

Dynamics of Centre and State Relations in India: With Special Reference to Financial Nexus in Federalism and Goods and Services Tax (GST)

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Abstract

In the light of increasing international competition around the globe, the survival of Indian economy is to be made sure in each and every sector. To ensure the implementation of the same, the One Hundred and Twenty second (122nd) Amendment of our Indian Constitution was tabled on December 19, 2016, to introduce the Goods and Services Tax (GST). The proposed bill aimed to put parallel power on state and central government for levying tax on every transaction which involved the supply of goods or services or both. The scheme is being acknowledged by many and a step further to remove distortions and spur growth. Sarkaria Commission in 1983, while comprehensively reviewing the Centre –state relations decided upon issues which related to autonomy of states in matters relating to raising resources, enactment of CST 1956 (Central Sales Tax), and the increased expenditure of the Central Government on the subjects listed in List II. Evidently, introduction of such a scheme would destroy the few methods left to the states to generate revenue. It was in the budget speech of 2007-08, where the then Finance Minister Mr. P Chidambaram laid down the date of implementation of GST as April 1, 2010. Since then, due to various political and economical reasons, the bill was being pending in the Parliament for its execution. The present paper will focus on the financial nexus between centre and state relations in Indian federalism, process of introducing GST and the conflicting involvement of different stakeholders in the bill. The objective of the study is to study the advantages of fiscal federalism, cognize the concept of GST and its further implications in the Indian Economy as a whole.

KEYWORDS: Service Tax, Federalism, Finance, GST

I. INTRODUCTION

India has been very efficiently growing towards globalization in each and every sector since many decades. The Indian economy for that matter would be seeing a great reform with regards to its reforms in tax laws soon. The years old pending bill of The Goods and Services Tax (GST) was ultimately passed by Rajya Sabha by The Constitution (122nd) Amendment Bill on August 5, 2016. The bill aims to subsume all indirect taxes levied and an introduction of a new system wherein whole of the nation would be covered under one tax regime only.

It was in 1986 after the implementation of MODVAT (Modified Value Added Tax), that the first time India observed inception in the reforms of taxing laws and later, with much user friendly CENVAT (Central Value Added Tax) in 2002-2003. However after an amendment in the Constitution during 2004-05, the Centre was allowed to earn taxes on services and CENVAT subsumed all the service taxes. And hereafter, India is all set to take the lead to implement GST for overhauling all the indirect taxes.

GST is a comprehensive tax levy system on manufacture, sale and consumption of goods and services at a national level.¹ A Joint Working Group in 2007 was constituted by the Empowered Committee of State Finance Ministers for laying down a roadmap for the GST implementation. After a successful discussion paper in 2009 and the Report of The Task Force on Goods and Services Tax in 2009, the date of extension of the Bill was extended upto April 1, 2011 and again to April 1, 2012. Currently, the bill has been passed unanimously in Rajya Sabha, and President would soon notify the bill as 15 states have now ratified the GST.²

The author would here attempt to analyse the proposed GST Bill's framework, along with its keys features and advantages. The objective of the paper is to discuss the financial relationship between the Centre and the State in order to underline its further impact on the federal structure of the Indian Constitution with reference to fiscal federalism. Additionally, the possible challenges of the scheme in the near future are also enumerated in the paper below.

Methodology: For the purpose of this research, secondary sources of data were used. Data was collected and studied from sources like government circulars, Finance Commission reports, national and international case laws, commentaries, news articles and other study reports from different reports.

II. GST: One Nation, One Tax, One Market

GST is a broad based and a single comprehensive tax levied on goods and services that aims towards elimination of the difference between taxable goods and taxable services.³ In this system, tax is levied at each point of sale or provision of service, wherein the seller or service provider may claim the input credit of tax at the time of sale of goods or providing the services, which he has paid while purchasing the goods or procuring the service.⁴ In the present system of CENVAT, the benefits of the 'set-off' for taxes given on input and services provided upon each stage of production, went far away from the hands of dealers and manufacturers. Moreover, apart from the failure to subsume taxes like entertainment and luxury taxes etc. the present system still fails to provide remedy for tax cascading effect. Also the present Service tax laws do not possess efficient and simplified version of laws as the services are diverged into number of categories.

Introduction of GST aims to remove all such complexities and establish a continuous chain of set-off from the original producer or service producer to the retailer, eliminating the cascading effects at the successive levels of the value chain.⁵ Hence multiple taxation is reduced.

Input Tax Credit (ITC) has been included within the ambit of GST wherein manufacturer would be provided the deduction of taxes that is already being paid by him on an input from tax being levied on the concluding product. Thus while calculating GST, the manufacturer would have an available credit, which is available through the CGST and SGST.⁶

The present system of CST (Central Sales Tax) would also be nullified by GST by the implementation of IGST (Integrated Goods and Services Tax). Hence, such revolutionary concept would bring a new system wherein the tax would be levied at the destination and not on source during inter-state transaction.

III. Key Features Of GST Bill 2016

The GST Model has brought many significant changes in the whole current taxation system of India ever since 1947. Thus this system would eliminate the difference between the taxable services and taxable goods. The bill has also aimed at removing the tax cascading effect.⁷

The Ministry of Finance thus observes in a working paper⁸:

“Tax cascading remains the most serious flaw of the current system. It increases the cost of production and puts Indian suppliers at a competitive disadvantage in the international markets. It creates a bias in favour of imports, which do not bear the hidden burden of taxes on production inputs. It also detracts from a neutral application of tax to competing products. Even if the statutory rate is uniform, the effective tax rate (which consists of the statutory rate on finished products and the implicit or hidden tax on production inputs) can vary from product to product depending on the magnitude of the hidden tax on inputs used in their production and distribution.”

Firstly, the present tax rate structure in indirect taxation comprises of Excise Duty, Service Tax, Sales Tax/VAT, Customs Duty, Central sales Tax (CST) and Local Body Tax. Often different tax rates under the same product in different states lead to different prices because of variable rates of tax upon same product in different states, hampering the essence of integrated market. By giving credit for taxes paid on inputs at every stage of the supply chain and taxing only the final consumer, it avoids the ‘cascading’ of taxes, thereby cutting production costs, and making exports more competitive⁹. The bill by eliminating a large amount of taxes being currently imposed, would aim to unify the market, thus reducing the tax burden on dealers, stakeholders and manufacturers. It seeks to address challenges with the current indirect tax regime by broadening the tax base, eliminating cascading of taxes, increasing compliance, and reducing economic distortions caused by inter-state variations in taxes.¹⁰

Secondly, Insertion of Art.246A¹¹ bestows both Union and the State the concurrent power to make laws associated with the GST. Moreover, there is also a recommendation present in the bill to omit the concept of ‘Declared Goods of Special Importance’¹² from the Constitution of India.

Thirdly, India has come up with the dual GST scheme wherein the Centre and State, both would have the power to levy taxes by way of CGST (Central Goods and Services Tax), SGST (State Goods and Service Tax) and IGST (Integrated Goods and Services Tax). Reason being, the Constitution has already embraced concurrent powers to levy tax on the domestic goods and services. By the Dual GST, there would lie double levying of taxes concurrently by State and the Centre, therefore, the base for levy and imposition of tax/duty liability would be similar. CGST¹³ and SGST¹⁴ would be applicable when the goods and services provided would be within the state (Intra-state) and IGST¹⁵ would be applicable when the goods supplied and services supplied is inter-state.

Fourthly, India would be opining for Consumption-type GST, wherein the final use of the goods would be completed upon the final consumption. This method confines the tax burden to the final consumption of goods and is the most favoured tax base for the effortlessness in administration and economic neutrality. The exports thus would be relieved of the tax burden of goods and services.¹⁶

Fifthly, GST would include sectors like Real Estate, Vehicles, Goods & passengers, and financial services like Agricultural loan, NBFC's, Risk Management Services, Money Lenders etc. Alcoholic Liquor for human consumption is exempted from the ambit of GST and all other goods and services are brought under the purview of GST.¹⁷ Most importantly products like Petroleum, natural gas, turbine fuel, aviation turbine fuel, tobacco and tobacco products would be subjected to GST only when the date is specified by the GST Council, hereby, appropriate amendments in the Seventh Schedule to the Constitution in List I (Union list) and in List II (State list).

Sixthly, certain Indirect Taxes like Basic Custom Duty, on profession, trades, employments, vehicles, tolls, lands and buildings would continue to exist post GST. Most of the big corporate wish to manufacture and produce each and every product in house, so as to remove the cascading effect of tax and reduce CST in the present system. By the GST Bill, such issues would be removed leading to outsourcing, subcontracting and division of labour.¹⁸

Seventhly, taxes paid on input goods/services against CGST shall be allowed to be utilized as input tax credit (ITC) against output tax liabilities under CGST and same principle applies to SGST. Cross utilization of input tax credit between the Central GST and the State GST would not be allowed except in case of inter-state supply of goods and services.¹⁹ The time limit has been raised to one year from six months for availing credit on input services to ensure seamless flow of credits.²⁰

Eighthly, for recovery of the state losses in the whole scheme, Parliament would provide 100% compensation to the states for the period which may extend for the next five years.²¹

Lastly, GST Council: By virtue of new law i.e. Section 279- A, a GST Tax Council shall be constituted by the President of India within 60 days of the Act coming in force. It shall consist of Union Finance Minister, Union Minister of State in charge of Revenue, and Finance Ministers of respective state.²² The States, thus would have 3/4th of votes and the Centre is entitled for 1/4th of the votes in any decision making process.

Moreover, now through GST Portal, the tax can be filed online at one go. Thus it can be observed that the Government is very much determined to make the GST Bill function in our country.

IV. FINANCIAL RELATIONS IN INDIAN FEDERALISM

Having two sets of government to discharge their functions in federalism is essential for the effective working of each government that it be endowed with powers to raise financial resources of its own.²³ Hence apportioning taxing powers becomes

necessary to be between the states and the centre. Thus not only the functional duties are separated between the two but also the taxation powers. The constitution gives a detailed scheme of distribution of financial resources between Union and the States.²⁴ The framers of our Constitution did take some techniques of taxation developed in other federations but also tried up to a certain extent to remove the cons and difficulties which developed over there. The two most conspicuous features of this scheme are: (i) a complete separation of centre –state taxing powers, and (ii) massive transfer of funds from the Centre to State.²⁵

The uniqueness of allocation of taxing powers to state and the centre lies in the non inclusion of taxing powers in the concurrent list, main reason being that it may lead to difficulties in multiple and overlapping taxation.

The rules of interpretation have to be applied in the same manner to the taxing statutes *mutatis mutandis* as they are applied in other non tax entries. Thus, a broad and liberal approach of interpreting such statutes need to be kept in mind as possibility arises when the legislature can apply a tax not only prospectively but even retrospectively.²⁶ If the taxing power is within a particular legislative field, other fields in the legislative lists must be construed to exclude this field so that there is no possibility of legislative trespass.²⁷

While levying any tax if a challenge appears in front of the judiciary to check its validity, the test lies in drawing the nexus between legislative competence and the subject of taxation.²⁸

The Supreme Court has held in *Ramakrishna*:²⁹

“The objects to be taxed so long as they happen to be within the legislative competence of the legislature can be taxed by the legislature according to the exigencies of its need...The quantum of tax levied by the taxing statute, the conditions subject to which it is levied, the manner in which it is sought to be recovered are all matters within the competence of the legislature...”

It is to be noted that if a particular law has been stated as invalid, the legislature can remove the flaw and revalidate the law, the same which is the case with the taxing statutes. A very important privilege lies with the state government, especially in tax matters, where they can enact validation laws which may be directed to apply retrospectively.³⁰ At the same time the legislature is not supposed to declare the court’s contrary decision, to make the law valid, which relatively affects the ‘doctrine of separation of powers’³¹ i.e. the legislature is not supposed to directly nullify the court’s decision to be invalid.

The taxes to be levied are divided in the Indian Constitution under the three categories namely Central Taxes (Entries 82-92A), State Taxes (Entries 45-63) and Concurrent Taxes. The tax must be thus, levied under these three categories only and not under a ‘non-tax’ entry as ancillary or incidental matter.³² If any of the entries does not cover the other types of taxes, then it is to be regarded as Residuary Taxes which is levied under Entry 97 in the Union List.³³

Recourse to Create Financial Equilibrium

Article 268-281 of the Indian constitution deals with the distribution of revenues between the Centre and the State. However, in any federation country, since both the

centre and the state are deriving revenue from the same body of taxpayers, problem arises in allocating the revenues to both Union and the State. Most of the lucrative and unrestrained sources of taxation lie with the Union. The revenues derived from such division of power, even where it is practical, may not fit the economic and financial requirements of each authority; neither do these requirements necessarily continue to bear constant relation to each other, and yet it is difficult to devise variable allocation of resources.³⁴

The state's fiscal needs are huge because of their responsibility to provide for development, welfare and social service activities like education, housing, agriculture, etc. for which there is an insatiable demand in the country, their revenue raising capacity is cabined due to many reasons, some of which are: (1) the economic conditions prevailing within their boundaries; (2) the fact that they have to share their taxing powers with the local government; and, (3) by their taxing powers being somewhat inelastic.³⁵ As already mentioned earlier, the framers of the constitution believed that the Centre's taxing power being flexible, they made provisions in the Constitution which enabled part of the Centre's fund to be transferred to the state funds by two expedients:

- (1) Tax-sharing, and
- (2) Grants-in-aid

During financial emergency, the president has the power to suspend such provision regarding the division of taxes between the centre and the state.

The essence of federalism lies in proper division of powers and functions among various levels of government, to ensure adequate financial resources to each level of government, enabling them to perform their exclusive functions.³⁶ The author would opine that in other federations like in USA, there is no provision for transfer of revenue from the Centre to the States, and in the force of circumstances, a pervasive system of conditional grants had arisen under which the Centre financially supports many State's activities.³⁷ The principle of *laissez faire* era clearly paved this way for public demand for social changes and services to be delivered by the Central Government. The primary principal still remains that of providing States the resources for their development so that the poor states might come at a rank equivalent with the rich states.

(i) *Sharing Of Taxes*

Till 2000, very minimal Central taxes were shared between the Centre and the State. It was only in 2000, the 10th Finance Commission enacted the 80th Amendment of the Indian Constitution that 26% of the gross receipts of the Central Tax be given as a part of the share to the states. The scheme saw many advantages, like, the States can share in the aggregate buoyancy of Central Taxes, the Central Government can pursue tax reforms without the need to consider whether a tax is shareable with the States or not; the impact of fluctuations in Central tax revenue would be felt alike by the Central and State Government.³⁸

The sharing of taxes in Indian Constitution can be divided among two parts i.e. Tax Revenue and Non-Tax Revenue.

Statutes related to Tax Revenue are as under:

- (i) *Art.268 -Taxes levied by the Centre but collected and appropriated by the States*

- (ii) *Art.268-A - Service Tax levied by the Central Government but collected and appropriated by Centre and States*³⁹
- (iii) *Art. 269- Taxes levied and collected by the Centre but assigned to the states*⁴⁰
- (iv) *Art.270- Taxes levied and collected by the Centre but distributed between the Centre and the State.*
- (v) *Art.271- Surcharge on certain taxes and duties for the purpose of Centre*

Statutes related to Non-Tax Revenue are as under:

The Centre would have the sources by way of posts, telegraph, banking, broadcasting, railways, coinage currency, PSU's, escheat and lapse. The States would derive their revenue from sources such as irrigation, forests, fisheries, PSU's (State), escheat and Lapse.

- (ii) *Grants-In Aid To The States:*

Apart from the above methods of tax sharing, another mode is of providing grants-in-aid to the States from the Centre. These may be divided among:

- (i) *Fiscal Need Grants:* Financial assistance is provided to the State from a consolidated fund on the basis of recommendations of the Finance Commission.⁴¹ This amount payable to the States is also unconditional and the recipient States can use this money as they like.⁴²
- (ii) *Specific Purpose Grants*⁴³: Also known as discretionary or conditional grants, it is upon the Centre to decide whether the amount is necessary to be provided to the State. It may be given for promoting any activity which the state may wish to achieve national goals, for example, under Art. 275(1) the Centre can provide assistance to the State for promoting the welfare and development of Scheduled Tribes and Castes.

Finance Commission

The Finance Commission is entrusted with the following functions⁴⁴:

- (1) To allocate between the Provinces, the respective shares of the proceeds of taxes that have to be divided between them;
- (2) To consider applications for grants-in-aid from Provinces and thereon;
- (3) To consider and report on any other matter referred to it by the President.

V. GST AND FEDERALISM

The Centre and the State function in a federal finance structure wherein both the governments are provided with adequate resources for raising their revenue. Fiscal federalism promotes the sharing out of responsibilities in respect of taxation and public expenses among the different layers of the government i.e. between the Centre, the states and the local bodies.⁴⁵

During the Constitutional Assembly Debates too, the framers had themselves realised that the State's taxing powers would not enable them to raise adequate revenue to meet their needs.⁴⁶ B. R. Ambedkar by rejecting an amendment which would enable

the Parliament to fix the ceiling on taxes opined that some source of important revenue should still be in the hands of the provinces.⁴⁷ The Supreme Court in *Kuldip Nayar v. Union of India*⁴⁸ held that Indian model is broadly based on federal form of governance but has a certain amount of tilt towards the centre, and hence the nature of federalism in the Indian Constitution would no longer be *res integra*.

GST Law is designed in such a way that a uniform rate along with base of tax would be levied across the states, which some states may view it as destabilization their fiscal autonomy. The present bill aims to provide for uniform taxing structure, resulting in equal apportionment of the revenues collected by the Centre to the State. This might prove a huge loss to the developed states as now there would be no big incentive for the foreign investors to indulge in the profitable state's business. More or less they will now see all the States equal in terms of excise and tax laws.

As more and more autonomy to the states would be provided to the Centre for levying taxing powers, this means that they would still retain the supremacy to ratify the tax laws, and be answerable to their constituents. It can be said that observing tax autonomy to only body might be easier to regulate, but equally it is also important to make sure that by exercising this power, there is avoidance of inter-jurisdictional in rule framing process, which would eventually result in downbeat externalities, economic misrepresentation or enforcement saddle. In short, States too should have some degree of power or control to work upon the designing the base and rates of tax.

The basic objective of tax being levied by States have resulted in economic distortions, and if continue levying SGST as base tax, they would rather opt for this lazy mechanism rather than increasing the enforcement procedure. And when decision to increase the rates would approach upon them, it is eventually they have a better incentive to dodge, in turn, making the industries uncompetitive. Thus, the framers decided to cease away the State's autonomy and having an edge over fiscal autonomy over tax autonomy was preferred. *The Thirteenth Finance Commission Report* too suggests that by the GST scheme, the states would still have fiscal autonomy by promoting various social and economic objectives through direct transfers, thus making GST as an *absolute harmonization* of the tax rates all across India.⁴⁹ "When you move to a GST Regime in a federal set-up, some curtailment of the State's freedom is inevitable", opines Kavita Rao, one of the member of the Working Groups constituted on GST by Empowered Committee of State Finance Ministers.⁵⁰

Harmonization of the tax law has a greatest challenge in terms of administering and complying with it. This would include detailed explanation of procedures, tax forms, taxpayer identification numbers, invoice requirements, and an efficient IT system. This process of harmonization would enable the various level of governments exchange the information in more efficient manner. Harmonizing the different tax laws thus is very much imperative to this Indian federal structure. Even the foundation of the GST Council, wherein major voting power relating to any decision making process lies with States, thus, empowers none of the authority to take decisions unilaterally. Thus, imposition of GST can be clearly seen as a way forward towards the principle of co-operative federalism.

VI. CHALLENGES TO GST

The GST Bill has been passed with utmost usher by a seven hour long debate in Rajya Sabha by unanimous vote to it. The present amendment bill would not only be advantageous to various sectors of the India but also, a great stepping stone to the Indian economy. But still challenges remain:

1. Though GST would make the goods and services cheaper up to a certain level, but right after the implementation of it, the country might to face high price rise in certain sectors. It is expected that the *inflation* might raise upto 2% for the time being. For example, there was no duty present on the packaged food materials anywhere in India, and even if it was there, the rate remained at 4-6%. After the GST, the consumer might have to give 18% tax on the same. The same goes for items like jewellery and readymade garment sectors wherein 3% duty and 4-6% State VAT was applicable respectively. This too may get costly.
2. For smooth functioning of this fresh scheme, government needs to focus on *strong IT and banking structure*, primarily focussing on inter-state transactions.⁵¹ Arbitrary powers thus should be kept at a minimal level for smooth administration of tax and less litigation by the taxation authorities.⁵²
3. As the GST law would be replacing the indirect tax laws such as State VAT Acts, Central Excise Act, Service Tax etc., a major challenge before the government would be to implement it by making *comprehensive rules and definitions* regarding the classification of time & place of tax valuation, which is no doubt comprehensive and cumbersome procedure. It should be ensured that a flawless legal framework for proper administration of GST regime.⁵³
4. When approaching towards certain legislative issues, thought the bill has been passed by the Rajya Sabha, but after bill gets the assent of the President, it is a requirement of any bill to get *16 states ratifies the same*. The bill needs to be passed in the State's respective legislative assemblies too, which might take a longer duration. Though the government expects all the states to ratify the same till winter session, the reality might seem a little far.
5. The States are seen demanding a low *threshold* of Rs 10 Lakh of annual turnover, while the Centre has claimed the limit on Rs 25 lakhs so that the very small businesses can be left out from this purview.⁵⁴ There are different threshold limits for different tax laws like service tax (10 lakhs), VAT (5 lakhs) etc. While the lower tax base would be the resultant of fixing a lower tax base, the government would require a strong IT database and infrastructure, which is missing presently in India today, specially the States. IGST would be here playing an important role for creating a network which would be managed by the proposed Goods and Service Tax Network (GSTN).
6. *Upgradation* of the existing system of tax administration needs to be foster upon. Earlier the revenue officers were trained and involved in only matters related to present system. Thus, massive training regarding the GST concepts and procedures should be provided to the officers and authorities.
7. Taking away the *powers of sales taxation*, which is believed to be the dominant source of revenue for sub-national governments from the States, would be detrimental not only to their fiscal autonomy but also accountability as that would make the states merely spending agencies with little responsibility for the funds they spend.⁵⁵ Much of the part of their revenue

had sources from the various indirect taxes being levied, which is now finally getting submerged in the new GST Regime. More importantly goods and services like petroleum, air-turbine fuel etc. are being completely excluded from the ambit of GST. Though the Centre has promised to compensate the loss to the states for the 5 years upto 100%, it would be essential on how the government would go about it.

8. The biggest challenge posed would be regarding high level of effect to the *Centre- State relations* prevalent in India. Most of the powers being completely with the Union Government, the states would lose their incentive to be financially solvent.⁵⁶

VII. CONCLUSION

After a long struggle and efforts, the GST bill was unanimously passed by the Rajya Sabha. Presently 15 states have ratified the bill and President is all set to assent to it. It would unify all the tax rates and their base, which will eventually open the doorsteps for the country to enter into global market more efficiently. The Bill promises to remove all the irregularities of the present tax system by the way of eliminating cascading effect of taxation, subsuming all the indirect tax laws, resulting in better administration and efficiency of the country.

In a vast federal country which suffers from a huge fiscal inequality, it is important for the fiscal autonomy of the states to be protected, be it in the power to fix the rate or the quantum of revenues to be collected.⁵⁷

A lot of issues were involved while the bill was laid down, especially with regards to challenging the federal structure of the Indian Constitution. Most of the sources of revenue generation of states would be eliminated by introducing the bill, hampering the fiscal autonomy and independence of the States. The author has thus tried to bring about a close nexus between the subject matter of the bill and the conflicting issue. GST bill has been passed after rounds of forethought and deliberations. It would duly ensure the harmonization of unification of tax structure, their collection, where both the Centre and the State would have opportunity to deliberate upon the goods supplied and services provided. Also, the bill proves to be a stepping stone towards the mechanism of 'co-operative federalism'.

All the issues need to be appropriately considered and implementation of the act should be neglected at no cost. GST is being considered as one of the supreme transformation in the sector of indirect taxation, proving to be great leap in the Indian economy.

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¹³ CSGT is expected to subsume Central Excise Duties, Service Tax Additional Excise Duties, CVD and other domestic taxes on imports.

¹⁴ SGST would subsume luxury tax, VAT, entertainment tax, Excise Duty (Except on Liquor), taxes on lottery betting and gambling and Entry Tax.

¹⁵ Additional 1% tax has been recommended to be omitted by the Rajya Sabha. However by the 122nd Amendment Act 2016 passed by Rajya Sabha recommends not to include the State's part in the consolidated fund i.e. IGST(Last updated on 24 August 2016)

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- ²⁹Rai Ramakrishna v. State of Bihar, AIR 1963 SC 1667 : 1964 (1) SCR 897.
- ³⁰Avinder Singh v. State of Punjab AIR 1979 SC 321; Radhakrishan Rathi v. Addl. Collector, Durg, AIR 1995 SC 1540
- ³¹ The doctrine aims to let the three organs of the government i.e. Executive, Legislature and Judiciary to function independently. However such strict interpretation of the doctrine is not followed in India, but if the amendment destroys the basic structure of the Constitution, the court may hold it unconstitutional.
- ³²Abdul Quader & Co. v. STO AIR 1964 SC 922.
- ³³Hari Krishna v. Union of India AIR 1966 SC 619, Second Gift Tax Officer v. DH Nazareth AIR 1970 SC 999.
- ³⁴Joint Parliamentary Committee Report, 160-61.
- ³⁵Jain, *Supra* note 23, at 699.
- ³⁶Pravakar Sahoo, Amrita Sarkar, *Changing Dynamics of Centre-State Financial Relations*, YOJANA, 2013.
- ³⁷JAIN, Federal Grants-in-aid in the U.S.A.
- ³⁸REPORT OF THE TENTH FINANCE COMMISSION, 59-61 (1994).
- ³⁹Article 268-A was introduced in 2003 by the Constitution (Eighty-eighth Amendment) Act, 2003 which dealt with charging of service tax by the Union and appropriating it by the Union and the States. It now stands omitted through 122nd Constitution (122nd Amendment) Act 2016.
- ⁴⁰ Article 269 was reformed by the 80th Amendment where two taxes were included *viz.*, taxes on sale or purchase of goods in the course of inter-state trade or commerce and taxes on consignment of goods in the course of inter-State trade or commerce. These would be levied by the centre and assigned in whole to the state.
- ⁴¹INDIA CONST. art 275.
- ⁴²Jain, *Supra* note 23.
- ⁴³ Centre provides the grants under Art. 282 to the State if its resources fall inadequate. The provision thus plays a dominant role in relation between the two. Often the Article has raised certain controversies regarding States being constantly pressurising the Centre for large funds and accuse it for political biasness. Also, question arises whether a uniform approach should be adopted for the same or poorer states should be the one to be favoured first.
- ⁴⁴V N SHUKLA, CONSTITUTION OF INDIA, 856 (2013).
- ⁴⁵*Id.* at 856.
- ⁴⁶Jain, *Supra* note 23, at 700.
- ⁴⁷KN Balagopal, *GST and federalism: Some questions BJP must answer*, THE INDIAN EXPRESS, August 3, 2016, <http://indianexpress.com/article/blogs/gst-and-federalism-some-questions-bjp-must-answer/> (Last updated on 18 August 2016)
- ⁴⁸Kuldip Nayar v. Union of India (2006) 7 SCC 1
- ⁴⁹ Report of The Task Force on Goods and Services Tax, THIRTEENTH FINANCE COMMISSION REPORT, (2009) <http://www.prsindia.org/uploads/media/Constitution%20122nd/Report%20of%20Task%20Force-%20GST.pdf> (Last updated on August 2016) .
- ⁵⁰Sampath, *Supra* note 9.
- ⁵¹Ruchi, *Supra* note 1, at 65.

⁵²*Id.*

⁵³*Id.*

⁵⁴Sumit Dutt Majumdar, *What India need to do for GST to make history?*, DAILY O, <http://www.dailyo.in/business/gst-amendment-bill-indian-economy-taxpayers/story/1/12218.html> (Last updated 28th August 2016)

⁵⁵Amaresh Bagchi, *Towards GST: Choices and Trade-Offs*, ECONOMIC AND POLITICAL WEEKLY, VOL. 41, No. 14, 1314- 1317, (2006).

⁵⁶Sriram, *Supra* note 5, at637.

⁵⁷*GST and Autonomy of States*, ECONOMIC AND POLITICAL WEEKLY, Vol. 45 No. 4, 5-6 (2010).