States to corner Centre over piling GST dues at today’s Council meet

Opposition-rulled States to take row over compensation to President and PM

OUR BUREAU
New Delhi, August 26:
As the GST Council sets out to meet on Thursday, the Centre may find it difficult to pacify the States that have upped their demand for monies owed to them.

The Chief Ministers of seven Opposition-rulled States, at a video conference chaired by Congress President Sonia Gandhi on Wednesday, decided to meet President Ram Nath Kovind and Prime Minister Narendra Modi, demanding GST dues, Central aid for the fight against Covid-19, and postponement of NET.

Thursday’s GST Council meeting has a single-point agenda — compensation payout for States. The law stipulates payment of compensation to the States for loss of revenue arising out of implementation of GST for five years. The loss is calculated with FY16 as the base year and 14 per cent as the annual tax revenue growth rate. This year, a steep fall in GST mop-up due to Covid-led disruptions has left the compensation fund depleted.

Attorney General’s views
According to sources, the Centre, at the meeting, will present the views of the Attorney-General, who feels there is no obligation to pay the compensation. It is the GST Council that has to decide on making good the shortfall in the compensation fund. The Council can recommend to the Centre to allow the States to borrow on the strength of the future receipts from the compensation fund. The Centre will take the final decision.

Sonia Gandhi reminded the Centre that the States agreed to forego their constitutional powers of taxation in the larger national interest and on the solemn promise of compulsory GST compensation for five years. Citing reports saying the Centre has told the Standing Committee on Finance that it is not in a position to pay the mandatory compensation of 14 per cent for the current year, she said it is nothing short of betrayal.

There is a strong possibility of the Centre asking the States to borrow against the future receipts from the compensation cess. However, even NDA-rulled States are not in favour of this.

‘Our own taxation’
Puducherry Chief Minister V Narayanasamy said he will raise the issue at the Thursday meeting. “I will forcefully demand in the GST Council — either you pay our compensation within 15 days or you leave us; we will start our own pattern of taxation,” he added.

Bihar’s Deputy CM Sushil Kumar Modi said States would rather that the Centre made the borrowings. However, the Centre is already borrowing ₹12444 crore, as the fiscal deficit is expected to hit 6 per cent of GDP. Of the projected GST shortfall of ₹3.65-lakh crore this fiscal, if even ₹3-lakh crore is borrowed, it will further push up the deficit. Considering this, “States can borrow provided the Centre stands guarantee, organises the loans and manages repayment from the cess fund,” he said.

Chief Ministers’ plaints
Pointing out that FY21 will likely end with a ₹25,000-crore deficit, Punjab Chief Minister Amritsarinder Singh said: “We don’t have the money. We are going to be in a serious financial crisis.” Punjab’s dues from the Centre stand at about ₹7,000 crore, he added.

West Bengal Chief Minister Mamata Banerjee said the Centre owes the State ₹4,500 crore as GST dues in June. Her Jharkhand counterpart, Hemant Soren, said that since the implementation of GST, States are in a bad situation.

Maharashtra’s Uddhav Thackeray said the Centre is stopping even the supply of ventilators and now States will have to manage that cost as well. West Bengal Finance Minister Amit Mitra has written to Finance Minister Nirmala Sitharaman, urging the Centre not to renege. He suggested the Centre use the proceeds from other cesses to pay the compensation.