

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:6921

ANSWERED ON:07.05.2010

COMPENSATION FOR CST RELATED LOSSES

Kanubhai Patel Jayshreeben;Maadam Shri Vikrambhai Arjanbhai;Meghwal Shri Arjun Ram ;Pandey Saroj;Patel Shri Kishanbhai Vestabhai;Patil Shri C. R. ;Premajibhai Dr. Solanki Kiritbhai;Rathwa Shri Ramsinhbhai Patalbhai

Will the Minister of FINANCE be pleased to state:

- (a) whether complete phase out of Central Sales Tax (CST) has been achieved;
- (b) if not, the reasons therefor;
- (c) the State – wise details of losses incurred and compensation given so far due to phasing out of CST during the last three years;
- (d) whether the Union Government has urged the Empowered Committee of State Finance Ministers to send proposals in regard to providing compensation to the States for CST losses;
- (e) if so, the details thereof and the response of the latter thereto; and
- (f) the time by which compensation in this regard will be released to States and also the guidelines to be followed in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI S.S. PALANIMANICKAM)

- (a) No, Sir. Rate of Central Sales tax (CST) has been brought down to 2%.
- (b) Empowered Committee of State Finance Ministers (EC) has requested the Centre to continue with CST rate of 2% till introduction of Goods and Services Tax (GST).
- (c) The details are at Annexure-I.
- (d) to (e) Yes, Sir. The Centre has asked the Empowered Committee of State Finance Ministers (EC) to send proposal which may be considered for providing CST related compensation to States for the financial year 2010-11. EC has not sent any proposal in this regard so far.
- (f) CST related compensation of Rs.2327.62 crore has been released to States for financial year 2009-10. Compensation for the financial year 2010-11 cannot be released as CST related compensation package for 2010-11 has not been finalized.