

Public Eco

Unit-5

Finance Commission

The article 280 of the constitution make provision for setting up a finance commission which has to provide recommendation regarding distribution of tax revenue and other sources betⁿ centre and states ^{among the states.}

The first finance commission was constituted under the order of President of India in the year 1952 under the chairmanship of Shri K. C. Neogy. From then ¹⁵ ~~the~~ finance commissions were appointed after a interval of every 5 years. Presently the 15 finance commission has put forward its recommendation under the chairmanship of Shri N. K. Singh in the year 2020. Its recommendation will cover the 5 year period starting from 2021-22 till 2025-26.

Recommendation of the 15th Finance Commission

- (i) The Commission recommended a total revenue deficit grant of ^{about 3 trillion} ~~₹ 86201~~ ^{₹ 86201} ~~₹ 86201~~ to 17 states ^{over the 5 year period} for the financial year 2022-23. The grant would be released in 12 monthly installments.
- (ii) The Commission recommended ~~on~~ maintaining the states share in divisible pool of taxes at 41% for the 5 year period. Previously it was 42%, however ~~the~~ adjustment has been made due to change status of the state of Jammu and Kashmir to a union territory.
- (iii) The horizontal devolution shall be made to the different states based on the following ^{criteria} ~~weightage~~ ^{weightage} ~~weightage~~

Demographic performance	- 12.5% weightage
Income	- 45% weightage
Pop'n and area	- 15%
Forest and ecology	- 10%
Tax and fiscal effort	- 2.5%

(iv) Rs. 4,36,361 Cr is the total grant given to local govt from the period 2021-2026

(v) The Commission has suggested to increase the state expenditure on health to 8% by 2022.

(vi) The 15 financial commission recommended maintaining the contribution of states to the state disaster risk fund (SDRF) to be 25% except the North east state (10%)

(vii) The commission has recommended the centre to bring down the fiscal deficit to 4% of GDP by 2026 and has also designed a fiscal road map for the centre states which is given as follows

(i) 4% in 2020-21

(ii) 3% ~~5%~~ in 2023-26

(viii) The Commission proposed performance based grant for states in areas like power, water management, ease of doing business etc. This shall encourage the state to improve their govt.

(ix) A dedicated non-lapsable fund called modernisation fund for defence and internal security shall be constituted to bridge the gap b/w budgetary requirement and allocation for capital outlay in defence and internal security.

(x) The Commission also recommends a spl. grant for 6,400 cr for 3 states viz Karnataka, Mizoram, Telangana

Feature
Feature of Union Budget 2022-24

~~The Union Budget of India is constituted~~
~~what is the name of the~~
~~union term bdy: committee~~

The Article 112 of ^{Finance} Constitution makes provision for the Union Budget of a financial year. This financial statement is announced by the Ministry of every year and is implemented from 1st April. The current Union Budget for 2023-24 was laid out by the Union Finance Minister Shri Nirmala Sitharaman and it has the following notable features

- (i) The Govt. has estimated a nominal GDP growth rate of 10.5% in 2021-24.
- (ii) The Ministry of Jal Sakti was allocated with Rs. ~~10,97,000~~ 97,278 Cr for 2023-24, a 31% increase over the revised estimate of 2022-23.
- (iii) The Govt. through this Budget has laid strong foundation to steer the Indian economy.

Towards Amritthal. Amritthal is a
turn point by the govt. to mark
the 25 year period till 2047
when India will celebrate 100 yrs

(iv) The Union Finance Minister has
listed 7 key priorities which could
complement each other and act as
'Saptarishi' guiding the govt through
the Amritkal, the Vande
financial sector, youth power,
green growth, infrastructure
and investment unleashing the
potentially, reaching the last-mile,
inclusive development

(v) The budget estimates the fiscal
deficit for the year 2023-24
to be at the level of 5.9% of
the GDP

(vi) Capital expenditure has increased
significantly by 33% to Rs. 10 Lakh
crore for the financial year
2023-24. ~~at~~ com

(vii) Under Health, the govt. in the current financial budget make provision for setting up 157 new Nursing colleges and has also launched a mission to eliminate sickle cell ~~an~~ anaemia by 2047

(viii) The govt will recruit recruit 38,800 teachers and support staff in the next 3 years for the 740 Eklavya model residential school which are serving 3.5 lakh tribal student across country

(ix) The Budget also witness a increase in the outlay for the PM Awas Yojana by 66% to over ₹9,000 cr

x) The Budget 2023 has allocated 5.94 lakh crore for defence which is a 13% increase from the previous budget estimate

(xi) The Ministry of Railway got an outlay of Rs. 2.5 lakh cr for the financial yr 2023-24 compared to Rs. 1.5 lakh cr in 2022-23

(xii) The Under personal income tax the rebate limit in the new tax regime has been increased to 4 lakh. Further the no. of tax ~~slabs~~ slabs in the new tax structure has been reduced to 5 and the tax exemption limit has been increased to 3 lakh