

an>

Title: Need to give adequate compensation to Odisha in lieu of loss incurred by the State due to reduction in the rate of Central Sales Tax.

SHRI BHARTRUHARI MAHTAB (CUTTACK): Sir, as a move towards implementation of Goods and Services Tax (GST), it was decided to phase out CST over a period of four years with annual reduction of rate by 1%. It was decided by the Government to compensate the State Government towards CST loss till implementation of GST. Accordingly, the CST rate was reduced from 4% to 3% from 1<sup>st</sup> April, 2007 and from 3% to 2% from 1<sup>st</sup> June, 2008. Due to uncertainty in implementation of GST, the CST rate continues at 2% till date. The Union Government had been compensating the State Government towards CST loss 2009-10. For the year 2010-11, Odisha has been partially compensated against a loss of assessment of Rs. 664.39 crore, compensation of Rs. 256.17 crore only was given. But since, 2011-12, no compensation is given to the State.

Due to the rate reduction in CST, Odisha is losing about Rs. 1300 crore annually. For a State like Odisha having very low resource base, annual loss of Rs. 1300 crore is substantial. Hence, I would request the Government to fully compensate the State for the CST loss or alternatively restore the CST rate of 4% till implementation of GST.