What is the Finance Commission?

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About Finance Commission:

- **What is it?** It is **constitutional body for giving recommendations on distribution of tax revenues between the Union and the States** and amongst the States themselves.

- **Who constitutes?** The Finance Commission is **constituted by the President under article 280** of the Constitution.
- It is constituted at the **end of every fifth year or earlier**, as the deemed necessary by the President.
- **Parliament may by law determine** the requisite qualifications for appointment as members of the Commission and the procedure of their selection. On account of this, The **Finance Commission (Miscellaneous Provisions) Act, 1951** was passed.
- **Mandate**: It is the duty of the Commission to **make recommendations** to the President as to:
- the **distribution between the Union and the States of the net proceeds of taxes** which are to be, or may be, 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**;
- the **measures needed to augment the Consolidated Fund of a State** to supplement the resources of the **Panchayats and Municipalities** in the State on the basis of the recommendations made by the Finance Commission of the State;
- any other matter referred to the Commission by the President in the interests of sound finance.
- **Composition**: **It consists of a Chairman and four other members** appointed by the President.
- **Qualifications of members:** The **Chairman of the Commission** is selected from among **persons who have had experience in public affairs** and the **four other members** are selected from among persons **who**
- are, or have been, or are **qualified to be appointed as Judges of a High Court**; or
- **have special knowledge of the finances** and accounts of Government; or
- have had **wide experience in financial matters** and in administration; or
- have **special knowledge of economics**
- **Tenure of members:** Every member will be in office **for the time period as specified in the order** of the President and is **eligible for reappointment.**
- **Recommendations** of the Finance Commission **are not binding on the government.**

Q1) What does article 280 of the constitution say?

Article 280 of the Indian Constitution lays down the provisions for the creation of a Finance Commission and the powers and duties allotted to it.

Source: Process to set up Sixteenth Finance Commission set to kick off soon