

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2636
ANSWERED ON:12.03.2010
DISTRIBUTION OF TAX PROCEEDS
Shetkar Shri Suresh Kumar

Will the Minister of FINANCE be pleased to state:

- (a) the criteria presently followed for the distribution of tax proceeds and that recommended by the 13th Finance Commission; and
(b) the steps being taken by the Union Government in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI NAMO NARAIN MEENA)

(a) The criteria and weightage for tax devolution of net Central Tax proceeds to State Governments as per the recommendations of the 12th and 13th Finance Commission are as follows: -

Recommendations CRITERIA

Population Area Fiscal Fiscal Tax Efforts (as per 1971 Capacity Discipline census) Distance

Criteria presently followed as per 12th Finance Commission recommendations	25%	10%	50%#	7.5%	7.5%
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13th Finance Commission	25%	10%	47.5%	17.5%	-
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12th Finance Commission used income distance parameter with slightly different components.

(b) The Government has accepted the recommendation of the 13th Finance Commission relating to devolution of net proceeds of Central Taxes to State Governments on the basis of the above criteria. The explanatory Memorandum as to action taken has been laid in the Parliament on 25th February 2010. Necessary provisions for devolution of net proceeds of Union Taxes as per the formula suggested by 13th Finance Commission have been made in Budget for 2010-11.