

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:327

ANSWERED ON:27.04.2012

COMPENSATION TO STATES FOR LOSS IN CST REVENUE

Dhurve Jyoti;Singh Shri Pradeep Kumar

Will the Minister of FINANCE be pleased to state:

- (a) whether the Union Government has released the admissible amount to the States to compensate them for loss of Central Sales Tax (CST) revenue for the year 2010-11;
- (b) if so, the details thereof, State-wise and if not, the time by which the said amount is likely to be reimbursed;
- (c) whether payment of CST compensation to States is as per the guidelines finalised and issued by Union Government dated 22 August, 2003;
- (d) if so, the details thereof and if not the reasons therefor;
- (e) whether the claims of CST compensation has been reduced in these States, which have raised the VAT rate from 4 per cent to 5 per cent;
- (f) whether the Empowered Committee has recommended to the Union Government not to link release of CST compensation with the increase in revenue due to increase in the rate of VAT; and
- (g) if so, the details thereof along with the reaction of the Union Government on the recommendation of the Committee?

Answer

FINANCE MINISTER (SHRI PRANAB MUKHERJEE)

(a) to (g) : A Statement is laid on the Table of the House.

STATEMENT IN RESPECT OF L.OK SABHA STARRED QUESTION NO. 327 DATED 27.04.2012 TABLED BY SHRIMATI JYOTI DHURVE AND SHRI PRADEEP KUMAR SINGH REGARDING COMPENSATION TO STATES FOR LOSS IN CST REVENUE

(a) Yes, Madam.

(b) The State-wise details are at Annexure.

(c) & (d) No, Madam. An understanding was reached with the Empowered Committee of State Finance Ministers (EC), in 2007; regarding certain non-monetary measures also, to be taken for compensating the loss of CST revenue. In accordance with that understanding, the compensation for 2010-11 has been released after deducting likely gain to the States because of increase in VAT rate from 4% to 5% from the amount otherwise payable as p&r 22 August, 2008 guidelines.

(e) Yes, Madam.

(f) Yes, Madam.

(g) After a meeting with the Chairman,EC,a Committee,comprising representatives of both the Union and State Governments, has been formed to examine this and other CST related issues.