

FFC & Vertical Imbalance



The 15th FC



Chairman → Mr. NK Singh

Time period →

2020-21

2021-26



Interim
Report

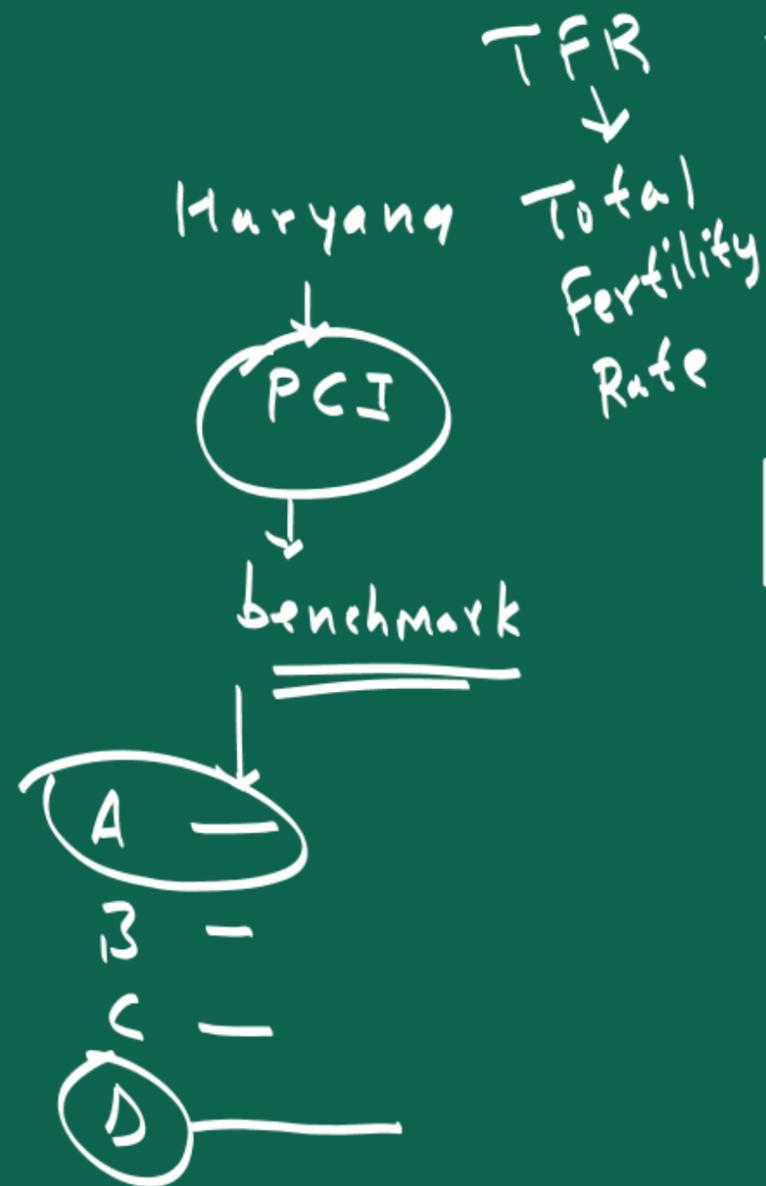


Final
Report

∫

FFC & Horizontal Imbalance

The FFC used the following formulae in this respect -



Dimensions	weightage
1. Population (2011) -	25 %
2. Demographic performance -	12.5 %
3. Income Distance -	45 %
4. Area -	15 %
5. Tax Effort -	2.5 %
6. Forest & Ecology -	10 %
	<u>100 %</u>

Share in Central Taxes
 ↓
 41 %
 ↓
 ₹ 42,24,760 crore

GST = Goods & Service Tax in India

Introduction -

(i) Introduced & implemented -

↓
July 2017

(ii) Through -

The 101st Const. Amendment
Act, 2016

(iii) Under —

Art. 246 A

(iv) Shows —

Cooperative Federalism

Nature

- An ITC based tax system.

↓
Input Tax Credit

↓
Producers, service providers, traders etc.
(suppliers) are given the benefit
of set-off regarding the taxes which

they have given while purchasing
various inputs.



This provision makes GST
a VAT (Value Addition Tax).

A tax on the value
added.

Note -

Consumers are not given the benefit of ITC. So, at their level it functions like a turnover tax.

i-pad - Input for teacher
 Price - ₹ 50,000
 GST @ 18% - ₹ 9,000
 ₹ 59,000

fees
 Price
 GST @ 18%
 18%

Teacher	KHS
↓	↓
₹ 1,00,000	₹ 2,00,000
₹ 18,000	₹ 36,000
₹ 1,18,000	₹ 2,36,000
	Gross Tax Lia. - ₹ 36,000
	ITC benefit - ₹ 18,000
	Net Tax Lia. → ₹ 18,000

Teacher's

L	Gross Tax Lia.	—	<u>₹ 18,000</u>
L	ITC benefit	—	₹ 9,000
	Net Tax Lia.	—	<u>₹ 9,000</u>

Art. 14 -

Equality
before
law

&

Equal
Protection
of law

↓

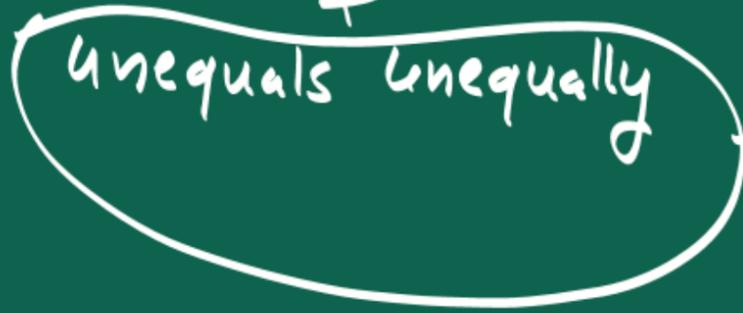
To treat equals equally

&

unequals unequally

APL

BPL





(i) Share in Central Taxes



41%



₹ 42,24,760 Crore → 80% Approx.

(Estimated Amount for
2021-26 period)

of the
total
resource transfer

(ii)

Statutory Grants

(Under Art. 275)



₹ 10,33,062 Crore

(Approx. - 20%)