



J&K and 15th Finance Commission

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With the **change in status of Jammu & Kashmir's statehood**, the Fifteenth Finance Commission will have to rework its calculations for inter se distribution of central resources among different states.

- The state of J&K is proposed to be organized into two Union Territories – Jammu & Kashmir (with Legislative Assembly) and Ladakh (without Legislative Assembly).
- **Instead of 29 states**, the Finance Commission (FC) would have to decide **devolution for 28 states now**.
- **Funds for Union territories (including Delhi, Puducherry, etc) are decided by the Central government** in the Union Budget and voted by the Parliament.
 - **Jammu and Kashmir** was one of the few states that was accorded a **special category status (SCS)** by the Central government.
 - Almost 30% of the total central assistance was earmarked for these states. Further, they used to get favourable treatment in terms of the grant versus loan mix compared with other states.
 - Following the constitution of the NITI Aayog and the recommendations of the 14th Finance Commission (FFC), **central plan assistance to SCS States has been subsumed** in an increased devolution of the divisible pool to all States from **32% to 42%**.
 - Of the states' share, the 14th FC recommended that Jammu and Kashmir should receive 1.854% from 2015-16 till 2019-20. This is higher than 1.551 % that the state received during the previous five years.

Finance Commission

- The Finance Commission is a **constitutional body**, that determines the method and **formula for distributing the tax proceeds between the Centre and states**, and among the states as per the constitutional arrangement and present requirements.
- Under **Article 280** of the Constitution, the **President of India** is required to constitute a Finance Commission at an interval of **five years** or earlier.

- The **15th Finance Commission** was constituted by the President of India in November 2017, under the chairmanship of NK Singh. This Commission is expected to submit its report by November end 2019. Its recommendations will cover a period of five years from April 2020 to March 2025.

Source: IE