

## All states choose Option-1 to meet GST compensation shortfall

By TIOL News Service

NEW DELHI, DEC 05, 2020: THE

Jharkhand government has finally decided to accept the Centre's Option-1 to meet the revenue shortfall arising out of the GST implementation.

**On receipt of the choice of Option-1, the government of India has granted additional borrowing permission of Rs 1,765 crore to the state government of Jharkhand (0.5% of Jharkhand's GSDP),"** the Ministry of Finance (MoF) said today.

The Centre had in August given states the option to borrow either Rs 97,000 crore from a special window facilitated by the Reserve Bank of India (RBI) or Rs 2.35 lakh crore from the market. With Jharkhand's decisions, all 28 states and the 3 union territories with legislatures have decided in favour of Option-1.

Under Option-1, states were provided with a special borrowing window which was operationalised in October 2020. States are entitled to borrowing Rs 1.1 lakh crore and also get unconditional permission to borrow the final instalment of 0.5% of Gross State Domestic Product (GSDP). In addition, they are also eligible to carry forward their unutilised borrowing space to the next financial year.

The government has already borrowed an amount of Rs 30,000 crore on behalf of the states in five instalments and passed it on to those who chose Option-1.

The state of Jharkhand will also receive funds raised through this window starting from the next round of borrowing on 7 December, 2020.

The projected total GST compensation shortfall in the current fiscal stands at Rs 2.35 lakh crore.