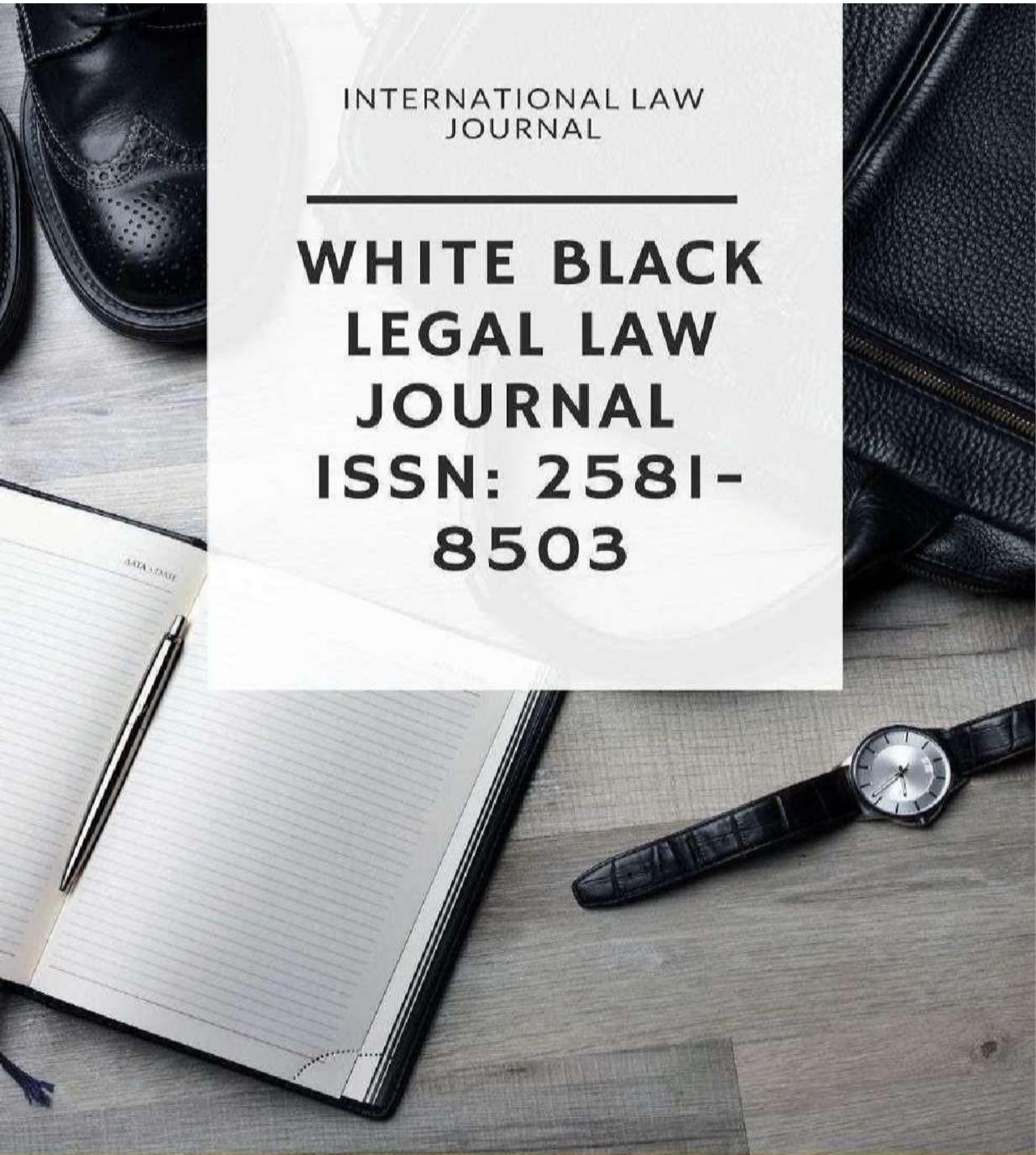

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WHITE BLACK LEGAL is an open access, peer-reviewed and refereed journal providededicated to express views on topical legal issues, thereby generating a cross current of ideas on emerging matters. This platform shall also ignite the initiative and desire of young law students to contribute in the field of law. The erudite response of legal luminaries shall be solicited to enable readers to explore challenges that lie before law makers, lawyers and the society at large, in the event of the ever changing social, economic and technological scenario.

With this thought, we hereby present to you

CONSTITUTIONAL VALIDITY AND IMPLICATIONS OF DIRECT TAXATION: A CRITICAL ANALYSIS OF THE INCOME TAX ACT, 1961

AUTHORED BY - SOUBHAGYA SINGH

COURSE- BA.LLB

ABSTRACT

One of the key pieces of law controlling direct taxation in India is the Income Tax Act, 1961. This abstract explores the constitutional implications and foundations of this statute, analysing how well it aligns with the core values of the Indian Constitution. The study makes its way through the federal government's considerations, the constitutional framework, and the precarious balance between protecting individual rights and generating income.

The first part of the examination looks at the ideas stated in Article 265 and emphasises the significance of legal taxes. The division of taxing authorities between the Union and States, as envisioned by Article 246 is then examined via the prism of the constitution, elucidating the interactions between List I (Union List) and List II (State List) with reference to direct taxation.

In the context of income taxation, constitutional principles like equality before the law (Article 14), equal protection under the law (Article 21), and the right to property (Article 300A) are examined. This helps to clarify the delicate balance needed to guarantee both revenue generation and the protection of individual rights.

The progressive character of taxes is examined critically in this abstract, along with its constitutional validity and possible effects on social fairness. Through seminal instances, the judiciary's role in examining the constitutionality of tax provisions is examined, providing insight into the workings of judicial review in the context of income taxation.

The research delves deeper into the constitutional ramifications of the Goods and Services Tax (GST)

system, examining the revolutionary effects of constitutional modifications and their consequences for India's fiscal structure.

Lastly, the abstract considers how the Constitution views the distinction between tax evasion and avoidance, highlighting the tightrope that judges and legislators must walk to prevent the misuse of tax rules without infringing on people's rights.

All told, this investigation offers a thorough grasp of how India's fundamental constitution influences and conforms to the Income Tax Act, 1961. The abstract encourages a thoughtful discussion on the constitutional aspects of direct taxation and its wider consequences for India's legal and fiscal landscape among academics, policymakers, and practitioners.

INTRODUCTION TO INCOME TAX ACT, 1961

The government levies taxes as monetary charges on income, goods, services, activities, or transactions. The Latin word "taxo" is where the word "tax" originates. The main source of funding for the government is taxes, which are then utilised to fund national programmes, rules, and procedures that benefit the populace. Over the years, the Indian tax structure has changed to accommodate the government's increasing financial needs. Additionally, the system is made to assist the government in achieving its socioeconomic objectives. Tax reform is an ongoing process that needs to be done on a regular basis to evaluate the system and make any necessary updates or adjustments. In an effort to make up for the harm caused by the military rebellion in 1857, Sir James Wilson introduced income tax to India for the first time in 1860. In 1886, a unique Income Tax Act was drafted, and it was in force for a considerable amount of time before undergoing many amendments. In 1918, a new income tax statute was passed; however, a subsequent act passed in 1922 swiftly overturned it. A number of amendments made the Act of 1922 exceedingly complicated. Currently in force for the 1961–1962 fiscal year is this act. In 1956, the Indian government sent a request for clarification on the law and action against tax evasion to the Law Commission.

The Law Commission, working with the Ministry of Law, presented its conclusions in September 1958. The Act of 1961, also referred to as the Income Tax Act of 1961, took effect on April 1, 1962, and is currently in charge of this legislation. It is valid in all of India, including Jammu and Kashmir.

It may occasionally be necessary to clarify the provisions of an act; in these cases, the CBDT will often issue circulars and notices. It comprises dispelling any ambiguity regarding the parameters and how they should be interpreted. The finance minister presents the annual budget to Parliament. It comprises dispelling any ambiguity regarding the parameters and how they should be interpreted.

SECTION 14 HEADS OF INCOME

A person is subject to five primary income tax heads, per Section 14 of the Income Tax Act of 1961. One important step that needs to be completed based on an individual's income is calculating income taxes. To ensure that there is no misunderstanding during the computation process, the income must be appropriately classified. So, let's first review the five income tax heads.

INCOME FROM SALARY

"Income from salary" refers to the money or compensation an individual receives in exchange for executing contracts or rendering services. This part comprises the remuneration that an employee obtains for the services rendered in accordance with the terms of their employment agreement. The payment will only be considered income for the purposes of the Income Tax Act, it is crucial to remember, if there is a "employer-employee relationship" between the people making the payment and the individual receiving it.

Any payment received by the employee (the receiver) shall be considered income under the Income Tax Act if there is an employer-employee relationship between the payer and the recipient. For money to be deemed as earned on a salary, both parties must be in a master-servant arrangement. A master is someone who gives instructions to his servant (employee) on what needs to be done and how it should be done. A servant is someone who is accountable for doing the work as directed by his employer.

Wages, pensions, annuities, gratuities, advances paid in lieu of or in addition to salaries; fees, commissions, perks, profits; annual contributions to the balance of the recognised provident fund; leave encashment; transferred balance in the recognised provident fund; and contributions made by the central government or any other employer to the Employees' Pension A/c as specified in Sec. 80CCD are all included in the salary for the purposes of calculating income from salaries.

INCOME FROM HOUSE PROPERTY

If the following criteria are met, income from home property will be subject to taxation under this head: a) the property must consist of any building or land that is annexed to it; and b) the taxpayer must be the property's owner. c) The taxpayer may not use the home's assets for the conduct of their company or profession.

The house property's gross annual value must be greater of the following: a) Expected rent, or the amount that one could logically anticipate being able to rent the property for each year. Anticipated rent should be the greater of the property's fair rent or municipal valuation, up to a maximum of standard rent; b) Rent actually received or receivable, deducting loss from vacancy before unrealized rent is subtracted. Any loss experienced as a result of the house property being vacant will be subtracted from the amount computed above, and the remaining amount will be considered the gross yearly value.

In cases where the rental of a building is combined with movable assets such as machinery, plans, furniture, fixtures, etc. that are integral to a single transaction, the combined rent will be subject to taxation under the headings of "Profits and gains from business or profession" or "Income from other sources," respectively. However, if the rental of a building can be separated from the rental of other assets, the rental income from the building will be subject to taxation under the heading "Income from house property," while the rental income from other assets will be subject to taxation under the headings "Profits and gains from business or profession" or "Income from other sources," as applicable.

INCOME FROM PROFITS AND GAINS FROM BUSINESS AND PROFESSION

According to the Income Tax Act, income from a business or profession is subject to tax under the heading "Profits and Gains of Business or Profession." Sections 30 to 37 of the Act permit deductions for a range of company expenses, including rent, salaries, repairs, insurance, and depreciation. On the other hand, some costs might be specifically prohibited, and the actual payment basis usually determines whether an item is deductible.

i. income and gains from any business or profession carried out by the assesses at any time during the previous year;

ii. any compensation or other payment owed or received by—

a) Any individual in charge of an Indian company's affairs at the time of termination or modification of its terms and conditions.
b) Any individual in charge of any other company's affairs in India at the time of termination or modification of its terms.
c) any individual, under whatever name, having an agency in India for any portion of the operations connected to another person's business, at or in relation to the agency's termination or the alteration of the terms and conditions pertaining thereto;
d) Any individual acting on behalf of or in connection with the transfer of management of any real estate or company under current law to the Government or any corporation under its ownership or control.

INCOME FROM CAPITAL GAINS

Any profit or gain realised through the transfer of capital assets kept for investment purposes will be subject to taxation under the "Income from Capital Gains" heading. Any combination of short-term and long-term capital assets may result in a gain. Only at the time of capital asset transfer are you eligible to receive capital gains. Put another way, there won't be a capital gain if the asset being transferred isn't a capital asset. If the asset was transferred in a prior year, it will be considered prior year income and be subject to taxation under the Income from Capital Gains heading. A capital asset is any property or asset owned by a taxpayer, although the following are not included in this definition: Any asset, such as stock, ready goods, raw materials, etc., kept for the purpose of business or profession shall be subject to taxation under the Income from Business and Profession head. land used for agriculture.

Any earnings obtained from the transfer of a capital asset are referred to as capital gains, and if the transfer was completed in a prior year, they will be subject to taxation under the Income from Capital Gains heading. Two categories of capital gains are possible, and they are as follows: Gains resulting from the transfer of short-term capital assets are referred to as short-term capital gains. 2. Long-term financial gain.

INCOME FROM OTHER SOURCES

The Income Tax Act, 1961 in India designates "Income from Other Sources" as a residual category. Any income that doesn't clearly fit under one of the other four categories is included in it. These categories are:

1. Income from Salaries
2. Income from House Property
3. Income from Profits and Gains from Business or Profession
4. Capital Gains

Different forms of income that fall under the category of "Income from Other Sources" are defined by the Income Tax Act of 1961. Typical instances include the following:
Interest Income: Any interest received on fixed deposits, savings accounts, or other instruments paying interest is categorised as income from sources other than your own.

Dividend Income: Earnings from shares or mutual funds that are distributed as dividends.

Rental Revenue Rental revenue falls under the category of "Income from Other Sources" if you're not in the real estate rental sector.

Gifts: If a present exceeds certain thresholds, it may be regarded as income from other sources.

Income from Lotteries, Crossword Puzzles, and Horse Races: These types of winnings are classified as income from sources other than money.

Income from Casual and Non-recurring Gains: Any source of income, such as windfall profits or one-time receipts, that is not consistent with a regular schedule.

Any Other Unspecified Income: This refers to any income that is not included in one of the aforementioned categories.

According to the terms of the Income Tax Act, certain exemptions or deductions may be available when it comes to the taxation of income from other sources.

It is imperative to acknowledge that tax rules are susceptible to modifications. For precise and current information, one may refer to the most recent provisions of the Income Tax Act or seek advice from a tax expert.

Interest Income- In India, interest income is frequently included in "Income from Other Sources" as defined by the Income Tax Act of 1961. Interest income is taxable as a component of the individual's overall income and can originate from a variety of sources. The following are some essential details about interest revenue from various sources:

Interest Income Types:
Interest from Savings Accounts: Interest received on the amount you have in your savings account is regarded as additional revenue.

Fixed Deposit Interest: Interest received from bank accounts or other financial institutions falls under the category of alternative sources of income.

Interest on Recurring Deposits: Interest on recurring deposits falls under the same category as that of fixed deposits.

Interest on Loans or Advances: Interest received on loans made to other people is also considered outside revenue.

SECTION 15 – SALARIES

The determination of income under the heading "Salaries" is the main focus of Section 15 of the Income Tax Act. One of the five heads of income is salaries, and the guidelines for determining the amount of income chargeable under this head are provided in this section.

Based on data accessible until 2022, the following important topics are typically covered under Section 15:

Section 15's Purview: -
Salaries received by an individual are subject to Section 15.

Salary components include:
This section examines the several aspects of compensation, such as base pay, commissions, bonuses, allowances, and perks.

Perquisite Valuation: The value of benefits that an employee receives from their employer is factored into their salary income. Benefits such as free lodging, parking, and other non-cash advantages are examples of perks.

Allowances: A variety of allowances are included in this section, and some may be exempt from taxation up to specified thresholds.

Income Tax Treatment of Salary Income: Income tax is applied at the applicable slab rates on the income chargeable under the "Salaries" head.

Deductions: Depending on the components of salary income, some deductions may be possible under different sections of the Income Tax Act.

Remember that tax regulations are subject to change, so for the most up-to-date and correct information, check out the most recent sections of the Income Tax Act or speak with a tax expert.

Visit the Income Tax Department of India's official website or legal resources for the most recent information on Section 15 or any other section of the Income Tax Act.

<u>Valuation of Perquisites</u>
A crucial component under Section 15 of the Income Tax Act, 1961 in India is the assessment of perks. In addition to an employee's pay, their company may also offer them perks or other facilities. These benefits are subject to taxation under the "Salaries" heading together with the employee's income. Rule 3 of the Income Tax Regulations, 1962 provides guidelines for the valuation of

privileges. Some typical prerequisites and associated methods of valuation are listed below:
Rent-free Accommodation: The amount of rent that the employer would be required to pay for a comparable accommodation in the same neighbourhood is used to determine the value of rent-free accommodations. The cost of construction or the fair rental value is used to calculate the worth of the lodging if it is held by the employer.

Concessional Rent Accommodation: The perquisite value is determined by subtracting the standard rent from the rent that the employee actually pays, in the event that they are given housing at a rate that is less than the normal rent.

Motor Car Facility: In the event that the employer provides a motor car, the perquisite value is determined by the cubic capacity of the vehicle and whether or not the employer is also responsible for its upkeep and operation.

Interest-free or Concessional Loans: If the employer gives loans to the employee at a lower interest rate or interest-free, the perquisite value is determined as the interest on the loan at the prescribed rate minus any interest actually paid by the employee.

Free or Concessional Education: The perquisite value is determined by taking into account the expenses borne by the employer in the event that the employee's children receive free or concessional education.

It's crucial to remember that these are only broad recommendations, and that the precise valuation techniques may change depending on the type of perquisite. For taxation purposes, employers must determine and report the value of benefits as part of the employee's total income. Furthermore, since tax regulations might change, it's best to check the most recent sections of the Income Tax Act or speak with a tax expert to get the most accurate and current information.

Allowances

Allowances are included as a component of income under the "Salaries" category of the Income Tax Act, 1961 (Section 15). Allowances are set sums of money that an employer gives a worker to cover

certain personal costs. Certain allowances are totally taxable, while others may be fully or partially free from taxes up to certain thresholds. Rule 2 of the Income Tax Rules, 1962 describes how different allowances are treated. The following typical allowances are taken into account under Section 15:
House Rent Allowance (HRA): HRA is a sum of money given to workers to help with housing expenses. Tax exemption applies to the lower of the following three amounts:
Received the actual HRA.

50% of salary in metro cities (or 40% in non-metro cities).

10% of pay is deducted from the rent.

Employees are granted special allowances for specific needs, such as travel, uniforms, or any other unique requirements pertaining to their jobs. Usually, these benefits are subject to full taxation.

Transport Allowance: This money is meant to cover the costs associated with travelling from one's home to one's place of employment. However, beginning of April 1, 2018, the majority of employees are not free from paying transport allowance. It is crucial to review the most recent provisions to be aware of any updates.

Children's Education Allowance: This payment is made to help cover the costs of the employee's children's education. It is exempt up to Rs. 100 per month per child, for a maximum of two children, as of my most recent information update.

Employees who receive a hostel allowance for their children are free from paying up to Rs. 300 per month per child, with a limit of two children.

Overtime allowance is granted for working beyond regular hours. It is normally completely taxed.

SECTION 16: DEDUCTIONS

_The deductions that are permitted while calculating the income chargeable under the heading "Salaries" are outlined in Section 16 of the Income Tax Act, 1961 in India. The information on the deductions that employees can make to determine their taxable salary income is provided in this section. The main clauses of Section 16 as of my most recent knowledge update in January 2022 are as follows:

Deductions from Salary Income: The deductions that fall under the "Salaries" head of income are outlined in Section 16.

Allowance for Entertainment (Section 16(ii)):

Employees of the government are entitled to a deduction on the portion of their salary that is allocated for amusement. The deduction is one-fifth of the pay, minus Rs. 5,000, if any allowances, perquisites, or profits in lieu of salary are excluded.

Professional Tax (Section 16(iii)): The employee may deduct any professional taxes paid from their compensation throughout the fiscal year.

Section 16(iii) Standard Deduction:

There was a standard deduction from salary income up until the Financial Year 2019–20. However, starting with the Financial Year 2020–21, a new tax system with reduced tax rates and fewer exemptions has taken the place of the standard deduction for salaried individuals.

It's crucial to remember that tax rules are susceptible to change, and since my previous knowledge update, Section 16's provisions might have altered. It's best to consult a tax expert or consult the most recent edition of the Income Tax Act for the most accurate and current information.

CONSTITUTIONAL ASPECT OF INCOME TAX ACT, 1961

Since the Constitution serves as the foundation for all Indian laws, knowing its contents is essential to comprehending any other law. The following categories apply to the taxation provisions found in the Indian Constitution:

a) Taxes can only be imposed by legal authority. (Section 265)
b) Tax duties and their allocation between the federal government and the states (Article 268, Article 269, and Article 270)
c) Limitations on the states' ability to impose taxes (Article 286)

d) Sales and purchases of items made outside of the state in question
e) Sales and purchases of products that occur while the goods are being imported and exported.
f) Taxes levied by the government or for government purposes (Article 276, and Article 277)
g) State taxes or union-imposed fees (Article 271, Article 279, and Article 284)
h) Grants-in-Aid, as defined by Articles 273, 275, 274, and 282.

ARTICLE 265

In plain English, this article says that taxes cannot be collected without the "authority of law." The term "law" in this context refers exclusively to statutes or legislative acts. No other constitutional requirement should be broken by the law when it is applied. This article serves as a shield for the arbitrary collection of taxes.

Significance

Legality of Taxation: Article 265 guarantees that taxes are not imposed arbitrarily, and the government is not permitted to collect taxes unless they are supported by a legislation that is in effect.

Rule of Law: It protects the rule of law by making sure that people aren't taxed arbitrarily or without permission.

Validity

- ✓ Article 265's legitimacy is deeply ingrained in India's constitution. A key tenet of constitutional governance is reflected in it, which emphasises that the right to levy taxes can only come from laws that have been duly passed by the appropriate legislative body.
- ✓ The question of whether tax regulations abide with constitutional provisions, such as Article 265 of the constitution, is sometimes raised in opposition to their constitutionality. When it comes to determining and maintaining the constitutionality of tax laws, courts are essential.

In the **Tangkhul v. Simirei Shailei** case, instead of following the custom of giving the head man free labour for a day, all of the villagers were paying him Rs 50 per day. This was an annual ritual that had been carried out for many generations. In this instance, the Court ruled that the Rs. 50 amount violated Art. 265 because it amounted to a tax collection without legal authorization. Every time the legislation does not permit the tax to be imposed, Article 265 is violated.

According to a government-launched promotion strategy, sugar merchants were required to reach certain export targets in the case of **Lord Krishna Sugar Mills v. UOI**. If they failed to meet the criteria, an extra excise charge was to be imposed on the deficit. Here, the court stepped in and declared that the government lacked the right to levy this additional excise tax. In essence, this means that since the tax hasn't been approved by Parliament, the administration cannot impose it on its own.

ARTICLE 266

This page discusses the State and Indian Public Accounts and the Consolidated Funds. The whole or a portion of the net proceeds from certain taxes and duties paid to States, all government loans made through the issuance of Treasury bills, all funds received in exchange for loans, all revenues received by the Government of India, and loans or ways and means of advances shall form one consolidated fund to be known as the Consolidated Fund of India, in accordance with the provisions of Article 267 and Chapter 1 (part XII). Similarly, the money that the government of a state gets is also referred to as the state's consolidated fund.

ARTICLE 268

This lists the duties that the Union government levies but that the state governments collect and claim. Examples of these duties are stamp duties and excise taxes on medications and toilet preparations, which are listed in the Union List and are levied by the Government of India but collected by the state; these state-collected duties are not included in the Consolidated Fund of India; instead, they belong to the state. These duties are leviable outside of union territories, where they are collected by the Government of India.

The list of the taxes that the Union levies and collects, as well as the guidelines for allocating and distributing revenues to the States, are provided in Article 269. The appellant's advocate in **M/S. Kalpana Glass Fibre Pvt. Ltd. Maharashtra v. State of Orissa and Others**, the argument was made that turnover related to interstate transactions, import, and export under the CST Act had to be disregarded in order to calculate a Taxable Turnover. The appellant's reliance on an Apex Court decision in Gannon Dunkerley & Co. and others v. State of Rajasthan and others served as the foundation for this argument. Therefore, the State Sales Tax Act's requirements are always superseded by Sections 3 and 5 of the CST Act. The sale or purchase in the course of interstate trade or commerce, as well as the levying and collection of taxes thereon, are prohibited by Article 269 of the Indian Constitution.

ARTICLE 269(A)

This recently added article, known as the IGST by the Model Draught Law, grants the Government of India, or the Centre, the authority to collect GST on interstate trade or commerce. However, there are two methods whereby states receive their portion of the collection made by the Centre.
a) Direct Apportionment (let's assume that states receive 42% of the total net earnings immediately).

ARTICLE 270

This article specifies how taxes will be collected and allocated between the Union and the States.

a) All tariffs and taxes included in the Union List, with the exception of those listed in articles 268, 269, and 269A, which will be paid individually.
b) The Union Government extracts taxes and surcharges on taxes, duties, and cess on specific activities that are listed in Article 271 under any law made by Parliament.
c) As stated in clause (2), it is divided between the Union and the States.
d) The revenue raised by any tax or duty imposed during a fiscal year is distributed to the states in which it is leviable that year; it is not included in the Consolidated Fund of India.
e) The centre and the states shall split any taxes it collects in accordance with article (2).

In the case of **T.M. Kanniyan v. I.T.O**., the Supreme Court of India established a well-known legal precedent under Article 270 of the Indian Constitution. In this instance, the Supreme Court ruled that the income tax paid is a component of India's Consolidated Fund. States ruled by presidents, union territories, and the federal government cannot split the income tax thus extracted.

ARTICLE 271

Occasionally, the Parliament for the Union Government chooses to raise any of the taxes or charges outlined in Articles 269 and 270 by adding a surcharge to them; the money raised from these actions goes into the Consolidated Fund of India. However, this is only done when it becomes necessary.

There is an exemption to Articles 269 and 270 found in Article 271. The Union is also in charge of collecting the fee; the State is not involved in this process.

Cess and Surcharge

The differences between a surcharge and a cess are not well understood. Article 270 of the Indian Constitution describes Cess. Cess is comparable to a fee levied for a specific reason determined by the legislation imposing it. Article 271 addresses surcharges, which are essentially extra taxes on the current taxes that the union collects for certain purposes.

Cess and surcharge revenues are deposited into the Consolidated Fund of India. The Supreme Court was asked to rule on whether an education cess can be imposed on excisable commodities prior to the application of a cess on products that are made but cleared after the imposition of said cess in the case of m/s **SRD Nutrients Private Limited v. Commissioner of Central Excise, Guwahati.** Although the maker was granted the benefit of the doubt in this case, Justices A. K. Sikri and Ashok Bhushan noted that higher education and education in general are levies.

Grants-in-aids

The states and other federating units may approve grants under the terms of the constitution. When revenue revenues flow to the centre but welfare programmes and functions are left to the states, the Central Government provides financial aid to the states in order to balance, correct, or alter the financial requirements of the units.

ARTICLE 273

Every year, this gift is charged to the Consolidated Fund of India in lieu of any portion of the net earnings of jute export duty to the states of Assam, Bihar, Orissa, and West Bengal. This award will be continued and charged to the Consolidated Fund of India for as long as the Union government continues to levy export duties on jute or jute products, or until the period of expiration, which is 10 years from its inception.

ARTICLE 275

These grants are sanctioned when the parliament determines by law to donate to those states who are in desperate need of finances and aid in obtaining these monies. These funds/grants are mostly utilised for state development and the expansion of the state government's welfare measures/schemes. It is also employed for social welfare activity in the territories of Scheduled Tribes.

ARTICLE 276

This page discusses the taxes charged by the state government, administered by the state government, and collected by the state government as well. However, the taxes levied are not standard throughout states and may vary. These include, among other things, sales tax and VAT, professional tax and stamp duty.

ARTICLE 277

Unless specifically mentioned in the Union List, cesses, fees, duties, or taxes levied by municipalities or other local bodies for State purposes immediately prior to the constitution's adoption may remain levied and applied for the same purposes until the parliament passes a new law that contradicts it.

In Hyderabad **Chemical and Pharmaceutical Works Ltd. v. State of Andhra Pradesh**, the appellant was a manufacturer of medicines that required the use of alcohol; the licences for this were obtained in accordance with the Hyderabad Abkari Act, and the State Government was notified of the licence fees in exchange for supervision. However, the Medicinal and Toilet Preparations Act, 1955 was passed by the parliament with no fee required. However, the petitioner objected to the state's tax levy after the Act was passed because, as stated in Article 277, entry 84 of list 1 in the 7th schedule, the state was not permitted to levy any fees. It was taught how a tax and a charge differed. All taxpayers benefit from the proceeds of tax collection; however, fees are only used for designated purposes.

ARTICLE 279

This page discusses how "net proceeds" and other figures are calculated. Here, "net proceeds" refers to the amount of money that remains after the Comptroller and Auditor-General of India has determined and approved the cost of tax collection.

ARTICLE 282

It is typically intended for unique, transient, or ad hoc schemes, and there are no restrictions on the authority to impose sanctions under it. The Supreme Court stated in the case of **Bhim Singh v. Union of India & Ors** that welfare schemes have existed since the Indian Constitution became applicable, with the goal of promoting public welfare and serving public goals through grants that the Union Government has given. The Member of Parliament Local Area Development Scheme, or MPLAD, was the scheme in question. It was implemented with the intention of achieving the state's development and welfare goals as outlined in the Directive Principles of State Policy, subject to meeting all constitutional requirements.

The Constitution provides sources of funding in Articles 275 and 282. Article 282 is often reserved for exceptional, transient, or ad hoc plans, and there are no limitations on the authority to impose punishments under it. In **Cf. Narayanan Nambudripad, Kidangazhi Manakkal v. State of Madras**, the Supreme Court decided that religious practise is a matter of personal faith. Consequently, donations and endowments made are not state matters until the state takes over management of the religious endowment for a public purpose and uses the income for public welfare programmes. Consequently, it is clear that Article 282 can be utilised for justifiable reasons, and on rare occasions, it can even be abused for just such reasons.

ARTICLE 286

This article limits the State's ability to impose taxes.

1) The state is not permitted to charge imports or exports or to levy taxes outside of its borders.
2) Only the parliament has the authority to establish guidelines for determining whether a sale or purchase occurs outside of the state or during an import or export. (The Central Sales Tax Act of 1956 established these authorities under Sections 3, 4, and 5.)
3) Parliament may impose restrictions on taxes on the sale or purchase of goods that are considered to be of special importance, and the State Government may impose taxes on these goods subject to these restrictions (the Central Sales Act of 1956, Sections 14 and 15, has been constituted to impose restrictions on the State Government to levy taxes on these goods of special importance). The Cashew Corporation of India purchased and imported cashew nuts from African vendors in the case of **K. Gopinath v. the State of Kerala**. After processing,

the nuts were sold to local consumers. The sale was not done in the course of importation, according to the supreme court, and therefore was not exempt from the Central Sales Tax Act of 1956. The question on the court's agenda was whether the appellants' purchases of raw cashew nuts from African vendors through the Cashew Corporation of India qualify as imports and are, thus, exempt from taxation under the Kerala General Sales Tax Act, 1963. The appellants were found to be at fault in this case.

ARTICLE 289

State governments are not subject to Union taxes on their income or property, although the Union may levy taxes to the extent that a legislation passed by the parliament addresses this matter.