

15TH FINANCE COMMISSION PEGS STATES' SHARE AT 41%; J&K, LADAKH TO RECEIVE 1% IN FY 21

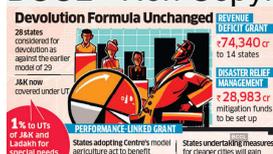
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NEW DELHI: The NK Singh-led [15th Finance Commission](#) has recommended 41% share for states from Centre's divisible pool in 2020-21, while making a special provision of 1% for the new Union territories of Jammu & Kashmir and [Ladakh](#).

However, the commission increased the disaster relief as well as revenue deficit grant to states and brought back performance-based incentives for states undertaking agriculture reforms and reduction in pollution. ET had first reported on December 5 last year that grants to states would be linked to agricultural reforms.

While there is no change in the formula of devolution, the reduction of one percentage point has been on account of J&K moving out of the states' list. The 14th Finance Commission had modelled for 29 states and had recommended that 42% of the Centre's pool be devolved to states while the proposals of the current commission are based on modelling of 28 states.

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The commission has notionally estimated the share of the erstwhile state of Jammu & Kashmir to be around 0.85 of the divisible pool. "We believe that there is a strong case for enhancing this to 1% of the divisible pool in order to meet the security and other special needs of the UTs of J&K and Ladakh," it said in its interim report. "Since this enhancement has to be met from the Union government's resources, we recommend that aggregate share of states may be reduced by 1 percentage point to 41% of the divisible pool."

The commission's chairman, NK Singh, said: "We have gone for continuity with the existing formula, despite fiscal constraint on the Centre, as most states have insisted on 50% share."

Experts, however, said there was a slight adjustment in favour of the Centre. "The share of J&K in the vertical devolution is 0.85% but the commission has adjusted it to 1%. This will result in minuscule gain to the Centre," said DK Srivastava, chief policy advisor at E&Y.

The commission has proposed ₹74,340 crore revenue deficit grant as post-devolution gap to 14 states whose revenue did not match with the growth target set for the state. Besides, it suggested that grants to states be linked to their ability for undertaking agricultural reforms through adoption of model acts as well as their ability to undertake measures for cleaner cities.

Following the recommendations, Finance Minister [Nirmala Sitharaman](#) said in her budget speech that states formulating and implementing plans for ensuring cleaner air in cities with population of more than one million would be encouraged.

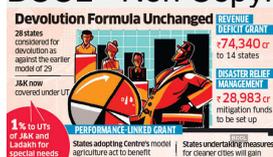
Besides, she proposed to encourage those state governments which undertake implementation of Model Agricultural Land Leasing Act, 2016, Model Agricultural Produce and livestock Marketing (Promotion and Facilitation) Act, 2017, and Model Agricultural produce and Livestock Contract Farming and services (Promotion and Facilitation) Act, 2018.

The FM tabled the commission's report in Parliament on Saturday, ahead of her budget speech. The commission will submit its report for an extended period of 2021-22 to 2025-26 by October 30. The report also tweaked the criteria and weights for allocation. It has assigned 15% weight to population, down from 17.5% allocated by the previous commission. It has raised the weight under demographic performance to 12.5% from 10% allocated by the 14th Finance Commission. NEW DELHI: The NK Singh-led [15th Finance Commission](#) has recommended 41% share for states from Centre's divisible pool in 2020-21, while making a special provision of 1% for the new Union territories of Jammu & Kashmir and [Ladakh](#).

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