GST Council may discuss ways to garner funds for states’ amid falling revenues

NEW DELHI: The GST Council will on Friday discuss the impact of COVID-19 on tax revenues and may decide on the framework for compensation payout to states, according to sources.

The 40th meeting of the GST Council, headed by Finance Minister Nirmala Sitharaman and comprising state counterparts, will be held via video conferencing.

The Council would also discuss waiver of late fees for non-filing of Goods and Services Tax returns for the period August 2017 to January 2020.

Although there would not be any change in tax rates, but the Council will likely decide on ways to garner funds to compensate states for the revenue loss due to Goods and Services Tax (GST) implementation.

The meeting would discuss the impact of the pandemic on revenues of the Centre and states and ways to breach the revenue gap, sources said.

Faced with dismal collection and extended deadline for filing returns, the government has refrained from releasing the monthly GST revenue collection figures for the months of April and May.

In the previous council meeting on March 14, 2020, Sitharaman had said that the Centre will look into the legality of GST Council borrowing from market to meet the compensation requirements.

With states raising the issue of shortfall in compensation kitty, there were discussions on resorting to market borrowing to meet the revenue guarantee to states.

Under GST law, states were guaranteed to be paid for any loss of revenue in the first five years of the GST implementation from July 1, 2017.

The shortfall is calculated assuming a 14 per cent annual growth in GST collections by states over the base year of 2015-16.

Under the Goods and Services Tax structure, taxes are levied under 5, 12, 18 and 28 per cent slabs.

On top of the highest tax slab, a cess is levied on luxury, sin and demerit goods and the proceeds from the same are used to compensate states for any revenue loss.