



SIXTEENTH FINANCE COMMISSION



About the Finance Commission:

- **Constituted by:** The president of India constitutes a Finance Commission once in every five years under the article 280 of the Constitution which describes the composition of the Finance Commission. It will have one Chairman and four other members.
- **First established:** It was established in 1951 under The Finance Commission (Miscellaneous Provisions) Act, 1951. Constitutional provision: Article 280 of the Indian Constitution to define the financial relations between the central government of India and the individual state governments.
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Terms of office of members and eligibility for reappointment:

- 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.

Salaries and allowances of the members:

- The members of the commission shall provide full-time or part-time service to the commission, as the President specifies in his order.

Context:

- The Union government is gearing up to constitute the Sixteenth Finance Commission in November this year to recommend the formula for sharing revenues between the Centre and the States for the five-year period beginning 2026-27.

What are the terms of reference?

- Individual commissions operate under the terms of reference which are different for every commission, and they define the terms of qualification, appointment and disqualification, the term, eligibility and powers of the Finance Commission.



What is the structure of the commission?

- The President will constitute a finance commission within two years from the commencement of the Constitution and thereafter at the end of every fifth year or earlier, as the deemed necessary by him/her, which shall include a chairman and four other members.
- The most recent Finance Commission was constituted in 2017 and is chaired by N. K. Singh, a former member of the Planning Commission.

What are the qualifications for the members?

- The chairman of a finance commission is selected from people with experience of public affairs. The other four members are selected from people who:
 - Are, or have been, or are qualified, as judges of a high court,
 - Have knowledge of government finances or accounts, or
 - Have had experience in administration and financial expertise; or
 - Have special knowledge of economics.

Who determines the qualifications?

- Parliament may by law determine the requisite qualifications for appointment as members of the commission and the procedure of selection.

What are the functions of commission?

- Distribution of 'net proceeds' of taxes between Center and the States. Determine factors governing Grants-in-Aid to the states and the magnitude of the same.
- To make recommendations to the president as to the measures needed to augment the Fund of a State. Any other matter related to it by the president in the interest of sound finance.