

Opposition-ruled States push for early release of money from GST Compensation Fund

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With the Centre admitting to stress on GST collections, the next GST Council meeting may see some tough talking.

The Opposition ruled States have upped the ante for immediate release of GST Compensation Fund which they get from the Centre in lieu of revenue shortfall. States claim total dues could be Rs.50,000 crore or even more.

Ministers and representatives from five States and one Union Territory (with assembly) — Punjab, Rajasthan, Madhya Pradesh, Delhi, West Bengal, Kerala and Puducherry — met Finance Minister Nirmala Sitharaman on Wednesday to press for the demand.

According to the GST Compensation Act, States and UTs with Assemblies are guaranteed compensation if the GST revenue growth is less than 14 per cent. The amount is paid bi-monthly. This year, States and three UTs were paid Rs.28,000 crore for the June-July period. They are yet to be paid for August-September, which was due in October.

When asked about it at the media briefing after the Cabinet meeting, Sitharaman said that she will look into this matter and funds will be released. However, she did not elaborate on the amount due or on the current status of the Compensation Fund.

This fund gets money through compensation cess levied on goods and services which attract 28 per cent GST. The cess rate varies from one per cent to 25 per cent and is levied over and above the GST rate.

Punjab Finance Minister Manpreet Singh Badal after the meeting with Sitharaman had said that compensation for August-September has not been paid and now compensation for October- November is due too. He said that though the Finance Minister assured release of the fund, no timeline was given. Delhi Deputy Chief Minister Manish Sisodia said the Finance Minister did not give reasons for the delay in paying compensation to States.

Madhya Pradesh Commercial Tax Minister Brajendra Singh Rathore said the Centre owed his State nearly Rs.3,000 crore for August-November, while Rajasthan Education Minister Subhash Garg said his State was owed Rs.4,000 crore for the August-November period.

A recent communication from the GST Council to States said that the Council in its next meeting on December 18 will discuss the revenue position in detail as lower GST and compensation cess collections have been a matter of concern in the last few months.

“The compensation requirements have increased significantly and are unlikely to be met from the compensation cess being collected,” the communication said.

Also, the Council has sought suggestions, inputs or proposals on measures, compliance as well as rates to help augment revenue.

Both the Centre and States are worried about GST collection so far. After two months of contraction, GST revenues witnessed a recovery with a 6 per cent growth in November 2019 year-on-year, however total collection during the year so far is still below the estimate.

Though, GST collection on domestic transactions witnessed a 12-per-cent growth, on imports its contraction continued at (-)13 per cent.