

GST compensation to States for loss of revenue arising on account of implementation of GST for a period of five years

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As per section 18 of the Constitution (One Hundred and First Amendment) Act, 2016, Parliament shall, by law, on the recommendation of the Goods and Services Tax Council, provide for compensation to the States for loss of revenue arising on account of implementation of the goods and services tax for a period of five years. This was stated by Union Minister of State for Finance Shri Pankaj Chaudhary in a written reply to a question in Rajya Sabha today.

The Minister stated that the issue of compensation to States/UTs and augmenting resources under GST were discussed in detail in the 45th GST Council meeting held in Lucknow. Consequent to the decision of the Council, two Group of Ministers (GoMs), namely GoM on GST System Reforms and GoM on Rate Rationalization have been constituted. GoM on Rate Rationalization has submitted its interim report, recommending certain inverted duty corrections and pruning of exemptions, which was discussed and considered in the last GST Council meeting held at Chandigarh.

As a result, the Minister stated, the continued reforms in GST undertaken by Centre and States, on the recommendations of the GST Council, buoyancy in GST revenue has been achieved in the recent months. The average monthly gross GST collection for the first quarter of the FY 2022-23 has been ₹1.51 lakh crore against the average monthly collection of ₹1.10 lakh crore in the first quarter of the last Financial year showing an increase of 37%, the Minister stated.

The Minister stated that a few States have requested for extension of payment of GST compensation beyond transition period of five years.

The Minister further stated that as per Section 7 of the GST (Compensation to States) Act, 2017, the States are required to be compensated for loss of revenue due to implementation of GST (w.e.f. 01.07.2017) for 5 years' period. During transition period, the States' revenues are protected at 14% growth rate per annum over the base year revenue (2015-16). Accordingly, the States are being compensated for any shortfall against their protected revenue. The details of GST compensation due and released to States/ UTs for the year 2017-18 to 2022-23 is as per [ANNEXURE](#).

RM/MV/KMN

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