

GST COMPENSATION NEED FOR STATES TO SPIKE MULTI-FOLD



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GST compensation requirement to the states will shoot up to Rs 4.1 lakh crore in FY21 with the collections by states shrinking by 30 per cent.

The state governments' GST compensation requirement will move up from Rs 1.7 lakh crore in FY20 to Rs 4.1 lakh crore in the current fiscal, as per the calculations of rating agency Ibra.

Ibra expects the state goods and services tax (SGST) collections of the state governments to contract by 30 per cent to Rs 3.5 lakh crore in FY21 from Rs 5 lakh crore in FY20 due to lower consumption of non-essential items owing to Covid-19 pandemic.

With the protected revenues of the states estimated at Rs. 7.7 lakh crore, there will be a multi-fold spike in GST compensation requirement.