COMPARATIVE ANALYSIS OF GOODS AND SERVICES TAX OF INDIA WITH OTHER COUNTRIES

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ABSTRACT

According to Oxford Dictionary, Tax is a compulsory contribution to state revenue, levied by the government on workers' income and business profits, or added to the cost of some goods, services, and transactions. The Fundamental objective of collecting Tax is to raise government revenues for development and welfare programs in the country. The Secondary objectives is to maintain economic equalities by imposing tax on the income earners and improving the economic condition of the general people, to encourage the production and distribution of the products of basic needs, to discourage the production of harmful commodities and import trade and to protect the national industries. The purpose of this research paper is to correlate and evaluate the impacts of the implication of goods and services tax and its significance in fiscal evolution in India, by comparing it with other countries. The research paper attempts to throw some light on the historical importance of this tax. The study also provides an insight to the proposition of the tax and its impact on the development of different countries.

Introduction

Until July 2016, India had a three tier tax structure where taxes were levied by Central Government, State Government and Local Authorities like Municipal Corporations. The authority to levy a tax is received from the constitution and there is clear demarcation of respective taxes to be collected by centre and the states. Hence every tax in India is backed by its respective accompanying law passed by either parliament or state legislative councils.

The Goods and Services Tax has revolutionized the Indian taxation system. In India, the GST Act was passed in the Lok Sabha on 29th March, 2017 and came into effect from 1st of July, 2017.The Goods and Services Tax (GST) is a value-added tax levied on most goods and services sold for domestic consumption. The GST is paid by consumers, but it is remitted to the government by the businesses selling the goods and services. In effect, the Goods and Services Tax provides revenue for the government. GST in India is implemented with the propaganda of **"One nation one Tax"** and it has been one of the very important factors all over the world as it has made certain outstanding differences in the economic structures of some countries.

The taxes levied and collected by the Centre until 1 July, 2017, that are subsumed by GST include *Central Excise duty, Duties of Excise (medicinal and toilet preparations), Additional Duties of Excise (goods of special importance), Additional Duties of Excise (textile and textile products), Additional Duties of Customs, Special Additional Duties of Customs, Service Tax, and Central surcharges and cesses. The State taxes subsumed under GST include State VAT, Entry Tax, Central Sales Tax, Entertainment and Amusement Tax, Luxury Taw etc.*

History of GST in India-

Atal Bihari Vajpayee was the first to recommend the idea of adopting GST during his time as the Prime Minister of India, in the year 2000. An Empowered Committee was formed to formulate a structure for GST in which the Centre as well as the State had representatives who examined several different aspects of the proposal to come up with reports on the taxation of services, taxation of inter-state supplies, thresholds, and exemptions.

The advisory to the Finance Ministry between 2002 and 2004, *Vijay Kelkar*, led a task force and sent a report to the Ministry in 2004, highlighting the issues with the then tax structure, adding that these issues could be mitigated by adopting GST.

In 2009, an announcement was made regarding the basic framework of GST. Later, the Empowered Committee, led by *Asim Dasgupta*, presented the First Discussion Paper (FDP), explaining in detail the proposed GST reform.

The 115th Amendment to the Constitution was put forth for the implementation of GST. The bill drew protests from the opposition party and was then sent for detailed scrutiny to a standing committee.

Arun Jaitley, the current Finance Minister of India, revealed in his budget speech in February 2015 that GST would be implemented by 1 April, 2016. However, due to some disagreements between states and parties in addition to legal issues, the implementation of the regime was delayed by over a year, and on 1 July, 2017, the four GST-related bills, viz. Central GST Bill, Union Territory GST Bill, Integrated GST Bill, and GST (Compensation to States) Bill became Acts. The GST council, over time, finalized GST rules and rates, and the Government announced that GST will come into effect on 1 July, 2017.[1]

Taxation system in India before GST

There were numerous taxes applicable at different levels in the old taxation system of India but now after the implementation of GST the tables have turned. With the implementation of GST now the tax is payable at the final point of consumption which means that the taxable event will be the '*supply of goods'* and the '*supply of services'* only if a good or service does not move at all it is not termed as a supply and hence it is not taxable . Before GST the taxes were levied on various stages like on manufacturing of goods, sale of goods and on rendition of services which from now on will not be relevant under the GST system of Taxation. While discussing GST it would be important to mention that there had been certain central taxes (e.g. sales tax, excise duty tax, and service tax) In India with co-existence of some state level taxes (e.g. entertainment tax, entry tax, transfer tax and luxury tax) which now are collected with a unique taxation system called GST.

GST Model

The concept of GST is not new to the world as nearly 160 countries as on 2016, have opted this mode for bringing individually tax rates into a single tax. Though in India it is termed as a new system it has its roots quite long back in some other countries of the world. *France* was the very first country to implement the GST in the year 1954 and since then almost about 160 countries have adopted this tax system in one or the other way all over the world. Some of the

[1] https://www.bankbazaar.com/tax/gst.html

other countries with the GST system are Canada, Vietnam, Australia, Singapore, UK, Spain, Italy, Nigeria, Brazil, and South Korea. The USA does not have GST as it ensures high autonomy for the states and follows a unique VAT system of taxing.

A single unified tax system is a global fiscal trend these days. The one big difference between the Indian model of GST and similar taxes in other countries is the dual GST model. Many countries in the world have a single unified GST system; countries like Brazil and Canada have a dual GST system whereby GST is levied by both the federal and state or provincial governments. It is the Canadian model of dual GST (central and state) implemented in 1991 that the Indian model of the indirect tax reform finds similarities with.

As per the proposal and the understanding of the common people, all the indirect taxes were to be merged into one single tax through GST. But GST as proposed in India, is majorly of a dual or rather a quadruple nature comprising within its folds, the CGST, SGST, IGST and UTGST, whereby all of these taxes will be levied on the taxable value of every transaction of supply of goods and services.

- CGST (Central Goods and Services Tax) is levied by the Central Government of India on any transaction of goods and services tax taking place within a state. It is charged on every intrastate transaction, alongside SGST, having a value equivalent to that of the SGST. It replaces Service Tax, Central Excise Duty, CST, Customs Duty, SAD, etc.
- SGST (State Goods and Services Tax) is levied by the state alongside CGST as mentioned earlier. It replaces VAT, State Sales Tax, Entertainment Tax, Luxury Tax, Entry Tax, State Cesses and Surcharges on any kind of transaction involving goods and services. All the revenue earned under SGST is solely claimed by the State Government.
- **IGST** (Integrated Goods and Service Tax) is levied on interstate transactions and imports. It is claimed by the Central Government and later distributed to the respective states. IGST ensures that a state, on transfer of any goods or services, deals with only the Central Government and not the government of every state separately.
- **UTGST** (Union Territory Goods and Services Tax) is levied on the transaction of supplies that take place in any of the five Union Territories of India and is charged in

addition to the CGST. This was proposed because SGST was not appropriate to be directly applied to any Union Teritory without a legislature.

The GST, country's biggest indirect tax reform since independence has replaced a slew of central and state levies, transforming the nation of 125 crores people into a customs union. The government believes that the implementation of the new indirect tax regime will be a key component in improving the ease of doing business. As of now, India ranks at 130th out of 190 countries in the list of ease of doing business by the World Bank. The government has categorized 1211 items under tax slabs of *0 per cent, 5 per cent, 12 per cent, 18 per cent and 28 per cent.*

Comparison of Indian Goods and Services with Other Countries[2]

Particulars	**India**	**Canada**	**UK**
Name of GST in the country	Goods and Service tax	Federal Goods and Service Tax & Harmonized Sales Tax	Value Added Tax
Standard Rate	0% (for food staples), 5%, 12%, 18% and 28%(+cess for luxury items)	GST 5% and HST varies from 0% to 15%	20 % Reduced rates- 5 %, exempt, zero rated
Threshold exemption Limit	20 lakhs (10 lakhs for NE states)	Canadian $ 30,000 (Approx Rs. 15.6 lakhs in INR)	£ 73,000 (Approx Rs. 61.32 lakhs)

[2] https://cleartax.in/s/gst-india-and-other-countries-comparison

Particulars	**India**	**Canada**	**UK**
Liability arises on	Accrual basis: Issue of invoice OR Receipt of payment -earlier	Accrual basis: The date of issue of invoice OR the date of receipt of payment- earlier.	Accrual Basis: Invoice OR Payment OR Supply -earliest Cash basis (T/O upto 1.35mn): Payment
Returns and payments	Monthly and 1 annual return	Monthly, quarterly or annually based on turnover	Usually quarterly. Small business option- annual
Reverse charge Mechanism	Apply on goods (new) as well as services (currently under Service tax)	Reverse charge applies to importation of services and intangible properties.	Applicable
Exempt services	Manufacture of exempted goods or Provision of exempted services (to be notified)	Real estate, Financial Services, Rent (Residence), Charities, Health, Educat.	Medical, Education, Finance, Insurance, Postal services
Name of GST in the country	Goods and Service tax	Goods and Service Tax	Goods And Services Tax

Particulars	**India**	**Canada**	**UK**
Standard Rate	0% (for food staples), 5%, 12%, 18% and 28%(+cess for luxury items)	7% Reduced rates- Zero rated, exempt	6%
Threshold exemption Limit	20 lakhs (10 lakhs for NE states)	Singapore $ 1 million (Approx Rs. 4.8 crore)	MYR 500,000 (Approx Rs. 75 lakhs)
Liability arises on	Accrual basis: Issue of invoice OR Receipt of payment -earlier	Accrual Basis: Issue of invoice OR Receipt of payment OR Supply - earliest Cash basis:(T/O upto SGD$1mn): Payment	Accrual Basis: Delivery of goods OR Issue of invoice OR Receipt of payment
Returns and payments	Monthly and 1 annual return	Usually quarterly Business option- Monthly returns.	Large organsations- Monthly
Reverse charge Mechanism	Apply on goods (new) as well as services (currently under Service tax)	Reverse charge applies to supply of services	Reverse charge applies to imported services

Conclusion-

GST has been implemented with a view to remove the complexities in administrative structure of Indirect Taxes in India and it probably will attain the desired results in the coming years. The Tax burden on goods which is presently assessed at 25% would decrease thereby relieving the consumers of some burden. GST has faced certain limitations also in various countries wherever it has come into force and India too is not an exception. But it would surely be beneficial for the economic growth of our Nation in the long run.