

# GST bill to go to Cabinet soon to include compensation formula

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The Bill in its present form provides that the Centre will give 100 per cent compensation to states for first three years, 75 per cent and 50 per cent for the next two years. (Reuters)

The Finance Ministry will soon move the Cabinet with changes in the GST Constitutional Amendment Bill providing for full compensation to states for first five years of roll out of the new indirect tax regime.

At a meeting with his state counterparts, Finance Minister [Arun Jaitley](#) has agreed to include in the Bill the mechanism of compensating states for all loss of revenue for five years.

The Bill in its present form provides that the Centre will give 100 per cent compensation to states for first three years, 75 per cent and 50 per cent for the next two years.

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However, the Select Committee of the Rajya Sabha had in its report recommended 100 per cent compensation for probable



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loss of revenue for five years.

“The bill incorporating the changes in the wordings regarding compensation mechanism will go to Cabinet.



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Thereafter it will be taken up for discussion in the Rajya Sabha,” an official source said.



Arun Jaitley

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changes in GST bill  
with Congress: FM

Terming it a very big development, Chairman of the Empowered Committee of State Finance Ministers Amit Mitra had yesterday said that appropriate wordings on compensation would give confidence to the states regarding Centre.

“I cannot go into details of the wordings, I can only give you spirit of it. States are satisfied that in the constitutional amendment the wording (will be provided) by which states will be guaranteed five years of compensation if there is any loss of revenue,” Mitra said.

The government plans to roll out GST by April 1, 2017, and is working overtime to build consensus to get the Bill passed in the ongoing Monsoon Session of Parliament ending on August 12.

With **Congress** demand of getting GST rate capped in the Bill delaying its passage, the Centre yesterday built a broad consensus with the states that the rates should not be mentioned in constitution and instead could figure in GST law.

It was also assured that the tax rate in the new regime, which is to be decided by the GST Council, will be less than what it is at present.

In the new regime, there will be one Central GST or C-GST and State GST or S-GST. States levy sales tax or VAT on goods sold within their jurisdiction and get a Central Sales Tax (CST) on sales made outside their territories.

This CST will no longer be available in the new regime and a 1 per cent additional tax was proposed to make up for that.