

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE**

DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA

**UNSTARRED QUESTION NO. 455
TO BE ANSWERED ON MONDAY 05th February, 2024
[Magha 16, 1945 (Saka)]**

“Reduction in Central Assistance to Kerala”

No. 455 Adv. Dean Kuriakose

Will the Minister of Finance be pleased to state:

- (a) whether the Government is aware that the Finance Department of the Kerala Government has released a statement that there is a reduction to around Rs. 57,000 crores of central assistance in terms of tax revenues and central grants to schemes to the State of Kerala;
- (b) if so, the details thereof;
- (c) the reasons for this drastic reduction of central assistance of Rs. 57,000 crores to Kerala and the components of central assistance on which the reductions are reflected;
- (d) the reasons for not allowing GST compensation to the State Government of Kerala;
- (e) the reasons for the reduction in revenue deficit grants to Kerala; and
- (f) whether there is any change in guidelines for central assistance/revenue sharing to Kerala compared to other States and if so, the details thereof and the terms of reference?

ANSWER

**THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)**

(a) to (e) Central assistance to States is provided in the form of devolution of States Share in net proceeds of shareable taxes, Finance Commission (FC) Grants, GST Compensation etc. The assistance given to the State of Kerala in the last 3 years is given below:

(i) Devolution of States Share

The inter-se share of States in the Net Proceeds of shareable taxes of the Union is recommended by the Finance Commission in terms of Article 280 of the Constitution. The details of releases on account of devolution of shareable taxes and duties to State Government of Kerala, as per the accepted recommendations of Finance Commission for the last three years is given as under :

Financial Year	Rs. crore
2020-21	11560.40
2021-22	17820.09
2022-23	18260.68
2023-24 (Till January 2024)	15789.76

(ii) Finance Commission (FC) Grants:

The details of the grants including Post Devolution Revenue Deficit Grant released to Kerala Government during the period 2020-21 to 2023-24 is attached at **Annexure-I**. Reduction in the quantum of grants is inter-alia due to tapering off of Post Devolution Revenue Deficit Grant recommended by the 15th Finance Commission, non-utilization of grants released in the past years and non- receipt of recommendations of nodal Ministry due to non-fulfillment of eligible criteria by the State.

(iii) Grants provided over and above Finance Commission (FC) Grants:

Financial resources provided to the Kerala over and above the amount recommended by the 15th Finance Commission is placed at **Annexure-II**.

(iv) GST Compensation Cess.

As per section 18 of the Constitution (One Hundred and First Amendment) Act, 2016, compensation to the States for loss of revenue arising on account of implementation of the goods and services tax is payable for a period of five years. During transition period, the States' revenue is protected at 14% per annum over the base year revenue of 2015-16. Central Government is committed for payment of GST compensation to States/UTs for five years as per law enacted by the Parliament according to the Constitutional provision.

As per the provisions of section 7(2) of Goods and Services Tax (Compensation to States) Act, 2017, enacted by Parliament, the compensation payable to a State shall be provisionally calculated and released at the end of every two months period, and shall be finally calculated for every financial year after the receipt of final revenue figures, as audited by the Comptroller and Auditor General of India. Government of India has already released the entire amount of Rs. 28054 crore being the provisionally admissible GST compensation to Kerala for loss of revenue arising on account of implementation of Goods and Services Tax for five years i.e., from 1st July,2017 to 30th June, 2022. It is stated that AG Certificate for the period from 1st July 2017 to 31st March 2022 has been received from Accountant General, Kerala. As per the same, balance Compensation due to Kerala is Rs. 737.88 crore and its release is under process.

(f) No Sir.

Annexure-IStatement showing releases of grants to Kerala as recommended by 15th Finance Commission.

(Rs. Crore)

S. No	Components	15th Finance Commission award period			
		2020-21	2021-22	2022-23	2023-24 (upto 29-01-24)
1	Post Devolution Revenue Deficit Grant	15322.80	19891.00	13174.00	3957.50
2	Union Share of State Disaster Response Fund (SDRF)	314.00	251.20	264.00	138.80
3	Union Share of State Disaster Mitigation Fund	0.00	62.80	0.00	66.00
4	Urban Local Bodies Grants	784.00	336.00	604.00	348.81
5	Rural Local Bodies Grants	1628.00	1203.00	1246.00	630.00
6	Health Sector Grant	0.00	427.13	94.30	458.03
	Grand Total	18048.80	22171.13	15382.30	5599.14

Annexure-II

(Rs. in Crore)

S. No	Item	2020-21	2021-22	2022-23	2023-24 (Up to 30.01.2024)	Total
1	Assistance under the scheme ' Special Assistance to States for Capital Expenditure '	82	239	1,902	-	2,223
2	Additional borrowing for employer and employees' share contributed to New Pension Scheme	-	-	1,755	1,787	3,542
3	Benefit of additional borrowing on account of repayment of off-budget borrowings	-	3,322	201	-	3,523
4	Back to back loan to meet GST compensation shortfall	5,766	8,739	-	-	14,505
5	Additional Borrowings under Atam Nirbhar Bharat (i.e. 2% of GSDP)	18,087	-	-	-	18,087
6	Additional borrowing as a Special Dispensation on account of lower tax collection	-	-	-	-	1,471
	Grand Total	23,935	12,300	3,858	1,787	43,351
