

TOP PRIORITY/OUT TODAY
DELHI VIDHAN SABHA QUESTIONS

Government of NCT of Delhi
Finance Department
4th Level, 'A' Wing, Delhi Secretariat,
I.P. Estate, New Delhi-110002

No.5(192)/Fin/AD/2024-25/DVS Question/DS-IV/ 295

Dated: 26-3-2025

To,

The Deputy Secretary
(Question Cell),
Delhi Vidhan Sabha Sachivalaya,
Government of NCT of Delhi,
Old Secretariat, Delhi-54

Sub:- Delhi Vidhan Sabha Un-Starred Question No.:-120,
Dated:- 26.03.2025, Question asked by: Shri Som Dutt

Sir,

I am directed to forward herewith 100 copies of reply of Finance Department (provided by Budget Branch) of Finance Department w.r.t. the Un-Starred Question No. 120 listed for 26.03.2025 which is duly approved by Hon'ble Chief Minister/Finance Minister, Delhi.

Encl: As above.

Yours faithfully,



Deputy Secretary
Finance Department

वित्त विभाग दिल्ली सरकार
चौथा लेवल, 'ए' विंग, दिल्ली सचिवालय,
आई.पी. एस्टेट, नई दिल्ली-110002

सं. 5 (192) / वित्त / 2024-25 / डीवीएस प्रश्न / डीएस-IV / 280

दिनांक: 25-मार्च-2025

अतारांकित प्रश्न संख्या: -120

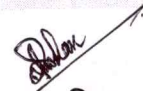
दिनांक: -26.03.2025

प्रश्नकर्ता का नाम: - श्री सोम दत्त

क्या मुख्यमंत्री/मंत्री यह बताने की कृपा करेंगे कि:

क्र.सं.	प्रश्न	उत्तर
क)	दिल्ली की जनता द्वारा पिछले 5 वित्त वर्षों में केन्द्र सरकार को कुल कितना टैक्स दिया गया, वित्तीय वर्षवार विवरण दिया जाये ;	सलग्नक 'J'
ख)	दिल्ली सरकार का पिछले 5 वित्त वर्षों में केन्द्र सरकार से कितना पैसा टैक्स के हिस्से के रूप में मिला, वित्तीय वर्षवार विवरण दिया जाये ;	
ग)	क्या दिल्ली सरकार द्वारा टैक्स कॉन्ट्रिब्यूशन में हिस्सेदारी बढ़ाने के लिये पिछले 5 वर्षों में कोई पत्र लिखा गया ; और	
घ)	यदि हाँ तो उसकी कॉपी उपलब्ध कराई जाये	

यह उत्तर माननीय वित्त मंत्री दिल्ली द्वारा अनुमोदित है।


उप सचिव
वित्त विभाग

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Annex-J

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120 क) दिल्ली सरकार के पास यह जानकारी उपलब्ध नहीं है ।

120 ख) दिल्ली सरकार को पिछले 5 वित्त वर्षों में केन्द्र सरकार से कुल कितना पैसा टैक्स के हिस्से के रूप में मिला, वित्तीय वर्षवार विवरण इस प्रकार है:

Name of scheme	2019-20	2020-21	2021-22	2022-23	2023-24*	2024-25 (BE)
'Grant received in lieu of Share in Central Taxes'	325.00	325.00	325.00	325.00	---	---

**'Grants in lieu of share in Central Taxes' and 'Central Assistance to Union Territories' have been clubbed in 'Central Assistance to Union Territories' from BE 2023-24 onward in respect of Demand No. 57-Transfer to Delhi.*

120 ग) और घ) दिल्ली सरकार द्वारा टैक्स कॉन्ट्रिब्यूशन में हिस्सेदारी बढ़ाने के लिये पिछले 5 वर्षों में लिखे गए पत्रों का विवरण इस प्रकार है:

S. No.	Date	letter written by	Whom to
1.	03.08.2023	Pr. Secretary (Finance), GNCTD.	Add. Secretary (Budget), Department of Economic Affairs, MoF, GoI.
2.	25.07.2023	Hon'ble Chief Minister, Delhi	Hon'ble Finance Minister, GoI
3.	13.05.2020	Hon'ble Chief Minister, Delhi	Hon'ble Prime Minister, GoI
4.	21.02.2020	Hon'ble Dy. Chief Minister, Delhi	Hon'ble Finance Minister, GoI
5.	21.02.2020	Hon'ble Chief Minister, Delhi	Hon'ble Home Minister, GoI

Letters from S.No. 1 to 5 are enclosed herewith.

20.03.25



डॉ. आशीश चन्द्र वर्मा
प्रधान सचिव (वित्त)

Dr. ASHISH CHANDRA VERMA
Pr. Secretary (Finance)

NSCB/2847

राष्ट्रीय राजधानी क्षेत्र, दिल्ली सरकार
GOVT. OF NATIONAL CAPITAL TERRITORY OF DELHI
दिल्ली सचिवालय, आई.पी. एस्टेट, नई दिल्ली-110002
DELHI SECRETARIAT, I.P. ESTATE, NEW DELHI-110002
4th Floor, Room No. 402, A-Wing
Tel. : 011-23392130, 23392131
Fax : 011-23392070

दिनांक 03/08/2023
Date

Dear Sh. Ashish Vachhani,

Kindly refer to your D.O. No. 10(2) B(S)/2022 dated May 18, 2023 seeking suggestions on possible matters that the President may refer to the Sixteenth Finance Commission in the interest of sound finance.

In this regard, I would like to inform you that NCT of Delhi is a Union Territory with Legislature and has had a separate Consolidated Fund w.e.f. December 01, 1993. The pattern of funding of Delhi's Budget has also been changed from the year 1994-95 which is more or less at par with the other States. The financial transactions of Government of NCT of Delhi including servicing of small savings loan are being met out of its own resources like other States. Delhi is also devolving funds to the Local Bodies, out of its net tax proceeds on the basis of recommendations of the Delhi Finance Commission appointed under Article 243-I read with Article 243-Y of the Constitution.

In spite of its close similarity with States in financial matters, Government of NCT of Delhi neither gets grants from the Centre as recommended by the Finance Commission to the States for various purposes nor any share of basic and performance grants to supplement the resources of its Local Bodies as is the case with other States.

The Tenth Finance Commission had recommended that for each financial year in the period 1995-96 to 1999-2000 "Out of the net distributable proceeds of income tax, a sum equal to 0.927 per cent shall be deemed to represent the proceeds attributable to Union Territories. As regards, the Additional Duties of Excise the share of the Union Territories should be treated as one unit, and their share determined on the same basis as that of all the States. Accordingly, the share of Union Territories amounting to 2.203 per cent should be retained by the Central Government". Further, during 1997-98, Government of India agreed to bring funding pattern of UTs which have their own Consolidated Fund nearer to that of the States based on the recommendations of the 'Arjun Sengupta Committee'. Transfer of grants in lieu of share in Central taxes was agreed to be allowed to the UTs with Legislature as determined by the 'Bagchee Committee'.

As per the Bagchee Committee Report, the recommendations of the Tenth Finance Commission for the UTs was further divided for the individual UTs including Delhi and a deduction of 10% was made since Union of India provides

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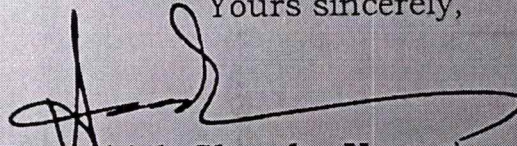
for Delhi Police. The remaining share was determined at Rs 325.00 crore for the year 2000 and the said amount continue to be provided till 2022-23 by the Government of India. This has also been made zero by clubbing in the head "Central Assistance to Union Territories" from BE 2023-24 under Demand No. 57 of MHA.

Government of NCT of Delhi has already made requests to Chairpersons of subsequent Finance Commissions (11th, 12th, 13th, 14th & 15th) to include NCT of Delhi in the Terms of Reference (ToR) of the Finance Commission. In case, Delhi had been included in ToR of 15th Central Finance Commission, its Inter-Se Devolution percent in divisible pool with other States, would be 0.778%.

It is, therefore, requested that either Article 280 of the Constitution may be amended to include UT with Legislature under the Terms of Reference of Finance Commission or the Hon'ble President of India may refer the matter of inclusion of NCT of Delhi (UT with Legislature) as a special case in the Terms of Reference of Sixteenth Finance Commission, so that it may get its legitimate share on the basis of the recommendations of the Sixteenth Finance Commission.

With Kind regards.

Yours sincerely,


(Dr. Ashish Chandra Verma)

Sh. Ashish Vachhani

Additional Secretary (Budget)

Government of India

Ministry of Finance

Department of Economic Affairs

North Block, New Delhi-110001.

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ARVIND KEJRIWAL
CHIEF MINISTER



GOVT. OF NATIONAL CAPITAL TERRITORY OF DELHI
DELHI SECRETARIAT, I.P. ESTATE, NEW DELHI-110002
PHONE : 23392020, 23392030

D.O. No. : F.1(9)/CMCO/2023/3369
Date : 25-07-2023

Respected Smt. Nirmala Sitharaman Ji,

As you know, the 16th Central Finance Commission will be constituted shortly and its recommendations will cover the five years commencing from 1st April, 2026. Since the Finance Commission plays a crucial role in the fiscal federalism of India, I want to draw your attention towards the discrimination that the people of Delhi are facing from the last 23 years. This step-motherly and unfair treatment by the Central Government towards the Delhites has been flagged innumerable times by the Delhi Government. Multiple requests have been made by the Delhi Government to give Delhi its legitimate share in the Central Taxes, but no action has been taken in this regard.

As you are well aware, NCT of Delhi enjoys a unique ('sui generis') status among all states and Union Territories in India. While it falls in the broad category of a Union Territory with Legislature, it has been working similarly to other states in financial matters. It has a separate Consolidated Fund, w.e.f. December 01, 1993. The pattern of funding of Delhi's Budget is more or less at par with the other states. The financial transactions of Government of NCT of Delhi including servicing of small savings loans are being met out of its own resources like other states. Delhi is also devolving funds to Local bodies, out of

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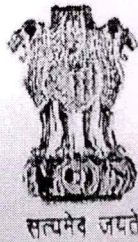
its net proceeds. But despite this, the Government of NCT of Delhi neither gets legitimate grants in lieu of share of central taxes nor any share to supplement the resources of its Local Bodies as is the case with other states.

The share of Delhi has been frozen at an astonishingly low amount from the last 23 years. It becomes even more evident while comparing with other neighboring states with similar populations. In FY 2022-23, as their share from the Central pool of taxes, Haryana has received 10,378 cr. and Punjab has received 17,163 cr., while Delhi has received only 350 cr. Had Delhi been treated in an unbiased manner, its share would have been 7,378 cr.

Unfortunately, Delhi's share from the Central pool of taxes has been stagnant at 350 cr since 2001-02, when the budget of Delhi was 8,93 cr. To our utter surprise, in FY 2023-24, when the budget of Delhi has increased by 8 times to 73,760 cr., Delhi's share in central taxes has been reduced to 0. It is even hard to imagine that this is happening despite Delhites paying 1.78 lakh crore just as income tax in FY 2021-22, the second highest among all states and Union Territories in India after Maharashtra.

The Urban Local Bodies (ULBs) were constituted on the basis of the 73rd and 74th constitutional amendment. To ensure

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the smooth and efficient functioning, it is of utmost importance that the ULBs are supported with sufficient financial resources. Following the same, the 14th and 15th Central Finance Commission has repeatedly allocated grant- in- aid for the local bodies. The 14th Central Finance Commission allocated grant-in-aid of Rs 2,87,436 crore for the local bodies for the award period 2015-2020. Similarly, the 15th Central Finance Commission recommended Rs 4,36,361 crore for the year 2021-26. This amounts to Rs 500 per capita per year to the ULBs.

But Delhi's ULB, MCD (Municipal Corporation of Delhi) has been facing extreme unjust behavior over the last few years, with it receiving nothing from the Central Government. MCD currently caters to 2 crore Delhites and is responsible for providing primary education, healthcare facilities, and solid waste management, similar to what ULBs in other states perform. Based on the above recommendations of Central Finance Commissions, the cash-starved MCD would have received additional Rs 7000 cr. since 2015. This would have been a boon for the cash strapped MCD, which is facing huge budget deficits, leading to late payments to vendors, delayed salaries to its employees and in turn, is not able to deliver at its full potential.

Government of NCT of Delhi has been raising this issue of financial discrimination for many years now. It has been

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understood through past communications that since the name of Delhi, for it being a Union Territory, has been removed from the "Terms of Reference" of the Finance Commission, it does not fall under the purview of tax devolution and hence, is not treated like other states. But Delhi is a special case of "Union Territory with Legislature" and has the character of the state as well, with Delhi managing its finances similar to other states.

It is my request to kindly consider Delhi as a unique case and include it in the Terms of Reference of the 16th Finance Commission, following the requisite procedure. It is high time that justice be done and Delhi gets its reasonable share similar to what other states get.

Delhites shall always be grateful for your help!

With warm regards,

Yours sincerely,

(Arvind Kejriwal)

Smt. Nirmala Sitharaman,
Hon'ble Minister of Finance & Corporate Affairs,
Government of India,
134, North Block,
New Delhi-110 001.

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विशेष केजरीवाल



राष्ट्रीय राजधानी क्षेत्र दिल्ली सरकार
दिल्ली परिषद
बंग दिल्ली-110002
ऑफिस-23392620, 23392630
फैक्स - 23392114

अ.शा. पत्र संख्या : 1(3)/सी प्र/सी प्र/1-2
दिनांक 13/05/2020

आदरणीय प्रधान मंत्री जी,

मुख्य मंत्रियों से आपकी वीडियो कॉन्फ्रेंस में मैंने दिल्लीवासियों के साथ पिछले 20 वर्षों से लगातार हो रहे भेदभाव का जिक्र किया था। वर्ष 2000 के बाद से भारत सरकार ने दिल्ली को वित्त आयोग का पैसा देना बंद कर दिया है। इसी वजह से दिल्ली को केन्द्रीय करों से मिलने वाली हिस्सेदारी रुक गयी है। यह सिलसिला पिछले 20 वर्षों से चला आ रहा है।

कोरोना की वजह से उत्पन्न आर्थिक तंगी के हालात में भी दिल्ली के निवासी इस भेदभाव की वजह से और संकट में पड़ गये हैं। वित्त आयोग के 'टर्म्स ऑफ रैफरेंस' में दिल्ली का नाम न होने की वजह से भारत सरकार द्वारा जारी कोरोना आपदा राहत अनुदान में दिल्ली को एक रुपया भी नहीं मिल सका है जबकि अन्य राज्यों को पिछले दो महीनों में दो बार यह मदद मिल चुकी है। मैंने वीडियो कॉन्फ्रेंस में आपका ध्यान इस विसंगति व इससे हो रहे नुकसान की ओर दिखाया था।

इस विसंगति को दूर करने के लिए हमने पहले भी कई स्तर पर बातचीत की है। शायद किसी स्तर पर यह गलतफहमी है कि केन्द्र शासित प्रदेश होने के नाते दिल्ली को वित्त आयोग का पैसा नहीं मिलता। जबकि हकीकत यह है कि वर्ष 2000 तक दिल्ली को वित्त आयोग की सिफारिशों के अनुसार केन्द्रीय करों से हिस्सेदारी मिलती रही है। वर्ष 2000 तक दिल्ली का नाम वित्त आयोग के 'टर्म्स ऑफ रैफरेंस' में होता था। वर्ष 2000 में आखिरी बार केन्द्रीय करों से हिस्सेदारी के रूप में दिल्ली को 325 करोड़ रुपये प्राप्त हुए थे। लेकिन

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उसके बाद से दिल्ली का नाम 'टर्म्स ऑफ रैफरेंस' से हटा दिया गया है और तब से भारत सरकार दिल्ली को हर साल मात्र 325 करोड़ रुपये अनुदान के रूप में देती है।

यदि यह विसंगति दूर नहीं की जाती तो इस कठिन समय में केन्द्र द्वारा राज्यों को दी जा रही सहायता दिल्ली को नहीं मिलेगी। यह दिल्ली के लोगों के साथ घोर अन्याय होगा।

अब दिल्लीवासियों को आपसे उम्मीद है कि आप इस ओर ध्यान देंगे। आपसे यह उम्मीद इसलिए भी है क्योंकि हाल ही में आपने जम्मू-कश्मीर एवं लद्दाख को केन्द्र शासित प्रदेश होते हुए भी वित्त आयोग के 'टर्म्स ऑफ रैफरेंस' में शामिल किया है। आपके इस कदम की वजह से वित्त वर्ष 2020-21 में जम्मू-कश्मीर एवं लद्दाख को केन्द्र शासित प्रदेश होते हुए भी केन्द्रीय करों में एक प्रतिशत की हिस्सेदारी दी जा रही है।

मुझे पूरा यकीन है कि आप दिल्ली के साथ भी यही न्याय करेंगे और वर्ष 2000 से पूर्व की स्थिति को बहाल करेंगे। आपके इस सहयोग के लिए दिल्लीवासी सदैव आपके आभारी रहेंगे।

आदर सहित,

भवदीय

(अरविंद केजरीवाल)

श्री नरेन्द्र मोदी,
माननीय प्रधान मंत्री,
भारत सरकार,
साउथ ब्लॉक,
नई दिल्ली-110011

MANISH SISODIA

मनीष सिसोदिया



सत्यमेव जयते

DEPUTY CHIEF SECRETARY
GOVT. OF NCT
उप मुख्यमंत्री, दिल्ली सरकार
DELHI SECTT, I.P. ESTATE
विल्ली सचिवालय, आईपीएस्टेट,
NEW DELHI-110002
नई दिल्ली-110002
Email : msisodia@delhi@gov.in

D.O. No. DY.CM/R/2020/193
Date : 24th February, 2020

Respected Ma'am,

This has reference to my earlier letters regarding the issue of giving due share of NCT of Delhi in Central Taxes and grants to Local bodies in Delhi.

2. I would like to bring to your kind attention that the Government of NCT of Delhi has a separate Consolidated Fund w.e.f. December, 1993. The pattern of funding of Delhi's Budget has been changed from the year 1994-95 and is at par with other States. The financial transactions of the Government of NCT of Delhi including servicing of small saving loans are being met out of our own resources like other States.

3. Till the year 2000, under the provisions of article 280(3)(a) read with the article 270 of the Constitution, the task of the Union Finance Commission with respect to income tax was to make recommendations in regard to three matters, viz.

- a) the percentage of the "net distributable proceeds" which shall represent the proceeds attributable to the Union Territories;
- b) the percentage of the divisible pool of the "net proceeds" of income tax to be assigned to the States; and
- c) the share of each State in the divisible pool.

4. Under article 270(3) of the Constitution, the share of the net proceeds of income tax "attributable to the Union Territories" had to be prescribed. Accordingly, all the Union Finance Commissions till the Tenth Finance Commission had been giving recommendations for resource sharing not only between the States and the Union but also for the Union Territories including Delhi. However, in the year 2000, the Constitution (Eightieth Amendment) Act, 2000 was passed by the Parliament, primarily for the purpose of including corporation tax with the personal income tax for the purpose of resource sharing between the States and Union of India. The Constitution (Eightieth Amendment) Act 2000 replaced article 270 with a new set provisions. In the new article 270, the erstwhile article 270(3) which had the enabling provision for the Finance Commissions to give recommendations in respect of Union Territories had been omitted. Omission of erstwhile article 270(3) appears to

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be an inadvertent error on the part of the Law Department, since the Statement of Objects and Reasons appended to the Constitution (Eighty-Ninth Amendment) Bill, 2000 does not mention a word about proposal to leave the Union Territories out of the ambit of the Finance Commissions. Even the debates in the Parliament on this Bill did not make any mention about deletion of Article 270(3).

5. The unfortunate omission of article 270(3) resulted in an anomaly which has adversely affected the finances of the NCT of Delhi. The transfer of grants in lieu of share in Central Taxes has remained stagnant at Rs. 325.00 crore per annum since the year 2000 which happened to be the last year of the duration of the Tenth Finance Commission. Leaving out Union Territories out of the ambit of Finance Commissions, has only affected the Union Territories with Legislature since the Budget of the other Union Territories is entirely met from the Consolidated Fund of India.

6. The Tenth Finance Commission had recommended that "Out of the net distributable proceeds of income tax, a sum equal to 0.927 per cent shall be deemed to represent the proceeds attributable to Union Territories. As regards, the Additional Duties of Excise, the share of the Union Territories should be treated as one unit, and their share determined on the same basis as that of all the States. Accordingly, the share of Union Territories amounting to 2.203 per cent should be retained by the Central Government". Further during 1997-98, Government of India agreed to bring funding pattern of UTs which have their own Consolidated Fund closer to that of the States based on the recommendations of the Arjun Sengupta Committee. Transfer of grants in lieu of share in central taxes was agreed to be allowed to the UTs with Legislature as determined by the Bagchee Committee. As per the Bagchee Committee Report, the recommendations of the Tenth Finance Commission for the UTs was further divided for the individual UTs including Delhi and a deduction of 10% was made since Union of India provides for Delhi Police. The remaining share was determined at Rs. 325.00 crore for the year 2000 and the said amount continue to be provided till date by the Government of India.

7. As the Capital of the Country and one of the fastest growing metropolises, the claims on its resources are immense and varied. While the Government of NCT of Delhi has to maintain infrastructure that meets world standards, it also has to improve supply of civic amenities to the burgeoning population who legitimately expect employment and a fulsome life in the

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Capital. Consequently, large investments in Education, Health, Social, Food Securities, Transport, Roads & Hospitals etc. have to be made. But for the inadvertent omission of erstwhile article 270(3) of the Constitution of India, the Government of NCT of Delhi would be getting its legitimate Share in Central Taxes of at least Rs. 7000.00 crore per annum with an appropriate annual enhancement like other States to finance the development needs.

8. Further, Delhi has five Urban Local Bodies, of which three are major municipal corporations having population between 39 lakh to 62 lakh. The powers and functions of the municipalities in Delhi are the same as the local bodies in the other States. The omission of Local Bodies of Delhi for not giving the basic and performance grants on technical grounds does not help the constitutional mandate of strengthening the Local Bodies. The three municipal corporations of Delhi are under financial crunch and merit the same consideration from the Central Government. Delhi also devolves funds to the Local Bodies, @ 12.5% of its net tax proceeds on the basis of recommendations of the Delhi Finance Commission. The Fourteenth Finance Commission allocated Grant-in-Aid of Rs. 2,87,436 crore for the Local Bodies for the Award period 2015-2020 which works out to Rs. 488 per capita per annum. Delhi with population of 193.86 lakh should be provided at least Rs. 1150.00 crore with an appropriate annual enhancement as grant to Local Bodies of NCT of Delhi.

9. Vide the Constitution (Seventy-Fourth Amendment) Act, 1992, the State Finance Commission appointed under article 243(Y) is applicable to the Union Territories with Legislature under article 243 (ZB). To provide grants to Local Bodies, Delhi is equated with full fledged States and when it comes to receipt of share in Central Taxes, Delhi has been left out since the year 2000. This was never the intent of the makers of our Constitution.

10. I shall be grateful if you could kindly look into the matter personally and provide additional Terms of Reference to the Fifteenth Finance Commission to enable the Commission to recommend the legitimate Share of NCT of Delhi in Central Taxes, basic & performance grants to local bodies and other grants if any being recommended to States for the Award period of the Fifteenth Finance Commission. The NCT of Delhi has the character of a State and therefore, there is a strong case for treating Delhi at par with States for the purpose of share of Central Taxes and its Local Bodies to get grants being recommended by the Fifteenth Finance Commission and even as a Union


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Territory, Delhi was being considered for recommendation for grants in lieu of Central Taxes till the Tenth Finance Commission.

11. The Fifteenth Finance Commission in its report for the financial year 2020-21 has provided 1% of the divisible pool for the newly formed Union Territories of Jammu & Kashmir and Ladakh and assigned the same to the Central Government. As you are aware, the Union Territory of Jammu & Kashmir and the NCT of Delhi are on a similar footing within our Constitution as Union Territories with Legislature. Accordingly, additional Terms of Reference to the Finance Commission at this stage would bring justice to the people of the NCT of Delhi and rectify the anomaly created by the inadvertent omission of Article 270(3).

With kind regards,

Yours sincerely,


(MANISH SISODIA)

Smt. Nirmala Sitharaman,
Hon'ble Union Finance Minister,
Government of India,
North Block,
New Delhi-110001

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ARVIND KEJRIWAL
CHIEF MINISTER



Govt. Of National Capital Territory
Delhi Secretariat, I.P. Estate, New
Contact : 23392020, cmdelhi@nic.

D.O. No. : F1 (7)/CMCO/2020/1308
Date : 21-22-2020

Respected Shri Amit Shah ji,

This has reference to the discussions we had on February 19, 2020 regarding the issue of giving due share of NCT of Delhi in Central Taxes and grants to Local bodies in Delhi.

2. I would like to bring to your kind attention that the Government of NCT of Delhi has a separate Consolidated Fund w.e.f. December, 1993. The pattern of funding of Delhi's Budget has been changed from the year 1994-95 and is at par with other States. The financial transactions of the Government of NCT of Delhi including servicing of small saving loans are being met out of our own resources like other States.

3. Till the year 2000, under the provisions of article 280(3)(a) read with the article 270 of the Constitution, the task of the Union Finance Commission with respect to income tax was to make recommendations in regard to three matters, viz.

- a) the percentage of the "net distributable proceeds" which shall represent the proceeds attributable to the Union Territories;
- b) the percentage of the divisible pool of the "net proceeds" of income tax to be assigned to the States; and
- c) the share of each State in the divisible pool.

4. Under article 270(3) of the Constitution, the share of the net proceeds of income tax "attributable to the Union Territories" had to be prescribed. Accordingly, all the Union Finance Commissions till the Tenth Finance Commission had been giving recommendations for resource sharing not only between the States and the Union but also for the Union Territories including Delhi. However, in the year 2000, the Constitution (Eightieth Amendment) Act, 2000 was passed by the Parliament, primarily for the purpose of including corporation tax with the personal income tax for the purpose of resource sharing between the States and Union of India. The Constitution (Eightieth Amendment) Act 2000 replaced article 270 with a new set provisions. In the new article



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270, the erstwhile article 270(3) which had the enabling provision for the Finance Commissions to give recommendations in respect of Union Territories had been omitted. Omission of erstwhile article 270(3) appears to be an inadvertent error on the part of the Law Department, since the Statement of Objects and Reasons appended to the Constitution (Eighty-Ninth Amendment)

Bill, 2000 does not mention a word about proposal to leave the Union Territories out of the ambit of the Finance Commissions. Even the debates in the Parliament on this Bill did not make any mention about deletion of Article 270(3).

5. The unfortunate omission of article 270(3) resulted in an anomaly which has adversely affected the finances of the NCT of Delhi. The transfer of grants in lieu of share in Central Taxes has remained stagnant at Rs. 325.00 crore per annum since the year 2000 which happened to be the last year of the duration of the Tenth Finance Commission. Leaving out Union Territories out of the ambit of Finance Commissions, has only affected the Union Territories with Legislature since the Budget of the other Union Territories is entirely met from the Consolidated Fund of India.

6. The Tenth Finance Commission had recommended that "Out of the net distributable proceeds of income tax, a sum equal to 0.927 per cent shall be deemed to represent the proceeds attributable to Union Territories. As regards, the Additional Duties of Excise, the share of the Union Territories should be treated as one unit, and their share determined on the same basis as that of all the States. Accordingly, the share of Union Territories amounting to 2.203 per cent should be retained by the Central Government". Further during 1997-98, Government of India agreed to bring funding pattern of UTs which have their own Consolidated Fund closer to that of the States based on the recommendations of the Arjun Sengupta Committee. Transfer of grants in lieu of share in central taxes was agreed to be allowed to the UTs with Legislature as determined by the Bagchee Committee. As per the Bagchee Committee Report, the recommendations of the Tenth Finance Commission for the UTs was further divided for the individual UTs including Delhi and a deduction of 10% was made since Union of India provides for Delhi Police. The remaining share was determined at Rs. 325.00 crore for the year 2000 and the said amount continue to be provided till date by the Government of India.

7. As the Capital of the Country and one of the fastest growing metropolises, the claims on its resources are immense and varied. While the Government of NCT of Delhi has to maintain infrastructure that meets world standards, it also has to improve supply of civic amenities to the burgeoning population who legitimately expect employment and a

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fulsome life in the Capital. Consequently, large investments in Education, Health, Social, Food Securities, Transport, Roads & Hospitals etc. have to be made. But for the inadvertent omission of erstwhile article 270(3) of the Constitution of India, the Government of NCT of Delhi would be getting its legitimate Share in Central Taxes of at least Rs. 7000.00 crore per annum with an appropriate annual enhancement like other States to finance the development needs.

8. Further, Delhi has five Urban Local Bodies, of which three are major municipal corporations having population between 39 lakh to 62 lakh. The powers and functions of the municipalities in Delhi are the same as the local bodies in the other States. The omission of Local Bodies of Delhi for not giving the basic and performance grants on technical grounds does not help the constitutional mandate of strengthening the Local Bodies. The three municipal corporations of Delhi are under financial crunch and merit the same consideration from the Central Government. Delhi also devolves funds to the Local Bodies, @ 12.5% of its net tax proceeds on the basis of recommendations of the Delhi Finance Commission. The Fourteenth Finance Commission allocated Grant-in-Aid of Rs. 2,87,436 crore for the Local Bodies for the Award period 2015-2020 which works out to Rs. 488 per capita per annum. Delhi with population of 193.86 lakh should be provided at least Rs. 1150.00 crore with an appropriate annual enhancement as grant to Local Bodies of NCT of Delhi.

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11. The Fifteenth Finance Commission in its report for the financial year 2020-21 has provided 1% of the divisible pool for the newly formed Union Territories of Jammu & Kashmir and Ladakh and assigned the same to the Central Government. As you are aware, the Union Territory of Jammu & Kashmir and the NCT of Delhi are on a similar footing within our Constitution as Union Territories with Legislature. Accordingly, additional Terms of Reference to the Finance Commission at this stage would bring justice to the people of the NCT of Delhi and rectify the anomaly created by the inadvertent omission of Article 270(3).

With kind regards,

Yours sincerely,


(Arvind Kejriwal)

Shri Amit Shah,
Hon'ble Minister for Home Affairs,
Government of India,
North Block,
New Delhi-110001

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