

**Government of Haryana  
Finance Department**

**EXPLANATORY MEMORANDUM AS TO THE ACTION TAKEN ON THE RECOMMENDATIONS MADE BY THE FIFTH STATE FINANCE COMMISSION HARYANA.**

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1. The Fifth State Finance Commission (hereafter referred to as the Commission) was constituted by the Governor of Haryana on 26th May 2016 to, *inter-alia*, make recommendations for sharing State's revenues with the Rural and Urban Local Bodies and to suggest measures for augmentation of their internal resources. The Commission submitted its report on 13th September 2017. The Report of the Commission covers the five year period commencing from 1st April, 2016 to 31st March, 2021.


2. Major recommendations of the 5th State Finance Commission are given below: -

- i. Financial devolution of 7 percent of the State's Own Tax Revenue (SOTR) to Local Bodies in the ratio of 55:45 (PRIs : ULBs) and Stamp Duty of 2 per cent will be over and above the recommended devolution of 7 per cent of SOTR to Local Bodies.
- ii. Distribution criteria will be based on Population and Area in the ratio of 80:20.
- iii. Inter-se share of Rural Bodies will be in the ratio of 75:15:10 among Gram Panchayat, Panchayat Samiti and Zila Parishad.
- iv. Specific grants of ₹ 250 crore for establishment of State Level Urban Shared Service Centre and ₹ 70 crore for Swarna Jayanti Haryana Institute for Fiscal Management (SJHIFM).

Summary of the main recommendations of the Commission are contained in pages 269-290 of the Report.

3. The State Government constituted a Cabinet Sub-Committee vide order dated 24.01.2018 under the Chairmanship of the Finance Minister, Haryana and Development & Panchayats Minister and Urban Local Bodies Minister as other two Members of the Committee. The Cabinet Sub-Committee agreed to accept the recommendations of the 5th State Finance Commission, Haryana. Further, it was observed by the Cabinet Sub-Committee that the services of the proposed State Level Urban Shared Service Centre will be utilised for urban as well as rural areas. The Cabinet Sub-Committee also observed that the recommendations of the Commission be implemented from the current fiscal 2018-19 itself (Estimates are annexed).

4. In pursuance of clause 4 of Article 243-1 and clause 2 of Article 243-Y of the Constitution of India, the Explanatory Memorandum as to the action taken on the recommendations made by the 5th State Finance Commission, Haryana for Local Bodies is being laid on the Table of the Haryana Vidhan Sabha alongwith the Report of the 5th State Finance Commission, Haryana

  
(Capt. Abhimanyu)  
Finance Minister, Haryana

Dated Chandigarh, the 4<sup>th</sup> September, 2018.

**Annexure**

**Estimates of Devolution to Local Bodies as per recommendations of the 5th State Finance Commission**

(₹ crore)

S.N.	Particulars	2018-19	2019-20	2020-21
		(BE)	(Estt.)	(Estt.)
1	State's Own Tax Revenue	49132	56010	63852
2	Collection Charges 1.5%	737	840	958
3	<b>Net SOTR (1-2)</b>	<b>48395</b>	<b>55170</b>	<b>62894</b>
4	SFC Divolution @ 7%	3388	3862	4403
5	Service Shared Centre Grant	50	50	50
6	Grant in Aid to SJHIFM	14	15	16
7	Net Devolution [4-(5+6)]	<b>3324</b>	<b>3797</b>	<b>4337</b>
8	Share of PRIs (55%)	1828	2088	2385
9	Share of ULBs (45%)	1496	1709	1951

Note: SOTR for the FY 2019-20 and 2020-21 have been estimated by assuming 14% annual growth.