

FISCAL FEDERALISM IN THE GST ERA: CHALLENGES AND THE ROAD AHEAD

FEDERALISMO FISCAL NA ERA DO GST: DESAFIOS E O CAMINHO A SEGUIR

Article received on: 8/4/2025

Article accepted on: 10/27/2025

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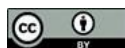
The authors declare that there is no conflict of interest

Abstract

The introduction of the Goods and Services Tax in 2017 was a historic event for India's tax structure, as it sought to unify the diverse and multi-layered system of indirect taxes, associated with the slogan 'One Nation One Tax'. While GST has created an integrated approach to taxation, it has also triggered a distortion in India's fiscal federalism equilibrium by concentrating power in the hands of the central government. In the past, the Indian Constitution permitted a federal model of finance where the Centre and states had broad legislative powers for taxation as outlined in the Seventh Schedule. The introduction of the GST, enabled by the 101st Constitutional Amendment Act, consolidated numerous state taxes into a single GST collection, stripping the states of their autonomous tax-raising capacity. For operational reasons, the Union government has adopted strategies typically reserved for the states; now, authorities wield significant power due to the weighted voting system within the GST Council, where the Union government predominantly influences policy decisions. This paper analyses how the current GST regime has increased the dependence of states on the central government

Resumo

A introdução do Imposto sobre Bens e Serviços (GST, na sigla em inglês) em 2017 foi um evento histórico para a estrutura tributária da Índia, pois buscou unificar o sistema diversificado e multifacetado de impostos indiretos, associado ao slogan "Uma Nação, Um Imposto". Embora o GST tenha criado uma abordagem integrada para a tributação, também provocou uma distorção no equilíbrio do federalismo fiscal indiano, concentrando poder nas mãos do governo central. No passado, a Constituição indiana permitia um modelo federal de finanças, no qual o governo central e os estados detinham amplos poderes legislativos para tributação, conforme delineado na Sétima Emenda. A introdução do GST, viabilizada pela 101ª Emenda Constitucional, consolidou inúmeros impostos estaduais em uma única arrecadação do GST, privando os estados de sua capacidade autônoma de arrecadação de impostos. Por razões operacionais, o governo federal adotou estratégias tipicamente reservadas aos estados; agora, as autoridades exercem poder significativo devido ao sistema de votação ponderada no Conselho do GST, onde o governo federal influencia predominantemente as



and restructured the depiction of India's federal system, as well as its centralisation. The most urgent of these issues has been the GST compensation cess, particularly the delay from the Centre in transferring funds to states that was distinctly prevalent during the fiscal tremors accompanying the COVID-19 pandemic. This reduced autonomy of states due to the dependence on the Centre for revenue flows has drastically reduced the financial flexibility of the states, preventing them from providing adequate financing to meet their welfare expenditures and development activities that are regionally distinct. This paper recommends restructuring the fiscal federalism of India in the context of GST to provide a more even distribution of authority.

Keyword: Fiscal Federalism. GST. COVID-19 and GST Council.

decisões políticas. Este artigo analisa como o atual regime do GST (Imposto sobre Bens e Serviços) aumentou a dependência dos estados em relação ao governo central e reestruturou a configuração do sistema federal indiano, bem como sua centralização. A questão mais urgente reside na compensação do GST, particularmente na demora do governo central em repassar os fundos aos estados, um problema particularmente evidente durante as turbulências fiscais decorrentes da pandemia de COVID-19. Essa redução da autonomia dos estados, devido à dependência do governo central para o fluxo de receitas, diminuiu drasticamente sua flexibilidade financeira, impedindo-os de obter financiamento adequado para suas despesas com bem-estar social e atividades de desenvolvimento, que variam regionalmente. Este artigo recomenda a reestruturação do federalismo fiscal da Índia no contexto do GST, visando uma distribuição mais equitativa de poderes.

Palavras-chave: Federalismo Fiscal. GST. COVID-19 e Conselho do GST.

1 INTRODUCTION

India's tax structure has typically been shaped by the federal Constitution, which distributes powers of taxation between the Union and State Governments through the Seventh Schedule Government of India, 1950). The central government is assigned certain key revenue sources, like income tax (except for the agricultural income), customs duties, and excise duties on manufactured goods, while the state governments are given the taxation powers over goods, land, property, local services, and local VAT, sales and entertainment taxes (Rao & Singh, 2005). Both levels of government can legislate on some subjects in the Concurrent List, but federal supremacy overshadows the conflict (Basu, 2015).

This system provided for independent revenue sources, which empowered the states to formulate policies to address specific regional socio-economic issues. However, in the course of time, the indirect tax structure of India gradually became more and more disorganised as several rates were charged by different states, which resulted in inefficiencies, cascading taxation, and a complex compliance burden for businesses (Bagchi, 2005).

To ease these complexities, the Goods and Services Tax came into effect on July 1, 2017, through the 101st Constitutional Amendment Act, 2016.¹ GST sought the unification of the many taxes imposed by the States and Centre into a single, unified and destination-based tax system, advertised with the phrase, ‘One Nation, One Tax.’² Here are some of the goals set for GST: reduction of cascading and improved compliance with tax obligations; facilitating easier business activity in a national integrated market; a more straightforward input tax credit throughout the supply chain; and an overall increase in tax revenues from businesses operating in the informal economy (Poddar & Ahmad, 2009).

As part of implementing GST, the GST Council was constituted, which comprises representatives of both the Centre and states and is the main decision-making body.³ This council sets the tax rates, exemptions, and tax administrative policies.

Although GST unified the taxes as intended, it shifted the centre of revenue for indirect taxes from the states that used to levy a substantial VAT, entry tax, and octroi to the Centre, as those were subsumed in the GST (Kelkar, Rajaraman & Misra, 2019). The GST also altered India's fiscal federal structure by centralising control of the tax system. The taxes were incorporated into a pool where the revenue distribution is decided by the disbursements of the government and the council (Chakraborty, 2017).

The weighted voting system within the GST Council further shifted the balance of power toward the Union government and away from the states (Rao, 2017). The same Cess, which was aimed at compensating states for revenue losses due to the implementation of GST, became a sore issue, especially when payments of compensation that the states were supposed to receive were delayed during times of COVID-19, which added additional burden on state finances.

This paper analyses the impact of Goods and Services Tax on India's fiscal federalism with centralising tendencies as the most prominent feature and passivity of states as the other side of the thin edge of the state of autonomy. It looks into significant areas where states' revenue-generating powers have suffered and their dependency on the Centre has increased markedly. The paper attempts to answer these issues by calling for

¹ The Constitution (One Hundred and First Amendment) Act, 2016, No. 101, Acts of Parliament, 2016 (India).

² Government of India, Ministry of Finance. (2017). *GST: One Nation, One Tax*. Retrieved from <https://www.gst.gov.in>

³ Government of India. (2017). *The Goods and Services Tax Council*. Retrieved from <https://gstcouncil.gov.in>

changes in the design of GST, which would make the distribution of powers more equitable and enable states to exercise some degree of control over matters of finance within the GST framework.

2 FEDERALISM IN INDIA

Federalism in India is a fundamental aspect of its constitutional framework, reflecting a unique blend of a strong central authority with state autonomy, aimed at maintaining unity in diversity across a vast and culturally varied nation (Basu, 2015). The Indian federal structure, as outlined in the Constitution, distributes powers between the Union and the states through three lists in the Seventh Schedule: Union, State, and Concurrent, providing a clear demarcation of legislative competencies (Austin, 1999). However, unlike classical federal models like that of the United States, Indian federalism is often described as quasi-federal due to the significant tilt of power in favour of the Centre, especially evident during emergencies or through central financial control and appointments like that of Governors (Austin, 1999). Despite these centralising tendencies, the spirit of cooperative federalism has increasingly gained prominence in the Indian political discourse, particularly after economic liberalisation and the rise of coalition governments (Singh & Saxena, 2011).

Cooperative federalism emphasises partnership and collaboration between the Centre and the states rather than conflict or competition, promoting joint responsibility in policymaking, fiscal management, and implementation of developmental schemes (Choudhry, 2006). Institutions such as the Inter-State Council and the Finance Commission, and more recently, the NITI Aayog, replacing the Planning Commission, are instrumental in fostering dialogue and cooperation among different levels of government.⁴ This approach has become crucial in addressing shared national challenges such as public health, education, infrastructure, environmental protection, and disaster management (Arora & Kailash, 2017). The implementation of Goods and Services Tax is a key example of cooperative federalism, wherein both the Centre and states agreed to pool their sovereignty in taxation for greater economic integration (Chakraborty, 2017).

⁴ Government of India, NITI Aayog. (2015). *Report on the Role of NITI Aayog in Cooperative Federalism*. Retrieved from <https://www.niti.gov.in>

Nevertheless, tensions do arise, particularly when states governed by opposition parties perceive an overreach or lack of consultation by the Centre in critical policy areas or fund allocations (Rao & Singh, 2005). Despite these frictions, the cooperative federal model remains vital in preserving the federal balance, enhancing governance, and ensuring that diverse regional interests are accommodated within the broader national framework (Watts, 2008). As India continues to evolve as a democratic republic, the strengthening of cooperative federalism is essential not only for effective governance but also for preserving the pluralistic ethos and inclusive development goals enshrined in the Constitution (Granville, 2014).

3 INDIA'S FISCAL FEDERALISM BEFORE GST

India's fiscal federalism has historically been shaped by the quasi-federal structure of its Constitution, which distinctly allocates taxation powers between the Union and State governments.⁵ The framers of the Indian Constitution designed a fiscal arrangement that ensured both levels of government had independent revenue sources, enabling them to fulfil their respective governance responsibilities.⁶ This structure is outlined in the Seventh Schedule of the Constitution, which defines the three lists: the Union List, where the Centre has exclusive powers to tax important incomes (except for agricultural income), customs duty, excise duties on manufactured goods, etc. The State List, where the states can also levy taxes on goods, land, property, local services like Value Added Taxes (VAT) and even entertainment tax; and the Concurrent List, which allows both to legislate, but the Union law prevails in case of a dispute.⁷ The constitutional stipulations from Articles 268 to 293 also define the financial relations between the States and the Centre, which include sharing revenues, grants in aid, and borrowing powers.⁸ All these provisions tried to balance the autonomy of the states with the need for coordinated national economic mobilisation, that is, to permit the states sufficient resources to meet their expenditure needs while controlling for the Centre's priorities (Rao & Singh, 2005).

⁵ Basu, D. D. (2015). *Introduction to the Constitution of India* (22nd ed.). LexisNexis.

⁶ Austin, G. (1999). *Working a Democratic Constitution: The Indian Experience*. Oxford University Press.

⁷ Government of India. (1950). *The Constitution of India* (Seventh Schedule). Retrieved from <https://legislative.gov.in/constitution-of-india>

⁸ Government of India. (1950). *The Constitution of India* (Arts. 268–293). Retrieved from <https://legislative.gov.in/constitution-of-india>

In India, the indirect taxation system was disjointed before 2017, which caused it to be inefficient. The central government collected excise duties on manufacturing, service tax on services, and customs duties for exports and imports (Bagchi, 2005). The states used to impose VAT on goods, entry tax (octroi), entertainment tax, and luxury tax (Kelkar, Rajaraman & Misra, 2019). This resulted in a multi-layered taxation system where input tax credits were not accepted, thus creating creeping taxation (Shome, 2019). In addition, the lack of consistent VAT rates across states fuelled intra-state trade. Compliance with various levels of taxation and different regimes by businesses increased operational costs for interstate trade.⁹ Further, the Central Sales Tax (CST) also added burden on tax-exempt inter-state sales, fuelling the obstruction of goods circulation between states (Rao, 2017). Municipal bodies financially benefit by imposing entry taxes and octroi, creating inefficiencies in transit logistics and delaying product delivery.¹⁰ These obstacles also stunted the creation of a unified national market, increasing transaction costs and dampening economic growth (Chakraborty, 2017).

The inequitable distribution of fiscal powers between the Centre and states was a challenge to India's pre-GST fiscal framework. The Union government had more buoyant and elastic revenue sources, such as income tax and customs duties, whereas states relied heavily on VAT, excise duties, and entry taxes, which were more volatile (Rangarajan & Srivastava, 2005). This disparity of revenues created a financial imbalance, forcing states to depend on the central transfers.¹¹ To address this imbalance, the Constitution provided for setting up the Finance Commission (FC) under Article 280, which suggested tax devolution, grants-in-aid and assistance to weaker states (Singh & Saxena, 2011). But states continued to depend on the discretionary transfers from the Centre, which increased tensions in fiscal federal relations. The system of Plan and Non-Plan expenditures, where the Centre dominated with the discharge of development funds through the Planning Commission, further restricted the financial autonomy of states, because they could not prioritise their expenditure needs.¹²

⁹ Poddar, S., & Ahmad, E. (2009). *GST Reforms and Intergovernmental Considerations in India*. Asia Research Centre, LSE.

¹⁰ Government of India. (2015). *Report on Municipal Finances*. Ministry of Finance.

¹¹ Finance Commission of India. (2019). *Fifteenth Finance Commission Report*. Retrieved from <https://fincomindia.nic.in>

¹² Government of India. (2014). *Report of the Expert Group on Planning Commission Reforms*. Retrieved from <http://planningcommission.gov.in>

Beyond revenue imbalances, the indirect tax system also posed a significant compliance burden for businesses. Companies operating across multiple states had to register separately in each state and adhere to different VAT laws, varying tax rates, and multiple return filings.¹³ This administrative burden not only increased compliance costs but also discouraged investment and expansion (Kelkar, 2003). The lack of an effective system for the provision of input tax credits led to the goods and services being taxed at different levels of production and distribution, resulting in high prices.¹⁴ Moreover, fraud in taxation, because of the weaknesses of the system, caused wastage of valuable resources, which resulted in scant revenues to the state and province. Additionally, tax evasion was widespread due to loopholes in the system, leading to inefficient resource allocation and lower revenue collection (Bagchi, 2003).

Fragmentation and subsequent inefficiencies of the tax system required comprehensive reform aimed at taxation rationalisation, improving compliance, and establishing a unified domestic market (Poddar & Ahmad, 2009). This recognition culminated in a widespread discussion regarding a GST or Goods and Services Tax in the early 2000s, which was viewed as an indirect tax reform strategy.¹⁵ The elimination of cascading tax structures, the provision of unhindered input tax credit, consolidation of tax structures in all the states, and enhancement of digitisation for tax compliance were some of the major objectives of GST.¹⁶ While the GST system attempted to offer solutions to many of the challenges at hand, it has brought about drastic changes in the amount of fiscal power a state's government possesses in comparison to the central government.¹⁷ A significant feature of the GST regime has been the transfer of tax and expenditure powers towards the Union Government, thereby consolidating the centre's dominance in the federal structure.¹⁸ The State GST Council, now responsible for making GSTR decisions and adjusting rates, have more power than ever, and the response at the state level is resentment at a lack of upper limits concerning fiscal spending flexibility.¹⁹ Thus, while

¹³ Shome, P. (2019). *Taxation in India: Past, Present and Future*. Springer.

¹⁴ Comptroller and Auditor General of India (CAG). (2016). *Report on Indirect Taxes*. Retrieved from <https://cag.gov.in>

¹⁵ Kelkar, V. (2003). *Report of the Task Force on Indirect Taxes*. Ministry of Finance, Government of India.

¹⁶ Rao, M. G. (2017). *The Political Economy of India's GST Reform*. Brookings India.

¹⁷ Chakraborty, P. (2017). GST and fiscal federalism: Issues for the states. *Economic & Political Weekly*, 52(2), 69–75.

¹⁸ Kelkar, V., Rajaraman, I., & Misra, S. (2019). *India's Fiscal Federal Architecture: Past, Present and Future*. National Institute of Public Finance and Policy.

¹⁹ Government of India, GST Council. (2020). *GST Council Decisions and Resolutions*. Retrieved from <https://gstcouncil.gov.in>

GST simplified the tax structure, it contributed to excessive centralisation within India's fiscal federalism system, raising issues regarding the financial autonomy of the subnational units.²⁰

4 THE 101st CONSTITUTIONAL AMENDMENT AND GST IMPLEMENTATION

The 101st Constitutional Amendment Act, 2016, was a watershed moment in India's fiscal architecture, fundamentally transforming the taxation structure by introducing the Goods and Services Tax (GST). Before this amendment, taxation powers were divided between the Centre and the states under the Seventh Schedule of the Indian Constitution, leading to a complex and fragmented tax system. The amendment sought to unify indirect taxation by subsuming a host of central and state taxes, thereby creating a "One Nation, One Tax" system. It introduced Articles 246A, 269A, and 279A into the Constitution, fundamentally redefining the distribution of taxation powers between the Union and the states.

Article 246A provides simultaneous taxing power to both Parliament and state legislatures over GST, marking a departure from the previous rigid separation of fiscal authority. However, the exclusive authority of the Union over inter-state trade and commerce under Article 269A centralises key aspects of tax administration. Further, the establishment of the GST Council under Article 279A institutionalised cooperative federalism by making taxation decisions a collective process between the Centre and the states. However, with the Union government having one-third voting power and states collectively having two-thirds, the practical implication was a power tilt in favour of the Centre. The GST Council is responsible for determining tax rates, exemptions, and dispute resolution mechanisms, making it a pivotal entity in India's indirect tax framework.²¹

The amendment also resulted in the introduction of the Goods and Services Tax (Compensation to States) Act, 2017, which provided for compensating the states for revenue losses due to shifting to GST for five years. The compensation was sourced from a GST Compensation Cess instituted for luxury and demerit goods. But the COVID-19

²⁰ Arora, B., & Kailash, K. K. (2018). *Indian Federalism*. Oxford University Press.

²¹ The Constitution (One Hundred and First Amendment) Act 2016 (India).

pandemic laid bare weaknesses in this system – many States faced severe financial stress because the Centre stopped paying the compensations due.²²

The implementation of GST on 1st July 2017 was illustrative of one of the boldest tax reforms in the history of the nation. It replaced a host of indirect taxes like Central Excise Duty, Service Tax, VAT, Entry Tax and Octroi, thereby minimising tax cascading and forming a unified internal market. The implemented tax structure included different slabs of 5%, 12%, 18% and 28%, while a few goods like petroleum, alcohol and real estate were kept outside the scope of GST on political and revenue grounds. Also, compliance was simplified with the introduction of Input Tax Credit (ITC), which allowed businesses to claim credit for tax on inputs.²³

Despite its intended benefits, GST has faced challenges in compliance, rate rationalisation, and revenue distribution. The complexity of multiple tax slabs, frequent rate revisions, and compliance burdens, particularly for small businesses, has led to calls for further reform. Moreover, the centralised administration of GST has reignited debates on fiscal federalism, as states now have limited autonomy over their tax policies. While GST represents a significant step towards a unified tax system, its long-term success depends on resolving revenue-sharing disputes and ensuring cooperative federalism.²⁴

5 CENTRALISATION OF TAXATION POWERS UNDER GST

The introduction of the GST system in India has fundamentally shifted the balance of taxation powers between the Union and the states, raising issues of excessive centralisation. Although the introduction of GST intended to unify tax systems, it has simultaneously dispersed decision-making power into the hands of the central government in India, especially through the GST Council.

A very strong contributory factor of this centralisation is the weighted voting system of the GST Council. While the Union government single-handedly holds one-third of the total votes, the individual states together hold two-thirds of the votes. Since a three-

²² The Goods and Services Tax (Compensation to States) Act 2017 (India).

²³ Arvind Subramanian, 'The GST: India's New Fiscal Federalism' (2017) Centre for Policy Research Working Paper.

²⁴ Lekha Chakraborty, 'GST and the Question of Fiscal Autonomy in India' (2020) Economic and Political Weekly.

fourths majority is required to pass any decision, the Centre can consolidate tax policy decisions by leveraging its voting influence over larger states. Consequently, this has enabled the Centre to have excessive influence over the rate-setting, exemptions, and governing processes.

Another impact is the reduction of state autonomy in indirect taxes. For example, before GST, most states were relatively free to impose and change the tax prices on goods and services equally as they pleased. However, after the subsumption of VAT along with entertainment, entry and other taxes into GST, now states do not have any power to vary tax levels regionally. Such limitations pose a threat to their ability to meet the required fiscal needs of the state.

Furthermore, the Union government's dominance in rate-setting and exemptions has added to concerns about fiscal imbalance. The GST Council's decisions on tax slabs and exemptions often align more with national economic priorities rather than state-specific concerns. This has led to disagreements, especially when states demand flexibility to levy higher taxes on certain goods to manage their budgets.

This power shift has sparked a debate over whether GST embodies 'cooperative federalism' or 'centralised federalism'. While GST was initially promoted as a collaborative framework, the reality has often leaned towards a centralised structure where states have limited bargaining power. Many states argue that instead of cooperative federalism, where both levels of government function as equal partners, GST has reinforced centralised federalism by limiting their fiscal independence.

6 GST COMPENSATION CESS AND REVENUE DEPENDENCY

In order to deal with revenue losses from state transitions to GST, a GST compensation mechanism was introduced that guaranteed states a 14 per cent revenue growth for five years. This was financed through a compensation cess on luxury and sin goods. However, there is concern that this may increase states' fiscal dependence on the Centre.

One challenge that arises is the delayed disbursement, leading to some fiscal strain on the states. While revenue stability was disguised with coping mechanisms, the Centre has often delayed rendering payments, claiming that the cess collections were low. Such

delays have either forced states to reduce their spending or to take more debt, which tries to stabilise their finances.

The shortcomings of the COVID-19 pandemic and the compensation shortfall crisis highlighted the issues with the GST compensation model. During the recession, revenue collections were extremely low, and there was a significant deficit in the funds available for the GST compensation. The Centre proposed that states borrow from the market to cover the deficit, and instead of issuing payments on time, decided to shift the financial burden onto the state.

These projected shortfalls have had a tangible effect on state welfare schemes and regional development, which is a consequence of blatantly ignoring reality. Many of the states depend on GST revenues to finance important functions such as providing healthcare, education, and developing infrastructure. The uncertainty surrounding compensation has led to cutbacks in welfare initiatives, affecting social development and economic growth at the state level.

7 CHALLENGES AND CRITICISM OF GST'S FEDERAL IMPACT

One of the most glaring critiques of GST is the decrease in revenue autonomy for different nations within a federation. The imposition of GST at the centre has subsumed virtually all state-level taxes and revenues, which for a long time were the exclusive domain of states. This has rendered them more reliant on central transfers. For a certain time, this has diminished their autonomous fiscal capabilities in a manner that prevents them from catering to state-specific expenditure necessities.

Moreover, managing compliance along with administrative burdens for the states still poses a challenge. With the introduction of GST, there are marked increases in procedural compliance; hence, states are expected to bring their tax laws into consonance with federal standards. The compliance cost that stems from bureaucracy has repressive implications on the State tax administrations, especially those of smaller states where resources are scarce.

Other than those stated above, controversies about setting the rate and distributing the proceeds have been identified as another vigorous point of discussion. States always tend to have opposed economic objectives and may wish to opt for diverse rates of taxation depending on the industries in addition to the consumer base. Unfortunately, too

much uniformity in GST makes it difficult for them to do so, causing persistent conflicts in the GST.

Certain sectors, such as agriculture, MSMEs, and the informal sector, have been disproportionately affected by GST. Many small businesses struggle with compliance due to the complex return filing process, while agricultural states have faced difficulties in adjusting to the new tax regime. The shift in taxation structure has made it harder for informal and small-scale enterprises to operate efficiently.

8 THE NEED FOR RECALIBRATING FISCAL FEDERALISM

To rectify the imbalance of fiscal federalism, it is critical to enhance the autonomy of states within GST. This may mean permitting states to impose additional taxes on certain goods and services in an attempt to widen their revenue base while still maintaining the overall tax scheme.

Another essential reform is changing how the GST Council makes decisions. A different voting system, which is more favourable for the states, blends with their interests, could ensure that tax policies are more in line with regional needs. Improving transparency, in particular, about the setting of rates and the granting of exemptions, would promote confidence in the system.

Compensating the states is vital, so payments should be guaranteed on time. The Centre ought to ensure that payments are made on time to avoid uncertainty on the fiscal front. In cases where cess collections are low, other options, like providing unconditional central grants, ought to be considered.

Last but not least, states must be motivated to seek other sources of revenue to lessen the impact of the dependency on the GST compensation. This can be achieved through reinstating some of the state taxes or increasing local government tax powers, which will grant more flexibility to the states financially.

9 CONCLUSION

GST has consolidated power at the Centre, transformed the Indian taxation framework and diminished the autonomy of the states. Although the collection of taxes has been simplified and compliance ensured through GST, difficulties have emerged, especially concerning state revenue and its independence.

The cooperative federal structure that defines India requires uniform taxation policies along with some degree of federal flexibility. Greater inclusivity in decision-making by the GST council, timely transfer of payments to the states, and increased fiscal independence will ensure that the GST is not cumbersome for both the Union and state governments.

There is a need for the decision-makers to rethink their approach to tax distribution and particularly look into the states' arguments, along with proposing new structures that ensure adherence to federalism while providing the benefit of a unified taxation policy to bring efficiency.

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Authors' Contribution

Both authors contributed equally to the development of this article.

Data availability

All datasets relevant to this study's findings are fully available within the article.

How to cite this article (APA)

Swaroop, M., Tibrewal, A., Sahil, G., & Yadav, P. (2025). FISCAL FEDERALISM IN THE GST ERA: CHALLENGES AND THE ROAD AHEAD. *Veredas Do Direito*, 22(4), e223703. <https://doi.org/10.18623/rvd.v22.n4.3703>