GST set to meet, Sushil Modi says Centre morally bound to pay states

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PATNA, AUGUST 25

BIHAR DEPUTY Chief Minister and Finance Minister Sushil Kumar Modi said on Tuesday that the Centre should borrow and pay GST compensation to states even if it is not legally bound to do so. “But the Centre is morally bound to do so”, Modi said ahead of the GST Council meeting on August 27. “State finances are under stress. We are able to pay only salaries, wages and pensions. We are heavily dependent on the Centre as 76 per cent of our revenue comes from the Centre…,” Modi said at an online Idea Exchange of The Indian Express.

“States should get GST compensation. We will raise the matter during the upcoming meeting. States cannot borrow. It is the Centre that should borrow. It is the moral responsibility of the Centre to help the states. If states continue on page 2
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cannot get support from the Centre in these times of difficulty, it would be difficult for the states,” Modi said.

The Bihar Deputy CM heads the ministerial panels on Integrated GST (IGST) settlement, IT challenges in implementation of GST, and analysis of revenue from GST. The panels on IGST and IT met recently.

Thursday’s meeting of the GST Council has the single-point agenda of compensation to states for losses of revenue under the indirect tax regime. Compensation payments to states are pending for the four months of this financial year — April, May, June, and July.

The option of exploring market borrowing to bridge the compensation deficit was discussed in earlier meetings as well, and it was decided to seek legal opinion from the Attorney General of India. However, the A-G is learnt to have put the ball squarely in the Centre’s court, stating that the central government does not have an obligation to pay for the revenue short-
fall, and that the Council can recommend to the Centre to allow states “to borrow on the strength of the future receipts from the compensation fund”.

Modi described the BJP’s alliance with Nitish Kumar as "pragmatic politics". “There are elected CMs and selected CMs. Elected CMs contribute to his party or alliance’s victory. Nitish Kumar is an elected CM, and not just the leader of the JD(U). There has been no confusion in the BJP about this. Where does the question of changing him after the elections arise? We have fought elections earlier, and he has remained CM.”

He said that the BJP, JD(U), and LJP would contest together, and would win comprehensively.

On migration and unemployment due to the coronavirus pandemic and the nationwide lockdown, the senior leader said unemployment was not “Bihar-specific”, and had impacted other states as well. But he conceded that Bihar sees more migration because the state does not have many major industries.

Asked whether Bihar could have dealt with the problems of migrants who were stranded outside the state better, Modi said: “Is it humanly possible to bring migrants in buses from as far away as Kerala, Gujarat and Jaipur? Plus, it could have amounted to a violation of lockdown norms.”