

# GST Compensation Cess

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In news

Recently, the Chairperson of the Fifteenth Finance Commission N.K. Singh said that Compensation cess to stay till states' dues are met

## About GST Compensation Cess

- GST Compensation Cess is levied under the Goods and Services Tax (Compensation to States) Act, 2017
- The act was enacted to levy Compensation cess **for providing compensation to the States for the loss of revenue** arising on account of implementation of the goods and services tax
- Cess is levied with effect from 01-07-2017, upto 5 years or for such period as may be prescribed on the recommendations of the GST Council

## Cess on imported goods

The compensation cess on goods imported into India shall be levied and collected in accordance with the provisions of section 3 of the Customs Tariff Act, 1975, at the point when duties of customs are levied on the said goods under section 12 of the Customs Act, 1962, on a value determined under the Customs Tariff Act, 1975.

## Cess is not charged upon the following:

- Compensation Cess will not be charged on goods exported by an exporter under bond and the exporter will be eligible for a refund of the input tax credit of Compensation Cess relating to goods exported.
- In case goods have been exported on the payment of Compensation Cess the exporter will be eligible for a refund of Compensation Cess paid on goods exported by

him.

- Compensation cess shall not be leviable on supplies made by a taxable person who has decided to opt for composition levy

### **Input Tax Credit:**

The input tax credit in respect of compensation cess on supply of goods or services can be utilised only towards payment of the compensation cess on supply of goods or services.

### **Valuation if Cess to be levied on value:**

In case the compensation cess is chargeable on any supply of goods or services or both with reference to their value, then for each such supply, the value has to be determined under section 15 of the Central Goods and Services Tax Act, 2017.