

ANNEXURE 7.1

(Para 7.4)

The Constitution (Eighty-Eighth Amendment) Act, 2003

[15th January, 2004.]

An Act further to amend the Constitution of India.

BE it enacted by Parliament in the Fifty-fourth Year of the Republic of India as follows:-

1. Short title and commencement. - (1) This Act may be called the Constitution (Eighty-Eighth Amendment) Act, 2003.

(2) It shall come into force on such date as the central government may, by notification in the Official Gazette, appoint.

2. Insertion of new article 268A. - After article 268 of the Constitution, the following article shall be inserted, namely:-

Service tax levied by Union and collected and appropriated by the Union and the states. "268A. Service tax levied by Union and collected and appropriated by the Union and the states.-(1) Taxes on services shall be levied by the government of India and such tax shall be collected and appropriated by the government of India and the states in the manner provided in clause (2).

(2) The proceeds in any financial year of any such tax levied in accordance with the provisions of clause (1) shall be-

(a) collected by the government of India and the states;

(b) appropriated by the government of India and the states, in accordance with such principles of collection and appropriation as may be formulated by Parliament by law."

3. Amendment of article 270. - In article 270 of the Constitution, in clause (1), for the words and figures "articles 268 and 269", the words, figures and letter "articles 268, 268A and 269" shall be substituted.

4. Amendment of Seventh Schedule. - In the Seventh Schedule to the Constitution, in List I-Union List, after entry 92B, the following entry shall be inserted, namely:-

"92C. Taxes on services."

T.K. VISWANATHAN,
Secy. to the Govt. of India.

ANNEXURE 7. 2

(Paras 7.6, 7.12 &7.13)

Recommended Shares in Divisible Taxes: First to Eleventh Finance Commissions

Finance Commission	Income tax		Union excise duties (basic)	
	States' share (%)	States' share (%)	States' share (%)	Number of articles covered
1	2	4	5	
First	55	40		3
Second	60	25		8
Third	66.7	20		35
Fourth	75	20		All
Fifth	75	20		All
Sixth	80	20		All
Seventh	85	40		All
Eighth	85	45		All
Ninth	85	45		All
Tenth	77.5	47.5		All
Eleventh	29.5	29.5		All taxes

Source: Reports of the Finance Commission, and Vithal, B P R and M L Sastry (2001) *Fiscal Federalism in India*, OUP, New Delhi.

ANNEXURE 7.3

(Para 7.14)

Tax Devolution of Central Taxes to States - 1979-80 to 2001-02

Year	Tax Devolution (TD)	Gross Tax Revenue Receipts (GTR)	Hotel Receipts tax and Interest tax	Tax Collec-tions from UTs (TUT)	Gross Shareable Tax Revenue Reciepts (3-4-5)	Tax Collec-tion Charges (CoC)	Cesses and Sur-charges (C&S)	NCCF	Net Shareable Tax Revenue Receipts (6-7-8-9)	Tax Devolu-tion as % to Net Shareable Tax Revenue Receipts (2/10)
(Rs. crore)										
1	2	3	4	5	6	7	8	9	10	11
1979-80	3,405	11,973	0	196	11,777	121	366		11,291	30.16
1980-81	3,792	13,180	0	246	12,934	137	298		12,499	30.34
1981-82	4,274	15,847	2	307	15,539	148	356		15,035	28.43
1982-83	4,639	17,696	266	344	17,086	177	494		16,415	28.26
1983-84	5,246	20,722	178	381	20,164	207	1,249		18,707	28.04
VII FC	21,356	79,418	445	1,473	77,500	790	2,764		73,947	28.88
1984-85	5,777	23,471	171	443	22,857	242	1,285		21,330	27.08
1985-86	7,491	28,670	58	524	28,089	279	1,310		26,500	28.27
1986-87	8,476	32,839	1	608	32,230	364	1,182		30,684	27.62
1987-88	9,598	37,666	9	709	36,948	426	2,071		34,450	27.86
1988-89	10,668	44,473	3	866	43,604	465	2,376		40,762	26.17
VIII FC	42,009	167,119	242	3,149	163,728	1,776	8,225		153,727	27.33
1989-90	13,231	51,635	7	953	50,675	511	3,420		46,744	28.31
1990-91	14,534	57,575	0	1,100	56,475	557	3,334		52,585	27.64
1991-92	17,197	67,361	306	1,265	65,790	640	3,463		61,687	27.88
1992-93	20,524	74,639	716	1,493	72,430	756	3,156		68,517	29.95
1993-94	22,240	75,742	728	1,185	73,830	849	3,025		69,956	31.79
1994-95	24,843	92,297	802	218	91,278	931	3,664		86,683	28.66
IX FC	112,569	419,250	2,552	5,261	411,438	3,733	16,642		391,063	28.79
1995-96	29,285	111,224	1,171	246	109,808	1,115	4,078		104,615	27.99
1996-97	35,061	128,762	1,713	315	126,733	1,309	4,197		121,227	28.92
1997-98	35,954	139,220	1,207	329	137,684	1,746	3,423		132,515	27.13
1998-99	39,145	143,797	1,264	323	142,210	1,936	3,419		136,855	28.60
1999-00	43,481	171,752	1,212	362	170,179	2,034	4,775		163,369	26.62
X FC	182,925	694,756	6,568	1,575	686,613	8,141	19,892		658,580	27.78
2000-01	51,688	188,603	415	483	187,705	2,197	5,655	91	179,762	28.75
2001-02	52,842	187,060	190	543	186,326	2,299	4,175	686	179,167	29.49
XI FC	104,529	375,663	606	1,026	374,031	4,496	9,830	777	358,929	27.93

Source: Finance Account of Union Government (Various issues).

Note: Tax devolution (col 1) figures are inclusive of Additional excise duties. Interest Tax and Hotel Receipts Tax are not included as shareable taxes.

Figures in bold are Finance Commissions aggregates/averages.

ANNEXURE 7.4

(Para 7.23)

Criteria and Weights used for Tax Devolution through successive Finance Commissions

FINANCE COMMISSION	Population	Contribution	Un-specified	Back-wardness	Income Distance	Inverse Per capita Income
FIRST (1952-57)						
Income Tax: 55 %	80	20				
Union Excise: 40 %	100					
SECOND (1957-62)						
Income Tax: 60 %	90	10				
Union Excise: 25 %	90		10			
THIRD (1962-66)						
Income Tax: 66.66 %	80	20				
Union Excise: 20 %			100			
FOURTH (1966-69)						
Income Tax: 75 %	80	20				
Union Excise: 20 %	80			20		
FIFTH (1969-74)						
Income Tax: 75 %	90	10				
Union Excise: 20 %	80			6.66	13.34	
SIXTH (1974-79)						
Income Tax: 80 %	90	10				
Union Excise: 20 %	75				25	
SEVENTH (1979-84)						
Income Tax: 85 %	90	10				
Union Excise: 40 %	25					25
EIGHTH (1984-89)						
Income Tax: 85 %	22.5	10			45	22.5
Union Excise: 45 %	25				50	25
NINTH (1989-90)						
Income Tax: 85 %	22.5	10			45	11.25
Union Excise: 40 %	25				50	12.5
NINTH (1990-95)						
Income Tax: 85 %	22.5	10		11.25	45	11.25
Union Excise: 45 %	25			12.5	33.5	12.5
TENTH (1995-2000)						
Income Tax: 77.5 %	20				60	
Union Excise: 47.5 %	20				60	
ELEVENTH (2000-05)						
All Union Taxes: 29.5 %	10				62.5	

ANNEXURE 7.4 (Contd...)

FINANCE COMMISSION	Poverty	Revenue equalization	Non-Plan deficit	Area adjusted	Infrastruc-ture Distance	Fiscal self reliance
FIRST (1952-57) Income Tax: 55 % Union Excise: 40 %						
SECOND (1957-62) Income Tax: 60 % Union Excise: 25 %						
THIRD (1962-66) Income Tax: 66.66 % Union Excise: 20 %						
FOURTH (1966-69) Income Tax: 75 % Union Excise: 20 %						
FIFTH (1969-74) Income Tax: 75 % Union Excise: 20 %						
SIXTH (1974-79) Income Tax: 80 % Union Excise: 20 %						
SEVENTH (1979-84) Income Tax: 85 % Union Excise: 40 %	25	25				
EIGHTH (1984-89) Income Tax: 85 % Union Excise: 45 %						
NINTH (1989-90) Income Tax: 85 % Union Excise: 40 %	11.25 12.5					
NINTH (1990-95) Income Tax: 85 % Union Excise: 45 %			16.5			
TENTH (1995-2000) Income Tax: 77.5 % Union Excise: 47.5 %				5 5	5 5	10 10
ELEVENTH (2000-05) All Union Taxes: 29.5 %			7.5	7.5	5	7.5

ANNEXURE 7. 5 (Contd...)

State	Contribution to central tax Revenue	Irrigation Effort**	Forest Cover***	Devolution To local Bodies \$	Expenditure (Investment) on HRD	Newly created states@	Index of Backwardness
Andhra Pradesh				10	10		
Arunachal Pradesh							
Assam							
Bihar							
Chhattisgarh			10				
Goa							
Gujarat							
Haryana	5						
Himachal Pradesh							
Jammu & Kashmir							
Jharkhand						5	62.5
Karnataka		10					
Kerala							
Madhya Pradesh							
Maharashtra							
Manipur							
Meghalaya							
Mizoram							
Nagaland							
Orissa							
Punjab							
Rajasthan							
Sikkim							
Tamil Nadu	10						
Tripura			5				
Uttar Pradesh							50
Uttaranchal			10				
West Bengal							

Notes:

- * Share of Agriculture in NSDP.
- ** Gross Irrigated Area as a percentage to Total Cultivable Area for a most recent period.
- *** Expenditure incurred on the maintenance of forest area.
- \$ Higher expenditure of the state on local bodies after the 73rd and 74th constitutional amendments.
- @ Higher expenditure faced by the newly created states.

ANNEXURE 7. 6

(Para 7.27)

Population of States

(Crore)

State	1971	2001
Andhra Pradesh	4.35	7.62
Arunachal Pradesh	0.05	0.11
Assam	1.46	2.67
Bihar	4.21	8.30
Chhattisgarh	1.16	2.08
Goa	0.08	0.13
Gujarat	2.67	5.07
Haryana	1.00	2.11
Himachal Pradesh	0.35	0.61
Jammu & Kashmir	0.46	1.01
Jharkhand	1.42	2.69
Karnataka	2.93	5.29
Kerala	2.13	3.18
Madhya Pradesh	3.00	6.03
Maharashtra	5.04	9.69
Manipur	0.11	0.23
Meghalaya	0.10	0.23
Mizoram	0.03	0.09
Nagaland	0.05	0.20
Orissa	2.19	3.68
Punjab	1.36	2.44
Rajasthan	2.58	5.65
Sikkim	0.02	0.05
Tamil Nadu	4.12	6.24
Tripura	0.16	0.32
Uttar Pradesh	8.38	16.62
Uttranchal	0.45	0.85
West Bengal	4.43	8.02
All States	54.31	101.21

Source: Registrar General of India.

Note: The population of the new states created after 1971 Census has been recast as per the jurisdiction at the time of 2001 Census.

ANNEXURE 7.7

(Para 7.29)

Per Capita GSDP (Comparable)

State	(Rupees)			
	1999-2000	2000-01	2001-02	Average
Andhra Pradesh	16,754	19,036	20,818	18,869
Arunachal Pradesh	15,277	16,574	17,886	16,579
Assam	11,244	12,763	12,857	12,288
Bihar	6,053	7,074	6,491	6,539
Chhattisgarh	13,346	12,867	14,918	13,710
Goa	52,597	57,663	59,538	56,599
Gujarat	22,223	21,470	24,432	22,708
Haryana	25,103	25,958	27,706	26,256
Himachal Pradesh	22,128	25,118	27,040	24,762
Jammu & Kashmir	18,303	17,671	18,423	18,132
Jharkhand	12,576	10,564	12,011	11,717
Karnataka	19,209	21,132	21,769	20,703
Kerala	21,547	23,573	23,352	22,824
Madhya Pradesh	13,489	12,572	13,960	13,340
Maharashtra	26,524	26,265	28,194	26,994
Manipur	14,470	20,377	16,944	17,264
Meghalaya	14,646	15,621	17,838	16,035
Mizoram	18,359	22,404	22,971	21,245
Nagaland	17,495	21,771	22,142	20,469
Orissa	10,760	10,988	11,955	11,234
Punjab	26,453	28,093	29,544	28,030
Rajasthan	14,622	14,676	15,878	15,059
Sikkim	17,736	21,588	23,462	20,929
Tamil Nadu	21,123	23,397	23,242	22,587
Tripura	15,925	18,843	22,154	18,974
Uttar Pradesh	10,459	10,669	11,265	10,798
Uttaranchal	14,807	18,427	17,761	16,998
West Bengal	16,090	17,051	18,989	17,377
All States	16,184	16,858	17,892	16,978

Source: Central Statistical Organisation.

ANNEXURE 7.8

(Para 7.30)

Area of States			
State	Area (‘000 Sq Km)	State’s Share Original (%)	Adjusted State’s share (%)
Andhra Pradesh	275.05	8.40	7.14
Arunachal Pradesh	83.74	2.56	2.17
Assam	78.44	2.39	2.03
Bihar	94.16	2.87	2.44
Chhattisgarh	135.19	4.13	3.51
Goa	3.70	0.11	2.00
Gujarat	196.02	5.98	5.08
Haryana	44.21	1.35	2.00
Himachal Pradesh	55.67	1.70	2.00
Jammu & Kashmir	222.24	6.78	5.76
Jharkhand	79.71	2.43	2.07
Karnataka	191.79	5.85	4.98
Kerala	38.86	1.19	2.00
Madhya Pradesh	308.25	9.41	8.00
Maharashtra	307.71	9.39	7.98
Manipur	22.33	0.68	2.00
Meghalaya	22.43	0.68	2.00
Mizoram	21.08	0.64	2.00
Nagaland	16.58	0.51	2.00
Orissa	155.71	4.75	4.04
Punjab	50.36	1.54	2.00
Rajasthan	342.24	10.45	8.88
Sikkim	7.10	0.22	2.00
Tamil Nadu	130.06	3.97	3.37
Tripura	10.49	0.32	2.00
Uttar Pradesh	240.93	7.35	6.25
Uttanchal	53.48	1.63	2.00
West Bengal	88.75	2.71	2.30
All States	3,276.10	100.00	100.00

Source: Census 2001, www.censusindia.net, November 30, 2004.

ANNEXURE 7.9

(Para 7.32)

Tax GSDP Ratio Average 1999-2000 to 2001-02

State	Per Cent
Andhra Pradesh	7.27
Arunachal Pradesh	1.21
Assam	4.29
Bihar	4.24
Chhattisgarh	6.38
Goa	6.80
Gujarat	7.74
Haryana	7.78
Himachal Pradesh	5.04
Jammu & Kashmir	3.92
Jharkhand	4.85
Karnataka	8.18
Kerala	7.81
Madhya Pradesh	5.49
Maharashtra	7.49
Manipur	1.14
Meghalaya	3.25
Mizoram	0.79
Nagaland	1.17
Orissa	5.16
Punjab	6.73
Rajasthan	6.14
Sikkim	4.04
Tamil Nadu	8.63
Tripura	2.12
Uttar Pradesh	5.45
Uttaranchal	5.88
West Bengal	4.22
All States	6.54

Source: Finance Account of State Governments (various issues)

ANNEXURE 7. 10

(Para 7.33)

Index of Fiscal Self Reliance

State	Own Revenue/Revenue Expenditure (per cent)		Relative to All States (ratio)		Improvement Index (ratio)
	Average 1993-94 to 95-96	Average 2000-01 to 02-03	Average 1993-94 to 95-96	Average 2000-01 to 02-03	
Andhra Pradesh	59.22	59.46	1.04	1.18	1.14
Arunachal Pradesh	20.27	9.51	0.36	0.19	0.53
Assam	30.24	32.66	0.53	0.65	1.23
Bihar	34.21	24.78	0.60	0.49	0.82
Chhattisgarh	56.68	58.24	0.99	1.16	1.17
Goa	77.92	73.97	1.37	1.47	1.08
Gujarat	79.57	58.81	1.40	1.17	0.84
Haryana	75.48	77.62	1.32	1.55	1.17
Himachal Pradesh	25.68	21.94	0.45	0.44	0.97
Jammu & Kashmir	16.93	21.10	0.30	0.42	1.42
Jharkhand	34.21	54.36	0.60	1.08	1.81
Karnataka	73.62	61.52	1.29	1.23	0.95
Kerala	63.69	54.24	1.12	1.08	0.97
Madhya Pradesh	56.68	48.83	0.99	0.97	0.98
Maharashtra	80.09	67.50	1.40	1.34	0.96
Manipur	9.45	7.49	0.17	0.15	0.90
Meghalaya	19.74	19.35	0.35	0.39	1.11
Mizoram	6.55	5.60	0.11	0.11	0.97
Nagaland	9.44	6.85	0.17	0.14	0.82
Orissa	37.56	34.32	0.66	0.68	1.04
Punjab	69.59	57.71	1.22	1.15	0.94
Rajasthan	52.03	45.81	0.91	0.91	1.00
Sikkim	16.30	18.24	0.29	0.36	1.27
Tamil Nadu	68.56	64.60	1.20	1.29	1.07
Tripura	10.22	13.76	0.18	0.27	1.53
Uttar Pradesh	42.55	41.48	0.75	0.83	1.11
Uttanchal	42.55	37.19	0.75	0.74	0.99
West Bengal	50.70	32.20	0.89	0.64	0.72
All States	57.02	50.20	1.00	1.00	1.00

Source : Finance Account of State Governments (various issues)