

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF REVENUE

**LOK SABHA**  
**UN-STARRED QUESTION NO- 2156**  
ANSWERED ON-02/08/2021

**PAYMENT OF GST COMPENSATION TO KARNATAKA**

2156. SHRI NALIN KUMAR KATEEL:

Will the Minister of FINANCE be pleased to state:

- (a) whether it is a fact that Union Government will have to borrow Rs 1.58 lakh crore this fiscal year and pass it on to the States to offset losses arising out of GST implementation and the revenue slump due to the pandemic and if so, the details thereof;
- (b) whether Karnataka had received Rs 12,407 crore as GST compensation in loans borrowed by the Union Government through a special window for the fiscal year 2020-2021 and if so, the details thereof;
- (c) whether it is true that despite this, the shortfall in revenue under the GST regime was an additional Rs 12,000 crore for Karnataka and if so, the details thereof;
- (d) whether Karnataka has requested the Union Government seeking exemption on resources required for Covid and Black fungus treatment and if so, the details thereof; and
- (e) the financial assistance released to Karnataka under the Special Borrowing Window and the amount provided under the regular GST Compensation Scheme during the last two years?

**ANSWER**

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

(a) and (b): For the purpose of payment of compensation to States for any loss of revenue arising on account of implementation of GST for five years, a GST Compensation Cess is levied on select items under Section 8 of the GST (Compensation to States) Act, 2017. This 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. All releases of compensation to States are done only out of Compensation Fund as per Section 10(2) of the said Act and not from the Consolidated Fund of India. Accordingly, GST compensation of Rs. 7670 crore for FY 2017-18, Rs. 12465 crore for FY 2018-19 and Rs. 18628 crore for FY 2019-20 has already been released to State of Karnataka. 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. 8298 crore has been released to Karnataka 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.

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. This arrangement has been finalized after detailed deliberations with the States and all States have opted for this arrangement. As per this decision Rs. 12407 crore was released to Karnataka in FY 2020-21 as back to back loan in lieu of GST compensation. 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. 8542.17 crore released to the State of Karnataka. 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.

(c): No Sir. Provisional GST compensation of only Rs.7202 crore is yet to be released for the FY 2020-21. Taking into account Rs.8542.17 crore released as back to back loan to the State of Karnataka on 15.07.2021 in lieu of GST compensation for the FY 2021-22, no GST compensation is due for the period April-May, 2021 of the current financial year.

(d): The following references were received from the Government of Karnataka in respect of exemption on resources required for COVID, namely-

(i) D.O. No. CS/537/2021 dated 09.05.2021 from the Chief Secretary, Government of Karnataka, to amend Ad hoc Exemption Order No. 4/2021-Customs dated 03.05.2021 to allow the goods purchased using donations and CSR funds to obtain IGST exemption if these goods are meant for free distribution either to the state or to any hospitals/facilities involved in COVID 19 management.

(ii) D.O. No. CHS:541:2021 dated 12.05.2021 from Chief Secretary, Government of Karnataka, seeking IGST exemption on certain additional items (with reference to Ad hoc Exemption Order No. 4/2021-Customs dated 03.05.2021) as they are part of COVID 19 pandemic management, namely – PPE kits, N95 masks/triple layer masks, surgical masks, pulse oximeters.

(e): As above in (a) and (b).

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