GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE
RAJYA SABHA
UNSTARRED QUESTION NO. 1842
ANSWERED ON-02/08/2022

EXTENSION OF GST COMPENSATION PERIOD

1842. SHRI A. A. RAHIM:

Will the Minister of FINANCE be pleased to state:-

(a) whether Government has received requests from States for the extension of GST compensation period, if so, the details thereof, including details of States which have requested;
(b) whether Government will provide the extension, if not, the reasons for the same;
(c) whether Government has details of the extent of loss to States due to GST and the shortfall due to COVID-19 lockdown, if so, the details thereof; and
(d) if not, the reasons for the same?

ANSWER

THE MINISTER OF STATE IN MINISTRY OF FINANCE

(SHRI PANKAJ CHAUDHARY)

(a) & (b): A few States have requested for extension of payment of GST compensation beyond transition period of five years. As per section 18 of the Constitution (One Hundred and First Amendment) Act, 2016, Parliament shall, by law, on the recommendation of the Goods and Services Tax Council, provide for compensation to the States for loss of revenue arising on account of implementation of the goods and services tax for a period of five years.

The issue of compensation to States/UTs and augmenting resources under GST were discussed in detail in the 45th GST Council meeting held in Lucknow. Consequent to the decision of the Council, two Group of Ministers(GoMs), namely GoM on GST System Reforms and GoM on Rate Rationalization have been constituted. GoM on Rate Rationalization has submitted its interim report, recommending certain inverted duty corrections and pruning of exemptions, which was discussed and considered in the last GST Council meeting held at Chandigarh. As a result of the continued reforms in GST undertaken by Centre and States, on the recommendations of the GST Council, buoyancy in GST revenue has been achieved in the recent months. The average monthly gross GST collection for the first quarter of the FY 2022-23 has been ₹1.51 lakh crore against the average monthly collection of ₹1.10 lakh crore in the first quarter of the last Financial year showing an increase of 37%.

(c) & (d): In terms of the GST (Compensation to States) Act, 2017, States' revenue is protected at 14% per annum over the base year revenue of 2015-16 during the transition period i.e. from 1st July, 2017 to 30th June, 2022. This would require compensation of loss in GST revenue against protected revenue due to any reason. Centre has cleared the entire provisionally admissible GST compensation due to States for loss of revenue on account of implementation of GST till May, 2022.

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