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B.A. Economics , Part – 02
Paper – 04
Topic – Functions of Finance Commission
Date – 14/01/2022

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 entered 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 states and the manner in which the percentage will be determined and distributed among various states.