GOODS AND SERVICES TAX (GST) IN INDIA AND OTHER COUNTRIES: HOW INDIA DIFFERS

AKSHITA.B.N[1]

[1]BBA. LLB (Hons.)., Saveetha School of Law, Saveetha Institute of Medical and Technical Sciences(SIMATS), Chennai-77, Tamil Nadu, India.

ABSTRACT:

On July 1, 2017 Goods and Service Tax was implemented. Since Indian independence GST has been the major taxation reform. This system has been successfully followed by more than 130 countries and brings transparency therefore stops tax theft and reduces corruption. Central Excise Tax, VAT/Sales Tax, Service tax, etc. is subsumed by GST. In the year 1954 GST was introduced by France and ever since has had a hike in its GDP. Indian GST differs from other countries as the structure of Indian GST is complex and confusing. Countries such as New Zealand and Canada have simple structures and the procedures for filing tax is also simple whereas in India filing and paying tax has become complex. The objective of this paper is to identify the challenges in implementing GST in India and how Indian GST differs from other countries. Convenient sampling method is used to collect the samples. 200 samples-sample size. Independent variables are age, gender, income and occupation. It is found that there is a need for reduction of complications and it is necessary to clear the lack of understanding of GST among the taxpayers. Finally, this paper analyzes, suggests and concludes that Indian GST is complex and CGST credit must be sufficient to set off SGST liability in order to achieve "one nation one tax"

KEYWORDS:

GST, France, Tax Burden, CGST, SGST.

INTRODUCTION:

GST unites India under one tax system "One Nation One Tax". This helped Indian businesses to compete and there was a reduction of tax evasion. India follows the Canadian dual GST model and is trying to achieve the same. The United Kingdom has a uniform 20% levied on all goods. India's 28% GST is the highest compared to all the countries that have implemented this system. The structure of Indian GST is split into four types such as Central tax CGST, State tax SGST, Integrated tax IGST, Union Territory tax UTGST. In India the GST Council makes recommendations on tax policies, tax rates, limitations etc. The Federal Government taxes in Canada and at the provincial level VAT is applied. Both the central and state governments have full control over their sales tax. Canada took steps keeping its locals in mind and drafted their own GST model. This became an example for countries like India and Brazil. GST, PST, HST, QST are the four types implemented by the Canadian government. Provinces of Canada can apply their own combination of GST and since GST is consumption based the government split sales into three sales with tax, zero rate tax and exemption from tax, Canada does not have a common GST for state and central like India with the flexible administration in Canada they allow their provinces to select a combination that would be relevant for the locals. Canada and India are very similar with their federal structure therefore dual GST is relevant at this point. Indian GST structure is not the same as Canadian GST but are only similar as the name, percentage levied etc. are different. The GST rates in Canada are fixed at 5 percent for all the goods (with exceptions etc.) in India the GST rates differ (0%, 5%, 12%, 18% and the highest 28% on luxury goods). Indian GST has its beneficiaries such as the manufacturing sector and states such as Bihar and Bengal with its large amount of consumers. There are certain drawbacks as the revenue of manufacturing hubs would be hit. On a whole the center and state can harmonize as the GST rates are the same and have a standard percent set for everything. Even so, Indian GST is not perfect as real estate, rent, oil (products) and alcohol will not comply within the GST system. This shrinks the ambit of revenues. There is no country that has a flawless GST.[2] There sure is a significant change from the previous tax system followed in India therefore GST is considered a change that should benefit the consumers and the businesses. The **aim** of this study is to identify how Indian GST differs from other countries and how India can improve its revenue collection.

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[1]BBA. LLB (Hons.)., Saveetha School of Law, Saveetha Institute of Medical and Technical Sciences(SIMATS), Chennai-77, Tamil Nadu, India. Email: akshitanatraj@gmail.com
[2]Aravind Subramanian

OBJECTIVES:

- To identify the challenges in implementing GST in India and how Indian GST differs from other countries.
- To identify how GST would break all the tax barriers that's present between Central and State Governments.
- To identify the drawbacks of GST and if it has failed to live up to its full potential.
- To understand how clear and transparent the indirect tax system India has gained by implementing GST.
- To identify if there is a lack of understanding of GST among the taxpayers.

REVIEW OF LITERATURE:

(Asian Development Bank) (2021) found that Malaysia and Hong Kong have successfully resisted GST and its effect on consumer prices. The key to implementing GST effectively is to stimulate production and also protect purchasing power. As for India, closer the rate gets to 17%, greater is the possibility of losing competitiveness in the global markets. **(Datey) (2020)** found the impact of GST on Different Sectors such as Real estate, media, Education and IT sector where the study concludes that GST would have a positive impact on the mentioned sectors. **(Remali) (2020)** through the findings state that the percentage of agreement and disagreement for GST is very narrow. Therefore the Government has to campaign to a larger extent regarding the changes it is bringing in GST and update specially the different percent rate of GST. Through this the taxpayers can avoid misunderstandings. **(S and Shwetha) (2020)** found that the number of exemptions in India is more than three times that of Korea- India has 37 exemptions but Korea has only 11. Australia and Korea have equal exemptions in the laws. New Zealand has the second highest number of exemptions. With respect to changes to legislation again India scores high followed by Singapore. **(Taxmann) (2020)** found that the rate of GST on cement is more in India compared to other countries. The study also finds that wholesale and retail prices of cement increase after GST because of the higher tax rate and other internal and external factors. It ultimately impacted the production and consumption of cement in pre-and post-GST. **(Kavita Rao and Mukherjee) (2019)** found that GST will be a binding system where the entire nation will be under a single tax system. GST will boost the Indian economy, improvise tax collecting systems and break all the tax barriers that's present between Central and State Governments. It will give a clear and transparent taxation system. **(Kusumayuda) (2019)** found that The HR professionals while designing the compensation packages of the employees need to consider the GST regime and restructure the various benefits given to them. GST does not cover income tax – and so does not have a direct effect on the salaries of the employees but it will have an effect on the gifts, subsidized food, travel and other amenities given to the employees by the company. **(Morris et al.) (2019)** states that GST is a ray of hope for the Tourism Industry if the GST rate stays between 10 to 15%. GST has its uniform tax rates, it's a better system as it benefits the end user in terms of affordability. **(Araki and Nakabayashi) (2018)** found the effect of the GST on ASEAN countries such as the Philippines, Singapore and Thailand. Philippines and Thailand show significant negative relationships with their nation's development. Meanwhile, Singapore has shown a significant positive relationship. **(Bhattacharjee and Bhattacharya) (2018)** states that with GST, the tax burden will be divided equally within manufacturing and services, through a lower tax rate by increasing the tax base and minimizing exemptions. **(Ministry of Finance and Government of India) (2018)** The government of India should study the GST regime set up by various countries and also their drawbacks before implementing it. At the same time, the government should make an attempt to insulate the vast poor population of India against the likely inflation due to implementation of GST. **(Singh et al.) (2018)** states that dual benefit of GST will include decrease in commodity prices in long run & increased consumption of goods which will also boost economic growth & GDP for the country. GST implementation will increase investment in FDI and will positively affect foreign exchange of the country. **(Agarwal) (2017)** found that GST has a positive impact on economic growth of developing and developed countries. GST will boost the economic growth of the country as it is evident from the research conducted by the author. (***GST and Its Implementation in India: Issues & Challenges***) **(2017)** states that other countries' experience in GST has proven to be an effective tax system. The transition from multiple tax regimes to unified tax regimes will cause some problems like sharing of the revenue between center and the state. GST has the potential to boost GDP, broaden tax base, attract foreign investment and pave the way to promote Make in India. It ultimately creates job opportunities. Hence GST is a significant change for Indian economic growth. **(Roy) (2017)** states that India has adopted dual GST instead of national GST which has made the entire structure complicated. The center needs to coordinate with 29 states and 7 union territories to implement the tax regime. Such a regime is likely to create economic as well as political issues. **(Sury) (2017)** found that only about 1% of the total population in India were paying taxes therefore, the number of tax returns filed every year was becoming low. Although the direct tax rates were high, the total revenue generated were not up to the mark. Therefore the author concluded that GST checks both tax avoidance and tax evasion through better tax administration. **(Moomal) (2015)** concludes that GST will bring reasons to rejoice for consumers through some goods and also it has a negative impact on some of the goods and services. **(Bhuyan and Nayak) (2011)** states that in the past many countries have benefited by using GST. In India, Execution of GST has a significant change. It has removed economic biases caused by the previous complex tax structure and has progressed to a common national market. Initiation of GST in the developing economy, India can accomplish sustainable and balanced development. **(Vasanthagopal) (2011)** concluded that changing to GST from the old and complicated indirect tax system that was followed will be a breakthrough initiative in the booming Indian economy. Since GST has been successful, more than 130 countries in the world have preferred GST as their indirect tax system. (***Goods and Services Tax: A Malaysian Perspective***) **(2004)** states that the complexity in Malaysia are classified into legal complexity and declarative complexity. The author concluded that the most likely reasons for the abolishment of GST in Malaysia are numerous rules and exceptions to the rules, frequent changes of GST rulings and guidelines, GST computations that were too difficult for mixed supply and process of GST refund that were onerous and lengthy.

RESEARCH METHODOLOGY:

The current study is based on empirical research. It consists of the scientific frame of research. It began with the finding of research problems based on the review of literature. The major contribution of the study is to collect the legal facts of a particular area and to test the hypothesis of a cause and effect relationship between variables. The research design is exploratory and experimental. It explored the problem tested with hypotheses and provided the solution from the analysis. Convenient sampling method is used (Non probability sampling). The sample size is 200. Data is collected through online sources. Questionnaire is used as the primary data collection and the articles, journals, reports, newsletters are considered as the secondary sources. The analysis is carried out for demographic statistics (Age, Gender, Income and Occupation) and hypothesis testing graphs are used.
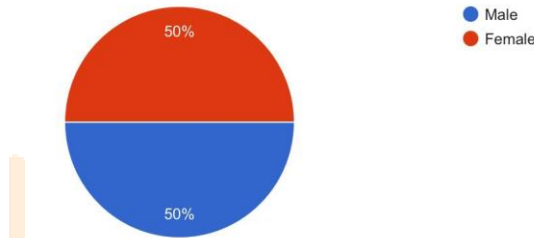
ANALYSIS:
VARIABLES:

Age:
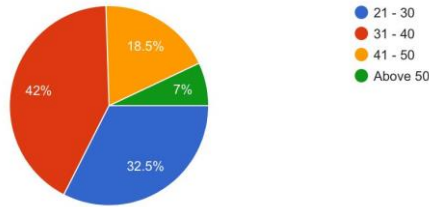
Fig. 1

LEGEND: From Fig. 1 it's observed that the majority of the respondents are from the age group 31 - 40 with 42%, 32.5% of the age group 21 - 30, 18.5% of the age group 41 - 50 and 7% of Above 50.
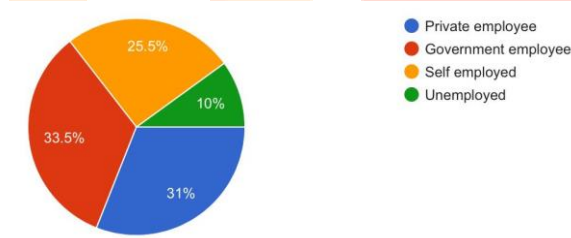
GENDER:

Fig. 2

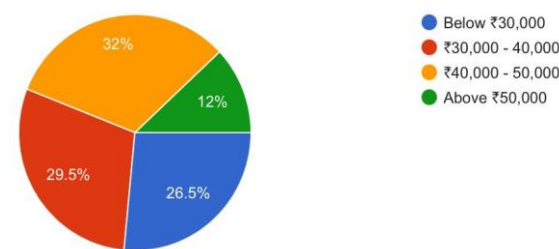**LEGEND:** From Fig. 2 it's observed that 50% of the respondents are women and 50% are men.

OCCUPATION:

Fig. 3

LEGEND: From Fig. 3 it's observed that the majority of the respondents are government employees with 33.5%, 31% of the respondents are private employees, 25.5% of the respondents are Self employed and 10% of the respondents are unemployed.

INCOME:

Fig. 4

LEGEND: From Fig. 4 it's observed that the majority of the respondents ie. 32% of the respondents earn an income from ₹40,000 - 50,000, 29.5% of the respondents earn from ₹30,000 - ₹40,000, 26.5% of the respondents earn an income below ₹30,000 and 12% of the respondents earn an income above ₹50,000.

QUESTIONS:

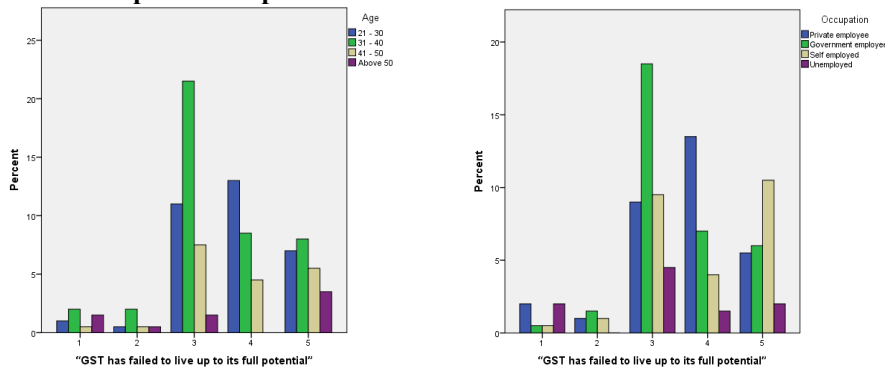1. **GST has failed to live up to its full potential**

Fig. 5 & 6

LEGEND: Fig. 5&6 show the distribution of age and occupation and agreeability towards how GST has failed to live up to its full potential.

RESULT: The result of Fig. 5&6 shows that government employees from the age group 31-40 have a neutral stand on GST as a failure. The private employees from the age group 21-30 have agreed that GST has failed. The self employed respondents have a strong stand that GST has failed and the respondents from the age group above 50 disagree that GST has failed to live up to its full potential. With the neutral stand as the highest and with the agreeability to GST failing to live its full potential, with the unawareness with neutrality it can be inferred that GST has failed to live up to its full potential.

DISCUSSION: (*GST and Its Implementation in India: Issues & Challenges*) (2017) states that GST has the potential to boost GDP, broaden tax base, attract foreign investment and pave the way to promote Make in India. It ultimately creates job opportunities. Hence GST is a significant change for Indian economic growth. As stated by Aravind Subramanian, there is no country that has a flawless GST. Therefore even if GST fails to live up to its full potential, GST has proved to be effective.

H0: There is no significant association between age and GST's full potential.
Ha: There is a significant association between age and GST's full potential.

Crosstab							
Count							
		"GST has failed to live up to its full potential"					Total
		1	2	3	4	5	
Age	21 - 30	2	1	22	26	14	65
	31 - 40	4	4	43	17	16	84
	41 - 50	1	1	15	9	11	37
	Above 50	3	1	3	0	7	14
Total		10	7	83	52	48	200

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	29.443[a]	12	.003
Likelihood Ratio	28.552	12	.005
Linear-by-Linear Association	.283	1	.595
N of Valid Cases	200		
a. 10 cells (50.0%) have expected count less than 5. The minimum expected count is .49.			

DISCUSSION:

The value of the test statistic is 29.443. Because the test statistic is based on a 4x5 cross tabulation table, the degrees of freedom (df) for the test statistic is df=(R−1) ∗ (C−1) = (4−1) ∗ (5−1) =3∗ 4=12. The corresponding p-value of the test statistic is p <0.05. Since the p-value is smaller than our chosen significance level ($\alpha < 0.05$), the null hypothesis is rejected. Rather, we conclude that there is enough evidence to suggest an association between age and how age plays a major role to determine the question of GST failing to live up to its full potential. It can be inferred from the results that there is an association between age and how education influences the agreeability level (X2 (8)> = 29.443, p < 0.05). Amongst the different age groups, those from the age group 31-40, take a neutral stand and also agree more with the statement that GST has failed to live up to its full potential.

2. **GST will provide a very clear and transparent indirect taxation system to India**
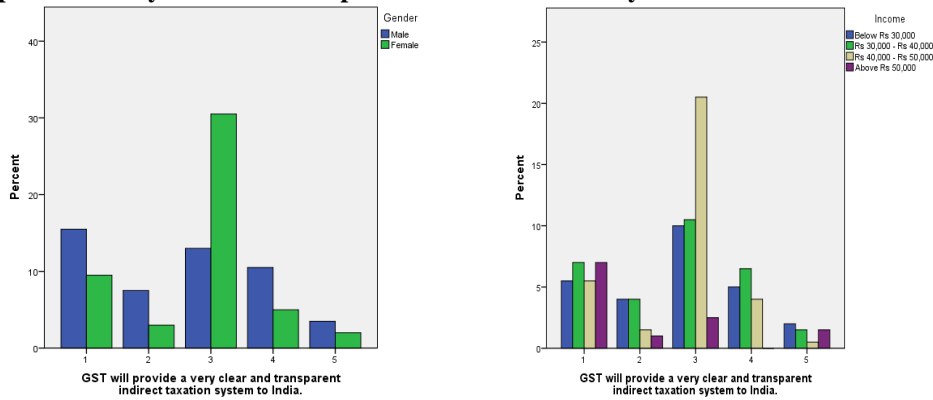

Fig. 7 & 8

LEGEND: Fig. 7&8 show the distribution of gender and income and agreeability towards how GST provides a clear and transparent indirect tax system.

RESULT: The result of Fig. 7&8 shows that women and the respondents earning ₹40,000 - 50,000 take a neutral stand on GST providing a clear taxation system. Men disagree and state that GST does not provide a clear taxation system. Respondents earning above ₹50,000 and between ₹30,000 - 40,000 also disagree.

DISCUSSION: (Sury) (2017) found that only about 1% of the total population in India were paying taxes therefore, the number of tax returns filed every year was becoming low. Although the direct tax rates were high, the total revenue generated were not up to the mark. Therefore the author concluded that GST checks both tax avoidance and tax evasion through better tax administration. (Kavita Rao and Mukherjee) (2019) found that GST will be a binding system where the entire nation will be under a single tax system. GST will boost the Indian economy, improvise tax collecting systems and break all the tax barriers that's present between Central and State Governments. It will give a clear and transparent taxation system. Even though GST has its drawbacks, it's clear that the system is clear and transparent and helps avoid tax evasion.

H0: There is no significant association between gender and GST providing a clear and transparent tax system.
Ha: There is a significant association between gender and GST providing a clear and transparent tax system.

Crosstab

Count

		GST will provide a very clear and transparent indirect taxation system to India.					
		1	2	3	4	5	Total
Gender	Male	31	15	26	21	7	100
	Female	19	6	61	10	4	100
Total		50	21	87	31	11	200

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	25.539[a]	4	.000
Likelihood Ratio	26.199	4	.000
Linear-by-Linear Association	.933	1	.334
N of Valid Cases	200		
a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 5.50.			

DISCUSSION:
The value of the test statistic is 25.539. Because the test statistic is based on a 2x5 cross tabulation table, the degrees of freedom (df) for the test statistic is df=(R−1) ∗ (C−1) = (2−1) ∗ (5−1) =1∗ 4=4. The corresponding p-value of the test statistic is $p < 0.05$. Since the p-value is smaller than our chosen significance level ($\alpha < 0.05$), the null hypothesis is rejected. Rather, we conclude that there is enough evidence to suggest an association between gender and how gender plays a major role to determine how GST provides a clear and transparent tax system. It can be inferred from the results that there is an association between gender and how gender influences the awareness level ($X2 (8) > = 25.539$, $p < 0.05$). Amongst the genders, women have a neutral stand and men agree that GST provides a clear and transparent tax system.

3. **The lack of awareness/understanding among the tax experts and the taxpayers about subtlety of GST creates delay in return filing?**
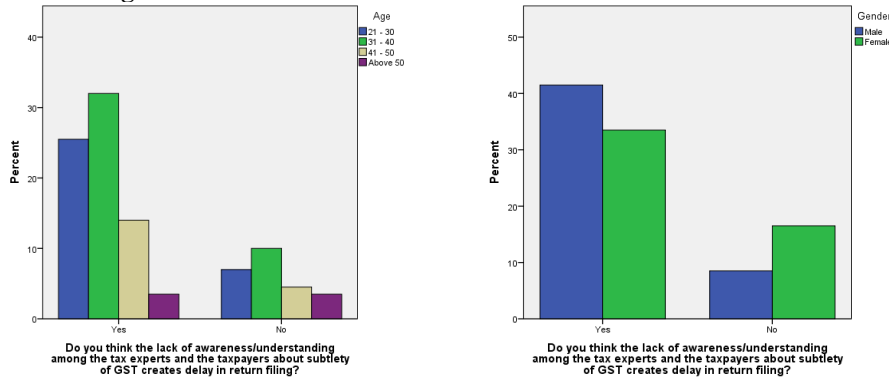
Fig. 9 & 10

LEGEND: Fig. 9&10 show the distribution of age and gender and agreeability towards how GST is unclear and creates delay.

RESULT: The result of Fig. 9&10 shows that women highly agree that lack of understanding of GST creates chaos. The age groups of 21-30 and 31-40 also agree that there is lack of understanding. 75% of the respondents agree with the lack of understanding of GST and 25% do not agree with the same.

DISCUSSION: GST in India has its own complexity therefore it results in lack of understanding.

H0: There is no significant association between occupation and subtlety of GST.
Ha: There is a significant association between occupation and subtlety of GST.

Crosstab				
Count				
		Do you think the lack of awareness/understanding among the tax experts and the taxpayers about subtlety of GST creates delay in return filing?		
		Yes	No	Total
Occupation	Private employee	47	15	62
	Government employee	51	16	67
	Self employed	38	13	51
	Unemployed	14	6	20
Total		150	50	200

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	.339[a]	3	.952
Likelihood Ratio	.329	3	.954
Linear-by-Linear Association	.213	1	.645
N of Valid Cases	200		
a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 5.00.			

DISCUSSION:
The value of the test statistic is .339. Because the test statistic is based on a 4x2 cross tabulation table, the degrees of freedom (df) for the test statistic is df=(R−1) ∗ (C−1) = (4−1) ∗ (2−1) =3∗ 1=3. The corresponding p-value of the test statistic is p <0.05. Since the p-value is greater than our chosen significance level (α < 0.05), the null hypothesis is retained. It can be inferred from the results that there is no association between occupation and the awareness level (X2 (8)> =.339, p < 0.05).

LIMITATIONS:

The Major limitation of the study is the sample frame. The sample frame Collected through online platforms like sending mail, sending links via WhatsApp is the limitation of the study, the real field experience is missed out due to corona pandemic. The restrictive area of sample size is yet another drawback of the research. Collection of data via online platforms is limiting the researcher to collect data from the field. Since the data is collected on an online platform wherein the respondent is not known, the original opinion of the respondent is not found, this research could only come to an approximate conclusion of what the respondent is feeling to convey.

SUGGESTIONS:
- The deadlines for tax returns are extended, such situations may lead to tax evasion. There is a need to curb this situation and by bringing the previous stringent measures for deadlines tax evasion can be avoided.
- The Amnesty Scheme might become a great drawback because if the penalties are waived and if this pattern is continuously followed, taxpayers will not file the returns and wait for such relief measures. This might increase the tax burden and lower the projected revenue. If the usage of this scheme reduces, tax evasion can be avoided.
- Digitalising payment and collection of GST can reduce tax evasion. At this point manual and slow work reduces.
- Exempted goods can be brought under the ambit of GST to equalize the loss (due to the pandemic) in revenue collection.
- The States of India should be allowed to levy their own rate of GST according to their local situations.

CONCLUSION:

There is no country that has a flawless GST system. India by the way of following the Canadian Dual GST model has modified the system according to the fiscal structure of India. It is found that there is a need for reduction of complications and it is necessary to clear the lack of understanding of GST among the taxpayers. Even though Indian GST has its drawbacks, it has improved the economy, improvised tax collecting systems and has broken all the tax barriers that were there between Central and State Governments. GST will give a clear and transparent taxation system. Every countrys' GST system has its own boon and Banda d is expected to evolve in the long run.

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