

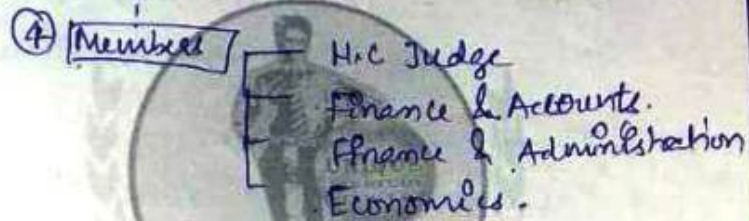
In No.

Q. How is Finance Commission constituted? What do you know about the terms of reference of 15th F.C.?

Ans. The need to fill the gap between Centre & states led by & to increase the cooperation among India, a quasi-federal state.

The Finance Commission was constituted under Art 280, under Finance Commission Act, 1951 & mentioned in Art 280 in the Constitution.

• Setup - ① Chairman - Public Life



• Term - 5 yrs. → can be appointed again.

• Appoint - by President

• Functions -

- 1) Distribution of finance between Centre & state.
- 2) Financial task by President.
- 3) Increase of cooperative federalism.

15th Finance Commission

• Constituted in April, 2020 to 2025.

• Chairman - N.K. Singh + ④ members..

Terms of Reference (TOR)

- 1) Examine the vertical devolution of taxes between Centre & state.

- 2) Examine the horizontal devolution of taxes between states.
- 3) Govern & examine the vertical imbalance & net share of taxes targeted by 14th F.C. i.e. 42%.
- 4) Performance based incentives.
 - Parameters - efforts made in achieving of
 - 1) GST - Ex - Maharashtra (+)
 - 2) but not manipulate comparatively
 - 2) Population measures,
 - ↳ decreasing the net fertility rate
 - 3) Expenditure on populist measures.
 - ↳ Ex - waiver (loan/electricity)
 - 5) Grants in aids according to state needs.

Finance Commission checks the 50% of finance available to the state, which should be increase. It should review the financial performance of state & centre annually. For more effective implementation & functioning, it should be made permanent standing body, F.C. has made efforts to strengthen the cooperative federalism in a vast-diverse country like India.

- Shivam Gupta