

Regarding need to enhance states share of Central taxes to 50 percent during the period of 16th Finance CommissionLaid

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Tamil Nadu continues to be one of the largest contributors to the central exchequer. But in the devolution of share of tax revenue, Tamil Nadu is not getting its due share. The share of Tamil Nadu in devolution of taxes decreased from 5.305 percent in the 12th Finance Commission to 4.079 percent in the 15th Finance Commission. The termination of GST compensation regime on 30.06.2022, has resulted in a revenue shortfall of Rs. 20,000 crore per annum for the Government of Tamil Nadu. While the 15th Finance Commission recommended a 41% share, the actual effective devolution of the Centre's total tax only amounted to about 33.16% in the last four-years, causing big-financial strain on Productive states like Tamil Nadu. Therefore a new approach should be adopted to strengthen the federal structure of India and ensure that well-performing states are not penalised by existing devolution methods. The Hon'ble Chief Minister of Tamil Nadu has advocated for increasing the states share of central taxes to 50% in his interactions with the 16th Finance Commission in Chennai in November 2024 and reiterated it at a NITI-Aayog meeting in May 2025. This increased devolution of funds is essential for states to have greater financial autonomy and implement development projects that meet the State specific needs. Also significant funds are required for disaster relief and infrastructure restoration due to natural calamities almost every year. Therefore I urge the Union Government and the 16th Finance Commission to increase the states' share of central taxes to 50% during the 16th Finance Commission period.