



# Non-utilisation of Cesses & Levies

## Why in News

Recently, the [Comptroller and Auditor General of India](#) (CAG) told Parliament that the Centre has **only transferred 60% of the proceeds from cess/levies** in Fiscal Year 2018-19 to the **relevant Reserve Funds** and retained the balance in the **Consolidated Fund of India (CFI)**.

## Key Points

### ▪ Non-utilisation of Funds:

- The Centre had collected Rs. 2.75 lakh crore from **35 cesses/levies in FY19**. However, it has only transferred Rs. 1.64 lakh crore and retained Rs. 1.1 lakh crore in the CFI.
  - Rs. 40,000 crore of [GST Compensation Cess](#) was not credited to the related Reserve Fund.
  - Rs. 10,157 crore of the **Road and Infrastructure Cess** collected was neither transferred to the related Reserve Fund nor utilised for the purpose for which the cess was collected.
  - Rs. 2,123 crore of [Universal Service levy](#) and Rs. 79 crore collected as **National Mineral Trust levy** was not transferred to the relevant Reserve Funds.
  - **Social Welfare Surcharge on Customs** amounting to Rs. 8,871 crore was levied but no dedicated fund for the same was envisaged.
    - Non-creation/non operation of Reserve Funds makes it difficult to ensure that cesses and levies have been utilised for the specific purposes intended by the Parliament.
- In addition, Rs. 1,24,399 crore, representing the **Cess on crude oil** collected between 2010-20, had not been transferred to the **Oil Industry Development Board** (designated Reserve Fund) and was retained in CFI.

### ▪ Mechanism of Utilisation:

- Cesses and levies collected are required to be first **transferred to designated Reserve Funds** and **utilised for the specific purposes** intended by Parliament.
- Funds collected through **Central taxes** along with cesses and other levies **go to the CFI**.
  - Taxes and surcharges in CFI are parked in a divisible pool and 42% of the total is given to States as devolution.

## Consolidated Fund of India

- It was constituted under **Article 266 (1)** of the Constitution of India.
- It is made up of:
  - All **revenues received** by the Centre by way of **taxes** (Income Tax, Central Excise, Customs and other receipts) and all **non-tax revenues**.
  - All **loans raised by the Centre** by issue of Public notifications, treasury bills (internal

debt) and from foreign governments and international institutions (external debt).

- **All government expenditures are incurred from this fund** (except exceptional items which are met from the **Contingency Fund** or the **Public Account**) and no amount can be withdrawn from the Fund without **authorization from the Parliament**.
- The CAG audits the fund and reports to the relevant legislatures on the management.

## Cess

- Cess is a **form of tax** levied over and above the base tax liability of a taxpayer.
- Cess is resorted to only when there is a need to meet the **particular expenditure for public welfare**.
- Cess is not a permanent source of revenue for the government, and it is **discontinued** when the purpose of levying it is fulfilled.
- It can be levied on **both indirect and direct taxes**.
- **Examples :**
  - **Swachh Bharat Cess:** Introduced in 2015, a 0.5% Swachh Bharat cess was imposed to fund a national campaign for clearing the roads, streets and the infrastructure of India.
  - **Infrastructure Cess:** Announced in Union Budget 2016, this cess was charged on the production of vehicles.

## Surcharge

- A surcharge is an **extra fee, charge, or tax** that is added on to the cost of a good or service, beyond the initially quoted price.
- It is **added to an existing tax** and is not included in the stated price of the good or service.
- It is levied for extra services or to defray the cost of increased commodity pricing.

**Source: TH**

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