



QUICK REVISION MODULE (UPSC PRELIMS 2024) POLITY

CENTRE-STATE RELATIONS



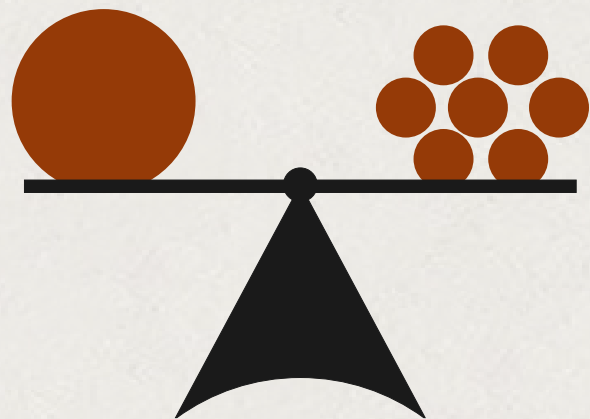
FEDERALISM

It is a system of polity in which **power is divided** between Union and its constituent units i.e. states.

Purpose of this Division of Power

Prevent concentration of Power.

Generating strength of the nation through Union.



Note: S.R. Bommai vs. Union of India – federalism basic feature of the Constitution.



TYPES OF FEDERALISM

Fiscal Federalism

- Allocation of fiscal rights and responsibilities across different levels of government.
- Eg:- Distribution of revenues between the Union and the States as envisaged under **articles 268- 293** in part XII of the constitution.

Asymmetric Federalism

- Different constituent units are accorded different powers and autonomy.
- Eg:-Special constitutional provisions for some states (**Article 371to 371-J**).

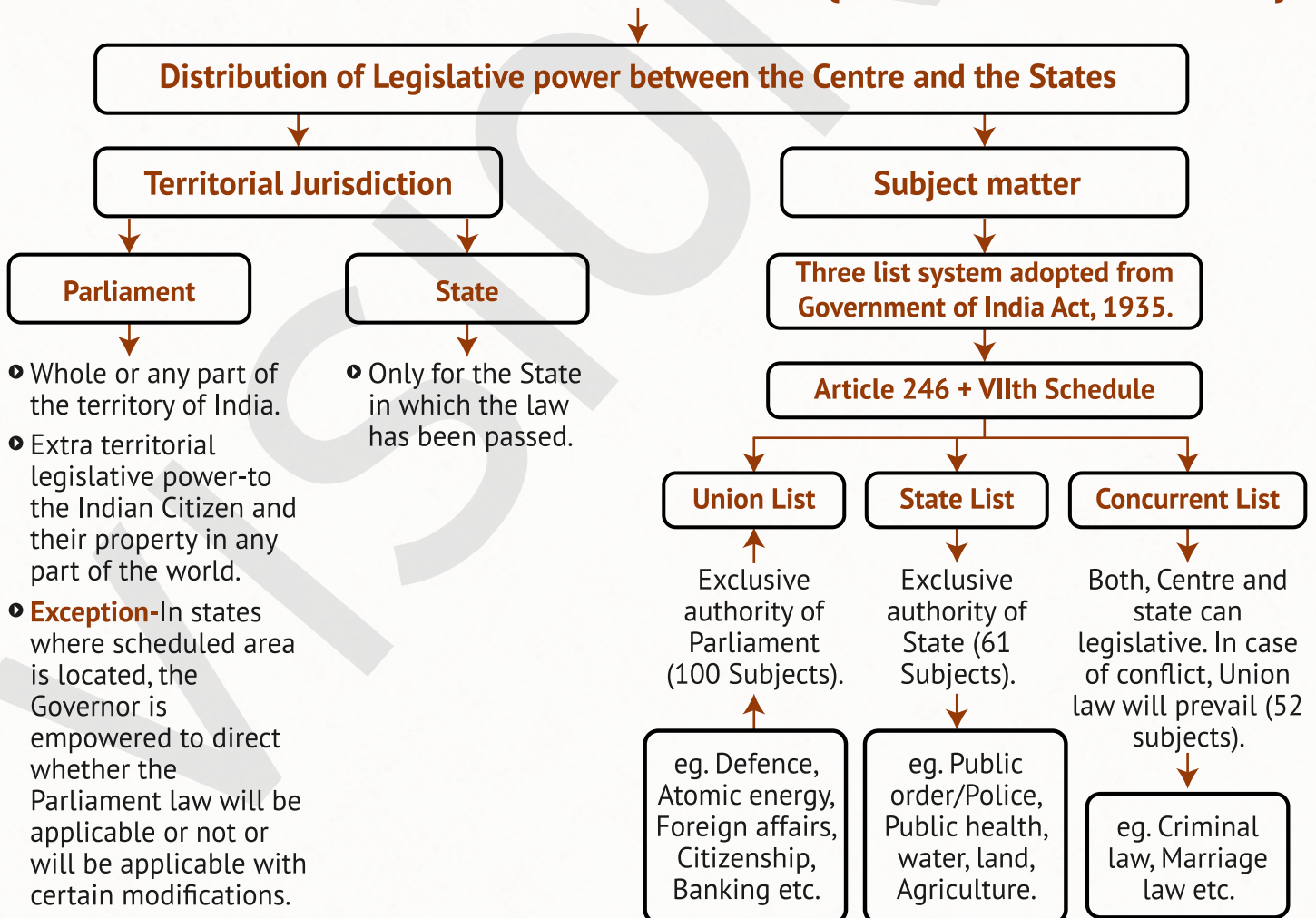
Cooperative Federalism

- Federalism in which Union and constituent units interact cooperatively and collectively to solve common problems.
- Eg:- Union and the states are constitutionally obliged to cooperate with each other on the matters specified in Schedule VII of the constitution.

Competitive Federalism

- Deals with relationship among two or more states in the matters of trade, investment, commerce, etc.
- Eg: Various reports of NitiAayog like Healthy states progressive India, SDG index, etc which give performance based rankings of states.

CENTRE STATE LEGISLATIVE RELATION (ARTICLE 245 TO 255)



(Note: Article 248: Residuary power-which are not enumerated in any of the lists in the 7th Schedule, are vested in centre like in Canada and UNLIKE the USA, Australia and Switzerland.)



Special Conditions Under some specific circumstances, the Parliament can legislative on subject included in State list

- **Article 249-In the National Interest:** If the council of states (Rajya Sabha) declares that it is necessary for the Centre to legislative upon a subject in the state list, **in national interest**, and passes a resolution to this effect, with a majority of at **least 2/3rd of members present and voting**.

- **Article 252- By agreement between States:** When two or more state legislatures pass a resolution, requesting the Parliament to legislate upon a subject in the state list.
- **Note:** The law will be applicable only to the states, which demanded such legislation.

- **Article 253-** To implement international treaties and Agreements.

- **Article 352-During National Emergency:** The Parliament can legislate upon any subject in the state list.
- **Note:** Such a law becomes inoperative on **expiration of six months** after the emergency has ceased to operate.

- **Article 356-Under proclamation of President's rule-** During President's rule in state, the Parliament can make laws w.r.t any subject in the state list. Such a law continues to be operative even after the President's rule. But it can be repealed, altered or re-enacted by the State legislature.

Some other provision for centre's control over State legislations:

- **Article 200-** Governor reserves certain types of bills passed by the State legislature for consideration of the President.
- **Article 304-** Prior approval of the President is required on certain matters mentioned in the State list. eg- Bills imposing restriction on the freedom of trade and commerce.
- **Article 360-** During a financial emergency, the President can direct the states to reserve Money Bills as well as other financial bills passed by the State legislature for his consideration.

ADMINISTRATIVE RELATIONS (ARTICLE 256 TO 263)

- Certain restrictions imposed on the executive power of state so as to give Centre the power to control state in executive or administrative matters.
 - Thus the Executive power of every state is to be exercised in such a way:

Article 256

To ensure **compliance with laws** made by Parliament and any existing law which apply in the state.

Article 257

Not to impede or prejudice the exercise of the executive power of the centre in the state.



In both the cases, the executive power of the centre extends to giving of such directions to the state as are necessary for the purpose.

For Eg.

- The construction and maintenance of means of communication declared to be of national or military importance.
- Protection of railways etc.



If not complied with the direction



Article 365 – Provision of the Constitution has been violated in such situation, the President’s rule can be imposed in the state under **Article 356**.

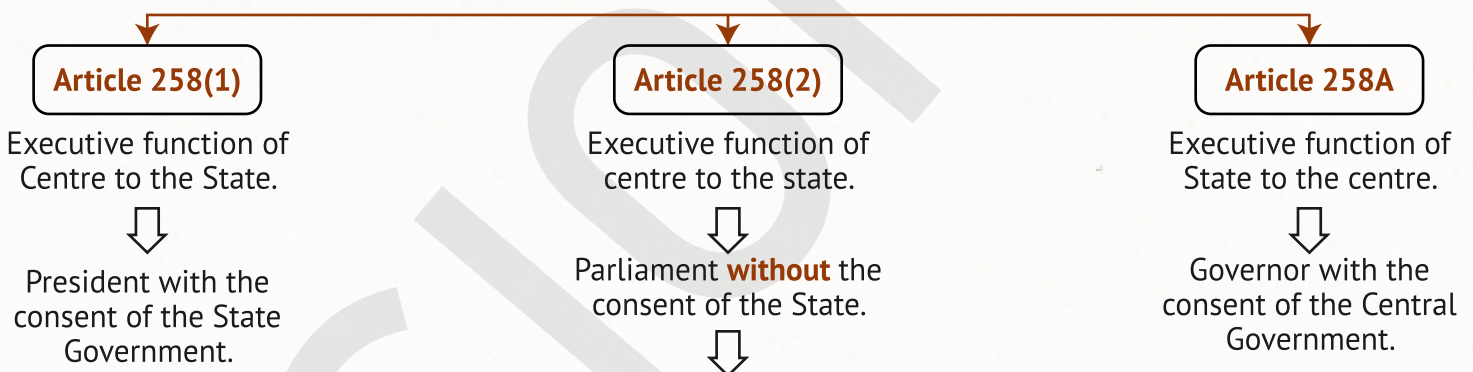
MUTUAL DELEGATION OF FUNCTION



The Constitution provides for inter-governmental delegation of executive function.

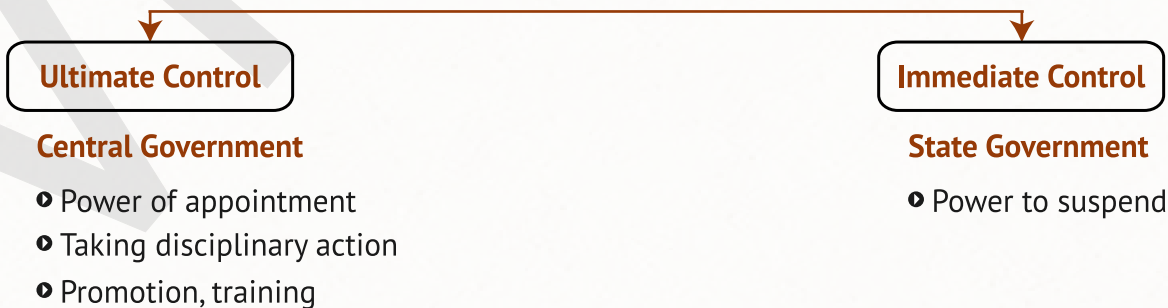


To mitigate rigidity and avoid a situation of deadlock.



Note: The same thing can not be done by the State legislature.

All India Service: Controlled jointed by the Centre and the State



Note: Article 312 – The Constitution authorizes the Parliament to create new All India Service on the basis of Rajya Sabha resolution (**majority of not less than two-thirds of members present and voting**) to that effect.



FINANCIAL RELATION (ART.268 TO ART.293):

1

Article 268 - Taxes and duties levied by the Union, but collected and appropriated by the States: Stamp Duty on Bill of exchange, promissory notes, etc.

Except - In case of union territories, this duty is collected by the Union.

Note: These taxes and duties **do not** form part of the Consolidated Fund of India.

2

Article 269 - Taxes levied and collected by the Union, but assigned to the States within which they are levied:

- a) Succession duty in respect of property, other than agricultural land.
- b) Estate duty in respect of property, other than agricultural land.
- c) Terminal taxes on goods or passengers carried by railways, sea or air.
- d) Taxes on railway fares and freights taxes on transactions in Stock Exchanges.

3

Article 269A - Goods and Service tax on Inter-state trade or commerce, levied and collected by the Government of India but apportioned between the union and the states as provided by the law of the Parliament.

Note: The amount apportioned to the states **shall not** form part of the Consolidated fund of India.

4

Article 270 - Taxes levied and collected by the Union and distributed between the Union and the States:

All the taxes and duties referred to in the Union list.

Except - three categories mentioned in Article 268, 269, 269A and Surcharge and Cess levied for specific purposes.

5

Article 271 - Surcharge on certain taxes:

The Parliament is, authorized to levy surcharge on the taxes mentioned in the above two categories (Art.269 and Art.270) and the proceeds of such surcharges go to the **Centre exclusively**.

Note: These charges are not sharable.

6

Taxes levied and collected and retained by the states: Taxes enumerated in the state list.



7

Article 275 - Grants –in-aid:

GRANTS IN AID

Article 275: Statutory Grants

1. Parliament makes such grant to those states who are in need of such funds, particularly for the promotion of tribal welfare.
2. These funds are given to the states on the recommendation of Finance Commission.

Article 282: Discretionary Grants

1. Both the Centre and the States can make any grants for any public purpose.
2. Centre gives this grant to the states to fulfill plan targets and to effectuate the national plan.

8

Loans: The Union Government may provide loan to any State or give guarantees respect to loans raised by any State.

9

Article 274 -Previous sanction of the President: No Bill or amendment can be introduced or moved in either House of Parliament without the previous sanction of the President, if:

- a) It imposes or varies any tax in which the States are interested; or
- b) It varies the meaning of the expression "Agricultural Income" as defined in the Indian Income-Tax Act; or
- c) It affects the principles on which money are distributed to the States; or
- d) It imposes a surcharge on the State taxes for the purpose of the Union.

10

Distribution of Non tax revenues:

DISTRIBUTION OF NON TAX REVENUE

A

The Centre - Major sources of Non tax revenue for the Centre:

1. Post and Telegraph,
2. Railways, Banking Broadcasting,
3. Currency and coinage,
4. Central Public sector enterprises,
5. Escheat and lapse

B

The State - Major sources of Non tax revenue for the State:

1. Irrigation, Forests, Fisheries,
2. State PSUs,
3. Escheat and lapse (States)

FINANCE COMMISSION

Article 280	<ul style="list-style-type: none">• Provides for a Finance Commission as a quasi judicial body.• Constituted by the President every fifth year or even earlier.
Composition	<ul style="list-style-type: none">• Consists of a chairman and four other members to be appointed by the President.• They hold office for such period as specified by the President in his order. <p>Note: Eligible for reappointment.</p>
Qualification	<ul style="list-style-type: none">• Constitution authorises the Parliament to determine the qualifications of members of the commission.• Accordingly, the Parliament has specified the qualifications.• Chairman should be a person having experience in public affairs and the four other members should be selected from amongst the following:<ul style="list-style-type: none">▶ A judge of high court or one qualified to be appointed as one.▶ A person who has specialised knowledge of finance and accounts of the government.▶ A person who has wide experience in financial matters and in administration.▶ A person who has special knowledge of economics.
Functions	<ul style="list-style-type: none">• Required to make recommendation to the President on the following:<ol style="list-style-type: none">1. The distribution of net proceeds of taxes to be shared between the Centre and the States, and the allocation between the states.2. The principle which should govern the grants –in-aid by the Centre to the States.3. The measures need to augment to Consolidated fund of a State to supplement the resources of the Panchayat and Municipalities on the basis of State finance commission recommendation.4. Any other matter referred to it by the President.