

## GST Compensation - West Bengal & Kerala finally opt for Option-1

By TIOL News Service

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Bengal and Kerala have finally communicated their acceptance of Option-1 to meet the revenue shortfall arising out of GST implementation. The number of States who have chosen this option has gone up to 25. All the 3 Union Territories with Legislative Assembly (i.e. Delhi, Jammu & Kashmir and Puducherry) have also decided in favour of Option-1.

The States & Union Territories who choose Option-1 are getting the amount of shortfall arising out of GST implementation through a special borrowing window put in place by the Government of India. The window has been operationalised since 23rd October, 2020 and the Government of India has already borrowed an amount of Rs.24,000 crore on behalf of the States in four instalments and passed it on to the States and Union Territories, who chose Option -1 on 23rd October, 2020, 2nd November, 2020, 9th November, 2020 and 23rd November, 2020. Now the State of Kerala and West Bengal will also receive funds raised through this window starting from the next round of borrowings.

Under the terms of Option-1, besides getting the facility of a special window for borrowings to meet the shortfall arising out of GST implementation, the States are also entitled to get unconditional permission to borrow the final instalment of 0.50% of Gross State Domestic Product (GSDP) out of the 2% additional borrowings permitted by the Government of India, under Atmnirbhar Abhiyaan on 17th May, 2020. This is over and above the Special Window of Rs.1.1 lakh crore. On receipt of the choice of Option-1 from the Government of Kerala and West Bengal, the Government of India has granted additional borrowing permission of Rs.4,522 crore to the State Government of Kerala (0.5% of Kerala's GSDP) and Rs.6,787 crore to the State Government of West Bengal (0.5% of West Bengal's GSDP) .