Polity & Governance · GS - II

Explain the significance of the 101st Constitutional Amendment Act. To what extent does it reflect the accommodative spirit of federalism?

EXAM YEAR	PAPER	SUBJECT
2023	GS - II	Polity & Governance

MARKS	WORD LIMIT
15	~250 words

Answer Hint

The 101st Amendment created GST as a common indirect-tax framework, requiring the Union and States to surrender portions of their independent tax space while institutionalising joint decision-making through the GST Council.

Model Answer

Introduction

The **101st Constitutional Amendment Act, 2016** introduced the Goods and Services Tax (GST), representing one of India's most significant fiscal reforms. It fundamentally altered Centre-State financial relations.

Body

Significance

Creation of a common market: GST replaced multiple indirect taxes with a harmonised system, reducing cascading and facilitating inter-State commerce.

Constitutional restructuring: Articles 246A and 269A created a framework for simultaneous Union and State taxation and inter-State GST.

GST Council: Article 279A established a cooperative institution comprising the Union and States for recommendations concerning GST rates, exemptions and other matters.

Reduction of cascading: Input-tax credit improved tax efficiency.

Formalisation: Digital invoicing and compliance mechanisms have contributed to greater formalisation of economic activity.

Accommodative Federalism

Shared decision-making: The GST Council institutionalises consultation between the Union and States.

Shared fiscal sovereignty: Both levels surrendered parts of their independent taxation powers in favour of a common framework.

Weighted voting: The Council reflects both national and State interests through a structured voting arrangement.

Compensation mechanism: The initial compensation framework addressed States' concerns regarding potential revenue losses following the transition.

Limitations

States have sometimes expressed concerns about reduced fiscal autonomy, dependence on shared revenues and delays or disputes concerning compensation. The Supreme Court in **Union of India v. Mohit Minerals (2022)** also clarified that GST Council recommendations are not binding on Parliament and State legislatures, reinforcing the constitutional character of cooperative federalism.

Conclusion

GST represents an important experiment in **cooperative and accommodative fiscal federalism**. Although tensions remain, its institutional design demonstrates that India's federal system can accommodate competing fiscal interests through negotiated constitutional mechanisms.

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