Southern States Concern on 15th FC’s Decision

What is the issue?

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- The 15th Finance Commission will be using data from 2011 census for the devolution of taxes.
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- Few states have expressed concern over the decision as it would result in lower resource allocation.
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What is the role of the Finance Commission?

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- The Finance Commission is aconstitutional body created to address issues of vertical and horizontal imbalances of federal finances in India.
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- The Finance Commissionis appointed every five years and consists of a chairman and four other members.
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- The constitutional mandate of the Finance Commission is\n
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1. To decide on the proportion of tax revenue to be shared with the States
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2. The principles which should govern the grants-in-aid to States.
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3. Responsibility to make recommendations on various policy issues, as and when they arise.
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- The recommendations made by the Finance Commission are advisory in nature and, hence, not binding on the Government.
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What is the significance of census in Finance Commission?

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- The population figure derived from the census is used for calculating the devolution of taxes to the states.
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- However not the entire amount of taxes to be disbursed is based on the population but only a certain percentage of the funds.
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- In the case of the 14th Finance Commission, that was 25%.
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- The 1971 census recorded an increase in population compared to the pervious censuses and to counter the issue of growing population family planning methods were introduced.
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- The 42nd Amendment picked the 1971 Census data as base for all calculations and froze it till 2001 Census.
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- This is to equalise the shares and safeguard the states actively undertook the family planning programme.
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- In 2001, the 84th Amendment further extended that to the first Census after 2026, which will be the Census of 2031.
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What are the concerns of the states on this move?

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- Northern states like Uttar Pradesh, Maharashtra and Bihar have more than doubled their population in the intervening years.
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- Whereas southern states like Tamil Nadu, Karnataka and Kerala have had relatively slower growthsin population with an exception of Andhra Pradesh.
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- The usage of the 2011 Census is being opposed for the same reason the usage of 1971 Census was made mandatory.
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- Which made sure states that have worked on population control do not lose out on benefits.
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- Thus according to the southern states the decision of the 15th FC to use the

2011 census data is seen as discriminatory and affects the federal structure.
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Source: The Hindu

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