



Indirect Taxation in India

(A Comparative Study between VAT and GST)

Dr. Lal Baboo Jaiswal,

Assistant Professor, Faculty of Commerce, Banaras Hindu University, Varanasi, 221005

ABSTRACT

Indirect tax is a tax that can be passed on to another individual or entity. Indirect tax is generally imposed on suppliers or manufacturers who pass it on to the final consumer. Excise duty, customs duty, and Value-Added Tax (VAT) are examples of Indirect taxes. Indirect taxes are touted to be streamlined following the introduction of the uniform Goods and Services Tax (GST).

Goods and Service Tax is collectively known as GST which is a tax levied on the goods and services which an individual attains for his or her comfort's, concept was brought into picture during the Vajpayee government in the year 2000 and was amended in the year 2015. Tax is quoted as "ONE TAX ONE NATION" as this tax includes all the levels of taxes. It is the main tax implemented in India and which is still moving with lots of hardships. The main purpose of this tax is to take away tax on tax idea and decrease the burden on an individual. This tax is also benefiting the economy and helping in its growth. This paper discusses the past (Indirect Taxes including -VAT) and present impacts of the Goods and Service Tax.

KEYWORDS: Indirect Taxation, Goods and Service Tax, accomplishment

I. INTRODUCTION

Income is the money that an individual or business receives in exchange for provided that a good or services. A proper tax system was in subsistence in India since the time of Maurya empire. The superior class of people contributed 1/6th of their income as tax. It is said that even before the Mauryas, tax was mentioned in Manu Smruti, one of the most very old scriptures of India. The subsequent Mughal invaders brought with them their own taxation system. The infamous Jezia was a tax forced on the non-Islamic people of the land. In India, it was eliminated by Akbar.

An indirect tax is **composed by one unit in the supply chain** (usually a manufacturer or trader) and paid to the government, but it is passed on to the consumer as part of the purchase price of a good or service. The consumer is at last paying the tax by paying more for the product. Some examples of these indirect taxes are Service Tax, Excise Duty, Customs Duty, VAT, Entertainment Tax, Luxury Tax etc.

GST Bills and the new tax system implemented on 1st July 2017. GST stands for Goods and Services Tax. It is an Indirect tax which introduced to replacing a swarm of additional Indirect taxes such as value added tax, service tax, purchase tax, excise duty, and so on. GST levied on the supply of certain goods and services in India. It is one tax that is applicable all over India.

The financial system has benefited by the acceptance of GST. The profits are that is,

- ❖ An individual can guide his life simpler at lesser cost.
- ❖ There is an option of climb in the revenue.
- ❖ A common market to perform their trade actions.
- ❖ Enhance in Make in India scheme.
- ❖ Development in the little performing states.
- ❖ Exclusion of cascading scheme.
- ❖ Lessening the load on the end buyer.

Objectives:

1. To understand the GST with past multiple tax system.
2. To study the present situation of Tax Collection after implementation of GST

II. LITERATURE REVIEW

Halakhandi, (2007) GST was supposed to be introduced in India way back in 2010. It has been getting postponed due to various reasons major one being getting to a consensus between the various states and the centre for compensation. The author in the paper has discussed the existing laws in India for indirect taxes, the VAT laws in various states with their advantages and disadvantages, the impact of the proposed GST, the compliances under the proposed GST etc. The author has also used various numerical examples to demonstrate how GST is cost effective.

Feria, (2009) the authors in this paper study the taxation under indirect taxes specifically of financial services in Australia and the EU and whether the Australian system of taxation is better. Further in case the Australian system is better whether there are any points which can be implemented in the EU.

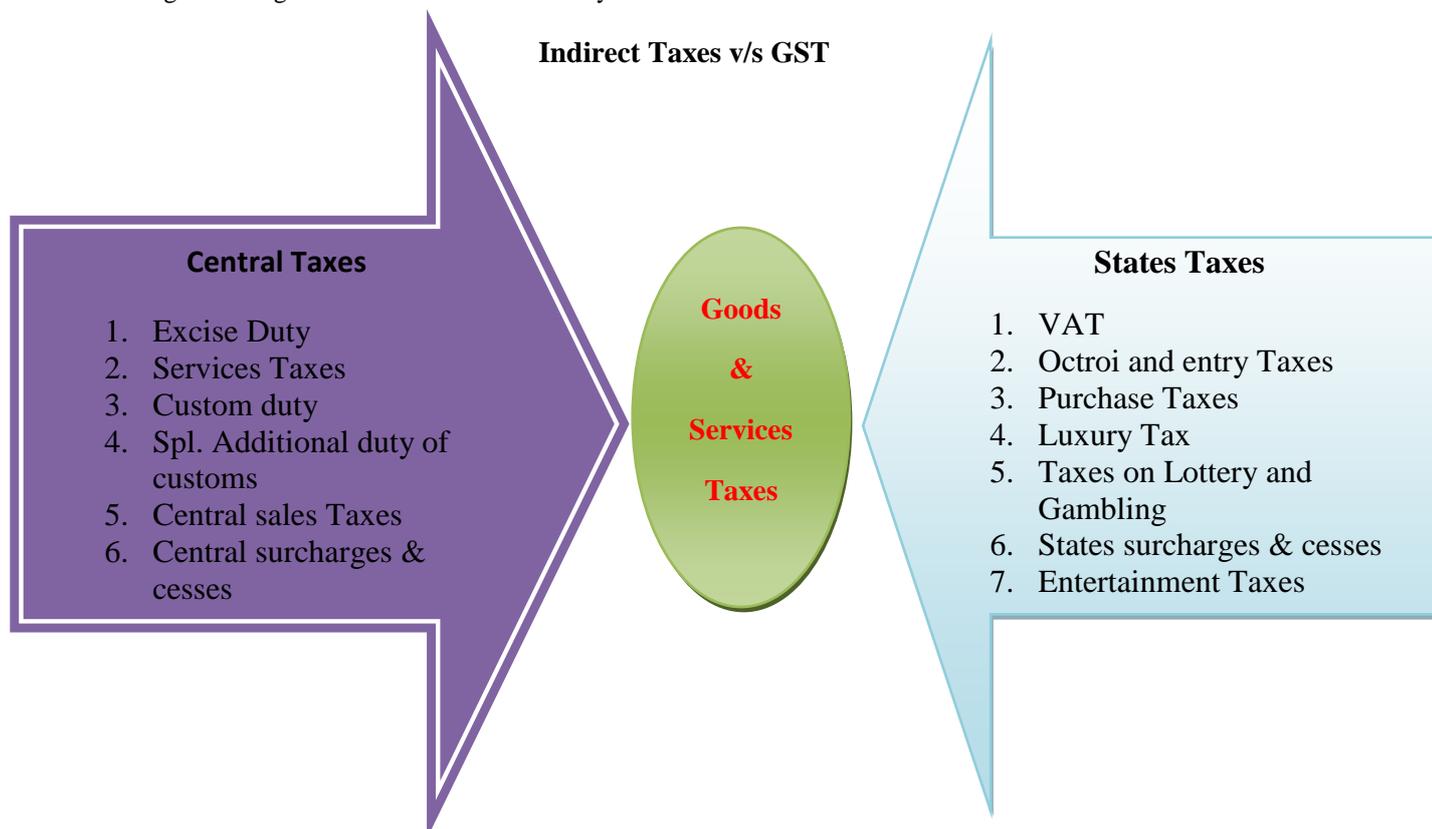
Ahmad, (2010) the author in this paper has discussed the efforts of Pakistan Government to implement General Sales Tax in Pakistan. The author has discussed the existing indirect tax system in Pakistan, the history of the tax system in Pakistan, the reforms recommended by the National Taxation Reforms Commission and then highlighted the issues and benefits in the proposed reforms.

Benedict, (2011) The author studies the law provisions dealing with financial services under the Australian GST law with the intention to verify whether the provisions have been construed correctly in light of the original purpose of the legislation and how the concerns identified may be rectified.

Fathi, (2012) the authors have explored the connection between the rate of VAT and the evasion of VAT by the public using varied experimental methods. They conclude that there is no connection between the two because in many countries where the VAT rate is high the compliance is also high and where it is low the evasion is high.

Emmanuel, (2013) the author has examined the link between VAT, the increase in VAT rates and the economic growth and tax revenue in Nigeria. For this study the author has set out 2 Null hypothesis which are post the research accepted. The author concludes that given the strong relation between the above, the Government and authorities should actively educate the public on the benefits of VAT so that they accept changes in VAT rates more easily.

Garg (2014) paid attention on the impact of GST (Goods and Services tax) with a brief description of the historical scenario of Indian taxation and its tax structure and discussed the possible challenges, threats and opportunities that GST brings to strengthen our free market economy.



As per Article 246A, the power to levy GST has been given to the Parliament as well as to Legislature of every State.

- a) CGST – enacted by Central Government of India.
- b) IGST – enacted by Central Government of India.
- c) SGST – enacted by respective State Governments
- d) UTGST – enacted by Central Government of India

Differences between GST and Previous Tax Structure

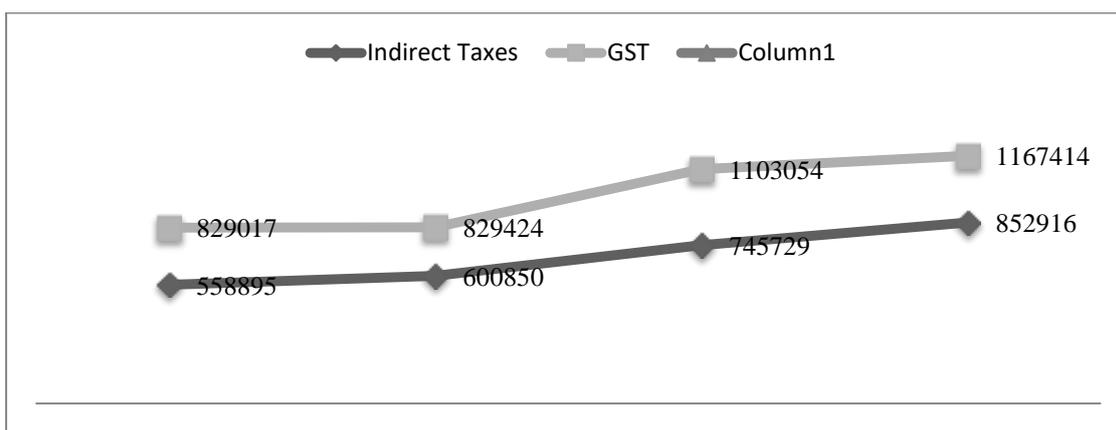
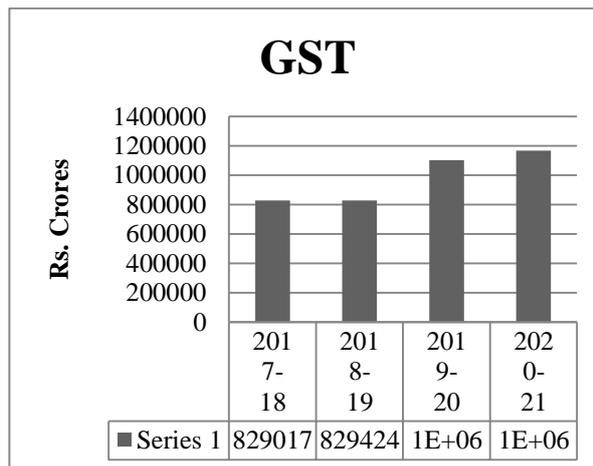
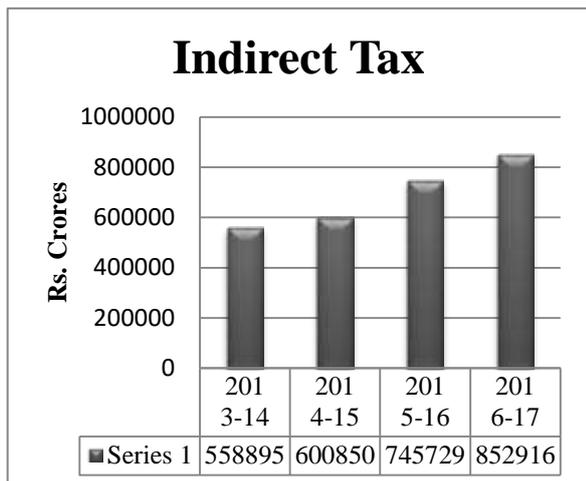
S.No.	Constraint	Previous Tax Structure	GST
1.	Construction	Under the previous taxation scheme, the central taxes applicable were custom duty/central excise duty, central sales tax on commodities and services, surcharge and cesses. The state taxes included state VAT, WCT, Entertainment tax, Luxury tax, Tax on gambling, Betting and Lottery, sales tax deducted at source, and surcharge and cesses.	Under GST, all the central and state taxes will be subsumed and a single tax will be levied on all commodities and services apart from motor spirit, petroleum, natural gas and high-speed diesel
2.	Center of Levy	Under VAT, tax will be levied at the place where goods are manufactured or sold, or the place at which services are rendered.	Under GST, tax will be levied at the place of consumption, like a destination-based tax.
3.	Registration	Under VAT, the registration is decentralized under state and central authorities.	Under GST, there will be uniform e-registration depending upon the PAN of the entity.
4.	Filing of Returns and Collection of Tax	Under the old set-up, service tax and central excise were uniform, but VAT mottled from state to state.	Under GST, the procedure is uniform and the dates for collecting or depositing tax and filing returns are familiar.
5.	Exemptions	Under VAT, definite areas such as the North-East will be able to benefit from exemptions.	Under GST, there will be no such exemptions, and the GST Council may initiate an Investment Refund Scheme for definite zones.

Central Government Receipts

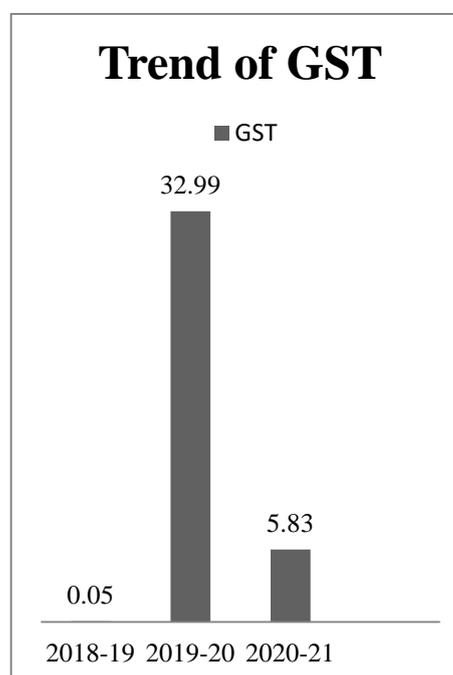
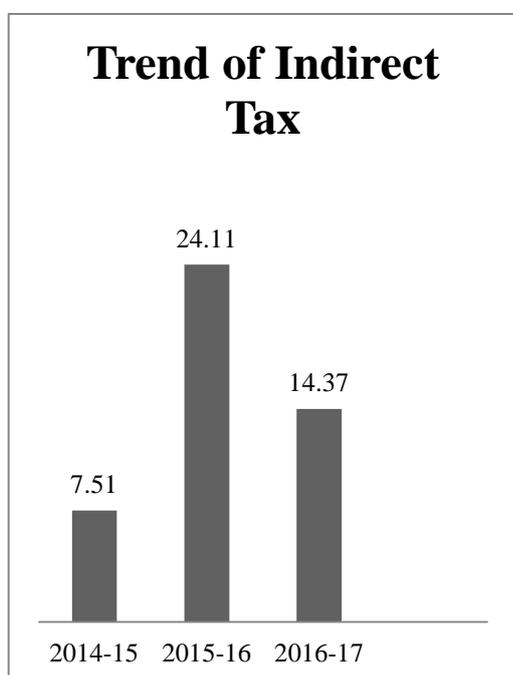
(Rs. Crores)

Year	Indirect Tax	Year	GST
2013-14	558895	2017-18	829017
2014-15	600850	2018-19	829424
2015-16	745729	2019-20	1103054
2016-17	852916	2020-21	1167414

(Sources: Budget documents of Govt. of India and Finance Accounts (Various Issues))



The data of Indirect Tax has been taken past four years from the year of implementation of GST. Like this the data of GST has been taken for four years from implementation of GST. If I say about trend of indirect tax the rate of increase of indirect tax are 7.51%, 24.11%, 14.37% respectively in 2014-15, 2015-16 and 2016-017. The average increase rate is 15.33%. If I say about trend of GST the rate of increase of GST is 0.05%, 32.99%, 5.83%. The average increase rate is 12.97%.



III. Findings and Suggestions

Findings:

- ❖ GST had brought a positive impact on the lives of consumers and has reduced their tax burdens.
- ❖ This had also given a better performance in the growth of the economy and maintains the stability in the—inflation.
- ❖ GST collection is declined in FY 2020-21 in comparison to FY 2019-20. Decline is mainly accountable to Lockdown Due to Covid-19.
- ❖ With the cascading effect in place, the taxes were levied on the value on which the previous buyer has already paid the tax. Thus, GST removed this “tax on tax” by bringing the concept of input tax credit that can be claimed at every stage by the seller or service providers.
- ❖ The optimism around the fact that recent GST collections have been impressive, January, March and April 2021 collections were the highest ever, needs to be seen in the light of the long-term moderation of revenue expectations from GST.

Suggestions:

- ❖ GST should execute fine so that the core and lesser class people can make domestic and international trade in a healthier mode.
- ❖ GST should additional decrease the manifold tax system with regard to the direct taxes.
- ❖ A single tax in Indian economy can soothe the customer in a well-organized mode and build their work simple and over taxation can be condensed.
- ❖ Rates should be streamlined and abridged to make India competitive and in interest of conformity and economic development. The **highest rate should be set aside at 18%** and there should be only a small number of items that fall in 28% slab.
- ❖ GST is vaguely special in its fiscal federalism arrangement. Because it entailed a larger capitulate of taxation powers for the states – states do not levy direct taxes or customs duties – a definite revenue growth of 14% for a period of five years was presented to them by the centre to get them to agree. This issue became contentious when GST collections chop down because of the pandemic.

REFERENCE

1. Ms.Ramya.N,Shiashakthi.D, “GST and its impact on various sectors” ,Journal of Management and Science (2017) ; ISSN:2249- 1260.
2. Mr. Dash. A , “Positive and Negative Impacts on Indian Economy” , International Journal of Management and Applied Science(2017); ISSN:2394-7926.
3. Ms. Shefali Dani, “A Research Paper on an Impact of Goods and Service Tax on Indian Economy”, Business and Economics Journal (2016); ISSN: 2151-6219.
4. Rupa. R, “GST in India an Overview”, International Education and Research Journal (2017); ISSN: 2454-9916.
5. Monika Sehrawat, Upasana Dhanda, “GST in Indian: A key Tax Reform”, International Journal of Research (2015); ISSN: 2394- 3629.
6. GST India (2015) Economy and policy.
7. Patrick M (2015) Goods and service tax push for growth and CPPR.
8. Girish Garg, “Basic Concept and Features of Goods and Service Tax in India”, International Journal of Scientific Research and Management (2014); ISSN: 2321-3418.
9. The Economic Times (2009) Featured Articles.

Websites:

- 1) [Http://goodsandservicetax.com/gst/showthread.php?69-CHAPTER-X-Goods-and-Services-Tax-The-way-forward](http://goodsandservicetax.com/gst/showthread.php?69-CHAPTER-X-Goods-and-Services-Tax-The-way-forward).
- 2) [Http://en.wikipedia.org/wiki/Goods_and_Services_Tax_\(India\)](http://en.wikipedia.org/wiki/Goods_and_Services_Tax_(India))
- 3) [Http://www.taxmanagementindia.com/visitor/detail_rss_feed.asp?ID=1226](http://www.taxmanagementindia.com/visitor/detail_rss_feed.asp?ID=1226)
- 4) [Http://www.gstindia.com/](http://www.gstindia.com/)
- 5) <https://accounts.hindustantimes>