

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF EXPENDITURE
LOK SABHA
UNSTARRED QUESTION NO. 1037
TO BE ANSWERED ON MONDAY, 10th FEBRUARY, 2025
21 MAGHA, 1946 (SAKA)

DEPENDENCY OF STATES ON CENTRAL TRANSFERS AND GRANTS

1037. **SHRI AMRINDER SINGH RAJA WARRING:**

PROF. SOUGATA RAY:

SHRI K SUDHAKARAN:

SHRI SAPTAGIRI SANKAR ULAKA:

ADV. ADOOR PRAKASH:

Will the Minister of FINANCE be pleased to state:

- (a) the reasons for the increasing dependence of States on Central transfers and Grants during the last decade;
- (b) the measures being taken by the Government to enhance the capacity of States to mobilise their own tax revenue, including improving efficiency in collections from stamp duty, registration fees, motor vehicle tax and other revenues;
- (c) whether the Government has assessed the declining ratio of States tax revenue to Gross State Domestic Product (GSDP) in several States such as Tamil Nadu, Kerala and Madhya Pradesh, if so, the steps being taken to reverse this trend; and
- (d) the steps being taken by the Government to improve Centre-State coordination on GST rates and to address the grievances raised by various States?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI PANKAJ CHAUDHARY)

- (a) The Union Government provides resources to States under Tax Devolution from divisible pool of Central taxes and duties and Grants-in-Aid including Finance Commission Grants and grants for Centrally Sponsored Schemes (CSS). The tax devolution to States has increased in the last decade primarily due to increase in the percentage of devolution from

32% in the 13th Finance Commission period to 42% in the 14th Finance Commission period. The 15th Finance Commission also maintained same level of devolution after adjusting 1% for Jammu and Kashmir. Transfer to States under Centrally Sponsored Schemes have also increased from Rs. 1,96,442 crore in 2014-15 to Rs. 4,44,547 crore in 2023-24.

(b) to (c) All States have enacted their Fiscal Responsibility and Budget Management (FRBM) Act. which makes the State Government responsible to ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit, reduction in fiscal deficit, prudent debt management consistent with fiscal sustainability, greater transparency in fiscal operations of the government. Compliance to the Fiscal Responsibility and Budget Management (FRBM) Act is monitored by the State Legislature. Department of Expenditure, Ministry of Finance generally follows the fiscal limits mandated by the accepted recommendations of the Finance Commission while exercising the powers to approve borrowings by States under Article 293 (3) of the Constitution of India.

(d) A Group of Ministers (GoM) on rate rationalization has been constituted by GST Council to simplify the GST rate structure, reduce classification related disputes, enhance GST revenue and recommend changes to GST rates. Grievances in respect of rate rationalization including those from states would be examined by the GoM. Further, the grievances received from states are examined by the Law Committee (in respect of GST act, rules etc.) and by Fitment Committee (in respect of GST rates, classification etc.) Both the committees are comprised of officers both from the Centre as well as States. System related grievances from states are examined by GSTN for resolution. In addition, any specific complaints/grievances from states are examined by the GST Council Secretariat, as and when received, for expeditious resolution.
