

'Centre, States have powers to make laws'

The judgment said that though the Centre may have a larger share of power in certain instances to prevent chaos and provide security, the States still wielded power.

"India is a multi-party system. It is possible that the party in power in the Centre may or may not be in power in other States... Even if the States have been given lesser power [in certain situations], they can still resist the mandates of the Union by using different forms of political contestations permitted by the Constitution... It is not imperative that one of the federal units [Centre or the States] must always possess a higher share of power over the other units," the court stated.

"The federal system is a means to accommodate the needs of a frugalistic society... Democracy and federalism are interdependent to each other. Federalism would only be stable in a well functioning democracy. Additionally, the constituent units of a federal polity checks the exercise of powers of one another to prevent one group from exercising dominant power," the court stated.

In the GST Council, the

States and the Centre have to function in a "harmonious" manner. The discussions in the GST Council cut across party lines and impacted federalism and democracy as a whole. But harmony, necessary for the well-being of the nation, and its fiscal security could be achieved not just by collaboration but also "contestations" between the Centre and the States.

Contesting discussions between the Centre and the States could also further the cause of federalism and democracy, the Bench reasoned.

After all, the court said, "Indian federalism is a dialogue between cooperative and un-cooperative federalism where the federal units are at liberty to use different means of persuasion, ranging from collaboration to contestation".

The judgment also resolved a prolonged battle the government has been raging against companies to implement its IGST on ocean freight on reverse charge basis.

The issue had gained significance following news reports of fresh tax queries raised on ocean freight even as the dispute was pending in the top court.