

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA
UN-STARRED QUESTION NO. 3934
TO BE ANSWERED ON MONDAY, THE 18th AUGUST, 2025
SRAVANA 27, 1947 (SAKA)

“INEQUITABLE TAX DEVOLUTION”

3934. Dr. Kalanidhi Veeraswamy:

Will the Minister of FINANCE be pleased to state:

- whether the Government has taken note of the concerns raised by States like Tamil Nadu regarding inequitable tax devolution;
- the total direct and indirect tax revenue collected from Tamil Nadu and total amount devolved to the State under the Finance Commission's recommendations during the last five years, year-wise;
- whether the Government recognises that the current devolution formula appears to penalise fiscally disciplined and high-performing States and if so, the justification for continuing such a framework; and
- the steps taken/to be taken by the Government to review the existing tax devolution mechanism to ensure fairness, equity and recognition of States' contribution to national economic output?

ANSWER

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

- (a) & (b): States including Tamil Nadu receive a share of the net proceeds of direct and indirect tax revenue collected in the entire country and not within a State. The share of the net proceeds that is to be devolved to each State is recommended by the Finance Commission constituted under Article 280 of the Constitution. The amount of direct and indirect tax (only GST) revenue collections in Tamil Nadu and the total amount devolved to Tamil Nadu during the past five years is given in the table below. (₹ crore)

	2020-21	2021-22	2022-23	2023-24	2024-25
Direct & Indirect Tax Revenue collections*	130243.36	173930.73	211441.06	248396.28	263633.38
Tax Devolved	24924.51	37458.60	38731.24	46072.28	52491.88

* - Direct tax- Personal Income Tax and Corporation Tax, Indirect Tax- GST

- (c) & (d): The current devolution formula and the existing tax devolution mechanism adopted by the Government is based on recommendations of the 15th Finance Commission. Parliament was informed of the devolution formula and existing tax devolution mechanism through the Explanatory Memorandum as to the Action Taken on the Recommendations made by the Fifteenth Finance Commission and placed in Parliament on 1st February, 2021.
