



A COMPAIRATIVE STUDY ONVAT AND GST.

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Abstract

The Goods and Services Tax (GST), was brought into the tax net on July 1, 2017, is Known as a Significant taxation reform till date implemented in India since independence in 1947. GST was planned to be introduced in April 2010, but was postponed due to political issues and conflicting interest of stakeholders. The primary objective behind development of GST is to subsume all sorts of indirect taxes in India like Central Excise Tax, VAT/Sales Tax, Service tax, etc. and implement only one taxation system in India. The GST is a destination-based taxation system which brings more transparency and increases GDP and reduces tax theft and tax evasion and corruption in an economy through which a country can be benefitted. The paper speaks on the background of the taxation system, the GST concept along with significant working, comparison of Indian GST taxation system rates with other world economies, and also presented overall coverage regarding advantages to various sectors of the Indian economy after levying GST and outlined some challenges of GST implementation.

Key words: tax, indirect tax, goods and services tax (GST), taxation reforms, Indian taxation system, GST Council, VAT

Introduction:

The word tax is derived from the Latin word 'taxare' meaning 'to estimate' "A tax is not a voluntary payment or donation, but an enforced contribution, exacted pursuant to legislative authority and is any contribution imposed by government whether under the name of toll, tribute, impost, duty, custom, excise, subsidy, aid, supply, or other name." Tax is the important source of revenue to the government. It forms a major portion of revenue in the overall government's total revenue. Government collects tax from the public in various ways in different names

Purpose and Effects of Taxation:

Revenue, Redistribution, Re-pricing and Representation.

- The main purpose is revenue: taxes raise funds to spend on roads, schools, hospitals, and on other indirect government functions like market regulation or legal systems.
- The second purpose is redistribution, which means transferring wealth from the richer sections of society to poorer sections.
- Third purpose of taxation is re-pricing of certain goods to increase or decrease their consumption. Taxes are levied to discourage consumption of certain items like say tobacco.
- Fourth effect of taxation has been representation, where the citizens by paying Taxes demand accountability in return from the rulers or governments.
- Several studies have shown that direct taxation (such as income taxes) generates the greatest degree of accountability and better governance, while indirect taxation tends to have smaller effects.

Value Added Tax: -

A value-added tax (VAT) is a consumption tax placed on a product whenever value is added at each stage of the supply chain, from production to the point of sale. The amount of VAT that the user pays is on the cost of the product, less any of the costs of materials used in the product that have already been taxed. This is the tax



imposed on the sale of goods which takes place within the state; the rates under VAT are quite different from the Sales Tax levied by the Central Government. VAT is levied and collected by the State Government.

Goods And Service Tax (Gst)

It is a destination-based tax on consumption of goods and services. It is proposed to be levied at all stages right from manufacture, up to final consumption with credit of taxes paid at previous stages available as setoff. In a nutshell, only value addition will be taxed and burden of tax is to be borne by the final consumer.

GST Tax Rates on some common items

Tax Rates	Products
0.25%	Cut and semi-polished stones are included under this tax slab.
5%	Household necessities such as edible oil, sugar, spices, tea, and coffee (except instant) are included. Coal, Mishit/Mithai (Indian Sweets) and Life-saving drugs are also covered under this GST slab.
12%	This includes computers and processed food
18%	Hair oil, toothpaste and soaps, capital goods and industrial intermediaries are covered in this slab.
28%	Luxury items such as small cars, consumer durables like AC and Refrigerators, premium cars, cigarettes and aerated drinks, High-end motorcycles are included here.

Supplies that have a declared rate of 0% **GST**. Example: Salt, grains, jaggery etc. Supplies are **taxable** but do not attract **GST** and for which ITC cannot be claimed. Example: Fresh milk, Fresh fruits, Curd, Bread etc.

Cascading Effect:

When buying something we often pay Tax on Tax.

Example of Manufacturing shirt: Tax is levied at every stage in the process from Manufacturing ----- Distribution-----Sales the below is the numerical example for Cascading effect.

DESCRIPTION	ACTION	COST	TAX @10%	TOTAL	TAX CHARGED
Manufacture	Buys raw material	100	10	110	VAT
Manufacture	Manufactures @40	150	15	165	EXCISE
Wholesaler	Adds value @30	195	19.5	214.5	VAT
Retailer	Adds value @20	234.5	23.45	257.95	CST
	Total	190	67.95	257.95	

In the manufacturing stage, Tax of 15 is paid, this 15 is on a cost of 150, now this 150 includes 10 Tax of the earlier stage this is what meant by Tax on Tax



TAX PAID ON TAX! This is because input credit cannot be claimed on any of the stage (VAT is a State Tax and Excise & CST is Central Tax) State and Central Tax cannot be Claimed against each other

Literature Reviews:

1. **Anand Nayyar & Inderpal Singh [2017]:**-in the paper highlighted the background of the taxation system, the GST concept along with significant working, comparison of Indian GST taxation system rates with other world economies, and also presented in-depth coverage regarding advantages to various sectors of the Indian.
2. **Basavanagouda Nayaka, V. P. Panduranga:-** To cope up with the emerging challenges of globalization and digitalization, the taxation policy needs to adapt to reduce the burden on taxpayers and increase the tax base. India has undergone many tax reforms since independence to make the taxation system comprehensive, unique, transparent, simple and broad based.
3. **Dr. Manisha Shinde [2019]:** -He stated that tax structure is planned and implemented in such a way that it leads to the development of country. A Taxation Structure which facilitates easy of doing business and having no chance for tax evasion brings prosperity to a country's economy.
4. **Madesh H.R and Kavya:** -opined in their paper that implementation of GST lead to many tax reforms, which in turn led to a better and strong taxation system.
5. **Mr.Ganesh:-**He voiced that GST influences the taxation system to introduce uniform tax or a single tax to be paid for supply of goods and services. At present 160 plus countries introduced and followed with compliance of law to make a remarkable economic growth.
6. **Shashanka. B. K [2018];** - in her study, She, expressed that Goods and Services Tax (GST), executed on July1, 2017, is viewed as a noteworthy taxation change till date actualized in India since autonomy in 1947 and she mentioned that objective behind the GST was to reform the current taxation system.

Statement Of Problem

Previous VAT system has been successfully implemented and got good result in return but at the same time it is not free from the deficiency, so to overcome those drawbacks GST has been implemented. GST is new concept; it is a Tax imposed on the Goods and Services. So, this issue has been concentrated in the study

Objectives of The Study

- To study an overview of VAT and GST.
- To understand the concepts and framework of Indian goods and service Tax
- To obtain a comprehensive overview of dealers' acceptance of GST.
- To find impact of implementation of GST over VAT.

Scope of the Study

The present study is covered only the acceptance level of dealers of Bellary District towards the implementation of GST. Tax is an important source of revenue for the government. Where the services tax parts the major portion in the overall revenue. This study helps to assess the effectiveness of VAT and why GST is implemented over it. This study is carried out on the basis of primary data, secondary data and for a short period.

Methodology:

The present research work is based on both primary as well as secondary data's



The presented data was framed, using response of 25 people collected mainly from dealers, professional & others. And interpreted the collected data and shown in pie chart as accordingly.

- **Primary Data:** Collected through Questionnaire method.
- **Secondary Data:** Collected through books, newspapers and magazines, articles and websites.

Limitations of Study:

- This study is Limited to Bellary city.
- The study concentrated only on dealer’s acceptance towards the implementation of GST
- There may be Personal bias of the respondents in giving detailed information.

Hypotheses:

H0: - The TAX procedure of GST has not affected on taxability of dealers

H1: - The TAX procedure of GST has positively affected on taxability of dealers

DATA ANALYSIS AND INTERPRETATION

Sl.No	Factors	Likert 5-Point Scale				Total Respondents
		Strongly Agree	Agree	Neutral	Disagree	
01	Do You agree that The Implementation of GST is good for Economic development.	(6) [24%]	(11) [44%]	(07) [28%]	(1) [4%]	25 [100%]
02	The 'Indirect Tax' That Was Paid Maximum in India Before GST.	CST (0)	VAT (10) [40%]	Service Tax (09) [36%]	Excise Duty (06) [24%]	25 [100%]
03	Satisfaction Level towards the Present GST System.	Highly satisfied (02) [08%]	Satisfied (15) [60%]	Average (07) [28%]	Dis-satisfied (01) [04%]	25 [100%]
04	Satisfied With Present Mode of Payment.	Highly satisfied (04) [16%]	Satisfied (15) [60%]	Average (06) [24%]	Dis-satisfied (00)	25 [100%]
05	Which Tax System Eliminates Cascading (Double Tax) Effect.	GST (15) [60%]	VAT (10) [40%]			25 [100%]
06	Which Tax System Reduce the Price Of The Product”.	GST (22) [88%]	VAT (03) [12%]			25 [100%]
07	Which Tax system is Better	GST (18) [72%]	VAT (07) [18%]			25 [100%]
08	Superiority Of GST Over VAT	Yes (23) [92%]	No (2) [8%]			25 [100%]



09	Tax system that has lack of uniformity in Provisions and Tax rate	GST (15) [60%]	VAT (10) [40%]			25 [100%]
10	Do You Think GST Slab Rates Are Reasonable	Strongly Agree (01) [4%]	Agree (14) [56%]	Neutral (07) [28%]	Disagree (03) [12%]	25 [100%]

FINDINGS:

After the analysis and interpretation of the data these are following findings:

- Out of 25 respondents 90% of the respondents are belongs to 20-30 age group.
- By the field survey it came to know that 63% of the respondents are belongs to male category.
- Majority of the respondents are having higher educational qualification
- Among the 25 respondents 47% members are Professors (AUDITORS) & 47% are CA finalist & 6% are Dealers.
- By the field survey the researcher came to know that i.e.,80% of the respondents are satisfied with the present VAT system.
- 80% of the respondents give positive opinion about the implementation of GST
- 83% the respondents have opinioned implementation of GST reduces the double taxation, and it also reduces the price of the goods.
- 94% of the respondents opinioned that GST is beneficial than VAT.
- 50% of the respondents said that among indirect tax VAT was the tax which was paid earlier GST
- 80% of respondents are satisfied with present mode of payment
- 64% of the respondents are agreed that the present slab rates are good

Outcome of the study

- Most of respondents are given positive response about implementation of GST
- because it reduces double taxation.
- Many of the respondents are agreed that VAT was paid maximum by the dealers before implementation of GST.
- Most of the respondents felt Satisfaction because of the easy taxation procedure.
- As the payment options are becoming more and more for the taxpayers many agreed to the evolution of Payment type and speedy response from the portal
- Respondents agreed that GST Eliminates Cascading Effect of Taxation.
- More than 50% of the respondents agreed that GST System Reduces the Price of the product.
- Respondents agreed on the majority basis that GST taxation is better than the previous one.
- GST is superior than the other tax systems Majorly used because of the Ease of taxation and less procedural aspects
- More than 50% of the respondents opined that GST still needs improvement on provisions and uniform tax rates.
- Up to 56% of the respondents said that GST rates are fair and reasonable.

Suggestions:

- Rates should be rationalized and reduced to make India competitive and in interest of compliance and economic growth.
- The highest rate should be kept at 18% and there should be only few items that fall in 28% slab. Daily use items such as soaps, cremes, movie tickets, electrical goods should not be taxed at 28%.



- Some goods & services like electricity, real estate, and petroleum are out of GST structure. As they are out of GST bracket, the input tax credit benefits cannot be utilized by the segments involved in the process and so it is a loss for them.
- In addition, these sectors are out of the indirect tax system at the mercy of state government. Some sectors such as oil and gas are demanding to be included in the GST.
- Even experts suggest that the right way to implement GST is to put all the sectors under the bracket of GST.
- Software Update might be a way to make the transition of GST Easy and simpler.

Conclusion:

This study on overall basis concludes that the implementation of GST is satisfactory and benefits for tax payer. This study has helped to gain an insight about VAT and GST. Though the study was done for a short period, the learning outcome was very good. This comparative study helped me to know the merits and demerits of both indirect tax system i.e., VAT & Gatchis study helped to determine the differences and the effectiveness of the implementations between VAT and GST.

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