

Government of India  
Ministry of Finance  
Department of Revenue

**RAJYA SABHA**  
**STARRED QUESTION NO. \*173**  
ANSWERED ON 19/12/2023

**ELIMINATION OF CESS AND SURCHARGE ON INDIRECT AND DIRECT TAXES**

\*173 SMT. SULATA DEO:

Will the Minister of Finance be pleased to state:

- (a) whether Government will consider eliminating cess and surcharge on the customs duty, excise duty and direct taxes in a phased manner;
- (b) whether Government will take steps to make cess and surcharges part of the divisible pool, if continued beyond a specified period by amendment to the Constitution; and
- (c) if not, the reasons therefor?

**ANSWER**

**MINISTER OF FINANCE**  
**(SMT. NIRMALA SITHARAMAN)**

- (a) to (c):** A statement is placed on the Table of the House.

**STATEMENT REFERRED TO IN REPLY TO RAJYA SABHA STARRED QUESTION NO. \*173 DUE FOR ANSWER ON 19<sup>TH</sup> DECEMBER, 2023 RAISED BY SMT SULATA DEO REGARDING “ELIMINATION OF CESS AND SURCHARGE ON INDIRECT AND DIRECT TAXES”.**

(a) There is no such proposal under consideration for eliminating cess and surcharges on the custom duty, excise duty and direct taxes in a phase manner.

(b) & (c) : As per provision under Article 270 of the Constitution of India, all taxes and duties referred to in the Union List, except the duties and taxes, surcharge on taxes and duties and any cess levied for specific purposes under any law made by Parliament shall be levied and collected by the Government of India and shall be distributed between the Union and the State. The aforesaid Constitutional provision forms the basis for cess collection and utilization by Union Government and they are not part of the divisible pool.

Further, the 14<sup>th</sup> FC report mentions that constitutionally, it is not possible to include cess and surcharges in the divisible pool, as under Article 270, taxes referred to in Article 268 and 269 - surcharges on taxes and duties and cesses levied for specific purposes - should not form part of the divisible pool.

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