
7. Finance Commission

Prelims Level: Budget

Mains Level: GS-III Government Budgeting.

Why in News?

- The report of the Fifteenth Finance Commission, along with an Action Taken Report, was tabled in Parliament. The Commission, headed by N.K Singh, had submitted its Report to the President in December 2019.

Highlights:

- Article 280 of the Constitution requires that a Finance Commission be constituted to recommend the distribution of the net proceeds of taxes between the Centre and states, and among the states.
- Parliament may by law determine the requisite qualifications for appointment as members of the commission and the procedure of selection.
- Every member will be in office for the time period as specified in the order of the President, but is eligible for reappointment provided he has, by means of a letter addressed to the president, resigned his office.

Functions:

- 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.

Appointment Criteria:

- As per the provisions contained in the Finance Commission [Miscellaneous Provisions] Act, 1951 and The Finance Commission (Salaries & Allowances) Rules, 1951, 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.

Powers:

- Have all powers of a civil court as per the Civil Procedure Code, 1908.
 - ✓ Can summon and enforce the attendance of any witness or ask any person to deliver information or produce a document, which it deems relevant.
 - ✓ Can ask for the production of any public record or document from any court or office
 - ✓ Shall be deemed to be a civil court for purposes of Sections 480 and 482 of the Code of Criminal Procedure, 1898

Removal:

- A member may be Disqualified If:
 - ✓ He is mentally unsound;
 - ✓ He is an undischarged insolvent;
 - ✓ He has been convicted of an immoral offence;
 - ✓ His financial and other interests are such that it hinders the smooth functioning of the commission.

