

## Centre Clears Entire GST Compensation Due Till Date (31ST MAY, 2022)

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The Government of India has released the entire amount of GST compensation payable to States up to 31st May, 2022 by releasing an amount of Rs.86,912 crores. This decision was taken to assist the States in managing their resources and ensuring that their programmes especially the expenditure on capital is carried out successfully during the financial year. This decision has been taken despite the fact that only about Rs.25,000 crore is available in the GST Compensation Fund. The balance is being released by the Centre from its own resources pending collection of Cess.

Goods and Services Tax was introduced in the country w.e.f. 1st July, 2017 and States were assured for compensation for loss of any revenue arising on account of implementation of GST as per the provisions of the GST (Compensation to States) Act, 2017 for a period of five years. For providing compensation to States, Cess is being levied on certain goods and the amount of Cess collected is being credited to Compensation Fund. Compensation to States is being paid out of the Compensation Fund w.e.f. 1st July, 2017.

Bi-monthly GST compensation to States for the period 2017-18, 2018-19 was released on time out of the Compensation Fund. As the States' protected revenue has been growing at 14% compounded growth whereas the Cess collection did not increase in the same proportion, COVID-19 further increased the gap between protected revenue and the actual revenue receipt including reduction in cess collection.

In order to meet the resource gap of the States due to short release of compensation, Centre has borrowed and released Rs.1.1 lakh crore in 2020-21 and Rs.1.59 lakh crore in 2021-22 as back-to-back loan to meet a part of the shortfall in cess collection. All the States have agreed to the above decision. In addition, Centre has also been releasing regular GST compensation from the Fund to meet the shortfall.

With the concerted efforts by Centre and States, gross monthly GST collection including Cess has been showing a remarkable progress. The details of GST compensation payable for the past financial years and for the period of April-May of the current financial year are given as per the table below: -