

**Hon'ble Union Finance Minister,
Smt. Nirmala Sitharaman,**

**Hon'ble Union Minister of State for
Finance, Shri Anurag Singh Thakur,**

**Hon'ble Finance Ministers of State
Governments and Union Territories,**

**Respected Officers of the Union
Government, Finance Secretaries and
other Officers of the States,**

Vanakkam,

I thank the Hon'ble Union Finance Minister for inviting us to this meeting and seeking our views on the upcoming Union Budget.

2. Tamil Nadu is one of the best performing States in terms of GST collection. Our late Hon'ble Chief Minister Puratchi Thalaivi Amma supported the Government of India in the successful

implementation of GST, on the assurance of constitutional protection for compensation. However issues pertaining to distribution of GST related dues to States remain a serious concern.

3. The Union Government is yet to provide the IGST arrears of 2017-18 amounting to Rs.4,073 crore to Tamil Nadu. The initiative of the GST council to form a Group of Ministers to look into the issue is a welcome move. I strongly urge the Union Government to address this pressing concern of the States at the earliest.

4. During the 37th meeting of GST council, it was indicated by the Union Government that the obligation to pay the compensation is subject to the availability in the GST Compensation Fund. I would like to state emphatically that the obligation to

provide GST compensation is not restricted to the amount of available compensation cess. The Union Government is constitutionally obliged to make good the States for any shortfall in GST collections. I would like to remind you of the assurance of the then Hon'ble Union Finance Minister. He had said that in case, the amount in the GST compensation fund falls short of the compensation payable in the bi-monthly period, the GST council shall decide the mode of raising additional resources. This could include market borrowing which could be repaid by collection of cess in subsequent years.

5. Moreover, the Union Government had resorted to incorrect accounting for IGST in 2017-18. An amount of Rs.88,344.22 crore of unallocated IGST was

routed through the Consolidated Fund of India. If 50% would have been distributed to the States directly, the States would not have been deprived of their rightful share of IGST and today the compensation fund would not face a shortfall of Rs.48,650 crore.

6. Therefore, I request the Union Government to abide by its constitutional responsibility and as promised by the then Hon'ble Union Finance Minister, to provide the due GST compensation to the States in full for five years within the stipulated time.

7. The taxation measures of Government of India have impacted the States. While the reduction of Corporate Income Tax for certain segments will definitely provide a fillip to new investments, the loss of revenue is also

shared by the States. To overcome this loss, I suggest that many of the cesses and surcharges levied on Personal Income Tax and on Union Excise Duty which have increased substantially in recent years should be merged into the basic rate of tax, so that the States also receive the share from the additional revenue. The Central Government has been depriving the States of their legitimate share of revenue through resort to the levy of cesses and surcharges. This should be reversed.

8. The Government of Tamil Nadu is yet to receive arrears to the tune of Rs.3,369.06 crore towards grants to Local bodies prescribed by the 14th Finance Commission. This includes performance grants for the years of 2017-18 and 2018-19 amounting to Rs.1,196.27 crore and

Rs.2,172.79 crore towards Basic grants for 2019-20. The performance grants have not been released to any State so far which is unfair. The seamless functioning of the local bodies is essential for effective last mile delivery of public services. Paucity of funds will be detrimental to their capacity to perform essential services. Hence I request the Government of India to release the arrears pertaining to the 14th Finance Commission grants at the earliest.

9. Tamil Nadu is a water deficient State. A series of natural disasters that have affected the State in recent years have worsened the water shortage. To overcome this problem, the State has planned several critical projects and the Hon'ble Chief Minister of Tamil Nadu has presented a Memorandum to the

Hon'ble Prime Minister for sanction of some important schemes which include:

- The Godavari-Cauvery linkage project which proposes to transfer water from the Godavari to Cauvery and subsequently Mahanadi.
- The "Nadanthai Vazhi Cauvery" project envisaged by the Government of Tamil Nadu along the lines of "Namami Gange" project to rejuvenate the Cauvery River and its tributaries.
- The "Formation of flood carrier canal from Kanadian channel to drought prone areas in Tirunelveli and Thoothukudi districts by inter-linking Tamirabarani, Karumeniyar and Nambiyar rivers" and "Modernisation of Grand Anicut Canal System" - under the "Pradhan Mantri Krishi Sinchayee Yojana - Accelerated Irrigation Benefit Programme".

These projects are expected to significantly augment the water resources of drought affected areas of Tamil Nadu. I strongly urge the Union Government to approve these projects and provide adequate Budget allocation in the Union Budget 2020-21.

10. To enhance and diversify farm incomes there is a need to invest in Animal Husbandry, Dairy and Fisheries sectors. To augment the State's efforts to expand the infrastructure in these sectors, I request the Union Finance Minister to increase the allocation for the 'Dairy Processing & Infrastructure Development Fund' (DIDF) and 'Fisheries and Aquaculture Infrastructure Development Fund' (FAIDF) in the upcoming Union Budget. I also request you to activate the

'Animal Husbandry Infrastructure Development Fund' (AHIDF) at the earliest with adequate budgetary allocation in the Union Budget.

11. The Chennai Metro Rail Project, inaugurated by our leader, the late Hon'ble Chief Minister Puratchi Thalaivi Amma has been a resounding success. Phase-I of the project is already operational. The development of Phase-II for a length of 118.9 kilometres at an estimated cost of Rs.69,180 crore is on the anvil. The State Government has already taken up 52.01 kilometre of the Phase-II as a 'State Sector' project availing JICA assistance. The remaining stretches of Phase-II have been proposed for multilateral assistance from Asian Development Bank (ADB), Asian Infrastructure Investment

Bank (AIIB) and the New Development Bank (NDB) and are under the consideration of the Government of India for approval. I request the Union Government to expedite the approval and consider implementing the Phase-II of the project with equal equity shares as was done for Phase-I of the project.

12. The Union Finance Minister had recently announced an ambitious plan of investing Rs.100 lakh crore in infrastructure. This requires not only Central Government investment, but also from States and the private sectors. Towards this, one has to promote innovative funding mechanisms in addition to conventional funding avenues. It is in this light that development of Alternate Investment Funds gains traction.

13. The Tamil Nadu Infrastructure Fund Management Corporation Ltd has created two such funds namely the Tamil Nadu Infrastructure Fund (TNIF) and the Tamil Nadu Shelter Fund (TNSF). While the former caters to building infrastructure in various sectors, the latter focuses on affordable housing. The State's model of Alternate investment funds has been widely appreciated at various national and international forums.

14. The State Government has repeatedly requested the National Investment and Infrastructure Fund (NIIF) to make investment in these alternate investment funds from the "Fund of Funds" of NIIF. This would provide confidence to both domestic and international investors to invest in these funds. I strongly urge the

Union Finance Minister to consider the proposal of Government of Tamil Nadu and support the State's efforts in fulfilling the Honourable Prime Minister's grand vision of making India a five trillion dollar economy. I also urge the Union Finance Minister to proactively support State agencies efforts at innovative fund raising in the domestic and international markets.

15. The Government of India has been constantly apprised of the pending release of various dues to the Government of Tamil Nadu. This involves arrears to the tune of Rs.10,100.98 crore which comprise long pending dues such as the arrear grants related to 13th Finance Commission and 14th Finance Commission grants to Local bodies as well as pending grants for regular programmes like the 'Sarva Shiksha

Abhiyan', 'Rashtriya Madhyamik Shiksha Abhiyan', 'Right to Education Act', 'Flood Management Programme', 'Post-matric Scholarship Scheme' and 'State Disaster Response Fund'. I request the Government of India to quickly resolve these pending issues and release the dues pertaining to the State of Tamil Nadu at the earliest.

16. There is a huge requirement for affordable housing in the urban areas of Tamil Nadu since the State is one of the most urbanised in the country with more than half of the population residing in urban areas. Under the Pradhan Mantri Awas Yojana (Urban), the contribution of the Government of India towards the components of 'Affordable Housing in Partnership' and 'In-situ Rehabilitation Scheme' is only Rs.1.5 lakh whereas the

actual cost is Rs.10 lakh per unit excluding land cost. I, therefore, reiterate my earlier request to enhance the share of Government of India by adopting the 60:40 ratio as followed for other Centrally Sponsored Schemes.

17. Regarding 'Pradhan Mantri Awas Yojana' (Gramin), as against the present contribution of Rs.1.2 lakh per unit by the Government of India, I request to enhance the unit cost share to Rs.4 lakh to meet the funding requirements for rural affordable housing.

18. Under the National Social Assistance Programme, the Government of India contributes Rs.200 per beneficiary as monthly pension under the Old age pension scheme and Rs.300 per month per beneficiary for widows and differently abled.

The State of Tamil Nadu has been giving its additional share to give a monthly pension of Rs.1,000 to each beneficiary. Since this amount is inadequate to lead a dignified life, I would like to place my request to increase the share of Government of India to Rs.1,000 per month per beneficiary and provide adequate allocation in the upcoming Budget.

19. I would like to thank the Hon'ble Union Finance Minister for your initiative in holding an interactive meeting on Sugar industry in Chennai in September 2019. As you are well aware, the sector is facing crisis which is adversely affecting the lives of sugarcane farmers. As part of the way forward, financial restructuring of the sugar mills is required and I request the Union Government to include a special financial

package in the upcoming Union Budget to assist the revival of sugar sector in Tamil Nadu.

20. There are several critical projects mooted by the State Government of Tamil Nadu for external aid and are under various stages of approval by the Government of India namely the 'Extension, Renovation and Modernisation of Grand Anicut Canal System', 'Chennai City Traffic Decongestion Project' and 'Tamil Nadu Biodiversity Conservation and Greening Project Phase-II'. I request the Government of India to expedite the clearances for the proposed projects.

Nandri
Vanakkam