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GST: India Vs Other Countries

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ABSTRACT

India joins in GST implementing countries list recently with three tier tax structure using multiple slab rates and two tax levying authority. The tax structure and rates do not coincide with other nations. Hence this research paper takes initiative to explore how the India's GST is different from other nations. It is purely descriptive in nature and comparison is based on secondary data taken from various reports, websites, articles published in newspapers and Wikipedia. Many countries adopt single ideal rate for all products and rates are very lower than India. China and Canada are having same pattern as that of India but rates do not go beyond 15%. India's GST is too high and load over burden on middle class and poor people. It is concluded that the rates must be revised and one product- One tax system must be applied to enable people to buy best quality product and live high standard of living.

Keywords: GST-Goods and service tax, CGST-central Goods and service tax, SGCT-State goods and service Tax, IGST-Integrated goods and service tax, VAT- Value added tax.

1.0 INTRODUCTION

The Indian GST is structured for efficient tax collection, reduction in corruption, easy inter-state movement of goods etc. 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. France was the first country to implement GST to reduce tax-evasion. Since then, more than 160 countries have implemented GST with some countries having Dual-GST, for example Brazil and Canada.

India has chosen [1] the Canadian model of dual GST as it has a federal structure where the Centre and states have the powers to levy and collect taxes. Both the levels of Government have distinct responsibilities to perform according to the division of powers prescribed in the Constitution for which they need to raise resources. A dual GST will, therefore, be in keeping with the Constitutional requirement of fiscal federalism.

GST in India may not have a dual GST structure exactly but it is quadruple tax structure- it may have four components (a) central GST (b) state GST (c) integrated GST and (d) VAT on some goods and services which are not brought under GST regime. Major tax contributing items crude oil, petrol, diesel, [2] aviation fuel, petroleum products, natural gas and alcohol are not charged under GST. One nation one tax is not achieved

Many countries follow single GST rate for all goods. Unlike other nations, goods and services in India will be charged at different rates depending on

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the categories they belong to. Under GST, goods and services are taxed at the following rates, 0%, 5%, 12%, 18% and 28%. There is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold. In addition a cess of 15% or other rates on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products [3]. The rate of GST in India is between two to four times that levied in other countries like Singapore and Hong Kong.

The multiple GST rate structure is framed by merging old VAT rates. VAT rate falls in between 3% to 9% merged into 5% under GST,9% to15% merged into 12%, 15%to 21% merged into 18%, and rate above 21% changed as 28% [6]. But the impact of GST tax is progressive one which means that tax amount is going higher if taxable amount increases.

India's GST is destination based tax and levied at time of consumption of goods or services by ultimate consumer. Most of the GST implementing countries charge tax on production base with input credit allowances. After GST implementation developed countries gave marginal cut in direct tax rate. In India, no such benefit passed to middle class tax payers [9].

2.0 OBJECTIVE

This research paper focuses how the Indian GST system differs from other GST implementing countries and tries to explore the ways to improve it in order to lower the burden of common man.

2.1 METHODOLOGY

It is purely descriptive in nature and discussion is based on secondary data which were collected from various reports, research articles, editorial pages of the magazines, and data available in websites. China and Canada are having multiple slab tax rates like India. Singapore is one of the high per capita income countries. United Kingdom has long relations with India. Hence these countries are selected for the comparison. United States of America gave autonomous power to states to levy tax. France implemented GST in 1954. Hence these countries are not considered for comparison.

3.0 DISCUSSIONS

Many countries levied single rate for all goods and services which is minimum in Singapore, Malaysia and Hongong. In Canada, total tax rate is arrived by adding provincial rate and central Canadian rate 5% common for all provinces. The state has power to levy tax on its discretion. However the total rate did not go beyond 15%. In India, rate fixing power rests in the hands of central government. It is the greatest drawback to the state government which has no power to consider uniqueness and different life style observed in their states. All states are acting as collection agents. They may give suggestions for revision but compromising other states gives headache.

Table: 1 Present GST Rates of Different Countries

Country	GST Rate	Service rate
Singapore	7%	7%
Malaysia	6%	6%
Thailand	7%	7%
Canada	5%, 15%	5%, 15%
China	**3%, 5%, 6%, 11%, 13%**	**3%, 5%, 6%, 11%, 13%**
Australia	10%	10%
Germany	19%	19%
South Africa	14%	14%
United kingdom	20%	20%
New Zealand	15%	15%
India	**5%, 12%, 18%, 28%**	**5%, 12%, 18%, 28%**

Source: www.ey.com/gl/en/service

China's GST structure seems to be same as that of our country, but it levies low rate. Population and structure of the society more or less resembles with India. The intention of the both governments is quite different. Indian government did not want to lose its size of tax revenue and china taxed people not to push them to pay extra.

Table: 2 India and Other Countries on Selected Criteria

Criteria	India	Canada	Singapore	UK	China
Basis for charge	At consumption	At supply of goods and service	At sales	At supplier location	At consumption
Exemption Limit	20 lakh/10 lakh for North East	1.5million dollar (75 lakh app)		83,000 dollar (41 lakh)	RMB 5000 to 20,000
Liability Arises	Invoice or cash receipt earlier	Invoice or cash receipt earlier	Invoice or cash receipt earlier	Invoice or cash receipt earlier	Issue of invoice
Reverse mechanism	Applicable on goods and services	On import	On services only	Applicable	Not applicable
Exemption	Meat, fish, salt, milk newspaper vegetables, books, export	Fish, groceries, vegetables drugs, medical device, education	Financial services sale of residential building	Insurance, education finance	Agricultural products export goods, drugs
Filing Returns	Monthly and one time annually	Based on turn over-monthly, quarterly, or annually	Quarterly	Quarterly	1, 3, 10, 15 days or quarterly

Source: GST in Other countries- https://cleartax.in

GST in India differs in other forms also. GST burden will be borne by the individual because it is charged on consumption point. The price includes expense of transferring goods from one place to other. It will add tax burden. If t is charged on production point, tax on other expenses will not arise. Only country which exempts agricultural product is china. Being an agricultural country, India must exempt all agricultural products from tax. The reverse mechanism also gives scope to bring non registered business unit under tax payer's regime [7]. So it is not a full exemption for those doing business below 20 lakhs.

Table: 3 Percentage of Items Under Different Tax Slab in India

S. No	Percentage on Total 1211 Goods	Tax Rate
1	7% of the goods	Nil
2	14% of the goods	5%
3	17% of the goods	12%
4	43% of the goods	18%
5	19% of the goods	28%

In other countries, all goods are brought under single rate except China. China has a uniform pattern of charging single rate for particular goods and services not considering sale amount and form of goods. On the other hand, India charge one rate if it is sold in particular form and the same product attract another rate if sold in other form. Rate is moving low to high depends on amount of sale also. Compliances of tax procedures become quite complicated and gives a room for evasion of tax by duplicate documents. Nearly 63% of 1211 items are placed under higher rate. It may lead to inflation for short period and give unrest among people

Table: 4 Tax Rate on Common Use Goods

<table>
<tr><th>Products</th><th>India</th><th>China</th><th>Singapore</th><th>Canada</th><th>UK</th></tr>
<tr><td>Common use items (Toothpaste, Hair oil)</td><td>18%</td><td rowspan="3">13%</td><td rowspan="3">5%</td><td rowspan="3">5%+ HST %</td><td rowspan="3">20%</td></tr>
<tr><td>Daily use (sugar, tea)</td><td>5%</td></tr>
<tr><td>Essential items (food grains, milk)</td><td>0%</td></tr>
</table>

China and UK levy high rate without considering earning capacity and tax paying capability. Poor and rich pay same amount of tax. In Singapore, low rate is levied and also give benefit package to the low income group to minimize their burden. Canada levies standard rate plus differential HST which is levied by state governments starting from 0% to 9.5%, altogether does not exceed 15% **[9].**

India's story is quite different. India has differential life standard society and consumption pattern. Majority are middle class and living below poverty line. It is not fair to charge 18% on common use items. It may add burden on their head. It must be brought down to 5%.

4.0 SUGGESTIONS

Some post-implementation truths from the GST in Malaysia includes wide-spread unrest and anti-GST street protests by small & medium businesses in Kuala Lumpur for few months after implementation even with a simpler systemic requirements and much higher level of exemption threshold.

From the lessons learnt, there is no denying that acceptance of GST by general public, businesses and firms would not be an easy task. Reasonable tax-rate has proven to aid in smooth implementation. The following suggestions may improve its validity and acceptability.

1. India's GST tax rate is higher than rates of all other countries in the world. Central government must revise and standardize (not exceed this limit) the minimum and maximum rate. The entire rate must be reduced to half level. New slab is to be 2.5%, 6%, 9% and 14% which is more appropriate and leads to wide acceptability.
2. To strengthen a slogan" one nation, One tax", all other goods and services which are not included in GST tax, must be included.
3. Agricultural products, Food grains, vegetables and fruits, Medicines, Medicinal device, Hospital service, Education and judicial services are exempted from GST.
4. Different tax rate is charged on a product when it is sold by different form of business units. For example 12% charged on food sold by the hotel without AC, 18% if the hotel is having AC, 28% if hotel is a star hotel. One product, one tax is ideal. Don't prevent people to avail good quality by comparing tax charge.

5.0 CONCLUSION

GST is proven to be an efficient tax collection system despite teething problems in the initial implementation period. The success of the GST depends on continuous monitoring aftermath situation and actions to be taken to control price rise. Reformation and Re designing GST rate and procedures to pay tax must be carried on continuous basis. Government of India will issue sector wise GST rate and communicate well to concerned people. Government should give fair and equitable standard of living to its people as that of people living in other countries through implementing GST in smooth way. Government broadens the tax regime rise its number of tax payer, tax volume and tax amount by implementing GST and load over burden on common man and poor people.

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