

States' CST loss might dominate panel meet

The contentious issue of compensating states for CST (Central Sales Tax) loss is set to dominate the two-day meet of the empowered committee of state finance ministers here on GST (Goods & Service Tax). The meet is scheduled on January 28-29.

“The issue of compensation against CST loss has emerged as the major bone of contention between the Centre and the states. All states have been vehemently demanding compensation. The issue is going to dominate the agenda at the upcoming meet of state finance ministers,” said a source.

In the last meeting of the empowered committee in the capital in December, states had said the Centre should not prune CST payout on the plea that some governments have benefited by raising the floor rate of VAT (value added tax) to five per cent from four per cent. While most states have raised the base VAT rate to five per cent, some have even increased the general rate of 12.5 per cent, also called the revenue-neutral rate.

At a recent pre-Budget meet convened by the finance ministry with state finance ministers, Odisha reiterated its demand for CST compensation. State finance minister Prasanna Acharya held that Odisha had lost about Rs 800 crore in the last two years on account of the CST rate reduction to two per cent from four per cent.

To settle the row, a committee was constituted with representatives from central and state governments to address the contentious issue of compensation. The report will be considered in the coming meet of the empowered committee.

The meeting will also discuss the report of another committee to evolve a consensus on a design of GST. Moreover, it will review the latest position on VAT and non-VAT revenue collection by states in the April-December period of this fiscal.

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