

13 states to borrow from Centre to meet shortfall in GST compensation

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A total of 13 states ruled by BJP and parties have submitted their borrowing options to the Centre to meet the GST revenue shortfall.

Of the 13 states, 12 have preferred to opt for borrowing from the special window facilitated by the Reserve Bank of India (RBI). These states include Andhra Pradesh, Bihar, Uttar Pradesh, Gujarat, Haryana, Karnataka, Madhya Pradesh, Meghalaya, Sikkim, Tripura, Uttarakhand and Odisha. Meanwhile, Manipur has far opted for borrowing from the market.

Key Highlights

- In the current fiscal, the total shortfall in GST collection by the states was estimated at Rs 2.35 lakh crore. Of this, as per the Centre's calculation, about Rs 97,000 crore is on account of GST implementation and rest Rs 1.38 lakh crore is the impact of coronavirus pandemic on states' revenues.
- The Centre late last month gave two options to the states to borrow either Rs 97,000 crore from a special window facilitated by the RBI or Rs 2.35 lakh crore from market and has also proposed extending the compensation cess levied on luxury, demerit and sin goods beyond 2022 to repay the borrowing.
- While the 12 states preferred to opt for borrowing from the special window facilitated by the RBI while one state, Manipur, opted for borrowing from the market.

- However, few states, instead of expressing their option preference, have submitted their views to the Chairperson of the GST Council and are yet to decide on the options.
- Meanwhile, Chief ministers of six non-BJP ruled states of West Bengal, Kerala, Delhi, Telangana, Chhattisgarh and Tamil Nadu have written to the Centre opposing the options which require states to borrow to meet shortfalls.
- The GST Council in its 41st meeting on August 27, 2020, had given two borrowing options to its member states to enable them to meet their compensation shortfall at “single rate” of interest at the RBI’s single window facilitated by the Finance Ministry.
- The Council also discussed that in the current economic scenario it may not be possible to increase tax rates or do rate rationalisation to meet up the compensation shortfall, sources said. However, borrowing could be an option to address this challenge.
- The central government is committed to helping the states to the utmost to meet the compensation shortfall through borrowing, they mentioned.

SOURCE: *The Hindu, India Today*