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# **“INDIAN FEDERALISM AND UNION-STATE FINANCIAL RELATIONS”**

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## **Abstract**

Modern political systems may be classified in terms of the method by which the powers of administration are distributed between the governments of the whole country on the one hand, and regional or provincial governments that exercise authority over the parts of a country on the other. On this basis, the present governments have been designated as ‘Unitary’ or ‘Federal’. The government of every modern constitutional state falls either of these two types. For instance, there are unitary constitutions in Britain, France, Japan, while the United States of America, Switzerland, Australia have federal constitutions.

A unitary government is a single integrated system of government for the exercise of all powers. The legal sovereign confers all powers of government in the first instance upon a single central government. The legislature of the central government is the supreme law-making body in the country. The central government may exercise all these powers by itself or create political subdivisions and delegate them such powers, as it may deem wise to delegate. In other words, the legislature of the whole country may permit legislatures of regional governments to exist and exercise their powers, but “it has the right, in law, to over- rule them, because they are subordinate to it.”<sup>1</sup> Furthermore, they exist and exercise their powers only at the mercy of the union government. Federal system, on the other hand, involves the division of powers between a government for the whole (National government) and constituent parts (Provincial governments) in such a way that each government is legally independent within its own sphere. The government for the whole country has its own area of powers. It exercises its authority without any control from the governments of the constituent parts of the country. The constituent parts in their turn exercise their powers without being controlled by the central government. The national and the regional

governments are free and autonomous within the sphere assigned to them by the Constitution. Therefore, “Neither is subordinate to the other; but both are coordinate and independent.”

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<sup>1</sup>Gamer, J.W., Political Science and Government, World Press, Calcutta, 1952, p. 348.



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## INTRODUCTION

The contemporary debates about federalism in India are rooted in a long-standing contestation of sovereignty. Some Indian historians like K. P. Jayaswal and R.K. Mukerjee could trace out the elements of federalism in the ancient Indian polity. Ancient polity laid down that empire should not be at the expense of local autonomy, culture and institutions. Most of the feudatory kingdoms held together by masterful personalities for a few decades.<sup>2</sup> Beni Prasad called the Mauryan empire “feudal and federal type” in which “the internal autonomy of various regions was respected.”<sup>3</sup> Mukerjee also endorses this view when he said, “the Mauryan empire recognized the local autonomy at the expense of the central government.”<sup>4</sup> This emphasis on local autonomy is very similar to our present idea of a strong centre with full autonomy for the states.” In the later Vedic period, the Kurupanchalas formed a composite state under a common monarch. The Kshudrakas and the Malavas formed a confederal union to meet the invasion of Alexander the Great. In the period of Buddha and Mahavir, the Lichhavis formed a confederation once with the Mafias and later with the Videha’s. Jayaswal says: “The Videhas and the Lichhavis were, according to Buddhist documents, united in a league and they were together called Samvijjis (literally means “the Vajjians together”). The two Republics, however, were not confined to their own federation. The Lichhavis once had formed a federation with their neighbors, the Mallas, according to Jain sutra. However, the development of administrative institutions with a federal character in India began with the expansion of British rule after 1857, when the British Crown assumed the direct responsibility for India’s ‘protected’ states. In 1858, Lord Canning was proclaimed the first Viceroy and Governor General for the British Crown. It is during this period that the Indian Councils Act of 1861 gradually reversed the centralizing administrative aspects of British rule as set out by the Charter Act of 1833. The Charter Act of 1833, according to H.H. Dodwell, ‘had centralized the administration of the country’s finances in the hands of the Government of India.’” However, it negated the power of legislation from the Governors in Legislative Council.

<sup>2</sup>Altekar, A.S., State and Government in Ancient India, Motilal Banarsidas, Delhi, 1962, pp. 286-287.

<sup>3</sup>Beni Prasad, The State in Ancient India, Central Press, Allahabad, 1928, p.162

<sup>4</sup>Mukerjee, R.K., Local Government in Ancient India, Motilal Banarsidas, Delhi, 1958, p.10.



***These are some stages which introduced the concept of federalism in India  
for the first time:***

**The Indian Councils Act of 1861**

This Act, for the first time introduced a grain of popular element. In the earlier acts, the Governor-General's Executive comprised exclusively of officials, but this Act included certain additional non-official members. However, this Legislative Council was neither representative council nor deliberative in any sense.

***Minto - Morley Reforms of 1909***

The Government of India Act of 1909, popularly known as MintoMorley reforms brought certain changes in the composition of the Legislative Council and the Provincial Council and the Provincial Legislatures. It empowered the members (both the Central and State Legislative Councils) to discuss any matter, raise questions and supplementary questions except military, diplomatic and religious matters.

***Government of India Act, 1919***

The next land mark in the constitutional development of India is Montagu-Chemsford Report known as the Government of India Act, 1919. This act introduced responsible government in the provinces without impairing the responsibility of the Governor for the administration of the provinces. It introduced a device known as dyarchy or dual government. This Act further divided the administrative subjects between the union and the state governments into two types namely, Union List, Provincial List. It included 47 subjects in the Union List, for instance, defence, foreign affairs, public debt, posts and telegraphs, navigation, export and import duties etc. The Provincial List consisted of 51 subjects. Ex: Local government, public health, education, agriculture, forests, law etc.

***Government of India Act, 1935***

The next stage in the evolution of Indian federation was the Government of India Act of 1935. This Act was considered the second milestone in the introduction of the responsible government in India. It gave a concrete design of federation to the future Constitution of India. It is also the first legal document that proposed to unite the provinces of British India and Indian states into a federation. The Act described the structure of central government, the extent of provincial autonomy, and provinces and the paramount power. The Government of India Act, 1935, also provided a bicameral federal parliament that never came into being due to the reluctance of the princely states to join the federation. The Government of India Act



also constituted a federal court in order to settle the conflicts between the union and the provinces or between the provinces.

## **NATURE OF INDIAN FEDERALISM**

The political structure of the Indian constitution is so unusual that it is not possible to describe it briefly. Characterizations such as 'quasi-federal' and 'statutory decentralization' are quite interesting but not enlightening. The members of the Constituent Assembly themselves refused to adhere to any theory or dogma about federalism. India had unique problems, they believed, that had not "confronted by other federations in history". These problems could not be solved by recourse to theory because, federalism was "not a definite concept and also lacked a stable meaning".

Therefore, the Members of the Constituent Assembly, drawing on the experience of the great federations like the United States, Canada, Switzerland, and Australia pursued "the policy of pick and chose to see what would suit (them) best, what would suit the genius of the nation's best." The Assembly, in fact, produced a new kind of federalism to meet India's peculiar needs.

Though federalism is an important feature of Indian political system, the word 'federation' was not used any where in the constitution. The first Article of the Draft Constitution of India prepared by Dr. B.N. Rao, the constitutional adviser, clearly stated, "India shall be a federation."<sup>5</sup> But subsequently the Drafting Committee dropped the word 'federation' and stated, 'India shall be a Union of States' This expression was taken from the preamble to the British North America Act of 1867." This change in the opinion of the Drafting Committee was desirable in spite of the fact that the Indian constitution may be federal in structure.

Since the word 'federation has not been used in the constitution, the nature of the Indian federalism has become a controversial one. As mentioned above, Article 1(1) of the Indian constitution declared, "India that is Bharat, shall be a Union of States".<sup>6</sup> The word 'Union' here, was not to indicate any particular type of federation. It was also used in the preamble of the Constitution of the United States of America, the model of federation and the preamble of the British North America Act, 1867, and even in the Constitution of USSR (1977), which formally acknowledges a right of secession to each Republic, i.e., units of the Union.

There were, however, specific and valid reasons for calling our political system as ‘Union of States’ and not a federation. While submitting the Draft Constitution, Dr. B.R. Ambedkar, the Chairman of the Drafting Committee, stated that “although it’s Constitution may be federal in structure.” the committee had used the

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<sup>5</sup>Shiva Rao, B., Framing of India’s Constitution, Universal Publications, New Delhi, 2004, Vol. III, P. 4.

<sup>6</sup>Basu, Durga Das., Introduction to the Constitution of India’, 1991, Wadhwa, Nagpur, P. 51.



term “Union” because of certain advantages.” These advantages, he explained in the Constituent Assembly, were to indicate two things. According to him, the Indian federation was not the result of an agreement by the states and (b) the federation not being the result of an agreement, no state has the right to secede from it. It means the federation in India is a Union, because it is indestructible, and the country is one integral whole. The Drafting Committee thought that it was better to make it clear at the outset rather than to leave it to speculation or to dispute. The explanation, coming as it does, from the Chairman of the Drafting Committee, is significant and throws sufficient light on the nature of our polity and intergovernmental relations.

### *A State is Federal or Unitary is one of Degree*

The controversy about the nature of Indian federalism is long-lasting since federalism is a word of multiple meanings and diverse hues and colours. Therefore, one difficulty is that there is no agreed definition of a federal state. The other difficulty is that it is habitual with scholars on the subject to start with the model of the United States, the oldest (1789) of all federal constitutions in the world, and to exclude any system that does not conform to that model from nomenclature of ‘federation’. Since 1787, several countries have adopted constitutions having federal features. If the strict historical standards of the United States be applied to all these latter constitutions, only few will stand the test of federalism save perhaps Switzerland and Australia. Nothing will be gained by excluding recent constitutions from federal class and classifying them as either unitary or federal. If, therefore, a constitution partakes of some features of both types, the only alternative is to analyse those features and to ascertain whether it is unitary or federal, although it may have subsidiary variations.

A liberal attitude towards the question of federalism is, therefore, inevitable particularly, in view of the fact that recent experiments in the world of constitution-making are departing more and more from ‘pure’ type of either unitary or a federal state. An American research scholar argued, “The question whether a state is federal or unitary is one of degrees and the answer will depend upon “how many federal features it possesses.”<sup>7</sup> Another American Scholar has in the same twist observed that federation is more a ‘functional’ than an ‘institutional’ concept” and “the institutions are not the same things in different social and cultural environments.”<sup>8</sup>

## **THE PROCESS OF FEDERALISATION IN INDIA**

The structural organization of the Indian Republic has come to exercise through different constitutional process.

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<sup>7</sup>Wagner, W.T., 'Federal States and their Judiciary' Moulton and Company, 1969, p. 25

<sup>8</sup>Livingstone, 'Federal and Constitutional Change', Moulton Company, 1956, pp. 6-7



The first was the process of division. The unitary state of British India became a federal state under the Government of India Act, 1935, and provinces of British India thereby acquired the status of the units of a federation, which they have retained under the constitution. This process of a unitary state splitting up into several states to form a federal union as many historical precedents, as for instance, in Soviet Russia, Argentina, and Mexico.

The second constitutional process was one of accession and unification and was carried out into two different stages. In the first stage, all Princely states with the exception of Hyderabad and Kashmir executed Instruments of Accession surrendering specified powers of sovereignty to the Government of India and thus entered into a federal arrangement with Dominion of India that came into existence on the 15th August 1947.

In the second stage of the constitutional process, some of these states were closely associated because of their historical and cultural affinity and geographical proximity. These were grouped together under covenants executed by their rulers to form union of states that ultimately became separate units of the Indian federation. Others were attached to the states, which were formerly known as provinces, by virtue of the powers vested in the government of India under their Instrument of Accession. Still others were allowed to retain their separate identity, primarily because of their geographical isolation while surrendering their powers of sovereignty to the Government of India, and were classed as part of C states under the constitution.

The third was the process of dismemberment and amalgamation. This was carried out under the provisions of the States Reorganisation Act, 1956. Thus, the state of Hyderabad has been dismembered and its territories distributed between the states of Andhra Pradesh, Bombay and Mysore to which the state of Coorg has been attached. The States of Saurashtra and Kutch have been merged in the State of Bombay. Similarly, the State of Madhya Pradesh has absorbed the State of Madhya Bharat and Bhopal. The Patiala and East Punjab State has been amalgamated with the State of Punjab. The state of Rajasthan has been enlarged by an addition of territories of the state of Ajmeer. All these process, it is evident, have led to the clarification and simplification of the structure of the Republic.

## **BASIC FEATURES OF INDIAN FEDERALISM**

The views of the constitutional experts made it clear that the Constitution of India presents a modified form of federation suitable to the special requirements of the Indian society. It may not be similar to that of the United States, which is a model of federation. Yet it possesses some essential features of federalism. There



might be differences in matters of details; the consensus is that a federal system involves the following features.

Firstly, a federal state is a fusion of several states into a single state in regard to the common objectives. All federal states must have two governments namely, the federal government and the state governments which is a common feature of any federal state. India too possess two governments namely, the union government and the state governments. Both the governments are substantially independent of each other. All the state governments enjoy autonomy over the field allotted to them. The federal and state governments draw their authority from the same source, viz., the constitution of the land. The units have certain powers as has the union itself. In the words of Dr. B.R. Ambedkar, “the states in our constitution are in no way dependent upon the center for their legislative authority.”<sup>9</sup>

Secondly, any federal state involves a division of authority between the federal government and the states, though the method of division may not be alike in all the federal constitutions. The constitution of India provides for systematic division of powers between the union government and the state governments. In the words of Dr. B.R. Ambedkar, “the states are as sovereign in the field which is left to them by the constitution as the centre in the field which is assigned to it.”<sup>10</sup>

Thirdly, Indian federation like all other federations derives its existence from the constitution and therefore, the constitution is supreme. All the organs of the national and the state governments derive their powers and authority from the constitution and function under the framework of the constitution. Every power - “executive, legislative or judicial - whether it belongs to the federation or to the component states is subordinate to and controlled by the constitution”.

Lastly, in a federal state, the legal supremacy of the Constitution is essential to the existence of the federal system. The authority of the courts protects the supremacy of the constitution and the division of powers. It is essential to maintain the division of powers not only between the coordinate branches of the government, but also between the federal government and the states themselves. It involves two connected matters. Firstly, the Judiciary can prevent the federal and the state governments for encroaching upon each other’s power. It can declare laws made by them ultra vires on the ground of excess of power. Secondly, the Supreme Court of India is a judicial body

independent of both the national and state governments, with the authority to say the last word in matters involving constitutional interpretations. In other words, the highest

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<sup>9</sup>Prasad, Anirudh, Centre and State Powers under Indian Federalism' Deep & Deep Publications, New Delhi, 1984, p. 29.

<sup>10</sup>K.R. Acharya. 'Perspectives of on Indian Government and Politics', P.246, S.Chand and Company, New Delhi, 1991, p. 246



courts in the country have the final power to interpret the constitution and nullify an action on the part of the federal and state governments or their different organs that violates the provisions of the constitution.

### ***Peculiar Features of Indian Federalism***

- The Mode of Formation
- Position of the States in the Federation
- No Right for States to Secede
- Unequal Representation of States in the Upper House
- Residuary powers
- No separate Constitution except for Jammu & Kashmir
- Appointment of the Heads of the States
- No Double Citizenship
- No Division of Public Services
- No Dual system of Courts

## **CENTRE-STATE FINANCIAL RELATIONS**

Articles 268 to 293 in Part XII of the Indian Constitution deal with centre-state financial relations. In addition to these, there are other provisions dealing with the same subject. These together can be studied under the following heads:

### **(I) ALLOCATION OF TAXING POWERS**

- The constitution divides the taxing powers between the centre and the states in the following way:
- The Parliament has exclusive power to levy taxes on subjects enumerated in the Union List.  
(Which are 15 in number)

- The state legislature has exclusive power to levy taxes on subjects enumerated in the State List. (Which are 20 in number)
- Both the Parliament and the state legislature can levy taxes on subjects enumerated in the Concurrent List. (Which are 3 in number)
- The residuary power of taxation (that is, the power to impose taxes not enumerated in any of the three lists) is vested in the Parliament. Under this provision, the Parliament has imposed gift tax, wealth tax and expenditure tax. There is no concurrent sphere in the matter of tax legislation.

## (II) DISTRIBUTION OF LEGISLATIVE POWERS TO LEVY TAXES



The Legislative power to make a law for imposing a tax is divided between the union and the states by means of specific entries in the union and state legislative lists in the VII Schedule of the Indian constitution. For instance, while the state legislature has the power to levy an estate duty in respect of agricultural lands, the power to levy an estate duty in respect of non-agricultural land belongs to Parliament. Similarly, it is the state legislature, which is competent to levy a tax on agricultural income, while the Parliament has the power to levy income tax on all incomes other than agricultural.

The constitution also draws a distinction between the legislative power to levy and collect a tax and the power to appropriate the proceeds of a tax so levied and collected. For example, the income tax is levied and collected by the union but its proceeds are distributed between the centre and the states. In India, the powers of a legislature in these two respects are not identical.

### **(III) LIMITATIONS ON STATES**

**Taxing power** A state legislature has the power to levy any of the taxes enumerated in the state list. However, in the case of certain taxes, this power is subject to certain limitations imposed by the substantive provisions of constitution. The following are a few examples of this kind.

As per Article 276, a state legislature is empowered to levy a tax on profession, trades callings and employment. However, the total amount of such taxes payable by a person or an authority in the state shall not exceed Rs. 2500 per annum.<sup>11</sup>

Article 287 states that a state legislature can impose a tax on the consumption or sale of electricity. But, no tax can be imposed on the consumption or sale of electricity which is (i) consumed by the Government of India or sold to the Government of India or (ii) consumed in the construction, maintenance or operation of any railway by the centre or sold to the centre or the railway company for same purpose.

#### **(IV) DISTRIBUTION OF PROCEEDS OF TAXES**

The state legislature has power to levy taxes from the state list. But the yield of different taxes is not sufficient to serve the purpose of the state. To meet this situation, the constitution makes special provisions. Some duties are leviable by the union, but they are to be collected and entirely appropriated

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<sup>11</sup>The Maximum limit of the Profession Tax has been raised from Rs. 250 to Rs. 2500 by the Constitution (60th Amendment) Act, 1988.



by the states after collection. There are some other taxes, which are both levied and collected by the union, but the proceeds are then assigned by the union to those states within which they have been levied. Again, there are taxes, which are levied and collected by the union, but the proceeds are distributed between the union and the states.

- (a) Taxes belonging to the Union exclusively
- (b) Taxes belonging to the States exclusively

## **(V) DISTRIBUTION OF TAX REVENUES**

Article 268 provides the scheme of the distribution of revenue between the union and the states. The states possess exclusive jurisdiction over taxes enumerated in the state list. The union is entitled to the proceeds of the taxes in the union list. The concurrent list includes no taxes. However, it is to be noted that while the proceeds of taxes within the state lists are entirely retained by the states, proceeds of some of the taxes in the union list may be allowed, wholly or partially to the states.

- (i) Taxes Levied by the Union but collected and appropriated by the States (Article 268)
- (ii) Service Tax levied by the Union but collected and appropriated by the Union and the States (Article 268-A)
- (iii) Taxes Levied and collected by the Union but Assigned to the States (Article 269).
- (iv) Surcharge on certain taxes and duties for purposes of Centre (Article 271).

## **(VI) BORROWING POWERS OF THE UNION AND THE STATES**

The constitution makes the following provisions with regard to the borrowing powers of the centre and the states:

The union government has unlimited power of borrowing, upon the security of the revenues of India either within India or outside. The union executive exercises this power subject only to such limits as may be fixed by Parliament from time to time (Art. 292).

The borrowing power of a state is, however, subject to a number of constitutional limitations. It cannot borrow outside India. Under the Government of India Act, 1935, the states had the

power to borrow outside India with the consent of the centre but this power is totally denied to the states by the constitution. The union shall have the sole right to enter into the international money market in the matter of borrowing.

## **(VII) EXEMPTION FROM MUTUAL TAXATION**



Under Article 285, the property of the union is exempted from all taxes imposed by a state or by any authority within a state, but Parliament may authorize to do so. The word 'property' includes lands, buildings, chattels, shares, debts, everything that has a money value, and every kind of property movable or immovable and tangible or intangible.

Further, the property may be used for sovereign (like armed forces) or commercial purposes. But, the corporations or the companies created by the central government are not immune from state taxation or local taxation. The reason is that a corporation or a company is a separate legal entity. Conversely, as per the Article 289, the property and income of a state is exempted from union taxation. Such income may be derived from sovereign functions or commercial functions. But the centre can tax the commercial operations of a state if Parliament so provides.

However, the Parliament can declare any particular trade or business, as incidental to the ordinary functions of the government and it would then not be taxable.

### **(VIII) UNION CONTROL OVER FINANCIAL MATTERS**

As in the legislative and administrative spheres, so in financial matters the normal relations between the union and the states is liable to be modified in different kinds of emergencies. While a proclamation of emergency (under Article 352) is in operation, the President of India can modify the constitutional distribution of revenues between the centre and the states. This means that the President can either reduce or cancel the transfer of finances (both tax sharing and grants-in-aid) from the centre to the states. Such modification continues till the end of the financial year in which the emergency ceases to operate. Because of emergency, the states will be left to their narrow resources from the revenues under the state list, without any augmentation by contributions from the union.

While the President makes a proclamation of financial emergency (under Article 360), it shall be competent for the union to give the following directions to the states.

- To observe such canons of financial propriety and other safeguards as may be specified in the directions;
- To reduce the salaries and allowances of all persons serving in connection with the affairs of the state, including High Court Judges;
- To reserve all money bills and other financial bills for the consideration of the

President.

**ISSUES BETWEEN CENTRE AND STATE FINANCIAL RELATIONS**

*Taxes not shared in Federal Spirit*



There were complaints from different states that the centre had not shared taxes with them in the spirit of constitution. They felt that they had to perform the ever-widening functions in development and social services, but matching finances were not being transferred to them from the centre, and that under the existing system of allocation of funds the rich states had got more and poor states less, resulting in an ever- widening gap.

The way the central leadership treats the states while giving grants is often a source of reaction from the states. They regard it as the most serious constraint upon their autonomy. <sup>12</sup>The states ruled by parties other than the one in power at the centre often make complaints of discretionary and step-motherly treatment “in matters of allocation of funds and giving of grants-in-aid<sup>13</sup>. The use of the superior financial power of the centre for partisan ends by the party in power remains a perpetual complaint of the state governments.

## **RESEARCH OBJECTIVES**

The specific objectives of the present study are as follows:

- To trace out the origin and growth of federal system in India.
- To discuss about the nature, organization and functioning of the Indian federalism.
- To analyse critically the union-state relations (Financial) keeping in view of Constitutional provisions.
- To identify the major areas of conflict and co-operation between the centre and the states in India.
- To analyse the constitutional and also financial provisions which helps to understand Centre State relations.
- To suggest various measures to increase cooperation between the union and the states.

## **HYPOTHESIS**

In order to draw meaningful conclusions, the data has been analyzed and tabulated wherever necessary. An attempt was also made to codify the information collected and presented in a manner,

which is suitable for the present study.

## **RESEARCH PROBLEM**

The fathers of the Indian constitution, keeping in view of the linguistic, cultural, and regional diversities have opted on a novel type of federal government, which could satisfy the diverse needs on the one hand and

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<sup>12</sup>Ghai, K.K., Indian Government and Politics', Kalyani Publishers, New Delhi, 2003, p.174.

<sup>13</sup>Rao, K.V., The Parliamentary Democracy of India, Law Publishing House, Madras, 1981, pp. 325-326.



bring unity and solidarity on the other. The working of the Indian federation proved successfully with some bickering now and then. The federating units in India often are demanding for more autonomy. Sometimes there are conflicts between Centre and state while exercising their financial powers the present study entitled- “INDIAN FEDERALISM AND CENTRE STATE FINANCIAL RELATIONS” is an attempt to identify more areas of cooperation between the two sets of governments regarding their financial conflicts.

## **METHODOLOGY**

The present study is based mainly on primary and secondary sources. Much of the data is collected through desk research. The books relating to the concept of federalism and Indian federalism were widely read. Much information has been gathered from these sources. Many other books, which deal with Indian federalism, role of Governor, were also made use of them. The Reports of various Commissions and Committees appointed by both the union government and the state governments have been taken into consideration.

In addition to above, the daily newspapers, internet, journals on constitutional aspects, Journals on Political Science and Public Administration were also consulted. Academic and legal discussions were also held with the subject experts and scholars on Indian Constitution, Government, Politics, and Administration and extracted useful comments and conclusions.

## **CONCLUSIONS AND SUGGESTIONS**

Financial relations between the union and the state governments have been a major area of tensions. The states find themselves dependent upon the union because of their meager resources and restricted field of taxation. The treatment of the states by the union government while giving grants is often a source of reaction from the states. They regard it as most serious constraint upon their autonomy. The states often feel dissatisfied with the system of central grants-in-aid and allocation of funds by the central agencies the Planning Commission and the Finance Commissions. The union government is often charged of partisan attitude towards some states and discrimination against other states, which are ruled by opposition regional parties. The use of superior financial power of

the centre for partisan ends by the party in power remains a perpetual complaint of the state governments. The Finance Commission, with its independent constitutional status, was expected to engineer the necessary balance between the needs of the centre and the states. In addition to wide income disparities, the Indian union is characterized by vast regional inequalities too. It may lead to regional movements, the demand for separate statehoods. The union needs to resolve such problems at the earliest.



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