

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE
LOK SABHA
STARRED QUESTION NO-8
TO BE ANSWERED ON MONDAY, THE 18TH JULY, 2022

GST COMPENSATION CESS

8. DR. G. RANJITH REDDY:
SHRI VENKATESH NETHA BORLAKUNTA:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has extended the Goods and Services Tax (GST) Compensation Cess period upto 2026 and if so, the details thereof;
- (b) whether it is true that many States including Telangana, have been demanding for extension of GST compensation given to States beyond June, 2022 and if so, the details thereof; State-wise;
- (c) whether the Government has taken this proposal before the GST Council;
- (d) if so, whether any decision has been taken in recently concluded GST Council meeting, if so, the details thereof and if not, the reasons therefor; and
- (e) whether the Government proposes to introduce an amendment to the Goods and Services Tax (Compensation to States) Act, 2017 to extend the period for collection of Compensation Cess beyond 1st July, 2022, if so, the details thereof and if not, the reasons therefor?

ANSWER

THE MINISTER OF FINANCE
(MS. NIRMALA SITHARAMAN)

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

**STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION
NO. 8 FOR ANSWER ON 18TH JULY, 2022**

(a) to (e): GST Council, in its 42nd meeting has recommended extending the period of levy of GST Compensation cess beyond June 2022 to cover the entire shortfall as well as servicing the back to back loan released to States to meet the resource gap of the States due to the short release of compensation. Centre borrowed Rs 1.1 lakh crore in 2020-21 and Rs 1.59 lakh crore in 2021-22 as back-to-back loans to meet a part of the shortfall in cess collection. In addition, Government of India has further released ₹ 86,912 crore to States/UTs on 31st May, 2022 and cleared the entire provisionally admissible GST compensation due till May, 2022. This decision was taken to assist the States in managing their resources and ensuring that their programmes especially the expenditure on capital is carried out successfully during the financial year. This decision has been taken despite the fact that only about Rs.25,000 crore was available in the GST Compensation Fund. The balance ₹62,000 crore was released by the Centre from its own resources pending collection of Cess.

Accordingly, as per Section 12 (d) of GST (Compensation to States) Act, 2017, 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 for payment of GST compensation for the month of June, 2022 and arrears of previous FYs based on AG reconciled figures.

A few States including Telangana 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, Parliament shall, by law, on the recommendation of the Goods and Services Tax Council, provide for 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.

Central Government has released provisional GST compensation upto May, 2022 and is committed to releasing full GST compensation to States/UTs for 5 years as per the Constitutional provision. The issues of compensation to States/UTs and augmenting resources under GST were discussed in detail in the 45th GST Council meeting held in Lucknow. Consequent to the decision of the Council, two Group of Ministers (GoMs), namely GoM on GST System Reforms and GoM on Rate Rationalization have been constituted. GoM on Rate Rationalization has submitted its interim report, recommending certain inverted duty corrections and pruning of exemptions, which was discussed and considered in the last GST Council meeting held at Chandigarh. As a result of the continued reforms in GST undertaken by Centre and States, on the recommendations of the GST Council, buoyancy in GST revenue has been achieved in the recent months. The average monthly gross GST collection for the first quarter of the FY 2022-23 has been ₹1.51 lakh crore against the average monthly collection of ₹1.10 lakh crore in the first quarter of the last financial year showing an increase of 37%.
