

**Memorandum
Government of Haryana
Finance Department**

Explanatory Memorandum as on the recommendations made by the 4th State Finance Commission for Rural and Urban local bodies in its final report submitted to the Governor, Haryana.

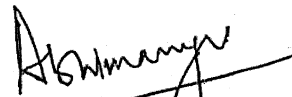
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In pursuance of 73rd and 74th constitutional amendments, the State Government had constituted the 4th State Finance Commission (SFC) on 16th April, 2010. The terms of reference of the 4th SFC were to make recommendations of sharing of taxes, duties, tolls and fees, etc. between the State Government and the Rural and Urban Local Bodies, to determine the principles governing the Grants-in-Aid to these bodies and to suggest measures to improve their financial position with a view to make themselves reliant. The Commission has submitted its final report making its recommendations for the period of five years from 2011-12 to 2015-16, commencing from 1st April, 2011.

The SFC is constituted in the State to review the financial position of the Local Bodies and to make recommendations for a period of five years with regard to distribution of the net proceeds of taxes/duties and fee, etc. between the State Government and Local Bodies and to suggest the measures needed to improve the financial position of the institutions. As per the recommendations of 3rd SFC and the decision of the Government, Rs. 1674.33 crore have already been provided to the Local Bodies from the years 2010-11 to 2014-15. Besides this the State Government has provided funds to the Local Bodies in addition to the 3rd SFC devolution in the form of a share in the Surcharge on VAT, compensation in lieu of Excise Duty and Stamp Duty. These devolutions have amounted to Rs. 4081.85 crore till date during the 3rd SFC period.

The 4th SFC has submitted its final report on 30th June, 2014 to the State Government. Since, the Report of the 4th SFC has been received with only one financial year (2015-16) remaining for the Finance Commission period, there was no time left to follow the required procedure of constituting a Cabinet Sub-Committee for examining the recommendations of the final report of the 4th SFC and then incorporating the decisions in the shape of budgetary proposals in the 2015-16 Budget. Therefore, it is proposed to continue with the present devolution pattern in 2015-16 also.

The Report of the 4th SFC together with the Explanatory Memorandum on the action taken on the recommendations of the SFC is being laid before the State Legislature in pursuance of Article 243 I (4) and Article 243 Y (2) of the Constitution.



(Capt. Abhimanyu)
Finance Minister, Haryana

Dated Chandigarh, the 13th March, 2015