INTER-STATE TRADE AND COMMERCE (PART XIII OF THE INDIAN CONSTITUTION)

Introduction

- Part XIII of the **Indian Constitution** deals with **Inter-State Trade and Commerce** and is aimed at ensuring the free flow of goods, services, and commerce across state boundaries. It is designed to promote **economic unity** within the country, making India a **single economic market**. The provisions under this part prohibit any barriers that may disrupt or hinder the smooth flow of interstate trade, commerce, and movement of goods.

1. Constitutional Provisions Regarding Inter-State Trade and Commerce

- ◆ **Article 301 – Freedom of Trade, Commerce, and Intercourse**
- **Article 301** of the Constitution declares that **trade, commerce, and intercourse** throughout India shall be **free**.
- This freedom is a crucial aspect of India's **single unified market**, where no state can impose **restrictions** on the movement of goods and services between states.
- **Key Points Under Article 301:**
- It guarantees the **freedom of trade, commerce, and intercourse** within the territory of India.
- This freedom ensures that **goods and services can be traded freely** between states without restrictions such as **tariffs**, **taxes**, or other barriers imposed by states.
- The article applies to both **goods** and **services** across **state boundaries**.

◆ Article 302 – Power of Parliament to Legislate

- **Article 302** provides that **Parliament** can make laws imposing restrictions on the freedom of trade, commerce, and intercourse if **necessary** in the **public interest**.
- These laws could include the imposition of taxes, quotas, or regulations aimed at **protecting public interest**, such as **public health**, **environmental protection**, or **security concerns**.
- **Example:**
- Laws like the **Central Sales Tax Act, 1956** that regulate the tax structure for interstate trade are an example of legislation passed under this power.

◆ Article 303 – Restrictions on Power of Parliament and States

- **Article 303** places restrictions on the power of both **Parliament** and **State legislatures** in imposing restrictions on trade and commerce.
  - **Article 303(1)**: Prohibits Parliament or state legislatures from enacting laws that impose discriminatory taxes or restrictions on trade and commerce with respect to goods produced or manufactured in any state.
  - **Article 303(2)**: Allows for laws to be passed under specific conditions, provided they do not **discriminate against goods produced in other states**.
- **Example:**
- If a state imposes a tax on a product that is **manufactured in other states** while exempting its own local products, it would violate **Article 303(1)** because it discriminates against inter-state trade.

◆ Article 304 – Restrictions on Trade and Commerce by States

- **Article 304** gives power to states to impose restrictions on inter-state trade and commerce for **specific reasons** such as **public interest**, **health**, **safety**, or **environmental protection**.
- **Subsections of Article 304:**
- **Article 304(a)**: States can impose taxes on goods coming from other states, but they must not impose **discriminatory taxes**.
- **Article 304(b)**: States can impose restrictions on the movement of goods if such restrictions are necessary in the **public interest**.

Example:

- A state might impose restrictions on the import of certain goods from other states to protect **public health** or **prevent the spread of disease** (e.g., restrictions on the trade of livestock or agricultural products).

◆ Article 305 – Laws Relating to Existing Laws

- **Article 305** provides that any law made by a state that is in effect before the commencement of the Constitution shall continue to apply. However, such laws cannot **discriminate against interstate trade** in any manner.

Article 306 – Agreements Between States

- **Article 306** permits states to enter into agreements or agreements with one another to regulate interstate trade, commerce, and intercourse. However, these agreements are subject to the approval of the **Parliament**.

◆ Article 307 – Appointment of an Authority for Inter-State Trade and Commerce

- **Article 307** empowers Parliament to establish a **competent authority** to regulate interstate trade and commerce.

- This provision allows for the **establishment of an authority** to handle disputes or issues related to interstate trade and commerce.

2. The Importance of Part XIII in Promoting Economic Unity

- Part XIII ensures that no state can create barriers that interfere with the **free flow of trade** between states. By protecting **interstate commerce**, it establishes **uniformity** in the Indian economic market, which allows businesses and industries to function **efficiently** across state boundaries.
- It contributes to the **economic integration** of India, making it a **single national market** where goods, services, and labor can move without significant restrictions.

3. Key Case Laws on Inter-State Trade and Commerce

- ◆ **State of Bihar v. Union of India (1954)**
- In this case, the **Supreme Court** addressed the validity of a **Bihar law** that imposed taxes on goods moving into the state from other states. The Court upheld the validity of the tax in question but ruled that **restrictions on trade** under Article 301 could only be imposed if they met the test of **public interest** and **non-discriminatory nature**. The ruling clarified the **limitations on state powers** under Article 301.

◆ Atiabari Tea Co. Ltd. v. State of Assam (1961)

- In this landmark case, the **Supreme Court** held that a **tax on the movement of tea** from Assam to other states was an infringement of the **freedom of trade** under Article 301. The Court ruled that such a tax **interfered with interstate trade** and was a violation of the constitutional guarantee of free trade, commerce, and intercourse.

◆ K. S. Venkataraman & Co. v. State of Madras (1966)

- In this case, the **Supreme Court** ruled that a **tax on goods** entering a state from another state was **constitutional**, provided it was not **discriminatory** and did not impose undue restrictions on the flow of goods. This case further clarified the **scope of Article 304** on **taxation** and interstate commerce.

◆ Tata Engineering and Locomotive Co. Ltd. v. State of Bihar (1965)

- The case involved the validity of a tax on the sale of goods across state borders. The **Supreme Court** ruled that the tax was **not discriminatory** and did not violate Article 301 as it was **not an undue restriction** on trade and commerce. The ruling reinforced the need for **non-discriminatory** taxation policies on interstate trade.

4. Conclusion

- **Part XIII** of the Constitution is vital for **ensuring economic unity** and promoting **interstate trade** within India. The **freedom of trade** is a cornerstone of the country's economic framework, and the **judiciary** plays a critical role in interpreting and safeguarding this freedom. The provisions under Articles 301 to 307 lay down the framework for maintaining a **smooth flow of trade** across state boundaries, while allowing for **reasonable regulations** in the public interest. Through landmark **case laws**, the **Supreme Court** has interpreted and enforced these constitutional provisions, ensuring that the balance between **freedom** and **reasonable regulation** is maintained.

THANK YOU!