

42nd GST Council meet: Centre proposes increased borrowing limit of Rs 1.1 lakh crore under option 1

The Centre has proposed an increased borrowing limit of Rs 1.1 lakh crore instead of Rs 97,000 crore in the first borrowing limit to states, assuming a 7% growth rate instead of the earlier assumption of 10% over the previous financial year.

The proposal has been put forth in the ongoing 42nd goods and services tax (GST) Council meeting headed by finance minister Nirmala Sitharaman, even as several states opposed the increased limit on the grounds that 7% growth rate was far higher than the actual rate of 2-3% witnessed last year.

At the GST Council meeting on August 27, the Centre proposed that the states could borrow Rs 97,000 crore, equivalent to the revenue loss due to the GST transition, or Rs 2.35 lakh crore, equivalent to the revenue loss due to the GST transition and Covid-19. In the first option, the principal and interest would be paid from the cess fund, while in the second option, the states would bear the interest.

Source: The Economic Times