

**1. DISCUSS THE FUNCTION OF THE FINANCE COMMISSION OF INDIA.**

Functions of the Finance Commission Finance commission has to make recommendations to the President on two specific matters and on any other matter referred to the commission by the president in the interest of Sound Finance.

The two specific matters are as follows:

How the net proceeds of taxes should be distributed between the Union and States? It also decides the allocation between states of the respective shares of such proceeds.

On what principles, the grants-in-aid of the revenues of the State out of the Consolidated Fund of India should be given to needy states?

It also recommends the measures needed to augment the consolidated fund of a state to supplement the resources of the panchayats and the municipalities in the state on the basis of recommendations of the SFC.

The President, after considering the recommendations of the Finance Commission with regard to income tax, prescribes by order the percentages and the manner of distribution. They also make recommendations with respect to various policy issues whenever they arise and advise the President on any matter that according to it is related to sound public finance.



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