SanskritiIAS

EDITORIALS - 6TH AUG 2026

1. Fiscal federalism, efficiency versus equity concerns (GS Paper III Economy)

This editorial 'Fiscal federalism, efficiency versus equity concerns' was published in The Hindu on 6th Aug 2026, highlights how the Sixteenth Finance Commission's efficiency-oriented transfers may weaken fiscal equalisation and widen regional disparities.

Constitutional basis of fiscal equalisation

- The Finance Commission corrects vertical Union-State asymmetry and horizontal inequalities arising from geography, history and institutional capacity.
- Article 275 grants address State-specific needs that formula-based tax devolution cannot adequately accommodate.
- Kerala's remittance-led development strained its finances, while Punjab's non-taxable farm economy and border responsibilities weakened its revenue base despite their national contributions.
- Revenue Deficit Grants historically supported hill, north-eastern and fiscally stressed States facing infrastructure, connectivity, demographic and social-sector burdens.

Changes introduced by the FC-16

- The FC-16 retained States' tax share at 41%, rejecting 18 States' demand for 50% devolution.
- Grants-in-aid fell from ₹10.1 lakh crore under FC-15 to ₹9.47 lakh crore, reducing their transfer share from 19.4% to 8.3%.
- Restricting grants to local bodies and disaster management eliminated Revenue Deficit Grants, sector-specific grants and State-specific grants.
- The Commission links RDGs with moral hazard, assuming stronger fiscal discipline can make State finances self-sustaining despite unequal capacities.
- Aggregate State finances conceal inter-State disparities, since one State's surplus cannot compensate for another's structural deficit.

Efficiency-equity imbalance

- Removing RDGs while avoiding binding reductions in cesses and surcharges preserves Union flexibility but constrains State finances.
- The proposed grand bargain would merge cesses gradually into the divisible pool only if States accept lower tax devolution.
- Reduced income-distance weight from 45% to 42.5% and a 10% GDP contribution criterion disadvantage structurally weaker States.

- Eight States, including several north-eastern States and West Bengal, face reduced tax devolution and grants, while six others receive lower grants.
- Removing RDGs, which formed about 20% of 2024-25 grants, creates a double burden of lower devolution and lost fiscal compensation.
- Nearly ₹7.2 lakh crore in performance-linked local grants promotes accountability, but strict conditions reduce State autonomy and replace need-based equalisation with compliance incentives.

Beyond Editorial

Institutional reforms for cooperative fiscal federalism

- Cess rationalisation: Impose sunset clauses on levies like the Agriculture Infrastructure and Development Cess, eventually merging them into the divisible pool.
- Equalisation floor: Retain need-based transfers for Himalayan and north-eastern States facing high logistics, infrastructure and ecological costs.
- Transitional assistance: Gradually taper Revenue Deficit Grants for structurally constrained States such as Himachal Pradesh, Uttarakhand and Meghalaya.
- Independent oversight: Establish the Fiscal Council proposed by the 2017 FRBM Review Committee to assess projections, debt sustainability and fiscal compliance.
- Federal consultation: Replicate the GST Council's consensus model, giving States meaningful participation in tax-sharing formulas and grant conditions.
- Differentiated incentives: Use improvement-based assessment like Aspirational Districts' delta ranking, rewarding progress from different developmental baselines.
- Local autonomy: Balance conditional grants with untied funds, as audited-account and property-tax requirements can disadvantage weaker municipalities.

2. Highs and lows (GS Paper III Economy)

This editorial 'Highs and lows' was published in The Hindu on 6th Aug 2026, highlights why sustainable GST growth must arise from domestic production and consumption rather than imports and inflation.

GST growth and underlying drivers

- GST collections reached ₹2.11 lakh crore in July, rising 15.4% year-on-year and recording FY27's second-highest growth.

- Import GST grew 26.9%, far exceeding the 4.5% rise in domestic revenue and exposing uneven economic momentum.
- Higher global commodity prices, capital-goods imports and rupee depreciation of 10%-12% increased import costs and IGST collections.
- Crude oil, electronics, machinery and chemicals constitute nearly 50% of imports, magnifying exchange-rate effects on GST revenue.
- Gold-related GST increased despite bullion imports falling 22% to a six-year low, reflecting higher prices rather than stronger demand.
- June WPI inflation in manufacturing rose to 7.18% from 1.52% annually, mechanically lifting ad valorem domestic GST revenue.

Sectoral and regional disparities

- The HSBC Manufacturing PMI indicated five-year-high input costs, while service growth slowed to its weakest pace in 53 months.
- Only 16 States and Union Territories exceeded average post-settlement growth, while barely a dozen surpassed national GST growth.
- Manufacturing and organised services remain geographically concentrated, leaving States with large unorganised sectors dependent on central transfers and Finance Commission devolution.

Interpreting the revenue surge

- Faster domestic refunds than IGST refunds suggest expanding formal compliance but also higher credit balances retained by the government.
- Persistent input tax credit disputes and litigation remain unresolved weaknesses despite stronger headline collections.
- GST 3.0 must distribute expansion benefits geographically and fiscally rather than deepen existing regional disparities.

Beyond Editorial

Reforms for production-led GST buoyancy

- Manufacturing depth: Strengthen domestic electronics, pharmaceutical and automobile supply chains through PLI schemes, reducing imported inputs and generating taxable value domestically.
- Regional dispersal: Develop nodes like Gaya and Kopparthy under industrial corridors to expand manufacturing and GST bases beyond established centres.
- MSME formalisation: Support firms under the ₹5-crore e-invoicing threshold with affordable software, help desks and simplified filing.

- Duty correction: Correct inverted duties in man-made textiles and fertilisers, where higher input taxes block manufacturers' working capital.
- Refund acceleration: Extend 90% provisional refunds from zero-rated exports to compliant inverted-duty claimants, subject to risk-based scrutiny.
- Demand expansion: Promote employment-intensive textiles, food processing and tourism, generating income-led consumption rather than inflation-driven GST growth.
- Dispute resolution: Expand GST Appellate Tribunal benches, following Chennai's January 2026 operationalisation, to reduce litigation and improve tax certainty.

3. SC safeguards for live-in partners are overdue (GS Paper I Society)

This editorial 'SC safeguards for live-in partners are overdue' was published in The Indian Express on 6th Aug 2026, highlights the Supreme Court's extension of criminal-law protection against domestic cruelty to marriage-like live-in relationships.

Expansion of legal protection

- The Supreme Court extended Section 498A IPC and Section 85 BNS to live-in relationships founded on a genuine intention to marry.
- The ruling adopts a substance-over-form approach, recognising that domestic abuse remains equally harmful without formal solemnisation.
- Women already receive civil remedies under the Domestic Violence Act, 2005, while the judgment additionally enables criminal-law protection.
- The accused's existing marriage cannot automatically exclude cruelty charges by rendering the subsequent marriage-like relationship legally invalid.

Rationale and safeguards

- Domestic abuse arises from unequal power and coercion, requiring legal protection responsive to evolving social relationships.
- The NFHS found that over 22% of ever-married women experienced physical, sexual or emotional partner violence.
- Financial and social compulsions cause severe under-reporting, while women in live-in relationships face additional legal, procedural and social barriers.
- D. Velusamy v. D. Patchaiammal (2010) and Indra Sarma v. V.K.V. Sarma (2013) identified duration, permanence and commitment as tests for marriage-like relationships.
- Applying safeguards prescribed in Arnesh Kumar v. State of Bihar balances victim protection with prevention of arbitrary arrests and legal misuse.

Beyond Editorial

Unresolved rights of live-in partners

- Fragmented framework: The Domestic Violence Act recognises marriage-like relationships, while Uttarakhand mandates registration, creating uneven rights across States.
- Recognition uncertainty: Dhannulal v. Ganeshram (2015) presumed marriage after prolonged cohabitation, but shorter or private relationships remain difficult to prove.
- Maintenance access: Lalita Toppo v. State of Jharkhand (2018) permitted live-in partners to claim monetary relief under the Domestic Violence Act.
- Property insecurity: Live-in separation lacks a comprehensive asset-division framework, leaving ownership dependent on titles, documented contributions and cohabitation agreements.
- Children's status: Tulsa v. Durghatiya (2008) protected children from long cohabitation, but inheritance may still require proving a marriage-like relationship.
- Inclusivity gap: Supriyo v. Union of India (2023) left same-sex couples without equal inheritance, joint-adoption and spousal-benefit protections.
- Privacy concerns: Uttarakhand's mandatory registration provides recognition and maintenance rights but raises concerns over privacy, autonomy and familial surveillance.