
“Good and Service Tax: An International Comparative Analysis”

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Introduction

The Goods and Services Tax Bill or GST Bill, officially known as The Constitution (One Hundred and Twenty-Second Amendment) Bill, 2014, proposes a national Value added Tax to be implemented in India from June 2016. "Goods and Services Tax" would be a comprehensive indirect tax on manufacture, sale and consumption of goods and services throughout India, to replace taxes levied by the Central and State governments. Goods and services tax would be levied and collected at each stage of sale or purchase of goods or services based on the input tax credit method. This method allows GST-registered businesses to claim tax credit to the value of GST they paid on purchase of goods or services as part of their normal commercial activity. Taxable goods and services are not distinguished from one another and are taxed at a single rate in a supply chain till the goods or services reach the consumer. Administrative responsibility would generally rest with a single authority to levy tax on goods and services. Exports would be zero-rated and imports would be levied the same taxes as domestic goods and services adhering to the destination principle.

The introduction of Goods and Services Tax (GST) would be a significant step in the reform of indirect taxation in India. Amalgamating several Central and State taxes into a single tax would mitigate cascading or double taxation, facilitating a common national market. The simplicity of the tax should lead to easier administration and enforcement. From the consumer point of view, the biggest advantage would be in terms of a reduction in the overall tax burden on goods, which is currently estimated at 15%-30%.As India is a federal republic GST would be implemented concurrently by the central government and by state governments.

Goods and service tax is a comprehensive tax levy on manufacturing, sale and consumption of goods and services at a national level. GST is a tax on goods and services with value addition at

each stage having comprehensive and continuous chain of set-of benefits from the producer's service provider's point up to the retailer's level where only the final consumer should bear the tax.

India has seen a number of tax reforms in the past two decades. The Goods and Services Tax(GST) is one of the biggest taxation reforms in the history of Independent India that shall change the face of the tax system of the nation. The primary idea behind this move is to replace a multitude of existing taxes in the form of value-added tax, service tax, excise duty and sales tax by levying a single integrated and comprehensive tax on the manufacture, sale and consumption of goods and services in the country. The tax reform is expected to unite India economically by removing different taxes levied by different entities at different points. GST is a tax on goods and services with value addition at each stage having comprehensive and continuous chain of set-of benefits from the producer's/ service provider's point up to the retailer's level where only the final consumer should bear the tax.

A Dual GST system has been proposed where both Centre and States will simultaneously levy GST across the value chain. Tax will be levied on every supply of goods and services. Centre would levy and collect Central Goods and Services Tax (CGST), and States would levy and collect the State Goods and Services Tax (SGST) on all transactions within a State. The input tax credit of CGST would be available for discharging the CGST liability on the output at each stage. Similarly, the credit of SGST paid on inputs would be allowed for paying the SGST on output. No cross utilization of credit would be permitted.

The GST is a tax on goods and services with comprehensive and continuous chain of set-off benefits from the producer's point and service provider's point up to the retailer's level. It is essentially a tax only on value addition at each stage, and a supplier at each stage is permitted to set-off, through a tax credit mechanism, the GST paid on the purchase of goods and services as available for set-off on the GST to be paid on the supply of goods and services. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.

The salient features of the proposed model are as follows:

(i) Consistent with the federal structure of the country, the GST will have two components: one levied by the Centre (hereinafter referred to as Central GST), and the other levied by the States (hereinafter referred to as State GST).

(ii) The Central GST and the State GST would be applicable to all transactions of goods and services except the exempted goods and services, goods which are outside the purview of GST and the transactions which are below the prescribed threshold limits.

(iii) The Central GST and State GST are to be paid to the accounts of the Centre and the States separately.

(iv) Since the Central GST and State GST are to be treated separately, in general, taxes paid against the Central GST shall be allowed to be taken as input tax credit (ITC) for the Central GST and could be utilized only against the payment of Central GST. The same principle will be applicable for the State GST.

(v) Cross utilization of ITC between the Central GST and the State GST would, in general, not be allowed.

(vi) The administration of the Central GST would be with the Centre and for State GST with the States.

(vii) The taxpayer would need to submit periodical returns to both the Central GST authority and to the concerned State GST authorities.

(viii) Each taxpayer would be allotted a PAN-linked taxpayer identification number with a total of 13/15 digits. This would bring the GST PAN-linked system in line with the prevailing PAN-based system for Income tax facilitating data exchange and taxpayer compliance. The exact design would be worked out in consultation with the Income-Tax Department.

Comparison of GST of India with other countries

In India there is no an ideal VAT. In central, central VAT is followed while in state, state level VAT is followed. Same is the case with GST. There is no ideal GST which all indirect taxes will be subsumed in to one. Central sales tax which the central imposed on the sale of goods from one state to another will continue in the different form called Integrated GST. So central government levies 1% IGST for two years (as per present information) from the date of implementation of GST. This duration could be changed based on the prescription of GST council. There could be possibility to extend this period of two years. This contradict the very purpose of GST.

There are some items exempted from GST at present. The major items exempted from GST are Alcoholic liquor for human consumption, Aviation turbine fuel, Diesel, Petrol etc. In other words, GST council has to decide when those items should be covered under GST. If those items excluded from GST, again the purpose of GST is defeated. Because, state government gets 40% revenue from these items. So we can call this GST as Indian GST, as it differs from GST of other countries. These are some issues related to GST. GST rates for others countries are as follows

Country	Rate of GST
Australia	10%
France	19.6%
Canada	5%
Germany	19%
Japan	5%
Singapore	7%
Sweden	25%
India	18%
New Zealand	15%
Pakistan	18%
Malaysia	6%
Denmark	25%

Objectives of Study

The research study aims to comparative analysis on Model of Indian GST with others countries i.e. comparative of model, structure, collection of tax, valuation, chargeability etc.

Accordingly the research objectives for this study are:

Objective 1: To examine the applicability of GST in India and outside India

Objective 2: Observe the relationship between tax structure of Indian GST and GST of others countries.

Objective 3: Observe the effect of GST on Economy of India and other countries.

Objective 4: Observe the effect of GST on chargeability in India and outside India

Rationale of study:

- (I) Relevance for Corporate Community
- (II) Relevance for Investment Community
- (III) Relevance for Academicians and Researchers
- (IV) Relevance for Government
- (V) Relevance for Industry

Research Methodology

Data collection The data are collected from many sources like government reports, newspapers, magazines and websites. The data are secondary and collected on the basis of convenient types of research. The data collected and started from the year 2000 to the year 2015.

Research design There are many of variability found in-between the data collected from the year 2000 to 2015. There are direct variable and indirect variable affect the result of the study.

Direct variable The direct variables are basically the indirect taxes like sales tax, service tax, VAT tax, and excise duty are going to directly affected by the GST.

Indirect Variable In this study the constitution of India, GDP of India and planning commission are term as indirect variables. The constitutional amendment is required for the government to pass the GST bill in India. For the constitutional amendment it is necessary for the government to at least get the two third support from both of the houses.

Review of Literature:

Benedict, (2011) The author studies the law provisions dealing with financial services under the Australian GST law with the intention to verify whether the provisions have been construed correctly in light of the original purpose of the legislation and how the concerns identified may be

Bovenberg, (1992) The author uses a general equilibrium model to assess different instruments of indirect taxation in middle income countries. The author has specifically studied Thailand and concluded giving various methods to increase the effectiveness of indirect taxes.

Ciobanasu (2012) The authors trace the correlation between the types of taxes and their role in

the budgeted revenues and the fiscal development of Romania. Indirect tax by its very nature is easier to govern, is neutral to status of tax payer, and increases revenue but leads to inflation. On the other hand direct taxes depend on the tax payer and are difficult to govern. Further, indirect tax helps the government to an extent to direct consumption of the public. The authors conclude that both the taxes are important for overall growth of the economy.

Crossley, (2009) In 2009, the United Kingdom Government decided to reduce the VAT rate by a marginal amount in order to boost the consumer spending. The authors have studied the said relation in his paper and concluded that if the VAT rate is reduced, the spending by general consumers increases resulting in overall buoyancy in the economy.

Firth, (2012) GST on financial services as always been a subject matter of great debate. There is a problem in taxing financial services due to their intangible nature, the confusion around the location of service provider and service recipient and the value of the service. The authors in their paper are trying to address these issues specially for the country of Canada. In Canada, there is an exemption for financial services, intermediary services in relation to financial services etc. The authors in their paper have discussed the existing laws and suggested changes to the existing laws for better efficiency in taxing financial services.

Halakhandi, (2007) GST was supposed to be introduced in India way back in 2010. It has been getting postponed due to various reasons major one being getting to a consensus between the various states and the center for compensation. The author in the paper has discussed the existing laws in India for indirect taxes, the VAT laws in various states with their advantages and disadvantages, the impact of the proposed GST, the compliances under the proposed GST etc. The author has also used various numerical examples to demonstrate how GST is cost effective.

Herekar, (2012) The Ministry of Finance had set up the Task Force with Mr. V. Kelkar as the chairman of the Task Force. The main task of the Task Force was to evaluate the impact of the proposed GST on the Indian economy. The author in the paper has studied the different parts of GST and their impact on the common man, the business and the economy. The author has concluded based on secondary data that if GST is introduced in India, it would have a positive impact on the overall economy.

Huang, (2013) The authors examine the relation between the newly introduced GST in Australia in 2000 and the mortgage costs between 1999 and 2001. The study concludes that given that in Australia financial services industry is taxed on input taxation basis i.e. the output mortgage service is not liable to GST and GST paid on input services to provide these mortgage services are also not allowed. This extra cost of sunk input tax is passed in the form of increased mortgage costs to customers making housing costly post introduction of GST in Australia.

Ilaboya, (2012) The authors have studied the relation between indirect tax and economic growth specifically in Nigeria and concluded that the relation is inverse and focus from indirect tax should be shifted in Nigeria. This is also because the study reveals that there is a direct relation between direct taxes and economic growth.

Keating, (2010) GST is operative in both Australia and New Zealand with anti-evasion/avoidance provisions under the GST law framed in both the countries. The author compares the said anti evasion provisions in both countries, examines their effectiveness and also whether tax payers have successfully evaded the law. The author concludes that if the law interpretations based on the New Zealand Court decisions are referred to, it implies that assesses will find it difficult to evade the law.

Mansor, (2013) GST has always been considered as a tool in the hands of any Government to increase revenue. The Malaysian Government introduced the said tax in Malaysia in order to reduce its budget deficit. The authors in the paper have discussed the readiness of the Malaysian economy in adopting the said newly introduced GST along with the reactions of various sections of the society.

New Zealand Government, (2012) The author has traced the GST and import duties applicable on the various imports into New Zealand. The paper discusses not only the goods on which duty is payable but also whether further GST is payable on the same goods. The paper also discusses the applicability of the taxes on the goods ordered and delivered through internet. The paper also discusses various exemptions available like personal effects to the import taxation.

Ramona, (2012) The author has explored the relation between a value added tax on financial services sector and the revenue generated and regulatory impact of the same especially with reference to Romania. The author also studies the difficulties in taxing the financial sector which is intangible.

Saeed, (2012) VAT as a tax to generate revenue and improve returns ratio was introduced in different SAARC countries at different points of time. The authors have in the paper examined the effectiveness of VAT as a tax to generate tax revenue and to improve the tax to GDP ratio in SAARC countries. The authors for this purpose have The authors have concluded that VAT is effective on both counts.

Stroe, (2011) The author has in the paper analyzed the various VAT systems existing and operative in various parts of the world. The author further states that VAT majorly impact the economies of every country specially developing countries, and hence is very important. The author then has compared the VAT tax system in USA and Europe and has concluded that VAT as a tax is a burden for the economy. The author further based on this study tries to create an ideal model of indirect taxes which could be adopted by countries.

Williams, (1996) The author has studied contemporary indirect tax systems in the world and compared them with the indirect tax or VAT system in Republic of Fiscalia. The author has discussed the various advantages and disadvantages of the various VAT/GST systems in the world in light of adopting the best practice in the Republic of Fiscalia. The author also discusses whether the creation of an International body on the lines of United Nations would help make VAT a seamless tax across countries.

Agogo Mawuli (May 2014) The author has studied, "Goods and Service Tax-An Appraisal" and found that GST is not good for low-income countries and does not provide broad based growth to poor countries. If still these countries want to implement GST then the rate of GST should be less than 10% for growth.

Dr. R. Vasanthagopal (2011) The author has studied, "GST in India: A Big Leap in the Indirect Taxation System" and concluded that switching to seamless GST from current complicated indirect tax system in India will be a positive step in booming Indian economy. Success of GST will lead to its acceptance by more than 130 countries in world and a new preferred form of indirect tax system in Asia also.

Ehtisham Ahmed and Satya Poddar (2009) The author has studied, "Goods and Service Tax Reforms and Intergovernmental Consideration in India" and found that GST introduction will provide simpler and transparent tax system with increase in output and productivity of economy in India. But the benefits of GST are critically dependent on rational design of GST.

Nitin Kumar (2014) The author has studied, “Goods and Service Tax- A Way Forward” and concluded that implementation of GST in India help in removing economic distortion by current indirect tax system and expected to encourage unbiased tax structure which is indifferent to geographical locations.

Pinki, Supriya Kamma and Richa Verma (July 2014) ,The author has studied “Goods and Service Tax- Panacea For Indirect Tax System in India” and concluded that the new NDA government in India is positive towards implementation of GST and it is beneficial for central government , state government and as well as for consumers in long run if its implementation is backed by strong IT infrastructure.

Garg (2014)The author has studied impact of GST (Goods and Services tax) with a brief description of the historical scenario of Indian taxation and its tax structure and discussed the possible challenges, threats and opportunities that GST brings to strengthen our free market economy.

Shah (2014) The author has studied the objectives of proposed GST and discussed the possible challenges, threats and opportunities that GST bring before is to strengthen our force marked economy.

Saravanan Venkadasalam (2014)The author has studied the post effect of the goods and service tax (GST) on the national growth on ASEAN States using Least Squares Dummy Variable Model (LSDVM) in his research paper. He stated that seven of the ten ASEAN nations are already implementing the GST. He also suggested that the household final consumption expenditure and general government consumption expenditure are positively significantly related to the gross domestic product as required and support the economic theories. But the effect of the post GST differs in countries. Philippines and Thailand show significant negative relationship with their nation’s development. Meanwhile, Singapore shows a significant positive relationship.

Conclusion

Consumption and productions of goods and services is undoubtedly increasing and because of multiplicity of taxes in current tax regime administration complexities and compliance cost is also accelerating. Thus, a simplify, user -friendly and transparent tax system is required which can be fulfilled by implementation of GST. Its implementation stands for a coherent tax system which will colligate most of current indirect taxes and in long term it will lead to higher output, more employment opportunities and flourish GDP by 1-1.5%. It can also be used as an effective tool for fiscal policy management if implemented successfully due to nation-wide same tax rate. It execution will also results in lower cost of doing business that will make the domestic products more competitive in local and international market. No doubt that GST will give India a world class tax system by grabbing different treatment to manufacturing and service sector. But all this will be subject to its rational design and timely implementation. The taxation of goods and services in India has resulted in misallocation of resources and lower productivity and economic growth because it has cascading effects and there is discretionary tax on production. The need of the hour is a destination based value added tax on both goods and services to eliminate distortions and taxing consumptions. Under this structure, all different stages of production and distribution can be interpreted as merely tax pass through and tax essentially sticks to final consumption within the tax jurisdiction. The ‘flawless’ GST is designed as a consumption type destination VAT

based n invoice credit method. It will help to optimize efficiency, equity and effectiveness. There are various challenges in way of GST implementation as discussed above in paper. They need more analytical research to resolve the battling interest of various stake holders and accomplish the commitment for a cardinal reform of tax structure in India. In our point of view, we conclude that GST should be implemented in such a way that both the people and the Government must be benefitted. As GST replaces all indirect taxes, the revenue which the government earns from these will reduce. And the burden of the people reduces to a great extent. But, when the Government's revenue decreases, it tends to increase the rates of other taxes(i.e., direct taxes such as income tax, wealth tax, property tax etc.,) and even the prices of other goods which in turn will increase the burden of the people. So there must be a tax rate which is beneficial to both(i.e., people and the Government).The procedures are also simple and easy to understand for everyone so that the tax evasion will reduce. So, according to us, GST must be implemented in India.

Many governments have come and gone, each with different promises and goals. If one has targeted the poor and helpless farmers, the other is currently industrializing the country. If one has been pro-rich, the other, pro-business. But one goal has been common to all: The promise of simplifying the ever complex tax structure of the system. And the GST seems a promising step forward. We might be the generation that witnesses the two biggest reforms the country has ever seen; NEP of 1991 and the GST revolution of, hopefully, 2017

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