

## Opted for predictability in deciding tax devolution to states: N K Singh



The 15th Finance Commission opted for continuity and predictability and hence retained the share of tax devolution to states at 41 per cent of the total pool, its chairman [N K Singh](#) said on Saturday.

Speaking at a webinar organised by the Centre for Policy Research (CPR), Singh said each Finance Commission in the past has somewhat increased the total amount of devolution to states, but the 15th Finance Commission weighed all the options considering that the fiscal space of both states and the Centre has shrunk on account of the Covid-19 pandemic.

Rajya Sabha MP Sushil Kumar Modi highlighted that the share of divisible pool is slowly shrinking as the 'cess and surcharge' component in Gross Tax revenue is increasing.

The 15th Finance Commission has recommended that states be given 41 per cent of the divisible tax pool of the Centre during the period 2021-22 to 2025-26, which is at the same level as was recommended by the 14th Finance Commission.

Finance Commission is a constitutional body that gives suggestions on Centre-state financial relations.

As per the Commission, the gross tax revenue (GTR) for the 5-year period is expected to be Rs 135.2 trillion. Out of that, divisible pool (after deducting cesses and surcharges and cost of collection) is estimated to be Rs 103 trillion.

States' share at 41 per cent of divisible pool comes to Rs 42.2 trillion for 2021-26 period.

The report of the 15th Finance Commission was tabled in Parliament on February 2.

Singh said each Finance Commission has somewhat increased the total amount of devolution as percentage of divisible pool.

"We had an option of continuing this trajectory, we had an option of enhancing this devolution to somewhat higher figure. We had the option of somewhat recalibrating downwards looking at the constraints on the fiscal space of the central government.

"Finance Commission is not an encounter with shock and awe, Finance Commission has a legacy which believes in stability, continuity and predictability. We opted for continuity and predictability," he said.

Modi, in his speech, said cess and surcharge which was 10.4 per cent of GTR in 2011-12, has increased to 20.2 per cent. Even after deducting GST compensation cess, it is 15 per cent.

"The share of divisible pool is slowly shrinking. .. So one of the issues which states are raising (is) because under the Constitution, cess and surcharge is not under divisible pool... But slowly divisible pool size is shrinking and cess and surcharge increasing," said Modi, who is also the former deputy chief minister of Bihar.

[N K Singh](#)