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Supdt
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Sc. R. E-27—60,000—17-11-48

Education (19~~4~~50) Department.

Ms. SERIES. ①

G.O. NO. 461 Edn

Dated 14—2—50

71

[Despatch Abstract.]

Tax — Education — levy by Dt. Bds. — Govt. contribution — Papers recorded

Back Papers.

G.O.	No.	Department.	Date.	G.O.	No.	Department.	Date.

Further Papers.

G.O.	No.	Department.	Date.	G.O.	No.	Department.	Date.

Columns (3+4)+(5) = column 2

②

of Dt. Board	Present rate (2)	Rate of edn. tax prior to 1946 (3)	Enhancement in the rate of tax ordered for providing funds for the grant of	
			dearness allowance (4)	Revised scale of pay (5)
Anantapur	27 pies	12 pies in the rupee of land revenue	-	15
North Arcot	24	12 ..	2 pies	10
South Arcot	15	6 ..	6 ..	3
Bellary	10	7 ..	-	3
Chingleput	27	12	2	13
Chittoor	27	12	2	13
Coimbatore	24	12	2	10
Cuddapah	24	12	-	12
East Godavari	21	10	5	6
West Godavari	24	9½	5½	9
Guntur	20	10	5	5
Kistna	18	11	4	3
South Kanara	24	12	-	12
Kurnool	20	9	-	11
Madura	17	12	2	3
Malabar	30	11½	2½	16
Nellore	17	9	5	3
The Nilgiris	18	14	-	4
Ramnad	16½	12	2	2½
Salem	37	11½	2½	23
Tanjore	10	3	3	4
Tinnevelly	17	5	9	3
Trichinopoly	17	9	5	3
Vizagapatam	18	6¾	8¼	3

③

C. Elementary Education Staff.

Sl. No.	Name of Dt. Board.		Number of employees on a pay of						Amount of dearness allowance at existing rates.	Amount of dearness ~~all~~ allowance at Government rates.	Extra cost involved.	Provision made in the B.E. for 1948-49.
			Rs.20 and below.	Rs.21 to 39.	Rs.40.	Rs.41--60.	Rs.61 to 100.	Rs.101 to 200.	Rs.200 to 300.			
1	2.		3	4.	5.	6.	7.	8.	9.	10.	11.	12	13.
1.	Anantapur.	..	16	1,205	-	93	-	-	-	2,54,520	3,02,748	48,228	2,50,900
2.	Arcot, North.	..	139	2,328	44	105	-	1	-	5,05,268	5,99,132	93,864	5,05,268
3.	Arcot, South.	..	43	2,288	-	192	-	1	-	4,89,444	5,82,156	92,712	--
4.	Bellary.	..	108	950	9	57	1	-	-	2,17,608	2,57,532	39,924	--
5.	Chingleput.	..	56	1,559	4	83	-	1	-	3,29,172	3,90,864	61,692	3,36,850
6.	Chittoor.	..	83	1,886	9	100	5	1	-	4,03,092	4,78,560	75,468	--
7.	Coimbatore	..	39	2,079	11	127	-	-	-	4,36,464	5,18,736	82,272	4,36,540
8.	Cuddapah.	..	80	1,161	-	55	-	-	-	2,50,152	2,96,498	46,346	2,50,152
9.	Godavari, East	..	19	2,339	-	256	-	-	-	5,06,320	6,03,352	97,032	5,45,520
10.	Godavari, West	..	193	1,990	-	340	-	-	-	4,92,576	5,85,168	92,592	--
11.	Guntur.	..	79	1,855	90	144	6	1	-	4,19,352	4,98,708	79,356	4,32,060
12.	Kanara, South	..	35	1,441	195	85	-	-	-	3,43,872	4,07,688	63,816	3,43,872
13.	Kistna.	..	15	1,527	80	101	-	-	-	3,35,160	3,98,220	63,060	--
14.	Kurnool.	..	150	1,565	27	50	-	1	-	3,43,740	4,09,548	65,808	4,10,000
15.	Madura	..	3	1,986	18	150	-	-	-	4,28,736	5,09,532	80,796	--
16.	Malabar.	..		Not given.						7,20,288	8,57,112	1,36,824	7,51,444
	Nellore.	..	200	1,590	22	152	-	-	-	3,81,274	4,51,402	70,128	3,88,940
	giris, The	..	-	167	18	32	-	-	-	42,864	51,060	8,196	
19.	Ramnad.	..	17	1,291	9	65	-	-	-	2,67,120	3,17,448	50,328	2,88,730
20.	Salem.	..	306	2,960	32	100	-	1	-	6,55,890	7,75,240	1,19,350	6,55,890
21.	Tanjore.	..	38	2,120	20	225	-	-	-	4,67,192	5,55,936	88,744	4,67,192
22.	Tinnevelly.	..	36	1,186	105	59	-	-	-	2,70,048	3,20,220	50,172	2,70,048
23.	Trichinopoly	..	11	1,630	59	60	-	-	-	3,42,936	4,07,244	64,308	4,01,510
24.	Vizagapatam.	..	108	2,542	133	169	-	1	-	5,74,764	6,81,936	1,07,172	5,47,920
	Total.	..	1,773	39,645	897	2,800	12	8	-	94,77,356	112,56,040	17,78,184	

Name of Dt. Bd.	Increase in Ed. tax to be ordered if the entire add. expense on D.A. is to be met from the tax proceeds	Revised rate of tax after enhancement
Anantapur	6 pies	33 pies
North Arcot	5 pies	29 ..
South Arcot	3 ..	18 ..
Bellary	4 ..	14 .. ⊗
Chingleput	4 ..	31 ..
Chittoor	4 ..	31 ..
Coimbatore	5 ..	31 ..
Cuddapah	5 ..	29
East Godavari	2½ ..	29
West Godavari	3	23½
Guntur	2½	27
Kistna	2	22½
South Kanara	4½	20
Kurnool	4	28½
Madura	4	24
Malabar	6	21
Nellore	3	36
The Nilgiris	8	20
Ramnad	2½	26
Salem	6	19 ~~17½~~
Tanjore	1½	43
Tinnevelly	2½	11½
Trichinopoly	3	19½
Vizagapatam	3½	20
		21½

⊗ Proposal for raising the rate of Ed. tax by 9 pies for revision of salaries are under consideration

(58)

Name of Dt. Bd.	Present rate of ~~Enhancement of~~ est. tax	Enhancement to be ordered for providing funds for grant of dearness allowance	Subsidy to be paid for d.a.
			Rs
Anantapur	27 pies in the rupee of land revenue	No enhancement of tax	48228
North Arcot	24	do	93864
South Arcot	15	3 pies	No subsidy
Bellary	10	4 ..	do
Chingleput	27	No tax	61692
Chittoor	27	do.	75468
Coimbatore	24	do.	82272
Cuddapah	24	do	46346
East Godavari	21	2½ pies	No subsidy
West Godavari	24	No tax	92592
Guntur	20	2½ pies	No subsidy
Kistna	18	2 ..	do.
South Kanara	24	No tax	63876
Kurnool	20	4 pies	No subsidy
Madura	17	4 ...	~~H~~ do
Malabar	30	No tax	136824
Nellore	17	3 pies	No subsidy
The Nilgiris	18	6 pies	2196
Salem	30!	No tax	119350
Ramnad	16½	2½ pies	No subsidy
Tanjore	10	1½ ..	do.
Tinnevelly	17	2½ ..	do.
Trichinopoly	17	3 ..	do.
Vizagapatam	18	3½ ..	do.
			7,22,628

Name of Dt. Bd.	Present rate of Dt. tax	Increase in the rate of l.c. now sanctioned ~~in 19..~~	Enhancement of tax ordered in 1924	Enhancement to be made now	Total rate of tax	Subsidy to be paid Rs
Anantapur	27 pies	~~from Rs 6/8/0 to Rs 11 i.e. by 70%~~ from Rs 16 to Rs 20. i.e. by 25%	–	6 pies	33 pies	–
North Arcot	24 pies		2 pies	½	24½ pies	82864
South Arcot	15 ..		6	1½	16½	47712
Bellary	10 ..		–	4	14 ..	–
Chingleput	27 ..		2	½	27½	51692
Chittoor	27 ..		2	½	27½	65468
Coimbatore	24		2	½	24½	72272
Cuddapah	24		–	5	29	–
East Godavari	21		5	1¼	22¼	47032
West Godavari	24		5½	1½	25½	47592
Guntur	20		5	1¼	21¼	34356
Kistna	18		4	1	19	29060
South Kanara	24		–	4½	28½	–
Kurnool	20		–	4	24	–
Madura	17		2	½	17½	70796
Malabar	30		2½	½	30½	125824
Nellore	17		5	1¼	18¼	40128
The Nilgiris	18		–	8	26	–
Ramnad	16½		2	½	17	40328
Salem	37		2½	½	37½	109350
Tanjore	10		3	¾	10¾	48744
Tinnevelly	17		9	2¼	19¼	5172
Trichinopoly	17		5	1¼	18¼	39508
Vizagapatam	18		8¼	2	20	37172
						9,96,080
						~~7789~~

Education and Public Health Department.

NOTE FOR THE CABINET.

LEVY OF EDUCATION TAX BY DISTRICT BOARDS.

The Elementary Education Act authorizes district boards to levy education tax as a surcharge on land-cess. The Government have power to direct the boards to levy education tax or to raise the rate of that tax. Prior to 1941 the Act authorized the levy of education tax only up to 25 per cent of land-cess. At that time land-cess was levied at 18 pies in the rupee of land revenue (since raised to 24 pies from 1st July 1946). The maximum rate up to which education tax could be levied was, therefore, 4½ pies in the rupee of land revenue. The Government were under an obligation to give the district boards a contribution equivalent to the proceeds of education tax realized in their respective areas. The Elementary Education Act was amended in 1941 so as to divest Government of the liability to make a contribution to the boards in respect of taxation imposed in or after 1941. At the same time, the maximum limit of levy of education tax (25 per cent) was removed and the Government retained discretion to increase the rate with reference to the circumstances of each case. The Amendment Act was brought into force from 8th July 1941. At that time the income derived by district boards from education tax was about Rs. 27 lakhs (the present income is over a crore of rupees), and the Government were contributing an equivalent sum from the Provincial funds.

2. After the amendment of the Elementary Education Act in 1941, the Government were issuing, from time to time, directions to district boards for the enhancement of the rate of education tax. The enhancements were ordered mainly to provide additional funds for the purposes mentioned below :—

(1) Prior to 1934 local bodies were paying teachers at fixed rates. In that year, the Government introduced scales of pay for teachers in elementary schools under local bodies. As the funds of the local bodies did not admit of the additional expenditure, most of the local bodies did not give effect to the Government orders. In 1941, the Government reviewed the position of each district board and directed an increase in the rate of education tax, to provide funds for the introduction of the revised scales of pay for its teachers. The tax was further enhanced in subsequent years to enable the boards to grant increments to teachers in the time-scales.

The tax was enhanced to the extent necessary in each case and no conventional limits were laid down.

(2) In 1942 the Government introduced a scheme of dearness allowance for their employees. The scheme was communicated to local bodies for adoption in respect of their employees if their finances permitted the additional expenditure involved. Many local bodies did not adopt the scheme on the ground of paucity of funds. In 1943 the Government decided to direct all local bodies to grant dearness allowance to their teachers at the rates in force for Government employees and also decided to sanction to district boards subsidies towards the deficit on account of the additional expenditure, after examining all the possibilities of improving the resources of the boards—the subsidy in any case not to exceed the full cost on dearness allowance. The position of each district board was examined and an increase in the rate of education tax was ordered to provide funds for the grant of the allowance.

The following principles were adopted in increasing the tax :—

(i) District boards which derived an income of less than Rs. 2 lakhs from an anna of land-cess (less than Rs. 17,000 from one pie of tax) were taken as districts which were not well-to-do and in those cases it was taken that the rate of tax could at the most be raised to 12 pies.

(ii) In the case of other district boards (which were well-to-do), it was taken that the rate of tax could be raised up to 14 or 15 pies according as the income from a pie of the tax was less than Rs. 31,000 or Rs. 31,000 and more.

In the case of the District Boards of Bellary and Kurnool, the tax was not raised even to 12 pies—the conventional maximum—under the orders of the then Advisers' Government. In a few other cases, e.g., Tanjore, the rate of tax was not raised up to the conventional maximum as there was no need for it.

(3) In 1947, the Government ordered the introduction of *revised* scales of pay for teachers in elementary schools under local bodies. The decision of Government was that the entire expenditure on the revision of salaries should be met by the local bodies

from their elementary education funds. Information about the additional expenditure involved was called for and the rate of education tax was raised to the extent necessary in each case. The conventional maxima previously adopted were not followed.

The rate of education tax prior to 1941, the enhancement ordered to provide funds for meeting the expenditure under items (1), (2) and (3) above and the present level of education tax in the several district boards, are indicated in the statement attached.

3. The rates of dearness allowance, which allowance came to be granted in 1942 for the first time, have been increased in 1948 and district boards are incurring further expenditure on the grant of the allowance to their teachers at the new rates.

To meet the cost of dearness allowance AT THE OLD RATES the education tax was raised in the case of all district boards with reference to the formula in paragraph 2 (2) above and a subsidy was paid in cases where it was not possible to meet the cost of the dearness allowance with the proceeds of the tax.

In the case of the District Board, Coimbatore, the tax was raised from 12 pies to 14 pies in 1944–45; a subsidy also was given in that year and in 1945–46. In 1946–47 and in 1947–48 no subsidy was paid as the district board was able to meet the cost of dearness allowance with the proceeds of the tax and from contributions from the General funds or from "toll-compensation-grant". For 1948–49, it was suggested that a subsidy be paid to the district board towards a portion of the cost of dearness allowance at the old rates as there was no other source from which this expenditure could be met. In that connexion the Finance Department raised the general question of the eligibility of local bodies for a subsidy for dearness allowance even at the old rates. They pointed out that the decision taken by the Government in 1943 that local bodies might be directed to grant dearness allowance to teachers at Government rates and that subsidies might be paid towards the deficit resulting from the additional expenditure, did not hold good for all time and that the Government were not committed to it indefinitely. The Finance Department urged in that connexion that it is the primary responsibility of every local body to avoid or reduce a deficit by resorting to taxation to the maximum extent that conditions would permit and that the question of a Government subsidy should arise only if after exhausting all resources, a particular local body is unable to avoid a deficit. They, therefore, suggested an enhancement in the rate of education tax in the case of the District Board, Coimbatore, even to cover the deficit anticipated on the grant of dearness allowance at the old rates—although the District Board was eligible for a subsidy from Provincial funds towards the expenditure on dearness allowance since an enhancement of taxation had already been made for the same purpose.

This department held the view that the decision to grant subsidy towards the cost of dearness allowance at old rates should continue to be in operation so long as local bodies were under a liability to incur expenditure on dearness allowance.

When the file was circulated, the Hon'ble the Premier desired that the point raised should be discussed at a meeting of the Cabinet. The following were the minutes :—

"May be enhanced."

B. G[opala Reddi]—10–9–48.

"We will have to discuss about this in the Cabinet."

O. P. R[amaswami Reddiar]—3–10–48.

"This is a matter which calls for immediate decision, as delay means losing money. I am agreeable to either thing being done. If we increase it immediately, the Provincial exchequer will save. If not, we may have to pay it, but if we increase it in the middle of the year, there is difficulty in collection. The Hon'ble the Minister for Finance and the Hon. the Premier may decide."

T. S. A[vinashilingam Chettiyar]—11–10–48.

"Place it before the Cabinet as ordered by the Hon. the Premier."

K. C[handramouli]—18–10–48.

"Cabinet may discuss it."

B. G[opala Reddi]—20–10–48.

O. P. R[amaswami Reddiar]—26–10–48.

4. (1) *To meet the cost of revision of salaries*, the rate of education tax has already been enhanced in all district boards except Bellary. In the case of Bellary, it was suggested that the tax might be raised from 10 to 19 pies. The Hon'ble the Premier ordered that the decision of the Cabinet on the general question of levy of education tax might be awaited. The following minutes were recorded in that connexion :—

"All on a sudden, increasing nine pies is too much."

O. P. R[amaswami Reddiar]—1–9–48.

"The education cess has to be increased or the Provincial Government must meet the expense. In view of our finances, we do not seem to have any other alternative than to increase the cess. If the Hon'ble the Minister for Finance and the Hon'ble the Premier think otherwise and feel that we can make a contribution, they may state so, but then, we will have to make that contribution to the other district boards also, which have been working at a deficit and still paying a high rate of cess."

T. S. A[vinashilingam Chettiyar]—16–9–48.

"A sudden increase of taxation no doubt is a hardship to the poor villagers but under the existing financial implications of the district boards, I find no alternative except that the Government should pay a sort of extra contribution to the poor and deficit district boards. Otherwise the increase of tax should be accepted."

K. C[handramouli]—19–9–48.

"Let not the Boards expect anything more from the Government now. Let them rely on their revenues. Exceptions become precedents and become irresistible."

B. G[opala Reddi]—20–9–48.

"This may await the Cabinet decision on the general question."

O. P. R[amaswami Reddiar]—15–10–48.

(2) The rate of education tax for the District Board, Salem, was raised from 17 to 37 pies to provide funds for meeting the cost of revision of salaries. Representations have been received to the effect that the enhancement should be cancelled or postponed. In this case the Hon'ble the Premier ordered that the subject might be put down for the informal meeting of the Hon'ble the Ministers. (Presumably, he refers to the Cabinet meeting.) The minutes recorded are as follows :—

"It is improper to increase suddenly from 17 pies to 37 pies. The department should reduce the burden of the ryots."

O. P. R[amaswami Reddiar]—13–8–48.

"The request made by the Salem District Board is that this enhancement has been made in the middle of the year and that it may come into effect from the next
year. The burden upon the Provincial revenues, if the collection is postponed to
A next year, will be about four lakhs. If it is the intention of the Hon'ble the
Premier that the collection may be postponed in view of his note above, we may
have to pay this four lakhs. The Hon'ble the Minister for Finance and the Hon'ble the Premier may kindly decide the matter."

T. S. A[vinashilingam Chettiyar]—14–8–48.

"I agree with the Hon'ble the Premier that the sudden increase of the rate of education from 17 to 37 pies causes undue burden on the ryots. On the other hand, unless this is done it is not possible for the District Board to find the money required for meeting the extra expenditure on account of the revision of scales of pay of its servants. If this additional cost is borne by the Government there is no objection to postpone the collection according to the increased rate to next year. The suggestion made by Local Administration Department to levy an education cess on the general sales tax seems to be good and may be considered as an alternative. This has, however, been turned down by the Finance Department as not feasible. Anyway, the whole matter may be decided by the Hon'ble the Premier in consultation with the Hon'ble the Minister for Finance as suggested by the Hon'ble the Minister for Education."

K. C[handramouli]—16–8–48.

"Please see '**A**' above. Why should the Government bear four lakhs of rupees? Whatever is done, Government should not be put to any additional expense on this score. Best thing is to allow 37 pies."

B. G[opala Reddi]—21–8–48.

"Include this for the informal meeting."

O. P. R[amaswami Reddiar]—21–10–48.

5. As stated in the beginning of paragraph 3 above, in January 1948 the Government increased the rates of dearness allowance to their employees and instructions directing similar increase in the rates of dearness allowance paid to employees of local bodies were also issued.

A sum of Rs. 17 lakhs has been provided in the Provincial Budget to meet the expenditure on the payment of subsidies to district boards towards the grant of dearness allowance to their elementary school teachers at the increased rates.

The question whether the rate of education tax should be raised further so as to minimise the liability of Government in the shape of subsidy for dearness allowance has been examined in consultation with Local Administration and Finance Departments.

The following views have been expressed by the departments on the question :—

Local Administration Department.

* * * * *

As regards district boards, there has been a complaint that the entire burden of the increasing cost of elementary education has been laid on holders of agricultural lands, by raising the rate of education cess very high. At the instance of the Hon'ble the Premier * this question has been examined by this department and this departmenthas suggested that the maximum rate of education cess should be limited to two annas and that deficits in the elementary education funds of district boards should be wiped off by grant from Government, the necessary funds being found by increasing the rates of the general sales tax. This is intended to distribute the burden among all classes of people instead of laying it on the holders of agricultural lands alone. This department may adhere to this view.

* * * * *

From 1949–50, the deficits in the elementary education funds of district boards will be much greater than in recent years, because the arrear toll compensation of Rs. 48 lakhs, which district boards were given during each of the four years ending with 1948–49 and which was partly utilized to meet the deficit in the elementary education fund, will cease from 1949–50.

A conventional maximum may be fixed by Government for the rate of education cess and when a district board has a deficit in the elementary education fund even after **P** levying the education cess at the conventional maximum rate, grants may be given by Government to meet the deficit, whether the deficit is caused by the grant of dearness allowance at the rates originally sanctioned in 1942 or at the enhanced rates sanctioned in 1948.

Finance Department.

* * * * *

The sales tax has recently been increased and the consequences of a further increase cannot be foreseen. In any case, it is the only important source of revenue to the Province which can be regarded as " elastic " and this department must strongly oppose any proposal to increase it merely to benefit, either directly or indirectly, local bodies, when the indications are that the Provincial Government will, hereafter, have to tap every possible source of revenue to maintain a moderate level of services to the community.

Nor can the Government, with the prospect of recurring deficits in the future, accept, much less initiate, any proposal which will have the direct effect of increasing the subsidies that they will be called upon to pay to local bodies. Such will be the effect of prescribing a maximum of two annas in the rupee to the rate of education cess and Finance would advise against the proposal.

* * * * *

I think, nevertheless, that fixing a maximum of 40 pies in the rupee is also unnecessary at the moment if the effect will be to increase the rate to something near that figure in all districts. It cannot be denied that a rate of 40 pies in the rupee is high in itself and from the point of view of Government it is important only to ensure that the payment of subsidies is avoided or reduced in as many districts as possible. If the cost on account of subsidies is avoided in say 21 districts, it would not very much matter if the Government have to give subsidies in the three remaining districts. I see that only in Salem is a rate of 43 pies necessary and in all the remaining districts a maximum rate of 36 pies would be sufficient. This department may therefore suggest that for the present this rate of 36 pies be prescribed as the maximum. This department need not object to the higher subsidy that will have to be given by the Government in the Salem district by adopting this maximum.

* * * * *

*** The point raised was that the rate of education tax should not exceed 33-1/3 per cent of land revenue ; on this basis the maximum rate of education tax will be 40 pies.**

As regards Local Administration note at **P** above it may be pointed out that the Government of India have advised that Provincial Governments should balance their budgets without having recourse to reserves made up of accumulated surpluses of previous years. In view of this, it will be necessary to effect retrenchments in the expenditure even on the existing level of activities. It will not be possible for the Government to undertake any fresh liabilities particularly of a recurring nature. It does not, therefore, seem desirable to commit the Government to huge additional expenditure by way of additional subsidies to district boards to cover deficits at the present moment.

Education and Public Health Department.

* * * * *

The Finance Department hold the view that the rate of education tax should be raised up to three annas in the rupee of land revenue and that only if the district board is not able to meet the additional expenditure on the grant of dearness allowance even from the extra income derived from the increased rate of education tax at three annas, the question of payment of subsidy may be considered. This Department at first suggested that the rate of education tax might be raised to meet the entire expenditure on the grant of dearness allowance to teachers at increased rates, if no conventional maximum was to be adopted in regard to the enhancement. If a conventional maximum of 40 pies in the rupee of land revenue was fixed, the rate of education tax might be raised in all cases to meet the entire cost of dearness allowance *at increased rates* except in the case of Salem. In Salem, the tax should be raised from 37 to 40 pies (conventional maximum) and a subsidy of Rs. 60,000 paid to the district board to meet the expenditure not covered by the additional income from tax. If the suggestion of the Finance Department is accepted, the position will be the same as explained above except in the case of Salem where no enhancement of tax can be ordered and the subsidy payable would be Rs. 1:19 lakhs instead of Rs. 60,000. The suggestion of the Finance may perhaps be accepted.

But if a subsidy is not to be paid even towards the grant of dearness allowance at the *old rates* (Finance's view—paragraph 3 above) and if the expenditure on account of **M** that is to be met mainly from the proceeds of the education tax, it will not be sufficient even if the rate of tax is raised to 36 or 40 pies. That limit will have to be exceeded in many cases.

* * * * *

The minutes on this question are extracted below :—

A " This matter has been coming again and again with reference to various districts in different files. I think we must have a uniform policy. The matter may be discussed at Cabinet level. A comprehensive note may be prepared and put up to be referred to the Cabinet."

T. S. A[VINASHILINGAM CHETTIYAR]—27-8-48.

" When a note is prepared, it should be done in consultation with Local Administration Department."

K. C[HANDRAMOULI]—31-8-48.

" I agree with **A** above."

B. G[OPAL REDDI]—8-9-48.

O. P. R[AMASWAMI REDDIAR]—15-10-48.

6. Orders are solicited on the following points :—

(1) whether the Government will continue to sanction subsidies to district boards towards their expenditure on dearness allowance to their teachers at the rates in force prior to 1948. (The subsidy for each year will be determined with reference to the deficit anticipated in the elementary education fund account);

(2) whether the maximum rate of education tax to be adopted for district boards should be limited to 24 pies in the rupee of land revenue, as suggested by the Local Administration Department, or to 36 pies, as suggested by the Finance Department regard being had in this convention also to the decision that may be taken on (1) above. (In the case of district boards where the rate of education tax has exceeded this conventional maximum, the increased rates will be allowed to continue); and

(3) whether the rate of education tax should be raised so as to provide funds for the grant of dearness allowance to teachers at *increased* rates sanctioned in 1948, the extent to which the tax should be raised being settled with regard to the orders on (2) above.

M. V. SUBRAMANIAN—10-11-48.

ANNEXURE.

Name of district board.	Rate of education tax prior to 1941.	Enhancement ordered for, Introducing the old scales of pay in 1934.	Grant of dearness allowance.	Introduction of revised scale.	Present rate.	Enhancement to be made for granting dearness allowance at revised rates.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	PIES.					
Anantapur	4½	7½	..	15	27	6
North Arcot	4½	7½	2	10	24	5
South Arcot	4½	1½	6	3	15	3
Bellary	3	4	...	3*	10	4
Chingleput	4½	7½	2	13	27	4
Chittoor	4½	7½	2	13	27	4
Coimbatore	4½	7½	2	10	24	5
Cuddapah	3¾	8¼	..	12	24	5
East Godavari	3	7	5	6	21	2½
West Godavari	3½	6	5½	8	23†	3
Guntur	3	7	5	5	20	2½
Krishna	3	7	5	3	18	2
Kurnool	4½	4½	..	11	20	4
South Kanara	4½	7½	..	12	24	4½
Madura	4½	7½	2	3	17	4
Malabar	4½	7	2½	16	30	6
Nellore	2	7	5	3	17	3
The Nilgiris	4½	9½	..	4	18	8
Ramnad	3¼	8¾	2	2½	16½	2½
Salem	4½	7	2½	23	37	6
Tanjore	2	1	3	4	10	1½
Tirunelveli	2	3	9	3	17	2½
Tiruchirappalli	4	5	5	3	17	3
Vizagapatam	3	3¾	8¼	3	18	3½

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* The enhancement is intended to cover only a portion of the cost of revision. The question of further enhancement is still under examination.

† Since raised to 24 pies.

GOVERNMENT OF MADRAS

MEETING OF THE COUNCIL OF MINISTERS HELD AT FORT ST. GEORGE, MADRAS, ON FRIDAY, THE 24TH DECEMBER 1948.

****

97206

The Hon'ble the Premier presided

PRESENT

1. The Hon'ble Dr. T.S.S. Rajan
2. The Hon'ble Sri M. Bhaktavatsalam
3. The Hon'ble Sri B. Gopala Reddi
4. The Hon'ble Sri H. Sitarama Reddi
5. The Hon'ble Sri K. Chandramouli
6. The Hon'ble Sri T.S. Avinashilingam
7. The Hon'ble Sri K. Madhava Menon
8. The Hon'ble Sri Kala Venkata Rao
9. The Hon'ble Sri A.B. Shetty
10. The Hon'ble Sri V. Kurmayya
11. The Hon'ble Dr. S. Gurubatham.

Agenda

2. Levy of Education Tax by District Boards.

Order

It was decided that the proposals should be considered by the Sub-Committee that will examine the question of improving the efficiency of elementary education.

K.R.M.
26-12-48

O.P. Ramaswamy Reddy

PREMIER

EAPH.

(edn. Tax)

FIDENTIAL

GOVERNMENT OF MADRAS.

MEETING OF THE COUNCIL OF MINISTERS HELD AT FORT ST. GEORGE, MADRAS. ON SATURDAY, THE 12TH FEBRUARY 1949.

The Hon'ble the Premier presided.

PRESENT

1. The Hon'ble Sri T.S.S.Rajan
2. The Hon'ble Sri M.Bhaktavatsalam
3. The Hon'ble Sri H.Sitarama Reddi
4. The Hon'ble Sri T.S.Avinashilingam
5. The Hon'ble Sri V.Kurmayya
6. The Hon'ble Sri A.B.Shetty
7. The Hon'ble Dr. S.Gurubatham.

AGENDA

10. Elementary Education - Improving efficiency - Levy of Education Tax by District Boards - Recommendations of the Cabinet Sub-Committee.

ORDER.

It was decided that the decisions arrived at by the Cabinet Sub-Committee regarding elementary education should be approved subject to the modification that as regards the shift system it may be tried in 10 selected areas in the province. As regards Point (15) the decision was that the previous decision (i.e., medium of instruction in elementary and secondary schools - Govt. of India's Resolution) will stand. As regards the question of levy of education tax by District Boards it was decided that the Secretariat department should examine the matter and prepare a note for consideration by the Cabinet.

A

K.R.M.
14-2-1949

O.P. Ramaswamy Reddy,
PREMIER.

K.R.M.
15-2-49.

(True copy)

E. & P. H. Dept. (B2)

Please see the proceedings of the Cabinet Sub-Committee on page 19 ante and the proceedings of the Cabinet Meeting dated 12.2.1949 on page 21 overleaf. The Cabinet in its meeting on 27.1.1949 decided that the question of ~~pool~~ pooling the proceeds of education tax levied by district boards and making grants from the pool to the various Dt. Bds. according to their needs should be considered. P By what is stated at 'A' on p. 21 overleaf, it is presumably meant that the question referred to at 'P' above should be examined and placed before the Cabinet. The question has already been taken up for examination and the file concerned has gone to L.A., Rev., Fin. and Legal on 15.2.49 for remarks. Its return may be awaited. A

24/2/49

24.2.49

25/2/49

S

× Circular No. 11514/B2/49-1
15/2/49

SA

1/3/49

The file referred to at 'A' above has since been recd from the Depts. on 26/2/49 and sent up in circulation to H.M. (Edn.) on 1/3/49. Its return may be awaited.

Secretary, Edn. and P.H. Dept.
11 MAR 1949
Government of Madras

14/3/49

The file referred to above is linked above. Necessary further action is being taken in the top file. These papers may eventually be added to the top file. For the present, this may lie over.

28/4/49

EDUCATION AND PUBLIC HEALTH DEPARTMENT.

NOTE FOR THE CABINET.

[SUBJECT.—*Levy of education tax by district boards.*]

The subject "Levy of Education Tax by District Boards" was placed before the Cabinet. The note prepared on the subject for discussion by the Cabinet is appended. The points raised for orders were—

(1) whether the Government will continue to sanction subsidies to district boards towards their expenditure on dearness allowance to their teachers at the rates in force prior to 1948. (The subsidy for each year will be determined with reference to the deficit anticipated in the elementary education fund account);

(2) whether the maximum rate of education tax to be adopted for district boards should be limited to 24 pies in the rupee of land revenue, as suggested by the Local Administration Department, or to 36 pies, as suggested by the Finance Department, regard being had in this connexion also to the decision that may be taken on (1) above. (In the case of district boards where the rate of education tax has exceeded this conventional maximum, the increased rates will be allowed to continue); and

(3) whether the rate of education tax should be raised so as to provide funds for the grant of dearness allowance to teachers at *increased* rates sanctioned in 1948, the extent to which the tax should be raised being settled with regard to the orders on (2) above.

2. In its meeting on the 27th January 1949, the Cabinet considered "that education cess collected by district boards should go to a central pool, the rate of tax being uniform throughout the Province and the proceeds being distributed to district boards on an equitable basis on a consideration of the needs of several district boards." At its meeting on the 12th February 1949, the Cabinet decided "that the Secretariat Department should examine the matter and prepare a note for consideration by the Cabinet." The proposal has accordingly been examined in consultation with the Departments of the Secretariat concerned.

3. The resources now available with district boards for expenditure on elementary education comprise the following:—

(i) proceeds of education cess;

(ii) Government contributions under section 37 of the Madras Elementary Education Act, 1920;

(iii) Government subsidies for payment of dearness allowance to teachers;

(iv) contributions from the General Funds of District Boards; and

(v) special subsidies from Government for compulsory elementary education, etc.

4. If the levy of education cess is to be made a provincial concern, and, that too, at a uniform rate, as proposed by the Cabinet, the first point to be considered is at what approximate uniform rate the provincial levy should be made. On the presumption that the Government will continue the contributions and subsidies referred to in items (ii) and (v) above, it has been worked out that the following rates of tax should be levied according as the different items of the present resources are proposed to be brought within the purview of the tax:—

On what basis. (1)	Uniform rate of levy. (2)
(*a*) If only the proceeds of education cess now levied by district boards at varying rates are proposed to be realized.	Twenty-six pies in the ruppee of land revenue.
(*b*) If (*a*) above and the subsidies now paid by Government to meet deficits of district board elementary education accounts by payment of dearness allowance at old rates are proposed to be realized.	Forty-seven pies in the rupee of land revenue.
(*c*) If (*a*) and (*b*) above and the subsidies that may have to be paid by Government to meet deficits in district board elementary education accounts by payment of dearness allowance at enhanced rates are all proposed to be realized.	Fifty-one pies in the rupee of land revenue.
(*d*) If (*a*), (*b*) and (*c*) above and the contributions now made by district boards from their general funds are also included.	Sixty-one pies in the rupee of land revenue.

94.77
94.77
17.78

26
47
51
61

APPENDIX.

NOTE FOR THE CABINET.

[SUBJECT.—*Levy of education tax by district boards.*]

The Elementary Education Act authorizes district boards to levy education tax as a surcharge on land-cess. The Government have power to direct the boards to levy education tax or to raise the rate of that tax. Prior to 1941 the Act authorized the levy of education tax only up to 25 per cent of land-cess. At that time land-cess was levied at 18 pies in the rupee of land revenue (since raised to 24 pies from 1st July 1946). The maximum rate up to which education tax could be levied was, therefore, 4½ pies in the rupee of land revenue. The Government were under an obligation to give the district boards a contribution equivalent to the proceeds of education tax realized in their respective areas. The Elementary Education Atc was amended in 1941 so as to divest Government of the liability to make a contribution to the boards in respect of taxation imposed in or after 1941. At the same time, the maximum limit of levy of education tax (25 per cent) was removed and the Government retained discretion to increase the rate with reference to the circumstances of each case. The Amendment Act was brought into force from 8th July 1941. At that time the income derived by district boards from education tax was about Rs. 27 lakhs (the present income is over a crore of rupees), and the Government were contributing an equivalent sum from the Provincial funds.

2. After the amendment of the Elementary Education Act in 1941, the Government were issuing, from time to time, directions to district boards for the enhancement of the rate of education tax. The enhancements were ordered mainly to provide additional funds for the purposes mentioned below:—

(1) Prior to 1934 local bodies were paying teachers at fixed rates. In that year, the Government introduced scales of pay for teachers in elementary schools under local bodies. As the funds of the local bodies did not admit of the additional expenditure, most of the local bodies did not give effct to the Government Orders. In 1941, the Government reviewed the position of each district board and directed an increase in the rate of education tax, to provide funds for the introduction of the revised scales of pay for its teachers. The tax was further enhanced in subsequent years to enable the boards to grant increments to teachers in the time-scales.

The tax was enhanced to the extent necessary in each case and no conventional limits were laid down.

(2) In 1942, the Government introduced a scheme of dearness allowance for their employees. The scheme was communicated to local bodies for adoption in respect of their employees if their finances permitted the additional expenditure involved. Many local bodies did not adopt the scheme on the ground of pausity of funds. In 1943, the Government decided to direct all local bodies to grant dearness allowance to their teachers at the rates in force for Government employees and also decided to sanction to district boards subsidies towards the deficit on account of the additional expenditure, after examining all the possibilities of improving the resources of the boards—the subsidy in any case not to exceed the full cost on dearness allowance. The position of each district board was examined and an increase in the rate of education tax was ordered to provide funds for the grant of the allowance.

The following principles were adopted in increasing the tax:—

(i) District boards which derived an income of less than Rs. 2 lakhs from an anna of land-cess (less than Rs. 17,000 from one pie of tax) were taken as districts which were not well-to-do and in those cases it was taken that the rate of tax could at the most be raised to 12 pies.

(ii) In the case of other district boards (which were well-to-do), it was taken that the rate of tax could be raised up to 14 or 15 pies according as the income from a pie of the tax was less than Rs. 31,000 or Rs. 31,000 and more.

In the case of the District Boards of Bellary and Kurnool, the tax was not raised even to 12 pies—the conventional maximum—under the orders of the then Advisers' Government. In a few other cases, e.g., Tanjore, the rate of tax was not raised up to the conventional maximum as there was no need for it.

(3) In 1947, the Government ordered the introduction of *revised* scales of pay for teachers in elementary schools under local bodies. The decision of Government was that the entire expenditure on the revision of salaries should be met by the local bodies from their elementary education funds. Information about the additional expenditure involved was called for and the rate of education tax was raised to the extent necessary in each case. The conventional maxima previously adopted were not followed.

The rate of education tax prior to 1941, the enhancement ordered to provide funds for meeting the expenditure under items (1), (2) and (3) above and the present level of education tax in the several district boards are indicated in the statement attached.

3. The rates of dearness allowance, which came to be granted in 1942 for the first time, have been increased in 1948 and district boards are incurring further expenditure on the grant of the allowance to their teachers at the new rates.

To meet the cost of dearness allowance AT THE OLD RATES the education tax was raised in the case of all district boards with reference to the formula in paragraph 2 (2) above and a subsidy was paid in cases where it was not possible to meet the cost of the dearness allowance with the proceeds of the tax.

In the case of the District Board, Coimbatore, the tax was raised from 12 pies to 14 pies in 1944–45; a subsidy also was given in that year and in 1945–46. In 1946–47 and in 1947–48 no subsidy was paid as the district board was able to meet the cost of dearness allowance with the proceeds of the tax and from contributions from the General funds or from "toll-compensation-grant". For 1948–49, it was suggested that a subsidy be paid to the district board towards a portion of the cost of dearness allowance at the old rates as there was no other source from which this expenditure could be met. In that connexion the Finance Department raised the general question of the eligibility of local bodies for a subsidy for dearness allowance even at the old rates. They pointed out that the decision taken by the Government in 1943 that local bodies might be directed to grant dearness allowance to teachers at Government rates and that subsidies might be paid towards the deficit resulting from the additional expenditure, did not hold good for all time and that the Government were not committed to it indefinitely. The Finance Department urged in that connexion that it is the primary responsibility of every local body to avoid or reduce a deficit by resorting to taxation to the maximum extent that conditions would permit and that the question of a Government subsidy should arise only if after exhausting all resources, a particular local body is unable to avoid a deficit. They, therefore, suggested an enhancement in the rate of education tax in the case of the District Board, Coimbatore, even to cover the deficit anticipated on the grant of dearness allowance at the old rates—although the District Board was eligible for a subsidy from Provincial funds towards the expenditure on dearness allowance since an enhancement of taxation had already been made for the same purpose.

This department held the view that the decision to grant subsidy towards the cost of dearness allowance at old rates should continue to be in operation so long as local bodies were under a liability to incur expenditure on dearness allowance.

When the file was circulated, the Hon'ble the Premier desired that the point raised should be discussed at a meeting of the Cabinet. The following were the minutes:—

"May be enhanced."

B. G[OPALA REDDI]—10-9-48.

"We will have to discuss about this in the Cabinet."

O. P. R[AMASWAMI REDDIAR]—3-10-48.

"This is a matter which calls for immediate decision, as delay means losing money. I am agreeable to either thing being done. If we increase it immediately, the Provincial exchequer will save. If not, we may have to pay it, but if we increase it in the middle of the year, there is difficulty in collection. The Hon'ble the Minister for Finance and the Hon. the Premier may decide."

T. S. A[VINASHILINGAM CHETTIYAR]—11-10-48.

"Place it before the Cabinet as ordered by the Hon. the Premier."

K. C[HANDRAMOULI]—18-10-48.

"Cabinet may discuss it."

B. G[OPALA REDDI]—20-10-48.
O. P. R[AMASWAMI REDDIAR]—26-10-48.

4. (1) *To meet the cost of revision of salaries*, the rate of education tax has already been enhanced in all district boards except Bellary. In the case of Bellary, it was suggested that the tax might be raised from 10 to 19 pies. The Hon'ble the Premier ordered that the decision of the Cabinet on the general question of levy of education tax might be awaited. The following minutes were recorded in that connexion:—

"All on a sudden, increasing nine pies is too much."

O. P. R[AMASWAMI REDDIAR]—1-9-48.

"The education cess has to be increased or the Provincial Government must meet the expense. In view of our finances, we do not seem to have any other alternative than to increase the cess. If the Hon'ble the Minister for Finance and the Hon'ble the Premier think otherwise and feel that we can make a contribution, they may state so, but then, we will have to make that contribution to the other district boards also, which have been working at a deficit and still paying a high rate of cess."

T. S. A[VINASHILINGAM CHETTIYAR]—16-9-48.

"A sudden increase of taxation no doubt is a hardship to the poor villagers but under the existing financial implications of the district boards, I find no alternative except that the Government should pay a sort of extra contribution to the poor and deficit district boards. Otherwise the increase of tax should be accepted."

K. C[HANDRAMOULI]—19-9-48.

"Let not the Boards except anything more from the Government now. Let them rely on their revenues. Exceptions become precedents and become irresistable."

B. G[OPALA REDDI]—20-9-48.

"This may await the Cabinet decision on the general question."

O. P. R[AMASWAMI REDDIAR]—15-10-48.

(2) The rate of education tax for the District Board, Salem, was raised from 17 to 37 pies to provide funds for meeting the cost of revision of salaries. Representations have been received to the effect that the enhancement should be cancelled or postponed. In this case the Hon'ble the Premier ordered that the subject might be put down for the informal meeting of the Hon'ble the Ministers. (Presumably, he refers to the Cabinet meeting.) The minutes recorded are as follows:—

"It is improper to increase suddenly from 17 pies to 37 pies. The department should reduce the burden of the ryots."

O. P. R[AMASWAMI REDDIAR]—13-8-48.

A

"The request made by the Salem District Board is that this enhancement has been made in the middle of the year and that it may come into effect from the next year. The burden upon the Provincial revenues, if the collection is postponed to next year, will be about four lakhs. If it is the intention of the Hon'ble the Premier that the collection may be postponed in view of his note above, we may have to pay this four lakhs. The Hon'ble the Minister for Finance and the Hon'ble the Premier may kindly decide the matter."

T. S. A[VINASHILINGAM CHETTIYAR]—14-8-48.

"I agree with the Hon'ble the Premier that the sudden increase of the rate of education from 17 to 37 pies causes undue burden on the ryots. On the other hand, unless this is done it is not possible for the District Board to find the money required for meeting the extra expenditure on account of the revision of scales of pay of its servants. If this additional cost is borne by the Government there is no objection to postpone the collection according to the increased rate to next year. The suggestion made by Local Administration Department to levy an education cess on the general sales tax seems to be good and may be considered as an alternative. This has, however, been turned down by the Finance Department as not feasible. Anyway, the whole matter may be decided by the Hon'ble the Premier in consultation with the Hon'ble the Minister for Finance as suggested by the Hon'ble the Minister for Education."

K. C[HANDRAMOULI]—16-8-48.

"Please see 'A' above. Why should the Government bear four lakhs of rupees? Whatever is done, Government should not be put to any additional expense on this score. Best thing is to allow 37 pies."

B. G[OPALA REDDI]—21-8-48.

"Include this for the informal meeting."

O. P. R[AMASWAMI REDDIAR]—21-10-48.

5. As stated in the beginning of paragraph 3 above, in January 1948 the Government increased the rates of dearness allowance to their employees and instructions directing similar increase in the rates of dearness allowance paid to employees of local bodies were also issued.

A sum of Rs. 17 lakhs has been provided in the Provincial Budget to meet the expenditure on the payment of subsidies to district boards towards the grant of dearness allowance to their elementary school teachers at the increased rates.

The question whether the rate of education tax should be raised further so as to minimise the liability of Government in the shape of subsidy for dearness allowance has been examined in consultation with Local Administration and Finance Departments.

The following views have been expressed by the departments on the question:—

LOCAL ADMINISTRATION DEPARTMENT.

* * * * *

As regards district boards, there has been a complaint that the entire burden of the increasing cost of elementary education has been laid on holders of agricultural lands, by raising the rate of education cess very high. At the instance of the Hon'ble the Premier * this question has been examined by this department and this department has suggested that the maximum rate of education cess should be limited to two annas and that deficits in the elementary education funds of district boards should be wiped off by grant from Government, the necessary funds being found by increasing the rates of the general sales tax. This is intended to distribute the burden among all classes of people instead of laying it on the holders of agricultural lands alone. This department may adhere to this view.

* The point raised was that the rate of education tax should not exceed 33-1/3 per cent of land revenue; on this basis the maximum rate of education tax will be 40 pies.

* * * * *

From 1949–50 the deficits in the elementary education funds of district boards will be much greater than in recent years, because the arrear toll compensation of Rs. 48 lakhs, which district boards were given during each of the four years ending with 1948–49 and which was partly utilized to meet the deficit in the elementary education fund, will cease from 1949–50.

A conventional maximum may be fixed by Government for the rate of education cess and when a district board has a deficit in the elementary education fund even after levying the education
P | cess at the conventional maximum rate, grants may be given by Government to meet the deficit, whether the deficit is caused by the grant of dearness allowance at the rates originally sanctioned in 1942 or at the enhanced rates sanctioned in 1948.

FINANCE DEPARTMENT.

* * * * *

The sales tax has recently been increased and the consequences of a further increase cannot be foreseen. In any case, it is the only important source of revenue to the Province which can be regarded as "elastic" and this department must strongly oppose any proposal to increase it merely to benefit, either directly or indirectly, local bodies, when the indications are that the Provincial Government will, hereafter, have to tap every possible source of revenue to maintain a moderate level of services to the community.

Nor can the Government, with the prospect of recurring deficits in the future, accept, much less initiate, any proposal which will have the direct effect of increasing the subsidies that they will be called upon to pay to local bodies. Such will be the effect of prescribing a maximum of two annas in the rupee to the rate of education cess and Finance would advise against the proposal.

* * * * *

A | I think, nevertheless, that fixing a maximum of 40 pies in the rupee is also unnecessary at the moment if the effect will be to increase the rate to something near that figure in all districts. It cannot be denied that a rate of 40 pies in the rupee is high in itself and from the point of view of Government it is important only to ensure that the payment of subsidies is avoided or reduced in as many districts as possible. If the cost on account of subsidies is avoided in, say, 21 districts, it would not very much matter if the Government have to give subsidies in the three remaining districts. I see that only in Salem is a rate of 43 pies necessary and in all the remaining districts a maximum rate of 36 pies would be sufficient. This department may, therefore, suggest that for the present this rate of 36 pies be prescribed as the maximum. This department need not object to the higher subsidy that will have to be given by the Government in the Salem district by adopting this maximum.

* * * * *

B | As regards Local Administration note at **P** above it may be pointed out that the Government of India have advised that Provincial Governments should balance their budgets without having recourse to reserves made up of accumulated surpluses of previous years. In view of this, it will be necessary to effect retrenchments in the expenditure even on the existing level of activities. It will not be possible for the Government to undertake any fresh liabilities particularly of a recurring nature. It does not, therefore, seem desirable to commit the Government to huge additional expenditure by way of additional subsidies to district boards to cover deficits at the present moment.

EDUCATION AND PUBLIC HEALTH DEPARTMENT.

* * *

The Finance Department hold the view that the rate of education tax should be raised up to three annas in the rupee of land revenue and that only if the district board is not able to meet the additional expenditure on the grant of dearness allowance even from the extra income derived from the increased rate of education tax at three annas, the question of payment of subsidy may be considered. This Department at first suggested that the rate of education tax might be raised to meet the entire expenditure on the grant of dearness allowance to teachers at increased rates, if no conventional maximum was to be adopted in regard to the enhancement. If a conventional maximum of 40 pies in the rupee of land revenue was fixed, the rate of education tax might be raised in all cases to meet the entire cost of dearness allowance *at increased rates* except in the case of Salem. In Salem, the tax should be raised from 37 to 40 pies (conventional maximum) and a subsidy of Rs. 60,000 paid to the district board to meet the expenditure not covered by the additional income from tax. If the suggestion of the Finance Department is accepted, the position will be the same as explained above except in the case of Salem where no enhancement of tax can be ordered and the subsidy payable would be Rs. 1;19 lakhs instead of Rs. 60,000. The suggestion of the Finance may perhaps be accepted.

But if a subsidy is not to be paid even towards the grant of dearness allowance at the *old*
M | *rates* (Finance's view—paragraph 3 above) and if the expenditure on account of that is to be met mainly from the proceeds of the education tax, it will not be sufficient even if the rate of tax is raised to 36 or 40 pies. That limit will have to be exceeded in many cases.

* * * * *

The minutes on this question are extracted below:—

"This matter has been coming again and again with reference to various districts in
A | different files. I think we must have a uniform policy. The matter may be discussed at Cabinet level. A comprehensive note may be prepared and put up to be referred to the Cabinet."

T. S. A[VINASHILINGAM CHETTIYAR]—27-8-48.

"When a note is prepared, it should be done in consultation with Local Administration Department."

K. C[HANDRAMOULI]—31-8-48.

"I agree with **A** above."

B. G[OPALA REDDI]—8-9-48.

O. P. R[AMASWAMI REDDIAR]—15-10-48.

6. Orders are solicited on the following points:—

(1) whether the Government will continue to sanction subsidies to district boards towards their expenditure on dearness allowance to their teachers at the rates in force prior to 1948 (The subsidy for each year will be determined with reference to the deficit anticipated in the elementary education fund account.);

(2) whether the maximum rate of education tax to be adopted for district boards should be limited to 24 pies in the rupee of land revenue, as suggested by the Local Administration Department, or to 36 pies, as suggested by the Finance Department regard being had in this connection also to the decision that may be taken on (1) above (In the case of district boards where the rate of education tax has exceeded this conventional maximum, the increased rate will be allowed to continue.); and

(3) whether the rate of education tax should be raised so as to provide funds for the grant of dearness allowance to teachers at *increased* rates sanctioned in 1948, the extent to which the tax should be raised being settled with regard to the orders on (2) above.

M. V. SUBRAMANIAN—10-11-48.

ANNEXURE.

Name of district board.	Rate of education tax prior to 1941.	Enhancement ordered for.			Present rate.	Enhancement to be made for granting dearness allowance at revised rates.
		Introducing the old scales of pay in 1934.	Grant of dearness allowance.	Introduction of revised scales.		
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	PIES.	PIES.	PIES.	PIES.	PIES.	PIES.
Anantapur	4½	7½	..	15	27	6
North Arcot	4½	7½	2	10	24	5
South Arcot	4½	1½	6	3	15	3
Bellary	3	4	..	3*	10	4
Chingleput	4½	7½	2	13	27	4
Chittoor	4½	7½	2	13	27	4
Coimbatore	4½	7½	2	10	24	5
Cuddapah	3¾	8¼	..	12	24	5
East Godavari	3	7	5	6	21	2½
West Godavari	3½	6	5½	8	23†	3
Guntur	3	7	5	5	20	2½
Krishna	3	7	5	3	18	2
Kurnool	4½	4½	..	11	20	4
South Kanara	4½	7½	..	12	24	4½
Madura	4½	7½	2	3	17	4
Malabar	4½	7	2½	16	30	6
Nellore	2	7	5	3 +5	~~17~~	2 22
The Nilgiris	4½	9½	..	4	18	8
Ramnad	3¼	8¾	2	2½	16½	2½
Salem	4½	7	2½	23	37	6
Tanjore	2	1	3	4	10	1½
Tirunelveli	2	3	9	3	17	2½
Tiruchirappalli	4	5	5	3	17	3
Vizagapatam	3	3¾	8¼	3	18	3½

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* The enhancement is intended to cover only a portion of the cost of revision. The question of further enhancement is still under examination.

† Since raised to 24 pies.

Strictly Confidential.

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43497

GOVERNMENT OF MADRAS.

MEETING OF THE COUNCIL OF MINISTERS HELD AT FORT ST. GEORGE, MADRAS, ON FRIDAY, THE 3RD JUNE 1949.

*****

The Hon'ble the Premier presided.

Present.

1. The Hon'ble Dr. T.S.S. Rajan
2. The Hon'ble Sri M. Bhaktavatsalam
3. The Hon'ble Sri B. Gopala Reddy
4. The Hon'ble Sri K. Madhava Menon
5. The Hon'ble Sri A.B. Shetty
6. The Hon'ble Sri K. Chandramouli
7. The Hon'ble Sri B. Parameswaran
8. The Hon'ble Sri N. Sanjeeva Reddy
9. The Hon'ble Sri C. Perumalswami Reddi, and
10. The Hon'ble Sri J.L.P. Roche Victoria.

Agenda

Levy of education tax by District Boards.

Order

It was resolved that no final decision should be taken on the points raised in the note pending a thorough examination of the question whether Government can bear the liability, if they were to pay subsidies upto a maximum of 24 pies in the rupee, but that Local Boards may be permitted to increase the education tax upto a maximum of 36 pies in the rupee.

(Sd) P.S. Kumaraswami Raja
Premier.

E&PH.

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⑰

1941

Name of Dt. Bd	Rate of ed. tax	Income from ed. tax Rs	Rate of ed. tax based on which Govt. contribution is paid	Amount of contribution paid Rs	Rate of ed. tax based on which contribution will become payable	Amount payable Rs	Additional subsidy from Provl. funds Rs	Deficit anticipated in the budgets Rs	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Anantapur	27 pies	3,63,000	1,21,000 4½ pies	60000	24 pies	320000	260000	1,12,000	
North Arcot	24 pies	5,40,000	270000 4½ pies	1,01,000	24 pies	5,40,000 2.44	4,39000	5,14,000	2,44,000
South Arcot	15 pies	429000	600000 4½ pies	1,24,000	15 pies	429000	3,05,000 ×	241000	—
Bellary	10 pies	1,05,000	273000 3¾ pies - 3	37000 16	10 pies	1,05,000	68000 ×	2,37,000	The Bd. will get an addl. income of 3 lakhs if the rate of tax is raised to 24 pies
Chingleput	27 pies	4,38000	1,46,000 4½ pies	75000	24 pies	4,00,000	3,25,000	4,06000	2,60,000
Chittoor	27 pies	3,26,000	1,08,000 4½ pies	61000	24 pies	290000	2,29000	4,67,000	3,53,300
Cuddapah	24 pies	2,20,000	110000 3¾ pies	43000 16	24 pies	220,000	1,77,000	2,52000	1,42,000
Coimbatore	24 pies	4,65,000	232500 4½ pies	76000	24 pies	465000	389000	—	
East Godavari	21 pies	136 9,51,000	679300 3¾ pies 3	160000 64	21 pies	951000	791000 ×	4,27,000	—
West Godavari	24 pies	861000	4,30,500 3¾ pies 3½	120000 48	24 pies	861000	740,000	617000	1,86,500
11 Guntur	20 pies	6,60,000	528000 3¾ pies 3	140000 56	20 pies	660000	520000 ×	448000	—
12 Kistna	18 pies	6,21,000	621000 3¾ pies 3	129000 52	18 pies	621000	4,92000 ×	180000	—
Kurnool	20 pies	4,46,000	356800 4½ pies	82000	20 pies	446000	3,64,000 ×	244000	—
14 South Canara	24 pies	361000	180500 4½ pies	68,000	24 pies	361000	2,93000	66 00 000	4,19,500
		67,86000	4857900	1276	46	1669	5592	47	

33

(1)	(2)	(3) 678600	46.57.900	(4)	(5)	(6)		(8)	(9) 47.45.000	(10)
Madura	17 pies	3,08,000	364200	4½ pies	83,000	17 pies	3..00 ×	225,000	—	—
Malabar	30 pies	631000	126200	4½ pies	116000	24 pies	..00	3,88,000 ~~1155000~~	1155000	1028800
Nellore	22 pies	564000	358900	3¾ pies = 2	70000 28	22 pies	..00 ×	494000	191000	—
The Nilgiris	18 pies	18000	18000	4½ pies	4500	18 pies	..0 ×	13500	88,000	70000
Ramnad	16½ pies	5,14,000	607500	3¾ pies – 3¼	117000 48	16½ pies	..00 ×	3,97,000	~~191000~~ —	—
Salem	37 pies	7,08,000	—	4½ pies	95000	24 pies	..000	3,85,000	5,84,000	584000
Tanjore	10 pies	656000	170560	3¾ pies 2	246000 600	10 pies	..000 ×	410000	—	—
Tinnevelly	17 pies	3,60,000	402600	3¾ pies 2	80000 12	17 pies	3.. ×	2,80,000	2,82,000	—
Trichinopoly	17 pies	440,000	491500	4½ ~~4~~ pies = 4	1,00,000	17 pies	44.. ×	340000	1,69,000	—
Vizagapatam	18 pies	6,95,000	695000	3¾ pies – 3	161000 64	18 pies	69.. ×	534000	634000	—
		11680000	9407200						78,48,000	

South Arcot	2.52	Nellore	·51
Bellary	1·47	The Nilgiris	·06
East Godavari	1·33	Ramnad	2 30
Guntur	1·32	Tanjore	9 ·24
Kistna	2·07	Tinnevelly	1 80
Kurnool	·89	Trichy	1·80
Madura	1·30	Vizag	2·20
	10·90	28·61	17·71

1276
2347

16,82,800
16,10,300
32,93,100
or
33 lakhs

(19) 35

Name of District Board.	Rate of Edn. tax based on which Govt. contribution is paid.	Amount of contribution paid.	Rate of edn tax based on which contribution will become payable.	Amount payable.	Additiona subsidy from Provincial funds.
Anantapur.	4½ pies.	60,000	24 pies	320,000	2,60,000
North Arcot.	4½ pies.	1,01,000	24 pies	5,40,000	4,39,000
South Arcot.	4½ pies.	1,24,000	15 pies	4,29,000	3,05,000
Bellary.	3¾ pies.	37,000	10 pies	1,05,000	68,000
Chingleput.	4½ pies.	75,000	24 pies	4,00,000	3,25,000
Chittoor.	4½ pies	61,000	24 pies	2,90,000	2,29,000
Cuddapah.	3¾ pies.	43,000	24 pies	2,20,000	1,77,000
Coimbatore.	4½ pies	76,000	24 pies	4,65,000	3,89,000
East Godavari.	3¾ pies.	1,60,000	21 pies	9,51,000	7,91,000
West Godavari.	3¾ pies.	1,20,000	24 pies	8,61,000	7,41,000
Guntur.	3¾ pies.	1,40,000	20 pies	6,60,000	5,20,000
Kistna.	3¾ pies.	1,29,000	18 pies	6,21,000	4,92,000
Kurnool.	4½ pies.	82,000	20 pies	4,46,000	3,64,000
South Kanara.	4½ pies.	68,000	24 pies	3,61,000	2,93,000
Madura.	4½ pies.	83,000	17 pies	3,08,000	2,25,000
Malabar.	4½ pies.	1,16,000	24 pies	5,04,000	3,88,000
Nellore.	3¾ pies.	70,000	22 pies	5,64,000	4,94,000
The Nilgiris.	4½ pies.	4,500	18 pies	18,000	13,500
Ramnad.	3¾ pies.	1,17,000	16½ pies	5,14,000	3,97,000
Salem.	4½ pies.	95,000	24 pies	4,80,000	3,85,000
Tanjore.	3¾ pies.	2,46,000	10 pies	6,56,000	4,10,000
Tirunelveli.	3¾ pies.	80,000	17 pies	3,60,000	2,80,000
Tiruchirapalli.	4½ pies.	1,00,000	17 pies	4,40,000	3,40,000
Vizagapatnam.	3¾ pies.	1,61,000	18 pies	695000 ~~5,64,000~~	5340 ~~6,34,000~~
		2149000		11208000	885900

130

Statement II.

In 14 cases the rate of edn. tax is less than 24 pies. If in these cases the rate is raised to 24 pies ~~the~~ extra contribution will become payable. The cost based on the maximum rate of 24 pies is worked out below:-

Name of the Dt. Bd.		Contribution at the present rate. (in Lakhs)	Contribution at 24 pies. (in Lakhs)	Extra cost (in lakhs)
S. Arcot.	15	4.29	6.81	2.52
Bellary	10	1.05	2.52	1.47
E.Godavari	21	9.51	10.84	1.33
Guntur.	20	6.66	7.92	1.32
Krishna	18	6.21	8.28	2.07
Kurnool	20	4.46	5.35	0.89
Madura	17	3.08	4.38	1.30
Nellore.	22	5.64	6.15	0.51
Nilgiris	18	0.18	0.24	0.06
Ramnad	16½	5.14	7.44	2.30
Tanjore.	10	6.56	15.80	9.24
Tirunelveli	17	3.60	5.10	1.50
Tiruchirapalli	17	4.40	6.20	1.80
Vishakapatnam.	18	6.95	9.25	2.30
		67.67	96.28	28.61
Extra cost as per statement I. ...				88.59
Grand total.				117.20

Rs 25 only

37

②

Name of Dist. Bds ①		Contribution in respect of Ed. tax on the present level Rs ②	9 pies	Contribution on the basis of 12 pies Rs ③	Add. contribution Rs ④	Deficit in the E.E. Fund ⑤	Expenditure on dearness allowance ⑥
Anantapur ✓		60000	1,20,000	1,60,000	1,00,000	1,12,000	2,45,000
North Arcot ✓		1,07,000	2,02,500	2,70,000	1,69,000	5,14,000	4,40,000
South Arcot ✓		1,24,000	2,58,000	3,44,000	2,20,000	2,41,000	426000
Bellary ✓	33/4 3	37000	78,750	1,05,000	68,000	2,37,000	255000
Chingleput ✓		75,000	1,50,000	2,00,000	1,25,000	4,06,000	374000
Chittoor ×		67000	1,08,750	1,45,000	84,000	4,67,000	3,41,000
Cuddapah ✓		43000	82,500	1,10,000	67,000	2,52,000	2,00,000 ~~2,55,000~~
Coimbatore ✓		76,000	1,74,000	2,32,000	1,5600	—	492000
East Godavari ✓	33/4 3	160000	407250	5,43,000	3,83,000	4,27,000	648000
West Godavari ✓	33/4 3½	1,20,000	3,22,500	4,30,000	3,10,00	6,17,000	4,86,000
Guntur ✓	33/4 3	1,40,000	2,97,000	3,96,000	2,56,00	4,48,000	5,18,000
Kistna ✓	33/4 3	1,29,000	3,10,500	4,14,000	2,85	1,80,000	3,66,000
Kurnool ✓		82,000	2,01,000	2,68,000	1,86,0	2,44,000	2,79,000
South Kanara ×		68,000	1,35000	1,80,000	1,12	6,00,000	4,21,000

60000 2
9/2 9 1,20,000
20000 4
2,40,000 × ?
180000
9 ×

①		2√	②	39	③	④	⑤	
Madras	✓		83,000 ✓	1,62,750	2,17,000	1,34,000	2,25,000	3,60,000
Malabar			1,16,000 ✓	1,89,000	252,000	1,36,000	11,55,000	8,40,000
Nellore	✓	33/4 . 2	70,000	2,31,000	3,08,000	2,38,000	1,91,000	50,000
The Nilgiris			4500 ✓	9000	12,000	75 0	88,000	3,11,000
Ramnad	✓	33/4 3¼	1,17,000	280500	3,74,000	2,57 00	–	8,27,000
Salem	✓		95,000	1,80,000	2,40,000	1,45	5,84,000	5,84,000
Tanjore	✓	33/4 - 2	2,46,000	4,92,000	656,000	4,10	–	3,41,000
Tinnevelly	✓	33/4 - 2	80,000	1,90,500	254,000	1,7	2,82,000	4,13,000
Trichinopoly	✓	4½ . 4	1,00,000	2,32,500	310,000	2,1 00	1,69,000	5,43,000
Vizagapatam	✓	33/4 - 3	1,61,000	347,250	463,000	3,0 000	6,34,000	

20

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45,34

					Liability to Govt. under	
Name of Dt. Bds	deficit in the E.E. fund account	Addl income from est. tax if raised to 36 ps	Addl contribution in respect of est. tax up to 12 ps	Max	Alternative (1) Raising the tax then contribution then subsidy for d.a.	Alternative (2) Subsidy for d.a. Addl contribution & then raising tax
	Rs.	Rs.	Rs.		Rs.	Rs.
(1)	(2)	(3)	(4)		(6)	(7)
Anantapur	1,12,000	1,21,000	1,00,000		–	1,12,000
North Arcot	5,14,000	2,70,000	1,69,000		2,44,000	5,14,000
South Arcot	2,41,000	6,00,000	2,20,000		–	2,41,000
Bellary	2,37,000	2,73,000	89,000	000	–	2,37,000
Chingleput	4,06,000	1,46,000	1,25,000	000	2,60,000	4,06,000
Chittoor	4,67,000	1,09,000	84,000	000	3,58,000	4,25,000
Cuddapah	2,52,000	1,10,000	67,000	0,000	1,42,000	2,52,000
Coimbatore	–	2,32,000	1,56,000	,000	–	–
East Godavari	4,27,000	6,80,000	3,83,000	48,000	–	4,27,000
West Godavari	6,17,000	4,30,000	3,10,000	86,000	1,87,000	6,17,000
Guntur	4,48,000	5,28,000	2,56,000	18,000	–	4,48,000
Kistna	1,80,000	6,21,000	2,85,000	66,000	–	1,80,000
		41.20	131	761,000	11.91	38.59

V3

4)

[illegible] the deficit after meeting the expen[illegible] on d.a. while fixing criteria for subsidy

2.45
1.12
1.33

5.14
2.70
2.44

5.14
4.40
.74

4.06
2.71
1.35

(1)	(2)	(3) 41.20	(4) (6)		(6)	(7)
Kurnool	2,44,000	3,57,000	1,86,000	2,	4,20,000	2,44,000
South Kanara	6,00,000	1,80,000	1,12,000	4 2	–	5,33,000
Madura	–	3,44,000	1,34,000	3 6		–
Malabar	11,55,000 +	1,26,000	1,36,000	8	9,76,000	9,76,000
Nellore	1,91,000	3,59,000	2,38,00	3,	–	1,91,000
The Nilgiris	88000 +	18000	7500		57,500	57,500
Ramnad	–	60,000	2,37,000		–	–
Salem	5,84,000	–	145000	800	5,84,000	5,84,000
Tanjore	–	17,06,000	5,41,000	000	–	–
Tinnevelly	2,82,000	4,02,000	1,74,000	,000	–	2,82,000
Trichy	1,69,000	4,91,000	2,10,000	3,000 3 4	–	1,69,000
Vizagapatam	6,34,000	6,95,000	3,02,000	3,000	–	6,34,000
	11 02	~~0.68~~		7,000 61 0.38	20.37 32 28	8670 75 29

2√

11 02

1.26
9.76
11 02

18000
37500
55500

53
13

24

atement prepared by [illegible]
on account of Alternative I (1) and (2) Alternative II

Name of Dt (1)	Tax Rs lakhs (2)	Govt contribn. Rs lakhs (3)	Govt subsidy Rs lakhs (4)	Govt subsy Rs lakhs (5)	Govt contribn Rs lakhs (6)	Tax Rs lakhs (7)
1. Anantapur	1·12	—	—	1·12	—	—
2. North Arcot	2·70	1·69	0·75	4·40	0·74	—
3. South "	2·41	—	—	2·41	—	—
4. Bellary	2·37	—	—	2·37	—	—
5. Chingleput	1·46	1·25	1·35	3·74	0·32	—
6. Chittoor	1·09	0·84	2·74	3·41	0·84	0·42
7. Cuddapah	1·10	0·67	0·75	2·00	0·52	—
8. Coimbatore No deficit						
9. E. Godavari	4·27	—	—	4·27	—	—
10. W. Godavari	4·30	1·87	—	4·86	1·31	—
11. Guntur	4·48	—	—	4·48	—	—
12. Krishna	1·80	—	—	1·80	—	—
13. Kurnool	2·44	—	—	2·44	—	—
14. South Kanara	1·80	1·12	3·08	4·21 ✓	1·12 ✓	0·67
Mathurai No deficit						
15. Malabar	1·26	1·36	⊗ 8·40	8·40	1·36	1·2
16. Nellore	1·91	—	—	1·91	—	—
17. The Nilgiris	0·18	·075	0·50	0·50	0·07	0·1
18. Ramnad No deficit						
19. Salem	—	1·45	4·39	5·84	—	—
20. Tanjore No deficit						
21. Tirunelveli	2·82	—	—	2·82	—	—
22. Tiruchirapalli	1·69	—	—	1·69	—	—
23. Visakhapatnam	6·34 ✓	— ✓	— ✓	5·43 ✓	0·91 ✓	—
	45·54	10·32	21·96	68·10	7·19	2·

32·28

75·29

77·82
0·66 θ
78·48

77·82
·66 ⊗
78·48

⊗ Limited to the amount of expr on D.A.

θ Deficit still left uncovered

~~SAA~~
2949
2/9/49.

atement prepared by [illegible] showing
on account of Alternative I (5) and (2) Alternative II

Name of Dt (1)	Tax Rs lakhs (2)	Govt contribn. Rs lakhs (3)	Govt Subsidy Rs lakhs (4)	Govt Subsy Rs lakhs (5)	Govt contribn lakhs (6)	Tax Rs lakhs (7)
1. Anantapur	1.12	—	—	1.12	—	—
2. North Arcot	2.70	1.69	0.75	4.40	0.74	—
3. South "	2.41	—	—	2.41	—	—
4. Bellary	2.37	—	—	2.37	—	—
5. Chingleput 4.06 2.71 1.35	1.46	1.25	1.35	3.74	0.32	—
6. Chittoor 4.67 1.93 2.74	1.09	0.84	2.74 4.67 4.25 0.42	3.41	0.84	0.42
7. Cuddapah	1.10	2.52 1.77 .75 0.67	0.75	2.00	0.52	—
8. Coimbatore No deficit						
9. E. Godavari	4.27	—	—	4.27	—	—
10. W. Godavari 6.17 4.30 1.87	4.30	1.87	— 6.17 4.86 1.31	4.86	1.31	—
11. Guntur	4.48	—	—	4.48	—	—
12. Krishna	1.80	—	—	1.80	—	—
13. Kurnool	2.44	—	—	2.44	—	—
14. South Kanara 6.00 2.92 3.08	1.80	1.12	3.08 6.00 5.33 .67	4.21 ✓	1.12 ✓	0.67
15. Mathurai No deficit						
16. Malabar 11.55 2.62 8.93	1.26	1.36	⊗ 8.40 11.55 9.76 1.79	8.40	1.36	1.26
17. Nellore	1.91	—	—	1.91	—	—
18. The Nilgiris .88 .26 .62	0.18	·07(5) [illegible]	0.50 .88 .68 .20	0.50	0.07	0.18
19. Ramnad No deficit						
20. Salem 5.84 1.45 4.39	—	1.45	4.39	5.84	—	—
21. Tanjore No deficit						
22. Tirunelveli	2.82	—	—	2.82	—	—
23. Trichinapalli	1.69	—	—	1.69	—	—
24. Visakhapatnam	6.34 ✓	— ✓	— ✓	5.43	0.91	—
	45.54	10.32	21.96	68.10	7.19	2.9
		32.28		75.29		

77.82
0.66 θ
78.48

77.82
.66 ⊗
78.48

⊗ Limited to the amount of expr on D.A.

θ Deficit
Still left uncovered (Malabar + N

SAA
29/9

2/9/49.

Name of Dt. Bd. (1)	Deficit in the E.E. Fund in lakhs (2)	Maximum subsidy for clearance alone in lakhs (3)	Addl. contribution of 6.12 ps. in lakhs (4)		Addl. income from edn. tax of raising to 36 ps. (5)
Anantapur	Rs 1.12	~~[illegible]~~ 1.12	–	(1.00)	
North Arcot	5.14	4.40	.74	(1.69)	
South Arcot	2.41	2.41	–	(2.20)	
Bellary	2.37	2.37	–	(.68)	
Chingleput	4.06	3.74	.32	(1.25)	
Chittoor	4.67	3.41	.84	(.84)	.42
Cuddapah	2.52	2.00	.52	(.67)	
Coimbatore	–	.	.	(1.56)	
East Godavari	4.27	4.27	–	(3.83)	
West Godavari	6.17	4.86	1.31	(3.10)	
Guntur	4.48	4.48	–	(2.56)	
Kistna	1.80	1.80	–	(2.85)	
Kurnool	2.44	2.44	–	(1.88)	
South Kanara	6.08	4.21	1.12	(1.12)	.67 ~~.67~~
Madura	–	–	–	(1.34)	
(.53) Malabar	11.55	8.40	1.36	(1.36)	1.26
Nellore	1.91	1.91	–	(2.38)	–
(.13) The Nilgiris	.88	.50	.07	(.07)	.18
Ramnad	–	–	–	(2.57)	
Salem	5.84	5.84	.	(1.45)	
Tanjore	–	–	.	(4.40)	
Tinnevelly	2.82	2.82	–	(1.74)	
8 Trichy	1.69	6 1.69	10 –	(2.10)	
9 Vizagapatam	6.34	10 5.43	.91	(3.02)	–
	78.48	68.10	7.19	(45.84)	2.53

Special

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Edn. & P.H.Dept.

Note for the Cabinet.

Subject:- Levy of Education Tax by District Boards and Municipal councils -

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Under the Elementary Education Act as passed in 1920 the Government are bound to contribute to local bodies an amount equal to the income derived by them from Education Tax. In 1941, the Act was amended limiting Government's liability to the amount of contribution paid by them till then, viz. Rs 23.49 lakhs. The total of income derived by District Boards from Education Tax at present is Rs 116.80 lakhs. Against this, the Government are contributing the following amount for elementary education:- (see statement annexed)

(cf St. annexed)

(1)	Pre-1941 contribution.	..	23.49 lakhs.
(2)	Contribution for schools opened since 1941.	..	39.35 "
(3)	Contribution for Compulsory elementary education.	..	46.04 "
(4)	Dearness allowance.	..	68.10 "
(5)	Statutory contribution for Schools existing before 1921.	..	24.93 "
		Total.	201.91 lakhs.

2. In the discussions in the Legislature last year arising out of the re-enactment of the Amendment Act, it was promised that the question of increasing Governme contribution consistently with their responsibilities u the Act of 1920 would be considered. Strictly speaki against the Education Tax of Rs 116 lakhs the Government a paying exclusive of their Statutory contribution (item (5) above), a total of Rs 176.98 lakhs (items (1), (2), (3) and (4)). It could be argued therefore that the totality of Government's contributions including the contribution under new heads is more than the income from Education Tax.

201.91
24.93
176.98

3. The problem however has to be viewed with referen to the individual Dt. Boards, in which case some Boards are found to receive less than their Education tax. The problem has also to be viewed from the actual financial

50

position of the Boards in regard to the Elementary Education Fund to which they are compelled to contribute a total of Rs 44.35 lakhs from their General Funds. Even after this, there is a total deficit of Rs 10.38 lakhs which is met by them by transfers from other Funds and economies.

4. The question of increasing Government's contribution and the proceeds of the Education Tax was exhaustively examined during the year. The proposal for a uniform tax to be credited to the Central Pool for contribution to local bodies according to their needs without reference to their contribution has not been accepted in the Cabinet. The final decision of the Cabinet is extracted below:-

> " It was resolved that no final decision should be taken on the points raised in the note pending a thorough examination of the question whether Government can bear the liability, if they were to pay subsidies up to a maximum of 24 pies in the rupee, but that Local Boards may be permitted to increase the education tax upto a maximum of 36 pies in the rupee. "

p.13 CF

According to this decision, if the Education Tax is raised to the full maximum of 36 pies and the contribution from Government is also assessed at the full maximum of 24 pies, the potential income will be Rs 517.94 lakhs as is shown in alternative (i) of the attached statement. As obviously this income is not immediately required, the Government can withdraw from part of their payments in respect of non-statutory grants under the heads (4), (5) and (7) in the circumstances. The advantage of this fresh distribution of Government's liability is that a definite relationship will be established between the rate of Education Tax and the Government's contribution. At the same time this will only be a formal change, as the total of the present contributions will continue, except to the extent the Boards raise their Education Tax which is not likely.

5. The Hon'ble Minister for Education considered that Government should commit themselves to a maximum payment of 12 pies without reducing their existing grants. This would imply that the deficit of Rs 10.38 lakhs

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51 (28) p.14 (2) p.13 (2)

7.19
2.53
9.72
66
10.38

will be met by Rs 7.19 lakhs from the Government and Rs 2.53 lakhs by Education Tax the rate of which will be raised to the extent necessary not exceeding 36 pies to meet the deficit still remaining in the Elementary Edn. Fund account. The potential increase in Government's contribution may be Rs 45.34 lakhs. cf p.7 (2) The position is indicated in alternative (ii) in the statement.

This will not leave a deficit of Rs 0.66 lakhs in the case of Malabar & the Nilgiris Dt BDs which will have to be met by other means

6. L.A. and Finance favour the present system under which the deficit at the end of every year is met by the payment of a subsidy from Provincial funds after exploring all sources of revenue to the E.E. Fund. In the alternative, they are in favour of asking all District Boards to raise their Education Tax where necessary to 36 pies, in which case there will be an increase of Rs 45.54 lakhs from Education Tax. In respect of the deficits still continuing, they are in favour of ~~the deficits still continuing~~ Government contribution being raised up to 12 pies, in which case the provision under head (2) will increase by Rs 10.32 lakhs. Against this, there will be a decrease in the subsidy for Dearness allowance by Rs 46.14 lakhs. This distribution relieves Government of Rs 36 lakhs in the total amount now paid by them. It is doubtful if the District Boards will be agreeable to raise their tax to relieve the Provincial funds of their present contribution. The position is stated in alternative (iii) in the statement.

68.10
21.96
46.14

7. It is for orders which of the three alternatives should be accepted. The Hon'ble Minister for Education is in favour of limiting our contribution to 12 pies under the Act, in which case the alternative (ii) which increases our present annual commitments by Rs 7 lakhs immediately out of its total liability ultimately, deserves to be accepted.

8. The question whether any concession should be granted to municipal councils in regard to the contribution payable from Provl. Funds towards education tax realised by them has also to be considered in this connection. Municipal Councils levy education tax mainly as a surcharge on property tax. L.A. Dept. have laid down certain conventional maxima for the levy of property tax and education tax by

municipal councils. These maxima have been exceeded in most cases. In spite of this, the finances of most of the municipal councils, specially of the ele. edn. fund, are far from satisfactory. It has been proposed that the following convention may be adopted in the case of municipal councils with a view to augment their resources:-

para 2 [illegible]

(1) that the ordinary rate of property tax and edn. tax together may be raised wherever necessary to 23 per cent of property rentals if the rates now levied are less than this;

(2) of this 23 per cent, 5 per cent may be levied as education tax, the rate of property tax being 18 per cent; and

(3) the Govt. contribution in respect of education tax may be fixed at 50 per cent of the income from 5 per cent of property rentals in cases where the councils do not at present earn this contribution.

L.A. Dept. consider that the total rate of tax (property and education) may be raised to 25 per cent, in special cases where a water-supply or drainage scheme for the town is about to be taken up. That Dept. agree to 5 per cent of this being fixed as edn. tax, the remaining 20 per cent being property tax.

If edn. tax is fixed at 5 per cent of property rentals and a contribution is made by Govt. towards 50 per cent of the income derived from edn. tax at this rate, the additional liability to Government will be Rs.7 lakhs, ultimately, the immediate extra cost being less than a lakh.

K

Please see X on p.46 N.F.

The Finance Secretary has noted that "the financial position of the Govt. is precarious and I would earnestly ask E.& P.H. not to attempt to increase Govt.'s liability in respect of (~~municipal councils~~ municipalities). There is no reason why Government's help to (~~municipal councils~~ municipalities) which are generally speaking well-off should be on the same scale as their help to District Boards."

X on p.54 N.F.

Orders of the Cabinet are solicited on the proposal whether the maximum rate of edn. tax in municipalities may be fixed at 5 per cent of property rentals and whether Govt. contribution equal to 50 per cent of the income derived from edn. tax at this rate may be paid to those municipal councils which are not earning contribution on this scale now.

9. The Amendment Act expires on 29-4-1950. It is for orders whether according to the decision of the Cabinet on the liability of Government in regard to contributions in respect of education tax, Section 37 of the Act may be suitably amended and the Amendment Act of 1941 allowed to lapse.

19/1

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Annexure

Statement comparing the cost of the various proposals relating to Dt. Boards

(See para: 1 of the Note)

Items of receipts and charges.	Present position. (See para: 3 of the Note)	Alternative (1). (See para: 4 of the Note)	Alternative (ii). (See para: 5 of the Note)	Alternative (iii). (See para: 6 of the Note)
	Rs. (in lakhs).	Rs. (in lakhs)	Rs. (in lakhs)	Rs. (in lakhs).
Total expenditure.*	373.44	373.44	373.44	373.44
RECEIPTS:				
(1) Income from education tax. ..	116.80 p.3 ②	116.80 plus p3 ② — 94.07	116.80 plus p.13 ② — 2.53	116.80 plus p.13 ② — 45.54
(2) Govt. contribution in respect of education tax.	23.49	23.49 plus p.3 ② 117.25	23.49 plus p.13 ② 7.19	23.49 plus p.13 ② 10.32
(3) Subsidies for elementary schools opened before 1921. ..	24.93	24.93	24.93	24.93
(4) -do- opened after 1921. ..	39.35 } 110.32	39.35	39.35	39.35
(5) Subsidies for compulsory elementary education.	46.04	46.04	46.04	46.04
(6) Contribution from General funds. ..	44.35	44.35	44.35	44.35
(7) Subsidy for Dearness Allowance. ..	68.10@	11.66	68.10	21.96
Total receipts. ..	363.06	517.94	372.78	372.78
DEFICIT.	10.38	144.50 (surplus).	.66**	.66**

*Of this a sum of Rs.112.56 lakhs represents the expenditure on Dearness Allowance.

@ The subsidy has not yet been paid. Orders have been passed on budget leaving a deficit. The amount due to each Dt. Board will be paid later.

** This deficit arises in the cases of Malabar and the Nilgiris Dt.Boards even after raising the education tax and paying the maximum subsidies due. Other means may have to be devised for meeting this deficit. Perhaps in the actual working the deficit may disappear.

24

STRICTLY CONFIDENTIAL. 31

Government of Madras.

Meeting of the Council of Ministers held at Fort St. George on Monday the 6th and Tuesday the 7th February 1950 at 11 A.M.

The Hon'ble the Chief Minister presided.

SECRETARIAT, E. & P.H. DEPT.
9 FEB 1950
GOVERNMENT OF MADRAS

PRESENT:-

The Hon. Dr. T.S.S. Rajan.
" Sri M. Bhaktavatsalam
" Sri B. Gopala Reddi
" Sri K. Madhava Menon
" Sri H. Sitarama Reddy
" Sri A.B. Shetty
" Sri K. Chandramouli
" Sri B. Parameswaran (was not present on the 7th.)
" Sri N. Sanjiva Reddy.
" Sri B. Perumalswamy Reddy
" Sri J.L.P. Roche Victoria.

AGENDA.-

7. Levy of Education tax by Local bodies.

ORDER:--

It was decided that Government's contribution should be nine pies under the Act, provided the Local body concerned collects not less than double the amount. The maximum to be collected ~~for~~ by the local body will be 36 pies. As regards Municipalities the maximum rate of education tax will be fixed at five per cent of property rentals and Government contribution equal to the fifty per cent of the income derived from the Education tax at this rate may be paid to those Municipal Councils which are not earning contribution on this scale now.

K.R.M.
7.2.50

P.S. Kumaraswamy Raja
~~Premier.~~ Chief Minister

E&P.H. Dept.

E. P. H. Deptt. (B2).

Sub:- Elementary schools under District Boards - Grant of dearness allowance to teachers at enhanced rates.

/the Govt. ~~decided to~~ directed local bodies to grant the allowance to their employees at

The scheme of dearness allowance to employees of local bodies has been in force since 1942. Before 1944, it was left to the discretion of local bodies to regulate the grant of dearness allowance to their employees with reference to their resources. In 1944 / the Govt., rates. They also agreed to sanction subsidies to local bodies towards the deficit in their funds on account of the additional expenditure involved after examining all possibilities of improving the resources of local bodies. The subsidy payable each year is determined with reference to the resources available , and the deficit anticipated in that year.

2. In 1944 the question was examined whether it would be possible to raise the rate of education tax levied by Dt. Bds. to provide funds for meeting a portion of the additional expenditure towards the grant of dearness allowance to teachers in elementary schools. It was decided that the rate of education tax might be raised as indicated in the statement below. The subsidy payable for dearness allowance was determined after taking into account the additional income derived from the tax.

3. Last year the Govt. introduced revised scales of pay for teachers in elementary schools under local bodies. The decision was that the extra expenditure on this account should be met by local bodies from their own funds. So the rate of education tax had to be raised to provide funds for meeting the additional expenditure on the introduction of the revised scales of pay. The enhancement of the rate of education tax ordered in this regard is indicated in the statement (~~A~~).

4. The Govt. have issued orders directing an increase in the rate of dearness allowance sanctioned to their

p.t.o.

2

their employees with effect from 1--1--48. Similar orders regarding the enhancement of the allowance payable to employees of local bodies will shortly be issued in the L.A. department. The question for consideration in this Deptt. is as to how the additional expenditure involved in the grant of the allowance to teachers in elementary schools at increased rates is to be met. A provision of Rs.17 lakhs has been made in the current year's budget for payment of subsidies to local bodies for this purpose. But this allotment will not be available for distribution until it is established that local bodies are eligible for a subsidy towards the grant of D.A. at increased rates and the subsidy payable is settled in each case.

× (Since issued)

A

5. In connection with the examination of the elementary education budget of the District Board, Chittoor, the Finance Department seem to question the liability of Government to sanction a subsidy towards the grant of D.A. The notes recorded in that connection are extracted below for facility of reference.

> "The view of this department is that if there are no immediate proposals to utilise the general funds where a surplus is available there, that surplus may be made available for reduction of the subsidies that might be payable in respect of dearness allowances to teachers; but if L.A. have objection in principle to that, this Department need not press for such payments, provided that the subsidy payable in respect of dearness allowances is in any case made available to the Elementary Education Fund under the formula set out above; and so long as that is done, I do not suppose L.A. would insist on any enhancement of taxation being made in order to meet the cost entailed by the payment of dearness allowances. For, the important point is that certain proportionate enhancements of taxation were made uniformly in respect of all local bodies in connection with the payment of dearness allowance, and the principle was accepted that any cost entailed by the payment of dearness allowances after that enhancement of taxation had been made would be met by way of subsidy by the Government; we cannot go back upon that principle now."

C

M.V.S.
30--3--48.

> "As regards increasing the rate of education tax, the Govt. have already enhanced the rate in many cases recently for the purpose of meeting the extra cost on account of D.A. as well as for meeting the additional expenditure on account of revision of salaries. With reference to portion 'C' of E & P.H. Secy.'s note above it is submitted that there seems to be nothing in the G.O. at (M) and (N) to show that the Govt. are

not put up

33

> are committed to the principle indefinitely. The G.Os. at (M) and (N) were issued in 1944, and the Govt. have increased the rate of education ~~tax~~ tax still further after 1944 in the case of many local bodies to reduce deficits in the E.E. Fund and thereby minimise the amount of subsidy payable by the Govt.".

but only within the conventional limits adopted here

T. N. S. R.

From the notes above it is not clear whether local bodies are still eligible for a subsidy for d.a. even at existing rates.

I think [illegible] 'C' & [illegible] [illegible] [illegible] & should be followed.

6. The L.A. Department have obtained particulars of additional cost from local bodies in regard to the extra expenditure on D.A. The figures of cost relating to Dt. Boards are extracted in the statement below. The question for consideration is whether the rate of education tax should be raised further for providing funds for meeting the entire additional expenditure. If so, the extent to which the tax should be raised is indicated in the statement. No subsidy need then be paid from the Provincial Funds.

p3 cf

B

This may be done.

p5 cf

7. In another connection, H.Pr. has ordered that ~~land~~ property ~~cess~~ tax and education tax together on agricultural lands should be limited to a maximum of 33⅓% of land revenue. In the case of Dt. Boards the main tax is land cess. The intention seems to be that the sum total of the land cess and educational cess levied by District Boards should not exceed 5 annas four pies (64 pies) in the rupee of land revenue. If that is so, the rate of education tax can be raised upto 3 annas 4 pies/40 pies as land cess is levied at a flat rate of ~~the (40 pies)~~ two annas. If this maximum is not to be exceeded and if enhancement of education tax can be ordered upto the maximum for providing funds for grant of D.A. at increased rates, the position will be the same as that indicated in the statement on p.5 of ~~(A)~~ cf except in the case of Dt. Bd. Salem. The rate of Education tax in the Salem Dt. has already been raised to 37 pies. The margin available is only 3 pies. Even after the tax is raised to 40 pies a subsidy of

K

This may be accepted.

of Rs. 60,000/- may have to be paid to the Dt. Bd. No subsidy need be paid to other Dt. Bds.

This may be accepted, [illegible]

8. The L.A. Deptt. have indicated in another connection that the maximum limit of education cess in Dt. Bds. may be conventionally fixed at 2 annas in the rupee of land revenue. The maximum has already been reached or exceeded in the case of a number of district boards. The scope for enhancement of education tax for purpose of providing funds for dearness allowance at increased rates will be very limited, if the rate of 24 pies is adopted as the conventional maximum of edn. tax. The position will then be as indicated in the statement on p.7 of ~~(A)~~. The subsidy payable in that case from provincial funds for the allowance is also specified in the statement.

In view of this, and in view of the Commissioner's [illegible] to provincialise the finances of [illegible] a maximum of 24 pies is adopted, I do not think it expedient to fix this as the maximum.

9. Secretary has made in another connection ~~on~~ the following observations regarding the extent to which the rate of education tax should be raised for providing funds for dearness allowance:--

> "I think in all these cases we may take the level of tax as it stood after the enhancement ordered in connection with the payment of previously existing rates of D.A. and before the enhancement ordered in connection with revision of salaries and upon that, levy an enhancement wherever necessary, which would be proportionate to the increase in the rate of dearness allowance with reference to the enhancement already made for dearness allowance and add this levy to the level of tax as it now stands.
>
> I. For example, if d.a. has been raised from Rs.15 to Rs.18, the increase is 20%.
> II. Level of tax before raising it for purposes of D.A.(where this has been done) - 20.
> III. Rise for purpose of D.A. (where this was ordered) by 5 - (making 25)
> IV. Enhancement for revision of salaries - 5-(making total 30).
> V. For present purpose calculate on 5 (as per III) 20% (as per I) - that would make 1. That should be the enhancement now to be made.
> VI. Adding 1 to 30 would bring to the total now to 31.
>
> Where no enhancement has been made previously for D.A. at all we may now make an enhancement to the extent necessary for the extra amount now required for under D.A.
>
> M.V.S.

The enhancement to be made with reference to the

p.t.o.

As I have [illegible] this would leave [illegible] the Commissioner [illegible] [illegible] the Commissioner would [illegible] [illegible] give up this idea [illegible]

Would be proper & feasible.

52251

(34)

A

the observations of the Secretary is indicated in the statement on p. 9 of ~~(A)~~. The subsidy that will have to be paid by the Govt. for D.A. even after enhancement is also pointed out in the statement.

10 Orders are solicited as to the extent to which the education tax should be raised for providing funds for grant of D.A. at increased rates with reference to the notes above.

11. L.A. and Finance may see for remarks.

S.S.
8-7-48.

14/7/48 S

14/7/48

L.A. [illegible]

Edn. H. V.O. 52251 B2/48-1
15. 7. 48.

SECRETARY TO GOVT.
28223
15 JUL 48
LOCAL ADMINISTRATION DEPT.

1/7

File II
[illegible]

L.A. Dept. (A)

The orders of H.Pr. regarding the fixation of the maximum rate of local tax on agricultural lands at 33 1/3% of land revenue referred to by the E & P.H. Dept. at "K" on page 3 above relate to "property tax" in municipalities and not to "land and education cesses" in local board areas - vide L.F. below. In the first place it has to be considered whether the maximum rate suggested by H.Pr. for towns (Mpties.) can be made applicable to rural areas; secondly it may be stated that even the maximum limit of education cess of 2 annas in the rupee of land revenue in local board areas, suggested by this dept. and referred to at L on p 4 above, bears cent per cent proportion to the land cess which is levied at 2 annas in the rupee, while the proportion which education tax bears to the property tax on agricultural lands in Mpties. will be much less and may not exceed 25% in any case. If the entire difference of 40 pies between the maximum (64 pies) ordered by H.Pr. and the existing rate (24 pies) of land cess is appropriated for educational purposes only, there will be no scope to raise the rate of land cess in the future for other purposes. The rate of land cess has been raised from 18 pies to 24 pies in 1945 by an amendment of the Madras Local Boards become necessary sooner or later to increase it further on account of the expansion of the other services, namely roads, medical, public health and rural water supply. This dept. may therefore adhere to the view already expressed that the maximum limit of education cess in local board areas may be conventionally fixed at 2 annas in the rupee of land revenue, but need not insist for the present ~~to~~ on the reduction of the rates already fixed in excess of this maximum. H. Pr. separately minuted that as in the case of land cess and education cess levied as surcharge on land revenue for purposes of road etc. and education, a surcharge on other taxes also might be levied for road etc and education purposes. ~~E & P.H. dept. may be requested to consider the question of levy of education tax as a surcharge on taxes other than property and profession taxes provided for in the Elementary Education Act.~~ With these remarks the file may be passed on to the Finance Department.

Eu
20.7.48

So far as municipalities are concerned, there should be no difficulty in raising the rate of Edn tax so as to enable the mpl Cl to finance their entire expre on Ely Edn from their own funds, except in the case of a few specially poor mpties. As regards dt bds, there has been a complaint that the entire burden of the increasing cost of Ely Edn

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File II

has been laid on holders of agricultural lands, by raising the rate of Edn cess very high. At ~~this~~ the instance of HPr this question has been examined by this dept and the file has been sent to E&PH and Fin. In that connection, this dept has suggested that the maximum rate of Edn cess shd be limited to two annas and that deficits in the Ely Edn funds of dt bds shd be wiped off by grants from Govt, the necessary funds being found ~~from~~ by increasing the rates of the general sales tax. This is intended to distribute the burden among all classes of people instead of laying it on the holders of ~~land alone~~ agricultural lands alone. This dept may adhere to this view.

20/7

Any surplus available in the general funds of local bodies can be utilised to wipe off their deficit in the Ely Edn Fund. A Govt grant will be necessary only towards ~~any~~ the deficit which will remain, after utilising the surplus available in the General Funds.

Any reduction in the

8

EA

rate of Edn cess which may be ordered by Govt owing to the fixation of a maximum limit ~~may~~ take effect from the next fasli ie from 1-7-1949.

RM
27.7.48

28.7.48

Fin.

Dy 28/7

L A no 28223.1.A
28.7.48

ASST. SECRETARY TO GOVT.
EA
29 JUL 1948
FINANCE DEPARTMENT
54224

Finance (Exp.-A) Deptt.

The notes on pp.1-8 above may be read.

2. While examining the question of providing funds for avoiding a deficit in the E.E. Account of the Chittoor Dt. Board ~~for~~ for the year 1948-9, this Deptt. advised recently that the rate of education tax might be increased suitably for this purpose, if that course would not be ~~felt~~ unduly burdensome ~~for~~ to the Dt. Board. The E & P.H. Deptt. have now taken up the general question whether education tax levied by local bodies should be increased further for the purpose of avoiding a deficit on account of the grant of D.A. at enhanced rates and have ~~decided~~ proposed that it might be done upto a limit of 40 pies in the rupee of property tax in municipalities and of land revenue in District Boards. L.A. have noted that so far as municipalities are concerned, the enhancement may be made as proposed; but in the case of Dt. Boards they have suggested that the rate of the education tax should not exceed two annas per rupee which is proposed to be fixed as the maximum rate.

A

pp 1-5 above

P 6 above

3. This department have noted in the top file that it is not desirable to fix a maximum rate of 2 annas for levy of education cess. It seems that the maximum rate of 33 1/3% of property tax, as ordered by H.Pr. for both land cess and education tax in municipalities, may be adopted in the case of District Boards also, as proposed by E & P.H., as otherwise the Govt. will have to meet a large commitment ~~of~~ by way of ~~account of subsidies in the~~ subsidies to local bodies. If

LF dislikes
I do [illegible]

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(36)

9

the maximum rate is enhanced as suggested at 'A' on page 8 above, education tax alone can be levied upto a limit of 40 pies per rupee. In the case of Salem District only, it will be necessary for the Government to pay a subsidy of Rs. 60,000, even after levying the tax at 40 pies per rupee. Finance may agree to this payment.

The file may be returned to E & P.H. through L.A. who may be requested to arrange for the circulation of the top file along with this file to H.M.(Fin.) and H.Pr. also with the concurrence of E & P.H.

5.8.48

5.8.48

5.8.48

5.8.48

~~ADS/S~~

LA/E&PH

5.8.48

While I have noted in L.F. that ~~Fin~~ dislikes cannot accept the proposal to prescribe a max. limit of 2 annas in the rupee to the rate of education cess, I think nevertheless that fixing a max. of 40 pies in the rupee is also unnecessary at the moment if the effect will be to ~~[illegible]~~ increase the rate to something near that figure in all districts. It cannot be ~~[illegible]~~ denied that a rate of 40 pies in the rupee is high in itself and from the point of view of Govt. it is important only to ensure that the payment of subsidies is avoided or reduced in as many districts as possible. If the cost ~~[illegible]~~ on account of subsidies is avoided in say 21 districts, it would not very much matter if the Govt have to give subsidies in the 3 remaining districts. (From the statement on p.5 of (A) I see that only in Salem is a rate of 43 pies necessary & in all the remaining districts a max. rate of 36 pies

10 B2 A

that for the present this rate of 36 pies be prescribed as the maximum. This dept need not object to the higher subsidy that will have to be ~~f~~ given by the Govt in the Salem district by adopting this maximum.

9.8.48 L.A / E&P.H.

LOCAL ADMINISTRATION DEPT.
11 AUG 1948
32033
SECRETARIAT, MADRAS

L.A. DEPARTMENT.

dispose of

The top file also deals with the same question. This Department's note has been added in the top file. E. & P.H. may be requested to take necessary orders in circulation.

11.8.48 Secy.

E. & P.H.

L.A. No 32033-48-1A 11-8-48

E. & P. H. Dept. (B2)

60486

This file deals with the question whether the rate of education tax levied by district boards should be increased so as to provide funds to ~~maintain~~ meet atleast a portion of the extra cost involved in the grant of dearness allowance to teachers at increased Govt. rates. As already noted, the Govt. decided in 1944 to direct local bodies to grant d.a. to their employees at Govt. rates and undertook to pay subsidies towards the deficit resulting from the grant of d.a. The Finance Dept. seem~~s~~ to hold the view that the commitment entered into by Govt. was only for a temporary period and cannot be taken to be ~~of~~ a permanent feature. Submitted that this view does not seem acceptable.

p 1 ante

p 2 ante

In as much as the Govt. have directed ~~the~~ local bodies to grant d.a. to their employees ~~of~~ at Govt. rates ~~and~~ Govt. will ~~commit~~ have to sanction subsidies towards the deficit arising out of the direction. Please see Secretary's observation on page 3 ante. In the circumstances, this

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(3) 11

Department may press that the decision to grant subsidies towards the cost of d.a. should continue to be in operation so long as local bodies are under the liability to incur expenditure on dearness allowance.

2. In the notes on the previous pages, the question has been examined as to how far the rate of education tax can be raised to provide funds to meet the cost of d.a. at increased rates. The L.A. Dept. hold the view that the rate of education tax can at the most be raised to 2 annas in the rupee of land revenue in cases where this maximum has not already been reached. Such portion of the expenditure which cannot be met from the existing resources or from the addl. income from the tax raised to two annas should be met by the payment of subsidies from the provincial funds. The subsidy payable on this basis will be Rs.7 lakhs.

p 7 ante

For the reasons recorded by the Secretary on p.4 ante the suggestion of L.A. need not perhaps be accepted.

3. The Finance Dept. hold the view that the rate of education tax should be raised upto 3 annas in the rupee of land revenue and only if the district board is not able to meet the addl. expenditure on the grant of d.a. even from the extra income derived from the increased rate of education tax at three annas, the question of payment of subsidy may be considered. This Department at first suggested that the rate of education tax might be raised to meet the entire expenditure on the grant of d.a. to teachers at increased rates, if no conventional maximum was to be adopted in regard to enhancement. If a conventional maximum of 40 pies in the rupee of land revenue was fixed ~~upon~~ the rate of education tax might be raised (according to this Dept.) in all the cases to meet the entire cost of d.a. at increased rates except in the case of Salem. In the case of Salem, the tax should be raised from 37 to 40 pies (conventional maximum) and a subsidy of Rs.60,000 paid ~~made~~ to the District Board to meet the expenditure not covered by additional income from tax. If the suggestion of the Finance Dept. is accepted, the position will be the same as explained at 'A' above, except in the case of Salem, where no enhancement of tax can be ordered and the subsidy payable would be Rs.1.19 lakhs instead of Rs.60,000. The suggestion of the Finance may perhaps be accepted.

para 6, p 3 ante

A

para 7 p 3 ante

4. The calculations in this file take to account only the addl. expenditure on the grant of d.a. to teachers at the revised Govt. rates. The rates of education tax were originally raised in certain

cases to meet a portion of the expenditure involved in the grant of d.a. at the rates in force prior to 1948, the balance of the expenditure being met either by contributions from the General funds or by subsidy or by both. Now, if, as it appears to be the view of the Finance Dept., the Govt. are not under an obligation to pay a subsidy to District Boards towards the payment of d.a. at the old rates, the rates of education tax have to be raised to cover also the amounts already paid as subsidies. In this view it is not enough, if the maximum rate of education tax is raised to 36 pies. If the maximum rate of education tax is fixed at 36 pies the total commitment to Govt. will be higher than that mentioned in para 3 above.

5. H.Pr. has observed in the file relating to the proposal to postpone the collection of education tax levied in the area of the District Board, Salem, at the enhanced rate of 37 pies, that the rate of 37 pies is too ~~much~~ high and that it should be reduced. It is, therefore, doubtful whether the Govt. will agree to the maximum rate of education tax being fixed at 36 pies.

6. The file may be circulated for orders:-

(1) whether the rate of education tax should be raised to provide funds (a) for the grant of d.a. to teachers at enhanced rates (the enhancement may be (as indicated at P on p 11 ante) in the view of this dept.) and (b) for meeting the expenditure on d.a. hitherto met by a subsidy from Provl. funds; ~~and~~ (Ms. Dept. may holds the view that there need ~~not~~ be any enhancement of tax in respect of (b) and that the subsidy shd. continue to be paid as usual) /[illegible]

(2) if so, whether the maximum limit upto which the tax may be raised should be fixed at 2 annas in the rupee of land revenue as suggested by L.A. or at 36 pies as suggested by Finance; ~~and~~ Ms. Dept. may agree with Fin. /[illegible]

and (3) whether the enhancement of the rate of education tax may take effect from Fasli 1359 (or 1-7-49) as suggested by the L.A. (If the tax is to be raised only from 1-7-1949 a subsidy of about Rs.17 lakhs will have to be ~~made~~ paid to District Boards in 1948-49). (Ms. Dept. may accept / the suggestion

p 8 ante

SS

D.S.M. L.A.
18/8/48 S

Submitted.
th. (Sec.)
th. (L.A.)
th. Fin.

This matter has been coming again and again with reference to various districts in different files. I think we must have a uniform policy. The matter may be discussed at Cabinet level. A comprehensieve note may be prepared and put up to be referred to the Cabinet.

A |

LA
27-8-48

SECRETARY, EDN. AND P. H. DEPT.
30 AUG [redacted]
GOVERNMENT OF MADRAS

When a note is prepared, it should be done in consultation with L.A. Dept.
3/8

SECRETARY, EDN. AND P. H. DEPT.
6 OCT [redacted]
GOVERNMENT OF MADRAS

I agree with (A) above
8.9

OPR
15/10

A draft note is ready.
LA & Finance may see.

19.10.48

DSM
26/10/48 S
1/11/48

E4 P.H. U.O. 53351 B3/48-2
11. 11. 48.

LOCAL ADMINISTRATION DEPT.
11 NOV 1948
SECRETARIAT, MADRAS

Local Admn. Deptt.

From 1949-50, the deficits in the Elementary Education Funds of district Boards will be much greater than in recent years, because the arrear Toll Compensation of Rs.48 lakhs, which district boards were given during each of the four years ending with 1948-49 and which was partly utilised to meet the deficit in the Elementary Education Funds, will cease from 1949-50. E. & P.H. Deptt. may be requested to mention this fact in the note for the cabinet.

2. A conventional maximum may be fixed by Government for the rate of Education cess and when a district board has a deficit in the Elementary Education Fund even after levying the Education cess at the conventional maximum rate, grants may be given by Government to meet the deficit, whether the deficit is caused by the grant of dearness allowance at the rates originally sanctioned in 1942 or at the enhanced rates sanctioned in 1948. E. & P.H. Deptt. may also be requested to embody this view of this Deptt. in the note for the cabinet. 11/11

Rh 11.11.48

11/11/48

Secy. Fin.

11/XI

L.A. U.O. 44322/48-1A
11.11.48

E.A
17 NOV 1948
98127

Finance (Expte A)

(Previous Finance note on pp 8-10 above)

The summarising note of E&PH on pp 10-12 above, the orders in circulation on p. 13 above and the draft note for the Cabinet may be perused. As regards L.A note on pp. 13-14 above it may be pointed out that

2. The Govt. of India have advised that Provincial Govts. should balance their budgets without having recourse to reserves made up of accumulated surpluses of previous years. ~~It~~ In view of this, it will be necessary to effect retrenchment in the expenditure even on the existing level of activities. It will not ~~[illegible]~~ be possible for the

39

Govt. to undertake any fresh liabilities particularly of a recurring nature. It does not therefore ~~not~~ seem desirable to commit the Govt. to huge additional expenditure by way of additional subsidies to Dt. Bds. to cover deficits ~~especially~~ at the present moment. The E&PH Department may be requested to incorporate this view also in the draft note for the Cabinet besides the two points mentioned by L.A.

An addition to para 3 on p. 4 of the note is also indicated.

See slip (p. 4(a) of draft)

19.11.48

S.A.
17.11.48

17.11.48

18/11/48

19.11.48

E&PH.

ASST. SECY.
E&PH
22 NOV 1948
86610

Fin. No. 99217 EA/48-1.
19.11.48

Ed. & PH Deptt.

The notes of L.A. & Finance have been embodied in the draft note. The ~~[illegible]~~ addition suggested by Fin. may also be accepted for orders as to circulation

29.11.48

30.11.48

S

1/12

L.A. (Gen)

(L.A.)

S.A.
6.12.48

7/12

SECRETARY, EDN. AND P.H. DEPT.
DEC
GOVERNMENT OF MADRAS

It is understood that H.M has instructed that the question regarding the levy of education tax by Dt. Board may be considered by the cabinet along with the general question of improving the efficiency of elementary education, presumably ~~at~~ at the meeting to be held on the 24 inst. The note regarding levy of education tax is under print. (Proof corrected and sent to Press for striking clean copies). As soon as clean copies are received, they will be circulated to all H.Ms. In the meanwhile, the file may be sent to the Chief Secretary for including this subject also in the agenda ~~of~~ for the meeting on the 24 inst ~~H.M. may also see~~ and to arrange for the two subjects to be considered together.

A

proof copy placed below

3/16.12.48 2/16/12

18/12

16/12/48 S

16/12

H.M. (Edn)

TSA

18-11-48

17/12

The file may be sent to the Chief Secy w.r.t. 'A' above

17/12/48 S

17/12

C. S.

Ob 35/17/12

d/p

Ob 23/17/12

Put 8.1 to 20k

17/12

Put (8.1)

E&P.H.D.O. 5225 / B2/48-3
17.12.48

E. & P. H. Dept. (B2)

EDUCATION - Elementary - Revision of the education tax collected by District Boards.

X on p21 c/f

Please see the orders of the Cabinet on page ~~1~~ c.f., regarding the levy of education ~~tax~~ cess in district board areas. At present, the levy of education tax is governed by the provisions of the Madras Ele. Edn. Act, 1920. Under section 34 of the Act, education tax can be levied by the following local authorities:- (i) District Boards, and (ii) Municipalities, including the Corporation of Madras. The District Boards levy education tax as a surcharge on land cess while Municipalities levy the tax as a surcharge on property and profession taxes. The intention of the Government seems to be that the levy of education tax by District Boards alone should be modified and that the present provision regarding the levy of education tax by municipalities should be retained intact.

p612, Madras Code, Vol III Act. IV/17

(This is dealt with separately - please see para 1 of the EOs note on p.6 below)

2. It may be pointed out ~~even~~ at the outset that the resources now available with Dt. Bds. for expenditure on ele. edn. comprise the following:- (i) Proceeds of Education cess, (ii) Govt. contributions under section 37 of the Ele. Edn. Act, (iii) Govt. subsidies for payment of dearness allowance to teachers, (iv) Contributions from the General Funds of Dt. Bds., and (v) Special subsidies from Govt. for compulsory ele. edn.~~, etc.~~

X on p21 c/f

3. If education cess collected by District Boards should go to a Central Pool as proposed by the Cabinet, the tax should, it appears, be levied by Govt. at a uniform rate on a provincial basis. At present, the tax is levied at varying rates throughout the Province, the minimum rate being 10 pies in ~~the~~ Tanjore and Bellary districts and the maximum rate being 37 pies in the Salem District. If the intention is that the total income at present derived by all District Boards from education tax should be secured by the proposed levy of the tax by Government, the uniform rate of the proposed tax will work out to 26 pies in the rupee of land revenue.

The Resolution will be sufficient if the total cost is to be ~~[illegible]~~ met by a uniform levy with an equitable distribution of the proceeds.

4. It is presumed that contributions by Govt. under

section 37 of the Ele. Edn. Act (item (ii) in para.2 above), being statutory, will continue to be made by the Govt. even after the education tax is levied by them on a provincial basis. Please see, in this connection, the note of L.A. at 'A' on page 4 c.f. Perhaps, hereafter, the contributions should first be paid into the pool in which the proposed education tax collections are gathered, for distribution to the district boards later 'on a consideration of their needs'.

p. 10

⊗ [illegible] file

⊗ distributed [illegible]

5. At present, the Govt. are paying subsidies to the district boards to meet the extra cost to them on account of payment of dearness allowance at old rates to teachers in ele. schools, to the extent necessary to cover the deficits in their budgets. The total of these subsidies comes to Rs.94.77 lakhs. The Govt. have al~~so~~ ~~already~~ under consideration the question whether the extra cost to Dt. Bds. on payment to ele. school teachers of d.a. at the revised (enhanced) rates should not be met by Dt. Bds. themselves by suitably increasing the rates of edn. cess now levied by them. This extra cost works out to Rs.17.78 lakhs. It seems but fair that, if the levy of edn. tax is to become a provincial concern, these subsidies should also be met from the proceeds of the tax. Taking into account only the existing subsidies (on d.a. at ~~revised~~ old rates), it has been calculated that the uniform rate of tax, viz., 26 pies in the rupee of land revenue, mentioned in para.3 above, will have to be raised to 47 pies in the rupee of land revenue. If the addl. expenditure on d.a. at increased rates is also to be brought within the purview of the tax, then the rate will have to be raised still further to 51 pies in the rupee.

Item (iii) in para 2 overleaf.

p. 17 [illegible]

A

21 c/

21 c/

6. In order to avoid anomalies and complications, it will be necessary also to do away with the existing system of contributions by Dt. Bds. from their General Funds. It seems better that these contributions also are hereafter met from the proposed provincial pool; and for this, the rate of the proposed tax will have to be increased to 61 pies in the rupee of land revenue.

Item (iv) para 2 overleaf

A to B

21 c/

Such large uniform rates seem to be neither practicable or justifiable. I think we have to fall back again on [illegible] 36 [illegible]

Item (v) [illegible]

7. It is presumed that the expenditure on compulsory ele. edn. will, as now, be met completely by the Govt. and

---

We will have to continue to subsidise fully [illegible] of [illegible] of compulsory education 2

need not be brought within the purview of the proposed tax. Otherwise, the rate of tax (26 to 61 pies as mentioned above) will go up higher still and will contrive to go up by leaps and bounds as the area of compulsion grows wider.

8. It may be noted, in this connection, that the proposal of the Cabinet involves the amendment of the Ele. Edn. Act. In the legislation to be undertaken for the purpose, however, it does not seem necessary to mention the rates of tax proposed to be levied, for the rates may vary according to the requirements of each year on the basis of new schemes and expansion and improvement of old schemes, etc. In the legislation, therefore, provision may be made enabling the Govt. to levy education tax at such rates as may be considered necessary to meet as far as possible the cost of ele. edn. under district boards with reference to the requirements at the time. The rate to be fixed for each (fasli) year may be notified by executive orders.

9. If education tax should be levied at a uniform rate throughout the Province, and should be credited to a Central Pool, it is not known which authority should be asked to maintain proper accounts relating to the pool. At present education tax is collected by the Revenue Department along with the land revenue. The same procedure will have to be continued even after the tax is levied on a Provincial basis. The Collectors will have to be asked to report to some authority constituted for the purpose the proceeds of the education tax collected in each district and that authority should be asked to maintain proper accounts of the tax collected.

10. Now coming to the merits of the proposal, the following remarks seem called for:-

(i) The rates of tax proposed in the foregoing paras. would mean only stabilisation with reference to 'existing needs'. This raises the question "What about 'further expansion'?" When it is ~~ralised~~ realised that the expenditure will, as proposed, fall on general taxation, there will be a scramble for funds for expansion and extravagance in preparation of schemes. The Govt. will have great difficulty in laying down a general plan of expansion all round and, at the same time, in regulating individual budgets of district boards and making a general adjustment of taxation to meet the whole cost.

(ii) There is sure to be strong criticism of a scheme which, instead of leaving cost of local schemes to be borne by local taxation, insists on some of the Dt. Bds. having to raise sums considerably in excess of what is required to finance their own schemes, merely to meet the cost of schemes in other areas. When Tanjore, for example, completely meets its expenses now on a 10 pie rate, it will be called upon to pay anything from 26 to 61 pies according to the proposed arrangement. But this will have to be considered unavoidable in ~~any~~ a shift from a 'cess' to a 'tax'.

It may, in this connection, be pointed out that the Water Supply and Drainage Committee made a similar recommendation to the effect that the Govt. should constitute a separate Fund called the 'Water Supply and Drainage Fund' into which should be pooled together all the local water supply and drainage taxes and water and sewage farm revenues of the local bodies, (to which should be added such of the amounts as may be earmarked annually from Provincial Revenues, having regard to the programme immediately ahead). This was opposed by the Retrenchment and Reorganization Committee. This Deptt., L.A. and Finance were also not in favour of the proposal. The arguments against the proposal put forth by these departments - vide ~~portions marked 'A' on pages 4, 5, 6 and 7 of~~ the Note for the Cabinet ~~at 1VL~~ will mostly apply to the present proposal also. P 21-23 ✓

(iii) As the proposal affects the administration of District Boards, it is not known whether the opinion of Dt. Bds. should be obtained in the matter. Perhaps, the Inspr. of Ml. Cls. and Local Bds. may be asked to convene a conference of Special Officers of District Boards and Ex-Presidents of Dt. Bds. and obtain their opinion on the proposal. The suggestions of these offices and gentlemen may be of some help in taking further action to implement the orders of the Cabinet. The L.A. Department may be requested to advise on this point.

B I think this is desirable - but we will have before us the [illegible] fully & precisely (because see my remarks above) what the provisions imply. [illegible]

11. It may be noted that the question of transfer of management of elementary schools under District Bds. to Taluk Education Boards to be constituted specially for the purpose has been raised. The subject was included in the comprehensive note for the Cabinet. ~~In this case these bodies~~ In case this proposal materialises, it seems that ~~these~~ Tk. Edn. Boards should be asked to levy education tax for providing funds for ele. edn. The Cabinet which considered the note ordered that the matter should be discussed by the Cabinet Sub-Committee. The Cabinet Sub-Committee ~~has~~ recommended that the matter "may be examined afresh from the point of view of giving more executive powers to educational authorities so that the schools may be worked with greater efficiency". The matter has now been placed before the Cabinet.

A formula of taxation powers might be adjusted to meet that development; but on the other hand the criticisms made above would also inevitably apply after that development. [illegible]

12. As already pointed out, the proposals to give effect to the orders of the Cabinet require the amendment of the Ele. Edn. Act. The file may be sent to L.A., Revenue, Finance and Legal Depts. for remarks before circulation.

Ins 14/2/49

NM 14/2/49

Considering all aspects of the question it seems to me that it is better to keep the existing framework, adopt only a conventional maximum to be applied in each case, taxation up to that maximum to be imposed in each case to the extent necessary to meet the expenditure and where expenditure exceeds the proceeds of that maximum, subsidies to be given by Govt. to cover the deficit (the other types of subsidies continuing in all cases of [illegible] [illegible]

LOCAL ADMINISTRATION DEPT.
6951
15 FEB 1949
SECRETARIAT

A

Ed P. H.U.O. 115148 2/49-1
15.2.49.

7d(i)

22

Local Admn. Deptt.

If the proposal to levy a surcharge of 12.1/2% on Property Tax in Mncplts. and House taxes in Pchyt Boards for paying grants to local bodies for education purposes, which is separately under consideration, is carried through, an income of Rs.32 lakhs per annum will accrue. This amount may be utilised for making grants to district boards to meet their deficit in the Elementary Education accounts. Municipalities need not be given any grant from the above amount as their own tax resources should be sufficient for their purposes. 12

2. This Deptt. may agree with the views of the E. & P.H. Deptt. above regarding the objections to the proposed levy of Education cess at a uniform rate throughout the Presidency and of pooling the proceeds. The Education cess may continue to be levied by district boards at such rates as may be fixed by Govt. in each case, subject to a conventional maximum of three annas in the rupee of land revenue. If, even after ~~a district board levied~~ levying the Education cess at this maximum rate and after utilising all the surplus money available in ~~its~~ the General Fund to meet the deficit in the Elementary Education fund, ~~the~~ a district board has a deficit in the Elementary Education fund, it may be met by a subsidy from Govt. from the proceeds of the proposed surcharge on Property and House taxes and from other Provincial revenues. 12

(Vide E & P.H. Secy's remarks in the margin at the bottom of page 18 above)

X

3. There is now a tendency among district boards to increase their expenditure under their General Funds by opening new institutions and entering into new commitments and thus exhaust their surplus under General Funds, asking at the same time for large Govt. grants to wipe off their deficit in their Elementary Education fund. If this tendency is checked and

p.t.o.

43

23

The Special officers of Dt. Boards (Collectors) may be asked not to launch on extravagant schemes involving heavy capital expenditure. It is found that they have a tendency to do so. 15/2

Y

and district boards are made to utilise all their surplus in their General Funds to meet their deficit in the Elementary Education fund, the amount of Govt. subsidy necessary to wipe off the deficit in their Elementary Education funds will be reduced.

4. There is a proposal to levy a Provincial tax on coffee hotels, boarding houses and cinemas. The proceeds of this tax may also be set apart for making grants to district boards to meet their deficit under their Elementary Education account.

5. If the rate of Education cess is increased wherever necessary in individual districts, upto the conventional maximum of three annas in the rupee and if the proceeds of the two new taxes mentioned above are ear-marked for making grants to district boards to meet their deficits in their Elementary Education funds and if district boards are made to utilise as much of their surplus under General Funds as possible for meeting the deficit in the Elementary Education fund, the Elementary Education budgets of all district boards can be balanced without any extra expenditure from Provincial funds. Thus it is not necessary to proceed with the proposal to levy the Education cess at a uniform rate in all districts and to pool the proceeds.

Z

L.A. U.O. 6951/49-1A
16.2.49

15/2/49

Secy
Rev.

16/2

ASSISTANT SECRETARY TO GOVERNMENT
9674
16 FEB 1949
REVENUE DEPARTMENT

To AS.

Please see the notes from p. ante.

2. Para 4 of L.A. note above.

Rev Secy.

Legal have stated ~~that instead of undertaking separate legislation~~ ~~the object can be achieved by suitably amending~~ ~~the Madras District Municipalities Act, that similarly~~ that the tax can be levied by this Govt. on the owner of the Coffee hotel, tea stall ~~holder~~ and Cinema house subject to a maximum of Rs 50 per annum: This Deptt therefore consider that the proceeds of the tax will not come to much and that it will not be worthwhile to undertake the levy. The connected file has been sent to Fin.

With these remarks the file may be passed on to Fin.

Pr
16.2.49.

17.2.49

~~File~~

Thro' C
16.2.49

Rc no 9674 N/49-1
17.2.49

ASSISTANT SECRETARY TO GOVERNMENT
10722 ~~AP~~ Exp A
18 FEB 1949
19
FINANCE DEPARTMENT
19/2/49

Fin (ExpA)

Please see the decision of the Cabinet on p 21 cf. and the notes from p. 17 above.

2 Finance also may agree with the views of the E&PH Secretary at A on p. ~~8~~ 21 above. (As regards 'A' above, this Dept has suggested that it might be possible to levy licence fees on Coffee hotels, etc at the rates suggested by the Cabinet, by passing special legislation and the file has been sent to Legal for further examination. There is no intention to utilise the revenue from this source for making educational grants to local bodies)

19.2.49

AA
19.2.49

19.2.49

Fr
20/2/49 Please see below

Thro' A.A.
19.2.49

As/ADS
E.P.H

Box

~~ADS~~

'X' on P ~~8~~ 22 above and 'y' and 'Z' on P ~~7~~ 23 above

The taxes referred to at 'X' and 'y' on P ~~[illegible]~~ 22-23 above relate

XX

9 25

budget without drawing on the Revenue Reserve Fund as advised by the G of I in connection with their anti-inflation campaign. The proceeds of these taxes cannot therefore be "earmarked" for making subsidies to Dist. boards to enable them to meet the deficits in their Elementary Education Accts. The proceeds of the taxes will be added to the general revenues of the province, and the amounts of subsidies ~~paid~~ to Dist. boards for the above purpose in any year will depend on the financial position of the province in that year.

Fr
20/2/49 5

The object of the Cabinet decision was mainly to even out the varying rates of "education cess" levied by the different Dt. Boards. At present comparatively well to do Dt. Boards like Tanjore & the Delta Districts in the north are able to raise substantial sums by a comparatively low rate while Districts like Salem Anantapur &c will be compelled to adopt a high rate if they are to get any appreciable sums by way of Cess. The argument of local taxation for local needs may be all right if the entire cost of elementary education is met by this Cess. But this is not feasible and there is no good reason why, when more & more of the cost is falling on Provincial ~~areas~~ revenues, the incidence of the education Cess shd not be made proportional to the taxable capacity of the people of different districts. This object will be achieved by having a uniform rate throughout the province. What the rate ~~will~~ shd be will depend on whether the Govt will be content to raise a total sum equal to the total of the different sums raised by the different Dt. Boards or whether they wish to raise something more so as to reduce

B2

the cost to the Provincial Exchequer or to leave more margin for future expansion. When the tax is pooled the distribution may be made mainly on the basis of population, the no: of schools & the no: of children under education in the different districts – although some weightage may be given to the districts in which the amount raised (at the uniform rate) is comparatively large. The rate of the tax & the ~~basis of taxation dis~~ principles on which the distribution is made are details which will have to be considered later. I consider that the idea of having a uniform rate of tax ~~th~~ (at so much per rupee of land revenue) throughout the province & pooling the yield for distribution among the Dt. Boards is a sound one, and further details should be worked out in pursuance of the scheme. This of course will involve several amendments to the Local Boards Act &c

A

21.2.49

Legal

Fin U.O. 10722 FA-1
21.2.49

ASSISTANT SECRETARY
22 FEB 1949
LEGAL DEPARTMENT

2044

Legal Department

The question whether a uniform rate of tax should be levied throughout the Province and the proceeds thereof pooled for distribution among district boards or whether it is better to keep the existing frame work of the Elementary Education Act and adopt a conventional maximum rate of tax of 3 annas in the rupee of land revenue, the rate in each case being determined with reference to the financial position of each district board, is essentially one of administrative policy. No remarks seem called for in this Department at this stage.

ASST. SECRETARY TO GOVERNMENT
26
EDUCATION AND PUBL

Legal U.O.No. 2044/49-1
26-2.49

28.2.49

E. & P. H. Dept. (B2)

The Cabinet, in its meeting on the 27th, January '49 considered that "education cess collected by district boards should go to a central pool, the rate of tax being uniform throughout the Province and the proceeds being distributed to District Boards on an equitable basis on a consideration of the needs of several District Boards". ~~At~~ its meeting on the 12th February 1949 the Cabinet decided that the Secretariat Deptt. should examine the matter and prepare a note on the subject for further consideration by it. The proposal has accordingly been examined by this Deptt. in consultation with L.A., Revenue, Finance and Legal - vides notes at pages ~~1-10~~ 17-26 ante.

2. The resources now available with District Boards for expenditure on ele. education comprise the following:

(i) Proceeds of education cess;

(ii) Govt. contributions under section 37 of the Madras Ele. Edn. Act, 1920;

(iii) Govt. subsidies for payment of dearness allowance to teachers;

(iv) Contributions from the General Funds of Dt. Boards.

(v) Special subsidies from Govt. for compulsory elementary education, etc.

If the levy of education cess is proposed to be made a provincial concern, ~~as proposed,~~ and, that too, at a uniform rate, the first point to be considered is at what approximate uniform rate the provincial levy should be made. On the presumption that the Govt. will continue the contributions and subsidies referred to in items (ii) and (v) above, this Deptt. has worked out the following rates according as the different items of the present resources are proposed to be brought within the purview of the tax:-

On what basis	Uniform rate of levy
(a) If only the proceeds of education cess now levied by Dt. Bds. at varying rates are proposed to be realised	26 pies in the rupee of land revenue

On what basis	Uniform rate of levy
(b) If (a) above and the present subsidies now paid by Govt. to meet deficits of Dt. Bd. Ele. Edn. accounts by payment of dearness allowance at old rates are proposed to be realised	47 pies in the rupee of land revenue
(c) If (a) and (b) above and the subsidies that may have to be paid by Govt. to meet deficits in Dt. Bds. ele. edn. accounts by payment of d.a. at enhanced rates, are all proposed to be realised	51 pies in the rupee of land revenue
(d) If (a), (b) and (c) above and the contributions now made by Dt. Bds. from their General Funds are also included	61 pies in the rupee of land revenue.

It was considered by this Deptt. that the above rates, especially (b), (c) and (d) are neither practicable nor justifiable. Apart from this objection of the uniform rates being high, the proposal, it was considered by this Deptt, was open to the following objections also:- p18 ante

(i) The above rates will effect stabilisation only with reference to the 'existing needs', leaving the question of 'further expansion' unsolved. If as proposed, the expenditure on ele. edn. is to be met by a provincial levy, there will be a scramble for funds for expansion and extravagance in preparation of schemes. It will be very difficult to lay down a general plan of expansion all round, regulating, at the same time, individual budgets of district boards and making a general adjustment of taxation to meet the whole cost. p20 ante

(ii) Another objection is that instead of leaving the cost of local schemes to be met by local taxation, some Dt. Bds. will have to raise sums considerably in excess of their requirements.

(iii) The objections raised against the pooling of water and drainage taxes and sewage farm revenues of local bodies - vide portions marked 'A' at pages 4,5,6 and 7 of (V) - will apply to the present proposal also. P

Considering all the above aspects, this Deptt. proposed that it was better to keep the existing frame-work and adopt only a conventional maximum of taxation (namely 36 pies in the rupee of land revenue proposed in another connection) to be applied in each case, taxation upto that maximum being imposed in each case to the extent necessary to meet the expenditure and, where expenditure exceeds the proceeds of that maximum, subsidies being given by Govt. to cover the deficits (the other types of subsidies continuing in all cases as before). p21 ante

Revenue and Legal have no remarks to offer, whereas L.A. have agreed with the views of this Deptt. Finance, however, consider that the idea of having a uniform rate of tax throughout the province and pooling the yield for distribution among the District Boards is a sound one and that details like the rate of the tax and the principles on which the distribution is to be made should be worked out in pursuance of the idea. p23 ante pp25-26 ante

The proposal, if approved, will require the amendment of the Ele. Edn. Act. Having regard to the far-reaching effects of the proposal, this Deptt. also raised for consideration the point whether a conference of Special Officers and Ex-Presidents of Dt. Bds. may be convened and the proposal as would finally emerge ~~out~~, with all its implications, may be placed before such a conference for their considered opinion, before giving effect to it. Neither L.A. nor Finance have offered any remarks on this point. p21 ante

A The file may now be circulated to H.M.(Edn.), H.M.(Agri.),H.M.(L.A.), H.M.(Ind.), H.M.(Fin.) and H.Pr. for orders whether the subject may be placed before the Cabinet again and a note on the above lines may be prepared for consideration by the Cabinet.

JWA

BM
28/2/49
S

BM

The arguments of Finance for equalising the rate, and pooling the revenues of all districts may be justified on fiscal, but not on educational grounds. Revenue is related to factors like irrigation facilities, and the variety of crops and not to the population, or what is more important so far as education is concerned, its distribution. Adjustments,

70

which Finance considers, can be made with reference to the number of schools and their population may not be easy, and will in all probability mean that the status quo will remain, though the district concerned may pay more or less than before.

The other argument that a lump sum is better than the ad hoc grants now made is not even fiscally ~~sound~~ advantageous. The ad hoc grants provide better control of expenditure on one hand and specific enforcement of policy on the other.

The proposal therefore does not deserve to be pursued, on educational grounds except that when the rate in any district is below a conventional maximum which may be more precisely worked with reference to the weighted average of the present rates, the District Board concerned may be asked to recoup any expenditure required for expansion, by increasing the rate.

1/3/49

H.M (Edn)

This may be put up after a couple of weeks

ISA
22-3-49

SECRETARY, EDN. AND P.H. DEPT.
22 MAR 1949

The file may now be resubmitted to H.M. (Edu.) for orders. H.M's. attention may be invited to the decision at 'P' on p. 14 B (V) since made by the Cabinet on the proposal referred to at 'P' on page 20 ~~ante~~.

separate file dealt with
p'al 12 ante

5/4/49

OSM 5/4/49

5/4/49

8 APR 1949

Dated 5/4/49

H.M (Edn), I agree with the Secy.

---

(17) 31

Vide 'A' on p. 29 ante

The notes from page 27 ante and the minute of H.M. (Edu.) at the bottom of page 30 ante may be perused. The file may now be circulated to H.M. (Law), H.M. (L.A.), H.M. (L.R.), H.M. (Fin.) and H.Pr. for orders.

9/4/49

OSM 10/4/49

27 S

[The notes from p. 11 may be read.] May agree that so far as education ~~cess~~ is concerned, there is no necessity for equalising the educational cess collected in different districts in order to contribute a common pool for the entire expenditure on education. If Finance Department consider that the land revenue now paid is inadequate in terms of the present value of money, it is open to them ~~in a straightforward way~~ to enhance the revenue consistently with the fall in the value of money in which it was originally assessed.// In order to remove the glaring disparities, the present rates of educational cess in different districts may be examined with a view to raise it consistently with the expenditure on education in that district and subject to a conventional maximum which may be 36 pies in the rupee.

If this is agreed to, a note for the Cabinet ~~may~~ will be put up.

12/4/49

Dated 27 12/4/49

H.M. (Law) 12/4
H.M. (L.A.) ✓
H.M. (L.R.) ✓ 16/4
H.M. (Fin) ✓
H.Pr. Cabinet note may be prepared. But I feel we can allow old order to continue.

18.4

22 APR 1949

Draft note for cabinet 22/4/49

Please see the orders in circulation on pages 14 and 15 above. A draft note for the Cabinet is put up below for approval. L. A., ~~and~~ Finance and Chief Secy. may see before circulation.

29/4/49

29/4/49

S

30/4

LA

Fin

C. S

Dp(i)
30/4/49

L. A. D.

The draft note for the Cabinet below may be perused.

30/4/49

30.4.49

E & P. H. U... 11514 B2/49-2
30. 4. 49.
(With linked file C. No. 5251 B2/48)

Secy Fin.

30/4

LOCAL ADMINISTRATION DEPT.
19020
30 APR 1949
SECRETARIAT, M

SN 30/4

Fin (Exp A)

(Previously seen in Finance at pp. 8-10 above)

The draft note for the Cabinet based on the orders in circulation on pages 14-15 above may be perused and the case ~~[illegible]~~ passed on to the Chief Secretary.

30/4/49

30/4/49

30/4 5/4/49 C.S. C.S.

L.A. no. 19020/49-1A
30/4/49
with L.F. C.M. 5251 B2/48

SENIOR ASSISTANT SECRETARY FINANCE
28625
30 APR 1949
RA.
GOVERNMENT OF MADRAS

Fin. u.o. 28625/ExpA/49-1
30.4.49

The file may be circulated to H.M. (Edn) for approval of the draft note for the Cabinet

2/5/49

21-23 cf

H. M. (Edn)

3/5

4 - MAY 1949

Please see the order of the Cabinet on page ~~13~~ of the c.f. The Cabinet wants ~~to~~ the question to be examined whether the Govt. can bear the liability if they were to pay subsidies up to a maximum of 24 pies in the rupee towards the proceeds of education tax realised by District Boards, the Boards being permitted to levy education tax up to a maximum of 36 pies in the rupee.

2. The Ele. Edn. Act passed in 1920 imposed a maximum limit (25 per cent. of the main tax) ~~on~~ as the rate of education tax to be levied by local bodies. This maximum was removed in 1941 and the rate of education tax is now determined with reference to the needs of the Ele. Edn. Fund. Before 1941 the Govt. were paying contributions to local bodies equivalent to the proceeds of the education tax realised by them. After the Act was amended in 1941 the Govt. withdrew themselves from the liability to pay a contribution in respect of the taxation levied after 1941. Thus District Boards are receiving contributions based on the rates of education tax levied prior to 1941. This was at the rate of 4½ pies in the case of some district boards. In the case of district boards where the rates were less than 4½ pies the Govt. decided in 1943 to sanction contributions in these cases in respect of the edn. tax up to 3¾ pies. Thus contributions from Provincial funds in respect of education tax are calculated at the rate of 4½ pies in the case of certain district boards and 3¾ pies in the case of other district boards.

C

3. If subsidies towards education tax up to a maximum of 24 pies in the rupee are to be paid, all district boards will become eligible for addl. contributions from Provincial funds. The extra contribution that will become payable to each district board is indicated in column 8 of the statement below. The total liability to Govt. will be Rs.88 lakhs immediately and Rs.116** lakhs ultimately.

The question whether the Govt. can bear this liability will have to be examined in the Finance Department.

~~4. The contributions in respect of education tax up to~~

A 31-33 cf

A

88
28
116

**some Dt. Boards are levying edn. tax at less than 24 pies

~~24 pies are paid~~. The Ele. Edn. Fund of almost all district boards work at a deficit. The deficits anticipated at the end of 1949-50 are indicated in the column 9 of the statement. (31-33 C) The addl. contribution from Provincial funds if subsidies up to a maximum of 24 pies are paid, will cover the deficit in as many as 16 cases@ and there may be a large surplus in the Ele. Edn. Fund Account in some cases.

@ Vizagapatam
Tiruchirappalli
Tinnevelly
Tanjore
Ramnad
Nellore
Madura
Kurnool
Anantapur
South Arcot
Bellary
Coimbatore
East Godavari
West Godavari
Guntur
Krishna

5. In the case of district boards noted in the margin*** the addl. contribution from Govt. will cover only a portion of the deficit in the Ele. Edn. Fund Acct. To meet the remaining deficit the rate of education tax will have to be raised up to 36 pies sooner or later.

*** North Arcot
Chingleput
Cuddapah.

6. In the case of following $ district boards, the deficits anticipated in the E.E.Fund account cannot completely be met even if the rate of edn. tax is raised to 36 pies and a contribution is made from Provincial funds up to 24 pies. The deficit in these cases is due to the fact that the boards have been put to a considerable addl. expenditure on dearness allowance. It appears* the Govt. will have to pay a subsidy towards the deficit that might still remain in the E.E.Fund Account.

$ Name of Dt. Bd.	Deficit
	Rs.
Chittoor	1,28,000
S.Kanara	1,27,000
Malabar	6,40,000
Nilgiris	50,000
Salem	2,00,000
	11,45,000

*indicated in the margin.

7. L.A. and Finance may see for remarks.

14.6.49

14/6/49

S

14/6 | L.A. / Fin

LOCAL ADMINISTRATION DEPARTMENT
25985
15 JUN 1949
SECRETARIAT, MADRAS

E&P.H.O.. 115/1483/49-
15.6.49.

L. A. Dept

It will be less costly (with [illegible] file C.NO/5.25133/49) to Govt to pay grants equivalent to the deficits in the Ely Edn Fds of dt bds which may remain even after the edn cess is levied at the conventional maximum rate of 3 annas in the rupee; than to give grants equivalent to proceeds of 24 pies cess. | A

Further the grant of Govt contribn equivalent to ~~24~~ the proceeds of 24 pies cess will place surplus funds every year at the disposal of certain dt bds eg Coimbatore Rs 3.89 lakhs, Tanjore Rs 4.1 lakhs, East Godavari Rs 3.6 lakhs, Krishna Rs 3 lakhs, Madura Rs 2 lakhs, Nellore Rs 3 lakhs and Ramnad Rs 4 lakhs. etc. So, this dept may recommend that the proposal at A on pp ~~18-19~~ 34-35 above may be adopted.

15.6.49

15/6/49

Secy
Fin.

L.A. U.O. 25985/49-1A
15.6.49.

ASSISTANT SECRETARY TO GOVERNMENT
39399
16 JUN 1949
EA
FINANCE DEPARTMENT

Finance (Exp.A) Deptt.

(Previously seen in Finance on pp.8-10 and 16 above).

The note for the Cabinet on pp.~~5-7~~ 21-23 C.F., its ~~revision~~ decision on p.~~13~~ 29 C.F. and the notes from page ~~17~~ 33 above may be perused.

B | The proposal of L.A. at A on pp.~~18-19~~ 34-35 above may be accepted. According to this proposal and the statement at ~~flag (Z)~~*, nine out of twenty four Dt. Boards will be in need of subsidies from the Government to meet the deficits in their Elementary

*N.Arcot
Chingleput
Chittoor
Cuddapah
W.Godavari
S.Kanara
Malabar
The Nilgiris
Salem.

17.6.49

17.6.49

(31-33 C)

~~20~~ 36/

Elementary Education Fund Budgets, even after raising the rate of ~~the~~ education tax ~~cess~~ to the proposed maximum of ~~Rs.~~36 pies in the rupee. According to the elementary education Fund budgets of these District Boards for the year 1949-50, the total subsidy will work out to about Rs.33 lakhs, against Rs.88 lakhs immediately and Rs.116 lakhs ultimately if ~~the~~ Government undertake to subsidize up to a maximum of ~~Rs.~~24 pies in the Rupee. The current year's Budget provides for Rs.16 lakhs only for the grant of these subsidies. By the adoption of even the restricted proposal of L.A., it will be necessary to ~~more than~~ double this provision, if the actuals work up to Budget anticipations. This will be a recurring feature and so far as the current year is concerned, it will add to the revenue deficit which according to the Budget Estimate is nearly Rs.4 crores already.

p.(10) pp.31-33 cf

A m p 33

K

(under 37 l. A I (i) in p 238 of the Budget for 1949-50)

It may be noted in this connection that the Govt. have recently decided to relieve ~~the~~ local bodies of their responsibility to meet 50 % of the cost of P.W.R. road works executed in the current year and to finance the entire cost ~~especially~~ from Provincial and Central block grants on a 50 :50 basis. In view of this, some of the Dt. Boards may be in a position to contribute more to Elementary Education funds from their general revenues than allowed for at present. E & P.H. may take action separately on this point while determining the deficits in the Elementary Education Funds to be made good by Provincial subsidies.

A

17.6.49

B
16.6

17.6.49

Fin. u.o. 39399/Exp.A-1
17.6.49.
(with L.F.)

46462
20.6.49

The subsidies payable may be determined with reference to conditions as they may be after the local boards have raised the cess to 3 annas in the rupee & the question has been examined as to what additional expenditure local boards can afford to incur on education with ref. to A above 19.6.49 E&PH.

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(60) 37/ ~~21~~ E&P.H.

pp.21-23 cf

The question of the rates at which District Boards should levy education cess was placed before the Cabinet at its meeting held on the 3rd June 1949. The points raised for orders are given in paragraph 10 of the note for the Cabinet on page ~~7~~ 23 c.f. The order of the Cabinet was as follows:-

p29 cf

> "It was resolved that no final decision should be taken on the points raised in the note pending a thorough examination of the question whether Government can bear the liability, if they were to pay subsidies upto a maximum of 24 pies in the rupee, but that local boards may be permitted to increase the education tax upto a maximum of 36 pies in the rupee".

The point raised by the Cabinet has been examined in the notes on pages ~~17-20~~ 33-36 ante. The total liability to Govt., if subsidies towards education tax upto a maximum of 24 pies in the rupee are paid, will be Rs.88 lakhs immediately and Rs.116 lakhs ultimately. The L.A.Dept. consider that it will be less cost to Govt. to pay grants equivalent to the deficits in the Ele. Edn. Funds of Dt. Bds. which may remain even after the education cess is levied at the conventional maximum rate of 36 pies in the rupee. In this case the addl. cost to Govt. will work out to about Rs.33 lakhs. The Finance Dept. point out that the Govt. have recently decided to relieve local bodies of the responsibility to meet 50 per cent. of the cost of post-war reconstruction road works executed in the current year, and to finance the entire cost from Provincial and Central block grants on 50 : 50 basis and that in view of this some of the Dt. Bds. may be in a position to contribute more to Ele. Edn. Funds from their general revenues than allowed for at present. That Dept. suggest that the subsidies payable may be determined with reference to the conditions as they may be after the local bodies have raised the edn. cess to 3 annas in the rupee and the question has been examined as to what addl. expenditure local bodies can afford to incur on Ele. Edn. with ref. to 'A' above.

p33 ante

pp34-35 ante

p36 ante

A

The file may be circulated for orders.

BM
21/6/49
S

The intention of the orders of Cabinet that Govt. subsidy may be raised to the maximum of 24 pies in the rupee provided the Boards increase their cess to 36 pies is apparently to encourage the Boards to raise the tax to the maximum proposed. In the event of their failure to do so the Government would be under no obligation to increase its grant to the maximum indicated. There may be some Boards which by their diversion of savings arising from the recent orders regarding road works may be able to (~~divert savings to the elementary education fund and~~) to avoid raising the educational cess to the maximum prescribed. In that case Government will not be bound to increase its grant and the financial commitments may be much less than 33 lakhs now envisaged as against 16 lakhs now paid. It would not therefore be very extravagant to act on the decision of the Cabinet. If this is agreed to a note, will be submitted for the next meeting of the Cabinet. X

L 21/6

H.M.(E.&.L.)
H.M.(L.A.)
H.M.(Fin)

I am afraid the Cabinet resolution has been misunderstood & the wording of it is responsible for it to some extent. The cabinet never contemplated of giving a maximum of 24 pies in the rupee in every case. What was contemplated was this:— Under the Elementary Education Act 1920

SECRETARY, EDN. AND P.H. DEPT. 28 JUN 1949 GOVERNMENT OF MADRAS

~~10~~ 22/6

Sec.37, the Govt. are bound to contribute a sum not less than the proceeds of the taxation levied under Sec.34 of the Act. The proposal of the Cabinet is that whatever may be the taxation by the Local Board, the Govt. contribution shall not be more than 24 pies per rupee and this applies only to compulsory areas, i.e., even if a Local Board raises its tax up to 36 pies, the contribution from the Govt. shall only be 24 pies. This does not mean that in every case the Govt. will have to pay 24 pies for there are Local Boards who have levied ~~tax~~ tax less than 24 pies. I don't think from this point of view the additional expenditure will be 88 lakhs. There is no question of raising the subsidy to 24 pies in the rupee provided their cess is increased to 36 pies. The Govt. contribution under the old section 37 of the Ele. Education Act, will not be more than 24 pies. That is all what the Cabinet meant. I don't think, worked on that basis, the expenditure will be 88 lakhs. immediately and 116 lakhs ultimately. I would like to know the amount of grant under Sec.37 of the Elementary Education Act that is being paid to the Municipalities and Local Boards, as the question of equal contribution arises only in places where compulsory education is in force. Contribution under Sec.37 of the Act in the budget will be subject to the amendment of Sec.37 by Act XV of 1941. It was pointed out to me in the Assembly when I moved for the re-enactment of the amending Act of 1941 permanently, that even if the amendment is dropped, the additional expenditure to Government will not be more than 20 lakhs. Please verify these figures and prepare a note for the Cabinet.

11-33

C

A

Z

KM
23/6

SECRETARY, EDN. AND P.H. DEPT. 23 JUN 1949 GOVERNMENT OF MADRAS

~~ROUTINE.~~

In the office note on pages ~~17-19~~ 33-34 and ~~21-22~~ 37-38 the Cabinet decision has been taken to be that the Govt. will pay contribution to Dt.Bds. towards the proceeds of education tax up to a maximum of 24 pies in the rupee. Of course the contributio will be paid only with refce. to the actual rate of education tax. If it is less than 24 pies the contribution will be only in respect of the rate at which tax is actually levied. The addl. cost of Rs. 88 lakhs immediate and Rs. 116 lakhs ultimate has been worked out on this basis. At present a no. of Dt.Bds are levying education tax at rates higher than those (but at 24 pies and less) in respect of which contribution is now paid. In these cases, if the Cabinet's decision is implemented, contribution has to be paid at the actual rates of education tax at 24 pies and less. The immediate cost on this account will be Rs. 88 lakhs. Again if these Dt.Bds. which levy tax at less than 24 pies in the rupee raise the rate ~~by~~ to 24 pies, addl. contribution has to be paid in respect of this increase. This will come to about Rs. 28* lakhs. Thus the ultimate cost will be Rs. 116 (88 + 28) - for details please see the statt. put up at ~~flag (Z).~~ pp 31-32 B

	Rs. in lakhs.
*1. South Arcot.	2.52
2. Bellary	1.47
3. E. Godavari	1.33
4. Guntur	1.32
5. Kistna	2.07
6. Kurnool	.89
7. Mathurai	1.30
8. Nellore	.51
9. The Nilgiris	.06
10. Ramnad	2.30
11. Tanjore	9.24
12. Tirunelveli	1.50
13. Tiruchirapalli	1.80
14. Visakhapatnam	2.30
Total.	28.61 or 28 lakhs.

2. Compulsory elementary education has been introduced in portions of all Dt.Bds areas. According to section 34 of the Madras Elementary Education Act the Ml. Cl. may, ~~take~~ with the previous sanction of Govt., or shall if so directed by Govt., to levy education tax. It is not necessary that the local body should have introduced compulsory elementary education within its area before it levies education tax. In fact almost all ml. cls. levy education tax but compulsory elementary educatio has to be introduced only in 27 municipalities.

p39 and 41 3. The figure of Rs. 20 lakhs referred to in H.M's. minute is ~~not correct~~ out of date. Perhaps this is based on ~~some other figures~~ ~~at~~ the old rates at which the tax were levied by Dt.Bds. & Munpl Councils ~~had not been increased so far~~. In recent ~~orders~~ years the rates of tax had been increased considerably in all Dt.Bd. areas.

4. In this connection it has ~~been~~ to be pointed out that in the

p20

Ex

the case of Ml.Cls. contribution towards the proceeds of education tax is ~~levie~~d calculated with refce. to the rates ~~fixed~~ in force in 1940-41 or at ~~1/3rd~~ 1 1/3 p.c. of rental property, whichever is higher. Most of the Ml.Cls. have raised the rates of education tax, ~~as~~ but the contribution payable has not been increased since 1941. The elementary edn. ~~tax~~ fund of most of the ml.cls. are work~~ed~~ing at deficit, mainly because of ~~the raising of~~ the revision of the scales of pay for teachers and of the payment of dearness allce. If ~~no~~ a concession in regard to the education tax ~~fund~~ is shown to Dt.Bds., before ~~levying~~ long, a similar concession will have to be shown to Ml.Cls. also.

BM 25/6/49 S

What are the figures at A and X of H.M's note

28/6

"A" in H.M's note

The contribution actually paid in 1947-48 was Rs 33.60 lakhs. The provision made in the current year's budget for the purpose is Rs 34.74 lakhs.

X in H.M's note

Presumably H.M refers to the figure ~~refd~~ mentioned in the speech of the M.L.A. Sri T. Visvanatham, on pages 6-7 of linked file. The sum of Rs 20 lakhs has reference to Ml. cls and even there it is ~~not~~ known how far the figure is correct.

BM 29/6/49 S

28/6/49.

A

The present position is that Government contributes at 4½ or 3¾ pies in the rupee of land revenue in respect of education tax levied by District Boards. This rate was prevalent before 1941 (of the Collr from 1943). In respect of municipalities, Govt. contributes at 1 1/3 per cent ⓧ of the annual value of properties. The resulting commitment is Rs 34 (34.74) lakhs in the current year. In addition to this, Government pays ad hoc grants as detailed below:

ⓧ or at the rate in force in 1940-41 whichever is higher.

		Rs	
(a)	Subsidies for schools opened before the Ely. Edn. Act was brought into force. (Statutory grants under the proviso to section 37 of the Ely. Edn. Act)	27.70	lakhs
(b)	Subsidies to local bodies for elementary schools opened after the Act came into force. (Teaching grants)	35.23	"
	Subsidies for expansion of elementary education in selected dists.	5.72	"
	Subsidies for dearness allowance	16.00	"
	Grants for buildings, equipment etc.	6.95	"
	Subsidies for compulsory education and basic education.	51.07	"
		* 142.67	"

*Of this Rs 27.70 lakhs is statutory and 114.97 lakhs non-statutory.

116.00
34.74 } 62.44 statutory grant
27.70
178.44

If the intention is that Government should give at a flat rate of 24 pies to all district boards and stop paying non statutory grants, the total commitment to Government will be 116 lakhs which is a lakh in excess of the total commitment now. B, p. 41 above

Diff. 1 lakh

142.67
34.74
177.41
− 25.53 (½ of 51.07)
151.88

C

K

I have already stated that ad hoc grants serve a useful purpose as they are related to specific purposes which are capable of being definitely enforced. It does not therefore seem advisable that for purposes of uniformity and for complying with the statutory position before 1941 we should revert to a system of paying 24 pies in the rupee. It would be much better if the Boards are directed to raise their taxes to the conventional maximum of 36 pies. If after this they are not able to meet their commitments, Government may compensate by ad hoc grants for specific purposes.

Same as that referred to by finance of A and B on H. 34-35 above

H.M.(E.&L.)

29/6

P.T.O

(Boards)

A

EA C.No. 11514 B 3

There is another way of looking at the discharge of our responsibility under section 37. The total amount collected by all ~~district boards~~ local bodies at present is 150 lakhs. Our total contribution is equal to ~~1.77~~ 177 lakhs. Deducting 27 lakhs which is statutory payment, our total contribution comes to 150 lakhs which is exactly equal to the tax now raised by the Boards + Municipalities. Of course, the Act says that the contribution applies to each district but our contribution equalises not with the district but with the provincial total of taxation.

This point is mentioned only for purposes of argument.

C p. 43

D 27.70
34.74
62.44

177
62
115

H.M. (Edn.)

29/6

A note may be prepared for the Cabinet as suggested & the Levy at page ~~21~~ 38. N7

0.0. 9
~~30/6/49~~

SECRETARIAT, EDN. AND P.H. DEPT.
4 JUL 1949
GOVERNMENT OF MADRAS

1/7

The draft below is for appl. ~~for orders as to circulation~~. L.A. and Finance may see before circn.

4.7.49.

3/7/49 S

8/7 9/7

LA

ASSISTANT SECRETARY TO GOVERNMENT
9 JUL 1949
45484 A
FINANCE DEPARTMENT

LAD

E.A.P. 11514 B3/49-5 Exp A

8.7.49

Seen
8/7/49 Fin

9/7

LOCAL ADMINISTRATION DEPARTMENT
29512
JUL 1949
SECRETARIAT, MADRAS

WS

Finance (Exp.A) Deptt.

(Finance saw last on pp. ~~19-20~~ 35-36 above).

This file deals with the question of the rates at which District Boards should levy education cess.

2. The resources now available with district boards for expenditure on elementary education comprise the following:-

(i) proceeds of education cess;

(ii) Government contributions under section 37 of the Madras Elementary Education Act, 1920;

(iii) Government subsidies for payment of dearness allowance to teachers;

(iv) contributions from the General Funds of District Boards; and

(v) special subsidies from Government for compulsory elementary education, etc.

para. 3, p.21 CF

The question of revision of the rates of education cess has arisen with a view to reduce, if not altogether to do away with, the subsidies towards dearness allowance referred to in item (iii) above.

A

3. The note explaining the ~~position~~ proposal regarding "Levy of education tax by District Boards" on pp. ~~5-7~~ 21-23 C.F. was consid ed by the Cabinet on the 3rd June 1949. The points raised for orders were:

para. 10, p.23 CF

(i) whether the proposal of the Cabinet that "Education cess collected by district boards should go to a central pool, the rate of tax being uniform throughout the Province and the proceeds being distributed to district boards on an equitable basis on a consideration of their needs" may be dropped;

(ii) whether the existing system of levy of the cess by district boards at varying rates may be continued;

X Col (2) in the SH

pp 31-33

(iii) whether a conventional maximum of taxation, namely, 36 pies in the rupee of land revenue, may be adopted, imposing that maximum in any case only to the extent necessary on a consideration of the actual needs of the particular district board; and whether, in cases where even the proceeds of the maximum tax are not sufficient to meet the expenditure

46

subsidies may be given by Government to cover the deficits; and

(iv) whether the existing special subsidies for compulsory elementary education, expansion schemes, etc., and statutory contributions under the Elementary Education Act, may be continued in all cases as before.

Cf. items (a) to (f) on p. 43 above

The cabinet passed the following order:-

It was resolved that no final decision should be taken on the points raised pending a thorough examination of the question whether Government can bear the liability, if they were to pay subsidies upto a maximum of 24 pies in the rupee, but that Local Boards may be permitted to increase the education tax upto a maximum of 36 pies in the rupee.

p. 29 cf

4. The minute of H.M. (Education) on pp. ~~22-23~~ 38-39 above which explains the intention of the above order in Cabinet and the subsequent notes of E & P.H. may be perused. The figures mentioned in the note on page ~~27~~ 43 above call for the following remarks:-

Portion K on p. ~~27~~ 43 above: The total commitment now by way of non-statutory grants is given as Rs.114.97 lakhs. It has to be noted that 50% of the subsidies for compulsory elementary education and basic education is 50% of item (f) on p. ~~27~~ 43 above (Rs. 51.07 lakhs) is recoverable from the Central block grant for postwar development schemes. The present net ~~commencement~~ commitment allowing for this recovery is ~~is therefore~~ only Rs.89.44 lakhs. By adopting a flat rate of 24 pies, the increase in commitments will be about Rs.26 lakhs and not one lakh as worked out by E & P.H.

114.97
– 25.53
89.44

51.07
2
= 25.53

116
90
26

13.7.

Portion D on p. ~~28~~ 44 above: The total amount collected by District Boards as education tax at existing rates is Rs.116.80 lakhs-vide col.(3) on p. ~~2~~ 33 of ~~the statement at flag(Z)~~.

x p. 44 above

The sum of Rs.150 lakhs referred to by E & P.H. is apparently the total of the taxes collected by both District Boards and muncipalities. The statutory payment of Rs.27 lakhs deducted refers to the payment made under the proviso to Sec.37 of the Madras Elementary Education Act 1920. The sum of Rs.34.74 lakhs payable under Sec.37 of the Act itself has also to be taken into account. If this is done, the Govt. grant will amount to Rs.115 lakhs as compared with the total tax of Rs.150 lakhs

Cf. M on p. 48 above

27.70
34.74
62.44

177
62
115

34

~~34~~ 47

realized by the local bodies and will not be equal as observed by E & P.H.

5. In the light of the foregoing remarks, the draft note for the Cabinet may be amplified as indicated in pencil.

B
13.7.49

13.7.49

A

The system of ad-hoc grants ensures that in respect of compulsory education & basic education 50% of the grants is met from the Eg.d block grant. This advantage will be lost if we ourselves prescribe contribution upto 24 pies in the rupee. This may be brought out in the draft.

The file ~~started~~ was started with the idea of reducing the cost to Govt on account of grants given to meet deficits & dearness allowance. In the present financial position it is inadvisable to adopt a course which might result in an extra expenditure of about 88 lakhs

13.7.49

E+P.H.

Fin. u.o. 4548/A-A/Exp.A-1
13.7.49.

ASSISTANT SECRETARY TO GOVT.
14 JUL 1949

E. & P. H. (B2)

With ref. to 'X' in the Finance Dept.'s note on p.13 46 ante it is submitted that the sum of Rs.150 lakhs worked out as income from education tax has been arrived at after taking into account the addl. proceeds ~~xxxxx~~ (x) from education tax if Govt. were to contribute up to 24 pies in the case of District Boards which levy

(x) if the rate is raised to 24 pies

48

tax at less than 24 pies. The sum of Rs.115 lakhs referred to in the Finance Dept. note is exclusive of the contribution of Rs.34.74 lakhs at present made in respect of education tax. If this is included the total contribution will come to Rs.150 lakhs ~~and~~ will ~~now~~ nearly be equal to the proceeds of education tax that will be realised by district boards and municipal councils.

2. The pencil additions made in the draft note by the Finance Dept. may be accepted. The note has been retyped. Chief Secy may ~~for Orders as to~~ See circulation.

14.7.49

NM 14/7/49

S 16/7

CS

14/7

The file may be circulated to H.M.(Edn) for appl. of the note. 9/7

14/7/49

NM 14/7/49 S

16/7

H.M.(E&L):

~~The draft may be~~

I am afraid the position is not clear. All the Dist. & Local boards are not levying Edl. Tax at 24 pies. Some are less & some more.

(1) What is the total contribution now under Sec 37 of the act.

(2) What will be the ultimate contribution if the Govt fix their maximum at 24 pies under Sec 37.

(3) Is not the figure at X on page ~~20~~ 46 viz 26 lakhs our ultimate commitment if 2 above is accepted for

---

56

49/39

Education tax is levied under the provisions of Section 34 of the Ele. Edn. Act. The authorities competent to levy the tax are District Boards, Municipal Councils and Corporation of Madras. District Boards levy the tax as a surcharge on land cess. Land cess is collected at 24 pies in the rupee of land revenue. Though education tax is levied as a surcharge on land cess to conform to the ~~Land Revenue Act~~ language of the Act the rate is generally determined as so many pies in the rupee of land revenue. Rates at which education tax is levied by the several district boards are given in column 2 of the statement ~~at 'Z'~~. It will be seen therefrom that 10 district boards levy the tax at 24 pies or above while the remaining 14 district boards levy the tax at less than 24 pies. In the municipal areas and in the City of Madras Education tax is levied as a surcharge on property tax. Some municipal councils levy education tax as surcharge on profession tax also.

ff 31-33 cf

2. The contribution made from provincial funds in respect of education tax is more or less a fixed figure. The provision made in the current year's budget is Rs.34.74 lakhs. This is in respect of district boards and municipal councils and the Corporation of Madras.

3. The ultimate liability to Govt, if they were to pay contributions ~~and~~ to district boards in respect of education tax up to 24 pies will be Rs.116 lakhs.

4. The figure of Rs.26 lakhs worked out by the Finance Dept. is on the assumption that the Govt. would withdraw all non-statutory subsidies from provincial funds for elementary education, if they were to make ~~to~~ contributions in respect of education tax up to 24 pies.

14/7/49

NM 14/7/49 S

15/7

H.M.(E&L)

P.T.O.

~~59~~

As I had my doubts about the correctness of the figures I got it verified and worked up by the Finance Dept; they have given Tabular statements of all calculations permutations and combinations which are at ~~B.T.C.~~ pp. 35 & 36 f. Even on the existing rate if we are to make equal contribution, the addl amount will come to 88 lakhs & if all local bodies levy at 24 pies it will come to 117 lakhs and so with our present resources [I do not think we can increase our commitments by a crore of Rs even though it may be for Education. At the same time we cannot stop the subsidies & dearness allowance &c which we are giving now. If the Mlties & local Boards would agree to our giving up the subsidies d.A &c we can repeal the amending act & agree to 24 pies. That they will not agree is certain. So I would suggest a via media that we will restrict our liability to 12 pies in the Re instead of 24 as originally suggested - 12 pies being the maximum the Govt having the right to give any amount from 1941 level upto 12 pies according to the necessity & resources of each local Body. Our immediate addl commitments then will be less than 40 lakhs, ~~even~~ & ultimate liability about 50 lakhs. And that amount we will have to spend so that local bodies may open addl schools.

The cabinet ~~note~~ ~~may~~ be amended on the above lines. The Secy may scrutinise

117
88
29

2 AUG 194

57

~~51~~

What I have stated above & finance may be a part of the necessary.

2/8

With reference to H.M.'s orders on p. ~~34~~ 50 ante a revised statement is put up on pp. ~~5-11(2)~~ 37-43 f. It will be seen that the additional net cost to Govt. by way of contribution up to 12 pies to Dt. Bds. will be Rs.45 lakhs. This will be the ultimate liability. The Govt. need not make the full additional contribution to certain Dt. Bds., like Coimbatore, Kistna, Nellore, Ramnad, Tanjore, as the deficit in their cases, after taking into account the expenditure on d.a., is less than the additional contribution admissible in respect of tax at 12 pies.

A

2. H.M. has minuted that the Govt. cannot stop the subsidies paid for d.a. It, therefore, follows that the intention of H.M.Is, that the subsidies for d.a. should be paid so long as local bodies are under an obligation to grant d.a. to teachers. It is presumed that the Cabinet has already accepted that the education tax should be raised to the conventional maximum of 36 pies where the tax is levied at less than this rate.

3. The question now arises as to what procedure should be followed in determining the additional contribution under the Act and the subsidies to be paid for d.a. The following two courses are open:-

B

(1) First raise the rate of education tax up to 36 pies or to such rates as may be necessary to wipe off the deficit in the E.E.Acct. Subject to a max of 36. If there is a deficit even after raising the tax up to 36 pies it should be

met by an addl. contribution up to 12 pies. If there is still a deficit then subsidies should be paid from Provincial funds towards it, the subsidy not exceeding expenditure on d.a. ;

or (2) Give first a subsidy to cover the entire expenditure on d.a. If there is still a deficit, an addl. contribution up to 12 pies may be sanctioned. If even after payment of an addl. contribution upto 12 pies, it is found, there is a deficit, the question of raising the rate of education tax up to 36 pies may be considered.

Under (1) above, the subsidies and contribution that may be become payable will be much less than those under (2) above. Compare columns (6) and (7) on pages ~~9-11~~ 41-43 of (Z) 50.

4. The observations of H.M. on page ~~34~~ ante, are intended to meet to a certain extent, the objections raised in the legislature to the permanent re-enactment of the Amendment Act of 1941 which enabled the Govt. to withdraw from the liability to make contributions in respect of taxation levied after 1941. The suggestion to increase the contribution up to 12 pies will apply only to Dt. Bds. The question of Ml.Cls. will have to be examined though Municipal finances are better in relation to the position of Dt. Bds; a good number of municipal councils are in need of help from provincial funds. The question whether a suitable enhancement of contribution may not be made in the case of Ml.Cls. also will be raised separately. The addl. contributions to Municipal Councils may not be much. It can be met from the addl. appropriation to be sanctioned for Dt. Bds.

5. The file may first be sent to L.A. and Finance for remarks as to which alternative suggested in sub-para (1) and (2) of para 3 above should be adopted~~, before circulation~~. Under alternative (1) the addl. liability to Govt. will be only Rs.32 lakhs ⊗ while under alternative (2) the extra cost is Rs.75 # lakhs. Alternative (2) will be advantageous to local bodies in the sense that they can utilise the addl. income from edn. tax if raised to 36 pies on the expansion of elementary education, while this concession will be denied to them under alternative (1)

⊗ including the subsidy of Rs 21.96 lakhs for d.a.

including the subsidy of Rs 68 lakhs for d.a.

SS.
6-8-49.

PA
6/8/49

6/8

LA
Fin

Edn. 11514 B2/49-6
6.8.49.

6.8.49

Recd at 5.20 PM

34917

L.A.D

This dept may recommend the adoption of alternative (1) in para 3 on pp ~~35-36~~ 51-52 above, subject to the modification that where a dt bd has a deficit in its Ely Edn Fund (due to expansion of Ely Edn or ~~otherwise~~ other reasons) even after all the measures mentioned in that alternative are taken, Govt should make addl grants to the extent of the deficit, such grants, ~~being limited~~ (together with the ~~equivat~~ grant equal to ~~12 pies~~

the proceeds of 12 pies Edn cess) not exceeding the proceeds ~~ex~~ of ~~24~~ 24 pies Edn cess for the present.

2. The case of mnpties does not call for any change in the existing system of grants for Ely Edn, as the financial position of general mnpties is sound and ~~in the~~ as the existing grants for dearness allowance will suffice in the case of other mnpties.

6/8/49

LA. No 34912-18
10.8.49

10/8

6/10/8

10/8

ASSISTANT SECRETARY TO GOVERNMENT
52237
10 AUG 1949
FINANCE DEPARTMENT
11/8/49 6:05 PM

Finance (Exp.-A) Deptt.

(Previous Finance note at pp.29-31 above).

On the subject of the levy of education cess by District Boards, the decision of the Cabinet on 3-6-49 was as follows:--

> "It was resolved that no final decision should be taken on the points raised in the note pending a thorough examination of the question whether Govt. can bear the liability, if they were to pay subsidies upto a maximum of 24 pies in the rupee, but that Local Boards may be permitted to increase the education tax upto a maximum of 36 pies in the rupee."

p29 CF

11.33 f

2. It was computed that the extra subsidy (over and above what ϕ is now paid on the basis of 4½ or 3¾ pies) which the Govt. would have to pay if the limit is raised to 24 pies would be as follows:--

ϕ This is 230.49 lakhs

11.33 f

(a) Rs.88.60 lakhs p.a. immediately, i.e., on the basis that ~~of~~ such of the District Boards as are now levying education cess at less than 24 pies would continue to levy at the lower rates;

(b) Rs.117.20 lakhs p.a. ultimately, i.e., on the basis that such of the District Boards as are levying less than 24 pies would raise the cess to that figure in due course.

88.60
28.60 add.
117.20

In his minute dated 2nd August 1949, H.M.(E & L) has observed as follows:--

p50 above

> "I do not think we can increase our commitments by a crore of rupees even though it may be for Education. At the same time we cannot stop the subsidies and dearness allowance &c. which we are giving now. If the Municipalities & Local Boards would agree to our giving up the subsidies, dearness allowance &c., we can repeal the amending act and agree to 24 pies. That they will not agree is certain. So I would suggest a via media that we will restrict our liability to 12 pies in the rupee instead of 24 pies as originally suggested--12 pies being the maximum, the Govt. having the right to give any amount from 1941 α level upto 12 pies according to the necessity and resources of each local body. Our immediate additional commitment then will be less than 40 lakhs, and ultimate liability about 50 lakhs. And that amount we will have to spend so that local bodies may open additional schools."

α 4½ pies or 3¾ pies

3. With reference to the minute of H.M.(E & L), the E & P.H. Deptt. have suggested the following two alternative courses and have invited the remarks of L.A. and Fin. as to which alternative may be adopted.

Para 3
pp 51-52 above

(i) First, raise the rate of education tax upto 36 pies or to such rates as may be necessa wipe off the deficit in the E.E. Account subject to a maximum of 3 annas. If there is a deficit even after raising the tax upto 36 pies, it should be met by an additional contribution upto 12 pies. If there is still a deficit then subsidies should be paid from Provincial funds towards it, the subsidy not exceeding expenditure on dearness allowance;

or (ii) Give first a subsidy to cover the ⊗ entire expenditure on d.a. If there is still a deficit, an additional contribution upto 12 pies may be sanctioned. If even after payment of an additional contribution upto 12 pies, it is found there is a deficit, the question of raising the rate of education tax upto 36 pies may be considered.

pp 37-43

⊗ The intention as seen from the Statement - ~~pp 9-11 of~~ ② - Copied of E & P.H is that where the deficit in the E.E. Fund is less than the amount of exp. re. on d.a. the subsidy is to be limited to the extent of the deficit only.

The L.A. Deptt. recommend the adoption of alternative (i) subject to the modification that where a district board has a deficit in its E.E. Fund (due to expansion of elementary education or other reasons) even after all the measures mentioned in that alternative are taken, Govt. should make additional grants to the extent of the deficit, such grants (together with the grant equal to the proceeds of 12 pies education cess) not exceeding the proceeds of 24 pies education cess for the present. They consider that no change is called for in the existing system of grants for elementary education in the case of municipalities.

pp 59 - Statement A

4. If the status quo is continued (i.e., if Govt. continue to pay subsidy towards the cost of dearness allowance for teachers subject to the amount being limited to the actual deficit in the Elementary Education Fund and if no change is made in the existing basis for the levy of education cess, etc.) the Govt.'s liability will, under the existing conditions come to Rs. 68.10 lakhs. If the first alternative now suggested by the E & P.H. is adopted, this liability will be reduced to Rs. 32 lakhs, para 5 of 52 above while under the second alternative, it will be increased to Rs. 75.29 lakhs. As previously stated by the Finance Secretary, the file started with the idea of reducing the cost to Govt. on

pp 41-43

✓. This is worked out from the figures at ~~pp 9-11 of~~ ② and does not of course take into account future expansion schemes. p(4) above

account of grants given to meet the deficit in the Elementary Education Funds due to the payment of dearness allowance. In view of this and of the present need to lighten the burden on the Provincial Exchequer, this Department may suggest that the first alternative be adopted.

23.8.49

As regards the modification suggested by L.A. to the first alternative, it may be mentioned that the adoption of that alternative as formulated by E & P.H. would not leave any deficit in the Elementary Education Funds of the District Boards except in the case of Malabar and the Nilgiris. In these two cases, the resulting deficits would be small as indicated below:--

(1)	Present deficit in the Elementary Education Fund. (2) Rs. lakhs.	Additional revenue from education cess if raised to 36 pies. (3) Rs. lakhs.	Additional contribution due to the enhancement of the cess limit upto 12 pies. (4) Rs. lakhs.	Subsidy towards d.a. (5) Rs. lakhs.	Net deficit after allowing for (3) to (5) (6) Rs. lakhs.
Malabar	11.55	1.26	1.36	8.40	.53
			11.02		
The Nilgiris	.88	.18	.08	.50	.12
			.76		

The modification suggested by the L.A. Deptt. seeks to make the Govt. liable to pay, as and when District Boards undertake schemes of expansion of elementary education, further grants upto 24 pies of the Education cess instead of upto 12 pies. The difference in the amount of additional subsidy on the 12 pies basis and on the 24 pies basis works out to Rs. 72 lakhs. The modification proposed by L.A. ~~which~~ will thus commit the Govt. to a large additional liability and can hardly be accepted.

24 pies — 117.20
12 pies — 45.33

I agree. HM (Edn.) himself has ordered that the contribution on the basis of cess collected will be subject to a max. of 12 pies. The subsidies on account of D.A. etc. are to continue.

23.8.49

pto.

56/

5. This Deptt. may agree with L.A. that no change in the existing system of grants for municipalities is called for.

23 Sep

23.8.49.

S/ E&P.H. (B3)

para 2
23.8.49.

Fin U.O. 52237 EA1
23 8 49

Please see the notes of L.A and Finance on pp 37-42 ante. The draft note for the cabinet already put up has been suitably revised. Chief Secretary may see it before circulation.

26/8/49 S

25-8-49

25/8/49

9

C.S.

Finance may please confirm that the statement to be attached to the note is correct

A on page 4 of note - what is the ~~additional~~ expenditure in excess of ~~that?~~ now paid as subsidy to D.A.

1/9 / Fin

E&P.H. U.O. 115/H 23/49-7
1.9.49.

Fin (Exp A)

(Last Finance note on pp 39-42 above)

The figures in the statement appended to the draft note for the Cabinet with reference to alternatives I and II proposed by E&P.H. have been independently compiled and checked ~~- see p 13 of the papers at (Z)~~ the file may be returned to E&P.H. on the points A...

p 69 draft

ASSISTANT SECRETARY TO GOVERNMENT
57328
1 - SEP 1949
FINANCE DEPARTMENT

1/9 5:30 PM

LA A
29.8.49 29/9/49

p 45

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(61) 59/

The orders as embodied in the draft Cabinet note are not clear. According to the proposals as finally formulated by E&P.H. the practical issue is which of the two alternatives mentioned in para 8 of the Cabinet note should be adopted. E&P.H. may consider whether para 11 of the note may not be amended as indicated in pencil. The other modifications suggested in pencil may also be made. The point A on p. ~~37~~ 47 above may be inserted at p.3 of the draft as indicated with reference to E&P.H.'s suggestion

3.9.49

S/ 3.9.49 E&P.H.

Fin 57328 EA1
3.9.49

8 - SEP 1949

The draft note has been retyped embodying the alterations suggested by Fin. Chief Secretary may see before circulation.

6/9/49 S

6.9.49

CS

I have discussed the draft note with H.M. It will be necessary to amend para 8 to convey more clearly H.M.'s intention which is that we should --

(1) not touch the D.A. contribution now given;

(2) that we should contribute up to 12 pies to the extent of the deficit in all Boards;

(3) that the Boards may be permitted but not compelled to raise the education tax up to 36 pies.

Office will indicate the amount payable as subsidy up to 12 pies to cover existing deficits

9/9

Secretary has ordered that the claims of municipalities for additional contribution in respect of education tax should be examined on the lines ~~indicated~~ proposed ~~in regard to~~ for Dt. Bds. and that the draft note for the Cabinet ~~may~~ be amplified incorporating this suggestion. C1 section is preparing a statement containing particulars of education tax levied by each Mty., the contribution paid from provincial funds towards the proceeds of edn tax etc. The point raised by secretary will be ~~considered when~~ examined after the statement ~~is~~ becomes ready. This may therefore lie over till the statement is ~~ready~~. prepared

15/9/49

14.9.49.

14/9/49

With ref. to the note of the Secretary on p.43 ante it is submitted that the position is briefly thus:-

The intention of the Govt. is to continue the subsidies for dearness allowance, ~~and~~ the deficit in the case of many district boards can be wiped out. Only a few district boards stand in need of addl. funds to ~~wipe off~~ avoid that portion of the deficit not covered by the subsidy for d.a. In these cases ~~the~~ addl. contribution in respect of education tax will have to be paid. Even in these cases the addl. contribution payable will not be the entire contribution upto 12 pies but only a portion of it, as the amount to be paid is to be limited to the deficit anticipated. It will be seen from the statement below that only Rs.7.19 lakhs need be ~~made~~ paid as addl. contribution in respect of education tax, against the contribution of Rs.45 lakhs admissible as the payment has to be limited to the actual deficit in the E.E. fund account.

147 g

A

2. The Secretary has ordered that in the case of municipal~~ities~~ councils also a similar contribution should be made available. ~~to them also~~. The levy of education tax in municipal areas is a little bit complicated as the levy is intimately connected with the levy of property tax

by the municipal councils. Property tax is levied as so many percent of property rentals. Education tax is leviable under the Ele. Edn. Act as a percentage of the property tax. In ~~effect~~ practice the rate of education tax is also calculated as so many per cent of property rentals. The L.A. Dept. ~~have~~ prescribed certain conventional maximum to regulate the levy of property and edn. taxes by municipal councils. These maxima have already been exceeded in many cases on account of the necessity to raise the rates of property and education taxes in municipal areas to provide addl. funds in respect of the administration. The question now for consideration is whether a revised conventional maximum may not be prescribed to regulate the levy of property and education taxes in municipal areas. Perhaps the maximum rate of taxation (both property and education taxes) may be fixed at 30 % of the property rentals. Of this 25 % may be the maximum rate of property tax and 5 % ~~in~~ the maximum rate of education tax. The Govt. contribution in respect of education tax in municipal areas is as present limited to 1½ of the property rentals or at the rate at which the tax was levied before 1941, if this rate ~~is~~ was over 1½ %. Perhaps the addl. contribution in respect of education tax may be fixed at 2½% of the property rentals. For orders whether these conventional maxima in respect of rate of education tax and in respect of contribution payable from provincial funds in respect of education tax may be adopted.

3. A statement containing particulars ~~in~~ of income from education tax, the deficit in the E.E.Fund account and the expenditure incurred on d.a. by municipal councils is placed below. It will be seen therefrom that in the case of most municipal councils if a subsidy for d.a. is paid, the deficit in the E.E.Fund can be wiped out. There is no need to pay an addl. contribution in respect of education tax ~~is~~ nor is there

(M)

(M)

⊗ 179

62

any need to raise the rate of education tax. In the case of a few municipal~~ities~~ Councils addl. contribution may be made available in respect of education tax at the rate of 2½% of the property rentals as indicated above.

4. Information in regard to all municipal councils is not readily available. Information so far available has been collected and included in the statement below. ~~Inxthe~~ Further information in regard to other municipal councils is being collected. From the information so far available it will be seen that the extra liability in respect of addl. contribution in respect of education tax on the basis of 2½% may ~~be worked~~ work out to Rs. 6.40 lakhs The immediate liability will be only Rs. 40000 in view of ~~In view of~~ the fact that the actual contribution payable is to be limited to the deficit in the E.E. Fund account.

On the basis of these figures the total liability for ~~these~~ all municipal councils ~~is~~ may be Rs. seven lakhs.

5. For orders whether the proposals made above may be accepted. If so, the draft note for the Cabinet will have to be revised. L.A. and Finance may see for remarks.

(M) remarked.

+ after deducting [illegible] for Govt subsidy towards D.A

26/9/49

27/9/49

With reference to my note at page ~~48~~ 59, the draft note to the Cabinet may be amended as below:

"H.M. (E.& L.) is definitely of the opinion that the Cabinet Resolution is to make Government's contribution up to 24 pies, reduced by H.M. to 12 pies in the rupee, independent of the existing payments on account of D.A. This is to secure firstly that District Boards have the finances necessary for expansion of education and secondly that Government honours to the extent its finances now permit its obligation under the Elementary Education Act.)

" Under the Elementary Education Act (Section 37) Government was under an obligation to pay an amount

✓ p.29 CF.

A

63 63 ~~47.~~

equal to the Education tax. Since 1941, this obligati has been suspended, the contribution from Government being limited to the amount paid in 1941. When the Amendment, giving the Government power to limit its co tribution in this manner, was re-enacted last year, an assurance was given that the Government would discharg its obligations to the extent possible. It is now considered that contribution by Government up to 12 pi with a liberty to District Boards to levy Education-ta up to 36 pies, is the least that Government can do consistently with their commitments. This will invol an expenditure in the subsidy payable by Government of seven lakhs immediately and 45 lakhs ultimately, in ca all Dt. Boards increase their expenditure and Governme is called upon in all cases to pay up to 12 pies. It is for orders if Government may agree to the ultimately commitmen of 45 lakhs contribution in order to cover the deficit of district boards after paying them the existing subsidy for Dearness Allowance." [amounting to 68.10 lakhs]

A

XXX

2. In respect of Municipalities it is necessary that as far as possible the same principle in respect of subsidies under the Elementary Education Act should be followed. The position however is complicated, as the Education Tax is assessed as a percentage of th property tax. The question was separately raised whether the total of the Education and House Tax shoul not be limited. At present the conventional maximum is as at 'M' at 23% of the rentals. In actual fact, the conventional maximum had been exceeded. For the current year it was agreed in circulation that no increases which would make the aggregate of the tax i excess of 25% should be allowed.

remand for [illegible]

p.57, F. 2957/52. 23.9.49

(H)

There are therefore three questions:-

(1) whether we should accept 25% as the conventio maximum for the total of House and Education tax;

P.T.

64

(2) if so, should there be a separate conventional maximum for Education-tax and what should be its limit; and

(3) what should be the proportion of the Government contribution to the Education tax.

A

In respect of question (1), the increase of the maximum from 23 to 25% could hardly be justified with reference to the shortage of houses and the desirability to encourage fresh constructions. It appears oppressive that 1/4th income should be taken as tax from a particular class in respect of ~~xxx~~ amenities which are available to the general public. The Income-tax Dept. allows only 16% on account of municipal taxation on the presumption that this is the maximum payable. It would therefore appear that there is little justification for increasing on the existing maximum of 23%.

B

In respect of the second question, it would appear that the total of 23% may be split into two maxima - 18% for house-tax and 5% for education-tax.

C

In respect of question (3), it appears that the liability of Government may be limited to half the Education tax according to the deficits in the Budgets of the Municipalities concerned. This will involve Govt. in an increased expenditure of 7 lakhs. ~~This increase would be justified from the figures given at p. 15 c.f.~~ At present the proportion of Government grants to the total expenditure has fallen from the level in 1939-40 from 44% to 38%, while the proportion of Education-tax has risen from 20% to 32%. The increase of 7 lakhs will bring Government share to the total expenditure to 52%, an increase of 8% over the figure in 1939-40.

cf para: 4 p. 62 above

L.A. and Finance may see.

28/9

L.A.
Finance

Recd at 5 P.M
on 29/9/49

Ele. No. 11514 B 2/49 - 8
28. 9. 49

[Previous L A notes on pp ~~37-38~~ 53-54 above
35]

The notes from p ~~39~~ above may be perused. This dept may agree with the views expressed by Secy E & PH at pages ~~46-47~~ 62-64 above subject to the following remarks:-

~~(1) Whatever alternative~~

(1) Whichever alternative proposal is adopted, the Ely Edn funds of the following two dt bds will ~~close~~ work at deficits noted against each:-

deficit (in lakhs of Rs)
Malabar dt bd 0·53
Nilgiri dt bd 0·12

p. 57 above
& p 7 of draft note for Cabinet

This may be considered later on - cf p 7 of the draft note for the Cabinet.

This dept may suggest that in these cases, the actual deficit should be wiped off by special addl grants from Provincial funds.

(2) The total rate of ~~pt~~ property tax and edn tax in mpties may be raised upto 25% per annum on property rentals in special cases where a water supply or drainage scheme for the town ~~has been~~ is about to be taken up for execution and where even ~~aft~~ if the rate is raised up to the above percentage, Govt have to give a grant exceeding 50% of the capital cost of the scheme. The total rate exceeds 25% now in a few cases.

Nagapattinam
27%.

30.9.49

Secy

ASSISTANT SECRETARY TO GOVERNMENT
64680
5 - OCT 1949
42909
FINANCE DEPARTMENT

L.A.W.O 42909 - L.D
5.X.49.

Fin. (Expre.A).

(Last seen in Finance on pp. ~~42-43~~ 58-59 above).

The file deals with the question of the revision of the rates at which Dt. Bds. levy education tax and the contribution made by the Govt. under Sec. 37 of the Madras Elementary Edn. Act, 1920. This was taken up for consideration with a view to reducing, if not altogether doing away with, the subsidies that are now being paid by the Govt. to Dt. Bds. towards the cost of dearness allowance paid by them to their teaching staff in elementary schools. See A on p 45 abv

2. The proposals of ~~the~~ E.& P.H., as agreed to by L.A. and this Deptt., are embodied in the draft note for the Cabinet which is placed below.

The remarks of the Secy., E.& P.H. on page ~~43~~ 59 above and the subsequent notes may be perused. It is proposed to modify the draft note for the Cabinet in regard to two points: See E & P.H. Secy's note on pp. 62-64 above

(1) Amplification of the draft note ~~regarding~~ indicating the ~~point on which orders of the Cabinet are required in respect of Govt.~~ obligation of the Govt. to increase the rate of contribution to Dt. Bds. towards education tax; and A, p. 63 above

(ii) Adoption, as far as possible, of the same principle to be adopted for giving contribution to Dt. Bds. in the case of Municipalities also. para: 2 on top pp 63-64 above.

3. Item (i) in para 2 above. It is presumed that para ~~11~~ 8 of the draft note for the Cabinet which states ~~the~~ two points for orders of the Cabinet will be amplified by incorporating in it portion A of the E.& P.H. Secy.'s remarks on pp. ~~46-47~~ 62-63 above. In effect, it amounts to recommending the adoption of the alternative (2) ~~in para 8 of the draft note~~ in this para for approval by the Cabinet. The financial effect and the view of this Deptt. are ~~as stated~~ given in paras 9 and 10 of the draft note. of K p. 59 above

68 dup

pp. 4-5 of the note below

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(5)

papers not put up

4. It will be observed that by adopting the recommendation of E.& P.H., the Govt. will be put to an additional recurring expenditure of about Rs.45 lakhs p.a. ~~The~~ ultimately and Rs. 7 lakhs immediately. The present financial position of the Govt. requires economy in all possible directions. The Govt. of India have already reduced the P.W.R. grant for the current year from Rs.5 crores to Rs.4 crores and have informed us that no grant can be relied upon for 1950-51. This Govt. are now faced with the problem of continuing the P.W.R. schemes already started with diminished help from the Govt. of India in 1949-50 and no help in 1950-51 and no loan at all from India in 1949-50. There is therefore no guarantee that we will be able to grant subsidy even on the existing basis in several cases, especially from 1950-51. This Deptt. may therefore advice that while there is no objection to para ~~11~~ 8 of the draft note for the Cabinet being amplified as proposed, the present financial position as stated above, may also be ~~embodied at the end of~~ indicated by amplifying sub para 1 in para 10 of the draft note for the Cabinet.

para 2, p 54 above

5. Item (ii) in para 2 above. This point was already considered. L.A. observed that the case of Municipalities does not call for any change in the existing system of grants for Elementary Education, as the financial position of several municipalities are sound and as the existing grants for dearness allowance will suffice in the case of other municipalities. This Deptt. agreed with this view of L.A. Secy., E.& P.H., has proposed that in respect of municipalities, it is necessary that, as far as possible, the same principle, as in the case of Dt. Bds., in respect of subsidies under the Elementary Education Act should be followed. His remarks from xxx on pp. ~~47-48~~ 63-64 above and also on pp. 53-55 and 57 of G.O. 2957 Edn. d. 23-9-49 may be perused.

top of p 58 above.

para: 2, p. 63 above

(H)

As the municipalities do not stand in need of ~~either~~ immediate help, ~~or help~~ to the same extent as the Dt. Bds., and in view of the present financial position

P.T.O.

p 67 above

referred to in para 4 above, this Deptt. may advise that the proposal in regard to municipalities may be dropped for the present.

6. If, however, E.& P.H. press their proposal, the following remarks are called for: The points raised by the Secy., E.& P.H., for consideration are:

pp 63-64 above

(1) whether we should accept 25% as the conventional maximum for the total of House and Education Tax;

(2) if so, should there be a separate conventional maximum for Education Tax and what should be its limit; and

(3) what should be the proportion of the Govt. contribution to the Education Tax.

A on p 64 above

p 65 above

Item (1) above. E.& P.H. Secy. considers that there is little justification for increasing the existing maximum of 23%. L.A. while agreeing with E.& P.H. consider that the total rate of property tax and education tax in municipalities may be raised up to 25% p.a. on property rentals, in special cases, where a water supply or drainage scheme for the town is about to be taken up for execution and where even if the rate is raised up to the above percentage, the Govt. have to give a grant exceeding 50% of the Capital cost of the scheme. The present conventional maximum rate is 24% and not 23% - please see N on page 50 of G.O. 2957 Edn. d. 23-9-49. Although the conventional rate is 24%, the rates adopted by some municipalities are in excess of this rate — c.f. col. (6) of the statements on pp. 3-6, at flag(M). It is presumed that these rates will be allowed to continue. This Deptt. may perhaps suggest that 25% may be adopted as the maximum conventional rate in all cases. ~~This~~ It seems that this convention need not, however, stand in the way of levying tax at a rate higher than 25%, if the concerned municipality is willing to do so without any ~~contribution~~ Contribution from the Govt. in order to meet large capital expenditure on schemes like water supply and drainage schemes.

(H) removed for

removed for another file

B on p 64 above

Item (2) above. Adopting 23%, it is proposed that it may be split up into two maxima - 18% for housetax and 5% for education tax. If 25% suggested by this Deptt. is accepted, house tax may be 20% and education tax 5%. From col.(5) of the statements on pp.3-6, flag (M), it is observed that several municipalities are levying tax at a rate less than 5%. They will have first to raise the tax to 5% before Govt. can give any addl. grant. Municipalities levying tax at a rate higher than 5% may be allowed to continue the higher rate.

removed for another file

C on p 64 above

Item (3) above. It is proposed that the liability of Govt. may be limited to half the Education tax, i.e. 2½%, according to the deficits in the Budgets of the municipalities concerned. The present rate of Govt. contribution is generally 1-1/3% - c.f. Col.(7) of the statements at flag (M). Apparently, it is the intention that this rate should be raised to 2½%, ~~wherever~~ if necessary, so as to give additional grant to meet a deficit in the Elementary Edn. Fund of the Municipality concerned.

removed for another file

N

Before taking orders regarding the question affecting municipalities, E.& P.H. may be requested to prepare a statement showing:

(1) the deficit anticipated in the Budgets of all municipalities for the year 1949-50;

(2) the amount of Govt. subsidy to which they are eligible on account of the grant of dearness allowance to teachers in the elementary schools under their control;

(3) the amount of education tax realised at existing rates;

(4) the amount of additional education tax which will be realised by adopting the maximum rate of 5%;

(5) the amount of Govt. contribution now made at existing rates;

(6) the amount of additional Govt. contribution to be made at the maximum rate of 2½%;

(7) the municipalities which will be in need of addl. Govt. contribution, not exceeding 2½%, after taking credit for items (2) to (4) above in order to wipe off their deficits completely, and the cost involved.

The financial position of the Govt. is precarious for the reasons given in para 4 on p. ~~57~~ 67 above & I would earnestly ask E&P.H. not to attempt to increase Govt's liability in respect of municipalities. There is no reason why Govt's help to municipalities which are generally speaking comparatively well-off shd be on the same scale as their help to Dt. Boards.

As regards the first point mentioned in para 3 on p. ~~50~~ 66 above the facts mentioned in para 4 on p. ~~57~~ 67 shd be embodied in the note with the Fin Dept's view that with resources so curtailed the immediate need is more to reduce commitments all round & that even the adoption of alternative (1) ~~as~~ in para 8 on p. 4 of the draft would put an undue strain on Govt resources & that this strain will be beyond our ability to bear in 49-50 and in 50-51.

12. x. 49. E&P.H.

25th. Edn Dept

Fin 64680 Exp A-1
12. 10. 49

79070
13 OCT 1949

Submitted for orders with reference to X above. The draft note for the Cabinet will be amplified after a decision in regard to Municipalities is arrived at.

Ord
14/10/49

14.10.49

H.M. may kindly see the noting from the middle on page ~~46~~ 62. Finance Department insists that alternative (1) should also be considered by the Cabinet.

They are not quite correct in maintaining that this alternative will put an undue strain on Government resources as, in fact, it will reduce the amount paid now by Rs. 35.82 lakhs, as the District Boards themselves will be receiving a new income of 45.54 lakhs by raising their tax to 36 pies.

Though under the Act and according to the statement made in the Legislature last year we are committed to make our contribution equal to or nearly equal to the Education Tax, we cannot be considered to have failed in this obligation if the total of our contribution is considered, which is in the amount of 178@ lakhs (110.32 plus 68.10 lakhs) as against the contribution by the District Boards of 161 lakhs (116.80 plus 44.35 lakhs). It is legally possible for us to argue on this basis. It is also possible for us to argue that the Education Tax permits of increases, in view of the fact ~~thatx~~

(1) that it is applied for education of the classes from whom it is raised, i.e. cultivators and their children;

(2) that this class is, comparatively with other classes, in a favoured position, as the rents payable by them have not increased proportionately with the prices obtained for their produce.

On the other hand, if Government contributes from its General funds to Education, it will be diverting taxes raised from other persons and sources for the benefit of a ~~special~~ class, ~~(which is/the cultivators and their children)~~ By the ordinary canons of taxation, those who benefit should pay before other parties are taxed.

The question of relief to the Municipalities was also considered. The Finance Deptt. press earnestly that no increase in the Government contribution should be undertaken in the ~~Kharif~~ current year on the

110.32
68.10
23.49
201.91

@ Excludes contribution of Rs. 23.49 lakhs in respect of education tax at existing rates. Including this the total is Rs. 202 lakhs.

170

72

ground that the Municipalities are relatively well off. The Municipalities are well off because we have been allowing the house tax to ~~give~~ rise to almost unconscionable limits - in some cases above 25% of the annual rentals. This tax on householders has to be considered with reference to the following financial canons:-

(1) Equity:- The householders are not the only persons benefited by the educational activities of the Municipalities and should not therefore be asked to bear the entire burden of Education. In this connection it may be noted that while the rate of taxation has constantly increased, the income of house-owners has been limited by Rent Control Orders and reduced by the high cost of repairs and constructions.

(2) Ease in collections:- It is noteworthy that most Municipalities are not collecting the full tax imposed, being largely in arrears.

(3) Consequential effects:- The high rate of taxation on house property is preventing the construction of new houses and the repairs of old ones, thus accentuating the housing problem and enabling unscrupulous house-owners to collect ~~the~~ black market rents. In the circumstances, the proposal to limit the conventional maximum to 23% for the total tax including 5% for Education Tax deserves to be considered. If Government contribution is equal to half the Education Tax, the additional commitment will only be 7 lakhs which is much less than the amount saved from the reduced contribution to District Boards. // If H.M. considers that the financial position is very stringent, we may defer both proposals for the current year, meeting any objections which may be taken in the Legislature

42/17/x

reference file

SECRETARY, EDN. AND P.H. DEPT. 22 OCT 194 GOVERNMENT OF MADRAS

SECRETARY, EDN. AND P.H. DEPT. 21 NOV 194 GOVERNMENT OF MADRAS

SECRETARY, EDN. AND P.H. DEPT. 16 JAN 195 GOVERNMENT OF MADRAS

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69 71

on the ground indicated ~~above.~~ at page 58 A

11.11 (S+L)

/20 17/x

S.I.A.S. Please speak to me on 24th. I am afraid I have not made myself clear or I have yet not understood things properly.

KM
23/10

The matter may go before the Cabinet with the cabinet note as prepared. But it has to be amplified with reference to the question raised in the file below as both are interconnected. The question of resolves & revolves on the permanent enactment of the Amendment to the Act. This must be ready for consideration by the Cabinet on the 28th as this is connected with the budget.

KM
14/11

Please see the orders in circulation above. The draft note for the cabinet has been amplified suitably. It may be sent to L.A and Finance for acceptance ~~before circulation~~. They may be ~~treated~~ requested to the file as specially urgent.

16.1.50. 16/1/50.

18/1/50

LA
Fin

A revised note, in concise form, which H.M approves may be seen. H.M desires that the note should be considered by the Cabinet on 28th.

/ 19/1

L.A.
Fin

Speed

Exp. H.U.O. 115/4 B2/49-9
19.1.50.

L.A.D

The draft note for the Cabinet may be perused.
19.1.50 Secy

(With the linked file C. No. 4109432/

2519
Asst. Secretary to Government, Local Administration Dept.
D
19 JAN 1950

F
20/1/50

dr. Seated

20/1

~~Fin.~~
Fin (Exp A).

(Previous Finance note on pp 50-~~54~~ 66-70 above).

L.A. U.O. 2519-10
20-1-50

~~The~~ further notes and orders in C.W. on pp ~~54-58~~ 70 to 72 above ~~may be perused~~ and the draft note for the Cabinet below ~~accepted~~ may be perused. It is presumed that the ~~draft note~~ file will be sent to the Chief Secretary ~~and for approval~~ before issue of the draft note. The case should also be C.ed to H.M (Fin) before the note for the Cabinet is issued - See Sectt. Instruction 27. (pp. 22 of the Book.)
21.1.50.

See Sectt. Instruction 29(3) on pp 22 & 23 of the Book.

4735
20 JAN 1950
Finance Department

*H.M (L.A) also should see.

20.1.50
The draft note for the Cabinet calls for no remarks so far the education tax levied by

BOX.

the District Board is concerned, i.e. paras. 1 to 7 of the note, except for the additions indicated in pencil which are for consideration and adoption by E.S.P.H.

2. As regards the tax levied by Municipalities dealt with in para. 8 of the draft note, attention is invited to the remarks of this Deptt. and of the Secretary on pp. 51-54 above. The financial commitment on account of the proposed revision of the education tax levied by municipalities has not been examined in detail as in the case of Dt. Boards and it is not therefore possible to verify whether the additional liability of Rs. 7 lakhs referred to at K on page 4 of the draft note is correct. E.S.P.H. may therefore be requested to prepare a statement furnishing details under the headings specified at N on page ~~53~~ 69 above and also to append a summarising statement to the draft note, as in the case of the Dt. Boards, showing the existing position and the proposed revision leading to the estimated additional liability of Rs. 7 lakhs per annum.

21.1.50

Box

Finance may suggest that the question of levy of Education Tax by District Boards and the contribution payable to them by Govt. subject to a maximum of 12 pies may alone be considered now and that so far as municipal councils are concerned, the question may be dealt with separately after a detailed examination is done. In fact, the heading on p.1 of the draft note for the Cabinet below also refers only to District Boards. Without a fuller examination of the question in its applicability to Municipal Councils, as also the details and the extent of the financial implications involved, it will be premature to place the

76

EA

question before the Cabinet at its next meeting on 28-1-1950.

CAb
23.1.50

I agree with ADS.

23-1-50

E&P.H.

Very Special

May agree to delete, as proposed by Finance, the proposal regarding Municipalities (para 8). The rest of the note may be approved for consideration of Cabinet on 28/1

Finance 4735 EA-1
23.1.50
Time 1.15 PM

23/1

32
23/1

H.M (E & L)

H.M (Fin)

I am afraid the Finance has not understood ~~the matter~~ that the matter is not one for Education Tax for Dt Bds but amendment to the Elementary Education Act which applies both to Mlties & Dt Bds. If it cannot be taken for Dt Bds alone & Mlties must remain [illegible]. This is not a question as to what should be the tax.

23/1

20.1

SECRETARIAT, EDN AND P.H. DEPT.
28 JAN 1950
GOVERNMENT OF MADRAS

ADDITIONAL DEPUTY SECRETARY
5284
23 JAN 1950
FINANCE DEPARTMENT

Finance may see before the file is sent to Cabinet secy.

E&P.H. 11514 B2/49

Fin 28/1/50

(with the Section file 41094/49)

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10 77

74-76

Finance (Exp.-A) Deptt.

(Previous Finance note on pp.58-60 above).

Further notes of E.P.H. and the orders in circulation on p.60 above may be perused. HM (Fin) has approved the proposal that Municipalities also may be considered. It may, however, be noted that no details are available as to how the extra cost of ~~elementary education~~ Rs. 7 lakhs in respect of Municipalities has been arrived at. (With reference to the minute of H.M.(E & L.) on p.~~60~~ 76 above, it is very respectfully submitted that it is not as if Finance had not fully understood that the matter was one of amendment to the Elementary Education Act which applies both to Municipalities and Local Boards; but Finance was only anxious that before undertaking the necessary legislation affecting Municipalities also, the financial implications of the proposal~~s~~ in regard to Municipalities should also be worked out and examined in greater detail, compiling figures under the headings specified at 'N' on p.~~58~~ 61 above. The intention of Finance was that legislation in regard to Municipalities may be taken up ~~later~~ separately after details are settled).

It is presumed that E&P.H. will furnish sufficient material to HM (E&L) as to how the figure has been arrived at in case the question is raised by the Cabinet
24.1.50.

cf. para: 2 on p. 75 above.

24.1.50.

24.1.50

ADS

I explained the above position to H.M.(Fin.) yesterday before he agreed to the proposal of H.M. (E & L.). This morning I discussed the whole question with the Superintendent E.P.H. He said that though it would be helpful if a statement as appended to the draft note in the case of District Boards, is also put up for Municipal Councils, it was not possible for them to do so before 28th (when the subject ~~has~~ is to be considered by the Cabinet) for want of time. He, however, stated that the immediate liability in regard to Municipal Councils will be only about Rs. 1 lakh and that the potential increase in liability will be about Rs. 7 lakhs. E.P.H. may kindly make this clear in the

(less than)

pto.

2

78

draft note, to give a correct picture to the Cabinet.

24.1.50

E.P.H.

E&P. H.U.O. Dept.

The note has been added to with refce to ½ on p 77 note. The file may be sent to the Chief Secy for ~~formal~~ approval.

24/1/50

OSM 24/1/50

S 24/1

C.S. 24/1

Fin no 5284 EA-1
24.1.50

SECRETARY, EDN. AND [illegible] DEPT.
24 JAN 1950
GOVERNMENT OF MADRAS

H 4953 y

E.P.H.

Copies of the note for the cabinet have already been despatched to all the Ministers, Chief Secretary, ~~Finance~~ Finance Secretary and P.S.G. 5 copies of the note are placed below. The file may be sent to Public U.O.

OSM 25/1/50 Public

25.1.50 25/1

E&P. H.U.O. 115/4 B2/49-12
25.1.50.

Please see the cabinet decision on p ~~25~~ 57 C. to (with the linked file C. No. 41094/49) A copy of ~~the~~ the decision will be ~~incorporated~~ added to in the file regarding the amendment of the E. Act and action will be taken in that file to amend the Act so as to give effect to the decision of the cabinet. In the circumstances no further action is called for in this file. The papers may be recorded.

OSM 13/2/50

10.2.50 10/2

no notice of docket. pb

G.O. 461 E&P d/14-2.50

Tax

E&P. - Levy of Edn. Cess - Govt. contribution - Rates ~~Tax~~ to note the decision re Municipal cess

13/2/50
14/2/50