

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2252
ANSWERED ON:05.12.2014
COMPENSATION TO STATES FOR CST LOSS
Patil Shri Chandrakant Raghunath

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has released compensation to the States for loss of CST revenue for the year 2010-11;
- (b) if so, whether it is paid as per the guidelines issued by Government in 2008 for payment of CST compensation;
- (c) if so, whether the claim of CST compensation has been reduced to those States which has raised the VAT rate from 4% to 5% and if so, the details thereof;
- (d) whether the Empowered Committees has recommended to the Government not to link release of CST compensation with the increase in revenue due to increase in the rate of VAT from 4 to 5% and
- (e) if so, whether the Government has accepted the recommendation of Empowered Committee as mentioned above and if so, the implementation Status of the same?

Answer

FINANCE MINISTER (SHRI ARUN JAITLEY)

(a) Yes, Madam.

(b) & (c) The CST compensation for the year 2010-11 has been paid to the States as per the guidelines issued by the Government in 2008 for payment of Central Sales Tax compensation after reducing the effect of revenue gain to the States due to increase in VAT rate from 4% to 5%.

(d) Yes. The Empowered Committee has recommended for payment of 100% CST compensation to the States for the period 2010-11, 75% CST compensation for the period 2011-12 & 50% CST compensation for the period 2012-13 as per Central Sales Tax compensation guideline dated 22.08.2008 without reducing revenue gain to the States due to increase in the rate of VAT from 4% to 5%.

(e) The Government has in principle agreed to the recommendation of Empowered Committee of State Finance Ministers for CST compensation to the States as stated above and efforts are being made for funds in RE 2014-15 for payment of the balance Central Sales Tax compensation to the States for the year 2010-11 during the current financial year.