

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA

UNSTARRED QUESTION NO. 2013

TO BE ANSWERED ON MONDAY 19th DECEMBER, 2022

[AGRAHAYANA 28, 1944 (Saka)]

'REVENUES THROUGH CESSES AND SURCHARGES'

No.2013. Dr. Pon Gautham Sigamani:

Will the Minister of FINANCE be pleased to state:

- (a) whether several States have urged the Centre to rein in its reliance on raising revenue through cesses and surcharges which reduce their share in the divisible pool of taxes and if so, the details thereof and the reaction of the Government thereto;
- (b) whether State Governments have sought greater fiscal support to help revive the economy and reiterated their demands for extending the Goods and Services Tax compensation period and if so, the details thereof and the reaction of the Government thereto;
- (c) whether the share of cesses and surcharges had grown from 10.4 per cent of gross tax revenue in 2011-12 to 26.7 per cent in 2021-22; and
- (d) if so, the details thereof and the reasons therefor?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI PANKAJ CHAUDHARY)

(a) States voice their views on the matter of levy of cesses and surcharges in various forums including in the Parliament. As per provisions laid 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 States. The aforesaid Constitutional provision forms the basis for cess collection and utilization for Union Government.

(b) Few States have requested for extension of payment of GST compensation beyond transition period of five years. As per Section 18 of the Constitution (One Hundred and First Amendment) Act, 2016, Parliament shall, by law, on the recommendation of the Goods and Services Tax Council, provide for compensation to the States for loss of revenue arising on account of implementation of the Goods and Services Tax for a period of five years. Accordingly, GST (Compensation to States) Act, 2017 had been enacted by Parliament. Central Government is committed for payment of GST compensation to States/UTs for five years as per Constitutional provisions.

(c) to (d) The share of cesses and surcharges was 8.16 per cent of gross tax revenue in 2011-12 and 28.08 per cent of gross tax revenue in 2021-22. A major reason is the imposition of GST Compensation Cess, which is entirely used for payment of compensation to States and flows to States as Grants-in-Aid, in their Receipts Budget. Resources from the other cesses are allocated to different schemes and programmes in the Union Budget, which are implemented by States and other implementing agencies.

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