Vol 7 Issue 3 Dec 2017

ISSN No : 2249-894X

Monthly Multidisciplinary Research Journal

Review Of Research Journal

Welcome to Review Of Research

RNI MAHMUL/2011/38595 **ISSN No.2249-894X**

Review Of Research Journal is a multidisciplinary research journal, published monthly in English, Hindi & Marathi Language. All research papers submitted to the journal will be double - blind peer reviewed referred by members of the editorial Board readers will include investigator in universities, research institutes government and industry with research interest in the general subjects.

Address:-Ashok Yakkaldevi 258/34, Raviwar Peth, Solapur - 413 005 Maharashtra, India
Cell : 9595 359 435, Ph No: 02172372010 Email: ayisrj@yahoo.in Website: www.oldror.lbp.world

REVIEW OF RESEARCH
ISSN: 2249-894X
IMPACT FACTOR : 5.2331(UIF)
VOLUME - 7 | ISSUE - 3 | DECEMBER - 2017

IMPACT OF MULTIPLE TAX STRUCTURE UNDER GST AND GST SYSTEM IN SOME OTHER COUNTRIES

Ankit Kumar[1] and Mandeep Kumar[2]
[1,2]M. Phil Scholar, Deptt. of Commerce, K.U.K.

ABSTRACT: -
This paper highlights the multiple tax structure under GST and its impact in India and explains the different tax rates in India and other countries like Canada, USA, Australia, United Kingdom, Malaysia and New Zealand. France was the first country which had implemented GST in 1954. The goods and services tax was introduced in India on 1 July 2017.Goods and services tax is the biggest reform in Indian taxation system. It transforms the country into one unified common market. GST is a destination based tax levied on the every value addition and consumption of the goods and services across the nation. India will follow the dual GST i.e., central GST the state GST. Experience of other countries has proved that it is an efficient tax collection system. It is expected to fill the loopholes in the current indirect tax system and boost the Indian economy. It can generate more revenue as it broadens the tax base of the country.

KEYWORDS: *Multiple tax structure, GST System.*

INTRODUCTION

GST system was first introduced in France in the year 1954 and now nearly 150 countries are following the system. In India the idea to introduce the GST was mooted in the year 2000 and Government appointed various committees and a task force to study the impact of GST. The effort to implement GST was floated in the Union budget 2006-07 by the then Finance Minister. As the115th amendment bill has lapsed, the 122nd amendment bill was introduced in 2014 and the bill has been passed in Lok Sabha and Rajya Sabha.

Finally, the long-awaited reform rolled out on 1st July 2017. The basic idea is to create a single, mutual and undivided Indian market to make the economy stronger and powerful. It was introduced the constitution one hundred and first amendment act 2017 following the passes of constitution 122nd amendment bill. The proposed model of GST is "Dual GST" comprising Central and State component charging simultaneously on the common base. The administrative responsibility lies with GST council.GST is a comprehensive indirect tax levied on manufacture, sale and consumption of goods and service. It is a tax on value addition. It will reduce the existing complexity of taxes as it subsumes VAT, Excise duty, service tax and Sales tax paving the way to transparent indirect tax. It is a consumption based tax applied to goods and services at the place of its consumption.

A destination-based tax is one which is levied in the state where the goods and services are consumed and not where they produced. Goods and services tax is levied on all transaction such as sale, purchase, transfer, barter, lease or import of goods and services. In this destination principle, the producers and traders need not shoulder the financial burden as they are not responsible to collect taxes on behalf of government rather it is the retail trader's responsibility to collect the tax. The state which consumes more is likely to benefit more than the producing state. As such it paves a way to the state which is consuming more and remains in the less developed status to tap more revenue and deploy the same for their growth and development. GST besides addressing the tax evasion and corruption it increases the productivity and alleviates poverty and economic distortions.

GST-COUNCIL

Setting up of GST Council was a major big development. It is an apex body including Centre and the State for GST. It has the power to finalize nitty-gritty of GST and to resolve disputes Union Finance Minister is the head of the Council while the Union Finance Minister of State (In- charge of revenue) and the Minister in charge of finance or taxation or another Minister nominated by each State Government will be members.

After a lot of deliberation, our GST council has finalized the rates for all the goods and major service categories under various tax slabs, and the GST is expected to fill the loopholes in the present system and raise the Indian economy. The GST council fixed four-tier structure for goods which ranges from 0% to 28% with two standard rates of 12% and 18%.This new structure lowers the logistics cost, brings unorganized operators into its ambit, reduces the overall tax burden of the final consumers. It is the common man friendly structure as more than 50% of necessary items are zero-rated and only 5% is charged on essential items and 28% rate is on demerit goods.

OBJECTIVES

1. To study the concept of GST system.
2. To study the GST system in some other countries.
3. To study the multiple tax structure under GST and its impact in India.

GST System in India

Under the goods and services tax, the goods and services are taxes the followings rates 0%, 5%, 12%, 18, 28% plus an addition cess on demerits goods like the luxury car, tobacco, and aerated drinks. Goods and services tax network a non- profit and the nongovernmental company is called goods and services tax network jointly set by the center and state government will provide shared IT infrastructure and services to the central government as well as state government, the taxpayer, and another stakeholder.

The approved wealth will be 10 crores of GSTN in which central government hold 24.5% and state government hold 24.5% and rest with private banking firms for the soft organization of the transactions. The registration under goods and service tax is based on PAN; only one GST registration number can be allotted against one PAN. Someone who supplies any material in a region where GST is applicable but he does not have a fixed place of trade that type of person will be treated as the casual taxable person under GST. Composition scheme if the supplies made inter-state.

A trader who has below 75 lakh will have to pay one percent tax, a manufacturer will have to pay 2 percent and while restaurant businesses below 75 lakh will have to pay 5% tax. GST council decided that businesses in the northeastern and hill states with the yearly turnover of 10 lakh would be out of the GST rest of India the limit would be annual turnover 20 lakh for businesses. GST has benefits of input tax credit.

Table 1: Subsumed indirect taxes into GST

Sr. No	Central Taxes	State Level Taxes
1.	Central Value Added Tax or Central Excise duty	Value Added Tax
2.	Service Tax	Sales Tax
3.	Central Sales Tax	Entry Tax
4.	Countervailing Duties	Luxury Tax
5.	Special Additional Duty of Customs	Entertainment Tax

GST taxation system in other countries

India will follow the dual GST model in which the central goods and services tax, as well as the state goods and services tax, levied on the goods and services. The Canada and Brazil have also the dual taxation system. Canada (5%) follow dual GST between a union and states having three components- federal GST and provincial retail sales tax are administrated separately, joint federal and provincially vat is administrated only for Quebec. In Quebec model, there have the separate rules and regulations for state GST and central GST. The exemption limit is Canadian $30000 and return file monthly quarterly and annually basis.

In another side which countries have goods and services taxation system has different models of the collection of taxes like the USA does not impose national level sales or value-added tax sale tax are the complimentary use of taxes impose and administrative by state and local level. The USA follows the state goods and services tax model in this model taxes charged by the respective states of the nation. China (17) and Australia (10%) have the national goods and services tax model in this model the central government collects the taxes and distributes among the states with a certain provision. United Kingdom (20%) has a taxation system in which value-added tax on consumption levied by the national government. The exemption limit in UK £73000 and return are filed quarterly and small business enterprises have the option they can file their return on annual basis. In Malaysia has also a single taxation rate 6%.

In Malaysia has input tax and output tax goods and services tax, model. If the input tax > output tax than goods and services tax is refundable. In another side, if input tax < output tax than goods and services tax is payable. The minimum tax limit has in Malaysia MYR 500000. In New Zealand, the system was introduced in 1986 and the rate was 10%. Now 15 % tax is charged for all goods and services in New Zealand. If yours annually turnover above NZ $60000 in any 12 month period you will have to pay tax. The taxpayer can elect file return monthly, two monthly and quarterly which depends on their turnover.

Multiple Tax Structure under GST in India:-

Goods				Services
Exempt	**Low Rate**	**Standard Rate**	**High Rate**	**Standard Rate**
0% Agricultural Goods	5% Necessity Goods	12% and 18% Distribution is undecided	28% Luxury Goods and consumer durables	12% and 18% Distribution is undecided

Impact of GST on various items:-

1. Garments & others: These items costing up to INR1000 will have a GST rate of 5% and 12 percent GST for the items more than INR1000. With respect to the ready-made garments, the rates have been reduced to 12% from an existing 18.16% which will make them cheaper.
2. Cab rides: The fare of taxi and cabs will be decrease now due to the decrease in the tax rate. Now it will charge only 5% tax on these bookings.
3. Train Fare: There will be a little bit impact. AC booking is now 0.5 percent costly then previous rate.
4. Life Insurance Premium: The Premium Amounts on policies will rise.
5. Jewellery: The gold investment will become slightly expensive because there will be 3% GST on gold & 5% on the making charges. There will be an increase in all states.

6. Mutual funds Returns: This will crash your earnings from these funds. There will be change in the quantum of tax levied on these funds of 3 percent on the bases of TER. The income what you get as an investor will be decreased to that extent except the respective company absorbs it.
7. Education & Medical Facilities: These services will not come under purview of GST. These are now exempt as there is no tax incidence. But the rate of taxes for some goods & services produced by these organizations is increased.
8. Hotel stay: There will be no tax if the room rent is less than Rs 1,000. If rent is more than that tax is applicable. Rate of tax is 12%, 18% and 28% on rent up to 1000 to 2500, 2500 to 7500 and above 7500 respectively.
9. Telecom Bills: There will be 3 percent extra taxes on these services. Yet, services providers may take up this 3% due to competition.
10. Restaurants: Bill of restaurant is depending upon AC or Non-AC categories. 18% GST on AC 5-star hotels and the Non-AC restaurants will charge 12%. Dhabas and small hotels having annual turnover less than rupees 50 lakh will charge only 5% tax.

Some exempted items under GST regime:

I. The unprocessed cereals, rice & wheat etc.
ii. The unprocessed milk, vegetables (fresh), fish, meat, etc.
iii. Unbranded Atta, Besan or Maida.
iv. Kid's coloring book/drawing books
v. *Sindoor/Bindis, bangles, etc.

CONCLUSION

GST is a single, comprehensive tax on goods and services at each point of sale of goods or provision of service, in which, the service provider may claim the input credit of tax which is paid on the transaction. The ultimate consumers thus bear only the GST charged by the last dealer. The GST system in India is quite a difference from other countries. This difference may because of the conditions and population diversity in India. The council of GST changes the rates of tax on continuous basis as the situations demands. It is our expectation that impact of GST will be positive and will bring positive effect to Indian economy and convert India into a unified national market with simplified tax position.

REFERENCES

Lourdunathan , F., & Xavier, P. (2017). A study on implementation of goods and services tax (GST) in India: prospectus and challenges. International Journal of Applied Research, S3(1), 626-629.

Priya, B. M. (2017). GST- A game changer. International Journal of Management Research and Social Science, 4(1), 10-12.

Kumar, V. (2016). GST: positive and negative effects on common men in India. Journal of Commerce & Trade, 11(2), 113-117.

https://economictimes.indiatimes.com/news/economy/policy/a-look-at-how-gst-was-rolled-out-in-other-countries/articleshow/59359815.cms

http://zeenews.india.com/economy/how-indias-gst-is-different-from-that-in-other-countries-2051352.html

http://www.ey.com/in/en/newsroom/news-releases/pe-ey-lessons-from-countries-that-have-implemented-gst

http://www.zeebiz.com/india/news-gst-in-india-versus-gst-in-the-other-countries-what-differentiates-india-16838

http://indiatoday.intoday.in/education/story/gst-highest-india/1/993300.html

https://en.wikipedia.org/wiki/Goods_and_Services_Tax_(India)

http://www.gstgovt.in/

https://cleartax.in/s/gst-india-and-other-countries-comparison.