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Comparison And Analysis of VAT And GST

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Abstract: Goods and Service Tax is universally 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 2000and was amended in the year 2015. Tax is quoted as "ONETAXONE NATION" as this tax includes all the levels of taxes. It is the biggest 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 concept and reduce the burden on an individual. This tax is also benefiting the economy and helping in its growth. This paper highlights the past and present impacts of the Goods and Service Tax.

Keywords: Goods and Service Tax, implementation.

I. INTRODUCTION

The important objective of Tax policy in India was to improve the tax to GDP ratio. Therefore VAT has earned the reputation of being a dependable revenue raising instrument. It can easily access the incremental income generated by the expanding economic activities without altering the rates or base in every budget. There have been serious apprehensions about the inflationary impact of VAT. The price effect of VAT depends mainly on the elasticity of demand and supply of the taxable products and conditions in the factor markets. Therefore it suggests that, if VAT substituted an existing tax with no additional revenue objective in the short run, it would not have any inflationary impact. Moreover sometimes, a reverse effect takes place due to input tax relief, which was not available during sales tax policy. The distributional impact of tax burden across various income groups of the organization and commodity wise the tax is imposed. Therefore, it is suggested that to reduce the regressive impact of commodity taxes, VAT rate has to be less than that of the substituted taxes. In comparison to conventional indirect taxes, Vat can be more equitable by exempting articles of essential consumption. Moreover it is also suggested that the tax policy should adjusted to the requirements of the country having regard to the existing patterns of distribution of income.

II. VAT

Value Added Tax is an indirect form of taxation levied on goods and services when they add value to the supply chain. The Indian Government had introduced this taxation system on the First of April in the year 2005. Every commodity passes through various stages of production and distribution till it finally reaches the consumer. And a value addition is made to that commodity at each stage of production. So the VAT is added to that commodity for each of those stages. It is a consumption-based tax that is ultimately borne by the consumer of that product or service. Unlike the Goods and Service Tax (GST), the VAT is not uniform throughout the country, and it varies on a state to state basis. Each state also had different legislations on this tax which the businesses must adhere to at all costs.

VAT applies to the following transactions:

- The sale of goods within the state, which for this purpose includes the transfer of a right to use goods (a lease)
- The transfer of goods during the execution of works contracts involving the supply of materials and services
- The purchase of goods from non-registered vendors in specified situations
- The delivery of goods with respect to hire-purchase or any system of payment by instalments
- The supply of food or any other article for human consumption or any drink as part of a service or in any other manner

III. GST

GST is known as the Goods and Services Tax. It is an indirect tax which has replaced many indirect taxes in India such as the excise duty, VAT, services tax, etc. The Goods and Service Tax Act was passed in the Parliament on 29th March 2017 and came into effect on 1st July 2017. In other words, Goods is levied on the supply of goods and services. Goods and Services Tax Law in India is a comprehensive, multi-stage, destination-based tax that is levied on every value addition. GST is a single domestic indirect tax law for the entire country.

Benefits of GST:

- GST provide comprehensive and wider coverage of input credit setoff, you can use service tax credit for the payment of tax on sale of goods etc.
- CST will be removed and need not pay. At present there is no input tax credit available for CST.
- Many indirect taxes in state and central level subsumed by GST, You need to pay a single GST instead of all.
- Uniformity of tax rates across the states
- Ensure better compliance due to aggregate tax rate reduces.

IV. SERVICE TAX

Service tax is applicable on the supply of services provided in a taxable territory. A service is defined as any activity carried out by a person for another for a consideration. The following have been excluded from the definition of service:

- An activity that constitutes merely:
  - The transfer of title in goods or immovable property
  - Transactions, such as a transfer of the right to use goods, deemed to be a sale under the Indian Constitution
  - A transaction in money or actionable claim
- A service by an employee to the employer in the course of employment
- Fees applicable taken by legal courts or tribunals Service tax law sets out a negative list of activities that are not subject to service tax. In addition, notifications provide for service tax exemption for specified activities. Law also declares certain activities to be services.

V. OTHER INDIRECT TAXES

In addition to VAT, CST and the service tax, an excise duty (CENVAT) is levied in the form of a value-added tax on the manufacture of goods in India. The general rate of excise duty is 12.5%.Tax invoices and credit notes. For VAT, a registered person must issue a tax invoice for all taxable sales made within a state. A small business that pays tax under the composition scheme is generally not allowed to issue tax invoices because it is not allowed to collect tax from the customer. A tax invoice is generally necessary to support claims for input tax credits. Contents of the tax invoice are prescribed under the state VAT laws. An adjustment note (or credit or debit note) may be issued to reduce or increase the amount of VAT payable on a supply (for example, an agreed adjustment is made to the price as a result of an error, or goods sold are returned). The state laws generally prescribe the contents of adjustment notes. Some states provide for a time limit (typically six months) for the reduction of VAT payable on account of return of goods sold. For service tax, an invoice or a bill must be issued with respect to taxable services within 30 days (45 days in cases where the ser- vice provider is a banking company or a financial institution) after the provision of taxable services. The invoice or bill must contain the details prescribed under the service tax law.

VI. DISCUSSION HYPOTHESIS

1. Profitability of manufacturing industry is more in VAT scenario than sales tax.
2. The tax revenue of the Govt. has increased due to implementation of VAT.
3. VAT has lesser cascading effect on firm as compared to sales tax structure.
4. Tax structure under GST will be more simple as compared to VAT and Sales Tax.

The objective of the study of this topic is to find out the impact of Sales tax, Value Added Tax and Goods and Service tax on the Profitability of the Organizations and to determine which tax system is beneficial to the Industries, Consumers and also to find out the effect of Sales tax, Value Added Tax and Goods and service tax on the Price of the product. This study also results in finding the most beneficial system of tax structure which is suitable means less complicated from the view point of Government and Industries.

Table1: Industry Wise and Turnover Wise Classification of Industries

Turnover (Rs. In Crores)	A)Capital Industries	B)Consumer Industries	C)Infrastructure Industries	D)Chemical Industries	E)Pharma Industries	Total
1-200	11	10	04	16	13	**54**
201-1000	07	09	02	03	10	**31**
1000 and Above	00	05	04	04	02	**15**
Total	**18**	**24**	**10**	**23**	**25**	**100**

This study will be useful to traders, Manufacturers to analyze its tax burden, at the same time government will also understand how to generate the revenue through indirect taxes in the Country. The analytical framework of taxes on international borrowing could be used to examine the effects of a removal of impediments on capital movements in the country. Sales taxes in India has taken place in varying circumstances in the different states, the existing structure is thus heterogeneous and multifarious. Various forms include single-point tax, double-point tax and multi-point tax. However, there is a pronounced movement towards a single-point tax and a predominant reliance on the first-point tax. Also there exist additional sales tax and surcharge on the sales tax. The effective rate has thus gone up considerably and varies from one state to another.

VII. CONCLUSION

Indirect tax reforms have been as integral part of the liberalization process since new economic reforms. A progressive and welfare oriented nation like India tries to keep a balance between direct and indirect taxes. In this chapter we have made an attempt to understand the concepts and methodological approach required to analyse the impact of Sales tax, VAT and GST on the Profitability of the organization as well as the revenue growth of the Govt. at State and National level.

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