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COMPARATIVE ANALYSIS OF GST AMONG DIFFERENT COUNTIRES

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INTRODUCTION

The word "tax" is derived from Latin word "taxare" meaning to estimate. A tax is not a voluntary payment or donation, but enforced contribution, exacted pursuant to legislative authority and is contribution imposed by the government, whether under the name of toll, tribute, impost, duty, custom, excise, subsidy, aid, supply, or any other name. Taxation was first imposed in Ancient Egypt around 3000 B.C.- 2800 B.C. during the first dynasty of the old kingdom. Records indicate from that period that the Pharaoh would conduct a biennial tour of the kingdom, collecting tax revenues from the people. Other data indications are granary receipts on limestone flakes and papyrus. Taxes are the only way for financing the public goods because of their inappropriate pricing in the market. It can only be levied by the government, via funds collected from taxes. It is highly important that the taxation system is designed in such an appropriate manner that it doesn't lead to any sort of market distortions and failures in the economy. The taxation laws should be highly competitive so that revenue can be raised in a highly efficient and effective manner.

MEANING

Goods and service tax is taking India by the storm. GST will bring in "One nation one tax" to unite indirect taxes under one umbrella and facilitate Indian businesses to be globallycompetitiveThe Indian GST case is structured for efficient tax collection, reduction in corruption, easy inter-state movement of goods etc.France was the first country to implement GST to reduce tax- evasion. Since then, more than 140 countries have implemented GST with some countries having Dual-GST (e.g. Brazil, Canada etc.) model. India has chosen the Canadian model of dual GST.

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OBJECTIVES OF THE STUDY:

1. To gain an in-depth understanding of GST taxation system evolution.
2. Understanding in - depth the concept of new taxation system introduced - Goods and Services Tax (GST) in India.
3. Understanding the features, working, and differentiating the current taxation system in India v/s GST.
4. To evaluate the advantages and challenges surrounding GST.
5. To evaluate the prospects of taxation position of various goods and services in India.
6. To furnish the information for future research on GST based taxation system.

The GST council has set tax rates for goods and services under five brackets of 0%, 5%, 12% and 28% as the bill is just a month away from its implementation. 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. In most countries value added tax (VAT) is taken as a substitute for GST. Presently, countries like Australia, Canada, Singapore, New Zealand, Jersey (UK), Malaysia, Indonesia and Pakistan have a GST system while remaining follow a VAT system. As days near for GST to be active in India, lets have a look at what differentiates the country's GST regime with others.In comparison with emerging market economics (EMEs), India has highest rate of GST at 18% - with major commodities falling under this rate. EMEs like China and Brazil have their most of commodities falling under the tax rate of 17%, 10% respectively. However, some of the developed countries like s like France, Germany and United Kingdom have higher GST rates set between 19 – 20%. Latest data of Organisation for Economic Co-operation and Development stated that average VAT/GST rate in major OECD countries is between 20-22% higher than the rate proposed for India

COMPARISON OF DIFFERENT COUNTRIES

New Zealand:

GST in New Zealand was introduced in 1986 at a rate of 10%. However the rates were changed twice later – 12.5% in the year 1989 and 15% in 2010 in a move to mobilize higher

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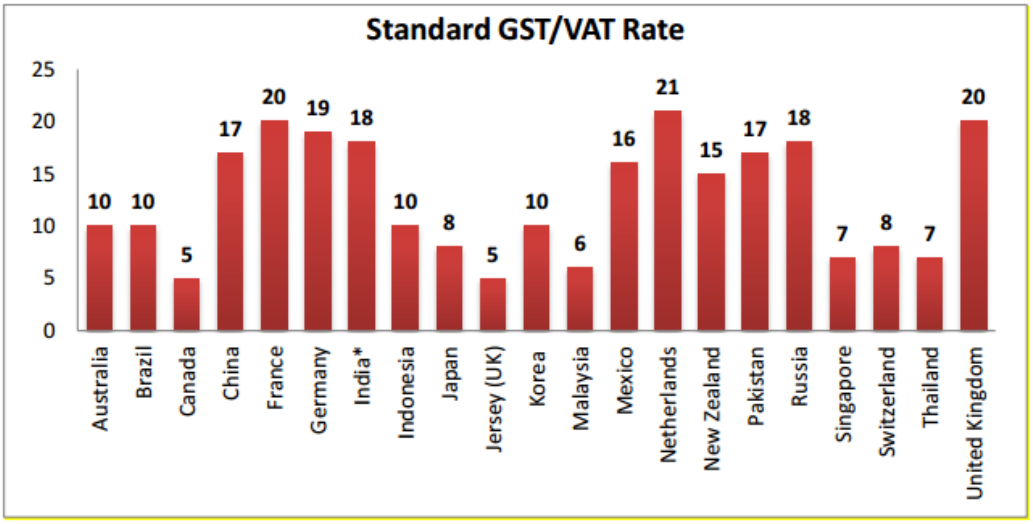
revenue while removing distortions in the tax structure.This led to adoption of GST at single rate with food included in the GST base at the full rate. Such broad-based the tax net and also reduced both compliance and administrative costs. At present, the country is highest tax productive nations among OECD countries



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

The Reserve Bank of India (RBI) in its research report named "GST: A Game Changer" - showcased performance of many countries after implementation of GST.

Canada:

Canada introduced GST in the form of a multi-level VAT in 1991 on supplies of goods and services purchased in the country – included almost all products except certain essentials like groceries, residential rent and medical services.Once implemented, the bill led to new processing operations and techniques to verify the accuracy of the returns submitted by small entrepreneurs. However, Canada imposes their own sales tax besides GST – this has created price distortions in the country.

Singapore:

The country introduced the bill in April 1194 at a tax rate of 3% to make it acceptable to the public and to minimize inflation. The government committed not to raise tax for next 5 years which came in as a important decision in reviving consumer spending.

Also, Singapore introduced a compensation scheme under the GST which provided support to the needy and underprivileged.

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However, in initial stage of GST, the country faced uptick in inflation to 3.1% in 1994 from 2.3% in 1993.

Australia:

Though the GST concept was first introduced in the year 1975, it was implemented in Australia after 25 years on July 2000 at a tax rate starting at 10%.Australia also replaced a range of existing taxes like the wholesale sales tax (WST), debit tax, financial institutions duty, and stamp duty on shares, leases, mortgages and cheques.However, the10% tax rate led to low GST revenue productivity from a tax collection standpoint.

Malaysia:

GST in this country has been imposed in the year 2015, after 26 years of debate over its potential merits and shortcomings. It was introduced at a standard rate of 6% - which is relatively low compared to VAT rates in other ASEAN countries. After implementation of GST, the cost of doing business in Malaysia reduced as the tax burden was transferred from manufacturers to consumers. Yet, the country has seen low revenue productivity in terms of tax collection.

What differentiates India?

Indian government has structured GST for efficient tax collection, reduction in corruption, easy inter-state movement of goods etc. India does not follow an ideal VAT. 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. One big differentiation between GST in India and GST in other countries is that, in India two types of GST is charged - hence called as dual GST. Explaining the impact of GST, analysts at Care Ratings cited few reasons. Firstly the impact of GST on price levels is difficult to ascertain as there are various factors other than tax rates that drive price levels. Main issue in GST is tax evasion arising out of small businesses not registering, under-reporting of actual sales by traders; traders collecting tax but not remitting to the government; and traders making false claims for refunds. Clear Tax in its report said, "Unlike India, other countries have a much higher threshold for GST applicability thus reducing the burden for small businesses. This will bring in challenges for our SMEs."

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Limitations of the Study and Scope for Future Research

The following are the limitations of the study:

(a) GST is still in maturity phase, so tax reforms can occur from time to time via GST council meetings regarding finalization of tax rates and even imposition of new rates and even deduction of existing rates(b) Most of the data cited in the paper was speculatively exploratory in nature as GST meetings are going and still, a lot more needs to be done. (c) Final conclusions may vary considering different perceptions. After GST implementation, there is emergent requirement of modern technology based infrastructure like GSTNET for successful monitoring of taxation system as well as the GST Council should regularly conduct meetings for change in tax reflections. These areas can be covered by researchers in future studies.

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