

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE
LOK SABHA
UNSTARRED QUESTION NO-1023
ANSWERED ON- 26/07/2021

EARLY RELEASE OF GST COMPENSATION

1023. SHRI Y.S. AVINASH REDDY:

Will the Minister of FINANCE be pleased to state:-

- (a) whether the Government has been in receipt of request from the State Government of Andhra Pradesh seeking early release of pending GST compensation to the State amounting to Rs.3,832.89 Crores;
- (b) if so, the details thereof; and
- (c) the action taken by the Government in this regard?

ANSWER

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

(a) & (b):- The GST compensation cess levied under Section 8 of the GST (Compensation to States) Act, 2017 is transferred into a non-lapsable Fund known as GST Compensation Fund which forms part of the Public Account of India as provided in Section 10(1) of the act. The States are being compensated for any loss of revenue arising on account of implementation of GST for five years out of the Compensation Fund as per Section 10(2) of the said Act. GST compensation for financial years 2017-18, 2018-19 and 2019-20 has already been paid to the states/UTs including Andhra Pradesh. The economic impact of the pandemic has led to higher compensation requirement due to lower GST collection and at the same time lower collection of GST compensation cess. GST compensation of Rs. 2780.2436 crore has been released to Andhra Pradesh to partly meet the compensation payable for the period April'20 to March'21 as the amount in GST Compensation Fund was not adequate to meet the full compensation requirement. Accordingly, GST compensation for period April'20-March'21 of Rs. 2493 crore and for period April-May, 21 of Rs. 1559 crore is yet to be released to Andhra Pradesh.

The Chief Minister, Andhra Pradesh, vide his letter dated 08/09/2020 has requested for release of GST Compensation in F.Y. 2020-21 to the State of Andhra Pradesh. Central Government has considered the request and is committed to release the GST compensation to all States including Andhra Pradesh as per the GST (Compensation to States) Act, 2017.

(c):- The issue of GST Compensation to States has been deliberated in the 41st and 42nd GST Council meetings. Accordingly, in FY 20-21, Centre had borrowed Rs. 1.1 lakh crore under a special window and passed on to the States as back-to-back loan to help the States meet the resource gap due to short-release of compensation on account of inadequate balance in the Compensation Fund. Subsequent to deliberations in the 43rd GST Council meeting, it has been decided that the Centre is borrowing Rs. 1.59 lakh crores from the market through special window in current FY and passing it on to the States/ UTs as a back to back loan in appropriate tranches as was done in last year. As per this decision Rs. 75000 crore has been released to States/ UTs on 15.07.2021. This amount includes Rs.1543.43 crore received by the State of Andhra Pradesh. 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.
