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FINANCE COMISSION

Finance Commission is a constitutional body for the purpose of allocation of certain revenue resources between the Union and the State Governments. It was established under Article 280 of the Indian Constitution by the Indian President. It was created to define the financial relations between the Centre and the states. It was formed in 1951.

The core responsibility of finance commission is to evaluate the state of finances of the Union and State Governments, recommend the sharing of taxes between them, lay down the principles determining the distribution of these taxes among States.

Its working is characterised by extensive and intensive consultations with all levels of governments, thus strengthening the principle of cooperative federalism. Its recommendations are also geared towards improving the quality of public spending and promoting fiscal stability.

According to **Article 280(1)** of the Indian Constitution , President shall within four years of the commencement of Indian Constitution and thereafter every

5 years or at such earlier time as the president considers necessary has to constitute a Finance Commission.

- It shall be the duty of the Commission to make recommendations to the President in relation to the distribution between the Union and the States of the net proceeds of taxes which are to be, or maybe, divided between them and the allocation between the States of the respective shares of such proceeds
- the principles which should govern the grants in aid of the revenues of the States out of the Consolidated Fund of India any other matter referred to the Commission by the President in the interests of sound finance .
- The Commission shall determine their procedure and shall have such powers in the performance of their functions as Parliament may by law confer on them.

Under the provision of Article 281 of the Indian Constitution , the President has to lay the recommendations made by Finance Commission and its explanatory memorandum before each house of Parliament.

Composition of Finance Commission:

Finance Commission consists of a finance commission Chairman & other Members

- Chairman - Heads the Commission and presides over the activities. He should have had public affairs experience.
- One Secretary and four Members.
- The Parliament determines legally the qualifications of the members of the Commission and their selection methods