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Goods and Service Tax: Worldwide

Dr. Rajendra P. Kalamkar

Asst. Professor,

C. D. Jain College of Commerce, Shrirampur

Email- kalamkarrajendra@gmail.com

Abstract:

GST is simplified tax structure applied on both goods and services. It is a value-added tax levied at all points in the supply chain with credit allowed for any tax paid on input acquired for use in making the supply. It is applicable on supply of goods or services as against the prevailing system of tax on the manufacture of goods or on sale of goods or on provision of services. The GST was launched in India, on July 1, 2017. It was indeed important event and a paradigm shift as India moved towards "One Nation, One tax, One Market". In this research paper researcher listed out features and various experiences about GST from International Market.

Key words: GST, VAT, International Experiences

Introduction:

The most awaited economic reform in India, for a simplified and uniform tax rate, were passed in the parliament of India on 3rd August 2016. The Goods and Service Tax (GST), which subsumes 15 Central and State Taxes on goods and services, will create one single indirect tax rates across state, and make India truly unified market.

The previous system of Central Value Added Tax (CENVAT) and state Vat suffers from the cascading effect. As the two was not inter- linked, the system leads to high tax on customers, different input tax credit from the centre and states and differential sate VAT rates.

One of the most difficult challenges for investors and industries in India its complicated tax system with multiple rates at both the centre & States. Integrating taxes on goods & services will reduce the cost of compliance and gives full tax credit for inputs at one go.

The global experience has shown that implementation of GST results in numerous benefits for all stakeholders in the India GST regime, the customers will benefit from lower prices due to removal of cascading in taxes and efficient gains. The trade in industry will benefit because of uniform single indirect tax throughout the country, seamless flow of input tax credit, removal of tax related barriers at interstate borders, reduced logistics cost, and to end IT enabled system and minimal interface with the tax authorities.

Objectives of the Study:

1. To study the meaning of GST.
2. To study the International experience of GST.
3. To study the benefits & limitations in application of GST in India.

Research Methodology:

The study is based on secondary data only. The detailed information on various aspects of GST has been obtained from the government publications, books, research journals, newspapers and published sources.

Features of GST

1. The Government of India following in the credo of 'One Nation One Tax' and wanting a unified market that could make the movement of goods free across the country making life easier for manufacturer, producers and investors.
2. Though GST seeks to align the Indian Taxation system with the global standards and norms particularly with Europe and USA; items of mass consumption have become cheaper, items of luxurious nature have become costlier, and prices have gone up stiff. It will take time for people to understand the new taxation system, the balance between lower taxation rates on daily use products & higher taxes on services that they enjoy not daily.
3. The GST seeks to replace taxes levied by the Central & State Government. GST will subsume various indirect taxes including central excise duty, service tax, additional customs duty, surcharges, state-level value added tax & octroi. The Central Excise Duty, commercial tax, VAT, food tax, CST, octroi, Entertainment Tax, Entry Tax, purchase tax, Luxury tax, Advertisement Tax will be bound together by the GST.
4. GST will be levied on all transactions such as sale, transfer, purchase barter, lease or import of goods and/ or services; the Central Government levies an integrated GST.
5. GST is consumption-based tax; therefore, taxes are paid to the state where the goods or services are consumed not in the state in which they were produced. Integrated GST complicates tax collection for State Governments by disabling them to collect the tax owed to them directly from central government.
6. Under the previous system, a state would have to only deal with a single government in order to collect tax revenue. The central government has assured states for compensation for any revenue loss incurred by them from the date of GST for a period of five years.

International Experience of GST

The international experience shows that the success of GST depends mostly on model and effective implementation. Over time, many countries have fine-tuned their framework to reap the benefits of GST in terms of growth, revenue and price stability. Therefore, for the experience in the countries like Australia, Canada and New Zealand is better fiscal finance & price stability in short to medium term.

Around 160 countries in the world have implemented GST. There are seven countries in ASEAN, 19 in Asia, 53 in Europe, 7 in Oceans, 44 in Africa, 11 in South America and 19 in Caribbean, Central and North America. Europe has the highest number of countries, which have implemented VAT/ GST. France was one of the first countries to implement GST in 1954, followed by Germany in 1973. Typically, GST is a unified tax system in most of the countries

but Canada and Brazil have dual GST like India. Standard rate of VAT/GST in most of the countries ranges between 16- 20% similar to India's GST rate of between 18-28%.

The type of GST framework varies from country to country. Australia adapted the least neutral, New Zealand most neutral while Canada's GST was intermediate.

The main challenge encountered by most of the GST countries was that GST would be inflationary in nature especially if the effective tax rate is higher than what prevailed before. For instance, Singapore saw a spike in inflation in 1994 when it introduced the GST. That makes it all the more important for administrators to monitor how prices move after imposition of the tax.

Further the international experience is that, for long GST has been especially a central tax and the levy by two different levels of government was considered infeasible or undesirable due to high collection cost, compliance cost and possible distortions arising from and the possible limitations on the central Government's powers to undertake effective macroeconomic and redistribution policies.

The international Experience with GST suggest that it is necessary to keep the exemptions to the minimum, but it may not be possible to follow that in a country like India.

Conclusion:

- Acceptance of GST by general public, businesses firms would not be an easy task.
- GST is proven an efficient tax collection system despite teething problems in the initial implementation period.
- GST is expected to significantly ease double taxation and make taxation overall easy for the industries.
- For the end customer, the most beneficial will be in terms of reduction in the overall tax burden on goods and services.
- Introduction of GST will also make Indian products competitive in the domestic and international markets.
- Finally, the GST, because of its transparent character, will be easier to administer.

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