

Twelfth Finance Commission

2.49 In pursuance of the provisions of Article 280 of the Constitution of India and of the Finance Commission (Miscellaneous Provisions) Act, 1951, the Twelfth Finance Commission has been constituted with Dr. C. Rangarajan, as Chairman, with three other members. The Commission will make recommendations on the distribution of the divisible pool of net proceeds of taxes between the Union and the States and the allocation between the States of such proceeds, principles governing grants-in-aid of the revenues of the States out of the Consolidated Fund of India and grants under Article 275 of the Constitution, and the measures needed to augment the Consolidated Fund of a State to supplement

the resources of the panchayats and municipalities. The Commission is mandated to review the state of finances of the Union and the States and suggest a plan by which the Governments collectively and severally may bring about a restructuring of public finances, restoring budgetary balances, achieving macro-economic stability and debt restructuring along with equitable growth. In addition, the Commission is also required to review the fiscal reforms facility introduced by the Central Government on the basis of the recommendations of Eleventh Finance Commission and suggest measures for effective achievement of its objective. The Commission has been asked to submit its report by July 31, 2004 covering a period of five years commencing on April 1, 2005.