

## **ENTIRE GST SHORTFALL WILL BE COMPENSATED, SAYS CENTRE**

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States and Union Territories will get full compensation for the shortfall in GST collection this year, the Centre reiterated on Monday. It made it clear that it will be irrespective of the fact whether the shortfall is on account of GST implementation or on account of the Covid pandemic. “It has never been the stand of the Union Finance Minister that the loss of revenue due to Covid would not be compensated. The Central government has, time and again, committed that the entitlement of the States would always be for full compensation. The entire compensation on account of the shortfall in collection of GST will be paid and honoured,” a senior Finance Ministry official said.

Total GST revenue shortfall during FY 2020-21 is estimated at ₹3-lakh crore. Since collection through the compensation cess is likely to be ₹65,000 crore, the net shortfall could be ₹2.35-lakh crore. Out of this, based on 10 per cent nominal growth and other assumptions, the shortfall on account of GST implementation and pandemic are ₹97,000 crore and ₹1.38-lakh crore, respectively. The Centre has proposed two options for States – borrow ₹97,000 crore through a special window or borrow the entire ₹2.35-lakh crore from the open market.

According to sources, working out revenue shortfall on account of GST implementation is just a mechanism to assess how much of the shortfall should be met by borrowing and how much could be deferred. Borrowing for meeting the entire shortfall when the private sector is struggling to stand back on its feet could hurt them badly. If States go for option 1 and borrow ₹97,000 crore, it does not mean they will have to forego the remaining compensation. The remaining compensation will be paid to states after the above borrowing has been fully repaid. Therefore, “where is the doubt about the Centre not meeting its commitment,” asked the official.

Under the GST law, the compensation cess is a tax owned by the states and under Article 292 of the Constitution of India, the Centre can borrow on the security of its own taxes and resources which is Consolidated Fund of India. It cannot borrow in the security of the tax which it does not own, the official explained.

**Source: Business Line**