

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS

**LOK SABHA**  
**UN-STARRED QUESTION NO. 3738**  
TO BE ANSWERED ON MONDAY, THE 24<sup>th</sup> MARCH, 2025  
CHAITRA 3, 1947 (SAKA)

**Share of Federal Tax Rates for States**

**3738. Shri V K Sreekandan:**

**Ms. S Jothimani:**

Will the Minister of FINANCE be pleased to state:

- (a) whether it is a fact that the Government is seeking any cut in the federal tax revenues received from States and if so, the details thereof;
- (b) whether it is also true that the Government may recommend that the share to be reduced to 40% from the current 41%;
- (c) whether a swing of 1% in the States' share of tax revenues will provide about Rs. 350 billion to the Government based on the expected tax collections for the current year;
- (d) whether the Government held any discussions with the State Governments in this regard and if so, the details thereof; and
- (e) whether the Government is aware that such a cut will impact negatively on States' revenue and if so, the steps proposed to compensate States for their loss of revenue?

**ANSWER**

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

**(a to e):** 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. For preparing its report, the Finance Commission consults all stakeholders, which includes among others, the Union and State Governments. It also examines wide range of indicators while assessing the resource requirements of the Union and the States. The 16<sup>th</sup> Finance Commission has not yet submitted its report.

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