

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE
LOK SABHA
STARRED QUESTION NO-378

TO BE ANSWERED ON MONDAY, THE 27TH MARCH, 2023, CHAITRA 6, 1945 (SAKA)

GST COMPENSATION CESS

378. SHRI SRIDHAR KOTAGIRI:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government proposes to extend the period of Goods and Services Tax (GST) cess regime and if so, the details thereof and if not, the reasons therefor;
- (b) whether the Government has analyzed the effects of the same on the financial health of various States and if so, the details and the outcome thereof; and
- (c) the details of various measures being taken by the Government in this respect to ensure appropriate financial health of various States?

ANSWER

THE MINISTER OF FINANCE
(MS. NIRMALA SITHARAMAN)

(a) to (c): A statement is laid on the Table of the House.

**STATEMENT REFERRED IN REPLY TO LOK SABHA STARRED QUESTION
NO. 378 FOR ANSWER ON 27TH MARCH, 2023, CHAITRA 6, 1945 (SAKA)**

(a) to (c):- As per section 18 of the Constitution (One Hundred and First Amendment) Act, 2016, compensation to the States for loss of revenue arising on account of implementation of the goods and services tax is payable for a period of five years. During transition period, the States' revenue is protected at 14% per annum over the base year revenue of 2015-16. Central Government is committed for payment of GST compensation to States/UTs for five years as per law enacted by the Parliament according to the Constitutional provision.

As per the provisions of section 7(2) of Goods and Services Tax (Compensation to States) Act, 2017, enacted by Parliament, the compensation payable to a State shall be provisionally calculated and released at the end of every two months period, and shall be finally calculated for every financial year after the receipt of final revenue figures, as audited by the Comptroller and Auditor General of India. Government of India has already released the entire amount of provisionally admissible GST compensation to the States/UTs for loss of revenue arising on account of implementation of Goods and Services Tax for five years i.e., from 1st July,2017 to 30th June, 2022. However, as per Section 12 (d) of GST (Compensation to States) Act, 2017, on the recommendation of the GST Council, Notification No. 1/2022-Compensation Cess dated 24.06.2022 has been issued to continue levy and collection of GST compensation cess till March, 2026 to repay amount of back to back loan released to States in 2020-21 and 2021-22 in lieu of GST Compensation shortfall and payment of arrears of previous FYs based on AG reconciled figures.

The Government, on the recommendations of the GST Council, has taken several measures to increase the tax base and improve the tax compliance. Monthly gross GST collection has shown great buoyancy in the current year. In the current financial year up to February 2023, the average monthly GST collection is Rs.1.49 lakh crore as compared to Rs.1.21 lakh crore for the same period last year which is 23% higher than the same period last year.

In order to boost capital expenditure by the States, fifty year interest free loan of Rs.11,830.29 crore and Rs.14185.78 crore was released to States during FY 2020-21 and FY 2021-22 respectively under the "Scheme for Special Assistance to States for Capital Expenditure". In addition, capital projects of Rs. 89,267 crore have been approved and an amount of Rs.66,015 crore have already been released to the States during FY 2022-23 so far (up to 22.03.2023) under "Scheme for Special Assistance to States for Capital Investment for 2022-23". This amount is over and above, the normal net borrowing ceiling.

The Fifteenth Finance Commission (15th FC) has recommended Revenue Deficit Grants amounting to Rs.2,94,514 crore for seventeen States for the five years period from 2021-22 to 2025-26. Based on the recommendations of 15th FC, Revenue Deficit Grant of Rs.1,18,452 crore was released to States in FY 2021-22 and Rs.86,201 crore has been released in current FY 2022-23.
