

# Bill Summary

## The Goods and Services Tax (Compensation to States) Amendment Bill, 2018

- The Goods and Services Tax (Compensation to States) Amendment Bill, 2018 was introduced in Lok Sabha by the Minister of Finance, Mr. Piyush Goyal on August 7, 2018. It amends the Goods and Services Tax (Compensation to States) Act, 2017. The Act provides for compensation to states for any loss in revenue due to the implementation of GST.
- **Compensation Fund:** The Act allows the central government to levy a GST Compensation Cess on the supply of certain goods and services. The receipts from the cess are deposited to a GST Compensation Fund. The amount deposited in the Fund is used to compensate states for any loss in revenue following the implementation of GST.
- Under the Act, any unutilised amount in the Compensation Fund at the end of the transition period (five years from the date on which the state brings its State GST Act into force) is distributed in the following manner: (i) 50% of the amount is shared between the states in proportion to their total revenue, and (ii) remaining 50% is a part of the centre's divisible pool of taxes.
- The Bill inserts a provision specifying that any unutilised amount (as recommended by the GST Council) in the Compensation Fund at any time during the transition period will be distributed in the following manner: (i) 50% of the amount will be shared between the states in proportion to their base year revenue (2015-16), and (ii) remaining 50% will be part of the centre's divisible pool of taxes.
- The Act specifies that compensation payable to states has to be released at the end of every two months. The Bill states that in case of shortfall in this amount of compensation, it may be recovered in the following manner: (i) 50% of the amount from the centre, and (ii) the remaining 50% from the states in proportion to their base year revenue. However, this amount should not exceed the total amount transferred to the centre and states.

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