

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE

LOK SABHA UNSTARRED QUESTION NO. 2400

TO BE ANSWERED ON MONDAY, THE 15TH DECEMBER, 2025/ 24 AGRAHAYANA, 1947 (SAKA)

Special Grants to Karnataka

2400 SHRI E TUKARAM:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Group of Ministers (GoM) has submitted its final recommendations regarding the future of the GST Compensation Cess and if so, the details of the proposed framework along with its likely implications for the State of Karnataka and if not, the reasons for the continued delay in finalising the same;
- (b) whether the Government has accepted the Fifteenth Finance Commission's recommended Special Grant of Rs. 5,495 crore and the State-specific Grant of Rs. 6,000 crore for Karnataka, if so, the details of the amount released so far, and if not, the reasons therefor; and
- (c) whether the recovery of the IGST shortfall from Karnataka was to be deferred until the submission of the Committee of Officers final report, if so, the details thereof and if not, the rules or provisions invoked to justify the early recovery and the resultant financial impact on Karnataka to date?

ANSWER

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

(a) :- Group of Ministers (GoM) has submitted its recommendations to GST Council. As per recommendations of the GST Council in its 56th meeting held on 03rd September 2025, the GST Compensation cess on all goods except pan masala, gutkha, cigarettes, chewing tobacco products like zarda, unmanufactured tobacco and bidi, has been implemented with effect from 22nd September 2025. Items other than the tobacco products mentioned above will continue at the existing rates of GST and compensation cess where applicable, till loan and interest payment obligations under the compensation cess account are completely discharged. No specific study has been conducted on the State-wise implications.

(b) :- (i) Explanatory memorandum as to the action taken on the recommendations made by the Fifteenth Finance Commission in its report for financial year 2020-21 submitted to the President on December 5, 2019, relating to Special Grants, states that “The Commission may be requested to reconsider the recommendation as it introduces a new principle”.

(ii) Explanatory memorandum as to the action taken on the recommendations made by the Fifteenth Finance Commission in its Final Report submitted to the President on November 9, 2020, relating to State Specific Grants, states that “Keeping in view the untied resources with the State Governments and the fiscal commitments of the Central Government, due consideration will be given to the above recommendation”.

(c) :- The issue of recovery of shortfall in IGST was deliberated in the 55th Meeting of the GST Council and it was decided that cumulative recoveries for FY 2023-24 and FY 2024-25 shall be made in March, 2025 in the base year ratio. Subsequently, various States had raised concerns that such recoveries made in the month of March, 2025 should not be carried out at the end of the FY as it may adversely impact the fiscal situation of the States. The issue was placed before the GST Implementation Committee (GIC), which, in its meeting held on 27.03.2025, decided that the request of the States regarding deferring the recovery of IGST deficit may be considered and the consolidated recovery for FY 2023-24 & FY 2024-25 shall be carried out in April, 2025. Accordingly, the said recovery has been made in the month of April, 2025 in accordance with the approvals of the GST Council and GIC.
