

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF REVENUE  
**LOK SABHA**

**UNSTARRED QUESTION NO-2781**

TO BE ANSWERED ON MONDAY, AUGUST 7, 2023/ SRAVANA 16, 1945 (SAKA)

**EXTENSION OF GST COMPENSATION**

2781. SHRI ARJUN LAL MEENA:  
SHRI N.K. PREMACHANDRAN:  
SHRIMATI SUMALATHA AMBAREESH:  
SHRI NALIN KUMAR KATEEL:  
SHRI D.K. SURESH:  
SHRI POCHA BRAHMANANDA REDDY:

Will the Minister of FINANCE be pleased to state:

- (a) the amount of GST compensation due pending currently;
- (b) whether GST compensation received by States forms a large part of their revenue;
- (c) if so, whether the Government proposes to extend the time of Goods and Services Tax (GST) compensation for five years and to release amount of compensation to be paid to States, if so, the details thereof and if not, the reasons therefor;
- (d) whether the Government/GST Council has received any representation from State Governments including Karnataka and Kerala in this regard, if so, the details thereof and the action taken thereon;
- (e) whether the Government has taken note that many States are suffering losses due to the shortfall of GST compensation, if so, the details thereof;
- (f) whether the Government has made any estimate of the amount of losses suffered by the States due to the shortfall of GST compensation, if so, the details thereof for the last three years, State/year-wise; and
- (g) whether the Government has considered loss of revenue to States from GST due to Covid-19, if so, the action taken by the Government to compensate the States for such loss?

**ANSWER**

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

- (a) to (g):- Government of India has already released the entire amount of provisionally admissible GST compensation to the States/UTs for loss of revenue arising on account of implementation of Goods and Services Tax for five years i.e., from 1st July,2017 to 30th June, 2022. Final Compensation arising out of reconciliation of provisional figures with audited figures is released immediately on receipt of the AG's certificate and no amount is pending for release.

As per the provisions of section 7(2) of Goods and Services Tax (Compensation to States) Act, 2017, enacted by Parliament, the compensation payable to a State is provisionally calculated and released at the end of every two months period, and is finally calculated for every financial year after the receipt of final revenue figures, as audited by the Comptroller and Auditor General of India.

For the purpose of payment of GST Compensation, compensation cess is levied on select items and credited into a non-lapsable Fund known as GST Compensation Fund and all releases of compensation to States are done only out of Compensation Fund. While the resources from compensation cess were sufficient to cover the compensation requirement, the economic impact of the pandemic led to requirement of higher compensation due to lower GST collection while reducing collection of GST compensation cess.

The issue of shortfall of cess collection into Compensation Fund and GST compensation to States/UTs due to economic impact of the pandemic was deliberated in 41st, 42nd & 43rd GST council meetings. Consequent to that, Central Government decided to release assistance to States as back to back loan to meet the resource of the States/UTs due to shortfall in GST compensation. This arrangement was finalized after detailed deliberations with the States and all States have opted for this arrangement. ₹ 1.1 lakh crore for FY 2020-21 & ₹ 1.59 lakh crore for FY 2021-22 has been released to States/ UTs under this arrangement.

A few States 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, compensation to the States for loss of revenue arising on account of implementation of the goods and services tax is payable for a period of five years. During transition period, the States' revenue is protected at 14% per annum over the base year revenue of 2015-16. Central Government is committed for payment of GST compensation to States/UTs for five years as per law enacted by the Parliament according to the Constitutional provision.

It is further submitted that the Government, on the recommendations of the GST Council, has been taking several measures to increase the tax base and improve tax compliance. As a result, monthly gross GST collection has shown great buoyancy in the recent years. The monthly average gross GST collection for the FYs 2021-22 & 2022-23 have shown 30% and 22% year on year growth respectively.

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