determined percentage of the gross receipts. Under Section 8 of the Act, entertainments devoted to philanthropic, religious and charitable purposes as well as those provided by non-profit making institutions for educational or scientific purposes or for promoting public health, agriculture or industry are often exempted from tax. In 1958 all dramatic performances were exempted under the powers with a view to encourage this important local art.

3. In the beginning, the rates were based on a slab system and fixed amounts were levied on tickets of specified value. There was no tax on tickets of two annas and less. This system was replaced by the percentage system in 1949. Thus the State Government can be said to have anticipated the recommendation of the Taxation Enquiry Commission (1953-54). In 1958, a minor amendment was made to present the rounding off calculations in terms of the decimal coinage. The rates now in force are as follows :—

Where the ticket—

- | | | |
|--|----|---|
| (a) is up to one rupee | .. | Twenty-five per cent rounded off if it is not a multiple of 2 nP. to the next higher multiple of two nP. |
| (b) is more than one rupee but not more than three rupees. | .. | Thirty-three one-third per cent rounded off if it is not a multiple of 5 nP. to the next higher multiple of 5 nP. |
| (c) is more than rupees three | .. | Fifty per cent rounded off if it is not a multiple of 5 nP. to the next higher multiple of 5 nP. |

4. The trend of receipts will be clear from the table below :—

TABLE I

Receipts from Entertainment Tax

Year	Receipts (Rupees in lakhs)
1947-48 ..	1.24
1948-49 ..	1.73
1949-50 ..	3.60
1950-51 ..	5.51
1951-52 ..	5.67
1952-53 ..	5.59
1953-54 ..	6.09
1954-55 ..	8.85
1955-56 ..	6.47
1956-57 ..	8.06
1957-58 ..	8.36
1958-59 ..	10.07
1959-60 ..	11.98
1960-61 (B. E.) ..	11.01

Source : Orissa Budgets

The first big increase occurred in 1949-50, obviously as a result of the change-over from the slab system to the percentage system. The following year to witness an increase of a similar order. Thereafter the annual increases were nominal till 1954-55. It is not clear why in that year the receipts jumped up by more than Rs. 2 lakhs only to fall in the next year to the usual level. This was perhaps due to an increased activity on the part of touring cinemas and circuses which is an admittedly temporary feature. We understand that in subsequent years special steps were taken to tighten the administration and to arrest the tendency of the receipts to fall or stagnate. This apart, there has been an increase in the number of cinemas which are the main source of this tax. At present there are 64 cinemas in the State as against 24 in 1952. We are sure that the upward trend can be maintained and also vastly bettered.

5. We recommend the following changes in the structure of rates. The towns and villages where cinemas are in operation, should be classified into two categories, A and B according to their population and the pattern of occupations prevalent therein. Different sets of rates should be fixed for the two classes. The present rates may be made applicable to the towns and villages of class 'B'. For those in class 'A', the rates in each slab may be raised by 25 per cent.

6. As in sales tax, the main problem in regard to this tax is evasion. Greater vigilance and better administration are the only remedies. We suggest the following improvements. Firstly, the procedure of compounding which facilitates evasion to a great extent should be limited to a few cases only and certain definite principles followed in this regard. It should not be allowed to stationery cinemas irrespective of whether they are run on a temporary licence or a permanent licence. It is only in regard to touring cinemas and circuses that this facility may be extended. In their case

too the officer concerned should satisfy himself that it is difficult to enforce the normal provision and the balance of advantage lies in compounding. He should record the reasons in writing so that the superior officers will have an opportunity to exercise effective supervision. Secondly, complementary tickets which are another source of evasion should be subjected to tax. There is no valid reason why the State should give up the tax even if the proprietor of the entertainment considers it necessary to give up his own fee. Thirdly, surprise checks should be conducted periodically and in a larger number than at present while the entertainment is on.

7. The administration of the entertainment tax is at present with the Member, Board of Revenue and the District Collectors. But we understand that when some years ago a separate department was organised for administering Commercial Taxes, the idea of transferring the Entertainment Tax Act to that department was mooted. For some reason or other, not much progress was

Administration of the tax should be entrusted to the Commercial Tax Department.

made with the proposal. Considering that the Collectorst and the Revenue Officers have been called upon in recent years to shoulder larger responsibilities in regard to collection of land revenue and other Government dues and the Commercial Tax Department has gained sufficient experience over the past few years in the management of taxes we think time has come for reviewing the existing arrangements. In our opinion, the administration of Entertainment Tax can be conveniently entrusted to the Commercial Tax Department. We have recommended elsewhere that the Assistant Commercial Tax Officers should not be concentrated at the headquarters of the Circle but should be stationed at subdivision headquarters and other places. We hope that with the acceptance of these recommendations there will be no difficulty in arranging for effective supervision through the existing personnel. No special staff appears to be necessary.

8. We have received representations from Chairman of municipalities that it would be proper to reserve the entertainment tax for local bodies, and at any rate, the proceeds thereof should be made over to them if it is continued to be levied and collected by the State Government. We are also aware

Local bodies claim to a part of the proceeds of the Tax.

that the Local Finance Enquiry Committee viewed with favour the latter part of the above suggestion. There is no doubt that the places of entertainment do increase the responsibilities of the local bodies and lead to a certain degree of extra expenditure on sanitation, etc. From this point of view as well as from the need to provide larger resources for the local bodies we recommend that 50 per cent of the proceeds of the entertainment tax collected from the area of local body should be made over to that body.

9. We agree with the Taxation Enquiry Commission that in addition to entertainment tax there is scope for the levy of a show tax by local bodies. The rate should of course be fixed at a moderate level. We

Case for the levy of a show tax.

suggest that in Class 'A' towns the rate may not exceed Rs. 8 per show and in Class 'B' towns the maximum may be kept at Rs. 5. The State Government may take steps to empower the local bodies to levy and collect this tax.

CHAPTER XI

STAMPS AND REGISTRATION

Stamps are of two kinds, judicial and non-judicial. The former are regulated under the Indian Court Fees Act, 1870 as amended from time to time by the Orissa Amendment Acts. The latter are regulated under the Indian Stamp Act, 1899 as modified by the Amendment Acts of Orissa. The Court Fees Act was first amended in 1939 and the Stamp Act in 1943. Further amendments were made in 1945, 1947, 1949, 1951 and 1958 mainly with a view to enhance the rates. A surcharge of 50 per cent was added in 1951. The latest amendment of 1958 did not aim at any increase and its object was to express the rates in terms of the newly introduced decimal coinage. Once only, i.e., in 1955 was an amendment made to the Stamp Act for reducing the fees payable for the enrolment of advocates. The trend of receipts from Stamps may be seen in the table below :—

TABLE 1
Receipts from Stamps

(Rupees in lakhs)

Year	Judicial	Non-judicial	Total
1949-50	23.30	31.40	54.70
1950-51	27.27	37.98	65.25
1951-52	27.78	41.18	68.96
1952-53	32.19	44.07	76.26
1953-54	30.53	46.93	77.46
1954-55	27.93	48.33	76.26
1955-56	24.94	22.17	47.11
1956-57	23.78	25.45	49.23
1957-58	25.71	27.71	53.42
1958-59	25.49	29.38	54.87
1959-60	27.38	36.17	63.55
1960-61 (B. E.)	26.08	32.33	58.41

Source : Orissa Budgets

In comparing the receipts for the period 1955-56 to 1960-61 with those of the previous period it should be remembered that the practice of collecting Motor Vehicles Tax through non-judicial stamps in the districts of Ganjam and Koraput was discontinued from the year 1955-56.

2. The bulk of the evidence tendered to us on the subject points out that the rates of Court Fees in force in the State are already high and that there is no scope for enhancing them. It has also been brought to our notice that in some quarters it is felt that the rates are much too high and should be reduced. In this connection, it will be useful to recall the observations of the Taxation Enquiry Commission (1953-54) which read as follows : "On the more restricted question of reduction

No case for reduction of Court Fees.

of Court Fees, however, we recommend an urgent review of these fees by those few State Governments which now derive from them a revenue which substantially exceeds the cost of administration of justice in order that the fees may be suitably reduced and readjusted as soon as possible. Within the overall requirements of the principle we have endorsed, viz., that the total receipts from Court Fees should be such as by and large only to cover the cost of administration of justice, various readjustments might be both necessary and desirable; for example, in certain contexts—especially that of deterring petty or vexatious litigation—the fees would have to be adequately high, just as in other contexts (e. g. where the poorer parties are concerned) they would have to be adequately low.” To appreciate the applicability of the above observations to conditions in Orissa it is necessary to compare the receipts on Court Fees and expenditure on administration of justice. The following table which is based on the actuals may be seen.

TABLE 2

Comparison of receipts from Court Fees to expenditure on administration of Justice

(Rupees in lakhs)

Year	Receipts from Court-Fees	Expenditure on administration of justice		
		Administrative	Works	Total
(1)	(2)	(3)	(4)	(5)
1949-50 ..	23·30	21·15	2·71	23·86
1950-51 ..	27·27	20·95	2·25	23·20
1951-52 ..	27·78	21·16	0·49	21·65
1952-53 ..	32·19	23·47	0·10	23·57
1953-54 ..	30·53	24·18	1·79	25·97
1954-55 ..	27·93	25·21	2·30	27·51
1955-56 ..	24·94	26·31	0·74	27·05
1956-57 ..	23·78	25·92	0·36	26·28
1957-58 ..	25·71	27·18	2·29	29·47
1958-59 ..	25·49	27·79	2·83	30·62
1959-60 ..	27·38	28·50	0·87	29·37
1960-61 (B. E.) ..	26·08	31·44	1·09	32·53

Source : Orissa Budgets

It will now be clear that the receipts never substantially exceeded the cost of administration of justice but have in fact fallen short of the latter during the last six years. So in terms of the recommendation of the Taxation Enquiry Commission there is no case at all for a reduction. On the other hand, in the light of the trend noted above, there may be a case for increase. In view of this aspect and the clear and urgent need for increased resources it is hardly possible for us to recommend any reduction at this juncture.

3. As regards non-judicial stamps the position is somewhat different. A number of witnesses have suggested that some increases are possible. We have compared the Orissa rates with those in vogue in some other States. The statement at Appendix I contains the relevant data. We feel that it will be reasonable to increase the duties by 25 per cent on the average. We do not, however, suggest that increases should be made uniformly against all the items listed in the Appendix. In some cases the increase may be more and in others less. The actual order of increase in each item has to be carefully considered with reference to the number of documents arising against the item and the likely effect on the class of persons concerned. This is a matter of very great detail and requires a close knowledge of the existing situation. We do not feel competent to go into such detail. The Government may take steps to get this examined further through Departmental channels.

REGISTRATION FEES

4. Registration fees are levied in Orissa under the Indian Registration Act, 1908, as in all States. Under the Act, the State Government have power to alter the rates without resorting to amending legislation. The existing rates were fixed in December, 1950. Under the Act certain documents have to be registered compulsorily and these are not admissible in evidence in law courts unless registered. In regard to other documents, registration is optional. The fees are charged in all instances offered for registration except those which are specially exempted from the payment of fees or stamp duties. The trend of receipts will be evident from the following table.

TABLE 3
Receipts from Registration fees

Year	Rupees in lakhs
	Receipts
1949-50	7.15
1950-51	8.34
1951-52	12.10
1952-53	12.12
1953-54	12.91
1954-55	12.52
1955-56	11.79
1956-57	12.85
1957-58	14.14
1958-59	14.99
1959-60	16.65
1960-61 (B. E.)	17.50

Source : Orissa Budgets

5. There are two factors which necessitate a review of the existing rates of registration fees. One is the increase in the costs of establishment and the second is the change in the system of remuneration to the Copyists. Hitherto the Copyists used to be paid on a piece rate basis, but since 1st January, 1961 they have become salaried servants of Government with right to pension. For these reasons we considered it necessary that (a) the extra copying fees should be raised from the present level of 6 annas for the first 600 words (i. e., for the first two pages) to Re. 1 and (b) the present endorsement fees of 6 annas under Article M (c) of the present table of fees should be raised to 75 nP. per document. We are gratified to learn that the Government have ordered these increases with effect from 1st January, 1961 at the instance of the Member, Board of Revenue, who is a member of this Committee.

6. There are reasons to think that the Government are not getting all that they are entitled to get from Stamps and Registration. The Under valuation transactions are often under-valued with a view to avoid the to be checked. appropriate rate. This problem can be tackled only by better administration and better supervision. There is some doubt as to whether under the existing rules the registering authority has power to ask for correct valuation through the Collector. Some cases of suspected under-valuation should be studied by superior officers with a view to find out if there are any obstacles in the way of ensuring proper valuation and suggest suitable measures, legal as well as administrative, for reducing avoidance and evasion.

7. We have heard the complaint that the facilities for registration are not evenly spread all over the State and that there are areas where the nearest registration office is so far that the distance discourages registration and thus leads to avoidable leakage of revenue. We have therefore enquired about the policies and principles governing the opening of new registration offices. We have been informed that according to the existing yard-stick there should be one registration officer for every 5,000 registrations but in practice when the number of registrations at a particular place goes up additional officers are posted there instead of dividing the jurisdiction of the existing office and opening a separate new office elsewhere. This practice appears to have grown out of the difficulty of finding sufficient funds for putting up the necessary buildings for the office as well as the staff. We feel that this is like being penny-wise and pound foolish. In the interests of revenue as well as public satisfaction should be made available to the people without forcing them to travel long distances. We therefore recommend that in future Registration offices should be evenly distributed all over the State according to load of work, each with a compact jurisdiction instead of locating more than one officer at one place with a large jurisdiction.

APPENDIX 1
Rates of stamp duties in selected States

Sl. No.	Description of instrument	Orissa	Madhya Pradesh	Madras
1	2	3	4	5
		Rs. nP.	Rs. a. p.	Rs. nP.
1.	Acknowledgment of a debt exceeding twenty rupees in amount or value written or signed by, or on behalf of, a debtor in order to supply evidence of such debt in any book (other than a banker's pass book) or on a separate piece of paper when such book or paper is left in the creditor's possession : provided that such acknowledgment does not contain any promise to pay the debt or any stipulation to pay interest or to deliver any goods or other property.	..	0-2-0	0-10
2.	Administration Bond including a bond given under sections 291, 375 and 376 of the Indian Succession Act, 1925 (Central Act XXXIX of 1925), or section 6 of the Government Savings Banks Act, 1873 (Central Act V of 1873).			
	(a) Where the amount does not exceed Rs.1,000. for every Rs. 100, or part thereof.	..	1-5-0	Three-fourth of the duty as a Bond (No. 15) for such amount.
	(b) In any other case.	The same duty as a Bond (No. 15) for the same amount.	The duty payable under clause (a) for the first Rs. 1,000 and, in addition, the same duty as on a Bond (No. 15) for the portion in excess of Rs. 1,000.	15-00

3. Adoption Deed, that is to say, any instrument (other than a will), recording an adoption, or conferring or purporting to confer an authority to adopt.	22-50	26-10-0	22-50
4. Affidavit Including an affirmation or declaration in the case of persons by law allowed to affirm or declare instead of swearing.	3-00	2-10-0	3-00

Exemptions

Affidavit or declaration in writing when made—

- (a) as a condition of enrolment under the Indian Army Act, 1911 or the Indian Air Force Act, 1932;
- (b) for the immediate purpose of being filed or used in any Court or before the officer of any Court;
- (c) for the sole purpose of enabling any person to receive any pension or charitable allowance.

5. AGREEMENT OR MEMORANDUM OF AN AGREEMENT—

(a) if relating to the sale of a bill of exchange 0-30 0-4-0 0-40

(b) if relating to the sale of a Government security or share in an incorporated company or other body corporate ;	Subject to a maximum of rupees twenty-two and fifty naye paise for every Rs. 10,000 or part thereof, the value of the security or share.	Subject to a maximum of twenty rupees, one and a half annas for every Rs. 10,000 or part thereof, of the value of the security or share.
--	--	--

(c) if not otherwise provided for 1-10 1-0-0 1-50

1	2	3	4	5
	<i>Exemption</i>	Rs. nP.	Rs. a. p	Rs. nP.
	(a) for or relating to the sale of goods or merchandise exclusively not being a note or a Memorandum chargeable under No. 43.			
	(b) made in the form of tenders to the Central Government for, or relating to any loan.			
6 AGREEMENT RELATING TO DEPOSIT OF TITLE-DEEDS, PAWN OR PLEDGE, that is to say, any instrument evidencing an agreement relating to—				
	(1) the deposits of title-deeds or instruments constituting or being evidence of the title to any property whatever (other than a marketable security), or			
	(2) the pawn or pledge of movable property, where such deposit, pawn or pledge has been made by way of security for the repayment of money advanced or to be advanced by way of loan or an existing or future debt—			
	(a) if such loan or debt is repayable on demand or more than three months from the date of the instrument evidencing the agreement—			

				If drawn singly.	If drawn in set of two for each part of the set.	If drawn in set of three for each part of the set.	If drawn singly.	If drawn in set of two for each part of the set.	If drawn in set of three for each part of the set.	If drawn singly.	If drawn in set of two for each part of the set.	If drawn in set of three for each part of the set.			
				Rs. nP.	Rs. nP.	Rs. nP.	Rs.a.p.	Rs.a.p.	Rs.a.p.	Rs. nP.	Rs. nP.	Rs. nP.			
(f) when the amount of the loan or debt does not exceed Rs. 100.				0.30	0.20	0.20	0 4	0 0	2 0 0	1 0	..	..	..
(ii) when the amount of loan or debt exceeds Rs. 100 but does not exceed Rs. 200.				0.50	0.30	0.20	0 6	0 0	4 0 0	1 6	0.60	0.40	0.20		
(iii) When it exceeds Rs. 200 but does not exceed Rs. 400				0.90	0.50	0.30	0 12	0 0	5 6 0	4 0	1.15	0.60	0.40		
Ditto	Rs. 400	Ditto	Rs. 600	1.30	0.70	0.50	1 1	6 0	9 6 0	5 6	1.70	0.95	0.60		
Ditto	Rs. 600	Ditto	Rs. 800	1.70	0.90	0.60	1 8	0 0	12 0 0	8 0	2.25	1.15	0.75		
Ditto	Rs. 800	Ditto	Rs. 1,000	2.20	1.10	0.70	1 13	6 1	0 0 0	9 6	2.85	1.50	0.95		
Ditto	Rs. 1,000	Ditto	Rs. 1,200	2.50	1.30	0.90	2 4	0 1	1 6 0	12 0	3.40	1.70	1.15		
Ditto	Rs. 1,200	Ditto	Rs. 1,600	3.30	1.70	1.10	3 0	0 1	8 0 1	0 0	4.50	2.25	1.50		
Ditto	Rs. 1,600	Ditto	Rs. 2,500	5.10	2.60	1.70	4 8	0 2	4 0 1	8 0	6.75	3.40	2.25		
Ditto	Rs. 2,500	Ditto	Rs. 5,000	10.10	5.10	3.30	9 0	0 4	8 0 3	0 0	13.50	6.75	4.50		
Ditto	Rs. 5,000	Ditto	Rs. 7,500	15.20	7.70	5.10	13 5	0 6	12 0 4	8 0	20.25	10.15	6.75		
Ditto	Rs. 7,500	Ditto	Rs. 10,000	20.20	10.10	6.70	18 0	0 9	0 0 6	0 0	27.00	13.50	9.00		

(1) (2) (3) (4) (5)

Rs.nP. Rs.nP. Rs.nP. Rs.a.p. Rs.a.p. Rs.a.p. Rs.nP. Rs.nP. Rs.nP.

When it exceeds Rs. 10,000 but does not exceed Rs. 15,000				30-30	15-20	10-10	27-0-0	13 8 0	9 0 0	40-50	20-25	13-50
Ditto	Rs. 15,000	Ditto	Rs. 20,000	40-50	20-20	13-50	36-0-0	18 0 0	12 0 0	54-00	27-00	18-00
Ditto	Rs. 20,000	Ditto	Rs. 25,000	50-60	25-30	16-90	45-0-0	22 8 0	15 0 0	67-50	33-75	22-50
Ditto	Rs. 25,000	Ditto	Rs. 30,000	60-70	30-30	20-20	54-0-0	27 0 0	18 0 0	81-00	40-50	27-00

and for every additional Rs 10,000 or part thereof in excess of Rs. 30,000. 20-20 10-10 6-70 18-0-0 9 0 0 6 0 0 27-00 13-50 9-00

(b) if such loan or debt is repayable not more than three months from the date of such instrument. *Exemption* Half the duty payable on a loan or debt under clause (a) (i), clause (a) (ii) or clause (a) (iii), for the amount secured. Half the duty payable on a loan or debt under clause (a) (i), clause (a) (ii) or clause (a) (iii), for the amount secured. Half the duty payable on a loan or debt under clause (a) (i) or (a) (ii) for the amount secured. Stamp duty of half naye paise shall be omitted.

Instrument of pawn or pledge of goods if unattested.

7. Appointment in execution of a power,—Whether of trustees or of property, movable or immovable where made by any writing not being a will. 37-50 33-5-0 37-50

8. Appraisalment or valuation made otherwise than under an order of the Court in the course of a suit—			
(a) Where the amount does not exceed Rs. 1,000.	The same duty as a Bottomry Bond (No. 16) for amount.	The same duty as a Bottomry Bond (No. 15) for such amount.	The same duty as a Bottomry Bond (No. 16) for such amount.
	Rs. nP. 11·25	Rs. a. p. 10-0-0	Rs. nP. 15·00
(b) in any other case.			

Exemptions

- (a) Appraisalment or valuation made for the information of one party only, and not being in any manner obligatory between parties either by agreement or operation of Law.
- (b) Appraisalment of crops for the purpose of ascertaining the amount to be given to a landlord as rent.

9. Apprenticeship—Deed, including every writing relating to the service or tuition of any apprentice, clerk or servant placed with any master to learn any profession, trade or employment, not being Articles of Clerkship (No. 11).	11·25	10-0-0	7·50
---	-------	--------	------

Exemption

Instruments of apprenticeship executed by a Magistrate under the Apprentices Act, 1850, or by which a person is apprenticed by, or at the charge of any public charity.

10. Articles of Association of a Company	75·00	66-10-0	100·00
--	-------	---------	--------

(1)	(2)	(3)	(4)	(5)
	<i>Exemption</i>	Rs. nP.	Rs. a. p.	Rs. nP.
	Articles of any association not formed for profit and registered under section 26 of the Indian Companies Act, 1913.			
11.	Articles of clerkship or contract whereby any person first becomes bound to serve as a clerk in order to his admission as an attorney in any High Court.	..	333-5-0	375-00
12.	AWARD , that is to say, any decision in writing by an arbitrator or umpire not being an award directing a partition, on a reference being made otherwise than by an order of the Court in the Course of a suit.			
	(a) Where the amount or value of the property to which the award relates, as set forth in such award, does not exceed Rs. 1,000.	The same duty as a Bottomry Bond (No. 16) for such amount.	The same duty as a Bond (No. 15) for such amount..	The same duty as a Bottomry Bond (No. 16) for such amount.
	(b) If it exceeds Rs. 1,000 but does not exceed Rs. 5,000.	15.00	10-0-0	20-00
	and for every additional Rs. 1,000 or part thereof in excess of Rs. 5,000.	0-75 subject to a maximum of Rs. 75-00	0-10-0 subject to a maximum of Rs. 66-10-0	1-00 subject to a maximum of Rs. 100-00
13.	Bill of Exchange not being a bond, bank note or currency note—	..	..

(b) Where payable otherwise than on demand—

(i) Where payable not more than 3 months after date or sight—

if the amount of the bill or note does not exceed Rs. 500.	..	..	1·25
if it exceeds Rs. 500 but does not exceed Rs. 1,000	.	..	2·50
and for every additional Rs. 1,000 or part thereof in excess of Rs. 1,000.	..	..	2·50

(ii) Where payable more than three months but not more than six months after date or sight—

if the amount of the bill or note does not exceed Rs. 500.	..	..	2·50
If it exceeds Rs. 500 but does not exceed Rs. 1,000.	..	..	5·00
and for every additional Rs. 1,000 or part thereof in excess of Rs. 1,000.	..	..	5·00

(iii) Where payable more than six months but not more than nine months after date or sight—

if the amount of the bill or note does not exceed Rs. 500.	..	..	3·75
if it exceeds Rs. 500 but does not exceed Rs. 1,000.	..	..	7·50

(1)	(2)	(3)	(4)	(5)	Rs. nP.
	and for every additional Rs. 1,000 or part thereof in excess of Rs. 1,000	..	..		7.50
	(iv) Where payable more than nine months but not more than one year after date or sight—				
	if the amount of the bill or note does not exceed Rs. 500	..	..		5.00
	if it exceeds Rs. 500 but does not exceed Rs. 1,000	..	..		10.00
	and for every additional Rs. 1,000 or part thereof in excess of Rs. 1,000.	..	..		10.00
	(c) Where payable at more than one year after date or sight—				
	if the amount of the bill or note does not exceed Rs. 500	..	..		10.00
	if it exceeds Rs. 500 but does not exceed Rs. 1,000	..	..		20.00
	and for every additional Rs. 1,000 or part thereof in excess of Rs. 1,000	..	..		20.00
14.	Bill of Lading	..	..		0.25
	Exemptions—				
	(a) Bill of Lading when the goods therein described are received at a pace				

within the limits of any port as defined under the Indian Ports Act, 1889 and are to be delivered at another place within the limits of the same port.

(b) Bill of Lading when executed out of India and relating to property to be delivered in India.

15. Bond as defined by section 2 (5) not being a DEBENTURE (No. 27) and not being otherwise provided for by this Act, or by the Court-Fees Act, 1870—

Where the amount or value secured does not exceed Rs. 10. ..

0-25

0-2-0

0-25

Where it exceeds—

Rs.		Rs.				
10	and does not exceed	50		0-35	0-5-0	0-50
50	ditto	100		0-75	0-10-0	1-00
100	ditto	200		1-85	1-5-0	2-50
200	ditto	300		2-85	2-0-0	3-75
300	ditto	400		3-75	3-5-0	5-00
400	ditto	500		4-75	4-10-0	6-25
500	ditto	600		6-75	6-0-0	9-00

(1)	(2)	(3)	(4)	(5)
Rs.	Rs.	Rs. nP.	Rs. a. p.	Rs. nP.
600	and does not exceed 700	7·85	7-0-0	10·50
700	ditto	9·00	8-0-0	12·00
800	ditto	10·10	9-0-0	13·50
900	ditto	11·25	10-0-0	15·00
and for every Rs. 500 or part thereof in excess of Rs. 1,000		5·60	5-0-0	7·50

Exemptions

Bond, when executed by—

- (a) Headmen nominated under rules framed in accordance with the Bengal Irrigation Act, 1876, section 99, for the due performance of their duties under that Act ;
- (b) Any person for the purpose of guaranteeing that the local income derived from private subscription to a charitable dispensary or hospital or any other object of public utility shall not be less than a specified sum per mensem.

16. EOTTOMRY BOND, that is to say, any instrument whereby the Master of a sea going ship borrows money on the security of the ship to enable him to preserve the ship or prosecute her voyage—

Where the amount or value secured does not exceed Rs. 10. .. 0-30 .. 0-40

Where it exceeds—

Rs.		Rs.			
10	and does not exceed	50	0-60	..	0-75
50	ditto	100	1-10	..	1-50
100	ditto	200	2-25	..	3-00
200	ditto	300	3-35	..	4-50
300	ditto	400	4-50	..	6-00
400	ditto	500	5-60	..	7-50
500	ditto	600	6-75	..	9-00

(1)	(2)	(3)	(4)	(5)	
Rs.		Rs.	Rs. nP.	Rs. a. p.	Rs. nP.
600	and does not exceed	700	7·85	..	10·50
700	ditto	800	9·00	..	12·00
800	ditto	900	10·10	..	13·50
900	ditto	1,000	11·25	..	15·00
and for every Rs. 500 or part thereof in excess of Rs. 1000.		..	5·60	..	7·50
17. CANCELLATION—Instrument of (including any instrument by which any instrument previously executed is cancelled), if attested and not otherwise provided for					
		..	11·25	13-5-0	15·00
18. CERTIFICATE OF SALE (in respect of each property put up as a separate lot and sold), be granted to the purchaser of any property sold by public auction by a Civil or Revenue Court or Collector or other Revenue Officer—					
(a) Where the purchase money does not exceed Rs. 10					
		..	0·30	0-4-0	0·40
(b) Where the purchase money exceeds Rs. 10 but does not exceed Rs. 25					
		..	0·60	0-8-0	0·75

	Rs. nP.	Rs. a. p.	Rs. nP.
(c) in any other case	The same duty as a Conveyance (No. 23) for a consideration equal to the amount of the purchase money only.	The same duty as a Conveyance (No. 23) for a consideration equal to the amount of the purchase money only.	The same duty as a Conveyance (No. 23) for a consideration equal to the amount of the purchase money only.
19. CERTIFICATE or other document evidencing the right or title of the holder thereof, or any other person, either to any shares, scrip or stock in or of any incorporated company or other body corporate or to become proprietor of shares, scrip of stock in or of any such company or body ..	..	..	0-20
20. CHARTER PARTY, that is to say, any instrument (except an agreement for the hire of a tug-steamer), whereby a vessel or some specified principal part thereof is let for the specified purposes of the charterer, where it includes a penalty clause or not ..	3-00	2-10-0	3-00
21. A CHITTY agreement, that is, an agreement relating to a chitty as defined in clause (2) of section 3 of the Travancore Chitties Act, 1920 (Travancore Act XXVI of 1920), if either such agreement is executed or such Chitty is conducted in the Kanyakumari district or the Shencottah Taluk of the Tirunelveli district and if the aggregate amount or the value of such Chitty exceeds one hundred rupees ..	..	..	1-00

(1)	(2)	(3)	(4)	(5)
		Rs. nP.	Rs. a. p.	Rs. nP.
22. COMPOSITION DEED, that is to say, any instrument executed by a debtor, whereby he conveys his property for the benefit of his creditors, or whereby payment of a composition or dividend on their debts is secured to the creditors, or whereby provision is made for the continuance of the debtor's business, under the supervision of inspectors or under letters or licence, for the benefit of his creditors ..		22-50	20-0-0	22-50
23. CONVEYANCE as defined by section 2 (10) not being a transfer charged or exempted under No. 62—				
Where the amount of value of the consideration for such conveyance as set forth therein does not exceed Rs. 50 ..		1-10	0-10-0	1-50
Where it exceeds Rs. 50 but does not exceed Rs. 100 ..		2-25	1-5-0	3-00
Where it exceeds Rs. 100 but does not exceed Rs. 200 ..		4-50	2-10-0	6-00
Where it exceeds Rs. 200 but does not exceed Rs. 300 ..		6-75	4-10-0	9-00
Where it exceeds Rs. 300 but does not exceed Rs. 400 ..		9-00	7-5-0	12-00

Where it exceeds Rs. 400 but does not exceed Rs. 500 —	11·25	10-0-0	15·00
Where it exceeds Rs. 500 but does not exceed Rs. 600	13·50	12-0-0	18·00
Where it exceeds Rs. 600 but does not exceed Rs. 700 ..	15·75	14-0-0	21·00
Where it exceeds Rs. 700 but does not exceed Rs. 800 ..	18·00	16-0-0	24·00
Where it exceeds Rs. 800 but does not exceed Rs. 900 ..	20·25	18-0-0	27·00
Where it exceeds Rs. 900 but does not exceed Rs. 1,000 ..	22·50	20-0-0	30·00
and for every Rs. 500 or part thereof in excess of Rs. 1,000 ..	11·25	10-0-0	15·00

Exemption

Assignment of copyright under the Indian Copying Act, 1914, section 5;

24. COPY OR EXTRACT certified to be a true copy or extract or by order of any public officer and not chargeable under the law for the time being in force relating to court-fees—

(i) if the original was not chargeable with duty, or if the duty with which it was chargeable does not exceed one rupee ..	1·10	1-0-0	1·50
(ii) in any other case; ..	2·25	2-0-0	3·00

(1)

(2)

(3)

(4)

(5)

Exemptions

(a) Copy of any paper which a public officer is expressly required by law to make or furnish for record in any public office or for any public purpose.

(b) Copy of, or extract from, any register relating to births, baptisms, namings, dedications, marriages, divorces, deaths or burials.

25. COUNTERPART OR DUPLICATE of any instrument, chargeable with duty and in respect of which the proper duty has been paid—

(a) if the duty with which the original instrument is chargeable does not exceed one rupee and fifty Naye Paise; The same duty as is payable on the original. The same duty as is payable on the original. The same duty as is payable on the original.

(b) in any other case 2-25 2-0-0 3-00

Exemption

Counterpart of any lease granted to a cultivator, when such lease is exempted from duty.

26. CUSTOMS BOND—

	Rs. nP	Rs. a.]	Rs. nP.
(a) where the amount does not exceed Rs. 1,000	The same duty as a BOTTOMRY BOND (No. 16) for such amount.	The same duty as a Bond No. 15 for such amount.	The same duty as BOTTOMRY BOND (No. 16) for such amount.
(b) in any other case.	15-00	13 5 0	20-00

27. DEBENTURE—(Whether a mortgage debenture or not), being a marketable security transferable—

(a) by endorsement or by a separate instrument of transfer :

where the amount or value does not exceed Rs. 10;	0-30	0 3 0	0-20
where the amount exceeds Rs. 10 but does not exceed Rs. 50;	0-60	0 6 0	0-40
where it exceeds Rs. 50 and does not exceed Rs. 100;	1-10	0 12 0	0-75
where it exceeds Rs. 100 and does not exceed Rs. 200;	2-25	1 8 0	1-50
where it exceeds Rs. 200 and does not exceed Rs. 300;	3-35	2 4 0	2-25
where it exceeds Rs. 300 and does not exceed Rs. 400;	4-50	3 0 0	3-00
where it exceeds Rs. 400 and does not exceed Rs. 500;	5-60	3 12 0	3-75

(1)	(2)	(3)	(4)	(5)
		Rs. nP	Rs. a.p.	Rs. nP
	where it exceeds Rs. 500 and does not exceed Rs. 600;	6.75	4 8 0	4.50
	where it exceeds Rs. 600 and does not exceed Rs. 700;	7.85	5 4 0	5.25
	where it exceeds Rs. 700 and does not exceed Rs. 800;	9.00	6 0 0	6.00
	where it exceeds Rs. 800 and does not exceed Rs. 900;	10.10	6 12 0	6.75
	where it exceeds Rs. 900 and does not exceed Rs. 1,000;	11.25	7 8 0	7.50
	and for every Rs. 500 or part thereof in excess of Rs. 1,000	5.60	3 12 0	3.75
	(b) by delivery			
	where the amount or value of the consideration for such debenture as set forth therein does not exceed Rs. 50	1.10	0 12 0	0.75
	where it exceeds Rs. 50 but does not exceed Rs. 100	2.25	1 8 0	1.50
	where it exceeds Rs. 100 but does not exceed Rs. 200	4.50	3 0 0	3.00

where it exceeds Rs. 200 but does not exceed Rs. 300	6·75	4 8 0	4·50
where it exceeds Rs. 300 but does not exceed Rs. 400	9·00	6 0 0	6·00
where it exceeds Rs. 400 but does not exceed Rs. 500	11·25	7 8 0	7·50
where it exceeds Rs. 500 but does not exceed Rs. 600	13·50	9 0 0	9·00
where it exceeds Rs. 600 but does not exceed Rs. 700	15·75	10 8 0	10·50
where it exceeds Rs. 700 but does not exceed Rs. 800	18·00	12 0 0	12·00
where it exceeds Rs. 800 but does not exceed Rs. 900	20·25	13 8 0	13·50
where it exceeds Rs. 900 but does not exceed Rs. 1,000	22·50	15 0 0	15·00
and for every Rs. 500 or part thereof in excess of Rs. 1,000	11·25	7 8 0	7·50

EXPLANATION

The term "Debenture" includes any interest coupons attached thereto but the amount of such coupons shall not be included in estimating the duty.

(1)	(2)	(3)	(4)	(5)
EXEMPTION		Rs. nP.	Rs. a. p.	Rs. nP.
<p>A debenture issued by an incorporated company or other body corporate in terms of a registered mortgage deed, duly stamped in respect of the full amount of debentures to be issued thereunder; whereby the company or body borrowing makes over, in whole or in part, their property to trustees for the benefits of the debenture holders:</p> <p>Provided that the debentures so issued or expressed to be issued in terms of the said mortgage-deed.</p>	
<p>28. DELIVERY ORDER IN RESPECT OF GOODS, that is to say, any instrument entitling any person therein named, or his assigns or the holder thereof, to the delivery of any goods lying in any dock or port or in any warehouse in which goods are stored or deposited on rent or hire, or upon any wharf, such instrument being signed by or on behalf of the owner of such goods, upon the sale or transfer of the property therein, when such goods exceed in value twenty rupees.</p>		0-10
<p>29. DIVORCE—Instrument of, that is to say, any instrument by which any person effects the dissolution of his marriage.</p>		3-00	26 10 0	3-00
<p>30. ENTRY AS AN ADVOCATE OR ATTORNEY ON THE RULE OF ANY HIGH COURT under the Indian Bar Councils Act, 1926, or in exercise of powers conferred on such Court by Letters Patent or by the Legal Practitioners Act, 1879—</p>				

(a) in the case of an Advocate—

(i) with respect of persons who possess degree of Bachelor of Law and are either deemed to be Advocates under sub-section (1) of section 42 of the Legal Practitioners Act, 1879, or enrolled as pleaders under the said Act, and have practised for not less than ten years.

Rs. nP.
250·00

Rs. a.p. Rs. nP.
625 0 0 625·00 or previously enrolled as an Attorney in the same or any other High Court three hundred and twelve rupees fifty naye paise.

(ii) with respect to other Advocates

625·00

(b) in the case of an Attorney

750 00

416 10 0

312·50

31. EXCHANGE OF PROPERTY Instrument of— The same duty as a Conveyance (No. 23) for a consideration equal to the value of the property of the greatest value as set forth in such instrument. The same duty as a Conveyance (No. 23) for a consideration equal to the value of the property of the greatest value as set forth in such instrument. The same duty as a Conveyance (No. 23) for a consideration equal to the value of the property of greater value as set forth in such instrument.

32. FURTHER CHARGE—Instrument of, that is to say, any instrument imposing a further charge on mortgaged property—

(a) When the original mortgage is one of the description referred to in clause (a) of Article No. 40 (that is, with possession); The same duty as a Conveyance (No. 23) for a consideration equal to the amount the further charge secured by such instrument. The same duty as a Conveyance (No. 23) for a consideration equal to the amount the further charge secured by such instrument. The same duty as a Conveyance (No. 23) for a consideration equal to the amount the further charge secured by such instrument.

(1)	(2)	(3)	(4)	(5)
-----	-----	-----	-----	-----

(b) When such mortgage is one of the description referred to in clause (b) of Article No. 40 (that is without possession)—

(i) if at the time of execution of the instrument of further charge possession of the property is given or agreed to be given under such instrument.

The same duty as a CONVEYANCE (No. 123 for a consideration equal to the total amount of the charge (including the original mortgage and any further charge already made), less the duty already paid on such original mortgage and further charge.

The same duty as a CONVEYANCE (No. 23) for a consideration equal to the total amount of the charge (including the original mortgage and any further charge already made), less the duty already paid on such original mortgage and further charge.

The same duty as a CONVEYANCE (No. 23) for a consideration equal to the total amount of the charge (including the original mortgage and any further charge already made), less the duty already paid on such original mortgage and further charge.

(ii) if possession is not so given—

The same duty as a BOTTOMRY BOND (No. 16) for the amount of the further charge secured by such instrument.

The same duty as a Bond (No. 15) for the amount of the further charge secured by such instrument.

The same duty as a BOTTOMRY BOND (No. 16) for the amount of the further charge secured by such instrument.

**33. GIFT Instrument of, not being a SETTLEMENT
(No. 58) or WILL or TRANSFER (No. 62).**

(i) when the value of the gift does not exceed Rs. 1,000

(ii) when it exceeds Rs. 1,000 but does not exceed Rs. 10,000

(iii) when it exceeds Rs. 10,000

The same duty as a CONVEYANCE (No. 23) for a consideration equal to the value of the property as set forth in such instrument.

The same duty as a CONVEYANCE (No. 23) for a consideration equal to the value of the property as set forth in such instrument. Rs. 20 for the first thousand rupees and Rs. 13-5-0 for every Rs. 500 or part thereof by which the value of the gift exceeds Rs. 1,000.

The duty under clause (ii) and, in addition, Rs. 20 for every Rs. 500 or part thereof by which the value of the gift exceeds Rs. 10,000.

The same duty as a CONVEYANCE (No. 23) for a consideration equal to the value of the property as set forth in such instrument.

34. INDEMNITY BOND

The same duty as a SECURITY BOND (No. 57) for the same amount.

The same duty as a SECURITY BOND (No. 57) for the same amount.

The same duty as a SECURITY BOND (No.57) for the same amount.

(1)

(2)

(3)

(4)

(5)

35. LEASE, including an under-lease or sub-lease and any agreement to let or sub let—

(a) where by such lease the rent is fixed and no premium is paid or delivered—

(i) where the lease purports to be for a term of less than one year.

(ii) where the lease purports to be for a term of not less than one year, but not more than five years.

(iii) where the lease purports to be for a term exceeding five years, but not exceeding ten years.

(iv) where the lease purports to be for a term exceeding ten years, but not exceeding twenty years.

The same duty as a BOTTOMRY BOND (No. 16) for the whole amount payable or deliverable under such lease.

The same duty as a BOTTOMRY BOND (No. 16) for the amount or value of the average annual rent reserved.

The same duty as a CONVEYANCE (No. 23) for a consideration equal to amount or value of the average annual rent reserved.

The same duty as a CONVEYANCE (No. 23) for a consideration equal to twice the amount or value of the average annual rent reserved.

The same duty as a BOND (No. 15) for the whole amount payable or deliverable under such lease.

The same duty as a BOND (No. 15) for the amount or value of the average annual rent reserved.

The same duty as a CONVEYANCE (No. 23) for a consideration equal to the amount or value of one and half time the average annual rent reserved.

The same duty as a CONVEYANCE (No. 23) for a consideration equal to three times the amount or value of the average annual rent reserved.

The same duty as a BOTTOMRY BOND (No. 16) for the whole amount payable or deliverable under such lease.

The same duty as a BOTTOMRY BOND (No. 16) for the amount or value of the average annual rent reserved.

The same duty as a CONVEYANCE (No. 23) for a consideration equal to the amount or value of the average annual rent reserved.

The same duty as a CONVEYANCE (No. 23) for a consideration equal to twice the amount or value of the average annual rent reserved.

(v) where the lease purports to be for a term exceeding twenty years, but not exceeding thirty years.	The same duty as a CONVEYANCE (No. 23) for a consideration equal to three times the amount or value of the average annual rent reserved.	The same duty as a CONVEYANCE (No. 23) for a consideration equal to five times the amount or value of the average annual rent reserved.	The same duty as a CONVEYANCE (No. 23) for a consideration equal to three times the amount or value of the average annual rent reserved.
(vi) where the lease purports to be for a term exceeding thirty years, but not exceeding one hundred years.	The same duty as a CONVEYANCE (No. 23) for a consideration equal to four times the amount or value of the average annual rent reserved.	The same duty as a CONVEYANCE (No. 23) for a consideration equal to eight times the amount or value of the average annual rent reserved.	The same duty as a CONVEYANCE (No. 23) for a consideration equal to four times the amount or value of the average annual rent reserved.
(vii) where the lease purports to be for a term exceeding one hundred years or in perpetuity.	The same duty as a CONVEYANCE (No. 23) for a consideration equal to one-sixth of the whole amount of rent which would be paid or delivered in respect of first fifty years of the lease.	The same duty as a CONVEYANCE (No. 23) for a consideration equal to one-fourth of the whole amount of rent would be paid or delivered in respect of first fifty years of the lease.	The same duty as a CONVEYANCE (No. 23) for a consideration equal to one-sixth of the whole amount of rent which would be paid or delivered in respect of the first fifty years of the lease.
(viii) where the lease does not purport to be for any definite term.	The same duty as a CONVEYANCE (No. 23) for a consideration equal to three times the amount or value of the average annual rent which would be paid or delivered for the first ten years if the lease continued so long.	The same duty as a CONVEYANCE (No. 23) for a consideration equal to three times the amount or value of the average annual rent which would be paid or delivered for the first ten years if the lease continued so long.	The same duty as a CONVEYANCE (No. 23) for a consideration equal to three times the amount or value of the average annual rent which would be paid or delivered for the first ten years if the lease continued so long.

(1)

(2)

(3)

(4)

(5)

(b) where the lease is granted for a fine or premium, or for money advanced and where no rent is reserved.

The same duty as a CONVEYANCE (No. 23) for a consideration equal to the amount or value of such fine or premium, or advances set forth in the lease.

The same duty as a CONVEYANCE (No. 23) for a consideration equal to the amount or value of such fine or premium; or advance as set forth in the lease.

The same duty as a CONVEYANCE (No. 23) for a consideration equal to the amount or value of such fine or premium or advance as set forth in the lease.

(c) where the lease is granted for a fine or premium, or for money advanced in addition to rent reserved.

The same duty as a CONVEYANCE (No. 23) for a consideration equal to the amount or value of such fine or premium, advances or as set forth in the lease, in addition to the duty which would have been payable on such lease if no advance had been paid or delivered:

The same duty as a CONVEYANCE (No. 23) for a consideration equal to the amount or value of such fine or premium or advance as set forth in the lease, in addition to the duty which would have been payable on such lease if no fine or premium or advance had been paid or delivered:

The same duty as a CONVEYANCE (No. 23) for a consideration equal to the amount or value of such fine or premium or advance as set forth in the lease, in addition to the duty which would have been payable on such lease if no fine or premium or advance had been paid or delivered:

Provided that, in any case when an agreement to lease is stamped with the *ad valorem* stamp required for a lease

Provided that, in any case when an agreement to lease is stamped with the *ad valorem* stamp required for a lease

Provided that, in any case when an agreement to lease is stamped with the *ad valorem* stamp required for a lease,

Rs. nP.

Rs. a. p.

Rs. nP.

and a lease in pursuance of such agreement is subsequently executed, the duty on such lease shall not exceed one rupee and ten naye paise.

and a lease in pursuance of such agreement is subsequently executed, the duty on such lease shall not exceed one rupee and five annas.

and a lease in pursuance of such agreement is subsequently executed, the duty on such lease shall not exceed one rupee and fifty naye paise.

EXEMPTION

Lease, executed in the case of a cultivator and for the purposes of cultivation (including a lease of trees for the production of food or drink) without the payment or delivery of any fine or premium, when a definite term is expressed and such term does not exceed one year, or when the average annual rent reserved does not exceed one hundred rupees.

Explanation—When a lessee undertakes to pay any recurring charge, such as Government revenue, the landlord's share of cesses, or the owner's share of municipal rates or taxes, which is by law recoverable from the lessor, the amount so agreed to be paid by the lessee shall be deemed to be part of the rent.

- 36. LETTER OF ALLOTMENT OF SHARES in any company or proposed company, or in respect of any loan to be raised by any company or proposed company.
- 37. LETTER OF CREDIT, that is to say, any instrument by which one person authorised another to give credit to the person in whose favour it is drawn.

..

..

0·20

..

..

0·15

(1)	(2)	(3)	(4)	(5)
		Rs. nP.	Rs. a. p.	Rs. nP.
38. LETTER OF LICENCE, that is to say, any agreement between a debtor and his creditors that the latter shall, for a specified time, suspend their claims and allow the debtor to carry on business at his own discretion ..		22.50	20-0-0	22.50
39. MEMORANDUM OF ASSOCIATION OF A COMPANY—				
(a) if accompanied by articles of association under section 17 of the Indian Companies Act, 1913 ..		45.00	40-0-0	60.00
(b) if not so accompanied. ..		120.00	106-10-0	160.00
Exemption.				
Memorandum of any association not formed for profit and registered under section 26 of the Indian Companies Act, 1913.				
40. MORTGAGE DEED, NOT BEING AN AGREEMENT RELATING TO DEPOSIT OF TITLE DEEDS, PAWNOR PLEDGE (No. 6), BOND (No. 15), MORTGAGE OF A CROP (No. 41) RESPONDENTIA BOND (No. 56) OR SECURITY BOND (No. 57)—				
(a) when possession of the property or any part of the property comprised in such deed is given by the mortgagor or agreed to be given—				

Where the amount secured by such deed does not exceed Rs. 50.

0-10-0

Where it exceeds—

Rs.		Rs.
50	but does not exceed	100
100	ditto	200
200	ditto	300
300	ditto	400
400	ditto	500

The same duty as a CONVEYANCE (No. 23) for a consideration equal to the amount secured by such deed.

1-5-0

2-10-0

4-0-0

5-5-0

6-10-0

The same duty as a CONVEYANCE (No. 23) for a consideration equal to the amount secured by such deed.

The same duty as a CONVEYANCE (No. 23) for a consideration equal to the amount secured by such deed.

Where it exceeds Rs. 500

(1)	(2)	(3)	(4)	(5)
(b) when possession is not given or agreed to be given as aforesaid.				Rs. nP.
Where the amount secured does not exceed 10			0-2-0	
Where it exceeds—				
Rs.	Rs.			
10 but does not exceed	50		0-5-0	
50 but does not exceed	100		0-10-0	
100 ditto	200	The same duty as a B O T T O M R Y B O N D (No. 16) for the amount secured by such deed.	1-5-0	The same duty as a B O T T O M R Y B O N D (No. 16) for the amount secured by such deed.
200 ditto	300		2-0-0	
300 ditto	400		2-10-0	
400 ditto	500		3-5-0	
Where it exceeds Rs. 500					The same duty as a Bond (No. 15) for the amount secured by such deed.

Explanation—A mortgagor who gives to the mortgagee a power-of-attorney to collect rents or a lease of the property mortgaged or part thereof, is deemed to give possession within the meaning of this article.

(c) when a collateral or auxiliary or additional or substituted security, or by way of further assurance for the above mentioned purpose where the principal or primary security is duly stamped for every sum secured not exceeding Rs. 1,000;	1-10	1-0-0	1-50
and for every Rs. 1,000 or part thereof secured in excess of Rs. 1,000;	1-10	1-0-0	1-50

EXEMPTION

(1) Instruments executed by persons taking advances under the Land Improvement Loans Act, 1883, or the Agriculturists' Loans Act, 1884, or by their sureties as security for the repayment of such advances.

(2) Letter of hypothecation accompanying a Bill of exchange.

41. MORTGAGE OF A CROP including any instrument evidencing an agreement to secure the repayment of a loan made upon any mortgage of a crop, whether the crop is or is not in existence at the time of the mortgage—

(a) When the loan is repayable not more than three months from the date of the instrument—

For every sum secured not exceeding Rs. 200..	0·20	0-1-6	0·25
---	------	-------	------

And for every Rs. 200 or part thereof secured in excess of Rs. 200 ..	0·20	0-1-6	0·25
---	------	-------	------

(b) When the loan is repayable more than 3 months but not more than eighteen months, from the date of the instrument—

For every sum secured not exceeding Rs. 100..	0·30	0-4-0	0·40
---	------	-------	------

And for every Rs. 100 or part thereof secured in excess of Rs. 100 ..	0·30	0-4-0	0·40
---	------	-------	------

(1)	(2)	(3)	(4)	(5)
		Rs. nP.	Rs. a. p.	Rs. nP.
42.	NOTARIAL ACT that is to say, any instrument, endorsement, note, attestation, certificate, or entry not being a PROTEST (No. 50) made or signed by a Notary Public in the execution of the duties of his office, or by any other person lawfully acting as a Notary Public. . .	2-25	2-0-0	2-25
43.	NOTE OR MEMORANDUM, sent by a Broker or Agent to his principal intimating the purchase or sale on account of such principal—			
	(a) Of any goods, exceeding in value twenty rupees ; . .	0-30	0-4-0	0-40
	(b) of any stock or marketable security exceeding in value twenty rupees.	Subject to a maximum of twenty-two rupees and fifty naye paise, twenty-five naye paise for every Rs 10,000 or part thereof of the value of the stock or security.	Subject to a maximum of twenty rupees and two annas for every Rs. 10,000 or part thereof of the value of the stock or security.	Subject to a maximum of thirty rupees, twenty-five naye paise for every Rs. 10,000 or part thereof the value of the stock or security.
44. NOTE OF PROTEST BY THE MASTER OF A SHIP.		1-50	1-5-0	1-00
45. PARTITION—Instrument of as defined by section 2 (15)		The same duty as a BOTTOMRY BOND (No. 16) for the amount of the value of the separated share or shares of the property.	The same duty as BOND (No. 15) for the amount of the value of the separated share or shares of the property.	The same duty as a BOTTOMRY BOND (No. 16) for the amount of the value of the separated share or shares of the property.

N. B.—The largest share remaining after the property is partitioned (or if there are two or more shares of equal value and not smaller than any of the other shares, then one of such equal shares) shall be deemed to be that from which the other shares are separated :

The largest share remaining after the property is partitioned (or if there are two or more shares of equal value and not smaller than any of the other shares, then one of the such equal shares) shall be deemed to be that from which the other shares are separated :

The largest share remaining after the property is partitioned (or if there are two or more shares of equal value and not smaller than any of the other shares, then one of such equal shares) shall be deemed to be that from which the other shares are separated :

Provided always that—
(a) when an instrument of partition containing an agreement to divide property in severality is executed and a partition is effected in pursuance of such agreement, the duty chargeable upon the instrument effecting such a partition shall be reduced by the amount of duty paid in respect of first instrument but shall not be less than one rupee and ten naye paise.

Provided always that—
(a) when an instrument of partition containing an agreement to divide property in severality is executed and a partition is effected in pursuance of such agreement the duty chargeable upon the instrument effecting such a partition shall be reduced by the amount of duty paid in respect of the first instrument, but shall not be less than one rupee and five annas.

Provided always that—
(a) when an instrument of partition containing an agreement to divide property in severality is executed and a partition is effected in pursuance of such agreement the duty chargeable upon the instrument effecting such a partition shall be reduced by the amount of duty paid in respect of the first instrument, but shall not be less than one rupee, fifty naye paise.

(1)

(2)

(3)

(4)

(5)

(b) where land is held on Revenue Settlement for a period not exceeding thirty years and paying the full assessment, the value for the purpose of duty shall be calculated at not more than five times the annual revenue.

(b) where land is held Revenue settlement for a period not exceeding thirty years and paying the full assessment, the value for the purpose of duty shall be calculated at not more than five times the annual revenue.

(b) where land is held on Revenue Settlement and paying the full assessment the value for the purpose of duty shall be calculated at twenty-five times the annual revenue.

(c) where a final order for effecting a partition passed by any revenue authority or any Civil Court, or an award by an arbitrator directing a partition, is stamped with the stamp required for an instrument of partition, in pursuance of such order or award is subsequently executed the duty on such instrument shall not exceed one rupee and ten naye paise.

(c) where a final order for effecting a partition passed by any revenue authority or any Civil Court or an award by an arbitrator directing a partition is stamped with the stamp required for an instrument of partition, and instrument of partition in pursuance of such order or award is subsequently executed the duty on such instrument shall not exceed one rupee and five annas.

(c) where a final order for effecting a partition passed by any Revenue authority or any Civil Court, or an award by an arbitrator directing a partition is stamped with the stamp required for an instrument of partition and an instrument of partition in pursuance of such order or award is subsequently executed the duty on such instrument shall not exceed one rupee, fifty naye paise.

	Rs. nP.	Rs. a. p.	Rs. nP.	Rs. nP.
46. Partnership—				
A—Instrument of—				
(a) where the capital of the partnership .. does not exceed Rs. 500;	7.50	6-10-0	10.00	
(b) in any other case ..	30.00	26-10-0	40.00	
B—Dissolution of— ..	15.00	13-5-0	20.00	
PAWN OR PLEDGE—See—AGREEMENT RELATING TO DEPOSIT OF TITLE DEEDS, PAWN OR PLEDGE (No. 6).				
47. POLICY OF INSURANCE	—	—	If drawn singly	If drawn in duplicate for each part.
A—Sea Insurance—			Rs. nP.	Rs. nP.
(1) For or upon any voyage—				
(i) where the premium or consideration does not exceed the rate of fifteen naye paise or one -eighth per centum of the amount insured by the policy;	..	..	0.10	0.05
(ii) If any other case, in respect of every full sum of one thousand five hundred rupees and also any fractional part of one thousand five hundred rupees insured by the policy;	..	..	0.10	0.05
(2) For time—				
(iii) In respect of every full sum of one thousand rupees and also fractional part of one thousand rupees insured by the policy- where the insurance shall be made any time not exceeding six months;	..	..	0.15	0.10
Where the insurance shall be made for any time exceeding six months and not exceed- ing twelve months.	..	..	0.25	0.15

(1)	(2)	(3)	(4)	(5)
-----	-----	-----	-----	-----

Rs. nP.

B—Fire Insurance and other classes of Insurance, not elsewhere included in this Article, covering goods, merchandise, personal effects, crops, and other property against loss or damage.

(1) In respect of an original policy—

(i) When the sum insured does not exceed Rs. 5,000;

(ii) In any other case and.

..

..

0.50

..

..

1.00

(2) In respect of each receipt for any payment of a premium of any renewal of an original policy.

..

..

One-half of the duty payable in respect of the original policy in addition to the amount, if any, chargeable under No.53.

C—Accident and Sickness Insurance—

(a) against railway accident, valid for a single journey only.

..

..

0.10

EXEMPTION

When issued to a passenger travelling by the intermediate or the third class in any railway.

(b) in any other case—for the maximum amount which may become payable in the case of any single accident or sickness where such amount

..

0.15

Provided that in case of a policy of insurance against death by accident when the annual premium payable does

does not exceed Rs. 1,000, and also where such amount exceeds Rs. 1,000, for every Rs.1,000 or part thereof.

not exceed Rs. 2.50 per Rs. 1,000, the duty on such instrument shall be ten naye paise for every Rs. 1,000 or part thereof of the maximum amount which may become payable under it.

0.10

C. C.—Insurance by way of indemnity against liability to pay damages on account of accidents to workmen employed by or under the insurer, or against liability to pay compensation under the Workmen's Compensation Act, 1923, for every Rs. 100 or part thereof payable as premium.

***D**—Life Insurance or Group Insurance or other Insurance not specifically provided for, except such a Re-Insurance as is described in Division E. of this article—

(i) for every sum insured not exceeding Rs. 250 ;

0.15 0.10

(ii) for every sum insured exceeding Rs. 250, but not exceeding Rs. 500

0.25 0.15

(iii) for every sum insured exceeding Rs.500 but not exceeding Rs.1,000 and also for every Rs.1,000 or part thereof in excess of Rs. 1,000

0.40 0.20

* **N. B.**—If a policy of group Insurance is renewed or otherwise modified whereby the sum insured exceeds the sum previously insured on which stamp duty has been paid, the proper stamp must be borne on the excess sum so insured.

(1)	(2)	(3)	(4)	(5)
-----	-----	-----	-----	-----

Ks. nP.

Rs. a. p.

Rs. nP.

Exemption

Policies of Life-Insurance granted by the Director-General of Post Offices in accordance with rules for Postal Life-Insurance issued under the authority of the Central Government.

E—Re-Insurance by an Insurance Company, (which has granted a policy of the nature specified in Division A or Division B of this Article) with another company by way of indemnity or guarantee against the payment on the original insurance of a certain part of the sum insured thereby.

One-quarter of the duty payable in respect of the original Insurance but not less than ten naye paise or more than one rupee.

General Exemption.

Letter of cover of engagement to issue a policy of insurance:

Provided that, unless such letter of engagement bears the stamp prescribed by this Act for such policy, nothing shall be claimable thereunder, nor shall it be available for any purpose, except to compel the delivery of the Policy therein mentioned.

48. POWER OF ATTORNEY, as defined by section 2 (21), not being a Proxy—

(a) When executed for the sole purpose of procuring the registration of one or more documents in

1.10

1-0-0

0.75

relation to a single transaction or for admitting execution of one or more such documents;

(b) when required in suits or proceedings under the Presidency Small Cause Courts Act, 1882;	1·10	1-0-0	
(c) when authorising one person or more to act in a single transaction other than the case mentioned in clause (a);	2·25	2-0-0	1·50
(d) when authorising not more than five persons to act jointly and severally in more than one transaction or generally;	11·25	10-0-0	11·25
(e) when authorising more than five but not more than ten persons to act jointly and severally in more than one transaction or generally;	22·50	20-0-0	22·50
(f) when given for consideration and authorising the attorney to sell any immovable property;	The same duty as a CONVEYANCE (No. 23) for the amount of the consideration.	The same duty as a CONVEYANCE (No. 23) for the amount of the consideration.	The same duty as a CONVEYANCE (No. 23) for the amount of the consideration.
(g) in any other case	Two rupees and twenty-five naye Paise for each person authorised.	Two rupees for each person authorised.	Two rupees, twenty-five naye paise for each person authorised.

(1)	(2)	(3)	(4)	(5)
		<p style="text-align: center;">Rs. nP.</p> <p><i>N. B.</i>— The term "Registration" includes every operation incidental to registration under the Indian Registration Act, 1908.</p>	<p style="text-align: center;">Rs. a. p.</p> <p><i>N. B.</i>— The term "Registration" includes every operation incidental to registration under the India Registration Act, 1908.</p>	<p style="text-align: center;">Rs. nP.</p> <p><i>N. B.</i>— The term "Registration" includes every operation incidental to registration under the Indian Registration Act, 1908.</p>
	<p><i>Explanation</i>—For the purpose of this Article, more persons than one when belonging to the same firm shall be deemed to be one person.</p>			
49. PROMISSORY NOTE, as defined by section 2 (22)—				
	(a) when payable on demand—			
	(i) when the amount or value does not exceed Rs. 250;	..	..	0·10
	(ii) when the amount or value exceeds Rs. 250 but does not exceed Rs. 1, 000;	..	..	0·51
	(iii) in any other case;	..	..	0·25
	(b) when payable otherwise than on demand.	..	..	<p>The same duty as a BILL OF EXCHANGE (No. 13) for the same amount payable otherwise than on demand.</p>
50. PROTEST OF BILL OR NOTE, that is to say, any declaration in writing made by a Notary Public, or other person lawfully acting as such attesting the dishonour of a BILL OF EXCHANGE OR PROMISSORY NOTE.		3·00	2-10-0	2·00

- | | | | |
|---|------|--------|------|
| 51. PROTEST BY THE MASTER OF SHIP, that is to say, any declaration of the particulars of her voyage drawn up by him with a view to the adjustment of losses or the calculation of averages, and every declaration in writing made by him against the charterers or the consignees for not loading or unloading the ship, when such declaration is attested or certified by a Notary Public or other person lawfully acting as such. Vide also NOTE OF PROTEST BY THE MASTER OF A SHIP (No. 44). | 3-00 | 2-10-0 | 2-00 |
| 52. Proxy empowering any person to vote at any one election of the members of a District or Local Board or of a body of Municipal Commissioners or at any one meeting of (a) members of an incorporated company or other body corporate) whose stock of funds is or are divided into shares and transferable, (b) a local authority or (c) proprietors, members or contributors to the funds of any institution. | .. | .. | .. |
| 53. Receipt as defined by section 2 (23) for any money or other property the amount or value of which exceeds twenty rupees. | .. | .. | 0-10 |

Exemptions

Receipt—

- (a) endorsed on or contained in any instrument duly stamped or any instrument exempted under the proviso to section 3 instruments executed on behalf of the Government or any cheque or bill of exchange payable on demand acknowledging the receipt of the consideration money therein expressed, or the receipt of any principal money, interest or annuity or other periodical payment thereby secured;

(1)	(2)	(3)	(4)	(5)
		Rs. nP.	Rs. a. p.	Rs. nP.
	(b) for any payment of money without consideration;			
	(c) for any payment of rent by a cultivator on account of land assessed to Government revenue, or in the States of Madras, Bombay and Andhra as they existed immediately before the 1st November, 1956 of Inam lands;			
	(d) for pay or allowance by non-commissioned for petty officers, soldiers, sailors or airmen of the Indian Military, Naval or Air Force when serving in such capacity, or by mounted police constables;			
	(e) given by holders of family certificates in cases where the person from whose pay or allowances the sum comprised in the receipt has been assigned is a non-commissioned or petty officer, soldier, sailor or airman or any of the said forces and serving in such capacity;			
	(f) for pensions or allowances by persons receiving such pensions or allowances in respect of their service as such non-commissioned or petty officers, soldiers, sailors or airmen and not serving the Government in any other capacity.			

(g) given by a headman or Lambardar for land revenue or taxes collected by him ;

(h) given for money or securities for money deposited in the hands of any banker, to be accounted for :

Provided that the same is not expressed to be received, of, or by the hands of, any other than the person to whom the same is to be accounted for :

Provided also that this exemption shall not extend to receipt or acknowledgement for any sum paid or deposited for, or upon a letter of allotment of a share, or in respect of a call upon any scrip or share of, or in, any incorporated company or other body corporate or such proposed or intended company or body or in respect of a debenture being a marketable security.

54. RECONVEYANCE OF MORTGAGED PROPERTY—

(a) if the consideration for which the property was mortgaged does not exceed Rs. 1,000 ;

The same duty as a
CONVEYANCE
(No. 23) for the
amount of such consi-
deration as set forth in
the re-conveyance.

22-50

The same duty as a
CONVEYANCE
(No. 23) for the
amount of such consi-
deration as set forth in
the re-conveyance.

22-0-0

The same duty as a
CONVEYANCE
(No. 23) for the
amount of such consi-
deration as set forth in
the re-conveyance.

30-00

(b) in any other case

(1)	(2)	(3)	(4)	(5)
55. RELEASE, that is to say, any instrument (not being such a release as is provided for any section 23-A) whereby a person renounces a claim upon another person or against any specified property—	Rs. nP.	Rs. a. p.	Rs. nP.	
(a) if the amount or value of the claim does not exceed Rs. 1,000 ;	The same duty as a BOTTOMRY BOND (No. 16) for such amount or value as set forth in the release.	The same duty as a BOND (No. 15) for such amount or value as set forth in the release.	The same duty as a BOTTOMRY BOND (No. 16) for such amount or value as set forth in the release.	
(b) in any other case ;	11.25	10-0-0	15.00	
56. RESPONDENTIA BOND, that is to say, any instrument securing a loan on the cargo laden or to be laden on board a ship and making repayment contingent on the arrival of the cargo at the port of destination.	The same duty as a BOTTOMRY BOND (No. 16) for the amount of the loan secured.	The same duty as a BOND (No. 15) for the amount of the loan secured.	The same duty as a BOTTOMRY BOND (No. 16) for the amount of the loan secured.	
57. SECURITY BOND OR MORTGAGE-DEED, executed by way of security for the due execution of an Office, or to account for money or other property received by virtue thereof, or executed by a surety to secure the due performance of a contract—				
(a) when the amount secured does not exceed Rs. 1,000 ;	The same duty as a BOTTOMRY BOND (No. 16) for the amount secured.	The same duty as a BOND (No. 15) for the amount secured.	The same duty as a BOTTOMRY BOND (No. 16) for the amount secured.	
(b) in any other case.	11.25	10-0-0	15.00	

Exemptions.

Bond or other instrument when executed—

(a) by headmen nominated under rules framed in accordance with the Bengal Irrigation Act, 1876, Section 99 for the due performance of their duties under that Act ;

no exemption.

(b) by any person for the purpose of guaranteeing that the local income derived from private subscriptions to a charitable dispensary or hospital or any other object of public utility shall not be less than a specified sum per mensem ;

(c) by persons taking advances under the Land Improvement Loans Act, 1883, or the Agriculturists' Loans Act, 1884 or by their sureties, as security for the repayment of such advances ;

(d) by officers of the Crown or their sureties to secure the due execution of an office, or the due accounting for money or other property received by virtue thereof.

58. Settlement—

(a) INSTRUMENT OF including a deed of dower.

The same duty as a	The same duty as a	The same duty as a
BOTTOMRY BOND	BOND (No. 15)	BOTTOMRY BOND
(No. 16) for a	for a sum equal	(No. 16) for a
sum equal to the	to the amount or	sum equal to
amount or value of the	value of the property	the amount or
property settled as set	settled as set forth in	value of the property
forth in such settlement;	such settlement;	settled as set forth
		in such settlement:

(1)

(2)

(3)

(4)

(5)

Provided that, where an agreement to settle is stamped with the stamp required for an instrument of settlement and an instrument of settlement in pursuance of such agreement is subsequently executed, the duty on such instrument shall not exceed one rupee and ten naye Paise.

Provided that, where an agreement to settle is stamped with the stamp required for an instrument of settlement and an instrument of settlement in pursuance of such agreement is subsequently executed, the duty on such instrument shall not exceed one rupee.

Provided that, where an agreement to settle is stamped with the stamp required for an instrument of settlement and an instrument of settlement in pursuance of such agreement is subsequently executed, the duty on such instrument shall not exceed one rupee fifty naye paise.

Exemption

Deed of dower executed on the occasion of a marriage between Muhammadans.

(B) REVOCATION OF

The same duty as a BOTTOMRY BOND (No. 16) for a sum equal to the amount or value of the property concerned, as set forth in the instrument of Revocation, but not exceeding twenty-two rupees and fifty naye Paise.

The same duty as a BOND (No. 15) for a sum equal to the amount or value of the property concerned, as set forth in the instrument of Revocation, but not exceeding twenty rupees.

The same duty as a BOTTOMRY BOND (No. 16) for a sum equal to the amount or value of the property concerned, as set forth in the instrument of Revocation but not exceeding thirty rupees.

	Rs. nP.	Rs. a. p.	Rs. nP.
9. SHARE WARRANTS to bearer issued under the Indian Companies Act, 1913.	One and half times the duty payable on a CONVEYANCE (No. 23) for a consideration equal to the nominal amount of the shares specified in the Warrant.	One and half times the duty payable on a CONVEYANCE (No. 23) for a consideration equal to the nominal amount of the shares specified in the Warrant.	One and a half times the duty payable on a CONVEYANCE (No. 23) for a consideration equal to the nominal amount of the shares specified in the Warrant.

Exemptions.

Share Warrant when issued by a company in pursuance of the Indian Companies Act, 1913, Section 43, to have effect only upon payment, as composition for that duty, to the Collector of Stamp-revenue of—

- (a) one and a half per centum of the whole subscribed capital of the company; or
- (b) if any company which has paid the said duty or composition in full subsequently issues an addition to its subscribed capital one and a half per centum of the additional capital so issued.

60. Shipping-Order for or relating to the conveyance of goods on Board of any vessel.

0-10

61. SURRENDER OF LEASE—

- (a) when the duty with which the lease is chargeable does not exceed seven rupees and fifty naye paise, fifteen rupees in case of Madras Government.

The duty with which such lease is chargeable.

The duty with which such lease is chargeable.

The duty with which such lease is chargeable.

The duty with which such lease is chargeable.

- (b) in any other case.

11-25

10 0 0

15-00

(1)	(2)	(3)	(4)	(5)
	Exemption.	Rs. nP.	Rs. a. p.	Rs. nP.
	Surrender of lease, when such lease is exempted from duty.			
62. TRANSFER (whether with or without consideration.)—				
	(a) of shares in an incorporated company or other body corporate.	One-half of the duty payable on a CONVEYANCE (No. 23) for a consideration equal to the value of the share.	Rs. 0.75 nP. for every hundred rupees or part thereof of the value of the share.	Seventy-five naye paise for every hundred rupees or part thereof of the value of the share.
	(b) of debentures, being marketable securities, whether the debenture is liable to duty or not, except debentures provided for by section 8;	One-half of the duty payable on a CONVEYANCE (No. 23) for a consideration equal to the face amount of the debenture.	One-half of the duty payable on a CONVEYANCE (No. 23) or a consideration equal to the face amount of the debenture.	One-half of the duty payable on a CONVEYANCE (No. 23) for a consideration equal to the face amount of the debenture.
	(c) of any interest secured by a bond, mortgage deed or policy of insurance—			
	(i) if the duty on such bond, mortgage deed or policy does not exceed seven rupees fifty naye paise in Orissa, Five rupees in Madhya Pradesh and fifteen in Madras;	The duty with which such bond, mortgage deed or policy of insurance is chargeable.	The duty with which such bond, mortgage deed or policy of insurance is chargeable.	The duty with which such bond or mortgage deed or policy of insurance is chargeable.
	(ii) in any other case	11.25	10 0 0	15.00
	(d) of any property under the Administrator-General's Act, 1913, section 25.	22.50	26 10 0	22.50

(e) of any trust-property without consideration from one trustee to another trustee, or from a trustee to a beneficiary.

Eleven rupees and twenty-five naye paise or such smaller amount as may be chargeable under clauses (a) to (c) of this article.

Rs. 10 or such smaller amount as may be chargeable under clauses (a) to (c) of this article.

Rs. 11·25 nP. or such smaller amount as may be chargeable under clauses (b) and (c) of this article.

EXEMPTIONS

Transfers by endorsement—

- (a) of a bill of exchange, cheque or promissory note;
- (b) of a bill of lading, delivery order, warrant for goods, or other mercantile document of title to goods;
- (c) of a policy of insurance;
- (d) of securities of the Central Government

63. Transfer of lease by way of assignment and not by way of under-lease

The same duty as a CONVEYANCE (No. 23) for a consideration equal to the amount of the consideration for the transfer.

The same duty as a CONVEYANCE (No. 23) for a consideration equal to the amount of the consideration for the transfer.

The same duty as a CONVEYANCE (No. 23) for a consideration equal to the amount of the consideration for the transfer.

EXEMPTION

Transfer of any lease exempt from duty

64. TRUST—

A—Declaration of, or concerning any property made by any writing not being a Will.

The same duty as a BOTTOMRY BOND (No. 16) for a sum equal to the amount or value of the property concerned as set forth in the instrument, but not exceeding thirty-three rupees and Seventy-five naye paise.

The same duty as a BOND (No. 15) for a sum equal to the value of the property concerned as set forth in the instrument, but not exceeding thirty rupees.

The same duty as a BOTTOMRY BOND (No. 16) for a sum equal to the amount or value of the property concerned as set forth in the instrument but not exceeding forty-five rupees.

(1)	(2)	(3)	(4)	(5)
		Rs. nP.	Rs. a. p.	Rs. nP.
B—Revocation of, or concerning any property when made by an instrument other than a Will.		The same duty as a BOTTOMRY BOND (No. 16) for a sum equal to the amount or value of the property concerned, as set forth in the instrument, but not exceeding twenty-two rupees and fifty naye paise.	The same duty as BOND (No. 15) for a sum equal to the amount or value of the property concerned, as set forth in the instrument, but not exceeding twenty rupees.	The same duty as BOTTOMRY BOND (No. 16) for a sum equal to the amount or value of the property concerned, as set forth in the instrument, but not exceeding Rs. 30.

EXEMPTIONS

* Charitable and religions trasts including waqfalal aulad.

65. WARRANT FOR GOODS, that is to say, any instrument evidencing the title of any person therein named, or his assigns, or the holder thereof, to the property in any goods lying in or upon any dock, warehouse or wharf, such instrument being signed or certified by or on behalf of the person in whose custody such goods may be.

0-60

..

0 8 0

..

0-75

Source—1. The Indian Stamp (Orrirsa Amendment) Act. 1958

2. The Indian Stamp Act, 1899 as prescribed by the Government of Madhya Pradesh.

3. The Indian Stamp Act, 1899 as in force in the State of Madras modified upto the 20th March, 1959.

* In case of Madhya Pradesh Government only.

CHAPTER XII

Non-Tax Revenues

1. FORESTS

In this Chapter and the four immediately following we shall consider items of non-tax revenue, viz., Forests, Minerals, State Undertakings like Electricity Undertaking, Road Transport Undertaking and others, and State Trading. The State obtains revenues from these sources by exercising its right of property. In the case of forests and minerals, the State either leases out its property for a consideration or collect the usufruct and dispose of it at a price. In the case of undertakings, the State enters into the field of business, invests its own capital and acquires new rights of property. The price it obtains on the sale of the products and services of these undertakings is, in essence, similar to the amounts it derives from the natural properties like forests and minerals. When people generally speak of the need to develop non-tax resources and prefer them to taxes, they really mean that the State should manage its existing properties more gainfully and acquire new and profitable properties. There are several limitations to the development of non-tax revenues. We may set out these limitations before we enter into detailed discussion of individual items.

2. The following are some of the important limitations. Firstly, the State Government unlike an individual cannot subordinate to profit all other considerations in the management of its properties. It has to balance its desire for larger revenues with its responsibilities to the society and the country. For example, revenue is only one of the factors that govern the management of forests. There is the need for meeting the legitimate needs of the agricultural population. Some forest lands should be retained without being exploited to the full as an anti-erosion measure. Similarly, in the case of minerals there are national considerations, such as, development of industries and exports. In the case of public utility undertakings like electricity and transport too, allowance has to be made for the utility and service aspects. Secondly, while acquiring new properties and starting new undertakings there are a number of social and economic considerations that have to be taken into account. For example, linking areas together through a network of transport and communications supplying electricity to rural areas at cheap rates, and subsidising power to small industries are some examples where social considerations play an important part. Thirdly, in a federal system of Government a State cannot embark on most kinds of business undertakings without the active support of the Centre. The inter-State commerce clause of the Constitution and the powerful pressure of the Centre's economic policies often prove fatal to a State's desire 'to go it alone'. The most illustrative case is State Trading in foodgrains. Fourthly, there are limitations of capital. To start a new venture, the State Government has to set apart a portion of its current revenues or raise loans for the purpose of investment. It is often impossible for the State to spare a substantial amount for this purpose in view of the more pressing claims for development in other fields. Resources being scarce, allocations have to be made strictly according to priority. In such circumstances, the scope is severely limited for investments designed solely to raise more revenues and unrelated to the objectives of the Plans. Lastly, there are limitations of organisation and personnel.

3. Next, we turn to the relative position of taxes and non-tax sources in the revenues of the State and consider whether and to what extent it is desirable to alter the existing trends. We have seen in Chapter II that excluding Central grants the non-tax revenue of the State has increased from Rs. 267.67 lakhs in 1949-50 to Rs. 675.42 lakhs in 1959-60, that is, by nearly two-and-half times. As a percentage of total revenues the increase is not so spectacular. While this class of

revenue formed 24.75 per cent of the total revenue in 1949-50 it stood at 23.65 per cent in 1959-60. If the expectations of the Budget Estimate of 1960-61 are realised the percentage may go up to 28.30 per cent. Obviously, other components of revenue, such as, shared taxes and Central grants, have made greater strides. During the last few years the shares in total revenues of State taxes and non-tax-revenues of State origin have been, more or less, equal and constant. It is difficult to prophecy how these two components will behave in future. While every attempt would and should be made for developing the non-tax revenues, we can not envisage that their relative positions will change drastically and that even with a full development of non-tax items the need for further development of tax resources will be obviated. For one thing, the financial demands of successive plans are likely to be such that resources of both kinds are necessary in an increasingly large measure and no one kind can replace the other to a significant extent. It is therefore necessary to recognise the complementary role of these two components as well as their limitations and refrain from laying undue emphasis on the one or the other as is done in some quarters. It may also be noted that the pricing of the products of State enterprises may involve a tax element. It is, therefore, not right to think that non-tax revenue is always free of the tax element. Actually, if public enterprises are to be run on a profit basis, as indeed they should, it is possible that a monopoly profit containing a tax element may be seen red through higher prices for their products.

FORESTS

4. Forests account for the largest portion of non-tax revenues of State origin. At Table 7 in Chapter II we have seen that the forests contributed 27.31 per cent in 1949-50 and 46.40 per cent in 1959-60. The peak was reached with 54.91 per cent in 1956-57. The figures adopted in the Budget Estimate of 1960-61 have revealed a steep fall to 24.39 per cent. The trend of receipts in absolute terms may be seen from the following table :—

TABLE I

Receipts from Forests

Year	Total Revenue
1949-50	73.11
1950-51	99.82
1951-52	97.02
1952-53	88.78
1953-54	1,11.11
1954-55	1,42.88
1955-56	1,58.65
1956-57	1,89.46
1957-58	2,56.84
1958-59	2,79.33
1959-60	3,13.42
1960-61 (B. E.)	2,52.94

Source : Orissa Budgets

The forest revenue crossed the one crore mark in 1953-54 and the two crore mark in 1957-58. In both instances, the main contributing factor is the rise in the income from Kendu leaves. The same factor accounts for the fall in the Budget Estimate of 1960-61. Before we discuss the various steps to be taken to arrest this fall and increase the revenue from forests in future years, we feel it will be useful to

compare the forest revenue of Orissa with that of other States and also to analyse its different components.

5. The following table shows the area under forests, outturn of forest produce and outturn per acre in different States for 1955-56. This has been compiled from the Statistical Abstract of India, 1957-58 published by the Central Statistical Organisation. Complete information is not available for any later year.

TABLE 2
Area, outturn of Forests in different States

(In rupees)

States (1)	Total Forest area in acres (2)	Outturn of forest produce in rupees			Outturn per acre in rupees (6)
		Major produce (3)	Minor produce (4)	Total (5)	
Andhra ..	8,656,640	24,75,000	18,33,000	43,08,000	0.50
Assam ..	11,056,640	64,83,000	17,37,000	82,20,000	0.74
Biher ..	8,504,320	1,02,88,000	23,65,000	1,26,53,000	1.49
Bombay ..	13,384,320	5,71,16,000	52,83,000	6,23,98,000	4.66
Madhya Pradesh ..	35,828,480	3,59,18,000	1,48,07,000	5,07,25,000	1.42
Madras ..	6,483,200	65,53,000	16,77,000	82,30,000	1.27
Orissa ..	15,527,040	76,74,000	44,51,000	1,21,25,000	0.78
Punjab ..	3,377,280	4,00,70,000	40,20,000	80,27,000	2.38
Uttar Pradesh ..	9,621,760	3,09,33,000	1,39,29,000	4,48,62,000	4.66
West Bengal ..	3,153,280	85,01,000	4,79,000	89,80,000	2.85
Hyderabad ..	7,788,160	78,92,000	44,16,000	1,23,08,000	1.58
Jammu and Kashmir	7,077,120	..	10,45,000	10,45,000	0.15
Madhya Bharat ..	10,383,360	66,26,000	25,29,000	91,55,000	0.88
Mysore ..	3,329,920	53,20,000	69,17,000	1,22,37,000	3.67
Rajasthan ..	9,600,000	17,40,000	23,52,000	40,92,000	0.43
Sourashtra ..	715,520	3,72,000	1,47,000	5,19,000	0.73
Travancore-Cochin ..	1,953,280	1,97,16,000	5,79,000	2,02,95,000	10.39
Ajmir ..	110,080	1,04,000	43,000	1,47,000	1.34

TABLE 2—*Concl'd.*

Area, outturn of Forests in different States

(In rupees)

States	Total Forest area in acres	Outturn of forest produce in rupees			Outturn per acre in rupees
		Major produce	Minor produce	Total	
(1)	(2)	(3)	(4)	(5)	(6)
Bhopal ..	1,480,320	22,76,000	4,86,000	27,62,000	1.87
Coorg ..	721,280	35,88,000	79,000	36,67,000	5.08
Delhi ..	4,480	..	2,000	2,000	0.45
Himāchal Pradesh ..	2,579,840	96,30,000	9,15,000	1,05,45,000	4.09
Kutch ..	126,080	3,000	40,000	43,000	0.34
Manipur ..	1,488,000	1,46,000	13,000	1,59,000	0.11
Tripura ..	2,213,120	78,84,000	40,02,000	1,18,86,000	5.37
Uttar Pradesh ..	5,205,120	23,59,000	39,82,000	63,41,000	1.22
Andaman and Niko- bar Islads.	1,600,000	50,19,000	53,000	50,72,000	3.17
Total ..	171,958,640	24,46,28,000	8,01,74,000	32,48,02,000	1.89

Source : *Statistical Abstract of India—Central Statistical Organisation, 1957-58*

From the above figures it appears that the income per acre in Orissa is quite low. This may be due to various reasons. The nature of tree-growth, the terrain of forest lands, the condition of roads and communications in the forests, distances from forests to railheads, proximity to markets—these and some other factors account for the different rates of outturn in different States. The important point to know is that while some of these factors are beyond the control of the State Government others can be remedied or improved to its advantage. The kind and quality of standing timber is an example of the first category. But, even in regard to this factor a State can be patient and planned endeavour improve its position in time. Factors like roads and communications easily lend themselves to betterment. We shall consider in due course the steps to be taken to improve the rate of outturn per acre in Orissa.

6. Table 3 below shows the trend of forest revenue from 1949-50 to 1960-61 under five minor heads. Grants received from the Centre towards Plan schemes have been omitted from this statement.

TABLE 3
Receipts from Forest by minor heads

(Rupees in lakhs)

Minor heads	1949-50	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61 (B. E.)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	
1. Timber and other produce removed from the forests by Government agency.	2.53	2.66	1.77	1.96	2.98	2.10	4.07	6.67	11.46	25.55	23.67	40.66	
2. Timber and other produce removed from the forests by consumers or purchasers.	67.82	91.33	88.68	78.20	85.60	106.96	116.63	145.12	206.51	243.30	272.92	180.37	
3. Drift and waif wood and confiscated forest produce.	0.11	0.58	0.25	0.60	0.49	0.45	0.70	0.43	0.77	0.78	0.93	0.83	
4. Receipts from management of ex-Zamindari forests.	..	..	..	2.00	15.59	28.00	26.12	26.80	28.20	0.71	1.79	23.39
5. Others	..	2.65	5.25	6.32	6.02	6.45	5.37	11.13	10.44	9.90	8.99	14.12	7.69
Total	..	73.11	99.82	97.02	88.78	1,11.11	1,42.88	1,58.65	1,89.46	2,56.84	2,79.33	3,13.43	2,52.94

Source : Orissa Budgets

Of the five categories listed, the last three are not of much importance. We wanted to break down the receipts from the management of ex-Zamindari forests into basic categories, but could not due to lack of complete information. The table shows that of the two methods of working the forests the departmental operation accounts for but a small portion of the revenue although some significant increases have been registered under this method during the last five years or so. Departmental working of a few coupes in connexion with the Saw Mill Scheme at Rourkela and the agreement with the Railways to supply sleepers are the main reasons for the increase. We will consider in a later para. the possibility and the advisability of expanding departmental operation for.

7. Another way of appraising the trends in revenue is to break down the Causes of growth of revenue according to the kinds of forest produce. Table 4 forest revenue. below gives such a break-up.

TABLE 4
Distribution of Forest Revenues by different kinds of Forest Produce

(Rupees in lakhs)

Items	1949-50	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61 (B. E.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1. Timber ..	34.15	43.00	40.76	34.30	38.87	46.21	55.36	73.61	1,04.19	1,35.781	1,46.09	1,44.87
2. Firewood and Charcoal.	12.20	15.31	14.43	11.33	14.08	16.24	17.75	21.73	26.91	28.01	33.57	35.46
3. Bamboos ..	3.25	6.20	7.21	8.09	7.76	7.79	7.79	7.64	13.61	18.03	23.47	18.32
4. Grass and other minor forest produce.	17.94	25.78	25.05	22.71	12.92	7.02	8.71	7.18	10.14	11.25	12.78	8.12
5. Kendu leaves ..	..	..	..	..	11.26	27.73	28.00	38.32	58.36	70.63	75.85	10.00
6. Drift & waif wood, etc.	0.11	0.58	0.25	0.60	0.49	0.45	0.70	0.43	0.77	0.78	0.93	0.83
7. Nistar cess, etc. ..	2.81	3.70	3.00	3.73	3.69	4.07	3.09	3.31	4.76	5.15	4.83	4.26
8. Extension fees, Renewal fees, Compensations, etc.	2.65	5.25	6.32	6.02	6.45	5.37	11.13	10.44	9.90	8.99	14.12	7.69
9. Receipts from management of ex-Zamin-dary forests.	..	..	..	2.00	15.59	[28.00	26.12	26.80	28.20	0.71	1.79	23.39
Total ..	73.11	99.82	97.02	88.78	111.11	142.88	158.65	189.46	256.84	279.33	313.43	252.94

Source : Orissa Budgets

It will be clear that next to timber Kendu leaves have been contributing the largest amount since 1955-56. Revenue from timber has increased by more than four times since 1949-50. The income from firewood and charcoal has gone up by nearly three times. Bamboos have registered a rise of about eight times by 1959-60. Grass and other minor forest produce have shown a decline. The reasons that have brought about the above changes may be briefly noted. In the first place, credit has to be given to the rise in the price level and the increased demand for timber and other forest materials. Secondly, improved roads and communications have helped in opening up new areas. Thirdly, in the case of bamboos the policy followed by Government to lease out the forests for long terms to Paper Mills has led to greater exploitation and brought in more revenues. The fixation of higher royalties through negotiation with some of the lessees in 1956-57 is responsible for a large part of the big jump in the receipts under this head from 1957-58 onwards.

8. In the case of all non-tax revenues derived from the management of properties of natural origin, the stability or growth of revenue depends upon the methods of management employed and the degree of attention devoted to the conservation and development of the property in question.

Analysis of forest expenditure. This is particularly true of forests. So, it is necessary to examine in some detail the nature and volume of expenditure incurred by the State Government for the management of forests. The Table 5 below shows the break-up under five broad heads.

TABLE 5
Break-up of Expenditure on Forests

(Rupees in lakhs)

Heads	1949-50	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	(B. E.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	
General Direction ..	..	..	..	..	1.23	1.34	1.59	1.55	1.83	1.98	1.87	2.16	
Establishment ..	20.69	21.48	21.20	22.22	22.63	23.65	24.64	25.61	31.31	37.35	38.66	30.99	
Conservancy and works.	6.85	9.82	9.41	14.39	12.65	13.89	14.81	13.55	22.47	39.86	34.25	42.40	
Development scheme.	1.49	1.06	1.12	1.36	1.79	4.49	8.65	11.43	..	..	11.97	12.43	
Others ..	0.04	0.04	0.04	0.01	-	..	-	-	..	..	..	18.60	
Total ..	29.07	32.40	31.77	37.98	38.30	43.37	49.69	52.14	55.61	79.19	86.75	1,06.58	

Source : Orissa Budgets

For the purpose of our analysis, the heads 'General Direction' and 'Establishment' may be taken together and compared with the other two heads, 'Conservancy and Works' and 'Development Schemes' similarly grouped together.

It is clear that comparatively larger sums used to be spent on the first group than on the second group till 1954-55. The two groups moved closer to each other in 1955-56 and 1956-57. As the Second Five-Year Plan progressed the position was reversed and more came to be spent on 'Conservancy and Works' and 'Development Schemes'. It is interesting to note that in some other States which have a larger outturn per acre, the second group i.e. "Conservancy and Development" had always had a higher share of expenditure than the first group of 'Establishment'. The statements at Appendix I may be seen in this connection.

9. As the trends of revenue and expenditure discussed above are but a reflection of the policy that the Government have adopted in regard to the management of forest, we made enquiries as to the contents of the policy. We are informed that the State Government have no policy of their own and they have been following generally the National Forest Policy as laid down by the Central Government in resolution No. 13-1/52-F., dated the 12th May, 1952. The Policy is said to be based on six vital national needs : evolution of a system of balanced and complementary land-use ; prevention of erosion; amelioration of physical and climatic conditions ; progressive increase in grazing facilities and supplies of small wood and firewood to the people; sustained supply of timber and other forest produce required for defence, communications and industry ; and the realisation of the maximum annual revenue in perpetuity consistent with the fulfilment of the other needs. The resolution then proceeds to classify forests on a functional basis and describe the main lines on which each class should be managed. In regard to national forests which generally correspond to reserve forests, the resolution states that 'their management on scientific and business principles is essential for maintaining a sustained supply of wood for industry and large timbers for defence communications and other national purposes'. Further, it asserts as follows : "The immediate profit motive should be rigidly ruled out, for, this urge may endanger the supply of large and special timber for defence and industry and lead to a disturbance of climatic conditions seriously affecting agriculture. The adoption of rotations to produce large-sized timber is often of greater importance to the general economy of the country than that of rotations which yield the maximum rate of interest in forest investments". Thus, according to the resolution, revenue is not only one of many considerations in the management of the forests but also a definitely subordinate consideration.

10. While we do not question the basic principles enunciated in the resolution, we think that the National Forest Policy is a little too general to be a guide for practical administration and that the State Government will do well to review the existing classes of forests in the State and lay down the detailed principles that should govern the size, rotation, methods of working etc, in respect of each of them. No doubt, instructions have been issued from time to time on one aspect or the other. It will be useful to collate them and bring out a comprehensive resolution covering all aspects. This should not be difficult now that some of the important aspects have been dealt with by the Forest Enquiry Committee (1957-59). The recommendations of this Committee, we understand, are presently under consideration of Government. This opportunity may be taken to bring out a policy resolution.

11. The total forest area of the State is estimated to be 25,358.21 sq. miles. Out of this, the different classes of forests and their areas are given in the following table :—

TABLE 6
Area and class of forests

			Square miles
1. Reserved Forests—			
'A' Class	..	..	7,961·04
'B' Class	..	..	720·25
		Total	8,681·29
2. Reserved Lands	..	..	963·33
3. Demarcated Protected Forests	..	..	207·66
4. Undemarcated Protected Forests, Unreserves, Unreserve Lands, Khesra forests including unclassified forests.			7,660·33
5. Ex-Zamindari forests—			
(a) Reserved Lands, Zamindari Zapti or Reserve Protected Lands and Protected Forests.			3,112·01
(b) Khesra Forests, Open Forests, Unreserves, Gramya Jungle.			4,661·14
		Total	7,773·15
6. Private Forests	..	..	72·45
		Grand Total	25,358·21

Source : Development (Forest) Department, Government of Orissa.

The above figures are said to be tentative as there has been no comprehensive survey of the area. Some of the forest areas in the former princely States and most of the ex-zamindari estates have not been properly mapped. Some areas though classed as reserved forests do not contain such valuable timber and in such density as is normally expected in a reserve. On the other hand, some of the unreserves are known to have timber of great value. Although efforts are being made during the last few years to revise the old working plans or prepare new ones where none existed, it cannot be said that all the areas have been covered by plans reasonable recent and accurate. As a result, our knowledge about area and nature of potential outturn from forests is neither complete nor satisfactory. We were informed that a few years ago a survey of bamboos was undertaken and the estimates prepared as a result were of great help in maximising the utilisation of this important product and the income from royalty thereon. If similar surveys are undertaken in respect of other items and estimates prepared of the quantities available and their places of occurrence it will be possible to have a well considered plan of action. We therefore recommended the undertaking of a proper survey and mapping to ascertain the correct area and a survey of materials to determine the future lines of development.

12. An important factor that has been impeding a more rapid growth of forest revenues, has been the lack of proper communications. Some of the valuable forests are even now inaccessible. The total length of forest roads by the end of the Second Plan is expected to be of the order of 2,918 miles. This works out to one mile of forest road for every 5·5 square miles of forest area under working. It has been represented to us that there should be

Proper survey and mapping of forests essential.

Need to improve Communication.

at least one mile of road for every square mile of forest if the forests are to be worked fully and properly. It is no doubt a stupendous task to reach this target and we do not know if the tremendous improvement in accessibility that this suggestion aims at will be to the ultimate good of the forests. As the forests are opened up for better exploitation, dangers of rapid denudation and unauthorised felling may raise their ugly heads. However, whether one agrees with such a vast programme of construction of roads in forests or not there is a clear case for improving communications a great deal from the present level. It must be said to the credit of those who made the above representation that they recognise the serious difficulties, financial and otherwise, in the completion of such a huge programme in the foreseeable future. They have therefore suggested that immediately a priority programme may be drawn up according to which roads will be built in areas where coupes are not being sold at all or are being sold at low prices due to their inaccessibility. The particulars of the roads to be built under this programme are contained in Appendix 2. Construction of a thousand miles of roads is envisaged at an estimated cost of Rs. 52 lakhs over a period of 10 years. It is estimated that after full implementation of the scheme there will be a net addition to revenue of the order of Rs. 9.25 lakhs per annum and smaller increase will accrue in the meantime as the implementation progresses.

13. The view is widely held in the State that the present system of working the forests through contractors selected at annual auctions on the basis of the highest bid has resulted in destruction of valuable forests. Superiority of departmental operation. The contractors are said to indulge in illicit felling in the coupes adjoining those settled with them and this nefarious activity is said to be carried on with the connivance of the

subordinate staff of the Forest Department. This apart, complaints are frequently made by the people that as a result of the system of working through contractors they have been deprived of the facility of getting their requirements of forest materials at reasonable rates and at the proper time. As the complaints grew in number and intensity some restrictions were placed on the contractors. It has been laid down that in regard to some coupes they shall not remove the materials till late in the season for sale outside the area. Concessional rates have been fixed for sale of materials to the tenants. But, these concessions have not put an end to the spate of complaints. Further, it has been said that the present method of working is in effect nullifying the objectives of forest policy. We have, therefore, given careful thought to this problem. We have examined the results achieved by the Pilot Project of departmental working undertaken in the Bonai Division a few years ago. Under this project an area of 13 square miles consisting of sal, peasal etc., has been worked through departmental agency and the felled timber was processed at the departmental saw mill at Rourkella. 1,31,328 Cft. were extracted on the average every year and sold after precessing for a total sum of Rs. 16,74,887. It has been estimated that in all the operation which was spread over three years yielded an additional revenue of Rs. 12,88,581 over what the coupes would have fetched under the usual system of working through contractors. Encouraged by these results, the department have put forward a bigger scheme of departmental working as part of the Third Five-Year Plan. The details of the Scheme may be seen at Appendix 3. It is proposed to spend a sum of Rs. 119.54 lakhs including a capital expenditure of Rs. 13.20 lakhs during five years. The department expects to raise a total revenue of Rs. 192.75 lakhs. It is estimated that the coupes in question may fetch Rs. 56.55 lakhs by auction sale in the ordinary course. After deduction of this amount and working expenses the net additional revenue is anticipated to be Rs. 35.94 lakhs. The target of the scheme is to bring under departmental operation by the end of the Third Five-Year Plan a portion of the forests representing about 9 per cent of the total annual auction value. We have scrutinised the scheme. It is indeed very modest. In our opinion, the department must have a programme to progressively increase

the area under departmental operation. When we accordingly asked the department to prepare a revised programme, they gave us a scheme to be operated in the Fourth Five-Year Plan. It may be seen at Appendix 4. In brief, it aims at doubling the annual value of forests under departmental operation by the end of the Fourth Five-Year Plan. In other words, some coupes representing about 18 to 20 per cent of the annual auction value will be worked departmentally by 1970-71. Besides, some coppice coupes will be worked to supply firewood to the nearby towns where acute scarcity of firewood is being experienced. It is proposed to spend a sum of Rs. 176.66 lakhs over a period of five years and raise a gross revenue of Rs. 3.28 lakhs. The estimated annual auction value of the coupes is Rs. 26.50 lakhs. Net additional income after deducting the working expenses and the annual auction value is expected to be of the order of Rs. 21.84 lakhs. We found the department generally hesitant to embark upon a more ambitious programme. They have pleaded that more experience should be gained before larger areas are brought under departmental working. While we agree that some caution is necessary in expanding departmental operations rapidly and a strong organisation should be built up before such expansion is undertaken, we feel the department should set itself some what higher targets and prepare themselves for achievement of those targets with due deliberation and determination. In our view, it is not unreasonable to aim at bringing under departmental operation an area covering at least 50 per cent of the total annual auction value by about the middle of the Fourth Plan. We commend the following steps for ensuring the success of the scheme :—

(a) As far as possible, a compact area of forest or the contiguous coupes should be taken together without bearing some portions with contractors. If the latter are allowed to operate in the same area check by jowl with Government, several complications will arise and the main objective, viz. the elimination of illicit fellings will be defeated.

(b) In a scheme of departmental working, all kinds of timber and other major produce should be extracted and sold. It will not be correct to concentrate on sal or teak and leave the rest to stand or to be felled through contractors. The miscellaneous timber or poles should be treated properly and marketed so that large quantities of such species are not wasted and are made to yield the maximum revenue possible.

(c) One of the objects of the scheme is to provide small wood and fire-wood to the tenants at reasonable rates. For this purpose the department will have to open depots at suitable places.

(d) As the entire scheme has to be run on a commercial basis, suitable changes should be made in the accounting rules and financial powers delegated to those in immediate charge of the operation to the full extent necessary. Suitable incentives may be provided for the staff in the form of bonus or otherwise.

(e) Recruitment and training of the staff should be planned well in advance.

(f) The existing wing of forest utilisation should be strengthened and a marketing cell created to study and advise on the marketing, costing and pricing problems that are bound to be thrown up by large scale departmental exploitation.

14. Bamboo is the next important product which can be expected to give a sustained revenue with proper management. There is one peculiarity in regard to bamboos : their growth improves with working. If left unworked there will be no accretion to the wealth of the State. Bamboos are the main raw material for the paper industry. So the policy of management of bamboo forest should be such as facilitate regular working on proper lines and ensure uninterrupted supply to the paper mills. On both these criteria, the present

policy of the State Government to lease out bamboo forests to paper mills on a long-term basis after reserving a few coupes for local uses, is sound.

It is only reasonable to expect that the paper mills who are vitally interested in a continuous supply of the main raw material will follow the correct silvicultural principles in extracting bamboos. We have also considered the rates of royalty now prevalent (please see Appendix 5). We are gratified to learn that the days of low royalties are definitely over and that more than one lessee has been persuaded in 1956 to refix the rates of royalty at Rs. 3 per 100 bamboos for the first six years and Rs. 3.25 for the next 6 years. But from the statement in Appendix 5 we find that there are still some areas and some lessees in whose case the rates are still lower than those mentioned above. While we concede that the rates may not be the same for all areas and for all lessees and some allowance has to be given on account of operational factors like difficult terrain and distance from the rail head, and policy considerations such as infancy of the new factory and encouragement to new factories in the State, we feel there is scope for reconsidering and raising the rates in respect of some of the areas to the level mentioned above. Some representatives of the paper mills have argued before us that the present rates are the highest in the country barring one case in Bihar and should be brought down in the interests of rapid industrial development. We do not know the reasons for the low rates in other States. But on the analysis of the cost figures shown in Appendix 4 of chapter IX we find that the rates presently in force in Orissa are not unreasonable. It has also not been shown to us how exactly the present rates are having a verse impact on the mills deriving their supplies from Orissa. Their cap city for profits has not to our knowledge been impaired in any manner as will be clear from a glance at the annual statement of accounts of the concerned companies and above all at the trend of the market quotations of their shares. We do not therefore recommend any downward revision in the rates. We fully endorse the three principles now being followed by the State Government in this matter.

(a) The unit for royalty should be 100 bamboos. In some States tonnage is the basis. In one instance, the quantity of pulp obtained has been made the base. Neither of these two alternatives are suitable and their adoption will not be in the best interests of the State.

(b) The lease agreements should aim at giving a long tenure to the lessees while ensuring some increase in the rate is in the middle of the lease period in consonance with the general trend of rise in prices. This system gives at once security to the mill and progressively rising income to the State.

(c) The rates of royalty should be fixed as far as possible on the basis of uniform principles. The factors that have to be taken into account for fixing the rates are the terrain of the forest i.e., whether it is hilly or otherwise, the distance to the rail head or the nearest market, the price of paper, the state of communications to and inside the forest and the need to encourage the establishment of new industries in the State. The rates may not be same for all areas and all lessees but the principles must be the same for all.

15. As regards the administration of bamboo lease agreements, however, we feel that certain improvements are urgently necessary. Firstly, the method of checking the number of bamboos felled is not altogether satisfactory. Often the returns submitted by the lessee are accepted without any serious attempt to verify them with reference to other sources. There is no reason why a random enumeration of the stumps should not be tried or a comparison instituted with the figures adopted in the wage bill of labour. Secondly, it should be verified whether the fellings in a year do, in fact, come up to the level of stock revealed by the recent survey for each coupe or area and suitable steps taken to induce the lessees to extract to maximum possible. Otherwise, a part of this

Administration
of bamboo
lease agree-
ment.

important national wealth will go to waste and the growth in future impaired to a considerable extent. For this purpose, the provisions relating to minimum royalty may be reviewed and changed wherever necessary.

16. In some districts, Bolangir being the most prominent among them, the tenants' demand for bamboos has gone up by leaps and bounds in recent years.

If this trend continues and more and more bamboos come to be cut, the department apprehends, there will come a time when destruction will outpace regeneration and supplies for industrial uses may become unsteady or decline to a low level. Tenants want the bamboos mostly for construction of houses and erection of fences. It is the latter use that is consuming a large portion. We are convinced that fencing is a comparatively uneconomic use of bamboo and to consume a large portion of bamboos for such a purpose is a sign of improvidence, particularly when other materials, which are even better in certain respects, are available in sufficient quantities. Special steps are, therefore, necessary to wean away as many of the cultivators as possible from this uneconomic practice and to educate them in the need for and the methods of utilising other materials for fencing.

17. We are fully aware that supplies of forest materials to the tenants is a thorny problem. It raises difficult questions of rights. We do not propose to go into them in detail as only recently the Forest Enquiry

Committee headed by Shri R. Rath, the then Minister-in-charge, examined these aspects at some length. Two of their recommendations are to abolish all nistar cess in whatever form they are now being realised and to increase on the average by 100 per cent the schedule of rates at which supplies are made to the tenants. They left the actual range of revision in the schedule in different areas to be determined by Government in consultation with the State Forest Advisory Committee. The abolition of the nistar cess has been suggested on two grounds: (a) the much desired uniformity in concessions enjoyed by the people can not be brought about within the frame work of nistar rights and (b) the present condition of protected forests in most parts is such that the concessions coming down from the past can not be exercised in practice, thus giving rise to complaints and agitation. The committee's recommendation for the increase in the schedule of rates has been put in the following words:—

“Further, the tenants should not grudge the increase in the schedule of rates based on the prevailing market rates as they would pay no nistar cess hence forward. The loss by way of abolition of the nistar cess will have to be compensated by a reasonable increase in the schedule of rates. This increase in the rates will also result in the economic use of forest materials”

We underline this recommendation and suggest that steps should be taken in this direction without further delay in view of the expanding gulf between the schedule and the market rates. We would also add that the revision of the schedule of rates need not wait for the abolition of nistar cess. If for any reason the latter is delayed, an interim revision must be made in the schedule immediately and the need for making a further revision to make up for the loss of the cess income considered at a later stage along with its abolition.

18. We shall now consider minor forest produce as a contributor to foreign revenue. As we have already noted, kendu leaves, the most important item of

this group was largely responsible for pushing up the foreign revenues in recent years. In 1960-61, however, it dropped to Rs. 10.00 lakhs from Rs. 68.28 lakhs, the average of the previous three years. This was entirely due to a change in the policy of Government. Prior to 1960-61, lessees of forest and other Government lands used to enjoy monopoly rights of purchase by virtue of licences issued under the Orissa Kendu Leaves (Control and Distribution) Order,

Kendu leaves—The most important minor forest produce.

1949. This system was attached by an influential section of the people on three grounds—(a) In practice it deprived the tenants of their right to dispose of the kendu leaves growing on their lands to whomsoever they wished at competitive prices, (b) The pluckers are at the mercy of the lessee and do not get a fair price for the leaves although such prices are fixed by Government under the Control Order, (c) The monopolist lessee made fantastic profits at the expense of the pluckers, owners of lands growing the leaves and the Government and the royalties paid by them for the lease, though *prima facie* large, are not large enough in comparison with the profits. Abolition of the monopoly and the introduction of free trade formed important planks in the platform of one of the political parties. When this party came to have a share in Government in 1959-60, the policy was changed. Although the licensing system was retained under the authority of a revised Control Order, it was made clear that there would be more than one licensee in a unit but the number would be fixed on the basis of viability. In other words, monopoly gave place to controlled competition. With this the lessees of Government lands lost their privileged position. Faced with the possibility of large-scale pilfering from the leased lands, they offered low amounts. To make up the consequent loss of income, Government imposed a tax on transport of the leaves by road. But as we have seen in Chapter IX this tax will not be valid for long. A return to the old system is not considered possible due to certain constitutional objections. Hence the question has arisen as to how the State can safeguard its interests and raise substantial income as before.

19. A sound policy on kendu leaves has to take into account the following

Element of a sound considerations :—
Kendu leaves policy.

(a) As the high grade leaves are obtained from young bushes rather than older plants the quality of the leaves depends a great deal on coppicing operations in February and March every year. The area over which these operations are required to be done is extensive and the period available for the purpose is rather short.

(b) The collection of leaves is confined to about three months in a year while disposal is spread throughout the year. This leads to locking up of funds for long periods.

(c) A large number of collection centres will have to be established all over the area in the interests of pluckers as well as procurement and a certain degree of assurance for continuance has to be given to those who are called upon to set up those centres.

(d) As the plucking of leaves is actually done by a large number of labourers including women and children and sales are made in several centres in the interior it is necessary to ensure that they get a fair price and are not exploited by the traders.

(e) As kendu leaves also occur on private lands owners of which have a right to pluck and sell the leaves for the best available price, any attempt at reducing the number of competitive buyers affects the interests of lessees adversely. On the other hand, this fact has complicated the problem of supervising the extraction of leaves from Government lands. The leaves lend themselves easily to pilfering and wrongful presentation as leaves of private lands. To check these aspects is indeed a formidable task.

20. The points at (a), (b) & (c) indicate a clear need for creating conditions in which a unit of trade in the leaves is of a viable size and

Suitability of different methods of regulation.

is such that it can command fairly large resources. The point at (d) shows the necessity for a vigilant organisation to fix reasonable rates as well as enforce compliance in practice. The point at (e) raises some important issues of State policy : whether the State will be within its rights if it creates monopolies in regard to the purchase

of Kendu leaves ; Whether the elimination of competition in purchase of the leaves amounts to an infringement of the fundamental right to property and attracts the constitutional provisions relating to compensation ; and whether it is not open to the State to choose such a method of regulation as will be reasonable in terms of cost for the purpose of safeguarding its own rights of property.

21. The Forest Enquiry Committee (1957—59) which examined the matter in some detail, considered four alternative methods—free trade, State trading through a departmental agency and through an autonomous corporation, and co-operative trading. They finally rejected all the Views of the Forest Enquiry Committee. four methods in favour of the continuance of the system of licensing and control with some modifications. They recommended that the sale units should be as small as possible consistent with the need for economic viability and the prices payable to the pluckers should not only be fixed by the District Forest Advisory Committee after taking all the relevant factors into consideration but enforced through wide publicity and a special supervisory organisation. As regards private owners of lands growing the leaves, the Committee's recommendation is that they should be given their ' share of the value of the leaves ' and that ' steps should be taken to assess the percentage of leaves coming from tenants' holdings and Government land for each unit'. According to the Committee, the tenants should be called upon to apply to the Collector of the district giving full particulars of the lands in question and the estimated produce thereof and these applications should be disposed of with the aid of the Divisional Forest Officer and the local Sarpanch. The total royalty of the unit should then be divided between the tenants and Government in the same proportion as the estimated produce after deducting supervisory or collection expenses. The Committee recognised that the procedure suggested by them was not free from practical difficulties. So they commended a cautious approach and a few pilot studies in selected areas before applying the procedure to the entire State.

22. We would distinguish between two aspects of the problem : firstly, what is the best method for developing the trade and maintaining the quality, monopoly, free competition or controlled competition ? ; secondly, how can the rights and interests of private owners be safe-guarded ? Merit of the monopoly system. Answers to these questions will, in our view, provide the frame work for a proper policy on Kendu leaves. Let us therefore discuss each of them in detail. As regards the first question, it may be said that free competition will militate against the fundamental considerations described at (a), (b) and (c) in para 19. Controlled competition which was introduced in 1960 did not appear to have given encouraging results. There was a fall in the collection of leaves. Against 3,44,133; 3,24,405 and 3,35,771 bags in the three years 1957-58, 1958-59 and 1959-60, 2,47,445 bags only are reported to have been collected in 1960-61. Collection of leaves in some areas like Keonjhar and Mayurbhanj districts has almost come to a stop. Complaints that the pluckers, did not get a fair price continued to be heard. The Grama Panchayats that used to get 50 per cent of the income as grant have become apprehensive of their financial future. On the credit side it is found that some tenants have been able to obtain licences and enter the trade and some others have sold to the licencees the right to collect leaves from their lands. Even in this respect the results can not be said to be satisfactory. It is only the larger tenants and the more influential of them that have profited in this manner. Employees or agents of the established traders and old lessees have managed to procure the majority of the licences in some areas thereby reducing or eliminating competition in actual practice. With these fruits of controlled competition may be compared the results that the system of monopoly yielded over the period 1951—59. Collection of leaves went up from 1,27,799 bags in 1951-52 to 3,35,771 bags in 1959-60. New areas came to be exploited with every triennial settlement, so that in the last three-year period, 1957—59, every part of the State with a sizeable growth of these leaves came to be

exploited. The produce of the State acquired a reputation for quality and enjoyed a premium in outside markets. The price payable to the pluckers was also increased although it is difficult to say whether in practice they always got these prices. The village communities derived substantial benefits firstly in the form of grants from the State Government and secondly in the form of donations from the monopoly lessees as a price for the co-operation of the villagers. Perhaps there were only three grounds for dissatisfaction under this system : (a) the machinery to enforce the payment of price to the pluckers was not adequate ; (b) the tenants got no consideration for the leaves collected off their lands on an individual basis ; and (c) the Grama Panchayats or the village communities which received the grants were not free to spend the money according to their best rights and could not as a consequence, realise their own real interests *vis a vis* the system.

23. The second question, the rights and interests of tenants, may be considered next. Kendu plants occur on uplands and their emergence is not the result of cultivation or plantation. If they are abundant in a field it means that the land has not been brought under any economic crop. It follows that with the spread of cultivation and adoption of better cultural practices and cropping patterns Kendu plants will disappear from private lands. When ceilings come to be fixed and tenants forced to choose or rearrange their holdings, the uplands will be the first category to be affected. For, no cultivator in his senses will prefer lands fit for growing Kendu plants to those fit for raising other and more profitable crops. Therefore, the problem posed by private owners in our opinion, is of a transient nature. Even in the short period, what is the kind of right a tenant has that requires to be safeguarded and reconciled with the system of exploitation of this forest produce ? An owner of a tree has the right to collect, consume or dispose of its leaves. A system can be devised without doing away with this right. In fact there is nothing in the system followed during 1951—59 that can be said to have taken away this right. But it has been argued that by creating a monopoly the State has deprived the tenants of the possible benefit of high prices that the presence of more than one buyer might have brought about in the process of competition. This is indeed to over-stretch the right of enjoyment of the fruits of one's tree. Whether there should be competition and to what extent have to be decided on a careful consideration of much larger issues. Some of them have been discussed in the foregoing paras. They are far too important to be made dependent solely on the over-stretched right of a few fast disappearing individuals. However, we feel that in instituting a monopoly in the trade of Kendu leaves in any area, the State should give no impression that they are taking away the right of tenants to collect, consume and dispose of the leaves of their trees. To prevent possible misuse of this right and encroachment on the State's property, a limit can be fixed under law for the quantity that an individual can store at one time. Should this general limit be found insufficient in any individual case in view of the extent of land in his possession, a higher limit can be fixed for him on proper enquiry. This apart, is the right in question such that deserves to be compensated in terms of money and can it be assessed precisely ? The Forest Enquiry Committee, 1959 suggested that compensation should be given in the shape of a share of the lease amount determined on the basis of the *ratio* the quantity of leaves gathered from private lands bear to the total collected from the unit or area. In our view this suggestion suffers from serious objections, theoretical as well as practical. First of all, it is difficult to understand how compensation is payable when Government have not acquired through due process the right of innumerable private tenants to lease out their trees and how the lease amount is relevant for the purpose when Government does not set out in fact to lease out the private trees. A tenant is free to lease out his tree land or pluck the leaves off his own plants by himself or through specially employed labour, to store them up to the permissible limit and sell them to the licensee. The latter is bound to accept them subject to certain

conditions and the price is fixed. Which of the events in this series attract compensation? The fixation and grant of licences and the control of prices are hardly the subjects that give rise to claims for compensation under the law. Then the higher price one might have got had there been no licensing or a larger number of licences can not also give rise to such claims. If it is the case that the licencees or Government lessees enter upon private property and take away the produce without paying consideration money under colour of the licence or lease, it is for the owners of the property to prevent such trespasses and to safeguard their rights in the same manner as in the case of private property of other kinds. The State cannot be legitimately called upon to compensate private persons for possible losses arising out of their own inability or failure to protect their own property. It is indeed dangerous to accept the principle underlying the suggestion for compensation. From the practical point of view, it is well nigh impossible to assess precisely the quantity of leaves collected from private lands and determine their ratio to the total leaves collected. The quantities being subject to variation according to season, expectations of trade, etc., the assessment has to be annual if it has to have any meaning. An elaborate machinery has to be set up at considerable expense and the delays that are sure to occur in view of the large number of holdings and claimants spread throughout the districts may eventually prove to be exasperating and lead to the conclusion that the entire effort is not worth-while. This is a typical case in which a departure from the fundamental principle involves Government in ever-increasing complications and defeats the very purpose it sets out to solve.

24. To sum up the discussion, we are convinced that the monopoly is the best method of exploiting the wealth of Kendu leaves in the best interests of the people of the State and the right of private tenants can and should be safeguarded on the following lines :

Establishment of a fiscal monopoly by law recommended.

- (a) They should have the right to lease out their trees if they can.
- (b) They should have full freedom to collect the leaves, store them and sell them in accordance with the law. Storage limits should be fixed realistically and raised where necessary on application and after a quick and summary enquiry.
- (c) The price payable for the leaves must not only be fixed on a reasonable basis but enforced with efficiency. Tenants must be associated with the process and a committee be appointed in every district for this purpose.

The monopoly, in our view, should be set up by means of law clearly and specifically. In other words, it should not be left to be brought about through executive instructions and a manipulation of the licensing provisions. We envisage that the State having set up a kind of fiscal monopoly will operate through agents who may be chosen through a procedure of tenders or open auction. The State will be divided into viable units and one agent appointed for each unit. The consideration may be in two parts, a lump sum to be settled at the time of granting the lease, and a variable commission depending on the turn-over. The latter may be calculated as a percentage of profits after sale or more simply as a rate per bag of leaves collected. The rate may be fixed either on a flat basis or on a slab basis. The latter is preferable as it may be operated to provide an incentive for larger production by keeping the rates lower or higher slabs. Such a system has the advantages of State Trading without its disadvantages. We do not consider it advisable for Government to take up the entire business of the Kendu leaves including collection, grading and export and run it with its own personnel either departmentally or through a corporation set up for the purpose.

It is a very sensitive trade and Government agencies will hardly be equal to the tasks of adjustment and improvisation that are essential to a successful operation.

25. The remaining items of minor forest produce are not very important from the point of view of revenue. There are about 38 items, but they fetch in all Rs. 4—5 lakhs a year (Vide Appendix XII of the Report of the Forest Enquiry Committee, pages 192—203). Except broom grass and Sabai grass each of which, of late, have been yielding a little over lakh, of rupees a year; all the items fetch very small amounts indeed. One of the reasons cited for the low income is that the contractors do not feel able to offer substantially higher bids in view of the uncertainty of collecting all the estimated produce. Several of the items such as Mahua flowers tamarind, honey, various kinds of seeds, etc., also occur outside the forests and there is no means of preventing effectively their theft from the forests and their subsequent presentation as produce of private lands. This is similar to the problem we have discussed in the case of Kendu leaves. But we do not recommend a similar solution. There are certain special factors which have to be taken into account in evolving a policy for the exploitation of minor forest produce. Firstly, some of the items constitute the food of the scheduled tribes living in and near the forests. Secondly, the collection of some items is often the only economic occupation open to the people of the forests. If revenue is made the sole criterion of policy in regard to minor forest produce and a system of monopoly built up on the lines recommended for Kendu leaves the legitimate interests of the backward people inhabiting the forests will suffer. We feel that protection and development of the backward tribes being the special responsibility of the State a conscious effort should be made for reconciling the demands of revenue with the interests of the people. This may be done by organising co-operative societies among these tribes and vesting in them the right to collect and dispose of the produce. Leases may be granted at nominal rates or at the most on the average of the last 3 years. In other words, the Forest Department should not take too meticulous a view of the matter and should in fact be generous so as to help build a strong and viable co-operative organisation for the exploitation of minor forest produce. In the long run the existence of such organisations will be to the advantage of forest revenues, although in the beginning they might appear to be eroding the income. The Forest Department should, therefore, adopt a promotional and helpful attitude towards these societies. For this purpose their representatives should be nominated to the Board of Directors of the Societies. In making these recommendations we have taken note of the progress made in the case of broom grass through the efforts of the Tikabali and Madanpur-Rampur Co-operative Societies. Some attempts have also been made recently in Mayurbhanj to improve the exploitation of Tassar cocoons through Rearing Co-operatives. We understand there are schemes for Lac and Khair Co-operatives. We welcome these efforts and emphasize that the future of minor forest produce lies in the organisation of a Forest Labourers' Co-operatives. With little or no sacrifice of revenue in the present the State can on the basis of such a policy, create favourable conditions for the maximum utilisation of its resources of minor forest produce and for the implementation of a significant programme of development for the tribal people.

26. We are aware that in recent years large areas of valuable forests have been reclaimed for resettling persons displaced from Pakistan on the one hand and large multipurpose projects on the other. Urgent need for afforestation. The Dandakaranya scheme and the Hirakud Reclamation programme are examples to point. Besides, with the increase in population pressure on land has been mounting every where and

more and more acres are being denuded of the forest growth and converted into agricultural fields. Simultaneously increasing demands are being made on forests for timber and industrial raw materials. All these developments point to the need for special efforts for creation of new forests. The State should draw up a suitable programme of afforestation with a view to make up for the clearings that have been taking place. In choosing the species for plantations, care should be taken to see that a judicious combination is made of the long-term species as well as short-term species. One of the criteria should be to make an area yield the maximum return over the given period consistent with the need for balancing the production of different materials. We have been informed that the Forest Department have planted during the last ten years 9,905 acres with Casuarina, 10,191 acres with teak, 1,186 acres with Semul, 1,348 acres with Khair and 1,336 acres with Sabai grass. Besides a few acres have been brought under Cashewnuts and Eucalyptus. We feel that the programme requires to be stepped up considerably and some more economic and quick growing species like bamboos should also be taken up. There is considerable scope for improving through afforestation the miscellaneous forests which constitute the major portion of area under forests. The species to be planted need not be severely limited as in the past and should take into account the rising demands of the people for firewood, small timber for implements and fodder grasses for cattle and other animals. In the opinion of some experts engaged by the National Council of Applied Economic Research to study the forest problem of Orissa in connection with the Techno-Economic Survey it should be possible to adopt and carry out an afforestation programme designed to nearly double the net value of forest out-put within ten years. The success of such a programme would, of course, depend on the magnitude of resources made available by the State for investment and the phasing of such investment during the next few years. The investment envisaged by us would be much larger than what the Forest Department could find out of its own resources. In this context we would add that this programme deserves to be given a fairly high priority in the allocation of plan resources, as it is essential for preserving the present level of forest income from the ill effects of reclamation as well as for raising it in step with the demand of successive Plans for larger resources.

APPENDIX 1

Distribution of Expenditure on Forests of selected State Governments by Minor heads

(Rupees in lakhs)

State/Minor heads	1949-50	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61 B. E.
ASSAM												
General Direction	1.99	2.15	2.20	2.49	2.54	3.04	3.13
Establishment	18.19	19.49	20.22	20.91	19.87	19.88	22.93	26.83	29.37	31.47
Conservancy and Works	19.36	28.26	22.32	24.43	15.18	27.21	13.37	24.02	22.50	23.48
Development Scheme	15.03	22.42	28.49	31.95	37.14	41.68	37.64
Others	0.03	..	..	..	0.54	0.71	0.07	..	..
Total	37.55	47.75	42.57	45.34	52.07	71.66	67.53	86.00	91.56	95.72
BIHAR												
General Direction
Establishment	..	15.88	16.80	17.50	20.29	20.81	20.59	20.87	36.71	37.82	37.42	39.02
Conservancy and Works	..	9.40	11.78	12.97	16.43	17.76	20.37	14.07	20.98	14.26	27.43	33.66
Development Scheme	..	14.19	17.55	20.97	15.02	19.83	26.52	39.86	44.49	37.15	51.59	56.74
Others	..	0.22	0.02	0.02	0.15	0.05	0.13	0.14	0.11	0.05	0.13	0.13
Total	..	39.69	46.15	51.46	52.18	56.55	65.14	80.95	1,05.22	1,02.29	89.28	1,16.57

(Rupees in lakhs)

States/Minor heads	1949-50	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61 B. E.	
KERALA													
General Direction	1.11	1.32	1.17	1.23	1.50	1.74	2.64	2.92	2.54	2.41	
Establishment	10.58	11.25	11.64	12.58	12.92	17.59	23.69	27.58	26.83	30.31	
Conservancy and works	55.66	57.10	57.11	51.30	46.01	41.56	51.89	59.09	66.28	74.44	
Development Scheme	3.52	..	..	16.03	18.94	
Others	0.67	..	..	..	..	..
Total	67.35	69.67	69.92	65.11	61.10	64.41	78.22	89.59	1,11.68	1,26.10	
PUNJAB													
General Direction	..	1.85	1.73	1.57	1.62	1.19	1.18	1.32	1.56	1.58	1.69	1.85	2.34
Establishment	..	17.78	17.27	16.31	15.80	14.71	15.25	16.77	18.78	26.37	28.00	24.05	25.16
Conservancy and works	..	23.47	26.69	26.65	29.73	22.79	24.79	25.32	19.66	50.16	57.53	36.14	40.28
Development Scheme	3.24	4.11	5.74	29.63	..	..	42.39	47.90	
Others	..	0.02	0.01	..	..	..	..	..	..	..	..	0.61
Total	..	43.12	45.70	44.53	47.15	41.93	45.33	49.15	69.63	78.11	87.22	1,04.43	1,16.29

UTTAR PRADESH													
General Direction	..	..	1·04	1·06	1·11	1·01	1·09	1·15	1·21	1·13	1·14	1·19	1·19
Establishment	..	..	46·33	50·15	56·54	61·07	62·66	64·59	66·75	70·29	76·56	81·59	81·64
Conservancy and works	..	..	52·12	64·13	67·03	78·81	99·83	1,06·68	1,06·34	1,09·84	1,17·22	1,30·75	1,26·38
Development Scheme	..	..	..	..	..	..	..	..	24·20	46·51	51·85	63·32	66·81
Others	..	..	0·47	0·37	0·32	0·31	0·31	0·32	0·28	0·28	0·28	..	..
Total	..	..	99·95	1,15·71	1,25·00	1,41·20	1,63·89	1,72·74	1,98·78	2,28·05	2,47·05	2,76·85	2,86·02

WEST BENGAL													
General Direction	..	..	..	..	..	..	..	..	..	..	..	..	..
Establishment	..	16·04	17·31	21·53	21·86	22·10	25·36	31·95	33·97	36·64	37·93	42·78	43·94
Conservancy and works	..	26·53	25·76	25·05	24·61	32·95	31·34	32·85	29·70	32·15	33·42	34·57	33·32
Development Scheme	..	10·87	8·95	7·60	8·87	6·87	11·87	17·82	30·53	28·74	22·53	32·26	51·58
Others	..	0·09	0·05	0·15	0·12	0·12	0·08	0·08	0·11	..	..	0·09	0·12
Total	..	53·53	52·07	54·33	55·46	62·04	68·65	82·70	94·31	97·53	93·88	1,09·70	1,28·96

Source : Budgets of concerned States

APPENDIX 2

Scheme for Development of Communication in Forests

		(Rupees in lakhs)
1. <i>Construction of Roads—</i>		
(a)	Construction of 460 miles of earth road with small wooden culverts on entirely hilly terrain at a cost of Rs. 5,000 per mile.	23·00
(b)	Construction of 220 miles of earth road with small wooden culverts on partly hilly terrain at a cost of Rs. 4,000 per acre.	8·80
(c)	Construction of 320 miles of earth road with small wooden culverts on undulation terrain at a cost of Rs. 3,000 per mile.	9·60
Total—Construction of 1,000 miles of roads ..		41·40*
2. <i>Alignment of proposed road—</i>		
	Alignment of 1,000 miles of road at a cost of Rs. 60 per mile.	0·60
3. <i>Implements—</i>		
	Cost of implements at about 2½ per cent of the outlay on construction work.	1·00
4. <i>Establishment—</i>		
	Five Forest Rangers for 10 years ..	1·50
	Fifteen Foresters for 10 years ..	2·18
	Sixty Forest Guards for 10 years ..	4·32
	Four Accountants for 10 years ..	0·60
Total—Establishment ..		8·60
5. <i>Miscellaneous—</i>		
	Purchase of stationery, survey instruments and measuring tapes.	0·40
Grand Total ..		52·00

Source : Chief Conservator of Forests

* Details of construction of roads are given on the next pages

Details of construction of Road

Sl. No.	Place of Execution (Division)	Forest Blocks to be tapped		Nature of terrain	Distance from rail head or pucca road	Length of road proposed	Rate per mile	Total outlay	Financial return expected annually	Remarks
		Name	Extent							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
			Sq. miles			Miles	Rs.	Rs.	Rs.	
1	Jeypore Division	Kandakamberu, Ramgiri, Malkangiri, Balimela, Padia etc.	600	Entirely hilly.	100 to 200 miles to railhead.	200 50	5,000 4,000	10,00,000 2,00,000	4,00,000	Kandakamberu, Sileru areas with Teak, Bija etc., are not being disposed of due to lack of communication facilities. The other areas are not fetching proper price due to lack of such facilities.
2	Rayagada Division.	Godari and Bissem-cuttack Ranges.	100	Ditto	30 to 60 miles to railhead.	60	5,000	3,00,000	50,000	Coupes are not fetching proper prices.
3	Kalahandi	.. Sankarda Karlapat, Arakhpadi etc.	100	Ditto	40 to 60 miles to railhead.	50	5,000	2,50,000	30,000	Some coupes are not being sold and the others not fetching proper price.
4	Baliguda	.. Srirampur Range	50	Ditto	20 to 60 miles to railhead.	50	5,000	2,50,000	40,000	Coupes are not been opened due to lack of communication facilities.
5	Phulbani	.. Padmatola, Padhal, etc.	100	Undulating	20 to 30 miles to Mahanadi river ghat.	100	3,000	3,00,000	50,000	Coupes are fetching very low prices.
6	Ghumsur	.. Chakapada	.. 50	Ditto	70 miles to railhead	50	3,000	1,50,300	25,000	Ditto

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
7	Dhenkanal	.. Adipura Range ..	Sq. miles 50	Undulating	70 to 80 miles to rail head.	Miles 20	Rs. 3,000	Rs. 60,000	Rs. 20,000	Coupes are not fetching proper prices.
8	Keonjhar	.. Kalapat of Rebna..	180	Ditto	40 to 50 miles to rail head.	50	3,000	1,50,000	30,000	Coupes are now fetching proper prices. But after about 5 years coupes will be in inaccessible areas and are likely to remain unsold if communication facilities are not developed in the mean time.
9	Baripada	.. Deo, Salandi, Bolany, Sango etc.	80	Partly hilly	40 to 50 miles to rail head.	50	4,000	2,00,000	30,000	Coupes are not fetching proper prices.
10	Karanjia	.. Similipal (Part) ..	250	Ditto	50 to 100 miles to rail head.	120	4,000	4,80,000	1,00,000	Coupes are not fetching proper prices. Construction of the roads will also develop the National Park.
11	Rairakhol	.. Rai and Northern Block.	100	Undulating	50 to 70 miles to rail head.	50	3,000	1,50,000	30,000	Coupes are not fetching proper prices.
12	Deogarh	.. Malyagiri and Powri.	30	Do.	40 to 60 miles to rail head.	50	3,000	1,50,000	20,000	Ditto
13	Bonai	.. Siriguda, Joda, Kelo etc.	250	Entirely hilly.	40 to 60 miles to rail head.	100	5,000	5,00,000	1,00,000	Ditto
Total .. ..			..	..	..	1,000	..	41,40,000	9,25,000	

APPENDIX 3

Departmental working of coupes during the Third Plan period.

With a view to having maximum utilisation of forest produce and thereby the revenue accruing therefrom, it is proposed to expand the scope of departmental working. During the Second Five-Year Plan a beginning has only been made and two coupes in Bonai Division are being worked departmentally to feed the Saw Mill at Rourkella. Working of coupes through contractor brings with it various complications and irregularities and it is proposed to gradually change over to departmental working. The trees will be felled departmentally and converted into logs or swan sizes, e. g., sleepers. The logs will be stacked outside forest areas and sold in auction outright. Sleepers will be supplied departmentally to the Railways. A sum of Rs. 1.06 crores will be spent during the Plan period and a revenue of about Rs. 1.92,75,000.00 will accrue as detailed below:—

	Total cost Rs.	Revenue Rs.
1. Working of Teak in Puri, Bolangir and Khariar ..	7,40,000	24,50,000
2. Working of casuarina from Chandka fire wood coupe.	3,42,500	12,60,000
3. Sleeper supply ..	37,11,000	70,00,000
4. Working of coupes in border areas ..	16,50,000	38,25,000
5. Working of miscellaneous coupes for Choudwar Saw Mill & Plant.	34,43,500	41,41,000
6. Working of coppice coupes in Athgarh Range	2,95,000	6,00,000
	1,01,82,000	1,92,75,000

Besides attempt will be made to open firewood depot in scarcity areas to supply firewood to the people. The net provision on this account will be 'nil'.

The work will be taken up by the concerned Divisional Forest Officer and a special pay of 20 per cent subject to the maximum limit fixed by Government will be allowed to the staff beginning from Divisional Forest Officer downwards.

Total staff required for the scheme will be as follows

Three Assistant Conservator of Forests, 4 Forest Rangers, 33 Foresters and 38 Forest Guards.

For the Treatment Plant at Chaudwar the following staff is required—

One Chief Operator, One Senior Kiln Operator, One Senior Plant Operator. Two Kiln Operators, Two Plant Operators. Two Boiler men, Three Saw Branch Operators, One Assistant Boiler Man, Three Firemen, Four Attendants, One Blacksmith and One Machineman will be required for the Saw Mill, Treatment Plant and Seasoning Kiln at Choudwar. Two Senior Accountants, Five Clerks One Typist, One Store-Keeper, One Driver, One Cleaner, Three Depot Watchers, Peons, Sixteen Khalasis and Three Watchers will also be required for the Saw Mill and Seasoning and Treatment Plant Scheme.

*Source : Chief Conservator
of Forests, Orissa*

APPENDIX 4

Departmental working of coupes during the Fourth Five-Year Plan

In the Fourth Five-Year Plan the following schemes are proposed to be undertaken for departmental working of coupes. It is proposed to spend a sum of Rs. 34,53,234 annually and for the entire Plan Period Rs. 1,72,66,170. The total gross revenue expected is Rs. 65,50,000 annually against the revenue by auction sale of Rs. 26,50,000. The gross revenue under the Plan period is Rs. 3,27,50,000 and by auction sale is Rs. 1,32,50,000. The net profit annually is Rs. 4,36,766 and Rs. 21,83,830 during Plan period. The details of the schemes are furnished below—

1. *Departmental working in Jeypore Division*—It is proposed to work the following areas—Dasamantpur (F.S.), Dharamagarh (4F.S.), Danderkhol (F.S.), Mathili (F.S.), and Pitaterm (F.S.), Dabugaon (F.S.), Singhisain (F.S.), Bahada (2F.S.) and neighbouring unreserves. It is estimated that about 3,50,000 cft. of Sal timber will be worked. Annually a sum of Rs. 20,62,184 will be spent and the gross revenue to be obtained annually is Rs. 35,00,000. The probable revenue by auction sale annually is Rs. 12,25,000. The net profit annually is Rs. 2,12,816. For the entire Plan period a sum of Rs. 1,03,10,920 will be spent and revenue obtained is Rs. 1,75,00,000 and the revenue by auction sale is Rs. 61,25,000. The net profit during the Plan period is Rs. 10,64,080.

2. *Departmental working in Balliguda Division*—It is proposed to work the Belgarh, Kotgarh East, Kotgarh West and unreserves of Balliguda Division and estimated to work 1,20,000 cft. annually. It is estimated that annually a sum of Rs. 5,12,200 will be spent and Rs. 25,61,000 for plan period. The estimated gross revenue is annually Rs. 12,00,000 and Rs. 60,00,000 for Plan period as against the probable revenue by auction sale is Rs. 6,00,000 annually and Rs. 30,00,000 for Plan period. The net profit annually is Rs. 77,800 and Rs. 3,89,000 for Plan period.

3. *Departmental working of teak*—All teak trees occurring in commercial quantities in Barunei and Berbera F. S. of Puri Division, Chaterdandi and Jubamal F. S of Bolangir Division, Nageswar North, Gatmal and Chura West of Kalahandi Division and Khariar Division will be worked departmentally. It is expected to work 60,000 cft. of teak with 45,000 cft. of other species annually. It is expected that a sum of Rs. 4,09,906 will be spent annually and for Plan period is Rs. 20,49,530. The estimated gross revenue to be obtained is Rs. 9,15,000 annually and for plan period is Rs. 45,75,000 against the probable revenue by auction sale is Rs. 4,00,000 annually or say Rs. 20,00,000 during the Plan period. The net profit will be Rs. 1,05,094 annually and for the Plan period is Rs. 5,20,470.

4. *Working of coupes in Bonai and Keonjhar Divisions*—It is proposed to work Joda and Karo felling series in Bonai Division over 1,10,000 cft. and Karo felling series in Keonjhar Division over 60,000 cft. annually. Thus it is proposed to work 1,70,000 cft. annually at a cost of Rs. 4,68,944. During the entire Plan period the total expenditure will be Rs. 23,44,720. The total gross revenue anticipated is Rs. 9,35,000 annually or say Rs. 46,75,000 during the Plan period as against the probable annual auction sale of Rs. 4,25,000 or Rs. 21,25,000 for plan period. The net profit is estimated to be Rs. 41,056 annually and for Plan period is Rs. 2,05,280.

Source : Chief Conservator
of Forests, Orissa

APPENDIX 5

Bamboo Royalty

Name of the Division	Name of the Paper Mill	Period of lease	Royalty rate for 100 bamboos
(1)	(2)	(3)	(4)
1. Boudh ..	M/S. Titaghur Paper Mills Co. Ltd., Calcutta (Renewal).	12 years from the 1st October, 1956.	Rs. 3 for first six years Rs. 3-4-0 for subsequent years.
2. Daspalla ..	Ditto ..	Ditto ..	Ditto
3. Narsingpur ..	Ditto ..	Ditto ..	Ditto
4. Hindol ..	Ditto ..	Ditto ..	Ditto
5. Athamallik ..	Ditto ..	Ditto ..	Ditto
6. Angul ..	Ditto ..	Ditto ..	Ditto
7. Hatidhara Kurab F. S. in Athamallik Division.	M. S. Titaghur Paper Mills Co. Ltd., Calcutta (New).	Ditto ..	Ditto
8. Sambalpur ..	M/S. Orient Paper Mills Co. Ltd., Brajarajnagar.	10 years from the 1st October, 1958 with option for renewal for a further period of 30 years.	Rs. 2-8-0 for both Salia and Daba.
9. Barapahar ..	Ditto ..	Ditto ..	Ditto
10. Govindpur ..	Ditto ..	12 years from the 1st October, 1956 with option for renewal for further similar periods.	Rs. 3 for first six years and Rs. 3-4-0 for next six years.
11. Deogarh ..	Ditto ..	Ditto ..	Ditto
12. Ushakoti—Badrama F. S. in Govindpur Division.	Ditto ..	9 years from the 1st December, 1953 with option for renewal (1 year break clause).	Rs. 2-6-6 for Ushakoti and Rs. 2-2-0 for Badrama
13. Bolangir ..	Bengal Paper Mills Co. Ltd., Calcutta.	12 years from the 1st October, 1956.	Rs. 3 for first six years and Rs. 3-4-0 for subsequent years.

Name of the Division	Name of the Paper Mills	Period of lease	Royalty rate for 100 bombos
14. Dhenkanal ..	Choudwar Paper Mills. (M/S Titaghar Paper Mills Co., Ltd.)	12 years with effect from date of delivery with option for renewal for further similar periods.	Rs. 1-8-0 for first five years and Rs. 2-0-0 for subsequent years.
15. Athagarh ..			
16. Udla ..			
17. Nayagarh ..			
18. Puri ..			
19. Udayagiri ..			
20. Rairakhol ..	Kessinga Paper Mills., M/S. Straw Products Ltd.	16 years from the date of delivery with option for renewal for further similar period.	Re. 1 for first five years and Rs. 1-8-0 for second five years and Rs. 2-0-0 for next six year.
21. Bonai ..			
22. Ghumsur South			
Balliguda			
Kalahandi ..			
Kashipur ..			
Khariar ..			
Gudari ..			
Gunupur ..			
Allamunda..			
Raigada and Bissam Cuttack Ranges of Jeypore.	M/S. Orient Paper Mills.	12 years with effect from 1st October, 1958 with option for renewal for a further period of 12 years.	Sikerpat (Bolangir)—Rs. 1-2-0 for first six years and Rs. 2 for next six years.
23. Sikerpat, Ghumsur North and Bodasambar			
Ex-Zamindary areas.			Ghumsur North— Rs. 1-8-0 for first six years and Rs. 2 for next six years.
			Borasambar Padmapur— Rs. 3 for first six years and Rs. 3-4-0 for next six years.

Source—Chief Conservator of Forests, Orissa

CHAPTER XIII

Non-tax Revenues : (2) Minerals

Minerals rank next to forests among the natural resources of the State. According to the Geological Survey of India, Orissa has "very adequate" reserves of iron ore, manganese, lime stone, dolomite and coal and "adequate" reserves of chromite, china clay and fire clay. Rich mineral deposits of Orissa. Besides, there is evidence of occurrence of several other minerals, such as mica, copper, kyanite, wolfram, bauxite, etc. It may be clarified that reserves which can last over 100 years or more despite large scale mining are described as "very adequate" while those which are expected to last over a period of 50—100 years with reasonable exploitation are termed "adequate". These are but rough assessments. However, it is often asserted by geological experts that Orissa's reserves are many times more than what has been proved so far. In the case of most minerals detailed investigations and surveys are likely to give a more impressive picture of the quantity and quality available.

2. The table 1 below shows the trend of out-put of different minerals during the ten years from 1950—1960.

TABLE 1
Mineral Production in Orissa (1950—60)

(Output in tons)

Name of mineral	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
1. Iron Ore	15,92,718	18,23,309	17,25,172	16,65,753	17,94,185	18,22,973	17,97,010	20,48,259	21,78,510	23,67,453	36,76,082
2. Coal	3,75,761	4,81,816	4,58,112	4,90,077	5,26,486	4,82,099	6,12,920	5,23,372	5,20,599	6,03,926	6,47,966
3. Manganese	1,54,752	2,52,298	3,08,860	4,31,678	3,46,874	3,64,134	3,72,415	3,29,699	3,30,297	3,20,867	3,27,798
4. Lime stone and Dolomite	7,54,846	9,72,988	12,08,844	12,52,508	12,17,781	12,10,292	11,30,221	15,00,096	16,67,410	18,19,013	18,83,320
5. Chromite	2,260	1,598	16,906	31,389	14,015	45,013	49,735	71,941	61,915	75,265	93,247
6. Kyanite	—	630	1,167	14	138	219	223	..	..	..	..
7. China clay	3,209	3,723	4,426	5,611	7,936	6,700	9,610	8,661	15,573	21,387	7,185
8. Fire clay	11,065	5,14,887	18,691	11,674	10,499	11,383	10,097	13,136	23,537	29,477	42,106
9. Graphite	558	720	1,162	381	804	917	636	923	1,405	1,340	1,057
10. Kaol	—	—	..	..	..	..	382	1,738	5,555	3,950	5,341
11. White clay	..	..	..	..	..	..	..	..	7,704	8,897	7,514
12. Mica	..	..	..	..	..	..	..	..	1,222 mds.	1,756 mds.	1,046 mds.
13. Soap Stone	..	152	1,106	67	..	..	18	129	..	..	..

Source : Deputy Director of Mines, Orissa

It will be seen that although the rate of expansion is not, uniform for all minerals, the major ones, viz., iron, manganese, coal, chromite, lime-stone, dolomite and china clay have registered substantial increases in output. This is but a reflection of an encouraging trend of production. Upsurge in the demand for those minerals for purposes of export as well as industrial uses in the country. In view of the considerably higher targets set out for the metallurgical and other mineral-based industries during the Third Plan and the vigorous export drive that has been announced we are confident that the rising trend of production of the last decade will not only be continued but carried further. This will be evident from the following Table 2 which gives the targets fixed by the State Government for some of the major minerals.

TABLE 2
Production of some of the major minerals during Third Plan Period
(tons in lakhs)

Major minerals	Estimates of production per year during Third Plan Period
1. Iron	.. 51
2. Coal	.. 7.2
3. Lime-stone and Dolomite	.. 27
4. China-clay	.. 1
5. Fire clay	.. 1

Source : Mining and Geology Department, Government of Orissa

3. At present the State Government derives income from minerals in two forms: (a) royalty and (b) mining areas development cess. The former is governed by a Central act, "The Mines and Minerals (Regulation and Development) Act, 1957" and the "Mineral Concession Rules, 1960" framed thereunder. The latter is levied under a State act, "The Orissa Mining Areas Development Fund Act, 1952". The trend of income under both these items during the last ten years will be evident from the following Table 3.

TABLE 3
Yearwise details of Mining Receipts (Rupees. in lakhs)

Year	Income from Royalty	Income from Mining Areas Development cess
1949-50	..	..
1950-51	7.98	..
1951-52	9.03	..
1952-53	9.66	..
1953-54	9.95	..
1954-55	11.66	..
1955-56	17.71	..
1956-57	29.60	..
1957-58	22.61	37.50
1958-59	39.78	..
1959-60	45.20	..
1960-61 (B. E.)	59.00	80.00

Source : Orissa Budgets

4. Of the two kinds of income, royalty alone can be properly described as non-tax revenue as it is equivalent to the consideration paid by the lessee for the Central regulation use of the Government's property and the extraction restricts royalty of ores therefrom. The rates used to be fixed till income. recently by negotiation under the executive power of Government. In 1948 the Central Government took powers in pursuance of Item 36 of List I of the Government of India Act, 1935 to regulate mineral development including rates of royalty. The rates fixed in Schedule I of the Mineral Concession Rules, 1949 thus came into force on the 25th October, 1949. Subsequently, the Act of 1948 was considered unsatisfactory as it left even the important aspects to be dealt with under the rule-making power of the executive Government. It was accordingly replaced by Act LXVII of 1957 except in regard to mineral oil resources. Rates of royalty have now become part of the Act (Second Schedule). Section 9 of the Act gives power to the Central Government to enhance or reduce the rates by notification subject to two conditions : (a) that the rate should on no account exceed 20 per cent of the sale price of the mineral at the pit's head and (b) that enhancement in respect of any mineral should not be made more than once during any period of four years. These provisions came into force on the 1st June, 1958. During the last two years or more no enhancement has been made. The rate was reduced in the case of manganese with effect from the 15th February, 1960 in view of the decline in international prices and the consequent fear of an adverse effect on the export trade. The rates specified in the Act of 1957 are not very much different from those laid down in the rules of 1949. The only difference is in regard to chromite with 45 per cent Cr 2^{23} graphite and kyanite. The rate of high grade chromite was raised from $7\frac{1}{2}$ per cent to 10 per cent and that of graphite was increased from 7 per cent to 10 per cent. For kyanite 10 per cent was fixed in place of $7\frac{1}{2}$ per cent. We are informed that while the Act of 1957 was under consideration the State Government represented to the Central Government through the Second Finance Commission that the rates then existing constituted " only a small part of the expenses of the trade and that they can be substantially increased without detriment either to the trade or the consumers". They suggested the following rates :—

- | | | |
|---|--|---|
| 1. Manganese | .. | No change |
| 2. Chromite— | | |
| (a) 45 per cent Cr. 2^{23} and above. | 15 per cent subject to a minimum of Rs. 4-8-0 per ton. | |
| (b) Less than 45 per cent Cr. 2^{23} | 12 $\frac{1}{2}$ per cent subject to a minimum of Re. 1 per ton. | |
| 3. Iron— | | |
| (a) Used for extraction of iron within the country. | 10 per cent subject to a minimum of Re. 1 per ton. | |
| (b) Used for other purposes | .. 10 per cent subject to a minimum of Re. 1-8-0 per ton. | |
| 4. Lime-stone | .. | 12 per cent subject to a minimum of Re. 0-12-0 per ton. |
| 5. Dolomite | .. | 12 per cent subject to a minimum of Re. 0-8-0 per ton. |
| 6. Graphite | .. | 10 per cent of the pit's mouth value |

The increases Central Government agreed to have been stated earlier. No increase was made in the case of items in which the State Government was particularly interested, barring high grade chromite. Iron ore which accounts for the largest portion of the mineral output of the State continued to be at the old rate. Even in regard to chromite the increase fell far short of the demand. The State Government has again moved the Centre to reconsider the matter particularly in regard to china clay, lime-stone, dolomite and coal. A copy of the note sent by them in this connexion on the 21st February, 1961 may be seen at Appendix 1. We feel that the present procedure of fixing royalties does not give sufficient opportunity to the State Governments to make their point of view known. There is no machinery for consultation or review.

Machinery for consultations among the states and the centre necessary. This is a clear lacuna, considering that the entire revenue from the royalties belongs to State Governments. We recommend that an Advisory Council should be set up at the level with representatives of State Governments, All-India mining interests and experts in foreign trade. Proposals for increase or decrease should be referred to this Council for advice and all such proposals must be accompanied with a clear economic report and costing analysis in justification.

5. The Mining Areas Development Cess has been variously described as a tax and a fee. It is calculated as a percentage of the pit's mouth value of the mineral more or less in the same manner as royalty. The proceeds are to be paid into a fund called "Mining Areas Development Fund" and used for providing amenities like communications, water-supply, electricity and undertaking other development programmes for the mining area and welfare schemes for mining labour and other persons residing or working in the mining area. Some mine-owners have questioned the competence of the State Government to levy such a cess and have filed writs in the High Court. While the matter was thus pending in the Court the State Government could not take vigorous steps to collect the cess. This explains the unsatisfactory trend of receipts revealed by Table 2. Recently in Himgir Rampur Coal Co. Ltd., *versus* the State of Orissa the Supreme Court declared by majority judgment that the State Government was within its rights in imposing the Mining Areas Development Cess. The Learned Judges held that the cess was not in the nature of an excise duty but a fee and that the Central Act of 1948 could not be deemed to be the law contemplated under entry 54 of List 1 of the Constitution and capable of limiting the jurisdiction of the State legislature under entry 23 of List 2. They did not however, pronounce, any opinion on the effect of the Central Act, 67 of 1957. This aspect came up before the Orissa High Court in *Misrilal Jain and M. A. Tulloch and Co. versus* the State of Orissa. The Chief Justice who delivered the judgment in this case struck down the Mining Areas Development Fund Act 1952, as *ultra vires* of the State Legislature on the ground that it covered the same field as the Central Act 67 of 1957 and was accordingly repugnant. The State Government, we understand, are examining the consequences of this judgment and whether it is advisable to move the Supreme Court on appeal. As this matter involves fine points of Constitutional Law and is in a sense *sub judice* we refrain from expressing any opinion.

6. We shall now consider the prospects of increased income from minerals and the measures that the State Government should adopt for the purpose of maximising the income. With royalty rates under Central control and the mining cess under a constitutional cloud the scope for increase appears to be rather limited. Some increase in the ordinary course is no doubt certain as expansion in output will fetch larger royalties. But the question is what the Government can and should do for giving the income a boost-up. Three avenues are perhaps open: (a) better administration and plugging evasion, (b) planning for maximum possible extraction, and (c) exploitation of selected minerals by the State itself. We shall deal with each one of these in the following paras.

Limited scope for increase in mineral income.

7. The rate of royalty, as we have already observed, depends upon the pit's mouth value of the mineral. The demand against a lessee is calculated on the basis of the quantity and quality of ore moved from the pit's mouth. So it appears there are three stages in the assessment of royalty ; firstly, the fixation of the pit's mouth value, secondly, the determination of the quantity moved and thirdly, the fixation of grades. According to clause 2 (a) of Part VI of the mining lease the pit's mouth value is to be arrived at after deducting transport and handling charges, etc., from the F. O. B. or F. O. R. price of the ore in the recognised markets. The State Government is required to declare from time to time the commercial bulletins or Government statistical bulletins from which the market price is to be ascertained. They are also required to declare fair the prices as well as the fair charges of different kinds to be deducted therefrom. Separate declarations of this kind were made by the State Government in respect of iron, manganese, chromite, fire clay and kyanite on the 1st August, 1960. The market prices have been taken from different publications, such as, Bengal Chamber of Commerce bulletin and "Indian Minerals". The lessees are required to submit monthly returns showing the quantity raised and the grade-wise despatches of ore from the mines. These returns are verified with the reports submitted from time to time by the Mining Officer, Assistant Mining Officer and Inspectors, whose duties consist of the following :—

- (a) to ensure proper gradation before stacking ;
- (b) to draw representative samples for the purpose of analysis ;
- (c) to check transport by trucks and other means ;
- (d) to ensure proper weighment of ores despatched from mines ;
- (e) to check stocks at railheads and other destinations ; and
- (f) to issue transport permits.

Recently check-gates have been set up on important roads with a view to keep a check on the transport of ores from the mines. At some of the check-gates weigh-bridges have been provided. Where there are no weigh-bridges the quantity is checked by converting volume into weight on the basis of a pre-determined formula. Where there are no check-gates reliance is placed on the weight recorded in the railway despatch notes. In regard to determination of grades the procedure is to insist on the lessee to produce a certificate of analysis of representative samples from a recognized analytical laboratory before the ore is despatched from the mine. Samples drawn by the staff of the department for the purpose of counter-check are analysed at the Government laboratory recently set up at Joda. In the event of a conflict between the reports of the Government laboratory and private laboratories, the former will prevail according to the terms of the lease.

8. Under the present system issue of demand notices and collections of royalty are looked after by the Collector. The Mining Officers and their staff are in charge of field inspection and enforcement of the various kinds of checks. There are five such Mining Officers each having jurisdiction over more than one district. With a view to understanding the actual working of the system and suggest improvements we have studied the conditions in one Mining Officer's Circle. Circle A or the Bonai-Keonjhar Circle with headquarters at Barbil was selected for the purpose. It consists of the entire district of Keonjhar and Bonai Sub division of Sundergarh district. There are about 100 working mines producing iron ore, manganese and chromite. All the ore except that extracted by M/S. BirJ & Co., T. I. S. Co. Bolani Ores and Hindusthan Steel is transported by road in trucks to the railway stations at Barbil, Nalda, Ransapani, Bhadra

Greater vigilance is essential to check evasion.

Kenduposi, Badjamda and Nuamundi. Of these, two stations Badjamda and Nuamundi are situated in Bihar. We may add that iron ore only finds its way to these two stations. Four check-gates have been established at Barbil, Nalda, Banspani and Baula. They are manned by 9 officers and 9 peons. Weigh-bridges exist at three places only, Barbil, Banspani and Baula. The one at Barbil was out of order at the time of our enquiry in September, 1960. At Nalda and Barbil the check at the gate was in the form of measurement of the height of ore in the trucks and the verification of the volume mentioned in the transit pass. Although the above check-gates account for a large portion of the ore despatched from the mines in the Circle there are some mines and some routes in respect of which it has not been found possible to introduce the check-gate system. Murga-Deojhar group of mines belongs to this category. In the case of these mines it is said that special vigilance is being exercised. Lessees are asked to prepare stacks of ore and inform the Circle office. Thereupon an Inspector goes to the spot, measures the stacks and takes the samples wherever necessary. It is only after the operations are over that lessee is permitted to transport the ore from the stacks. Recently an Assaying and Analytical Laboratory has been set up by Government at Joda. The samples drawn from the stacks at the pit's head by the inspecting staff are analysed in this laboratory for the purpose of cross checking the reports obtained by the lessees from private analysts. Admittedly, it has not been possible for the staff to draw samples from all the stacks of the different lessees due to various practical difficulties. The four big lessees mentioned above transport most of the ores either by trolley or by wagons directly from their mines. M/S. Bird & Co. alone has a weigh-bridge of 100 tons capacity. In the case of others there is no weigh-bridge either of their own or that of Government. The checking officers have to rely on the figures supplied by railways. We have gathered the impression that on the check of ores transported to Nalda, Badajamda and Nuamundi is not satisfactory and needs improvement. Similar is our impression regarding arrangements for verifying quality. On the basis of this study we suggest the following measures :—

- (a) The number of check-gates with weigh-bridges should be increased. Special attention requires to be paid to the routes that lead out of Orissa and the ores that are loaded at stations outside the State (Nuamundi and Badajamda).
- (b) The present practice of relying almost entirely on the figures given by railways in the case of some of the big lessees is not at all satisfactory. Government should insist on these lessees setting up weighing platforms.
- (c) The existing instructions relating to transit passes have to be placed on a more stable footing. We have been told that trucks carrying ores without transit passes were detected on several occasions but no legal action could be taken against the owners of trucks or owners of ore. Thereupon, it appears, the Chairman, Regional Transport Authority (who is the Collector) was moved to insert a suitable clause in the road permit of trucks to the effect that minerals or ores should not be carried without valid transit passes issued by competent authority. Such a clause was inserted in the permit issued by Regional Transport Authority, Keonjhar and the difficulty was got over for the present. It is not known whether Chairman, Regional Transport Authority, Sundergarh also agreed to insert a similar clause. At any rate, it appears necessary that a proper provision should be made for transit passes in the Mineral Concession Rules or lease agreement itself instead of leaving the field officers to find out their own devices.

(d) The present arrangements for drawing the samples and despatching them

for analysis should be improved. The Inspectors, who are to draw the samples, stay at Barbil, their Circle headquarters, and visit the mines by travelling in private trucks or the State buses. As there are no facilities to carry these samples with them they leave them with the miners with a request to send them to the Circle Office. The samples thus get exposed to sun, rain and dust. By the time they reach the laboratories for analysis they lose their character as representative samples. It is often found difficult to adopt the percentage revealed by analysis for assessment of royalty in respect of individual stacks. It is, therefore, necessary that samples should be collected and sent to the laboratory immediately after drawal. This will be possible only by locating the Inspectors throughout the circle with a fixed jurisdiction over a number of mines. Samples drawn should be in the custody of the Inspector and kept reasonably protected from nature. A few more Inspectors may become necessary if the scheme of decentralization is followed. In our opinion it will be worthwhile to increase the number if it is really necessary. Arrangements should also be made for a van to visit the headquarters of Inspectors on particular days in the week according to a pre-determined programme, so that the samples drawn can be sent safely and quickly to the laboratory.

(e) It may be carefully examined whether the laboratory has analysed samples to its optimum capacity. It may not be possible or necessary to insist that all samples should be analysed in the Government laboratory but a reasonable percentage should be fixed for analysis, so that a reliable cross-check can be exercised throughout the year in all cases. Obviously, there is a case for establishing more laboratories. We are informed that the Government have already decided to set up two new laboratories during the Third Five-Year Plan.

More laboratories should be analysed in the Government laboratory but a reasonable percentage should be fixed for analysis, so that a reliable cross-check can be exercised throughout the year in all cases. Obviously, there is a case for establishing more laboratories. We are informed that the Government have already decided to set up two new laboratories during the Third Five-Year Plan.

(f) As a rule no ore should be removed from the stacks at the pit's mouth unless it is graded and passed for transport by the staff of the Mining Department. No exception should be made. For enforcing this there must be a penal provision in the lease or the rules. At the same time Government should take steps to ensure that the stacks that are graded are passed without delay and movement of ore is not held up unnecessarily.

9. The second method for augmenting revenues from minerals is to prepare a carefully thought-out programme for opening up new mines and for maximizing production. This involves reorientation of the mining policy and adoption of such principles as are calculated to promote the maximum exploitation of the mineral wealth in the near future. Once such a policy is adopted all that will remain to be done is to speed up the grant of leases. We are satisfied that the policy followed by the State Government during the last five years or so does not meet with the requirements mentioned above. We have reasons to think that doubts, hesitations and delays have contributed in no small measure to slowing up the pace of mineral development. We trust that with the urgent need for raising more resources for the Third Plan a more vigorous policy will be followed in the years to come. We wish to add that while recommending a policy of optimum exploitation of mineral resources and opening up as many new mines as possible we are not oblivious of the consideration that minerals being washing assets, an unduly speedy programme of exploitation in the interest of higher immediate revenues may eventually make the country poorer and economically weaker. That is why we have qualified the programme we have recommended as a carefully thought-out programme. If, for example, we are likely to get a large income immediately exporting chromite but exhaust by this

Optimum exploitation of mines.

process a good part of our reserves we should go slow. For, scarcity of chromite in the long run may act as a brake on our industrial advancement. So in drawing up a programme suggested all the various economic factors and limitations should be taken into account.

10. We now consider the third measure, i. e., whether the State can increase its revenue by undertaking mining on its own. The mining operations of the State may be managed in one of three ways : through State operation of mines the staff of the Mining Department, through a Corporation or a Government Company set up for the purpose and through collaboration with some private interests. The first method may be summarily rejected as unsuitable for a commercial activity of the kind proposed. It is indeed not possible to recommend the method of departmental management of mining when the trend is to give it up even in regard to such enterprises as Electricity and Road Transport. The third method has been mentioned in more than one form. Sometimes it takes the shape of a partnership with an established miner. At other times a system is recommended according to which Government engages what are called raising contractors. The latter are expected to do the actual work of extraction and deliver the ores to Government at fixed rates. We can hardly describe this as State mining operation. It is no more than ore purchase operation. We see no particular advantage or merit in the State Government entering into a partnership or other corporate association with private parties. Is it for finding capital or securing technical skill and business enterprise? If State Government is serious about developing new mines for the purpose of increasing revenue, it should be prepared to find the necessary capital and the personnel of the required calibre. We are not very much impressed with the example set by the Central Government in regard to Bolani Ores Co. In our opinion, the Government of Orissa has not yet reached the stage when surfeit with public sector ventures it should go in for mixed ventures. In fact there is only one Government Corporation with the specific object of carrying out mining operations and it has been languishing for inadequate support. The Orissa Mining Corporation was set up in May, 1956 by the Central and State Governments acting together. The share capital is equally divided between them. The progress achieved by the Corporation during the last few years of its existence may be seen in the following table :—

TABLE 4
Progress of the Orissa Mining Corporation

Particulars	1956-57	1957-58	1958-59	1959-60
1. Mining area under lease—Iron (Acres).	..	1,509.4	1,829.4	3,224.4
2. Total quantity of ores mined—Iron (Tons).	..	32,224	47,449	48,803
3. Total quantity of ores sold—Iron (Tons).	..	19,022	27,275	36,603
4. Quantity in stock—Iron (Tons)..	..	13,233	33,518	46,710
5. Profit (Rupees)	..	19,945	53,757	15,724
6. Loss	..	Nil	Nil	Nil

Source : The Orissa Mining Corporation

11. The Corporation's output of iron ore even in its fourth year forms but an insignificant portion of the total output of the State Mining corporation needs (percentage 1.33). This is explained by the fact that the greater support. areas leased to them are few and unimportant. On a perusal of the annual reports we came to know that the Corporation applied in the first year for as many as 17 areas covering 29,96 acres in the case of iron ore and 14,155 acres in the case of Manganese. The second year's report recorded no progress in the grant of leases and the Chairman had to content himself with a general statement that the company "spared no efforts in searching out areas and making application for the grant of concessions over them". According to the report of the third year, three prospecting licences and one mining lease were granted for iron and four applications for leases and 16 for prospecting were still pending. During this year one of the two mines that the Corporation was working since the beginning had to be closed down as the quality of the ore was not upto the specifications laid down by the State Trading Corporation. The fourth year's report sounded for the first time an optimistic note. It reads as follows: "Out of 6 mining lease applications of the corporation which were pending before Government on the 1st April, 1959, two mining leases for iron ore were granted over 320 acres near Khandedara in Mayurbhanj district and 1,395 acres near Sakradihi in Keonjhar district. I am glad to inform you that in the Sakradihi area the corporation has its first major mine, capable of being developed for an annual production of 2 to 3 lakh tons or more." All this goes to show that although the Orissa Mining Corporation is a public sector company deserving special support and sympathy in terms of the Industrial Policy Resolution it was not given necessary facilities to expand its business and make a significant contribution to the development of mines in the State and the growth of non-tax revenues. We would strongly recommend that the State Government in its own interest should adopt a more positive and helpful attitude towards the Corporation. If the events of 1959-60 represent a real change in Government policy the Corporation would be able to expand its activities and contribute in some measure to the revenues. According to the proposals put forward by the Corporation for the Third Five-Year Plan mining of iron ore will be undertaken in three areas, Sakradihi, Daitari block, Sarkunda (Bonai) block consisting of Siljora, Fulibari, Lusi, Lodapani and Kumistan areas. Production is to rise from 110 lakh tons in 1961-62 to 8 lakh tons in 1965-66. It is said that in the Sarkunda and Daitari blocks alone production of 5 lakh tons per year can be reached in due course if the existing transport bottlenecks are removed. Plans have also to be made for mining Manganese in Killburu and Dubna areas with a production target rising from 4,000 tons in 1961-62 to 20,000 tons in 1965-66. They deserve full support from the State Government. The General Manager of the Corporation who gave evidence before us stated that a turn-over of 80,000 tons of iron ore gave a profit of Rs. 73,702 and that according to his experience the profit margins for different minerals would roughly be of the following order: Rs. 2 per ton for iron, Rs. 4 to 8 for manganese, and Rs. 30 to 40 for chromite. He added that in the case of chromite there would be a profit of Rs. 1.50 for every rupee of investment. Although highly profitable, exploitation of chromite should be phased in the national interest. Even after taking all such relevant factors into consideration it was his opinion that 25,000 tons a year will be a reasonable target for the Third-Plan period. According to him, the Corporation was quite capable of handling this quantity in addition to the programme outlined above for iron ore and manganese. If all his proposals are accepted the level of production envisaged for 1965-66 should yield a net profit of more than Rs. 24 lakhs. For the entire Plan period, the net return will be of the order of Rs. 82 lakhs. The State Government will get half of this net income after deduction of income tax. This has been calculated on the basis of a rough phasing of Production and the assumption has been made that there will be no violent fluctuations in prices. Although these figures cannot be claimed to be accurate

they are helpful for forming a fair idea of the possibilities that the State mining operations hold out for the future. This is but a beginning and with the grant of more areas to the Corporation in due course the State will stand to gain more. The programme that the Corporation has framed cannot be called ambitious. It appears to be feeling its way forward cautiously. We, however, feel that given the facilities, it can and must plan for a still larger programme of work. The time has come for the State Government to define its policy towards the public sector in mining more clearly than hitherto and implement it with greater vigour and zest than in the past. As mineral wealth untapped is so much of non-tax revenue neglected, we would strongly urge that the State Government should actively support the Orissa Mining Corporation so that it may expand its operations and become a powerful instrument of State for mineral development and augmentation of non-tax revenue.

12. As iron ore accounts for the major portion of the mineral output of Orissa and as the State Trading Corporation enjoys the monopoly of the export trade in this ore we considered the possibility of inducing State Trading Corporation. the State Trading Corporation to adopt a formula by which they would share their profit with the State Governments in general and Orissa Mining Corporation in particular. In this connection we had the benefit of discussion with Shri Poonacha, the Chairman of the State Trading Corporation and one of his senior officers. We learnt that of late the buyers of our ore have been putting pressure to lower the price in view of the competitive offers from other countries particularly of Africa, and the State Trading Corporation has been conducting the export operations not so much for the purpose of making high profits as for earning foreign exchange. Their practice is to average the cost all over the country and meet the losses of one place with the profits of another. For all these reasons it does not appear possible to work out any procedure by which the State Trading Corporation can share their profits with the State Government or a State sponsored Corporation. According to Chairman, State Trading Corporation, the State Government should try to augment revenue from minerals firstly by increasing the output and secondly by reducing the transport and handling costs. We hope the State Government will press on the State Trading Corporation for the best possible price and the latter will respond favourably as in the past.

13. We also wish to draw attention to the need for exploring the possibilities of beneficiating the low grade ores that occur in no small quantities in the State. This will become urgent when the mineral exploitation is undertaken on an intensive scale.

14. Before we close this chapter we would refer briefly to minor minerals. This term includes building stones, gravel, ordinary clay, ordinary sand other than sand used for prescribed purposes. The Royalty on Central Government has power to declare any other minor minerals. to be a minor mineral under the Central Act 67 of 1957. According to Section 15 of the Act the State Government may make rules for regulating the grant of prospecting licences and mining leases and for fixing the rates of royalty. No such rules have so far been framed by the Government of Orissa. At present the lease of some of the minor minerals is being regulated by the Revenue Department under the provisions in the Waste Lands Manuals. In respect of forest areas under the control of the Forest Department there is another set of executive instruction. In some ex-State areas the practices of the Darbar days are still continuing. We understand that the need for replacing all these instructions by a comprehensive set of rules was recognized by Government as early as 1951 and a draft too was prepared. But for one reason or another the rules have not seen the light of the day till now. With the increase in the construction activities in the public as well as private sectors the demand for minor minerals has increased tremendously and the State has been losing some revenue

due to the delay in introducing a unified set of rules and a reasonable structure of royalty rates. The anomalous position of Government will be clear from the fact that the contractors pay very little towards royalty to the State for extraction of stones and other minor minerals, but get paid at market rates for the same material when used in public works. We would, therefore, suggest that this matter should be given immediate attention. Rules should be framed and rates fixed after full consideration of the prevailing prices.

APPENDIX 1

Note on proposals to increase royalty

China clay—All the china clay mines in the State are located in the Mayurbhanj district. The lessees were paying royalty at 10 per cent of the pit's mouth value prior to the enforcement of the Mines and Minerals (Regulation and Development) Act, 1957 as the leases were existing ones granted by the ex-Ruler of Mayurbhanj. Although the M. C. Rules, 1949 prescribed the rate of royalty at 5 per cent of the pit's mouth value the lessees never objected to pay royalty at 10 per cent of the pit's mouth value as provided in their lease deeds. But with the enforcement of the New Mines Act, 1957 the State Government were compelled to charge royalty according to section 9 of said Act at the rate of $7\frac{1}{2}$ per cent of pit's mouth value. This has caused considerable loss to State revenues. The fact that the china clay industry in this State could stand royalty at a higher rate than what has been provided in the second schedule of the Mines and Minerals (Regulation and Development) Act, 1957 is evident from the fact that long before the promulgation of the above act the lessees were paying royalty ungrudgingly at the rate of 10 per cent of the pit's mouth value.

There is a great demand for china clay for the manufacture of ceramic goods. Production of china clay in this State is steadily increasing to meet the demand of many growing Industries such as textile and paper. The rate of royalty in respect of china clay was last revised, i. e., raised from 5 per cent to $7\frac{1}{2}$ per cent of the pit's mouth value in 1955. Market price of china clay as it is now has gone up about 50 per cent over the price as it was in 1955 but the lessees of this State are paying royalty at a reduced rate than what they were paying prior to the enforcement of the Mines and Minerals (Regulation and Development) Act, 1957. Had the reduction in the rate of royalty resulted in reduction of the market price of china clay and benefited the different industries there could have been some justification for the reduced rate of royalty. But as it is, the mine-owners alone have benefited by the reduction in the rate of royalty and their margin of profit has gone up at the cost of State revenues.

In view of the above considerations it is suggested that the rate of royalty on china clay may be enhanced from $7\frac{1}{2}$ per cent of the pit's mouth value to 10 per cent of the pit's mouth value.

Lime-stone and Dolomite—The rate of royalty in respect of limestone and dolomite has been fixed several years ago and no revision has been made in the recent past, except that the minimum rate in respect of limestones has been raised from Re. 0-4-0 to Re. 0-6-0 from the 1st January, 1955. The production and demand of limestone and dolomite is steadily increasing owing to setting up of new steel plants in the public sector and expansion of existing steel plants in the private sector. Both limestone and dolomite can stand higher rate of tax after allowing sufficient margin of profit to the lessees. Accordingly, it is suggested that the existing rate of royalty in respect of limestone and dolomite may be enhanced from 5 per cent of the pit's mouth value subject to a minimum of 37 nP. per ton and 25 nP. per ton respectively to 10 per cent of the pit's mouth value subject to a minimum of 70 nP. per ton.

Coal—After the enforcement of the Mines and Minerals (Regulation and Development) Act, 1957, all the lessees were asked to pay royalty according to the second schedule of the said Act and the lease conditions were also modified. But subsequently the Mines Act, 1957, was amended by the Mines and Minerals (Regulation and Development) Amendment Act, 1958. Section 30-A of the Act, 1958 provides that " notwithstanding anything contained in the Act, the provision of sub-section (1) of section 9 and of sub-section (1) of section 16 shall not apply to or in relation to Mining leases granted before the

25th October, 1949 in respect of Coal". According to the above provision the lessees in respect of coal are continuing payment of royalty at the rate specified in their respective leases executed before the 25th October, 1949 which is a loss to the State revenues.

Section 9 (3) of the Mines and Minerals (Regulation and Development) Act¹ provides that the Central Government may amend the second schedule so as to enhance or reduce the rate of royalty subject to the condition that the rate of royalty in respect of any mineral shall not be (i) fixed so as to exceed 20 per cent of the sale price at pit's head or (ii) enhance more than once during any period of four years. The rate of royalty in respect of china clay was last revised in 1955 and in respect of lime-stone and dolomite no revision has been made in the recent past except that in the year 1955, the minimum rate of royalty in respect of lime-stone was revised. Hence there is no legal hindrance to enhance the rate of royalty in respect of china clay, lime-stone and dolomite as suggested above.

Manganese :

	Rate of royalty provided in Act 67 of 1957 (effective from 1st June, 1958)	Rate of royalty reduced in Government of India Notification No. MII-159 (12)/58 dated the 15th February) 1960.
(a) Manganese Dioxide.	Fifteen per cent of the sale price at the pit's mouth subject to a minimum of three rupees per ton.	Fifteen per cent of the sale price at the pit's mouth subject to a minimum of three rupees per ton.
(b) Manganese Ore—		
(i) High grade (Forty-five per cent Minimum and over.)	Twelve-and-a-half per cent of the sale price at the pit's mouth subject to a minimum of two rupees per ton.	Seven-and-a-half per cent of the sale price at the pit's mouth subject to a minimum of two rupees per ton.
(ii) Low grade (below forty five per cent Minimum.)	Ten per cent of the sale price at the pit's mouth subject to a minimum of one rupee per ton.	Five per cent of the sale price at the pit's mouth subject to minimum of one rupee per ton.

Source : Mining and Geology Department, Government of Orissa.

CHAPTER XIV

Non-Tax Revenues : (3) Electricity Undertaking

Orissa had no State Electricity undertaking worth the name till about the middle of the First Five-Year Plan. The installed capacity of State undertakings at the beginning of the First Plan was 4.6 M. W. only. This was even less than

Growth of power potential. the capacity of the power stations owned by private industry in the State (5 M. W.). The thermal plant at Chowdwar with the installed capacity of 5000 K. W. is the first big undertaking in the public sector. Subsequently, the Hirakud

Project Stage I and the Machkund Project made significant additions to the installed capacity and provided for the first time a reasonable hydel base. By the end of the Second Plan, the total installed capacity of State undertakings stood at 205.6 M. W. It is proposed to add 240 M. W. by the end of the Third Plan through the establishment of a Thermal Station at Talcher. Plans are also being made for a hydel station at Balimela with a capacity of 240 M. W.

2. The following table 1 shows the installed capacity, actual generation and consumption of electricity for a few selected years.

TABLE 1

Installed capacity, actual generation and consumption of electricity for selected years.

	1950	1956	1960
Installed capacity	1.966 M.W.	54.434 M.W.	168.13 M.W.
Actual generation	5.820 M. Units	20.484 M. Units	49.490 M.Units,
Consumption	4.436 M. Units	17.412 M. Units	44.523 M. Units

Source—Chief Engineer, Electricity, Orissa.

3. It will be obvious from the above that electricity could hardly be a source of revenue till recently. The trend of electricity receipts since 1949-50 will be clear from Table 2 below.

TABLE 2
Yearwise net revenue from Electricity

(Rupees in lakhs)

Year	Gross receipt	Working expenses	Net receipts	Deduct—Inte- rest on Ca- pital outlay	Net Revenue
1949-50	0.46	4.52	(—)4.06	1.57	(—)5.63
1950-51	2.62	4.18	(—)1.56	3.22	(—)4.78
1951-52	5.31	8.43	(—)3.12	5.42	(—)8.54
1952-53	6.20	10.50	(—)4.30	7.68	(—)11.98
1953-54	11.07	10.88	0.19	10.68	(—)10.49
1954-55	16.67	15.43	1.24	15.45	(—)14.21
1955-56	23.49	17.81	5.67	19.18	(—)13.50
1956-57	35.08	37.39	(—)2.41	28.38	(—)30.69
1957-58	47.91	34.75	13.16	15.77	(—)2.61
1958-59	1,65.70	58.89	1,06.81	39.76	67.05
1959-60	1,76.32	1,47.02	24.30	39.30	(—)15.00
1960-61	3,45.93	2,69.44	76.49	46.25	30.24

NOTE :—Working expenses includes :—(i) Maintenance proper, (ii) Transfer to Depreciation Reserve Fund, (iii) Establishment, (iv) Tools and Plant, (v) Cost of power creditable to bulk supply, and (vi) Suspense.

Source : Orissa Budgets.

Gross receipts given in the above table do not include receipts of Hirakud Power House which are separately booked along with other receipts of the Project. These therefore consist of receipts accruing from resale of power obtained from Hirakud, and sale of the State's share of Machkund power and the energy produced at the thermal and diesel plants. The amount payable to Hirakud is included in the working expenses. This item is mainly responsible for the big jump in gross receipts and working expenses from 1958-59 onwards. This year appears to be significant from another angle too. It was the first year in which electricity yielded net revenue to the State. The next year saw the return of the old trend. Whether this was temporary reverse or not can be said only after actuals of 1960-61 are known. The Budget Estimate is not a sure basis for an assessment. Our own guess on the basis of the above table is that electricity is not yet an earner of net income. We may not be misled by the freak of 1958-59 as the surplus is mainly due to non-payment of dues to the account of Hirakud Project to the tune of about Rs. 70 lakhs. The amount was withheld as the rate at which it is paid was not finalised before the end of the year. Even now the final rate has not been fixed but in the last two years payments began to be made on an *ad hoc* basis subject to adjustment later. There is another lesson to be learnt from the above figures. Gross receipts have not grown at the same pace as working expenses and interest on capital outlay. This would mean that loads have not developed fast enough. We have reasons to think that in choosing rural electrification schemes sufficient attention has not been paid to their paying capacity in a reasonable time. It appears necessary that special efforts should be made to promote utilisation of power through lift irrigation and rural industrial schemes. We have been told that recently the Government have decided that no rural electrification scheme should be taken up unless it is established that it will pay in a reasonable period. We would add that the department of electricity should simultaneously develop a promotional attitude and actively undertake the responsibility of creating and satisfying new demands.

4. The power tariff now in force was announced in 1958 but was given effect to from 1956, the year in which the Hirakud and Machkund systems were first commissioned. According to the Government Resolution this was conceived as an intermediate tariff to be replaced in due course by another after a reasonable minimum load is developed for the two important systems and the new industries set up under them adjust themselves fully to the conditions of power supply. Before fixing the tariff finally, it was also considered necessary to know as precisely as possible the cost of generation in the two systems. In the case of Hirakud no clear picture is expected to emerge till the Stage II is completed and the allocation of the cost of Dam and Appurtenant works between irrigation, power and perhaps flood control is finalised. It will be some time more before all these uncertainties are resolved. So the tariff of 1958 which has been extended from time to time is likely to hold the field for some years to come.

5. It may be recalled that the State Government appointed a Power Tariff Committee in 1953 under the chairmanship of Shri Radhanath Rath, the then Finance Minister "to examine the whole question of the economies of power supply, and to work out the rate structure for power to be supplied to different classes of consumers from the Hirakud Dam Project, after taking into consideration the rates prevalent at different load centres in India, and if possible also world rates specially in respect of power supply to big industries consuming large blocks of power such as aluminium, ferro-manganese, other electro-metallurgical and electro-chemical industries". The committee submitted its report some time in 1957. One of the members gave a minute of dissent the burden of which was that the rates suggested by the majority for large and medium industries were higher than those prevalent in the D. V. C. system and the Andhra State and would therefore act as a deterrent to industrial development in the State. He suggested

that the rates should be readjusted by increasing the domestic tariff by about 50 per cent and lowering the industrial tariffs by about 20 per cent. The technical experts of the C. W. P. C. who were members of the committee and signed the majority report felt that there was no substance in the objection and the rates recommended were the best in the context of the known cost of generation and the anticipated pattern of development of load in the area. Besides, general tariffs for different classes of consumers, special tariffs were recommended by the committee for some major industries such as aluminium, ferro-manganese and steel. They laid down the following principles for the formulation of tariff :—

“1. That the actual cost of electricity per KWH generated and delivered at the bus-bars of the power station, the cost per KWH for delivery at the high voltage sub-station (which will include the cost of transmission) and the cost per KWH delivered at the consumer's terminals (which would include the distribution costs) shall be evaluated separately to serve as a guide for framing an approximate price level for the sale of power.

2. That the tariffs for the various classes of sales be fixed at such economic levels as can be sustained by the consumers and therefore acceptable to them.

3. That the tariffs shall have the necessary promotional features to encourage increased utilisation of the power.

4. That uniform level of tariffs be adopted for all the areas within the State served by the Government of Orissa.

5. That the level of rates arrived at compares favourably with those prevalent in the adjoining contiguous area of the States of Bihar, Madhya Pradesh and Andhra

6. That in fixing the rates, due regard be paid to the cost of alternate sources of power supply from thermal generation by individual factories”.

6. While announcing the intermediate tariff in 1958, Government declared that they were in complete agreement with the Power Tariff Committee in regard to the principles of formulation of tariff and classification of

Reasonability of the consumers. As far we can see, there is nothing in these intermediate tariff. general recommendations that one can take exception. It

is really in regard to the actual rates that some difference of opinion may arise. The State Government appear to have reserved their position in this regard and preferred to wait till a more accurate assessment can be made of costs as well as loads. We have not felt competent to go into the question of rates in detail. It is a highly technical and complicated subject deserving the whole time attention of a committee consisting of experts in electricity and industrial cost accounts. We shall therefore confine ourselves to certain broad aspects of policy.

7. Some witnesses alleged that the present policy of State Government to give concessional rates to some major industries has made the electricity undertaking a losing concern and has transformed what could be

Opposing views on concessional rates. an important source of non-tax revenue into a financial burden and a source of worry. When pressed for examples they cited the aluminium and the ferro-manganese industries.

It is also their case that levy of heavy irrigation rates can hardly be justified when the maximum possible rates are not charged for electricity from industries whose capacity to pay is said to be invariably greater than the cultivators of land. Another group of witnesses who are obviously interested in setting up industries in the State or who laid great stress on a rapid industrial advance urged that it would be pennywise poundfoolish to charge high rates and scare away entrepreneurs. Having heard these opposing views we have come to believe that there is a lot of confused thinking and misunderstanding of Government intentions on this issue. We will attempt to set out the main considerations that have to be borne in mind while discussing or appreciating the policy of rates for industries.

8. We may at first take note of the rates in force for large scale industries of different kinds. The general tariff has been applied to Recipients of concessional rates. Orissa Textile Mills, Kalinga Tubes, Orient Paper Mills (excluding the Caustic Soda plant), Utkal Foundry and Rolling Mills, Orient Weaving Mills, Orissa Industries and Durga Glass Works, Titaghur Paper Mills at Chowdwar, Belpahar Refractories, Jeypore Sugar Co., the Singipuram Paper Mill and Straw Products Ltd., and Alluminium Industries Ltd. The industries which have been given concessional rates are the Indian Alluminium Company for their Rod Mill, Joda Ferroalloys, Rayaghada Ferro-Manganese plant and Caustic Soda plant of the Orient Paper Mills. The general tariff may be seen at Appendix 1 and the concessional rates at Appendix 2. The latter also gives such information as is available about rates prevalent in some other States for similar industries or loads. It will be clear therefrom that Orissa is not the only State giving concessions to the industries in question and that the other States have in fact fixed even lower rates than Orissa for most of them. Such a simple comparison may of course be misleading if it is not remembered that the cost of supply may be less in those States than in Orissa. Some have the advantage of old power systems built at low cost while in others it might not be necessary to offer special terms to induce the establishment of the desired kind and number of industrial units.

9. The case that is cited frequently by the critics is that of the Indian Alluminium Company. In this case the agreed rate of Rs. 120 KWY for the first 10 years is below the cost of generation as at present estimated (Rs. 135 KWY). For the remaining 15 years of the contract or a possible extended period of another 25 years, the rate will be Rs. 135 KWY and may thus be equal to the cost of generation. But he is a bold man who can assert that the last word has been said on the cost of generation and no upward revision will take place in future. We are informed that the rates were fixed after prolonged discussions under the auspices of the Central Government and with the specific approval of the Government of India and the Planning Commission. Further, we understand that the rates were actually suggested by Shri A. N. Khosla, the Chairman of C. W. P. C. in 1952. It may be recalled that the Hirakud Project was then being executed by the Government of India on behalf of the State Government. One would ordinarily expect that the C. W. P. C. and the Central Government had with them all relevant information regarding the cost of generation and that they would on no account sponsor a rate lower than the said cost. It is possible that their estimate of cost at that time was well below Rs. 120 and the suggested rate provided for a reasonable margin. The Project estimate, it may be recalled, stood at Rs. 67.65 crores in those days and the present higher figure of Rs. 70.78 crores was approved only towards the end of 1953, about an year or more after the finalisation of the rates. There are two other important aspects of the matter. Firstly, it is not proper to forget that Indian Alluminium Company was one of the first to hold out prospects of bulk load for the Hirakud system at a time when the Central and State Governments were hard put to find sufficient loads. Those in authority appear to have thought that a concession is worthwhile for ensuring a quicker materialisation of load and the establishment of a major industry in the State. Secondly, aluminium with its high load factor and steady demand was always considered a necessary and desirable part of a proper pattern of consumption of power. Even if these considerations are accepted as sound and valid for the original rates, the critics argue why should Government have again agreed to the comparatively low rate of Rs. 165 KWY for the second block of power in connection with the expansion of the industry while the neighbouring supplier the DVC is reported to have demanded Rs. 185 KWY or so from a similar industry. The Government's reply to this appears to be roughly as follows. The rate offered is well above the cost

of generation and leaves a sufficient margin. The offer of DVC should be similarly compared to its own cost of generation and it is not correct to institute a simple comparison between the two rates and draw one's own conclusions. Moreover, the usual power tariff can not be applied without change in view of the fact that electricity constitutes a major element in the cost of production in this industry. We too agree that some concession is indicated in such cases.

10. The case of caustic soda industry for concessional rates will be clear from the following observations of the Tariff Commission :
The case of Caustic Soda Industry.

" 10.3.1. The electrolytic process of producing caustic soda involves large consumption of electrical energy. It is essential that electrical energy should be available at as low a rate as possible because of its high incidence in the cost of production of caustic soda and allied chemicals.....

10.3.2. It would be of some interest to note in this connection that on the basis of an average usage of about 3,600 KWH per ton of caustic soda every naye paise in the rate of electrical energy will result in a difference of Rs. 36 in the per ton cost of production. In this context, therefore, the Indian Chemical Manufacturer's Association has put forth the suggestion that a special concessional rate should be recommended for electrical energy to be used for electro-chemical industries. We have given this matter careful thought and feel that while there may be practical difficulty in securing a uniform concessional rate throughout the country for electro-chemical industries from the several agencies producing electrical energy, both thermal and hydro-electric, these agencies should at best be requested not to effect increases in existing rates during the present plan period when development, is taking place under difficult conditions." (Page 29, Report on the continuance of production to the Caustic Soda and Bleaching Powder industry, 1958).

11. After a careful examination of the various aspects of the question, we have Recommendations come to the conclusion that in fixing power tariff for a particular industry the State has to strike a balance between several considerations. It should not concentrate on immediate revenues and turn a blind eye to other aspects. An excessive concentration on higher receipts in the present may defeat the very purpose of revenue in the long run and may retard economic growth. A broad view and foresight are essential even for financial reasons. We would therefore recommend the following principles for guidance :—

- (a) The State Electricity undertaking is a commercial concern and must be run in such a manner as to obtain a reasonable return after meeting depreciation and working expenses including interest on capital outlay.
- (b) It follows from (a) that the rate for any industry should in no circumstances be less than the cost of generation and transmission. And when for special reasons concessional rates are given, it must be ensured without fail that for the entire system as a whole and on all supplies taken together the prospect of a reasonable return is not impaired.
- (c) Concessional rates not below the cost of supply may be offered in the following circumstances :
 - (i) Electro-Metallurgical and Electro-Chemical Industries in which electricity constitutes a significant element of the cost of production. For this purpose, anything above 15 per cent should be considered significant.

- (ii) Considerations of public policy such as when the establishment of a particular industry in the State is held urgently necessary for utilisation of existing resources or further development or when a new process is sought to be encouraged. In the former case, what is lost on the swings of electricity will be more than gained on the roundabouts of other economic activities. In the latter too, the sacrifice of increase in the immediate may provide a fillip for an increase in the mediate and the future. In all such cases, it is necessary to stipulate and limit the period of the concession.
- (iii) Rural industries designed to diversify the economy of the rural areas and provide full employment to idle man power in those areas.
- (d) The agreements with large consumers like major industries should provide for a review of the rates at suitable periodical intervals. The demand for power will exceed the supply for several years to come and full advantage should be taken of the situation.

12. We are aware of the latest trend in the country in favour of State Electricity Board constitution of State Electricity Boards and transfer of the Government Electricity Undertakings to their control. This is in accordance with the Electricity (Supply) Act, 1948. According to section 5 of this Act it is obligatory on the part of the State Government to constitute a State Electricity Board within a specified period from the date of the notification bringing the Act into force. Accordingly, all the State Governments have constituted Boards in their respective States although in the beginning some of them sought exemption. The Government of Orissa too tried in the first instance to obtain exemption from this provision on the ground that the Hirakud Power-house, the main electricity undertaking was part of a multipurpose project and Machkund the second biggest was shared with another Government. They had also explained that certain difficulties would arise under the Act in regard to the responsibility of the State Government. After receiving some clarifications from the Centre the State Government decided in 1958 to form the Board. However, the Board actually came into existence two years later. It has been decided to transfer to the Board 33/11 KV and other L. T. distribution lines only and retain with Government all the generating stations including the stand by thermal units and the main transmission lines of 132 KV and 66 KV. In other words, the Board is envisaged to be a more agent for distribution. It will buy power from the State Government at a fixed rate and supply to the consumers at the rates already approved or in accordance with the power tariff. During the first year of its existence the Board does not appear to have built up its own organisation. Instead, it seems to lean heavily on the existing Government organisation. It is thus too early to say how the Board will function and what difference it will make to the efficiency or economics of supply and how long the present make-shift arrangements can be continued without serious adverse effects. One thing, however, appears to be clear. The future of electricity as a source of non-tax revenue to the State has become uncertain. If the experience of such Boards in other States is taken as a guide the State Government will be called upon to face deficits in the Board's budget and to find resources for development activities of the Board. The income of the Board is subject to taxes. According to Section 67 of the Act, payment of income-tax comes next only to maintenance and management expenses in the scheme of priority. Even interest on bonds guaranteed by the State Government and credits to depreciation reserve are allotted a lower priority than income tax. We understand, the State Government have drawn the attention of the Central Government to this anomaly as

well as to some others. So we feel that the only hope in the present set-up of making electricity pay its share to the revenue of the State appears to lie in the manner in which the Board will be charged for the power supplied to it by the generating Stations still under the direct control of the Government.

13. In this context it is relevant to consider the advisability and feasibility of levying a duty or tax on consumption of electricity. Such a duty is in force in all States but three. Orissa is one of the three. Till recently the consumption of electricity in the State was so low that there was no question of levying a tax of this kind. But, now that a substantial quantity of hydel power has come to be consumed there appears to be a case for levying a low rate of duty. We recommend that the consumption be divided into three classes and different rates be fixed for each. For electrolysis loads such as aluminium, where the cost of electricity forms more than 15 per cent of the cost of production the duty may be fixed the lowest, i.e., 10 per cent of the tariff. The second category should consist of other industrial loads. The rate may be of the order of 15 per cent of the tariff. All other kinds of consumption may be in the third class and the duty fixed at 20 per cent of the tariff. In suggesting these rates we have taken all aspects into consideration and we are sure that these will not constitute an unduly heavy burden on the various kinds of consumers.

APPENDIX I

PART I

General Tariff

1. *Large Industries*—For demands of 125 K. V. A. and above for supply at 11 K. V. at—

(i) Rs. 5.50 nP. per K. V. A. per month, plus

(ii) Re. 0.08 nP. per K. W. per month

Subject to an overall maximum rate of Re. 0.09 nP. per K. W. H. and without prejudice to payment of minimum charge of 75 per cent of the contract demand at the above rate of Rs. 5.50 nP. per K. V. A. per month and subject further to absolute minimum payment on 125 K. V. A. in the first part of the tariff.

For less than 250 K. V. A. the demand may be metered in K. W. and charged for at Rs. 6.00 nP. per K. W. per month besides the charges for K. W. H. consumed at the rate specified above.

For supply at M. I. less than 11 K. V. and M. I. the above rates will be increased by 10 per cent.

2. *Medium Industrial Power Supply*—For demands from 20 K. W. to 100 K. W. for supply at 400 volts, 3 phase, 50 cycles—

Rs. 6.00 nP. per K. W. per month plus Re. 0.09 nP. per K. W. H. subject to—

(i) a monthly minimum payment of 50 per cent of the contract demand at the rate of Rs. 6.00 nP. per K. W. subject to the payment on a minimum demand of 20 K. W. in any case ;

(ii) an overall maximum rate of Re. 0.11 nP. per K. W. H. without prejudice to (i) above.

3. *Small Industries*—For demand of 1 K. W. to 20 K. W. for supply of 400 volts, 3 phase, 50 cycles—

(i) Rs. 0.11 nP. per K. W. H. subject to a monthly minimum charge of Rs. 4.00 nP. per B. P. H. of connected load.

For seasonal Industries, the charge should be reckoned at Rs. 48.00 per B. H. P. per annum

(ii) Restricted supply—

For supply restricted to the period between 10 P. M. and 8 A. M. through time switches, a concessional rate of Re. 0.06 nP. per K. W. H. subject to the minimum charge as in (i) above.

4. *Irrigation (Pumping and agricultural loads)*—For supply at 400 volts, 3 phase and 50 cycles—

(i) Re. 0.09 nP. per K. W. H. for the first 500 K. W. H. per month

(ii) Re. 0.08 nP. per K. W. H. for all over 500 K. W. H. per month

Subject to a minimum charge of Rs. 48·00 per B. H. P. per annum.

5. *Commercial Power and Lighting*—For combined power and lighting loads for single phase 230 volts supply for demands upto 3 K.W. and for 3 phase 400 volts, supply for demands, upto 10 K.W. for business premises, Cinemas, Public Offices, Workshop, Battery charging etc.

Re. 0·25 nP. per K.W.H. for the first 30 K.W.H. per month.

Re. 0·19 nP. per K.W.H. for all in excess of 30 K.W.H. per month.

Subject to a monthly minimum payment of Rs. 2·50 nP. for the first K.W. plus Rs. 2·00 per each additional K.W. of connected load. In the case of Cinemas, the minimum payment shall be Rs. 10·00 per K.W. of connected load.

6. *Domestic Power and Lighting*—For supply to residential premises at single phase 230 volts A.C. 50 cycles for loads upto 3 K.W.

(i) For air conditioner, heating, cooking and other power requirements—
Re. 0·16 nP. per K.W.H. per month.

(ii) For lighting and fans and radios—Re. 0·28 nP. per K.W.H. per month.

Subject to a minimum payment of Rs. 1·50 nP. for the first K.W. and Re. 1·00 for additional K.W. of connected load. A rebate of Re. 0·03 nP. per unit will be admissible for payments made within fifteen days of the presentation of bills.

7. *Street Lighting*—

- | | | |
|--|---|---|
| <p>(i) Lamps upto 40 Watts—Rs. 30·00</p> <p>(ii) Lamps above 40 Watts and upto 60 Watts—
Rs. 42·00</p> <p>(iii) Lamps above 60 Watts—Rs. 60·00</p> <p>(iv) M. V. lamps of 80 Watts—Rs. 72·00</p> | } | <p>For higher wattage proportionate increase.</p> |
|--|---|---|

For higher wattages necessary increase in the rate will be made in proportion.

NOTE—The rates includes the charges for maintenance and energy consumption. The charge for initial fitting of light, etc., is however payable by the local body or party requiring provision of the lights.

8. *Bulk supply of power to the licensees and grantees*—Demand charge of Rs. 5·50 nP. per K. V. A. per month plus energy charges of Re. 0·08 nP. per K. W. H. R. for 1,00,000 K. W. H. R. per month.

Re. 0·07 nP. per K. W. H. R. for all above 1,00,000 K. W. H. R. per month.

Subject to (i) minimum guarantee of Rs. 75 per cent of the contract demand at Rs. 5·50 nP. per K. V. A. per month.

(ii) An overall maximum rate of Re. 0·11 nP. per K. W. H. without prejudice to (i) above.

9. For supply to Railway for various Railway stations—

(a) Up to 10 K. W. of maximum demand—

For single phase 230 volts or 3 phase

400 Volts supply—(i) Re. 0·25 nP. per K. W. H. for the first 30 K. W. H. per month.

(ii) Re. 0·19 nP. per K. W. H. for all in excess of 30 K. W. H. per month.

Subject to a monthly minimum payment of Rs. 10·00 per K. W. of connected load.

(b) Above 10 K. W. for supply at 11 K. V.—Rs. 5·50 nP. per K. V. A. of maximum demand per month plus Re. 0·09 nP. per K. W. H. R. subject to an overall maximum rate of Re. 0·12 nP. per K. W. H. R. without prejudice to payment of a minimum charge of 75 per cent of the contract demand at Rs. 5·50 nP. per K. V. A. of maximum demand per month.

Where supply is required at a lower voltage an additional charge of 10 per cent over the above rate shall be levied.

10. *General purpose tariff*—For distribution to Industrial Colonies—Rs. 5·50 nP. per K. V. A. of maximum demand per month plus Re. 0·09 nP. per K. W. H. subject to—

(i) An overall maximum rate of Re. 0·12 nP. per K. W. H. R.

(ii) Where applicable, the demand under this tariff forms a part of the maximum demand agreed to already for the industry i.e., this power demand will not be in addition to the total demand already agreed to for by the Industry.

Source : Chief Engineer, Electricity, Orissa.

PART II

Rates for Supply of Electricity from the Government Owned Diesel Stations

Loads	Rate per unit	Rebate if bill is paid within fifteen days of presentation
(1)	(2)	(3)
	Rs. nP.	Rs. nP.
1. (a) Lights, fans, radio, etc., for stations other than Baripada.	0.50	0.06
(b) Lights, fans, radio, etc., for Baripada only.	0.44	0.06
2. Domestic power, heating, pumping, cooking, etc.	0.31	0.06
3. Water-works irrigation and other industries, 5 H. P. and above and for battery charging small motors below 5 H. P. will be charged at the rates for item 2 above.	0.25	0.03

(Subject to a minimum charge of Rs. 5 per month per B. H. P. of motor installed for industrial consumers having 50 K. W. or less of maximum demand).

(No power 5 H. P. or above shall be ordinarily used between the hours of 5 P. M. and 10 P. M. If power is used between these hours 25 per cent extra will be charged).

"Provided further that in the respect of Industries having seasonal loads like Rice Mills, Oil Mills, etc. the following minimum guarantee shall be applicable, namely :—

(a) A minimum annual guarantee consumption of power to be specified in each individual case ; and

(b) A minimum equivalent to 50 per cent of the monthly minimum guarantee of Rs. 5 per month per B. H. P. of Motor installed, during the period the factory does not work in full swing".

Loads	Rate per unit	Rebate if bill is paid within fifteen days of presentation
(1)	(2)	(3)
	Rs. nP.	Rs. nP.
4. Street lighting (for main- tenance and annual charge of Rs. 12 per lamp will be made).	0.19	..
5. Hospital, combined load for lighting, fans, refrigerator, X-Ray and other apparatus. (But for only lighting and fans the rates in item (1) above will apply).	0.37	0.06
6. Cinemas ..	0.34	0.06
7. Bazar lights—Rs. 2 per month per 50 watts lamp or part thereof for six hours burning per day from dusk. Additional wattages and hours of burning to be calculated proportionately. If the supply is metered the rate under item (1) will be charged in addition to meter rent. In case of increase of agreed wattage of hours of burning without approval supply will be cut off.	—	
8. Special rates may be offered on applications for large or bulk supplies.	—	

Comparative Electricity tariff

Electro Mechanical and Electro Chemical loads	Orissa	Kerala	Madras
(1)	(2)	(3)	(4)
1. Aluminium.	Indian Aluminium Co. for their Smelter at Hirakud First Block of Power (26,500 K. W.) for supply at 132 K. W.	Aluminium Smelting by the Indian Aluminium Company.	Not available
	(i) For the First 25,000 K. W. for a period of ten years at the rate of Rs. 120 per K. W. of M. D. determined annually and thereafter at the rate of Rs. 135 per K. W. of M. D. determined annually.	First 7,000 K. W. at the rate of Rs. 100 per K. W. annum. Next 7,000 K. W. at the rate of Rs. 105 per K. W. annum.	
	2. For the remaining 1,500 K. W. at the rate of Rs. 135 per K. W. year for the entire period of the agreement subject to a monthly minimum of 80 per cent of the contract demand. Second Block of Power (23,500) at the rate of Rs. 165 per K. W. year subject to a monthly minimum on 80 per cent of the contract demand.		
2. Ferro-Manganesec.	1. Ferro-Manganese Plant of TISCO at Joda. (Contract demand 16,000 K. W.) Supply at 11 K.V. : at the rate of Rs. 19-8-0 per K. W. of M. D. for the first 7,500 K. W. and Rs. 19 per K.W. of maximum demand for the balance of M. D. per month subject to a minimum guarantee for 70 per cent of the contract demand at the above rate.		

DIX 2

in selected States

Punjab	Mysore	M/S Tata Hydro Electric Agencies Limited	Andhra Pradesh
(5)	(6)	(7)	(8)
Not available	Not available	Not available	Not available

(1)	(2)	(3)	(4)
2.	Ferro-Manganese Plant at Rayagada (Contract demand 7,000 K. W.—Supply at 11 K. V.) Rs. 220 per K. W. of maximum demand per year subject to a minimum guarantee for 75 per cent of the contract demand for the time being in force.	Not available	Not available

(5)	(6)	(7)	(8)
Not available	<p>Electro—Metallurgical Works Ltd. Bombay for the Ferro-Manganese Plant at Dandeli (contract demand 3,000 K. V. A.—11 K. V. supply.)</p> <p>Demand charge Rs. 9 per K. V. A. for the first 250 K. V. A. of billing demand per month, Rs. 7-8-0 per K. V. A. for the next 250 K.V.A. per month, Rs.6 per K. V. A. for the next 500 K. V. A. per month, Rs. 4-8-0 per K. V. A. in excess of 1,000 K. V. A. per month, <i>Plus energy charges</i> 0·6 anna per unit for the first 150 units per month per K. V. A. of billing demand.</p>	Not available	<p>Ferro-manganese Plant at Gari-vidi — contract demand 24,000 K. V. A.</p> <p>For the first 2,000 K. V. A. Rs. 6-2-3 per K. V. A. per month, for the next 3,000 K. V. A. Rs. 5-10-0 per K.V.A. per month, for excess over 10,000 K. V. A. Rs. 4-10-0 for K. V. A. per month.</p>
	<p>0·15 anna per unit for the next 1,00,000 units used during the month.</p>		
	<p>0·30 anna per unit for all additional units used during the month.</p>		
	<p>NOTE—When the demand is metered in K. W. the demand rate for K. W. will be the same as for K. V. A. above plus Rs. 1-8-0 per K. W.</p>		
	<p>The billing demand shall be the highest of the following :—</p>		
	<p>(a) The maximum demand as defined hereunder;</p>		
	<p>(b) 75 per cent of the highest maximum demand during the preceding 11 months ;</p>		
	<p>(c) 50 per cent of the contract demand as defined hereunder ;</p>		

(1)	(2)	(3)	(4)
-----	-----	-----	-----

- | | | | |
|--|--|---|---|
| <p>3. Caustic Soda, Fertilizer and other special Electrochemical and Electro-metallurgical Industries.</p> | <p>(1) Caustic Soda Plant of Orient Paper Mills, Ltd. Brajaraj Nagar 1,600 K.W. contract demand at 11 K.V.</p> | <p>(1) CAUSTIC SODA PLANT OF THE TRAVANCOR E-COCHIN CHEMICAL PRIVATE LTD.</p> | <p>(1) CAUSTIC SODA PLANT AT METTUR at Rs. 155 per K. V. A. per year.</p> |
|--|--|---|---|

(5)

(6)

(7)

(8)

(d) 100 K.V.A./K.W.
as the case may be.

Minimum Bill—Payment of the Demand charge based upon the K.V.A./K.W. of Billing Demand.

Lighting—Electrical energy supplied under this tariff may be utilised by the consumer for factory lighting. But, usage for *bona fide* purpose of lighting, heating etc. in the quarters of employees living in the premises of the factory shall be metered separately in bulk by the consumer and paid for at the rate 1.75 anna per unit. The units so metered shall be deducted from the total number of units registered in the main meter on the H. T. side for billing purposes of the main supply. Electricity duty will be charged at the appropriate rates.

Maximum Demand—Maximum demand shall mean the average K.W./K.V.A. supplied during the 30 minutes period of maximum use.

NANGAL FER-
TILIZER
FACTORY—
@ 2.6 pies per
unit. (1,60,000
K.W.).

FOR ELECTRO-META-
LLURGICAL LOADS
OF M/S. MYSORE
IRON AND STEEL
WORKS, BHADRA-
BATI-- (Demand 30,000
K.W.) When load factor
is 70 per cent and above
the rate varies from Rs.
1.19 to Rs. 1.38 nP. per
K. W. H. R.

(1)	(2)	(3)	(4)
	Rs. 350 per K.W. per year subject to a minimum guarantee for 75 per cent of the contract demand at the above rate.	Rs. 120 per KW year plus a surcharge of 20 per cent i. e. Rs. 144 per K.W. year for supply at 66 KV.	
	(2) Low Shaft Furnance of M/s. Kalinga Industries at Barbil (contract demand 1,100 K.W. at 11 K.V.).	(2) <i>Fertilizers and Chemicals</i> (Manufacture of Amonium Sulphate etc.) Rs. 110 + 20 per cent surcharge/K. W. year.	(2) <i>Chemical Factory with anticipated demand of 30,000 KVA.</i> Rs. 150 per KVA per year for the 1st 15,000 KVA & Rs. 145 per KVA per year for the rest.
	Rs. 360 per K.W. per year subject to a minimum guarantee on 75 per cent of the contract demand at the rate of Rs. 30 per K.W. per month. This tariff is applicable only for a period of 3 years after which the question of revision of this tariff will be reviewed.		
	B. Other Special Loads—		
	M/s. Hindustan Steel Ltd., for their Steel Factory at Rourkela :—		
	(Reservation demand 55,000 K.W. supply at 33 K.V.):—		
	Tariff—Rs. 5-8-0 per K.V.A. of power reserved per month plus unit charge of 2 naye paise per each unit.		

(5)

(6)

(7)

(8)

Consumers using more than 10 million units per annum of which 60 per cent is utilised for electro-heating and/or electrolytic purposes, obtain a reduction on the tariff prescribed for H. T. consumers.

CHAPTER XV

Non-tax Revenue : (4) Road Transport undertaking

There are two kinds of Road Transport undertakings in Orissa. One is called State Transport Service owned entirely by the State Government and operated as a Department of Government. The other is the Orissa Road Transport Co. Ltd., a joint stock company registered under the Indian Companies Act. The State Government hold 78 per cent of the shares while the Central Government holds 20 per cent on behalf of the Railways and the general public holds the remaining 2 per cent. These two undertakings, between them are expected to cover the entire State which has been divided into five zones, namely :—

- (1) the Sambalpur zone comprising of the districts of Sambalpur, Sundergarh, Bolangir and Kalahandi and Boudh subdivision of Phulbani district and part of Dhenkanal upto Meramundali ;
- (2) the Keonjhar zone consisting of the districts of Keonjhar, Balasore, Mayurbhanj and Jajpur subdivision of Cuttack district ;
- (3) the Cuttack zone extending upto the river Brahmani in the north Khurda in the south and Meramundali in the west ;
- (4) the Ganjam zone reaching upto Khurda in the north, Boudh in the west and the Koraput border in the south ; and
- (5) Koraput zone including the district of Koraput and parts of the district of Kalahandi meeting zone 1 at Kesinga,

Zones 1, 2 and 5 have been reserved for the State Transport Service and the remaining two zones have been allotted to the Orissa Road Transport Company. Of late, the former has been allowed to operate in part of zone 3 lying to the north of the Mahanadi, while the latter has been restricted to the routes to the south of the river.

2. The State Transport Service grew out of the few nationalised services inherited from the ex-States as a result of merger. But for the unavoidable necessity for managing these services it is doubtful if the Government would have at all embarked on a departmental scheme. For, they had earlier declared themselves in favour of a tripartite company to be set up in collaboration with the Railways and the public for the purpose of taking over the existing services and nationalising their operation. They had in fact passed the Orissa Motor Vehicles (Regulation of Stage Carriage and Public Carrier Services) Act, 1947 with a view to facilitate the process. But when the Government began to operate on certain routes departmentally they got the idea that it would be worthwhile to try both the methods and compare the results before giving up the one in favour of the other. Another important consideration that led to lower the enthusiasm of the State for the tripartite scheme is the

unreality of the arguments for rail-road co-ordination in the context of the new Orissa that came into existence after merger. The new districts had no railway facilities worth the name and were in this respect worse off than the old districts. In large parts there was no question of competition between rail-way and road transport and hence no need for co-ordination of the kind implied in a tripartite company. As the income from the State Transport Service grew in volume, yet another factor led the Government to view the company method of management with disfavour and that is the apprehension of loss of a good part of the income by way of income-tax or corporation tax. Thus the State Transport Service which began on a modest scale in 1948-49 with 43 buses has expanded its fleet to 341 buses in 1959-60 when 185 routes extending over 8,113½ miles were under operation. The total operational mileage in the latter year stood at 71,34,744 as against 5,94,056 in the former. Similarly the number of passengers carried has gone up to 83,64,315 from 4,51,478 during these twelve years. The trend of growth from year to year may be seen from the figures shown in Statement A at Appendix 1.

3. The Orissa Road Transport Company was registered towards the end of 1950. According to the approved scheme, the share capital was to be divided among the different participants in the following manner : State Government-31 per cent, Central Government through Railways-20 per cent, the public including displaced transport operators-29 per cent and the employees of the company-20 per cent. The shares meant for the employees were to be taken over by the State Government in the first instance and sold at par to the employees in due course. In practice, however, this scheme could not be adhered to. Response from the public was rather poor. 6·8 per cent only was taken by the public and a large part of it by the displaced operators. After two years or so, the State Government found it necessary to buy up a good part of these shares, thus leaving the public holding at the paltry percentage of 2. The proposal to transfer shares to employees too does not appear to have made any headway. As a result the company has become, for all practical purposes, a Government company. These departures from the original scheme have not affected the growth of the transport service, thanks to the readiness with which the State Government stepped into purchase the bulk of the unsubscribed shares. The company started its services on the 1st January, 1951 with 55 buses. The number has reached 160 by 1959-60 when 80 routes extending over 4427 miles were under operation. The total operational mileage increased from 18,83,139 in 1951-52 to 39,41,376 in 1959-60. In regard to passengers carried there has been an impressive rise from 18,59,778 to 56,32,440. For further details of year-wise growth, the statement B at Appendix 1 may be seen.

4. The present structure of fares and freights is given at Appendix 2. Generally speaking, uniform fares have been fixed in all the zones. For the upper class the usual charge is 6 nP. per mile while for the lower class it is 5 nP. There are two exceptions, the one class express service between Cuttack and Rourkela with the rate of 7nP. and the similar one class service between Bhadrak and Balasore with 4 nP. The latter special rate is said to be due to the competition of Railway services.

5. We may now review the financial results of the two organisations and their importance as sources of non-tax revenue. Table 1 below contains the particulars of the State Transport Service and Table 2 gives similar information for Orissa Road Transport Company.

TABLE 1

Particulars of Revenue from State Transport Service

(Rupees in lakhs)

Year	Capital at charge	Gross receipts	Total expenditure	Net receipts	Transfer to reserves	Net profit	Percentage of 7 over 2
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1948-49	10.33	8.28	5.06	3.22	1.53	1.69	16.36
1949-50	11.43	13.94	9.94	4.00	2.31	1.69	14.78
1950-51	16.50	21.90	15.19	6.71	4.08	2.63	15.93
1951-52	17.09	24.47	17.22	7.25	4.28	2.97	17.37
1952-53	20.04	26.20	19.60	6.60	4.83	1.77	8.83
1953-54	27.38	29.72	19.31	10.41	5.94	4.47	16.32
1954-55	39.59	34.75	23.16	11.59	6.28	5.31	13.41
1955-56	54.29	43.55	26.84	16.71	18.97	7.74	14.25
1956-57	65.34	60.10	35.40	24.70	13.63	11.07	16.94
1957-58	70.13	77.73	43.84	33.89	16.50	17.39	24.79
1958-59	64.38	90.99	48.64	42.35	19.49	22.86	35.50
1959-60	68.00	1,04.00	58.80	45.20	22.20	23.00	33.82

Source : Transport Department, Government of Orissa

TABLE 2

Particulars of Revenue from Orissa Road Transport Company

Year	Paid up capital.	Gross profit	Transfer to reserves	(In Rupees)	
				Net profit after deduction of Income tax	Percentage of 5 over 2
(1)	(2)	(3)	(4)	(5)	(6)
1951-52	11,08,978	17,53,324	4,77,720	83,297	7.51
1952-53	21,16,375	15,82,171	4,40,725	3,512	0.16
1953-54	26,76,650	22,64,720	1,30,142	1,25,616	4.69
*1954-55	26,76,975	29,69,023	2,45,726	N. A.	N. A.
1955-56	29,98,800	31,06,960	3,13,036	N. A.	N. A.
1956-57	29,99,725	33,84,672	3,51,042	N. A.	N. A.
1957-58	29,99,925	40,26,767	5,61,735	2,92,000***	9.73***
1958-59	29,99,925	45,63,242	4,50,509	5,44,604**	18.15
1959-60	29,99,925	55,28,259	6,33,197	7,49,158**	24.97

*The Orissa Road Transport Company was subjected to Income Tax from the year 1954-55.

**The amount stands after the deduction of Income tax.

***Calculated on the basis of net profit before payment of Income-tax (6,78,541).

Source—Transport Department, Government of Orissa :

If the net profit earned by State Transport Service is to be compared with that of Orissa Road Transport Company, deduction has to be made from the former on account of income-tax. On this basis, the net profit of State Transport Service for 1957-58, 1958-59 and 1959-60 will be 10.68 per cent, 17.27 per cent and 16.44 per cent respectively. This may be compared with the corresponding percentages of Orissa Road Transport Company. The latter appears to be more profitable. This is said to be due to the comparatively greater paying capacity of the routes under the control of Orissa Road Transport Company which operates in the more economically advanced districts.

6. It is now more than a decade since the State Government first entered into the business of road transport. We thought it would be useful to enquire whether the policy has gained the acceptance of the people in general and whether the experience of the past provides the necessary encouragement for expansion in future and if so, on what lines.

We are happy to record that except for a few all those who answered our questionnaire or gave oral evidence have been unanimous in their opinion that the operation of road transport services by the State has conferred significant benefits on the travelling public besides bringing in substantial amounts of non-tax revenue. They had of course some suggestions to make for the improvement of the services. Despite some dissatisfaction here and there they were all keen on a rapid expansion of the undertaking so as to cover all the remaining routes in as short time as possible. Of the few that argued against the continuance of the State Road Transport, one was particularly vehement. He described nationalisation as a bad policy. To quote his words "nationalised transport is neither cheap, economic nor adequate". It is not cheap as Government have raised the fares after nationalisation. It is not economic because Government is getting less profit than what the private operator makes. It is not adequate because it is unable to meet all the passenger demands. He further urged that in view of the dearth of resources at the command of the State and the pressing needs of development in other spheres it would be better for the State to concentrate on those sectors where private capital would not be forthcoming. Thus, according to him, on considerations of revenue as well as maximum utilisation of available scarce resources it would be advisable for the State to withdraw from Road Transport and allow the private sector to develop it. We have given careful thought to all these points. On the basis of overwhelming evidence we have received in favour of the State Road Transport undertakings and on a study of their working and financial results we have come to the conclusion that there is no reason to cry halt to the process of nationalisation, much less to go back on it. We are satisfied that if the fares have been raised in some places after nationalisation, the rise was more or less set off by the increased comforts and amenities provided. Moreover, we have been told that the distinction of charging the highest fare in the State belongs to some private operators in Cuttack district and not to the nationalised transport system. The inadequacy of buses on one route or the other is not such a fundamental defect as to cast doubts on the efficacy of nationalisation. The defect is remediable and can hardly be a reason for replacing nationalised service by private operation. Even the economic argument of the utilisation of the resources of the private sector could not stand scrutiny when we found that several long distance routes have failed to evoke satisfactory response from private operators in the State.

7. The State Transport Service as well as the Orissa Road Transport Company have so far confined themselves to passenger services. Should the corporation be set up to undertake goods services as well ?

Need for developing goods Transport. The general question of nationalizing goods services has engaged the attention of more than one expert committee appointed by the Central Government. The Transport Development Council also considered this matter at some of its meetings. The general consensus of opinion of these bodies appears to be that the State Governments will do well to keep away from goods transport. It has been argued by some that the special considerations inviting State operation such as provision of comforts and amenities at a reasonable price, safety and convenience of travel, etc. are not present in the case of goods transport. Some others have urged that the business of goods transport is far more complicated than passenger transport and involves greater degree of personalised service and individual attention, such as cannot easily be provided by an undertaking of the public sector. In addition to all these arguments there is the hard fact that long distance goods transport in the private sector has made rapid progress during the last few years and it appears neither necessary nor advisable to displace the enterprising operators at this stage. We have considered all these arguments in the context of conditions in Orissa. We think, there are no reasons why the State Government should keep off goods transport. It is also not true that Orissa has shared in the boom that the goods transport has been enjoying of late. Considering that the railway communication

in the State are poor, there is very great need for developing goods transport on proper lines. We believe that all predelictions and prejudices should be set aside and that method should be chosen which will guarantee an early development of goods transport in the State. The Government need not be particularly anxious to take over monopoly of this field. Private operators should be not only allowed but encouraged. But if on facts it is found that there is very little possibility of private enterprise working out a systematic programme of development the State may take up selected long distance routes on a pilot basis after a proper survey. We would however, warn against any large scale incursion into the field of goods transport as the business bristles with complexities and the responsibilities and risks attached to public carriers are quite onerous.

8. We wish to draw attention to the widespread belief among several witnesses that the leakage of revenue is quite substantial in the State Revenue leakage to Transport Service as well as the Orissa Road Transport be stopped. Company. The State can certainly do with more vigilance. Prevention of leakages in a business of this kind is largely a matter of detailed administrative and financial checks. We suggest that an efficient and independent organisation be created under the direct control of the State Motor Transport Controller in place of the existing organisations attached to different units.

9. We have tried to compare the income and expenditure per mile in State Transport Service with corresponding figures of similar Average load factor should improve. Re. 1.55 as against expenditure per mile of Re. 1.20. The corresponding figures for Bombay are Re. 1.59 and Re. 1.14. In Madras, expenditure is Re. 1.34 per mile against an income of Re. 1.48 per mile. Although Orissa figures compare favourably with those of the two States there is no ground for complacency. The matter should be kept constantly under review and the trends studied every fortnight. For, the income per mile depends on the average load. In some routes and some months it may be high while in others it may be low. The fortnightly review of passenger loads will help the management in directing buses from one route to another and thus maximising income as well as public satisfaction. The following table gives an idea of the average load factor in the State Transport Service for a whole year from February, 1960 to January, 1961.

TABLE 3
Average load factor in State Transport Service

Month	Average load factor
February, 1960	74 per cent
March, 1960	72 per cent
April, 1960	71 per cent
May, 1960	69 per cent
June, 1960	65 per cent
July, 1960	60 per cent
August, 1960	57 per cent
September, 1960	64 per cent
October, 1960	66 per cent
November, 1960	69 per cent
December, 1960	68 per cent
January, 1961	67 per cent

Source : Transport Department, Government of Orissa

Prima facie, the above appears satisfactory but considering that in most months and on most routes the cry of insufficient accommodation is heard incessantly and that as a consequence the Government had permitted standing passengers up to a certain limit the load factor should have been higher. This is where a detailed and timely check maintained throughout the year will yield results.

10. Some witnesses urged that the present practice of having two classes only be kept if necessary first by charging the rate of the present class. One class system This has been urged on two grounds. Firstly, the sentimental ground of introducing equality in travel and secondly the financial ground of giving some additional income to the State. We commend this suggestion.

11. On the basis of the evidence received at Balasore we have formed the impression that there is no sufficient justification for low rates now in force on the route Balasore-Bhadrak. We have been told that there was no serious competition from the railways as the timing of the railway trains is not convenient. This may be further looked into and if necessary the rates may be raised to the level prevalent elsewhere.

APPENDIX 1

Part 1

Trend of growth of State Transport Service

Years	Number of Buses	Operational mileage	Passengers carried
(1)	(2)	(3)	(4)
1948-49	43	5,94,056	4,51,478
1949-50	90	13,98,126	10,32,573
1950-51	110	19,08,467	15,05,313
1951-52	112	19,28,127	16,37,786
1952-53	108	19,86,817	16,80,874
1953-54	106	20,60,307	20,15,329
1954-55	161	26,66,631	23,30,289
1955-56	173	30,59,868	31,22,273
1956-57	237	42,57,899	38,31,408
1957-58	261	54,02,404	57,68,110
1958-59	297	62,21,320	65,46,606
1959-60	341	71,34,744	83,64,315

NOTE—The State Transport Service also maintains the following trucks and cars—

Trucks	..	18	Suburbans	..	5
Tanker	..	1	Jeeps	..	4
Power Wagon		2	Station Wagons	..	2
Cars	..	7	Delivery Van	..	2

Source : Transport Department, Government of Orissa.

APPENDIX 1

Part II

Trend of growth of orissa Road Transport Co. Ltd

Year	Number of Buses	Operational Mileage	Passengers carried
(1)	(2)	(3)	4)
1951-52	55	18,83,139	18,59,778
1952-53	72	16,17,561	15,55,565
1953-54	87	20,71,510	17,29,975
1954-55	95	26,05,850	23,15,121
1955-56	107	28,64,713	24,21,258
1956-57	113	28,77,569	33,15,929
1957-58	146	31,42,344	37,65,827
1958-59	157	34,61,068	48,53,325
1959-60	160	39,41,376	56,32,440

The Orissa Road Transport Co. Ltd., also maintains the following cars and trucks—

Trucks	..	3
Crane Van	..	1
Suburban	..	1
Station Wagon	..	2
Motor Cycles	..	5
Jeeps	..	2

Source : Transport Department, Government of Orissa.

APPENDIX 2

Part I

State Transport Service

Rates of fares

Fares per mile per passenger

Serial No.	Name of the Unit	Fares per mile per passenger			Freight per maund per mile-(b)
		Upper Class	Lower Class	Uniform Class	
1	Bargarh ..	6 nP.	5 nP.		3 nP. in all the units and 4½ pies in the inter-state route of Koraput district lying between Orissa and Andhra Pradesh.
2	Balasure (a) ..	6 nP.	5 nP.		
3	Bhadrak ..	..	..	5 nP.
4	Bhawanipatna ..	6 nP.	5 nP.		
5	Bolangir ..	6 nP.	5 nP.		
6	Deogarh ..	6 nP.	5 nP.		
7	Dhenkanal ..	6 nP.	5 nP.		
8	J. K. Road ..	..	..	6 nP.
9	Keonjhar ..	6½ nP.	5 nP.	7 nP. in express services.	
10	Koraput (b) ..	6½ nP.	5 nP.		
11	Meramandali ..	6 nP.	5 nP.		
12	Raj-Athgarh ..	6 nP.	5 nP.		
13	Rourkella (c) ..	6½ nP.	5 nP.	6½ nP.	
14	Sambalpur ..	6 nP.	5 nP.	6½ nP.	
15	Sundergarh ..	6½ nP.	5 nP.		

NOTE —(a) The rate of fare in Balasure-Bhadrak route is 4 nP. per mile per passenger.

(b) The rate of fare in the inter-state route of Koraput district lying in Andhra Pradesh.

(c) The rate of fare in one class Delux Express Service running between Cuttack and Rourkella is 7 nP. per mile per passenger.

(d) The freight is charged after allowing an uniform free luggage allowance of 30 lbs. per adult passenger and 15 lbs. per child below the age of 12 years.

Source : Transport Department, Government of Orissa

APPENDIX 2

Part II

Orissa Road Transport Co. Ltd.

Rates of fares

Serial No.	Name of the Unit	Fares per mile per passenger.			Freight per mile per maund
		Upper Class	Lower Class	Uniform Class	
1	Aska	6 nP.	5 nP.	..	3 nP. in all the Units
2	Berhampur	6 nP.	5 nP.	5 nP.	
3	Cuttack	6½ nP.	5 nP.	5 nP.	
4	Daspalla	6½ nP.	5 nP.	5 nP.	

The freight is charged after allowing a free luggage allowance of 30 lbs. per adult passenger and 15 lbs. per child below 12 years of age.

OUT AGENCY

The Orissa Road Transport Co. Ltd., operated out agency service between Berhampur Railway Station and Bhanjanagar. The rates were as follows :—

- (a) *Aska*—91 nP. per maund and 50 nP. per 20 seers or part thereof per mile inclusive of handling charges.
- (b) *Bhanjanagar*—Rs. 1.65 nP. per maund and 87 nP. per 20 seers or part thereof per mile inclusive of handling charges.
- (c) *Phulbani*—Rs. 3.21 nP. per maund and Rs. 1.65 nP. per 20 seers or part thereof per mile inclusive of handling charges.

Source : Transport Department, Government of Orissa.

CHAPTER XVI

Non-Tax Revenues : (5) State Trading in food grains and Miscellaneous State investments.

A number of witnesses have suggested that the State Government should take up trading for the purpose of augmenting its revenues. When questioned about the commodities to be selected for trading they could not mention any besides foodgrains. It, therefore, appears that the suggestion is based on the impression they have formed about the financial results of the foodgrains procurement schemes that have been in operation in the State for some years past.

2. When the State Government undertook procurement of rice and paddy in 1944 it was not for the purpose of earning revenue. It was as a part of the basic plan of the Central Government to meet food shortages in the country and maintain a stable supply line throughout the year. It was specifically declared that the scheme would be run on the basis of no-loss no-profit. But during actual operation, profits accrued in some years while losses occurred in other years. With decontrol of foodgrains with effect from the 10th July 1954 the basic plan of the Central Government came to a close and the State Government was under no obligation to continue procurement on a large scale. However, the State Government continued procurement of small quantities with a view to build up reserve stocks for internal sale in the lean months and for meeting any sudden demands that may arise on account of drought or failure of crops. This policy continued till 1958 when the Central Government decided in favour of State trading in foodgrains as the best method of meeting the food crisis that had overtaken the country in the mean while. Accordingly, the Government of Orissa took up trading in rice and paddy in the Kharif year 1958-59. 2.97 lakhs tons of rice was procured for the purpose of sale to West Bengal and the Central Government. It was first thought that the State Government would be free to negotiate a suitable agreement with the Government of West Bengal and supply the procured rice at a price which would not only cover all the costs but allow a small margin at 25 nP. per maund. It appears the Government of West Bengal were also in favour of such a procedure but no agreement could be executed between the two Governments as a result of the intervention of the Central Government who insisted that the stocks of Orissa would be taken over by the Central Government and the requirements of West Bengal would be supplied direct by them. In this process the margin of profit that the Government of Orissa was hoping to keep was more or less wiped out. The Central Government made a hard bargain with Orissa and allowed only the actual expenditure incurred for procurement. They did not even provide for the establishment cost in the price. The main features of the State Trading Scheme of 1958-59 are as follows. Government bought in bulk all surplus quantities of rice and paddy, and exercised a monopoly on export. Authorised Purchasing Agents were appointed from amongst the millers and other wholesale traders on certain terms and conditions. In accordance with the railhead prices fixed by the Government of India, the State Government fixed reasonable producers' prices near the railheads as well as at villages. The latter were arrived at after making allowance for transport cost, incidental charges and some remuneration to the Purchasing Agents. Two control orders were passed, one prohibiting the purchase and sale of wholesale quantities by persons other than the Purchasing Agents and the other fixing the prices. It has been claimed that the State Trading Scheme helped the producers in getting a fair price for their produce. By phasing purchases and exports and by maintaining substantial

atocks at various parts of the State the consumers too had been protected from violent upward fluctuations. The Agro-economic Research Team, which was asked by the Central Government to study the working of the scheme in 1959 found that the main objectives of the scheme were achieved in practice as may be seen from the following extract from their report :—

“In Orissa, the main objective of foodgrains has been to keep prices within reasonable levels by isolating the State from the price influence of the neighbouring States, and to purchase as much of the surplus paddy and rice as possible for supplying largely to other deficit States. Purchases of rice are being made by the Orissa Government on behalf of the Centre from purchasing agents appointed for the purpose. The Orissa has also been trying to ensure a reasonable return to the grower and has announced minimum prices payable to him. These elements of food policy, instead of having any adverse effect on the flow of supplies to the market, have induced larger flow of supplies. As a result of the operation of the scheme of state trading, there has been a significant increase in the number of assembling centres in the current year. The number of dealers and wholesalers has also correspondingly increased. The result of this development has been much better contact between the producers and the market which in turn, has facilitated the sale of paddy by the farmers all through the year, even in the rainy season. The reaction of the producers to the scheme of State purchases has generally been favourable. The feeling of at least medium and small producers is that they have in the past been exploited by millers and dealers in respect of prices, weightment rebates, etc.”

From the point of view of revenue too it appears that the scheme was success. Purchases were of the order of Rs. 11,64.62 lakhs and sales took place to the tune of Rs. 10,55.60 lakhs. The stock at end of the year was valued at Rs. 256.06 lakhs. The gross profit has been calculated to be Rs. 147.04 lakhs. If the Transport Charges, Commission to Agents, interest on capital establishment and other charges are deducted there from the scheme will be found to have yielded a net profit of Rs. 10.36 lakhs. The scheme was, however, dropped in 1959-60 mainly on account of the change in the central policy. State trading was abandoned and instead free trade was introduced with a few restrictions. Orissa was included in the eastern rice zone and movement of food grains from one State to another was permitted freely. In other words inter-state sales and movement of foodgrains would no longer be restricted to Government account. The Central Government also withdrew its promise of purchasing stocks, if any, procured by the State Government despite the introduction of free trading. In the altered circumstances the State Government could not continue their State Trading Scheme. They confined their operations to a compulsory levy on wholesalers with a view to build up a reserve for internal sale during the lean months if necessary.

3. The financial results of the State Trading Scheme year by year from its very inception may be seen from table I below.

TABLE I
Financial results of the State Trading Scheme

<i>Year</i>	<i>Profit/Loss</i>
	Rs.
1943-44	..
1944-45	.. } 3,05, 89
1945-46	.. 4,10,197
1946-47	.. (-)8,02,496
1947-48	.. 3,42,683
1948-49	.. 9,96,614
1949-50	.. 7,72,723
1950-51	.. 4,24,726
1951-52	.. (-)4,70,742
1952-53	.. 24,13,542
1953-54	.. 34,61,379
1954-55	.. (-)18,27,194
1955-56	.. 5,40,586
1956-57	.. (-)21,67,134
1957-58	.. 7,71,261
1958-59	.. 4,32,196
<hr/>	
Total	.. 56,03,430
<hr/>	

Source : (Finance Accounts and the Audit Reports, Government of Orissa)

It is true that out of 15 years 11 years ended with profit. In all the scheme has produced a total net profit of Rs 56,03,430. Of this, Rs. 19,78,794 Profitability of the was transferred to general revenues in 1952-53. Besides, scheme. different kinds of reserves totalling to Rs. 1,49,79,288 were built up by the 31st March, 1960. A part of these reserves (Rs. 88,24,198) has been transferred to the general revenues in 1959-60. Another instalment of Rs. 61 54,000 is scheduled to be transferred similarly

atocks at various parts of the State the consumers too had been protected from violent upward fluctuations. The Agro-economic Research Team, which was asked by the Central Government to study the working of the scheme in 1959 found that the main objectives of the scheme were achieved in practice as may be seen from the following extract from their report :—

“In Orissa, the main objective of foodgrains has been to keep prices within reasonable levels by isolating the State from the price influence of the neighbouring States, and to purchase as much of the surplus paddy and rice as possible for supplying largely to other deficit States. Purchases of rice are being made by the Orissa Government on behalf of the Centre from purchasing agents appointed for the purpose. The Orissa has also been trying to ensure a reasonable return to the grower and has announced minimum prices payable to him. These elements of food policy, instead of having any adverse effect on the flow of supplies to the market, have induced larger flow of supplies. As a result of the operation of the scheme of state trading, there has been a significant increase in the number of assembling centres in the current year. The number of dealers and wholesalers has also correspondingly increased. The result of this development has been much better contact between the producers and the market which in turn, has facilitated the sale of paddy by the farmers all through the year, even in the rainy season. The reaction of the producers to the scheme of State purchases has generally been favourable. The feeling of at least medium and small producers is that they have in the past been exploited by millers and dealers in respect of prices, weight rebates, etc.”

From the point of view of revenue too it appears that the scheme was success. Purchases were of the order of Rs. 11,64.62 lakhs and sales took place to the tune of Rs. 10,55.60 lakhs. The stock at end of the year was valued at Rs. 256.06 lakhs. The gross profit has been calculated to be Rs. 147.04 lakhs. If the Transport Charges, Commission to Agents, interest on capital establishment and other charges are deducted there from the scheme will be found to have yielded a net profit of Rs. 10.36 lakhs. The scheme was, however, dropped in 1959-60 mainly on account of the change in the central policy. State trading was abandoned and instead free trade was introduced with a few restrictions. Orissa was included in the eastern rice zone and movement of food grains from one State to another was permitted freely. In other words inter-state sales and movement of foodgrains would no longer be restricted to Government account. The Central Government also withdrew its promise of purchasing stocks, if any, procured by the State Government despite the introduction of free trading. In the altered circumstances the State Government could not continue their State Trading Scheme. They confined their operations to a compulsory levy on wholesalers with a view to build up a reserve for internal sale during the lean months if necessary.

3. The financial results of the State Trading Scheme year by year from its very inception may be seen from table 1 below.

TABLE 1
Financial results of the State Trading Scheme

<i>Year</i>	<i>Profit/Loss</i>
	Rs.
1943-44	..
1944-45	.. } 3,05, 89
1945-46	.. 4,10,197
1946-47	.. (-)8,02,496
1947-48	.. 3,42,683
1948-49	.. 9,96,614
1949-50	.. 7,72,723
1950-51	.. 4,24,726
1951-52	.. (-)4,70,742
1952-53	.. 24,13,542
1953-54	.. 34,61,379
1954-55	.. (-)18,27,194
1955-56	.. 5,40,586
1956-57	.. (-)21,67,134
1957-58	.. 7,71,261
1958-59	.. 4,32,196
<hr/>	
Total	.. 56,03,430
<hr/>	

Source : (Finance Accounts and the Audit Reports, Government of Orissa)

It is true that out of 15 years 11 years ended with profit. In all the scheme has produced a total net profit of Rs 56,03,430. Of this, Rs. 19,78,794 Profitability of the was transferred to general revenues in 1952-53. Besides, scheme. different kinds of reserves totalling to Rs. 1,49,79,288 were built up by the 31st March, 1960. A part of these reserves (Rs. 88,24,198) has been transferred to the general revenues in 1959-60. Another instalment of Rs. 61,54,000 is scheduled to be transferred similarly

similarly in 1960-61. The rest will also become part of the revenues shortly when the claims, etc. outstanding against these reserves are disposed of during the final closing of accounts. The pending claims, it is said, are not substantial. Accordingly, very little may be deducted eventually from these reserves. Thus it will be seen that the scheme has given to the State an additional income of Rs. 1.86 lakhs as a result of operations spreading over 15 years. In view of these facts we are not surprised at the spirited advocacy of some of the witnesses in favour of State Trading in foodgrains.

4 We may now turn to the question whether the State Government can undertake State trading now or in the future and earn substantial revenue. We believe, this has been partly answered in the above para itself. The reason that led to the abandonment of State trading in 1959-60 continue to operate against the revival of the scheme. Food policy and control of foodgrains being the preserves of the Central Government no State can act in contravention of the former's directives. It may be argued that there is no specific prohibition of State trading in foodgrains by the Centre. But the above discussion must have made it clear that without active Central help and co-operation no State can afford to enter the trade of foodgrains. At best it may procure but it is sure to come up against serious difficulties when it tries to dispose of the stocks. Movement being restricted to the zone and the deficit States receiving their requirements through the open market or from the Central reserves, the procuring State will have no assured market and no guaranteed price. Should prices fall as desired by all, the stocks will go down in value and the State will suffer serious losses. That these fears are not theoretical or imaginary will be clear from the experience of the Governments of Madhya Pradesh and Punjab who burnt their fingers by trading in wheat against the Centre's advice during the last two years or so. The inevitable conclusion, therefore, is that the very profitability of the scheme depends on its being part of a centrally sponsored scheme and if revenue be the underlying purpose, no State can 'go it alone'.

5. According to some witnesses, who are agriculturists, there is another and stronger reason against State trading in foodgrains. They pointed out that despite the fixation of prices and other measures of enforcement adopted by the State Government the agriculturists could not receive the fair prices due to them during the State trading of 1958-59 and that with the creation of eastern zone and introduction of free trading, they got the benefit of higher prices. They apprehend that with the return to State trading they will lose. We think that these fears are not altogether baseless. If the producers are to be deprived of a possible increase in prices obtained by them through competition among traders and unrestricted exports, they must be assured, of a compensatory advantage, that is, a steady and reasonable price at the threshing floor. The exponents of the State Trading Scheme do, of course, argue that such a price can be guaranteed and the profit that the Government will appropriate will be taken from the middleman or the trader rather than the producer. The margin between the producer's price in Orissa and the consumer's price in West Bengal is so much that the Government can even give some of it to the producer besides taking some for the State revenues. But in the context of the present policy of the Centre all these arguments are like a cry in the wilderness. In short, the Government has neither the means nor the power to dispel the genuine fears of the producers.

6. As some witnesses have made it clear, the main idea underlying the suggestion of State trading in foodgrains is how to raise revenue from rice which is by far the most important product of the economy of the State. It is but natural to expect that in a predominantly agricultural State, the primary surplus of agriculture should contribute a substantial amount to the public coffers. The instance of the Burmese economy where rice exports yield considerable income to the State is often cited in support of this contention. The analogy

State trading unprofitable without Central support.

Other arguments against State trading.

Higher rate of tax on inter state sales of rice recommended.

is, of course, not complete as Burma is a sovereign country and Orissa is but a part of a sovereign country and is bound by the terms of a federal constitution. Nevertheless, we are impressed by the point that some way must be found to make the major contributor to the State income pay its share to the public revenues. We have given careful thought to this problem and have come to the conclusion that the best method is to subject the inter-state sales of rice and paddy to a reasonable rate of sales tax. As we have noted in Chapter V sales tax has been levied of these commodities at 1 per cent with effect from 1958. The rate is obviously very low but a higher rate was not fixed as according to the Central Sales Tax Act, 1956, inter-state sales between registered dealers cannot be subjected to any higher rate. If under these arrangements a rate higher than 1 per cent is fixed, it is only the internal sales that will bear it. This will not be welcome to the people or the Government of the State. If, on the other hand, it were possible to levy under Central Sales Tax Act, a somewhat higher rate say 2 per cent, the State Government would have no objection to a higher rate being charged on internal sales. Then the question arises for consideration whether under the Act, rice and paddy alone can be subjected to a higher rate without it being levied on all inter-state transactions. To our mind it does not appear to be against the scheme of the Act to fix differential rates. But if on grounds of Policy it becomes necessary to adopt a uniform rate, it may be done and the states allowed to collect 2 per cent as tax on inter-state sales. This will provide a growing source of revenue to this poor State without at the same time placing an unduly heavy burden on the consumer in Orissa as well as outside. This device has also the merit of being integrated with ease with the all-India food policy of progressive decontrol. One may not also cavil at the rate as it is well-known that in some States even higher rates have been in force for some time without serious adverse consequences. For example, rice and paddy are subject to 3 per cent purchase tax in Andhra. Bihar too has a similar rate for rice. We hope the Central Government will view this suggestion with favour and help the Government of Orissa to raise the much needed resource for economic development from the major exportable product of its economy.

MISCELLANEOUS STATE INVESTMENTS

7. Before we close this chapter we will briefly refer to investments the State Government have made in certain commercial and co-operative undertakings. A detailed list is given in Appendix I. These investments, we are aware, have been motivated by considerations other than revenue. Some of them have been inherited from the ex-Princely States as a result of merger. Then there are the investments in some major industries the main objective of which has been to promote industrial development in the State. Recently, the State has begun to participate in the share capital of small-scale industries too by way of promotion. The many instances of shares in co-operative institutions, particularly the primary societies, are but a result of the policy of strengthening them in accordance with the recommendation of the All-India Rural Credit Survey Committee. We would, however, like to impress on the State Government that to prove the ability to earn profits is an essential element of promotion of an industrial venture and that any complacency in this regard will add to the perils by setting a forced pace of industrial advance. It may be that in the early years after establishment teething troubles may stand in the way of earning a profit. But soon the undertakings should make good and prove themselves economically sound by the only method of giving dividends. The State Government would, therefore, do well to keep a constant watch on the financial results of these concerns, and take every possible step to make them pay reasonable dividends on the shares regularly as soon as possible.

APPENDIX I

STATEMENT SHOWING THE DETAILS OF THE
INVESTMENTS IN COMMERCIAL AND CO-OPERATIVE
UNDERTAKINGS

Serial No.	Name of the Companies	Amount invested	Amount of dividends declared and credited to the consolidated Fund of Orissa
(1)	(2)	(3)	(4)
<i>I—A—Major and medium Industries</i>			
1	The Orissa Road Transport Co. Ltd.	23,35,500	Rs. 1, 86,340 relating to the year 1958-59 was declared and credited during the year 1960-61. Dividends for the year 1959-60 not declared.
2	Orissa Textile Mills, Ltd. ..	12,75,000	Not declared up to 1959-60
3	The Puri Electrical Supply Co. Ltd.	1,63,000	The company has declared dividend of Rs. 7,000 for the year 1957-58 and 1958-59 on preference shares and Rs. 250 for the year 1958-59 on ordinary shares during the year.
4	The Kalinga Industries, Ltd. ..	3,00,000	Not declared upto 1959-60
5	The Orissa Cement, Ltd. ..	40,00,000	Rs 1, 8 ,000 for the year 1958 credited during the year. Dividend for the year 1959-60 not declared
6	The Orissa Cotton Mills, Ltd.	20,000	Not declared upto 1959-60
7	The Orissa State Financial Corporation.	32,25,500	Rs. 1,23,392 was declared for the year 1958-59 out of which Rs. 49,242 was credited during 1960-61 and the balance of Rs. 74,150 receivable from Government.
8	Orissa Mining Corporation	5,00,000	Not declared
9	Orissa State Warehousing Corporation.	11,00,000	Ditto
10	Orissa Foundry Company, Ltd,	1,08,500	Ditto

(1)	(2)	(3)	(4)
11	Kalinga Foundry, Ltd. ..	3,39,554	Not declared
12	Orissa Electrical Manufacturing, Ltd.	3,53,621	Ditto
13.	Orissa Wood Products Ltd. ..	3,46,000	Ditto
14.	Rourkella Fabrications Ltd. ..	3,15,000	Ditto
15.	Utkal Foundry and Engineering Co. Ltd.	2,34,000	Ditto
16.	Kalinga Steel and Wire Products Ltd.	1,12,500	Ditto
17.	Monorama Foundry Works Ltd.	1,56,000	Ditto
18.	Orissa Concrete Products Ltd.	1,20,000	Ditto
19.	Orissa Tiles Ltd. ..	1,89,000	Ditto
20.	Premier Bolts and Nuts Factory Ltd.	1,42,500	Ditto
21.	Gajapati Steel Industries Ltd ..	1,78,000	Ditto
22.	Orissa Timber Products Ltd ..	1,29,000	Ditto
23.	Modern Electrics Ltd. ..	1,00,000	Ditto
<i>I—B—Investments inherited from Princely States</i>			
24	The Mayurbhanj Potteries, Ltd.	1,00,000	Ditto
25	The Mayurbhanj Glass Works	1,00,000	Ditto
26	The Mayurbhanj Spinning and Weaving Mills, Ltd.	12,00,000	Ditto
27	The Mayurbhanj Textiles, Ltd.	1,50,000	Ditto
28	Koshal Industrial Development Syndicate. Ltd.	4,50,000	Ditto
29	Hindustan Minerals and Quarries Ltd., Calcutta.	1,00,000	Ditto
<i>II—A—Pilot Projects and Small-scale industries</i>			
30	Madhusudan Chemical Industries, Ltd.	59,900	Ditto
31	Cuttack Iron and Steel Products, Ltd.	65,000	Ditto

(1)	(2)	(3)	(4)
		Rs.	
32	Spark Battery Manufacturing Works, Ltd.	65,000	Not declared
33	Konarak Processing Works, Ltd	80,000	Ditto
34	Orissa Boat Builders, Ltd. ..	80,000	Ditto
35	Utkal Fruit Products, Ltd. ..	10,500	Ditto
36	Kalinga Fruit Products, Ltd. ..	16,500	Ditto
37	Balanga Iron Works, Ltd. ..	73,000	Ditto
38.	Barabati Fruit Products Ltd. ..	14,000	Ditto
39.	Orissa Fruit Products Ltd. ..	14,500	Ditto
40	Chilka Cashew Manufacturing Co. Ltd.	36,000	Ditto
41	Kohinoor Aluminium Products Ltd.	65,000	Ditto
42.	Hansanath Ceramic Industries Ltd.	29,560	Ditto
43.	Orissa Trunk and Enamel Works Ltd.	13,500	Ditto
44.	Arabinda Tin Factory Ltd. ..	63,000	Ditto
45.	Cocacol (India) Ltd. ..	82,000	Ditto
46.	Eastern Aquantic Products Ltd.	50,000	Ditto
47.	Kalinga Hard Board Ltd. ..	39,182	Ditto
48.	Jaganath Chemical and Pharmaceutical Ltd.	63,000	Ditto
49.	Manufacture Electro Ltd. ..	36,500	Ditto
50.	Rourkela Food Products Ltd ..	10,500	Ditto
<i>II—B—Investments inherited from Princely States</i>			
51	The Mayurbhanj Oil and Oil Products, Ltd.	60,000	Ditto
52	Khetter mohan Dey and Co. Ltd, Calcutta.	100	Ditto
53	Gouhati Electric Supply Corporation, Ltd.	32,264	Ditto

(1)	(2)	(3)	(4)
		Rs.	
54	Pioneer Ltd., Lucknow ..	10,000	Not declared
<i>III—Co-operative Institutions</i>			
55.	The Aska Co-operative Sugar Industries Ltd.	20,00,000	Ditto
56.	The Orissa State Handloom Weaver's Co-operative Societies Ltd., Cuttack.	2,91,778	Ditto
57.	All-India Handloom Fabrics Marketing Co-operative Society Ltd., Bombay.	5,000	Ditto
58.	Orissa State Co-operative Housing Corporation.	1,50,000	Ditto
59.	Boudh Central Co-operative Bank.	80,000	Rs. 2,917 for the years 1956-57 and 1957-58 credited during 1959-60.
60.	Bolangir District Co-operative Bank.	1,05,000	Not declared
61.	Sundergarh Central Co-operative Bank.	1,10,000	Ditto
62.	Balasore District Co-operative Bank	1,00,800	Ditto
63.	Sambalpur District Co-operative Bank, Baragarh.	1,00,000	Rs. 199 for the year 1956-1957 credited during the year 1959-60.
64.	Angul United Co-operative Bank	1,01,000	Rs. 288 for the years 1953-54 and 1956-57 credited during 1958-59 and 1959-60.
65.	United Puri-Nimapara Co operative Bank.	1,50,000	Rs. 332 for the year 1956-57 credited during the 1959-60.
66.	Khurda Central Co-operative Bank.	80,000	Not declared up to 1959-60.
67.	Nowrangpur Central Co-operative Bank	1,00,000	Rs. 505 for the year 1956-57 credited during the 1958-59.
68.	Keonjhar Central Co-operative Bank.	1,00,000	Not declared upto 1959-60

(1)	(2)	(3)	(4)
		Rs.	
69.	Mayurbhanj Central Co-operative Bank.	1,00,000	Not declared up to 1959-60
70.	Banki Central Co-operative Bank	1,40,000	Rs. 438 for the year 1956-57 credited during the year 1959-60.
71.	Bhawanipatna Central Co-operative Bank.	50,000	Rs. 132 for the year 1956-57 credited during 1959-60.
72.	Nayagarh Central Co-operative Bank.	50,000	Not declared up to 1959-60
73.	Baripada Urban Co-operative Bank.	70,000	Ditto
74.	Orissa State Co-operative Land Mortgage Bank Ltd.	11,25,000	Rs. 20,616 for the years 1939-40 to 1956-57 credited during 1940-41 to 1959-60.
75.	Orissa State Co-operative Bank	9,00,000	Rs. 15,250 for the years 1957-58 and Rs. 11,470 for 1958-59 credited during 1959-60 and 1960-61 respectively.
76.	Regional Marketing Co-operative Societies.	17,90,000	Not declared up to 1959-60
77.	Grain Gola Co-operative Societies.	17,00,000	Ditto
78.	Large sized Co-operative Societies.	34,80,000	Ditto
79.	Central Fishermen Co-operative Society, Balugaon.	90,000	Ditto
80.	Orissa State Co-operative Marketing Society.	1,00,000	Ditto
81.	Danpur Jute grower's Marketing Co-operative Society.	1,20,000	Ditto

Source—Finance Accounts, 1959-60 and the Audit Report, 1960, Government of Orissa, Finance Department.

CHAPTER XVII

Local Taxes

The local bodies in the State may be divided into two classes, urban and rural. The former are called Municipalities or Notified Area Councils. The Grama Panchayats, the District Boards and the recently constituted authorities, the Panchayat Samitis and Zilla Parishads belong to the rural class. The urban bodies are governed by the Orissa Municipal Act, 1950. The Orissa Grama Panchayats Act, 1948 lays down the law for the Grama Panchayats. The District Boards, which are institutions inherited from the days before the constitution of the province of Orissa, were governed by three different Acts. The Bihar and Orissa Local Self-Government Act, 1885 applied to Cuttack, Puri and Balasore districts. The Madras Local Boards Act, 1920 applied to Koraput and with some variations, to Ganjam. Sambalpur district was under the Sambalpur Local Self-Government Act, 1937. The other districts had no Boards. Although in an attempt to unify the laws relating to District Boards, the Orissa Local Government Act, 1949 was passed it was not enforced. All the Boards were taken over by Government in 1954 as a preparatory step for the establishment of a new system of Local Self-Government, known as the Anchal Sasan system. The Anchal Sasan was not, however, proceeded with for various reasons. Finally, the District Boards were replaced in 1961 by Zilla Parishads under the Orissa Zilla Parishads Act, 1959. A new set of local bodies, known as Panchayat Samitis were also brought into being as a result of this Act.

2. We may first deal with the urban local bodies. According to the Orissa Municipal Act, 1950 a Municipality is constituted in a town, the population of which is not less than 10,000 with an average density of 1,000 inhabitants to the square mile. Besides, two thirds of the adult male population of the town should be chiefly employed in non-agricultural pursuits. Under the same Act, a Notified Area Council is usually formed in an urban area which does not strictly fulfil the conditions laid down for the creation of a Municipality, but, nevertheless, require a quasi-municipal administration in view of the existence of a comparatively large number of non-agricultural classes. The members of these Councils are nominated and the highest revenue officer of the subdivision is usually appointed as Chairman. Except for this difference in constitution, the Municipality and the Notified Area Council are the same for all practical purposes. At present there are 19 Municipalities and 23 Notified Area Councils. Their names, particulars of population and the classification according to census are given in Appendix 1. The provisional results of 1961 census have also been shown therein. It will be clear that number of towns have moved up due to an increase in the population. The most spectacular is Rourkela which has jumped from Class IV to Class II. Baripada and Birmitrapur which were in Class V have now entered Class III. Similarly, Angul, Barbil and Choudwar have moved up two places to Class IV. Talcher, appears to be the only solitary instance of a decline in the population. It has however, managed to retain its class.

3. Under the Act, the municipalities have power to levy the following taxes and fees, a tax on holdings, service taxes, such as latrine, water, lighting and drainage taxes, a tax on professions, arts and callings, a tax on carriages, carts, horses and other animals, and a poll tax on carts, animals, carriages other than motor vehicles carrying goods and passengers. They have also power to regulate location of dangerous or offensive trades and charges fees therefor. Similar licence fees can be levied by them on industries and factories, places of public resort and entertainment and private markets. Octroi on goods brought within municipal limits for consumption, use and sale therein is also within their competence. The most important of the taxes is the holding tax. It can be levied up to 10 per cent of the annual value of the holding which means the gross annual rental at which the holding may reasonably be expected to be let less a deduction in the case of

buildings only of 10 per cent of such annual rent on account of allowances for repairs, etc. The valuation of holdings is to be revised at quinquennial intervals. This tax has been conceived as the basic tax and can, if properly assessed, be expected to yield, in most cases, sufficient revenue for carrying out the main purposes of municipal administration. The service taxes are different from the holding tax in character although they too are levied on the annual value of the holdings. They can be levied only after the relevant services have been provided to the citizens. The ceiling for latrine, water and drainage taxes is in each case 10 per cent of the annual value of the holding. In the case of lighting tax it is 5 per cent. Similarly, in the case of fees, certain limits have been laid in the Rules framed under the Act.

4. We may now see the extent to which the municipal authorities have exercised their powers of taxation. The statement at Appendix 2 contains particulars of different taxes and rates levied by these authorities. Here we may briefly refer to some of the main features. Firstly, the holding tax is in force in 16 Municipalities and 11 Notified Area Councils. Some of the Notified Area Councils are of recent origin and are said to be engaged on certain preparatory steps. Among the older bodies, Sambalpur and Sonepur are the main exceptions. The Sambalpur Municipality has treated Octroi as a substitute for holding tax and has been deriving a substantial part of its income from that levy. But it is obvious that these two taxes are not strictly comparable. While the Octroi falls upon all citizens irrespective of their economic status and the value of their property, the holding tax is borne largely by the propertied classes more or less in proportion to the value of their property. Incomes derived from professions or, in other words, earned incomes, are on a par with unearned incomes in the case of Octroi. This is contrary to the principles of equitable taxation. Even where the holding tax is in force the rate is less than the maximum except in five instances, Cuttack, Balasore, Parlakimedi, Koraput and Rayagada. In two cases, Bargarh and Deogarh, it is as low as 2 per cent. Even where the higher rates have been adopted, it cannot be said that the impact of the tax corresponds exactly to the rate. For, there are reasons to think that the value of holdings has not been correctly fixed or has been fixed low deliberately and above all revisions have not been undertaken at regular intervals as required by law.

5. Secondly, among service taxes, the most commonly levied tax is the latrine tax. Sonepur, Dhenkanal, Deogarh and Jharsuguda are the exceptions among the municipalities where the latrine tax is not levied despite the provision of the required facilities. Water tax is in force in Puri, Berhampur and Deogarh Municipalities where the water supply is under the management of the Municipal Councils. Cuttack has not yet levied water tax, as the water supply system is still under the control of Government. The Municipalities that have not levied water tax despite the provision of water as required under the Act are Baripada, Sambalpur and Rayagada. The lighting tax has been imposed by six Municipalities and five Notified Area Councils. The drainage tax has been levied in one Municipality only viz., Berhampur.

6. Thirdly, profession tax has been imposed in eight places—the Municipalities of Berhampur, Parlakimedi and Jeypore, and the Notified Area Councils of Gunupur, Nowarangpur, Koraput, Rayagada and Talcher. In other places there has been a general reluctance to levy this tax, as it is apprehended that it will give rise to discontent among the vocal classes and the income is not likely to be commensurate with the trouble.

7. Tax on carriages, carts, horses and other animals has been imposed in almost all municipal areas. This is an important and growing source of income as the number of bicycles and cycle rickshaws has been increasing rapidly. Taxes are usually collected by issue of tokens. This tax admits of evasion. Many escape payment of tax due to lack of proper administration. Recently another difficulty

has also arisen. Owners of cycles, etc. have found it advantageous to register their vehicles in the Grama Panchayats adjoining municipal towns and avoid the payment of the higher tax to the Municipality by virtue of the ban on double taxation. This has proved to be a great source of leakage and clearly calls for the introduction of a procedure and machinery for regulating and co-ordinating the taxing jurisdictions of the two kinds of local bodies to their mutual benefit.

8. Mention must be made of the terminal tax in Puri on passengers carried by railways and road transport services. This tax is peculiar to Puri and no other municipal authority has been allowed to levy it.

9. We have given in Table 1 below information relating to the total tax assessed and other demands falling due for collection in a year and collections actually made in that year in all Municipalities during the years 1951-52 to 1958-59. Table 2 gives similar information for the Notified Area Councils.

TABLE 1

Particulars of assessment and collection of taxes and other demands in Municipalities

Year	Total tax assessed	Total tax collected	Percentage of column 3 in column 2	Other demands	Collection of other demands	Percentage of column 6 in column 5
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1951-52	16,17,107	9,61,781	59.5	2,25,604	1,66,472	73.8
1952-53	13,92,104	11,15,135	80.1	4,08,146	3,35,858	82.3
1953-54	16,37,873	10,33,206	63.1	5,00,862	4,10,246	81.9
1954-55	22,69,834	12,68,932	55.9	4,72,604	3,07,466	65.1
1955-56	22,43,056	15,05,143	67.1	4,89,150	4,16,926	85.2
1956-57	23,32,410	16,49,875	70.7	5,67,700	4,41,462	77.6
1957-58	24,32,628	17,90,256	73.6	6,31,020	4,31,930	68.4
1958-59	26,33,289	20,12,294	76.4	6,04,015	4,44,860	73.7

Source—Finance (Local Fund Audit) Department, Government of Orissa.

TABLE 2

**Particulars of assessment and collection of taxes and other demands in
Notified Area Councils**

Year	Total tax assessed	Total tax collected	Percentage of column 3 in column 2	Other demands	Collection of other demands	Percentage of column 6 in column 5	Number of Notified Area Councils
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1951-52	59,231	52,185	88.1	Nil	Nil	..	2
1952-53	96,041	80,069	83.4	17,827	17,365	97.4	3
1953-54	1,45,179	1,87,816	129.4	16,742	15,110	90.2	5
1954-55	2,13,563	1,81,805	85.1	32,823	28,354	86.4	7
1955-56	3,08,497	2,52,673	81.9	62,055	49,247	79.4	12
1956-57	2,90,065	2,53,059	87.2	98,847	79,682	80.6	12
1957-58	3,57,980	2,47,626	69.2	1,34,979	95,605	70.8	16
1958-59	6,18,241	3,92,500	63.5	1,88,155	1,59,074	84.5	16

*Source—Finance (Local Fund Audit) Department,
Government of Orissa.*

It appears that the percentage of collections in the Municipalities has improved in recent years while in the case of Notified Area Councils there has been some deterioration.

It is said that the fall has occurred mainly in some of the new Councils which have come into existence during the last three years and that collections will improve with the setting up of a proper organisation.

10. It will be useful to compare the tax collected per head of population in the Municipal areas with the estimate of incidence of incidence of local Municipal taxes we have arrived at in Chapter IV on the basis of the Family Budget Enquiry. Table 3 below gives the tax revenue of Municipalities and Notified Area Councils in 1958-59. In calculating the *per capita* rate shown in Column 3 and the provisional figures of 1961 Census have been adopted. It will be seen that against the estimate of Rs. 2.64 revealed by the incidence calculations, the actual collections show a *per capita* rate of Rs. 2.87 in the case of Municipalities and Rs. 1.33 in the case of Notified Area Councils.

TABLE 3
Per capita tax revenue in Municipalities and Notified Area Councils

Municipalities	Tax collected	Tax per head*	
		Rs.	Rs. np.
1. Balasore ..	1,42,810		4.26
2. Baripada ..	53,667		2.67
3. Baragarh ..	18,408		1.32
4. Berhampur ..	3,57,817		4.64
5. Bhanuipatna ..	13,693		0.96
5. Bolangir ..	29,870		1.60
7. Cuttack ..	8,43,230		5.74
8. Deogarh ..	2,915		0.43
9. Dhenkanal ..	11,524		0.83
10. Jajpur ..	22,716		1.66
11. Jeypore ..	64,504		2.55
12. Jharsuguda ..	20,370		1.07
13. Kendrapara ..	31,519		1.98
14. Keonjhar ..	4,104		0.32
15. Parlakhimedi ..	68,281		3.00
16. Puri ..	2,52,084		4.13
17. Sambalpur ..	69,531		1.77
18. Sonepur ..	N. A.		..
19. Sundergarh ..	7,045		0.62
All Municipalities ..	..		2.87

Notified Area Councils	Tax collected		Tax per head	
		Rs.		Rs. per
1. Angul ..		7,154		0.44
2. Aska ..		17,069		1.86
3. Badabil ..		No Tax		..
4. Bhadrak ..		Formed on		9-4-1980
5. Bhubaneswar ..		1,65,579		4.31
6. Bhanjanagar ..		14,745		1.44
7. Biramitrapur ..		N. A.		..
8. Boirani ..		N. A.		..
9. Chowdwar ..		Formed on		19-2-1959
10. Chatrapur ..		15,723		1.92
11. Gunpur ..		20,728		2.02
12. Khurda ..		Formed on		12-7-1960
13. Koraput ..		54,933		7.51
14. Kotpad ..		N. A.		N. A.
15. Kantabanjhi ..		6,725		0.76
16. Nawarangpur ..		17,790		1.75
17. Nayagarh ..		N. A.		N. A.
18. Rayagada ..		20,361		1.43
19. Rajgangpur ..		1,335		0.10
20. Rairangpur ..		Formed on		8-4-1960
21. Rourkela ..		141		0.02
22. Talcher ..		8,845		1.09
23. Titilagarh ..		11,061		1.47
All Notified Area Councils		1.33

* Calculations have been made on the basis of the provisional figures of population of 1961 Census.

Source : Finance (Local fund Audit) Department, Government of Orissa.

11. Next we may briefly review the trends that the revenues of these urban authorities have revealed during the past few years. Such a review will help in understanding the relative position of the various components of revenue and their likely growth in future. Tables 4 and 5 contain the particulars of receipts of Municipalities and Notified Area Councils respectively from 1951-52 to 1958-59. These have been compiled on the basis of the data supplied by the Assistant Examiner of Local Fund Accounts. The figures in brackets represent percentages.

TABLE 4

Particulars of receipts of Municipalities from 1951-1952 to 1958-1959

(In Rupees)						
Year	Local Taxes	Non-Tax sources	Shared Tax (M. V. Tax)	State Government Grant.	Other Grant	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1951-52	9,61,781 (39·41)	9,88,409 (40·51)	93,991 (3·85)	3,84,745 (15·77)	11,471 (0·46)	24,40,397
1952-53	11,15,214 (33·02)	13,08,884 (39·01)	2,62,401 (7·82)	6,38,205 (19·01)	32,401 (0·84)	33,57,105
1953-54	10,33,206 (31·66)	10,69,032 (32·76)	3,77,478 (11·57)	7,60,514 (23·30)	23,426 (0·71)	32,63,656
1954-55	12,68,932 (29·73)	12,01,002 (28·20)	3,64,934 (8·56)	13,25,100 (31·21)	98,808 (2·30)	42,58,776
1955-56	15,05,143 (36·16)	10,25,201 (24·63)	5,50,465 (13·23)	10,10,690 (24·28)	70,247 (1·70)	41,61,746
1956-57	16,49,875 (32·52)	10,98,013 (21·66)	7,33,017 (14·14)	15,77,362 (31·09)	14,604 (0·29)	50,72,871
1957-58	17,90,256 (37·07)	12,96,214 (22·48)	5,06,900 (8·80)	21,14,892 (36·69)	55,626 (0·96)	57,63,888
1958-59	20,12,194 (33·74)	14,75,937 (24·77)	5,15,650 (8·65)	18,80,810 (31·54)	77,843 (1·30)	59,62,534

Source : Finance (Local Fund Audit) Department, Government of Orissa.

TABLE 5

Particulars of receipts of Notified Area Councils from 1951-52 to 1958-59

(In Rupees)

Year	No. of N. A. Cs	Local Tax	Shared Tax (M.V. tax)	Government Grants.	Other contri- butions.	Non-tax Revenues.	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1951-52	2	52,185 (57.2)	4,875 (5.8)	16,435 (17.9)	5,554 (6.1)	12,318 (13.5)	91,367 (100.0)
1952-53	3	80,069 (28.7)	9,491 (3.4)	1,64,384 (58.8)	4,823 (1.7)	20,646 (7.4)	2,79,412 (100.0)
1953-54	5	1,87,816 (58.0)	14,635 (4.5)	70,902 (21.9)	6,393 (2.0)	43,859 (13.6)	3,23,605 (100.0)
1954-55	7	1,81,805 (54.1)	25,030 (7.4)	70,814 (21.0)	5,393 (1.6)	53,533 (15.9)	3,36,575 (100.0)
1955-56	12	2,52,673 (45.5)	39,848 (7.2)	1,33,069 (23.8)	6,019 (1.1)	1,23,948 (22.4)	5,55,557 (100.0)
1956-57	12	2,53,059 (35.8)	64,125 (9.1)	2,64,333 (37.3)	3,311 (0.5)	1,22,453 (17.3)	7,07,281 (100.0)
1957-58	16	2,47,626 (26.5)	91,490 (9.8)	4,55,678 (48.7)	2,257 (0.3)	1,37,769 (14.7)	9,34,820 (100.0)
195 -59	16	3,92,500 (37.4)	87,800 (8.3)	3,45,057 (32.9)	6,116 (0.6)	2,17,202 (20.8)	10,48,675 (100.0)

Source : Finance (Local Fund Audit) Department, Government of Orissa.

Two or three points may be made on the basis of the above figures. Firstly, non-tax revenues including Government grants form the bulk of revenues. Secondly, among tax revenues shared taxes make no significant contribution and local taxes are easily the more important. Thirdly, contrary to expectations, local taxes have not improved their position to any great extent with the passage of time. Their share in total revenues has either remained stagnant or suffered a slight fall. In absolute terms, however, there has been phenomenal increases. The total income of Municipalities under local taxes has gone up to more than 100 per cent. In the case of Notified Area Councils the increase is even greater. *Prima facie*, this may appear satisfactory. But we must add that simple comparisons of this kind are misleading unless we remember that the number of institutions is not the same over all these years and the figures of later years include the income of a larger number of bodies than those of earlier years.

12 A review of the municipal finances will not be complete without a look at the trends of expenditure. As in the case of State Government, expenditure may be broadly divided into 'developmental' and 'non-developmental'. The expenditure relating to General Administration, Collection of taxes, establishment and certain obligatory functions, such as

conservancy and public safety and convenience may be classified as non-developmental, while items like Public Health, Medical, Education and Public Works may be grouped as 'developmental'. Table 6 below gives the expenditure of Municipalities and Notified Area Councils separately under the two broad categories during the period 1951-52 to 1958-59. The figures in brackets represent percentages.

TABLE 6
Particulars of expenditure in Municipalities and Notified Area Councils
from 1951-52 to 1958-59.

Year	MUNICIPALITIES			NOTIFIED AREA COUNCILS		
	Develop- mental	Non- Develop- mental	Total	Develop- mental	Non- Develop- mental	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1951-52	8,46,618 (32.2)	17,84,752 (67.8)	26,31,370 (100.0)	61,198 (60.0)	40,688 (40.0)	1,01,886 (100.0)
1952-53	11,55,255 (39.3)	17,85,638 (60.7)	29,40,893 (100.0)	1,97,997 (73.0)	73,199 (27.0)	2,71,196 (100.0)
1953-54	12,41,130 (37.4)	20,78,412 (62.6)	33,19,542 (100.0)	1,58,445 (65.5)	83,467 (34.5)	2,41,912 (100.0)
1954-55	20,17,567 (49.3)	20,72,983 (50.7)	40,90,550 (100.0)	2,05,425 (66.3)	1,04,317 (33.7)	3,09,742 (100.0)
1955-56	12,70,735 (33.4)	25,37,362 (66.6)	38,08,597 (100.0)	2,21,143 (55.8)	1,74,277 (44.2)	3,95,420 (100.0)
1956-57	15,74,484 (38.2)	25,49,407 (61.8)	41,24,231 (100.0)	2,69,432 (57.0)	2,17,067 (43.0)	4,86,499 (100.0)
1957-58	18,82,500 (32.9)	38,45,150 (67.1)	57,27,650 (100.0)	4,02,508 (57.0)	3,02,928 (43.0)	7,05,436 (100.0)
1958-59	22,44,440 (34.2)	43,24,201 (65.8)	65,68,641 (100.0)	5,36,988 (54.7)	4,45,270 (45.3)	9,82,258 (100.0)

SOURCE: Finance (Local Fund Audit) Department, Government of Orissa.

It is interesting to note that in the case of municipalities non-development expenditure is more than development expenditure while in the case of Notified Area Councils the position is reversed. Among the non-development expenditure the biggest item is conservancy. Among the items of development expenditure Public Works occupies the first place with Education following next. For further details reference may be made to the statements at Appendix 3.

13. We do not envisage any spectacular change in the composition of municipal revenues or the pattern of municipal expenditure in the immediate future. The municipalities and Notified Area Councils will continue to depend for some time on loans and grants from the State Government for financing the development schemes. This is not to say that they have already exhausted all possibilities of increasing their own tax and non-tax revenues. We have no doubt that in most cases only a small fraction of the potential revenue has so far been tapped and that there is great scope for raising the assessments as well as improving the collections. So, in our reference to the continuing dependence on the aid of State Government we are only attending to to draw attention to the stupendous nature of the problem. Big and expensive schemes like protected water supply, drainage and sewerage need only be mentioned to bring out the utter inadequacy of municipal finances for the tasks of development. In some instances, even road development presents financial problems which are manifestly overwhelming. Some of these schemes may in the long run raise the capacity of the local bodies to raise revenue. But in the short run investments of the order which is clearly beyond the capacity of these bodies will have to be made. It is not possible for most if not all these local authorities to raise loans in the open market. They will therefore have to depend on the State Government to provide the necessary finance. We will only add that the State Government should recognise these aspects fully and provide in their annual plans as well as the five year plans a reasonable amount for giving assistance to the urban authorities for the purpose of development. While giving assistance the Government should however take care to see through imposition of suitable conditions that these authorities endeavour to become self reliant in due time and will not fail to impose suitable taxes and fees in proportion to the benefits conferred by the development schemes. In other words, water tax and drainage tax should invariably accompany water supply and drainage schemes and the time-lag between the completion of the schemes and actual levy should be reduced to the minimum. For this purpose, we recommend that the State Government should insist on the drawing up of annual plans, by Municipalities and scrutinise them in the same manner as the Centre does with the State's annual plans.

14. We recommend the following measures for the improvement of Recommendations municipal finances :

(a) All the municipal authorities should be persuaded to levy the holding tax and such of them as have levied at a rate well below the permissible maximum should be induced to review the rates in the light of the development programme they have set before themselves or the needs they are called upon to satisfy. It should be possible for the municipalities to draw up a phased programme of increases.

(b) It appears desirable to fix a minimum rate of holding tax which should be leviable compulsorily by all municipal authorities and Notified Area Councils.

(c) The main problem of holding tax is valuation. With a view to rationalise valuation and to free the process from undesirable pressures and fraudulent practices the State Government may set up an independent central valuation organisation whose business it will be to undertake initial as well as quinquennial valuations in all municipal areas.

Such a suggestion was earlier made by the local Finance Enquiry Committee as well as the Taxation Enquiry Commission. The State Government did not appear to have taken kindly to the suggestion presumably because the number of municipalities was not then sufficient for such a centralised organisation. Now that there are as many as 19 Municipalities and 23 Notified Area Councils there is a clear case for the establishment of such an organisation. The cost of valuation can be debited to the local authority concerned on the basis of an agreed formula.

(d) We feel that Octroi though objectionable on certain grounds and singled out for gradual abolition by the Taxation Enquiry Commission has a definite role to play in certain circumstances. For it provides perhaps the only method for making a floating population pay for municipal services. We therefore recommend that wherever on account of sudden industrial development or of the nature of occupations in the town there is a large floating population with no taxable property within the area of the local authority, levy of an Octroi should be permitted. After all, the presence of the floating population leads to increased expenditure and places a heavy burden on the services of the authorities concerned. In our view, this tax will be amply justified in such circumstances. We are of course aware that some local authorities have been placing undue reliance on this tax even to the exclusion of the property tax. To prevent perpetuation of this tendency it should be laid down that the permission to levy octroi should be given only to the authority which has in fact levied the property tax.

(e) The pilgrim tax now levied in Puri on passengers arriving by road may be extended to Jajpur on the same terms and conditions with a view to enable that municipality to meet the extra expenses it is presently put to on account of the large influx of pilgrims.

(f) An important source of non-tax revenue remains to be tapped by most of the urban authorities and that is pisciculture. As we shall see presently several Grama Panchayats have raised substantial amounts through pisciculture. There is no reason why the municipalities and Notified Area Councils should not also take up this activity. The State Government may adopt a policy similar to the one they are following in the case of Grama Panchayats and transfer as many Government tanks as possible to these local authorities.

15. We may recall that besides the above suggestions we have recommended elsewhere that a share be given to the municipalities in the proceeds of the entertainment tax, and the municipalities empowered to levy a show tax in addition to the entertainment tax. There are some more points which bear on municipal finances. These will be discussed a little later along with the financial problems of Grama Panchayats.

RURAL LOCAL BODIES

16. Of the rural local bodies the district boards have already ceased to exist and it does not serve any useful purpose to review their working and their powers of taxation at this stage. The institutions of the future at the district level are the Zilla Parishads. These are not made in the image of the District Boards. They have no powers of taxation and they are not expected to sponsor and execute schemes of development on their own. According to section 27 of the relevant Act the fund of the Parishad is to consist of grants, donations and the prescribed share of State taxes, such as land cess. The Panchayat Samiti at the block level, on the other hand, enjoys certain powers of taxation. These too are limited in scope. According to section 22 of the Act a Samiti may, if specially authorised, levy any tax or fee leviable by the Grama Panchayat. On the issue of such special authorisation and the imposition of the levy thereunder, the Grama

Panchayats situated within the jurisdiction of the Samiti will lose the power to levy the tax or fee in question. In other words, the taxing powers of the Samiti and the Panchayat are mutually exclusive. However, it cannot be the intention of the authors of the scheme of democratic decentralisation to convert the Grama Panchayat into a mere expending body depending entirely on the doles of higher authorities and concentrate all the powers of taxation at the level of the Samiti. In fact such a development will be contrary to the process of decentralisation. It is, therefore, necessary to spell out more clearly than at present the conditions in which the Samitis and Grama Panchayats can simultaneously exercise taxing powers and the terms on which the jurisdictions of both can be reconciled or intergrated. As at present envisaged, the main sources of income of the Panchayat Samiti like that of Zilla Parishad are grants from the State Government and share of State taxes. These institutions have just come into being and it is too early to say how they will function with such limited powers to raise their own resources, particularly of the category of taxes and what difficulties, if any, will arise in practice. We have, however, recommended in Chapter VI that the Zilla Parishads should be given the power to move Government to increase the rate of cess for a specified period or for a specific purpose. This power is based on the analogy of the power enjoyed by the defunct District Boards. In our view such a power is the minimum necessary for making the Parishads and the Samitis of the new set up effective and responsive to the tasks of development envisaged for them. We believe, it is possible to grant this power to the Parishads without unduly interfering with the scheme of Local Self-Government contemplated in the Orissa Zilla Parishad Act.

17. We now turn to Grama Panchayats which appear to be the only rural authorities with independent powers of taxation. The main sources of income of Grama Panchayats sources of income of the Grama Panchayat are—

- (a) grants and loans given by Government for specific purposes,
- (b) a share in the land cess,
- (c) taxes and fees, and
- (d) management of its properties such as markets, fairs, ferries and fisheries etc. Government assistance is of two kinds. Some are meant to help the Panchayats meet the establishment costs partly or wholly. Examples are initial grants given immediately on the constitution of the Panchayat, grants for the pay and dearness allowance of choukidars, sanitation staff and secretary. The other kind of Government grants is concerned with development schemes. Kendu leaf grant, grant for construction of grain golas, grant and loans for pisciculture, bone digesters, paddy deposits and other remunerative schemes are main items under this head. The Panchayats' share of land cess has been fixed at one-third. The remaining two items which may be described as internal resources are by far the most crucial. We have no doubt that the future of Panchayats will depend to a large extent on the speed and favour with which these sources are exploited. We shall therefore discuss these items in greater detail in the paras that follow.

Panchayats powers of taxation. 18. A Gram Panchayat can levy the following taxes and fees :—

- (a) A tax on immovable properties, which is usually known as Panchayat tax.
- (b) Service taxes like latrine tax or conservancy tax, a water rate, a lighting rate or a drainage tax where the Grama Panchayats provide the relevant facilities.
- (c) Profession tax
- (d) A tax on vehicles other than motor vehicles

- (e) Licence fees on brokers, commission agents, weighman and measurers.
- (f) Fees for the registration of cattle sold within the local area.
- (g) Fees for the right to expose goods for sale in the Panchayat market.
- (h) Fees for the use of slaughter houses and cart stands maintained by the Panchayat.
- (i) Fees on private markets, cart-stands and slaughter houses within the local area.
- (j) A labour tax.

In regard to some of these items the law has laid down the maximum and minimum limits. The latrine and lighting taxes can be levied each up to a maximum of 12½ per cent of the panchayat tax. The minimum for both is 6½ per cent. For the drainage tax, the maximum is 6½ per cent of the panchayat tax and the minimum is 3 1/8 per cent. In the case of profession tax, the highest rate permissible is Rs. 50 per annum. The labour tax is limited to four days' labour in a year. Where water is supplied for irrigation, a rate equivalent to what the Government charges for its own sources can be levied, but the actual levy is subject to the approval of the Collector. No limits have so far been fixed for drinking water supply. Similarly, in the case of market fees, cattle registration fees and other items of fees, no maximum or minimum have been laid down. The position is the same in regard to Panchayat tax.

19. Table 7 below shows the income derived by all Gram Panchayats from Government assistance in grants and loans, cess and inter: al sources of tax and non-tax origin during the years 1956-57, 1957-58 and 1958-59. Complete information is not available for previous years and so we have confined our study to these three years only.

TABLE 7
Particulars of income of Grama Panchayats
(In Rupees.)

Year	Government assistance	Cess	Internal sources	
			Taxes & fees	Non-tax sources
1956-57	29,54,858 (61.50)	71,393 (1.48)	5,83,487 (12.15)	11,94,804 (24.87)
1957-58	39,95,004 (55.25)	86,033 (1.19)	9,35,443 (12.93)	22,15,046 (30.63)
1958-59	56,58,648 (65.06)	7,703 (0.09)	13,22,491 (15.20)	17,09,078 (19.65)

Source: Planning and Co-ordination (Grama Panchayat) Department, Government of Orissa.

The figures in brackets represent percentages. It will be clear that the Government assistance constitutes the major portion of the Panchayat revenues. It is, however, doubtful if the level of 1958-59 can be maintained after the change of kendu leaf policy in 1959-60. The figures for 1961-62 may show a decline as no income derived from this source in the previous year will be available for distribution. It may be difficult to make up the loss through an increase

under other grants. Another fact revealed by the above table is that the contribution of cess is not very significant. The very low figure of cess in 1958-59 appears to be due to the non-transfer of the amounts to Panchayats for some procedural bottle-necks. There are, of course, some hopes of increase in the near future now that the Government have been contemplating the levy of cess at a unified rate and a higher structure of land revenue may be brought into existence as a result of settlement operations.

It is nevertheless difficult to envisage the transformation of this item from a minor contributor to a major benefactor. The future, therefore, lies with the growth of internal sources. The figures do show improvement from year to year. The fall in 1958-59 under non-tax sources, we are told, is partly due to certain gaps in reports and partly due to sale of securities and the consequent decline in receipts under interest.

20. The breakup of the internal sources and the trend of income under each component during the three selected years may be seen in the following tables. While appreciating the figures it is necessary to remember that not all Panchayats have reported and all the three years' figures do not relate to the same number of Grama Panchayats.

TABLE 8
Break up of internal sources of Revenue of the Grama Panchayats
in selected years

Particulars of interne sources	(In Rupees.)		
	Income in 1956-57 (1,554 G.Ps.)	Income in 1957-58 (2,095 G. Ps.)	Income in 1958-59 (2,136 G. Ps.)
<i>A—Taxes and fees</i>			
1. Panchayat Tax	3,98,179	6,38,018	8,71,174
2. Professional Tax	36,157	61,810	59,050
3. Other Taxes*	53,259	78,734	1,32,467
4. License fees of Cart stand	29,056	56,173	92,160
5. License fees of Vehicles	45,157	77,952	1,47,422
6. Cattle Registration fees	21,679	22,756	20,218
Total—A ..	5,83,487	9,35,443	13,22,491
<i>B—Non-tax sources</i>			
7. Markets, fairs & market sheds.	2,94,965	3,87,543	3,93,778
8. Cattle pounds	1,36,027	1,47,685	1,79,045
9. Hiring charges of pumps	47,893	1,24,089	57,738
10. Pisciculture	1,43,843	2,11,240	2,43,329
11. Ferries & Ghats	..	21,941	98,707
12. Miscellaneous**	5,72,076	13,22,548	7,36,481
Total—B ..	11,94,804	22,15,046	17,09,078
Grand Total	17,78,291	31,50,489	30,31,569

* Includes latrine tax but does not include drainage tax, water rate and labour tax none of which have so far been levied by any Grama Panchayat.

** Miscellaneous includes village orchards, Adalti Panchayats' fees, interests on investment, donations received, etc.

Source: Planning and Co-ordination (Grama Panchayat) Department,
Government of Orissa.

It will be seen that income from taxes has increased over the three years by 226 per cent while the receipts from non-tax sources have gone up by 143 per cent only. The latter does not appear to be steady. In 1957-58 the income was nearly double that of the previous year and 1958-59 showed a fall of about 23 per cent from the level reached in 1957-58. The fall has occurred mainly under Miscellaneous item and we have already referred to the reasons in the previous para. Markets and fairs fetch the largest amount among non-tax sources. Pisciculture follows next. Although there has been an increase of about a lakh of rupees during the three years under study, we are not satisfied in view of the great potential of this item. Several Grama Panchayats are still to tap this important source fully. We have listed in Table 9 below some instances where the Panchayats have been able to derive substantial income. Even in these cases, special steps appear necessary for stabilising the income at a reasonable level and eliminating violent fluctuations.

TABLE 9

Income of selected Grama Panchayats from Pisciculture in selected years

Name of Districts	Name of Grama Panchayats	(In Rupees)		
		Income from Pisciculture		
		1956-57	1957-58	1958-59
1. Ganjam	Sonapur	1,454	1,511	1,634
	Digapahandi	5,276	2,867	9,722
	Chikalkhandi	4,001	5,714	923
2. Mayurbhanj	Rajloka	1,116	1,165	1,205
	Agria	902	2,284	1,858
	Kuleisila	..	853	3,080
	Batpalasa	1,804		1,023
	Karanjia	..	873	1,742
3. Puri	Balugaon	612	586	1,030
	Itamati	669	537	1,044
	Saradhapur	512	..	1,128
4. Sambalpur	Barpali	2,975	700	2,571

Source Planning and Co-ordination (Grama Panchayat) Department, Government of Orissa.

21. From the Table 8 it appears that the income from Panchayat Tax has been rising from year to year. In view of the fact that this tax is meant to be the main source of tax income for these bodies we may analyse the trends further. Firstly, how many Grama Panchayats have come to levy it. Secondly, is the levy limited to some districts only or has it gained acceptance throughout the State. Thirdly, what is the trend of average income per Panchayat ? Tables 10 and 11 below provides the answers to these questions.

TABLE 10

Number of Grama Panchayats deriving income from Panchayat tax and their percentage to the total number of Grama Panchayats in selected years

Name of Districts	1956-57			1957-58			1958-59		
	Total Number of Grama Panchayats	Number deriving income from Panchayat tax	Per cent- age of column 3 in column 2	Total Number of Grama Panchayats	Number deriving income from Panchayat Tax	Per cent- age of column 6 in column 5	Total Number of Grama Panchayats	Number deriving income from Panchayat tax	Per cent- age of column 9 in column 8
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1. Balasore	155	136	87.7	156	133	85.3	156	141	90.4
2. Bolangir ..	152	35	23.0	152	22	14.5	152	10	6.6
3. Boudh-Khond mals.	78	5	6.4	78	6	7.7	78	19	24.4
4. Cuttack ..	398	34	8.5	399	315	78.9	399	364	91.2
5. Dhenkanal ..	164	7	4.3	164	4	2.4	164	1	0.6
6. Ganjam ..	278	45	16.2	276	43	15.6	276	57	20.7
7. Kalahandi ..	110	67	60.9	110	54	49.1	110	67	60.9
8. Keonjhar ..	99	4	4.0	98	6	6.1	98	5	5.1
9. Koraput ..	228	115	50.4	228	133	58.3	228	151	66.2
10. Mayurbhanj ..	160	144	90.0	160	154	96.3	160	155	96.9
11. Puri ..	274	80	29.2	275	158	57.5	275	244	88.7
12. Sambalpur ..	168	102	60.7	168	76	45.2	168	63	37.5
13. Sundergarh ..	80	42	52.5	80	29	36.3	80	35	43.7
Orissa ..	2,344	816	34.8	2,344	1,133	48.3	2,344	1,312	55.9

Source: Planning and Co-ordination (Grama Panchayat) Department, Government of Orissa.

It will be seen that by 1958-59 more than 50 per cent of the Panchayats in the State have begun to derive some income from Panchayat tax. But these are not evenly distributed in all the districts. In as many as seven districts the number levying the Panchayat tax is less than half. In the district of Dhenkanal, out of 164 Grama Panchayats one Panchayat only is reported to have derived some income from this tax during 1958-59. On the other extreme is Mayurbhanj where 155 out of 160 are shown to have obtained income from this tax. Generally speaking, the tax is in vogue in most of the Panchayats in the coastal districts. Here the levy has not met with much resistance as it is viewed as but a continuation of the Choukadari Tax that the people have been accustomed to pay for

a long time past. In other areas where there is no such tradition, the Panchayats have not made bold to impose a new levy. The panches of those districts are still to learn the art of taxation without risking too much of their popularity. In some cases, the reluctance to levy the tax is born of the fact that the Panchayat is deriving substantial income from other sources such as pisciculture and the kendu leaf grant. It is also true that even where the tax has been imposed for the first time serious difficulties have been experienced in making reasonable and acceptable assessments and in ensuring regular collections. These facts need not lead one to an unduly pessimistic view of the future of this tax. For there are sufficient bright signs pointing to progress in future. The number of Panchayats with income from this tax has gone up from 816 in 1956-57 to 1,312 in 1958-59. The average income of a Panchayat from this tax has also risen over this period in almost all districts as will be evident from the Table 11 below. The solitary instance of a fall is provided by Ganjam district and the reason is said to be poor collections of taxes in 1958-59 and accrual of some special receipts in 1956-57.

TABLE 11

Average income of a Panchayat from Panchayat Tax in different districts

(In Rupees)

Name of Districts	Average Income per Grama Panchayat in 1956-57	Average income per Grama Panchayat in 1958-59
1. Balasore ..	1,123	1,213
2. Bolingir ..	103	178
3. Boudh-Khondmals ..	759	932
4. Cuttack ..	429	756
5. Dhenkanal ..	57	142
6. Ganjam ..	1,186	613
7. Kalahandi ..	339	623
8. Keonjhar ..	75	88
9. Koraput ..	328	386
10. Mayurbhanj ..	411	621
11. Puri ..	368	634
12. Sambalpur ..	156	215
13. Sundergarh ..	152	243
Orissa ..	422	511

Source Planning and Co-ordination (Grama Panchayat) Department, Government of Orissa.

22. The pattern of expenditure of Grama Panchayats may be seen from the Table 12 given below. Here, as usual, expenditure has been divided into two broad classes, developmental and non-developmental. The Pattern of expenditure. detailed break-up of the former is shown in a separate Table (No. 13) further below. The latter consists of two items only, establishment and contingencies and we have not given the break-up as it does not appear necessary for our study.

TABLE 12

Particulars of expenditure of Grama Panchayats in selected years

(In Rupees)

Year	Number of Grama Panchayats	Developmental expenditure	Non-Developmental expenditure	Total expenditure
(1)	(2)	(3)	(4)	(5)
1956-57	2,344	20,42,628	9,50,283	29,92,911
1957-58	2,344	31,91,622	15,37,967	47,29,589
1958-59	2,344	50,64,212	23,45,759	74,09,971

Source: Planning and Co-ordination (Grama Panchayat) Department, Government of Orissa.

TABLE 13

Details of Development Expenditure of Grama Panchayats

(In Rupees)

Year	Village Sanitation.	Street lighting.	Construction and repair of roads.	Digging or renovation of wells and tanks.	Construction and repair of school building.	Maintenance of dispensary and medical-aid.	Libraries and reading rooms.	Miscellaneous.	Total
1956-57	30,759	78,431	4,97,258	4,88,161	1,90,374	39,809	31,648	6,86,188	20,42,628
1957-58	41,069	59,811	3,58,183	7,14,061	2,90,335	77,283	42,042	16,08,838	31,91,622
1958-59	36,332	54,596	5,99,569	7,57,402	5,33,446	1,45,191	37,522	29,00,154	50,64,212

Source: Planning and Co-ordination (Grama Panchayat) Department, Government of Orissa.

It will be seen from the above two tables that non-developmental expenditure constitutes about one-third of the total expenditure and that digging of wells and tanks and miscellaneous development works account for the largest portion of developmental expenditure. The biggest single item under miscellaneous development works is pisciculture. It claimed Rs. 8.31 lakhs out of total of Rs. 29 lakhs booked under this head in 1958-59. Agriculture schemes and other productive schemes came next with Rs. 3.86 lakhs. Market sheds, panchayat ghars, poultry, compost, bull-sheds and cattle pounds are some of the other items included under this miscellaneous head.

23. We visited some panchayats and took evidence from a number of Sarpanches and others interested in the panchayats with a view to ascertain the extent to which these infant local bodies have understood their fiscal powers and financial responsibilities and the difficulties they have come up against the full exercise of their powers of taxation. Four important points have emerged from our discussions. Firstly, the Grama Panchayats are often criticized that the entire income they get from taxes is used up in meeting the establishment expenditure. As very little of the tax income is thus available for any development work the people are said to be reluctant to pay taxes. So, it has been suggested by some witnesses that Government should undertake the responsibility of meeting the administrative expenditure of the Grama Panchayats thereby enabling them to link up taxes with development works and the satisfaction of the felt needs of the people. Secondly, the present powers of Grama Panchayats are said to be inadequate for compelling the refractory assesseees to pay their tax dues without unnecessary delay. The services of Village Chaukidars are not available to them and they depend upon the Subdivisional Officer and his revenue staff for the issue and enforcement of coercive processes. Thirdly, it has been said that while the people are willing to contribute voluntarily in terms of cash or labour towards development works in their village, they are averse to participate similarly in works benefiting other villages of their Grama Panchayat. The reasons cited for this attitude is that the Grama Panchayat which consists of several villages is too big a unit to generate community consciousness and an active sense of common purpose. Fourthly, it has been asserted that the people are willing to do Sramandan or contribute voluntary labour for specific work in their village but resent strongly the imposition of a labour tax for general purposes and for works outside their own village. The dislike for a labour tax appears to be largely due to historical reasons and this tax seems to recall the Bethi system of the past.

24. We do not claim that the above points are new or are brought out for the first time. In fact, the Grama Panchayats Enquiry Committee (1957-58) came upon them during their study and made some recommendations towards their solution. It will be useful to take note of their recommendations before we set out our own views. According to the Committee, "The Panchayats need more financial support than what is provided by the Grama Panchayat Department at present". They recommended the constitution of two Rural Development Funds, one at the State level and the other at the subdivisional level. The former is to be made up of the entire income derived by Government from kendu leaf leases, the net proceeds of development cess to be levied by Government at the rate of three annas per rupee of land revenue and 5 per cent of the land revenue collections of the previous year. A prescribed portion of the fund should be set apart for assisting the panchayats in the backward areas where the levy of the panchayat tax may not be feasible for some time to come. Yet another prescribed portion should be set apart for being paid into one subdivisional fund. The balance should be distributed to the panchayats on an equitable basis so as to ensure a minimum basic income. This contribution is, however, envisaged to be complimentary to the efforts of the panchayats themselves as, according to

the Committee, panchayats which have not imposed and collected the panchayat tax will not qualify for the grant. The fund at the subdivisional level will consist of the income from hats, ferries and fairs besides the prescribed allocation from the State Fund. In regard to the taxation power of Grama Panchayats the Committee held that there was a great need for simplification. Their specific suggestions are (a) a compulsory panchayat tax at a rate not less than four annas but not more than Rs. 10 per person per year except in

Other suggestions specified backward areas where the levy should be optional (b) an optional surcharge on land revenue to be levied by the Panchayat on the request of the Palli Sabha and collected by Government for the purpose of financing specific development projects in the area of the Palli Sabha in any particular year, and (c) fees to be strictly limited to instances where the panchayat renders specific service to the rural people, such as, the use of buildings for slaughter houses, cart-stands, rest-sheds, etc. maintained by the panchayat. According to the Committee, all other taxes, tolls, fees and rates should be discontinued and the power to levy labour tax should be withdrawn. For the rest, emphasis has been laid by the Committee on the development of non-tax resources, such as, pisciculture, plantations, poultry farming, etc. Another interesting recommendation is that the Palli Sabha should be authorized by the panchayat to collect *ad hoc* subscriptions from its residents for financing particular welfare schemes. In short, the Committee has endeavoured to provide for a basic minimum income through grants, to reduce the resistance to taxes by making them few and simple, and above all, to take advantage of the Community feeling of villages for raising additional income by taxes and subscriptions for development purposes.

25. We are in agreement with the Grama Panchayat Enquiry Committee on the need to give greater financial support to the Grama Panchayats. These local bodies are admittedly in a stage of infancy. Although several of them have been in existence for nearly eight years or more it cannot be confidently said that they have come of age and have become capable of standing on their own legs. In the scheduled areas and other backward tracts these institutions have not been able to convey the message of hope and hold out a promise of bright future for the people. In these circumstances it is not surprising that the people have not appreciated the inevitable link between taxation and development. We therefore suggest with the Grama Panchayat Enquiry Committee that a somewhat different policy should be followed in regard to backward areas and pressure to levy taxes be remitted for an initial period up to 5 years. During this period the extension staff of the Grama Panchayat Department should work out a programme of development and educate the people in the close connection between development and taxation. It is desirable that Government meet the cost of establishment fully for a year or two and gradually reduce their contribution in this regard in a phased manner. In the backward areas the phasing may be over a longer period than others. We feel that 5 years would be a reasonable period for most of the Panchayats. The amount required to be paid to the Grama Panchayats on the basis of this recommendation may be given partly by assigning specific schemes in part or in full and partly by giving as grant-in-aid. Land cess and land revenue are items which are eminently suitable for this kind of assignment. We do not wish to recommend any particular percentage of land revenue for assignment as this is required to be fixed on a careful consideration of the duties and functions of the three tiers of local self-Government introduced recently under the name of Panchayati-Raj. As regards other Revenues we have no particular recommendation to make. As regards kendu leaf income specifically mentioned by the Grama Panchayats Enquiry Committee there appears to be no need for any change. We feel that the present principle of granting 50 per cent to the areas from which the income is collected is sound. It will not be correct in principle to

Our views— assistance for meeting expenditure on establishment—assignment of revenues.

earmark the entire income from this source for the local bodies because a good portion is traceable to the reserve forests which are to be managed on commercial principles. We do not see any particular merit in constituting a separate rural development fund at the State level. Allocations out of land revenue and cess and kendu leaf income can be given to the Panchayats and smoothly without the creation of a fund.

26. On the question of creating a rural development fund at the subdivisional level too we do not see eye to eye with the Grama Panchayats Enquiry Committee.

Additional observations. This fund appears to be the direct result of the view taken by the committee in regard to the management of fairs, ferries and hats. They have held that these should be managed by Government who would collect the income, pool it for a subdivision and divide it among the Panchayats on an equitable basis. Perhaps the committee were not greatly impressed with the capacity of the Panchayats to manage and exploit these sources of income or they might have thought that the income from these sources could not be said to belong properly to the Panchayat where they are located to the exclusion of other Panchayats in the neighbourhood. It is true, some hats, ferries and fairs fetch sizeable amounts and the people of more than one Panchayat contribute to their income. There has also been a demand from some of the contributing Panchayats that they be given a share in the income. We recognise that this demand is reasonable to some extent and a way must be found to meet it. But in our view the solution is not for Government to resume control over these sources so soon after their devolution to the Grama Panchayats. To keep them under Government management will be a retrograde step and will in the long run be detrimental even from the financial point of view. It is only in the fitness of things that the local authorities should be encouraged to manage and develop these sources. The experience of the past few years shows that these sources yield more income under the management of local authorities than when they are under the control of Government. The suggestion to divide the income of the bigger sources among more than one Panchayat can be implemented in another way consistently with the need for, and the superiority of, management by local authorities. We think that the Panchayat Samitis are the most suitable authorities for being entrusted with this work. The ferries, fairs and hats in a block may be classified into two categories, those that are small and thus suitable for management by Panchayats and those that are big and can be better managed by the Samiti. This classification may be done by the Samiti itself with the approval of the Zilla Parishad. Government may pass necessary orders on the basis of the Parishad's resolution.

27. We welcome the Committee's idea that the Panchayat tax be levied compulsorily in all the Grama Panchayats except in the backward areas and the maximum and minimum rates suggested by them are generally suitable. But the question is how this provision will be enforced if and when a Grama Panchayat does not obey. Here again we see in the Panchayat Samiti an eminently suitable agency for carrying out this policy. For this purpose the Samiti may be vested with necessary powers by law. It should be open to the Samiti to establish a valuation organisation not only to impose the levy in the area of refractory Panchayats but also to help the willing ones in the difficult task of correct assessment. The other suggestion of the Committee to impose surcharge on land revenue in a part of the panchayat on the request of the Palli Sabha is neither practicable nor necessary in our view. For one thing, it will be extremely difficult, from the administrative point of view, for Government to collect surcharges in a few villages and maintain detailed accounts thereof. For another, differential taxation does not appear to be in consonance with the constitution and corporate nature of the Grama Panchayat. Moreover, with the reorganisation of Grama Panchayats with a population of about 3,000 that the Government have accepted,

it may not be necessary to lay such excessive emphasis on the Pali Sabhas making up the Grama Sabha and let each one act according to their best lights in regard to additional taxation. There is, however, no harm in empowering the Pali Sabhas to collect *ad hoc* subscriptions for specific welfare schemes. As we shall presently indicate, Pali Sabhas may also be given some power in regard to labour contribution.

28. We are unable to accept the drastic suggestion of the Committee to discontinue all taxes, tolls, fees and rates other than the panchayat tax and fees for certain specific services. This recommendation appears to affect particularly the cycle tax, the cart tax and fees for registration of cattle. The committee has not elaborated the reasons that led them to make this recommendation. Perhaps, they have been moved by the advantages of a simple system. Multiplicity of taxes might lead to confusion and eventually create an unfavourable climate for the proper development of a self-Government institution in the rural areas. Simplicity of system is no doubt a desirable objective in the field of taxation, but it is against practical wisdom to give up sources which have proved to be lucrative and which, by and large, have been exploited by almost all Grama Panchayats. These miscellaneous taxes have proved to be superior to the Panchayat tax in breaking down the innate resistance to all taxes as well as in actual administration. The income that the panchayats would lose on the acceptance of this recommendation would not be small and it would be hard to make it up by other available means. These levies are as old as the villages and have been widely used by Panchayats all over the country. There is no compelling reason why the panchayats in Orissa should fight shy of these levies. We, therefore, feel that the status quo in this regard should be maintained.

29. The labour tax is a unique feature of the armoury of taxes of panchayats. Contribution of voluntary labour. The relevant provision of the law reads as follows :—

“45. For the purpose of enforcing for any public purposes free manual labour by all able bodied persons between the age of eighteen and fifty ordinarily residing in its area, the Grama Panchayat shall impose a labour tax on all such persons in a prescribed manner. Such taxes shall be payable in cash at a rate equivalent to double the rate of manual labour prevailing at the time in the villages as may be determined by the Grama Panchayats:

Provided that no such tax shall be payable by such a person if he renders such labour either himself or by a proxy for a fixed number of days not exceeding four days in any one year or two days at a stretch in the said year.”

Our enquiries have shown that it has proved impracticable in the form in which it is provided. No Grama Panchayat has so far levied it. Perhaps on the basis of this experience, the Grama Panchayats Enquiry Committee has recommended its abolition. We, however, feel that the removal of this tax from the law is but a counsel of despair. After all, labour is the main resource of the rural people and most of the development works executed at the village level are labour-intensive. Besides, there is a tradition of community labour being employed for such works as repairs of canals and minor irrigation works and the construction of the village school house. It is the conversion of this long standing customary practice of voluntary labour into a tax that has introduced a jarring note. So our attempts should be to soften the disturbing factor and make labour contribution widely acceptable as an important measure of finding resources for development works. We have discussed this subject at length with the representatives of the Grama Panchayats. The general consensus of opinion is

that there will be no objection to provide for an element of compulsion if the rate of contribution of labour by each individual or household is fixed with reference to particular works and on the basis of an agreed formula. The procedure is for the Pali Sabhas to decide by community vote how much each should contribute voluntarily towards specific development works. If 75 per cent of the people have signified their assent to the scheme of voluntary contribution the Grama Panchayats should have the power to force the remaining 25 per cent to contribute their share of labour or commute it in terms of cash. We recommend that the law be amended suitably to provide for such a scheme of voluntary-cum-compulsory contribution.

30. The importance of labour as a resource for development and the need for the maximum utilisation of idle manpower in the villages for creating assets for the community cannot be over emphasised, particularly in view of the decided preference of all concerned for non-tax revenues as compared with tax revenues. The Grama Panchayats Enquiry Committee has also laid considerable stress on the proper exploitation of non-tax sources by suitably developing the properties under the control of the Panchayats as well as by taking up various remunerative schemes, such as, pisciculture, plantations, poultry farming, small-scale or cottage industries, production of manure, etc. Now if all the Panchayats follow the advice faithfully they will be required to invest large amounts. The problem is to find this huge capital. They have no surplus cash resources of their own which can be set apart for investment. They will necessarily have to depend on the bounty of the State Government. The latter's capacity too is limited. Take for example, the magnitude of the loan programme that the State Government has been able to sponsor during the last few years or has included in the Third Five-Year Plan. On the average, the State Government has been lending Rs. 10.46 lakhs a year during the past three years. In the next five-years period they are planning to lend on an average Rs. 3 lakhs per year. This will only touch the fringe of the problem. If rapid development is to take place and the available non-tax resources in the villages are to be exploited to the maximum extent possible, we have to find other means. In our opinion, the most feasible method is to mobilise the idle manpower in the villages for the renovation of tanks as a preliminary to their stocking with better kinds of fish. If special incentives are necessary for bending the energies of villagers to this task it may be provided that a portion of the fish that will be caught from the tanks in due time will be given to the villagers say, in the first year or so. Other methods and devices may also be employed for enthusing the villagers to devote their labour to the task of building community assets. Similar is the case of plantations and cultivation of fodder crops and making of silage with the produce of gochar and other common lands. We therefore firmly believe that the Grama Panchayats should have the power and facilities to make full use of labour as a resource for development and nothing should be done to limit the Panchayats in this regard as suggested by the Grama Panchayats Enquiry Committee.

31. We may recall the reference we have made during the discussion on municipal taxation to the problem of conflict of tax jurisdiction among Panchayats on the one hand and Municipalities on the other. The conflict, we understand, exists even between one Panchayat and another. It is of course desirable to end this conflict and ensure that each of these local bodies get their legitimate share in the income that can be raised from taxes on cycles, carts and vehicles other than motor vehicles. Mere administrative arrangements or legal fiat will not eliminate the conditions that have given rise to the conflict. We feel that a solution has to be found on economic lines. First thing to do is to fix a uniform rate. The next may be to provide for a common collection agency and to entrust it with the responsibility of distribution on an equitable basis.

The Panchayat Samiti can play this role in regard to Grama Panchayats and eliminate effectively the friction that now exists among some of them. Once the levy of the tax at the Panchayat level is thus unified in the hands of the Samiti it should not be difficult to bring about necessary co-ordination between the Municipalities on the one hand and the Samitis on the other.

32. A novel suggestion was placed before us by several witnesses in Balasore District. They argued that the local authorities should be entrusted with the responsibility of registering marriages compulsorily in the same manner as they are required to register births and deaths and allowed to collect some fees for the purpose. The witnesses felt that while this fee would yield some income to the authorities concerned the registration would go a long way in ensuring the security of the marital tie. Considering the unanimity and vehemence with which proposal was advanced we are inclined to believe that registration may have some advantages from the social point of view. As a fiscal measure this may not be very significant but on the theory that several drops make an ocean, any contribution to the Panchayat revenues should be welcome. Moreover, we understand that such a fee has been in vogue in some Panchayats in Southern States for a very long time. In some instances, it has been traced even to pre-British days. The rate should in our opinion be small and fixed as a lump sum. It should on no account be varied according to the circumstances of the parties as in such a case it will amount to a tax on income or expenditure. The minimum may be Rs. 2 and maximum Re. 10. We wish to add that while empowering Panchayats to levy this fee the State Government will do well to examine whether this will come into conflict with the provisions of the Special Marriage Act, 1954 and the Rules framed thereunder. We are of course aware that a resort to the procedures of above said Act including reagristration is optional whereas registrations we are contemplating here is of a compulsory nature.

APPENDIX I

Classification of Towns according to population

Name of the Municipality and Notified Area Council	1951 Census		1961 Census	
	Population	Class of Towns	Population	Class of Towns
(1)	(2)	(3)	(4)	(5)
<i>Municipalities—</i>				
1. Balasore ..	22,851	III	33,540	III
2. Baripada ..	9,277	V	20,096	III
3. Baragarh ..	9,197	V	13,994	IV
4. Berhampur ..	62,343	II	77,147	II
5. Bhawanipatna ..	11,807	IV	14,337	IV
6. Bolangir ..	13,646	IV	18,670	IV
7. Cuttack ..	1,02,505	I	1,46,590	I
8. Deogarh ..	5,711	V	6,830	V
9. Dhenkanal ..	10,352	IV	13,824	IV
10. Jajpur ..	11,026	IV	13,673	IV
11. Jeypore ..	20,352	III	25,268	III
12. Jharsuguda ..	13,405	IV	19,014	IV
13. Kendrapara ..	12,253	IV	15,881	IV
14. Keonjhar ..	9,343	V	12,653	IV
15. Parlakhemedi ..	22,270	III	22,767	III
16. Puri ..	49,057	III	60,280	II
17. Sambalpur ..	23,525	III	39,280	III
18. Sonepur ..	7,356	V	7,591	V
19. Sundergarh ..	5,959	V	11,346	IV
<i>Notified Area Councils—</i>				
1. Angul ..	3,812	VI	16,148	IV
2. Aska ..	6,379	V	9,162	V
3. Barbil ..	3,692	VI	19,314	IV
4. Bhadrak ..	18,795	IV	25,993	III
5. Bhubaneswar ..	16,512	IV	38,374	III

	(1)	(2)	(3)	(4)	(5)
6. Bhanjanagar	..	8,469	V	10,217	IV
7. Biramitrapur	..	9,408	V	20,717	III
8. Boirani	..	5,379	V	..	..
9. Chowdwar	..	3,478	VI	13,494	IV
10. Chatrapur	..	7,746	V	8,178	V
11. Gunupur	..	9,027	V	10,278	IV
12. Khurda	..	9,975	V	11,667	IV
13. Koraput	..	4,791	VI	7,317	V
14. Kotpad	..	6,096	V	7,139	V
15. Kantabanjhi	..	7,741	V	8,869	V
16. Nawarangpur	..	7,302	V	10,169	IV
17. Nayagarh	..	2,678	VI	6,210	V
18. Rayagada	..	9,386	V	14,198	IV
19. Rajgangpur	..	5,184	V	13,810	IV
20. Rairangpur	..	1,084	VI	8,112	V
21. Rourkela	..	15,000	IV	90,410	II
22. Talcher	..	9,189	V	8,081	V
23. Titilagarh	..	6,050	V	7,517	V

*Source: Census Report, 1951 and Superintendent of
Census Operations, Orissa*

APPENDIX 2

Rate of Taxes in the Municipalities and Notified area Councils

Name of the Municipality and Notified Area Council	Holding	Latrine	Drainage	Water	Lighting	Profession
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<i>Municipalities—</i>						
1. Balasore	10%	7½%	..	..	..	..
2. Berhampur	8½%	4½%	2%	6½%	3½%	As per rule 507 of the Orissa Municipal Rules.
3. Bargarh	2%	3%	..	..	..	..
4. Bhawanipatna	8½%	5%	..	..	2%	..
5. Bolangir	3%	2½%	2%	..	1%	..
6. Baripada	7½%	6½%	..	..	..	..
7. Cuttack	10%	10%	..	..	..	..
8. Dhenkanal	6%	..	..	..	..	..
9. Deogarh	2%	..	..	1%	1%	..
10. Jajpur	6%	6%	..	..	..	..
11. Jeypore	6½%	4%	2%	..	..	75 per cent as prescribed in rule 507 of the Orissa Municipal Rules.
12. Jharsuguda	5%	..	..	..	..	..
13. Kendrapara	7½%	7½%	..	..	..	..
14. Keonjhar	4%	..	..	..	2%	..
15. Parlakimedi	10%	3%	2%	..	2%	As per rule 507 of the Orissa Municipal Rules.
16. Puri	9%	8%	..	5%	..	..
17. Sambalpur	..	6½%	..	..	..	..
18. Sonepur	..	..	..	..	..	..
19. Sundergarh	..	2%	..	..	..	..

(1)	(2)	(3)	(4)	(5)	(6)	(7)
<i>Notified Area Councils</i>						
1. Angul	.. 7½ %	.. ..	.. ..	.. ..	.. ..	.. ..
2. Aska	.. 8½ %	.. ..	.. ..	.. ..	.. ..	.. ..
3. Barbil	.. ..	Not available		.. ..	.. ..	.. ..
4. Bhadrak	.. ..	Ditto		.. ..	.. ..	.. ..
5. Bhubaneswar	.. 6¼ %	6¼ %	.. ..	.. ..	3 %	.. ..
*6. Bhanjanagar	.. 6—11 %	.. ..	.. ..	.. ..	6¼ %	.. ..
7. Biramitrapur	.. ..	.. ..	.. ..	.. ..	.. ..	.. ..
8. Boirani	.. ..	Not available		.. ..	.. ..	.. ..
9. Choudwar	.. ..	Ditto		.. ..	.. ..	.. ..
10. Chatrapur	.. 7 %	.. ..	.. ..	6¼ %	2 %	.. ..
11. Gunupur	.. 8 %	.. ..	.. ..	.. ..	1 %	As per rule 507 of the Orissa Municipal Rules.
12. Khurda	.. ..	Not available		.. ..	.. ..	.. ..
13. Koraput	.. 10 %	1 ⁹ / ₁₆ %	.. ..	.. ..	.. ..	As per rule 507 of the Orissa Municipal Rules.
14. Kotpad	.. ..	Not available		.. ..	.. ..	.. ..
15. Kantabanjhi	.. 5 %	Rs. 5.06 nP. per latrine per annum.		.. ..	.. ..	.. ..
16. Nawarangpur	.. 5 %	3 %	2 %	.. ..	.. ..	As per rule 507 of the Orissa Municipal Rules.
17. Nayagarh	.. 5 %	1.50 nP. to Rs. 15 per annum per latrine.		.. ..	.. ..	.. ..
18. Rayagada	.. 10 %	.. ..	.. ..	.. ..	.. ..	As per rule 507 of the Orissa Municipal Rules.
19. Rajgangpur	.. ..	.. ..	.. ..	.. ..	.. ..	.. ..
20. Rairangpur	.. ..	Not available		.. ..	.. ..	.. ..
21. Rourkela	.. ..	2 %	.. ..	.. ..	.. ..	.. ..
22. Talcher	.. 5 %	.. ..	.. ..	.. ..	.. ..	As per rule 507 of the Orissa Municipal Rules.
23. Titilagarh	.. 5 %	3 %	.. ..	.. ..	2 %	.. ..

* Based on Panchayat Tax

Source: Finance (Local Fund Audit) Department, Government of Orissa.

APPENDIX 3
Details of Development Expenditure in Municipalities

Year	Public Health	Education	Public Works	Medical	Total
(1)	(2)	(3)	(4)	(5)	(6)
	Rs.	Rs.	Rs.	Rs.	Rs.
1951-52	1,48,662 (17·59)	3,20,125 (37·78)	1,62,292 (19·13)	2,15,639 (25·50)	8,46,618
1952-53	2,47,687 (21·47)	3,31,590 (28·74)	3,42,741 (29·70)	2,33,237 (20·09)	11,55,255
1953-54	1,19,106 (9·59)	3,12,036 (25·16)	7,60,502 (61·26)	49,486 (3·99)	12,41,130
1954-55	1,68,287 (8·33)	3,34,219 (16·58)	14,29,992 (70·87)	85,075 (4·22)	20,17,567
1955-56	1,43,681 (11·26)	3,55,285 (27·95)	7,55,678 (59·53)	16,091 (1·26)	12,70,735
1956-57	1,49,235 (9·15)	4,14,937 (26·16)	9,77,914 (62·66)	32,738 (2·03)	15,74,484
1957-58	3,03,793 (16·15)	4,50,645 (24·31)	10,07,293 (53·50)	1,20,769 (6·04)	18,82,500
1958-59	1,91,759 (8·51)	5,09,104 (22·74)	15,24,804 (67·95)	18,773 (0·80)	22,44,440

Details for the Non-developmental Expenditure in Municipalities

Year	General Administration	Collection	Public Health and Conservancy	Public safety and Convenience	Public Works	Miscellaneous	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1951-52	3,37,536 (18·89)	96,091 (5·38)	7,70,172 (43·16)	1,03,970 (5·77)	1,13,743 (6·39)	3,63,240 (20·41)	17,84,752
1952-53	3,85,936 (21·61)	1,09,743 (6·15)	7,90,375 (44·23)	1,30,785 (7·33)	1,56,555 (8·22)	2,12,244 (11·86)	17,85,638
1953-54	3,50,640 (16·89)	2,17,316 (10·45)	9,94,343 (47·84)	2,28,629 (11·00)	44,312 (2·13)	2,43,172 (11·69)	20,78,412
1954-55	3,83,229 (18·40)	2,05,331 (9·95)	11,42,000 (55·08)	1,96,463 (9·47)	72,053 (3·53)	73,907 (3·57)	20,72,983
1955-56	2,89,573 (11·49)	3,27,865 (12·92)	12,97,228 (51·11)	2,50,701 (9·87)	62,605 (2·55)	3,09,890 (12·06)	25,37,862
1956-57	2,25,450 (8·84)	2,09,657 (8·23)	14,86,044 (58·28)	2,33,891 (9·17)	59,719 (2·34)	3,34,634 (13·14)	25,49,407
1957-58	3,56,115 (9·20)	2,45,489 (6·38)	16,90,234 (43·96)	3,67,337 (9·55)	3,57,769 (9·30)	8,28,206 (21·61)	38,45,150
1958-59	3,29,603 (7·62)	2,73,628 (6·33)	18,77,048 (43·40)	4,39,624 (10·16)	1,39,092 (3·21)	12,69,206 (29·28)	43,24,201

Details of Development expenditure in Notified area Councils

Year	Public Health	Education	Public Works	Medical	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
1951-52	.. 1,785 (3·51)	5,912 (11·67)	43,039 (84·82)	..	50,736
1952-53	.. 1,36,916 (69·56)	9,290 (4·73)	50,598 (25·71)	..	1,96,804
1953-54	.. 3,408 (4·17)	19,843 (24·28)	58,445 (71·55)	..	81,696
1954-55	.. 20,264 (17·68)	16,284 (14·21)	78,040 (68·11)	..	1,14,588
1955-56	.. 9,437 (9·51)	16,301 (16·43)	73,461 (74·06)	..	99,199
1956-57	.. 20,093 (14·87)	33,132 (24·50)	81,977 (60·63)	..	1,35,202
1957-58	.. 45,756 (17·95)	64,924 (25·46)	1,44,287 (56·59)	..	2,54,967
1958-59	.. 89,226 (21·07)	50,105 (11·84)	2,70,534 (63·90)	13,542 (3·19)	4,23,407

Details of non-development expenditure in Notified Area Councils

Year	General Administration	Collection of Taxes	Conservancy	Public safety and convenience	Public Works establishment	Miscellaneous	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1951-52	6,597 (12·90)	7,727 (15·11)	23,205 (45·39)	7,561 (14·79)	1,626 (3·18)	4,404 (8·63)	51,120
1952-53	11,686 (15·71)	5,568 (7·43)	34,288 (46·09)	12,647 (17·00)	2,284 (3·07)	7,919 (10·64)	74,392
1953-54	26,937 (16·82)	10,728 (6·70)	89,566 (55·90)	20,722 (12·93)	3,401 (2·12)	8,862 (5·53)	1,60,216
1954-55	40,410 (20·71)	8,971 (4·63)	1,09,931 (56·34)	19,415 (9·95)	5,249 (2·69)	11,143 (5·71)	1,95,154
1955-56	58,670 (19·80)	16,132 (5·45)	1,50,414 (50·78)	44,361 (14·98)	3,240 (1·09)	23,404 (7·90)	2,96,221
1956-57	83,543 (23·79)	26,953 (7·67)	1,66,021 (47·25)	55,933 (15·93)	3,913 (1·11)	14,222 (4·05)	3,51,297
1957-58	1,26,469 (28·05)	27,271 (6·07)	2,02,300 (44·84)	72,129 (16·03)	3,913 (0·89)	18,367 (4·12)	4,50,469
1958-59	1,37,047 (24·53)	23,986 (4·31)	2,39,511 (42·87)	75,087 (13·44)	4,970 (0·89)	78,010 (13·96)	5,58,851

DEVELOPMENT EXPENDITURE

Public Health—Includes Epidemic charges, Vaccination charges, Festivals, Exhibitions, Drainage, Sewerage charges, other Sanitary arrangements, Vital Statistics, Markets, Slaughter Houses.

Medical—Include Establishment of Hospitals, Training and Scholarship for nurses, etc.—Contribution to Government Hospitals and Maternity and Child Welfare Centres.

Education—Includes Primary Schools, Grant-in-aid to Private Schools, M. E. Schools, High Schools, Libraries and Reading Rooms.

Public Works—Includes Improvement of roads for which specific grants are received, Buildings and Drainage.

NON-DEVELOPMENT EXPENDITURE

Public Safety—Includes Fire Establishment, Lighting Establishment and Equipments, Destruction of noxious animals.

Convenience—Includes Pounds, Dak-Bungalows, Gardening and Planting of trees, Parks, Orphanage, Leprosy, other shelter houses, Maintenance of Tanks and Wells, Dairy Farms, Burning, Burial grounds, Roads.

Conservancy—Includes Latrines and Urinals, Road watering, Road cleaning and sweeping, Disposal of night-soil and rubbish.

Establishment regarding Public Works—Maintenance of roads is an obligatory duty for Municipal and Notified Area Councils for which they receive Motor Vehicle Tax Grant (Shared Tax). This is distributed according to mileage of roads maintained by each Municipality and Notified Area Council. For maintenance of such roads a few staff is necessary and hence these expenditure is taken under non-development.

Miscellaneous—Includes Law charges, Stationery and Printing, Interest on loans, Provident Fund contribution, unforeseen and extraordinary charges, contribution to distressed people, cost of any work done or services rendered to any private individuals.

Source: Finance (Local Fund Audit) Department, Government of Orissa.

CHAPTER XVIII

Loans and Borrowings

The review of the public debt of Orissa and the examination of the future policy of loans are not among the terms of reference of our Committee. Our justification for taking up this subject never the less is that loans have a distinct role of their own in financing the development of the State and Policies that govern the size and kind of loans raised have a direct impact on the resources on the revenue account. We have drawn attention to this aspect in Chapter III while discussing the problem of resources. Here we shall consider the ingredients of a sound borrowing policy and the limits, if any, to be set for public debt.

2. We may begin by taking a brief look at the history of public debt in Orissa, its nature and present size. Public debt is usually classified into five categories : (i) Permanent debt ; (ii) Floating debt ; (iii) Loans from the Central Government ; (iv) Other Loans ; (v) Unfunded debt or Provident Fund deposits made by the employees. Permanent debt is defined as "debt raised by the Government in the open market which at the time when it is raised has a currency of more than twelve months." Usually it signifies long term debts meant to be repaid after a considerable lapse of time. The term 'floating debt' is applied to borrowing of a purely temporary nature such as treasury bills and ways and means advances from the Reserve Bank of India and has a currency of less than twelve months. There may however be some debts of this kind which are carried over from one financial year to another. 'Other Loans' are those taken from the Reserve Bank of India other than as ways and means advance, and other similar private bodies for specific purposes such as purchase of shares in cooperative banks and societies. Unfunded debt is not a loan incurred by the State Government. It consists of the Provident Fund deposits of employees and the State Government must consider itself but a custodian and banker. The statement at Appendix I shows the particulars of each category since the inception of the State. The main features that the statement reveals have been described in the following paras.

3. Firstly, Orissa appears to have reached the present position in public debt by three stages. From 1936-37 to 1942-43, unfunded debt was the sole constituent. It was, in fact, negative in 1942-43 due to a temporary suspension of subscriptions and liberal payment of temporary advances to help subscribers meet the cost of evacuation of their families from danger zones. 1943-44 marks the beginning of the second stage and the dominating feature of this stage is the growth in the volume of loans obtained from the Centre. These loans started as a trickle but soon became a torrent due to the needs of Postwar Reconstruction Schemes, Grow More Food Campaign and the successive Five-Year Plans. What began with Rs. 14.82 lakhs reached Rs. 15.92 lakhs by the close of 1959-60. The peak was reached in 1957-58 with Rs. 24.97 lakhs. Even if we take the net amount outstanding at the end of the year, 1957-58 stands out with the highest figure (Rs. 21.19 lakhs). The third stage can be said to have commenced in 1956-57 when the first open market loan was floated and permanent debt contracted for the first time. These loans have become an important feature in the following years except one, 1957-58. 'Other Loans' also made their first appearance in 1956-57. They continued to be incurred regularly every year since then.

4. Secondly, the net outstanding debt grew at first by slow degrees. In fact, there was no steady trend of growth till 1948-49. It rose, fell and rose again. In three years (1945-46, 1946-47 and 1947-48) it was even negative. From 1949-50, on the other hand, sizeable increases accrued every year. As a result, the net amount rose from Rs. 68.07 lakhs at the end of 1948-49 to Rs. 1,34,47.25 lakhs at the end of 1959-60. Hirakud Project accounts for the major portion of the latter sum as may be seen from the following breakup. In the case of this Project interest payable each year on the original loan has been capitalised and consequent growth of debt at compound interest has created a burden which is out of tune with the expected receipts.

TABLE I

Net outstanding debt on the 1st April, 1960

	(Rupees in lakhs)
Hirakud ..	85,19.44
Irrigation ..	13,70.58
Electricity ..	10,87.05
Capital construction ..	6,48.67
Communication ..	4,79.95
Grow More Food Schemes ..	3,12.31
Community Development and National Extension Service.	2,51.15
Industry and Co-operation ..	2,21.99
Flood Control ..	1,24.02
Housing ..	1,79.97
Others ..	2,52.12
	134,47.25

Source : Orissa Budgets

5. Thirdly, there has been a phenomenal increase in the annual debt service in absolute terms as well as in terms of percentage of the total revenues. We have already drawn attention to the latter aspect in Chapter II. While the net debt in 1960-61 is expected to be four times the revenues of the State, the debt service of the year is estimated to constitute 8.07 per cent thereof. The former went up by about 33 times over the level of 1949-50 and the latter by about 14 times over the same level.

6. For appreciating the loan policy of the State, it is necessary to analyse the manner in which the borrowed amounts have been spent year after year.

The usual method is to divide the loans according to the purposes announced while obtaining them and examine whether they have been so utilised. It has not been possible for us to ascertain how each loan has been utilised. For budgetary practice separate accounts of expenditure are not maintained for each loan. We have therefore to satisfy ourselves with noting the impact of loans on the level of expenditure in Revenue and Capital accounts into which the budget is normally divided. If a large portion of loans raised in a year is utilised for meeting current outlays in the Revenue Account, and small sums only spent on creation of capital and revenue-yielding assets, the capacity of the State to redeem the public debt will be greatly impaired. We have therefore attempted to present in the statement at Appendix 2 the relation of the loans to the revenue deficit and the net effect of the transactions of each year from 1949-50 to 1960-61. The difference between the balance in the revenue account of a year and the overall net effect of all transactions of the same year is compared

Undesirability of meeting current outlay on loans.

with the sum of the net amounts in the Public Account and the capital account. The proportions in which the two Accounts have contributed to make up the difference may be seen from the following table :—

TABLE 2

Contributions of the Capital Account and the Public Account towards the difference between the net transactions and net Revenue Account.

Rupees in lakhs					
Year	Difference of net transactions and net Revenue Account	Public Account	Capital Account	Total of Columns 3 & 4	Remarks
(1)	(2)	(3)	(4)	(5)	(6)
1949-50	143.48	79.70	63.78	143.48	
1950-51	(—)210.77	(—)121.12	(—)124.65	(—)245.77	The difference of Rs. 35 lakhs between columns 2 and 5 is due to transfer of Rs. 35 lakhs to the Contingency Fund.
1951-52	122.90	139.36	(—)16.46	122.90	
1952-53	5.02	(—)5.93	10.95	5.02	
1953-54	46.79	139.85	(—)93.06	46.79	
1954-55	244.45	(—)8.51	187.96	179.45	The difference of Rs. 65 lakhs in these two years between columns 2 and 5 is due to the fact that in 1954-55 an additional sum of Rs. 65 lakhs was transferred to the contingency fund for meeting the increased demands on flood and drought which was recouped in the subsequent year, i. e., 1955-56.
1955-56	316.48	457.36	(—)75.83	381.48	
1956-67	323.01	30.78	292.23	323.01	
1957-58	97.78	(—)2.37	100.15	97.78	
1958-59	472.60	(—)96.90	569.50	472.60	
1959-60	(—)307.89	(—)438.62	130.73	(—)307.89	
1960-61	364.71	67.00	297.71	364.71	

Source : Finance Accounts and the Audit Reports, Government of Orissa

We may explain the columns in some detail. The transactions of a State Government are generally made under three accounts, viz., (1) revenue account where normal receipts of the State and the normal expenditure are accounted for ; (2) the capital account in which all income from borrowings and all expenditure which create assets are included ; and (3) the public account which contains the transactions for which Government act as a Banker. In column 2 of Appendix 2 the net transactions of the year have been indicated and the net figures in the revenue account have been shown in column 3 thereof. The difference of these two columns have been noted in column 2 of table 2 above. The next column 3 which deals with public account, shows the net effect of transactions relating to deposits of local bodies, institutions, earmarked funds, etc. Ordinarily, they are not to be utilised by the State Government for its own purposes. The last column 4 which deals with Capital Account comprises of the borrowed funds either from the public, from the Reserve Bank or from Government of India and recoveries made from institutions or private persons towards loans given to them and the expenditure incurred in creating capital assets for the State. The net effect is shown in the column 5. Ordinarily these amounts are not also meant to be used for meeting current expenditure which is booked in the revenue account. But in actual fact, the surpluses of these accounts have been utilised to counter the deficits in the revenue account. In seven out of twelve years the capital account was the main-stay while the Public account came to aid in four. The cumulative revenue deficit as on the 31st March, 1961 is estimated to be Rs. 16,89.50 Lakhs. In fine, the general trend has been to rely on loans and deposits for financing a portion of the current expenditure and meeting the revenue deficit. This is indeed undesirable and will in the long run lead to serious financial complications.

7. Two questions are often asked, whether there is any limit or optimum level for public debt and whether Orissa has already reached it. The first question is of general import and has been considered by writers on Public Finance. The consensus of opinion among them appears to be that no quantitative limit can be fixed save that which is set by the current capacity to service the debt. They have, on the other hand, laid emphasis on the manner in which the amounts raised through loans are spent. If as a result of the loans, revenue-yielding assets are created, the size of public debt need not cause alarm. Another objection that is usually raised against a large-sized public debt is that the burden of development will be shifted thereby from the present generation to future generations. Against this it must be said that the benefits of projects executed with the help of loans are often not available to the present generation and are, in fact, realised by future generations only. In such circumstances the present generation bears the burden of debt service charges without enjoying the specific benefits of the projects in question. Applying all these considerations to Orissa we would say that the size of public debt has not reached the level which may be considered unduly high or abnormal even from the point of view of debt service charges. At present, they form about 2 per cent. of the total revenues and this cannot be described as abnormal. There are States where the debt service charges constitute a higher percentage of the total revenues. However, it is necessary for Orissa to increase its public revenues if it is to keep pace with the growth in public debt and if the annual service charges are not to consume a still higher percentage of the revenues. In other words, the limit to the size of public debt will, in practice, has to be fixed with reference to the rate of annual growth in revenues. We have already drawn attention in Chapter III to the close relation between the policy of loans and the policy of taxation.

Essentials of a sound borrowing policy. 8. We consider that the following are the essential ingredients of a sound borrowing policy for Orissa :—

(a) The public debt should be more broad-based than at present. We have seen that the major portion of the public debt now consists of loans from the Centre. Some of them have been obtained in the name of specific projects while others are not so ear-marked. The loans obtained against State's share of the small savings collections are an important example of the latter kind. All the central loans have fixed periods of repayment and are not renewable. The State may find it difficult to discharge these debts in due time unless special steps are taken to develop resources by fully cashing on the benefits of the specific projects which have been executed with these loans. There is a certain degree of rigidity in these arrangements. If, on the other hand, a sizeable portion of public debt is of the category of permanent debt and made up of open market loans, it may be possible for the State to raise alternate loan resources by the time the redemption of the first set of loans becomes due. At any rate, such a procedure will make for a more flexible arrangement than at present. It appears, the State Government are already aware of this aspect. They have floated loans regularly during the last three years. They may continue this practice and try to alter the present composition of the permanent debt in such a manner as to raise the share of permanent debt progressively to atleast 25 per cent of the total net debt by the end of the Third Plan.

(b) As already emphasized in Chapter III, loans should not be utilised as far as possible, for meeting revenue expenditure.

(c) So long as the State Government has to rely on loan finance for economic development to a substantial extent care should be taken to select such project as will create revenue-yielding assets. There must be a conscious attempt to accord preference to such things, not only in regard to selection but also the pace of execution. The various stages of a project should be phased in such a manner that maximum returns are obtained in the shortest possible time. An important aspect of the Planning of these projects is the inclusion and completion in proper time of all the adjuncts necessary for making them yield the return due at a very early date. For example, in the case of irrigation projects, no water can be utilised and no return obtained unless field channels are completed along with the main distributaries. Omission to plan the field channels and to include their cost in the loan programme relating to the project will eventually have the effect of delaying the accrual of revenue and the consequent relief to the revenue account.

(d) Considering the rising volume of public debt there appears to be great need for setting up a machinery charged with the responsibility of exercising an annual check-up and a constant watch on the efficiency of execution of the schemes meant to create revenue yielding assets. The Committee we have suggested in para. 8 of Chapter III may perhaps be entrusted with this function too.

NEW CAPITAL, BHUBANESWAR

The 6th July 1961

P. S. Lokanathan

Surendra Mahanty

Raja Krushna Bose

B. Sivaraman

D. C. Misra

M. Ramakrishnayya

Particulars of Public Debt and percentage of

Closing balance of the year.	Permanent Debt.	Annual Unfunded Debt. (Provident Fund)	Loan from Central Government incurred during the year.	Loan repaid to Central Government during the year.	Balance of Central Government loan.	Floating Debt carried over.	Other loans during the year.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1936-37	..	25,05	..	..	..	..	..
1937-38	..	2,42	..	..	..	..	..
1938-39	..	3,62	..	..	..	..	..
1939-40	..	2,53	..	..	..	..	..
1940-41	..	1,83	..	..	..	..	..
1941-42	..	1,86	..	..	..	..	..
1942-43	..	(—) 51	..	..	..	..	..
1943-44	..	2,56	14,82	..	14,82	..	..
1944-45	..	2,35	4,68	3,10	1,58	50,00	..
1945-46	..	3,58	21,70	9,85	11,85	(—) 50,00	..
1946-47	..	3,98	12,85	17,15	(—) 4,30	..	..
1947-48	..	1,53	30,00	16,70	13,30	..	..
1948-49	..	5,89	1,62,00	11,93	1,50,07	..	..
1949-50	..	9,32	4,12,00	20,91	3,91,09	26,00	..

DIX—1

Debt Service to Total Revenue

(In thousands of Rupces)

On account of merged States								
Closing balance of the year.	Loans from Central Government during the year.	Annual Unfunded Debt (Provident Fund)	Annual Loans & Advances by Government (Assets)	Amounts lent during the year minus recoveries from borrowers.	Net debt of Orissa (Progressive).	Annual Debt Service (Net.)	Debt Service as per cent of total revenue of Orissa.	Remarks.
—	..	—	—	6,83	18,22	(—) 61	—	
..	27	20,37	1,03	0.56	
..	30	23,69	1,19	0.65	
..	..	—	—	1,04	25,18	1,26	0.67	
..	1,21	25,80	1,35	0.68	
..	(—) 1,65	29,31	1,41	0.68	
..	2,23	26,57	1,37	0.61	
..	14,24	29,71	1,44	0.56	
..	16,86	66,78	4,72	1.48	
..	53,31	(—) 21,10	11,82	3.28	
..	(—) 4,43	(—) 16,99	19,05	4.14	
..	47,52	—49,68	18,78	3.11	
..	38,21	68,07	15,05	2.34	
..	20,93	4,73,55	19,83	1.83	

* This includes Trs. 6,80 brought forward from before 1936-37.

Year	Perma- nent debt accoun- ted during the year.	Annual Unfunded debt. (Provident Fund).	Loans from Central Government during the year.	Union Loans repaid during the year.	Balance (4)—(5)	Floating debt. (Ways and Means- Advance.)	Other loans during the year.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1950-51		9,98	5,18,04	10,06	5,07,98	(—) 26,00	..
1951-52		13,39	9,02,06	35,57	8,66,49	4,00	..
1952-53	..	20,93	8,21,53	20,95	8,00,58	(—) 4,00	..
1953-54	..	13,89	9,36,39	14,77	9,21,62	..	..
1954-55	..	20,77	16,85,27	18,51	16,66,76	..	..
1955-56	..	21,93	17,45,23	52,39	16,92,84	..	..
1956-57	2,14	24,45	19,97,02	2,92,61	17,04,41	47,00	24,85
1957-58	..	27,50	24,97,04	3,77,98	21,19,06	64,00	21,80
1958-59	3,07,20	30,32	19,15,54	4,50,15	14,65,39	(—) 1,11,00	41,05
1959-60	..	36,62	15,42,02	3,30,56	12,11,46	..	48,42
1960-61 (B. E.)	3,80,38	20,49	16,41,91	3,68,94	12,72,97	..	21,48

N. B.—Under the existing accounting procedure the amount raised as open market loan during a particular year is not fully exhibited under "Permanent Debt". A larger portion which is received at all banking treasuries is kept initially on the "Deposit Account" and transferred subsequently to the head permanent debt. This amount is carried over in the following years. The details of the loans raised in the open market are shown below—

- (1) 4 per cent Orissa Government Loan, 1968 Rs. 309.34 lakhs.
- (2) 4½ per cent Orissa Government Loan, 1970 Rs. 328.58 lakhs
- (3) 4 per cent Orissa Government Loan, 1971 Rs. 380.38 lakhs
- (4) 4 per cent Orissa Government Loan, 1969 Rs. 400.00 lakhs

The figures in the Budget Estimate of 1960-61 has been adopted for the fourth loan although a larger amount has in fact been raised,

(In thousand rupees)

On account of merged states			Amounts lent during the year minus Recoveries from borrowers	Net Debt of Orissa (Progressive Totals)	Annual Debt Service	Debt service as per cent of total revenues of Orissa	Remarks
Loans from Central Government	Annual Unfunded Debt. (Provident Fund.	Deduct annual loans and Advances by Government (assets)					
(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
..	..	..	15,39	9,50,12	2,26	0.22	
..	24	2,24	(—) 19,01	18,51,01	33,90	2.83	
..	..	..	16,46	26,52,06	24,48	1.94	
..	..	..	5,88	35,81,69	29,45	2.40	
8,97	10,54	..	91,25	51,97,48	28,13	2.01	
..	..	16,73	1,92,33	67,03,19	36,97	2.29	
..	..	88	2,36,20	82,68,96	68,96	4.17	
..	4,33	1,51	66,65	1,04,37,49	1,02,21	4.64	
..	..	..	(—) 6,16	1,21,76,61	1,39,16	5.06	
..	5	..	(—) 25,91	1,34,47,25	2,01,25	7.05	
..	..	..	28,00	1,51,14,57	2,95,88	8.07	

APPENDIX 2
Analysis of Revenue and Capital Accounts of Orissa

(Rupees in lakhs)

Year	Net transactions	Revenue Account (Net)	Capital Account					Total
			Miscellaneous Capital Receipts (Net)	Loans from Centre (Net)	Permanent Debt.	Other Loans (Net)	Floating Debt (Net)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1949-50	54.32	(—) 89.16	(—) 353.31	391.09	..	..	26.00	63.78
1950-51	(—) 380.65	(—) 169.88	(—) 606.62	507.97	..	..	(—) 26.00	(—) 124.65
1951-52	233.54	110.64	(—) 886.95	866.49	..	..	4.00	(—) 16.46
1952-53	115.55	110.53	(—) 785.63	800.58	..	..	(—) 4.00	10.95
1953-54	(—) 46.90	(—) 93.69	(—) 10,14.68	921.62	..	..	..	(—) 93.06
*1954-55	95.22	(—) 149.23	(—) 14,78.80	16,66.76	..	..	..	187.96
*1955-56	(—) 391.63	(—) 708.11	(—) 17,68.72	16,92.84	..	..	..	(—) 75.88
1956-57	(—) 295.19	(—) 618.20	(—) 17,93.37	17,04.41	309.34	24.85	47.00	292.23
1957-58	(—) 46.30	(—) 144.08	(—) 21,04.71	21,19.06	..	21.80	64.00	100.15
1958-59	633.14	160.74	(—) 11,54.52	14,65.39	328.58	41.05	(—) 111.00	569.50
1959-60	(—) 323.96	(—) 16.07	(—) 15,09.54	12,11.46	380.38	48.43	..	130.73
1960-61	14.41	(—) 350.30	(—) 13,96.74	12,72.97	400.00	21.48	..	297.71

Source—Orissa Budgets

Supplementary note by Shri S. Mahanty

This note is being appended not so much as a minute of dissent, but as a footnote to the main Report. I must mention in all fairness that most of the recommendations have been formulated unanimously, as the compulsion of the planning leaves no other choice.

In the context of the dynamic and total planning of ours, assuming bold dimensions, obligation to pay taxes in increasing measures, cannot be avoided. Every process of growth is painful and there can be no other alternative to a forced pace, if the national desideratum is to reach the goal in the quickest time.

But that does not take away the fact that in underdeveloped States like Orissa, with rich mineral and other natural resources, easy availability of power and labour ; but without adequate *per capita* investment capacity, technical know-how and entrepreneurship, techniques of planning and of raising resources have to shed traditional outlook and approaches. The State in such circumstances has to enter the field of economic development to break the inertia and plan increased outlay on revenue yielding assets to sustain the welfare State. Priorities in planning in this context assumes an ever-increasing importance, as overemphasis on social overheads without providing for economic overheads, which in the ultimate analysis can only sustain and carry forward the social overheads is apt to create problems of resources. In States like Orissa, with low standard of social services this aspect of planning is mostly forgotten. But the social overheads, without a sustainable base has to depend heavily upon the current revenues and therefore the plan instead of improving the revenue surplus results in revenue deficits. I take this occasion to repeat what I have been emphasising all along that the State Government of Orissa must reorient their attitude towards priorities in planning otherwise their problem of resources will never be solved.

Resources for outlay can be had from the normal sources. If private entrepreneurs relying on the open market for capital and the Government for raw materials at concessional rates have been able to raise industrial "empires", Governments with all the authority and resources at their command should not faint at the prospect of raising investible resources, without taxing the rural masses, earning a marginal existence from the land where taxes have reached the optimum. Fiscal monopoly is another method of raising valuable resources and also State Trading.

Again States like Orissa, with rich natural resources like minerals scarce agricultural products like rice, valuable forest products like timber and Kendu leaves ; have been frustrated time and again to raise adequate resources on account of various legal and administrative difficulties. Even though the royalty rates of certain minerals could be enhanced "without detriment either to trade or the consumers" the State Government has been disabled from raising the rates of royalties. The State anticipated to raise nearly a crore of rupees annually from the Mineral Area Development Cess ; but mines and minerals being in the "occupied field" of the Centre, the State Government have not been able to raise this resource. In the case of transport of Kendu leaves, the State Government has been faced with similar difficulties. Excise yielded a substantial revenue and in 1949-50 income from this source accounted for 31.70 per cent of the Budget Estimate, which has since been reduced to 8 per cent of the total tax revenue in 1960-61. Doctrinaire emphasis by the Planning Commission on a directive principle of doubtful values, has thrown away enormous resources to the bootleggers and illicit distillers which should have legitimately accrued to the State exchequer.

Thus Orissa's ability to raise adequate resources for implementation of its plans is being continuously thwarted what with legal handicaps and what with administrative difficulties over which the State Government have little control. Unless therefore a new and radical approach is brought to bear upon this aspect and the Centre helps the State Government instead of hindering their efforts to raise resources ; States like Orissa will continue to stagnate in their efforts to raise more resources and until then it will be the political duty of the Centre to help such States in raising their additional resources ; as distinct from aids and doles.

Against this dismal background, under-developed States like Orissa mount their pressure on land for raising additional resources and lack no logistics and fiscal ingenuity for the purpose. I am decidedly of the opinion that land revenue is one of the most unjust and regressive taxes. Further more land at the moment is bearing an inequitable burden of taxation, in as much as, land has to bear five different kind of imposts, viz. Land Revenue, Land Cess, Water Cess, Irrigation Cess and Betterment Levy. It has to be appreciated that increased production of industrial raw materials and foodgrains relieve the strain on foreign exchange resources of the Government and brings about numerous indirect benefits which is shared by the community at large. Cost of living is lowered and inflationary pressures on the economy are contained. Under the circumstances the gratitude of the nation towards the penurious peasantry ought to be expressed in better idioms than imposition of new levies. Surely it is time enough for Governments avowedly socialistic, to reorient the land revenue system in a manner towards equity and social justice.

NEW CAPITAL, BHUBANESWAR

SURENDRA MAHANTY, M. P.

The 25th July, 1961

APPENDICES

APPENDIX 1
QUESTIONNAIRE

V. B. :—(1) Answers to the questionnaire may kindly be sent to the following address :

Member-Secretary,
Orissa Taxation Enquiry Committee,
Bhubaneswar-1

(2) Replies to the questionnaire may kindly be supplied so as to reach the above address by the **10th March, 1960**.

(3) If you like you may answer only those questions in which you are interested.

General

1. Do you think that the present structure and level of State taxation adequate to meet the requirements of developmental planning ? If in your opinion they are inadequate what modifications or improvements would you suggest ?

2. In maximising the resources required for the financing of development schemes, what degree of importance would you assign to the following with reference to the present conditions in the State :

- (a) economy and rationalisation in expenditure,
- (b) prevention of tax avoidance and tax evasion,
- (c) higher rates of existing taxes,
- (d) fresh taxes,
- (e) development of non-tax revenues ?

Please state your reasons.

3. It has been said that as a result of large investments made by the State Government in various developments, many areas in the State have improved in their importance and large benefits have accrued to persons owning properties, both agricultural and non-agricultural in those areas. Do you agree and if so, do you consider it desirable to levy a tax on this unearned value ?

4. Have you any suggestion for increasing the receipts from the existing taxes through better administration or otherwise ?

5. Do you think that it is desirable, under certain conditions, to levy cesses for special purposes ? If so, will you suggest such items ?

6. Tax revenues of Orissa *per capita* is low compared to other States. It is of course true that the *per capita* income too is low. Do you consider that there is further scope for increasing the tax revenues, particularly in view of the need for rapid development of the natural resources of the State ?

7. Do you think that the burden of the present tax system, State and local, is fairly distributed among—

- (a) urban classes and rural classes ?
- (b) agriculturists and others ?
- (c) different income groups in relation to their ability to pay.
- (d) different regions in the State.

8. Do you think that the burden weighs particularly heavily on any individual industry, occupation or trade ? If so, please furnish the Committee with the evidence on which you rely.

9. It is felt that there is disparity in the incidence of tax between people living in urban or semi-urban areas and those living in rural areas. Do you agree with this, if so how do you propose to correct the disparity ?

10. More than 90 per cent of the people of Orissa live in rural areas and the present trend in State expenditure shows emphasis on improvement of rural living conditions. In the light of these facts do you agree that the rural people should be more closely associated with the development of their area by contributing more in the shape of taxes ?

11. Do you consider that non-tax revenues are likely, in future, to occupy a more important place than hitherto in the public revenues of the State ? If so, please state the sources of non-tax revenue you have in view and indicate to what extent they may be expected to contribute to the State revenue.

12. (i) Have you any suggestions to make in respect of the following matters :—

(a) further extension of existing State undertakings ;

(b) establishment of new undertakings by the State ;

(ii) Would you favour increase in the prices of the products of public enterprises as a method of securing additional resources for the State ?

13. (i) Under the existing law Grama Panchayats are empowered to impose a labour tax for local purposes. Do you consider it desirable and feasible to empower the State Government to levy a labour tax for public purposes in general as contrasted with local purposes ?

(ii) If you favour the imposition of a labour tax at the State level please explain :

(a) how you propose to levy it, and

(b) whether you would provide for commuting labour for cash payment in all cases or whether you would restrict such commutation to certain categories ?

Tax on Sale and Purchase of Goods

14. The Taxation Enquiry Commission (1953-54) recommended that sales tax in a suitable and not unduly burdensome form, should reach the lower income groups and should cover a large number of persons. To make it possible to do so the rate of tax has to be lowered and the system a multi-point one. All dealers having annual turn-over exceeding say Rs. 5,000 per annum should therefore be made liable to the multi-point tax. There should be no exemption in favour of any article whatsoever. The rate of tax, should not be unduly high. In addition a single-point levy at suitable rates related to the cost of the goods selected for the purpose of such levy or to the relative economic conditions of the sections of the population which normally consume them, should be imposed. The additional single-point tax should be payable by dealers having annual turn-over say, Rs. 25,000 or Rs. 30,000.

(i) Do you consider this system suitable in the conditions of Orissa, if not, why ?

(ii) If you approve of such a system of tax for introduction in Orissa indicate the rate of the multi-point tax you would recommend and the goods which should be selected for the purpose of single-point levy as well as the rate or rates at which the tax should be levied on the sale of these goods.

(iii) If you prefer a single-point system to a multi-point system at what point would you recommend the levy of the tax ? Do you suggest the first point levy or the last point levy ? If you are in favour of different points in respect of different commodities, please specify the commodities and the points of taxation. It will be helpful if you can give reasons in support of your view.

15. What, in your opinion, would be special difficulties, if any, to industry and trade under a multi-point system which would not arise under a single-point system ?

16. Irrespective of the adoption of the multi-point system would you suggest lowering of the limit of turn-over for purpose of registration from Rs. 10,000 as at present to Rs. 5,000 ?

17 (i) Which goods, if any, should in your opinion be totally exempted from taxation under the system you recommend and which goods should be subjected to concessional rates ?

(ii) Please state the principles which you think should govern selection of goods for exemption or for concessional treatment.

(iii) Please state conditions, if any, under such exemptions or concessional rates should be granted so as to ensure that there will be no abuse

18. What are your views regarding the grant of exemption or concessions to (a) Co-operative Societies, (b) products of Khadi and Village Industries, (c) products of Small-scale Industries and (d) goods bought for the purpose of manufacture ?

19. Do you consider there is scope for reducing the present list of exemptions ? If so, please specify the items that may be omitted from the list.

20. At present purchase tax is levied on fish, paddy and rice. Can you suggest any other commodities that can be brought under purchase tax ? Please explain why you prefer a purchase tax to a sales tax in respect of these items.

21. Textiles, tobacco and sugar are not subject to sales tax. But an additional excise duty is levied and collected by the Centre and distributed to the States. This system has come into being as a result of an agreement between the Centre and the States. Recently it has been suggested that the following goods may also be brought under a similar system in the interest of smooth development of trade and better collections—tea, coffee, matches, paper, vegetable products. Do you agree to this proposal ? If you disagree in respect of some goods, please specify and state reasons for disagreement.

22. Compounding system was introduced in 1958 in respect of dealers with turn-over of Rs. 5,000 and less, with the specific purpose of giving relief to these small dealers in the matter of maintenance of detailed accounts. It is reported that very few have taken advantage of the facility. In your opinion what are the reasons for this state of affairs ? Do you suggest any improvements in the system ?

23. (i) What is your estimate or the extent of evasion of sales tax and purchase tax in Orissa ?

(ii) What in your opinion are the factors (a) which facilitate and (b) which offer a temptation for such evasion ?

24. What suggestions would you make for dealing effectively with the problem of evasion ?

25. Do you have any suggestions to make for improving the administration of the Sales Tax Act from the point of view of (a) avoiding needless harassment, and (b) ensuring speed in assessment and collection ?

Agricultural Income Tax

26. The progress of land reforms will reduce the yield from this source. It has been suggested that a levy on cash crops based on output or size of holdings may be made in lieu of taxation on agricultural income. Do you agree ?

27. How would you determine taxable income in the comparative absence of accounts in rural areas ? What treatment should in particular, be given to the followings :—

- (i) expenses of cultivation, harvesting, preparation for the market, etc.
- (ii) Agricultural losses owing to a calamity or other reasons, (in this connection, would you favour giving the assessee the discretion to choose the alternative of averaging his income over a number of years—say 3 to 5 years—in order to cover good and bad years ?)
- (iii) depreciation in respect of—
 - (a) livestock.
 - (b) implements and carts,
 - (c) means of irrigation, e.g., wells, etc.
 - (d) buildings.

28. Taxation Enquiry Commission has recommended formal integration of tax on agricultural incomes with the tax on non-agricultural incomes and has suggested as a first step to lower the exemption limit to Rs. 3,000 and increase in rates. Do you agree ? What exemption limit would you lay down ? Would you suggest any increase in the rates ?

Land Revenue and Land Cess

29. It has been said that the burden of land revenue has steadily and progressively tended to decline partly due to changes in the price levels of foodgrains and partly due to postponement of settlements. Do you agree with this opinion and what measures would you suggest to correct this trend ?

30. Rates of land revenue differ widely from area to area in the State resulting in an uneven and inequitable burden on the people of different areas. It is therefore said that the most pressing problem is to evolve a suitable scheme for standardising the different assessment levels of different areas. Standardisation should be State-wide, simple and *ad hoc*. Maximum increase may be laid down and different rates of increase may be fixed for different areas in relation to the interval between last settlement and resettlement, the maximum increase being applied where the interval is the longest ?

- (i) State your views on the above suggestions.
- (ii) Do you have any other formula for removal of disparities ?

31. It has been said that both administrative and economic considerations point to the need for certain modifications being made in the present system of revision settlements. Do you agree, and if so, what modifications would you suggest ?

32. (i) Do the settlement operations now in progress in some districts provide a satisfactory method for bringing the land revenue rates into conformity with the changing conditions ? If they are not satisfactory what suggestions or modifications would you suggest ?

- (ii) For areas where there has been no initial settlement what principles would you apply for their settlement ? Would you make any modifications in the practices and principles which have been followed hitherto ? Please refer in particular to the following :—
 - (a) *Period of guarantee*—Should this be shorter than in the past ? Would you suggest longer periods in special circumstances, e.g., when ryotwari tenure is introduced for the first time ?

- (b) *Scope of guarantee*—Should a fixed assessment be guaranteed for a specific piece of land (or for a proprietary body, as for instance, in the Punjab) ? Alternatively, should a basic rate be fixed and limits guaranteed within which it may vary ? What factors would you take into account in varying the rate e.g., area, nature of crop yield, prices, etc. ?
- (c) *Basis of assessment*—How should the basic rate be fixed ? Would you introduce an element of progression ?
- (d) *Incentive to production*—Would it be feasible so to regulate assessment as to provide an incentive for—
- (i) larger agricultural production ;
 - (ii) shifts in production, e.g., from cash crops to food crops or *vice versa* ;
 - (iii) capital improvements to land ?

33. Are the existing Law and Rules conducive to a speedy and equitable settlement ? If not, what modifications would you suggest ?

34. Would you levy surcharge on the existing rates graduated with reference to such factors as crop grown, size of holding, etc., in preference to standardisation as suggested at 30 above ?

35. Would you recommend a surcharge on the standardised rent in view of the need for resources for developmental planning ?

36. Have you any comments to make on policies in respect of—

- (i) alienation of land revenue in forms in which such alienation subsists and may continue to subsist (e. g., devasthan inams) ;
- (ii) concessions in land revenue, both *ad hoc* and regulated e. g., on (a) sale of land belonging to or at the disposal of Government or (b) transfer of such land either on special tenure such impartible or inalienable tenure or on ordinary tenure to special classes of lessees such as educational or charitable institutions and co-operative societies ; and
- (iii) suspensions and remissions ?

37. Do you have any suggestions to make in regard to the assessment of—

- (i) agricultural land in rural areas used for non-agricultural purpose,
- (ii) land classed as agricultural but now part of an urban area and used for non-agricultural purposes, and
- (iii) land classes as non-agricultural, whether in rural areas or in urban areas, and used for non-agricultural purposes ?

38. (i) Do you agree to assign Land Revenue in full or in part to local bodies ? If so, please state reasons.

(ii) Do you suggest collection of Land Revenue through local bodies ?

39. Would you like to replace Land Revenue with some other tax without adversely affecting the amount of income from this source ?

40. (i) What should be the basis of levy of land cess ?

Should it be Land Revenue or annual value ?

(ii) Would you introduce a degree of graduation in the rates of land cess ?

41. To what extent do you consider it suitable that land cesses should be placed within the purview of local bodies with reference to levy or collection of both ?

42. Should cesses be earmarked for specific purposes more closely related to the rural tax-payer ? If so, please give your suggestions. Alternatively, do you propose one consolidated cess for local purposes ?

Irrigation Rates and Betterment Levy

43. With emphasis on agricultural production large amounts are spent in specified areas on irrigation. Would you recommend any of the following taxes, either singly or in combination, where an irrigation work has been constructed ?

- (i) a betterment levy representing a portion of the increase in the value of land ;
 - (ii) an irrigation rate for the water actually supplied ;
 - (iii) a small compulsory cess for all lands under command, whether the water is actually utilised or not ;
 - (iv) any other tax or taxes, as an alternative to or in conjunction with the above ?
44. (i) What portion of the increment in land value may be reasonably absorbed by the State as betterment levy ?
- (ii) How should it be assessed, in what instalments should it be collected and by what administrative machinery ?
- (iii) How would you time the recovery in relation to development i.e., before the project comes into full operation or afterwards when substantial incremental value is actually realised ?

45. Would it be proper and practicable to impose a betterment levy on lands already benefited by an existing irrigation work ?

46. Would you confine the betterment levy to projects in respect of which the maintenance expenditure, interest and other current servicing charges can not be fully met from the proceeds of irrigation cess or water rates ? If so, what are your reasons for exempting other projects from betterment levy ?

47. Would you base the irrigation rate primarily on (a) area irrigated, (b) quantity of water supplied, (c) crop value, (d) any other factor ?

48. Are you in favour of periodical revision of water rates ? If so, what period would you consider appropriate in conformity with economic considerations and in the light of administrative convenience ?

49. Do you advocate concessional or incentive rates, particularly in the initial stages of development, with a view to encouraging the production of specific crops or the adoption of desired farming techniques ?

50. How would you fix the compulsory irrigation cess ? Would you make it a small fee relatable to the annual cost of maintenance of the work ? Or would you include it an element towards the interest charges on the capital cost of the project ?

51. What is the scope for the imposition of a surcharge on irrigation rate^s based on :—

- (i) crop values ;
- (ii) sizes of holdings etc.

State Excise

52. Income from State Excise has declined by about Rs. 80 lakhs a year during the period from 1951-52 to 1958-59 due to the progressive prohibition of Liquor and Opium.

- (i) Do you consider it advisable to extend the policy of prohibition further with its attendant consequence of loss of income particularly with reference to the great need for finding resources for planned development ? Please state reasons for your view.
- (ii) If you are in favour of extension of prohibition, do you suggest any alternative source for making up the income lost as a result of extension ?

53. (i) Considering that large parts of the State are inhabited by Adibasis and that complete prohibition is somewhat difficult to enforce would you suggest any modified form of prohibition or Excise control for those areas ?

(ii) Do you think that the maintenance of a reasonable number of shops will check the recent trend of increase in illicit distillation and help eventually in controlling the spread of the habit of drink while easing out the fall in State income ?

54. In the light of the broad objectives of the present policy of the control over liquor do you think that the number and location of shops is satisfactory ? If you do not, please suggest how the shops can be improved or rationalised.

55. (i) What principles would you recommend for adoption in connection with the licensing of foreign liquor shops ?

(ii) Do you think that the policy regarding foreign liquor shops should be the same as in the case of country liquor shops ? If you think that the policy for the former should be different, please state in what respects and for what reasons ?

56. (i) Complete prohibition of opium took effect from the 1st April 1959. Habitual addicts only are now allowed medicinal opium on the strength of medical certificates. Do you have any comments to make on the working of this policy ?

(ii) Do you think that this policy has led to a large scale increase in smuggling of opium and to the consumption of other habit forming drugs ?

(iii) Is the present scheme for supply of medicinal opium adequate to the needs of the addicts ? If not, do you suggest any improvements ?

57. It has been said that the U. K. imported 4.5 lakh maunds of opium in 1956-57 presumably for medical purposes. Does this statement have any lesson for Orissa in the context of the implementation of the scheme for supply of medicinal opium ?

58. Do you think that the State Government should take up the manufacture and supply of opium-based medicines through its own organisations or through private agencies, as a measure of Excise control as well as a measure of arresting the fall in Excise Revenue ?

59. It has been proposed that Ganja should be completely prohibited with effect from the 1st April 1961. Do you approve of this policy ? If you do not, please state your reasons. What policy would you recommend ?

Stamps and Registration

60. Is there scope to increase the rate of stamp duty ?

61. What are the common methods of evasion or avoidance of payment of stamp duty ? What means of prevention would you suggest ?

Taxes on Motor and other vehicles

62. It is pleaded in some quarters that levy of tax on motor vehicles and their users is already too heavy. Do you agree ?

63. In your opinion is there sizeable evasion ? If so, would you suggest any special measures for stopping it ?

64. Have you any suggestions to make regarding the extension of taxation to, or increase of present taxation on, users of roads other than motor vehicles ? How would you classify the users, what rates would you suggest and who, in your view, should be the taxing authorities ? How would you dispose of the proceeds ?

Taxation on Transport of Goods carried by Road and Inland Water Ways

65. At present, bamboos, jute, mineral and mineral ores carried by road or inland water ways are subjected to a tax. In your opinion, can any other commodity be brought under this tax ?

66. Would you suggest extension of this tax to cover all goods and passengers carried by road and inland water ways ? If so, at what rates ?

Entertainment Tax

67. This tax is usually levied on tickets of admission to entertainments, or amusements, of which the Cinema is by far the most important. In this regard, the Cinematograph Industry Enquiry Committee considered the incidence of the tax on the industry too heavy. Do you agree with this view and, in particular do you consider that the rates have reached the point of diminishing returns ?

68. What modification in the system of levy would you suggest ?

69. What principles would you adopt in regard to exemptions ? Should the criterion be :

- (i) character of the entertainment (i.e., educational film);
- (ii) nature of object to which net receipts are applied, (i.e., charity show);
- (iii) class of persons admitted to entertainment (i.e., lowest class of ticket);
- (iv) any other factor.

70. How serious is evasion of the entertainment tax and what methods of evasion are practised ?

71. (i) What steps would you take to minimise evasion ?

(ii) Should there be a restriction on the number or proportion of complimentary tickets issued ?

(iii) Should collection be generally by stamps ?

72. Would you suggest the extension of the scope of application of the tax to any other organised and conveniently taxable forms of entertainment not taxed at present ?

Tax or Duty on consumption or sale of Electricity

73. Do you consider this a suitable duty to be adopted in Orissa at the present juncture in addition to the existing tariff rates ?

74. Would you restrict it to consumers of energy for domestic purposes or would you extend it to sales for industrial uses also ?

75. In respect of domestic purpose—

(a) Should a distinction be drawn between the Electrical energy consumed for lights and fans and the energy consumed for other domestic purposes (frigidaires, heaters, radios, etc.) ? On what principles would you determine the rates of duty ?

(b) What exemptions would you suggest and on what basis ? Would you apply a lower rate of duty to small consumers ?

76. If you are in favour of a duty on energy used for industrial purposes, on what principles would you determine the rates of duty ?

77. What exemptions would you provide for and on what basis ?

State Electricity Undertaking

78. (i) Do you consider that the power tariff rates in force in the State are adequate from the point of view of—

(a) securing a reasonable return on the capital invested in the electricity undertakings,

(b) facilitating rapid industrialisation of the State, and

(c) ensuring the consumption of all the power that is generated ?

(ii) If in your opinion the existing tariff rates are defective, indicate the changes that are necessary in your opinion.

State Transport Undertaking

79. The State is operating some passenger services departmentally and some others through a company where they own more than 51 per cent shares. Do you suggest that the present structure of fares and freights should be raised so as to provide an element for financing further development of the services ?

80. Do you suggest the levy of a surcharge on the fares and freights for developmental purposes ?

81. (i) Do you suggest that with a view to raising more non-tax resources the State Transport undertaking should take up more routes and extend the existing passenger services ?

(ii) If you favour extension of passenger services would you suggest any phased programme ? Particulars of routes, if any, that are specially favoured may be specified.

Forests

82. Forest revenue is an important source of income but the receipts mostly comprise of lease amounts. Do you recommend departmental working of coupes or any system other than present contract system for exploiting timber coupes ?

83. It is remarked that Forest resources in the State are not exploited fully. Do you agree ? If so, what in your opinion are the reasons for incomplete exploitation and how would you remedy them ?

84. At present bamboo areas are given on long-term leases to paper mills. Do you think that the rates of royalty at which these leases have been given are reasonable? Are you in favour of a uniform rate, or rates of royalty being applied to all such long-term leases? If you are not in favour of a uniform rate, please specify the factors which in your opinion should be taken into account while fixing different rates for different lessees.

85. The minor forest produce in the State are auctioned for particular periods. Kendu leaves is the most important item. Other items do not yield much. Do you have any suggestion to make for improving the present system? Do you think State trading is feasible and profitable? Please state reasons for your opinion.

86. Do you consider the present schedule of rates of royalty on forest produce supplied to tenants to be adequate? If not, what increases would you suggest, keeping in view the increase in the general level of prices?

87. What do you think of afforestation and plantation as a measure of increasing revenue? Can you suggest the minimum period in which the plantations can contribute to revenues and the species that will so contribute.

88. It has been said that forests should be managed on commercial principles so that they may contribute the maximum possible resources for development. Do you agree with this view and if so, what measures would you suggest for raising more resources from forests?

Minerals

89. The State levies royalties on the minerals extracted by persons to whom the areas are leased out. A few areas are being worked by the State and Centre jointly through a company set up for the purpose. It is known as the Orissa Mining Corporation.

(i) Do you think that substantial revenues can be raised (a) by direct exploitation by the State or (b) by leasing out more areas to the Orissa Mining Corporation?

(ii) If so, please indicate the set up you contemplate for the maximum exploitation of the mineral wealth of the State and the financial implications thereof.

90. Do you think that revenue from minerals can be augmented by better administration and if so what administrative measures would you suggest?

91. Do you think that the revenue from minerals can be raised substantially by setting up semi-processing units under the aegis of State. If so, please indicate the minerals and the particulars of processing you have in mind.

State Trading

92. It is some times said that Government can raise substantial revenues through State Trading while at the same time giving a fair deal to producers or consumers as the case may be.

(i) Do you subscribe to this view?

(ii) If so, please specify the commodities you propose for State Trading and explain how and to what extent they will contribute to the revenues?

A scheme, if any, may be supplied.

Other Items of Non-tax Revenue

93. Can you suggest any new sources of non-tax revenue that the State may develop ? Please indicate in each case the manner in which the source should be developed in your opinion.

Public Debt

94. What are the possibilities of raising resources for development by further loans ?

95. The public debt of Orissa has grown rapidly in recent years. This is mainly due to borrowings from the Centre. Would you favour a widening of the basis for loans specially by borrowing directly from the public ?

96. Is it desirable and practicable to fix a limit to the size of the public debt of Orissa ?

97. Would you favour the establishment of a sinking fund for repayment of all loans ? If so, what suggestions would you make in this regard ?

98. Are you satisfied with the progress of small savings in Orissa ? If not, what suggestions would you make to increase mobilisation of small savings ?

Local Taxation

99. Have you any comments to make on the proportion borne by the tax-revenue of different categories of local bodies to :—

- (i) non-tax revenue other than grants-in-aid, and
- (ii) grants-in-aid ?

100. Do you consider that local bodies fail to make full use of the resources available to them ? Would you agree that they should use their powers of taxation fully before receiving further grants-in-aid as means of adding to their resources ?

101. In so far as certain taxes usually known as " service taxes " e.g., water lighting, drainage and conservancy taxes are levied along with, and on the same basis as, the general property tax by certain local bodies.

- (i) What suggestion, if any, would you make in regard to the rates of levy, collection etc., of these taxes ?
- (ii) Are the provisions in the Act a bar for collection at higher rates, if so, what would you suggest ?

102. Section 44 of the Orissa Grama Panchayats Act enjoins that a Grama Panchayat shall impose upon the owner of immovable property and occupier of any building within its local area a tax according to the circumstances on the property of such owner and occupier.

- (i) Are you of the opinion that the Grama Panchayat in your jurisdiction have made full use of this power ? What has been the general reaction of the tax payers to the imposition of those taxes and what has been the extent of response ?
- (ii) Which of the taxes, tolls, fees and rates specified in sub-section (2) of section 44 of the Orissa Grama Panchayats Act have been imposed by the Grama Panchayats in your jurisdiction and with what results

103. (i) Has any Grama Panchayat imposed a labour tax in its local area, as provided in section 45 of the Act ? If so, how has this tax been generally paid, in cash or by rendering labour ? Please mention names of Panchayats where this form of tax has been levied with your appreciation of the results.

(ii) Why have a large number of Panchayats failed to levy labour tax ? What are the limitations and difficulties in regard to the levy and administration of this tax ?

104. As the present sources of income of local bodies are admittedly inadequate, please make suggestions for additional resources both tax and non-tax.

105. Are there any classes of population, either in urban and rural area, who escape payment of local taxes ? If so, mention such classes and also state how, in your opinion, they can be made to contribute ?

106. Do you think that collection of taxes by local bodies is satisfactory ? If not, what improvements do you suggest ?

107. What factors are, in your opinion, to be taken into consideration for determining whether the incidence of taxation is high or low in the area of local body ?

108. Is it desirable that the rates of licence fees should be adequate to cover the cost of regulation and supervision of the trade or activity licensed ? If so, do you advocate enhancement of rate of tax wherever necessary ?

109. The Local Finance Enquiry Committee recommends that the limit of Rs. 250 placed on profession tax by the Constitution should be raised to Rs. 1,000.

(i) Do you agree ?

(ii) Would you recommend the wider adoption of profession tax by local bodies ? Which categories of local bodies may suitably levy it, and with what safeguards ?

(iii) Should the levy be compulsory in certain cases, and if so, at what minimum level ?

(iv) What modifications, if any, would you suggest in the prevailing forms of levy of this tax ?

110. What are your views on the suitability of the theatre or show tax for more general adoption ?

111. Have you any suggestions to make regarding the levy of betterment taxes by different categories of local bodies ?

112. Have you any comments or suggestions to make on any items of local taxation not covered by the foregoing questions ?

APPENDIX 2

*Report on Family Budget Enquiry, February-April, 1960***Design of the sample**

1. The design of the survey is one of stratified systematic sampling. For the purpose of the survey rural and urban areas of Orissa were clearly demarcated as the pattern of consumption as well as the level of living are entirely different from each other. The rural area was further stratified into 5 regions consisting of the following districts, and part of districts :—

- (i) Koraput, Kalahandi, Phulbani and Ganjam Agency
- (ii) Bolangir and Sambalpur without Rerakhol subdivision
- (iii) Mayurbhanj, Keonjhar and Sundergarh
- (iv) Dhenkanal, Athagarh subdivision of Cuttack and Rerakhol subdivision of Sambalpur.
- (v) Cuttack without Athagarh subdivision, Puri, Balasore and Ganjam Plains.

From each of the above five regions 6 villages were selected according to the principle of systematic sampling. Thus we had 30 villages to survey.

2. In the Urban area a sample of 16 Blocks spread over 9 towns representing different classes of towns were selected. Thus the only Class I town in the State was included. Besides, we have two from each of the other 4 classes of towns, neglecting Class VI towns and other semi-urban areas.

3. In this way from all the 30 villages and 16 Blocks, we proposed to survey 1,230 households, 823 from the Rural areas and 407 from the Urban areas. In actual practice 815 households from the Rural areas and 386 from the Urban areas were surveyed.

4. The number of households proposed to be surveyed in Rural area were allocated to these regions in proportion to the total number of households (according to 1951 Census) in these regions. In the Urban area, however, it was decided to survey at least 25 households from each of the Blocks such that every income group would be represented by at least two households provided there was more than one household belonging to the different income groups in the list prepared during the first round.

5. The survey was conducted in 2 rounds. In the first round all the households in the selected villages and Urban blocks were listed with a view to finding out the income of the households. This was done in order that the households could be grouped according to their income for the purpose of drawing samples. The proportion of households to be surveyed from each village in any region was the same as the proportion of the number of households in the village to the total number of households in the region to which that village belonged. As has been indicated earlier, each of Urban Blocks was independent for purpose of drawing samples. The proportion of households to be surveyed from each of the income-groups in any Block was the same as that of the number in that income-group to the total number in the block.

6. In Table A-3 we have given the distribution of sample households in Rural and Urban areas of Orissa classified according to their levels of expenditure. It is worth-pointing out here that although households were listed according to their income it appears more appropriate and probably more reliable to

classify them according to their levels of expenditure. This may be particularly true in a study of consumption expenditure by households. This argument is reinforced by the fact that the heads of the households interviewed were not very clear about their annual income, or gave conflicting statements about their income during the listing stage and the second round stage when consumption expenditure data were gathered. This will explain the deviations between the number of households* proposed to be surveyed in any income (expenditure) group and those actually surveyed in that income-group. It was found that the heads of the households or other informants in the households were better aware of the amount of goods and services that they consumed in a month or year immediately preceding the date of interview than their income during the year. Thus data relating to consumption expenditure incurred by the households were considered more reliable. Of course, there would be indeliberate and sometimes even deliberate cases of under-estimation or over-estimation of what the households actually consume but the extent of this kind of non-sampling error is of small order and is not expected to affect seriously the reliability of the figures presented in this report. However, in order to make it easier for the households to give correct information, the reference period was taken as one month for most of the items of consumption and a year for a few of them. Thus data relating to consumption of cereals, milk and milk products, other food items, fuel, light and intoxicants, toiletries and sundry goods were collected for a period of one month preceding the date of the survey, while for those relating to consumption of clothing, etc., miscellaneous goods and services, durable and semi-durable goods, the reference period was one year.

7. In Table A-4 we have given the distribution of households members belonging to the sample households surveyed in the Rural and Urban areas of Orissa classified according to the households' levels of expenditure.

Pattern of Consumption

8. In this study of the pattern of consumption, we have as indicated earlier, surveyed 815 households from the Rural area and 386 households from the Urban area. Thus 1,201 households have been surveyed from the entire State of Orissa. These households account for 6,324 persons—2,192 from the Urban area and 4,132 from the Rural area. In other words, roughly one out of 2,500 people of the State has been represented. For the urban area, the ratio is higher one out of every 300 persons resident in the urban area has been covered. Incidentally, it may be mentioned here that the survey reveals a greater size of family both in rural and urban areas. According to the report prepared by the Economic Survey Committee, the field survey of which was conducted during 1954-55, the average size of families was 4.66 in rural area as against 4.69 in the urban area. The present survey indicates an average of 5.68 persons per household in the Urban area as against 5.07 in the Rural. The increase in the size of family is partly due to the adoption of a wider definition. Even allowing for this factor the size of family seems to have increased during the last five years.

9. It may be useful to explain here the significance of "cash" and "non-cash" constituents of consumption. Consumption expenditure data were gathered under 4 sub-heads, viz. (1) Goods and services obtained in exchange for money, (2) those obtained in exchange for goods and services, (3) those consumed out of home-grown stocks, and 4) those received as gift, loan, etc.

*"households" is defined "A" to comprise all members or persons who stay atleast for sixteen days during the period of 30 days ending on the day preceding the date of listing the household and who partook of a common kitchen, irrespective of the number of earners.

Consumption under the first category enters into the organised market as a result of which purchasers of commodities subject to tax could be expected to pay the taxes. On the other hand, all consumption under any of the other three categories is in the non-monetary field and thus do not involve any payment of taxes. In respect of all data presented in this report, we have therefore, given separate figures for "cash" consumption and "non-cash" consumption distinguishing thereby the non-monetary part of consumption where no tax whatsoever is paid or could be paid.

10. In this report figures of quantities consumed have not been given as these were partly unreliable and mostly incomplete. Moreover, computation of quantities consumed was difficult as the conversion rates for local weights and measures into standard measures were not accurately known. In certain cases constituent items of a broad category of goods were expressed in a variety of measures which it was impossible to combine.

11. As is well-known, it is very difficult to compile a list of goods and services that people of any region, let alone a State or country, normally consume. However, we have given in the questionnaire a list of goods and services that people in this State may normally be expected to consume, keeping in view the likely changes in consumption pattern that might have occurred with rising incomes. The list has been prepared with an eye to realism without making it very unwieldy. The goods and services for which we collected data, fall into eight broad categories. For each of these items we have given 2 sets of tables with data on average consumption per household per month and per person per month for each of the five rural regions or Class of towns in respect of each of the seven expenditure groups. To get an overall picture, all expenditure groups have been combined for the rural and urban population.

12. For purposes of detailed study we re-grouped all goods and services consumed into 92 classes (instead of 8 as before) so that consumption standards in respect of important items could be more easily measured. This re-grouping is more useful for estimating the incidence of indirect taxes. To elaborate, if a large number of items are grouped under one category such as "other food items" it would be very difficult to calculate the incidence of indirect tax for the entire group by applying one (assumed) rate. This is due to the simple reason that items of consumption grouped under "other food items" or for that matter any of the eight categories mentioned elsewhere in the report would carry different rates of tax and some even may not be taxed at all. This difficulty is avoided under the present procedure as we are in a position to apply specific rate of taxes applicable to different items of consumption without having to assume common rates. Further, in case it is proposed to tax any commodity not already subject to taxation we would be in a position with the help of these data to calculate the quantum of revenue that the State Exchequer would get from the new tax. In any case, data in respect of these items of consumption would be immediately useful in computing incidence of indirect taxes at present levied by both the Union and State Governments. We have, however, considered it advisable to exclude these (184) tables from this report.

13. From the Table A-1 we would see that cereals claim 2/5ths of total consumption in the rural area as against slightly more than 1/5th in the urban area. Milk and milk products claim a lower proportion in rural areas than in the urban. Other food items constitute 23.2 per cent in the rural family budget as against 25.5 per cent in the urban budget. As regards other items of

consumption or, let us say, non-food items of consumption the urban people spend a greater proportion of their total expenditure than the rural people in general. This is spectacularly different in respect of miscellaneous goods and services where urban people spend 16.7 per cent. of their total consumption as against 7.3 per cent in the rural area.

14. In Table A-2 we have worked out the cash and non-cash components of total consumption in respect of each of the broad items of consumption for rural and urban areas of Orissa. As one would expect, cereal consumption in the rural area is primarily in non-cash terms while in the urban area it is in cash terms. In other words, 60.5 per cent of total cereal consumption in the rural area is in non-cash terms as against only 10.9 per cent in the urban area. This clearly shows that urban people buy most of their cereal requirements while rural people depend upon home grown stock or that obtained in exchange of goods and services. As regards milk and milk products, we have, more or less, an even distribution between cash and non-cash consumption in the rural area while in the urban area cash consumption constitutes 83.3 per cent. The trend with regard to cash and non-cash consumption of other food items is in the same direction for both rural and urban areas, that is to say, the major part of other food items is purchased both in rural and urban areas. In the urban areas, however, cash consumption constitutes 98.6 per cent against 76.4 per cent in the rural area. This tendency is observable in respect of fuel, light and intoxicants. When we think of consumption pattern in respect of toilets and sundry goods, non-cash consumption is very insignificant. It is less than one per cent in urban area and 4 per cent in rural area. For clothings group of commodities, the same tendency is observed for both rural and urban areas. In other words, the entire consumption is in cash terms. For miscellaneous goods and services and durable and semi-durable goods, cash consumption both in rural and urban areas is of over-whelming proportion. So we may conclude by saying that in respect of food items rural people depend more on home-grown stock than their counter parts in the urban area while for the non-food items dependence on market is greater for all. In other words urban people depend on the market for almost every thing they consume while rural people purchase a few items only.

15. In Table A-21 we have computed consumer expenditure per household per month in rural and urban areas of Orissa for each of the seven expenditure groups. From this table we can readily know the standard of consumption of people in any region or class of town for any expenditure level. As cash and non-cash figures are separately given the extent of dependence on market would be easily found out. In the same way extent of dependence on home-grown produce or barter could be readily known for any region, class of town or expenditure group. It would now be possible to compare the consumption pattern of people belonging to any expenditure group in respect of any two rural regions or class of towns.

Assumptions Underlying Estimation of Incidence

16. We have already worked out consumption data per person per month for different expenditure groups in respect of each of the five rural regions and class of towns. In order to estimate the amount of tax that a person pays in course of a month we propose to apply the rates of taxes imposed on different commodities in respect of the quantity consumed by a person in course of a month. The "quantity consumed" should mean the cash consumption only. This is because non-cash consumption is beyond the scope of taxation. Thus in the incidence tables we have taken only the cash constituent of total consumption.

17. In order to facilitate estimation of incidence of indirect levies we have applied *ad valorem* rates even if some levies are specific in nature. This is particularly true with regard to most of the Central levies. This is because we do not have consumption figures in quantitative terms. All our consumption data as explained before are in value terms. We have, therefore, converted specific rates of tax to *ad valorem* rates by assuming retail value of a unit of the commodity in question. This was necessary for most of the Central levies and State excise duties. This method is subject to criticism as it is liable to bring in errors. Any estimate based on assumptions relating to retail price of commodities over a large area (the State of Orissa) is bound to be defective. We could not have done better because all our consumption estimates are in cash terms without any reference to the physical measure of a commodity. We are not confronted with this problem in respect of sales tax imposed by the State Government as *ad valorem* rates are applied. Entertainment Tax levied by the State Government is related to the value of the ticket as such there is no difficulty in estimating the incidence.

18. We have taken into account the following levies for estimating incidence of indirect taxes.

CENTRAL	STATE
(1) Central Excise Duty on mill-made Cotton-Clothing, Sugar, Tobacco, Kerosene, Matches, Tea and Coffee, Leather, Footware, Cycles.	(1) Sales Tax on 50 items listed in incidence tables referred to above.
(2) Levy on Motor Spirit.	(2) Two items on which purchase tax is imposed.
(3) Tax on Railway fares.	(3) Two items on which State excise duty is imposed.
	(4) One item on which Entertainment tax is collected.
	(5) The last item, that is, the Motor Vehicles Tax, which although directly levied on agencies owning the vehicles, is passed on to the passengers through the fare charged for the services rendered.

Thus we have 56 entries on which State levies are imposed and 11 entries on which Central duties are imposed. It would be seen that certain items figure both under Central and State levies as these are subject to both Central Excise Duties and State Sales Tax. These items are kerosene, matches, tea and coffee and Motor spirit.

19. All other indirect taxes, both Central and State, have been excluded from consideration for purposes of this study. We are aware of the fact that people of Orissa are sharing the burden of customs duties imposed on imported goods, some if not all of which are being consumed by the people in this State. It is difficult to compute precisely the burden of customs duties as our data are of different nature and the assumptions required for any realistic approach to the problem would very much affect the usefulness of the estimate. In any case the burden of customs duties is very much diffused and no accurate estimate seems to be possible. As for example, the burden of customs duties imposed on imported machineries which are not directly consumed but only enter into a complex process of production of consumers goods

20. Except in case of 7 items we have made no distinction between rural and urban people while applying rates of taxes. These items are Cereals, Ghee and Butter, Fish, mustard oil etc., Pickles, Firewood and and leather footwear. While calculating incidence of tax imposed on five of these items we have made a distinction between rural and urban people by applying nil rates in the rural tables and the appropriate rates in others. For leather footwear, we have applied the appropriate rate for household expenditure groups. Rs. 500 and above and nil for the all expenditure group in rural areas and for the urban areas the relevant rate of tax is applied to household expenditure groups, Rs. 151 and above as well as the all expenditure group. This is because we believe that rural people consume some of these commodities in a form in which the likelihood of their paying tax is nil. As for instance, Ghee and Butter which is subject to 5 per cent sales tax if sold in containers. Most of the rural people, whatever be the expenditure group to which they belong, purchase from the local market in loose form as a result of which they are not liable to pay tax on this account. Urban people, however, are expected to pay tax on this commodity as chances of their buying butter and ghee in containers are much greater. Similar considerations prompted us to exclude the other four items from the tax list in respect of people resident in rural areas of Orissa. On other considerations, we have adopted a different procedure for the remaining two (mustard oil etc., and leather footwear) items.

21. In rural areas of Orissa people mostly depend upon ghani-produced mustard oil or for that matter other varieties of edible oil. Rural consumers may however be obtaining a small quantity of edible oil from outside markets. The latter and not the former is subject to State Sales Tax. That explains why we have taken only 25 per cent of total consumption of mustard oil etc., for purposes of estimating incidence of Sales Tax. The *ratios* are reversed for the urban areas as it is believed that dependence on ghani-produced edible oil is much less in towns and cities.

22. Considering the way of living in rural areas it would not be wrong to suggest that persons belonging to households whose monthly expenditure does not exceed five hundred rupees, do not put on leather footwear produced and sold in organised markets. In towns and cities, however, households with a monthly expenditure of less than one hundred and fifty rupees are not normally expected to purchase leather footwear in organised markets. These households purchase leather footwear, if any, from local cobblers or other dealers operating in unorganised markets. This would explain why we have applied 7 per cent sales tax in respect of some households and excluded others.

Central Excise Duty on Cotton Clothing

23. This item of consumption is subject to 3 types of Central duties; (1) Central Excise Duty, (2) Additional Excise Duty, (3) Handloom cess. The tax rates are specific and varies from 4nP. a square yard to 27nP. a square yard so far as the first duty is concerned. Additional Excise Duty varying from 3 nP. to 13 nP. per square yard is imposed in addition to above. Finally handloom cess of 3 pics (2 nP.) per square yard is imposed on all varieties (superfine, fine, medium, or coarse) of mill-made cotton clothing. Thus, except for the handloom cess, tax rates vary for different varieties of cotton clothing. Price per square yard similarly varies not only between any two types but within each type. As we do not know the average rate of consumption of cotton clothing in terms of square yard, it is difficult to relate the duty imposed to the figures of cash consumption per person. In order to avoid all these difficulties we have made certain assumptions relating to the retail price of superfine, fine and coarse clothing. Higher medium variety of cotton clothing is included in the fine category and lower medium is included in the coarse variety. A square yard of superfine, fine and coarse varieties is sold

at Rs. 1.50, Rs. 1.00 and Rs. 0.75 respectively. For each of these three varieties we have assumed mean rates of tax. On these assumptions, Rs. 0.40 nP. per square yard of superfine clothing, Rs. 0.21 nP. for fine and Rs. 0.09 nP. for coarse clothings seem to be the appropriate tax rates. Considering the average retail price of cotton clothing of each variety and the relevant tax (specific) rate, we have arrived at an *ad valorem* tax rate of 27 per cent for superfine, 21 per cent for fine and 12 per cent for coarse varieties.

24. Consumption data in respect of cotton clothing refer to cash expenditure per person per month without in any way indicating the quantum of superfine, fine, or coarse clothing purchased by a household of specified expenditure (or income). To avoid this difficulty we have assumed all households with a monthly expenditure of one hundred rupees or less to be purchasing only coarse varieties. In the same way households with a monthly expenditure of Rs. 101.00 to Rs. 300.00 may be assumed to purchase 75 per cent coarse and 25 per cent fine clothes. Households having a monthly expenditure of Rs. 301.00 to Rs. 1,000.00 are expected to consume 50 per cent coarse, 25 per cent fine and 25 per cent superfine varieties. Finally, all households spending more than a thousand rupees per month would consume 50 per cent fine and 50 per cent superfine clothes. Keeping in view these assumptions relating to the type of mill-made cotton clothings purchased by any expenditure group we have estimated incidence of excise duty imposed on cotton clothes.

25. *Sugar*—Sugar as before is subject to Central Excise Duty. The latest rate seems to be Rs. 14.56 nP. per cwt. of Sugar. This is composed of Rs. 11.25 nP. per cwt. on account of excise duty and Rs. 3.31 nP. per cwt. additional excise duty. On an average the retail price of a cwt. of sugar is slightly more than Rs. 56 in local markets of Orissa. Thus Central Excise Duty works out to be 25 per cent *ad valorem*. We have, therefore, applied this rate both for rural and urban areas.

26. *Tobacco*—The group of commodities designated, 'Tobacco' includes a large number of items, such as, (i) Biri, (ii) Cigarettes, (iii) leaf Tobacco (iv) Hookah Tobacco (prepared), (v) snuff and (vi) Gudakhoo. A few other items (tobacco products) are also included in this group. Considering the habits of consumption of people in Orissa in this respect, we may safely say that Biri and Gudakhoo form the most important constituents in this group. Cigarette may be important in urban areas for the high income groups. For this reason calculation of the rate of tax applicable to 'Tobacco' has presented a number of difficulties as not only the rates of tax are specific but are related to the quality of tobacco used in Biri, Gudakhoo, Cigar, Cheroot Cigarettes, etc. The rate of tax increases as the quality of Cigarette improves. It is almost impossible to compound all these rates into one *ad valorem* rate unless we make very simple assumptions. We have taken the lowest rates and calculated an *ad valorem* rate on the basis of retail price current in the local market. And on this basis we have arrived at a 5 per cent *ad valorem* duty.

27. *Kerosene*—Kerosene is subject to Rs. 0.40 nP. tax per gallon. And a gallon costs Rs. 1.44 nP. Thus a 25 per cent duty is suggested.

28. *Matches*—This item of consumption is subject to Rs. 3 per gross of boxes. Making certain assumptions relating to retail price of matches, 33 per cent *ad valorem* tax is suggested.

29. *Tea and Coffee*—Tea and Coffee is subject to different levies. We have adopted the lowest rate of 35 nP. per pound and taking into account the retail price of this commodity, 10 per cent *ad valorem* duty has been applied.

30. *Footware*—Footware is subject to 10 per cent *ad valorem* Central duty and we have applied that rate for calculating incidence on that account. As this item is

subject to Orissa Sales Tax, the appropriate rate (7 per cent) has been applied for calculating its incidence.

31. *Cycles*—Cycles are subject to Central levy as well as State. Making certain assumptions relating to tax imposed and the retail price of cycles, we have applied 6 per cent tax to calculate incidence of the Central duties. Besides, this item is subject to Sales Tax at the rate of 7 per cent.

32. Besides the commodities for which we have computed appropriate *ad valorem* rates, there are a number of other commodities where Central Excise duty is imposed. In particular we may mention toilet soap and washing soap. We have not been able to compute incidence of indirect Central levies in respect of these commodities as separate data are not available. They have been included in a larger category of goods Toilet and Sundry goods for which Sales Tax at the rate of 7 & 5 per cent respectively have been applied.

Levy on Motor Spirit

33. Motor spirit is subject to a Central Excise Duty of Rs. 1.45 nP. per gallon and 5 per cent surcharge, plus Rs. 0.25 nP. per gallon additional excise duty. Thus duty amounts to roughly two rupees per gallon and one gallon costs, on an average Rs. 3.31 nP. Thus 60 per cent duty on motor spirit is suggested.

34. Here again we are confronted with a peculiar difficulty on account of the fact that we do not have any data on fuel consumption as such. Our data refer to expenditure on conveyance in Bus or Car and Motor cycle. Naturally conveyance expenditure would include not only the cost of fuel but a number of other items. Thus we cannot apply the duty on motor spirit to the entire fare paid by people. This requires us to find out the fuel element in the fare so that the appropriate rate of tax could be applied to the fuel element alone. It was gathered from the Transport Department, Government of Orissa that for Diesel vehicles expenditure per mile on fuel is Rs. 0.15 nP. against an income of Rs. 1.52 nP. per mile. For petrol vehicles the corresponding figures are Rs. 0.30 nP. against Rs. 1.27 nP. Thus fuel element in fare works out to be 10 per cent for diesel vehicles and 25 per cent for petrol vehicles. As most of the Buses run on diesel, we have accepted the former *ratio* for computing incidence of Central Tax on motor spirit. So in the incidence tables, consumption figures on account of conveyance in Bus are reduced to 10 per cent of the original. Thus incidence of the tax in question has been calculated by applying 60 per cent tax on 10 per cent of Bus fare paid by people.

35. For computing incidence of Central Tax on motor spirit purchased by owners of car and Motor cycles, we have to find out the proportion of total expenditure on car and Motor cycles spent on fuel. This is necessary because we do not have independent data on fuel consumption by owners of car and Motor cycles. Our data merely refer to monthly expenditure on account of car and Motor cycles. Thus in order to estimate incidence of Central Tax, expenditure on fuel is assumed to be half of the total. The computational procedure adopted in the previous paragraph (conveyance-Bus) has also been followed here.

36. Besides the Central Tax on motor spirit, the State Government collect a Sales Tax at the rate of Rs. 0.40 nP. a gallon. This works out to a 12 per cent *ad valorem* rate. As before this tax is paid by users of public Transport vehicles and owners of car and Motor cycles. Thus we have applied 12 per cent tax on fuel element in the fare or total expenditure as the case may be.

Motor Vehicles Tax

37. Motor Vehicle Tax is a direct levy on owners of vehicles. It is however believed that owners of Buses would be shifting the burden of tax to the users.

In order to estimate the burden of Motor Vehicles Tax on passengers, we have to find out the tax element in the fare charged. Depending on estimates prepared by the Transport Department, Government of Orissa, tax element in fare seems to be Rs. 0.07 nP. per rupee of fare, that is to say, 7 per cent. On this basis an estimate of the burden of Motor Vehicles Tax supposed to be borne by users of Bus Service has been prepared.

Tax on Railway Fare

38. Incidence of tax on railway fare is similarly be set with difficulties as the rate of tax not only varies from one class of Travel to another but on the basis of the basic fare applicable. The Table below would show the discrepancy in rates referred to above:—

Basic Fare	A.C.	1st Class	Rate of Tax			
			2nd Class		3rd Class	
			Mail	Ordinary	Mail	Ordinary
	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
Rs. 1.00	Nil	0.08	0.05	0.05	0.05	0.15
Rs. 5.00	0.25	0.75	0.75	0.75	0.75	0.75
Rs. 10.00	1.50	1.50	1.50	1.50	1.50	1.50
Rs. 50.00	7.50	5.50	5.00	5.00	5.00	5.00

We expect that most of the people would have less than ten rupees—a—piece travel expenditure. We have therefore assumed 15 per cent to be the tax element in the fare. On this basis 15 per cent Tax on railway fare has been calculated for estimating incidence.

39. Sales tax at the rate of 5 per cent is charged for a large number of commodities. In a very few cases 1 per cent tax is charged and in some cases 7 per cent sales tax is charged. We have applied the appropriate rates for the commodities or commodity groups in question. In case any commodity group includes items where different rates are applicable, the lower rate has been taken as a general rule.

40. We have two items where State excise duty is imposed. These are "Ganja and others" which include opium, Toddy, country liquor and others like Bhang and foreign liquor. The statement given below would indicate the procedure followed. We have applied 70 per cent tax for the group of commodities designated, "Ganja and others" and 50 per cent for foreign liquor.

1	2	3	4	Country Foreign liquor	
				Opium	Ganja Bhang	liquor	liquor
	Rs.	Rs.	Rs.	Rs.	Rs.
Selling price per unit	800	320	120	9	144
Duty	725	220	100	8	70
Per cent	90	70	80	90	50

It would be seen from the statement above that duty varies from 70 to 90 per cent of the selling price for the first group and 50 per cent in respect of foreign liquor. We have adopted the lowest rate of 70 per cent in the first case and 50 per cent for the second.

Entertainment Tax

41. This tax is imposed on all visitors to cinema, theatre, circus, etc. This is for all purposes a direct tax although it is collected from the managements of cinema, theatre etc. The tax is always passed on to the customers along with the value of tickets.

42. For all tickets valued at less than one rupee, 25 per cent *ad valorem* tax is imposed. For tickets valued between 1—3 rupees, 33 $\frac{1}{3}$ per cent tax is imposed and for all costlier tickets 50 per cent tax is imposed. We have applied 25 per cent tax in respect of households whose monthly expenditure does not exceed three hundred rupees and 33 $\frac{1}{3}$ per cent for all households whose monthly expenditure exceeds three hundred rupees. This necessarily involves the assumption that households spending less than Rs 300·00 per month are normally expected to purchase cinema and theatre tickets valued at one rupee or less. Richer households, that is to say households spending more than Rs. 300·00 per month are expected to buy costlier tickets. We have not applied 50 per cent tax any where as the proportion of households buying tickets valued at more than three rupees is insignificant, if not zero.

TABLE—A-1

Consumer Expenditure per household per month for all Expenditure Groups
in Rural and Urban Areas of Orissa

Items of Consumption (1)	Rural		Urban	
	(2)	(3)	(4)	(5)
	Rs. nP.	Percentage	Rs. nP.	Percentage
1. Cereals ..	44·28	(41·21)	40·19	(22·27)
2. Milk and milk .. products.	6·50	(6·05)	15·17	(8·41)
3. Other food .. items.	24·93	(23·20)	45·96	(25·48)
4. Fuel, light and .. intoxicants.	9·71	(9·04)	16·03	(8·88)
5. Toilets and .. sundry goods.	3·79	(3·53)	10·63	(5·89)
6. Clothing, etc. ..	6·41	(5·96)	11·66	(6·46)
7. Miscellaneous .. g o o d s and services.	7·90	(7·35)	30·13	(16·70)
8. Durable and .. semi-durable goods.	3·93	(3·66)	10·66	(5·91)
Total ..	107·45		180·43	

Source : Orissa Family Budget Survey, 1960

TABLE—A-1 (Concl'd.)

Consumer Expenditure (in Rupees) per household per month in Rural and Urban areas of Orissa for each of the Household Expenditure Groups

Items of consumption. Expenditure groups.	Cereals;	Milk and milk products.	Other food items.	Fuel, light and intoxicants.	Toilets sundry goods.	Clothing, etc.	Misc. goods and services.	Durable and semi-durable.	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
A—RURAL—									
1—50	20·28	1·34	7·60	4·46	0·99	2·12	1·37	0·68	38·84
51—100	35·80	2·98	16·06	7·49	2·46	4·28	3·58	1·49	74·14
101—150	54·80	5·72	29·90	10·87	4·21	7·17	8·57	2·48	123·72
151—300	73·32	10·27	51·87	19·54	9·11	12·28	19·04	6·07	201·50
301—500	115·88	24·40	95·62	24·64	12·41	25·27	45·08	15·42	358·72
501—1,000	165·43	43·75	188·35	42·09	27·34	66·34	86·38	78·52	698·25
1,001 & above	262·25	30·50	172·75	34·00	21·80	49·79	125·38	307·75	1,004·22
All expenditure groups.	44·28	6·50	24·93	9·71	3·79	6·41	7·90	3·93	107·45
B—URBAN—									
1—50	17·05	1·13	9·89	5·90	1·35	2·56	2·12	0·61	40·61
51—100	27·85	3·85	19·98	8·86	3·11	4·58	5·47	1·36	75·06
101—150	38·43	7·94	33·37	13·07	6·09	7·45	13·67	4·62	124·64
151—300	48·68	16·27	55·62	20·47	12·59	12·85	28·48	6·84	201·80
301—500	73·53	37·94	105·28	30·48	24·41	28·31	70·16	24·44	394·55
501—1,000	85·04	58·87	184·37	45·07	53·57	47·75	176·04	33·54	683·95
1,001 & above	80·94	72·75	232·30	73·89	74·50	114·19	522·44	192·31	1,363·32
All expenditure groups.	40·19	15·17	45·96	16·03	10·63	11·66	30·13	10·66	180·43

TABLE A-2

Consumer Expenditure per household per month for all Expenditure Groups in Rural/Urban areas of Orissa, Cash and Non-Cash figures given separately

Items of consumption		Rural			Urban		
(1)	(2)	Cash (3)	Non-Cash (4)	Total (5)	Cash (6)	Non-Cash (7)	Total (8)
		Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
1.	Cereals	17.51 (39.5)	26.77 (60.5)	44.28	35.82 (89.1)	4.37 (10.9)	40.90
2.	Milk and milk products	3.18 (48.9)	3.32 (51.1)	6.50	12.64 (83.3)	2.53 (16.7)	15.17
3.	Other food items	19.06 (76.4)	5.87 (23.6)	24.93	45.30 (98.6)	0.66 (1.4)	45.96
4.	Fuel, light and intoxicants.	6.55 (67.5)	3.16 (32.5)	9.71	15.72 (98.1)	0.31 (1.9)	16.03
5.	Toilets and sundry goods.	3.64 (96.0)	0.15 (4.00)	3.79	10.56 (99.3)	0.07 (0.7)	10.63
6.	Clothing, etc.	6.26 (97.6)	0.15 (2.4)	6.41	11.62 (99.6)	0.04 (0.4)	11.66
7.	Miscellaneous goods and services.	7.20 (91.1)	0.70 (8.9)	7.90	29.53 (98.1)	0.60 (1.9)	30.13
8.	Durable and semi- durable goods.	3.66 (93.1)	0.27 (6.9)	3.93	10.61 (99.5)	0.05 (0.5)	10.66
Total ..		67.06	40.39	107.45	171.80	8.63	180.43
Percentage ..		(62.4)	(37.6)		(95.2)	(4.8)	

Source—Orissa Family Budget Survey, 1960

TABLE

Distribution of sample households in Rural and Urban areas of

Region/ Class of Town.	Expenditure Level	Total			1—50		51—100	
		S.	A.	N. D.	S.	A.	S.	A.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
RURAL—								
One	..	154	152	2	105	29	38	73
Two	..	126	124	2	71	27	35	43
Three	..	105	103	2	74	22	21	43
Four	..	70	70	..	19	16	24	22
Five	..	368	366	2	264	80	86	165
	Total	823	815	8	533	174	204	346
URBAN—								
One	..	102	87	15	14	5	32	19
Two	..	127	125	2	49	12	43	40
Three	..	76	73	3	50	18	17	31
Four	..	50	49	1	16	2	18	14
Five	..	52	52	..	22	4	19	25
	Total	407	386	21	101	41	129	129
	Grand Total	1,230	1,201	29	684	215	333	475

N. B.—S. No. of households in Sample. A— No. of households

N. D.—No. of households

A-3

Orissa classified according to levels of expenditure.

101—150		151—300		301—500		501—1,000		1,001 and above.	
S.	A.	S.	A.	S.	A.	S.	A.	S.	A.
(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
9	28	2	18	Nil	4	Nil	..	Nil	..
10	29	6	16	1	7	3	2	Nil	..
7	24	2	11	1	2	..	1	..	..
14	16	8	10	4	3	1	2	..	1
12	72	4	41	2	8	..	..	..	..
52	169	22	96	8	24	4	5	..	1
23	22	16	26	7	9	7	5	3	1
15	27	9	34	3	6	6	6	2	..
4	10	3	5	1	6	1	2	..	1
5	9	8	11	3	7	..	5	..	1
6	7	3	15	1	..	1	..	..	1
53	75	39	91	15	28	15	18	5	4
105	244	61	187	23	52	19	23	5	5

from whom information could be gathered.

which could not be surveyed.

TABLE

Distribution giving the number of members belonging to households surveyed

Region/Class of Town	Expenditure level	Total	1--50
(1)		(2)	(3)
RURAL—			
	One	691	78
	Two	577	75
	Three	597	73
	Four	405	46
	Five	1,862	197
	Total	4,132	469
URBAN—			
	One	570	8
	Two	678	26
	Three	368	65
	Four	307	6
	Five	269	13
	Total	2,192	118
Grand Total		6,324	587

A-4

in Rural and Urban areas of Orissa classified according to levels of expenditure.

51—100	101—150	151—300	301—500	501—1,000	1,000 and above
(4)	(5)	(6)	(7)	(8)	(9)
290	154	135	34	..	..
167	157	117	44	17	..
215	168	92	26	23	..
105	104	82	31	16	21
763	448	348	106	..	..
1,540	1,031	774	241	56	21
77	129	206	88	46	16
159	148	200	69	76	..
134	61	34	55	11	8
53	46	78	68	54	2
108	40	92	..	..	16
531	424	610	280	187	42
2,071	1,455	1,384	521	243	63

TABLE

Monthly Consumption of Cereals per household in Rural/Urban areas of Orissa

Region/ class of Town	Size of sample	1—50			
		Cash	Non-Cash	Total	
(1)	(2)	(3)	(4)	(5)	
RURAL—			Rs. nP.	Rs. nP.	Rs. nP.
One	.. 152	12·13	8·29	20·42	
Two	.. 124	5·95	12·66	18·61	
Three	.. 103	14·41	9·43	23·84	
Four	.. 70	11·92	9·85	21·77	
Five	.. 366	14·64	4·88	19·52	
All rural regions	.. 815	12·59	7·69	20·28	
URBAN—					
One	.. 87	14·19	..	14·19	
Two	.. 125	12·58	0·08	12·66	
Three	.. 73	18·95	0·83	19·78	
Four	.. 49	10·56	2·25	12·81	
Five	.. 52	23·30	0·33	23·63	
All Towns	.. 386	16·52	0·53	17·05	

A-5

classified by expenditure groups

51—100			101—150			151—300		
Cash	Non-Cash	Total	Cash	Non-Cash	Total	Cash	Non-Cash	Total
(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
13·91	20·48	34·39	10·08	40·32	50·40	24·99	35·91	60·90
7·52	26·85	34·37	11·92	40·90	52·82	4·79	68·08	72·87
22·86	18·40	41·26	14·14	45·27	59·41	9·11	74·67	83·78
9·55	26·94	36·49	16·88	47·47	64·35	21·49	64·78	86·27
24·72	10·56	35·28	30·80	22·85	53·64	20·44	52·52	72·96
19·11	16·69	35·80	20·44	34·36	54·80	17·50	55·82	73·32
25·11	0·15	25·26	37·83	1·18	39·01	46·35	11·00	57·35
29·68	..	29·68	38·32	..	38·32	42·94	4·72	47·66
27·76	1·08	28·84	43·20	..	43·20	37·60	..	37·60
18·55	1·43	19·98	25·78	1·56	27·34	36·87	4·09	40·96
21·47	8·60	30·07	27·37	17·05	44·42	43·84	1·44	45·28
25·75	2·10	27·85	36·30	2·13	38·43	43·04	5·64	48·68

TABLE

Region/Class of Town	Size of sample	301—500		
		Cash	Non-Cash	Total
(1)	(2)	(15)	(16)	(17)
RURAL—				
		Rs. nP.	Rs. nP.	Rs. nP.
One	..	2·28	119·19	121·47
Two	..	4·48	83·91	88·39
Three	..	1·03	129·93	130·96
Four	..	25·50	96·04	121·54
Five	..	14·44	116·80	131·24
All rural regions	.	9·77	106·11	115·88
URBAN—				
One	..	67·88	5·11	72·99
Two	.	69·44	16·66	86·10
Three	..	84·96	..	84·96
Four	..	45·07	8·57	53·64
Five
All Towns	..	66·17	7·36	73·53

A-5 Concl'd.

501—1,000			1,001 & above			All Expenditure Groups		
Cash	Non-Cash	Total	Cash	Non-Cash	Total	Cash	Non-Cash	Total
(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)
Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
..	..	..	..	..	..	13·87	26·23	40·10
..	91·18	91·18	..	..	..	7·56	36·63	44·19
25·00	313·12	338·12	..	..	..	17·15	33·78	50·93
31·84	121·50	153·34	6·25	256·00	262·25	14·75	42·07	56·82
..	..	..	..	..	..	23·01	18·76	41·77
17·74	147·69	165·43	6·25	256·00	262·25	17·51	26·77	44·28
71·16	20·25	91·41	67·41	36·12	103·53	41·60	5·73	47·33
66·23	25·00	91·23	..	..	..	37·18	3·29	40·47
51·50	..	51·50	49·60	..	49·60	34·03	0·66	34·69
64·67	20·00	84·67	11·00	10·00	21·00	32·01	5·17	37·18
..	..	..	30·50	119·12	149·62	29·03	9·16	38·19
65·53	19·51	85·04	39·63	41·31	80·94	35·82	4·37	40·19

TABLE

Monthly Consumption of milk and milk-products per household

Region/Class of Town	Size of sample.	1—50			51—100		
		Cash	Non-cash	Total	Cash	Non-cash	Total
		(3)	(4)	(5)	(6)	(7)	(8)
RURAL—							
		Rs.nP.	Rs.nP.	Rs.nP.	Rs.nP.	Rs.nP.	Rs.nP.
One	64	0·17	1·79	1·96	1·76	2·06	3·83
Two	75	0·92	..	0·92	1·92	1·41	3·33
Three	34	0·91	1·18	2·09	0·96	0·75	1·71
Four	36	0·25	0·58	0·83	4·39	0·92	5·31
Five	250	1·01	0·29	1·30	1·77	0·82	2·59
All rural region.	459	0·92	0·42	1·34	1·91	1·07	2·98
URBAN—							
One	58	..	..	..	8·64	..	8·64
Two	100	1·12	..	1·12	2·98	0·52	3·50
Three	48	0·93	..	0·93	2·33	1·11	3·41
Four	42	4·00	..	4·00	3·51	1·79	5·30
Five	51	1·01	..	1·04	1·50	0·81	2·31
All Towns	299	1·13	..	1·13	3·05	0·80	3·85

A-6

in Rural/Urban areas of Orissa classified by expenditure groups

101-150			151-300		
Cash	Non-cash	Total	Cash	Non-cash	Total
(9)	(10)	(11)	(12)	(13)	(14)
Rs.nP.	Rs.nP.	Rs.nP.	Rs.nP.	Rs.nP.	Rs.nP.
3.75	1.15	4.90	4.94	3.99	8.93
3.05	1.59	4.64	4.30	10.12	14.42
1.25	1.51	2.76	4.51	1.50	6.01
6.05	0.29	6.34	2.82	12.96	15.78
2.94	4.01	6.95	5.23	3.96	9.19
3.15	2.57	5.72	4.70	5.57	10.27
7.30	1.00	8.30	12.26	3.55	15.81
9.23	..	9.23	13.38	..	13.38
5.00	..	5.00	14.50	..	14.50
6.39	1.14	7.53	16.89	8.18	25.07
3.72	3.15	6.87	14.20	3.24	17.44
7.17	0.77	7.94	13.75	2.52	16.27

TABLE

Region/Class of Town	Size of sample	301—500			501—1,000		
		Cash	Non- cash	Total	Cash	Non- Cash	Total
(1)	(2)	(15)	(16)	(17)	(18)	(19)	(20)
RURAL—							
		Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
One	64	6·69	4·94	11·63			
Two	75	4·71	23·39	28·10	..	51·00	51·00
Three	34	26·75	..	26·75	..	32·50	32·50
Four	36	13·50	22·12	35·62	42·12	..	42·12
Five	250	6·31	16·44	22·75	..	..	..
All rural regions	459	7·72	16·58	24·40	16·58	26·90	43·75
URBAN—							
One	58	48·20	..	48·20	75·75	..	75·75
Two	100	24·29	..	24·29	67·50	..	67·50
Three	48	19·10	..	19·10	48·75	..	48·75
Four	42	31·46	22·57	54·03	21·80	17·45	39·05
Five	51						
All Towns	299	32·08	5·86	37·94	53·74	5·13	58·87

A-6 Concl'd.

1,001 & Above			All Expenditure Groups		
Cash	Non-Cash	Total	Cash	Non-Cash	Total
(21)	(22)	(23)	(24)	(25)	(26)
Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
..	..	..	3.45	2.52	5.97
..	..	..	2.84	6.37	9.21
..	..	..	2.84	2.22	5.06
30.50	..	30.50	7.81	5.42	13.23
..	..	..	2.58	2.45	5.03
30.50	..	30.50	3.18	3.32	6.50
30.00	6.00	36.00	20.12	1.71	21.83
..	..	..	12.86	0.15	13.01
20.00	..	20.00	8.09	0.32	8.41
60.00	45.00	105.00	15.66	9.67	25.33
	130.00	130.00	5.48	4.31	9.79
27.50	45.25	72.75	12.64	2.53	15.17

TABLE
Monthly Consumption of other food items per household in rural

Region/Class of Town	Size of sample	1—50		
		Cash	Non-cash	Total
(1)	(2)	(3)	(4)	(5)
RURAL—				
		Rs. nP.	Rs. nP.	Rs. nP.
One	.. 152	6·51	2·42	8·93
Two	.. 124	7·22	1·81	9·03
Three	.. 103	4·93	0·83	5·76
Four	.. 70	4·64	1·79	6·43
Five	.. 366	6·55	0·82	7·37
All rural regions	.. 815	6·27	1·33	7·60
URBAN—				
One	.. 87	8·27	0·22	8·49
Two	.. 125	10·73	0·11	10·84
Three	.. 73	9·50	0·01	9·51
Four	.. 49	12·53	..	12·53
Five	.. 52	8·75	0·41	9·16
All Towns	.. 386	9·78	0·11	9·89

A-7

areas of Orissa classified by Expenditure Groups

51—100			101—150		
Cash	Non-Cash	Total	Cash	Non-cash	Total
(6)	(7)	(8)	(9)	(10)	(11)
Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
12·46	6·04	18·50	23·15	7·73	30·88
12·60	6·05	18·65	27·65	10·19	37·84
7·88	2·73	10·61	17·58	7·24	24·82
9·42	7·39	16·81	20·78	6·04	26·82
13·80	1·82	15·62	24·56	4·13	28·69
12·35	3·71	16·06	23·51	6·39	29·90
22·29	0·11	22·40	34·59	0·11	31·70
22·55	0·03	22·58	34·46		34·46
19·58	0·31	19·89	33·71	..	33·71
19·29	..	19·29	31·83	1·55	33·39
12·11	2·39	14·50	20·16	4·28	24·44
14·42	0·56	14·98	32·75	0·62	33·37

TABLE

Region/Class of Town	Size of sample	151—300			301—500		
		Cash	Non- cash	Total	Cash	Non- cash	Total
(1)	(2)	(12)	(13)	(14)	(15)	(16)	(17)
		Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
RURAL—							
One	22	48·12	6·41	54·53	65·82	15·87	81·69
Two	25	36·44	27·25	63·69	72·79	41·93	114·72
Three	14	34·26	11·27	45·53	112·12	18·34	130·46
Four	16	30·49	14·53	45·02	59·34	38·10	97·44
Five	49	38·89	10·56	49·45	62·79	13·69	76·48
All rural region	126	38·81	13·06	51·87	69·89	25·73	95·62
URBAN							
One	..	55·96	0·36	56·32	124·86	..	124·86
Two	..	53·95	0·04	53·99	97·30	..	97·30
Three	..	55·95	..	55·95	94·89	..	94·89
Four	..	58·87	0·32	59·19	95·84	..	95·84
Five	..	52·89	2·46	55·35	..	..	..
Total	..	55·05	0·57	55·62	105·28	..	105·28

A-7 Contd.

501-1000			1001 and above			All expenditure groups		
Cash	Non-cash	Total	Cash	Non-cash	Total	Cash	Non-cash	Total
(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)
Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
..	..	..	18.92	5.97	24.89	..	..	..
101.09	35.87	136.96	22.85	11.34	34.19	..	..	..
151.12	118.37	269.49	15.74	5.71	21.45	..	..	..
134.68	64.50	199.18	21.99	9.67	31.66	172.75	..	172.75
..	..	..	18.21	3.30	21.51	..	..	..
124.53	63.82	188.35	19.06	5.87	24.93	172.75	..	172.75
262.07	..	262.07	61.91	0.17	62.08	271.17	..	271.17
180.46	..	180.46	43.70	0.03	43.73	..	..	..
120.69	..	120.69	31.80	0.13	31.93	115.62	..	115.62
136.20	0.67	136.87	53.94	0.43	54.37	62.12	..	62.12
..	..	..	32.19	3.97	36.16	401.77	78.50	480.27
184.19	0.18	184.37	45.30	0.66	45.96	212.67	19.53	232.20

Monthly Consumption of full light and intoxicants per household in rural areas of

Region/Class of Town	Size of sample.	1-50			51-100		
		Cash	Non- cash.	Total	Cash	Non. cash.	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
RURAL--							
One	152	2.18	2.01	4.19	4.19	2.12	6.31
Two	124	2.43	2.83	5.26	3.02	4.42	7.44
Three	103	1.67	2.13	3.80	3.59	4.28	7.87
Four	70	1.39	2.54	3.93	3.59	5.47	9.06
Five	366	3.11	1.47	4.58	5.48	2.22	7.70
All rural regions.	815	2.51	1.95	4.46	4.55	2.94	7.49
URBAN							
One	87	4.03	0.44	4.47	8.86	0.05	8.91
Two	125	7.24	..	7.24	9.36	..	9.36
Three	73	5.25	..	5.25	8.47	..	8.47
Four	49	6.79	..	6.79	9.05	..	9.05
Five	52	5.66	0.56	6.12	7.42	0.98	8.40
All Towns	386	5.79	0.11	5.90	8.66	0.20	8.86

A-8

Orissa classified by Expenditure Groups.

101—151			151—300		
Cash	Non-cash	Total	Cash	Non-cash	Total
(9)	(10)	(11)	(12)	(13)	(14)
Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
8·14	2·93	11·07	22·09	1·46	23·55
5·07	4·06	9·13	12·73	4·84	17·57
7·55	4·70	12·25	15·59	2·85	18·44
5·12	3·58	8·70	13·71	7·79	21·50
8·69	2·82	11·51	13·93	4·42	18·35
7·48	3·39	10·87	15·43	4·11	19·54
12·34	0·13	12·47	18·28	0·13	18·41
12·99	..	12·99	22·04	..	22·04
11·75	..	11·75	13·83	..	13·83
16·04	0·67	16·71	21·85	..	21·85
11·18	1·32	12·50	18·64	3·07	21·71
12·83	0·24	13·07	19·93	0·54	20·47

Region/Class of Town	Size of sample	301—500		
		Cash	Non-cash	Total
		(15)	(16)	(17)
		Rs. nP.	Rs. nP.	Rs. nP.
RURAL—	..			
One	22	10·63	5·86	16·49
Two	25	14·67	11·47	26·14
Three	14	26·87	..	26·87
Four	16	8·30	5·08	13·38
Five	49	24·19	6·88	31·07
All rural regions..	126	17·39	7·25	24·64
URBAN—	..			
One	..	27·61	..	27·61
Two	..	40·24	..	40·24
Three	..	20·72	..	20·72
Four	..	34·18	..	34·18
Five	..	..	..	..
All Towns	..	30·48	..	30·48

A-8 contd.

501—1000			1001 and above			All expenditure groups		
Cash	Non-cash	Total	Cash	Non-cash	Total	Cash	Non-cash	Total
(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)
Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs.nP.	Rs. nP.	Rs. nP.	Rs. nP.
..	..	..	..	..	..	6·83	2·27	9·10
23·74	15·00	38·74	..	..	..	5·62	4·61	10·23
34·93	30·00	64·93	..	..	..	6·14	3·93	10·07
26·51	7·50	34·01	28·50	5·50	34·00	6·10	4·74	10·84
..	..	..	..	..	..	6·95	2·52	9·47
27·69	15·00	42·09	28·50	5·50	34·00	6·55	3·16	9·71
39·99	..	39·99	134·56	..	134·56	17·45	0·11	17·56
53·95	0·50	54·45	..	..	..	17·01	0·02	17·03
19·62	..	19·62	21·69	..	21·69	9·99	..	9·99
44·90	4·20	49·10	16·00	..	16·00	20·50	0·55	21·05
..	..	..	123·30	..	123·30	13·25	1·58	14·83
43·74	1·33	45·07	73·89	..	73·89	15·72	0·31	16·03

TABLE

Monthly Consumption of Amusements, Toilets and Sundry Goods per

Region/Class of Town	Size of sample.	1—50			5—100		
		Cash	Non-cash	Total	Cash	Non-cash	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
RURAL—							
One	148	0.64	0.05	0.69	1.54	0.11	1.65
Two	124	0.89	0.02	0.91	2.79	0.18	2.97
Three	101	0.72	0.04	0.76	1.51	0.31	1.82
Four	70	1.03	0.06	1.09	3.54	0.26	3.80
Five	361	1.17		1.17	2.63	0.04	2.67
All rural regions.	804	0.97	0.02	0.99	2.34	0.12	2.46
URBAN							
One	87	0.85	..	0.85	3.31	..	3.31
Two	124	0.93	..	0.93	2.68	..	2.68
Three	61	1.63	..	1.63	3.14	..	3.14
Four	49	2.51	..	2.51	4.19	..	4.19
Five	52	1.32	0.38	1.70	2.69	0.32	3.01
All Towns.	373	1.31	0.04	1.35	3.04	0.07	3.11

A-9

household in rural areas of Orissa classified by expenditure groups.

100-151			151-300		
Cash	Non-cash	Total	Cash	Non-cash	Total
(9)	(10)	(11)	(12)	(13)	(14)
Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
3.71	0.30	4.01	9.74	0.11	9.85
4.08	0.13	4.21	7.99	0.08	8.07
3.77	0.19	3.96	7.36	0.36	7.72
5.94	..	5.94	10.51	1.16	11.67
3.95	0.04	3.99	8.57	0.36	8.93
4.09	0.12	4.21	8.76	0.35	9.11
4.98	..	4.98	9.33	..	9.33
6.06	..	6.06	13.92	0.06	13.98
5.81	..	5.81	12.82	..	12.82
8.35	..	8.35	16.32	..	16.32
5.26	1.93	7.19	12.03	0.22	12.25
5.91	0.18	6.09	12.53	0.06	12.59

TABLE

Region/Class of Town.	Size of sample.	301-500			501-1000		
		Cash	Non-cash	Total	Cash	Non-cash	Total
(1)	(2)	(15)	(16)	(17)	(18)	(19)	(20)
RURAL—		Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
One ..	22	13·07	0·80	13·87	..	..	..
Two ..	25	9·74	0·86	10·60	23·61	4·00	27·61
Three ..	14	27·28	..	27·28	41·62	..	41·62
Four ..	16	11·98	0·25	12·23	20·05	..	20·05
Five ..	49	8·99	0·62	9·61	..	..	..
All rural regions.	126	11·79	0·62	12·41	25·79	1·60	27·39
URBAN—							
One ..	87	21·12	..	21·12	38·55	..	38·55
Two ..	124	34·02	..	34·02	70·98	..	70·98
Three ..	61	19·04	..	19·04	36·13	..	36·13
Four ..	49	25·00	..	25·00	53·60	..	53·60
Five ..	52	..	..	..	..	..	..
All Towns. Total ..	373	24·41	..	24·41	53·27	..	53·27

A-9 contd.

1001 and above			All expenditure groups		
Cash	Non-cash	Total	Cash	Non-cash	Total
(21)	(22)	(23)	(24)	(25)	(26)
Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
..	3·11	0·16	3·27
..	4·08	0·22	4·30
..	3·43	0·22	3·65
21·80	..	21·80	5·60	0·27	5·87
..	3·40	0·08	3·48
21·80	..	21·80	3·64	0·15	3·79
86·50	..	86·50	10·21	..	10·21
..	11·15	0·02	11·17
31·00	..	31·00	7·13	..	7·13
78·00	..	78·00	17·13	..	17·13
102·49	..	102·49	7·54	0·51	8·05
74·50	..	74·50	10·56	0·07	10·63

TABLE

Monthly Consumption of Clothing, etc., per household in rural

Region/Class of Town	Size of sample	1—50			51—100		
		Cash	Non-cash	Total	Cash	Non-cash	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
RURAL—							
One ..	152	2.37	..	2.37	4.46	..	4.46
Two ..	124	2.35	0.06	2.41	4.81	0.03	4.84
Three ..	103	1.79	0.31	2.10	5.07	0.17	5.24
Four ..	70	1.66	0.13	1.79	3.32	0.09	3.41
Five ..	366	1.92	0.08	2.00	3.81	0.09	3.90
All rural regions.	815	2.02	0.10	2.12	4.20	0.08	4.28
URBAN—							
One ..	85	1.76	..	1.76	5.33	..	5.33
Two ..	124	2.10	..	2.10	3.73	..	3.73
Three ..	73	2.93	..	2.93	5.06	..	5.06
Four ..	49	2.10	..	2.10	3.97	..	3.97
Five ..	52	3.43	0.15	3.58	4.99	0.15	5.14
All urban towns.	383	2.55	0.01	2.56	4.55	0.03	4.58

A-10

areas of Orissa classified by expenditure groups.

101—150			151—300			301—500		
Cash	Non-cash	Total	Cash	Non-cash	Total	Cash	Non-cash	Total
(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
Rs. n.P.	Rs. n.P.	Rs. n.P.	Rs. n.P.	Rs. n.P.	Rs. n.P.	Rs. n.P.	Rs. n.P.	Rs. n.P.
8.03	..	8.03	11.79	..	11.79	26.48	..	26.48
7.15	0.13	7.28	11.94	0.29	12.23	32.38	0.29	32.67
6.15	0.43	6.58	12.62	0.79	13.41	27.87	..	27.87
5.64	0.05	5.69	11.11	0.13	11.24	17.73	..	17.73
7.05	0.27	7.32	11.84	0.62	12.46	20.38	..	20.38
6.97	0.20	7.17	11.86	0.42	12.28	25.19	0.08	25.27
8.22	0.21	8.43	12.20	..	12.20	22.37	..	22.37
6.08	..	6.08	11.35	..	11.35	39.74	..	39.74
8.91	..	8.91	11.55	..	11.55	33.76	..	33.76
6.69	0.05	6.74	13.61	..	13.61	21.50	..	21.50
7.96	0.31	8.27	17.08	0.12	17.20	..	..	..
7.35	0.10	7.45	12.83	0.02	12.85	28.31	..	28.31

TABLE

Monthly Consumption of Clothing, etc., per household in rural

Region/Class of Town	Size of sample	501—1,000		
		Cash	Non-cash	Total
(1)	(2)	(18)	(19)	(20)
		Rs. nP.	Rs. nP.	Rs. nP.
RURAL—				
One ..	22	..	..	..
Two	25	84.87	3.33	88.20
Three .	14	77.25	..	77.25
Four ..	16	39.04	..	39.04
Five ..	49	..	..	..
All rural regions.	126	65.01	1.33	66.34
URBAN—				
One ..	..	63.07	..	63.07
Two ..	..	46.64	..	46.64
Three ..	..	42.91	..	42.91
Four ..	..	38.75	..	38.75
Five ..	..	..	..	..
All urban towns.	383	47.75	..	47.75

A-10 (concl'd.)

areas of Orissa classified by expenditure groups

1001 and above			All income and expenditure groups		
Cash	Non-cash	Total	Cash	Non-cash	Total
(21)	(22)	(23)	(24)	(25)	(26)
Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
..	6·17	..	6·17
..	8·59	0·16	8·75
..	6·57	0·32	6·89
49·79	..	49·79	6·89	0·09	6·98
..	5·30	0·18	5·48
49·79	..	49·79	6·26	0·15	6·41
5·27	..	5·27	12·94	0·05	12·99
..	9·97	..	9·97
145·75	..	145·75	10·83	..	10·83
45·50	..	45·50	13·46	0·01	13·47
215·25	..	215·25	12·80	0·16	12·96
114·19	..	114·19	11·62	0·04	11·66

TABLE

Monthly Consumption of Miscellaneous Goods and Services per household

Region/Class of Town	Size of sample	1—50			51—100		
		Cash	Non- cash	Total	Cash	Non- cash	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
RURAL—							
One	147	0·79	0·15	0·94	2·35	0·23	2·58
Two	121	1·10	0·63	1·73	2·20	0·41	2·61
Three	103	0·94	0·15	1·09	3·21	0·61	3·82
Four	70	1·29	0·07	1·36	2·27	0·95	3·22
Five	366	1·43	0·05	1·48	4·08	0·17	4·25
All rural regions	807	1·21	0·16	1·37	3·26	0·32	3·58
URBAN—							
One	87	2·47	0·05	2·52	8·31	..	8·31
Two	125	2·52	..	2·52	5·45	0·01	5·46
Three	73	1·38	..	1·38	3·71	..	3·718
Four	49	6·31	..	6·31	9·28	..	9·28
Five	52	1·15	0·44	1·59	2·98	0·39	3·37
All urban towns.	386	2·07	0·05	2·12	5·39	0·08	5·47

A-11

in rural areas of Orissa classified by expenditure groups

101—150			151—300		
Cash	Non-cash	Total	Cash	Non-cash	Total
(9)	(10)	(11)	(12)	(13)	(14)
Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
9.86	0.17	10.03	13.51	..	13.51
2.99	1.82	4.81	10.50	1.47	11.97
6.91	0.87	7.78	15.02	4.60	19.62
4.58	1.29	5.87	10.66	3.53	14.19
10.00	0.37	10.37	24.54	0.70	25.24
7.82	0.75	8.57	17.60	1.44	19.04
16.95	0.11	17.06	38.57	0.34	38.91
11.88	0.02	11.90	22.99	0.12	23.11
10.44	..	10.44	18.02	..	18.02
17.54	..	17.54	34.52	..	34.52
6.30	3.21	9.51	21.26	0.38	21.64
13.33	0.34	13.67	28.28	0.20	28.48

TABLE

Monthly consumption of miscellaneous goods and services per household

Region/class of Town	Size of sample	301—500			501—1,000		
		Cash	Non- cash	Total	Cash	Non- cash	Total
		(15)	(16)	(17)	(18)	(19)	(20)
		Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. Pn.	Rs. nP.
RURAL—							
One	22	63·92	..	63·92	..	..	..
Two	25	25·45	8·92	34·37	72·07	24·50	96·57
Three	14	35·30	2·85	38·13	87·25	10·42	97·67
Four	16	15·24	8·98	24·22	70·54	..	70·54
Five	49	53·42	1·19	54·61	..	..	..
All rural regions	126	40·73	4·35	45·08	74·49	11·89	86·38
URBAN							
One	..	70·19	..	70·19	182·57	..	182·57
Two	..	101·96	0·07	102·03	184·77	0·07	184·84
Three	..	27·72	..	27·72	71·40	..	71·40
Four	..	79·16	..	79·16	200·82	..	200·82
Five	..	..	..	..	..	..	..
All urban towns	..	70·14	0·02	70·16	176·02	0·02	176·04

A-11—concl'd.

in rural areas of Orissa classified by expenditure groups

1,001 and above			All Expenditure Groups		
Cash	Non-cash	Total	Cash	Non-cash	Total
(21)	(22)	(23)	(24)	(25)	(26)
Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
..	..	..	6·56	0·17	6·73
..	..	..	5·77	1·82	7·59
..	..	..	6·29	1·13	7·42
123·67	1·71	125·38	8·01	1·52	9·53
..	..	..	8·04	0·27	8·31
123·67	1·71	125·38	7·20	0·70	7·90
308·81	16·67	325·48	39·07	0·32	39·39
..	..	..	24·56	0·05	24·61
374·02	..	374·02	13·94	..	13·94
727·53	..	727·83	60·53	..	60·53
504·32	158·08	662·40	18·20	3·80	22·00
478·75	43·69	522·44	29·53	0·60	30·13

TABLE

Monthly consumption of durable and semi-durable goods per household

Region/class of Town	Size of Sample	1—50			51—100		
		Cash	Non-cash	Total	Cash	Non-cash	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
RURAL—							
One	122	0.30	0.22	0.52	0.63	0.14	0.77
Two	84	1.09	..	1.09	1.36	..	1.36
Three	78	0.56	0.04	0.60	2.40	0.14	2.54
Four	58	0.46	0.26	0.72	1.36	0.82	2.18
Five	234	0.50	0.15	0.65	1.21	0.35	1.56
All rural regions.	576	0.53	0.15	0.68	1.21	0.28	1.49
URBAN—							
One	36	..	..	..	0.67	..	0.67
Two	70	0.78	..	0.78	0.93	..	0.93
Three	53	0.50	..	0.50	2.07	..	2.07
Four	43	..	..	..	1.25	..	1.25
Five	52	0.43	0.39	0.82	1.26	0.08	1.34
All urban towns.	254	0.54	0.07	0.61	1.34	0.02	1.36

A-12

in rural areas of Orissa classified by expenditure groups

101—150			151—300		
Cash	Non-cash	Total	Cash	Non-cash	Total
(9)	(10)	(11)	(12)	(13)	(14)
Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
1.75	0.09	1.84	2.99	0.04	3.03
2.30	0.07	2.37	11.53	..	11.53
3.23	..	3.23	2.90	0.05	2.95
3.34	0.77	4.11	3.30	0.66	3.96
1.60	0.40	2.00	7.14	0.36	7.50
2.21	0.27	2.48	5.83	0.24	6.07
1.57	..	1.57	5.59	..	5.59
1.28	..	1.28	4.05	0.01	4.06
10.22	..	10.22	22.73	..	22.73
8.77	..	8.77	3.56	..	3.56
3.02	1.24	4.26	9.47	0.06	9.53
4.44	0.18	4.62	6.82	0.02	6.84

TABLE

Monthly consumption of durable and semi-durable goods per household

Region/class of Town	Size of Sample	301—500			501- 1,000		
		Cash	Non-Cash	Total	Cash	Non-Cash	Total
(1)	(2)	(15)	(16)	(17)	(18)	(19)	(20)
RURAL—		Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
One ..		10.47	..	10.47	..	..	..
Two ..		27.13	1.59	28.72	106.06	..	106.06
Three ..		6.36	..	6.36	48.67	..	48.67
Four ..		14.72	..	14.72	65.89	..	65.89
Five ..		7.64	1.53	9.17	..	..	..
All rural regions.		14.64	0.78	15.42	78.52	..	78.52
URBAN—							
One ..		5.68	..	5.68	4.75	..	4.75
Two ..		20.40	..	20.40	42.36	..	42.36
Three ..		69.93	..	69.93	125.45	..	125.45
Four ..		9.21	..	9.21	10.96	..	10.96
Four
All urban towns.	..	24.44	..	24.44	33.54	..	33.54

A-12

in rural areas of Orissa classified by expenditure groups

1,001 and Above			All Expenditure Group		
Cash	Non-Cash	Total	Cash	Non-Cash	Total
(21)	(22)	(23)	(24)	(25)	(26)
Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
..	1.43	0.13	1.56
..	7.25	0.14	7.39
..	3.20	0.06	3.26
307.75	..	307.75	9.40	0.61	10.01
..	2.13	0.35	2.48
307.75	..	307.75	3.66	0.27	3.93
2.92	..	2.92	3.73	..	3.73
..	6.24	0.00	6.24
567.92	..	567.92	28.03	..	28.03
61.67	..	61.67	7.07	..	7.07
136.75	..	136.75	6.41	0.25	6.66
192.31	..	192.31	10.61	0.05	10.66

TABLE

Monthly consumption of Cereals per person in rural/urban

Region/class of Town	Size of Sample	1—50			51—100		
		Cash	Non- Cash	Total	Cash	Non- Cash	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
RURAL—		Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
One	691	4·51	3·08	7·59	3·50	5·16	8·66
Two	577	2·14	4·56	6·70	1·93	6·91	8·84
Three	597	4·34	2·84	7·18	4·57	3·68	8·25
Four	405	4·15	3·42	7·57	2·00	5·64	7·64
Five	1,862	5·95	1·98	7·93	5·35	2·28	7·63
All rural regions.	4,132	4·67	2·85	7·52	4·29	3·75	8·04
URBAN—							
One	570	8·87	..	8·87	6·20	0·03	6·23
Two	678	5·80	0·04	5·84	7·47	..	7·47
Three	368	5·25	0·23	5·48	6·42	0·25	6·67
Four	307	3·53	0·75	4·28	4·90	0·38	5·28
Five	269	7·17	0·10	7·27	4·97	1·99	6·96
All Towns	2,192	5·74	0·18	5·92	6·26	0·51	6·76

A—13—contd.

areas of Orissa classified by expenditure groups

101—150			151—300		
Cash	Non-Cash	Total	Cash	Non-Cash	Total
(9)	(10)	(11)	(12)	(13)	(14)
Rs. nP	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
1·83	7·33	9·16	3·33	4·79	8·12
2·20	7·55	9·75	0·66	9·31	9·97
2·02	6·47	8·49	1·09	8·93	10·02
2·59	7·30	9·89	2·62	7·90	10·52
4·95	3·67	8·62	2·41	6·19	8·60
3·35	5·63	8·98	2·17	6·92	9·09
6·45	0·20	6·65	5·85	1·39	7·24
6·99	..	6·99	7·30	0·80	8·10
7·08	..	7·08	5·53	..	5·53
5·04	0·31	5·35	5·20	0·58	5·78
4·79	2·98	7·77	7·15	0·23	7·38
6·42	0·38	6·80	6·42	0·84	7·26

TABLE

Monthly consumption of Cereals per person in rural/urban

Region/ Class of Towns	Size of Sample	301—500			501—1,000		
		Cash	Non- Cash	Total	Cash	Non- Cash	Total
		(15)	(16)	(17)	(18)	(19)	(20)
		Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
RURAL—							
One	..	0·27	14·02	14·29	..	..	..
Two	..	0·71	13·35	14·06	..	10·73	10·73
Three	..	0·08	9·99	10·07	1·09	13·61	14·70
Four	..	2·47	9·29	11·76	3·98	15·19	19·17
Five	..	1·09	8·82	9·91	..	..	..
All rural regions.		0·97	10·57	11·54	1·58	13·19	14·77
URBAN—							
One	..	6·94	0·52	7·46	7·73	2·21	9·94
Two	..	6·04	1·45	7·49	5·23	1·97	7·20
Three	..	9·27	..	9·27	9·36	..	9·36
Four	..	4·64	0·88	5·52	5·99	1·85	7·84
Five
All Towns		6·62	0·73	7·35	6·31	1·88	8·19

A-13—concl'd.

areas of Orissa classified by Expenditure groups

1,001 & Above			All Income Expenditure Groups		
Cash	Non-cash	Total	Cash	Non-Cash	Total
(21)	(22)	(23)	(24)	(25)	(26)
Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
..	..	..	3.05	5.77	8.82
..	..	..	1.63	7.87	9.50
..	..	..	2.96	5.83	8.79
0.30	12.19	12.49	2.55	7.27	9.82
..	..	..	4.52	3.69	8.21
0.30	12.19	12.49	3.45	5.28	8.73
4.21	2.26	6.47	6.35	0.87	7.22
..	..	..	6.85	0.61	7.46
6.20	..	6.20	6.75	0.13	6.88
5.50	5.00	10.50	5.10	0.83	5.93
1.91	7.44	9.35	5.61	1.77	7.38
3.77	3.93	7.70	6.31	0.77	7.08

TABLE

Monthly consumption of milk and milk products per person

Region/ Class of Town	Size of Sample	1—50			51—100		
		Cash	Non-Cash	Total	Cash	Non-cash	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		Rs. oP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
RURAL—							
One	357	0·07	0·77	0·84	0·45	0·53	0·98
Two	391	0·29	..	0·29	0·51	0·38	0·89
Three	252	0·33	0·43	0·76	0·21	0·16	0·37
Four	236	0·05	0·12	0·17	1·32	0·28	1·60
Five	1,316	0·40	0·11	0·51	0·41	0·19	0·60
All rural regions	3,868	0·34	0·15	0·49	0·46	0·26	0·72
URBAN—							
One	398	..	..	..	2·47	..	2·47
Two	5·76	0·64	..	0·64	0·78	0·14	0·92
Three	255	0·26	..	0·26	0·56	0·27	0·83
Four	273	1·33	..	1·33	0·92	0·47	1·39
Five	264	0·32	..	0·32	0·35	0·19	0·54
All Towns	1·766	0·36	..	0·36	0·77	0·20	0·97

A—14

in rural/rurban areas of Orissa classified by expenditure groups

101—150			151—300		
Cash	Non-Cash	Total	Cash	Non-Cash	Total
(9)	(10)	(11)	(12)	(13)	(14)
Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
0·68	0·21	0·89	0·66	0·53	1·19
0·56	0·29	0·85	0·60	1·42	2·02
0·18	0·22	0·40	0·56	0·19	0·75
1·10	0·05	1·15	0·35	1·60	1·95
0·50	0·68	1·18	0·63	0·48	1·11
0·54	0·44	0·98	0·59	0·70	1·29
1·37	0·19	1·56	1·57	0·45	2·02
1·75	..	1·75	2·23	..	2·23
0·87	..	0·87	2·13	..	2·13
1·49	0·27	1·76	2·38	1·15	3·53
0·65	0·55	1·20	2·32	0·53	2·85
1·36	0·14	1·50	2·06	0·38	2·44

TABLE

Region/ Class of Town	Size of Sample	301—500			501—1,000		
		Cash (15)	Non-cash (16)	Total (17)	Cash (18)	Non-cash (19)	Total (20)
		Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
RURAL—							
One	..	0.79	0.58	1.37	..	..	..
Two	..	0.75	3.72	4.47	..	6.00	6.00
Three	..	1.03	..	1.03	..	1.41	1.41
Four	..	1.31	2.14	3.45	5.27	..	5.27
Five	..	0.48	1.24	1.72	..	..	..
All rural regions	..	0.76	1.62	2.38	1.50	2.40	3.90
URBAN—							
One	..	5.21	..	5.21	10.83	..	10.83
Two	..	2.11	..	2.11	5.33	..	5.33
Three	..	2.08	..	2.08	8.86	..	8.86
Four	..	3.24	2.32	5.56	2.00	1.62	3.62
Five
All Towns	..	3.26	0.59	3.85	5.40	0.52	5.92

A-14-Contd.

1001 & above			All Expenditure Groups		
Cash	Non-cash	Total	Cash	Non-cash	Total
(21)	(22)	(23)	(24)	(25)	(26)
Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
..	..	..	0.62	0.45	1.07
..	..	..	0.55	1.22	1.77
..	..	..	0.38	0.30	0.68
1.45	..	1.45	1.19	0.83	2.02
..	..	..	0.49	0.46	0.95
1.45	..	1.45	0.57	0.60	1.17
1.88	0.37	2.25	2.93	0.25	3.18
..	..	..	2.23	0.03	2.26
2.50	..	2.50	1.52	0.06	1.58
30.00	22.50	52.50	2.41	1.49	3.90
..	8.13	8.13	1.06	0.83	1.89
2.62	4.31	6.93	2.14	0.43	2.57

TABLE

Monthly Consumption of other Food Item per person

Region/ Class of Town	Size of Sample	1—50			51—100		
		Cash	Non-cash	Total	Cash	Non-cash	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
RURAL—							
		Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
One	691	2.42	0.90	3.32	3.14	1.52	4.66
Two	577	2.60	0.65	3.25	3.25	1.56	4.81
Three	597	1.48	0.25	1.73	1.58	0.55	2.13
Four	405	1.62	0.62	2.24	1.97	1.55	3.52
Five	1862	2.66	0.33	2.99	2.98	0.39	3.37
All rural Regions.	4132	2.32	0.49	2.81	2.78	0.83	3.61
URBAN—							
One	570	5.17	0.14	5.31	5.50	0.03	5.53
Two	678	4.95	0.05	5.00	5.67	0.01	5.68
Three	368	2.63	0.01	2.64	4.53	0.07	4.60
Four	307	4.17	..	4.17	5.10	..	5.10
Five	269	2.69	0.12	2.81	2.80	0.55	3.35
All Towns	2192	3.40	0.04	3.44	4.72	0.14	4.86

A-15

in Rural/Urban areas of Orissa Classified by expenditure groups

101—150			151—300		
Cash	Non-cash	Total	Cash	Non-cash	Total
(9)	(10)	(11)	(12)	(13)	(14)
Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
4·21	1·41	5·62	6·42	0·85	7·27
5·11	1·88	6·99	4·98	3·73	8·71
2·51	1·03	3·54	4·09	1·35	5·44
3·20	0·93	4·13	3·72	1·77	5·49
3·95	0·66	4·61	4·58	1·24	5·82
3·83	1·05	4·90	1·81	4·62	6·43
5·90	0·02	5·92	7·06	0·05	7·11
6·29	..	6·29	9·17	0·01	9·18
5·53	..	5·53	8·23	..	8·23
6·23	0·30	6·53	8·30	5·05	8·35
3·35	0·75	4·28	8·62	0·40	9·02
5·79	0·11	5·90	8·21	0·08	8·29

TABLE

Region/ Class of Town.	Size of sample	301-500			501-1000		
		Cash	Non-cash	Total	Cash	Non-cash	Total
(1)	(2)	(15)	(16)	(17)	(18)	(19)	(20)
RURAL—							
		Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
One	..	7.74	1.87	9.61	..	..	..
Two	..	11.58	6.77	18.25	11.89	4.22	16.11
Three	..	8.62	1.41	10.03	6.57	5.15	11.72
Four	..	5.74	3.69	9.43	16.84	8.06	24.90
Five	..	4.74	1.03	5.76	..	..	..
All rural regions.	..	6.96	2.56	9.52	11.12	5.70	16.82
URBAN—							
One	..	12.77	..	12.77	28.49	..	28.49
Two	..	8.46	..	8.46	14.25	..	14.25
Three	..	10.35	..	10.35	21.95	..	21.95
Four	..	9.87	..	9.87	12.61	0.06	12.67
Five
All Towns	..	10.53	..	10.53	17.73	0.02	17.75

-15—concl.

1001 and above			All Expenditure Groups		
Cash	Non-cash	Total	Cash	Non-cash	Total
(21)	(22)	(23)	(24)	(25)	(26)
Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
..	4.16	1.31	5.47
..	4.91	2.44	7.35
..	2.72	0.99	3.71
8.22	..	8.22	3.80	1.67	5.47
..	3.58	0.65	4.23
8.22	..	8.22	3.76	1.16	4.92
16.95	..	16.95	9.45	0.03	9.48
..	8.06	0.01	8.07
14.45	..	14.45	6.31	0.03	6.3
31.06	..	31.06	8.61	0.07	8.63
25.11	4.91	30.02	6.22	0.77	6.99
20.25	1.87	2.12	7.98	0.11	8.09

TABLE

Monthly Consumption of Fuel, light and Intoxicants per person

Region/ Class of Town	Size of sample	1—50			51—100		
		Cash	Non-cash	Total	Cash	Non-cash	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
RURAL—							
		Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
One	691	0·81	0·75	1·56	1·06	0·53	1·59
Two	577	0·87	1·02	1·89	0·78	1·48	1·92
Three	597	0·50	0·64	1·14	0·72	0·86	1·58
Four	405	0·49	0·88	1·37	0·75	1·15	1·90
Five	1862	1·26	0·60	1·86	1·18	0·48	1·66
All rural regions.	4132	0·93	0·72	1·65	1·02	0·66	1·68
URBAN—							
One	570	2·52	0·27	2·79	2·19	0·01	2·20
Two	678	3·34	..	3·34	2·36	..	2·36
Three	368	1·45	..	1·45	1·96	..	1·96
Four	307	2·26	..	2·26	2·39	..	2·39
Five	269	1·71	0·17	1·88	1·72	0·23	1·95
All urban towns.	2192	2·01	0·04	2·05	2·10	0·05	2·15

A-16

in Rural/urban areas of Orissa classified by expenditure groups

101—150			151—300		
Cash	Non-cash	Total	Cash	Non-cash	Total
(9)	(10)	(11)	(12)	(13)	(14)
Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
1.48	0.53	2.01	2.94	0.19	3.13
0.94	0.75	1.69	1.74	0.66	2.40
1.08	0.67	1.75	1.86	0.34	2.20
0.79	0.55	1.34	1.67	0.95	2.62
1.40	0.45	1.85	1.64	0.52	2.16
1.23	0.56	1.79	1.91	0.51	2.42
2.11	0.02	2.13	2.31	0.02	2.33
2.37	..	2.37	3.75	..	3.75
1.93	..	1.93	2.03	..	2.03
3.14	0.13	3.27	3.08	..	3.08
1.96	0.23	2.19	3.04	0.50	3.54
2.27	0.04	2.31	2.97	0.08	3.05

TABLE

Region/ Class of Town	Size of sample	301—500			501—1000		
		Cash	Non-cash	Total	Cash	Non-cash	Total
(1)	(2)	(15)	(16)	(17)	(18)	(19)	(20)
RURAL—							
		Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
One	..	1.25	0.69	1.94	..	..	..
Two	..	2.33	1.83	4.16	2.79	1.76	4.55
Three	..	2.07	..	2.07	1.52	1.30	2.82
Four	..	0.80	0.49	1.29	3.31	0.94	4.25
Five	..	1.83	0.52	2.35	..	..	..
All rural regions	..	1.73	0.72	2.45	2.42	1.34	3.76
URBAN—							
One	..	2.83	..	2.83	4.35	..	4.35
Two	..	3.50	..	3.50	4.26	0.04	4.30
Three	..	2.26	..	2.26	3.57	..	3.57
Four	..	3.52	..	3.52	4.16	0.39	4.55
Five
All urban towns.	..	3.05	..	3.05	4.21	0.13	4.34

A-16—concl'd.

1001 & Above			All Expenditure Groups		
Cash	Non-cash	Total	Cash	Non-cash	Total
(21)	(22)	(23)	(24)	(25)	(26)
Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
..	..	..	1.50	0.50	2.00
..	..	..	1.21	0.99	2.20
..	..	..	1.06	0.68	1.74
1.36	0.26	1.62	1.05	0.82	1.87
..	..	..	1.37	0.50	1.87
1.36	0.26	1.62	1.29	0.62	1.91
8.41	..	8.41	2.66	0.02	2.68
..	..	..	3.14	..	3.14
2.71	..	2.71	1.98	..	1.98
8.00	..	8.00	3.27	0.09	3.36
7.71	..	7.71	2.56	0.31	2.87
7.04	..	7.04	2.77	0.05	2.82

TABLE

Monthly Consumption of Toilets and Sundry goods per person

Region/ Class of Town	Size of sample	1—50			51—100		
		Cash	Non-cash	Total	Cash	Non-cash	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
RURAL—							
One	679	0·24	0·02	0·26	0·39	0·03	0·42
Two	577	0·32	..	0·32	0·72	0·05	0·77
Three	589	0·21	0·01	0·22	0·30	0·06	0·36
Four	405	0·36	0·02	0·38	0·74	0·05	0·79
Five	1839	0·48	..	0·48	0·57	0·01	0·58
All rural regions.	4089	0·36	0·01	0·37	0·53	0·03	0·56
URBAN—							
One	570	0·53	..	0·53	0·82	..	0·82
Two	675	0·43	..	0·43	0·67	..	0·67
Three	325	0·44	..	0·44	0·69	..	0·69
Four	307	0·84	..	0·84	1·11	..	1·11
Five	269	0·41	0·11	0·52	0·62	0·08	0·70
All Towns	2146	0·46	0·02	0·48	0·73	0·02	0·75

A-17

in Rural, Urban areas of Orissa classified by Expenditure Groups

101—150			1513—300		
Cash	Non-cash	Total	Cash	Non-cash	Total
(9)	(10)	(11)	(12)	(13)	(14)
Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
0·67	0·06	0·73	1·30	0·01	1·31
0·75	0·02	0·77	1·09	0·01	1·10
0·54	0·03	0·57	0·88	0·04	0·92
0·91	..	0·91	1·28	0·14	1·42
0·64	..	0·64	1·01	0·04	1·05
0·67	0·02	0·69	1·09	0·04	1·13
0·85	..	0·85	1·18	..	1·18
1·11	..	1·11	2·37	0·01	2·38
0·94	..	0·95	1·89	..	0·89
1·68	..	1·63	2·30	..	2·30
0·92	0·34	1·26	1·96	0·04	2·00
1·05	0·03	1·08	1·87	0·01	2·88

TABLE

Region/Size of Class of sample Towns	(1)	301—500			501—1000		
		Cash	Non-cash	Total	Cash	Non-cash	Total
		(15)	(16)	(17)	(18)	(19)	(20)
		Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
RURAL—							
One	..	1.54	0.09	1.63	..	..	..
Two	..	1.55	0.14	1.69	2.78	0.47	3.25
Three	..	2.10	..	2.10	1.81	..	1.81
Four	..	1.16	0.02	1.18	2.51	..	2.51
Five	..	0.68	0.05	0.73	..	..	..
All rural regions	..	1.17	0.06	1.23	2.30	0.14	2.44
URBAN—							
One	..	2.16	..	2.16	4.19	..	4.19
Two	..	2.96	..	2.96	5.60	..	5.60
Three	..	2.08	..	2.08	6.57	..	6.57
Four	..	2.57	..	2.57	4.96	..	4.69
Five
All Towns..	..	2.44	..	2.44	5.13	..	5.13

A-17—concl'd

1001 and Above			All Expenditure Groups		
Cash	Non-cash	Total	Cash	Non-cash	Total
(21)	(22)	(23)	(24)	(25)	(26)
Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
..	0.68	0.03	0.71
..	0.88	0.05	0.93
..	0.59	0.04	0.63
1.04	..	1.04	0.97	0.05	1.02
..	0.67	0.02	0.69
1.04	..	1.04	0.72	0.03	0.75
5.41	..	5.41	1.56	..	1.56
..	2.05	..	2.05
3.88	..	3.88	1.34	..	1.34
39.00	..	39.00	2.73	..	2.73
6.41	..	6.41	1.46	0.10	1.56
7.10	..	7.10	1.84	0.01	1.85

TABLE
Monthly consumption of clothings, etc. per person

Region/ Class of Town.	Size of Sample	1—50			51—100		
		Cash	Non-cash	Total	Cash	Non-cash	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
RURAL—							
		Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
One	691	0·88	..	0·88	1·12	..	1·12
Two	577	0·85	0·02	0·87	1·24	0·01	1·25
Three	597	0·54	0·09	0·63	1·01	0·03	1·04
Four	405	0·58	0·05	0·63	0·69	0·02	0·71
Five	1862	0·78	0·03	0·81	0·82	0·02	0·84
All rural regions.	4132	0·75	0·04	0·79	0·94	0·02	0·96
URBAN—							
One	546	1·10	..	1·10	1·32	..	1·32
Two	669	0·97	..	0·97	0·94	..	0·94
Three	368	0·81	..	0·81	1·17	..	1·17
Four	307	0·70	..	0·70	1·05	..	1·05
Five	269	1·06	0·04	1·10	1·16	0·03	1·19
All Towns	2159	0·89	0·00	0·89	1·10	0·01	1·11

A-18
in rural/Urban areas of Orissa classified by Expenditure Groups.

101—150			151—300		
Cash	Non-cash	Total	Cash	Non-cash	Total
(9)	(10)	(11)	(12)	(13)	(14)
Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
1.46	..	1.46	1.57	..	1.57
1.32	0.02	1.34	1.63	0.04	1.67
0.88	0.06	0.94	1.51	0.09	1.60
0.87	..	0.87	1.35	0.02	1.37
1.13	0.04	1.17	1.39	0.07	1.46
1.14	0.03	0.17	1.47	0.05	1.52
1.41	0.03	1.44	1.52	..	1.52
1.17	..	1.14	1.93	..	1.93
1.46	..	1.46	1.70	..	1.70
1.31	0.01	1.32	1.92	..	1.92
1.39	0.05	1.44	2.79	0.02	2.81
1.31	0.02	1.33	1.91	..	1.91

TABLE
Monthly consumption of clothings etc. per person

Region/ Class of Town.	Size of sample	301—500			501—1000		
		Cash	Non-cash	Total	Cash	Non-cash	Total
(1)	(2)	(15)	(16)	(17)	(18)	(19)	(20)
RURAL—							
		Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP
One	..	3.12	..	3.12	9.98	0.39	10.37
Two	..	5.15	0.05	5.20	9.98	0.39	10.37
Three	..	2.14	.	2.14	3.36	..	3.36
Four	..	1.72	..	1.72	4.88	..	4.88
Five	..	1.54	..	1.51	..	..	..
All rural regions.	..	2.51	0.01	2.52	5.80	0.12	5.92
URBAN—							
One	..	2.29	..	2.29	9.01	..	9.01
Two	..	3.46	..	3.46	3.68	..	3.68
Three	..	3.68	..	3.68	7.80	..	7.80
Four	..	2.21	..	2.21	3.59	..	3.59
Five
All Towns..		2.83	..	2.83	4.80	..	4.80

A-18— *concl'd.*

1000 & Above			All Expenditure Groups		
Cash	Non-cash	Total	Cash	Non-cash	Total
(21)	(22)	(23)	(24)	(25)	(26)
Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
..	1·36	..	1·36
..	1·85	0·03	1·88
..	1·13	0·06	1·19
2·37	..	2·37	1·19	0·02	1·21
..	1·04	0·04	1·08
2·37	..	2·37	1·23	0·03	1·26
3·14	..	3·14	2·01	0·01	2·02
..	1·85	..	1·85
18·22	..	18·22	2·15	..	2·15
22·75	..	22·75	2·15	..	2·15
13·45	..	13·45	2·48	0·03	2·51
10·88	..	10·88	2·06	0·01	2·07

TABLE

Monthly Consumption of Miscellaneous goods and services per person

Region/ Class of Town	Size of sample	1—50			51—100		
		Cash	Non-cash	Total	Cash	Non-cash	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
RURAL—		Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
One	674	0.30	0.06	0.36	0.59	0.05	0.64
Two	570	0.39	0.22	0.61	0.57	0.11	0.68
Three	597	0.28	0.04	0.32	0.64	0.12	0.76
Four	405	0.45	0.02	0.47	0.48	0.20	0.68
Five	1862	0.53	0.02	0.60	0.88	0.04	0.92
All rural regions.	4108	0.45	0.06	0.51	0.73	0.07	0.80
URBAN—							
One	570	1.55	0.03	1.58	2.35	..	2.05
Two	678	1.16	..	1.16	1.37	.. ..	1.37
Three	368	0.38	..	0.38	0.86	..	0.86
Four	307	2.10	..	2.10	2.45	..	2.45
Five	269	0.35	0.14	0.49	0.69	0.09	0.78
All Towns	2192	0.72	0.02	0.74	1.31	0.02	1.33

A-19

in Rural/Urban areas of Orissa Classified by Expenditure Groups

101—150			151—300		
Cash	Non-cash	Total	Cash	Non-cash	Total
(9)	(10)	(11)	(12)	(13)	(14)
Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
1.79	0.03	1.82	1.80	..	1.80
0.55	0.34	0.89	1.44	0.20	1.64
0.99	0.12	1.11	1.79	0.55	2.34
0.71	0.20	0.91	1.30	0.43	1.73
1.61	0.06	1.67	2.89	0.08	2.97
1.28	0.12	1.40	2.18	0.18	2.36
2.89	0.02	2.91	4.87	0.04	4.91
2.17	..	2.17	3.19	0.02	3.93
1.71	..	1.71	2.65	..	2.65
3.43	..	3.43	4.87	..	4.87
1.10	0.56	1.66	3.47	0.06	3.53
2.36	0.05	2.42	4.22	0.03	4.25

TABLE

Region/ Class of Town	Size of sample	301—500			501—1000		
		Cash	Non-cash	Total	Cash	Non-cash	Total
(1)	(2)	(15)	(16)	(17)	(18)	(19)	(20)
RURAL—		Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
One ..		7.52	..	7.52	..	..	..
Two ..		4.05	1.42	5.47	8.48	2.88	11.36
Three ..		2.72	0.22	2.94	3.79	0.45	4.24
Four ..		1.47	0.87	2.34	8.82	..	8.82
Five ..		4.03	0.09	4.12	..	..	..
All rural regions.		4.06	0.83	4.49	6.65	1.06	7.71
URBAN—							
One ..		7.18	..	7.18	19.84	..	19.84
Two ..		8.87	0.01	8.88	14.59	0.01	14.60
Three ..		3.02	..	3.02	12.98	..	12.98
Four ..		8.15	..	8.15	18.59	..	18.59
Five
All urban Towns		7.02	..	7.02	16.94	..	16.94

A-19—concl'd.

1001 & Above			All Expenditure Groups		
Cash (21)	Non-cash (22)	Total (23)	Cash (24)	Non-cash (25)	Total (26)
Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
..	..	..	1.43	0.04	1.47
..	..	..	1.22	0.39	1.61
..	..	..	1.08	0.20	1.28
5.89	0.08	5.97	1.39	0.26	1.65
..	..	..	1.58	0.05	1.63
5.89	0.08	5.97	1.41	0.14	1.55
19.30	1.04	20.34	5.96	0.05	6.01
..	..	..	4.53	0.01	4.54
46.75	..	46.75	2.77	..	2.77
363.91	..	363.91	9.66	..	9.66
31.52	9.88	41.40	3.52	0.73	4.25
45.59	4.16	49.75	5.20	0.11	5.31

TABLE

Monthly Consumption of durable and semi-durable goods per person

Region/ Class of Town	Size of sample	1—50			51—100		
		C a s h	Non-cash	Total	Cash	Non-cash	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
RURAL—							
		Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
One	581	0·12	0·08	0·20	0·15	0·03	0·18
Two	405	0·34	..	0·34	0·35	..	0·35
Three	427	0·16	0·01	0·17	0·51	0·03	0·54
Four	380	0·18	0·10	0·28	0·29	0·17	0·46
Five	1221	0·20	0·06	0·26	0·27	0·08	0·35
All rural regions.	3014	0·19	0·05	0·24	0·28	0·06	0·34
URBAN—							
One	241	..	..	..	0·17	..	0·17
Two	371	0·14	..	0·34	0·27	..	0·27
Three	252	0·14	..	0·14	0·48	..	0·48
Four	279	..	..	..	0·36	..	0·36
Five	269	0·13	0·12	0·25	0·30	0·01	0·31
All Towns	1442	0·16	0·03	0·19	0·33	0·01	0·34

A-20

in rural/urban areas of Orissa classified by Expenditure Groups

101-150			151-300		
Cash	Non-cash	Total	Cash	Non-cash	Total
(9)	(10)	(11)	(12)	(13)	(14)
Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
0.31	0.02	0.33	0.39	..	0.39
0.43	0.01	0.44	1.71	..	1.71
0.46	..	0.46	0.35	..	0.35
0.52	0.12	0.64	0.40	0.08	0.48
0.27	0.07	0.34	0.85	0.04	0.89
0.37	0.05	0.42	0.73	0.03	0.76
0.26	..	0.26	1.01	..	1.01
0.25	..	0.25	0.75	..	0.75
1.74	..	1.74	3.34	..	3.34
1.80	.. ..	1.80	0.50	..	0.50
0.53	0.21	0.74	1.54	0.01	1.55
0.82	0.03	0.85	1.14	..	1.14

TABLE

Region/ Class of Town	Size of sample	301—500			501—1000		
		Cash	Non-cash	Total	Cash	Non-cash	Total
(1)	(2)	(15)	(16)	(17)	(18)	(19)	(20)
		Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
RURAL—							
One	..	1·23	..	1·23	..	..	..
Two	..	4·79	0·28	5·07	12·48	..	12·48
Three	..	0·49	..	0·49	2·12	..	2·12
Four	..	1·42	..	1·42	8·24	..	8·24
Five	..	0·57	0·11	0·68	..	..	..
All Rural regions.	..	1·50	0·09	1·59	7·01	..	7·01
URBAN -							
One	..	0·61	..	0·61	0·68	..	0·68
Two	..	2·15	..	2·15	4·41	..	4·41
Three	..	7·63	..	7·63	22·81	..	22·81
Four	..	0·95	..	0·95	1·01	..	1·01
Five
All Towns	..	2·60	..	2·60	3·80	..	3·80

A-20—concl'd.

1001 & Above			All Expenditure Groups		
Cash	Non-cash	Total	Cash	Non-cash	Total
(21)	(22)	(23)	(24)	(25)	(26)
Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
—	—	..	0.30	0.03	0.33
..	..	—	1.50	0.03	1.53
..	0.51	0.01	0.52
14.65	..	14.65	1.58	0.10	1.68
..	0.41	0.07	0.48
14.65	..	14.65	0.71	0.05	0.75
0.18	—	0.18	0.56	..	0.56
—	—	..	1.18	..	1.18
70.99	..	70.99	5.27	..	5.27
30.83	..	30.83	1.09	..	1.09
8.55	..	8.55	1.24	0.05	1.29
18.32	..	18.32	1.7	0.01	1.83

TABLE

Consumer expenditure per household per month in rural and

Region/ Class of Town	Size of Sample	1—50			51—100		
		Cash	Non-cash	Total	Cash	Non-cash	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
RURAL—		Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
One	152	24·64	13·25	37·89	39·91	29·69	69·60
Two	124	20·43	17·94	38·37	35·05	38·77	73·82
Three	103	24·89	13·12	38·01	45·42	26·65	72·07
Four	70	22·29	14·70	36·99	34·85	42·30	77·15
Five	366	29·62	7·54	37·16	56·33	15·64	71·97
All Rural Region—	815	26·09	11·47	37·56	47·50	24·54	72·04
URBAN—							
One	87	31·57	0·71	32·28	77·05	0·31	77·36
Two	125	36·73	0·20	36·93	75·86	0·41	76·27
Three	73	40·27	0·85	41·12	69·10	1·89	70·99
Four	49	42·83	2·25	45·05	67·82	2·71	70·53
Five	52	44·99	2·64	47·63	54·37	13·69	68·06
All Towns	386	38·76	0·88	39·64	69·37	3·57	72·94

A-21

urban areas of Orissa Classified by Expenditure Groups.

101—150			151—300		
Cash	Non-cash	Total	Cash	Non-cash	Total
(9)	(10)	(11)	(12)	(13)	(14)
Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
66·75	52·27	119·02	138·02	47·91	185·93
63·00	58·49	121·49	96·07	110·87	206·94
59·46	59·51	118·97	100·96	95·96	196·92
65·86	59·32	125·18	103·82	104·25	208·07
88·51	34·00	122·51	128·81	73·16	201·97
74·26	47·25	121·51	119·29	80·56	199·85
120·45	2·41	122·86	192·53	14·82	207·35
117·88	0·02	117·90	183·28	4·95	188·23
127·02	..	127·02	187·01	..	187·01
118·99	4·72	123·71	202·50	12·59	215·09
84·98	32·50	117·48	189·40	10·99	200·39
116·91	4·31	121·22	189·46	9·42	198·88

TABLE—

Region/ Class of town.	Size of sample	301—500			501—1000		
		Cash	Non-cash	Total	Cash	Non-cash	Total
(1)	(2)	(15)	(16)	(17)	(18)	(19)	(20)
		Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
RURAL—							
One		199·37	146·66	346·03	..	..	..
Two		187·49	172·13	359·62	411·45	224·89	636·34
Three		250·22	151·11	401·33	465·84	504·41	970·25
Four		166·31	170·58	336·89	430·69	193·50	624·19
Five		196·25	156·76	353·01	..	..	..
All Rural Regions		194·97	160·82	355·79	430·03	268·24	698·27
URBAN—							
One		381·93	5·11	386·04	709·19	20·25	729·44
Two		420·58	16·74	437·32	705·83	25·57	731·40
Three		370·13	..	370·13	516·47	..	516·47
Four		341·43	31·14	372·57	571·51	42·31	613·82
Five	
All Towns		377·56	13·02	390·58	648·41	25·90	674·31

A-21—contd.

1001 and Above		
Cash	Non-cash	Total
(21)	(22)	(23)
Rs. nP.	Rs. nP.	Rs. nP.
..
..
..
741·01	263·21	1004·22
..
741·01	263·21	1004·22
951·63	58·79	1010·42
..
1325·60	..	1325·60
1062·12	55·00	1117·12
1,514·38	485·70	2,000·08
1,213·43	149·87	1363·30

Summary Conclusions and Recommendations

CHAPTER II

Historical Review of the State Finances

The pre-merger period may be divided into three parts for the purpose of studying the financial history of Orissa. The province had a precarious financial position to begin with, necessitating a policy of retrenchment and reduction of pay scales in its second year of existence. There was no appreciable change in its financial position during the war period. During the three years after the war, the revenue position of Orissa improved due to the imposition of some new taxes and greater share from income-tax (Paragraphs 1—5).

2. With the merger of the princely States increasing thereby the population of Orissa by 60 per cent and area by 84 per cent, the State was suddenly faced with the problem of raising the level of administration and social services in the merged areas. This led to mounting deficits on revenue account. Revision of pay scales accentuated this process. In order to make both ends meet rates of the existing taxes were revised upwards (Paragraphs 6—8).

3. In order to implement the two Five-Year Plans large resources were required. The two Finance Commissions came to the aid of the State and at the same time urged the need for augmenting the internal resources of Orissa. In order that the pace of economic development is not hampered by the mounting deficits on revenue account, the State Government tried to levy new taxes and enhance rates of some existing taxes during the Second Plan period but the efforts were by and large inadequate and unsuccessful (Paragraphs 9—16).

4. An analysis of the trend of revenues since 1949-50 shows that tax and non-tax sources of revenue have almost equal importance. The four broad categories, into which they are usually grouped that is, the shared taxes, State taxes, grants from the Centre and other non-tax revenue, indicate different rates of growth. State taxes show the lowest rate of growth. Revenues of State origin have taken the second place with the higher growth of revenues of central origin (Paragraphs 17—19).

5. Land revenue has remained to date the main source of tax income despite the levy and enhancement of other taxes (Paragraph 20).

6. Non-development expenditure reached the peak in 1955-56 on account of the heavy outlay on drought and flood relief. As a result of a conscious effort to limit and control the growth of non-plan expenditure, the proportion of revenues devoted to purposes other than development has of late shown a definite downward trend. The level of non-development expenditure in Orissa seems to be below the all-India average (Paragraphs 17—25).

7. The growth of non-development expenditure in relative as well as absolute terms is not such as to concern. It compares favourably with the growth in some other States. Increases under Direct Demand on Revenue and Civil Administration do not reveal abnormal trends. It cannot be said that an unduly high proportion of revenues have been developed to purposes other than development. However, the Government should bear in mind the need for constant vigilance and always endeavour to limit the share of non-development expenditure in the revenues to the very minimum consistent with efficiency (Paragraphs 22—25).

CHAPTER III

The Problem of Resources

Every Five-Year Plan creates several institutions and services which need to be maintained out of the State's own revenues. Loans incurred for the Plan will have to be serviced. Public expenditure consequently expands. As the State revenues do not expand at the same rate as the increase in Plan expenditure imbalance between the two develops. From Plan to Plan deficits on revenue account increases. This is not only expected to happen during the Third Plan but is likely to be accentuated during the Fourth Plan. If the pattern of outlay adopted for the successive Plans could be radically altered, the present rate of growth of committed expenditure on account of Plan maintenance might be arrested. But this is not possible as the choices are severely limited and the course of economic development in Orissa should not be checked. Naturally deficits are bound to exist (Paragraphs 1—7).

2. The following measures may be adopted to close the gap between revenue and expenditure :—

(a) Administrative expenditure should be kept under control. The Finance Department's formula of permitting committed expenditure to rise by not more than 2½ per cent each year is commended. A standing committee of senior officials should be appointed and clothed with sufficient authority to review the extension of Plan Schemes and growth of administrative expenditure.

(b) It must be ensured that loans are need to create revenue-yielding assets and become as far as possible, self-liquidating. That is to say, expenditure on revenue account should as far as possible be matched by resources currently raised.

(c) A proper scheme of priority among projects should be worked out so that those expected to expand revenue quickly and to the largest extent are favoured (Paragraphs 8-9).

3. Being a predominantly agricultural State, Orissa has to draw the major part of its revenues from land. Due to the various restrictions imposed by the Constitution and All-India policies, the State Government has to operate mostly through land revenue (Paragraphs 10—13).

4. There are serious limitations to the capacity of the State to raise more revenues in its own. Most of these are inherent in the federal system. However the Centre should adopt a realistic and flexible policy in regard to the field of State revenues (Paragraphs 14—16).

5. Orissa must develop to the full all that is in its power to develop. However, for a long time to come, the State has to depend heavily on Central assistance.

CHAPTER IV

Incidence of Taxation

1. The Taxation Enquiry Commission studied the problem of incidence in 1953-54. Barring Jammu and Kashmir, Orissa had the lowest *per capita* tax revenue both during the First and Second Plan periods. When we compare incidence of land revenue and sales tax with that in other States, Orissa seem to be on the low side. As reliable estimates of State income are not available

it is difficult to compare *per capita* tax revenue with *per capita* income. According to the Techno-Economic Survey Report by the National Council of Applied Economic Research not only the *per capita* revenue from State taxes is the lowest in Orissa but the ratio of State taxes to State income is also low compared to other States (Paragraphs 1—7).

2. The Family Budget Enquiry revealed the following features :—

(a) Incidence of direct taxes per person per year is Rs. 1.56 in the rural areas against Rs. 8.64 in the urban areas. This disparity is due to the fact that certain taxes as for example income-tax do not at all touch the rural tax payer. Incidence of land revenue is more or less the same in rural and urban areas, perhaps because the so-called towns of Orissa are but large villages (Paragraph 11).

(b) Among indirect taxes, those of central origin claim a larger share than State taxes in rural as well as urban sectors. Rural incidence is Rs. 5.40 per annum while the urban incidence is Rs. 13.68 (Paragraph 13).

(c) If income is calculated by adding to the expenditure savings at a certain rate for each of the expenditure groups, and relate incidence of taxes to the income thus obtained, we find that in rural areas people pay 2.5 per cent towards taxes of their income against 5.2 per cent in urban areas. This is because rural people depend less on the monetary sector of the economy than the urban people as most of the former consume home-grown stock or resort to barter while the latter depend upon the market for obtaining their supplies.

(d) The more well-to-do households in rural areas pay comparatively less tax than their counter parts in the urban areas or even the poorer households in the rural areas (Paragraphs 16—18).

3. The search for ways and means for increasing the tax income of the State leads us to analyse the taxable capacity of the people. As taxable capacity whether absolute or relative depends on a number of factors and as our statistical knowledge is inadequate, it is difficult to determine taxable capacity in any precise manner. In any case, having regard to the low level of taxation in Orissa compared to other States and rising tempo of public expenditure devoted to economic development, the scope for additional taxation does not seem to have been exhausted (Paragraph 19).

4. People's financial participations in Community Development Programmes may be taken to be an additional burden on rural people. It is a fact that these contributions are voluntary and are rendered mostly in the form of labour at a time when rural people have very little alternative use for their labour. This consideration should be taken into account while comparing relative burden on rural and urban people in the State.

The study has revealed that the peoples contribution *per capita* is of the order of 40 nP. per annum and is not such as to raise the incidence materially or limit the taxable capacity severely (Paragraphs 20—23).

CHAPTER V

Sales Tax

Sales Tax was first imposed in Orissa in October, 1947. The system of first-point levy was replaced by that of last-point levy in 1949 as the former was defective. Rates of tax have been revised a number of times. The rates now range from one per cent to 7 per cent. In the beginning all dealers with annual turn-over of Rs. 5,000 or more were required to register themselves. It was raised to Rs. 10,000 in 1951. In order to remove genuine grievances of small dealers a system of compounding was introduced recently. This has not proved popular. According to Sales Tax Law presently in force a number of goods are exempted from tax. Rice, Paddy, Edible Oils and other articles of food are no longer exempted from tax. A few items have been exempted from Sales Tax because of the levy of Central Excise duty. In certain cases the Sales Tax has been replaced by a purchase tax. The Commercial Tax Department administers the Tax. Appeals against orders of the assessing officers are disposed of by the Assistant Commissioners and the Sales Tax Tribunal (Paragraphs 1—6).

2. Three important developments have taken place in Sales Tax Law recently. The first refers to Sales Tax on Inter-State trade. The Central Law in this regard limits States' powers of taxation. The second prevents State Governments from imposing Sales Tax on works contracts. This has resulted in permanent loss of some revenue. The last refers to the State Government's powers of imposing purchase tax in place of Sales Tax, on certain goods (Paragraph 7).

3. The Sales Tax which is but a recent levy occupies the second place among the items of tax revenue since 1956-57. The main problem in Sales Tax administration seems to be leakage. Leakage occurs due primarily to two reasons. Some dealers avoid paying tax by taking advantage of drafting defects in law while others simply evade. Avoidance of Tax can be minimised if the provisions of Law are made clearer and more precise. Evasion of tax is more wide-spread and is practised in various forms (Paragraphs 8—10).

4. Although suggestions to eliminate evasion are not wanting, practical steps to stop it are few. Replacement of Sales Tax by Central Excise Duty, although popular with traders, is not desirable, as a general rule, in a federal system where independent sources of revenue for the State are essential. Nevertheless the Committee recommends on grounds of convenience that Excise Duty in lieu of Sales Tax be levied on Tea, Coffee, Matches, Paper, Cement and Vegetable products (Paragraph 11).

5. Purchase Tax should be levied in lieu of Sales Tax on commodities, the bulk of which is sent to markets and factories outside the State as Sales Tax on such items is easily evaded. In addition to the commodities already subject to purchase tax, we recommend that Jute, oil-seeds, betel leaves and tamarind should be subject to this tax (Paragraph 12).

6. In spite of the theoretical advantages of a multi-point system of Sales Tax the Committee is not in favour of adopting it on account of the weight of official and unofficial evidence against it. In the present conditions of Orissa where few goods pass through more than one stage the advantages of multi-point system are not so pronounced as to justify a change over (Paragraph 13).

7. A number of suggestions have been made for better administration with a view to increasing revenue from Sales Tax—

(a) As assessees with turn-over exceeding Rs. 20,000 constitute more than 70 per cent and account for more than 95 per cent of the tax collected, the Sales Tax Officers should concentrate more on them and the small dealers should be summarily dealt with under the compounding provisions.

(b) A systematic check should be undertaken of traders who are apt to come up and go out of business fairly fast. Assessment and collection must be particularly prompt in such cases.

(c) Evasion by resorting to the practice of changing the name of the firm too frequently could be stopped if the succeeding dealers are made liable for arrear dues.

(d) Steps should be taken to avoid delays in issue of 'C' Forms and to ensure that they are duly recognised by dealers of other States.

(e) In regard to Inter-State sales tax, the returns submitted by the registered dealers should be carefully checked and tallied with actual production.

(f) Check posts should be established on important routes on the border and also at the rail-heads with suitable legal authority to inspect goods brought from outside the State. It should be made compulsory for the dealers to get the rail receipts countersigned by the Sales Tax Officers before taking delivery of the goods.

(g) Delays in payment of tax should be viewed seriously and deterrent penalties levied immediately.

(h) Excessive reliance on the process of certificate courts for ensuring quick collection of assessment and penalties does not seem to produce the expected results. Departmental officers must be given powers to attach properties against dues and enforce collections.

(i) Emergence of benami registered dealers should be guarded against. The inspecting staff should ensure that the registered dealers are carrying on business for which they have registered and the volume of their business is sufficient to warrant registration.

(j) In order to check evasion through maintenance of duplicate cash memo books the Government should exercise some control over cash memos. The desirability of insisting certificates of Sales Tax Officers on cash memo books should be examined. There should be surprise checks and test purchases to prevent collusion among buyers and sellers for evading Sales Tax. Issue of cash memo in a prescribed form should be made compulsory under Law.

(k) The books of accounts should be standardised. The nature and form of accounts to be maintained by the dealers of different kinds should be prescribed.

(l) The intelligence and vigilance branches of the Department should be strengthened. A research cell should be created for studying different aspects of Sales Tax administration.

8. The Government must give the dealers their due without unnecessarily treating them with suspicion and discourtesy. As they are the agents who realise Government dues, it is necessary that the Department get on with the dealers and work through them. It is therefore, necessary that relation between Sales Tax Officers and the dealers should be close and cordial. Timely information to dealers about changes in rules, prevention of delay in disposing of cases and annual assessments would be very helpful. The Sales Tax Tribunal must take up appeals on circuit at least at those centres where reasonable legal advice is available to the parties. Each assessing officer should have a separate zone of jurisdiction with headquarters suitably located within the zone. The need for such decentralisation will be greater with the introduction of the procedures of countersignature of Railway Receipts and enfacement of cash memos. A Sales Tax Advisory Committee at different levels in the State may give the dealers a sense of participation and a feeling of satisfaction (Paragraph 15).

9. The need to check corruption cannot be over emphasised. It is alleged that corrupt officials harass dealers and cause intentional delay, which has the effect of lessening the flow of revenue to the exchequer. The main complaint seems to be against the Sales Tax Inspectors. Corruption could be stopped if administration is decentralised and Inspectors are kept under proper control. Harassment of small dealers by subordinate staff should also be checked. (Paragraph 16).

CHAPTER VI

Land Revenue and Cess and Agricultural Income-Tax

Land Revenue

1. Land revenue and cess constitute the largest single item among the State Taxes. Considering the importance of Agriculture in State Income and considering the fact that incidence of land revenue *per capita* and per acre is comparatively lower than in most other States, a substantial part of resources will have to be raised from this source. There is general consensus of opinion that inter-district disparities is the main problem under land revenue and removal of disparities and enhancement should be considered as parts of an integrated scheme of rationalisation. (Paragraphs 1—3).

2. The manner in which Orissa came to be constituted as a separate State led to different systems of land revenue in different parts of the State. The revenue system in vogue may be classified into three categories, viz ; Zamindari systems, Village system and Rayotwari system. During the last few years the first two systems have been abolished and there is a distinct trend towards the Rayotwari system. (Paragraphs 4-5).

3. The simple price period formula of the Taxation Enquiry Commission also not suitable to Orissa. (Paragraph 11).

4. Different principles and practices governing settlements and the time-lag between settlement in one area and another led to disparities in rates. The Orissa Standardisation of Rent Bill sought to raise the existing rates on a graded scale, minimum being eight annas and maximum three rupees and twelve annas. Standardisation could not be effected as up-to-date record-of-rights were not available and the bill had other short-comings. There is a lot of force in the statement that the bill would accentuate the disparities rather than lessen them. The time honoured procedure of settlement is the only solution of the problem of disparities. The goal must be to ensure that land in a similar class with similar facilities will pay the same rent in all parts of the State. (Paragraph 12).

5. The Orissa Survey and Settlement Act, 1958 prescribed principles for fixing fair and equitable rent. Average price of crops during the preceding 10 years other than abnormal years as well as the cropping pattern, nature of soil and maximum rent assessed elsewhere in the State should determine rent of any land. (Paragraph 13).

6. The principles fixing rent should be unified by combining the merits of both Cuttack and Sambalpur systems of assessment. Rationalising the rates and removing the disparities could be ensured if the entire State be divided into homogeneous zones and lands in each zone be classified according to their productivity. The villages in a zone may then be classified into suitable classes by taking into consideration the quality of soil, level of land, rainfall, irrigation facilities, proximity to market and periodicity of drought and flood

and evolving a suitable soil factor system. Thereafter the rent should be rationalised in two stages, i.e., by removing disparities within the zone and between zones. A system of phasing whereby the second stage of operations should begin not later than five years from the conclusion of the first should be adopted. (Paragraphs 14—17)

7. State share should be fixed at one-third of the net produce. The present trend towards cash rent need not be reversed. Average price of produce in ten normal years preceding the settlement should be the guiding factor in determining cash rent. There is no justification for limiting the increase in rent or fixing a minimum rate of rent as relative productivity and net advantage should always determine the rent of the land. Decennial revision rather than revision at an interval of 30 to 40 years is essential. (Paragraphs 18—23).

8. Decennial revision of assessment should not be adjusted merely on the basis of rise in prices as this would lead to a number of difficulties. Records-of-rights should be revised and its correctness should be ensured before revision is attempted. (Paragraph 24).

9. The present system of carrying out mutation of records free of charge has not proved conducive to the proper maintenance of records both in ex-Zamindari and Khasmahal areas. A fee of 50 nP. should be charged for each application of mutation and a proper organisation set up for carrying out periodical mutations. (Paragraph 25).

10. In the past settlement charges were shared between land lords and tenants. As up-to-date record-of-rights benefits both the State and the tenants, cost should be shared by them equally. (Paragraph 26).

11. If the settlement now in progress and the new settlements that will be done in the future are carried out on the principles suggested, land revenue will be doubled by the end of the Third Plan. (Paragraph 27).

12. Augmenting receipts in the short-run by levying a surcharge is unsuitable on various grounds, administrative as well as psychological.

13. To increase land revenue immediately, the following measures should be adopted : (a) quick settlement be taken up where large increases are possible, (b) revenue free estates should be assessed on a priority basis, (c) speedy assessment of unassessed waste lands, particularly those under the possession of encroachers. As land revenue will be fixed strictly on the basis of relative productivity and as crop failures are not infrequent in Orissa, rent remission should be granted when necessary. (Paragraph 30).

14. Some believe that holdings below a certain minimum acreage should be exempted from all levies and agricultural income-tax in place of land revenue be imposed on bigger holdings. This is undesirable as this will result in decreasing revenue. It also goes against the fundamental nature of land revenue as a share of the community in the usufruct of land.

15. The view that a low and uniform rate of basic tax should be levied on all lands suffers from serious objections. A special law adopted in Kerala has been declared void by the Supreme Court of India. (Paragraph 32).

Non-Agricultural Land

16. All lands, agricultural and non-agricultural should pay rent to the State. Homestead lands in rural areas may be assessed on the same basis as agricultural land. If agricultural land is put to non-agricultural use assessment should increase by 25 per cent. In urban areas built-up or vacant land should be assessed to rent on their relative value (Paragraph 33).

Cess

17. Some cesses are imposed on Agricultural lands besides land revenue. Rates differ from district to district (Paragraph 34).

The cess should be levied at uniform rates throughout the State on all lands agricultural or non-agricultural and the rate suggested is 19 nP in a rupee. The cess proceeds should be distributed among local bodies after collection charges are deducted. The distribution should be on *per capita* basis after a small part 20 per cent is reserved for constituting an Equalisation Fund. It should be open to a Zilla Parishad to recommend an additional cess for a specified period or purpose (Paragraphs 35—37).

The suggestion that Grama Panchayat should collect land revenue and cess is unworkable at present. The committee also recommend that a certain portion of land revenue should be assigned to local bodies functioning in the rural areas (Paragraphs 38-39)

Agricultural Income Tax

18. Since April, 1948 agricultural income-tax is being imposed in Orissa. A person is liable to pay tax when his total agricultural income after deduction exceeds Rs. 5,000. No tax is assessed on the first Rs. 3,000 of the total taxable agricultural income. Although receipts from this tax are decreasing the Committee feels that this tax has an important function to play in the system of land taxation. The following improvements are recommended :—

(a) The law should be amended to make all agricultural incomes above Rs. 3,000 subject to tax, the first slab of Rs. 1,500 thereof only being exempted.

(b) It is necessary to simplify the procedure for ascertaining net income of an assessee. Rules may prescribe the levels of net income that may be assumed for each acre of land according to the class and crop. Assessee not accepting the prescribed levels are free to produce accounts and prove their net income for purposes of assessment (Paragraphs 40—42).

The suggestion that cash crops be subject to a special tax is not favoured as it appears to be premature (Paragraph 43).

Estate duty or Agricultural Property Tax

19. For some time since 1953 this duty was in force in this State. Subsequently on the basis of a resolution by the Orissa Assembly, Agricultural Property was excluded from the scope of Estate Duty. The Committee considers this to be a wrong step and recommends that the existing policy be reversed as soon as possible (Paragraph 44).

CHAPTER VII

Irrigation Rates and Betterment Levy

Irrigation Rates

1. Irrigation rates are presently imposed in 3 out of 13 district. Bengal Irrigation Act, 1876 applies to Cuttack and Balasore districts while Madras Irrigation Cess Act, 1865 applies to Rushikulya system in Ganjam. Water rates are usually levied and collected in terms of leases executed by the applicants for irrigation. Leases can be seasonal or long-term. One consolidated rate is charged irrespective of the number of crops grown. The rates now in force were originally fixed in 1931 and have remained unchanged till today. The system of long-term

lease while guaranteeing income to the State has often led to wastage of a scarce resource. The Ganjam system seems to be better than the other as it induces economic use of water but is still defective, as the old rates have not also been revised to be in consonance with modern conditions. (Paragraph 1).

2. It is necessary to remember that till the completion of the Hirakud Project there was no major system of irrigation in 10 districts. During the last twelve years a number of Irrigation Projects—minor and medium, have been brought into being with a view to increase food production. As a result of these projects the additional irrigation potential created runs to 16.73 lakh acres. (Paragraph 2).

3. Heavy investment in irrigation works coupled with low returns compels us to review the present law and practice of water rates. The gap between outlay and revenue is common to most States. (Paragraph 3).

4. According to the Planning Commission, "Water rates should ordinarily cover working expenses and debt charges and irrigation schemes other than in scarcity areas, should not involve loss to general revenues". There are practical limitations in reaching this goal. Firstly this would involve fixing different rates for different projects on the basis merely of their working expenses and debt charges. In practice, it may be sufficient to fix different rates for different class of works irrespective of the different cost of each work in the same class. Secondly, the proposition lays some what lopsided emphasis on costs and takes no account of the degree of benefits conferred by the works in question. High water rates cannot be imposed all at once. It is desirable on various grounds to phase increases in water rates over a period of years. Improved crop practices involving better implements, technical knowledge etc., would result in greater benefits to the cultivator. Further, the principle of making irrigation works economically sound may not be applicable uniformly to all States for in certain States a large number of works may have been constructed in the past at low costs or agricultural practices may be sufficiently advanced to bear a higher rate while in others most of the works may be new and investment may be high or agricultural practices may be primitive. If we consider the question of raising the cost of multipurpose projects like Hirakud from the Ayacut the rate per acre will be absurdly high. This may also be true with regard to some medium irrigation projects. Considering the fact that agricultural yield is low and farmers solely depend upon one crop, it will be prudent to proceed by stages instead of imposing the full rate suggested by the Planning Commission. The Committee is strongly of the view that outlay on irrigation should be regarded as only a part of the programme of agricultural development and that it would be wrong to expect adequate return unless all the complementary factors are made available. (Paragraph 4).

5. In order to remove the defects of the existing system and improve financial returns to irrigation works, the Orissa Irrigation Act, 1959 was passed. Considering all aspects of the matter the Committee consider the Act the best and most suitable. (Paragraph 5).

6. The Act however, did not lay down the principles to be followed in the classification of works and the fixation of the rates. Government therefore, appointed a Committee known as the Irrigation Utilisation Committee to advise them on these matters. The Committee laid down four principles for fixing water rates. These are the water requirement of a crop, value of crops grown, benefits realised by the cultivator and his paying capacity. It was, however, felt by a member of the Committee that compulsory basic water rate and the voluntary water rate could not be applied immediately in view of the present low yield of the main crop i.e., rice and the need to encourage cultivation of more commercial crops was suggested. The suggestions of the Committee with regard to classification of works and the compulsory rates are worth noting. For arriving at the

compulsory and voluntary rates, water requirement of different kind of crops and other connected matters have also been examined by the Committee. (Paragraph 6).

7. The Committee while accepting the rates suggested by the Irrigation Utilisation Committee in principle, recommends a system of phasing in regard to their application. For new projects or projects where the water rates are being levied for the first time, full rates should be imposed during the third year of supply. For old projects full rates should be charged during the third year of enforcement of the compulsory water rate system. Three members, however, considered the basic rates high and suggested a new water rate of four rupees instead of three presently imposed in the Orissa Canal system. Rishikulya rates may be left intact as they are already high. They also suggested a periodical review to see whether any further increase would be justified in the light of actual benefits. The majority recommendation is based on the ground that the above view would continue disparities in the rates and the cost of service would not be met thereby making irrigation works uneconomical. The Committee, therefore, recommends that the irrigable command of a project should be properly delimited and other steps be taken to assure timely water supply in the required quantity. It is further suggested that a machinery should be set up to look into grievances and grant rebates for short supply. The cultivators should have easy approach to this machinery. A Water Board for each major project and separate Boards in each district for medium and minor projects be set up and charged with the responsibilities of supervising the working of the machinery at the local level and removing other difficulties. (Paragraphs 7-8).

Betterment Levy

8. Collection of betterment levy is advocated by the Planning Commission for improving the financial returns of irrigation projects. The Taxation Enquiry Commission supports this levy on two grounds. Firstly, it is said to be in pursuance of the right of State to appropriate a share in the unearned increment of capital value. Secondly, it is said to be a method of recovering a portion, if not the whole, of the capital cost of costly works. The former is based on the economic concept of benefit and the latter on the accounting concept of debiting the expenditure where it belongs. (Paragraph 9).

9. Even if the State's right to take a share of the unearned increment in the capital value of the land is not seriously disputed, there are serious difficulties in arriving at the method of measurement of the increase and the occasion of recovery. Consistent with sound economic principles, the increase in capital value can be computed as a multiple of increase in the annual product and recovery can be phased over a period of time so as to keep the annual instalments well within the paying capacity of the owners of such lands. Most laws on the subject restrict betterment levy to 50 per cent of the increase in the capital value. In any case, if betterment levy is to be imposed on all lands benefited, its annual instalment together with water rates and the irrigation element of land revenue should not exceed one-half of the estimated increase in the net yield due to irrigation. This is because increase in yield cannot be exclusively attributed to irrigation alone but to extra investments made by the cultivator. (Paragraph 10).

10. It is not expedient in the present conditions of Orissa, to impose betterment levy in the form suggested by the Planning Commission. It is, therefore, suggested that if a tax be imposed on transfer of all immovable property an element of betterment levy be introduced therein by suitable adjustments in

rates in respect of lands benefited by a major or medium irrigation project. This may be done by prescribing the following slab system of rates. (Paragraphs 11-12).

	Rural	Urban
(i) Immovable property with the value of Rs. 500 per acre and below.	Nil	.. 7½ per cent <i>ad valorem</i>
(ii) Immovable property exceeding Rs. 800 but below Rs. 1,000 per acre.	5 per cent <i>ad valorem</i> .	12½ per cent <i>ad valorem</i>
(iii) Immovable property above Rs. 1,000 per acre.	7½ per cent <i>ad valorem</i> .	13½ per cent <i>ad valorem</i>

CHAPTER VIII

State Excise

State excise as a source of revenue has declined in importance. Prior to 1949-50, it occupied the first place. Due to the gradual extension of the policy of prohibition it has yielded place to land revenue. Excise revenue forms less than 8 per cent of total tax revenue at present against more than 30 per cent in 1949-50. (Paragraph 1).

2. *Prohibition of Liquor*—Liquor is being progressively prohibited. Prohibition was first enforced in Cuttack, Puri and Balasore districts. Subsequently Ganjam and Koraput were brought under prohibition. For sometime Rourkela was declared dry but due to various reasons prohibition was withdrawn from this industrial town. The sale of foreign liquor is regulated by a system of permits. (Paragraph 2).

3. *Opium*—Opium has been completely prohibited since 1959. At present addicts are supplied medicinal opium. (Paragraph 3).

4. *Ganja and Bhang*—Even if it was decided to prohibit oral consumption of Ganja and Bhang with effect from 1961, consumption of these could not be stopped suddenly. Thus the present policy of controlled sale is being continued at least till the close of the Third Five-Year Plan. (Paragraph 4).

5. Prohibition is not a fiscal policy pure and simple. Noting that the Prohibition Enquiry Committee is reviewing the entire policy of prohibition, the Committee nevertheless feels it to be its duty to invite attention to the fact that there is a considerable volume of opinion in the State against the continuance of prohibition both on fiscal and moral grounds. Keeping in view alone the Fiscal effects of the present policy, the following measures are recommended :—

(i) The State will stand to gain if licenses are given to the highest bidders in open auction. Rate of duty on foreign liquor should be periodically reviewed and if necessary, raised to correspond to rates levied in neighbouring States.

(ii) Loss of revenue should be avoided by allowing stills in border areas.

(iii) Shops on the borders particularly in mining and industrial areas should be opened as long as neighbouring States do not practise prohibition.

(iv) State should undertake a definite programme of deaddiction with regard to opium as contraband opium is being sold and consequently prohibition policy is being defeated. Addicts should be registered with a greater thoroughness and hospitalised when necessary. (Paragraph 5).

CHAPTER IX

Taxes on Motor Vehicles and Road Transport

Road Transport in general and Motor Vehicle in particular are subject to a number of State Taxes in Orissa. Tax on motor vehicle is regulated by the Madras Motor Vehicles Taxation Act, 1931, and the Bihar and Orissa Motor Vehicles Taxation, Act, 1930 along with the amendments thereto. The latest amendments with regard to enhancement of rates took effect in 1957. The rates of tax are determined by the unladen weight in case of private cars laden weight in case of goods vehicles and seating capacity in passenger buses and taxi cabs. The owners of vehicles are required to deposit taxes in the treasury instead of affixing non judicial stamps as previously practised. Certain types of vehicles such as those owned by hospitals and educational institutions, the Central Government and ex-rulers of princely States are exempted from tax. A part of the proceeds of the tax, presently fixed at 40 lakhs, is distributed among local bodies in the State. (Paragraphs 1-3).

2. Although statistics relating to growth of motor vehicles is inadequate the number of motor vehicles is constantly increasing. This has resulted increase in revenue from less than 2 lakhs in 1946-47 to more than 78 lakhs in 1960-61. The most important contributors to tax are goods vehicles and buses. (Paragraphs 4-6).

3. Although tax on motor vehicles is a State subject, the Central Government have shown great interest in evolving a uniform system of taxation. A lot of controversy has taken place relating to replacement of all the existing taxes by a single tax as well as the fixation of a ceiling based on 75 per cent of the rate in force in Madras. Although no firm decision has been taken, prior consultation of the Central Ministry of Transport and Communication by the State Government seems to have been agreed to. This procedure of consultation even in respect of rates of levy gives rise to a number of questions worth studying by legal experts. (Paragraph 7).

4. The Committee is handicapped by the lack of study of the implications of a single tax and the ceiling on taxation. The Committee feel that motor vehicles taxation need not necessarily inhibit development of road transport if roads are properly improved and other benefits conferred on the operators. (Paragraphs 8-10).

5. The Committee recommend that public carrier permits should be given on zonal basis and no restriction be imposed on kinds of goods carried as it is desirable that the vehicles carry economic loads. Inadequacy of culverts and bridges should be removed and their strength increased. Finally the procedure of issue of permits should be reoriented to ensure speed. If the transport operators are rendered better services, higher taxes would not be objected to. The Committee feel that tax on buses and trucks should be increased by 25 per cent on an average. (Paragraphs 11-12).

6. A Statewide survey has led to the conclusion that 30 to 40 per cent of motor vehicles tax is being evaded at present. Greater vigilance and stricter enforcement of the existing rules may go a long way in plugging the loopholes facilitating evasion. Penalty for failure to pay tax and inspection of vehicles reported to be off-road would certainly minimise evasion. (Paragraph 13).

Tax on Sale of Motor Spirit

7. Tax on sale of motor spirit was first imposed in 1947. Rates have been revised upwards a number of times and now it is fixed at 9 nP. per litre. (Paragraph 14).

8. Receipts from this tax has generally been buoyant as the number of vehicles has increased and condition of roads has improved. Rates of tax on petrol and diesel oil need not be increased as they are already on the high side. (Paragraphs 15-16).

Tax on transport of goods and passengers

9. The State Government levied a tax on transport of jute, bamboo and minerals carried by roads and inland water-ways for the first time in 1959. A similar tax imposed by the Government of Assam was declared *ultra vires* of the constitutions by the Supreme Court. Apprehending that the Orissa Act which has been modelled on that of Assam may suffer the same fate, the Governments of Orissa and Assam have represented to the Central Government that unless some thing is done about it, it may be difficult to adhere to the agreed schemes of financing the plan. In any case the Committee recommend that a tax be levied on all fares and frieghts more or less in the same manner as in the States of Bihar, Madras and Punjab. A system of compounding may be introduced to facilitate payment of tax by operators. (Paragraphs 17--20).

Tolls

10. Tolls which were levied for some time on a few new bridges were abolished when the Orissa High Court held that exemptions of Government vehicles were illegal. (Paragraph 21).

11. State Government may levy tolls on any new costly bridge till the cost of construction is recouped. (Paragraph 22).

12. Rates of Tolls on Canals were fixed long ago and there is a case for revising them upwards, the actual quantum to be determined on a careful consideration of all relevant factors. Rates should be fixed not on a flat basis but according to the cost of the service rendered and the nature of the commodity. (Paragraphs 23-24).

CHAPTER X

Entertainment Tax

Except in four towns, entertainment tax was not imposed any where in the State prior to April, 1947. The local bodies in the four towns were being suitably compensated since the State Government took over the power to levy the tax and appropriate the proceeds. (Paragraph 1).

2. Entertainment tax is usually collected in the shape of stamps which are affixed to the tickets. In certain cases tax is compounded by way of a lump sum payment fixed for the entertainment as a whole or on the basis of a pre-determined per cent of the gross receipts. Certain types of entertainment are exempted from the tax. (Paragraph 2).

3. The percentage system of taxation has replaced the former slab system in 1949. Rates now in force vary from 25 per cent to 50 per cent of the value of the ticket. (Paragraph 3).

4. Receipts from this tax have increased from a little over one lakh to more than eleven lakhs. This is due to the change-over to the percentage system as well as the increase in the number of cinema houses. (Paragraph 4).

5. Towns and villages where cinemas operate should be classified into two categories according to their population and occupational structure and the present rates applied to the lower category. In the more urbanised centres a higher rate of tax (say 25% or more) should be charged. (Paragraph 5).

6. Greater vigilance and better administration are essential to check evasion. The practice of compounding should be restricted. Complementary tickets issued by the proprietors of cinema houses should be subjected to tax. Surprise checks should be conducted frequently and should have a larger coverage (Paragraph 6).

7. The Commercial Tax Department rather than the Revenue Officers should be entrusted with the task of administering the tax. The existing personnel in the Commercial Tax Department should be able to discharge this responsibility without any additional expenditure. (Paragraph 7).

8. The consensus of opinion favours local bodies receiving a share of the proceeds of the entertainment tax. It is recommended that 50 per cent of the proceeds of the tax collected from the area of a local body should be made over to that body. (Paragraph 8).

9. There is scope for the levy of a show tax by local bodies. The State Government may empower them to impose this tax within prescribed limits : Rs. 8 for Class A Towns and Rs. 5 for Class B Towns. (Paragraph 9).

CHAPTER XI

STAMPS AND REGISTRATION

Stamps

1. Stamps are of two kinds, judicial and non-judicial. Indian Court Fees Act, 1870 and the Indian Stamps Act, 1899 as amended from time to time regulate these duties. Amendments were made many times in the past to enhance the rates. A surcharge of 50 per cent was added in 1951. (Paragraph 1).

2. When we compare the receipts from court fees and expenditure on administration of justice, we find that the latter exceeds the former. Thus there is no case at all for reduction particularly at this juncture when large resources are necessary for development. (Paragraph 2).

3. The Committee feel that it will be reasonable to increase the rates of non-judicial stamps by 25 per cent. Depending on the nature of the documents and class of persons affected the increase in duty may be more in some cases and less in others. (Paragraph 3).

Registration

4. Registration fees are levied in Orissa under the Indian Registration Act, 1908. The existing rates were fixed in December 1950. Registration is compulsory in certain cases and optional in others. (Paragraph 4).

5. Due to increase in the cost of establishment and change in the system of remuneration to the copyists involving extra expenditure, copying fees have been raised recently. (Paragraph 5).

6. Government are not getting all that is due to them because transactions are deliberately under valued. Suitable steps, legal as well as administrative, should be taken to reduce avoidance and evasion. (Paragraph 6).

7. In order to avoid leakage of revenue and encourage people to register, registration offices should be evenly distributed so that people are not forced to travel long distances. Instead of having more than one Registration Officers at one office, separate new offices should be opened elsewhere by dividing the jurisdiction of the existing office. (Paragraph 7).

CHAPTER XII

Forests

Non-tax revenue is obtained from property and undertakings owned and operated by the State. Natural properties like forests and Minerals and State undertakings like Electricity, Road Transport, State Training, etc., are the main sources of non-tax revenue. (Paragraph 1).

2. There are several limitations to the development of non-tax revenue. In the management of State properties and undertakings the State Government unlike an individual has to subordinate profit motive to larger consideration of State and national importance. In a federal State management of property and public utility undertakings by the State Government should be consistent with broad policy laid down by the Union Government for the country as a whole. There are also limitations of capital, organisation and personnel. (Paragraph 2).

3. It is desirable to recognise the comparative role of the tax and non-tax revenue as well as their limitations and refrain from laying undue emphasis on the one or the other. Although it is true that State taxes and non-tax revenues of State origin have been more or less equal and constant during the last few years, it is difficult to prophecy how these two components will behave in future. (Paragraph 3).

4. Forests account for the largest portion of non-tax revenues of State origin. The forest revenue crossed the two cross mark in 1957-58. Lately it has recorded a fall due to the change in the policy of Kendu leaves. Even if revenue from forests is quite high in absolute terms, it is relatively low when compared with per acre income in other States. If we analyse the sources of the kinds of forest produce from which revenue is earned, we would notice that next to timber Kendu leaves have been contributing the largest amount. Higher prices, improved roads and communications and a few other factors have contributed to the increase in forest revenue. The quantum of non-tax revenue from forest depends also on expenditure devoted to conservation and development schemes. (Paragraphs 4-8).

5. The trend of revenue and expenditure is intimately related to the objectives of forest policy. The State Government have no policy of their own and have been following generally the National Forest Policy as laid down by the Central Government. The National Policy is a little too general to be a guide for practical administration. They should therefore review the existing classes of forest in the State and lay down the detailed principles that should govern the size, rotation, methods of working, etc., in respect of each of them. (Paragraphs 9-10).

6. The area under forests is not even correctly known. A proper survey should be undertaken quickly and maps prepared. (Paragraph 11).

7. Lack of proper communications is impeding growth of forest revenue. Consequently investment should be stepped up on forest roads in order that inaccessible forests with valuable materials are easily reached. A scheme of investment of the order of Rs. 52 lakhs over a period of 10 years with a view to constructing a thousand miles of roads is expected to yield an additional revenue of about nine lakhs per annum. (Paragraph 12).

8. Working of forests through contractors results in loss of revenue as well as destruction of valuable forests. This system should be replaced as quickly as possible by departmental working. The aim should be to bring under departmental operation an area covering at least 50 per cent of the total annual auction

value by about the middle of the Fourth Plan. In order that the scheme of departmental operation is run on commercial lines suitable changes should be made in the accounting and financial procedures. Proper incentives should be provided to the staff in order that the revenue is maximised. (Paragraph 13).

9. Bamboo, as one of the important forest produce, can be expected to give sustained revenue with proper management. The present policy of leasing Bamboo forests to paper mills on a long term basis is sound and the rates presently in force are not unreasonable and therefore need not be revised downward. In order to expand revenue from this source the bamboo lease agreements should be properly administered. As the method of checking the number of bamboos felled is not satisfactory, random enumeration of the stumps be made along with other suitable checks in order that the lessees do not evade payment of royalty. It may also be necessary to review the minimum royalty payable from time to time and change it when necessary. In this connection it is worth noting that there is an urgent need for economy in the use of bamboo. (Paragraphs 14—16).

10. Supply of forest materials to tenants raises difficult questions of rights. The Forest Enquiry Committee studied this question in the past and recommended abolition of the Nistar cess and upward revision of the schedule of rates. There is an urgent need for revision of the schedule of rates in order to close the gap between the schedule and market rates. Revision, an interim one if necessary, should be done without waiting for the abolition of Nistar cess. (Paragraph 17).

11. Kendu leaves, a minor forest produce, was largely responsible for pushing up the forest revenue in recent years. Due to a change in policy, the Government have suffered heavy loss of revenue recently. The Committee after considering all aspects of the question are strongly of the view that the system of monopoly purchase be immediately revived. Certain steps need, however be taken in order that private owners of kendu plants are not put to loss. It is also necessary to have safeguards against loss of revenue on account of tenants' right to collect, consume and dispose the leaves of their trees. The Forest Enquiry Committee's suggestion that compensation should be given in the shape of a share of the lease amount is not tenable as Government do not lease out private trees and it is up to the private owners of trees to protect their property from trespass. The State cannot compensate private persons for possible losses arising out of tenants' inability to protect their own properties. The system of fiscal monopoly should be set up by means of law and not through executive instructions or manipulation of the licensing provisions. (Paragraphs 18—24).

12. As regards other items of minor forest produce, the system recommended for Kendu leaves is not helpful as some of these produce constitute the food of the scheduled tribes or may be otherwise important for their livelihood. Exploitation of these may, however, be organised on co-operative lines. (Paragraph 25).

13. In view of the increase in population and the consequent pressure on land, forest area is being progressively converted into agricultural fields. Simultaneously demand for timber and Industrial raw materials of forest origin is mounting. It is therefore, urgently necessary that special efforts are made for the creation of new forests. Schemes of afforestation that the forest department have taken up needs to be considerably stepped up by according it high priority in the allocation of plan resources.

CHAPTER XIII

Minerals

Minerals rank next to forests among the natural resources of the State. It is well known that Orissa's reserves of mineral deposits are of wide variety and great magnitude. (Paragraph 1).

2. The trend of output of major minerals is substantial. This is due to an upsurge in the demand for purposes of export as well as industrial uses in the country. It is confidently hoped that the rising trend of production of the last decade will not only be continued but carried further. (Paragraph 2).

3. At present the State Government derives income from minerals in two forms : (a) royalty and (b) mining areas development cess. Of the two kinds of income royalty alone can be properly described as non-tax revenue. In 1948 the Central Government took powers to regulate mineral development including rates of royalty. Royalties are now regulated under the Central Act LXVIII of 1957. There is scope for raising the rates in respect of some of the minerals. The present procedure of fixing royalty does not give sufficient opportunity to the State Governments to make their point of view known. It is, therefore, recommended that an Advisory Council should be set up with powers to review proposals for increase or decrease of rates, and that all proposals should be supported by clear economic reports and costing analysis. (Paragraphs 3-4).

4. The proceeds of the Mining Areas Development Cess are paid into a fund for being utilised for the welfare of mining labour and other persons residing in mining areas. This cess has been questioned in Law Courts and the matter is still *sub judice*. (Paragraph 5).

5. There are only three avenues open for increasing the income from minerals.—(a) Better administration, (b) maximum extraction and (c) State exploitation. (Paragraph 6).

6. To prevent evasion, more check gates with weigh-bridges should be provided on important roads, particularly those which lead to railway stations outside the State. The existing instructions relating to transit passes have to be placed on a more stable footing. The present arrangements for drawing the samples and despatching them for analysis should be improved. More assaying and analytical laboratories should be established for the purpose of exercising counterchecks effectively. It is essential that no ore should move from the pit's mouth before it is graded and passed for transport. It is desirable to have a programme for opening up new mines so that production is maximised. (Paragraphs 6-8).

7. The pace of mineral development is slow due to lack of firm action. It is, therefore, necessary to adopt a policy of optimum exploitation of mineral resources. (Paragraph 9).

8. The Orissa Mining Corporation which has been languishing for inadequate support should be made into a powerful instrument for mineral development. The State will certainly stand to gain if the corporation expands its operation. As it is not possible for the State Trading Corporation to share profits with the State Government, the latter should try to augment revenue from minerals by increasing the output and reducing the transport and handling costs. (Paragraphs 10-12).

9. Possibilities of beneficiating lowgrade ores should be explored. (Paragraph 13).

10. The State Government have been losing revenue due to delay in introducing a unified set up rules and a reasonable structure of royalty rates in respect of minor minerals. This matter should be given immediate attention, so that rules are framed and rates fixed soon. (Paragraph 13).

CHAPTER XIV

Electricity Undertaking

Orissa had no State electricity undertaking worth the name till about the middle of the First Five-Year Plan when the installed capacity was about 4.6 M. W. only. During the last decade Thermal Plant at Chowdwar, Hirakud Project Stage I and Machhkund Project made significant additions to the installed capacity. By the end of Third Plan installed capacity would have increased further. (Paragraph 1).

2. The trend of electricity receipts has shown indifferent growth. Gross receipts have not grown at the same pace as working expenses and interest on capital outlay. This implies that loads have not developed fast enough. It is therefore, necessary that special efforts be made to promote utilisation of power through lift irrigation, rural industrial schemes etc. A promotional attitude in order to create new demands should be developed by the department of electricity. (Paragraphs 2-3).

3. The power tariff now in force was given effect to in 1956 and is being extended from time to time. A power Tariff Committee was appointed to study the economies of power supply and work out the rate structure. The Committee laid down a number of principles for the formulation of tariff. There is nothing in these principles to which one would take exception. (Paragraphs 4-6).

4. The policy of giving concessional rates to certain industries has to be considered from various angles. It is not correct to concentrate exclusively on immediate revenue and turn a blind eye to other aspects which may have favourable effects in the long run as such a policy may retard economic growth. The following principles are recommended : (a) The State Electricity undertaking being a commercial concern must be run in such a manner as to obtain a reasonable return after meeting depreciation and working expenses including interest on capital outlay : (b) The rate charged to any industry should on no account be less than the cost of generation and transmission. When for special reasons concessional rates are applied, it must be ensured that for all supplies taken together there is a prospect of a reasonable return. (c) Concessional rates not below the cost of supply may be offered to industries where electricity constitutes a significant element of the cost of production or the development of which leads to economic growth by utilising the existing resources or the idle man-power. In any case, period of concession should be limited. (d) Finally, agreements with large consumers should provide for review of the rates at suitable intervals. (Paragraphs 7-11).

5. In consonance with the policy of constituting State Electricity Boards, the State Government of Orissa formed the Board in 1960. The future of electricity as a source of non-tax revenue seems to be uncertain (Paragraph 12).

6. As regards the imposition of a duty on consumption of electricity, the Committee feels that there is a case for levying a low rate of duty. Consumption of electricity may be divided into three classes and different rates be fixed for each. The rates may vary from 10 to 20 per cent of the tariff depending upon the nature of load. (Paragraph 13).

CHAPTER XV

Road Transport Undertaking

The State Transport Service and the Orissa Road Transport Company Limited are the two kinds of Road Transport undertakings in Orissa. The shares of the latter are primarily subscribed by the State Government while the former is a State Department. The State has been divided into five zones three of which have been reserved for the State Transport Service while the other two are allotted to the Orissa Road Transport Company Ltd. (Paragraph 1).

2. The State Transport Service grew out of a few services operated by the merged States. This expanded in volume in course of time as it was found profitable and as it was felt that the company method of management will result in loss of income due to payment of income tax or corporation tax. Consequently the number of buses plying in State Transport Service routes has increased considerably with attendant increase in routes covered, operational mileage and passengers carried. (Paragraph 2).

3. The Orissa Road Transport Company Ltd. was registered towards the end of 1950. In the course of the last decade the operations of this company have expanded resulting in better service. (Paragraph 5).

4. Uniform fares have been fixed in all the zones. In general the lower class fare is one naya paise less than that for the upper class. In special circumstances a different rate of fare has been prescribed (Paragraph 4).

5 Both the undertakings have yielded increasing amounts of net profit. Net profit in general constitutes 25—33 per cent of capital invested in transport undertakings. Road Transport Company seems to be more profitable than the other. Thus the State Government have found in them an important source of non-tax revenue. (Paragraph 5).

6. The policy of the State entering into the business of Road Transport has generally been welcomed as these services have conferred significant benefits on the travelling public besides bringing in substantial amounts of non-tax revenue. The argument that nationalised Road Transport is neither cheap, economic, nor adequate does not stand scrutiny. No valid reason has been pointed out by the few opponents of nationalisations that still exist for reversing the policy. (Paragraph 6).

7. The State Government need not be particularly anxious to take over the monopoly of goods transport. They should actively encourage private operation in this field. If necessary, the State may only take up selected long distance routes on a pilot basis. It is necessary to warn against any large scale incursion by the State into the field of goods transport as the business bristles with complexities and risks attached to public carriers are quite onerous. (Paragraph 7).

8. In order to increase non-tax revenue from this source, the State Government should be more vigilant and should evolve administrative and financial checks to prevent leakage of revenue which, it is felt, is widespread at present. Another method of augmenting revenue is to increase the average load factor by constant review and study of trends in Transport service. This should be done in order that buses may be diverted from one route to another according to need. This will not only render greater service but also increase revenue by utilising capacity to the maximum extent. (Paragraphs 8—9).

9. The existing system of two classes may be replaced by one class system, the rate being that of the present first class. A minor suggestion worth considering is the upward revision of rates in force in Balasore-Bhadrak route as there is no danger of traffic being diverted to the Railways. (Paragraphs 8—11).

CHAPTER XVI

State Trading in Foodgrains & Miscellaneous State Investments

State Trading in foodgrains was in force from 1944 to 1954. It was revived in 1958 in accordance with the decision of Central Government. The scheme envisaged bulk purchase of all surplus rice by Government for export on monopoly basis. This was done through Purchasing Agents. The scheme helped producers in getting a fair price and consumers were saved from violent fluctuation of prices. The State too made a profit. But the scheme was dropped in 1959-60 on account of a change in the Central Policy. It could not be maintained by the State Government without Central support. (Paragr.phs 1—5).

2. The question arises as to how revenue should be raised from rice which is by far the most important produce of the economy of the State. It would be helpful if inter-State sales of rice and paddy be subjected to a reasonable rate of sales tax. A rate of 2 per cent instead of 1 per cent imposed since 1958 is therefore recommended. This will provide a growing source of revenue to the State without placing undue burden on the consumers in Orissa or outside. (Paragraph 6).

Miscellaneous State Investments

3. It is necessary for the State Government to keep a watch on the financial results of the concerns in which the State has invested. It must be remembered that to prove the ability to earn profits is an essential element of promotion of an industrial venture. (Paragraph 7).

CHAPTER XVII

Local Taxes

1. The study of local taxes concerns the Urban local bodies—Municipalities and Notified Area Councils and the Rural local bodies—the Grama Panchayats. The Orissa Municipal Act, 1950 and the Orissa Grama Panchayats Act, 1948 respectively governs the Urban bodies and the Grama Panchayats in Orissa (Paragraph 1).

2. A Municipality is constituted in a town when the population is above the minimum prescribed in the Act and a majority of people in the town are employed in non-agricultural pursuits. A Notified Area Council is constituted in smaller towns where similar conditions prevail. The former is governed by an elected Council while in the latter the members of the Council are nominated with the highest revenue officer of the subdivision as Chairman. At present there are nineteen Municipalities and twenty-five Notified Area Councils. (Paragraph 2).

3. The Municipal Act empowers the Municipalities and the Notified Area Councils to impose holding tax, service taxes, profession tax, tax on carriages, etc., and terminal tax on passengers. The Act prescribes limits within which the tax could be imposed. Holding tax and latrine tax are the most popular local taxes. The Sambalpur Municipality collects Octroi as a substitute for holding tax. Except in five Municipalities, the rates of holding tax are low. Holdings are generally undervalued to escape taxation. Latrine tax is imposed in all Municipalities except four. A few Municipalities and Notified Area Councils impose water tax, lighting tax and drainage tax. Local bodies in Ganjam and Koraput districts impose profession tax. Tax on carriages etc., is a growing source of income and almost all urban local bodies impose it. Terminal tax on passengers

is only imposed in Puri town. Incidence of local taxes varies from Rs. 1.33 in Notified Area Councils to Rs. 2.87 in Municipalities. On the basis of the Family Budget Enquiry incidence is estimated to be Rs. 2.64 in urban areas of the State. (Paragraphs 3—10).

4. Analysing the trend of Municipal finance, we find that non-tax revenues including Government grants form the bulk of total revenues. Even though the quantum of local taxes collected by Municipalities or Notified Area Councils has progressively gone up, its proportion to total revenues of urban local bodies has more or less remained constant. When we look to the end of expenditure, Municipalities spend more on non-development heads. In any case it appears that Municipal finances are not adequate for development purposes. It is even sometime true that local bodies find it difficult to carry through important obligatory functions due to want of funds. It is, therefore, desirable that State Government should provide the necessary finance to urban local bodies after scrutinising their schemes. The procedure of annual plan and review is commended. (Paragraphs 11—13).

5. All the Municipal authorities draw up a phased programme of improving and imposing suitable conditions to ensure that these authorities do endeavour to levy taxes and fees and become self-reliant in due time and impose holding tax up to the maximum permissible limit. (Paragraph 14).

6. It may be desirable to compulsorily levy holding tax at a prescribed minimum rate.

7. Loss of revenue due to under valuation of holdings could be avoided if an independent valuation organisation is set up.

8. In order to ensure that floating population in towns contribute towards the expenditure of the urban local bodies, Octroi should be imposed in addition to the holding tax. The present practice of substituting Octroi for holding tax is certainly inequitable. This could be remedied if it is laid down that Octroi can be levied only when property tax is already imposed.

9. The pilgrim tax should be imposed by the Jajpur Municipality as there is large influx of pilgrims to this town.

10. Municipal finance would considerably increase if the urban local bodies engage in pisciculture.

11. Increased share from entertainment tax and power to levy a show tax will go a long way in improving Municipal finance in the State. (Paragraph 15).

Rural Local Bodies

12. Zilla Parishads have replaced District Boards for local administration at the district level. Zilla Parishads have no powers of taxation as their finances would consist of grants, donations and the prescribed share of State taxes such as land cess. Panchayat Samitis and Grama Panchayats enjoy mutually exclusively powers of taxation. The Committee feel that Zilla Parishads and Samitis should enjoy certain powers of taxation in order that they become effective in discharging the functions entrusted to them. (Paragraph 16).

13. Grama Panchayats enjoy independent powers of taxation. Not only do they receive grants and loans for specific purposes and share in the land cess but they are empowered to impose taxes and fees. Besides these, they have some sources of non-tax revenue. (Paragraphs 17-18).

14. On an analysis of Panchayat finance we notice that Government grants constitute the most important item. It is worth noting that collections from Panchayat taxes as well as receipts from non-tax sources have increased quite fast in recent years. Income from Panchayat tax will be still more if many Panchayats not already imposing this tax do so. In coastal areas where Choukidari tax was being imposed resistance to Panchayat tax is nil. Elsewhere people are yet to be convinced of the desirability of this tax. (Paragraphs 19—21).

15. Expenditure on establishment and contingencies constitute the most important items of non-development expenditure of Panchayats. Digging of wells, tanks and miscellaneous development works account for a large portion of development expenditure. Pisciculture seems to be the most important item. (Paragraph 22).

16. The Panchayats are unable to impose taxes as many feel that Panchayats have been spending too much on establishment. Panchayats do not seem to enjoy the necessary powers of forcing defaulting assesses to pay. Even if peoples' enthusiasm to contribute labour is quite high when schemes immediately benefit residents of a particular village, this dies down when schemes are of general nature and concern more than one village. (Paragraph 23).

17. The Committee studied the recommendations of the Grama Panchayat Enquiry Committee (1957-58). The Committee is in general agreement with their recommendation that the Panchayats should be given greater financial support than hitherto. The State Government should meet the cost of establishment fully for a year or two (5 years in the case of backward areas) either grant-in-aid or assigning of revenue. (Paragraph 24).

18. On the question of creating a Rural Development Fund, however the Committee is not in sympathy for in their view the purpose could be served easily without creating such a Fund. (Paragraph 25).

19. The view that Fairs, Ferries and Hats should be managed by the Government seems to be retrograde. The Committee recommend that Fairs, Ferries and Hats may be classified into two categories and the smaller category should be managed by Panchayats while the bigger one should be left to the Samiti. (Paragraph 24).

20. The Grama Panchayat Enquiry Committee's suggestion that Panchayat tax should be compulsorily levied is welcomed by the Committee. The Committee, however, suggest that Panchayat Samitis should be empowered by Law to enforce collection of Panchayat tax by Grama Panchayats where the latter do not co-operate. (Paragraph 27).

21. The Grama Panchayat Enquiry Committee's suggestion that all taxes, fees, etc., other than Panchayat tax be discontinued is untenable as a multiple tax system is always more desirable. (Paragraph 28).

22. Contribution of voluntary labour by members of Grama Panchayats is very desirable in the interest of executing development works. If the Grama Panchayats are taken into confidence and the members' views are sought before any scheme of development is launched, voluntary contribution of labour would certainly be forth-coming. As a working procedure, approval of 75 per cent of the members of the Grama Panchayats should be obtained before the remaining 25 per cent is compelled to contribute labour or commute in terms of cash. The law should be amended accordingly. As labour is a great resource, it is desirable in the interest of greater welfare of the community that properties under the control of Panchayats are properly developed and remunerative schemes such as pisciculture, poultry farming, etc., are undertaken. The Grama Panchayat Enquiry Committee's recommendation to abolish labour tax is therefore a counsel

of despair. If rapid development is to take place, idle man-power should be utilised and proper incentive is created so that the element of compulsion is reduced to the minimum. (Paragraphs 29-30).

23. Leakage of revenue could be stopped if conflict in tax jurisdiction between Grama Panchayats on the one hand and Municipalities on the other or Grama Panchayats interest is resolved. This would be possible if rates of tax are uniform and there is a common collecting agency with equitable methods of distribution. If levy of the taxes is entrusted to the Samitis, overlapping of jurisdiction will cease. This would also lead to better co-ordination with Municipalities. (Paragraph 31).

24. Certain witnesses strongly agreed in favour of collecting a registration fee for marriages. Apart from other advantages that this system may bring forth, Panchayats may get certain revenue. A fee ranging from Rs. 2 to Rs. 10 may be levied. But such a recommendation needs further examination before it is actually implemented. (Paragraph 32).

CHAPTER XVIII

Loans and Borrowings

1. The growth of public debt has a great impact on the resources of the State. Public debt is usually classified into five categories, viz., (i) Permanent debt, (ii) Floating debt, (iii) Loans from the Central Government (iv) Other loans and (v) Unfunded debt or Provident Fund deposits. Loans from the Central Government is most important. Permanent debt is in due course expected to assume greater importance. As the State Government act as a custodian and banker with regard to Provident Fund deposits, the latter may not be treated as debt of the State. (Paragraphs 1-2).

2. Public debt has expanded by three stages. In the first stage unfunded debt was the sole constituent. Loans obtained from the Centre and the open market loans mark the next two stages. Net public debt of Orissa has steadily expanded except for a short period in the beginning. Loans incurred for Hirakud Project and the interest thereon have accounted for the major portion of the public debt. (Paragraphs 3-4).

3. Growth of public debt has led to increase in debt service charges. Net debt in 1960-61 is expected to be four times of the revenues of the State while annual debt service claims 8 per cent. (Paragraph 5).

4. If we analyse the public debt of Orissa we find that portion of loans is utilised for meeting current outlays. If this practice continues long the capacity of the State to redeem the public debt will be greatly impaired. (Paragraph 4).

5. If public debt creates revenue-yielding assets sufficient to service the debt as well as repay it, the growth of public debt need not cause alarm. In other words the optimum level of public debt depends on the rate of annual growth in revenues. (Paragraph 7).

6. The essentials of a sound borrowing policy for Orissa are as follows :—

(a) Replacing loans from the Centre by open market loans would broaden public debt. (b) As far as possible loans should not be utilised for meeting revenue expenditure. (c) Priority should be accorded to the revenue-yielding projects. Such projects should be completed speedily in order that State gets quick returns and becomes able to repay loans from the extra revenue thus received. (d) Efficient planning and execution of such schemes being essential, a high power body should be charged with the responsibility of supervising the projects. (Paragraph 8).

INDEX

		CHAPTER	PARA- GRAPHS	PAGES
Agricultural Income-tax	Unsuitable as a substitute for Land Revenue.	VI	31	120—121
	Basis of levy ..	VI	40	123—124
	Measures to improve collections ..	VI	42	125
Betterment Levy ..	Arguments for and against ..	VII	9-10	154—155
	Manner of assessment ..	VII	10	154—155
	Now inexpedient ..	VII	12	156
Central Excise Duty ..	Share of Orissa ..	II	15	12
	In lieu of Sales Tax ..	V	11	84—85
Consumption Pattern ..	In Orissa ..	IV	9	51
Cess ..	History of ..	VI	34	122
	Uniformity of rates of ..	VI	35-36	122
	Principles underlying distribution of proceeds.	VI	37	122—123
Civil Administration ..	Analysis of expenditure under ..	II	25	24
	Comparison with some other States.	II	25	24
Court Fee ..	Reasonable rates of ..	XI	2	224—225
Copying Fee ..	Increase of ..	XI	5	227
Deficit ..	Revenue Account ..	II	13	9
	Causes of ..	II	15	12
	Increase of ..	III	3	34
Debt ..	Burden of servicing	III	7	38
		XVIII	5	398
	Cancellation of ..	II	3	5
	Need to create revenue yielding assets.	III	9	40

		CHAPTER	PARA-	PAGES
			GRAPHS	
	Categories of	.. XVIII	3-4	397—398
	Limits of	.. XVIII	7	400
	Essentials of Policy	.. XVIII	8	401
Deshmukh Award	.. Implications of	.. II	7	7
Direct Demands	.. On Revenue	.. II	24	22
	Increases under	.. II	24	22
	Comparison with some other States.	.. II	24	22—23
Entertainment Tax	.. Rates of	}	II	8
			X	3	221
	History of	.. X	1	221
	Mode of collection of	.. X	2	221
	Trend of receipts	.. X	4	222
	Rate structure of	.. X	5	222
	Steps to check evasion	.. X	6	222—223
	Administration of	X	7	223
	Local body's claim to proceeds of	X	8	223
Expenditure	.. Non-development and development distinguished.	.. II	22	20
	Growth of non-development items	.. II	23	20—22
	Portion of revenue utilised by non-development items.	.. II	26	25
	Committed increase of	.. III	2	34
	Plan maintenance	.. III	4	35
	Need to check	.. III	8	39
Estate Duty	.. On Agricultural property	.. VI	44	126
Electricity	Growth of installed capacity of	.. XIV	1	323
	Trend of receipts from	.. XIV	3	323—325

		CHAPTER	PARA- GRAPHS	PAGES
Five-Year Plan	.. Duty on consumption of (See under Plan)	.. XIV	13	330
Finance Commission	.. Recommendation of	.. II	11&15	9 & 12
Family Budget Enquiry	Coverage of	.. IV	8	50—51
Forests	.. Trend of revenue from	.. XII	4	280—281
	Source of revenue of	.. XII	6	282—284
	Causes of growth in income from	XII	7	284—286
	Nature of expenditure on	.. XII	8	286—287
	Objectives of managements of	.. XII	9	287
	Policy of Administration	.. XII	10	287
	Survey of	.. XII	11	287—288
	Improvement of communication in	XII	12	288—289
	Developmental working of	.. XII	13	289—290
	Lease of bamboo	.. XII	14	290—291
	Administration of bamboo lease agreement.	XII	15	291—292
	Tenants' demand for bamboos	.. XII	16	292
	Revision of royalty on bamboo	.. XII	17	292
	Minor produce of	.. XII	25	297
	Growth of	.. XII	26	297—298
	Income from Kendu leaves	..		(See Kendu leaves)
Forest Enquiry Com- mittee.	Views of	.. XII	21	294
Fees	.. On mutation applications	.. VI	25	117—118
Grant, Central	.. Dependance on	.. III	16-17	43
Grama Panchayat (also see under Panchayat Tax).	Sources of income of	.. XVII	17	376
	Powers of taxation of	.. XVII	18	376—377
	Finances of	.. XVII	19	377—378

		CHAPTER	PARA- GRAPHS	PAGES
	Financial analysis of	.. XVII	20	378—379
	Pattern of expenditure of	.. XVII	22	382—383
	Difficulties in imposing tax by	XVII	23	383
	Need to give greater financial support to	XVII	25	384—385
	Desirability of multiple tax system in respect of.	XVII	28	386
Grama Pa n c h a y a t Enquiry Committee.	Recommendations of	.. XVII	24	383—384
Hirakud Project	.. Estimated cost	.. II	9	7
IncomerTax	.. Share	.. II	15	12
Incidence	.. Direct taxes	.. IV	11	51—53
	<i>Per capita</i> (of direct taxes)	.. IV	11	53
	Assumptions for computation of	.. IV	12	53
	<i>Per capita</i> in absolute terms	.. IV	13	58
	On different expenditure groups	.. IV	13	58
	Of all taxes	.. IV	14	58
	Ratio of income	.. IV	15	58—59
	In rural areas	.. IV	16	59
	Of indirect taxes	.. IV	12	53
	In urban areas	.. IV	17	59
	Of local taxes	.. XVII	10	369—370
Irrigation Rate	.. Principles governing	.. VII	7-8	152—153
Irrigation Act, 1959.	.. Features of	.. VII	5	151
Irrigation Utilisation Committee.	Views of	.. VII	6	151—152
Indian States' Finances Enquiry Committee.	Unsuitability of recommendations	II	7	7
Kendu leaves	.. Tax imposed on	.. II	16	12—13
	Fall in revenue from	.. XII	18	292—293
	Essentials of a sound policy on	.. XII	19-20	293+294

	Considerations governing the policy on.	XII	22	294-295
	Tenants' interests on ..	XII	23	295-296
	Establishment of a fiscal monopoly of.	XII	24	296-297
Land Revenue	— Position in Tax Revenues of State	II	20	16—18
	Inelastic source of revenue ..	III	13	42
	Incidence of ..	IV	6	48
	Importance of ..	VI	2	108
	Need for revision ..	VI	3	108
	History of ..	VI	4	108-109
	Systems in vogue ..	VI	5 & 14-15	109 & 113-114
	Disparities in rates of ..	VI	6	110
	Settlement ..	VI	12—26	112-119
	Standardisation of rates ..	VI	8	110-111
	Principles underlying assessment of ..	VI	16—24&27	114-117 & 119
	Measures to increase receipts of ..	VI	29	119-120
	Assessment of non-agricultural land.	VI	33	121
	Collection by Grama Panchayats ..	VI	38	123
	Assignment to local bodies ..	VI	39	123
Labour Tax	.. Levy of ..	XVII	29	386-387
	Need to make it voluntary ..	XVII	29	386-387
Maintenance	..			See under Plan
Machinery	.. For administrative check-up ..	III	8	39
Motor spirit Sales Tax	Enhancement in the rates of ..	{ II IX	8 & 16 & 14	7 & 13 & 176
	Trend of receipts ..	IX	15	176

		CHAPTER		PARAGRAPHS		PAGES	
Motor Vehicles Tax ..	Enhancement in the rates of	{	II	8 &	7&13		
			IX	12	16	175	
	Acts governing ..		IX	2	167		
	Road Fund—contribution of ..		IX	5	169		
	Features of ..		IX	3	167-168		
	Comparison with Madras rates of ..		IX	8	171-172		
	Distribution of proceeds of ..		IX	3	167-168		
	Fixation of a ceiling on ..		IX	9	174		
	Facility for payment of ..		IX	11	174		
Evasion of ..		IX	13	175-176			
Motor Vehicles Taxation Enquiry Committee.	Views of ..		IX	7	170-171		
Mutation ..	Fees for ..		VI	25	117-118		
Municipality ..	Acts constituting ..		XVII	1	365		
	Constitution of ..		XVII	2	365		
	Powers to taxation of ..		XVII	3	365-366		
	Trend of revenue of ..		XVII	11	371-372		
	Trend of expenditure of ..		XVII	12	372—374		
	Importance of loans and grants in the finance of ..		XVII	13	374		
	Measures to improve finances of ..		XVII	14	374-375		
Marriage Registration Fee.	Need to collect ..		XVII	32	388		
Minerals ..	Deposits and output ..		XIII	1	309		
	Income from ..		XIII	3, 6 & 9	311, 313 & 316-317		

		CHAPTER	PARAGRAPH	PAGE
Mining Royalty	Effects of Central regulation of.	XIII	4	312—313
	Factors determining	XIII	7	314
	Collection of	XIII	8	314—316
	From minor minerals	XIII	13	319
Mines	State undertaking of	XIII	10	317
	Mining Areas Development Fund	XIII	5	313
Notified Area Council	Acts constituting	see under Municipality.		
	Constitution of	XVII	2	365
Non-Tax Revenue	Receipts under	II	18	14
	Origin of	II	21	18—20
	Nature and sources of	XV	5	345-347
		and		
		XII	1	279
Relative importance of	XII	3	279—280	
Octroi	Now in force	IX	1	167
	Where imposed	XVII	4	366
Orissa Road Transport Company Ltd.	Subscription of shares to	XV	1	344
	Growth of	XV	3	345
Orissa Mining Corporation	Operations of	XIII	11	318—319
Post War Reconstruction	Development schemes	II	6—8	6—7
Purchase Tax	Sales Tax replaced by	II	16	12—13
	Desirability of imposing	V	12	85
	On jute	IX	20	177-178
Pay Committee	Impact on non-development expenditure.	II	6	7

		CHAPTER	PARAGRAPH	PAGE
Peoples' contribution..	Meaning of ..	IV	21	61
	Quantum of ..	IV	22	61
	<i>Per capita</i> ..	IV	23	63
Prohibition ..	Liquor ..	VIII	2 164—165	
	Opium ..	VIII	3	165
	Ganja and Bhang ..	VIII	4	165
	Effect on revenue ..	II	24	23
Panchayat Tax ..	Trend of revenue from ..	XVII	21 379	-381
	Compulsory levy of ..	XVII	27 385—386	
Public property ..	Factors governing management of ..	XII	2	279
Power Tariff Committee	Recommendations of ..	XIV	5 325—326	
Plan ..	First Five-Year ..	II	9	7—8
	Second Five-Year ..	II	14	9—11
	Third Five-Year ..	III	10	40—41
	Fourth Five-Year ..	III	5	37
	Resources for ..	III	1	34
	Maintenance ..	III	4	35&37
Power Tariff ..	Now in force ..	XIV	4	325
	Structure of ..	XIV	6	326
	Concessional rates of ..	XIV	7—8	326—327
	Principles guiding determination of ..	XIV	11	328—329
Resources ..	For financing plans ..	III	10	40
	Normal ..	III	11	41
Royalty, ..	Rates of ..	II	16	12
Revenue ..	Classification ..	II	18	13

			CHAPTER	PARA- GRAPH	PAGE
Royatwari system	..	Trend towards	.. VI	5	109
Retrenchment Committee (1937-38).	..	Recommendations of	.. II	4	6
Registration fee	..	Administration of	.. XI	4 & 6	226-227
Road Transport	..	Fare structure	.. XV	4	345
		Benefits of State participation	XV	6-7	347-349
		Suitability of forming a Corporation.	XV	6	347-348
		Leakage of revenue	.. XV	8	349
		One class travel in State undertakings.	XV	10	350
Savings	..	Propensity to save	.. IV	15	58-59
Sales Tax	..	Enhancement of rates	.. II	8 & 7 and 13 16	
		Exemption from	.. V	5	81-82
		Incidence of	.. IV	7	50
		Features of	.. V	1—6	80-82
		Tribunal	.. V	6	82
		Leakage of revenues from	.. V	8—9	83-84
		Methods of evasion	.. V	10	84
		Excise duty in lieu of	.. { V II	11 16	84-85 13
		Multi-point, arguments for and against.	.. V	13	85-86
		Better administration of	.. V	14-15	86-91
		Compounding of	.. V	4	81
		Higher rate on Inter-State Sales of rice and paddy.	XVI	6	358-359
Subsidy	..	For flood relief	.. II	12	9
Settlement	..	Record-of-rights in	.. VI	9	111
		Need for	.. VI	12	112
		Sharing of costs of	.. VI	26	118-119

			CHAPTER	PARA- GRAPH	PAGE
Show tax	..	Case for levy	..	X 9	223
		(also see under Local Tax)			
State Excise	..	Declining importance of	..	VIII 1	164
		Administration of		VIII 5	166
		(also see under Prohibition)			
Stamp duty	..	Receipts of	..	XI 1 & 3	224&226
Standing Committee		On Plan Schemes	..	III 8	39
State Transport Service		Growth of	..	XV 2 & 9	344-345 and 349-350
State Investment	..	In commercial undertakings	..	XVI 7	359
State Electricity Board		Constitution of	..	XIV 12	329-330
State Trading Corporation.		Sharing profits with	..	XIII 12	319
State Trading	..	Difficulties of	..	III 15	43
		In foodgrains	..	XVI 1	344
		Evaluation of the policy of	..	XVI 2	355-356
		Financial results of	..	XVI 3	357-358
		Risks involved in	..	XVI 4	358
		Effects on producers	..	XVI 5	358
Tax Revenue	..	Receipts under	..	II 18	14
Toll	..	On carriage of jute	..	II 13	9
Techno-Economic Survey		Investment outlay	..	III 10	40
Taxation	..	Limitation on powers of		III 11 and 14	41 and 42
		Constitutional powers of levy	..	III 12	41-42
		Limits of	..	IV 19	60
		State origin	..	II 20	16-18
		Additional for First Five-Year Plan.	..	II 10	8

		CHAPTER	PARA- GRAPH	PAGE
Additional for Second Five-Year Plan.		II	14	11
On transfer of immovable property		VII	11	155-156
On transport and vehicles limitations.		III	14	42
On transport of goods and passengers—Supreme Court decision and its aftermath.		IX	17-18	177
On Show (also see under Local Taxes)	}	X	9	223
		XVII	15	375
On Agricultural Income	..	VI	40	123-124
On Holding	..	XVII	4	366
On Sales	..	See Chapter V		
On Service	..	XVII	5	366
On Motor Vehicles	..	See Chapter IX		
On Profession	..	XVII	6	366
On Entertainment	..	See Chapter X		
On carriages, etc.	..	XVII	7	366-367
On Labour	..	XVII 29-30		386-387
Terminal	..	XVII	8	367
On Fares and freights	..	IX	19	177
Power to levy	..	III	14	42
On consumption of Electricity	..	XIV	13	330
<i>Per capita</i>	..	IV	3	45
Water rate	..	Basis of fixation	.. VII	4 150-151
	..	Basic, views on	.. VII	7 152-153
Water Board	..	Constitution of	.. VII	8 153
Zones	..	Allotments to Road Transport undertakings	XV	1 344
Zilla Parishad	..	Sources of finance	.. XVII	16 375-376