Centre Gives ₹15,340 crore as GST Compensation to States

Our Bureau

New Delhi: The Centre has released ₹15,340 crore to states as GST compensation despite insignificant tax collection due to relief provided in terms of filing of returns and payment of taxes owing to the national lockdown, government insiders said.

The amount released includes the second instalment of GST compensation to states of over ₹14,100 crore for the October-November period, they said, adding that the government had aimed to clear any pending dues for that period.

Under GST law, states are guaranteed full compensation for any revenue loss for the first five years after the introduction of the goods and services tax (GST) in July 2017.

Compensation amounts for December to January period and further on continue to be due, even as monthly compensation requirement for states in 2020-21 is being pegged at ₹20,250 crore, government insiders said.

In 2019-20, the Centre had released ₹120,498 crore GST compensation to states while it had collected only about ₹95,000 crore in the form of compensation cess.

Government sources pointed to the issue of higher payouts to states versus cess collections.

On an average, monthly GST compensation cess requirement was ₹14,000 crore while the cess collection average was only in the range of ₹7,000-8,000 crore per month, they said.