



Madhya Pradesh Receives Rs. 14,000 Crore Tax Devolution | Madhya Pradesh | 19 Oct 2024

Why in News?

Recently, Madhya Pradesh received a **Rs. 14,000 crore** boost in [tax devolution](#) from the central government ahead of Diwali, improving fiscal space for the state.

Key Points

- **How Tax is Devolved in India:**
 - The [Finance Commission](#) determines the division of [central tax revenues](#) between the Union and states, recommending how much each state should receive.
 - **Articles 270-275** of Indian Constitution outline how taxes are shared, ensuring states get a **share of central taxes** for financial stability.
- **Current Status of Tax Devolution in India:**
 - Financial devolution refers to the transfer of financial resources and decision-making powers from the central government to the states.
 - Article 270 of the Constitution outlines the distribution of net tax proceeds between the Union government and the States.
 - The [Finance Commission \(FC\)](#), constituted every five years, provides recommendations for the vertical distribution of funds from the central government's divisible pool of taxes (excluding cess and surcharge).
 - Additionally, it offers a formula for the horizontal allocation of these funds among individual states.
 - Apart from the share of taxes, States are also provided [grants-in-aid](#) as per the recommendation of the FC.
 - The [16th Finance Commission](#), **chaired by Dr Arvind Panagariya**, has been tasked with making recommendations for the period 2026-31.
- **Criteria for Devolution Among States:** Currently, the share of States from the divisible pool (vertical devolution) stands at 41% as per the [recommendation of the 15th FC](#).

The criteria for horizontal devolution among States over the last five FCs

Criteria	11th FC 2000-05	12th FC 2005-10	13th FC 2010-15	14th FC 2015-20	15th FC 2021-26
Income Distance	62.5	50	47.5	50	45
Population (1971 Census)	10	25	25	17.5	-
Population (2011 Census)	-	-	-	10	15
Area	7.5	10	10	15	15
Forest cover	-	-	-	7.5	-
Forest and ecology	-	-	-	-	10
Infrastructure index	7.5	-	-	-	-
Fiscal discipline	7.5	7.5	17.5	-	-
Demographic performance	-	-	-	-	12.5
Tax effort	5	7.5	-	-	2.5
Total	100	100	100	100	100

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