
Introduction

The Constitution of India, being federal in structure, divides all powers (legislative, executive and financial) between the Centre and the States. Federal structure of India is no longer a hindrance for better Centre-State relations but rather it has given new hope to the mixed efforts of the Centre and States which may be referred to as co-operative federalism.

The Centre-State relations can be studied under three heads:

- ❑ Legislative relations.
- ❑ Administrative relations.
- ❑ Financial relations

Part XI of the Indian Constitution specifically deals with Centre-State relations. It has been bifurcated into legislative and administrative relations. Further, in Part XII, provisions related to financial relations are laid down.

Legislative Relations

The legislative ties between the centre and State are governed by Article 245 to 255 of Part XI of the Constitution. It sets out a double division between the Union and the States with legislative powers i.e., in territorial recognition and relation to the subject.

There are four aspects in the Centre-States legislative relations, viz.,

- ❑ Territorial extent of Central and State Legislation;
- ❑ Distribution of legislative subjects;
- ❑ Parliamentary legislation in the State List; and
- ❑ Centre's control over State Legislation.

Territorial extent of Central and State Legislation

Article 245(1), requires a State Legislature to make law for the entire or any part of the State to which it belongs, subject to the dispositions of this Constitution. Unless the boundaries of the State itself are broadened by an act of the Parliament, a State Legislature cannot broaden territorial jurisdiction in any circumstance.

On the other hand, Parliament has the right to legislate "on all or part of India's territory, which does not only include the States but also Indian Union territory."

It also has the strength of extra-territorial laws that no State Legislature has. This means that the laws made by Parliament would apply not only to individuals and territory but also to Indian subjects living anywhere in the world.

However, there are other limitations on Parliament's territorial competence. Certain unique clauses of the Constitution are subject to the plenary territorial competence of Parliament. These are the following:

- ❑ The President can make regulations that are equivalent to the laws of Parliament, some territories of the Union, such as the Andaman and Lakshadweep Region, and these regulations may revoke or amend a law adopted by Parliament on the said territories (Article 240).
- ❑ Notifications can be issued by the Governor (Para 5 of Schedule 5(3) of Indian Constitution) that prevent or change the application of the Acts of Parliament to any programmed area of Government.
- ❑ Schedule VI says that, the Governor of Assam may likewise direct that an act of Parliament does not apply to a tribal area (autonomous district) in the State or apply with specified modifications and exceptions. The President enjoys the same power with respect to tribal areas (autonomous districts) in Meghalaya, Tripura and Mizoram.

The extent of laws made by Parliament and by the legislatures of States

The Constitution uses the Government of India Act, 1935 as its basis and subdivides authority into three lists between the Union and the States. These are:

- ❑ The Union list,
- ❑ The State list, and
- ❑ The Concurrent list.

There are 98 subjects on the Union List, over which the Union has exclusive authority. The topics on the

Union list, for example, security and foreign relations, are of national significance, etc.

There are 59 topics in the State List over which countries have exclusive jurisdiction. The concerns listed on a State list, such as public order, police and public safety, are of local or national importance.

The Concurrent List contains 52 subjects like criminal and civil cases, marriage and divorce, economic and special planning unions, money, media, magazines, employment, management of the population and preparation of the families, etc. and both the Union and States can enact laws on this list but the federal rule prevails over State law in the case of a dispute between the Central and the State law.

The purpose of the Constitutional inclusion of the list was to ensure continuity in key legal principles across the country. Legislatures both in the Parliament and in the State may make laws on matters mentioned above, but a preliminary and ultimate right of the centre is to legislate on established matters. In the event of a conflict between the law of the State and the law of the Union on a subject in the Concurrent List, the law of the Parliament shall prevail.

The power to make laws with respect to residuary subjects (i.e., the matters which are not enumerated in any of the three lists) is vested in the Parliament. This residuary power of legislation includes the power to levy residuary taxes.

Parliament's power to legislate on State List

Although the Central Government does not have the power in the common circumstances to legislate on matters mentioned in that State, the Parliament of the Union may only make laws on such matters under some special conditions. These special conditions are:

□ *In the National Interest (Art.249)*

- Article 249 States that, where Rajya Sabha has declared, by a resolution approved by not less than two-thirds of the members present and voting, that it is required or reasonable, in the national interest for Parliament to lay down laws in respect of any matter mentioned in the State List. For the time in question, such a resolution was in place not for more than one year. However, the Rajya Sabha could extend the term of such a resolution for a further duration of one year from the date on which it would

otherwise have ceased to operate. The law of Parliament, which Parliament should have been responsible for passing such a resolution by Rajya Sabha, ceased to have any effect on the expiry of a term of six months after the date on which the resolution ceased to be in force, except in the case of things done or omitted to be done before the expiry of that time. This provision allowed the Rajya Sabha, representing the States, to place any matter of local significance but national interest in the concurrent list. The Rajya Sabha can do so at any moment, whether emergency or not.

□ *Under Proclamation of National Emergency (Art. 250)*

- Article 250 notes that in the case of a declaration of emergency, Parliament shall have the power to make law on any item on the State List. This legislation shall extend in the case of a national emergency (Art. 352) and every State in compliance with the Order of the President (Art. 356) or the event of a financial emergency (Art. 360).
- Under this time, the laws of the State or States shall remain inoperative to the degree that they are contrary to the law of the centre (Art. 251). Thus, the Parliament as a whole will legislate on the subjects specified in the State List while the National Emergency Declaration is in effect. However, the laws enacted by the Parliament according to this clause shall cease to affect the expiration of a period of six months after the termination of the Proclamation, except in the case of items done or omitted to be done before the expiration of that time.

□ *By Agreement between States (Art. 252)*

- Article 252, provides for regulation by invitation. If the Legislatures of two or more States adopt a resolution and order the centre to make a law on a specific item of the State List, it shall be legal for the Parliament to make a law.
- In the first place, such law shall apply to the States which have made such a request, unless any other State may subsequently follow it by passing such a resolution. Such laws can only be amended or repealed by Parliament.

- The Parliament may also make laws about a State subject if two or more States' legislatures agree that a Parliament is allowed to make laws concerning any issue mentioned in the State List concerning that Matter.
- Subsequently, any act passed by the Parliament shall extend to those States and to any other State which has passed such a resolution. Parliament also has the power to amend or revoke any act of this kind.
- Some examples of laws passed under the above provision are Prize Competition Act, 1955; Wild Life (Protection) Act, 1972; Water (Prevention and Control of Pollution) Act, 1974; Urban Land (Ceiling and Regulation) Act, 1976; and Transplantation of Human Organs Act, 1994.
- **To Implement Treaties (Art. 253)**
 - To implement treaties or international conventions, Parliament shall have the power to legislate concerning any subject. In other words, even about a State issue, the usual distribution of powers does not prevent Parliament from passing legislation to satisfy its foreign obligations or through such legislation (Art 253).
 - The Parliament may pass any treaty, international agreement or convention, with any other country or State, or any decision taken during an international conference, association or other entity, within the whole and any part of the territory of India.
 - Some examples of laws enacted under the above provision are United Nations (Privileges and Immunities) Act, 1947; Geneva Convention Act, 1960; Anti-Hijacking Act, 1982 and legislations relating to environment and TRIPS.
- **Under Proclamation of President's Rule (Art. 356)**
 - By Article 356 and 357 of the Indian Constitution, the prevalence of Parliament was further defined.
 - Article 356 stipulated that if the President was satisfied that there existed a situation in which the Government of the State cannot be enforced according to the provisions of the Constitution,

he may declare exercisable by or under the competence of the Parliament the powers of the Legislature of that State.

- Parliament must delegate the legislative power to the President, as provided for in Article 357. The President may also allow the Parliament to exercise the powers of the State Legislature during the Declaration of the Rule of the President as a result of the collapse of Constitutional machinery in the State.
- Nevertheless, all such regulations passed by Parliament cease functioning six months after the declaration of the rule of the President is over.

Centre's control over State Legislation

The Constitution empowers the Centre to exercise control over the State's legislative matters in the following ways:

- The Governor can reserve certain types of bills passed by the State Legislature for the consideration of the President. The President enjoys absolute veto over them.
- Bills on certain matters enumerated in the State List can be introduced in the State Legislature only with the previous sanction of the President. (For example, the bills imposing restrictions on the freedom of trade and commerce).
- The Centre can direct the States to reserve money bills and other financial bills passed by the State Legislature for the President's consideration during a financial emergency.

Administrative Relations

The administrative jurisdiction of the Union and the State Governments extends to the subjects in the Union list and State list respectively. The Constitution thus defines the clauses that deal with the administrative relations between Centre and States.

Articles 256 to 263 in Part XI of the Constitution deal with the administrative relations between the Centre and the States. In addition, there are various other articles pertaining to the same matter

Centre-State relations during normal time

- ***Executive Powers of State be exercised in compliance with Union Laws:*** According to Article

256, each State's executive power must be used to ensure adherence to all laws passed by Parliament and any other laws that apply in that State. The executive power of the Union also includes the authority to give any directions to a State that the Government of India deems necessary for achieving this goal.

- ❑ **Executive Powers of State not to interfere with Executive Power of Union:** According to Article 257 of the Constitution, each State's executive power must be used in a way that does not interfere with or adversely affect the Union's executive power.

Union's executive power includes the ability to provide a State any instructions it deems necessary for that purpose. In short, the Union Government can issue directions to the State Government even with regard to the subjects enumerated in the State list.

- ❑ **Duty of the Centre to protect States:** Article 355 imposes two duties on the Centre:
 - (a) to protect every State against external aggression and internal disturbance; and
 - (b) to ensure that the Government of every State is carried on in accordance with the provisions of the Constitution.
- ❑ **Maintain means of communication of National or Military importance:** The Union Government can give directions to the State with regard to construction and maintenance of the means of communication declared to be of national or military importance.
- ❑ **Protection of the Railways:** Union can issue State Governments necessary directions regarding the measures to be taken for the protection of the railways within the jurisdiction of the State. It may be noted that the expenses incurred by the State Governments for the discharge of these functions have to be reimbursed by the Union Government.
- ❑ **To ensure welfare of Scheduled Tribes in the States:** Union can direct the State Governments to ensure execution of schemes essential for the welfare of the Scheduled Tribes in the States.
- ❑ **To secure instruction in the mother-tongue at the primary stage of education:** Union can direct the State Governments to secure the provision of

adequate facilities for instruction in the mother-tongue at the primary stage of education to children belonging to linguistic minority groups.

- ❑ **To ensure development of the Hindi language:** Union can direct the State Governments to ensure the development of the Hindi language.
- ❑ **To ensure Government of a State is carried on in accordance with the provision of the Constitution:** Union can direct the State Governments to ensure that the Government of a State is carried on in accordance with the provision of the Constitution. If any State failed to comply with any directions given by the Union in exercise of its executive power, then President may hold that, a situation has arisen in which the Government of the State cannot be carried on in accordance with the provisions of the Constitution. Thus, he may proclaim President's Rule in that State.
- ❑ **Delegation of Union's function to State:** The President of India can entrust to the officers of the State certain functions of the Union Government. However, before doing so the President has to take the consent of the State Government. But the Parliament can enact law authorizing the Central Government to delegate its function to the State Governments or its officers irrespective of the consent of such State Government. On the other hand, a State may confer administrative functions upon the Union, with the consent of the Union only.
- ❑ **Appointment and Removal of High Dignitaries:** Union has major say in appointment and removal of Governor and appointment of Judges of High Court and Members of State Public Service Commission. The Governor of a State is appointed by the President. He holds office during the pleasure of the President.

The State Election Commissioner, though appointed by the Governor of the State, can be removed only by the President
- ❑ **All India Services:** The presence of the All-India Services - the Indian Administrative Services, Indian Police Services - further accords a predominant position to the Union Government. The members of these services are recruited and appointment by the Union Public Service Commission. The members of

these services are posted on key posts in the States, but remain loyal to the Union Government.

- ❑ **Union to adjudicate Inter-State River Water Dispute:** The Parliament has been vested with power to adjudicate any dispute or complaint with respect to the use, distribution or control of the waters of, or in any Inter-State River or river-valley. In this regard, the Parliament also reserves the right to exclude such disputes from the jurisdiction of the Supreme Court or other Courts.

- ❑ **Extra Constitutional Devices:** There are extra-Constitutional devices to promote cooperation and coordination between the Centre and the States. These include a number of advisory bodies and conferences held at the Central level.

The non-Constitutional advisory bodies include the NITI Aayog, the National Integration Council, the Central Council of Health and Family Welfare, the Central Council of Local Government, the Zonal Councils, the North Eastern Council, the Central Council of Indian Medicine, the Central Council of Homoeopathy, the Transport Development Council, the University Grants Commission and so on.

Centre State Relations During Emergencies

- ❑ **Under President's Rule:** The State Governments cannot ignore the directions of the Union Government, otherwise the President can take the action against the Government of the State stating that the administration cannot be carried on the accordance with the provisions of the Constitution and thus can impose President's rule on the State. In such an eventuality the President shall assume to himself all or any of the functions of the State Government.
- ❑ **Under Proclamation of National Emergency:** During a Proclamation of National Emergency, the power of the Union to give directions extends to the giving of directions as to the manner in which the executive power of the State is to be exercised relating to any matter.
- ❑ **Under Proclamation of Financial Emergency:** During a Proclamation of Financial Emergency, Union can direct the State Governments to observe certain canons of financial propriety and to reduce the salaries and allowances of all or any class of

person serving in connection with the affairs of the Union including the Judges of the Supreme Court and High Courts. Union also requires all Money Bills or Financial Bills to be reserved for the consideration of the President after they are passed by the Legislature of the State.

It is thus, evident that in the administrative sphere the States cannot act in complete isolation and have to work under the directions and in cooperation with the Centre

Financial Relation

Indian Constitution has made elaborate provisions, relating to the distribution of the taxes as well as non-tax revenues and the power of borrowing, supplemented by provisions for grants-in-aid by the Union to the States. Article 268 to 293 deals with the provisions of financial relations between Centre and States.

The Constitution divides the taxing powers between the Centre and the States as follows:

- ❑ the Parliament has exclusive power to levy taxes on subjects enumerated in the Union List,
- ❑ the State Legislature has exclusive power to levy taxes on subjects enumerated in the State List,
- ❑ both can levy taxes on the subjects enumerated in Concurrent List whereas residuary power of taxation lies with Parliament only.

GST Regime – 101st Amendment

101st Amendment to the Constitution and the introduction of GST in the Indian Economy has significantly changed the landscape of financial relations between the centre and States. Therefore, it is extremely important to have a basic knowledge of what GST is, its application and its different forms.

Position before GST

Before the introduction of GST, there were multiple taxes imposed by the centre and States separately and the distribution of which was confusing and non-uniform. It included Service Tax, Central Excise, Customs duty and State VAT etc. But after the GST, the principle of one nation one tax was adopted.

Position after GST

GST is categorized into CGST, SGST or IGST depending on whether the transaction is Intra-State or Inter-State supplies.

- ❑ Intra-State supply of goods or services: In these

kinds of transactions, the location of the supplier and the place of supply are in the same State.

- ❑ Inter-State Supply of Goods and Services: As per the Section 7 of IGST act, 2017 it can be understood that “Inter-State” trade or commerce basically means:
 - when the supplier is located in some other State or union territory and the place of the supply is in another State/UT, or
 - when the supply of goods or services is made to or by a Special Economic Zone (SEZ) unit.

Central Goods and Services Tax (CGST)

- ❑ CGST is a tax imposed on Intra-State supplies of goods and services and is governed by the CGST Act. Along with this SGST/UTGST will also be levied on the same transaction and shall be governed by the SGST/UTGST Act.
- ❑ It implies that in the case of Intra-State supplies of goods and services both CGST and SGST are combined which are collected simultaneously; where CGST goes to the centre and SGST goes to the State.
- ❑ The proportion of SGST and CGST is equal.
- ❑ However, it must be noted that any tax levied on Intra-State supplies of goods and/or services by the centre and State shall not exceed 14% each.

State Goods and Services Tax (SGST)

- ❑ The SGST is a tax levied by the State on the Intra State supplies of goods and/or services by the State Government.
- ❑ It is governed by the SGST Act.
- ❑ As already mentioned above it is levied and collected simultaneously with the CGST.
- ❑ In the case of Union territories, it is called UTGST and governed by the UTGST Act.

Integrated Goods and Services Tax (IGST)

- ❑ IGST or Integrated Goods and Services Tax is a tax levied on all Inter-State supplies of goods and/or services.
- ❑ It is governed by the IGST Act.
- ❑ IGST applies on any supply of goods and/or services in case of both import into India and export from India. Though the exports will be zero-rated.
- ❑ Tax obtained under IGST is shared between centre and States as per Article 269 A

The biggest achievement of GST is that it introduced a single uniform tax system with dual tax features where the revenue is shared between both centre and State.

The GST council as mentioned under Article 279 A, shall make decisions in relation to the GST rate, inter supply transactions and other matters related to GST etc.

Article 268- Duties levied by the Union but collected and appropriated by the State

To summarise it can be said that following are some key elements of Article 268

- ❑ It imposes a certain types of stamp duties.
- ❑ It is levied by the centre but collected and appropriated by the States.
- ❑ It forms a part of the Union list and does not form the part of the consolidated fund of India.
- ❑ The scope of the revenue obtained under this Article is limited which has been further reduced by the 101st Amendment.

Article 269 Taxes levied and collected by the Union but assigned to the States

To summarise it can be said that following are some key elements of Article 269

- ❑ It is a tax levied on all the Inter-State sale, purchase and consignment of goods (except on the goods mentioned under Article 269 A and newspapers).
- ❑ The tax is collected and levied by the Central Government but appropriated by the State Governments.
- ❑ The amount collected from the Inter-State trade is appropriated to the consuming State.
- ❑ The power to lay down laws regarding the Inter-State and commerce and the distribution of share rests with the Parliament only.
- ❑ The tax collected under this article does not form the part of the consolidated fund of India.

Article 269 (A) – Position in GST Regime

Article 269A, relates to GST. It states that in case of inter-State supply, taxes i.e., IGST shall be levied and collected by the Central Government and will be distributed by the Centre to the States.

With the latest 101st Amendment a new article 269 A was inserted which brought some considerable changes.

Subclause (1) of Article 269

Article 269A (1) basically involves the following aspects:

- ❑ Levying and collection of goods and services tax (GST).
- ❑ It applies in the case of inter-State trade or commerce.
- ❑ The tax collected shall be appropriated between the States and the Union.
- ❑ The Parliament has the power to lay down the law regarding the sharing of taxes collected under this article as per the recommendations of the Goods and Services Tax (GST) Council.

The Parliament, in Section 17 of the IGST Act, 2017 in the exercise of its powers provided in Article 269A (1) of the Constitution has provided the manner in which integrated tax collected by the Union under the IGST Act can be apportioned in between the Union and the States.

Import of goods is a tax on supply

Article 269A (1) is followed by an explanation that in the context of India, all the imports of goods and services in the course of inter-State trade, shall be deemed to be considered as the part of the supply of goods and services.

Position after GST

This authorises the Central Government to levy IGST instead of CVD (countervailing duty) on the import transactions after the 101st Amendment.

Position before GST

Before the introduction of GST, instead of IGST, Counter-Vailing Duty was applied in the case of inter-State trade or commerce. This was a specific form of tax that was imposed by the Government of India for the protection of domestic producers and to mitigate the adverse impact of import subsidies.

Amount collected shall not form a part of Consolidated fund: Article 269A (2) further provides that the amount appropriated to the State by the procedure contemplated under clause (1) will not form a part of the Consolidated fund of India and shall directly be given to States.

Subclause (5) of Article 269(A)- Parliament will make laws on the Inter-State trade and commerce: Article 269A (5) deals with conferring the Parliament certain powers to determine the scope or to decide the place of supply, as regards to when the supply of goods or services will constitute inter-State trade or commerce.

This a reformative step as it follows dual structure

of GST wherein both the Centre and States are involved.

Article 270- Taxes levied and distributed between the Union and the States

Article 270 deals with taxes that are levied and collected by the Central Government and how they are distributed between the central Government and the State Government according to a predetermined formula which is provided by the Finance Commission once every 5 years

Article 270(1) lays down the procedure for the appropriation of all taxes except,

- ❑ Taxes mentioned in Article 268
- ❑ Taxes mentioned in Article 269
- ❑ Taxes mentioned in Article 269A
- ❑ surcharge on taxes and duties mentioned in Article 271
- ❑ any cess levied for a specific purpose

These taxes are levied and collected by the Union and shall be distributed between the States and the Central Government.

It may include taxes such as Excise Duty on Non-GST products, Income Tax, Basic Customs Duty etc.

- ❑ The 101st Constitutional Amendment added Articles 270(1A) and 270(1B). Article 270(1A) provides that taxes collected under Article 246(1) are distributed between the Centre and the State. Similarly, Article 270(1B) provides that tax collected on Inter-State trade (IGST) is also distributed between Centre and State.
- ❑ Article 270(2) provides the manner of distribution of the collected taxes and it doesn't become a part of the Consolidated Fund of India.
- ❑ According to Article 270(3), the President of India will prescribe the manner in which all central taxes formed in one central pool shall be distributed as per the Finance Commission recommendations.

Article 271 – Surcharge on certain duties and taxes for purposes of the Union

Article 271, has the following key elements:

- ❑ Parliament has the power to increase any duty or tax anytime by levying a surcharge except in the case of GST mentioned under Article 246A.
- ❑ All the proceeds obtained from the surcharges will be part of the consolidated fund of India.

- ❑ All the amount from such an increase in tax shall be retained by the Parliament and it is not shared amongst the States.
- ❑ The Article has its basis to Section 137 and Section 136(1) of the Government of India Act, 1935.
- ❑ Further, no authority has the power to prevent the Parliament from imposing a surcharge.

Article 272 repealed

Article 273 – Grants in lieu of export duty on jute and jute products

According to Article 273, the Government of India before independence provided the provision regarding the sharing of net proceeds of the jute export duty with the jute growing provinces. But under the Constitution, the States are not entitled to obtain any apportion of such duty.

The Provision specifies that for a period of 10 years from the commencement of the Constitution, the jute growing States of West Bengal, Bihar, Orissa and Assam will receive grants-in-aid from the Union from the share of the jute export duty. But as this provision was applicable only up to 10 years after the commencement of the Constitution, so now this Article does not hold any relevance.

Article 274- Prior recommendation of President required to Bills affecting taxation in which States are interested

As per this article, any bill or amendment on the following listed subject matters cannot be moved or introduced in either house of the Parliament before a prior sanction from the President which include bills/ amendments dealing with:

- ❑ The imposition or varying of any tax within which the States are interested; or
- ❑ It modifies or changes the meaning of the expression “Agricultural Income” as laid down in the Indian Income-Tax Act; or
- ❑ It lays down, modifies or amends any principle by which money is distributed to the States; or
- ❑ It levies a surcharge on the State taxes for the purpose of the Union.

Grants from the Union to certain States

Apart from the distribution of taxes between the Centre and the States, there are certain articles in the

Constitution which provide the scope for Grants-in-aid.

Under Article 275 and Article 282, the Parliament may make grants-in-aid from the Consolidated Fund of India to such States as are in need of assistance, particularly for the promotion of the welfare of tribal areas, including a special grant to Assam.

Types of Grants

Essentially speaking there are two major types of grants that are Statutory grants and Discretionary grants.

- ❑ Statutory grants are provided under Article 275 of the Constitution of India.
- ❑ While discretionary grants are provided under Article 282 of the Constitution of India.

Article 275 – Statutory grants

These grants are given by the Parliament to the specific States who are in need of assistance. Under this, different amounts of grants are fixed for different States. The amount is given out of the consolidated fund of India.

- ❑ The Constitution also provides for specific grants for promoting the welfare of the scheduled tribes in a State or for raising the level of administration of the scheduled areas in a State including the State of Assam.
- ❑ Any order made by the Parliament regarding the grants-in-aid shall need a prior recommendation of the Finance Commission.

Further, it also lays down that the Finance Commission has the power to make recommendations other than those which are mentioned in provisions to clause (1).

Article 282- Discretionary Grants

Article 282 empowers both the Centre and the States to make any grants for any public purpose, even if it is not within their respective legislative competence. Under this provision, the Centre makes grants to the States. These grants are also known as discretionary grants, the reason being that the Centre is under no obligation to give these grants and the matter lies within its discretion. These grants have a two-fold purpose: to help the State financially to fulfil plan targets; and to give some leverage to the Centre to influence and coordinate State action to effectuate the national plan.

Article 276- Taxes on professions, trades, callings and employments

Article 276, empowers a State or other local authority to impose taxes on professions and trades. But the total amount payable under any such tax shall not exceed two thousand and five hundred rupees per annum.

Article 277 – Saving of Pre-Constitutional laws

According to Article 277, if any taxes, duties, cesses or fees which were lawfully levied by the Government of any State, municipality, or local bodies before the commencement of the Constitution shall be continued even after the commencement. It will not be affected by the fact that the same subject is now a part of the Union list. Though however, it will be continued only till the Parliament does not make any law to the contrary.

Article 278 Repealed

Article 279- Calculation of net proceeds

Article 279 basically defines the net proceeds of a tax. As per this article, all the earnings from the taxes excluding the cost of the collection will constitute the net proceeds of India.

Further, it provides that the net proceeds of a tax or duty, in whole or in part or of any area will be certified by the Comptroller and the Auditor General of India and the decision of the CAG shall be final.

Article 279 A- GST Council

Article 279A empowers the President of India to constitute a Council named Goods and Services Tax Council (GST Council) within 60 days after the commencement of the 101st Constitution Amendment Act, 2016.

Objective

It shall seek to ensure a uniform system of GST to avoid any conflict or confusion, and the development of a harmonized national market for goods and services.

Quorum and powers

The council shall meet from which one half of its member will constitute a quorum, which will have the power to make decisions on the following listed matters:

- ❑ Threshold exemption limit i.e., the turnover below which goods and services will be exempted from GST.
- ❑ Rate of GST to be levied, and special provisions with respect to the States of Arunachal Pradesh, Jammu and Kashmir, Assam, Meghalaya, Manipur, Nagaland, Mizoram, Sikkim, Tripura, Himachal Pradesh and Uttarakhand, categorised as special-

category States.

- ❑ Laws on the model of GST, rules for determining Inter-State supply transactions and determining the place of supply or any other matter.

Further, the GST Council is also empowered to establish a mechanism to adjudicate any dispute between the Centre and the States or between any States.

Finance Commission

For the purpose of allocation of certain sources of revenue, between the Union and the State Governments, the Constitution provides for the establishment of a Finance Commission under Article 280. According to the Constitution, the President of India is authorized to set up a Finance Commission every five years to make recommendation regarding distribution of financial resources between the Union and the States.

Functions

The Finance Commission recommends to the President as to: -

- ❑ The distribution between the Union and the States of the net proceeds of taxes to be divided between them and the allocation between the States of respective shares of such proceeds;
- ❑ The principles which should govern the grants-in-aid of the revenue of the States out of the Consolidated Fund of India;
- ❑ The measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats and Municipalities in the State;
- ❑ Any other matter referred to the Commission by the President in the interest of sound finance

Borrowing powers of Centre and State

Article 292 and Article 298 of the Constitution confer both the Centre and the States the power to borrow. However, there is a huge disparity between the scope of powers of the State and Centre. The borrowing powers in the Constitution are similar to what was defined in the Government of India Act, 1919 and Government of India Act, 1935.

- ❑ The Central Government can borrow either within India or outside upon the security of the Consolidated Fund of India or can give guarantees, but both within the limits fixed by the Parliament. So far, no such law has been enacted by the Parliament.
- ❑ Similarly, a State Government can borrow within

India (and not abroad) upon the security of the Consolidated Fund of the State or can give guarantees, but both within the limits fixed by the legislature of that State.

- ❑ The Central Government can make loans to any State or give guarantees in respect of loans raised by any State. Any sums required for the purpose of making such loans are to be charged on the Consolidated Fund of India.
- ❑ A State cannot raise any loan without the consent of the Centre, if there is still outstanding any part of a loan made to the State by the Centre or in respect of which a guarantee has been given by the Centre.

Inter-Governmental Tax Immunities

Like any other federal Constitution, the Indian Constitution also contains the rule of 'immunity from mutual taxation' and makes the following provisions in this regard:

- ❑ **Exemption of Central Property from State Taxation**
 - The property of Centre is exempted from all taxes imposed by a State or any authority within a State like municipalities, district boards, panchayats and so on. But the Parliament is empowered to remove this ban.
 - 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. 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.
- ❑ **Exemption of State Property or Income from Central Taxation**
 - The property and income of a State is exempted from Central 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. Notably, the property and income of local authorities situated within a State are not exempted from the Central taxation.

- Similarly, the property or income of corporations and companies owned by a State can be taxed by the Centre. The Supreme Court, in an advisory opinion (1963), held that the immunity granted to a State in respect of Central taxation does not extend to the duties of customs or duties of excise.

In other words, the Centre can impose customs duty on goods imported or exported by a State, or an excise duty on goods produced or manufactured by a State.

Effect of Emergency on Centre-States Financial Relation

- ❑ ***During National Emergency:*** The President in situations of Emergency can order that all grant-in-aids received by the States by the Union shall remain suspended. However, such suspension is only temporary in nature and cannot go beyond the expiration of the financial year in which the Proclamation of Emergency ceases to operate.
- ❑ ***During Financial Emergency:*** The Centre-States financial relations change considerably in case if Financial Emergency is imposed as per Article 360 of the Indian Constitution. In such cases, the Centre becomes so powerful and exercises immense control over the States compelling them to observe certain norms of financial propriety and other essential safeguards. The Union Government can give the following mentioned directions to the States-
 - It includes directions to State Governments regarding the reduction of the salary and allowances of all the employees engaged in service of the State which even includes judges of the High Courts.
 - In situations of Financial Emergency, the President has the power to make an alteration in the distribution and allocation of taxes from the Centre to the States and to direct the States to observe principles of financial propriety as laid down by the Parliament.
 - Further directions can also be issued compelling

the States to reserve the consideration of the President on all financial and money bills even after they have been passed by the State Legislature.

Shift in Centre-State Relations

Till 1967, the Centre-State relations by and large were smooth due to one-party rule at the Centre and in most of the States. In 1967 elections, the Congress party was defeated in nine States and its position at the Centre became weak. This changed political scenario heralded a new era in the Centre-State relations. The non-Congress Governments in the States opposed the increasing centralisation and intervention of the Central Government. They raised the issue of State autonomy and demanded more powers and financial resources to the States. This caused tensions and conflicts in Centre-State relations.

Tension areas in Centre-State Relations

The issues which created tensions and conflicts between the Centre and States are:

- ❑ Mode of appointment and dismissal of Governor;
- ❑ Discriminatory and partisan role of Governors;
- ❑ Imposition of President's Rule for partisan interests;
- ❑ Deployment of Central forces in the States to maintain law and order;
- ❑ Reservation of State bills for the consideration of the President;
- ❑ Discrimination in financial allocations to the States;
- ❑ Role of Planning Commission in approving State projects;
- ❑ Management of All-India Services (IAS, IPS, and IFS);
- ❑ Use of electronic media for political purposes;
- ❑ Appointment of enquiry commissions against the chief ministers;
- ❑ Sharing of finances (between Centre and States); and
- ❑ Encroachment by the Centre on the State List.

The issues in Centre-State relations have been under consideration since the mid-1960s. In this direction, the following developments have taken place:

Administrative Reforms Commission

Under the leadership of Morarji Desai, the Central Government established the Administrative Reforms

Commission (ARC) in 1966. Examining ties between the Centre and the State was one of its terms of reference.

The ARC formed a study team under M.C. Setalvad to thoroughly analysed many challenges in Centre-State relations. The ARC completed its report and submitted it to the Central Government in 1969 based on the findings of this study team. Commission made 22 recommendations for improving the Centre-State relations. Some important recommendations are listed below:

- ❑ Establishment of an Inter-State Council under Article 263 of the Constitution.
- ❑ Appointment of persons having long experience in public life and administration and non-partisan attitude as Governors.
- ❑ Delegation of powers to the maximum extent to the States.
- ❑ Transferring of more financial resources to the States to reduce their dependency upon the Centre.
- ❑ Deployment of Central armed forces in the States either on their request or otherwise.

No action was taken by the Central Government on the recommendations of the ARC.

Rajmanner Committee (1969)

In 1969, the Tamil Nadu Government (DMK) appointed a three-member committee, chaired by Dr. P.V. Rajamanner, to investigate the entire issue of Centre-State relations. It wanted the committee to propose Constitutional amendments to ensure the States' maximum autonomy.

In 1971, the committee delivered its report to the Tamil Nadu Government. The committee's key recommendations are as follows:

- ❑ An Inter-State Council should be formed immediately.
- ❑ The Finance Commission should be made permanent.
- ❑ The Planning Commission should be disbanded and replaced by a statutory body.
- ❑ Articles 356, 357, and 365 (concerning President's Rule) should be deleted entirely.
- ❑ The provision stating that the State ministry holds office at the pleasure of the Governor should be removed.
- ❑ Certain subjects from the Union List and the

Concurrent List should be transferred to the State List.

- ❑ Residuary powers should be devolved to the States.
- ❑ All-India Services such as IAS, IPS, and IFS should be phased out.

The Central Government completely ignored the recommendations of the Rajamannar Committee.

Anandpur Sahib Resolution 1973

The working committee of the Shiromani Akali Dal constituted a 12-member sub-committee on December 11, 1972 to formulate comprehensive policies and programmes. The Anandpur Sahib Resolution, as it is commonly referred to, asked that the Centre's authority be limited to only defence, foreign affairs, communications, and money, and that all remaining powers be given to the States.

It also demanded residuary powers for the State. In the decade 1980, as the regional parties became very assertive, they put forth the demand for State autonomy in an organized manner.

Their 'conclaves' were held at Vijayawada, Delhi, and Srinagar which raised the demand for redefining the Centre-States relations. Here also, the Central Government did not accept these recommendations.

It also called for equal authority and representation of the States at the Centre. It was argued, that the Constitution should be made truly federal, and all States should have equal access to power and representation at the federal level.

West Bengal Memorandum

In December 1977, the Communist Government in West Bengal published a memorandum called the West Bengal memorandum, which made the following recommendations:

- ❑ The word 'Union' in the Constitution should be replaced by the word 'federal'
- ❑ The centre's jurisdiction to be restricted to only defence, foreign affairs, communications, and economic coordination
- ❑ Deletion of Articles 356, 357 and 360
- ❑ Rajya Sabha to have equal powers with that of the Lok Sabha
- ❑ Abolition of All-India Services
- ❑ State's consent should be made obligatory for

formation of new States or reorganisation of existing States

- ❑ 75 percent of the revenue raised by the centre should be allocated to the States
- ❑ There should be only Central and State services and the All-India Services should be abolished.

The Central Government did not accept the demands made in the memorandum.

Sarkaria Commission (1983)

With a view to reviewing the working of the existing arrangements between the Union and the States in the changed socio-economic scenario, the Ministry of Home Affairs constituted a Commission in June 9, 1983 under the Chairmanship of Retd. Justice R.S. Sarkaria with Shri B. Sivaraman and Dr. S.R. Sen as its members.

The Commission examined and reviewed the working of the existing arrangements between the Union and States in regard to powers, functions and responsibilities in all spheres and recommended such changes or other measures as may be appropriate.

The commission keep in view the social and economic developments that have taken place over the years and have due regard to the scheme and framework of the Constitution which the founding fathers have so sedulously designed to protect the independence and ensure the unity and integrity of the country which is of paramount importance for promoting the welfare of the people.

Sarkaria Commission Report- Recommendations

The Commission submitted its report in October 1987 with 247 recommendations.

It out-rightly rejected the demand for curtailing the power of Centre and stated that a strong Centre is essential to safeguard national unity and integrity. However, it observed the over-centralization as an avoidable phenomenon.

- ❑ A permanent Inter-State Council called the Inter-Governmental Council should be set up under Article 263.
- ❑ Article 356 (President's Rule) should be used very sparingly, in extreme cases as a last resort when all the available alternatives fails.
- ❑ The institution of All-India Services should be further strengthened and some more such services should be created.

- ❑ The residuary powers of taxation should continue to remain with the Parliament, while the other residuary powers should be placed in the Concurrent List.
- ❑ When the President withholds his assent to the State bills, the reasons should be communicated to the State Government.
- ❑ The National Development Council (NDC) should be renamed and reconstituted as the National Economic and Development Council (NEDC).
- ❑ The zonal councils should be constituted afresh and reactivated to promote the spirit of federalism.
- ❑ The Centre should have powers to deploy its armed forces, even without the consent of States. However, it is desirable that the States should be consulted.
- ❑ The Centre should consult the States before making a law on a subject of the Concurrent List.
- ❑ The procedure of consulting the Chief Minister in the appointment of the State Governor should be prescribed in the Constitution itself.
- ❑ The net proceeds of the corporation tax may be made permissibly shareable with the States.
- ❑ The Governor cannot dismiss the Council of Ministers so long as it commands a majority in the assembly.
- ❑ The Governor's term of five years in a State should not be disturbed except for some extremely compelling reasons.
- ❑ No commission of enquiry should be set up against a State minister unless a demand is made by the Parliament.
- ❑ The surcharge on income tax should not be levied by the Centre except for a specific purpose and for a strictly limited period.
- ❑ The present division of functions between the Finance Commission and the Planning Commission is reasonable and should continue.
- ❑ Steps should be taken to uniformly implement the three-language formula in its true spirit.
- ❑ No autonomy for radio and television but decentralisation in their operations.
- ❑ No change in the role of Rajya Sabha and Centre's power to reorganise the States.
- ❑ The commissioner for linguistic minorities should

be activated.

The Central Government has implemented 180 (out of 247) recommendations of the Sarkaria Commission. Some of the proposals, such as having the Governor from outside the State, have been implemented. The Supreme Court has often highlighted the importance of putting the Sarkaria commission's recommendations on Governor selection and appointment into action. Government has accepted a few recommendations of the Sarkaria Commission of Articles 356 & legislative matter. However, the name of the Inter-State Council has not been changed to 'Inter Governmental Council' as recommended by the Commission.

It did not favour structural changes and regarded the existing Constitutional arrangement and principles relating to the institution as sound. But it emphasized the need for the change in functional or operational aspect.

National Commission to Review the Working of the Constitution (NCRWC) (2000)

The National Commission to Review the Working of the Constitution (NCRWC), also known as the Justice Manepalli Narayana Rao Venkata Chaliah Commission, was established on February 22, 2000, by a resolution of the NDA Government of India, led by Atal Bihari Vajpayee, for the purpose of suggesting possible Constitutional amendments. In 2002, it handed its report.

The National Commission to Review the Working of the Constitution (NCRWC) put forth its suggestions, many of which were a reiteration of Sarkaria Commission recommendations. The following are few of the novel recommendations to improve Centre-State relations:

- According to Article 307, a legislative organization named the Inter-State Trade and Commerce Commission should be constituted.
- A committee consisting of the Prime Minister, Home Minister, Speaker of the Lok Sabha, and the Chief Minister of the State in question shall nominate the Governor.
- The Concurrent List of the Seventh Schedule should cover disaster and emergency management.
- In the event of a political breakdown in a State, the State should be given an opportunity to explain its position and correct the situation before invoking Article 356, to the extent possible.

- The 1990 Inter-State Council directive should explicitly outline the topics that should be discussed during the discussions.

Consecutive Governments have refused to accept the proposals.

Punchhi Commission (2007)

The Central Government constituted the Punchhi Commission in 2007 to examine Centre-State relations, along with the possibility of giving sweeping powers to the centre for suo moto deployment of Central forces in States and investigation of crimes affecting national security. It was chaired by the former Chief Justice of India, M.M. Punchhi. It submitted its recommendation in 2009.

Main Purpose of the Commission

- To examine the possible role, responsibility, and jurisdiction of the Centre during major and extended eruptions of communal/caste or other social violence or conflicts.
- To review other areas of Centre-State relations including that of taxes and rivers' linking.
- To study if there is a need to set up a Central law enforcement agency to take up suo moto crimes investigation with Inter-State or international ramifications with grave implications on national security.
- To see the feasibility of suo moto deployment of central forces in the States if needed.
- To examine the role and responsibility of the centre with respect to the States in the effective devolution of autonomy and powers to the Panchayati Raj institutions and other local bodies.
- To support independent planning and budgeting at the district level and linking Central assistance of States to States' performance.
- To examine the relevance of separate taxes for freeing Inter-State trade to establish a unified domestic market.
- To examine the role and removal procedures of Governors.

Recommendations of Punchhi Commission

The Commission gave 312 recommendations in its report. Some of the major recommendations are given below:

- To facilitate effective implementation of the laws

on List III subjects, it is necessary that some broad agreement is reached between the Union and States before introducing legislation in Parliament on matters in the Concurrent List.

- The Union should be extremely restrained in asserting Parliamentary supremacy in matters assigned to the States. Greater flexibility to States in relation to subjects in the State List and "transferred items" in the Concurrent List is the key for better Centre-State relations.
- The Union should occupy only that many of subjects in concurrent or overlapping jurisdiction which are absolutely necessary to achieve uniformity of policy in demonstrable national interest.
- There should be a continuing auditing role for the Inter-State Council in the management of matters in concurrent or overlapping jurisdiction.
- The period of six months prescribed in Article 201 for State Legislature to act when the bill is returned by the President can be made applicable for the President also to decide on assenting or withholding assent to a State bill reserved for consideration of the President.
- Parliament should make a law on the subject of Entry 14 of List I (treaty making and implementing it through Parliamentary legislation) to streamline the procedures involved. The exercise of the power obviously cannot be absolute or unchartered in view of the federal structure of legislative and executive powers.
- Financial obligations and its implications on State finances arising out of treaties and agreements should be a permanent term of reference to the Finance Commissions constituted from time to time.
- While selecting Governors, the Central Government should adopt the following strict guidelines as recommended in the Sarkaria Commission report and follow its mandate in letter and spirit:
 - (i) He should be eminent in some walk of life.
 - (ii) He should be a person from outside the State.
 - (iii) He should be a detached figure and not too intimately connect with the local politics of the State.
 - (iv) He should be a person who has not taken too

great at par politics generally and particularly in the recent past.

- ❑ Governors should be given a fixed tenure of five years and their removal should not be at the sweet will of the Government at the Centre.
- ❑ The procedure laid down for impeachment of President, *mutatis mutandis* can be made applicable for impeachment of Governors as well.
- ❑ Article 163 does not give the Governor a general discretionary power to act against or without the advice of his Council of Ministers. In fact, the area for the exercise of discretion is limited and even in this limited area, his choice of action should not be arbitrary or fanciful. It must be a choice dictated by reason, activated by good faith and tempered by caution.
- ❑ In respect of bills passed by the Legislative Assembly of a State, the Governor should take the decision within six months whether to grant assent or to reserve it for consideration of the President.
- ❑ On the question of Governor's role in appointment of Chief Minister in the case of a hung assembly, it is necessary to lay down certain clear guidelines to be followed as Constitutional conventions. These guidelines may be as follows:
 - (i) The party or combination of parties which commands the wide support in the Legislative Assembly should be called upon to form the Government.
 - (ii) If there is a pre-poll alliance or coalition, it should be treated one political party and if such coalition obtains a majority, leader of such coalition shall be called by the Governor to form the Government.
 - (iii) In case no party or pre-poll coalition has a clear majority, Governor should select the Chief Minister in the order preference indicated here.
 - (a) The group of parties which had pre-poll alliance commanding the largest number.
 - (b) The largest single party staking a claim to form the Government with the support of others.
 - (c) A post-electoral coalition with all partners joining the Government.
 - (d) A post-electoral alliance with some parties joining the Government and the remaining

including independents supporting the Government from outside.

- ❑ On the question of dismissal of a Chief Minister, the Governor should invariably insist on the Chief Minister proving his majority on the floor of the House for which he should prescribe a time limit.
- ❑ The Governor should have the right to sanction for prosecution of a State Minister against the advice of the Council of Ministers, if the Cabinet decision appears to the Governor to be motivated by bias in the face of overwhelming material.
- ❑ The convention of Governors acting as Chancellors of Universities and holding other statutory positions should be done away with. His role should be confined to the Constitutional provisions only.
- ❑ When an external aggression or internal disturbance paralyses the State administration creating a situation of a potential break down of the Constitutional machinery of the State, all alternative courses available to the Union for discharging its paramount responsibility under Article 355 should be exhausted to contain the situation and the exercise of the power under Article 356 should be limited strictly to rectifying a "failure of the Constitutional machinery in the State".
- ❑ On the question of invoking Article 356 in case of failure of Constitutional machinery in States, suitable amendments are required to incorporate the guidelines set forth in the landmark judgement of the Supreme Court in *S.R. Bommai v/s Union of India* (1994). This would remove possible misgivings in this regard on the part of States and help in smoothening Centre-State relations.
- ❑ Given the strict parameters now set for invoking the emergency provisions under Articles 352 and 356 to be used only as a measure of "last resort", and the duty of the Union to protect States under Article 355, it is necessary to provide a Constitutional or legal framework to deal with situations which require Central intervention but do not warrant invoking the extreme steps under Articles 352 and 356. Providing the framework for "localised emergency" would ensure that the State Government can continue to function and the Assembly would not have to be dissolved while providing a mechanism

to let the Central Government respond to the issue specifically and locally. The imposition of local emergency is fully justified under the mandate of Article 355 read with Entry 2A of List I and Entry 1 of List II of the Seventh Schedule.

- ❑ Suitable amendments to Article 263 are required to make the Inter-State Council a credible, powerful and fair mechanism for management of Inter-State and Centre-State differences.
- ❑ The Zonal Councils should meet at least twice a year with an agenda proposed by States concerned to maximise co-ordination and promote harmonisation of policies and action having Inter-State ramification. The Secretariat of a strengthened Inter-State Council can function as the Secretariat of the Zonal Councils as well.
- ❑ The Empowered Committee of Finance Ministers of States proved to be a successful experiment in inter-State coordination on fiscal matters. There is need to institutionalise similar models in other sectors as well. A forum of Chief Ministers, chaired by one of the Chief Minister by rotation can be similarly thought about particularly to co-ordinate policies of sectors like energy, food, education, environment and health.
- ❑ New All-India Services in sectors like health, education, engineering and judiciary should be created.
- ❑ Factors inhibiting the composition and functioning of the Second Chamber as a representative forum of States should be removed or modified even if it requires amendment of the Constitutional provisions. In fact, Rajya Sabha offers immense potential to negotiate acceptable solutions to the friction points which emerge between Centre and States in fiscal, legislative and administrative relations.
- ❑ A balance of power between States inter se is desirable and this is possible by equality of representation in the Rajya Sabha. This requires amendment of the relevant provisions to give equality of seats to States in the Rajya Sabha, irrespective of their population size.
- ❑ The scope of devolution of powers to local bodies to act as institutions of self-Government should

be Constitutionally defined through appropriate amendments.

- ❑ All future Central legislations involving States' involvement should provide for cost sharing as in the case of the RTE Act. Existing Central legislations where the States are entrusted with the responsibility of implementation should be suitably amended providing for sharing of costs by the Central Government.
 - ❑ The royalty rates on major minerals should be revised at least every three years without any delay. States should be properly compensated for any delay in the revision of royalty beyond three years.
 - ❑ The current ceiling on profession tax should be completely done away with by a Constitutional amendment.
 - ❑ The scope for raising more revenue from the taxes mentioned in article 268 should be examined afresh. This issue may be either referred to the next Finance Commission or an expert committee be appointed to look into the matter.
 - ❑ To bring greater accountability, all fiscal legislations should provide for an annual assessment by an independent body and the reports of these bodies should be laid in both Houses of Parliament/State Legislature.
 - ❑ Considerations specified in the Terms of Reference (ToR) of the Finance Commission should be even handed as between the Centre and the States. There should be an effective mechanism to involve the States in the finalisation of the ToR of the Finance Commissions.
 - ❑ The Central Government should review all the existing cesses and surcharges with a view to bringing down their share in the gross tax revenue.
 - ❑ Because of the close linkages between the plan and non-plan expenditure, an expert committee may be appointed to look into the issue of distinction between the plan and non-plan expenditure.
 - ❑ There should be much better coordination between the Finance Commission and the Planning Commission. The synchronisation of the periods covered by the Finance Commission and the Five-Year Plan will considerably improve such coordination.
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- ❑ The Finance Commission division in the Ministry of Finance should be converted into a full-fledged department, serving as the permanent secretariat for the Finance Commissions.
- ❑ The Planning Commission has a crucial role in the current situation. But its role should be that of coordination rather than of micro managing sectoral plans of the Central ministries and the States.
- ❑ Steps should be taken for the setting up of an Inter-State Trade and Commerce Commission under Article 307 read with Entry 42 of List-I. This Commission should be vested with both advisory and executive roles with decision making powers. As a Constitutional body, the decisions of the Commission should be final and binding on all States as well as the Union of India. Any party aggrieved with the decision of the Commission may prefer an appeal to the Supreme Court.

The Report of the Commission was circulated to all stakeholders including State Governments / UT Administrations and Union Ministries / Departments concerned for their considered views on the recommendations of the Commission. The comments received from the Union Ministries / Departments and the State Governments / UT Administrations are under the consideration of the Inter-State Council

Impact of COVID-19 on Centre-State Relations

The COVID-19 has severely strained federal relations in certain aspects.

- ❑ In the context of finance, PM-CARES Fund was brought under the ambit of CSR, however, the same was not done for State-based funds. As a result, companies were more inclined to make donations

to the Centre than States which led to a financial crisis for many States. Moreover, the GST dues of States not being paid by the Centre added to the problem.

- ❑ In terms of administrative relations, many States felt that there has been discrimination by the Centre in terms of distributing medical equipment and vaccines, though the truth cannot be established.
- ❑ Further, as regards the legislative relations, States were not consulted in many matters which were stipulated in the statutes; they were bound to follow the orders of the Centre which strained the relations between the Centre and States.

In India, the Centre-States relations constitute the core elements of the federalism. The Central Government and State Government cooperate for the well-being and safety of the citizens of India. They work together in the field of environmental protection, terror control, family control and socio-economic planning.

The Indian Constitution aims at reconciling the national unity while giving the power to maintain State to the State Governments. It is true that the Union has been assigned larger powers than the State Governments, but this is a question of degree and not quality, since all the essential features of a federation are present in the Indian Constitution. It is often defined to be quasi-federal in nature. Thus, it can be safely said that Indian Constitution is primarily federal in nature even though it has unique features that enable it to assume unitary features upon the time of need. Federal but its spirit is unitary.