

PART-V**DEPARTMENT OF LAW AND JUSTICE**Dated Kohima, the 16th October, 2025.

The Nagaland State Finance Commission Act, 2025 received the assent of the Governor on 22nd September 2025 and is hereby published for general information.

The Nagaland State Finance Commission Act, 2025**Act No. 7 of 2025****An
Act**

to provide for the constitution of a State Finance Commission for the State of Nagaland in respect of Local Bodies; the composition of the Commission; the qualifications which shall be requisite for appointment as Members; the manner in which they shall be selected; prescribe the powers of the Commission; and for matters connected therewith or incidental thereto.

Whereas, Nagaland is exempted from Part-IX of the Constitution of India but it is expedient to provide for financial devolution to Local Bodies in the State to facilitate progressive decentralization of functions based on and consistent with the administrative arrangement in the State;

Whereas, it is desirable to enable Local Bodies to perform roles analogous to that provided under Part IX and Part IX A of the Constitution of India, while safeguarding the special provision envisaged under Article 371 (A) of the Constitution of India;

Whereas, in pursuance of the provisions of Part-IX A of the Constitution, Nagaland has constituted a State Finance Commission, for the Urban Local Bodies, in the Nagaland Municipal Act, 2023 (as amended);

Whereas, it is expedient to constitute a single State Finance Commission for all Local Bodies to consider and recommend the principle for matters governing the distribution of revenue between the State Government and the Local Bodies;

Be it enacted by the Nagaland Legislative Assembly in the Seventy-Sixth Year of the Republic of India as follows: -

CHAPTER I – Preliminary**1. Short title, extent and commencement**

- (1) This Act may be called “The Nagaland State Finance Commission Act, 2025”.
- (2) It extends to the whole of the State of Nagaland.
- (3) It shall come into force on such date as the State Government may, by notification in the Official Gazette, appoint.

2. Definitions.

In this Act, unless the context otherwise requires: -

- (a) “Act” means the Nagaland State Finance Commission Act, 2025.
- (b) “Commission” means the Nagaland State Finance Commission constituted under Section 3 of the Act.
- (c) “Government” means either the Central Government or the State Government;

- (d) "Local Bodies" means—
- (i) Village Councils constituted under the Nagaland Village and Tribal Councils Act, 1978 (as amended);
 - (ii) Municipal and Town Councils constituted under the Nagaland Municipal Act, 2023 (as amended);
- (e) "Member" means a member of the Commission and includes the Chairperson;
- (f) "Prescribed" means prescribed by rules made under this Act.
- (g) "State" means the State of Nagaland.
- (h) "State Legislature" means the Legislature of the State of Nagaland.
- (i) "State Government" means the Government of the State of Nagaland.

CHAPTER II – Constitution of the Commission

3. Constitution of the Commission

(1) The Governor shall by notification in the Official Gazette constitute a body known as the Nagaland State Finance Commission to exercise such powers conferred on, and to perform the functions assigned to it under the Act and at the expiration of every fifth year from the date of its initial constitution under this Act, re-constitute the Commission.

(2) The Commission shall review the financial position of the Local Bodies and make recommendations as to: -

- (a) the principles which shall govern:-
- (i) the distribution between the State and the Local Bodies of the net proceeds of taxes, duties, tolls and fees leviable by the State, wherever applicable;
 - (ii) the determination of taxes, duties, tolls and fees which may be assigned to by any law in force or orders, or appropriated by, the Local Bodies, wherever applicable;
 - (iii) the grants-in-aid to the Local Bodies from the Consolidated Fund of the State, wherever applicable;
- (b) the measures needed to improve the financial position of the Local Bodies;
- (c) any other matter referred to the Commission by the Governor in the interest of sound finances of the Local Bodies.

Provided that nothing contained in clauses (a), (b) and (c) shall be construed as requiring the Commission to make recommendations in every case.

4. Composition of the Commission

(1) The Commission shall consist of: -

(a) A Chairperson, who shall be a person of eminence with experience in public affairs, preferably in the affairs of the Government, and having the qualification to be a Member of the Commission.

(b) Either two or four Members, excluding the Chairperson, who shall be selected from amongst persons possessing: -

- (i) special knowledge of public finance and accounts of the Government, or
- (ii) knowledge of customary institutions and rural governance, or
- (iii) knowledge of urban administration and development, or
- (iv) wide experience in financial matters and in administration.

- (c) A Secretary of the Commission appointed by the State Government.
(2) The Chairperson and other Members shall be appointed by the Governor of Nagaland.

5. Term of Office and Conditions of Service

- (1) The Chairperson and Members shall hold office for such period as may be specified in the order of appointment, but not exceeding five years.
(2) They shall be eligible for reappointment.
(3) The salaries, allowances and other conditions of service shall be such as may be prescribed by the State Government.
(4) A Member may tender his/ her resignation, by letter addressed to the Governor of Nagaland.

6. Personal Interest to Disqualify Members

Before appointing a person to be a Member of the Commission, the State Government shall satisfy itself that the person will have no such financial or other interests as is likely to affect prejudicially his/her functions as a Member of the Commission and the State Government shall also satisfy itself from time to time with respect to every Member of the Commission that he/she has no such interest and any person, who is or, whom the State Government proposes to be, a Member of the Commission shall, whenever required by the State Government so to do, furnish such information as the State considers necessary for the performance of his/ her duties under this Act.

7. Disqualification of Chairperson/Members of the Commission

A person shall be rendered disqualified and removed from office as the Chairperson or Member of the Commission if:-

- (a) he/ she is of unsound mind;
(b) he/she is an undischarged insolvent;
(c) he/ she has been convicted of an offence involving moral turpitude;
(d) he/ she has such financial or other interest as is likely to prejudicially affect the discharge of his/her functions as a Member of the Commission.

8. Removal as Chairperson/Member of the Commission

A person can be removed as Chairperson/ Member of the Commission, if:-

- (a) in the opinion of the Government, he/she has abused his position as Chairperson/ Member as to render his/her continuance in the office detrimental to the public interest;
(b) the Chairperson or Member of the Commission shall be removed on grounds of proved misbehaviour or incapacity, after such enquiry as may be prescribed;

Provided that the Chairperson or a Member shall not be removed from office, except after being given a reasonable opportunity of being heard.

CHAPTER III – Procedure and Powers**9. Procedure and Powers of the Commission**

- (1) The Commission shall determine its own procedure and method of functioning as assigned to under this Act.
- (2) The Commission, in the performance of its functions, while considering any matter, shall have the power to:-
 - (a) summon and enforce the attendance of any official, person or witnesses;
 - (b) require the production of any document;
 - (c) requisition of any public record from any Government Office, Village and Municipal/Town Council.
- (3) The Commission shall have the power to require any person or authority, including Local Bodies, to furnish information on such points or matters as in the opinion of the Commission may be useful for, or relevant to, any matter under the consideration of the Commission and any person so required shall, notwithstanding anything contained in any law for the time being in force, be deemed to be legally bound to furnish such information within the meaning of the provision of the Bharatiya Nyaya Sanhita (BNS).

10. Report of the Commission

- (1) The Commission shall submit its Report to the Governor by such date as may be specified in the order constituting it.
- (2) The Governor shall cause every Report, together with an Explanatory Memorandum as to the action taken thereon, to be laid before the State Legislature.

CHAPTER IV – Miscellaneous**11. Power to Make Rules**

- (1) The State Government may, by notification in the Official Gazette, make rules for carrying out the purposes of this Act.
- (2) In particular without prejudice to the generality of the foregoing powers, such rules may provide for all or any of the following matter, namely: -
 - (a) procedure for removal of Chairperson/Members under Section 8;
 - (b) the salaries and allowance payable to and the other terms and conditions of service of Chairperson and Members under Section 5 and Section 6;
 - (c) the Term of Reference of the Commission;
 - (d) any other matter which is required to be may be prescribed.
- (3) Every Rule made under this Act shall, as soon as may be after it is made, be laid before the State Legislature.

12. Protection of Action Taken in Good Faith

No suit, prosecution or other legal proceeding shall lie against the Commission or any Member thereof, for any action taken in good faith under this Act.

13. Power to Remove Difficulty

(1) If any difficulty arises in giving effect to the provision of this Act, the State Government may, by order published in the Official Gazette, make such provisions not inconsistent with the provision of this Act as appear it to be necessary for removing the difficulty.

Provided that no such order shall be made after the expiry of two years from the date of commencement of this Act.

(2) Every Notification issued under this Section shall, as soon as may be after it is made, be laid before the State Legislature.

14. Repeal and Savings

(1) From the commencement of this Act, the State Finance Commission constituted under Section 125 of the Nagaland Municipal Act, 2023 shall mean the State Finance Commission constituted under this Act.

(2) The Nagaland State Finance Commission Rules, 2008 made under the Nagaland Municipal Act, 2001 are hereby repealed.

(3) Notwithstanding such repeal, anything done or any action taken under the said Sections shall deem to have been done or taken under the corresponding provisions of this Act.

Sd/-

THEJANGU-U KIRE

Secretary to the Govt. of Nagaland.

STATEMENT OF OBJECTS AND REASONS**THE NAGALAND STATE FINANCE COMMISSION BILL, 2025**

The Seventy- Third and Seventy-Fourth Amendment to the Constitution of India inserted Article 243-I and Article 243-Y, mandating every State Government to constitute a Finance Commission once every five years. The Commission is required to review the financial position of the Panchayats and Urban Local Bodies and to recommend principles governing the distribution of the State's financial resources with them.

In compliance with this constitutional requirement, particularly the Article 243-Y of the Constitution of India, the Nagaland Municipal Act, 2023 (Section 125) provides for the constitution of a State Finance Commission. The 4th Nagaland State Finance Commission has been constituted vide Finance Department Notification No. FRC-4/SFC(Fourth)/2024 dated October 25, 2024, with a primary focus on Urban Local Bodies (ULBs) as per the prevailing constitutional arrangements in the State. The Commission is entrusted with recommending the sharing of taxes, duties, tolls, and fees between the State Government and the Urban Local Bodies, the allocation of grants-in-aid, and measures for augmenting the financial capacity of Municipal and Town Councils.

Nagaland is exempted from Part-IX of the Constitution of India; which provides for the constitution of the State Finance Commission in Article 243-I for the Panchayats, however, it is expedient to provide for financial devolution to local bodies in the State to facilitate the progressive decentralization of functions, based on the existing administrative arrangements, thereby enabling them to perform roles analogous to those of local bodies constituted under Part-IX and Part- IX A of the Constitution of India.

The object of constituting the Nagaland State Finance Commission is to facilitate progressive fiscal decentralization, strengthen local governance and enable Urban Local Bodies and Rural Local Bodies to discharge their responsibilities, as envisaged, effectively. The recommendations of the Commission will serve as the basis for equitable devolution of resources, ensuring that local self-government institutions in Nagaland are financially viable and capable of providing essential civic services.

This Legislation is thus intended to give effect to the provisions of Article 243-I and Article 243- Y of the Constitution of India read with Section 125 of the Nagaland Municipal Act, 2023 while preserving the safeguards provided for under Article 371 (A) of the Constitution of India.

THE NAGALAND STATE FINANCE COMMISSION BILL, 2025

MEMORANDUM OF DELEGATED LEGISLATION

The Nagaland State Finance Commission Bill, 2025 delegated the Power to the State Government to make Rules.

The Rules made therein shall be laid before the Assembly and shall be subject to the scrutiny of the House. Delegation of power is of normal nature.

Sd/-
Dr. NEIPHIU RIO
Chief Minister
and
Minister-In-Charge, Finance.

FINANCIAL MEMORANDUM

The Nagaland State Finance Commission Bill primarily seeks to give effect to the provisions of Article 243-I and Article 243- Y of the Constitution of India read with Section 125 of the Nagaland Municipal Act, 2023 while preserving the safeguards provided for under Article 371 (A) of the Constitution of India. Any expenditure that may arise in giving effect to the provision of the Bill shall be met within the budgetary allocations of the concerned Department without necessitating any further financial outlay. Hence, the Bill does not involve the recurring or non-recurring liability from the consolidated fund of the State.

Sd/-
Dr. NEIPHIU RIO
Chief Minister
and
Minister-In-Charge, Finance.

THE NAGALAND STATE FINANCE COMMISSION BILL 2025

(As passed by the Nagaland Legislative Assembly on Thursday, the 4th September, 2025)

This Bill was passed by the Nagaland Legislative Assembly on 04.09.2025.

Kohima,
The 4/9/2025

Sd/-
SHARINGAIN LONGKUMER
SPEAKER
Nagaland Legislative Assembly

I assent to this Bill

Kohima,
The 22/9/2025

Sd/-
AJAY KUMAR BHALLA
GOVERNOR