



Additional Installment of the Tax Devolution

Why in News?

Uttar Pradesh received the largest portion of Rs 25,495 crore, which was the highest amount in the country, as an **extra payment for tax devolution** from the **Union finance ministry** under the new government.

- According to the finance ministry, the **funds will allow** room for the states **to expedite development projects**.

Key Points

- This amount has come as an **additional installment of devolution of taxes to states** besides the devolution amount for the month of June 2024.
- **Uttar Pradesh topped the list** with maximum allocation, **followed by Bihar** (Rs 14,056.12 crore), **Madhya Pradesh** (Rs 10,970.44 crore), and **West Bengal** (Rs 10,513.46 crore) in tax devolution.

Tax Devolution

- Tax devolution refers to the distribution of tax revenues between the central government and the state governments. It is a constitutional mechanism **established to allocate the proceeds of certain taxes among the Union and the states** in a fair and equitable manner.
- [Article 280\(3\)\(a\)](#) of the Constitution of India mandates that the Finance Commission (FC) has the responsibility to **make recommendations regarding the division of the net proceeds of taxes** between the Union and the states.

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