GST Council to discuss payout to states on Aug 27

NEW DELHI: The GST Council is likely to meet on August 27 to discuss the compensation payout to states and the opinion of the Attorney General on the legality of market borrowing to meet revenue shortfall.

Sources said the 41st meeting of the Goods and Services Tax (GST) Council would be a single agenda meeting on states' compensation to be held via video conferencing.

Besides, a full-fledged meeting of the Council would be held on September 19, agenda for which is to be decided in due course, they added.

The Attorney General—who is the chief legal officer of the government—has opined that the Centre has no statutory obligation to make up for any shortfall in GST revenues of states from its coffers, sources had said.

They had earlier indicated that following the AG's opinion, states may now have to look at market borrowings to meet the revenue shortfall and the GST Council will take a final call.

The Centre had in March sought views from Attorney General K K Venugopal on the legality of market borrowing by the GST Council to make up for any shortfall in compensation fund—a corpus created from levy of additional tax on luxury and sin goods to compensate states for revenue shortfall arising from their taxes being subsumed into GST.

The AG had also opined that the Council has to decide on meeting the shortfall in the GST compensation fund by providing the sufficient amount to be credited to the fund.

Sources said the options before the Council for meeting the shortfall could be to rationalize GST rates, cover more items under the compensation cess or increase the compensation cess, or recommend higher borrowing by states to be repaid by the future collection into the compensation fund.

Besides, a full-fledged meeting of the Council will be held on September 19

Highlights

- The Attorney General has opined that the Centre has no statutory obligation to make up for any shortfall in GST revenues of states from its coffers.
- A corpus created from levy of additional tax on luxury and sin goods to compensate states for revenue shortfall arising from their taxes being subsumed into GST.
- Options before the Council for meeting the shortfall could be to rationalize GST rates, cover more items under the compensation cess or increase the compensation cess, or recommend higher borrowing by states to be repaid by the future collection into the compensation fund.

The Attorney General has opined that the Centre has no statutory obligation to make up for any shortfall in GST revenues of states from its coffers.