

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE**

DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA

STARRED QUESTION NO. 160

TO BE ANSWERED ON FRIDAY 27th JULY, 2018

[5 Shravana, 1940 (SAKA)]

‘Federal Fiscal Relations’

No. *160, SHRI N. K. PREMACHANDRAN:

Will the MINISTER OF FINANCE be pleased to state:

- a) whether the Union Government proposes to continue the federal fiscal relation in India;
- b) if so, the action taken to strengthen the federal fiscal relation between the Union and the States;
- c) the details of the action taken by the Union Government taking into consideration the economy of Kerala and State finance for finalizing the terms of reference of the Finance Commission;
- d) whether the Union Government proposes for sharing divisible pool among the States considering the speciality of each State and the demands of the States and if so, the details thereof; and
- e) whether the Union Government proposes to extend Grant-in-aid to the local bodies directly, if so, the details thereof and the reasons therefor along with the views submitted by the State of Kerala in this regard?

ANSWER

FINANCE MINISTER

(SHRI PIYUSH GOYAL)

A statement is placed on the Table of the House.

Statement referred to in reply to part (a) to (e) of Lok Sabha Starred Question No. *160 for answer on July, 27 2018 raised by SHRI N. K. PREMACHANDRAN:

(a) Yes.

(b) Federal Fiscal relations in India are deeply embedded in two major institutions – Finance Commission and Goods & Services Tax (GST) Council. As Constitution required, the Union Government has constituted Fifteenth Finance Commission in pursuance of clause (1) of the article 280 of the Constitution, read with the provisions of the Finance Commission (Miscellaneous Provisions) Act, 1951 (33 of 1951), vide Presidential Order S.O.3755(E), dated 27th November, 2017. The Finance Commission is required to provide their recommendations by October, 2019.

(c) Government of India sought views / inputs from all the states for finalising the ‘Terms of References’ for the Fifteenth Finance Commission. The Ministry of Finance examined the inputs received from various States. The Terms of References of the Fifteenth Finance Commission provide for it to review the current status of the finance, deficit, debt levels, cash balances and fiscal discipline efforts of the Union and the States, and recommend a fiscal consolidation roadmap for sound fiscal management.

(d) It is the duty of the Finance Commission under Article 280(3) (a) of the Constitution of India to make recommendations to the President as to the distribution between the Union and States of net proceeds of taxes which are to be, or may be, divided between them under this Chapter and allocation between the States of the respective shares of such proceeds. The recommendations made by the Fifteenth Finance Commission together with an explanatory memorandum as to the action taken thereon will be laid before each House of Parliament as per Article 281 of the Constitution of India.

(e) Presently, Grant-in-aid to the local bodies is transferred to the concerned States as recommended by the 14th Finance Commission. Recommendations of the 14th Finance Commission on Grant-in-aid to the local bodies have been inter-alia accepted by the Union Government are applicable for the period from 2015-16 to 2019-20.
