

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:700

ANSWERED ON:25.11.2011

CST COMPENSATION TO STATES

Kanubhai Patel Jayshreeben;Rathwa Shri Ramsinhbhai Patalbhai

Will the Minister of FINANCE be pleased to state:

- (a) whether the guidelines for payment of compensation to States for loss of Central Sales Tax (CST) revenue in financial year 2010-11 have been finalized;
- (b) if so, whether the empowered committee of States Finance Ministers (EC) has suggested appropriate formula for working out payable compensation for loss of CST revenue in the year 2010-11;
- (c) if so, the details thereof; and
- (d) the time by which compensation to the States for the loss of CST revenue for the year 2010-11 is likely to be released?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) No, Madam.

(b) & (c) The Empowered Committee of State Finance Ministers (EC) has suggested that compensation may be paid as per the existing guidelines dated 22nd August, 2008.

(d) The Government has agreed to compensate States for the loss of CST revenue of the year 2010-11 also, pending finalization of guidelines for payment of such compensation, after deducting the likely gains to the States due to increase in VAT rate from 4% to 5% from the amount admissible as per 22nd August, 2008 guidelines. The 50% of this admissible amount has already been released and the balance 50% admissible amount is to be released shortly.