

PRESS INFORMATION BUREAU

GOVERNMENT OF INDIA

RBI ADVISED BY THE MINISTRY OF FINANCE, GOVERNMENT OF INDIA TO REVERSE THE DEDUCTIONS MADE BY IT OF RS. 1274.21 CRORES FROM THE PRINCIPAL ACCOUNT OF THE STATE OF TELENGANA IN RESPONSE TO THE INCOME TAX NOTICE AS THE SAME IS NOT IN CONSONANCE WITH THE PRINCIPLE OF CO-OPERATIVE FEDERALISM; RBI ALSO ADVISED TO KEEP A NOTE THAT MONEY FROM THE CONSOLIDATED FUND OF ANY STATE SHALL BE TRANSFERRED/WITHDRAWN ONLY AFTER FOLLOWING THE CONSTITUTIONAL AND LEGAL REQUIREMENTS.

New Delhi, August 31, 2015

Bhadrapada 9, 1937

After careful examination and consideration of issues connected, it has been decided that the deductions made by the Reserve Bank of India (RBI) of an amount of Rs. 1274.21 crores on account of State of Telengana in response to the Income Tax Notice, are not in consonance with the Principle of Co-operative Federalism and RBI has been asked to reverse the entry.

Since, the money in the principal account of Telengana held by the RBI, formed part of the Consolidated Fund of Telengana, Article 204 (3) of the Constitution of India mandates that the consolidated fund of a State can be debited only after the due process of appropriation. Any decision to debit the cash balance of any State by RBI should be based on some executive order issued by the Competent Authority after following the legislative process of appropriation.

The deduction by RBI of Rs. 1274.21 crores from the principal account of the State of Telengana held by the RBI, towards income tax liability of Andhra Pradesh Beverages Corporation Limited, was considered by the Ministry of Finance and the RBI was advised to reverse the same without any prejudice to the rights of Income Tax. Further, RBI may keep a note that money from the Consolidated Fund of any State shall be transferred/withdrawn only after following the constitutional and legal requirements.

A letter has been issued by Dr. Rajat Bhargava, Joint Secretary (Budget), Ministry of Finance, Govt. of India to Deputy Governor, RBI and Chief Secretary, Government of Telengana in this regard.
