

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF REVENUE  
**LOK SABHA**  
**UNSTARRED QUESTION NO-1697**  
TO BE ANSWERED ON MONDAY, THE 13<sup>TH</sup> FEBRUARY, 2023

**PERIOD FOR GST COMPENSATION**

1697. SHRI SRIDHAR KOTAGIRI:

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has refused to increase the period for GST compensation beyond 2022 despite requests for extension from multiple States;

(b) if so, the details thereof and the reasons therefor;

(c) whether the Government is aware that most of the States have reportedly suffered financial losses during the pandemic and if so, the details thereof and the reaction of the Government thereto;

(d) whether the Government proposes to alleviate the financial burden of the States; and

(e) if so, the details thereof and if not, the reasons therefor?

**ANSWER**

THE MINISTER OF STATE IN MINISTRY OF FINANCE  
(SHRI PANKAJ CHAUDHARY)

(a) to (c):- 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, 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 can be provided by a law made by Parliament. 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.

Taking into account release of ₹ 1.10 lakh crore for FY 2020-21 and ₹ 1.59 lakh crore for FY 2021-22 to States/UTs as back to back loan in lieu of GST compensation, the entire GST compensation dues of States/UTs as per provision of GST (Compensation to States) Act, 2017 has been cleared by Central Government for the period up to 31.05.2022. During 2022-23, Central Government released full compensation up to 31.05.2022 despite insufficient amount in the Compensation Fund, by meeting the required balance from its own resources to the extent of ₹ 62,000 crore in May 2022, and ₹ 17,000 crore again in November 2022 to partly meet compensation due for June, 2022, to assist the States in managing their resources.

(d) & (e):- 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 January 2023, the average monthly GST collection is Rs.1.49 lakh crore as compared to Rs.1.20 lakh crore for the same period last year which is 24% 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. 84,920.62 crore have been approved and an amount of Rs.45,976.87 crore have already been released to the States during FY 2022-23 so far (up to 08.02.2023) under “Scheme for Special Assistance to States for Capital Investment for 2022-23”. This amount is over and above, the normal net borrowing ceiling.

Union Government allowed additional borrowing limit of up to 2 percent of GSDP over and above the normal borrowing limit of 3% of Gross State Domestic Product (GSDP) to the States for the year 2020-21. Out of this 2 percent, additional borrowing permission for a total amount aggregating to Rs.3,19,939 crore was allowed to the States during the year 2020-21. Further, based on the recommendations of 15<sup>th</sup> Finance Commission, enhanced normal Net Borrowing Ceiling (NBC) of 4% of GSDP and 3.5% of GSDP was allowed to the States during FY 2021-22 and FY 2022-23 respectively. In addition, additional borrowing of up to 0.50% of GSDP is also available to States for performance in power sector for each year for a four year period from FY 2021-22 to FY 2024-25.

\*\*\*\*\*