2018-19

PIML

2017

14

ISSN - 2349-4247

INTERNATIONAL JOURNAL OF MULTIDISCIPLINARY RESEARCH (GCC-IJMR)

International Refereed Journal - Annual Publication

Volume - 1 • Issue - 4 • Year-2017

सत्यमेव जयते

Published By :

Gujarat Commerce College, Ahmedabad

Commissionerate of Higher Education

Education Department

Government of Gujarat

Gujarat Commerce College's
International Journal of Multidisciplinary Research (GCC-IJMR)
ISSN : 2349 - 4247

: ADDRESS:
Gujarat Commerce College,
Ellis bridge, Ahmedabad – 380006
Contact No. : 079 – 26430546

Print Journal: Annual (February, 2017)

Contact Person

Dr. Pravin R Patel
(Principal)
Gujarat Commerce College, Ahmedabad – 06

Website: www.gccabd.co.in

Email: gujarat.college@yahoo.com

PRINTED BY: PRINTVALLEY 099250 24091

Index

- GST: A BIG TAX REFORM IN INDIA — 01
  Ashok D. Bihola
- IMPACT OF GST ON ECONOMIC VALUE ADDITION — 04
  Maheshvari Yadav & Dr. P. R. Patel
- IMPACT OF GST IN INDIAN ECONOMY GST IMPACT IN INDIA — 08
  Ass. Pro. Vaibhav B. Barodiya
- BASIC CONCEPTS OF GOODS AND SERVICE TAX IN INDIA — 13
  Sheela M. Bhadani & Dr. Alpa A. Thaker
- CHALLENGES AND OPPORTUNITIES OF MSME SECTOR IN PURVIEW OF GST BILL — 18
  Bhoomika M. Pandya & Dr. Pravin R. Patel
- GST: IMPACT ON SERVICE SECTOR IN INDIA — 23
  Binita R. Jolapara
- GST V/S. EXISTING INDIRECT TAXATION SYSTEM: "SIGNIFICANT POINTS OF DIFFERENCES" — 28
  CA Atul Suvagiya
- GOODS & SERVICES TAX - A COMPLETE CHANGE OF CONCEPT IN INDIRECT TAXATION — 39
  CA Avinash Poddar & Dr Mehul Desai
- IMPLEMENTATION OF GST IN INDIA- PROSPECTS AND CHALLENGES — 45
  CA Dr. Mala Dani
- GOODS AND SERVICES TAX IN INDIA: AN OVERVIEW — 50
  CMA Dr. Leena V. Painter & Dr. Hiral Parikh
- "GST BILL: RATIONAL LANDMARK TAX REFORM WITH LONG DISTANCE DESTINATION AND TOUGH JOURNEY" — 54
  CS Kalpesh Purohit
- IMPACT OF GST ON DEVELOPMENT OF INDIAN ECONOMY — 58
  Dr. Arvind B. Thakkar
- GST AND INDIAN FEDERALISM — 63
  Dr. Ashok Gaur
- EFFECT OF PRICING STRATEGY AND GST IN TEXTILE INDUSTRY — 71
  Dr. Ashishbhai C. Mehta
- GOODS AND SERVICE TAX - CHALLENGES IN IMPLICATIONS — 76
  Dr. Bhavesh A. Lakhani & Dr. Gurudutta P. Japee
- GST- A CONFIDENCE BOOSTER FOR E-COMMERCE SECTOR — 82
  Dr. Bhavin Bhatt
- A GST: IMPACT ON INDIAN ECONOMY — 86
  Dr. Bina L. Shukla
- GOODS AND SERVICES TAX (GST) & INDIAN ECONOMIC DEVELOPMENT? — 90
  Dr. Girishkumar N Rana.
- ROLE OF GST IN PRESENT SCENARIO — 96
  Dr. Mehul Rashmikant Solani
- GST V/S VAT — 99
  Dr. Pareshkumar U. Mordhara
- ASSESSMENT OF IMPACT OF GST ON MSME — 104
  Dr. Pravin R. Patel & Rahul G. Dengada
- INFORMATION TECHNOLOGY ENABLED GST IMPLEMENTATION IN INDIA — 109
  Dr. Prof. Jay Girishkumar Dave

GST V/S VAT

Dr. Pareshkumar U. Mordhara
Lecturer,
B. J. Vanijya Mahavidyalaya (BJVM), Vallabh Vidyanagar

Abstract

The tax reform measures aimed at increasing resource mobilization, i.e., revenue buoyancy and removing anomalies and distortions in the country's tax structure through restructuring, simplification and rationalization of taxes; tax compliance both direct and indirect. Before the introduction of VAT and GST, Sales Tax System was followed in the county. But due to limitation like lacks transparency, double taxation, tax evasion and many loopholes, Sales Tax was replaced by VAT. In the present scenario the complicated tax system in India with multiple rates is one of the most difficult issues investors and industry face. The new uniform tax rate aims to attract investors as well as create lower tax burdens for manufacturing firms and final consumers in India. Introduction of GST would be a significant step in the field of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single tax and allowing set-off of prior-stage taxes, it would mitigate the ill effects of cascading and pave the way for a common national market. For the consumers, the biggest gain would be in terms of a reduction in the overall tax burden on goods, which is currently estimated at 25%-30%.This paper is about how VAT is different from GST. It also about the point of difference between Central Sales Tax, (CST) and VAT.

Keywords : *Tax Reforms, Tax Structure, CST, VAT, GST*

Introduction:

Following the crisis of early 1990s, fiscal reforms were launched. Such reforms aimed at improving efficiency, production, and competitiveness of Indian industries and imparting dynamism to the overall growth process. In, 1991, the Government set up the Tax Reforms Committee under the Chairmanship of Raja J. Chelliah to examine the then tax structure of the country and suggest appropriate changes therein. In its report submitted to the Government in January 1993, it has made several recommendations for reforming India's tax structure.

The Committee has suggested far-reaching changes in the tax system with a two-fold objective:

(i) To remove the present defects, and

(ii) To make it more productive (i.e., to make it more efficient from the revenue-raising point of view).

The Committee suggested that the tax system of the country and laws relating to taxes should be made as simple as possible (so that people understand the tax system better and make voluntary contributions to the Exchequer).

Value Added Tax (VAT)

It is a multi-stage tax levied at each stage of the value addition chain, with a provision to allow input tax credit (ITC) on tax paid at an earlier stage, which can be appropriated against the VAT liability on subsequent sale. VAT is intended to tax every stage of sale where some value is added to raw materials, but taxpayers will receive credit for tax already paid on procurement stages. Thus, VAT is without the problem of double taxation as prevalent in the earlier Sales tax laws. In the earlier sales tax structure tax is not levied on all the stages of value addition or sales and distribution channel which means the margins of distributors/ dealers/ retailers at large not subject to sales tax earlier.

Characteristics Of Value Added Tax (VAT)

The main characteristics of value added tax (VAT) are stated as follows:

1. VAT is a form of indirect taxation.

ISSN: 2349 - 4247

2. VAT is a broad-based tax as it covers the value added to each commodity by a firm during all stages of production and distribution.
3. VAT is based on value added principle. Value added can be obtained either by adding payments to factors of production (i.e. , wages+rent+interest+profit) or deducting cost of inputs from sales revenue.
4. VAT is a substitute for sales tax, hotel tax, contract tax and entertainment tax.
5. VAT is based on self-assessment system and provides the facility of tax credit and tax refund,
6. VAT avoids cascading effect existed in sales tax and contains catch-up effect.

In a nutshell, VAT is an indirect tax that is imposed on different goods and services on the basis of value added amount in different stages of production and distribution.

Difference between CST and VAT

Basis for Comparison	Central Sales Tax (CST)	VAT
Meaning	Tax charged on the total value of the commodity, when the sale takes place is known as Sales Tax.	VAT is a tax charged at each level of the production and distribution chain whenever the value is added to the product.
Nature	Single point tax	Multi point tax
Tax Evasion	Can be possible	Cannot be possible
Cascading effect	Yes	No
Levied on	Total Value	The Value Added
Account maintenance	Requires less effort because it is simple and easy to calculate.	Proper accounts should be maintained as it is comprehensive and complex to calculate.
Tax Burden	Falls on the consumer	Rationalized.
Input Tax Credit	Unavailable	Available
Area	Applies to the whole country.	Applies within the jurisdiction of the state.

(http://keydifferences.com/difference-between-sales-tax-and-vat.html#ixzz4YOcOZiiX)

Goods and Service Tax

"GST is a tax on goods and services with value addition at each stage having comprehensive and continuous chain of set of benefits from the producer's / service provider's point up to the retailers level where only the final consumer should bear the tax."

Let us assume that there is a product which has a price of Rs. 100. Now there is an excise duty which needs to be paid on such amount @ 12%. VAT is required to be paid @12.5%. Assuming the rates of CGST and SGST as 10%. Now the tax as per the present tax structure would be Rs 100+12+14 = Rs. 126. While in case of GST it would be Rs. 100+10+10 = Rs. 120. Now here the basic and the most important difference are described. In present tax structure, we pay VAT on the total amount including Excise duty. But in the GST, it would be on the basic amount only and not on tax. So the biggest advantage is that it would remove cascading effect/double taxation.

Objectives of GST

- One Country – One Tax
- Consumption based tax instead of Manufacturing
- Uniform GST Registration, payment and Input tax Credit
- To eliminate the cascading effect of Indirect taxes on single transaction
- Subsume all indirect taxes at Centre and State Level under
- Reduce tax evasion and corruption
- Increase productivity
- Increase Tax to GDP Ratio and revenue surplus
- Increase Compliance
- Reducing economic distortions

Key features of the proposed GST model:-

1. Dual **Goods and Service Tax : CGST and SGST**
2. **Inter-State Transactions and the IGST Mechanism:** The Centre would levy and collect the Integrated Goods and Services Tax (IGST) on all inter-State supply of goods and services. The IGST mechanism has been designed to ensure seamless flow of input tax credit from one State to another. The inter-State seller would pay IGST on the sale of his goods to the Central Government after adjusting credit of IGST, CGST and SGST on his purchases (in that order). The exporting State will transfer to the Centre the credit of SGST used in payment of IGST. The importing dealer will claim credit of IGST while discharging his output tax liability (both CGST and SGST) in his own State. The Centre will transfer to the importing State the credit of IGST used in payment of SGST.
3. **Destination-Based Consumption Tax:**GST will be a destination-based tax. This implies that all SGST collected will ordinarily accrue to the State where the consumer of the goods or services sold resides.
4. **Computation of GST on the basis of invoice credit method:** The liability under the GST will be invoice credit method i.e. cenvat credit will be allowed on the basis of invoice issued by the suppliers.
5. **Payment of GST:** The CGST and SGST are to be paid to the accounts of the central and states respectively.
6. **Goods and Services Tax Network** (GSTN) :A not-for-profit, Non-Government Company called Goods and Services Tax Network (GSTN), jointly set up by the Central and State Governments will provide shared IT infrastructure and services to the Central and State Governments, tax payers and other stakeholders.
7. **Input tax credit (ITC) set off** : ITC for CGST & SGST will be taken for taxes allowed against central and state respectively.
8. **GST on Imports** : Centre will levy IGST on inter-State supply of goods and services.Import of goods will be subject to basic customs duty and IGST.
9. **Maintenance of Records** : A taxpayer or exporter would have to maintain separate details in books of account for availment, utilization or refund of Input Tax Credit of CGST, SGST and IGST.
10. **Administration of GST** : Administration of GST will be the responsibility of the GST Council , which will be the apex policy making body of the GST. Members of GST Council comprised of the Central and State ministers in charge of the finance portfolio.
11. **Goods and Service Tax Council:** The GST Council will be a joint forum of the Centre and the States. The Council will make recommendations to the Union and the States on important issues like tax rates, exemption list, threshold limits, etc. One-half of the total number of Members of the Council will constitute the quorum of GST council.

GST Current Tax Structure and proposed GST Regime

Pont of Comparison	Present Regime	GST Regime
Broad scheme	There are separate laws for separate levy. For e.g. Central Excise Act, 1944, respective State VAT laws.	There will be only one such law because GST shall subsume various taxes as specified above.
Tax rates	There are separate rates. For e.g. Excise 12.36 % and Service Tax 14%.	There will be one CGST rate and a uniform rate of SGST across all states.

Cascading effect	This Problem arises because credit of CST and many other taxes not allowed.	This situation will not arise as CST concept is being eliminated with introduction of IGST.
Tax burden	Under present scenario, tax burden on tax payer is high.	Under this, tax burden is expected to reduce since all taxes are integrated which make it possible the burden to be split equitably between manufacturing and services
Cost Burden on Consumers	Due to presence of cascading effect, certain taxes become part of cost.	As GST mechanism removes such effect by providing credit, cost burden is reduced.
Concurrent Power	At present, there is no such power to both Centre and State on same subject tax matter	Both Centre and State are vested with the power to make law on GST by virtue of proposed Article 246A of the Constitution
Compliance	Tax compliance is complex because of multiplicity of laws and their provisions to be followed.	Tax compliance would be easier as only one law subsuming other taxes need to be followed
Transparent Tax Administration	Presently, tax is levied at two stages in broad manner i.e. 1. When product moves out of factory. 2. At retail outlet.	GST is to be levied only at final destination of consumption and not at various points. This brings more transparency and corruption free tax administration.

Conclusion

Presently, the tax structure of India is very complex. Looking to the global developments and tax structure of developed countries, GST is the need of the hour. GST Largest Revolution in Indirect Taxation - One Country One tax. The present indirect tax structure have lot of shortcomings and loopholes left holes which helps the person to take the advantage of the same and run out of the tax liability. Shifting to the GST would lead to transparency in the system and reduce the corruption

References

1. Bagchi, A., & Poddar, S. (2007). GST for India: Some Basic Questions.
2. Garg, G. (2014). Basic Concepts and Features of Good and Service Tax in India. *International Journal of scientific research and management (IJSRM)*, *2*(2), 542-549.
3. Jayakumar, A. (2012). A Study on Impact of Value Added Tax (VAT) Implementation in India. *World*, *2*(5).

4. Khan, M., & Shadab, N. Goods and Services Tax (GST) in India: prospect for states. *Budgetary Research Review*, *4*(1), 38-64.
5. Poddar, S., & Ahmad, E. (2009). GST reforms and intergovernmental considerations in India. *Ministry of Finance, Government of India.*
6. Rao, M. G. (2003). Reform in central sales tax in the context of VAT. *Economic and Political Weekly*, 627-636.
7. Rao, R. K. (2008). *Goods and services tax for India.* New Delhi: National Institute of Public Finance and Policy.
8. Sharma, C. K. (2005). Implementing VAT in India: Implications for federal polity. *The Indian Journal of Political Science*, 915-934.
9. Vasanthagopal, R. (2011). GST in India: A Big Leap in the Indirect Taxation System. *International Journal of Trade, Economics and Finance*, *2*(2), 144.
10. Vasanthagopal, R. (2011). GST in India: A Big Leap in the Indirect Taxation System. *International Journal of Trade, Economics and Finance*, *2*(2), 144.
11. Zee, H. H. (1995). Value-added tax. *Tax policy handbook*, 86-99.

Websites

1. http://bruegel.org/2016/10/goods-and-services-tax-landmark-tax-reforms-in-india/
2. http://www.ctax.kar.nic.in/what_vat/About%20vat%20nnew.pdf
3. http://www.gstindia.com/basics-of-gst-implementation-in-india/
4. https://gst.caknowledge.in/gst-india-challenges-success-india/
5. https://tax.thomsonreuters.com/blog/onesource/sales-and-use-tax/difference-sales-tax-vat-2/
6. https://www2.deloitte.com/content/dam/Deloitte/in/Documents/tax/in-tax-gst-in-india-taking-stock-noexp.pdf
7. ttps://yourstory.com/2012/09/service-tax-vat-or-cst-an-overview-taxation-basics-for-startups/

Send your Article / Feedback / Subscription request at Email : gujarat.college@yahoo.com

सत्यमेव जयते

Published By :

Gujarat Commerce College

Ellisbridge, Ahmedabad - 6

Contact No.: 079-26430546

Website : www.gccabd.co.in

E-mail : gujarat.college@yahoo.com