

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE

LOK SABHA UNSTARRED QUESTION NO. 1918
TO BE ANSWERED ON FRIDAY, THE 21st DECEMBER, 2018
30 Agrahayana, 1940, (SAKA)

GST Shortfall and Compensation

1918. SHRIMATI K. MARAGATHAM:
SHRI V. ELUMALAI:

Will the Minister of FINANCE be pleased to state:

(a) whether the States faced an average 16 percent shortfall in Goods and Services Tax (GST) revenue collections in the first year of implementation and that has now narrowed to 13 percent and if so, the details thereof;

(b) whether the States which are facing a revenue shortfall will require compensation funds by levy of compensation cess under GST and if so, the details thereof;

(c) whether the GST Council has received a report on the revenue shortfall faced by the States and if so, the details thereof;

(d) whether the revenue shortfall of States due to GST was one of the major discussions in the 30th meeting of GST Council and if so, the deliberations made in the said meeting; and

(e) whether six States/UTs are posting a revenue surplus under the indirect tax regime but rest 25 States are facing a revenue shortfall ranging from 3 percent to 42 percent and if so, the details thereof?

ANSWER

**MINISTER OF STATE IN MINISTRY OF FINANCE
(SHRI SHIV PRATAP SHUKLA)**

(a): The total revenue to be protected to states/UTs for the FY 2017-18 and 2018-19 have been Rs. 42,979 crore and Rs. 48,999 crore respectively. Against the above target, the average shortfall in revenue collection have been 16% and 13% for the FY 2017-18 and 2018-19 respectively.

(b): Rs. 48,178 crore and Rs. 30751 have been released as GST compensation to the States/UTs compensation for FY 2017-18 and FY 2018-19 (April, 2018 to Sep, 2018) respectively.

(c) & (d): Yes Madam. The GST Council has received the report on the revenue shortfall faced by the States. The revenue shortfall of States was one of the agenda for discussion in the 30th Meeting of the GST Council.

Consequent upon decision taken during 28th GST Council Meeting held on 21st July, 2018 in respect of study to be conducted regarding the large revenue gap as compared to the national average of the states of Punjab, Himachal Pradesh, Uttarakhand, Jammu & Kashmir, Puducherry and Bihar. The then Union Finance Secretary visited the States of Jammu & Kashmir, Punjab, Himachal Pradesh & Puducherry for conducting their Revenue GAP analysis. After his visit, he has submitted a detailed report which was discussed in the meeting of 30th GSTC held on 28th September, 2018. It emerges from the study that one of the major reasons for huge shortfall of revenue in the States/UTs under study is the inbuilt structural design of GST in which the taxes are levied on destination-based principle. In the States suffering huge revenue gap, the contribution from the subsumed taxes such as CST, Purchase Tax etc. in pre-GST regime to the State's exchequer was very substantial. Some other reasons for revenue shortfall are natural and structural factors such as geographical location, size of economy, endowments of natural resources, smaller taxable base, consumption pattern, differential tax rates under VAT regime etc. In addition, percentage of return filing, e-way bill implementation etc. in these states were also discussed.

(e): The States with revenue surplus in the FY 2018-19 are Andhra Pradesh, Arunachal Pradesh, Manipur, Mizoram, Nagaland and Sikkim.