Miffed PMO seeks explanation from finance ministry on GST

Seeks to know what's being done to boost GST collection and the plan in case of shortfall

ANURADHA SHUKLA @ New Delhi

TAKING a grim view of the GST compensation issue snowballing into a major controversy with even BJP-rulled states expressing concerns over non-payment by the Centre, the Prime Minister's Office (PMO) has sought explanation from the finance ministry according to sources.

Confirming the development, a senior finance ministry official told this newspaper, “There is a lot of confusion and misinformation.”

Sources said the PMO sought to know from the finance ministry the current financial situation in terms of revenue collection and what it is doing to boost GST collection. It also wanted to know that in the event of a shortfall, what options the government is going to propose in the GST Council.

The confusion began last month when the revenue secretary told a parliamentary panel that the Centre may not be able to pay states in the near future.

States see red over Centre ‘backing out’

States have been up in arms over Attorney General K K Venugopal’s opinion that the Centre has no obligation to pay GST compensation shortfall to states and it is up to the GST Council to find a way out.

On Saturday, the finance minister sought to play down the controversy saying the issue will be discussed in the GST Council meeting.

Sources said the PMO was not very happy with this response.

More recently, Attorney General K K Venugopal’s reportedly gave his legal opinion that the Centre has no obligation to pay the GST compensation shortfall to states and that it is up to the GST Council to find ways to make good the shortfall in compensation fund.

The AG’s comments triggered outrage among not only Opposition-rulled states such as Kerala, Punjab and West Bengal but also BJP-rulled Gujarat, Haryana and Bihar. Kerala Finance Minister Thomas Isaac threatened to move the Supreme Court if the Centre goes back on disbursing GST compensation.

Sources said the PMO decided to step in after Bihar Deputy CM Sushil Kumar Modi requested Prime Minister Narendra Modi to intervene in the matter. Under the GST law, states are guaranteed to be compensated bimonthly for any loss of revenue in the first five years of the GST implementation from July 1, 2017.

On Saturday, Finance Minister Nirmala Sitharaman had sought to play down the controversy saying the government will discuss the issue threadbare in the GST Council meeting. “The matter (GST compensation) was discussed in the last GST Council meeting and it was decided that a legal opinion should be taken. After the law ministry gives its formal opinion, we will soon fix a date in consultation (with the) AG,” Sitharaman had said.

The GST shortfall is calculated assuming a 14% annual growth in collections by states over the base year of 2015-16.

The Centre released over ₹1.65 lakh crore in 2019-20 as GST compensation, while the cess collected during 2019-20 was ₹55,444 crore. The compensation payout in 2018-19 was ₹59.257 crore and ₹41.146 crore in 2017-18.