**TANYA**

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**B.A. Economics , Part – 02**

**Paper – 04**

**Topic – Functions of Finance Commission**

***The two important functions of Finance Commission are as :***

* ***Suggestive functions***

***&***

* ***Making Recommendations***

**Suggestive Functions:**

1. *To suggest the criteria of distributions between the union and the states of the net proceeds which are to be, or may be divided between them.*
2. *It determines the allocation of net proceeds between different states according to their respective share of proceeds.*
3. *Any modification or continuance of the term of any agreement enter into by the union government with the government of any state in Part B of the First Schedule under clause (v) of article 178 or Article 306*
4. *The principle which should govern the Grants- in –aid of the revenue of different states out of the consolidated fund of India.*
5. *Any other matter referred to the commission by the president of India in the interest of sound finance.*

**Making Recommendations:**

1. *The percentage of net proceeds of the taxes which may be divided between the centre and the states.*
2. *The allocation of shares of the proceeds of such taxes in percentage between the different states.*
3. *To determine the principles to govern the Grants – in – aid of the revenue out of the consolidated fund of the government of India between the states.*
4. *Grants- in –aid in Tribal areas.*
5. *Special grants for any particular state.*

*Regarding the implementation of Recommendations made by the finance commission is that a strong convention has been established that the government of India will accept the* *recommendations in respect of the percentage to be assigned to the statesand the manner in which the percentage will be determined and distributed among various states.*