

Cesses in the Indian tax regime

A historical analysis

The Constitution of India is quasi federal, a feature which is also apparent from the provisions regulating distribution of revenues between the union government and the various state governments. India's "co-operative federalist" fiscal structure has historically empowered the union and state governments to raise revenue by levying taxes, fees, cesses, surcharges, etc. In the schedule to the Indian Constitution which delineates the legislative competence of the respective governments to impose taxes and fees, there is no mention of cess. That may be owing to the fact that a cess, as clarified by judicial precedents, is either a tax or a fee depending on the specific facts. The unique feature of a cess though is that it raises revenue for an earmarked purpose.

By virtue of a constitutional amendment in the year 2000 union cesses are not required to be shared with state governments. Recent enquiries into the usage of funds collected under the head of cess has revealed a lack of accountability. This has resulted in the Fourteenth Finance Commission cautioning against the frequent usage of cesses. Even so, the union government has only recently announced a new cess (Swachh Bharat Cess) to promote its cleanliness and sanitation drive. The following questions emerge for study: Where does the power to levy cesses emanate from? Has the power been exercised in consonance with the avowed object backing it? In the wake of the criticism that cesses have been met with, will history help us to defend the power to levy cesses? Or is it the end of the road?

Date: September 15, 2016

Time: 03:30PM to 04:30PM

Venue: Auditorium, National Institute of Public Finance and Policy, 18/2 Satsang Vihar Marg, Special Institutional Area, New Delhi

[Directions](#)



Speaker: Ashrita Prasad Kotha is Assistant Professor & Assistant Director, Centre for Comparative & International Taxation Studies; and Senior Programme Associate, Centre for Postgraduate Legal Studies, Jindal Global Law School, O.P. Jindal Global University.

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National Institute of Public Finance and Policy,
18/2 Satsang Vihar Marg,
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New Delhi - 110067
www.nipfp.org.in