

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF REVENUE

LOK SABHA

UNSTARRED QUESTION NO. 1877  
TO BE ANSWERED ON FRIDAY, THE 29<sup>th</sup> DECEMBER, 2017  
8 PAUSHA, 1939 (SAKA)

**Compensation of Cess under GST**

**1877 : SHRI OM BIRLA**

Will the Minister of **FINANCE** be pleased to state:

- (a) the details of estimated loss incurred by the various State Governments due to the implementation of the Goods and Services Tax (GST) by the Union Government;
- (b) whether the Compensation of Cess levied by the Union Government would be able to provide enough compensation to the States for recovery of their lost revenue and if so, the details thereof;
- (c) the time by which the Union Government is planning for the continuance of the imposition of the Compensation of Cess; and
- (d) whether there has been any negative impact on the manufacturing or consumption of the goods and services on which such Compensation of Cess has been imposed and if so, the details thereof?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI SHIV PRATAP SHUKLA)

Reply (a) The Goods and Services Tax (Compensation to States) Act, 2017 was passed by the Parliament to provide for compensation to the States for the loss of revenue arising on account of implementation of the Goods and Services Tax (GST) in pursuance of the provisions of the Constitution (One Hundred and First Amendment) Act, 2016. For this purpose, financial year 2015-16 has been taken as the base year of calculating compensation amount payable to States and revenue to be compensated, consists of revenues from all taxes levied by the States which have been subsumed under GST, as audited by the Comptroller and Auditor General of India. The projected nominal growth rate of revenue subsumed for a state during the transition period shall be 14% per annum. On this basis, the revenue loss due to implementation of GST to the states for month of July to October has been

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estimated Rs. 24,500 crore and the same amount has been released to the States as compensation to make up for the loss of revenue on bimonthly basis for month of July-August, 2017 and September-October, 2017 as per details given in Annexure.

(b) Compensation cess collected has been adequate to provide compensation to states for loss of revenue arising out of implementation of goods and services tax.

(c) Section 18 of the Constitution (One Hundred and First Amendment) Act, 2016, provides that Parliament shall by law on the recommendation of the Goods and Service Taxes Council, provide for the compensation to the states for loss of revenue arising on the account of implementation of Goods & Services Tax for a period of five years.

(d) On the recommendation of the GST Council, a cess is being levied on specified demerit and luxury goods, like tobacco and tobacco products, pan masala, aerated waters, motor vehicles etc. over and above the peak GST rate of 28%. Since the rate of cess shall be such so as to maintain the pre-GST tax incidence on such goods therefore there may not be much difference in total tax incidence (tax plus cess) on these goods between the pre-GST and post-GST regime.

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### Details of GST Compensation released to States as on 31.11.2017

S. No.	Name of State/UT	GST compensation released for July and Aug 2017 (Rs. in Crore)	GST compensation released for Sep and Oct 2017 (Rs. in Crore)	Total (Rs. In Crore)
(1)	(2)	(3)	(3)	(4)
1	Andhra Pradesh	116	266	382
2	Arunachal Pradesh	15	0	15
3	Assam	338	331	669
4	Bihar	692	1054	1746
5	Chattisgarh	253	562	815
6	Delhi	115	42	157
7	Goa	68	35	103
8	Gujarat	1402	880	2282
9	Haryana	476	325	801
10	Himachal Pradesh	0	0	0
11	J & K	367	314	681
12	Jharkhand	313	489	802
13	Karnataka	1189	2082	3271
14	Kerala	810	395	1205
15	Madhya Pradesh	433	908	1341
16	Maharashtra	0	834	834
17	Manipur	24	0	24
18	Meghalaya	52	38	90
19	Mizoram	0	0	0
20	Nagaland	0	0	0
21	Odisha	333	687	1020
22	Puducherry	44	122	166
23	Punjab	1138	960	2098
24	Rajasthan	1205	706	1911
25	Sikkim	0	0	0
26	Tamil Nadu	530	102	632
27	Telangana	7	162	169
28	Tripura	31	43	74
29	Uttar Pradesh	190	1330	1520
30	Uttarakhand	223	460	683
31	West Bengal	441	567	1008
	<b>Total</b>	<b>10806</b>	<b>13694</b>	<b>24500</b>

- Total Rs. 24500 crore has been released to States as on 30.11.2017 towards GST Compensation.