

12th Finance Commission

GIST OF SUGGESTIONS RECEIVED FROM MEMBERS OF PUBLIC ON TERMS OF REFERENCE (TOR) IN RESPONSE TO THE ADVERTISEMENT IN VARIOUS NEWSPAPERS FOR TWELFTH FINANCE COMMISSION

S. No.	Name & Address	Suggestions Received
1.	Sh. S.D. Thombre A1/12, Royal Orchard, Behind Twin Towers , Wireless Colony, DP Road Aundh, PUNE – 11007 Tel. 91-20-5887912 e.mail s-d-thombre@rediffmail.com	<p>➤ Retirement age of Central, State & PSU employees be reverted back to 58 years with immediate effect as this will result in</p> <ul style="list-style-type: none">• Huge savings in the long run.• Employment generation.• Availability of accommodation.• Removal of deadwood.• Total savings would be Rs. 120,000 cr. Annually <p>➤ Recommendations of Fifth Central Pay Commission are reviewed and suitable changes be made on downward side. No justification for giving periodic DA rise.</p> <p>➤ Direct Tax structure (except 1 Tax) should be overhauled so that traders, businessmen, companies & corporates pay taxes.</p>
2.	Sh. U Annadurai 2/105, Yadava S treet, Melayakwdi (PO) Paramakwdi Ramanathapuram Tamil Nadu Pin-623707	<p>➤ Planning Commission & Finance Commission should be merged.</p>
3.	Sh. K.C. Mohanti E-166, GGP Colony Bhubaneshwar Pin – 751010	<p>➤ Neelachal Ispat Nigam at Duburi, Jajpur, Distt Orissa which was taken over from Govt. of India by Govt. of Orissa, Deptt. of Steel and Mines is a non priority enterprise and should be privatized or disinvested.</p>

4.	Sh. Bitra Srinivasa Rao P No. 20-7-25(1) Muntavari Centre, Chirala- 523155. AP	➤ Asking for full details. No suggestions given.
5.	Sh. Satish L. Maurya, Guru Krupa Appts, 5/3 Second Floor, Becher Road Near GEB office Valsad – 396001 Gujarat.	➤ Asking for draft of Twelfth Finance Commission and recommendations made. No suggestions given.
6.	Sh. N. Nageshwar Rao H.No. 1-9-129/14, Ram Nagar, Hyderabad – 500020 Andhra Pradesh Ph. 040-23241616	➤ Proceeds may be distributed not on basis of States but on the basis of Districts and should be spent in the same district for infrastructure development in sectors which ensure district-wise balanced development and promote employment. ➤ Proceeds should not be used for debt servicing.
7.	Sh. P. Jayprakash Shanker F-4 Lean, Dept. No. 869, Plant Mechanical, ITI, Doorawaninagar, Bangalore-560016.	➤ Diversity the life risk of workers from his organization to LIC mediclaim. ➤ Avoid misuse of government funds such as on deputations, alteration of bungalows etc. Checks by AG's office and CBI must be done four times a year.
8.	Shri Gauri Shankar, XYZ & Company 17/1302, KMA Building Puthiyara Calicut-4.	➤ Revenue by way of interest or tax should be distributed on the basis of gross domestic output of the States. The GDP should include agricultural produce, cash crops, water resources, energy, etc. ➤ The Agricultural land under cultivation and cultivable land should be taxed on the basis of land holdings by individuals/corporates, at a minimum rate as fixed by the revenue department of States. ➤ Quantity & quality of crops harvested and reaped during Eleventh Finance Commission should be accounted properly to make 12 th Finance Commission effective. ➤ Banks should issue overdraft facilities to farmers, laborers etc by requesting every

laborer/farmer to open a Recurring SB Account.

➤ Suggested to consolidate the fragmented lands and the land so consolidated may be declared 'undisputed' land in possession of Government of India and the Government of India should lease out such land to Zamindars/ Tenants and farmers after covering the proposed crops to be reaped under farming against 'Theft'.

➤ Yield from the crops may be taxed by way of quantity of crops reaped in proportionate percentages at an agreeable rate of few percentages to the Government or FCI/ IFFCO/ APEDA, few percentages to the Investor/ Zamindar and balance to farmers/ farm employees. The Zamindars and tenant farmers may be allowed to sell their share of harvest in the market according to demand and supply which will solve the problem of low yield and more and more persons may be motivated to take up employment in Agriculture Industry.

➤ The Government of India should provide facilities of irrigation by finding cultivable lands on River Banks and Canal Banks and Government should not demand income tax by way of cash from persons involved in the Agricultural Industry, but collect a proportionate percentage of the crops reaped. The farmers and Zamindars may be at liberty to collect indirect taxes on the quantity of their share sold in the open market and the Indirect Tax departmental officials should be authorized to penalise those defaulting farmers and Zamindars.

➤ To provide modern farming equipments, tractors, pumps to those employed in farming. The Soil Survey Department should advise the farmers the prospects of the crops that can be cultivated by experimenting the soil. In the event of natural calamities, the GOI should provide assistance to farmers affected, out of the

		<p>taxes so collected. People should be motivated effectively to implement these proposals and motivation can be made possible only when the above suggestions are implemented.</p>
9.	<p>Sh. C.A. Awalker 160-A, Angrewadi VP Road, Girgaon, Mumbai-400004.</p>	<ul style="list-style-type: none"> ➤ Deficit should not be permitted to increase and published every month and controlled. ➤ Partly privatize IOC, ONGC, GAIL, BHEL, NTPC, and AI to group like TATA to increase efficiency. ➤ Control population to 75 crore. ➤ Promote small scale industries/household bases industries. ➤ Encourage people to return to villages and develop skill based rural economy which will have led to reduce urbanization. ➤ Stop increasing number of States, Districts and Ministries. ➤ Control Government expenditure. ➤ Promote schemes for self employment of all type rather than services in organized sector. Change education pattern accordingly.
10.	<p>Sh. Anand Prakash Singhal MA, B.Sc(Agri), LLB Advocate, C-2 Sarvodaya Colony, Jail Chungi, Meerut City. UP</p>	<ul style="list-style-type: none"> ➤ A proportion for distribution of income tax should be fixed. Amount should be paid to areas totally merged with the country. ➤ Political and bureaucratic systems are oversized and should be smaller. ➤ No. of levels in bureaucracy should be reduced. ➤ Subsidies should be given only when the subsidy given sector is likely to yield income in taxes.
11.	<p>Dr. V.K. Muthu, MBBS, DPH, MSC</p>	<ul style="list-style-type: none"> ➤ Any transaction whether governmental or private involving amounts of Rs. 50,000/-

	Specialist in Public Health & Nutrition Gandhigram Rural Institute Gandhigram-624302 Tamil Nadu.	or any other reasonable amount, should be done in paper and not through hard currency
12.	Sh. K.P. Subramanya Bangalore Amateur Radio Club BARC , Email : vuzarc@hotmail.com Post Box 5053, GPO Bangalore- 560001.	<ul style="list-style-type: none"> ➤ At the time of natural calamities such as earthquake, floods, cyclones the Amateur (Ham) Radio licences may be permitted to handle third party messages as in many cases their may be failure of normal telecommunication facilities. Bangalore Amateur Radio Club, a professional voluntary organization requests that they may be associated in Disaster Management Communications Command. Govt. of India may also consider of financing in the field of Emergency Communications of disaster Management Programme.
13.	Sh. Subhash T. Kaushikkar 6 02- A Abhyankar Road, Chhoti D hantol, Nagpur 440012 (Maharashtra)	<ul style="list-style-type: none"> ➤ Nationalize the vast amount deposited in swiss banks by various persons. ➤ We should take stock of real rate of exchange at all stages since 15th August, 1947. This will lead to reduction of foreign debt and revaluing of rupees in terms of dollar. ➤ Generation of black money may be discouraged by abolishing Income tax. About 20 countries including Switzerland, Luxemburg and Panama have no income tax. As all black money will become white overnight and there will not be any parallel economy, plenty of money will become available in the economy for further economic development. ➤ Taxation laws may be suitably modified so that public harassment is kept at the minimum.
14.	Mr. Jayesh V. Ponda MSc M BA 103, Gita Bhavan, Opposite Vijay Transport Company, Narol, Ahmedabad - 382405	<ul style="list-style-type: none"> ➤ Revenue collection system may be made more effective with economy so that a major portion of revenue collected is used in the collection system itself. ➤ The honest tax paying companies are not able to compete with dishonest tax

		<p>evading companies as they have an upper hand in selling their goods and services at cheaper rates. This ultimately results in shifting of honest tax paying companies to other countries.</p> <ul style="list-style-type: none"> ➤ Heavy taxation also discourages the honest the new entrepreneurs to come up with new factories/business Venture. Tax rate, therefore, may be kept at low. ➤ Sale tax may be collected only one agency namely, Sales Tax Departments of States. ➤ Central excise/Income tax may be abolished totally or merged with sales tax. ➤ The proceeds of the revenue from states from sales tax including income tax and central excise inform the States should go to the respective State Governments. ➤ Customs duty should be reduced to the WTO level and the proceeds from respective ports should go to their respective State Govts. ➤ Central Govt. should control their expenses. The revenue needed by them should be generated by themselves or from resorting to deficit financing. ➤ Needs of defence forces could be met by exporting defence goods. ➤ Army personnel may be used for productive uses of the industry like that of China. ➤ The Commission may look into the proceeds of European Union.
15.	Dr. R. Mehrotra Emeritus Professor of Economics & Ex-Dean Faculty of Social Sciences, University of Sagar,	<ul style="list-style-type: none"> ➤ It is suggested that the Twelfth Finance Commission should review and assess, both qualitatively and quantitatively, the distribution of financial and fiscal powers between the Union and States and recommended ways and means of removing any top-heaviness i.e. excessive

	<p>4/556, Madhukar Shah Ward, "Nirmal Niwas" Manorama Co lony, Sagar-470001 (MP)</p>	<p>concentration of fiscal and financial powers in favour of Centre and take a move towards balancing such tilt. This will lead to insuring a fair Tax Gross State Domestic Product ratio and the financial viability of the State Governments with the ambit of, and without prejudice to, the Constitution of India.</p>
<p>16.</p>	<p>Ms. Shalini Bhalla Advocate (Off) 32, Lawyers Chamber, Supreme Court, New Delhi. (Resi) 1C/43, New Rohtak Road, New Delhi-110005.</p>	<ul style="list-style-type: none"> ➤ Raja Chiliah Committee recommended adoption of Value Added Tax (VAT) in India in place of the prevalent system of Sales Tax since 1991. ➤ Though the world over VAT is generally understood to be a single multipoint integrated tax on goods and services, the contemplated Indian VAT regime at present targets only the stage of sale and purchase of goods and aims at replacing only the Sales Tax system. The excise duties have been left out. ➤ Adequate alternative sources of revenue may be provided to the states in the initial few years to cushion the transition from the existing Sales Tax system to the VAT regime. ➤ It is suggested that the Finance Commission may examine implications of adopting VAT regime in India in the frame work of its terms of reference. ➤ Currently the Central Sales Tax collection are around Rs. 15,000 crores per annum which will be reduced to Rs. 7500 crores in the next financial year, when the central sales tax will be reduced to 2% from 1/4/2003. The collection of Central Sales Tax would be further reduced to 1% from 1/4/2004 and finally in the financial year beginning from April, 2005, the central sales tax would be all together scraped. The reduction and eventual scrapping of the Central Sales Tax will effect significantly the revenue proceeds of the States. For example. :- In Tamil Nadu where the collection of the Central Sales Tax constitute about 10% of the annual tax revenue such a

		<p>reduction may create a great negative impact.</p> <ul style="list-style-type: none"> ➤ States like Tamil Nadu, Gujrat and Assam have introduced Entry Tax during 2000-01 to cut down some of the anticipated revenue loss on account of the adoption of the VAT regime. ➤ The Hon'ble Commission is requested to look into the intricacies of the VAT regime and cristalise a blue print for a smooth transaction from the Sales Tax era to the VAT regime in a sustainable manner. ➤ The Commission may look into the expect that whether and to what extent the integration of excise duties and the levies on the services in the VAT regime would counter the upprehended deficit in the revenue exchequer of various states by sustaining the existing revenue sharing equilibrium between the States and the Centre.
17.	<p>Sh. Anil Bansal Secretary Association for Settlements and Housing Activities (ASHA) 180 Asian Games Village, New Delhi 110049.</p>	<ul style="list-style-type: none"> ➤ ASHA is a Voluntary Body created in 1976 to foster and support self help and community action in improving the living environment. ASHA request the Twelfth Finance Commission to consider with emerging issues such as poverty alleviation, urbanisation, decentralization and governance. The following issues are being raised for the consideration and perusal of the Twelfth Finance Commission. <ul style="list-style-type: none"> • Poverty Alleviation and speedier programmes of economic upliftment of disadvantaged sections of the society. • Municipal/Urban development finance. • Housing land development and building construction with special emphasis on low income population. • Good urban governance including closure or downsizing of central/state government establishments, which no more have legal domain and jurisdiction

under 73rd & 74th CAA, and strengthening the ULBs/PRIs.

- Infrastructure improvement: water, roads, drains, sanitation, street lighting etc.
- Facilitating community based participatory governance.
- Community development: institution building, gender awareness raising, empowerment, vocational training, economic support and networking.
- Encouraging small home-based occupations.
- Promoting micro-credit facilities, micro-banking as a mandatory role of capital banking.
- Environmental sustainability and Resource Management.

➤ The 12th Finance Commission may evolve a framework to implement computerized accounting systems based on accrual principal. Also restructure the Chart of Accounts, aligned to the city zones and functioning structure. Further the ULBs to adopt Zero Based budgeting and Cost Forecasting systems. Budgets to earmark funds for maintenance of computerized accounts.

➤ The process of introducing accounting reforms will vary from place to place, from State to State. However, there are common denominators, which are generally applicable in all cases:

- Assess the present accounting system, including the current methods of recording revenues and expenses.
- Structure the new municipal accounting system in accord with IcArs technical guide on accounting and financial reporting for urban local bodies in India.
- Collect information on municipal properties, including dimensions, usage and value, in order to prepare an opening balance sheet.
- Propose appropriate legislation required to change the municipal accounting system.

		<ul style="list-style-type: none"> • Undertake the following tasks (often these can be done by the consultants): <ul style="list-style-type: none"> - Prepare a manual detailing the new accounting system and procedures, chart of accounts and forms/formats; - Develop norms for recognition of assets and revenue in accord with ICAI's national accounting standards. - Provide professional support to the municipal staff for at least the first 18 months of implementation of the new accounting system. • Computerise the accounting system to increase capacity of local staff to maintain the new system
18.	Sh. Sunil Gupta Investment & Financial Advisor Opp. I.T.O, The Mall, Solan-173212 M.P.	➤ No suggestion has been given
19.	Shri. V. Atchi Raju, MSc Retd. Principal 65-5-187 Sriharipuram Visakhapatnam Pin 530011 (AP)	➤ Twelfth Finance Commission is being requested to allot certain percentage of revenue towards trapping, retaining and distributing Solar energy as an alternative source of energy.
20.	Shri Chandmal Parmar Chairman and Managing Trustee Kum. Rajshree Parmar Mamata Group, 289, Timber Market Road Mahatma Phale Peth, Pune- 411042	<p>➤ The foundation is an NGO pioneered in spearheading the causes of road accidents, its related fatalities and sufferings of road accident victims as serious National Problems as also devoted to the Mission of Road Traffic Safety and Environment Management.</p> <p>➤ The foundation suggest that</p> <ul style="list-style-type: none"> • Necessary provision for contributing to small/medium trauma hospitals on all heavy traffic corridors i.e. Golden Quadrilateral Highways Corridors + East West Highway Corridor +

		<p>North South Highway Corridor at a distance of 70 kms.</p> <ul style="list-style-type: none"> • Necessary provision to earmark Road Special Funds on accident prone points on N.H. and S.H. • Special provision for providing Road Signs, Crash Barriers on N.H. and S.Hs. • Special provision for Nation wide Mass Programme of Road Traffic Awareness and Education.
21.	<p>Sh.M.V.Narayana, Geologist (Ex) D.No.80-16- 23/3 Srinivasa Nagar AUA Road, Rajahmundry- 533103(AP)</p>	<p>➤ Following suggestions for pre-earthquake Disaster Mitigation Programme are given:-</p> <ul style="list-style-type: none"> • Educate the common public on earthquake zones • Earthquake resistance building construction law should be implemented from the panchayat level itself. • Property tax rebate may be given to be earthquake resistance building. • Local governments may be provided with subsidy for construction of earthquake building.
22.	<p>Sh.Deepak Narayan, President, Indian Building Co ngress, Sec- 6, R.K.Puram, New Delhi - 110022</p>	<p>➤ The Indian Building Congress is an inter-disciplinary non-profit organization of the professionals connected with the habitat and built environment including inter-related urban development.</p> <p>➤ IBC suggests the following points for consideration of the Twelfth Finance Commission</p> <ul style="list-style-type: none"> • There could be a national policy on tax jurisdiction of urban local bodies (ULBS) so as to make them financially independent. • State Government should play a key role to avoid tax competition between ULBs and ensure that taxes are not regressive

		<ul style="list-style-type: none"> • Balanced criteria may be adopted for distribution of grants across ULBs including those providing incentives to ULBs to enhance their own sources of revenue. • State Government should take the lead in building the capacity of ULBs to administer tax system financial management and functional obligations. • Guidelines may be issued to State Government/ULBs to deploy staff to create space for private sector participation • Empanelment and provision of training to private service providers may be done • State level regulatory bodies may be set up to operationalize regulatory mechanisms for municipal services • Computerizing database of municipal properties may be undertaken.
23.	<p>A.K. Kagalkar, Ex. Director of Economics and Statistics, Govt. of Maharashtra, "SHREE" Apartment, Vastukalp Society S.No.676/14, Bibawewadi, Pune - 411037</p>	<p>➤ The following suggestions with regard to the criteria for determining the distribution of shareable Central taxes and duties to the States are given for the consideration of Twelfth Finance Commission:</p> <ul style="list-style-type: none"> • While determining the distribution of shareable Central taxes and duties, the minimum basic needs of people especially in villages, such as availability of drinking water, all season approach roads and the extent of illiteracy may be taken into account. As the above aspects are to be given top priority, funds to the needy states may be allotted accordingly. • Weightage for these three items may be included in the existing weight of "distance" by restructuring the existing norms.

- An additional new criterion of performance based evaluation of selected major schemes may be included. The evaluation can be done with reference to the achievements in relation to financial and physical targets, the time taken for such achievements and utilization of the benefits from such physical achievements.
- The following weightage are suggested :-

S. No.	Criteria	Existing Weight	Suggested Weight
1.	Population	10.00	10.00
2.	Area	7.50	7.00
3.	Distance	62.50	50.00
4.	Index of (*DW,AR & I) (*DW- Drinking water, AR- Approach roads, I- Illiteracy)	0.00	9.00
5.	Index of infrastructure	7.50	7.50
6.	Tax effort	5.00	5.00
7.	Fiscal discipline	7.50	7.50
8.	Index of evaluation	0.00	4.00
9.	Total	100.00	100.00

24. Anand Prakash Singhal,
Advocate, C-2, Sarvodaya Colony, Behind I.T.I, Meerut

➤ It is suggested that the states resources may be developed on the following lines:

- A fixed amount per member of the family may be levied. Exemption to those families whose total income is less than Rs. 75000/- per annum may be given.
- All assets of the states including commercial undertakings if at all to be auctioned, it should be

		<p>auctioned to the highest bidders only.</p> <ul style="list-style-type: none"> • Subsidies and tax exemptions may be granted to those sectors that have got the state of art technology so that production could be raised.
25.	<p>Sh. R.D. Choudhury, General Secretary, Indian Art History Congress, Assam C/o Directorate of Museums Assam, Guwahati-781001 and President, Museums Association of India, C/o National Museum of Natural History, FICCI Museum Building, Barakhamba Road, New Delhi- 110 001.</p>	<p>➤ Enhancement of allocation of funds for preservation of monuments and heritage for appropriate upkeep of the museums in the Country to increase tourism potential of the country as the lack of funds is a major hurdle in the preservation of India's heritage.</p>
26.	<p>Dr. V.A. Pai Panandiker, President, Academy of International Education, Goa</p>	<p>➤ Highlighted the core issues viz. (i) Managing the Finances of the Union and the States; (ii) Restructuring of public finances, restoring budgetary balance, achieving macro-economic stability etc. (item 5 of Terms of Reference); (iii) Principles governing the sharing of resources with the States especially the criteria of distribution and (iv) Role of the Commission regarding the Panchayats and the Municipalities.</p> <p>➤ The following suggestions have been made to the TFC:-</p> <ul style="list-style-type: none"> • To shift focus from the State to the People of India to whom TFC owe final accountability under Article 280 of the Constitution. • To find ways by which the People of India can hold the governments at all levels accountable for managing the public finances since the Legislatures do not, whether the Indian Parliament or the State Assemblies. • To find who has benefited from the huge fiscal deficit over the last

decade, in particular whether the bottom 400 million people have derived any benefits especially with respect to health, education and employment which are vital for them.

- To examine the role of the Pay Commission in the huge fiscal deficit at the Union and State levels and whether the Finance Commission cannot lay down guidelines for restructuring the wage bill of Union and State Governments to restrict the administrative costs of Government of India to 15% of revenue receipts.
- With reference to Item 6 (VII) “ensuring commercial viability”, to lay specific criteria for Government to be in “Business”.
- Item No. 9 of ToR “Human Development and Investment Climate”- so long as both are unfriendly and unfavourable, no financial measures will solve India’s problems.
- To use the main criteria for distribution of financial resources for providing equity in terms of Education, Skill Development & Primary Health Care.
- Help in restructuring of Public Finances of the Country which political system is unwilling or unable to do for its own reasons.
- To transfer a certain percentage of resources directly to the elected bodies under 73rd and 74th Amendments for specific functions under the Eleventh & Twelfth Schedule of the Constitution.
- To help reduce not only the Fiscal Deficit by “Knowledge

		<p>Deficit” about the management of the finances of the Country by the political and administrative officials where the salvation for the majority of People of India lies.</p>
27.	<p>Dr. P.L. Gautam, Vice Chancellor, G.B. Pant University of Agriculture & Technology, Pant Nagar, Distt. Udham Singh Nagar, Uttaranchal</p>	<ul style="list-style-type: none"> ➤ Earmarking of a separate package of funds for all the state agricultural universities for their modernization and infrastructure development in the overall interest of the nation and present scenario of globalization. ➤ Considering the fact that the G. B. Pant University of Agriculture & Technology, Pantnagar has completed 42 years serving farming community, it being an important heritage of the nation and all its infrastructure having become outdated, this university merits special patronage of both the Government of India and that of the State Government of Uttaranchal. Requested for special package of Rs. 80 crores as one time block catch up support for the university and similar special package of about Rs. 50 crores funds to other agricultural universities for modernization and development of each State university which have completed more than 25 years.