# Supreme Court on sales tax 2026

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## Why in news?

*Recently, the Supreme Court held that a 1974 Constitution Bench ruling upheld the States' power to impose additional sales tax or surcharge.*

- **About the case** – A seven-judge Constitution Bench of the Supreme Court of India, headed by Chief Justice Surya Kant, has upheld the constitutional validity of States imposing an additional sales tax or surcharge calculated as a percentage of the existing sales tax.

  *A **sales tax** is a consumption tax charged by a government on the sale of goods and services, collected by retailers at the point of purchase.*

- The Court held that the issue had become largely academic because of the introduction of the Goods and Services Tax (GST) regime in 2017.
- **Origin of the case** – The reference originated from a challenge to Section 5A of the Orissa Sales Tax Act, 1947, which imposed
  - An additional tax of 10% on dealers with annual turnover between Rs. 10 lakh and Rs. 1 crore.
  - An additional tax of 15% on dealers with turnover above Rs. 1 crore.
- The petitioners argued that such a surcharge was effectively a tax on income, a subject reserved for Parliament under Entry 82 of the Union List.
- **Supreme Court's Ruling** – The Court reaffirmed the five-judge Constitution Bench ***judgment in S. Kodar v. State of Kerala (1974),*** which had upheld the power of States to levy additional sales tax.
- The Court held that an additional tax or surcharge linked to sales tax is merely an enhancement of the sales tax rate.
  - It remains a tax on the sale or purchase of goods, not a tax on income.
  - Therefore, it falls within Entry 54 of List II (State List) as it existed before GST.
- **The Court call the issue "academic"** – The Bench observed that the constitutional provisions and State laws involved have since been amended or replaced.
- The introduction of GST in 2017 fundamentally transformed the indirect tax framework.
- Hence, the dispute has little prospective significance, though it may affect a limited number of pending cases.




**Reference**

[The Hindu | Supreme Court upholds States' power to levy additional sales tax]

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