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# K.C. Neogy: Chairman of the First Finance Commission

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# K.C. Neogy: Chairman of the First Finance Commission

Every few years, India splits tax money between the Union and the States. A formula decides the split. A body called the **Finance Commission** recommends that formula.

The very first one was led by **K.C. Neogy**. He was a lawyer, a Congress politician from Bengal, and a minister in the early Cabinet.



Kshitish Chandra Neogy (1888-1970). Photo: Govt of India, Public Domain.

## Who was K.C. Neogy, and what did he do before 1951?

### Who was Neogy, and how did he rise in politics?

**Kshitish Chandra Neogy** was a politician and lawyer from West Bengal. He was born in 1888 and died in 1970.

Neogy was elected to the **Central Legislative Assembly**, representing Bengal. He first won in 1920, and then again in 1923, 1926 and 1930.

He also represented the Orissa States at the First and Second Round Table Conferences in London.

In 1927 he served on the **Indian Cinematograph Committee**. It studied whether the Indian film industry needed censorship.

In 1944 he spoke in the Assembly on food supply. He blamed poor storage and mourned the 1943 Bengal famine dead.

He was later elected to the Constituent Assembly from Bengal. In 1946 he led the **Advisory Planning Board**, which wrote a report on planning.

Sources: constitutionofindia.net

> **Quick check 1.** Neogy was elected to the Central Legislative Assembly four times, from Bengal. *(True or False?)* See answer ↓

> **Quick check 2.** Neogy was a member of the Constituent Assembly of India. *(True or False?)* See answer ↓

## What roles did he hold in government?

In the Interim Government under Jawaharlal Nehru, Neogy became Minister of Relief and Rehabilitation. Later he was Minister for Commerce.

He resigned along with Syama Prasad Mookerjee. They were protesting against the Liaquat-Nehru Pact.

In November 1951 he became Chairman of the First Finance Commission.

Sources: constitutionofindia.net; fincomindia.nic.in

**1920-30** Wins Central Assembly seat four times
**1946** Heads Advisory Planning Board
**1947** Cabinet minister (Relief; Commerce)
**Nov 1951** Chairs the First Finance Commission

## What was the First Finance Commission, and what did it recommend?

### What is a Finance Commission?

Article 280 says the President must set up a Finance Commission every fifth year, or earlier if needed. It has a **Chairman and four other members**.

The Commission advises the President on how to share tax money between the Union and the States. It also advises on grants-in-aid to States.

Sources: constitutionofindia.net; fincomindia.nic.in

> **Quick check 3.** A Finance Commission has a Chairman and four other members. *(True or False?)* See answer ↓

### When was the first one set up, and who sat on it?

The President set up the First Finance Commission by an order dated **22 November 1951**. Neogy was the Chairman.

The other members were V.P. Menon, Justice R. Kaushalendra Rao and Dr B.K. Madan. M.V. Rangachari was the Member-Secretary.

They took office on 30 November 1951. Menon resigned on 18 February 1952, and V.L. Mehta took his place.

Sources: fincomindia.nic.in

**Quick check 4.** The First Finance Commission was set up by a Presidential order dated 22 November 1951. *(True or False?)* See answer ↓

## What did it recommend?

The Commission said the States should get **55 per cent** of the net proceeds of income tax. Agricultural income was left out of this pool.

For excise, it said **40 per cent** of Union excise duties on tobacco, matches and vegetable products should go to the States. The split between States followed their population in the 1951 census.

Instead of sharing the jute export duty, it gave fixed grants to the four jute-growing States: Assam, Bihar, Orissa and West Bengal.

The scheme was meant to run for five years, until 31 March 1957.

Sources: fincomindia.nic.in



The Finance Commission named a conference room after Neogy. Here it is inaugurated in New Delhi, 24 June 2008. Photo: Ministry of Finance, Government of India, GODL-India.

# Was Neogy ever India’s Finance Minister?

## What does the claim say?

You may read that Neogy was India’s second Finance Minister for just 35 days. One biography page says this, though it places the event in 1950.

Lists of Finance Ministers tell a different story. They do not include Neogy at all.

Sources: constitutionofindia.net; vajiramandravi.com

## What do the standard lists show?

The lists name **R.K. Shanmukham Chetty** as Finance Minister from 15 August 1947 to 17 August 1948. The next name is **John Mathai**, from 22 September 1948.

So Mathai is listed as the second Finance Minister after independence, with Neogy absent.

Sources: vajiramandravi.com; cleartax.in

> **Quick check 5.** Standard lists of Finance Ministers show Neogy between Chetty and Mathai. *(True or False?)* See answer ↓

## Why is the 35-day figure confusing?

The gap between the two terms runs from 17 August to 22 September 1948. That is about five weeks.

The lists do not say who looked after the ministry in that gap. The safe exam answer is simple. Neogy is remembered as chairman of the First Finance Commission, not as a Finance Minister.

Sources: cleartax.in; vajiramandravi.com

## What happened to V.P. Menon?

Menon was one of the first members. He resigned on **18 February 1952**, less than three months after taking office.

The President then appointed V.L. Mehta in his place. So the final report was signed by a slightly different team from the one that started.

Sources: fincomindia.nic.in

## Why did a first Commission matter?

Before 1952 there was no standing body to advise on tax sharing. The Constitution created the idea, and this Commission applied it for the first time.

Its choices set the pattern. Income tax and some excise duties were shared with the States, and later Commissions kept building on that base.

Sources: constitutionofindia.net

## How did it divide the money among States?

For income tax and excise, the shares followed each State's population in the **1951 census**. Population was the main yardstick.

Jute was treated differently. The four jute-growing States got fixed grants instead of a share of the export duty.

Sources: fincomindia.nic.in; constitutionofindia.net

# What should you remember for the exam?

## Which facts are most testable?

Remember five things. Neogy was the first Chairman. The order was dated 22 November 1951. Article 280 gives the Commission a Chairman and four members.

The income tax share was 55 per cent. The excise share was 40 per cent, on tobacco, matches and vegetable products.

Treat the Finance Minister story with care. Standard lists do not name Neogy.

Sources: constitutionofindia.net; fincomindia.nic.in

## Can you sum it up in short lines?

Neogy led the first one. It began in 1951. It had five members. It gave States 55 per cent of income tax. It gave them 40 per cent of three excise duties. It aimed to last till 1957.

He is not on the lists of Finance Ministers. Think of him as a chairman, not a minister.

Sources: fincomindia.nic.in; constitutionofindia.net

## Practice MCQs

**1. On 22 November 1951, President Rajendra Prasad appointed K.C. Neogy to chair which body, constituted under Article 280 of the Constitution?**

**A.** The First Planning Commission

**B.** The Constituent Assembly's Drafting Committee

**C.** The First Finance Commission of India

**D.** The First Election Commission

See answer ↓

**2. When was the first Finance Commission of India constituted?**

**A.** 1952

**B.** 1951

**C.** 1954

**D.** 1950

See answer ↓

**3. Under which Article of the Constitution is the Finance Commission constituted every five years, to recommend the distribution of tax revenues between the Union and the States?**

**A.** Article 275

**B.** Article 280

**C.** Article 292

**D.** Article 293

See answer ↓

**4. What does the Finance Commission, constituted under Article 280, recommend?**

**A.** How the President should be elected

**B.** How many seats each state gets in the Lok Sabha

**C.** How tax revenue should be shared between the Centre and the states

**D.** Which language should be used in each state's courts

See answer ↓

**5. The Finance Commission consists of a Chairman and how many other members, as fixed by Parliament?**

**A.** Five other members

**B.** Seven other members

**C.** Four other members

**D.** A number decided freely by the President each time

See answer ↓

# Answer Key

1. **C.**
   Neogy chaired the First Finance Commission. The President set it up on 22 November 1951 under Article 280.
   ↑ Q1
2. **B.** The first Finance Commission of India was constituted in 1951, as mandated by Article 280. ↑ Q2
3. **B.**
   Article 280 provides for a Finance Commission every fifth year, or earlier if the President thinks it needed.
   ↑ Q3
4. **C.**
   The Commission recommends how tax money is shared between the Union and the States. It also advises on grants-in-aid.
   ↑ Q4
5. **C.**
   Article 280 says a Chairman and four other members, appointed by the President.
   ↑ Q5

## Quick-check answers

1. **True.** He won in 1920, 1923, 1926 and 1930, representing the Bengal province. ↑ 1
2. **True.** He was elected to it from Bengal as a Congress member. ↑ 2
3. **True.** Article 280 says it consists of a Chairman and four other members appointed by the President. ↑ 3
4. **True.** The Commission's own report gives the order date as 22 November 1951. ↑ 4
5. **False.** Both lists go straight from Chetty (to 17 August 1948) to Mathai (from 22 September 1948). ↑ 5

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