BLOGS

Learn in a Minute: Doctrine of Territorial Nexus

Ruchika Mohapatra · 23 Jun 2025

Edit TABLE OF CONTENTS Introduction Doctrine of Territorial Nexus Essential Elements of the Doctrine of Territorial Nexus Important Case Laws on the Doctrine of Territorial Nexus Conclusion

Introduction

The Doctrine of Territorial Nexus is an important constitutional principle that addresses the legislative powers of the Parliament and State Legislatures within the framework of Indian federalism. It permits a state to legislate on matters that have a “sufficient territorial connection” with that state, even if they extend beyond its geographical limits.

This doctrine thus ensures that legislative power is not solely restricted to territorial boundaries but extends to activities and events sufficiently connected to a state, balancing jurisdiction with practical governance.

Doctrine of Territorial Nexus

The Indian Constitution divides legislative powers between the Parliament and State Legislatures under **Article 245**, which allows laws to be made for the entire territory of India or parts thereof. To regulate overlapping matters, it establishes a clear framework:

Parliament may legislate on matters concerning the entire territory of India and beyond.
State Legislatures may only legislate for matters within their respective state territories.
However, there are instances where activities within a state have repercussions outside its borders or vice versa.

The Doctrine of Territorial Nexus evolved to address such scenarios by allowing a state to extend its legislative power beyond its geographical boundaries, provided there is a clear, direct, and substantial connection with the state.

Article 245(1) of the Indian Constitution states that Parliament may make laws "for the whole or any part of the territory of India" and State Legislatures "for the whole or any part of the State."

However, the doctrine is specifically significant under Article 245(2), which empowers Parliament to make laws with extraterritorial application if the legislation has a significant and real connection to the country's interests.

The doctrine applies primarily to state legislatures, limiting them from arbitrarily extending jurisdiction without sufficient grounds. The courts have applied the Doctrine of Territorial Nexus to ensure that a nexus exists between the subject matter of legislation and the territorial limits of the legislating authority.

Essential Elements of the Doctrine of Territorial Nexus

For the doctrine to apply, two key elements must be satisfied:

1. The law must establish a tangible, direct connection with the state. This means that the subject matter should be significantly linked to the state's interests.
2. The nexus between the state and the subject of legislation must be genuine and not hypothetical. Courts examine whether the impact or effect of the activity is substantial enough to warrant legislative jurisdiction.

Important Case Laws on the Doctrine of Territorial Nexus

State of Bombay v. R.M.D. Chamarbaugwala

FIn this landmark case, the State of Bombay (now Maharashtra) levied taxes on a lottery business that was partly conducted outside the state. The lottery, organized by R.M.D. Chamarbaugwala, primarily attracted participants from outside Bombay, raising questions about whether the Bombay State could tax such an activity.

The Supreme Court upheld Bombay's power to impose the tax, emphasizing that the activity's business operations within the state created a sufficient territorial connection. The court concluded that since the lottery impacted the state's residents, Bombay had the authority to impose a tax.

This case highlighted that if an activity has substantial effects within a state, that state has the jurisdiction to legislate on it under the doctrine.

Tata Iron & Steel Co. Ltd. v. State of Bihar

The Bihar government levied a sales tax on iron and steel sold by Tata Iron and Steel Co. Ltd., even though the goods were manufactured and sold outside Bihar.

The Supreme Court held that since the agreement for sale and delivery took place within Bihar, there was a sufficient territorial nexus, validating Bihar's jurisdiction to impose the tax.

This case emphasized that the doctrine applies when substantial aspects of a transaction or activity have connections to the taxing state, even if the subject matter is geographically outside its territory.

Conclusion

The Doctrine of Territorial Nexus is a powerful tool that enables states to exercise legislative authority over certain extraterritorial activities when there is a real and substantial connection to the state's territory. It serves to balance federal and state powers, preventing legislative overreach while ensuring that states can protect their interests.

Also Read: Doctrine of Colourable Legislation