

Analyse the major issues influencing framework of fiscal federalism in the country;

Fiscal federalism refers to the division of powers (or) sharing of funds + administrative responsibilities between the centre, state and local government.

major issues influencing framework of fiscal federalism:

In recent times 3 issues have emerged as a major discussion points in Indian fiscal federalism.

1) First, GST issues such as rate structure, inclusion & exclusion of commodities, revenue sharing from GST & associated compensation etc.

2) Secondly, state government expenditure patterns especially related to the welfare of the states.

3) Thirdly, conception and implementation of central scheme.

Some other issues are:

1) cut down of GST compensation to states after 5 years, when debated b/w

the centre + States

1) Recommendation of Finance Commission of devolution of tax b/w centre + States is 42% but only 32% are divided b/w the states by the centre.

2) Usually State government incur more expenditure than centre, but central government get more revenue than state government, this usually because of deficit amount there will clash b/w centre and state leads to weak fiscal federalism in the country.

3) Generally the amount of tax collected is kept only by the centre, recently is petrol ~~rate~~ price decrease, also the tax amount didn't decrease but share to state govt amount decrease this also leads to a tension in fiscal federalism.

Conclusion:

1) FRBM act should be strict in all states in order to reduce debt - GDP ratio

2) States should decrease their subsidies culture and spend this amount for capital expenditure.