

## Highlights of the 41st GST Council meeting:

The 41<sup>st</sup> GST Council meeting was held in Delhi on 27<sup>th</sup> August 2020 under the chairmanship of the Honorable Finance Minister of India Smt. Nirmala Sitharaman.



### **Large Gap in GST compensation to states:**

This year, due to the corona virus pandemic, a large gap has arisen in **GST** compensation to states, which is expected at ₹2.35 lakh crore, as per the Finance Secretary Sh. Anurag Thakur.

Out of this, the gap of ₹97,000 crore has arisen due to the implementation of GST, and the rest due to COVID-19.

### **Alternative ways of GST compensation to states:**

In view of the above, the GST meeting has discussed about 2 alternative ways of Compensating States.

The 2 options of compensating states that were discussed during the 5-hour-long meeting are listed below:

- **Option 1:** To provide a special window to states, in consultation with RBI, to provide the ₹97,000 crore at a reasonable rate of interest; this money can then be repaid after 5 years from the collection of cess.

- **Option 2:** Entire GST compensation gap of ₹2,35,000 crore of this year can be met by the states, in consultation with RBI.

The states asked for 7 working days to consider the above options. However, the above options will be available only during the current year. This may be intimated in the successive GST Council meeting very soon.

In the words of the Finance Minister-

***“An Act Of God May Result In Economic Contraction This Fiscal Year”***

Once an arrangement is agreed upon by the GST Council, the government can proceed towards clearing these dues besides taking care of the rest of the financial year. These options will be available only for this year, in April 2021. Further, the GST Council will review and decide on the action for the 5th year.

### **Impact of COVID-19 on GST Collection:**

As per the Finance Secretary Sh. Anurag Thakur, the GST Collections have been severely impacted this FY due to COVID-19:

Collection of Goods and Services Tax has been severely impacted this year due to the coronavirus pandemic.

Nevertheless, the Centre released over ₹ 1.65 lakh crore as GST compensation to states for FY 2019-20. This includes ₹ 13,806 crore for the month of March.

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