

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA
UN-STARRED QUESTION NO. 3723
TO BE ANSWERED ON MONDAY, THE 24th MARCH, 2025
CHAITRA 3, 1947 (SAKA)

Fiscal Inequities in State-Central Tax Revenue Distribution

3723. Shri S Jagathratchakan:

Will the Minister of FINANCE be pleased to state:

- (a) the details of the reduction of Government share of tax revenue allocated to States, particularly Tamil Nadu that contribute significantly to the nation's GDP and the details of the reduction in the percentage of share to States, State-wise;
- (b) the steps taken by the Government to address the disproportionate burden on States caused by underfunded Centrally Sponsored Schemes and disaster management; *and*
- (c) whether the Government considers to increase the States' share in central taxes to 50% as demanded by Tamil Nadu to ensure equitable fiscal federalism and balanced development?

ANSWER

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

(a to c): According to Article 280(3)(a) of the Constitution, the Finance Commission has the mandate to make recommendations on the distribution between the Union and the States of the net proceeds of taxes and the allocation between the States of the respective shares of such proceeds. In this regard, it may be noted that *inter-se* share of Tamil Nadu in the net proceeds of the taxes was increased in the final report of 15th Finance Commission to 4.079% as compared to 4.023% during 14th Finance Commission. Details showing *inter-se* share of States in the net proceeds of the taxes (divisible pool) is given at Annexure 1.

Resource assessment of Union and States is done by the Finance Commission. It is in the process of consulting all stakeholders. Every State has the right to make its representation to the Finance Commission. Further, the centrally sponsored schemes and financing of disaster management is jointly financed by the Union and State Governments.

Statement showing *Inter-se* share of States in the net proceeds of the taxes

| State | Share (%) (15 th FC Final report) [FY 2021-22 to FY 2025-26] | Share (%) (14 th FC report) [FY 2015-16 to FY 2019-20] |
|-------------------|---|---|
| Andhra Pradesh | 4.047 | 4.305 |
| Arunachal Pradesh | 1.757 | 1.370 |
| Assam | 3.128 | 3.311 |
| Bihar | 10.058 | 9.665 |
| Chhattisgarh | 3.407 | 3.080 |
| Goa | 0.386 | 0.378 |
| Gujarat | 3.478 | 3.084 |
| Haryana | 1.093 | 1.084 |
| Himachal Pradesh | 0.830 | 0.713 |
| Jharkhand | 3.307 | 3.139 |
| Karnataka | 3.647 | 4.713 |
| Kerala | 1.925 | 2.500 |
| Madhya Pradesh | 7.850 | 7.548 |
| Maharashtra | 6.317 | 5.521 |
| Manipur | 0.716 | 0.617 |
| Meghalaya | 0.767 | 0.642 |
| Mizoram | 0.500 | 0.460 |
| Nagaland | 0.569 | 0.498 |
| Odisha | 4.528 | 4.642 |
| Punjab | 1.807 | 1.577 |
| Rajasthan | 6.026 | 5.495 |
| Sikkim | 0.388 | 0.367 |
| Tamil Nadu | 4.079 | 4.023 |
| Telangana | 2.102 | 2.437 |
| Tripura | 0.708 | 0.642 |
| Uttar Pradesh | 17.939 | 17.959 |
| Uttarakhand | 1.118 | 1.052 |
| West Bengal | 7.523 | 7.324 |
| Jammu & Kashmir * | - | 1.854 |
| Total | 100.00 | 100.00 |

* The State of Jammu & Kashmir was reorganized into two Union Territories, Jammu & Kashmir and Ladakh, w.e.f., October, 2019.
