



**KAMARAJ IAS ACADEMY**  
Only IAS Academy by Grandson of "Perunthalaivar" Kamarajar

# Finance Commission

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**Why is in news?** Centre to roll out process to set up 16th Finance Commission soon

**Article 280** provides for this **quasi-judicial body**

It is **constituted by the President every five years or even earlier**

Commission has chairman and four members appointed by the president. Their term is decided **by the president** and they are **eligible for re-appointment**.

Constitution authorises **parliament to decide qualification of members**. Parliament specifies chairman to be a person of experience in public affairs.

Other members should be selected from amongst following: Judge of HC or one qualified to be appointed as one, Person with specialised knowledge of finance and accounts, Person with experience in financial matters and administration, Person with specialised knowledge of economics.

The **First Finance Commission** was constituted in **1951**, with Sri Neogy as the Chairman, and It submitted its report in 1953.

Article 280(3) enjoins the Finance Commission to make 'recommendations' to the President and the only duty imposed on the President, by **Art. 281**, is to **lay the recommendations of the Commission before each House of Parliament**.

## Functions:

Distribution of net proceeds of tax between centre and states and allocation of it between states

Principles governing grants in aid to states from centre

Measures needed to augment consolidated fund of states to supplement resources of panchayats and municipality as recommended by State finance commissions.

Any other matter specified to it by president in interest of sound finance.

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