Inspira-Journal of Commerce, Economics & Computer Science (JCECS)
ISSN : 2395-7069 General Impact Factor : 2.4668, Volume 04, No. 03, July-September, 2018, pp. 59-61

A COMPARATIVE STUDY OF GST IN INDIA AND OTHER COUNTRIES

Monika Kataria*

ABSTRACT

GST or Goods and Services tax is a significant indirct tax reform since independence to boost economic growth of the country.GST has emerged as a game changer in the Indian economy. France was the first country to implement GST to reduce tax evasion. Many other countries also adopted this tax system. All around the world, GST has the same concept. In some countries, VAT is the substitute for GST, but conceptually, it is a destination based tax on consumption of goods and services. India has chosen the Canadian model of dual GST, as it has a federal structure where the centre and states both have powers to levy and collect taxes. This paper helps to understand GST in India and other countries of the world. This paper analyse various aspects concerned with it. This paper also facilitates the comparison of GST in India and some other countries of world.

***KEYWORDS**: GST, Indirect Taxes, Tax Evasion, Economic Growth, VAT.*

Introduction

GST is a destination based tax on consumption of goods & services. GST is the biggest indirect tax reform of India. It is a comprehensive indirect tax levy on manufacture, Sale & consumption of goods & services. It is a single tax which is imposed on the supply of the goods and services right from the manufacturer to the consumers. The credits of the Input taxes that are paid at each stage will be available in the subsequent stage of value addition which makes GST essentially a tax only on the value addition on each stage. In the previous tax system there were a number of taxes, few levied by centre and rest by the state. To remove the multiplicity of taxes and reducing the load of consumers as a tax payer a simple tax is imposed that is GST. GST has subsumed 17 different taxes like VAT, Service tax, Excise duty, Octroi etc. GST in India is implemented with the propaganda of “One National, One Tax” to unite different indirect taxes under one umbrella.

History of GST

Concept of GST is not new to the world as nearly 160 countries have opted GST. France was the first country in the world to implement the GST law in the year 1954. Since then around 159 countries have adopted this system in some form or other. Some of the countries who adopted GST are Canada, Vietnam, Australia, Singapore, UK, Spain, Italy, Nigeria, Brazil, South Corea etc.

In India it was the year 2000 When Mr. Atal Bihari Vajpayi, Prime Minister at that time proposed GST. But this landmark moment in the history of modern India comes after nearby 18 years of debates, negotiations among successive central governments from different political partices and states and different interested stakeholders. Finally the GST act was passed in the Lok-Sabha on 29th March, 2017 and came into effect from 1st July 2017. Now it has been one year of implementation of GST act but still GST is the most discussed topic in India.

* Assistant Professor, Department of ABST, Dr. B.R. Ambedkar Government College, Sriganganagar, Rajasthan, India.

Taxation System in India before GST

In the earlier Indirect tax regime, there were many Indirect taxes levied by both state and centre. States mainly collected taxes in the form of VAT (Value Added Tax). Every state had a different kind of set of rules and regulations. Interstate sale of goods was taxed by the centre. CST (Central State Tax) was applicable in case of interstate sale of goods. Other than above there were many indirect taxes like Octroi, Entertainment tax, Excise, Luxury tax and Local tax that levied by both state and centre. This leads to a lot of overlapping of taxes. A tax on tax is also known as cascading effect of taxes. One of the primary objectives of the GST is to reduce the cascading effect of the taxation. GST, avoids this cascading effect of taxes as the tax is calculated only on the value add at each stage of transfer of ownership.

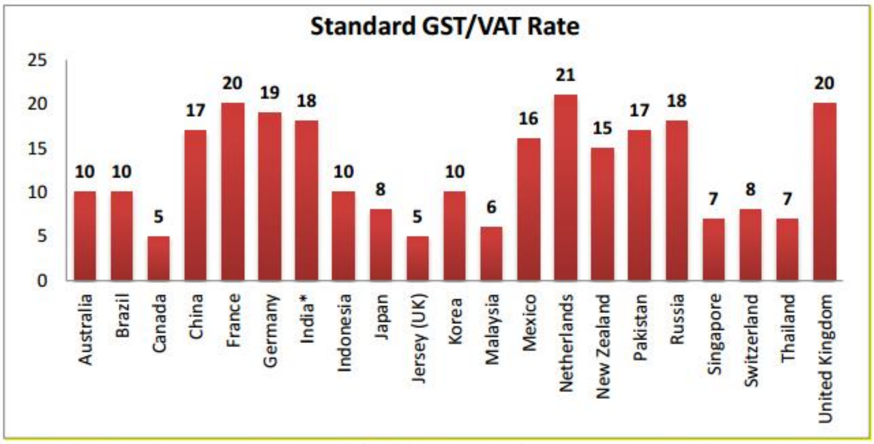
GST in India V/S GST in Other Countries

As discussed earlier the concept of GST is not new to the world as around 160 countries have opted this mode of tax. France, the western European country was the very first country to implement GST to reduce tax evasion. the current rate of GST is 19.6% there. Most European countries introduced GSTback in the 1970s-1980s. Some countries having Dual GST for example Brazil has chosen the Canadian model of the dual GST. Under this model state and centre both Government have the power to collect taxes. India has also chosen the Canadian model of dual GST, as it has a federal structure where the centre and states both have powers to levy and collect taxes. In case of India Government has categorized items in five slabs 0%, 5%, 12%, 18% and 28%. GST has introduced with a theme 'one nation one tax' but GST still is not a uniform tax. GST in New Zealand was introduced in 1986 at a rate of 10%. The rate for GST effective since 2010 is 15%. In Australia it was introduced on 1st July 2000. GST is a broad-based tax of 10% on mostly goods, Services and other items sold or consumed in Australia.

In Singapore it was implemented in 1994 with a rate of 3%. Later it was increased to 7% in 2007. In Malaysia it was introduced in 2015. Rate of GST is 6% there. In Vietnam 3 rates of 0%, 5% and 10% are applied to mostly goods and services unless stated otherwise. In China and Brazil most of the commodities fall under 17% and 10% respectively. On the other hand developed economies such as France, Germany and UK have higher GST rates between 19 to 20%.

The India development update, the biannual publication of the World Bank released in Delhi on March 15,2018 says that the India's 28% GST rate – the highest of the four non zero slabs is the second highest among a sample of 115 countries that have a GST (VAT) system. India has the highest standard rate in Asia. The World Bank said that the Indian GST is one of the most complex tax systems in the world.

In terms of complexity Indian GST system has 4 not zero slabs 5%, 12%, 18% and 28%, while most of the countries have a single rate. The World Bank report further tells that 49 countries use a single rate, 28 use two rates. Apart from India, the countries that use four or more rates are Italy, Luxembourg, Pakistan, and Ghana.



*Note: * The GST structure ranges between 5%-28% with majority to commodities falling under 18% bracket.*
Source: OECD (2016) and CBEC

Conclusion

GST is considered the biggest indirect tax reform of independent India. GST came into existence with an objective of one nation, one tax. There was very good motive behind its implementation. But still there are many problems. Indian GST is quite complex due to 5 slabs. The maximum rate which is 28% is also very high. While the government has said that it would bring down the number of rates once the new system stabilizes. Luxury goods sin products and products hazardous to health and environment can't be taxed at the same rate as common man products. European countries have one rate of GST as they don't have poor families unlike in India, where families can't be burdened with the single rate of tax. According to the finance minister Arun Jaitley wheat, rice, sugar cann't be taxed at the same rate as a Mercedes car or tobacco. India is also unique in size and scale of implementation when we compare it to the other countries. So the difference in system and design is therefore justified still the Government is trying to improve the present system so it is expected to reduce tax rates and slabs in coming future. The adjustment process can affect the economic activities for multiple months. Despite of some initial problems it is expected that GST will be successful to achieve pre stated goals of its introduction.

References

✠ Akanksha Khurana, Aastha Sharma, Goods and Services Tax in India- A positive reform for Indirect Tax system, Internation Journal of Advance Research, Vol.4, issue 3, 2016,pg.500-505.

✠ Girish Garg, Basic Concepts and Features of Goods and Service Tax in India, International Journal of Scientific research and Management |Vol.2, issue 2, 2014, pg.542-549.

✠ "GST launch: Times when the Parliament convened for a session at midnight", The Hindustan Times, 30 June, 2017.

✠ India Development update, India's Growth Story,The World Bank, March 2018.

✠ Monika Sehrawat, Upasana Dhanda, GST in India: A key Tax Reform, Int. Journal of Research Granthalayah, Vol.3, issue 12, Dec. 2015.

✠ http://www.gstindia.com

✠ http://gstseva.com

✠ http://taxguru.in

✠ https://www.slideshare.net/225236/gst-research-paper.

❑❑❑