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Finance Commission submits report with separate section on finances of States

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The 15th Finance Commission said it had taken the unique requirements of each State on board and come up with State-specific considerations in its report, which was submitted to President Ram Nath Kovind on Monday.

Apart from its main recommendation on devolution of funds between the Centre and the States for the

period 2021-22 to 2025-26, the Commission addressed all its unique terms of reference, such as considering a new non-lapsable fund for financing national security and defence spending and offering performance incentives to the States that deliver on reforms.

Apart from the main report, uniquely titled *Finance Commission in Covid Times*, the 15th Finance Commission presented two

volumes as part of its submissions.

The first one focuses on the state of the Centre's finances, with an in-depth scrutiny of the key departments, the medium-term challenges facing the Centre and a road map for the future. The other volume is dedicated to the States, with the finances of each analysed in great depth.

The panel has come up with State-specific consider-

ations to address the key challenges that individual States face, as per a statement issued by the Commission after a meeting with the President.

Commission chairman N.K. Singh was accompanied by members Ajay Narayan Jha, Anoop Singh, Ashok Lahiri and Ramesh Chand for the report's submission to the President.

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Finance panel submits report to President

The report is expected to be presented to Prime Minister Narendra Modi soon, and will be available in the public domain once it is tabled in Parliament along with an action taken report on its recommendations.

"The Commission was asked to give its recommendations on many unique and wide-ranging issues in its terms of reference. Apart from the vertical and horizontal tax devolution, local government grants, disaster management grant, the Commission was also asked to examine whether a separate mechanism for funding of defence and internal security ought to be set up and if so how such a mechanism

could be operationalised," said the statement, adding that the panel 'sought to address all its' terms of reference. Though its original remit was to make recommendations for the period 2020-21 to 2024-2025, the Commission has submitted an interim report for 2020-21 last year, stressing that it was difficult to make projections for five years when the economy is slowing down after structural reforms like the GST and the insolvency code. The interim report had reduced the States' share in the divisible pool of taxes from 42% to 41% for the current year, after the dissolution of Jammu and Kashmir as a State.