

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE
LOK SABHA
UN-STARRED QUESTION NO- 3177
ANSWERED ON-15/03/2021

GST DEBT ON STATES

3177. MS. MIMI CHAKRABORTY:

Will the Minister of FINANCE be pleased to state:

- (a) whether it is a fact that the Goods and Services Tax (GST) debt on the States would destroy the financial health and lead to massive debt to the States in the Covid-19 crisis and if so, the details thereof;
- (b) whether the debt accumulated is more than 8 lakh crore gross fiscal deficit of all the States of the country;
- (c) if so, whether as per the GST Act 2017, the Government is duty-bound to compensate the States therefor; and
- (d) if so, the suggestions received from the States in the 41st meeting of GST Council and the implementation thereof by the Government?

ANSWER

MINISTER OF STATE IN MINISTRY OF FINANCE
(SHRI ANURAG SINGH THAKUR)

(a) to (d): In the wake of COVID-19 pandemic the GST collection as well GST compensation cess collection declined sharply in FY 2020-21, due to which GST compensation requirement to all States/UTs increased. Such increase in the GST compensation requirement of States/ UTs for FY 2020-21 could not be met from the GST Compensation Fund due to inadequate amount in GST Compensation Fund.

As per opinion of Attorney General on short Compensation Cess collection and deliberation in the 41st & 42nd GST Council meeting, in order to meet the shortfall in GST Compensation to be paid to States, it has been decided that under the special window, ₹ 1.1 lakh crore will be borrowed by Government of India in appropriate tranches. The amount so borrowed will be passed on the States as loan on back-to-back basis to help the States to meet the resource gap due to non-release of compensation due to inadequate balance in the Compensation Fund. As per this decision, Central Government has released ₹ 1,06,104 crores to the States/UTs till 08.03.2021 as per Annexure. All States have decided to take benefit of this assistance to tide over the temporary resource gap. In addition, depending on the amount available in the Compensation Fund, Centre has also been releasing the regular GST compensation to States to make up for GST revenue shortfall. The states will be paid full GST Compensation as per GST (Compensation to States) Act, 2017 for the transition period by extending the levy of Compensation cess beyond 5 years to meet the GST revenue shortfall as well as servicing the loan borrowed through special window scheme. Therefore, this loan borrowed by Central Government and being passed on to States in lieu of GST Compensation has no effect on the financial health of States/ UTs.

Details of payment of back to back loan in lieu of GST Compensation Shortfall

(Amount ₹ in Crore)

| Name of State/UT | Amount released under Special borrowing scheme (as on 08.03.2021) |
|-------------------------|--|
| Andhra Pradesh | 2307 |
| Arunachal Pradesh | 0 |
| Assam | 992 |
| Bihar | 3898 |
| Chhattisgarh | 2655 |
| Goa | 838 |
| Gujarat | 9204 |
| Haryana | 4344 |
| Himachal Pradesh | 1714 |
| Jharkhand | 1442 |
| Karnataka | 12383 |
| Kerala | 4923 |
| Madhya Pradesh | 4533 |
| Maharashtra | 11954 |
| Manipur | 0 |
| Meghalaya | 112 |
| Mizoram | 0 |
| Nagaland | 0 |
| Odisha | 3815 |
| Punjab | 7138 |
| Rajasthan | 4249 |
| Sikkim | 0 |
| Tamil Nadu | 6229 |
| Telangana | 2197 |
| Tripura | 226 |
| Uttar Pradesh | 5995 |
| Uttarakhand | 2312 |
| West Bengal | 3784 |
| UT of Delhi | 5854 |
| UT of J&K | 2268 |
| UT of Puducherry | 741 |
| Total | 106104 |