

States want cess/surcharges subsumed in basic tax rate

Finance Minister holds consultations with States/UTs ahead of Budget

OUR BUREAU

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States today urged the Centre to merge cess and surcharges into the basic tax rate.

This was among the various suggestions given during the pre-Budget consultations Finance Minister Nirmala Sitharaman had with States and three Union Territories with legislature (Delhi, Puducherry and Jammu & Kashmir) on Monday.

A Finance Ministry statement said that Sitharaman highlighted the importance of the meeting as a sign of co-operative federalism and indicated the manner in which the Union government was strongly supporting the States/Union Territories fight the pandemic.

States' views

Tamil Nadu Deputy Chief Minister O Paneerselvam said the levy of cesses and surcharges by the Centre deprives States of their legitimate share of the tax revenue. "All such cesses and surcharges should be merged into the basic rate of tax so that the States also receive their due share from the additional revenue," he said.

His call for continuance of

the compensation mechanism and devolving further taxation powers on States will have to be discussed at the GST Council to ensure that States are not put to hardship in 2022-23. He highlighted that dues to Tamil Nadu from the Centre totalled ₹19,591.63 crore, including pending GST compensation claims, arrears relating to 13th and 14th Finance Commission grants to local bodies, and pending grants for various programmes.

Karnataka Home Minister Basavaraj Bommai (representing Chief Minister BS Yediyurappa, who holds the finance portfolio)

suggested that the devolution formula recommended by the 15th Finance Commission for the next four years be shared with the States at the earliest so that they can accordingly initiate the budget exercise, especially in capital expenditure.

Delhi Deputy Chief Minister and Finance Minister Manish Sisodia urged Sitharaman to treat Delhi at par with the Union Territory of Jammu and Kashmir in providing a share from the Central taxes and Central Assistance to Union Territories, and the Disaster Response Fund. He pointed out that the share in capital taxes for Delhi has stagnated at ₹325 crore since 2001-02.

With inputs from our Chennai, Bengaluru bureaus

