

Article 280:

Provides for constitution of a Finance Commission once every 5 years

Composition

Chairman and 4 members appointed by the President

Parliament determines the qualification and selection process of members

Parliament specified Chairman to be person having experience in public affairs

The four members are to be selected from among:

1. Judge of high court or one qualified to be appointed as one.
2. Person with specialised knowledge of finance and accounts
3. Person who has wide experience in financial and administrative matters
4. Person who has special knowledge of economics

Functions

- Determines distribution of the net proceeds of taxes to be shared between Centre and states
- Principles governing grants in aid to states by Centre
- Measures to augment consolidated fund of a state to supplement resources of panchayats and municipalities on state finance commission's recommendation
- Matters referred to it by president in the interest of sound finance

Commission submits its report to the president, who lays it before parliament with memorandum on actions taken/not taken
Recommendations made by the Finance Commission are advisory and not binding on the government.

FINANCE COMMISSION