Congress tears into Centre for seeking AG’s view on GST dues

Govt’s view that it is not obliged to pay compensation amounts to a sovereign default, says Punjab FM

The Centre securing attorney general’s opinion that it has no obligation to pay full goods and services tax (GST) compensation to states is worse than a sovereign default as it is a breach of the Constitution, Punjab finance minister and senior Congress leader Manpreet Badal said at a briefing on Tuesday.

Badal’s comment comes against the backdrop of states insisting on full GST compensation, though revenue collections from GST cess on items, such as cars and tobacco, was not enough to meet the payment obligation. The Centre is of the view that it can only meet the compensation requirement from GST cess receipts, while states said the Council must borrow from market to meet the gap. The government led by Prime Minister Narendra Modi has completed payments to states for FY 20.

Badal said his government will seek full and timely GST compensation from the Centre at Thursday’s GST Council meeting, including for the national lockdown period when the revenues of states were hit badly.

Thursday’s meeting is expected to be a stormy affair, with revenue pressures affecting both the Union and state governments because of the economic shock amid the COVID-19 crisis and the lockdown. The Centre is expected to table the attorney general’s views at the meeting which was called exclusively to discuss GST compensation. The council will again meet on 19 September to discuss other GST related issues.

“We take a strong exception that India’s revenue secretary goes to the attorney general to get a view that there is no obligation on the part of the government of India to pay compensation, which is part of the Constitution. If you are not willing, I feel this amounts to a sovereign default, it is worse than that because the Constitution is being undermined,” said Badal at a press conference that was also attended by Congress leaders Rajeev Gowda and Krishna Byre Gowda.

Badal alleged that the Bharatiya Janata Party (BJP) government has no respect for the Constitution, institutions such as the Comptroller and Auditor General of India, or the minutes of GST Council meetings. The friction between the Centre and Congress-rulled states over GST compensation could spill over to the monsoon session of Parliament, which will begin in mid-September. Congress will also raise issues on what they regard as insufficient financial assistance to deal with the fallout of the COVID-19 pandemic.

Chief ministers of Congress and other Opposition-rulled states, including the Left parties in Kerala and the Trinamool Congress in West Bengal, have flagged the dual issue of GST compensation and their need for financial assistance to deal with the pandemic through letters to the Centre and in meetings chaired by Modi. On Tuesday, West Bengal chief minister Mamata Banerjee said the state was yet to get outstanding dues of ₹53,000 crore from the Centre and ₹4,200 crore for GST and had got nothing to fight the COVID-19 pandemic.

Rajeev Gowda alleged the Centre’s attitude to Kerala was stepmotherly. “When states are bearing the brunt of the COVID-19 crisis and natural disasters, the Centre should be going out of the way to help them, but is instead asking states to borrow more. A State Bank of India report made it clear that only eight states are in a position to borrow and others cannot,” said Gowda. “Our demand is that the Centre should pay the full GST compensation for five years and pay on time because any delay hurts the states,” he added.

greek.psj@livemint.com