

Law and Provisions

THE GOODS AND SERVICES TAX (COMPENSATION TO STATES) ACT, 2017

NO. 15 OF 2017

[12th April, 2017.]

Preface

Section 1(3) of the Act Provides that It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

The Central Government had appointed the 1st day of July, 2017, as the date on which all the provisions of the said Act shall come into force vide [Notification No. 1/2017 – Goods and Services Tax Compensation Dated 28th June, 2017](#).

Further the Act has been amended w.e.f. 2nd day of September, 2017 vide [Goods and Services Tax \(Compensation to States\) Amendment Act, 2017 \(NO. 9 OF 2018\) Dated 19th January 2018](#).

The Central Government had appointed the 1st day of February, 2019 as the date on which the provisions of the Goods and Services Tax (Compensation to States) Amendment Act, 2018 (34 of 2018) shall come into force vide [Notification No. 1/2019 – Goods and Services Tax Compensation Dated 29th January, 2019](#).

Further Section 14 of Goods and Services Tax (Compensation to States) Act, 2017 has been amended vide clause 140 of Finance Act, 2020 (NO. 12 of 2020) Dated 27th March 2020.

THE GOODS AND SERVICES TAX (COMPENSATION TO STATES) ACT, 2017

NO. 15 OF 2017

[12th April, 2017.]

An Act to provide for compensation to the States for the loss of revenue arising on account of implementation of the goods and services tax in pursuance of the provisions of the Constitution (One Hundred and First Amendment) Act, 2016.

BE it enacted by Parliament in the Sixty-eighth Year of the Republic of India as follows:—

1.1 Short title, extent and commencement [Section 1]

1(1)	01.07.2017 to till date	This Act may be called the Goods and Services Tax (Compensation to States) Act, 2017.
1(2)	01.07.2017 to till date	It extends to the whole of India.
1(3)	01.07.2017 to till date	It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

2.1 Definitions. [Section 2] –

2(1)	01.07.2017 to till date	In this Act, unless the context otherwise requires,—	
	(a)	01.07.2017 to till date	“ central tax ” means the central goods and services tax levied and collected under the Central Goods and Services Tax Act;
	(b)	01.07.2017 to till date	“ Central Goods and Services Tax Act ” means the Central Goods and Services Tax Act, 2017;
	(c)	01.07.2017 to till date	“ cess ” means the goods and services tax compensation cess levied under section 8;
	(d)	01.07.2017 to till date	“ compensation ” means an amount, in the form of goods and services tax compensation, as determined under section 7;
	(e)	01.07.2017 to till date	“ Council ” means the Goods and Services Tax Council constituted under the provisions of article 279A of the Constitution;
	(f)	01.07.2017 to till date	“ Fund ” means the Goods and Services Tax Compensation Fund referred to in section 10;
	(g)	01.07.2017 to till date	“ input tax ” in relation to a taxable person, means,—
	(i)		cess charged on any supply of goods or services or both made to him;

		(ii) cess charged on import of goods and includes the cess payable on reverse charge basis;				
(h)	01.07.2017 to till date	“ Integrated Goods and Services Tax Act ” means the Integrated Goods and Services Tax Act, 2017;				
(i)	01.07.2017 to till date	“ integrated tax ” means the integrated goods and services tax levied and collected under the Integrated Goods and Services Tax Act;				
(j)	01.07.2017 to till date	“ prescribed ” means prescribed by rules made, on the recommendations of the Council, under this Act;				
(k)	01.07.2017 to till date	“ projected growth rate ” means the rate of growth projected for the transition period as per section 3;				
(l)	01.07.2017 to till date	“ Schedule ” means the Schedule appended to this Act;				
(m)	01.07.2017 to till date	“ State ” means,— <table border="1" style="margin-left: 20px;"> <tr> <td>(i)</td> <td>for the purposes of sections 3, 4, 5, 6 and 7 the States as defined under the Central Goods and Services Tax Act; and</td> </tr> <tr> <td>(ii)</td> <td>for the purposes of sections 8, 9, 10, 11, 12, 13 and 14 the States as defined under the Central Goods and Services Tax Act and the Union territories as defined under the Union Territories Goods and Services Tax Act;</td> </tr> </table>	(i)	for the purposes of sections 3, 4, 5, 6 and 7 the States as defined under the Central Goods and Services Tax Act; and	(ii)	for the purposes of sections 8, 9, 10, 11, 12, 13 and 14 the States as defined under the Central Goods and Services Tax Act and the Union territories as defined under the Union Territories Goods and Services Tax Act;
(i)	for the purposes of sections 3, 4, 5, 6 and 7 the States as defined under the Central Goods and Services Tax Act; and					
(ii)	for the purposes of sections 8, 9, 10, 11, 12, 13 and 14 the States as defined under the Central Goods and Services Tax Act and the Union territories as defined under the Union Territories Goods and Services Tax Act;					
(n)	01.07.2017 to till date	“ State tax ” means the State goods and services tax levied and collected under the respective State Goods and Services Tax Act;				
(o)	01.07.2017 to till date	“ State Goods and Services Tax Act ” means the law to be made by the State Legislature for levy and collection of tax by the concerned State on supply of goods or services or both;				
(p)	01.07.2017 to till date	“ taxable supply ” means a supply of goods or services or both which is chargeable to the cess under this Act;				
(q)	01.07.2017 to till date	“ transition date ” shall mean, in respect of any State, the date on which the State Goods and Services Tax Act of the concerned State comes into force;				
(r)	01.07.2017 to till date	“ transition period ” means a period of five years from the transition date; and				
(s)	01.07.2017 to till date	“ Union Territories Goods and Services Tax Act ” means the Union Territories Goods and Services Tax Act, 2017.				
2(2)	01.07.2017 to till date	The words and expressions used and not defined in this Act but defined in the Central Goods and Services Tax Act and the Integrated Goods and Services Tax Act shall have the meanings respectively assigned to them in those Acts.				

3.1 Projected growth rate [Section 3]

3	01.07.2017 to till date	The projected nominal growth rate of revenue subsumed for a State during the transition period shall be fourteen per cent. per annum.
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4.1 Base year [Section 4]

4	01.07.2017 to till date	For the purpose of calculating the compensation amount payable in any financial year during the transition period, the financial year ending 31st March, 2016, shall be taken as the base year.
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5.1 Base year revenue [Section 5]

5(1)	01.07.2017 to till date	<p>Subject to the provision of sub-sections (2), (3), (4), (5) and (6), the base year revenue for a State shall be the sum of the revenue collected by the State and the local bodies during the base year, on account of the taxes levied by the respective State or Union and net of refunds, with respect to the following taxes, imposed by the respective State or Union, which are subsumed into goods and services tax, namely:—</p> <table border="1" style="width: 100%;"> <tr> <td style="text-align: center;">(a)</td> <td>the value added tax, sales tax, purchase tax, tax collected on works contract, or any other tax levied by the concerned State under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution;</td> </tr> <tr> <td style="text-align: center;">(b)</td> <td>the central sales tax levied under the Central Sales Tax Act, 1956;</td> </tr> <tr> <td style="text-align: center;">(c)</td> <td>the entry tax, octroi, local body tax or any other tax levied by the concerned State under the erstwhile entry 52 of List-II (State List) of the Seventh Schedule to the Constitution;</td> </tr> <tr> <td style="text-align: center;">(d)</td> <td>the taxes on luxuries, including taxes on entertainments, amusements, betting and gambling or any other tax levied by the concerned State under the erstwhile entry 62 of List-II (State List) of the Seventh Schedule to the Constitution;</td> </tr> <tr> <td style="text-align: center;">(e)</td> <td>the taxes on advertisement or any other tax levied by the concerned State under the erstwhile entry 55 of List-II (State List) of the Seventh Schedule to the Constitution;</td> </tr> <tr> <td style="text-align: center;">(f)</td> <td>the duties of excise on medicinal and toilet preparations levied by the Union but collected and retained by the concerned State Government under the erstwhile article 268 of the Constitution;</td> </tr> </table>	(a)	the value added tax, sales tax, purchase tax, tax collected on works contract, or any other tax levied by the concerned State under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution;	(b)	the central sales tax levied under the Central Sales Tax Act, 1956;	(c)	the entry tax, octroi, local body tax or any other tax levied by the concerned State under the erstwhile entry 52 of List-II (State List) of the Seventh Schedule to the Constitution;	(d)	the taxes on luxuries, including taxes on entertainments, amusements, betting and gambling or any other tax levied by the concerned State under the erstwhile entry 62 of List-II (State List) of the Seventh Schedule to the Constitution;	(e)	the taxes on advertisement or any other tax levied by the concerned State under the erstwhile entry 55 of List-II (State List) of the Seventh Schedule to the Constitution;	(f)	the duties of excise on medicinal and toilet preparations levied by the Union but collected and retained by the concerned State Government under the erstwhile article 268 of the Constitution;
(a)	the value added tax, sales tax, purchase tax, tax collected on works contract, or any other tax levied by the concerned State under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution;													
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(f)	the duties of excise on medicinal and toilet preparations levied by the Union but collected and retained by the concerned State Government under the erstwhile article 268 of the Constitution;													

		(g) any cess or surcharge or fee leviable under entry 66 read with entries 52, 54,55 and 62 of List-II of the Seventh Schedule to the Constitution by the State Government under any Act notified under sub-section (4), prior to the commencement of the provisions of the Constitution (One Hundred and First Amendment) Act, 2016:								
First Proviso	01.07.2017 to till date	<p>Provided that the revenue collected during the base year in a State, net of refunds, under the following taxes shall not be included in the calculation of the base year revenue for that State, namely:—</p> <table border="1"> <tr> <td>(a)</td> <td>any taxes levied under any Act enacted under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution, prior to the coming into force of the provisions of the Constitution (One Hundred and First Amendment) Act, 2016, on the sale or purchase of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas, aviation turbine fuel and alcoholic liquor for human consumption;</td> </tr> <tr> <td>(b)</td> <td>tax levied under the Central Sales Tax Act, 1956, on the sale or purchase of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas, aviation turbine fuel and alcoholic liquor for human consumption;</td> </tr> <tr> <td>(c)</td> <td>any cess imposed by the State Government on the sale or purchase of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas, aviation turbine fuel and alcoholic liquor for human consumption; and</td> </tr> <tr> <td>(d)</td> <td>the entertainment tax levied by the State but collected by local bodies, under any Act enacted under the erstwhile entry 62 of List-II (State List) of the Seventh Schedule to the Constitution, prior to coming into force of the provisions of the Constitution (One Hundred and First Amendment) Act, 2016.</td> </tr> </table>	(a)	any taxes levied under any Act enacted under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution, prior to the coming into force of the provisions of the Constitution (One Hundred and First Amendment) Act, 2016, on the sale or purchase of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas, aviation turbine fuel and alcoholic liquor for human consumption;	(b)	tax levied under the Central Sales Tax Act, 1956, on the sale or purchase of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas, aviation turbine fuel and alcoholic liquor for human consumption;	(c)	any cess imposed by the State Government on the sale or purchase of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas, aviation turbine fuel and alcoholic liquor for human consumption; and	(d)	the entertainment tax levied by the State but collected by local bodies, under any Act enacted under the erstwhile entry 62 of List-II (State List) of the Seventh Schedule to the Constitution, prior to coming into force of the provisions of the Constitution (One Hundred and First Amendment) Act, 2016.
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(d)	the entertainment tax levied by the State but collected by local bodies, under any Act enacted under the erstwhile entry 62 of List-II (State List) of the Seventh Schedule to the Constitution, prior to coming into force of the provisions of the Constitution (One Hundred and First Amendment) Act, 2016.									
5(2)	01.07.2017 to till date	In respect of the State of Jammu and Kashmir, the base year revenue shall include the amount of tax collected on sale of services by the said State Government during the base year.								
5(3)	01.07.2017 to till date	In respect of the States mentioned in sub-clause (g) of clause (4) of article 279A of the Constitution, the amount of revenue foregone on account of exemptions or remission given by the said State Governments to promote industrial investment in the State, with respect to such specific taxes referred to in sub-section (1), shall be included in the total base year revenue of the State, subject to such conditions as may be prescribed.								

5(4)	01.07.2017 to till date	<p>The Acts of the Central Government and State Governments under which the specific taxes are being subsumed into the goods and services tax shall be such as may be notified⁵.</p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p>1. Notification No. 1/2018 dated 14.11.2018 which notifies the list of Acts of Central Government and State Governments under which specified taxes are being subsumed into the Goods and Services Tax.</p> </div>
5(5)	01.07.2017 to till date	The base year revenue shall be calculated as per sub-sections (1), (2), (3) and (4) on the basis of the figures of revenue collected and net of refunds given in that year, as audited by the Comptroller and Auditor-General of India.
5(6)	01.07.2017 to till date	In respect of any State, if any part of revenues mentioned in sub-sections (1), (2),(3) and (4) are not credited in the Consolidated Fund of the respective State, the same shall be included in the total base year revenue of the State, subject to such conditions as may be prescribed.

6.1 Projected revenue for any year [Section 6]

6	01.07.2017 to till date	<p>The projected revenue for any year in a State shall be calculated by applying the projected growth rate over the base year revenue of that State.</p> <p>Illustration.—If the base year revenue for 2015-16 for a concerned State, calculated as per section 5 is one hundred rupees, then the projected revenue for financial year 2018-19 shall be as follows—</p> <p><i>Projected Revenue for 2018-19=100 (1+14/100)³</i></p>
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7.1 Calculation and release of compensation [Section 7]

7(1)	01.07.2017 to till date	The compensation under this Act shall be payable to any State during the transition period.
7(2)	01.07.2017 to till date	The compensation payable to a State shall be provisionally calculated and released at the end of every two months period, and shall be finally calculated for every financial year after the receipt of final revenue figures, as audited by the Comptroller and Auditor-General of India:
First Proviso	01.07.2017 to till date	Provided that in case any excess amount has been released as compensation to a State in any financial year during the transition period, as per the audited figures of revenue collected, the excess amount so released shall be

		adjusted against the compensation amount payable to such State in the subsequent financial year.												
7(3)	01.07.2017 to till date	<p>The total compensation payable for any financial year during the transition period to any State shall be calculated in the following manner, namely:—</p> <table border="1"> <tr> <td>(a)</td> <td>the projected revenue for any financial year during the transition period, which could have accrued to a State in the absence of the goods and services tax, shall be calculated as per section 6;</td> </tr> <tr> <td>(b)</td> <td>the actual revenue collected by a State in any financial year during the transition period shall be— <table border="1"> <tr> <td>(i)</td> <td>the actual revenue from State tax collected by the State, net of refunds given by the said State under Chapters XI and XX of the State Goods and Services Tax Act;</td> </tr> <tr> <td>(ii)</td> <td>the integrated goods and services tax apportioned to that State; and</td> </tr> <tr> <td>(iii)</td> <td>any collection of taxes on account of the taxes levied by the respective State under the Acts specified in sub-section (4) of section 5, net of refund of such taxes,</td> </tr> </table> <p>as certified by the Comptroller and Auditor-General of India;</p> </td> </tr> <tr> <td>(c)</td> <td>the total compensation payable in any financial year shall be the difference between the projected revenue for any financial year and the actual revenue collected by a State referred to in clause (b).</td> </tr> </table>	(a)	the projected revenue for any financial year during the transition period, which could have accrued to a State in the absence of the goods and services tax, shall be calculated as per section 6;	(b)	the actual revenue collected by a State in any financial year during the transition period shall be— <table border="1"> <tr> <td>(i)</td> <td>the actual revenue from State tax collected by the State, net of refunds given by the said State under Chapters XI and XX of the State Goods and Services Tax Act;</td> </tr> <tr> <td>(ii)</td> <td>the integrated goods and services tax apportioned to that State; and</td> </tr> <tr> <td>(iii)</td> <td>any collection of taxes on account of the taxes levied by the respective State under the Acts specified in sub-section (4) of section 5, net of refund of such taxes,</td> </tr> </table> <p>as certified by the Comptroller and Auditor-General of India;</p>	(i)	the actual revenue from State tax collected by the State, net of refunds given by the said State under Chapters XI and XX of the State Goods and Services Tax Act;	(ii)	the integrated goods and services tax apportioned to that State; and	(iii)	any collection of taxes on account of the taxes levied by the respective State under the Acts specified in sub-section (4) of section 5, net of refund of such taxes,	(c)	the total compensation payable in any financial year shall be the difference between the projected revenue for any financial year and the actual revenue collected by a State referred to in clause (b).
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(c)	the total compensation payable in any financial year shall be the difference between the projected revenue for any financial year and the actual revenue collected by a State referred to in clause (b).													
7(4)	01.07.2017 to 31.01.2019	<p>The loss of revenue at the end of every two months period in any year for a State during the transition period shall be calculated, at the end of the said period, in the following manner, namely:—</p> <table border="1"> <tr> <td>(a)</td> <td>the projected revenue that could have been earned by the State in absence of the goods and services tax till the end of the relevant two months period of the respective financial year shall be calculated on a <i>pro-rata</i> basis as a percentage of the total projected revenue for any financial year during the transition period, calculated in accordance with section 6.</td> </tr> </table> <p>Illustration.—If the projected revenue for any year calculated in accordance with section 6 is one hundred rupees, for calculating the projected revenue that could be earned till the end of the</p>	(a)	the projected revenue that could have been earned by the State in absence of the goods and services tax till the end of the relevant two months period of the respective financial year shall be calculated on a <i>pro-rata</i> basis as a percentage of the total projected revenue for any financial year during the transition period, calculated in accordance with section 6.										
(a)	the projected revenue that could have been earned by the State in absence of the goods and services tax till the end of the relevant two months period of the respective financial year shall be calculated on a <i>pro-rata</i> basis as a percentage of the total projected revenue for any financial year during the transition period, calculated in accordance with section 6.													

		<p>period of ten months for the purpose of this sub-section shall be $100 \times (5/6) = \text{Rs.}83.33$;</p> <p>(b) the actual revenue collected by a State till the end of relevant two months period in any financial year during the transition period shall be—</p> <table border="1" data-bbox="687 456 1358 864"> <tr> <td data-bbox="687 456 762 591">(i)</td> <td data-bbox="762 456 1358 591">the actual revenue from State tax collected by the State, net of refunds given by the State under Chapters XI and XX of the State Goods and Services Tax Act;</td> </tr> <tr> <td data-bbox="687 591 762 725">(ii)</td> <td data-bbox="762 591 1358 725">the integrated goods and services tax apportioned to that State, as certified by the Principal Chief Controller of Accounts of the Central Board of Excise and Customs; and</td> </tr> <tr> <td data-bbox="687 725 762 864">(iii)</td> <td data-bbox="762 725 1358 864">any collection of taxes levied by the said State, under the Acts specified in sub-section (4) of section 5, net of refund of such taxes;</td> </tr> </table> <p>(c) the provisional compensation payable to any State at the end of the relevant two months period in any financial year shall be the difference between the projected revenue till the end of the relevant period in accordance with clause (a) and the actual revenue collected by a State in the said period as referred to in clause (b), reduced by the provisional compensation paid to a State till the end of the previous two months period in the said financial year during the transition period.</p>	(i)	the actual revenue from State tax collected by the State, net of refunds given by the State under Chapters XI and XX of the State Goods and Services Tax Act;	(ii)	the integrated goods and services tax apportioned to that State, as certified by the Principal Chief Controller of Accounts of the Central Board of Excise and Customs; and	(iii)	any collection of taxes levied by the said State, under the Acts specified in sub-section (4) of section 5, net of refund of such taxes;
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(iii)	any collection of taxes levied by the said State, under the Acts specified in sub-section (4) of section 5, net of refund of such taxes;							
01.02.2019 to till date		<p>The loss of revenue at the end of every two months period in any year for a State during the transition period shall be calculated, at the end of the said period, in the following manner, namely:—</p> <table border="1" data-bbox="601 1541 1377 2011"> <tr> <td data-bbox="601 1541 676 2011">(a)</td> <td data-bbox="676 1541 1377 2011"> <p>the projected revenue that could have been earned by the State in absence of the goods and services tax till the end of the relevant two months period of the respective financial year shall be calculated on a <i>pro-rata</i> basis as a percentage of the total projected revenue for any financial year during the transition period, calculated in accordance with section 6.</p> <p>Illustration.—If the projected revenue for any year calculated in accordance with section 6 is one hundred rupees, for calculating the projected revenue that could be earned till the end of the period of ten months for the purpose of this sub-section shall be $100 \times (5/6) = \text{Rs.}83.33$;</p> </td> </tr> </table>	(a)	<p>the projected revenue that could have been earned by the State in absence of the goods and services tax till the end of the relevant two months period of the respective financial year shall be calculated on a <i>pro-rata</i> basis as a percentage of the total projected revenue for any financial year during the transition period, calculated in accordance with section 6.</p> <p>Illustration.—If the projected revenue for any year calculated in accordance with section 6 is one hundred rupees, for calculating the projected revenue that could be earned till the end of the period of ten months for the purpose of this sub-section shall be $100 \times (5/6) = \text{Rs.}83.33$;</p>				
(a)	<p>the projected revenue that could have been earned by the State in absence of the goods and services tax till the end of the relevant two months period of the respective financial year shall be calculated on a <i>pro-rata</i> basis as a percentage of the total projected revenue for any financial year during the transition period, calculated in accordance with section 6.</p> <p>Illustration.—If the projected revenue for any year calculated in accordance with section 6 is one hundred rupees, for calculating the projected revenue that could be earned till the end of the period of ten months for the purpose of this sub-section shall be $100 \times (5/6) = \text{Rs.}83.33$;</p>							

		<p>(b) the actual revenue collected by a State till the end of relevant two months period in any financial year during the transition period shall be—</p> <table border="1"> <tr> <td>(i)</td> <td>the actual revenue from State tax collected by the State, net of refunds given by the State under Chapters XI and XX of the State Goods and Services Tax Act;</td> </tr> <tr> <td>(ii)</td> <td>the integrated goods and services tax apportioned to that State, as certified by the Principal Chief Controller of Accounts of the ¹[Central Board of Indirect Taxes and Customs]; and</td> </tr> <tr> <td colspan="2" style="text-align: center;"> <p>Notes</p> <p>1. Substituted w.e.f. 1st February 2019 for the words “Central Board of Excise and Customs” vide section 2 of the Goods and Services Tax (Compensation to States) Amendment Act, 2018 (NO. 34 OF 2018) Dated 29th August, 2018 vide Notification No. 1/2019 – Goods and Services Tax Compensation Dated 29th January, 2019.</p> </td> </tr> <tr> <td>(iii)</td> <td>any collection of taxes levied by the said State, under the Acts specified in sub-section (4) of section 5, net of refund of such taxes;</td> </tr> </table>	(i)	the actual revenue from State tax collected by the State, net of refunds given by the State under Chapters XI and XX of the State Goods and Services Tax Act;	(ii)	the integrated goods and services tax apportioned to that State, as certified by the Principal Chief Controller of Accounts of the ¹ [Central Board of Indirect Taxes and Customs]; and	<p>Notes</p> <p>1. Substituted w.e.f. 1st February 2019 for the words “Central Board of Excise and Customs” vide section 2 of the Goods and Services Tax (Compensation to States) Amendment Act, 2018 (NO. 34 OF 2018) Dated 29th August, 2018 vide Notification No. 1/2019 – Goods and Services Tax Compensation Dated 29th January, 2019.</p>		(iii)	any collection of taxes levied by the said State, under the Acts specified in sub-section (4) of section 5, net of refund of such taxes;
(i)	the actual revenue from State tax collected by the State, net of refunds given by the State under Chapters XI and XX of the State Goods and Services Tax Act;									
(ii)	the integrated goods and services tax apportioned to that State, as certified by the Principal Chief Controller of Accounts of the ¹ [Central Board of Indirect Taxes and Customs]; and									
<p>Notes</p> <p>1. Substituted w.e.f. 1st February 2019 for the words “Central Board of Excise and Customs” vide section 2 of the Goods and Services Tax (Compensation to States) Amendment Act, 2018 (NO. 34 OF 2018) Dated 29th August, 2018 vide Notification No. 1/2019 – Goods and Services Tax Compensation Dated 29th January, 2019.</p>										
(iii)	any collection of taxes levied by the said State, under the Acts specified in sub-section (4) of section 5, net of refund of such taxes;									
		<p>(c) the provisional compensation payable to any State at the end of the relevant two months period in any financial year shall be the difference between the projected revenue till the end of the relevant period in accordance with clause (a) and the actual revenue collected by a State in the said period as referred to in clause (b), reduced by the provisional compensation paid to a State till the end of the previous two months period in the said financial year during the transition period.</p>								
7(5)	01.07.2017 to till date	In case of any difference between the final compensation amount payable to a State calculated in accordance with the provisions of sub-section (3) upon receipt of the audited revenue figures from the Comptroller and Auditor-General of India, and the total provisional compensation amount released to a State in the said financial year in accordance with the provisions of sub-section (4), the same shall be								

		adjusted against release of compensation to the State in the subsequent financial year.
7(6)	01.07.2017 to till date	Where no compensation is due to be released in any financial year, and in case any excess amount has been released to a State in the previous year, this amount shall be refunded by the State to the Central Government and such amount shall be credited to the Fund in such manner as may be prescribed.

8.1 Levy and collection of cess [Section 8]

8(1)	01.07.2017 to till date	<p>There shall be levied a cess on such intra-State supplies of goods or services or both, as provided for in section 9 of the Central Goods and Services Tax Act, and such inter-State supplies of goods or services or both as provided for in section 5 of the Integrated Goods and Services Tax Act, and collected in such manner as may be prescribed, on the recommendations of the Council, for the purposes of providing compensation to the States for loss of revenue arising on account of implementation of the goods and services tax with effect from the date from which the provisions of the Central Goods and Services Tax Act is brought into force, for a period of five years or for such period as may be prescribed[§] on the recommendations of the Council:</p> <div style="border: 1px solid black; padding: 5px; margin-left: 20px;"> <p>1. Notification No. 1/2022–Compensation Cess dated 24th June, 2022 has notified that the period for levy and collection of cess under sub-section (1) of section 8 of the Goods and Services Tax (Compensation to States) Act, 2017 shall be upto the 31st March, 2026.</p> </div>
First Proviso	01.07.2017 to till date	Provided that no such cess shall be leviable on supplies made by a taxable person who has decided to opt for composition levy under section 10 of the Central Goods and Services Tax Act.
8(2)	01.07.2017 to till date	The cess shall be levied on such supplies of goods and services as are specified in column (2) of the Schedule, on the basis of value, quantity or on such basis at such rate not exceeding the rate set forth in the corresponding entry in column (4) of the Schedule, as the Central Government may, on the recommendations of the Council, by notification in the Official Gazette, specify:
First Proviso	01.07.2017 to till date	Provided that where the cess is chargeable on any supply of goods or services or both with reference to their value, for each such supply the value shall be determined under section 15 of the Central Goods and Services Tax Act for all intra-State and inter-State supplies of goods or services or both:

Second Proviso	01.07.2017 to till date	Provided further that the 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.
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8.1.1.1 Departmental Notification LEVY AND COLLECTION OF COMPENSATION CESS – RATES OF CESS FOR SPECIFIED GOODS

[Notification No. 1/2017 Compensation Cess \(Rate\), Dated 28th June, 2017](#) as amended [Corrigendum GSR 760\(E\), Dated 30-6-2017](#), [Notification Nos. 3/2017-Compensation Cess \(Rate\), Dated 18-7-2017](#), [5/2017-Compensation Cess \(Rate\), Dated 11-9-2017](#), [1/2018-Compensation Cess \(Rate\), Dated 25-1-2018](#), [2/2018-Compensation Cess \(Rate\), Dated 26-7-2018](#), [Corrigendum GSR 734\(E\), Dated 2-8-2018](#), [2/2019-Compensation Cess \(Rate\), Dated 30-9-2019](#), [01/2021-Compensation Cess \(Rate\), dated 30-09-2021](#) , [Notification No. 2/2021-Compensation Cess \(Rate\) dated 28th December, 2021](#) , [Notification No. 1/ 2023-Compensation Cess \(Rate\) dated 28th February, 2023](#), [Notification No. No. 2/ 2023-Compensation Cess \(Rate\) dated 31st March, 2023](#) and [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023](#) - The Central Government, on the recommendations of the Council, hereby notifies the rate of cess as specified in column (4) of the Schedule appended to this notification, that shall be levied on the intra-State supplies or inter-State supplies of such goods, the description of which is specified in the corresponding entry in column (3) and falling under the tariff item, sub-heading, heading or Chapter, as the case may be, as specified in the corresponding entry in column (2) of the said Schedule.

SCHEDULE

S. No.	Chapter /Heading /Sub-heading/ Tariff item	Description of Goods	Rate of goods and services tax compensation cess
(1)	(2)	(3)	(4)
1.	2106 90 20	⁴⁶ [Pan Masala with declared retail sale price]	¹ [0.32R per unit]
⁴⁷ [1A	2106 90 20	Pan Masala, other than goods covered under S. No. 1 above	60%]
2.	2202 10 10	Aerated waters	12%
3.	2202 10 20	Lemonade	12%

4.	2202 10 90	Others	12%
² [4A]	2202 99 90	Caffeinated Beverages	12%]
³ [4B.	2202	Carbonated Beverages of Fruit Drink or Carbonated Beverages with Fruit Juice.	12%]
5.	2401	Unmanufactured tobacco (without lime tube) - bearing a brand name ⁴⁸ [with declared retail sale price]	⁴ [0.36R per unit]
⁴⁹ [5A	2401	Unmanufactured tobacco (without lime tube)– bearing a brand name, other than goods covered under S. No. 5 above	71%]
6.	2401	Unmanufactured tobacco (with lime tube) - bearing a brand name ⁵⁰ [with declared retail sale price]	⁵ [0.36R per unit]
⁵¹ [6A	2401	Unmanufactured tobacco (with lime tube)– bearing a brand name, other than goods covered under S. No. 6 above	65%]
7.	2401 30 00	Tobacco refuse, bearing a brand name ⁵² [with declared retail sale price]	⁶ [0.32R per unit]
⁵³ [7A	2401 30 00	Tobacco refuse, bearing a brand name, other than goods covered under S. No. 7 above	61%]
8.	2402 10 10	Cigar and cheroots	21% or Rs. 4170 per thousand, whichever is higher
9.	2402 10 20	Cigarillos	21% or Rs. 4170 per thousand, whichever is higher
10.	2402 20 10	Cigarettes containing tobacco other than filter cigarettes, of length not exceeding 65 millimetres	⁷ [5% + Rs. 2076 per thousand]

11.	2402 20 20	Cigarettes containing tobacco other than filter cigarettes, of length exceeding 65 millimetres but not exceeding 75 millimetres	⁷ [5% + Rs. 3668 per thousand]
12.	2402 20 30	Filter cigarettes of length (including the length of the filter, the length of filter being 11 millimetres or its actual length, whichever is more) not exceeding 65 millimetres	⁷ [5% + Rs. 2076 per thousand]
13.	2402 20 40	Filter cigarettes of length (including the length of the filter, the length of filter being 11 millimetres or its actual length, whichever is more) exceeding 65 millimetres but not exceeding 70 millimetres	⁷ [5% + Rs. 2747 per thousand]
14.	2402 20 50	Filter cigarettes of length (including the length of the filter, the length of filter being 11 millimetres or its actual length, whichever is more) exceeding 70 millimetres but not exceeding 75 millimetres	⁷ [5% + Rs. 3668 per thousand]
15.	2402 20 90	Other cigarettes containing tobacco	⁷ [36% + Rs. 4170 per thousand]
16.	2402 90 10	Cigarettes of tobacco substitutes	Rs. 4006 per thousand
17.	2402 90 20	Cigarillos of tobacco substitutes	12.5% or Rs. 4,006 per thousand whichever is higher
18.	2402 90 90	Other	12.5% or Rs. 4,006 per thousand whichever is higher
19.	2403 11 10	'Hookah' or 'gudaku' tobacco bearing a brand name ⁵⁴ [with declared retail sale price]	⁸ [0.36R per unit]
⁵⁵ [19A]	2403 11 10	'Hookah' or 'gudaku' tobacco, bearing a brand name, other than goods covered under S. No. 19 above	72%]

20.	2403 11 10	Tobacco used for smoking 'hookah' or 'chilam' commonly known as 'hookah' tobacco or 'gudaku' not bearing a brand name ⁵⁶ [with declared retail sale price]	⁹ [0.12R per unit]
⁵⁷ [20A	2403 11 10	Tobacco used for smoking 'hookah' or 'chilam' commonly known as 'hookah' tobacco or 'gudaku', not bearing a brand name, other than goods covered under S. No. 20 above	17%]
21.	2403 11 90	Other water pipe smoking tobacco not bearing a brand name ⁵⁸ [with declared retail sale price]	¹⁰ [0.08R per unit]
⁵⁹ [21A	2403 11 90	Other water pipe smoking tobacco, not bearing a brand name, other than goods covered under S. No. 21 above	11%]
22.	2403 19 10	⁶⁰ [Smoking mixtures for pipes and cigarettes, with declared retail sale price]	¹¹ [0.69R per unit]
⁶¹ [22A.	2403 19 10	Smoking mixtures for pipes and cigarettes, other than goods covered under S. No. 22 above	290%]
23.	2403 19 90	Other smoking tobacco bearing a brand name ⁶² [with declared retail sale price]	¹² [0.28R per unit]
⁶³ [23A	2403 19 90	Other smoking tobacco bearing a brand name, other than goods covered under S. No. 23 above	49%]
24.	2403 19 90	Other smoking tobacco not bearing a brand name ⁶⁴ [with declared retail sale price]	¹³ [0.08R per unit]
⁶⁵ [24A	2403 19 90	Other smoking tobacco, not bearing a brand name, other than goods covered under S. No. 24 above	11%]
24B	2403 91 00	“Homogenised” or “reconstituted” tobacco, bearing a brand name with declared retail sale price	0.36R per unit

24C	2403 91 00	"Homogenised" or "reconstituted" tobacco, bearing a brand name, other goods covered under S. No. 24 B above	72%]
25.	¹⁵ [2404 11 00]	"Homogenised" or "reconstituted" tobacco, bearing a brand name	72%
26.	2403 99 10	⁶⁶ [Chewing tobacco (without lime tube), with declared retail sale price]	¹⁶ [0.56R per unit]
⁶⁷ [26A	2403 99 10	Chewing tobacco (without lime tube), other than goods covered under S. No. 26 above	160%]
27.	2403 99 10	⁶⁸ [Chewing tobacco (with lime tube), with declared retail sale price]	¹⁷ [0.56R per unit]
⁶⁹ [27A	2403 99 10	Chewing tobacco (with lime tube), other than goods covered under S. No. 27 above	142%]
28.	2403 99 10	⁷⁰ [Filter khaini, with declared retail sale price]	¹⁸ [0.56R per unit]
⁷¹ [28A	2403 99 10	Filter khaini, other than goods covered under S. No. 28 above	160%]
29.	2403 99 20	⁷² [Preparations containing chewing tobacco, with declared retail sale price]	¹⁹ [0.36R per unit]
⁷³ [29A	2403 99 20	Preparations containing chewing tobacco, other than goods covered under S. No. 29 above	72%]
30.	2403 99 30	⁷⁴ [Jarda scented tobacco, with declared retail sale price]	²⁰ [0.56R per unit]
⁷⁵ [30A	2403 99 30	Jarda scented tobacco, other than goods covered under S. No. 30 above	160%]
31.	2403 99 40	⁷⁶ [Snuff, with declared retail sale price]	²¹ [0.36R per unit]
⁷⁷ [31A	2403 99 40	Snuff, other than goods covered under S. No. 31 above	72%]
32.	2403 99 50	⁷⁸ [Preparations containing snuff, with declared retail sale price]	²² [0.36R per unit]
⁷⁹ [32A	2403 99 50	Preparations containing snuff, other than goods covered under S. No. 32 above	72%]

33.	2403 99 60	Tobacco extracts and essence bearing a brand name ⁸⁰ [with declared retail sale price]	²³ [0.36R per unit]
⁸¹ [33A]	2403 99 60	Tobacco extracts and essence, bearing a brand name, other than good covered under S. No. 33 above	72%]
34.	2403 99 60	Tobacco extracts and essence not bearing a brand name ⁸² [with declared retail sale price]	²⁴ [0.36R per unit]
⁸³ [34A]	2403 99 60	Tobacco extracts and essence, not bearing a brand name, other than goods covered under S. No. 34 above	65%]
35.	2403 99 70	⁸⁴ [Cut tobacco, with declared retail sale price]	²⁵ [0.14R per unit]
⁸⁵ [35A]	2403 99 70	Cut tobacco, other than goods covered under S. No. 35 above	20%]
36.	2403 99 90	⁸⁶ [Pan masala containing tobacco 'Gutkha', with declared retail sale price]	²⁶ [0.61R per unit]
⁸⁷ [36A]	2403 99 90	Pan masala containing tobacco 'Gutkha', other than goods covered under S. No. 36 above	204%]
⁸⁸ [36B]	2403 99 90	All goods, other than pan masala containing tobacco 'gutkha', bearing a brand name, with declared retail sale price	0.43R per unit]
⁸⁹ [36C]	2403 99 90	All goods, other than pan masala containing tobacco 'gutkha', bearing a brand name, other than good covered under S. No. 36B above	96%
36D	2403 99 90	All goods, other than pan masala containing tobacco 'gutkha', not bearing a brand name, with declared retail sale price	0.43R per unit
36E	2403 99 90	All goods, other than pan masala containing tobacco 'gutkha', not bearing a brand name, other than goods covered under S. No. 36D above	89%]

37.	²⁹ [2404 11 00, 2404 19 00]	All goods, other than pan masala containing tobacco 'gutkha', bearing a brand name	96%
38.	³⁰ [2404 11 00, 2404 19 00]	All goods, other than pan masala containing tobacco 'gutkha', not bearing a brand name	89%
39.	2701	Coal; briquettes, ovoids and similar solid fuels manufactured from coal.	Rs. 400 per tonne
40.	2702	Lignite, whether or not agglomerated, excluding jet	Rs. 400 per tonne
41.	2703	Peat (including peat litter), whether or not agglomerated	Rs. 400 per tonne
³¹ [41A.	27	³² {Coal rejects supplied to a coal washery or by a coal washery, arising out of coal on which compensation cess has been paid and input tax credit thereof has not been availed by any person}	Nil]
42.	8702 10, ³³ [8702 20, 8702 30, 8702 90]	³⁴ [Motor vehicles for the transport of not more than 13 persons, including the driver, other than the vehicles of the description mentioned in S. Nos. 50 and 51]	15%
³⁵ [42A.	87	All old and used motor vehicles. Explanation: Nothing contained in this entry shall apply if the supplier of such goods has availed input tax credit as defined in clause (63) of section 2 of the Central Goods and Services Tax Act, 2017, CENVAT credit as defined in CENVAT Credit Rules, 2004, or the input tax credit of Value Added Tax or any other taxes paid on such vehicles.	Nil]
³⁶ [42B.	87	Fuel Cell Motor Vehicles	Nil]
43.	³⁷ [8702 or 8703]	Motor vehicles cleared as ambulances duly fitted with all the fitments, furniture and accessories necessary for an ambulance from the factory manufacturing such motor vehicles	Nil

44.	8703 10 10, 8703 80	Electrically operated vehicles, including three wheeled electric motor vehicles.	Nil
45.	8703	Three wheeled vehicles	Nil
46.	8703	³⁸ [Following motor vehicles of length not exceeding 4000 mm, namely:— (a) Petrol, Liquefied petroleum gases (LPG) or compressed natural gas (CNG) driven vehicles of engine capacity not exceeding 1200 cc; and (b) Diesel driven vehicles of engine capacity not exceeding 1500 cc for persons with orthopedic physical disability, subject to the condition that an officer not below the rank of Deputy Secretary to the Government of India in the Department of Heavy Industries certifies that the said goods shall be used by the persons with orthopedic physical disability in accordance with the guidelines issued by the said Department.]	Nil
³⁹ [47.	8703 40, 8703 60	Following vehicles, with both spark-ignition internal combustion reciprocating piston engine and electric motor as motors for propulsion:	
		(a) Motor vehicles cleared as ambulances duly fitted with all the fitments, furniture and accessories necessary for an ambulance from the factory manufacturing such motor vehicles	Nil
		(b) Three wheeled vehicles	Nil
		(c) Motor vehicles of engine capacity not exceeding 1200cc and of length not exceeding 4000 mm	Nil
		(d) Motor vehicles other than those mentioned at (a), (b) and (c) above.	15%

		Explanation.—For the purposes of this entry, the specification of the motor vehicle shall be determined as per the Motor Vehicles Act, 1988 (59 of 1988) and the rules made thereunder.	
48.	8703 50, 8703 70	Following vehicles, with both compression-ignition internal combustion piston engine [diesel-or semi diesel] and electric motor as motors for propulsion:	
		(a) Motor vehicles cleared as ambulances duly fitted with all the fitments, furniture and accessories necessary for an ambulance from the factory manufacturing such motor vehicles	Nil
		(b) Three wheeled vehicles	Nil
		(c) Motor vehicles of engine capacity not exceeding 1500 cc and of length not exceeding 4000 mm	Nil
		(d) Motor vehicles other than those mentioned at (a), (b) and (c) above. Explanation.—For the purposes of this entry, the specification of the motor vehicle shall be determined as per the Motor Vehicles Act, 1988 (59 of 1988) and the rules made thereunder.	15%]
49.	8703	Hydrogen vehicles based on fuel cell tech and of length not exceeding 4000 mm. Explanation. —For the purposes of this entry, the specification of the motor vehicle shall be determined as per the Motor Vehicles Act, 1988 (59 of 1988) and the rules made thereunder.	Nil

50.	⁴⁰ [8702, 8703 21 or 8703 22]	Petrol, Liquefied Petroleum Gases (LPG) or compressed natural gas (CNG) driven motor vehicles of engine capacity not exceeding 1200cc and of length not exceeding 4000 mm. Explanation.—For the purposes of this entry, the specification of the motor vehicle shall be determined as per the Motor Vehicles Act, 1988 (59 of 1988) and the rules made thereunder.	1%
51.	⁴¹ [8702, 8703 31]	Diesel driven motor vehicles of engine capacity not exceeding 1500cc and of length not exceeding 4000 mm. Explanation.—For the purposes of this entry, the specification of the motor vehicle shall be determined as per the Motor Vehicles Act, 1988 (59 of 1988) and the rules made thereunder	3%
⁴² [52.	8703	Motor vehicles of engine capacity not exceeding 1500cc	17%
52A.	8703	Motor vehicles of engine capacity exceeding 1500cc other than motor vehicles specified against entry at S. No. 52B	20%
52B.	8703	⁹⁰ [Motor vehicles known as Utility Vehicles, by whatever name called including Sports Utility Vehicles (SUV), Multi Utility Vehicles (MUV), Multi-purpose vehicles (MPV) or Cross-Over Utility Vehicles (XUV), with engine capacity exceeding 1500 cc ; Length exceeding 4000 mm and Ground Clearance of 170 mm and above. Explanation: For the purpose of this entry, the Ground Clearance means ground clearance in unladen condition.]	22%]

53.	8711	Motorcycles of engine capacity exceeding 350cc.	3%
54.	⁴³ [8802 or 8806]	Other aircraft (for example, helicopters, aeroplanes), for personal use.	3%
55.	8903	Yacht and other vessels for pleasure or sports.	3%
56.	Any Chapter	All goods other than those mentioned at S. Nos. 1 to 55 above.	Nil

Explanation.—

- (1) In this Schedule, "tariff item", "heading", "sub-heading" and "Chapter" shall mean respectively a tariff item, heading, sub-heading and Chapter as specified in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975).
- (2) The rules for the interpretation of the First Schedule to the said Customs Tariff Act, 1975, including the Section and Chapter Notes and the General Explanatory Notes of the First Schedule shall, so far as may be, apply to the interpretation of this notification.
- (3) For the purposes of this notification, the phrase "brand name" means brand name or trade name, whether registered or not, that is to say, a name or a mark, such as symbol, monogram, label, signature or invented word or writing which is used in relation to such specified goods for the purpose of indicating, or so as to indicate a connection in the course of trade between such specified goods and some person using such name or mark with or without any indication of the identity of that person.
- ⁴⁴[(4) For the purposes of this notification, "R" appearing in column (4) means "retail sale price" as provided in the Schedule to the Goods and Services Tax (Compensation to States) Act, 2017 (15 of 2017).]
- ⁹¹[(5) For the purposes of this notification, the words "declared retail sale price", with respect to the goods specified in column (3) of the Schedule above, shall mean the retail sale price of such goods which are required to be declared in compliance with the provisions of the Legal Metrology Act, 2009 (1 of 2010) or the rules made thereunder or under any other law for the time being in force

⁴⁵[Illustration: Calculation of goods and services tax compensation cess on Pan Masala (S. No. 1 in the Schedule above):

Rate of goods and services tax compensation cess = 0.32R per unit;

If retail sale price of unit (pouch) of Pan Masala = Rs. 10;

goods and services tax compensation cess leviable = 0.32R = 0.32*10 = Rs. 3.2 per unit (pouch)]

Notes

1. Substituted w.e.f. 01.04.2023 against S. No. 1, for the entry in column (4) - "60%", the entry "0.32R per unit" vide [Notification No. No. 2/ 2023-Compensation Cess \(Rate\) dated 31st March, 2023](#).
2. Inserted w.e.f. 1-10-2019 vide [Notification No. 2/2019-Compensation Cess \(Rate\), dated 30-9-2019](#).
3. Inserted w.e.f. 1-10-2021 vide [Notification No. 1/2021-Compensation Cess \(Rate\), dated 30-9-2021](#).
4. Substituted w.e.f. 01.04.2023 against S. No. 5 – "71%" , for the entry in column (4), the entry "0.36R per unit" vide [Notification No. No. 2/ 2023-Compensation Cess \(Rate\) dated 31st March, 2023](#).
5. Substituted w.e.f. 01.04.2023 against S. No. 6, for the entry in column (4) – "65%", the entry "0.36R per unit" vide [Notification No. No. 2/ 2023-Compensation Cess \(Rate\) dated 31st March, 2023](#).
6. Substituted w.e.f. 01.04.2023 against S. No. 7 – "61%", for the entry in column (4), the entry "0.32R per unit" vide [Notification No. No. 2/ 2023-Compensation Cess \(Rate\) dated 31st March, 2023](#).
7. Substituted w.e.f. 18-7-2017 vide [Notification No. 3/2017-Compensation Cess \(Rate\), dated 18-7-2017](#) as -
 - (i) against S. No. 10, for the entry in column (4) "5% + Rs.1591 per thousand", the entry "5% + Rs. 2076 per thousand" substituted;
 - (ii) against S. No. 11, for the entry in column (4) "5% + Rs.2876 per thousand", the entry "5%+ Rs. 3668 per thousand " substituted;
 - (iii) against S. No. 12, for the entry in column (4) "5% + Rs.1591 per thousand", the entry "5% + Rs. 2076 per thousand" substituted.
 - (iv) against S. No. 13, for the entry in column (4) "5% + Rs.2126 per thousand", the entry "5% + Rs. 2747 per thousand" substituted;
 - (v) against S. No. 14, for the entry in column (4) "5% + Rs.2876 per thousand", the entry "5% + Rs. 3668 per thousand" substituted;
 - (vi) against S. No. 15, for the entry in column (4) "5% + Rs.4170 per thousand", the entry "36% + Rs. 4170 per thousand" substituted.
8. Substituted w.e.f. 01.04.2023 against S. No. 19, for the entry in column (4) – "72%", the entry "0.36R per unit" vide [Notification No. No. 2/ 2023-Compensation Cess \(Rate\) dated 31st March, 2023](#).
9. Substituted w.e.f. 01.04.2023 against S. No. 20, for the entry in column (4) – "17%", the entry "0.12R per unit" vide [Notification No. No. 2/ 2023-Compensation Cess \(Rate\) dated 31st March, 2023](#).
10. Substituted w.e.f. 01.04.2023 against S. No. 21, for the entry in column (4) – "11%", the entry "0.08R per unit" vide [Notification No. No. 2/ 2023-Compensation Cess \(Rate\) dated 31st March, 2023](#).
11. Substituted w.e.f. 01.04.2023 against S. No. 22, for the entry in column (4) – "290%", the entry "0.69R per unit" vide [Notification No. No. 2/ 2023-Compensation Cess \(Rate\) dated 31st March, 2023](#).
12. Substituted w.e.f. 01.04.2023 against S. No. 23, for the entry in column (4) – "49%", the entry "0.28R per unit" vide [Notification No. No. 2/ 2023-Compensation Cess \(Rate\) dated 31st March, 2023](#).

- 13 Substituted w.e.f. 01.04.2023 against S. No. 24, for the entry in column (4) – “11%”, the entry “0.08R per unit” vide [Notification No. No. 2/ 2023-Compensation Cess \(Rate\) dated 31st March, 2023](#).
- 14 Inserted w.e.f. 01.04.2023 vide [Notification No. No. 2/ 2023-Compensation Cess \(Rate\) dated 31st March, 2023](#).
- 15 Substituted w.e.f. 01.04.2023 against S. No. 25, for the entry in column (2), the entry “2404 11 00” vide [Notification No. No. 2/ 2023-Compensation Cess \(Rate\) dated 31st March, 2023](#).
16. Substituted w.e.f. 01.04.2023 against S. No. 26, for the entry in column (4) – “160%”, the entry “0.56R per unit” vide [Notification No. No. 2/ 2023-Compensation Cess \(Rate\) dated 31st March, 2023](#).
- 17 Substituted w.e.f. 01.04.2023 against S. No. 27, for the entry in column (4) – “142%”, the entry “0.56R per unit” vide [Notification No. No. 2/ 2023-Compensation Cess \(Rate\) dated 31st March, 2023](#).
- 18 Substituted w.e.f. 01.04.2023 against S. No. 28, for the entry in column (4) – “160%”, the entry “0.56R per unit” vide [Notification No. No. 2/ 2023-Compensation Cess \(Rate\) dated 31st March, 2023](#).
- 19 Substituted w.e.f. 01.04.2023 against S. No. 29, for the entry in column (4) – “72%”, the entry “0.36R per unit” vide [Notification No. No. 2/ 2023-Compensation Cess \(Rate\) dated 31st March, 2023](#).
- 20 Substituted w.e.f. 01.04.2023 against S. No. 30, for the entry in column (4)- “ 160%”, the entry “0.56R per unit” vide [Notification No. No. 2/ 2023-Compensation Cess \(Rate\) dated 31st March, 2023](#).
- 21 Substituted w.e.f. 01.04.2023 against S. No. 31, for the entry in column (4) – “72%”, the entry “0.36R per unit” vide [Notification No. No. 2/ 2023-Compensation Cess \(Rate\) dated 31st March, 2023](#).
- 22 Substituted w.e.f. 01.04.2023 against S. No. 32, for the entry in column (4) – “72%”, the entry “0.36R per unit” vide [Notification No. No. 2/ 2023-Compensation Cess \(Rate\) dated 31st March, 2023](#).
- 23 Substituted w.e.f. 01.04.2023 against S. No. 33, for the entry in column (4)- “72%”, the entry “0.36R per unit” vide [Notification No. No. 2/ 2023-Compensation Cess \(Rate\) dated 31st March, 2023](#).
- 24 Substituted w.e.f. 01.04.2023 against S. No. 34, for the entry in column (4) – “65%”, the entry “0.36R per unit” vide [Notification No. No. 2/ 2023-Compensation Cess \(Rate\) dated 31st March, 2023](#).
- 25 Substituted w.e.f. 01.04.2023 against S. No. 35, for the entry in column (4) – “20%”, the entry “0.14R per unit” vide [Notification No. No. 2/ 2023-Compensation Cess \(Rate\) dated 31st March, 2023](#).
- 26 Substituted w.e.f. 01.04.2023 against S. No. 36, for the entry in column (4) – “204%”, the entry “0.61R per unit” vide [Notification No. No. 2/ 2023-Compensation Cess \(Rate\) dated 31st March, 2023](#).
- 27 Inserted w.e.f. 01.04.2023 vide [Notification No. No. 2/ 2023-Compensation Cess \(Rate\) dated 31st March, 2023](#).
- 28 Inserted w.e.f. 01.04.2023 vide [Notification No. No. 2/ 2023-Compensation Cess \(Rate\) dated 31st March, 2023](#).
29. Substituted w.e.f. 01.04.2023 against S. No. 37, for the entry in column (2), the entry “2404 11 00, 2404 19 00” vide [Notification No. No. 2/ 2023-Compensation Cess \(Rate\) dated 31st March, 2023](#).
30. Substituted w.e.f. 01.04.2023 against S. No. 38, for the entry in column (2), the entry “2404 11 00, 2404 19 00” vide [Notification No. No. 2/ 2023-Compensation Cess \(Rate\) dated 31st March, 2023](#).
31. Inserted w.e.f.27-7-2018 vide [Notification No. 2/2018-Compensation Cess \(Rate\), Dated 26-7-2018](#).
32. Substituted w.e.f. 01.03.2023 for the entry read as “Coal rejects supplied by a coal washery, arising out of coal on which compensation cess has been paid [and] input tax credit thereof has not been availed by any person.” vide [Notification No. 1/ 2023-Compensation Cess \(Rate\) dated 28th February, 2023](#).
33. Inserted vide [Corrigendum GSR 760\(E\), dated 30-6-2017](#).
34. Substituted w.e.f.1-10-2019 for "Motor vehicles for the transport of [not more than 13] persons, including the driver" vide [Notification No. 2/2019-Compensation Cess \(Rate\), dated 30-9-2019](#). Earlier, the words “ten or more”, were substituted vide [Corrigendum GSR 760\(E\), dated 30-6-2017](#).

35. Inserted w.e.f.25-1-2018 vide [Notification No. 1/2018-Compensation Cess \(Rate\), dated 25-1-2018.](#)
36. Inserted w.e.f.27-7-2018 vide [Notification No. 2/2018-Compensation Cess \(Rate\), dated 26-7-2018.](#)
37. Substituted w.e.f.25-1-2018 for "8703" vide [Notification No. 1/2018-Compensation Cess \(Rate\), dated 25-1-2018.](#)
38. Substituted w.e.f.1-10-2019 vide [Notification No. 2/2019-Compensation Cess \(Rate\), dated 30-9-2019.](#) Earlier, The entry in column (3) read as under :
"Cars for physically handicapped persons, subject to the following conditions:
(a) an officer not below the rank of Deputy Secretary to the Government of India in the Department of Heavy Industries certifies that the said goods are capable of being used by the physically handicapped persons;
and
(b) the buyer of the car gives an affidavit that he shall not dispose of the car for a period of five years after its purchase."
39. Substituted vide [Notification No. 5/2017-Compensation Cess \(Rate\), dated 11-9-2017.](#)
40. Substituted w.e.f. 1-10-2019 for "8703 21 or 8703 22" vide [Notification No. 2/2019-Compensation Cess \(Rate\), dated 30-9-2019.](#)
41. Substituted w.e.f. 1-10-2019 for "8703 31" vide [Notification No. 2/2019-Compensation Cess \(Rate\), dated 30-9-2019.](#)
42. Sl. No. 52 substituted by Sl. Nos. 52, 52A and 52B vide [Notification No. 5/2017-Compensation Cess \(Rate\), dated 11-9-2017.](#)
43. Substituted w.e.f. 01.01.2022 for the entry in column (2), "8802" vide [Notification No. 2/2021-Compensation Cess \(Rate\) dated 28th December, 2021.](#)
44. Inserted w.e.f. 01.04.2023 vide [Notification No. No. 2/ 2023-Compensation Cess \(Rate\) dated 31st March, 2023.](#)
45. Inserted w.e.f. 01.04.2023 vide [Notification No. No. 2/ 2023-Compensation Cess \(Rate\) dated 31st March, 2023.](#)
46. Substituted w.e.f. 27.07.2023 for the entry in column (3) "Pan-masala", vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
47. Inserted w.e.f. 27.07.2023 vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
48. Inserted w.e.f. 27.07.2023 vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
49. Inserted w.e.f. 27.07.2023 vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
50. Inserted w.e.f. 27.07.2023 vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
51. Inserted w.e.f. 27.07.2023 vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
52. Inserted w.e.f. 27.07.2023 vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
53. Inserted w.e.f. 27.07.2023 vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
54. Inserted w.e.f. 27.07.2023 vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
55. Inserted w.e.f. 27.07.2023 vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
56. Inserted w.e.f. 27.07.2023 vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
57. Inserted w.e.f. 27.07.2023 vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
58. Inserted w.e.f. 27.07.2023 vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
59. Inserted w.e.f. 27.07.2023 vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
60. Substituted w.e.f. 27.07.2023 for the entry in column (3) "Smoking mixtures for pipes and cigarettes" vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
61. Inserted w.e.f. 27.07.2023 vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
62. Inserted w.e.f. 27.07.2023 vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)

63. Inserted w.e.f. 27.07.2023 vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
64. Inserted w.e.f. 27.07.2023 vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
65. Substituted w.e.f. 27.07.2023 for S. No. 24A and the entries relating thereto, vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
66. Substituted w.e.f. 27.07.2023 for the entry in column (3) "Chewing tobacco (without lime tube)" vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
67. Inserted w.e.f. 27.07.2023 vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
68. Substituted w.e.f. 27.07.2023 for the entry in column (3) "Chewing tobacco (with lime tube)" vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
69. Inserted w.e.f. 27.07.2023 vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
70. Substituted w.e.f. 27.07.2023 for the entry in column (3) "Filter khaini, with declared retail sale price" vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
71. Inserted w.e.f. 27.07.2023 vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
72. Substituted w.e.f. 27.07.2023 for the entry in column (3) "Preparations containing chewing tobacco, with declared retail sale price" vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
73. Inserted w.e.f. 27.07.2023 vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
74. Substituted w.e.f. 27.07.2023 for the entry in column (3) "Jarda scented tobacco, with declared retail sale price" vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
75. Inserted w.e.f. 27.07.2023 vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
76. Substituted w.e.f. 27.07.2023 for the entry in column (3) "Snuff, with declared retail sale price" vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
77. Inserted w.e.f. 27.07.2023 vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
78. Substituted w.e.f. 27.07.2023 for the entry in column (3) "Preparations containing snuff, with declared retail sale price" vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
79. Inserted w.e.f. 27.07.2023 vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
80. Inserted w.e.f. 27.07.2023 vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
81. Inserted w.e.f. 27.07.2023 vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
82. Inserted w.e.f. 27.07.2023 vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
83. Inserted w.e.f. 27.07.2023 vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
84. Substituted w.e.f. 27.07.2023 for the entry in column (3) "Cut tobacco, with declared retail sale price" vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
85. Inserted w.e.f. 27.07.2023 vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
86. Substituted w.e.f. 27.07.2023 for the entry in column (3) "Pan masala containing tobacco 'Gutkha'" vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
87. Substituted w.e.f. 27.07.2023 for S. No. 36A and the entries relating thereto, vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
88. Substituted w.e.f. 27.07.2023 for S. No. 36B and the entries relating thereto, vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
89. Inserted w.e.f. 27.07.2023 vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)
90. Substituted w.e.f. 27.07.2023 for the entry in column (3) "Motor vehicles of engine capacity exceeding 1500cc, popularly known as Sports Utility Vehicles (SUVs) including utility vehicles. Explanation.—For the purposes of this entry, SUV includes a motor vehicle of length exceeding 4000 mm and having ground clearance of 170 mm and above." vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)

91. Inserted w.e.f. 27.07.2023 vide [Notification No 3/2023-Compensation Cess \(Rate\) dated 26th July, 2023.](#)

8.1.1.2 Departmental Notification - LEVY AND COLLECTION OF COMPENSATION CESS – RATES OF CESS FOR SPECIFIED SERVICES

[Notification No. 2/2017 Compensation Cess \(Rate\), Dated 28th June, 2017](#) as amended by [Corrigendum GSR 813\(E\), Dated 1-7-2017](#) and [Notification No. 6/2017-Compensation Cess \(Rate\), Dated 13-10-2017](#) - The Central Government has notified that the cess, on the supply of services of description specified in column (2) of the Table below and falling in Chapter, Section, Heading or Group specified in column (3) of the said Table, shall be levied at the rate specified in the corresponding entry in column (4) of the said Table.

TABLE

Sl. No.	Description of Services	Chapter, Section, Heading or Group	Rate (in per-cent)
(1)	(2)	(3)	(4)
1.	Transfer of the right to use any goods for any purpose (whether or not for a specified period) for cash, deferred payment or other valuable consideration	Chapter 99	Same rate of cess as applicable on supply of similar goods involving transfer of title in goods
2.	Transfer of right in goods or of undivided share in goods without the transfer of title thereof	Chapter 99	Same rate of cess as applicable on supply of similar goods involving transfer of title in goods
¹ [2A.	Leasing of motor vehicles purchased and leased prior to 1st July 2017	Chapter 99	65 per cent of the rate of cess as applicable on supply of similar goods involving transfer of title in goods. Note:- Nothing contained in this entry shall apply on or after 1st day of July, 2020.]

3.	Any other supply of services	Chapter 99	Nil
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2. Explanation.—Reference to "Chapter", "Section", "Heading" or "Group", wherever they occur, unless the context otherwise requires, shall mean respectively as "Chapter", "Section" and "Heading" in the scheme of classification of services ²[annexed to Notification No. 11/2017-Central Tax (Rate), published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), dated 28th June 2017, vide number G.S.R. 690(E), dated 28th June, 2017].
3. This notification shall come into force with effect from 1st day of July, 2017.

Notes	
1.	Inserted w.e.f. 13-10-2017 vide Notification No. 6/2017-Compensation Cess (Rate), dated 13-10-2017 .
2.	Inserted by Corrigendum GSR 813(E), dated 1-7-2017 .

8.1.1.3 Departmental Notification - LEVY AND COLLECTION OF COMPENSATION CESS – RATES OF CESS ON MOTOR VEHICLES PURCHASED BY LESSOR PRIOR TO 1-7-2017 AND SUPPLIED ON LEASE BEFORE 1-7-2017

[Notification No. 7/2017-Compensation Cess \(Rate\), Dated 13-10-2017](#) - The Central Government, on the recommendations of the Council, hereby notifies the rate of cess as specified in column 4 of the Table below, falling under the tariff item, sub-heading, heading or Chapter as specified in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975), as the case may be, as specified in the corresponding entry in column (2), of the Table below, at the rate specified in corresponding entry in column (4) and subject to relevant conditions annexed to this notification, if any, specified in the corresponding entry in column (5) of the Table below:

TABLE

Sl. No.	Tariff item, sub-heading, heading or Chapter	Description of Goods	Rate	Condition No.
(1)	(2)	(3)	(4)	(5)
1.	8702, 8703	Motor Vehicles	65% of cess applicable otherwise on such goods under Notification No. 1/2017-Compensation Cess (Rate), dated 28th June, 2017 published in the Gazette of India, Extraordinary, Part II, section 3, sub-	1

			section (i), vide G.S.R. 720 (E), dated the 28th June, 2017.	
2.	8702, 8703	Motor Vehicles	65% of cess applicable otherwise on such goods under Notification No. 1/2017-Compensation Cess (Rate), dated 28th June, 2017 published in the Gazette of India, Extraordinary, Part II, section 3, sub-section (i), vide G.S.R. 720 (E), dated the 28th June, 2017:	2

2. Provided that nothing contained in this notification shall apply on or after 1st July, 2020.

Explanation.—For the purposes of this notification,—

(i) "Tariff item", "sub-heading", "heading" and "Chapter" shall mean respectively a tariff item, heading, sub-heading and Chapter as specified in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975).

(ii) The rules for the interpretation of the First Schedule to the said Customs Tariff Act, 1975, including the Section and Chapter Notes and the General Explanatory Notes of the First Schedule shall, so far as may be, apply to the interpretation of this notification.

ANNEXURE

Condition No.	Condition
1	(i) The Motor Vehicles was purchased by the lesser prior to 1st July, 2017 and supplied on lease before 1st July, 2017
2	(i) The supplier of Motor Vehicle is a registered person. (ii) Such supplier had purchased the Motor Vehicle prior to 1st July, 2017 and has not availed input tax credit of Central Excise Duty, Value Added Tax or any other taxes paid on such vehicles.

8.1.2.1 Departmental Clarification – Clarification regarding applicability of section 16 of the IGST Act, 2017, relating to zero rated supply for the purpose of Compensation Cess on exports - [Circular No.1 /1/2017-Compensation Cess dated 26th July, 2017](#)

The issue of zero rating of exports with reference to Compensation Cess has been examined.

2. In this regard section 8 of the Goods and Services tax (Compensation to States) Act, 2017 hereinafter referred to as [GSTC Act, 2017] provides for levy and collection of Compensation Cess and reads as under:

“8. (1) There shall be levied a cess on such intra-State supplies of goods or services or both, as provided for in section 9 of the Central Goods and Services Tax Act, and such inter State supplies of goods or services or both as provided for in section 5 of the Integrated Goods and Services Tax Act, and collected in such manner as may be prescribed, on the recommendations of the Council, for the purposes of providing compensation to the States for loss of revenue arising on account of implementation of the goods and services tax with effect from the date from which the provisions of the Central Goods and Services Tax Act is brought into force, for a period of five years or for such period as may be prescribed on the recommendations of the Council:

(2) The cess shall be levied on such supplies of goods and services as are specified in column (2) of the Schedule, on the basis of value, quantity or on such basis at such rate not exceeding the rate set forth in the corresponding entry in column (4) of the Schedule, as the Central Government may, on the recommendations of the Council, by notification in the Official Gazette, specify.”

3. Accordingly, based on the recommendation of GST Council, the effective rates of Compensation Cess leviable on various supplies, stand notified vide Notification No.1/2017-Compensation Cess (Rate).

4. Further, as per sub-section (5) of section 7 of IGST Act, 2017, supply of goods or services or both, when the supplier is located in India and place of supply is outside India, will be treated as inter-state supply. Therefore, exports being inter-state supplies, they will be liable to Compensation Cess. This however will not be in line with the principle that no taxes be exported, and exports have to be zero rated.

5. Provisions relating to zero rating of exports are

“16. (1) “zero rated supply” means any of the following supplies of goods or services or both, namely: –

(a) export of goods or services or both; or

(b) supply of goods or services or both to a Special Economic Zone developer or a Special Economic Zone unit.

(2) Subject to the provisions of sub-section (5) of section 17 of the Central Goods and Services Tax Act, credit of input tax may be availed for making zero-rated supplies, notwithstanding that such supply may be an exempt supply.

(3) A registered person making zero rated supply shall be eligible to claim refund under either of the following options, namely: —

(a) he may supply goods or services or both under bond or Letter of Undertaking, subject to such conditions, safeguards and procedure as may be prescribed, without payment of integrated tax and claim refund of unutilised input tax credit; or

(b) he may supply goods or services or both, subject to such conditions, safeguards and procedure as may be prescribed, on payment of integrated tax and claim refund of such tax paid on goods or services or both supplied,

in accordance with the provisions of section 54 of the Central Goods and Services Tax Act or the rules made thereunder”.

6. Moreover, the section 11 of the Goods and Services tax (Compensation to States) Act, 2017, provides that:

11. (1) The provisions of the Central Goods and Services Tax Act, and the rules made thereunder, including those relating to assessment, input tax credit, non-levy, shortlevy, interest, appeals, offences and penalties, shall, as far as may be, mutatis mutandis, apply, in relation to the levy and collection of the cess leviable under section 8 on the intra-State supply of goods and services, as they apply in relation to the levy and collection of central tax on such intra-State supplies under the said Act or the rules made thereunder.

(2) The provisions of the Integrated Goods and Services Tax Act, and the rules made thereunder, including those relating to assessment, input tax credit, non-levy, shortlevy, interest, appeals, offences and penalties, shall, mutatis mutandis, apply in relation to the levy and collection of the cess leviable under section 8 on the inter State supply of goods and services, as they apply in relation to the levy and collection of integrated tax on such inter-State supplies under the said Act or the rules made thereunder:

Provided that the input tax credit in respect of cess on supply of goods and services leviable under section 8, shall be utilised only towards payment of said cess on supply of goods and services leviable under the said section.

7. Therefore, sub-section (2) of section 11 of the Goods and Services tax (Compensation to States) Act, 2017 provides that provisions of Integrated Goods and Services Tax Act, and the rules made thereunder, shall, mutatis mutandis, apply in relation to the levy and collection of the cess leviable under section 8 on the inter-State supply of goods and services, as they apply in relation to the levy and collection of integrated tax on such inter-State supplies under the said Act or the rules made thereunder.

8. In view of the above, it is hereby clarified that provisions of section 16 of the IGST Act, 2017, relating to zero rated supply will apply mutatis mutandis for the purpose of Compensation Cess (wherever applicable), that is to say that:

a) Exporter will be eligible for refund of Compensation Cess paid on goods exported by him [on similar lines as refund of IGST under section 16(3) (b) of the IGST, 2017]; or

b) No Compensation Cess will be charged on goods exported by an exporter under bond and he will be eligible for refund of input tax credit of Compensation Cess relating to goods exported [on similar lines as refund of input taxes under section 16(3) (a) of the IGST, 2017].

9.1 Returns, payments and refunds [Section 9]

9(1)	01.07.2017 to till date	Every taxable person, making a taxable supply of goods or services or both, shall—	
		(a)	pay the amount of cess as payable under this Act in such manner;
		(b)	furnish such returns in such forms, along with the returns to be filed under the Central Goods and Services Tax Act; and
		(c)	apply for refunds of such cess paid in such form, as may be prescribed.
9(2)	01.07.2017 to till date	For all purposes of furnishing of returns and claiming refunds, except for the form to be filed, the provisions of the Central Goods and Services Tax Act and the rules made thereunder, shall, as far as may be, apply in relation to the levy and collection of the cess leviable under section 8 on all taxable supplies of goods or services or both, as they apply in relation to the levy and collection of central tax on such supplies under the said Act or the rules made thereunder.	

9.1.1.1 Departmental Notification - LEVY AND COLLECTION OF COMPENSATION CESS – NO REFUND OF UNUTILISED INPUT TAX CREDIT OF COMPENSATION CESS FOR INVERTED DUTY STRUCTURE FOR TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES

[Notification No. 3/2019-Compensation Cess \(Rate\), Dated 30-9-2019*](#) - The Central Government, on the recommendations of the Council, hereby notifies the goods, the description of which is specified in column (3) of the Table below and falling under the tariff item, heading, sub-heading or Chapter, as the case may be, as specified in the corresponding entry in column (2) of the said Table, in respect of which no refund of unutilised input tax credit of compensation cess shall be allowed, where the credit has accumulated on account of rate of compensation cess on inputs being higher than the rate of compensation cess on the output supplies of such goods (other than nil rated or fully exempt supplies).

TABLE

S. No.	Tariff item, heading, subheading or Chapter	Description of Goods
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(1)	(2)	(3)
1.	24	Tobacco and manufactured tobacco substitutes

Explanation. -

- (1) In this Table, "tariff item", "sub-heading", "heading" and "Chapter" shall mean respectively a tariff item, sub-heading, heading or chapter, as specified in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975).
- (2) The rules for the interpretation of the First Schedule to the said Customs Tariff Act, 1975, including the Section and Chapter Notes and the General Explanatory Notes of the First Schedule shall, so far as may be, apply to the interpretation of this notification.

*** The notification shall be deemed to have, and always to have, for all purposes, come into force on and from the 1st day of July, 2017 vide clause 133 of the Finance Act 2020 (NO. 12 OF 2020).**

.....

10.1 Crediting proceeds of cess to Fund [Section 10]

10(1)	01.07.2017 to till date	The proceeds of the cess leviable under section 8 and such other amounts as may be recommended by the Council, shall be credited to a non-lapsable Fund known as the Goods and Services Tax Compensation Fund, which shall form part of the public account of India and shall be utilised for purposes specified in the said section.
10(2)	01.07.2017 to till date	All amounts payable to the States under section 7 shall be paid out of the Fund.
10(3)	01.07.2017 to till date	Fifty per cent. of the amount remaining unutilised in the Fund at the end of the transition period shall be transferred to the Consolidated Fund of India as the share of Centre, and the balance fifty per cent. shall be distributed amongst the States in the ratio of their total revenues from the State tax or the Union territory goods and services tax, as the case may be, in the last year of the transition period.
¹[10(3A)]	01.02.2019 to till date	Notwithstanding anything contained in sub-section (3), fifty per cent. Of such amount, as may be recommended by the Council, which remains unutilised in the Fund, at any point of time in any financial year during the transition period shall be transferred to the Consolidated Fund of India as the share of Centre, and the balance fifty per cent. shall be distributed amongst the States in the ratio of their base year revenue determined in accordance with the provisions of section 5:]
		Notes

		<p>1. Inserted w.e.f. 1st February 2019 vide section 3 of the Goods and Services Tax (Compensation to States) Amendment Act, 2018 (NO. 34 OF 2018) Dated 29th August, 2018 vide Notification No. 1/2019 – Goods and Services Tax Compensation Dated 29th January, 2019.</p>
¹[First Proviso	01.02.2019 to till date	<p>Provided that in case of shortfall in the amount collected in the Fund against the requirement of compensation to be released under section 7 for any two months' period, fifty per cent. of the same, but not exceeding the total amount transferred to the Centre and the States as recommended by the Council, shall be recovered from the Centre and the balance fifty per cent. from the States in the ratio of their base year revenue determined in accordance with the provisions of section 5.]</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p style="text-align: center;">Notes</p> <p>1. Inserted w.e.f. 1st February 2019 vide section 3 of the Goods and Services Tax (Compensation to States) Amendment Act, 2018 (NO. 34 OF 2018) Dated 29th August, 2018 vide Notification No. 1/2019 – Goods and Services Tax Compensation Dated 29th January, 2019.</p> </div>
10(4)	01.07.2017 to till date	The accounts relating to Fund shall be audited by the Comptroller and Auditor- General of India or any person appointed by him at such intervals as may be specified by him and any expenditure in connection with such audit shall be payable by the Central Government to the Comptroller and Auditor-General of India.
10(5)	01.07.2017 to till date	The accounts of the Fund, as certified by the Comptroller and Auditor-General of India or any other person appointed by him in this behalf together with the audit report thereon shall be laid before each House of Parliament.

11.1 Other provisions relating to cess. [Section 11]

11(1)	01.07.2017 to till date	The provisions of the Central Goods and Services Tax Act, and the rules made thereunder, including those relating to assessment, input tax credit, non-levy, short-levy, interest, appeals, offences and penalties, shall, as far as may be, <i>mutatis mutandis</i> , apply, in relation to the levy and collection of the cess leviable under section 8 on the intra-State supply of goods and services, as they apply in relation to the levy and collection of central tax on such intra-State supplies under the said Act or the rules made thereunder.
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11(2)	01.07.2017 to till date	The provisions of the Integrated Goods and Services Tax Act, and the rules made thereunder, including those relating to assessment, input tax credit, non-levy, short-levy, interest, appeals, offences and penalties, shall, <i>mutatis mutandis</i> , apply in relation to the levy and collection of the cess leviable under section 8 on the inter-State supply of goods and services, as they apply in relation to the levy and collection of integrated tax on such inter-State supplies under the said Act or the rules made thereunder:
First Proviso	01.07.2017 to till date	Provided that the input tax credit in respect of cess on supply of goods and services leviable under section 8, shall be utilised only towards payment of said cess on supply of goods and services leviable under the said section.

11.1.1.1 Departmental Notification - EXEMPTIONS FROM LEVY AND COLLECTION OF COMPENSATION CESS TO INTRA-STATE SUPPLIES OF SECOND HAND GOODS RECEIVED BY A REGISTERED PERSON FROM AN UNREGISTERED SUPPLIER

[Notification No. 4/2017-Compensation Cess \(Rate\), Dated 20-7-2017](#) - The Central Government, on being satisfied that it is necessary in the public interest so to do, on the recommendations of the Council, hereby exempts intra-State supplies of second hand goods received by a registered person, dealing in buying and selling of second hand goods and who pays the goods and services tax compensation cess on the value of outward supply of such second hand goods as determined under sub-rule (5) of rule 32 of the Central Goods and Services Tax Rules, 2017, from any supplier, who is not registered, from the whole of the goods and services tax compensation cess leviable thereon under section 8 of the Goods and Services Tax (Compensation to States) Act, read with sub-section (4) of Section 9 of the Central Goods and Services Tax Act.

11.1.1.2 Departmental Notification EXEMPTION ON GOODS AND SERVICES COMPENSATION CESS ON SUPPLY OF GOODS BY A RETAIL OUTLETS ESTABLISHED IN THE DEPARTURE AREA OF AN INTERNATIONAL AIRPORT BEYOND IMMIGRATION COUNTERS TO AN OUTGOING INTERNATIONAL TOURIST

[Notification No. 1/2019-Compensation Cess \(Rate\) Dated 29-6-2019](#) effective from the 1st day of July, 2019. - The Central Government, on being satisfied that is necessary in the public interest so to do, on the recommendations of the Council, hereby exempts any supply of goods by a retail outlet established in the departure area of an international airport, beyond

the immigration counters, to an outgoing international tourist, from the whole of the goods and services tax compensation cess leviable thereon under section 8 of the Goods and Services tax (Compensation to States) Act.

Explanation.— For the purposes of this notification, the expression "outgoing international tourist" shall mean a person not normally resident in India, who enters India for a stay of not more than six months for legitimate non-immigrant purposes.

12.1 Power to make rules. [Section 12]

12(1)	01.07.2017 to till date	The Central Government shall, on the recommendations of the Council, by notification in the Official Gazette, make rules for carrying out the provisions of this Act.												
12(2)	01.07.2017 to till date	<p>In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:—</p> <table border="1" data-bbox="600 936 1388 1653"> <tr> <td data-bbox="600 936 667 1070">(a)</td> <td data-bbox="667 936 1388 1070">the conditions which were included in the total base year revenue of the States, referred to in sub-clause (g) of clause (4) of article 279A of the Constitution, under sub-section (3) of section 5;</td> </tr> <tr> <td data-bbox="600 1070 667 1240">(b)</td> <td data-bbox="667 1070 1388 1240">the conditions subject to which any part of revenues not credited in the Consolidated Fund of the respective State shall be included in the total base year revenue of the State, under sub-section (6) of section 5;</td> </tr> <tr> <td data-bbox="600 1240 667 1346">(c)</td> <td data-bbox="667 1240 1388 1346">the manner of refund of compensation by the States to the Central Government under sub-section (6) of section 7;</td> </tr> <tr> <td data-bbox="600 1346 667 1451">(d)</td> <td data-bbox="667 1346 1388 1451">the manner of levy and collection of cess and the period of its imposition under sub-section (1) of section 8;</td> </tr> <tr> <td data-bbox="600 1451 667 1556">(e)</td> <td data-bbox="667 1451 1388 1556">the manner and forms for payment of cess, furnishing of returns and refund of cess under sub-section (1) of section 9; and</td> </tr> <tr> <td data-bbox="600 1556 667 1653">(f)</td> <td data-bbox="667 1556 1388 1653">any other matter which is to be, or may be, prescribed, or in respect of which provision is to be made, by rules.</td> </tr> </table>	(a)	the conditions which were included in the total base year revenue of the States, referred to in sub-clause (g) of clause (4) of article 279A of the Constitution, under sub-section (3) of section 5;	(b)	the conditions subject to which any part of revenues not credited in the Consolidated Fund of the respective State shall be included in the total base year revenue of the State, under sub-section (6) of section 5;	(c)	the manner of refund of compensation by the States to the Central Government under sub-section (6) of section 7;	(d)	the manner of levy and collection of cess and the period of its imposition under sub-section (1) of section 8;	(e)	the manner and forms for payment of cess, furnishing of returns and refund of cess under sub-section (1) of section 9; and	(f)	any other matter which is to be, or may be, prescribed, or in respect of which provision is to be made, by rules.
(a)	the conditions which were included in the total base year revenue of the States, referred to in sub-clause (g) of clause (4) of article 279A of the Constitution, under sub-section (3) of section 5;													
(b)	the conditions subject to which any part of revenues not credited in the Consolidated Fund of the respective State shall be included in the total base year revenue of the State, under sub-section (6) of section 5;													
(c)	the manner of refund of compensation by the States to the Central Government under sub-section (6) of section 7;													
(d)	the manner of levy and collection of cess and the period of its imposition under sub-section (1) of section 8;													
(e)	the manner and forms for payment of cess, furnishing of returns and refund of cess under sub-section (1) of section 9; and													
(f)	any other matter which is to be, or may be, prescribed, or in respect of which provision is to be made, by rules.													

12.1.1.1 Departmental Notification - Goods and Services Tax (Period of Levy and Collection of Cess) Rules, 2022. - [Notification No. 1/2022-Compensation Cess dated 24th June, 2022.](#)

G.S.R. 468(E).—In exercise of the powers conferred by sub-section (2) of section 12 read with section 8 of the Goods and Services Tax (Compensation to States) Act, 2017 (15 of 2017),

the Central Government on the recommendations of the Council hereby makes the following rules, namely:-

1. **Short title and commencement.**- (1)These rules may be called the Goods and Services Tax (Period of Levy and Collection of Cess) Rules, 2022.

(2) They shall come into force with effect from the 1st day of July, 2022.

2. **Period for levy and collection of Cess.**- The period for levy and collection of cess under sub-section (1) of section 8 of the Goods and Services Tax (Compensation to States) Act, 2017 shall be upto the 31st March, 2026.

13.1 Laying of rules before Parliament. [Section 13]

13	01.07.2017 to till date	Every rule made under this Act by the Central Government shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.
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14.1 Power to remove difficulties. [Section 14]

14 (1)	01.07.2017 to till date	If any difficulty arises in giving effect to the provisions of this Act, the Central Government may, on the recommendations of the Council, by order published in the Official Gazette, make such provisions, not inconsistent with the provisions of this Act, as appear to it to be necessary or expedient for removing the difficulty:
First Proviso	01.07.2017 to 26.03.2020	Provided that no order shall be made under this section after the expiry of three years from the commencement of this Act.
	27.03.2020 to till date	Provided that no order shall be made under this section after the expiry of ¹ [five years from the commencement of this Act.
<p style="text-align: center;">Notes</p> <p>1. Substituted w.e.f. 27th March 2020 for the words “three years”, vide section 140 of Finance Act, 2020 (NO. 12 of 2020) Dated 27th March 2020.</p>		

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THE SCHEDULE

[See section 8 (2)]

1. In this Schedule, reference to a “tariff item”, “heading”, “sub-heading” and “Chapter”, wherever they occur, shall mean respectively a tariff item, heading, sub-heading and Chapter in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975).

2. The rules for the interpretation of the First Schedule to the Customs Tariff Act, 1975 (51 of 1975), the section and Chapter Notes and the General Explanatory Notes of the First Schedule shall, so far as may be, apply to the interpretation of this Schedule.

S. No.	Description of supply of goods or services	Tariff item, heading, sub-heading, Chapter, or supply of goods or services, as the case may be	The maximum rate at which goods and services tax compensation cess may be collected
1	2	3	4
1	Pan Masala.	2106 90 20	¹ [One hundred and thirty-five per cent. ad valorem.]
2	Tobacco and manufactured tobacco substitutes, including tobacco products	24	² [Four thousand one hundred and seventy rupees per thousand sticks or two hundred and ninety per cent. ad valorem or a combination thereof, but not exceeding four thousand one hundred and seventy rupees per thousand sticks plus two hundred and ninety per cent. ad valorem.]
3	Coal, briquettes, ovoids and similar solid fuels manufactured from coal, lignite, whether or not agglomerated, excluding jet, peat (including peat litter), whether or not agglomerated.	2701, 2702 or 2703	Four hundred rupees per tonne.
4	Aerated waters.	2202 10 10	Fifteen per cent. ad valorem

³ [4A	Motor vehicles for the transport of not more than thirteen persons, including the driver	8702 10, 8702 20, 8702 30 or 8702 90	Twenty-five per cent. Ad valorem.]
5	Motor cars and other motor vehicles principally designed for the transport of persons (other than motor vehicles for the transport of ten or more persons, including the driver), including station wagons and racing cars.	8703	⁴ [Twenty-five per cent. Ad valorem.]
6	Any other supplies.		Fifteen per cent. ad valorem.

⁵[Explanation.—For the purposes of this Schedule,—

(i) "retail sale price" means the maximum price at which the concerned goods in packaged form may be sold to the ultimate consumer and includes all taxes, local or otherwise, freight, transport charges, commission payable to dealers, and all charges towards advertisement, delivery, packing, forwarding and the like and the price is the sole consideration for such sale: Provided that where the provisions of the Legal Metrology Act, 2009 or the rules made thereunder or any other law for the time being in force require to declare on the package, the retail sale price excluding any taxes, local or otherwise, the retail sale price shall be construed accordingly;

(ii) where on the package of any concerned goods more than one retail sale price is declared, the maximum of such retail sale prices shall be deemed to be the retail sale price;

(iii) where the retail sale price, declared on the package of any concerned goods at the time of its clearance from the place of manufacture, is altered to increase the retail sale price, such altered retail sale price shall be deemed to be the retail sale price;

(iv) where different retail sale prices are declare on different packages for the sale of any concerned goods in packaged form in different areas, each such retail sale price shall be the retail sale prices for the purpose of determination of the rate of cess for the said goods intended to be sold in the area to which the retail sale price relates'.]

Notes

- 1 In serial number 1, for the entry in column (4) occurring against tariff item 2106 90 20, the entry "fifty-one per cent. of retail sale price per unit" has been substituted vide Section 163(a) of the Finance Act 2023 and shall come into force w.e.f. the 1st day of April, 2023, as the Central Government has appointed as the date on which the provisions of section 163 of the said Act shall come into force vide Notification No. 01/2023-Compensation Cess dated 31st March, 2023.

2. In serial number 2, for the entry in column (4) occurring against Chapter 24, the entry "Four thousand one hundred and seventy rupees per thousand sticks or two hundred and ninety per cent. ad valorem or a combination thereof, but not exceeding four thousand one hundred and seventy rupees per thousand sticks plus two hundred and ninety per cent. ad valorem or hundred per cent. of retail sale price per unit" has been substituted vide Section 163(b) of the Finance Act 2023 and shall come into force w.e.f. the 1st day of April, 2023, as the Central Government has appointed as the date on which the provisions of section 163 of the said Act shall come into force vide Notification No. 01/2023-Compensation Cess dated 31st March, 2023.
3. Inserted w.e.f. 2nd September 2017 vide section 2 of the [Goods and Services Tax \(Compensation to States\) Amendment Act, 2017 \(NO. 9 of 2018\) Dated 19th January 2018](#).
4. Substituted w.e.f. 2nd September 2017 for the words "Fifteen per cent. ad valorem" vide section 2 of the [Goods and Services Tax \(Compensation to States\) Amendment Act, 2017 \(NO. 9 of 2018\) Dated 19th January 2018](#).
5. The following Explanation has been inserted at the end vide Section 163(c) of the Finance Act 2023 and shall come into force w.e.f. the 1st day of April, 2023, as the Central Government has appointed as the date on which the provisions of section 163 of the said Act shall come into force vide Notification No. 01/2023-Compensation Cess dated 31st March, 2023.