

THIRTEENTH FINANCE COMMISSION

Explanatory notes for State Formats

The Thirteenth Finance Commission, inter-alia, has been mandated to recommend the share of net proceeds of the central taxes to the States vertically as well as horizontally. In addition the Commission is also required to recommend the principles based on which the grants-in-aid of the revenue will flow out from the consolidated fund of India and the sums to be paid to the states to cover their non-plan revenue deficit normatively to be assessed by the Commission. This needs a wide range of time series data on revenue and capital account from all the 28 States concerning: State's own tax revenue, Non-tax revenue, Transfers from Centre of various categories – Plan & Non-Plan and capital receipts of both debt and non debt as well as revenue expenditure and capital expenditure.

To capture the data on the States' own tax revenue from the angle of above ToR and also the mandate in para 6(V) of the ToR, the information would be available from the Statements 1,2,13,14 and 15 which would provide tax specific information together with the arrears and details of concessions given by the States along with the tax effort of the States.

The information on the States' own non-tax revenue would be available from the **Statements 1,2,8,11,12,13,14 and 15** which, inter-alia, include rates irrigation, royalties of major minerals, revenue from forest produces, additional resource mobilisation, arrears and concessions given.

Information on devolution of taxes and duties would be available from the Statements 1 and 2. Likewise, information on non-plan grants of various categories from the Centre would be available from the Statements 1,2,16 and 17. The details of plan grants would sourced from the Statements 1,2 and 16.

To assess fiscal health of the state, the Commission also needs time series data on capital account of the state. Overall, the **Statement 1(a)** meets this requirement of data. More specifically, the data on capital receipts would be available from the **Statements 1,1(a) and 4(a)**. The data is to be collected on capital account both major and minor head wise.

To arrive at a normative assessment of States' non-plan revenue deficit, the Commission needs time series data on major and minor head –wise revenue expenditure of the States. The States also have their own assessment of their own revenue expenditure during the forecast period i.e. upcoming award period of the 13th Finance Commission. **Statement 3** has been devised to capture this information on revenue expenditure.

Salary is an important component of non-plan revenue account. The Commission would like to see major head wise total number of employees in the states and their pay components with the segregation of plan and non-plan account. This would enable the Commission to assess salary and non-salary component of the various head-wise non-plan revenue expenditure to forecast the non-plan revenue deficit of the state. The **statement 5** has been devised to capture this information year wise from 2002-03 to 2007-08 (RE). The salary expenditure of the local bodies and fully aided institutions of number of states are borne by the consolidated fund of the state. To have data input on such expenditure to be borne by the state, **statement 6** has been devised.

To complement the information on salaries the total number of pensioners and pension expenditure of the State Governments is to be captured by the **Statement 7**.

Para 6 (ix) of the TOR of the Commission mandates, inter-alia, to recommend maintenance expenditure of capital assets of the states in irrigation, roads and buildings. Towards this end a wide range of information would be collected through **Statements 8,29,30,30(a) to (e),31 and 32**.

Para 8 of the ToR mandates the Commission to review the present arrangement as regards the financing disaster management, **Statement 25** has been devised to capture calamity relief expenditure data from the States.

Para 6(X) of the ToR requires the Commission to examine the need for ensuring the commercial viability of irrigation projects, departmental undertakings and public sector enterprises through various means including levy of user charges and adoption of measures promoting efficiency. The Commission therefore needs a wide range of information through the Statements 9,10, 30(a) to (c),33,34,35,36,37,38,39 and 40.

Para 5 of the ToR mandates the Commission to review the finances of the Union and the States keeping in view the Debt Consolidation and Relief Facility(DCRF) and make suitable recommendations thereon. Towards this end, besides the receipts and expenditure data, the Commission needs data on debt and liabilities of the States. The **Statements 1,1(a),4(a),18,18(a),18(b),18(c),19, 21 and 23** would capture the required information. Specific information on DCRF has been covered in the topics.

The Commission may like to examine the financing of the plan outlays of the States and assess the likely transfer of expenditure of plan assets to the non-plan account for upkeep of these assets. Towards this end the **Statements 26, 27(a) to(c) and 28** have been devised to collect the information.