

**GOVERNMENT OF NAGALAND**  
**FINANCE DEPARTMENT**

\* \* \* \*

Dated Kohima, the 23<sup>rd</sup> September 2020.

**PRESS RELEASE**

1. The Government has decided to revoke the COVID-19 cess on petroleum products.
2. The State Cabinet discussed the matter and felt that it is also important to brief the general public of the financial issues that are confronting the State, and the likely impact these will have on the activities of the Government.
3. As a result of the lockdown imposed following the outbreak of the pandemic, the country's economy during the period April-June 2020 has shrunk by -23.9%. This has also had a negative impact on the receipts of the Central Government. Since we are a revenue deficit State dependant on resource transfers from the Central Government, our receipts have also reduced, especially our Share in the Taxes and Duties of the Central Government.
4. The State Government had initially estimated monthly receipts of Rs. 320.96 crores per installment as Share of Central Taxes and Duties, the figure that was reflected in the Union Budget of 2020-21. However, actual receipts were only Rs. 263.80 crores. This resulted in a monthly deficit of Rs. 57.16 crores. This amount has again reduced to Rs. 240.47 crores since June 2020. Accordingly, the monthly deficit has now risen to Rs. 80.49 crores. The total deficit during 2020-21 on account of shortfall in receipts of Share of Central Taxes and Duties alone comes to Rs. 1080.13 crores. The negative impact is not confined to Central Receipts only. Our own revenues have fallen by about Rs. 38 crores a month below the budgeted amount during the period April-August 2020.
5. Given the present trends, the revenue receipts of the State are likely to witness a decline of Rs. 1650 crores during 2020-21 against what has been budgeted. When the present Chief Minister had handed over the reins of the Government in 2013-14 the deficit stood at Rs. 950.09 crores. However, by the time the present Government returned in 2018 it had grown to Rs. 1607.73 crores. The current year 2020-21 is expected to close with a deficit of Rs. 2358.81 crores as per budget estimates and this includes an increase of Rs. 939 crore since 2014-15. This is mainly due to various factors such as implementation of the last Pay Revision for the State Government employees and payment of pending dues and liabilities to contractors following various Court judgments in their favour, leaving the Government with no alternative but to pay. However, in view of the unforeseen developments caused by the pandemic, the year is expected to close with a much

higher deficit than estimated. A brief statement of the monthly receipts and expenditure at present is given below to highlight the actual resource position at present:-

<b>Aggregate Monthly Revenue Receipts and Revenue Expenditure during 2020-21</b>			
<b>A: Receipts</b>		<b>Budgeted</b>	<b>Latest Estimates</b>
1	Revenue Deficit grant	326.42	326.42
2	Share of Central Taxes*	374.45	284.44
3	Own Revenue **	106.95	69.30
<b>Total A:</b>		<b>807.82</b>	<b>680.16</b>
<b>B: Expenditure:</b>		<b>Budgeted</b>	<b>Latest Estimates</b>
1	Salaries	461.81	432.30
2	Pension	182.33	178.17
3	Interest payments	99.62	99.62
4	Other recurring expenditure	110.34	107.29
<b>Total B:</b>		<b>854.10</b>	<b>817.38</b>
<b>C: Monthly revenue shortfall</b>		<b>-46.28</b>	<b>-137.22</b>
<b>D: Annual revenue shortfall</b>		<b>-555.36</b>	<b>-1646.65</b>

**Notes:**

- \* Share of Union Taxes is receivable in 14 installments during a financial year. The first 2 installments were Rs. 263.80 crores each. The 3<sup>rd</sup> upto 6<sup>th</sup> installments were Rs. 240.47 crores each. This is against Rs. 320.96 crores of the Union Budget (320.96x14=4493.37 crores).
- \*\* The total own revenue receipts upto 31-8-20 is Rs. 346.50 crores averaging about Rs. 69.30 crores a month.
- \*\*\* Figures of share of Central Taxes and Duties shown in table A are average figures as per current trend and the figures shown in para 4 are based on actuals.

6. The negative impact of the pandemic has been so widespread and pervasive that the State Government has been compelled to adopt drastic measures to mitigate the negative effects of the fall in receipts to avoid a potential collapse. Some of these measures included prorata cuts in the budgets of the departments, imposition of various austerity measures and mobilisation of additional resources through imposition of COVID-19 cess. For the benefit of all concerned, the details of funds received from the Central Government, the details of amounts spent by the State from its own resources to fight the pandemic and the amount collected as COVID-19 cess are given below:-

- (i) Total amount received from GOI for COVID-19 - Rs. 27.84 crore
- (ii) Total amount spent from State's resources for COVID-19 pandemic till date - Rs. 115.80 crore
- (iii) Total COVID-19 cess collected from April to August 2020 - Rs. 13.14 crore

7. The State Government appeal to all responsible citizens to refrain from making sweeping statements based on hearsay without ascertaining facts. Efforts should be made to ascertain correct facts through proper means about the total amount given to the Government of Nagaland for COVID-19 purposes from the Central Government before raising the issue in the public domain. The Government believes that the fight against the pandemic is far from over, and request all responsible citizens to avoid resorting to activities that will restrict the Government's ability to respond effectively to the pandemic in the days to come.

8. The Government's attention is also drawn to the claims being circulated in the local media that the sanction of funds by the Ministry of Finance as Revenue Deficit Grant and State's Share of Union Taxes are meant for fighting the COVID-19 pandemic. This perception may have been caused by the statements made by the national media that Finance Ministry has released funds in order to enhance financial resources of States to fight the Covid-19 outbreak. It is once again clarified that the releases made by the Finance Ministry are Revenue Deficit Grant and State's Share of Central Taxes and Duties. These are meant to meet various types of recurring expenditure such as salaries, pensions, debt servicing etc., and there is no mention in any of the sanction letters of the Central Government that they are meant to be spent on COVID-19. These releases are receivable even in the absence of the pandemic. Therefore, the contention of getting extra funds does not arise.

9. The Cabinet also expressed the view that what we get from the Central Government does not cover the entire expenditure of the State Government, and have to be supplemented by other resources of our own. The entire country is run by the taxes paid by the people – such as income tax, wealth tax, corporation tax, GST, professions tax etc. No society can sustain itself on the belief that all facilities should be made available to the public without any responsibility on the part of the citizens. Like the rest of the world, we need to learn to pay taxes and acquire a sense of responsibility and accountability towards building of our nation and our economy through our contributions.