

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:471
ANSWERED ON:23.02.2001
DEVOLUTION OF CENTRAL TAX REVENUES
MONI KUMAR SUBBA;SUSHIL KUMAR SAMBHAJIRAO SHINDE

Will the Minister of FINANCE be pleased to state:

- (a) whether some State Government had represented to the Union Government against the adoption of the new formula for devolution of Central Tax Revenues under the Eleventh Finance Commission (EFC) report;
- (b) if so, the details thereof and the annual loss of revenue transfers under EFC report vis-a-vis that under the Tenth Finance Commission (TFC) Report; and
- (c) the Government's response thereto, to help the State Government make good the loss ?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATH) :

(a) and (b) Some State Governments have represented that the criteria/methodology adopted by Eleventh Finance Commission (EFC) has resulted in reduced transfers, to their respective States, by way of share in Central taxes and duties and quantum of grants-in-aid as compared to the transfers recommended by the Tenth Finance Commission (TFC).

The Finance Commission lay down the criteria for determining the share of transfers between the States, from time to time, keeping in view their assessment of States requirement, and the need for horizontal equity. A statement showing total estimated transfers to States under the recommendations of Tenth Finance Commission and Eleventh Finance Commission is enclosed.

(c) The Eleventh Finance Commission has made their recommendations on devolution to States after holistic assessment of the needs and resources of the Centre and each State. The Government of India has accepted the recommendations of Eleventh Finance Commission relating to devolution of Central taxes and duties, quantum of grants-in-aid and debt relief to States as contained in its main report for the period 2000-05. The main report of the Eleventh Finance Commission together with an explanatory memorandum as to the action taken on the recommendations of the Commission was laid on the Table of the both Houses of Parliament on 27th July, 2000.

The Eleventh Finance Commission in its Supplementary Report on Additional Terms of Reference has recommended Constitution of an Incentive Fund for release of fiscal performance based grants to States. Government of India has accepted the recommendations of Eleventh Finance Commission in this regard. A copy of the Report of Eleventh Finance Commission on additional Terms of Reference was laid on the Table of the both Houses of Parliament on 19.12.2000.